



 Planting Seeds of Growth
We are AEON

Annual Report 2022

For the year ended February 28, 2022

Tackling Transformation

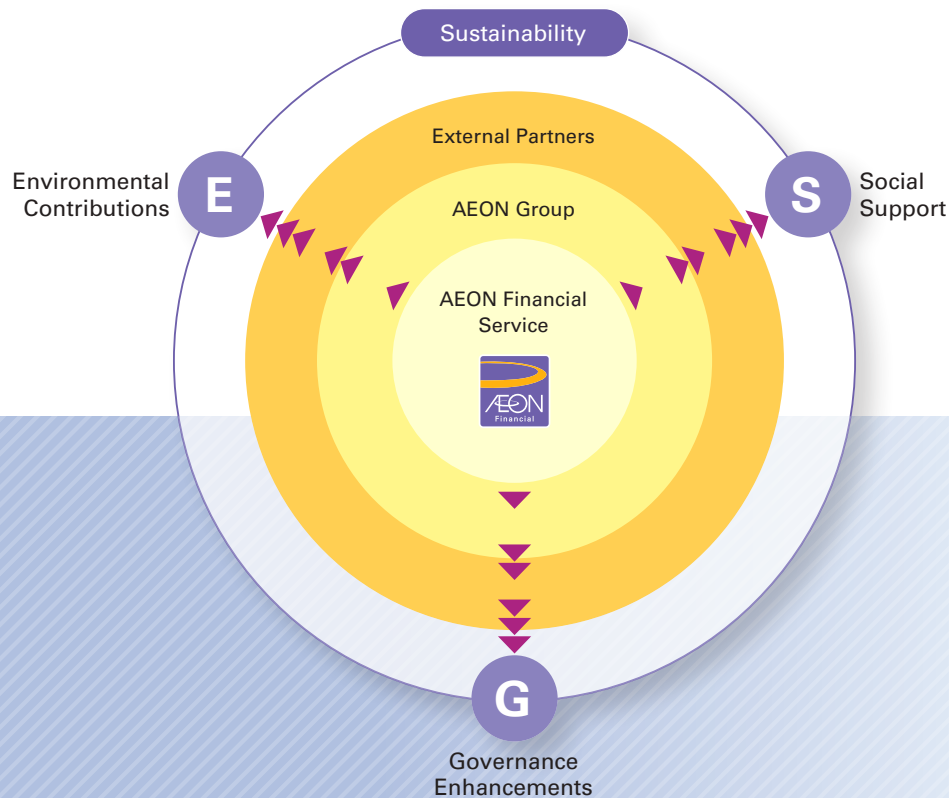


AEON Financial Service

Future Viewpoints

We Want to Tackle That Transformation

In the 40 years since AEON Financial Service was founded, we have been achieving growth by providing new value to our customers while responding to changes in the times and the circumstances in which we operate. Amid significant changes in the business environment—intensifying competition that transcends industry boundaries and the rapid changes brought about by digital technology—we will once again tackle a major transformation.



Business Model Transformation

From now on, we intend to anticipate and approach customer needs more through a complex business model created in partnership with the AEON Group and our business partners.

We will transform our business model based on the three pillars of DX (digital transformation), Health & Wellness, and ESG.

Enhancing Sustainability

One form of value that we are able to provide toward the resolving of social issues is the leveraging of customer trust through financial services. Proposing and providing products and services to help our customers lead richer lives, we will promote sustainability management that balances the resolution of a range of social issues with the sustainable growth of our company.

Management Message

We aim to achieve a “second founding” of AEON Financial Service by accelerating the pace of digitalization and innovation, while maintaining our focus on contribution to communities.

Adapting to a Changing Business Environment

AEON Financial Service was established in 1981 as a comprehensive financial services provider within the AEON Group. Its founding mission to enhance the convenience of shopping for consumers has continued to define the company’s activities following its expansion into Southeast Asia, starting with Hong Kong in 1987. Through our financial services, we help consumers to leverage their future potential and credit status to optimize their lifestyles. By actively pursuing new challenges that lead to accelerated growth, we have contributed to the improvement of living standards for consumers in each country and region.

Our business environment has changed dramatically in recent years. The nature of competition in the external environment has been transformed by new products and services brought into the financial sector by companies from other industries. There has also been a significant increase in online shopping transactions during the COVID-19 pandemic, which limited people’s opportunities to engage in activities outside of the home. Other changes include the growth of cashless transactions, and the increased use of online financial services. Obviously, this transformation is being further accelerated by advances in digital technology.

Our management priorities are also changing in step with shifts in the external environment, and our most important and urgent task now is to restructure our schemes, systems, and resources to reflect current needs. The impact of these changes has been especially significant in the area of human resources, and we have prioritized the recruitment and training of IT personnel to support our digital transformation (DX) initiatives. Another key focus is the development of people who can create new financial services and businesses based on perspectives that transcend traditional areas, such as banking and insurance, so that we can compete with fresh new ideas created by emerging companies.

Review of Year One of the Medium-Term Management Plan

Our core theme for the current medium-term

management plan, which covers the period from fiscal 2021 to fiscal 2025, is value chain transformation and new network creation. We are implementing a range of reforms with the aim of achieving growth for the Group.

In the year ended February 2022, which was the first year of the plan, we pursued three main initiatives. The first was the development of an AEON Living Zone encompassing the entire AEON Group. We are working to create a seamless payment network for products and services offered by AEON Group companies, and to drive the transition to cashless lifestyles by providing convenient payment methods designed to maximize the resources of the AEON Group.

The second initiative was the restructuring of our points system. Points systems have become an integral part of consumer lifestyles. However, individual AEON Group companies were each issuing and administering points separately, and we saw the integration of these systems as essential for the future development of the AEON Living Zone. In September 2021, we converted AEON Card Points to WAON POINT and began work on the restructuring and integration of points systems administered by individual AEON Group companies. As of February 2022, there were 30 million AEON Card holders, 90 million WAON e-money cards, and 30 million WAON POINT cards with cash payment functions. By leveraging this user base, we aim to extend the WAON POINT system by developing partnerships with companies beyond the AEON Group.

The third initiative was the addition of AEON Pay functions to our smartphone app. In September 2021, we added the AEON Pay barcode payment capability to the iAEON integrated AEON app. This means that users now have a simple way to make payments linked to registered credit cards or debit cards via their smartphones. In October 2022, a similar capability was added to the AEON Wallet, the official app for the AEON Card, enabling even more customers to use this convenient function. We are now developing a platform by progressively expanding the number of affiliated merchants, both within and outside of the AEON Group.

Digital financial inclusion has become an important issue in many overseas countries. I was previously president of our subsidiary in Thailand, and I returned



Kenji Fujita

President and CEO

to Japan in 2020 shortly after the start of the COVID-19 pandemic to take up my new appointment as president of AEON Financial Service. Through my experience of frontline crisis management, I realized that other countries have an even more urgent need for restructuring through digitalization than Japan. In Asia, lockdowns and other restrictions were imposed more tightly than in Japan, with the result that people rapidly became accustomed to accessing various services via mobile devices. We have long been working to improve financial inclusion by making financial services accessible to a wider range of customers. Today we are taking that commitment a step further by working to promote digital financial inclusion.

Among the achievements to emerge from our digital financial inclusion initiatives was the approval of our first application for a digital banking license in Malaysia in April 2022. We plan to use our new digital banking business to provide a full range of financial services, including credit, loans, deposits, remittances, investment, and asset management, to a wide spectrum of customers, ranging from people who have never used banks before to high-net-worth individuals, and from young people to the elderly. We aim to launch this business in fiscal 2023.

Our subsidiary in Thailand has invested in Rabbit Cash, which in May 2022 obtained a license to provide nano finance services to small and medium enterprises and self-employed people. We are also using a digital platform for this business, which is a practical example of the progress that we are making toward digital financial inclusion.

Challenges along the Path to Our “Second Founding”

We launched our current medium-term management plan amidst major changes in the business environment, including escalating competition across industry boundaries, and rapid advances in digital technology. We are determined to implement decisive reforms under this plan, which we see as the path to our “second founding.” We believe that we will need to overcome three key challenges in order to achieve our goal—further acceleration of digitalization, the redevelopment of our financial infrastructure, and the capture of overseas markets.

Our first challenge—further acceleration of digitalization—will require changes to our business models. Traditionally, we have excelled in the provision of fine-tuned services on a face-to-face basis, primarily through bricks-and-mortar outlets. However, more and more customers are opting for online financial services, in part because of restrictions on activities outside of the home due to the COVID-19 pandemic.

Management Message

In addition, the use of digital technology has brought various benefits, including enhanced services and efficiency improvements. We will need to modify our business models to reflect these changes.

AEON Financial Service has a significant advantage compared with our competitors thanks to the real-world channels maintained by the AEON Group throughout Japan. By adopting a more market-focused approach, including the introduction of new services reflecting our increased commitment to the “online merges with offline” (OMO) strategy, and the identification of the types of products and services sought by customers, we aim to move closer to our customers through composite business models created by the AEON Group and its business partners.

Our second challenge—the redevelopment of our financial infrastructure—relates to the characteristics of the AEON Group, which is engaged in business areas ranging from retailing and specialty stores to shopping malls. We need to rebuild our financial infrastructure so that we can make more effective use of the various resources offered by AEON Group companies. The creation of the AEON Living Zone will also be an important priority in this context. We took the first steps in this direction in fiscal 2021 with the creation of WAON POINT as a common points system for the AEON Group, and the introduction of the AEON Pay code payment system. We are currently thinking about our next steps.

In the first half of fiscal 2023, we announced the absorption of our consolidated subsidiary, AEON Credit Service. This restructuring will speed up decision-making and allow us to utilize management resources strategically across the entire Group, leading to further acceleration of various initiatives, such as the expansion of our payment network.

Our third challenge is to fuel our growth by capturing a substantial share of overseas markets. Despite the growth of the Asian economies, many people still lack adequate access to financial services. We will work to improve digital financial inclusion by developing and offering easy-to-use financial services that match local needs in each country and region. We believe that this approach will allow us to contribute to local communities while achieving growth. Compared with Japan, the environment in these overseas markets is more conducive to the introduction of digital services. Businesses tend to be smaller, and financial sector regulation is less stringent. For example, there is often no demarcation between banking and non-bank services. Another reason for the growing importance of our overseas business is the opportunity to accumulate digitalization success stories that we can use when introducing the knowledge gained through these activities into Japan.



Business Model Transformation

Among our new initiatives toward our “second founding” is the integration of customer data from all AEON Group companies as part of the digitalization process.

By combining retail and financial data, we can ascertain each customer’s lifestyle and life stage in greater detail, allowing us to offer the right financial products and services at the right times. In this context, I believe that we will be able to capitalize on the competitive advantage created by the AEON Group’s involvement in a wide spectrum of consumer-facing businesses. From the customer’s perspective, data integration eliminates the inconvenience of having separate IDs for each business. In the past, customers had to use separate IDs for different supermarkets, drug stores, and shopping malls, even though they were all part of the same AEON Group. Customers also had to struggle with complex procedures concerning points and other aspects. As noted earlier, we have already mitigated these problems through the introduction of the WAON POINT and iAEON systems. By enabling customers to use a single ID across the entire AEON Living Zone, we will be able to offer new products and services that further enhance customer convenience and satisfaction.

We have identified three pillars for the future transformation of our business models: digital transformation (DX), health and wellness, and ESG.

DX is not simply the introduction of digital technology. It also encompasses business creation and business process innovation. We are already achieving significant improvements in customer service, cost structure changes, and efficiency improvements through business process reforms

based on the use of AI. Specifically, we have improved the speed and accuracy of loan screening procedures by introducing AI technology. We are also using AI to remind customers about late payments. This system facilitates repayment while maintaining customer trust by classifying customers into categories based on their attributes, so that we can contact them using the most appropriate method, including not only traditional telephone calls, but also e-mails or text messages.

The AEON Financial Service Group has a strong commitment to health and welfare, and we already help our customers to maintain good health and enjoy peace of mind through our involvement in the insurance business. Traditionally our insurance activities focused mainly on the reduction of uncertainty. However, we have responded to a continuing rise in health-awareness by launching “Genki Passport” health insurance, which is designed to promote health by using lower insurance premiums and AEON Group benefits to encourage disease prevention and health improvement activities. We are also expanding our insurance services in overseas countries in response to expanding health-related demand.

Environmental, social, and corporate governance (ESG) factors have become an essential aspect of business activities. There are many ways in which AEON Financial Service can contribute to the environment and society. For example, we can help our customers to reduce their environmental footprints by providing loans for housing or vehicles. We also make a significant environmental contribution by leasing energy-saving equipment used by around 300 AEON Group companies at a substantial number of business sites. In addition, we are helping to find solutions to social issues by prioritizing financial inclusion in the provision of financial services in overseas markets. We have also made financial inclusion a priority in Japan, albeit from a slightly different perspective. People today see investment as more attractive than saving, but many find traditional financial institutions and securities companies intimidating. We aim to use the unique capabilities of AEON Financial Service to create financial services for people in this situation.

I believe that AEON Financial Service has always shown greater originality than other financial institutions. However, the attribute that most distinguishes us from other financial institutions is our extremely strong ties with local communities. I see this is a unique characteristic of the entire AEON Group, which places a high value on communities in its business operations in Japan and overseas. We will continue to cherish our links to local communities even if our “second founding” results in changes to our business models.

Building a Better Future through Sustainability Management

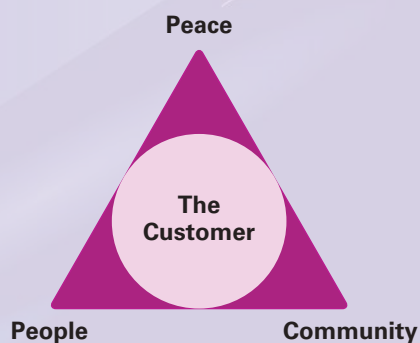
In November 2021, we adopted the AFS Sustainability Policy. At the same time, we identified material issues that we aim to solve through our business activities. The AEON Financial Service Group has always sought to achieve business growth by ensuring that our activities are sustainable at the regional level and contribute to regional growth. Our ideal is to establish cyclical business models. My own commitment to sustainability was strengthened during my time as president of our subsidiary in Malaysia, where there is wide acceptance of sustainability approaches that have become the norm in British business management. Diversity is expected, and in our company, people were able to participate actively at all levels, including senior executive positions, regardless of gender or ethnicity. Our Board of Directors consisted of four internal and six outside directors. Our board deliberations were energized by the presence of members with diverse mindsets, and we were able to make timely decisions about diversification into new business areas, such as digital banking. I felt that this culture also helped to raise employee motivation.

A company's existence is justified by the types of value that it can provide to its customers and communities. That value can be economic or social. I believe that the creation of credit forms an important part of the economic value that we provide. Credit creation means the leveraging of customer credit to provide optimal financial products and services that will expand each customer's future potential. This is a role that only the financial sector can play. Contribution to regional development in close partnership with local communities has always been a key part of the social value that AEON Financial Service has sought to provide. Perhaps the ideal form for that contribution is the creation of social infrastructure.

We are currently planning and implementing a variety of measures toward our “second founding.” AEON Financial Service has achieved growth by reading changes in the business environment and quickly providing financial products and services to meet new needs and social priorities. I believe that this continuing determination to contribute to local communities through the pursuit of innovation defines the unique importance of our role as a comprehensive financial services provider within the AEON Group. We aim to achieve continuing improvement in our corporate value by using our business activities to create solutions to the social issues that affect our customers.

We look forward to the continuing support of our customers and partners.

AEON Basic Principles



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

The word AEON 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.

- "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.

Management Philosophy

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

Basic Policies

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

Editorial Policy

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

Scope of Report

Organization: AEON Financial Service Co., Ltd. and its consolidated subsidiaries
Period: Fiscal 2021 (March 1, 2021 – February 28, 2022)
(Some information is more recent)

Guidelines Referenced

International Integrated Reporting Framework, International Integrated Reporting Council (IIRC) (December 2013)

Forward-Looking Notes

Note to Reader: In this report AEON Financial Service is also referred to as "AFS."

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

The performance, etc. to be performed may fluctuate due to these various factors.

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Website Guidance

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

Corporate Information

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



Shareholder and Investor Information

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



Sustainability Information

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



Changes in Value Creation

40 years

Tackling Transformation Since 1980

In 1980, our predecessor, Nihon Credit Service Co., Ltd., was established as a company that issued proprietary JUSCO credit cards to customers of JUSCO Co., Ltd. (currently AEON Co., Ltd.). Since then, we have made use of the AEON Group's sales network to expand business as a comprehensive financial group that focuses on credit cards to provide banking, insurance, and other financial services. We will continue to grow while providing new value to customers and keeping our eyes trained on the changing times and operating environment.



1980

Began issuing the JUSCO Card



1981

Established Nihon Credit Service Co., Ltd.

1987

Opened Hong Kong branch, beginning overseas operations in Asia

1990

Established Nihon Credit Service (Asia) Co., Ltd. (currently AEON Credit Service (Asia) Co., Ltd.) in Hong Kong

1992

Established Siam NCS Co., Ltd. (currently, AEON THANA SINSAP (THAILAND) PCL.) in Thailand

1995

Shares of AEON Credit Service (Asia) Co., Ltd. listed on the Hong Kong Stock Exchange

1996

Shares listed on the Second Section of the Tokyo Stock Exchange

1996

Established ACS Credit Service (M) Sdn. Bhd. (currently AEON CREDIT SERVICE (M) BERHAD) in Malaysia

2000

Began issuing the AEON Card



2001

Shares of AEON Thana Sinsap (Thailand) Pcl. listed on the Stock Exchange of Thailand

2003

Began issuing the AEON Gold Card, the industry's first credit card with no annual fee



Overseas Operations

1987



Hong Kong

1992



Thailand

1996



Malaysia

External Environment

1980s

- ▶ Bubble economy and consumption expansion
- ▶ Accelerated proliferation of credit cards

1990s

- ▶ Economic recession and contraction of domestic market
- ▶ Asian currency crisis

First Founding

Card Shopping Business Launch

"From just spending money before, I now want to spend it conveniently and advantageously." At the dawn of Japan's financial service era, the first to pick up on this kind of sentiment among customers were the sales floor employees of JUSCO (currently AEON) general merchandise stores. Working together with them, we came up with ideas and implemented a series of measures, such as issuing cards that did not require signatures for purchases at food counters and combined postal savings cards as well as the giving of benefits on Customer Appreciation Days. In this way, we gradually increased transaction volume and the number of card members.

Acceleration of Overseas Business Expansion

Focusing on the economic growth of Asian countries, we quickly started to expand business overseas. We have been developing the nonbank market by providing financial services to people who find it difficult to source services from local financial institutions in their country or region. Including Japan, we are currently operating in 11 countries and are listed on the local stock exchanges in Hong Kong, Thailand, and Malaysia.

2007

Shares of AEON CREDIT SERVICE (M) BERHAD listed on the Malaysian stock exchange

2007

Began operations of AEON Bank, Ltd.



2009

Began issuing AEON Card Select, a single card that functions as a credit card, cash card, and e-money

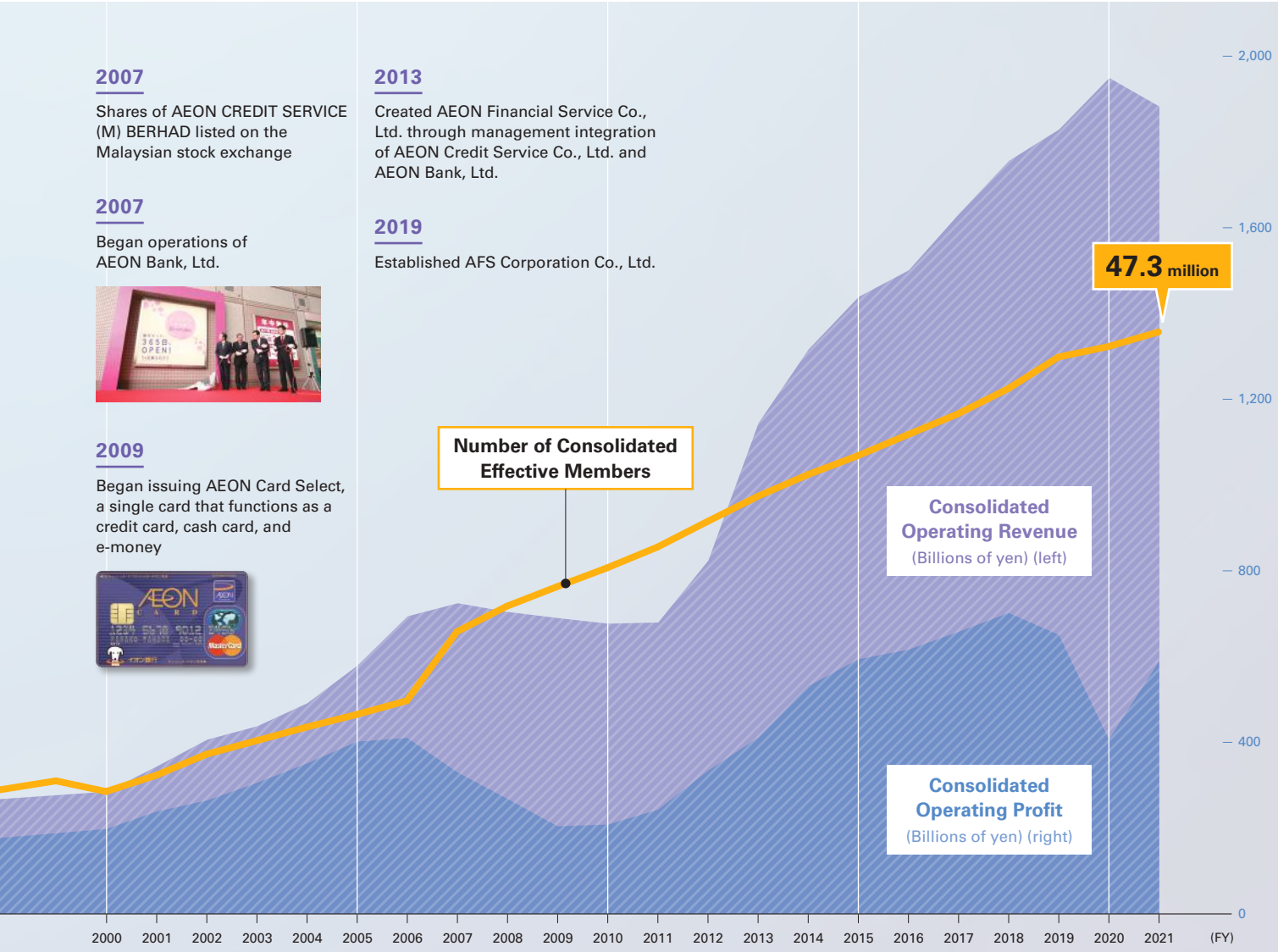


2013

Created AEON Financial Service Co., Ltd. through management integration of AEON Credit Service Co., Ltd. and AEON Bank, Ltd.

2019

Established AFS Corporation Co., Ltd.



<p>2006</p> <p>Indonesia</p>	<p>2008</p> <p>Philippines Vietnam</p>	<p>2011</p> <p>India Cambodia</p>	<p>2012</p> <p>Laos Myanmar</p>
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<p>2000s</p> <ul style="list-style-type: none"> ▶ Multiple Debt Problem and revised Money Lending Business Act ▶ Lehman Brothers bankruptcy crisis 	<p>2010s</p> <ul style="list-style-type: none"> ▶ Financial deregulation and market entrants from other industries ▶ Development of fintech 	<p>2020s</p> <ul style="list-style-type: none"> ▶ COVID-19 pandemic ▶ Lifestyle transformation
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Second Founding

Origins of AEON Financial Service

AEON Bank Co., Ltd. and AEON Credit Service Co., Ltd. merged to establish AEON Financial Service and integrated customer databases, including attribute, purchase history and asset information. AEON Financial Service used the diverse customer contact points, and product development and proposal capabilities of the two companies to establish a comprehensive financial business unique to the AEON Group that supports a wide array of secure, convenient, and fulfilling lifestyles.

Tackling Business Model Transformation

To reform the business portfolio and management system of the entire Group, we formulated a medium-term management plan covering the period from fiscal 2021 to 2025. We are aiming to build a platform that will bring about the fusion of the digital and the real in a well-balanced manner while providing services that are "safe, secure, and convenient, anytime, anywhere." We are working to maximize the corporate value of and demonstrate the synergies within the AEON Group through collaboration with AEON Group companies and external partners.

Concentrating on Needs

At all times. In all places. In all situations.

AEON Financial Service will continue to improve the quality of life for consumers by providing comprehensive services to meet every need.

SOCIAL ISSUES

External Environment and Social Issues

External Environment

- Japan's declining birthrate and aging population
- Economic growth in Asian countries
- Inflation, rising interest rates
- Diversification of consumption
- Shift toward cashless payments
- Responding to climate change
- Increasing focus on health
- COVID-19 countermeasures

Social Issues

Domestic

- Labor shortages
- Rising life expectancies
- Growing social disparity

Overseas

- Expanding inequality as wages rise in step with economic development
- Unstable employment opportunities
- Inadequate accessibility to financial services

INPUT

Capital Usage



AEON Brand Strength

Group employees —
Approx. **560,000**

Stores —
Approx. **20,000**

Operating revenue —
¥8,715.9 billion

Network

Countries served —
11

Sales offices —
636

Financial Capital

Consolidated total assets —
¥6,278.5 billion

Consolidated equity —
¥424.2 billion

Human Capital

Employees —
16,089
(Ratio of global Group employees: 67%)

Customer Base

Cardholders —
47.3 million

BUSINESS MODEL

Business Activities

An integrated financial group with roots in the retail sector



- Credit Card Business
- Installment Finance Business
- Banking Business
- Insurance Business
- Leasing Business
- Collections Business

Company Strengths and Competitive Advantage

- Access to AEON Group Networks
- Active Overseas Development
- The Fusion of Digital and Real
- Comprehensive Financial Services for Any Lifestyle

DIRECTION

Management Strategies

Our Second Founding— Value Chain Transformation and New Network Creation

Build a living area (marketplace) by connecting the services of the AEON Group and its partners with financial services such as payment and point systems

Materiality

Human Resources

Pursuing happiness through innovative financial services

Exerting diversity and the potential of our people

Establishing organizational resilience

Addressing climate change

OUTPUT

Products and Services



Expenditure

Credit cards, debit cards, WAON electronic money and AEON Pay



Investment

Investment trusts, foreign currency deposits, etc.



Saving

Deposit services



Preparation for the Future

Insurance services, etc.



Borrowing

Cash advances, various types of loans, etc.



Asset Management

AEON WALLET, bankbook app, etc.

OUTCOME

Our Value

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

Enhancing the Quality of Life for Consumers

- Responding to the diverse lifestyle needs of our consolidated customer base of 47 million cardholders
- Wide-ranging customer benefits through financial services unmatched by competitors

International Job Creation

- Approximately 47% of consolidated operating profit earned overseas
- Business operations in 11 Asian countries

Improvement of Access to Financial Services

- Provision of credit card services, installment payment services, and personal loan services in Greater China, the Mekong Basin, and the Malay area

Well Positioned

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

AEON Group

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



Operating Revenue	¥8,715.9 billion
Stores	20,000
Countries Served	14

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



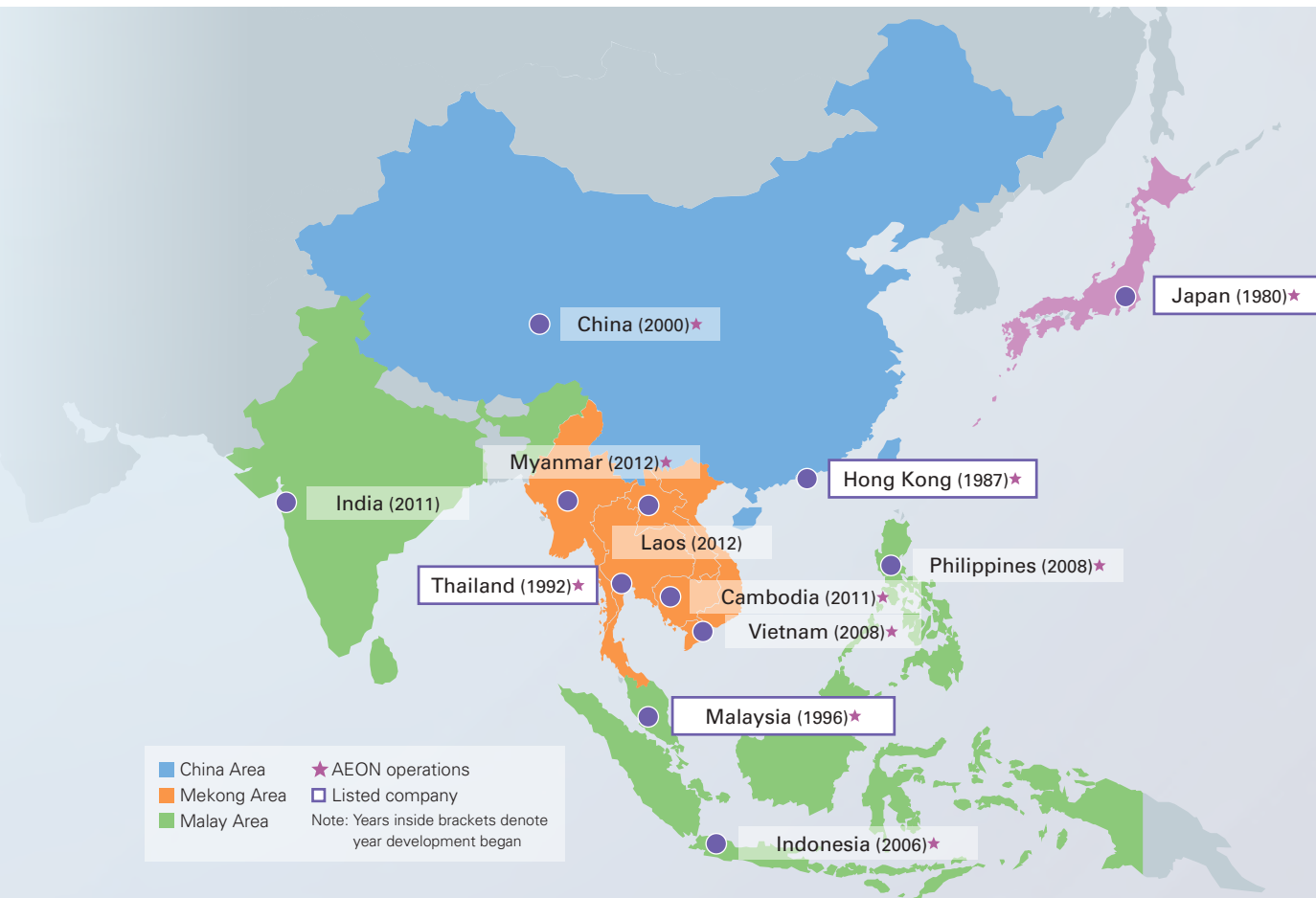
AEON Financial Service Co., Ltd.

Business Areas

- Credit Card Business
- Installment Financial Business
- Banking Business
- Insurance Business
- Leasing Business
- Collections Business

- AEON Credit Service Co., Ltd.
- AEON Insurance Service Co., Ltd.
- ACS Credit Management Co., Ltd.
- AEON S.S. Insurance CO., LTD.
- AEON Product Finance Co., Ltd.
- ACS Leasing Co., Ltd.
- AEON Allianz Life Insurance Co., Ltd.
- AEON Credit Service (Asia) Co., Ltd.
- AEON THANA SINSAP (THAILAND) PCL.
- AEON CREDIT SERVICE (M) BERHAD
- Overseas subsidiaries

- AFS Corporation Co., Ltd. (Bank holding company)
- AEON Bank, Ltd.
- AEON Housing Loan Service Co., Ltd.
- AEON CREDIT SERVICE (PHILIPPINES) INC
- AEON SPECIALIZED BANK (CAMBODIA) PLC.



STRENGTH
01

Overseas Expansion

Active, Asia-focused Overseas Development

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

Relationships of trust built up over
35 years

Countries served **11**

Contributing to resolution of local social issues
Provision of

financial services

➔ P23 Sustainability of AEON Financial Service Group

STRENGTH
02

Comprehensive Financial Services

Provision of Comprehensive Financial Services That Are Fusion of Digital and Real

We have combined the strength of our brick-and-mortar stores and ATMs located in AEON shopping centers, and other locations across Japan with the digitalization of our increasingly in-demand services in order to meet customer needs from a multi-faceted series of contact points. Our ability to closely tailor services to the life stages and diverse lifestyles of our customers and provide them with meticulous support also represents a major strength for the Company as a comprehensive financial group with its origins the retail industry. We will continue to create value unique to our company by linking a variety of products and services handled by the AEON Group with finance.

Provision of
financial services

tailored to life stages

¥9,670.0 billion

Number of cardholders

47.32 million

➔ P.03 Management Message

Second founding: Value chain transformation and new network creation

Build a living area (marketplace) by connecting the services of the AEON Group and its partners with financial services such as payment and point systems



**Infrastructure development during the transitional
phase leading to the profit expansion**

**Prioritized investment
(ID acquisition, app development, insurance)**

**Fiscal 2021–2022
(transitional initiative phase)**

FY2025 Targets

Operating Revenue ¥760 billion

Operating Profit ¥100 billion

Domestic Business 40%

Operating Profit Ratio **Global Business** 60%

Progress

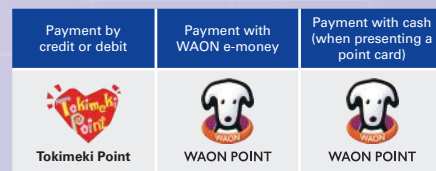
Domestic Business >> **Building the AEON Living Zone—Changes to Points Systems**

Under its growth strategy, the AEON Group aims to focus the strengths of its group companies toward the creation of an AEON Living Zone through which products, services, and lifestyle infrastructure with strong local characteristics can be provided seamlessly. As the company responsible for developing the financial infrastructure needed to link the AEON Living Zone, AEON Financial Service is accelerating its efforts to integrate lifestyle services with financial services.

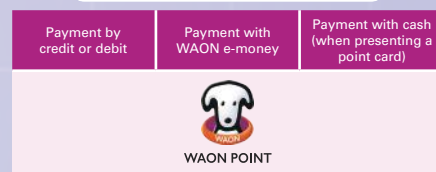
As part of this process, we replaced the Tokimeki Point system with the WAON POINT system. Points earned according to the amount spent using AEON Cards have been credited to the new system since September 11, 2021. As a result of this change, all points awarded for purchases in AEON Group stores, whether in cash or with WAON e-money, will be accumulated under a single system. In addition to enhanced convenience, clarity, and usability, the system also allows consumers to accumulate points more easily. We will implement campaigns to encourage consumers to obtain and use cards linked to the WAON POINT system, while also working to expand the AEON Living Zone through joint promotions with the AEON Group.

Point System

Before Changing Point Systems



After Changing Point Systems



Global Business

>> **Digital Financial Inclusion Initiatives**
—Acquisition of Digital Banking License in Malaysia

On April 29, 2022, our Malaysia subsidiary, AEON CREDIT SERVICE (M) BERHAD became the first Group company to obtain a digital banking license in Malaysia. We are developing our new digital banking business with the aim of realizing our priority commitment to digital financial inclusion so that customers have continual access to financial services through all life stages, regardless of changes in their incomes and financial needs. We will expand our lineup of financial products and services and provide an environment in which financial services are readily available to a wide spectrum of customers, including unbanked people who have previously had limited access.

Following the acquisition of the license, we aim to launch our digital banking business in Malaysia in fiscal 2023. We are currently making preparations to offer a variety of financial products and services, including deposits, insurance, and small loans. We will work with AEON Group companies and other partners to help an even wide range of customers to enhance their lifestyles. We will also introduce products and services that reflect customs and practices in Malaysia, which has adopted Islamic financing principles.

Fiscal 2023–2025
(profit expansion phase)

We are adapting to changes in our business environment by transitioning to a new growth phase through the transformation of our business structures.

Progress under the Medium-Term Management Plan (Fiscal 2021–2025)

Fiscal 2021 was the first year of the current medium-term management plan. Consolidated operating revenue declined by 3.4% year on year to ¥470.657 billion, while consolidated operating profit was 44.8% higher at ¥58.852 billion. The lower result for consolidated operating revenue relates to the addition of AEON Allianz Life Insurance Co., Ltd. (AALI) to the consolidation in fiscal 2020. In fiscal 2021, premium revenues from the existing policies of the former Allianz Life Insurance caused a temporary increase in operating revenue. However, some of these policies expired in fiscal 2021, and since sales of new Allianz Life Insurance policies have been halted, there was no longer a contribution to consolidated operating revenue, which declined year on year as a result. Without this transient factor, both operating revenue and operating income would have increased.

A survey of the current business environment shows that while we appear to have emerged from the worst of the COVID-19 pandemic, we still face long-term problems, such as global climate change, falling birthrates, and demographic aging. The situation has been further complicated by recent developments, including a sudden rise in uncertainty due to heightened interest rate and forex volatility, the disruption of logistics due to international conflicts, and a global inflationary trend. This uncertainty is having a major impact on the lives of consumers. I see the realization of the medium-term management plan as even more important in this context because of the need to stabilize and enhance consumer lifestyles.

We provide comprehensive financial services in Japan and other countries. Our core business areas are payments, especially credit card services, and lending, including housing loans, cardholder loans, and installment sales. In addition, we offer our customers a variety of asset investment and insurance services. To enhance the convenience and accessibility of our services, we must continually expand both the scope of our business activities and our customer and cardholder base. We took a number of steps toward the achievement of these goals in fiscal 2021, including the modification of our points systems to enhance clarity and usability. We also prioritized online recruitment of cardholders. As a result of these initiatives, the cardholder base in Japan increased to over 30 million. In fiscal 2022, the balance of operating loans is expected to emerge from the downswing caused by the COVID-19 pandemic and return to an upward trend, thanks to an increase in credit card use. There has also been growth in housing loans and sales of investment products by the AEON Bank. The value of the comprehensive financial services that we provide to our customers has increased further following the launch of whole-



Tomoyuki Mitsufuji

Director and Managing Executive Officer
Group Corporate Management

life health insurance cover by AALI in November 2021.

In overseas markets, even before the COVID-19 pandemic there was an urgent need to move away from business models requiring large numbers of employees because of wage rises driven by economic growth, and also because of the rapid trend toward digitalization. The COVID-19 pandemic was an opportunity for dramatic acceleration of our digitalization initiatives. Today, the majority of transactions, from the filing of applications to the use of services, can be carried out using smartphones. This has brought improvements in service accessibility and the speed with which services are provided. In addition, by using AI-based data analysis and external data resources to enhance our credit screening and credit management methods, we have been able to expand our turnover and operating receivables while effectively controlling late payment and non-payment risks. The total workforce for our global business peaked out at 15,000 people at the end of fiscal 2019 and has been declining sharply ever since, reaching 10,700 at the end of fiscal 2021. Despite this, we have built a structure capable of accommodating the renewed expansion of our business operations. We will continue to use digitalization to achieve further improvements in our income structure.

Business Environment Reflected in Financial Strategies

Our main sources of income are credit card payment commissions and interest from our lending business. Our ability to optimize the ways in which we procure and invest funds is a key factor in achieving a competitive advantage in this business area. We

monitor the financial demand and supply levels of 32 of our Group companies in Japan and overseas and advise them about the effective management of liquidity, interest rate, and forex risks. These companies have a strong need for funds because of a rising trend in their credit balance. We see this as an earning opportunity. We will work to minimize increases in the cost of funds due to rising interest rates by making appropriate use of diverse financing methods, including not only bank loans, but also bond issues, AEON Bank deposits, and securitization of receivables.

Enhancing Corporate Value

Our basic philosophy on profit distribution is to allocate one-third each to dividends, investment funds, and internal reserves. The aim of this approach is to ensure appropriate allocation levels of shareholder returns and investment in business expansion and efficiency improvements.

We regard shareholder returns as one of our most important management priorities, and we have maintained a dividend payout ratio of around 30–40%. In fiscal 2021, we paid a total dividend of ¥50, including a ¥4 commemorative dividend to mark the 40th anniversary of the founding of AFS, bringing the total payout ratio to 35.7%. These figures reflect the recovery of our fully diluted earnings per share (EPS) to ¥139.98. We continue to regard the improvement of profitability and EPS as our top management priority.

Our approach to investment reflects the positioning of fiscal 2021 and 2022 in the medium-term management plan as a period of preparations for a transition to a growth phase in fiscal 2023 and beyond. Our investment will focus in particular on human resources and IT. We must continually improve our competitiveness in Japan and overseas, and we therefore regard the training and enhancement of our human resources at all levels from general employees to the senior executive level as a one of most vital priorities. We aim to achieve sustainable growth

by investing in the development and recruitment of talent with a heightened awareness of diversity and governance.

We will invest a total of ¥100 billion in IT over the next two years. This investment will be used primarily to update our credit card systems, which we regard as an essential step toward the realization of the bold concept of creating an AEON ecosystem through the use of financial services to link a diverse businesses, as stated in our medium-term management plan. The AEON Group has a giant platform extending across a wide range of business areas. The AEON Group and AEON Financial Service exist to provide customers with enhanced services through the group-wide sharing of customer data. We are sure that investors will recognize the enormous growth potential inherent to this approach.

To Our Stakeholders

As the provider of comprehensive financial services in the AEON Group, AEON Financial Service regards the creation of the AEON ecosystem and contribution to the enhancement of customer lifestyles as its most important focus. For example, we have made the achievement of digital inclusion in each country a priority policy for our global business activities. No other Japanese company has made such a comprehensive commitment to financial inclusion in Asian markets. In some Asian countries, the majority of people have no bank accounts. A key benefit of our financial inclusion efforts is the fact that we are helping people in this position to improve their lives through the use of financial services. We take pride in our contribution to the provision of various financial services that are accessible to consumers in Japan and other countries. We hope that our stakeholders will recognize the potential of AEON Financial Service as a company working to enhance its corporate value by providing financial services that contribute to financial inclusion and improvement in quality of life.

Major Financial Indicators

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2025
Operating revenue* ¹	4,079	4,390	4,572	4,873	4,706	7,600* ²
Year-on-year increase/decrease	109%	108%	104%	107%	97%	—
Operating profit* ¹	657	701	650	406	588	1,000
Year-on-year increase/decrease	107%	107%	93%	62%	145%	—

*¹ Ordinary revenue and ordinary profit from fiscal 2012–fiscal 2018.

*² Consolidated operating revenue for fiscal 2025 was the planned figure before the adoption of the Accounting Standard for Revenue Recognition.

IT Systems and Digitalization Investment Results

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Period of Medium-Term Management Plan Fiscal 2021–2025
Consolidated	353	344	333	398	340	2,100
Domestic	260	280	281	343	292	—
Global	93	65	51	54	48	—

KPI

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2025
Ratio of bad debt allowance to operating revenue	Domestic	75%	75%	76%	66%	73%
	Global	53%	52%	52%	52%	50%
Ratio of personnel expenses to operating revenue	Domestic	17%	16%	16%	15%	16%
	Global	16%	16%	15%	14%	14%

*From Fiscal 2017 to Fiscal 2018, the cost ratio is as a percentage of ordinary income. Operating expenses include selling, general and administrative expenses and financial expenses.

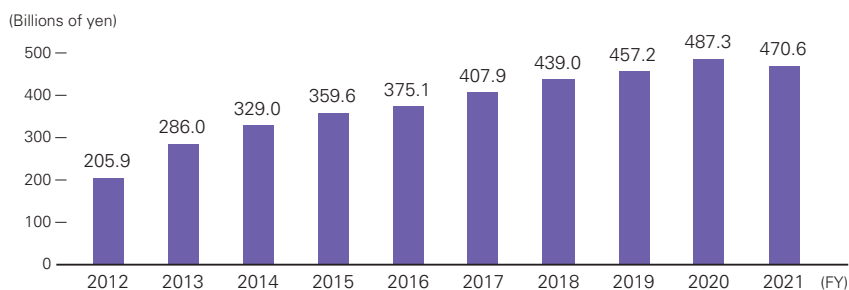
*Figures for domestic operations for fiscal 2025 are calculated using operating revenue projections made before the adoption of the Accounting Standard for Revenue Recognition.

Financial Highlights

Summary of Financial Results for Fiscal 2021

- Consolidated operating revenue was 3.4% lower year on year at ¥470.657 billion. This decline occurred despite our initiatives toward medium- to long-term growth, including the creation of the AEON Living Area based on a common points system, and the start of code payment services and direct life insurance writing in Japan, as well as the expansion of transactions in our various business areas. The main reason for the lower figure was a slow recovery in the balance of operating receivables, especially in the areas of cash advances and installment finance for individual products in Japan.
- Consolidated operating profit increased by 44.8% year on year to ¥58.852 billion. This result reflects a major reduction in bad debt related expenses thanks to the continuation of our initiatives in the previous year to enhance screening accuracy and strengthen debt collection systems, as well as our efforts to reduce selling, general and administrative expenses through digitalization.
- There was a substantial improvement in profit attributable to owners of the parent, which increased by 70.8% year on year to ¥30.212 billion.

Consolidated Operating Revenue

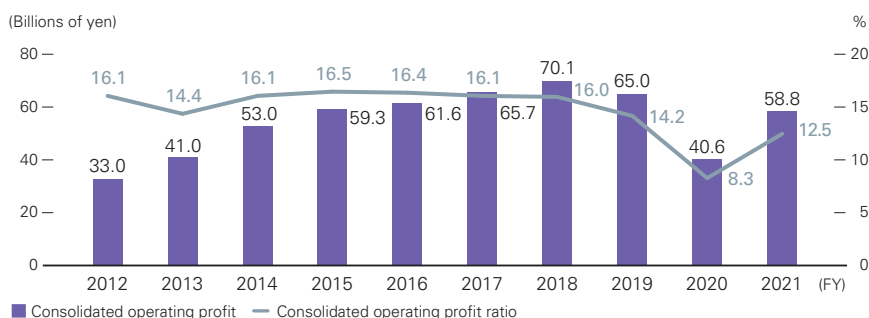


Note: Ordinary revenue is used from fiscal 2013–fiscal 2018

Consolidated Operating Revenue

Fiscal 2021 **¥470.6 billion**
YoY **-3.4%** ↓

Consolidated Operating Profit and Consolidated Operating Profit Ratio



Note: Ordinary profit is used from fiscal 2013–fiscal 2018

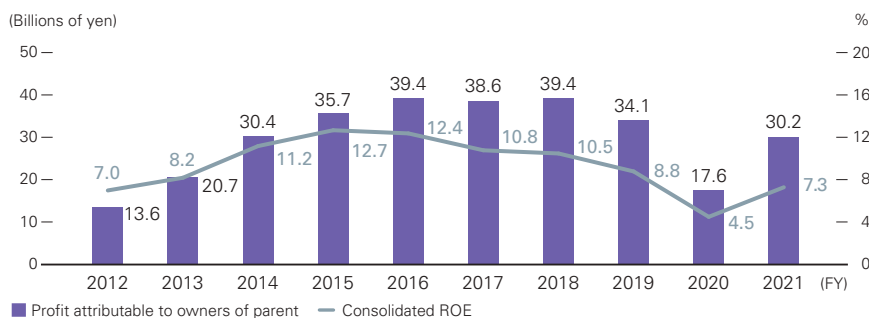
Consolidated Operating Profit

Fiscal 2021 **¥58.8 billion**
YoY **+44.8%** ↑

Consolidated Operating Margin

Fiscal 2021 **12.5%**
YoY **+4.2 pt** ↑

Profit Attributable to Owners of Parent and Consolidated ROE



Profit Attributable to Owners of Parent

Fiscal 2021 **¥30.2 billion**
YoY **+70.8%** ↑

Consolidated ROE

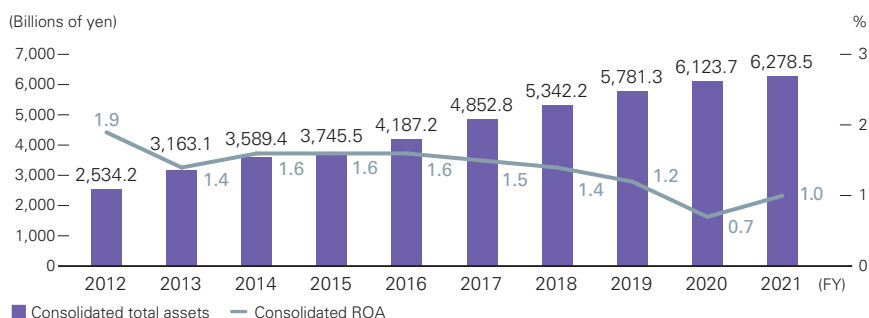
Fiscal 2021 **7.3%**
YoY **+2.8 pt** ↑

Notes: 1. The consolidated amounts from fiscal 2013 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.

2. The consolidated amounts for fiscal 2012 cover a period of 13 months and 11 days from February 21, 2012 to March 31, 2013.

3. 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.

Consolidated Total Assets and Consolidated ROA



Consolidated Total Assets

Fiscal 2021 **¥6,278.5 billion**

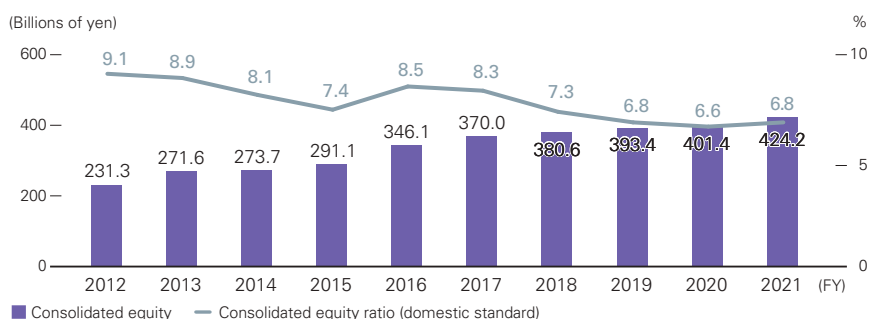
YoY **+¥154.8 billion** ↑

Consolidated ROA

Fiscal 2021 **1.0%**

YoY **+0.3 pt** ↑

Consolidated Equity and Consolidated Equity Ratio (Domestic Standard)



Consolidated Equity

Fiscal 2021 **¥424.2 billion**

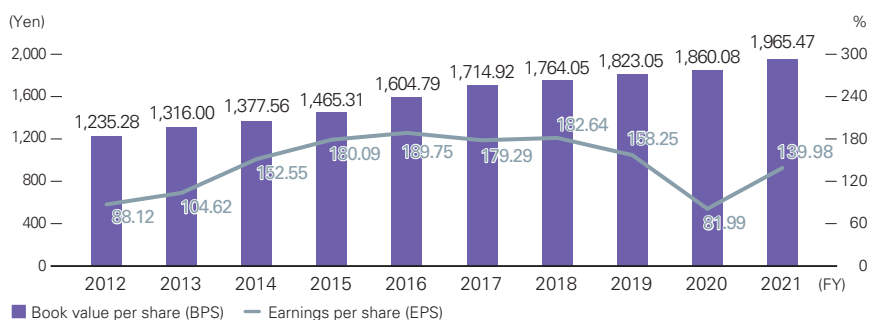
YoY **+¥22.7 billion** ↑

Consolidated Equity Ratio (Domestic Standard)

Fiscal 2021 **6.8%**

YoY **+0.2 pt** ↑

Book Value per Share (BPS) and Earnings per Share (EPS)



Book Value per Share (BPS)

Fiscal 2021 **¥1,965.47**

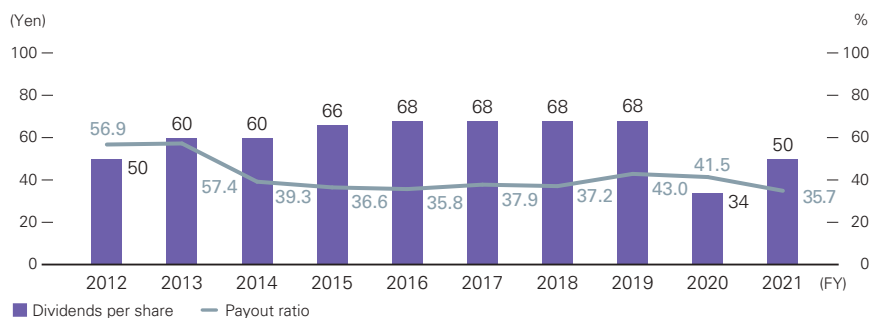
YoY **+¥105.39** ↑

Earnings per Share (EPS)

Fiscal 2021 **¥139.98**

YoY **+¥57.99** ↑

Dividends per Share and Payout Ratio



Dividends per Share

Fiscal 2021 **¥50**

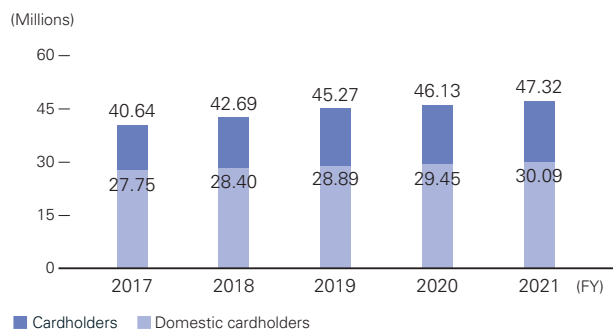
Payout Ratio **35.7%**

Notes: 1. The fiscal 2016 dividend per share includes 2 yen as a commemorative dividend for the 20th anniversary of the company's listing.

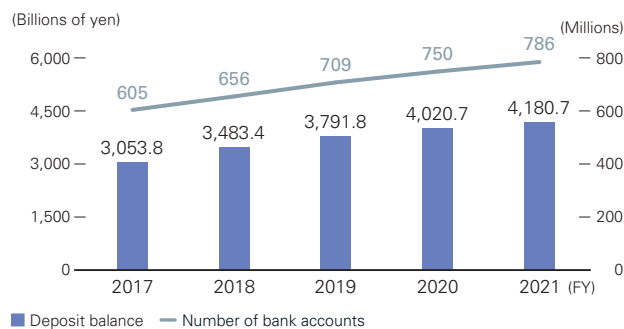
2. The fiscal 2021 dividend per share includes 4 yen as a commemorative dividend for the 40th anniversary of the company's founding.

Non-Financial Highlights

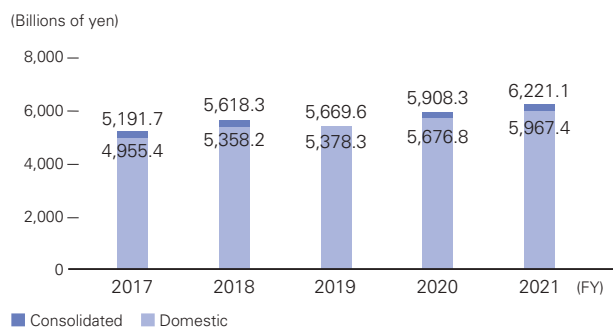
Cardholders



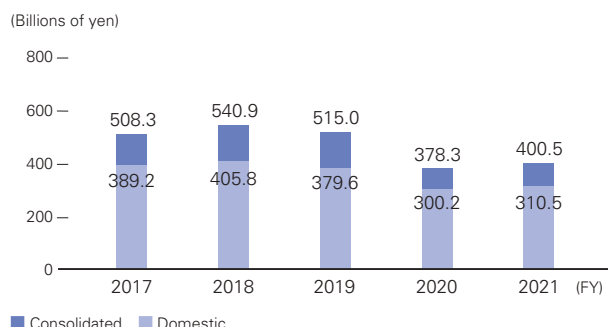
AEON Bank Deposit Balance and Number of Bank Accounts



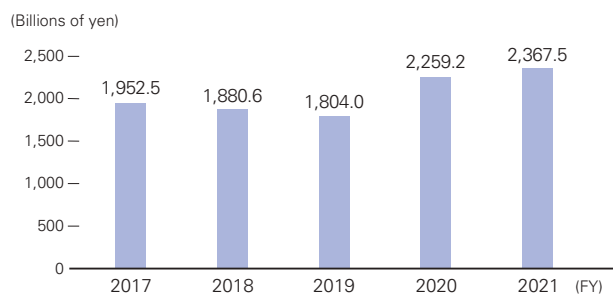
Card Shopping Transaction Volume



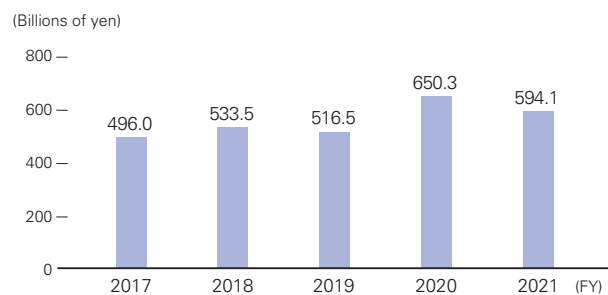
Card Cashing Transaction Volume



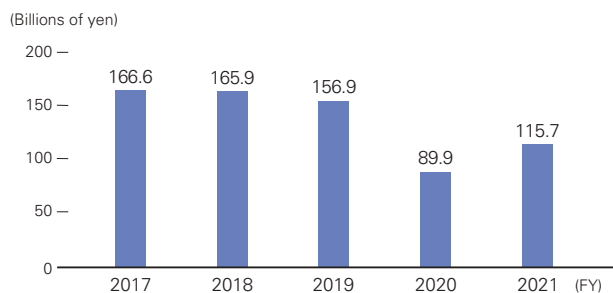
Total E-money Contracts Transaction Volume (Domestic)



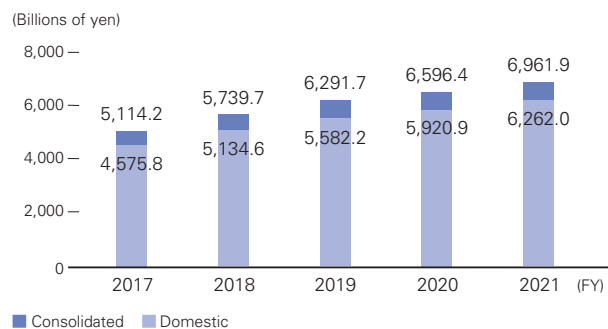
Housing Loan Transaction Volume (Domestic)



Unsecured Loan Transaction Volume (Global)



Finance Receivables (Before Securitization)



Note: 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.

Dialogue with Stakeholders

The Company engages in responsible dialogue with shareholders and investors, mainly through top management and the investor relations department. We will continue to improve corporate value through responsible dialogue.

Status of Investor Relations Activities




Investor Relations Activities	Details	Explanation by Representative Directors	Actions (Fiscal 2021)
Preparation and publication of a disclosure policy	We prepare a disclosure policy and publicize basic policies, standards of information disclosure, methods of information disclosure, and announcements of IR moratorium periods.	—	—
Company briefings for individual investors	We hold company briefing sessions for individual investors to showcase the Company and explain its performance.	—	Online event: 2
Periodic briefings for analysts and institutional investors	Representative directors or the director in charge of corporate management periodically conduct briefings.	Yes	Dialogue counterparties: 348
Small meeting of outside directors	We held small meetings for the first time between outside directors and institutional investors.	Yes	Online event: 1
Availability of investor relations materials on the corporate website	We publish various materials, including audio versions of results briefings. We also publish monthly information.	—	Earnings release reports: Quarterly Other investor relations materials: As needed
Establishment of a department and a person in charge of investor relations	An IR representative is assigned to the Global Corporate Planning Department, which is responsible for disclosure.	—	—
Others	The President and CEO, the director in charge of corporate management, and the person in charge of investor relations conduct meetings with individual domestic and overseas investors and securities analysts.	Yes	Meetings: 158

External Recognition of AEON Financial Service (As of September 30, 2022)

IR Websites	Awards and Accreditations
Nikko Investor Relations Co., Ltd.	 <p>2021 All Japanese Listed Companies' Website Ranking Overall Ranking: Best Sites</p>
Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K.	 <p>Gomez IR Site Ranking 2021 Excellent Company: Silver Award</p>

Investor Relations Information Disclosure

Materials	Japanese	English
Announcement of results	●	●
Timely disclosure materials	●	●
Materials for individual investors	●	—
Shareholder and stock information	●	●
Performance and financial graphs and data	●	●

Indices	Awards and Accreditations
FTSE Blossom Japan Sector Relative Index	 <p>Selected of the component for the first time</p>
SOMPO Sustainability Index	 <p>Included for 11 consecutive years</p>
JPX-Nikkei Index 400	 <p>Included for nine consecutive years</p>

Credit Rating Information (As of September 30, 2022)

Rating Agency	Long Term	Short Term
Japan Credit Rating Agency, Ltd. (JCR)	A (Stable)	J-1
Rating and Investment Information, Inc. (R&I)	A- (Stable)	a-1

Sustainability of AEON Financial Service Group

Recognizing that the sustainable development of society is a precondition for the continuous growth of its business, the Group is committed to environmental protection and social contribution activities. In addition, to ensure that the Group's business is positioned as an essential part of society's infrastructure, both in Japan and overseas, we promote sustainability management that balances the economic value created through our business activities with the social value enjoyed by local communities.

To continue to be the company that can contribute the most to customers and communities.

Yuro Kisaka

Responsibility for AFS Sustainability
Director and Managing Executive Officer
Group Corporate Planning Division



Toward Realization of Sustainability Management

The Company conducts all its activities based on the AEON Basic Principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." We also place particular importance on continuing to be the company that can contribute the most to customers and communities, while continuing to innovate.

It could be thought that an AEON Group philosophy of this kind would lead as a matter of course to SDGs and sustainability, but we established the Group Sustainability Division in September 2021 to further promote our initiatives. Using that division as the focal point for gathering knowledge from a global perspective, in November of that same year, we clarified social issues that will affect our business over the medium to long term and identified the key issues (materiality) that should be addressed to resolve them. At the same time, we formulated the AFS Sustainability Policy. We also renamed the existing CSR Committee as the Sustainability Committee and strengthened the promotion system by adding the top management of each Group company responsible for implementation to its members.

We started by asking under what kinds of situations can we provide customers with the best value in our area of business, the field of finance, then, we kept those situations in mind when formulating the AFS Sustainability Policy and when organizing how to achieve the Policy. Taking the opportunity presented by formulating the Policy, we are proceeding with tasks designed to determine specific objectives, directions, and goals while collecting a wide range of information from the Group's 32 companies.

Sustainability Focus Areas

The AEON Group conducts business activities as a company

that supports customers' lifestyles. While I myself have been working overseas for nearly 20 years, I have been reassured by the fact that this attitude has become ingrained in all our overseas staff and thus has become part of our DNA. Supporting customers' lifestyles can also be defined as providing value that customers need. I have seen scenarios in which this has been realized in various regions overseas.

We launched our overseas business in Hong Kong in 1987, but a distinctive feature of the Company was its attitude of flexibly responding to local needs without being overly fixated on the credit card business. It was while observing consumer trends among the general public that I noticed that Japanese-made televisions were a commodity beyond their financial reach. At that time, the price was about five times the starting salary of a university graduate, and ordinary people could not easily afford them. Therefore, we offered an installment payment service that local financial institutions did not offer, and which was welcomed by many customers. In Malaysia, we started motorcycle loans in 1996 and later expanded our services to cover used and new car loans. We did this not only because public transportation was underdeveloped and young people needed motorcycles for everyday transportation, but also designed to solve the problem that banks did not provide small loans to individuals.

These are examples of what we now call "financial inclusion." I feel once again that helping everyone have access to basic financial services is an important stance that leads to sustainability.

Environment

The AEON Group, has adopted its Decarbonization Vision with due regard for the environment and we are assisting the Group's aim to reduce CO₂ emissions from its stores to zero by 2040. Having endorsed the Task Force on Climate-related

Financial Disclosures (TCFD) since 2021, we are linking its recommendations to strategies through the ascertaining and analyzing of climate change risks and opportunities. In addition, a company characteristic is that we engage in business that is closely related to the daily lives of our customers, provide information and conduct educational activities. I would like us to expand our initiatives to reduce environmental impact together with local communities and customers while providing them with that information and those enlightenment activities.

Social

In terms of society, one of the activities we are focusing on is financial literacy education. Our Group employees are conducting financial education, geared primarily towards students from elementary schools to university students, in various regions in Japan and overseas. Going forward, I would like to expand the training sessions for those employees who act as instructors to revitalize and enhance financial literacy education. As a member of the AEON Group, we are also aiming to build a business model that will lead to the development of AEON, which in turn will lead to the development of local communities, and to the growth of AEON's business. As the environment and needs surrounding society, regions, and customers are constantly changing, it will be essential for us to continue to innovate by reinventing ourselves to achieve this aim.

Governance

In terms of corporate governance, we put in place a Transaction Screening Committee in 2022. This committee will closely monitor transactions to eliminate conflict of interest transactions between the AEON Group and the Company as well as to ensure that minority shareholders are in no way disadvantaged.

With regard to parent-subsidiary listings, we are the AEON Group's growth engine, and thus I see this positively as the result of having demonstrated entrepreneurial spirit. We will demonstrate our entrepreneurial spirit and step into untapped markets and new businesses. We will work together with local

employees to grow the company and go public. Not only strengthening its financial position, listing the Company will also improve its name recognition and credibility, which will lead to sales benefits, secure talented human resources, and improve employee morale. By strengthening and enhancing the governance and management systems required of listed companies, we will also strive to build an organizational foundation that can withstand the expansion of business scale. It is my belief that the listing of our Group companies is meaningful in terms of fostering human resources, contributing to regional development, and achieving sustainable growth as a company.

To All Our Stakeholders

AEON Financial Service would like to continue to be the company that can contribute the most to customers and communities. For that reason, we will spare no effort in continuing to innovate.

For the very reason that the AEON Group provides services that are essential to daily life, such as the financial services centered on the retail business, which are so familiar to our customers, I have been feeling that being rooted in communities represents our greatest strength. In my long experience abroad, foreign-owned companies continued to be regarded as foreign-owned companies no matter how much time had passed. However, having been listed on local stock markets and continuing to work with local employees and local governments to assimilate with local communities, we are familiarly popular with and supported by our customers. In Malaysia, the AEON Group has been in the retail business for 40 years and in the financial industry for nearly 25 years, so some of the local young people may not even be aware that AEON is a Japanese company.

In the years to come, as we sit face to face with our customers, we will consider factors that will bring color to their daily lives with peace of mind and delight while providing them with financial services.

» AFS Sustainability Policy

The AFS Group formulated its Sustainability Policy in November 2021 to promote sustainability management that balances the economic value created through its business activities with the social value enjoyed by local communities. The Group sets out the principles by which it will proactively promote sustainability activities together with local communities, customers, and business partners, and incorporates sustainability perspectives in all business decision-making. The Group stipulates that its policy is to practice long-term value creation in harmony with the natural environment and social systems.

➔ Please refer to our corporate website for the AFS Sustainability Policy.
<https://www.aeonfinancial.co.jp/en/activity/policy/>

Our Sustainability Policy consists of the following items.

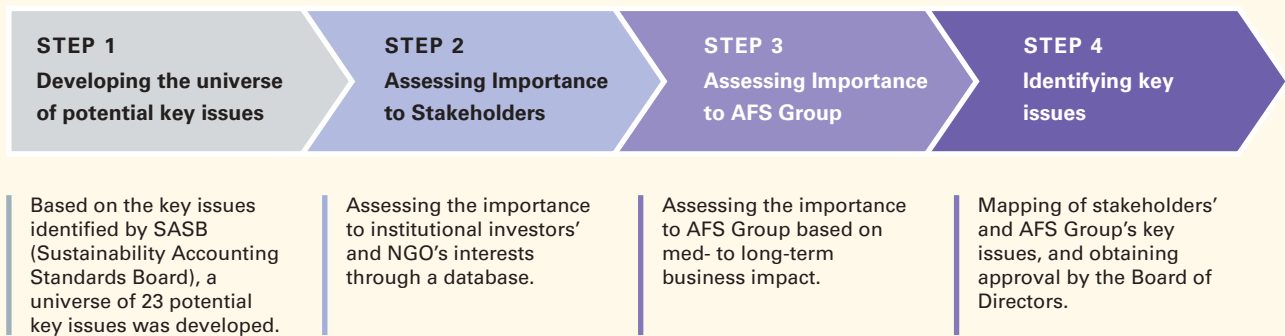


Identification of Materiality

The Group’s mission is to identify social issues that may affect its business over the medium to long term, understand both risks and opportunities, and resolve them through our business activities. In addressing these issues, all officers and employees are aiming for the realization of a sustainable society, in which everyone can live a fulfilling and happy life, and to contribute to peace.

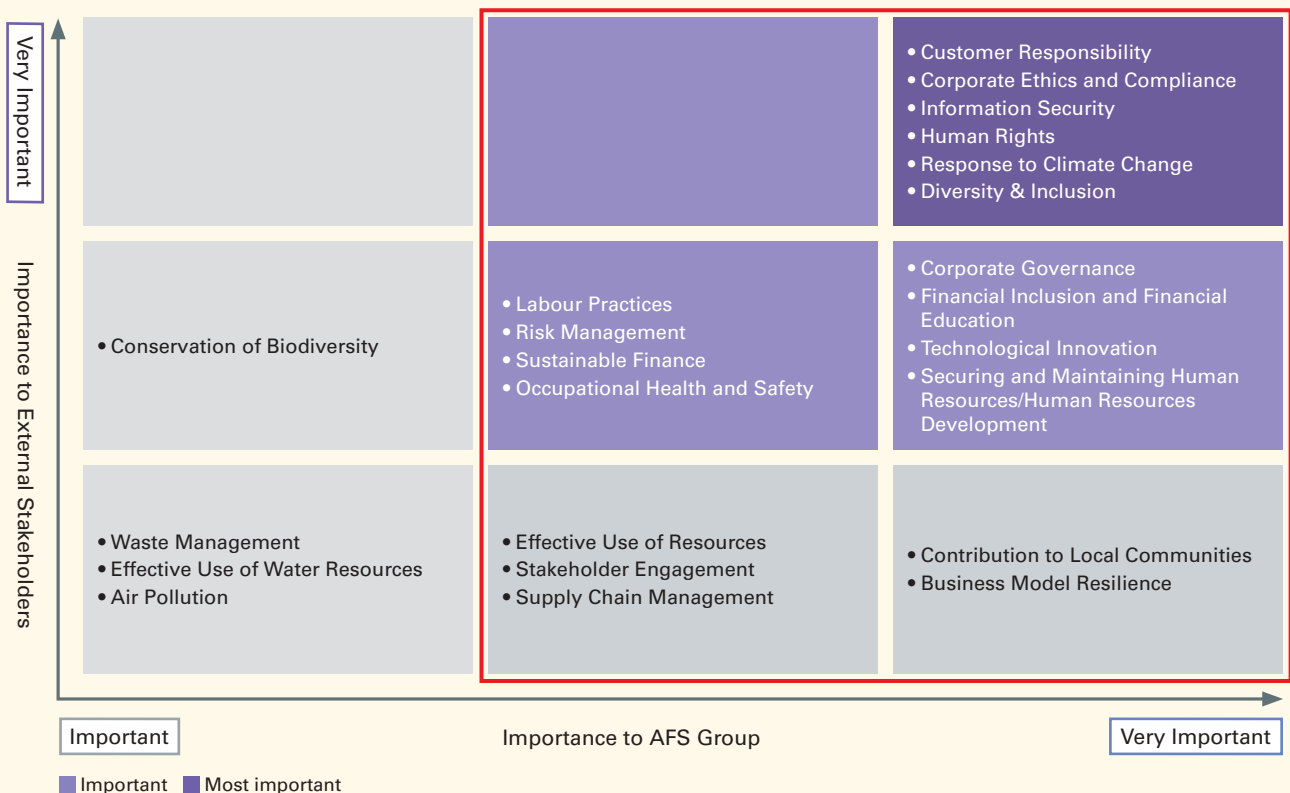
The Materiality Identification Process

Throughout the following four steps AFS Group has identified the material issues that will affect our company business over the medium to long term.



Materiality Map

After assessing the importance of key issues to stakeholders and the AFS Group, 19 key issues were identified, with six issues categorized as the most important, eight as important, and five as being of particular importance to the AFS Group.



Contributing to peace through the creation of a sustainable society



Pursuing happiness through innovative financial services

- Customer Responsibility
- Financial Inclusion and Financial Education
- Technological Innovation
- Sustainable Finance
- Contribution to Local Communities

Relevance to SDGs

Exerting diversity and the potential of our people

- Diversity & Inclusion
- Securing and Maintaining Human Resources/ Human Resources Development
- Labour Practice
- Occupational Health and Safety

Relevance to SDGs

Human Rights

Establishing organizational resilience

- Corporate Ethics and Compliance
- Information Security
- Corporate Governance
- Risk Management
- Business Model Resilience
- Supply Chain Management
- Stakeholder Engagement

Relevance to SDGs

Addressing climate change

- Response to Climate Change
- Effective Use of Resources

Relevance to SDGs

Message from Head of Sustainability Division

Toward the realization of a sustainable society in which everyone can live a fulfilling and happy life

In promoting sustainability management, the first factor to be identified was AFS's materiality, the social issues that will affect the Group's business over the medium term. This was an evaluation that allowed us to recognize the importance of the social issues we must address through our business activities. In the process of identifying materiality, in light of the Group's business conditions and business model we first extracted a universe of 23 issues from among the numerous social issues. After that, we investigated the importance of these social issues by surveying evaluations by about 20 domestic and overseas Group companies (horizontal scale) and evaluations by stakeholders (investors and NGOs) (vertical scale). By plotting them on a matrix, we have identified the issues (materiality) that the Group should prioritize.

We have adopted "contribution to 'peace' through the realization of a sustainable society" as the highest concept encompassing the 19 identified materialities. The AEON Group's financial business, which comes into contact with customers on a daily basis, will continue to be sustainable only if it is "peaceful." We will also work to resolve social issues such as human rights, customer responsibility, diversity and inclusion, and financial education, while remaining deeply involved not only with customers but also with people, including our employees.

Going forward, we will work to instill an understanding of the concept of sustainability management among all members of the management team and employees, set materiality KPIs, and promote the implementation of PDCA cycles in three steps.



Mariko Sasaki
Group Corporate Planning Division
Group Sustainability Department Head



AEON Thana Sinsap branch

SPECIAL FEATURE

AEON THANA SINSAP (THAILAND) PCL. 30th Anniversary

Since its establishment in 1992, AEON THANA SINSAP (THAILAND) PCL. (ATS) has been working to expand its customer base in Thailand with a focus on the installment financing business. Starting with installment sales and personal loans, it has since established a business model based on the recruitment of customers into its membership base, as well as expansion into peripheral credit-related activities, such as credit card issuance, and the insurance and servicer businesses. Listed on the Stock Exchange of Thailand in 2001, ATS has since then continued to provide financial services that meet the needs of its customers and celebrated its 30th anniversary in 2021.

AEON Thana Sinsap was an early adopter of digital technology and started to develop smartphone apps in 2013. Today, it uses AI for credit screening and management and is also developing cardless services, including digital card issuance. The company has enhanced its brand image in Thailand through various initiatives, including the issuance of cards with special benefits in partnership with leading Thai companies. These include BTS Group Holdings, a major Thai railway and real estate company, Thai Airways International, and major retailer Big C. Going forward, ATS will continue to strive to provide products and services that can support the lives of Thai customers more conveniently.

Growth Trajectory 1992 – 2021

1992 – 1999

- 1992**
 - Established as SIAM NCS CO., LTD
 - Launched individual product brokerage business, began issuing the AEON Express Card (member card)
- 1994**
 - Changed trade name to AEON THANA SINSAP (THAILAND) PCL.
- 1995**
 - Began providing personal loans

- 1997**
 - Began issuing the JUSCO Card



- 1998**
 - Established ACS CAPITAL CORPORATION LTD.



2000 – 2009

- 2001**
 - Listed on the Stock Exchange of Thailand
- 2003**
 - Obtained credit card issuer's license
- 2005**
 - (ACS CAPITAL CORPORATION LTD.) Established Non-life insurance agency ACS INSURANCE BROKER (THAILAND) CO., LTD.
 - Launched lease business

- 2006**
 - Began issuing the JUSCO Card (now AEON Card: tie-ins with international brands)



Growing from an unknown to a leading credit card operator in Thailand

I am in charge of the Marketing Department and my responsibilities are card acquisition, including credit cards and member cards; promotion of credit cards, personal loans and installment loans; the auto loan business, the insurance business and branch network for 103 branches nationwide.

From my point of view, I say that these days the public sees ATS as a leading consumer finance company in Thailand. In the past, customers perceived ATS as a hire-purchase company and its image was not high compared with commercial banks. Even though, ATS also operated a credit card, but the company was not recognized among the name-brand credit card operators. After ATS partnered with Thai Airways (national airline) and issued the co-branded Royal Orchid Platinum card, we gained a good image among customers and the market. ATS is now widely recognized as one of the leading credit card operators in Thailand.

It was not that way at the beginning, however. ATS started business 30 years ago by penetrating the market with hire-purchase services focusing on middle- to low-income groups. At that time, ATS was the first financial company offering non-collateralized credit to customers who were not welcomed by commercial banks, which focused more on collateralized loans. As a result, we won over a large number of loyal customers and became a financial company at the top of customer's minds. This was the key success of our business and we will continue in this spirit in the future. We also followed AEON Group's direction to listen to the "Customer's Voice" and try our best to offer any financial products or services that will satisfy customer needs.

I recall another success story as a result of this approach. Long ago, when our company image was that of a hire-purchase company, it was difficult for ATS to engage with high-class department stores or premium-brand designer stores in order to bring high-income customers into our portfolio. After we became a partner with Thai Airways, BTS Group, Big C and other leading names in various industries, we were able to recruit high income customers and grow our portfolio significantly.

Looking ahead, we are focusing on migrating our business from a traditional platform toward digitalization. For instance, we have completely migrated our personal loan customers from using plastic cards to virtual accounts on mobile apps. In the past, these customers needed to use their member card to withdraw cash from ATMs, but since acquiring virtual accounts, they have been able to withdraw cash by using QR codes or the PromptPay service instead, which is much more convenient for customers, and also improves operational efficiency for ATS as well.



Mr. Nuntawat Chotvijit
Head of Marketing Department
AEON Thana Sinsap

2010 – 2021

2007

- (ACS CAPITAL CORPORATION LTD.) Established life insurance agency ACS Life Insurance Broker (Thailand) Co., Ltd. and servicer company ACS Servicing (Thailand) Co., Ltd.



- AEON Thailand Foundation established to engage in environmental/social contribution activities

2012

- Transferred non-life insurance agency, life insurance agency, and servicer company to AEON THANA SINSAP (THAILAND) PCL.

2013

- Integrated two insurance agency companies, changed trade name to AEON Insurance Service (Thailand) Co., Ltd.

2021

- Established Rabbit Cash Company Limited as joint venture with BSS Holdings Company Limited and Humanica Public Company Limited

2016

- Launched issuing of integrated member card with Rabbit electronic money in partnership with BTS Group



2017

- Worked to increase number of co-branded cardholders with major retailer Big C Group



2018

- Began issuing AEON J-Premier Platinum Card by which benefits can be received at AEON stores in Japan



DX

In light of the changes in an environment in which customer needs and behavior patterns have undergone radical modifications, the Group is further accelerating the Group-wide digital transformation (DX) on which it has been working for some time. In addition to improving customer convenience by enhancing our smartphone apps and online services, we are focusing on improving service sophistication and streamlining operations by utilizing AI and other technologies.



Strengthening of Payment Business Based on Digital Technology Utilization

In September 2021, AEON launched iAEON, its all-in-one app that is intended to be a common point of contact for the entire AEON Group. Users of the iAEON app can use, send, exchange, and check the balance of their WAON points, which are likewise common to the entire AEON Group. Moreover, it is possible to add up WAON points within the app. Users can present their membership code at the store cash register and use the app to collect or pay with WAON POINT. Furthermore, users can register their credit and debit cards with an AEON mark in the app, allowing them to make payments during checkout using AEON Pay, a simple method of code payment, at any AEON Pay-affiliated store in Japan.

Since October 5, 2022, AEON Pay functions have also been available through AEON Wallet, the official app for AEON Cards.

The addition of this capability has further enhanced customer convenience, since the AEON Wallet can now be used to obtain AEON Card statements and points balances and information about campaigns, and to make payments to AEON Pay affiliated merchants.



AEON Pay code payment

Strengthening of Online Channels

In our domestic business activities, we are responding to changes in consumer lifestyles and behavior patterns by creating digital ways to access services traditionally provided in real-world outlets, such as the processing of applications and the provision of advice. For example, by having customers make reservations in advance online, at AEON Bank Co., Ltd. we have introduced a visitor reservation service that assists customers to avoid having to wait at the store, and a video consultation/processing desk that allows customers to use various procedures over a videophone at the store. We are also expanding our online consultation service, which allows customers to consult with store staff from a computer or smartphone at a location, such as their homes, that is convenient for them. From September 21, 2022, we made further enhancements to the function, which have made it possible to complete application procedures for investment trusts, foreign currency deposits, and all types of loans. AEON Insurance Service Co.,Ltd. is also active in this area via its own online insurance consultation service.

AEON Bank is also preparing for an online-merge-offline (OMO) transition. Adding to the unique business model that places real channels at AEON Bank's disposal, we will evolve DX-based services by, for example, the enhancement of online services, application programming interface (API) connections, and expanded capacity.



AEON Bank video consultation/processing desk

Progress Made in Digitalization Overseas

● Thailand

AEON THANA SINSAP (THAILAND) PCL. (ATS) has improved user interface (UI) and user experience (UX) by digitally replacing its business processes. Enabling customers, providing they have a smartphone, to complete the usage of a product, make inquiries, and make payment amount inquiries, they can use the service in a stress-free manner.

Also, having previously issued plastic member cards, ATS stopped issuing cards and paper invoices in January 2022 and completed its transition to a completely cardless business from May 2022. The company is rapidly shifting to digital-based services, such as by beginning to sell insurance via an app.

● Malaysia

Advancing collaboration with local AEON Group retailers, AEON CREDIT SERVICE (M) BERHAD (ACSM) has been promoting the integration of their customer bases, such as by the process of aligning their points systems in 2018, in conjunction with data utilization initiatives. Going forward, the evolution of the service will be brought about by, for example, incorporating functions that allow applications for ACSM financial services to be made, centered on the iAEON app developed by local retailer AEON CO. (M) BHD.



AEON THAI MOBILE

By combining the use of AI and external credit information in each country, we will also continue to promote efforts to improve customer convenience. These efforts will include those designed to improve the speed of credit screening and to seamlessly provide products to customers as well as the introduction of electronic know your customer (e-KYC) technology to reduce complicated tasks at the time of application and shorten waiting times.

TOPICS

Establishment of DX Committee

The DX Committee was created in September 2022. Its mission is to formulate DX strategies for the AEON Financial Service Group, to promote DX across the Group, and to optimize DX initiatives by Group companies. We will further accelerate our DX efforts going forward.

Two companies certified as DX-certified business operators, as stipulated by Ministry of Economy, Trade and Industry



● AEON Credit Service Co., Ltd. (certified April 1, 2022)

We are working to achieve customer satisfaction by building services that utilize AEON Wallet, the AEON Card official app, and DX infrastructure in the fields of cashless payments and financial services.

Main Policies:

- (1) Functional enhancement of AEON Wallet, which serves as a digital platform
- (2) Increased sophistication of credit extension procedures by using AI in reconstruction of existing credit model
- (3) Provide services that enable the company to have an unprecedentedly close connection with its customers by means of the digitalization of its operations

● ACS Credit Management Co., Ltd. (certified September 1, 2022)

Acquired DX certification for the first time as a debt collection company (servicer). Advanced technology and servicer business

As a tech servicer after having integrated our servicer business, we are working to provide sophisticated solutions for industry-leading, innovative debt collection operations.

Main Policies:

- (1) Utilizing AI modeling tools to optimize collection operations
- (2) Improving productivity by utilization of interactive voice response (IVR) and voice recognition systems
- (3) Streamlining of operations by digitalization and utilization of robotic process automation (RPA) tools

Health & Wellness

Amid the demographic changes and the extended healthy life expectancy in Japan, allied with the opportunity presented by increasing health awareness following the spread of COVID-19 infections both in Japan and overseas, the AFS Group is focusing on expanding its business into the health and wellness field.



Development of New Insurance Products/Services

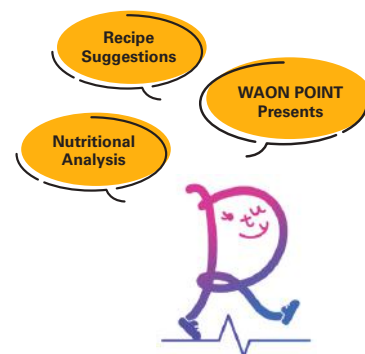
● Genki Passport Health Promotion Insurance

In November 2021, AEON Allianz Life Insurance Co., Ltd. began selling Genki Passport, health-promoting, whole-life medical insurance that meets customers' pre-illness, prevention, and health promotion needs. By performing health promotion activities with the Wellness Palette smartphone app, which is an ancillary service of this product, users are able to receive Wellness Coins that can be exchanged for health-related products from, for example, AEON Group and coupons. In addition to working to have a positive impact on our customers' awareness, behavior, and habits, and being able to contribute to their futures, we will work on cross-selling to provide them with new value by demonstrating the strengths that of the AEON Group possesses in terms of its sales channels, products, and data.



● ROUTY Healthcare App

In July 2021, amid rising demand for health care advice, such as on healthy eating and exercise habits, AEON Credit Service Co., Ltd. began providing the ROUTY healthcare app to assist its customers in improving their health in a simple and easy way. In January 2022, the company upgraded the in-app functions, for example by improving the accuracy of image analysis, customizing menus when recording meals, and suggesting ingredients to compensate for nutritional deficiencies. We will strive to improve customer satisfaction by supporting daily healthy eating lifestyles and exercise habits.



ROUTY healthcare app

Expansion of Overseas Insurance Business

● Thailand

In addition to discounts and cashback benefits at affiliated hospitals, health facilities such as gyms, and insurance companies, local subsidiary AEON THANA SINSAP (THAILAND) PCL. (ATS) is strengthening its efforts to support disease prevention and treatment. These efforts include the issuing of the health-specific AEON Wellness Platinum Card, which comes with the benefit of donating part of the card usage amount to the Thai Red Cross Society.

In Thailand, the insurance business, which had previously been developed as a subsidiary, was integrated into ATS, and we are working to strengthen both real and digital touchpoints. In the real world, we are promoting insurance sales through cross-selling with credit card solicitation by promoting the acquisition of insurance intermediary qualifications by store card solicitation staff. Digitally, having obtained permission to sell insurance online, we have begun selling automobile insurance, travel insurance (domestic and overseas), and cancer insurance via apps. Moves that include enabling AEON card payments to be completed via an app have led to improved customer convenience.



AEON Wellness Platinum Card

ESG

Recognizing that the sustainable development of society is a precondition for the continuous growth of its business, the AFS Group is committed to social contribution activities closely related to local communities and to global environmental protection and social contribution activities to fulfill its mission as a good corporate citizen.



Improving Financial Literacy

The AFS Group engages in activities for realizing a sustainable society, based on the Sustainable Development Goals (SDGs) and other factors, with a focus on initiatives designed to improve financial literacy. Recognizing the importance of acquiring knowledge about finance and contracts from a young age, we began offering financial literacy lectures in schools in 2018.

AEON Bank Co., Ltd. has been providing financial literacy lectures for university students to proactively provide opportunities for fair and high-quality financial education and lifelong learning. From fiscal 2021, the secretariat was moved to AFS to provide a wider range of financial education opportunities, while the entire Group has been working together to promote comprehensive financial literacy education.

Complementary Financial Lectures

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 (First half)
Number of universities	25	12	11	4
Total number of lectures	116	93	84	33
Total number of participants	5,344	7,985	6,145	6,187



Scene from training meeting at AEON Credit Service Co., Ltd.

Through education about money, including credit cards, for high school and university students, AEON Credit Service Co., Ltd. is continuing to work to develop the sound card holders of the future. Since fiscal 2021, we have been implementing this initiative in each region, mainly at our branch offices and branches throughout Japan. The number of offers from educational institutions is increasing against the background of global changes, such as the encouragement of cashless payments and the lowering of the age of majority, and thus we are strengthening our efforts on an ongoing basis.

Socially, amid concerns over post-retirement life, the currently increasing burden on household finances due to rising prices is becoming the norm. For our Group and AEON Group employees to live their lives with peace of mind, we believe that it is necessary for them to take an interest for themselves, be exposed to information relating to finances, acquire accurate knowledge, and work on asset building on their own initiative. In the AFS Group, the financial education program necessary for all AEON Group employees is called AEON's Financial Literacy Education. Including in-house systems such as corporate pension plans and employee stock ownership associations, the program introduces financial products that meet financial needs arising from changes in life stages. As the entity responsible for AEON's comprehensive financial business, we will strive to improve welfare and promote health management for the entire AEON Group through the provision of this program.

TOPICS

Holding of AFS Global Internships

The Company is conducting global internships to convey its global expansion and initiatives rooted in local communities. Through the utilization of online channels and work experience learning at AFS Group companies in Japan and overseas, we are providing opportunities to improve financial literacy and deepen the interns' understanding of the Group's financial business.



ESG

Toward Resolution of Social Issues

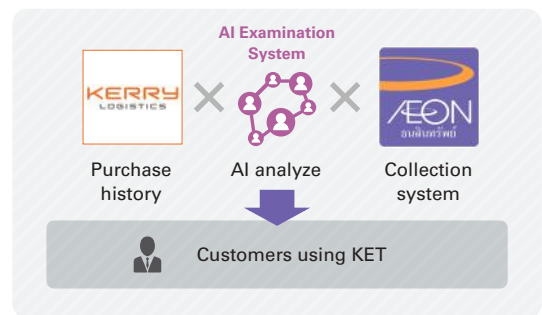
Through its business of providing financial services, the AFS Group will clarify the social issues faced by its customers in each country and region and address them from a long-term perspective.

● **Support for Business Activities**

In Malaysia, AEON CREDIT SERVICE (M) BERHAD has issued membership cards that provide access to e-money and account functions for small business owners. This service is provided in partnership with a small business association with a membership consisting of 1.8 million operators of street food stalls and other small businesses. Members can use the card to process payments and purchase ingredients from AEON Group retailers at wholesale prices. The cards can also be used to pay social insurance charges and receive subsidy payments. Through this service, AEON CREDIT SERVICE (M) BERHAD is helping small business operators to stay in business.

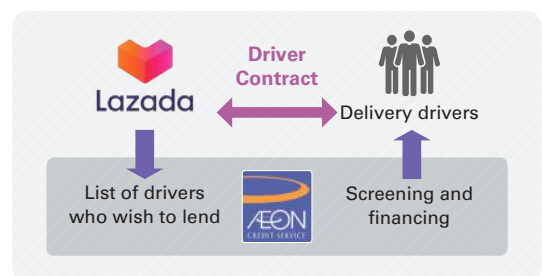


In Thailand, Rabbit Cash Company Limited, a new company established by local subsidiary AEON THANA SINSAP (THAILAND) PCL. as a joint venture with a local company in April 2021, obtained its nano finance license in May 2022. Nano finance is a microfinance loan product introduced by the Thai government to protect consumers and sole proprietors from unofficial high-interest loans. By utilizing AI to analyze sales and purchase history and judge credit risk, it has now become possible to provide small loans to customers whose creditworthiness was difficult to measure using conventional screening methods. With this license, Rabbit Cash is preparing to fully develop its loan business utilizing its digital platform and will support the business expansion of its sole proprietorship customers in Thailand.



● **Creation of Employment Opportunities**

In the Philippines, local subsidiary AEON CREDIT SERVICE (PHILIPPINES) INC. has partnered with Singapore-based e-commerce company LAZADA to create employment opportunities through loans for LAZADA's delivery drivers who wish to receive them.



● **Responses to Social Issues**

To deal with the inheritance issues that are arising with the advent of an aging society in Japan, the Company has started handling inheritance-related services, such as testamentary trusts and inheritance arrangements, through a business alliance between AEON Bank Co., Ltd. and Yamada Escrow and Trust Co., Ltd. Started at the AEON Bank's Tokyo Yaesu Branch in May 2022, this service will be expanded to 48 branches nationwide from September. Leveraging the friendly atmosphere that facilitates consultations and the easy access provided to its branches that are AEON Bank's strengths, we will work to resolve our customers' issues.



AEON Bank's Tokyo Yaesu Branch

Activities with AEON 1% Club Foundation

The six companies—AEON Financial Service Co., Ltd., AEON Credit Service Co., Ltd., AEON Bank Co., Ltd., AEON Product Finance Co., Ltd., AEON Housing Loan Service Co., Ltd., and AEON Insurance Service Co., Ltd.—donate 1% of their income before income taxes to the AEON 1% Club Foundation. The foundation collaborates with cooperating Group companies to support projects with three main themes: the sound development of the next generation, the promotion of friendship with foreign countries, and the sustainable development of regional communities.

● Exciting Cashless Experience Event Held

For two days in August 2022, AEON Credit Service Co., Ltd. held a cashless experience event for children at AEON Mall Makuhari New City, as part of the AEON 1% Club's Aeon Cheers Club* activities. The aim of the event was to make the convenience of cashless payments more widely known and to provide an opportunity for children to think about the future of money.

On the day of the event, customers enjoyed experiencing the convenience and benefits of cashless payments through quizzes about money, the operating of cash registers, and hands-on experiences of cashless payments.



At the cashless event

*About the Aeon Cheers Club

One of the AEON 1% Club's healthy youth development support projects, the Aeon Cheers Club was launched in 1996 with the support of the Children's Eco Club, a Ministry of the Environment project. While learning social rules and manners through group behavior, children from the first grade of elementary school to the third grade of junior high school conduct hands-on learning at 420 bases nationwide that serve as forums for the nurturing of interest in the environment and agriculture as well as cultivating the ability to think.

(Aeon Cheers Club URL) <https://www.aeon.info/en/sustainability/social/cheers/>

Aeon Heartful Volunteers

As a member of the AEON Group, we are participating in the Aeon Heartful Volunteers program, which was launched as a new social contribution initiative by AEON Co., Ltd. in 2022. To assist in solving the environmental and social issues that each region is facing, we are promoting ongoing volunteer activities that are deeply rooted in local communities in partnership with our local stakeholders. As part of those activities, for the Marine Litter Cleanup Volunteer program, under which coasts and rivers are cleaned up to help resolve the global marine pollution problem, the whole country was divided into 10 areas, and employees from the respective Group companies gathered in each area and carried out beach cleaning activities together with local residents.



Beach cleaning by volunteer activities

Ongoing Support for Recovery from Great East Japan Earthquake

Having supported reconstruction from the Great East Japan Earthquake for 10 years since 2012, the Company has been participating in the Project Aeon Joining Hands, which was launched by AEON Co., Ltd. as a united effort between labor and management. We have engaged in a variety of initiatives to assist in the reconstruction of the disaster-stricken areas, including tree planting activities, the dispatching of volunteers, and the support activities of Group companies. Since 2017, with the cooperation of the specified non-profit organization The People, which operates the Fukushima Organic Cotton Project in Iwaki City, Fukushima Prefecture, we have been cultivating and harvesting cotton that is resistant to salt damage on farmland where rice cultivation had become difficult due to the tsunami. At the same time, we are conducting cotton harvesting volunteer activities with the aim of regenerating agriculture in Fukushima Prefecture and creating local employment by making the cotton into products. In the years to come, the Group will be continuing to support the reconstruction efforts in the Tohoku region through its fundraising and volunteer activities.



Volunteers helping to harvest cotton

As its basic human resource philosophy, the AEON Group shares “abolition of nationality, age, gender, and employee classification, and human resources based on ability and performance.” Under this basic principle, to continue to create and provide new value as a corporate group that is constantly innovating, the Group is also accepting of diverse human resources and promoting “diversity management” that draws on various values.

1. Promotion of Diversity

(1) Percentage of managerial positions filled by women

By the end of fiscal 2021, the percentage of managerial positions (assistant manager or higher) in the AFS Group (domestic and overseas) that were filled by women was 33.5%. The target is 50% in fiscal 2025. We are promoting career development support—through, for example, managerial position training for women—the expansion and upgrading of flexible working arrangements, efforts to fostering improvements in workplace environments, and the empowerment of women.

(2) Ratio of foreign nationals

At the end of fiscal 2021, the ratio of non-Japanese employees within the Group was 1.5%.

In contrast, the ratio of local employees in its overseas companies was 99.7% (the ratio of expatriates, including Japanese, was 0.3%). Since its founding, each company has been working to develop local management personnel and promoting the putting in place of management systems with local staff. In addition to the common manager education courses implemented by the entire AEON Group, as part of the financial business AFS Group continuously conducts training programs (AFS Management Course, AFS Global Course) to develop management candidates from various countries while localizing management.

(3) Ratio of mid-career hires

Mid-career hires account for a high level of about 80% of managerial positions (directors, divisional heads) within the Group. In addition to regular hiring, we have maintained a tradition of hiring people from a variety of backgrounds and are working to foster an organizational culture that respects diverse values.

(4) Employment ratio of people with disabilities

The ratio of people in the Group’s employ in Japan who have disabilities stands at 2.4%.

Group companies in Japan are operating farms, and thus we have created work environments, such as growing vegetables and cultivating Phalaenopsis orchids, in which people with disabilities can work with enthusiasm.

2. Initiatives toward Realization of Well-being

(1) Health and productivity management

In the belief that we can provide services that bring health and happiness to our customers only when each and every employee is also healthy both physically and mentally, the Group is actively working to manage and promote the health of its employees. Consequently, the Company and eight domestic Group companies have been certified among the Outstanding Health and Productivity Management Organizations for 2022.

AEON Credit Service Co., Ltd. was also recognized as a White 500 organization for 2022, having been certified as one of the top 500 companies in the large enterprise category.

List of Domestic Companies (Certification Status)

[Included for four consecutive years]

- AEON Credit Service Co., Ltd.
- AEON Financial Service Co., Ltd.
- AEON Housing Loan Service. Co., Ltd
- AEON Insurance Service Co.,Ltd.
- ACS Credit Management Co., Ltd.
- ACS Leasing Co., Ltd.

[Included for three consecutive years]

- AEON Bank, Ltd.
- AEON S.S. Insurance Co., Ltd.

[Included for first time]

- AEON Allianz Life Insurance Co., Ltd.



(2) Health support centers

In addition to regular distribution of health-related information by industrial physicians and occupational health nurses, the health support centers set up in Tokyo and Chiba provide consultations on, for example, employee health, medical care, and mental health. Conducting online interviews for bases all over Japan and for expatriates assigned overseas, the centers are working to manage the health of Group employees.

Besides annual health checkups and flu vaccinations, in the fiscal year under review the centers also conducted COVID-19 vaccinations for employees' families.

(3) Promotion of a variety of work styles

By allowing employees to choose from a variety of work styles that meet their needs, such as the balancing of work with childcare or nursing care, we are working to create environments in which employees can fully demonstrate their abilities.

(1) Flextime system (no core time setting)

(2) Promotion of remote working that utilizes telework

From April 2022, the retirement age will be raised from 60 to 65. In accordance with the Group's basic human resource philosophy, there is no retirement age.

3. Human Resource Development

In terms of AEON human resource activities, there is a saying that has been passed down from generation to generation—"The greatest form of welfare is education"—and Group companies actively invest in education, such as in the provision of learning opportunities. We encourage our employees to work hard and request that they continue to strive toward their goals.

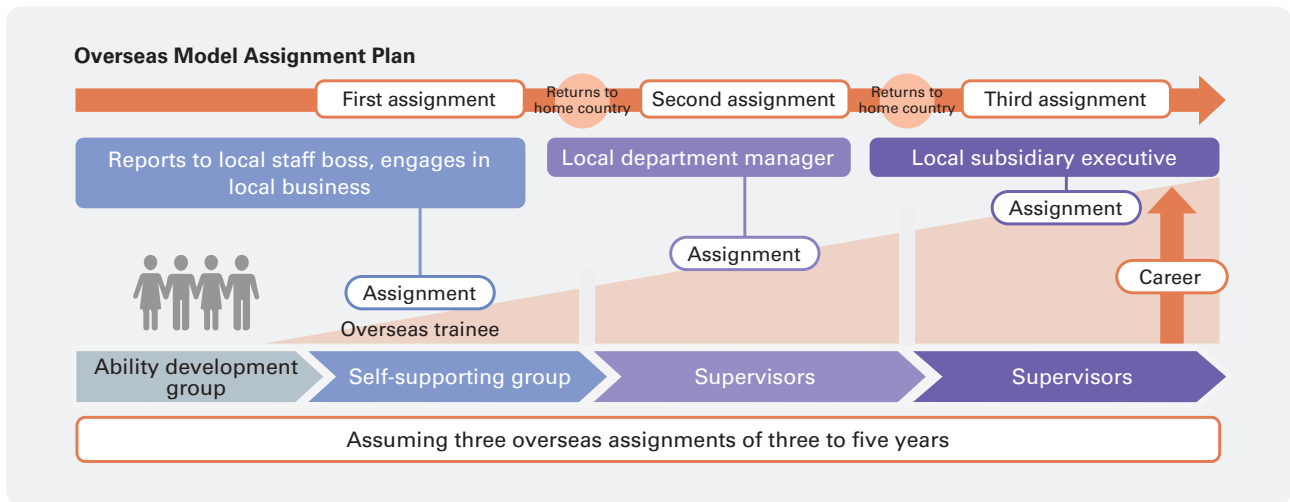
(1) Recruitment

While providing opportunities for our employees to demonstrate their abilities, such as participation in new projects and training, we respect the challenges they face. We also aim to constantly inject vitality and freshness into the organization by conducting personnel transfers based on employees' free will and sense of self-responsibility.

Recruitment List

<p>[Organizational strengthening, projects]</p> <ul style="list-style-type: none"> • Overseas management dispatches, overseas management personnel development course • DX Promotion Department 	<p>[Training]</p> <ul style="list-style-type: none"> • Domestic graduate school (MBA course) dispatches • Job-specific courses (digital technology, human resources, finance and accounting)
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Overseas Management Personnel Development Course



Materiality (2) | Exerting Diversity and the Potential of Our People

(2) Main training programs

(1) Governance strengthening

- Risk management training
- Internal control training
- Harassment training
- Sustainability training

In line with the formulation of the AFS Sustainability Policy in November 2021, we are conducting sustainability training sessions for all employees. Deepening understanding of the necessity and significance of sustainability, we are continuing to contribute to local communities and the lives of our customers.



Sustainability training video

(2) Director and auditor training

For the Company's directors and auditors to properly fulfill the roles and responsibilities expected of them as people who play a part in the Company's important governing institutions, we conduct executive training sessions for them every month (once a month, a total of 12 times a year) for the purpose of having them acquire the necessary knowledge.

(3) DX training

With the aim of responding to changes in the business environment and improving the IT literacy of the entire organization, we are conducting DX literacy training sessions targeting all employees for them to learn basic knowledge about digital technology and how to utilize data.

Fiscal 2022 Education Program

Management Personnel	Director and auditor training	Philosophy Human Rights Governance	Code of conduct training
	Overseas management personnel development course		Harassment training
	AFS Management Course		Risk management training
	AFS Global Course		Internal control training
	Training for newly appointed directors		Diversity promotion training
	Management executive training		Sustainability training
	Domestic graduate school (MBA course) dispatches		Temporary director/Audit & Supervisory
Professional Personnel	DX training	On Appointment	Board member training
	Finance and accounting personnel development course		Board of Directors' secretariat training
	Management planning training school		Finance and accounting manager training
	Job-specific courses (digital technology, human resources, finance and accounting)		Business Leader Program (BLP)
			New appointee training

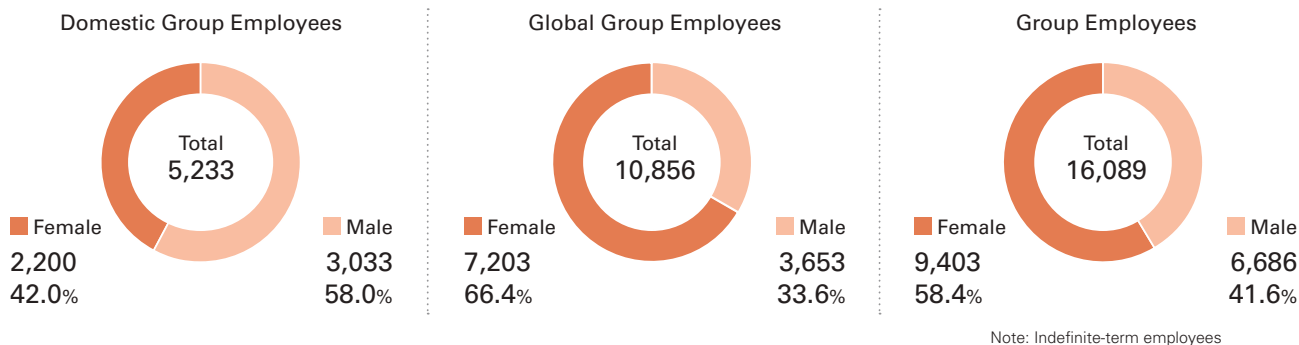
Note: Including AEON Group common programs

(3) AFS Academy

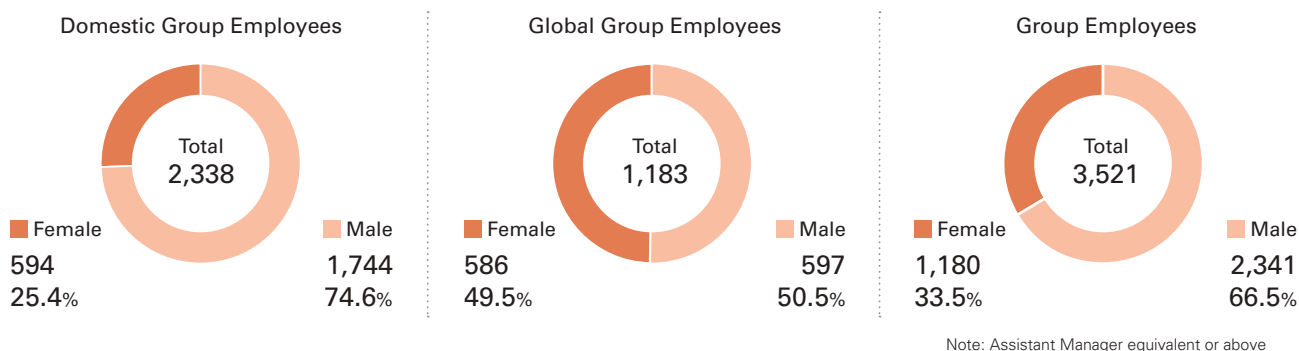
Aiming to open in March 2023, we are preparing to open the AFS Academy in-house university as an educational institution responsible for developing the common skills required for human resources in the Group.

Human Resource-related Data

Number of Employees/Employee Ratio (Fiscal 2021)



Number of Managers/Manager Ratio (Fiscal 2021)



Total Number of New Hires (Fiscal 2021)

Domestic Group Companies

	Male	Female	Total
Regular recruitment	60	75	135
Other than regular recruitment	108	46	154

Average Age/Average Length of Service (as of February 28, 2022)

Domestic Group Companies

	Male	Female	Total
Average age	40.1	37.9	39.3
Average length of service	8.7 Years	7.2 Years	8.1 Years

Employment Rate of Persons with Disabilities

(as of June 1, 2022)

2.4%

Note: Total of seven domestic group companies (AFS Corporation Co., Ltd., AEON Housing Loan Service Co., Ltd., ACS Leasing Co., Ltd., and AEON S.S. Insurance Co., Ltd. are not subject to the statutory employment rate because they have fewer than 43.5 regular employees.)

Training Cost/Training Time (Fiscal 2021)

Domestic Group Companies

Training cost per person	¥37,974
Training time per person	18.9 Hours

Note: Including directors

Our Management Team (As of September 1, 2022)

Directors



Masaki Suzuki
Chairman

1978 Joined Ministry of Finance
 2002 Appointed Director of Banks Division I of Supervisory Bureau of Financial Services Agency
 2005 Appointed Deputy Director-General of Budget Bureau of Ministry of Finance
 2007 Appointed Deputy Vice Minister for Policy Planning and Co-ordination of Minister's Secretariat of Ministry of Finance
 2008 Appointed Councilor of Minister's Secretariat of Ministry of the Environment
 2012 Appointed Deputy Vice Minister of Minister's Secretariat of Ministry of the Environment
 2014 Appointed Vice-Minister of the Environment of Ministry of the Environment
 Appointed Advisor of the Company
 2015 Appointed Advisor of AEON Co., Ltd.
 Appointed Chairman and Representative Director of AEON Bank, Ltd.

Appointed Chairman of the Company
 2016 Appointed Chairman and Director of AEON Bank, Ltd. (current position)
 Appointed Director of AEON CREDIT SERVICE CO., LTD.
 2017 Appointed Executive Officer in charge of Comprehensive Financial Business of AEON Co., Ltd.
 Appointed Chairman of the Company
 2019 Appointed Representative Director and Chairman of AFS Corporation Co., Ltd.
 2020 Appointed Director of AFS Corporation Co., Ltd. (current position)
 Appointed Chairman of the Company
 2021 Appointed Chairman of the Company (current position)



Kenji Fujita
President and CEO

1992 Joined JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
 1997 JAYA JUSCO STORES SDN. BHD. (currently, AEON CO. (M) BHD.)
 2004 Appointed Head of Managing Director Office and Deputy Division Head of SC Development of AEON CO. (M) BHD.
 2005 Appointed Division Head of SC Business Development of AEON CO. (M) BHD.
 2007 Talent Development Department of AEON Co., Ltd.
 2009 Appointed Head of Corporate Management Division of AEON STORES (HONG KONG) CO., LTD.
 2010 Appointed Director and Head of Corporate Management Division of AEON STORES (HONG KONG) CO., LTD.
 2011 Executive Office of AEON Co., Ltd.
 Appointed Head of Asia Business Division of the Company
 2012 Appointed Director of AEON CREDIT HOLDINGS (HONG KONG) CO., LTD. (currently, AEON Financial Service (Hong Kong) Co., Ltd.)
 2013 Appointed Director of AEON CREDIT SERVICE (M) BERHAD
 2014 Appointed Managing Director of AEON CREDIT SERVICE (M) BERHAD

Appointed Chairman and Representative Director of ACS Servicing (Thailand) Co., Ltd.
 Appointed Managing Director of AEON THANA SINSAP (THAILAND) PCL.
 Appointed Chairman and Representative Director of AEON SPECIALIZED BANK (CAMBODIA) PLC.
 Appointed Director of AEON CREDIT SERVICE CO., LTD.
 2020 Appointed President and CEO of the Company (current position)
 Appointed Director of AEON THANA SINSAP (THAILAND) PCL.
 Appointed Representative Director and President of AEON CREDIT SERVICE CO., LTD. (current position)
 Appointed Director of AEON Bank, Ltd. (current position)



Masaaki Mangetsu
Director and Managing Executive Officer

1981 Joined JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
 1996 Appointed Head of Sales Planning Department of Tokai Business Division of AEON Co., Ltd.
 2007 Appointed Head of Sales Promotion Department of AEON Co., Ltd.
 2008 Appointed Head of Marketing Department of AEON Co., Ltd.
 2009 Appointed Head of Nagano Business Department of AEON Retail Co., Ltd.
 2010 Appointed Head of Chiba Business Department of AEON Retail Co., Ltd.
 2012 Appointed Head of Sales Support Division of AEON (CHINA) CO., LTD.
 2013 Appointed COO of GMS Business of AEON (CHINA) CO., LTD.
 Appointed Director, Executive Officer and Head of Marketing Division of AEON CREDIT SERVICE CO., LTD.
 Appointed Head of Marketing Division of AEON CREDIT SERVICE CO., LTD.
 2014 Appointed Head of Marketing Division of the Company
 Appointed Director of AEON MARKETING CO., LTD.
 Appointed Director, Executive Officer and Head of Marketing Division of AEON CREDIT SERVICE CO., LTD.
 Appointed Head of Card Processing Business Division of the Company
 2015 Appointed Head of Marketing Division of the Company
 Appointed Director of AEON CREDIT SERVICE CO., LTD.
 Appointed Director and Head of Marketing Division of the Company
 Appointed Director and Head of Marketing Division and Overseas Business Division of the Company
 2016 Appointed Director in charge of Business Strategy and Head of Overseas Business Division of the Company
 Appointed Managing Director in charge of Business Strategy and Head of Overseas Business Division of the Company

Appointed Managing Director in charge of Global Business Strategy and Head of Global Business Strategy Division of the Company
 2017 Appointed Director and Chairman of AEON Credit Service (Asia) Co., Ltd.
 Appointed Chairman of AEON MICRO FINANCE (SHENZHEN) CO., LTD.
 Appointed Director, Managing Executive Officer in charge of Overseas Business Division and Head of Overseas Business Division of the Company
 Appointed Director of AEON CREDIT SERVICE (PHILIPPINES) INC.
 Appointed Director of AEON CREDIT SERVICE (M) BERHAD
 2019 Appointed Director, Managing Executive Officer in charge of Global Business Strategy and Head of Global Business Strategy Division of the Company
 Appointed Director, Managing Executive Officer in charge of Overseas Business Strategy and Innovation Planning, Head of Overseas Business Strategy Division and Head of Innovation Planning Division of the Company
 Appointed Director, Managing Executive Officer in charge of Overseas Business Strategy and Operation Planning, Head of Overseas Business Strategy Division and Head of Operation Planning Division of the Company
 2020 Appointed Director, Managing Executive Officer in charge of Group Marketing and Operation Planning and Head of Group Operation Planning Division of the Company
 2021 Appointed Director, Managing Executive Officer in charge of Group Marketing and Group Operation Planning
 2022 Appointed Director, Managing Executive Officer in charge of Group Operation Planning (current position)



Mitsugu Tamai
Director and Managing Executive Officer

1999 Joined the Company
 2006 Appointed Director, General Manager of Finance Management Department of the Company
 2007 Appointed Director and Head of Finance Division of the Company
 2010 Appointed Director, General Manager of Affiliate Management Division of the Company
 2011 Appointed Vice president, General Manager of Administration Department, Affiliate Management Division of the Company
 Appointed Aide to the Group Control and Accounting Officer of AEON Co., Ltd.
 2012 Appointed General Manager of Administration Division of AEON MALL Co., Ltd.
 Appointed General Manager of ASEAN Division of AEON MALL Co., Ltd.
 2013 Appointed Director and General Manager of ASEAN Division of AEON MALL Co., Ltd.
 Appointed Managing Director, General Manager of ASEAN Division, and General Manager of Digital Promotion Department of AEON MALL Co., Ltd.
 2019

Appointed Director of AEON MALL Co., Ltd.
 Appointed Managing Executive Officer in charge of Overseas Business of the Company
 Appointed Director, Managing Executive Officer in charge of Overseas Business of the Company
 2021 Appointed Chairman and Representative Director of AEON THANA SINSAP (THAILAND) PCL. (current position)
 Appointed Director of AEON CREDIT SERVICE (M) BERHAD (current position)
 Appointed Director, Managing Executive Officer in charge of Overseas Business and Head of Overseas Business Division of the Company
 Appointed Chairman of Equity Holder Association for ACS Trading Vietnam Co., Ltd. (current position)
 2022 Appointed Director, Managing Executive Officer in charge of Overseas Business of the Company (current position)



Yuro Kisaka

Director and
Managing Executive Officer

- 1997 Joined the Company
- 2003 Appointed General Manager of Sales Promotion Department, Sales Division of AEON Credit Service (Asia) Co., Ltd.
- 2006 Appointed Deputy General Manager of Business Promotion Division of AEON Credit Service (Asia) Co., Ltd.
- 2007 Appointed Head of Credit Card Business Administrative Department of AEON CREDIT SERVICE (M) BERHAD
- 2011 Appointed Head of Credit Card Business Administrative Department, Head of New Business Development Department of AEON CREDIT SERVICE (M) BERHAD
- 2012 Appointed General Manager of Myanmar Representative Office of the Company
- 2012 Appointed Representative Director and President of AEON MICROFINANCE (MYANMAR) COMPANY LIMITED
- 2019 Appointed Representative Director and President of AEON CREDIT SERVICE (M) BERHAD

- Appointed Director, Managing Executive Officer in charge of Group Corporate Planning of the Company
- Appointed Director, Managing Executive Officer in charge of Group Corporate Planning, Group Business Promotion and Insurance Business of the Company
- 2021 Appointed Director of AEON INSURANCE SERVICE CO., LTD. (current position)
- Appointed Director of AEON Allianz Life Insurance Co., Ltd. (current position)
- 2022 Appointed Director, Managing Executive Officer in charge of Group Corporate Planning (current position)
- Appointed Director of AEON Product Finance Co., Ltd. (current position)



Tomoyuki Mitsufuji

Director and
Managing Executive Officer

- 1987 Joined The Sanwa Bank, Limited (currently, MUFG Bank, Ltd.)
- 1994 Appointed Deputy General Manager of The Sanwa Bank, Limited
- 1998 Appointed Manager of Planning Department of The Sanwa Bank, Limited
- 1999 Appointed Vice President of Structured Finance Department of Sanwa International plc (London)
- 2001 Appointed Manager of Finance Department of Sanwa International plc (London)
- 2005 Appointed Senior Vice President of Investment Banking Division and Head of Capital Market Department of Tokyo Branch of Lehman Brothers Japan Inc.
- 2006 Appointed Leader of Market Funds Group of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
- 2007 Appointed Executive Officer and Head of Market Funds Department of AEON Bank, Ltd.
- 2010 Appointed Director, Executive Officer and Head of Market Funds Department of AEON Bank, Ltd.
- 2012 Appointed Director, Executive Officer and Head of Asset Management Division of AEON Bank, Ltd.
- 2014 Appointed Director, Managing Executive Officer in charge of Corporate Business Department and Asset Management Department of AEON Bank, Ltd.
- 2015 Appointed Director, Managing Executive Officer in charge of CSR, Credit, Operation Reforms and Business Reforms of AEON Bank, Ltd.
- Appointed Director, Managing Executive Officer in charge of Credit, Operation Reforms and Risk Compliance of AEON Bank, Ltd.

- 2016 Appointed Director, Managing Executive Officer in charge of Credit, Operation Reforms and Business Reforms of AEON Bank, Ltd.
- 2017 Appointed Director, Managing Executive Officer in charge of Business Promotion of AEON Bank, Ltd.
- Appointed Head of Risk Management & Compliance Division and Head of Risk Management Department of the Company
- Appointed Director, Senior Executive Officer in charge of Risk Management & Compliance and Head of Risk Management & Compliance Division of the Company
- 2019 Appointed President Commissioner of PT. AEON CREDIT SERVICE INDONESIA (current position)
- Appointed Director, Senior Executive Officer in charge of Group Risk Management
- 2021 Appointed Director, Senior Executive Officer in charge of Group Corporate Management and Group Risk Management
- Appointed Director and Chairman of AEON Credit Service (Asia) Co., Ltd. (current position)
- Appointed Director, Senior Executive Officer in charge of Group Corporate Management
- 2022 Appointed Director, Managing Executive Officer in charge of Group Corporate Management (current position)



Hiroki Tominaga

Director

- 1990 Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.)
- 2002 Appointed Deputy General Manager of Otemachi Corporate Banking Division No. 5 of Mizuho Corporate Bank, Ltd. (currently, Mizuho Bank, Ltd.)
- 2008 Appointed Chief Relationship Manager of Otemachi Corporate Banking Division No. 5 of Mizuho Corporate Bank, Ltd.
- 2011 Appointed Assistant Director of Business Administration Division of Mizuho Corporate Bank, Ltd.
- 2013 Appointed Assistant Director of Corporate Banking Coordination Division (Large Corporations) of Mizuho Bank, Ltd.
- 2015 Appointed General Manager of Kabutocho Corporate Banking and Securities Business Division of Mizuho Bank, Ltd.
- 2016 Appointed General Manager of Kobuncho No. 2 Division of Mizuho Bank, Ltd.
- 2019 Appointed General Manager of Corporate Promotion Division of Mizuho Bank, Ltd.

- Appointed Executive Officer and in charge of Specific Business of Retail & Business Banking Coordination Department of Mizuho Financial Group, Inc.
- 2020 Appointed Executive Officer and in charge of Specific Business of Retail & Business Banking Coordination Department of Mizuho Bank, Ltd.
- 2021 Appointed Director of AFS Corporation Co., Ltd.
- Appointed Director of the Company (current position)
- 2022 Appointed President and CEO of AFS Corporation Co., Ltd. (current position)
- Appointed Director of AEON Bank, Ltd. (current position)



Hiroyuki Watanabe

Director

- 1982 Joined Isejin JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
- 2003 Appointed Head of Management of Kanto Company of JUSCO Co., Ltd.
- Appointed Representative Director of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
- 2006 Appointed Director in charge of Human Resources, General Affairs and Public Relation of AEON Financial Project Co., Ltd.
- 2008 Appointed Director, Managing Executive Officer in charge of Human Resources and General Affairs of AEON Bank, Ltd.
- Appointed Director, Senior Managing Executive Officer and Head of Corporate Management Division of AEON Bank, Ltd.
- 2012 Appointed Director of the Company
- 2013 Appointed Director in charge of Human Resources and General Affairs Division, and Legal and Compliance Department
- 2014 Appointed Representative Director and Senior Managing Executive Officer, Head of Sales Division of AEON Bank, Ltd.

- 2015 Appointed President and Representative Director of AEON Bank, Ltd.
- 2016 Appointed Director of AEON CREDIT SERVICE CO., LTD.
- 2017 Appointed Director and Executive Vice President of the Company
- Executive Officer in charge of Human Resources and Administration, and Administration & Risk Management of AEON Co., Ltd.
- 2018 Appointed Director of the Company (current position)
- Appointed Director of AEON Bank, Ltd.
- Appointed Director of ZAG ZAG Co., Ltd. (current position)
- 2020 Appointed Director of Abilities JUSCO Co., Ltd. (current position)
- 2021 Appointed Director of AEON DELIGHT CO., LTD. (current position)
- 2022 Appointed Executive Vice President and Executive Officer in charge of Human Resources and Administration, Supervisor of Risk Management of AEON Co., Ltd. (current position)

Our Management Team (As of September 1, 2022)

Directors



Yoshimi Nakajima

Director (Outside)
Independent Director

1980 Joined The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)

1982 AVON Products CO., LTD., Tokyo Japan

1990 Disney Home Video Japan Co., Ltd.

1992 Dentsu Wunderman Direct Co., Ltd.

1995 Mary Kay Cosmetics Co., Ltd.

1997 Appointed Vice President of Personal Finance Division of Citibank, N. A.

2000 Appointed Senior General Manager in charge of Marketing and Sales of SG Online Branch of Société Générale Securities Ltd.

2002 Appointed Vice President in charge of Global Traveler's Check & Prepaid Card Service of American Express International, Inc. (Japan)

2003 Appointed Vice President and Marketing Supervisor of Personal Business Department of American Express International, Inc. (Japan)

2011 Appointed President of American Express International, Inc. (Singapore)

Appointed Senior Vice President in charge of Acquisition & Marketing of Personal Business Department of American Express International, Inc. (Japan)

2014 Appointed President and Representative Director of American Express Japan Co., Ltd.

2016 Appointed Visiting Professor of the Graduate School of Project Design (current position)

2017 Appointed Outside Director of Yamaha Corporation
Appointed Outside Director of the Company (current position)

Appointed Outside Director of Japan Freight Railway Company

2018 (current position)
Appointed External Director of ULVAC, Inc. (current position)

2021 Appointed Outside Director of Sekisui House, Ltd. (current position)

(Significant concurrent positions)
Outside Director of Japan Freight Railway Company
External Director of ULVAC, Inc.
Outside Director of Sekisui House, Ltd.



Kotaro Yamazawa

Director (Outside)
Independent Director

1980 Joined Bank of Japan

1988 Appointed Deputy Representative of Hong Kong Representative Office of Bank of Japan

1998 Appointed Manager of Banking Division of Osaka Branch of Bank of Japan

2000 Appointed Manager of Personnel Division of Personnel Department of Bank of Japan

2004 Appointed Head of Hakodate Branch of Bank of Japan

2006 Seconded to Osaka Securities Exchange Co., Ltd.

2010 Appointed Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.

2013 Appointed Senior Executive Officer of Japan Exchange Group, Inc. and Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.

2014 Appointed Senior Managing Executive Officer of Japan Exchange Group, Inc. and Director and Senior Managing Executive Officer of Osaka Securities Exchange Co., Ltd.

2015 Appointed Director and Vice President of Osaka Exchange, Inc.

Appointed Advisor of Osaka Exchange, Inc.
Appointed Corporate Auditor (Outside) of the Company

2017 Appointed Outside Director of Tokyo Commodity Exchange, Inc.
Appointed Special Advisor of GLORY LTD.

2018 Appointed Outside Auditor of WingArc1st Inc.

2019 Appointed Outside Director of the Company (current position)
Appointed Outside Director of WingArc1st Inc. (current position)

2020 Appointed External Board member of HJoJo Partners Inc. (current position)

2021 Appointed Full-Time Auditor of AGRIMEDIA Inc. (current position)

2022 Appointed Special Advisor of AGRIMEDIA Co., Ltd. (current position)
Appointed Outside Director of Morningstar Japan K.K. (current position)

(Significant concurrent positions)
Outside Director of WingArc1st Inc.
Outside Director of HJoJo Partners Inc.
Outside Director of Morningstar Japan K.K.
Special Advisor of AGRIMEDIA Co., Ltd.



Tatsuya Sakuma

Director (Outside)
Independent Director

Worked as public prosecutor of Tokyo, Naha and Niigata District Public Prosecutors Offices, of Criminal Affairs Bureau of the Ministry of Justice, and as First Secretary of Embassy of Japan in the United States of America

1983

1999 Appointed as Chief of Investigations, Human Rights Bureau of the Ministry of Justice

2003 Appointed as Chief of Public Security Division, Criminal Affairs Bureau of the Ministry of Justice

2004 Appointed as Chief of Criminal Affairs Division, Criminal Affairs Bureau of the Ministry of Justice

2005 Appointed Deputy Head of special investigation task force of the Tokyo District Public Prosecutors Office

2007 Appointed Head of General Affairs Department of the Tokyo District Public Prosecutors Office

2008 Appointed Head of special investigation task force of the Tokyo District Public Prosecutors Office

Appointed Chief Public Prosecutor of Otsu, Maebashi and Chiba District Public Prosecutors Offices, Director of United Nations Asia and Far East Institute, and Director-General of the Research and Training Institute of the Minister of Justice

2010

Retired from the position

Appointed Outside Director of bitFlyer, Inc.

2019 Appointed Outside Director of the Company (current position)
Registered as an attorney-at-law (Da-i-ichi Tokyo Bar Association)

2022 Appointed External Director of PowerX, Inc. (current position)

(Significant concurrent positions)
Attorney-at-law of Aoyama TS Law Office
External Director of PowerX, Inc.



Takashi Nagasaka

Director (Outside)
Independent Director

1979 Joined Chuo Audit Corporation

1981 Registered as a certified public accountant

1990 Appointed Partner of Chuo Audit Corporation

1998 Appointed Senior Partner of Chuo Audit Corporation

2005 Appointed Head of Audit Division of ChuoAoyama Audit Corporation

2007 Appointed Managing Director of Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC)

2010 Appointed Senior Partner of Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC)

Appointed Representative of Takashi Nagasaka CPA Office (current position)

2019 Appointed Outside Director of Contec Co., Ltd.
Appointed Outside Auditor of Tokushu Tokai Paper Co., Ltd.

2020 Appointed Outside Director of PARK24 CO., LTD. (current position)
Appointed Outside Director of the Company (current position)

2022 Appointed Outside Director of Tokushu Tokai Paper Co., Ltd. (current position)

(Significant concurrent positions)
Representative of Takashi Nagasaka CPA Office
Outside Director of Tokushu Tokai Paper Co., Ltd.
Outside Director of PARK24 CO., LTD.

Auditors



Makoto Takahashi

Corporate Auditor (Outside)

- 1985 Joined Yaohan Department Store Company (currently, Maxvalu Tokai Co., Ltd.)
- 2007 Appointed Leader of Internal Control Preparation Task Team of Maxvalu Tokai Co., Ltd.
- 2009 Appointed General Manager of Internal Control Department of Maxvalu Tokai Co., Ltd.
- 2012 Appointed General Manager of Compliance Department of Maxvalu Tokai Co., Ltd.
- 2013 Appointed Manager of Management Audit Office of Maxvalu Tokai Co., Ltd.
- 2014 Appointed General Manager of Business Management Headquarters of Maxvalu Tokai Co., Ltd.
- 2016 Appointed Director and General Manager of Business Management Headquarters of Maxvalu Tokai Co., Ltd.
- 2019 Appointed Director, concurrently serving as Executive Officer and General Manager of Business Management Headquarters of Maxvalu Tokai Co., Ltd.
- 2022 Appointed Director and Assistant to president of Maxvalu Tokai Co., Ltd.
Appointed Corporate Auditor (Outside) of the Company (current position)
Appointed Corporate Auditor of AEON Bank, Ltd. (current position)
Appointed Corporate Auditor of AFS Corporation Co., Ltd. (current position)



Go Otani

Corporate Auditor (Outside)
Independent Director

- 1980 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
- Appointed Acting Senior Vice President, Shaklee Business of Yamanouchi Pharmaceutical Co., Ltd.
- 1997 Appointed Outside Director of Shaklee Corporation (USA) of Yamanouchi Pharmaceutical Co., Ltd.
- Appointed Deputy Vice President in Charge of IR of Corporate Communications Department of Yamanouchi Pharmaceutical Co., Ltd.
- 2001
- 2003 Appointed Vice President in charge of European Business of Europe and U.S. Department of Yamanouchi Pharmaceutical Co., Ltd.
- 2005 Seconded to European Headquarters (resided in the United Kingdom), General Manager of Internal Auditing Division of Astellas Pharma Inc.
- 2009 Appointed Vice President of Internal Auditing Department of Astellas Pharma Inc.
- 2013 Appointed Audit & Supervisory Board Member of Astellas Pharma Inc.
- 2016 Appointed Corporate Auditor (Outside) of the Company (current position)



Yuko Yogo

Corporate Auditor (Outside)
Independent Director

- 1982 Joined Tokyo Branch of Morgan Bank (currently JPMorgan)
- 1993 Appointed Vice President of Global Market Department of JPMorgan Securities
- 1996 Appointed Japan Office Country Manager of Enterprise Attraction Bureau of Scottish Development International
- 2002 Appointed Vice President, General Manager of Administration Division and Manager of Internal Control of Tokyo Branch of TD Securities
- 2005 Appointed Head of Human Resources of ABN AMRO Securities
- Appointed Head of Human Resources of FIL Investments (Japan) Limited
- 2008 Appointed Representative Executive Officer of FIL Holdings Limited
- 2016 Appointed Executive Officer and Head of Human Resources of FIL Investments (Japan) Limited
- 2019 Appointed Corporate Auditor (Outside) of the Company (current position)
- 2022 Appointed Outside Director of HEALIOS K.K. (current position)



Makoto Fukuda

Corporate Auditor

- 2001 Joined JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
- 2009 Secretary Office of AEON Co., Ltd.
- 2011 Finance Department of AEON Co., Ltd.
- 2012 Appointed Manager of Finance Department of AEON Co., Ltd.
- 2013 Appointed Manager of Finance Planning Department of AEON Co., Ltd.
- 2015 Appointed Manager of Finance Department of AEON Co., Ltd.
- Appointed Head of Finance Department of AEON Co., Ltd. (current position)
- 2021 Appointed Director of AEON STORES (HONG KONG) CO., LTD. (current position)
- 2022 Appointed Corporate Auditor of the Company (current position)

Corporate Governance

Our Basic Approach to Corporate Governance

AEON Financial Service Co., Ltd. (“the Company”) is a member of the AEON Group. The AEON Basic Principles, “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core,” guide us. The Company’s Basic Policies are “to put customers first, provide financial services that are closely attuned to customers’ lives, earn the trust of society and meet its expectations, and maintain a corporate culture that encourages our people to excel.”

The Company consistently develops, strengthens, and enhances corporate governance to ensure transparent, fair, prompt, and decisive decision-making with due consideration of the perspectives of all stakeholders in order to achieve sustainable growth and increased corporate value over the medium term.

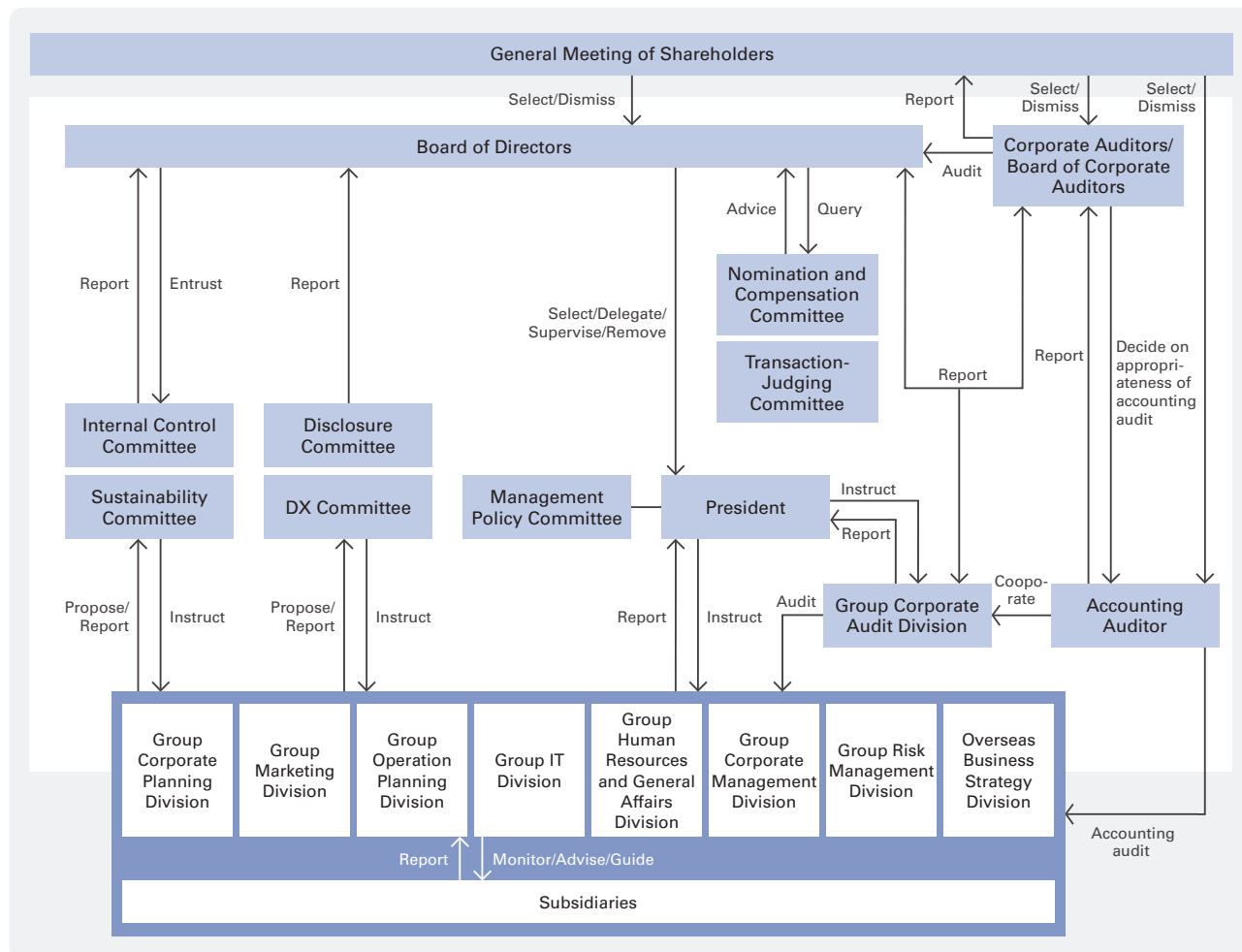
Please refer to our corporate website for Corporate Governance Guideline.

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

Corporate Governance Structure

The Company aims to further strengthen its management control and corporate governance. To this end, it has established the Management Policy Committee, Internal Control Committee, the Sustainability Committee, the Nomination and Compensation Committee, and the Disclosure Committee, in addition to the Board of Directors.

Corporate Governance (As of September 30, 2022)



Overview of Organization and Members

Name	Chairperson	Overview	Fiscal 2021 meetings held
Board of Directors	President and CEO	Chaired by the President and CEO; carries out ongoing initiatives to strengthen the management supervision and internal control functions. Membership is of the appropriate size for rapid decision-making of a dynamic nature. Monthly regular meeting.	17
Management Policy Committee	President and CEO	Set up as an advisory body to the President on decision-making as it relates to business execution. Requests are normally received from Board of Directors, who meet once or more each month.	30
Internal Control Committee	President and CEO	To ensure that the Group carries out business appropriately and effectively, the committee examines and discusses matters related to the development of internal controls from generalist and specialist perspectives; offers necessary guidance and advice to persons concerned; and votes on resolutions, presents reports, and offers advice. Once or more per month.	12
Sustainability Committee	Director/Managing Executive Officer (In charge of Group Management Planning)	Requests are received from the Board of Directors. Examines and discusses Group sustainability strategy and policy from generalist and specialist perspectives; offers necessary guidance and advice to persons concerned; and votes on resolutions, presents reports, and offers advice. Quarterly, or more frequently.	4 (Former CSR Committee)
Board of Corporate Auditors	Corporate Auditor (Outside)	The Company is organized as a Company with a Board of Corporate Auditors. The Board is composed of three outside members (including two that qualify as independent officers) and one Company member for a total of four. One member has some expertise in being directly responsible for finance and accounting. Monthly.	18
Nomination and Compensation Committee	Corporate Director (Outside)	Ensures that the nomination and compensation of directors and senior management at Group companies is carried with in accordance with procedures on an objective, transparent, and independent basis; debates and considers candidates for director in the next fiscal period and director compensation based on advice from the Board of Directors. Once or more per year.	9
Transaction-Judging Committee	Corporate Director (Outside)	For major transactions or conduct that create a conflict of interest between the Company's controlling and minority shareholders, deliberates the appropriateness of the corresponding transactions or conduct from the viewpoint of protecting the interests of minority shareholders. Composed of outside directors and meets when necessary.	*Newly established in FY2022
Disclosure Committee	Director/Managing Executive Officer (In charge of Group Management Planning)	Taking a multi-faceted and comprehensive approach, discusses and debates materials, etc., that disclose important corporate information on matters such as Group performance and business conditions. Four times or more per year.	11
DX Committee	Director/Managing Executive Officer (In charge of Group Operation Planning)	Develops Group digital transformation (DX) strategy and endeavors to design the best initiatives for promoting DX, both across companies and within individual companies. Monthly.	*Newly established in FY2022

Members of Governance Committees

Position	Name/Committee	Board of Directors	Management Policy Committee	Internal Control Committee	Sustainability Committee	Board of Corporate Auditors	Nomination and Compensation Committee	Transaction-Judging Committee	Disclosure Committee	DX Committee
Chairman	Masaki Suzuki	○	○	○	○		○			○
President and CEO	Kenji Fujita	◎	◎	◎	○		○		○	○
Director and Managing Executive Officer	Masaaki Mangetsu	○	○	○	○					◎
Director and Managing Executive Officer	Mitsugu Tamai	○	○	○	○					
Director and Managing Executive Officer	Yuro Kisaka	○	○	○	◎			◎		○
Director and Managing Executive Officer	Tomoyuki Mitsufuji	○	○	○	○			○		○
Director	Hiroki Tominaga	○		○						
Director	Hiroyuki Watanabe	○								
Director (Outside)	Yoshimi Nakajima	○					◎	○		
Director (Outside)	Kotaro Yamazawa	○					○	○		
Director (Outside)	Tatsuya Sakuma	○					○	◎		
Director (Outside)	Takashi Nagasaka	○					○	○		
Corporate Auditor (Full-Time) (Outside)	Makoto Takahashi					◎				
Corporate Auditor (Outside)	Go Otani					○				
Corporate Auditor (Outside)	Yuko Yogo					○				
Corporate Auditor	Makoto Fukuda					○				

*◎=Chairperson ○=Committee member

Corporate Governance

Approach to Director Diversity

In accordance with a management philosophy of “Support customers’ lifestyles and enable each individual to maximize future opportunities through effective use of credit,” the Company selects directors who can contribute to the various life stages and lifestyles of its customers. Candidates must possess both high integrity (ethics and honesty) and management skills and also share the AEON philosophy. In addition, they must have a wealth of practical experience and special expertise to fulfill a leadership role in corporate management, global finance, retailing, law, accounting, or other areas. Consideration is given to ensuring diversity by age and gender of those entrusted with proper decision-making and supervision at the corporate level.

From the viewpoint of emphasizing independence, outside directors fulfill the independent director/auditor requirements of the Tokyo Stock Exchange. They are selected in consideration of gender and diversity and achieving a balance among specialized fields. The ones selected include those who have served in a leadership role in individual fields and those who have experience at the policy decision level and who can be expected to contribute to enhancement of the Company's corporate value.

The Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors, chaired by an independent outside director, and one in which independent outside directors compose a majority of the members. When selecting candidates for director, which has been designated as a matter decided by the Board of Directors, the highest value is accorded to a record of results in a deliberative committee.

Criteria for independence of candidates for outside directors are as set forth below.

[Criteria applied to all directors]

- 1.1 Is not a person belonging to the Company or a subsidiary of the Company in the capacity of executive director, vice president, corporate executive or other employee (hereinafter, collectively, “business executive”) and was not a business executive at the Company or a subsidiary of the Company within the last 10 years prior to the appointment.
- 1.2 Is not a person who, at any time in the 10 years prior to the appointment, was a director, accounting advisor, or corporate auditor (excluding business executive) of the Company or a subsidiary of the Company who, during the 10 years prior to that appointment as director, accounting advisor, or corporate auditor was a business executive at the Company or a subsidiary of the Company.
- 2.1 Is not a person who has a business relationship with the Company or a major subsidiary of the Company (Note 1) whereby the Company or a major subsidiary of the Company is its major transacting counterparty (Note 2), or a person who is not currently or has not been in the last three years a business executive at such business partner that is an incorporated entity, etc. (Note 3).
- 2.2 Is not a person who has a business relationship with the Company or a major subsidiary of the Company who is a major transacting counterparty, or a person who is not currently or has not been in the last three years a business executive at such major transacting counterparty that is an incorporated entity, etc.

[Criteria applied to outside directors]

3. Is not a person who is a consultant, accounting expert or legal expert, etc. receiving a large sum (Note 4) of money or other financial asset other than the remuneration for directors and corporate auditors from the Company.
4. Is not an employee, etc. of a consulting firm, accounting firm, legal firm, etc. that has the Company as a major transacting counterparty.
5. Is not a person who receives a donation, etc. of a large sum from the Company, or who is a business executive of an incorporated entity, etc. receiving such donation.
6. Is not a person who is a major shareholder of the Company or a business executive of an incorporated entity, etc. that is a major shareholder of the Company.
7. Is not a person falling under the following categories (excluding persons who are not important persons (Note 5)) or a close relative (Note 6) of such person:
 - (a) Person falling under the above criteria 1 to 6.
 - (b) Person who is a director, corporate auditor, corporate executive, and important employee, etc.

(Note 1) Major subsidiary: AFS Corporation Co., Ltd., AEON Bank, Ltd., AEON CREDIT SERVICE CO., LTD.

(Note 2) Major transacting counterparty: Judged by the criterion of at least 1% of consolidated net sales (ordinary income in the case of the Company) in the most recent business year.

(Note 3) Incorporated entity, etc.: Includes organizations other than incorporated entities.

(Note 4) Large sum: At least ¥10 million per year based on an average of the past three years.

(Note 5) Persons who are not important persons: An “important person” refers to a person with a position in the class of company officer or general manager, and in the case of persons belonging to an accounting firm or law firm, etc., it refers to a certified public accountant or lawyer, etc.

(Note 6) Close relative: Spouse or relative within the second degree of kinship.

Support Systems for Directors

The Company regularly conducts director training in corporate governance, management strategy, risk management, internal controls, and compliance. The purpose is to foster the devotion of attendees to acquiring the necessary expertise for a corporate auditor and its roles and responsibilities, as well as updating this expertise as appropriate.

Also, as one part of their orientation upon assuming office, independent outside directors are provided the opportunity to observe operations sites and other facilities. After assuming office, they continue to be supplied with necessary information such as expertise related to the business.

Outside Directors: Reasons for Appointment

Outside Director	Reasons for Appointment	Attendance at Board of Directors meeting during FY2021
Yoshimi Nakajima	After working at major marketing posts in places such as foreign financial institutions operating in Japan, Ms. Nakajima became President of American Express International in Singapore and also in Japan, where she worked on corporate strategy. She now serves as a special lecturer at the Graduate School of Project Design. Ms. Nakajima has a wealth of experience and a proven track record in corporate management of financial businesses, both in Japan and overseas. She also has excellent insights into marketing, digital transformation, corporate governance, and diversity and inclusion. Because she brings a diversity of perspectives from which she can express opinions and offer advice on domestic and overseas business, the Company has judged her to be an indispensable talent for the Board of Directors. She also serves as chair of the Nomination and Compensation Committee.	100% 17/17
Kotaro Yamazawa	After joining the Bank of Japan, Mr. Yamazawa became a director of the Osaka Securities Exchange (now the Osaka Exchange). He became a Senior Managing Executive Officer of the Japan Exchange Group (JPX) and then served as Vice President of the Osaka Exchange. Mr. Yamazawa has a wealth of experience and a proven track record in corporate management of financial business. He also has excellent insights into financial accounting and corporate governance. Because he can express sound opinions and offer advice centering on business strategy for sustainable growth with a focus on medium- to long-term growth markets and industry structure, while assimilating a wide range of views, the Company has judged him to be an indispensable talent for the Board of Directors.	100% 17/17
Tatsuya Sakuma	Following his appointment as public prosecutor, Mr. Sakuma served as a general director of the Tokyo District Public Prosecutors Office and Chief of Special Investigations. He then headed the United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders, followed in succession by service at two major positions, Chief Public Prosecutor of the Chiba District Public Prosecutors Office, and Director-General of the Research and Training Institute of the Minister of Justice. He is now actively involved as a practicing attorney and brings to his directorship a wealth of experience and excellent insights spanning his long tenure in the legal profession. Because he can express sound opinions and offer advice from an independent and objective basis, centered on internal controls and risk management, the Company has judged him to be an indispensable talent for the Board of Directors. He also serves as chair of the Transaction-Judging Committee.	100% 17/17
Takashi Nagasaka	As a certified public accountant, Takashi Nagasaka has served in succession as an audit manager at Chuo Aoyama Audit Corporation and a Managing Director, then Senior Partner, of Shinnihon Audit Corporation (now Ernst & Young Shinnihon LLC). He now serves as Representative of Takashi Nagasaka CPA Office. Mr. Nagasaka has a wealth of experience and excellent insights, focused on financial audits and internal controls, from exercising responsibility at auditing firms across a broad span of industries including retail, financial, and companies operating overseas. Because he can express sound opinions and offer advice on an independent and objective basis, centered on transactions with controlling shareholders and assurance of propriety, the Company has judged him to be an indispensable talent for the Board of Directors.	100% 17/17

Corporate Auditor (Outside)	Reasons for Appointment	Attendance at Board of Corporate Auditors meeting during FY2021
Makoto Takahashi	Mr. Takashi joined Yaohan Co., Ltd. (now MaxValu Tokai Co., Ltd.) and assumed positions as general manager of internal controls, general manager of compliance, and manager of management audits. He then served concurrently as director and executive officer of the Corporate Management Headquarters. He brings to his directorship a wealth of experience and a track record in a variety of fields at listed subsidiaries of AEON Corporation, including internal controls, internal auditing, and corporate management, and adds a management perspective based on experience as a concurrent director and executive officer. Because he can fulfill an appropriate role as an corporate auditor to ensure the soundness and propriety of the Company's management and decision-making, the Company has judged him to be an indispensable talent for the Board of Directors.	—
Go Otani	Joined Yamanouchi Pharmaceutical Co. Ltd. (now Astellas Pharma Inc.), where he successfully carried out a series of major positions including Outside Director of US subsidiary Shaklee Corporation. After serving as a Deputy Vice President in Charge of IR, he was seconded to Astellas Pharma Europe Ltd. (UK), a supervisory company in Europe, where he General Manager of the Internal Auditing Division. He was later appointed Vice President of the Auditing Department at Astellas Pharma Co., Ltd. (Japan) and now serves as a full-time corporate auditor of the Company. Mr. Otani has broad expertise in a variety of fields conferred by a wealth of work site experience in Japan and overseas. This has given him excellent insights into domains such as corporate governance, risk management, and internal controls. Because he can contribute to ensuring the adequacy and appropriateness of the Company's management, the Company has judged him to be an indispensable talent for enhancing the functions of the Board of Corporate Auditors.	100% 18/18
Yuko Yogo	After joining Morgan Bank (now J.P. Morgan), she was engaged in banking, securities, and asset management at foreign financial institutions operating in Japan, starting with J.P. Morgan Securities. Since 2008, she has served as representative executive officer at Fidelity Holdings Inc. and executive officer responsible for the Human Resources Department at Fidelity Investments (Japan) Limited and Fidelity Brokerage Services Japan LLC. Has a wealth of experience and proven track record as an internal supervisory manager and person responsible for human resources at foreign financial institutions operating in Japan. Also possesses excellent insights into company culture, human resources development, and diversity and inclusion. In addition to her deep insights and global perspective, she can contribute to the strengthening of corporate governance by offering advice from a social perspective. Because of this, the Company has judged her to be an indispensable talent who can enhance the functions of the Board of Corporate Auditors.	100% 18/18

Messages from Outside Directors



Yoshimi Nakajima

Chair, Nomination and Compensation Committee

Focusing resources on LTV as a company trusted by each and every customer

We set fiscal 2021 as the period to launch the Nomination and Compensation Committee and to build a foundation for examining what is best in running a company, and in what way, in order to raise its corporate value. This was followed by 2022—the year we seized the business expansion opportunity presented by environmental change—when discussions from a long-term point of view on nurturing human resources, a pillar of the business, started at full steam. Expanding and organizing business based on the concept of supplying comprehensive services that are also fit for the future, not just in Japan but also over a wide section of Asia, is an urgent task. It is therefore necessary to bolster the senior management team so that employee training, including re-skilling and the hiring of outside talent, can be conducted systematically and in a timely manner.

The Company's strengths lie in the brand power of being in charge of the AEON Group's financial services and the ability to offer both online and physical store customer experiences, forming the basis of the Company's competitive edge. Nevertheless, challenges lie in our path. In Japan with its shrinking population, the challenge is to shift focus to customer life-time value (LTV) to be a company trusted by each and every customer, with whom we seek long and deep relationships, and to direct resources towards this shift. Overseas, the challenge is to secure management talent flushed with a sense of speed who can develop new markets and earn market share.

We will continue to develop our fertile culture that we have been fostering at the organizational level, including the development of products and services, as well as the employees themselves, so that they become "things the Company cannot do without." While all employees feel the urgency that they cannot be content with the current situation, in this period of great transformation, 2022 was the year in which the groundwork was laid for enacting change. I would like to ask for your support for such innovations from here on.



Kotaro Yamazawa

Looking for a great leap forward while the times demand innovation and responses to a swath of challenges

Discussions at various committees led by outside directors have been greatly enriched, and I feel we have made great strides forward in the Company's governance these last three years. However, compliance problems have arisen in recent years. Furthermore, upon reflection, we find that insufficiencies arose in discussions towards subsidiary controls and putting in place a system that prevents these types of conditions. Also, we did not delve deeply enough into strategic discussions.

When a subsidiary is listed, there is an identified risk that the rights of the minority shareholders will be inhibited. However, the AFS Group continues to maintain many listed subsidiaries. The Company is making every effort to ensure independence and has set up a special committee composed of four independent outside directors. So that the rights of minority shareholders are not infringed upon, the committee has been holding a series of earnest discussions on transactions with the parent company that could create a conflict of interest. In its selection of officers and proper design of the compensation system, the Nomination and Compensation Committee is seeking the best solutions based on a healthy relationship with controlling shareholders. In this regard, transparency has undergone a substantial increase in the past one to two years.

From a strategic aspect, profitability has fallen in Japan while overseas there are no signs of a growth sector that will follow the path of the three listed companies. With this as background, business challenges have been pointed out, such as problems related to organizational culture: the delayed move to digitalization and IT personnel shortages. The Company has set forth a clear direction towards 2025 in the medium-term management plan, and we anticipate a major leap brought about by innovation towards a "second founding." AFS is in fact a totally exciting place to be right now.

Those who currently serve as independent outside directors, function well not only in governance, but also in formulating strategy.

I not only seek out solutions based on this type of governance, but also ones that function well in the context of strategic policy. I hope that stakeholders, starting with the Company's shareholders, would like to look forward to the future results.



Tatsuya Sakuma
Chair, Transaction-Judging
Committee

While leveraging Group advantages, fulfilling our mission to not have individual transactions impose losses on minority shareholders

The Transaction-Judging Committee was established for the purpose of protecting the interests of minority shareholders. Even though the Company is highly indebted to the parent company and its Group—from management philosophy to corporate resources such as the customer base and personnel—which are also strengths. The committee will fulfill its assigned mission by verifying that each transaction that makes use of these strengths does not impose losses on minority shareholders.

Regulations from the committee cover more than just transactions between parent company and subsidiary; they also cover the broad adoption of management decisions in which the interests of the parent company, i.e., the controlling shareholders, and those of minority shareholders are structurally in opposition. Here, it is necessary to accurately identify proposals that require deliberation by the committee from the items brought before the Board of Directors. For decisions on whether the interests of minority shareholders are being met, the viewpoints of time and having a specialization tailored to the proposal are essential ones. Because the committee is blessed with members having expertise and experience in a variety of areas, I would like to see such projects decided appropriately whenever they come up for deliberation.

While keeping its traditional style of granting broad discretion to Group companies using their decisions to develop business, the Company offers much more from the parent company than corporate management and audits. It also shares the responsibility with the individual companies in corporate planning and shares management resources with these companies, including expertise, information, and personnel. In so doing, AFS has come into an era of expanding these parent company functions. Soon after its founding in credit cards and banking growing out of retail operations, the Company expanded overseas and turned into a corporate group infused with the spirit of progress. Financial services including payment procedures are undergoing major changes at this moment, and in response the Company must adapt to a new environment and the development of new businesses by demonstrating its challenge mentality in great measure. To support the governance aspect of this risk-taking, I would like to play a role in pushing senior management towards guaranteeing objectivity and rationality in management decisions.



Takashi Nagasaka

Support that balances improving medium- to long-term corporate value with achieving sustainable growth

Expanding the range of domestic and overseas activity together with offering products and services that raise value added through peace of mind, economy, and familiarity, as a comprehensive financial company of the AEON Group, constitute AFS's boasting points. In a Group that strives for diversity and inclusion, the people of the Group come from a variety of origins and have unusually strong individual skills. On the other hand, it is difficult to bring a variety of companies and personnel into a single force as an organization, meaning that beneficial opportunities will not necessarily be put to good use. Carrying the organization to an overall optimal state is a challenge faced by the Company. Naturally, there are more than a few merits in splitting off a company or two, but if we overdo this as a parent company, our controls will not function well. With the rules now laid out, it is essential to make use of individual companies, while having them align with a vector that points in the direction we aspire to.

In the last few years, while dealing with the special factor of COVID-19, Company profits have fallen and potential growth has softened. The price-to-book ratio (stock price divided by net assets per share) has fallen below 1.0 and growth has started to be questioned, which has created the issue of how to get back on a growth track. The Nomination and Compensation Committee is deliberating using compensation system for officers' compensation based on a performance-linked incentive model. In fiscal 2022, regarding the standard for the granting of subscription rights to shares for the purpose of having equity-linked compensation in the form of stock options, we raised the effectiveness of the incentives by lifting the upper limit for grants issued in accordance with the achievement of performance targets.

Looking ahead, what I see as important is to get on a growth trajectory centered on medium- to long-term growth and to communicate regularly with shareholders and investors to deepen their understanding of our Company.

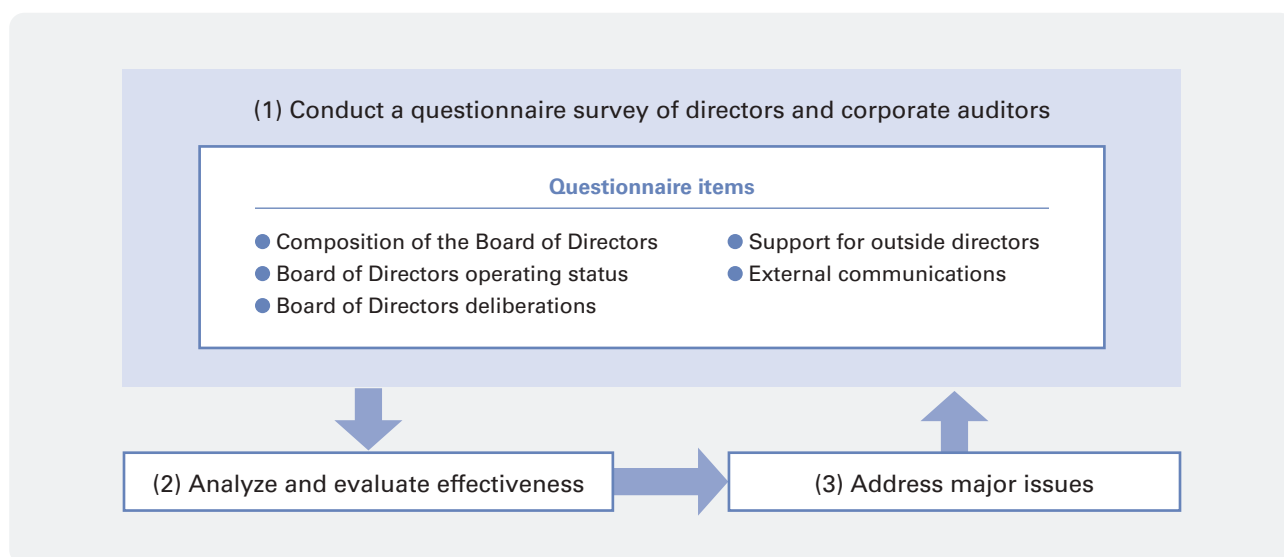
Utilizing the Evaluation of Director Effectiveness

Evaluation of Director Effectiveness

In order to strengthen corporate governance to facilitate improvement in sustainable growth and medium- to long-term corporate value, the Company has analyzed and evaluated Board of Directors effectiveness. It is carrying out initiatives that apply the PDCA cycle on each issue identified as a result of this work.

In fiscal 2021, we conducted an evaluation of director effectiveness covering all 12 directors and all four corporate auditors. Since fiscal 2020, an improvement in the current corporate governance system and its operation has been recognized. The evaluation found that no large problems are apparent, that the Company's Board of Directors is on the whole functionally appropriately, and that effectiveness is being ensured. We nevertheless have identified issues derived from the evaluation and are continually engaged in improving effectiveness.

Evaluation Process



Points of Improvement and Details of Future Initiatives Towards

On the positive side, improvements were seen in the quality of Company deliberations from a multi-sided perspective and having appropriate monitoring by outside directors who bring to the table a wealth of diversity. On the other hand, careful study is needed on creating time for discussions of long-term management strategy, promoting in-house initiatives throughout the entire Group, identifying the necessary attributes and skills of successor candidates, and having senior management compensation linked to medium- to long-term performance.

Important Issues for the Future

Although it was judged from the evaluation that effectiveness is being ensured at present, towards the realization of a highly effective Board of Directors, we have identified the following major issues, including the continuity issue from the previous year, and intend to make improvements.

- Enhancing discussions concerning long-term strategy
- Deliberations integrating sustainability and corporate strategies, and their monitoring
- Review of management-level successor training and compensation system design
- Further upgrading the management accounting system

Executive Officer Compensation

Decision Guidelines for Compensation Amounts and Method of Calculation.

Officer Compensation (Fiscal 2021)

Classification	Number of Recipients	Total Compensation (Millions of Yen)		
		Base Compensation	Performance-Linked Compensation	Non-monetary compensation, etc.
Directors (Outside Directors)	13 (4)	168 (48)	15 (—)	0 (—)
Corporate Auditor (Corporate Auditor (Outside))	3 (3)	27 (27)	—	—
Total (Total of Outside Directors)	16 (7)	195 (75)	15 (—)	0 (—)

*1. Based on the status at the adjournment of the 40th Ordinary General Meeting of Shareholders held on May 21, 2021, three retired directors are included in the table above.

*2. The 34th Ordinary General Meeting of Shareholders held on June 24, 2015 resolved to limit compensation for directors to a total of ¥550 million per year.

Monetary compensation is limited to ¥400 million per year (including ¥50 million for outside directors) and equity-linked compensation is limited to ¥150 million per year as determined by the fair market value of the stock options.

Moreover, the 41st Ordinary General Meeting of Shareholders, held on May 23, 2022, resolved to make no changes to the compensation limits for directors (¥550 million per year), and to change the limit for outside directors to ¥100 million per year.

*3. The 13th Ordinary General Meeting of Shareholders, held on May 18, 1994, resolved to limit compensation for corporate auditors to ¥50 million per year.

*4. Performance-linked compensation covering performance in fiscal 2021 was paid to six full-time directors.

Also, equity-linked compensation in the form of stock options scheduled for distribution on July 21, 2021, were suspended in consideration of the effects of the COVID-19 novel coronavirus on fiscal 2020 performance.

*5. At the end of the corresponding fiscal year (February 28, 2021), there were currently 12 directors and four corporate auditors. Among these officers, two directors and one corporate auditor are paid no compensation.

In order to ensure that decisions on appointment and compensation for directors and the core management team are carried out with procedures having objectivity, transparency, and independence, the Company established the Nomination and Compensation Committee ("the Committee").

A majority of the Committee is comprised of outside directors, and the chair is selected from the members who are outside directors by mutual choice of those members.

Based on the findings of the Committee, the Board of Directors decides upon the directors and core management team and their compensation, among other matters.

<Details on activities of the Nomination and Compensation Committee>

- Level of compensation compared to the Company's compensation policy for its executive officers and external data
- May 2022: Amount of performance-linked compensation paid and number of shares of stock granted as compensation to full-time directors and executive officers for fiscal 2021
- May 2022: Director compensation following new elections (in fiscal 2022) (stipulated amounts of base compensation and performance-linked compensation, stipulated number of shares for stock compensation)

<Details on activities regarding compensation decisions for the Board of Directors>

- May 2022: Amount of performance-linked compensation paid and number of shares of stock granted as compensation to full-time directors and executive officers for fiscal 2021
- May 2022: Director compensation following new elections (in fiscal 2022) (stipulated amounts of base compensation and performance-linked compensation, stipulated number of shares for stock compensation)

*Performance compensation and stock compensation mean the amounts paid for Company and individual performance (indicating achievement status of operating income) when targets are met and the stipulated values for number of shares granted, which is set in advance as the stipulated number of shares, are determined after the close of the fiscal year when Company and individual performance is evaluated and the payment amounts and size of share grants are decided upon.

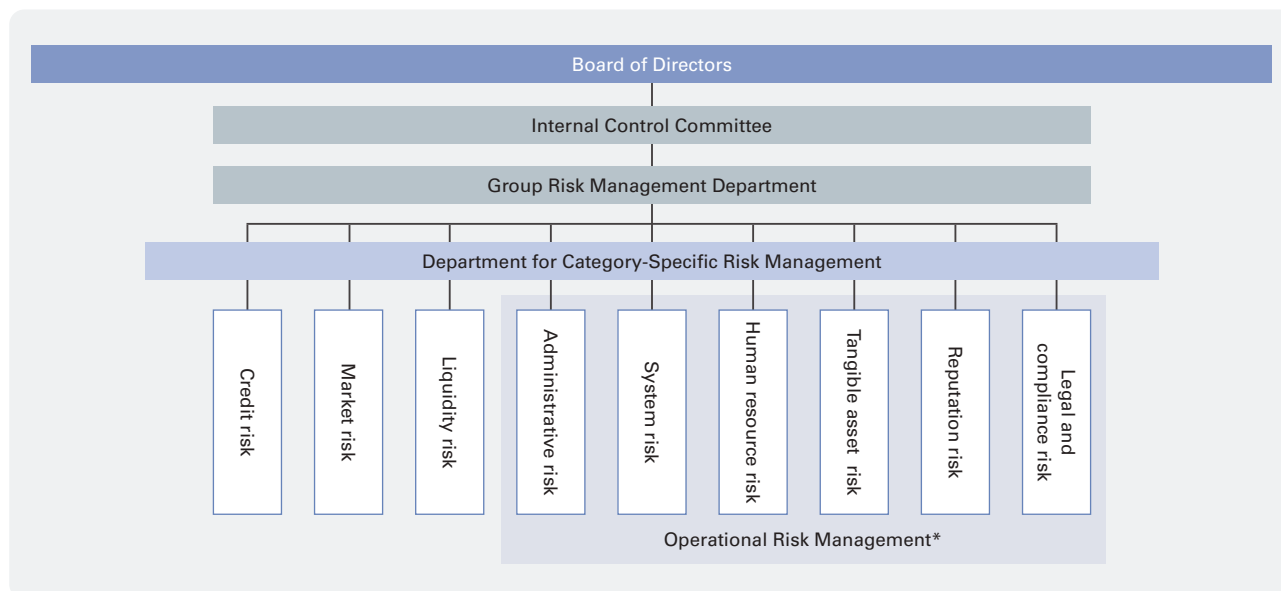
*Equity-linked compensation means the granting of subscription rights to shares as equity-linked compensation in the form of stock options.

Risk Management

Risk Management

The Company employs a comprehensive approach in promoting risk management, working to evaluate the risks facing the Group in each risk category in the most consistent manner possible. This approach leads to a reliable and steady increase in corporate value. As a structure to promote said risk management, the Company has established the Group Risk Management Division to oversee the risk management of the Group. The Internal Control Committee comprehensively studies and deliberates on matters relating to overall risk management in the Group and refers important matters to the Board of Directors. In addition, we have established subcommittees related to internal control and conduct concrete examinations regarding operational issues that focus on monitoring and risk control within the Group. These examinations entail understanding problems, analyzing the root causes of said problems, and planning countermeasures. The examination results are then proposed and reported to the Internal Control Committee. The role of the Board of Directors with respect to risk management is to regularly receive reports on the status of risk management, perform monitoring of risk management, and deliberate and decide on important fundamental matters relating thereto. The Group categorizes risks that occur in the course of operations into a number of categories: credit risk, market risk, liquidity risk, and operational risk. Risks are managed according to their specific characteristics. In particular, we are working to create a regularly updated system to identify, analyze, and evaluate changes in external conditions, including the COVID-19 pandemic, which has been ongoing since the beginning of 2020, and changing political situations in countries that the Group is expanding into.

Risk Management Structure



Note: The Group classifies operational risk management into six categories. Departments manage risks relevant to them, while the Group Risk Management Division works to understand and manage risks on a comprehensive level.

Business Risks

When assessing the Group’s business risks, the Company makes a comprehensive judgment on whether a risk is a priority risk or not after evaluating the possibility of said risk materializing and the impact it will have on management.

The items listed on Security Report and website have been highlighted as high priority risks.

These risks are considered to have a relatively high possibility of affecting the Group’s performance and financial standing based on the Company’s risk assessment.

➡ Please refer to our corporate website for a list of major risks.

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

Other risks that could affect business operations include physical damage to our sales offices and communication systems from natural disasters caused by climate change and an increase in abnormal weather. Such events could also have an adverse effect on customers’ daily lives and household budgets, resulting in an increase in Group credit-related expenses. AEON Co., Ltd., the parent company of AFS, has established Aeon Decarbonization Vision, aiming to realize a carbon-neutral society, and has been working to tackle the

problem of global warming—something that bears a major impact on the Earth’s environment—at an early stage. They have been working to expand initiatives to understand and assess risks and disclose information in line with the recommendations put forth by the TCFD. As a member of the AEON Group, AFS is working to reduce CO₂ emissions by promoting paperless operations. These efforts include using tablets for explaining products and for application procedures and introducing digital signage at stores, in addition to moving AEON Card usage details online.

Compliance System

The AEON Code of Conduct has been established to provide guidance for appropriate judgments and actions in line with the social norms and corporate ethics upheld by the AEON Group. The Group, meanwhile, has established the AFS (AEON Financial Service) Group Policies on Compliance. All officers and employees of the Group comply with these guidelines, which represent common value standards.

The Group has also formulated the Compliance Regulations and Compliance Manual to thoroughly inform all officers and employees about the laws and regulations that they must comply with, specific red flags to watch out for, and how to respond should they discover any compliance violations. In addition, the Group holds compliance training at regular intervals and whenever necessary.

The Company, meanwhile, has established the Group Legal Compliance Department as an entity charged with overseeing the compliance of the Group. It monitors compliance for respective Group companies and provides guidance and advice when necessary.

The Internal Control Committee monitors compliance within the Group and examines compliance-related policies, regulations, and case-by-case responses to compliance-related issues.

The Board of Directors receives reports and opinions relating to compliance in the Group from the Internal Control Committee and makes decisions on important compliance-related matters.

For each company of the AFS Group, monitory guidance and support in the case of administrative penalties and guidance from a supervisory agency is carried out through this system.

The Group has also formulated its Basic Policy for Handling Anti-Social Forces. This policy clearly informs officers and employees that relationships with anti-social forces are strictly forbidden. In addition, the Company and each Group company compile and analyze data about anti-social forces collected from both inside and outside the Group and report the status of management to the Company. The Company monitors the management status of all Group companies regarding the exclusion of anti-social forces in addition to providing instructions and guidance when necessary.

Due to strong domestic and international demand, we have positioned money laundering and terrorist financing as important issues for management, in addition to measures aimed at preventing corruption among foreign public servants.

To promote a proactive response in this regard, we are working to develop and operate management systems at each Group company based on our AFS Group Compliance Policy.

• Whistleblowing System

Each Group company has a contact point for consultation to ensure the promotion of compliance and the integrity of the compliance system of the Group. In addition, all officers and employees are informed about the AEON Code of Conduct “110” hotline and the outside hotline for consultation. These hotlines are aimed at providing individuals an option to report problems ranging from legal violations, to violations of the Code of Conduct, to day-to-day work issues when there are difficulties correcting these problems at the workplace in question. When a violation is reported, efforts are made to investigate the facts and implement appropriate actions and improvements while protecting the individual reporting the infraction.

The system has been mandatory for operating companies in especially Japan since June 1, 2020, and includes measures to prevent power harassment in the workplace. In addition, in accordance with the amendments to the Whistleblower Protection Act that took effect in June 2022, the Company intends to handle cases on a global basis and, similar to what was done previously, utilize the same consultation office where consultation can be received, and have cases examined and responded to, with improvements made.

Internal Audit

Based on the recognition that building an internal audit system is critical for developing an appropriate risk management structure, the Company has formulated an Internal Audit Basic Policy for the Group, which aims to ensure the effectiveness of internal audits. The Group Auditor Section of the Company conducts internal audits of each division of the Company as well as supervises the Group’s internal audit function. Specifically, the division verifies the appropriateness and effectiveness of each Group company’s internal management and internal audit structure by monitoring the status of internal audits and conducting direct audits as necessary.

Response to Climate Change (Initiatives Based on TCFD Recommendations)

From an early stage, the AEON Group has addressed the issue of climate change, which is having a major impact on the global environment and human society. We have adopted the Aeon Decarbonization Vision, by which we aim to have reduced to zero the total amount of CO₂ emitted at our stores by 2040. In November 2021, AEON Financial Service Co., Ltd. (AFS) announced its endorsement of the recommendations put forth by the Task Force on Climate-related Financial Disclosures (TCFD) and is clarifying its policies for addressing climate change to promote management that contributes to the building of a sustainable society.

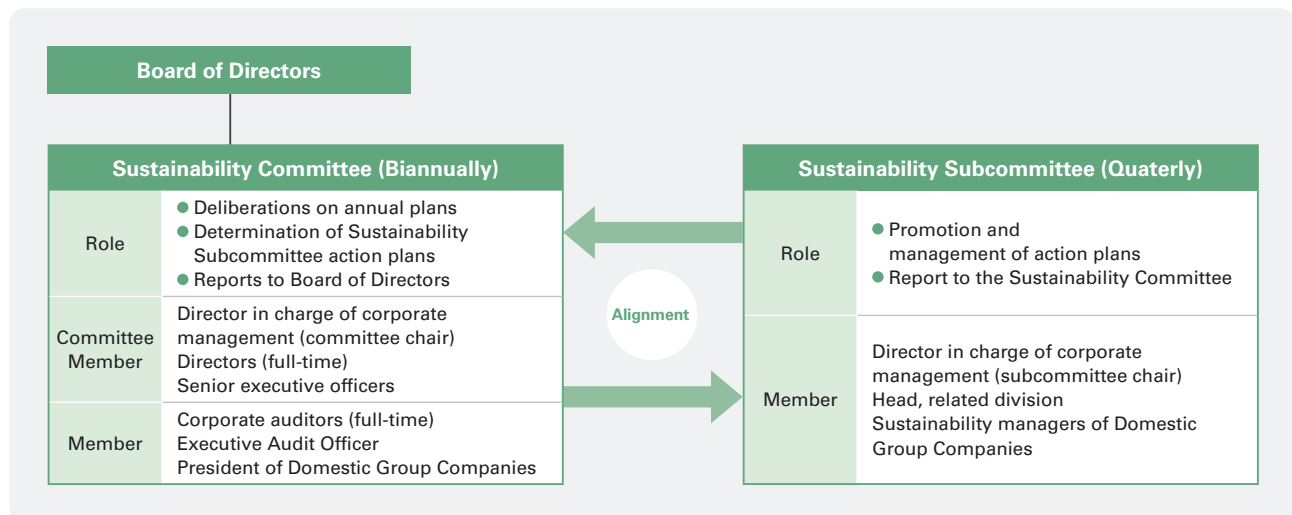


Governance

With the aim of increasing the Company's corporate value, the Board of Directors is committed to prompt and appropriate decision-making. Important matters related to sustainability, such as the formulation and revision of the AFS Sustainability Policy and the formulation of medium- to long-term and annual action plans, are matters to be resolved by the Board of Directors after deliberations by the Sustainability Committee.

The Board of Directors provides necessary guidance and advice to relevant parties on important matters related to sustainability. In addition, the Sustainability Committee executes matters entrusted to it by the Board of Directors in cooperation with the Sustainability Subcommittee and reports them to the Board of Directors.

Sustainability Execution Framework



Strategy

The Group pursues sustainability management with the aim of realizing a sustainable society in which everyone can live a content and happy life and contribute to peace. In November 2021, we identified material issues that affect our business over the medium to long term. By systematically classifying these into four areas: "pursuing happiness through innovative financial services," "exerting diversity and the potential of our people," "establishing organizational resilience," and "addressing climate change," we set indicators and create a roadmap to specifically take action on them. In particular, recognizing that "addressing climate change" has a significant impact on the lives and health of our customers, local economies, and social development, we will strive to ensure resilience through governance, strategy, and setting targets to build a decarbonized society.

First, as part of managing climate change-related risks, we conducted scenario analysis of climate change-related risks and opportunities based on two scenarios, the 1.5°C scenario and the 4°C scenario, with the aim of assessing the impact of climate change on the Group's businesses. Specifically, medium to long-term risk items stemming from climate change were organized into transition risks, physical risks and opportunities. Then, the impact of each item on the Group was assessed and those identified to have a significant impact were designated as "serious risk/opportunity items." Each item was then organized in a short-, medium-, and long-term framework according to the time horizon in which it is expected to have an impact.

• Risk Management

Assessing a variety of risks, including climate change, by risk category, the AFS Group is promoting the increased sophistication of its risk management with the aim of maintaining the soundness of its management through appropriate controls while comparing and contrasting its management capabilities. Under these circumstances, we are putting in place a series of risk management processes, consisting of risk identification and evaluation, control evaluation, and risk assessment. In terms of climate change risk management, we are utilizing multiple future prediction scenarios, such as the 1.5°C scenario and the 4°C scenario, and conducting analyses of each, while identifying and assessing the climate change-related risks and opportunities affecting the Group. To reflect the identified risk and opportunity items in the Group's business plans, we are assessing the scale and scope of any potential impact on business divisions through discussions in the Sustainability Subcommittee, under the direction and supervision of the Sustainability Committee.

Significant climate change-related risks/opportunities and their impact levels for the Group identified by scenario

Classification Level 1	Classification Level 2	Classification Level 3	Impact	Time Horizon	1.5°C scenario	4°C scenario
Transition Risks	Policy and Regulation	Introduction of Carbon Tax	Tax increases due to Carbon Tax	Short to long-term	large	medium
	Market	Rising renewable energy prices	Increased energy costs due to renewable energy procurement	Short to long-term	large	medium
Physical Risks	Acute	Severe natural disasters such as cyclones and floods	Damage to infrastructure, facilities and equipment Increased costs, increased debt collection risk in business operation regions, increased insurance premiums, and reduced availability of insurance products	Medium to long-term	medium	large
	Chronic	Average temperature rise, sea level rise			medium	large
Opportunities	Energy	Introduction of carbon tax	Reduction of impact of carbon tax introduction by GHG emission reduction (e.g., issuing Aeon Cards using recycled PVC materials, office relocation to energy-efficient buildings)	Short to long-term	large	medium
	Products and Services	Increased demand for products related to climate change	Increased revenues from new product development and sales (e.g., home loans for decarbonized housing (ZEH) and car loans for electric vehicles (EVs))	Medium to long-term	large	medium

Metrics and Targets

The Group measures and ascertains greenhouse gas (GHG) emissions in order to assess and manage climate change-related risks and opportunities. Going forward, we will set targets and indicators to reduce the environmental impact associated with our business activities in order to contribute to the reduction of GHG emissions worldwide.

Major climate-related indicators in the Group

Indicators	Fiscal 2020 Results	Fiscal 2021 Results
GHG emissions across the Group (Scope 1, 2)	15,828 tons	15,741 tons
Ratio of hybrid vehicles as % of cars owned by the company	70.30%	72.05%
Credit card statement Web statement ratio	79.00%	83.97%

Note. The Group calculates GHG emissions in accordance with the GHG protocol methodology.

*1 CO₂ emissions per envelope calculated as 500g based on the Ministry of the Environment's "Examples of Calculation Methods for Reducing the Effects of CO₂ for Eco-Action Point Model Projects."
The following group companies are included in the aggregation.
AEON Credit Service Co., Ltd.

*2 The following group companies are included in the aggregation.
ACS Credit Management Co., Ltd.
AEON Housing Loan Service Co., Ltd.
ACS Leasing Co., Ltd.
AEON Allianz Life Insurance Co., Ltd.
AEON Credit Service (Asia) Co., Ltd.
AEON THANA SINSAP (THAILAND) PCL.
AEON CREDIT SERVICE (M) BERHAD

Greenhouse gas (GHG) emissions by the Group

(Scope 1, 2)

Item	Fiscal 2020 Results	Fiscal 2021 Results
Scope 1 (Direct emissions from fuel consumption)	2,598 tons	3,332 tons
Scope 2 (Indirect emissions from electricity use)	13,230 tons	12,409 tons
Scope 1 and Scope 2 Total	15,828 tons	15,741 tons

(Scope 3)

Item	Fiscal 2020 Results	Fiscal 2021 Results
Emissions resulting from credit card paper statements*1	15,695 tons	12,037 tons
Emissions pertaining to printer use*2 (upstream and downstream)	400 tons	287 tons

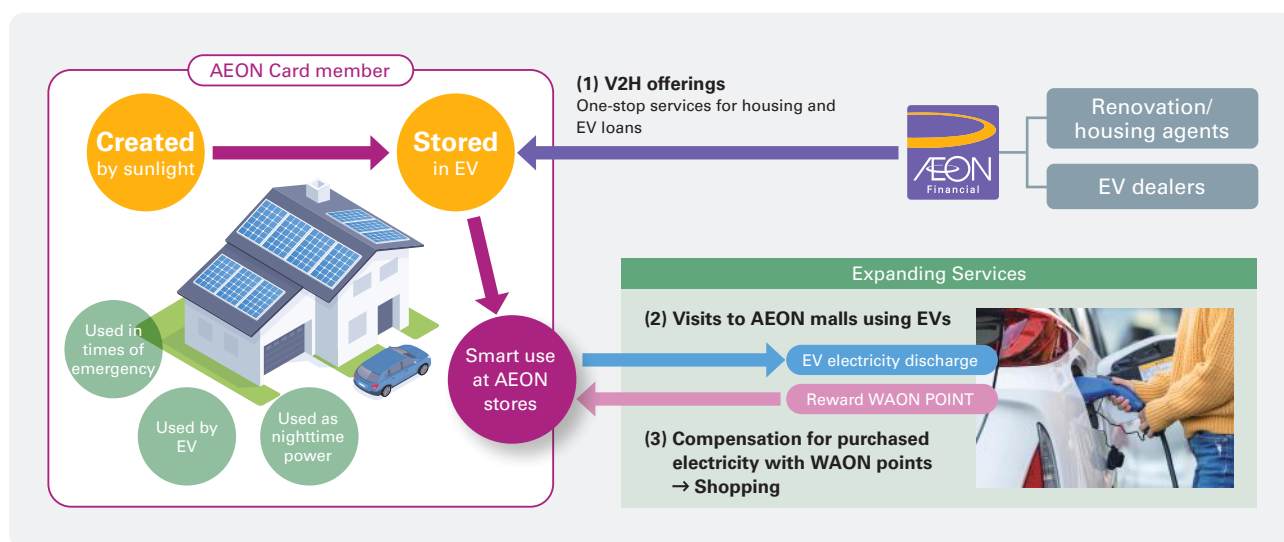
Decarbonization Initiatives

Globally, the Paris Agreement came into force in 2016, and in 2021, the 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Glasgow Climate Pact, which seeks efforts to limit the increase in global average temperature to within 1.5°C above pre-industrial levels. Having declared its intention to realize a decarbonized society and for Japan to be carbon neutral in 2050, the Japanese government is promoting a raft of measures centered on enhancing renewable energy.

As a member of the AEON Group, we have adopted the Aeon Decarbonization Vision and are aiming to have reduced the total amount of CO₂, etc. emitted from our stores to zero by 2040.

Loan Products for Promotion of Clean Energy

Having collaborated with a housing manufacturer since November 2021, AEON Product Finance Co., Ltd. has begun to offer a product that enables customers to apply to buy a decarbonized zero-energy home (ZEH) and an electric vehicle (EV) under one packaged loan. This product was developed with the aim of spreading the decarbonized lifestyle to households by popularizing new freestanding homes equipped with Vehicle-2-Home (V2H) systems, which can be electrically self-sufficient by using solar panels and V2H-compatible EVs. Not only enabling savings on household electricity bills, V2H also represents a win-win relationship for both customer lifestyles, such as the ability to secure a power source even in the event of an outage, and for the global environment, while providing major added impetus toward the realization of a decarbonized society.



Environmentally Friendly Materials for AEON Card Select Cards

To aid in the realization of a carbon-neutral society, AEON Bank, Ltd. has embarked upon a new initiative regarding its AEON Card Select cards, switching to a new card that utilizes recycled PVC plastic, an environmentally friendly material. The materials used in these new cards come from waste or intermediary materials recovered from processors who handle PVC products. After recovery, these materials are crushed and processed. This shift will reduce the CO₂ emissions generated from the manufacturing process.

For other AEON cards, we have been using environment friendly PET-G materials. Our intention is to implement this shift to environment friendly materials with other newly issued AEON cards over time as one of our efforts to become carbon-free through business activities.



Efforts to Reduce Environmental Impact

• Participation in AEON Forest Creation Activities

Since 2021, AEON Credit Service Co., Ltd. has been participating in the Kimitsu AEON Forest Project under an agreement the AEON Environmental Foundation signed with the Forestry Agency's Kanto Forest Management Bureau and a memorandum of understanding signed with Kimitsu City, Chiba Prefecture. The purpose of this project is to promote forest development by employees, conduct environmental education, and popularize and educate about satoyama (ecosystems in Japanese villages) and forest activities. Continuing their forestation activities, which include tree planting and the clearing of undergrowth, throughout the year, employee volunteers regularly report the growth of seedlings on the internal portal site. In the years to come, we will further expand the tree planting area and promote forest development in partnership with the local residents.



Tree planting

• Provision of Eco-friendly Services

Promotion of Web-Based AEON Card Statements (Environmental Declaration)

Since 2019, AEON Credit Service Co., Ltd. has been making statements available on the web, a basic service that allows users to check their transaction histories on their smartphones using the AEON WALLET app. Thanks to this service, the company has been able to reduce CO₂ emissions by 500 grams* per unsent envelope.

*Calculated based on the Ministry of the Environment's "Example of calculation method of carbon dioxide reduction effect of eco-action point"



CO₂ Reduction Effect

A reduction of approximately 500 grams of CO₂ is equivalent to the reduction effect from the following resources.

- Around 12 steel cans
- Around three milk cartons
- Around seven PET bottles
- Around 62 food trays

*Source: Challenge 25 Library of Global Warming-related Materials

AEON Bank Passbook App

Having not issued paper passbooks since the start of its operations in 2007, AEON Bank, Ltd. now enables its customers to easily and conveniently check their deposit balances and deposit/withdrawal details via the AEON Bank Passbook App.



AEON Card Magnetic Restoration Service at ATMs

We have introduced a service that enables magnetic defects in AEON Cards to be rectified at AEON Bank ATMs. Not only improving convenience, this service is also leading to a reduction in the environmental impact caused by exchanges of the documents involved in the reissuing of cards.

TOPICS

Promoting Paperless Operations in Countries Outside Japan

By having promoted digitalization in each country that we operate, we are advancing app-based cardless and paperless operations.

Previously, local subsidiary AEON THANA SINSAP (THAILAND) PCL. issued plastic member cards. However, having stopped issuing cards and paper transition to a completely cardless business by means of an app in May of the same year.



11-Year Summary

Former AEON Credit Service Co., Ltd. (current AEON Financial Service Co., Ltd.)	2011	2012* ¹
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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.* ²	2013* ³	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* ⁵	286,070	329,046
Operating expenses* ⁶	244,978	275,965
Operating profit* ⁷	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* ⁸	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
Consolidated cardholders (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
For the year (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
Per share information (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
At year-end (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
Key indicators (%)							
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
Dividends							
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 ^(*)
	2022 ^(*)	2021 ^(*)	2020 ^(*) , ^(*)	2022
For the Year:				
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 ^(*)
Per Share Data:				
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 ^(*)
At Year-End:				
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	
Ratios:				
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	
For the Year:				
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	
Per Share Data:				
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	
At Year-End:				
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	
Ratios:				
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
Operating Revenues:				
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)%
Operating Expenses:				
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)%
Operating Income	¥ 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 ^(*) :				
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

	Thousands of Millions of Yen		U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS			
Current assets:			
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
Property and equipment:			
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
Investments and other assets:			
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
LIABILITIES AND EQUITY			
Current liabilities:			
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
Non-current liabilities:			
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
Commitments and contingent liabilities (Notes 15, 17 and 18)			
Equity (Notes 9 and 10):			
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
Operating revenues:			
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
Operating expenses:			
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
Non-operating revenues (expenses):			
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
Income taxes (Note 13):			
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
Net income attributable to non-controlling interests	(10,835)	(8,415)	(93,733)
Net income attributable to owners of the parent	¥ 30,213	¥ 17,694	\$ 261,380
PER SHARE OF COMMON STOCK (Note 20):	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
Net income	¥41,048	¥26,109	\$355,113
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					
Balance, March 1, 2020	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		
Balance, February 28, 2021	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		
Balance, February 28, 2022	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					
Balance, February 28, 2021	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		
Balance, February 28, 2022	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
OPERATING ACTIVITIES:			
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
INVESTING ACTIVITIES:			
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)
FINANCING ACTIVITIES:			
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)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,674	(40)	14,483
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,891	(46,669)	267,241
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	666,738	713,407	5,768,131
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 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 ^(*)	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
February 28, 2022				
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
February 28, 2021				
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
February 28, 2022				
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
February 28, 2022		
Trading purposes	¥111,016	¥462

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

Thousands of U.S. Dollars		
	Consolidated Balance Sheet Amount	Unrealized Gains
February 28, 2022		
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 ^(*)	¥ 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 ^{(*)1}	772,604	782,916	6,684,007
Allowance for credit losses ^{(*)2}	(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 ^(*)	¥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 ^(*)	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.

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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
Issued by the Company:			
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
Issued by AEON Product Finance Co., Ltd.:			
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
Issued by AEON THANA SINSAP (THAILAND) PLC.:			
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
Issued by AEON CREDIT SERVICE (M) BERHAD:			
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
Issued by AEON CREDIT SERVICE (PHILIPPINES) INC.:			
Unsecured 7.299% Philippine peso notes due November 2021	—	1,935	—
Unsecured 7.695% Philippine peso notes due November 2023	224	214	1,934
Total	¥340,660	¥305,735	\$2,947,143

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
Total	¥426,148	\$3,686,719

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

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(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 ^(*)	¥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 ^(*)	¥ 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 ^(*)	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 ^(*)	2021 ^(*)
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

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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
Non-vested (Shares)										
Outstanding at beginning of year										
Granted										
Expired										
Vested										
Outstanding at end of year										
Vested (Shares)										
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

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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.

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(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 ^(*)	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 ^(*)	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 ^(*)	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

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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 ^{(*)1}	1,404,889	¥248,740	¥189,983	¥125,212	¥ 77,447	¥ 212,474
Loans in banking business ^{(*)2}	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 ^(*)	1,370,619	¥251,762	¥191,791	¥131,629	¥ 66,343	¥ 212,951
Loans in banking business ^(*)	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 ^(*)	12,154,074	\$2,151,916	\$1,643,594	\$1,083,244	\$ 670,018	\$ 1,838,170
Loans in banking business ^(*)	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 ^(*)	¥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

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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 ^(*)	¥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 ^(*)	\$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)

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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:

		Millions of Yen	Thousands of U.S. Dollars
	2022	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	
For the year ended February 28, 2022:				
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
For the year ended February 28, 2021:				
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	—

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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
AEON Retail Co., Ltd. (subsidiary of the parent company)			
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	
Directors, executive officers and their close relatives of the Company and its subsidiaries				
Housing loans (Loans in banking business)	¥30	\$260	¥272	\$2,356

	Millions of Yen	Millions of Yen
	2021	2021
	Transaction amount	Balance at end
Directors, executive officers and their close relatives of the Company and its subsidiaries		
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 ⁽²⁾	Total
	Domestic		Global					
Retail	Solutions	China Area	Mekong Area	Malay Area				
Operating revenues ⁽¹⁾								
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 ⁽³⁾	¥ 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

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Millions of Yen

	2021							
	Reportable Segment						Reconciliations ⁽²⁾	Total
	Domestic		Global			Subtotal		
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating revenues ⁽¹⁾								
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 ⁽³⁾	¥ 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 ⁽²⁾	Total
	Domestic		Global			Subtotal		
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating revenues ⁽¹⁾								
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 ⁽³⁾	\$ 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^(*)(^(*))

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 ^(*)	¥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 ^(*)	¥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 ^(*)	\$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"> • 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. • 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. <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"> • Inspection of the management evaluation of capitalized software development costs • Inquiries of management in charge of the software development • Inspection of minutes and relevant documents of discussions between the Group and external software vendors regarding software development issues

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">(1) Identifying risks in developing the software(2) Identifying and evaluating functions of the software that are not to be implemented upon its completion(3) Understanding and assessing the impact from changes in internal and external business environments that will affect recoverability of the software development	<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">• Evaluating whether the plan of expected return on the System was based on the business plan approved by management• Evaluating whether the internal and external business environments are appropriately considered in the business plan• Assessing the reasonableness of the business plan by comparing it with the past operating results
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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

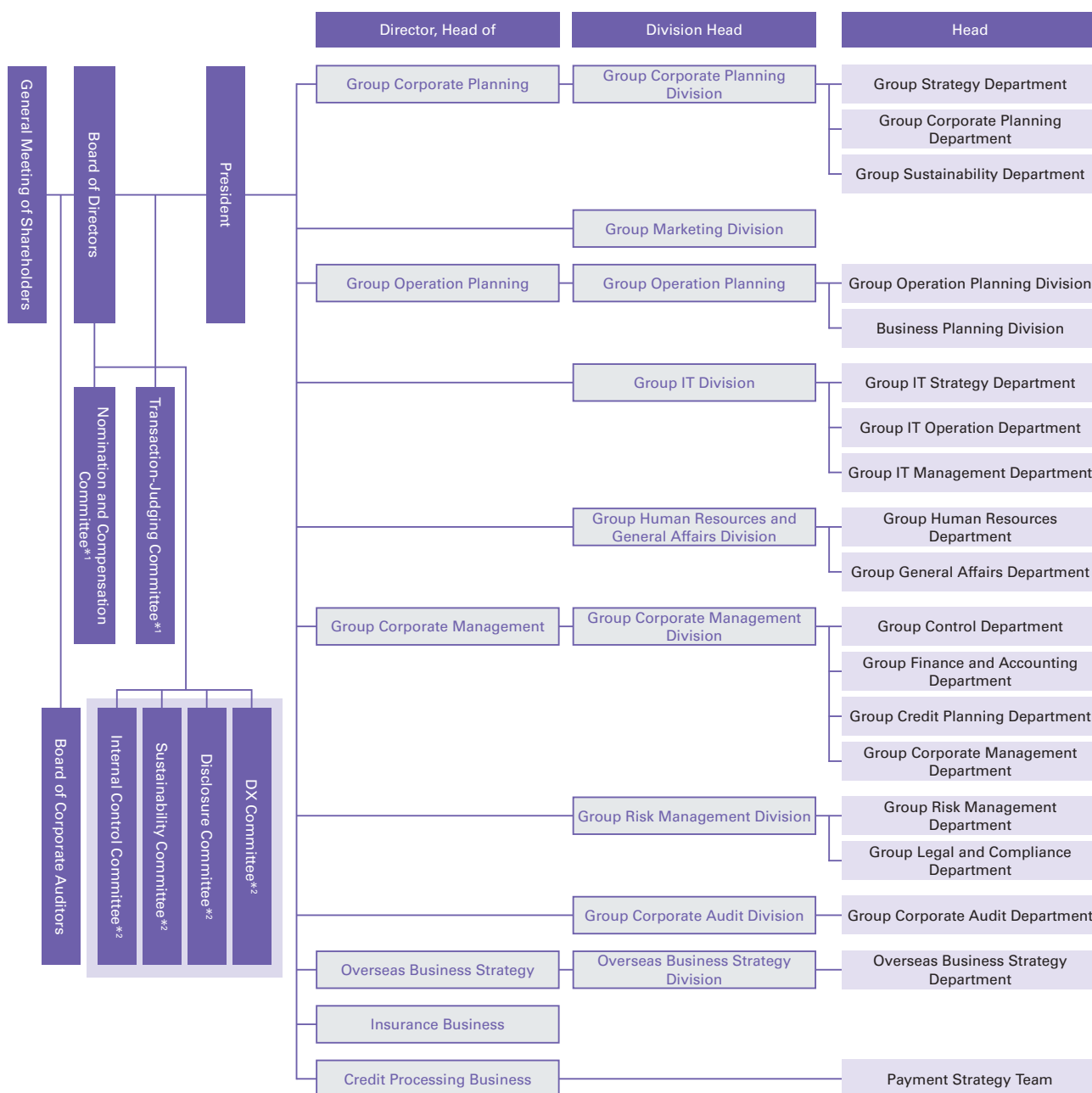
Company Information

Company Information

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

Capital Stock	¥45,698 million
Head Office	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.

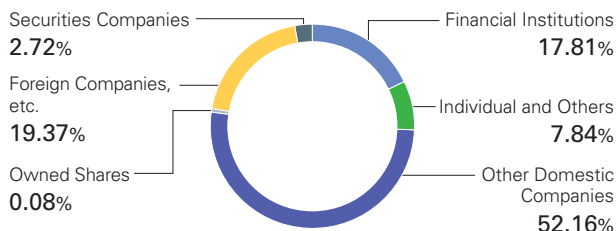
Share Information

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)

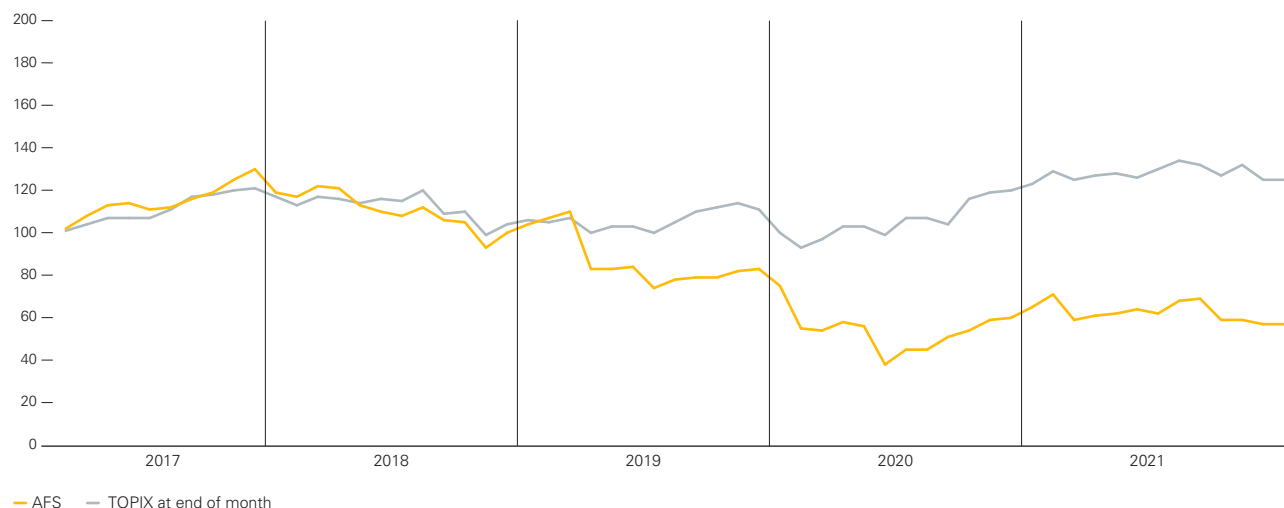


Major Shareholders (As of February 28, 2022)

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.

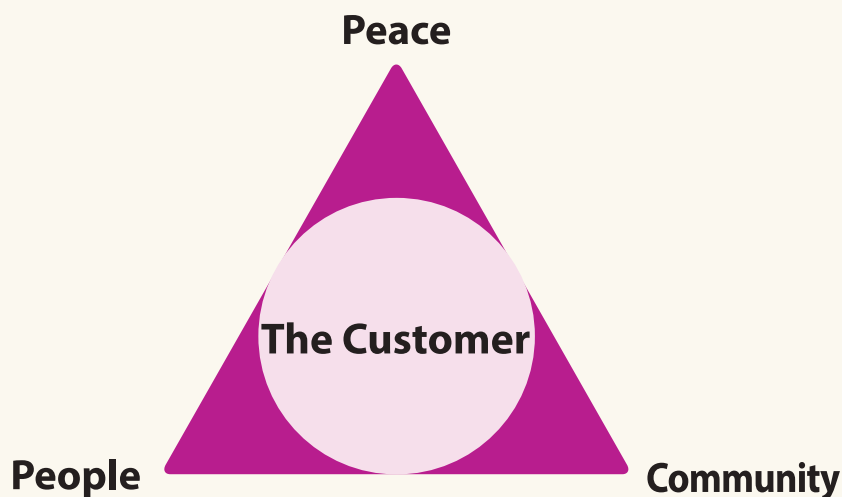
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Market capitalization (Billions of yen)	5,513	5,080	3,387	2,946	2,566
High (Yen)	2,914	2,785	2,329	1,601	1,608
Low (Yen)	2,067	1,849	1,493	793	1,135

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.



AEON Financial Service

AEON Financial Service Co., Ltd.
<https://www.aeonfinancial.co.jp/en/>

