



Planting Seeds of Growth
We are AEON

Integrated Report 2023

For the year ended February 28, 2023

“FINANCE” CLOSER TO EVERYONE



AEON Financial Service



**Achieving Our Purpose through
Challenges and Transformation**

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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/>



Opportunity for Accelerated Growth Following the Merger

Kenji Fujita

President and CEO



Our Purpose—A Vision Focused on Future Generations

Founded in 1981 as a comprehensive financial services provider within the AEON Group, AEON Financial Service has prioritized enhancing the convenience of shopping for consumers. This purpose has continued to guide our activities during our subsequent expansion into Southeast Asia, starting with Hong Kong in 1987. We have achieved growth by actively embracing new initiatives that contribute to the improvement of living standards for consumers in each country and region.

At the same time, we are aware that structural changes in society have propelled many industries, including the financial sector, into a far-reaching transition. The AEON Basic Principles form our narrative for the AEON Group as we move through this major transitional phase, and we have also created the AEON Group Future Vision. The AEON Basic Principles embody our aspirations for AEON, while the AEON Group Future Vision defines our goals for the future. We are adapting to these changes through innovations affecting various aspects of our operations, including our business models. That is why we have created clearly defined and unchanging coordinates for our activities by defining Our Purpose, which “is to bring ‘finance’ closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles.” Because we wanted Our Purpose to be our signpost and express the reason for the existence of AEON Financial Service, it was important to ensure that it would be understood and supported by all employees. Instead of a top-down approach to its formulation, we formed a project team made up mainly of volunteers in their twenties and thirties, people who will take over responsibility for the management of AEON Financial Service twenty to thirty years from now.

As a provider of comprehensive financial services, AEON Financial Service must ensure that all employees approach their work with a proper sense of ethics. We believe that values and a corporate culture centered on Our Purpose can help to foster this ethical sense, while guiding individual employees to move in the right direction in terms of their conduct and performance.

In the past, our organization has tended to work on a top-down basis. Going forward, we believe that these activities can transform our Company into an organization that achieves Our Purpose through cooperation among people, without reference to their positions.

The purpose that we created through this process now resonates with a broad spectrum of employees, regardless of age group, gender, or other attributes. However, the formulation of Our Purpose was not a goal in itself, but rather a process to create a vision for the future. We have reached the starting line. By continuing these efforts, we believe that we can create a firm mental foundation for everyone and turn

Our Purpose into a core pillar for AEON Financial Service. We can create a firm mental foundation for everyone and turn Our Purpose into a core pillar for AEON Financial Service.

Building a New Framework for the Financial Sector

The business environment in fiscal 2022 was affected by a number of new changes. Society as a whole shifted to the post-COVID phase, while rising resource prices drove cost-push inflation. In addition to these changes in the business environment, we also saw a breakdown of industry boundaries across the entire financial sector. A growing number of financial institutions began to limit themselves to providing financial functions as a service, and it also became easier for new companies to move into the financial sector. Another change was the breaking down of barriers between Japan and other countries. The collapse of traditional product-oriented industrial structures means that competition is no longer limited to within the financial sector. I see this as an indication that we are shifting from competition within industries to competition between economic spheres. The entire AEON Group is working to build the AEON Living Area. To ensure the success of these efforts, I believe that we will need to restructure our portfolio around businesses and areas of expansion, without limiting ourselves to traditional industries and business categories.

I see changes in the payment market as especially significant in this context. Code payment functions have become more popular recently, and the range of payment methods is becoming increasingly diverse. A concept with the potential to be a future game changer is the issuance of digital currencies by central banks, which is currently being discussed globally. If this concept is realized, society will no longer have any need for credit cards or e-money. At a time when the entire role of the financial sector could be fundamentally changed, it would be more of a risk to cling to existing industry frameworks. From a security perspective, geopolitical risk levels are also expected to rise, and I think that the emergence of situations that will shake the foundations of business makes it even more important to build the AEON Living Zone.

Central banks in various countries have adopted policies calling for financial integration. AEON Financial Service obtained Malaysia’s first digital banking license in April 2022, and we are now making preparations to start business in fiscal 2024. A digital bank provides banking services for which all processes can be completed via remote terminals, such as smartphones. AEON Financial Service plans to use this method to offer all types of financial services to the unbanked class of customers. We are working to create a revolutionary new business model through the development of a new framework.

Pursuing Business Model Transformation under 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.

A key theme identified in the medium-term management plan in relation to our business in Japan is the construction of an AEON Living Zone encompassing the entire AEON Group. We have worked to realize this concept by prioritizing the development of an economic sphere based on cashless payments and points. We took an important step toward this goal in September 2021, when the various points systems administered by individual AEON Group companies were restructured and integrated, resulting in the conversion of



AEON Card Points to WAON POINT. Since then, we have steadily enhanced the convenience of our systems, including for people who do not have an AEON Card. For example, also in September 2021, we added the AEON Pay barcode payment capability to the iAEON integrated AEON app, and in October 2022, a similar capability was added to the AEON Wallet. In June 2023, we introduced a charge payment function for AEON Pay.

Of course, our goal is not simply to develop infrastructure, but rather to use that infrastructure to provide financial services. One of our priorities has been the development of cross-selling, including the ability to make purchases through our apps. However, we believe that further integration of our products and services is essential, and for that reason, we merged with our consolidated subsidiary, AEON Credit Service Co., Ltd., in June 2023. We aim to transform our business model to one based on the use of payment services as a

gateway to cross-selling of financial products and services. Our continuing priority will be to use this new change as a stepping stone to the creation of a business model based on capturing cross-selling opportunities through closer collaboration within the AEON Group.

Financial inclusion has become a key policy focus in many countries. We have therefore made digital financial inclusion a major focus for our activities in overseas markets. In Asia, where people are rapidly becoming accustomed to the use of mobile devices to access a variety of services, we will use digital technology to step up our initiatives toward financial integration. In addition, we achieved productivity improvements over the past three years by prioritizing business process innovation through the digitalization of our business operations, including the use of AI.

I see the merger as a step toward the organizational structure that we need to support business model transformation. Immediately after the merger, we began to redeploy some of our human resources in Japan to other countries as a way of further accelerating our growth. We are doing this for two reasons: to strengthen local management structures in overseas markets, and to develop human resources. We believe that providing people with opportunities to build experience in growth markets and achieve personal growth in step with those markets is an effective way to develop future leaders for AEON Financial Service. In addition to this large-scale redeployment, we are also energizing our organization by gradually deploying people in line with our strategies.

We are steadily pursuing transformation through these initiatives. Going forward, our policy calls for the active allocation of resources to growth areas as part of our Group-wide efforts to create innovative business models that transcend industry boundaries. In particular, we see share of wallet as a key factor for success. We have achieved growth in our existing business areas by prioritizing the expansion of the number of accounts in the case of the Banking Business, and the number of cardholders in the Credit Card Business. Looking ahead to the future, however, we anticipate a worldview under which cash transactions will be completed within the virtual world. We believe that the key to renewed growth for our businesses in Japan will be to increase the use of our products and services by expanding the number of wallet owners and our share of those wallets. We aim to achieve sustainable growth through these policies.

AEON Financial Service's Value Creation

The formulation of Our Purpose was guided by our commitment to sustainability. We have also defined our key issues (materiality), which consists of four key social issues that need to be addressed because of their obvious potential to impact our business over the medium to long term.

The first of these key issues is “pursuing happiness through innovative financial services.” Our goal is to use innovative financial services to provide everyone with access to finance, a concept known in some countries as “financial inclusion.” There are still people in Japan who cannot access the financial services they need. People in every generation have unfulfilled needs due to their inability to access essential information as they pass through each life stage. AEON Financial Service will offer innovative products and services to meet the needs of such people. We are also helping to improve understanding about finance across society in general through our financial literacy lectures. We see this as an area in which we are uniquely positioned to contribute.

Our second key issue is “exerting diversity and the potential of our people.” Diversity is a particular focus. I see the realization of the potential of our human resources as vital to the improvement of our corporate value. From the perspective of gender, I believe we need to develop female management who can serve as career advancement role models for our female employees. Because we plan to expand our business from Japan to the whole of Asia, the recruitment and training of people who can work successfully on a global scale will also be an extremely important priority for the future sustainability of AEON Financial Service.

Our third key issue is “establishing organizational resilience.” We will continue to prioritize the enhancement of governance and information security, so that we can continue to fulfill our important role as a provider of financial infrastructure.

Our fourth key issue is “addressing climate change.” As a financial company, we will continue to contribute to decarbonization by providing investment and loans to fund initiatives that reduce carbon emissions.

When serving as CEO of our subsidiary in Malaysia, this commitment naturally led to various sustainability initiatives, and these efforts brought recognition from ESG rating organizations. The ideal way forward for us is to use these experiences as the basis for business activities that will promote sustainability in society.

Human Capital Management

Our human resources must continue to adapt to changes in society and business. We talk about “human capital” and “human resource portfolios,” and even a generation ago, people who could faithfully execute business operations were regarded as valuable assets. However, we are now in a transformational era in which industry frameworks are continually changing. The skill sets needed in this environment are also changing, therefore we must continually update our human resources. I see the development of educational systems as an essential part of our efforts to achieve this. In March 2023, we established the AFS Academy as an

educational and training institute for our human resources. The academy’s role is to provide employees with equal opportunities to build their careers, and to help people to update their skill sets in response to changing social needs. We will continue to emphasize human capital development as an extremely important part of our efforts to ensure corporate sustainability.

I regard the good physical and mental health of our employees as vital to our ability to provide services that contribute to the health and happiness of our customers. Our business activities as a Group are paralleled by our efforts to promote and manage the health of our employees.

Combining Economic Value with Social Value

The most important reason for the existence of AEON Financial Service is to contribute to the resolution of social issues through our business activities. Our ideal role as a company is to improve our corporate value by maintaining high profitability through business activities that have high social value. As I stated earlier, our approach to the realization of this vision is to use our payment services as a gateway to increase the number of customer wallets. However, this is not a goal in itself and we need to look further ahead to identify both what customers want when they consider spending their money, and unrealized financial needs, as well as needs that go beyond finance. We also need to consider social issues. Our concept calls for the development of a membership base consisting of people with various needs—people who want to learn, find solutions to their problems, or just have fun—and the creation of business models that will allow us to provide a variety of services and benefits at reasonable costs. Payment systems and banking functions are just forms of infrastructure, but beyond that there is a vital mission only we can fulfill by working as an organization to provide real answers to social issues and needs through the AEON Living Zone.

The unique value that derives from the existence of AEON Financial Service as a comprehensive financial services provider within the AEON Group is our continuing pursuit of innovation, together with our growing determination to contribute to communities and people. We will continue to enhance our corporate value by pursuing business activities that address social issues affecting our stakeholders. We look forward to the continuing support of our customers and partners.

Our Purpose



**Our purpose is to bring
“finance” closer to everyone.
By committing to each and every person,
we brighten up everyday lives
with peace of mind and smiles.**



**We formulated Our Purpose to define the reasons for the
existence of the AEON Financial Service Group.
As the basis for all actions by Group employees,
Our Purpose will be a driving force for accelerated growth
and the improvement of corporate value.**



Background to the Formulation of Our Purpose

AEON Financial Service (AFS) Group started business in 1980 that issued credit cards and related financial services to customers shopping at JUSCO Co., Ltd. general merchandise stores.

The opening of our Hong Kong branch in 1987 marked the beginning of operation in other Asian countries. We offer services tailored to meet local conditions, including the provision of installment payment services for customers who have difficulty accessing financial services.

AEON Bank, Ltd., founded in Japan in 2007, responded to customer feedback and reinvigorated the banking industry through new initiatives such as 365-day opening and the no-passbook accounts.

The AFS Group now brings convenience to and prosperity to the lives of its customers in 11 countries.

In recent years, changes in the business environment have accelerated at an increasing pace. They include the entry of players from other industries into the financial sector, the advance of digitalization driven by technological innovation, and the diversification of customer values. Moreover, there has been a rising sense of crisis about global issues including climate change and human rights, and society has faced increasing uncertainty and complexity.

To survive and thrive in such an unpredictable era, first we need to be a company that can gather diverse individuals and enable them to play active roles. To this end, will and values are necessary for these diverse human resources to serve as anchors. Guided by these principles, we must bring about changes by having Group employees independently consider what they can do to bring prosperity to the lives of customers and act autonomously.

We have, therefore, formulated Our Purpose to define the aims of the AFS Group and our reasons for existence.

Aspirations Embodied in Our Purpose

Our purpose is to bring “finance” closer to everyone.

As the financial services business of the AEON Group, we provide convenient and easy-to-understand financial services by adopting a consumer perspective. We also promote financial education for all generations and bring financial mechanisms closer to everyone through financial inclusion that responds to diverse financing needs.

By committing to each and every person,

We commit sincerely with each consumer to provide financial services tailored to changing life stages and living environments. We also generate new value by cooperating with various business partners in local communities, including participating merchants and local authorities. Acting empathetically from a customer perspective is one of our core values.

we brighten up everyday lives with peace of mind and smiles.

As a financial institution, we help our customers lead richer lives and achieve happiness by providing support for daily living.

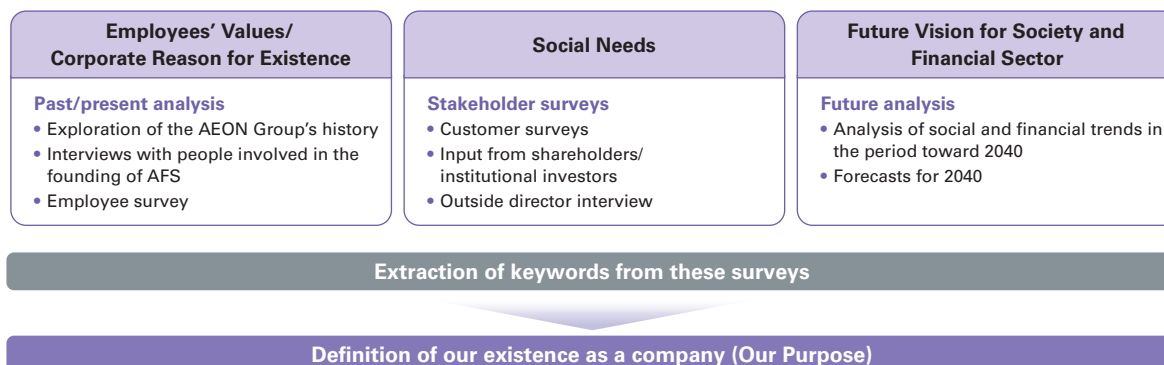
We respect our colleagues’ diversity and value the environment and corporate culture that allow us to work with pride and a spirit of freedom and open-mindedness.

Through these, we provide value by filling everyday lives with peace of mind and smiles and by brightening up their minds with uplifting feelings and excitement.

The Path Leading to the Formulation of Our Purpose

We began by separating the histories of the AEON Group and the AFS Group and rediscovering our values, strengths, and our existence as a company. We then analyzed society’s needs and our vision for the future of society and the financial sector in order to identify issues for which we can offer solutions.

Our Purpose is an expression of the areas in which our values and the reason for our existence overlap with the needs of contemporary society.



PROJECT MEMBER INTERVIEW



Li Yating
AEON Bank., Ltd.

Formulating Our Purpose

I applied in response to a management call for people to participate in the formation of a vision for the AFS Group in this era of accelerating change. We sought people who were eager to achieve personal growth by taking on new challenges.

The first step for the project team was to learn about their own companies and the reasons for their existence. This was achieved by interviewing people involved in the founding of each company, and by having about 8,500 employees conduct a questionnaire survey. The team next explored society's needs through an online survey of approximately 2,000 customers and an in-store survey of around 1,000 people in AEON stores. In addition, direct input was sought from shareholders. Through these activities, the project team sought to identify our expected role and social issues for which we should offer solutions. Areas in which the company's reasons for existence overlapped with society's needs were put into words as Our Purpose.

Aspirations Embodied in Our Purpose

Finance may seem like a remote concept to many people, but it actually plays an integral role in our daily lives. Through its comprehensive financial business, the AEON Group offers convenient services that are used by many customers. For example, people may use an AEON Credit Card to pay for purchases or obtain a home loan from the AEON Bank when buying a house. After buying items, they may visit an AEON Insurance Service shop to discuss insurance cover. Our core aim is to help as many people as possible to understand how finance works so that they can benefit from our convenient and easy-to-understand services. That commitment will never change even in today's rapidly changing social environment.

With this in mind, we have formulated the words "Our purpose is to bring 'finance' closer to everyone," as Our Purpose, and as an aspiration for our employees. We will continue to take up the challenge of addressing the needs of society based on diverse values by committing to each and every person and providing consumer-focused services that brighten up everyday lives with peace of mind and smiles.

Realizing Our Purpose

All Group employees were informed about Our Purpose through a message issued by the president. We also streamed a video in which project team members explained their goals. We have started to foster a corporate culture in which individual employees share the aspirations expressed in Our Purpose and are motivated to put them into practice. For example, we have distributed the Our Purpose Card, which employees can carry with them and refer to at any time.

Town Hall Meetings

So far, we have held 313 town hall meetings (as of October 31, 2023) at which corporate officers and senior executives have engaged in dialogue with all employees (including those receiving hourly wages) of the 11 Group companies as Our Purpose Ambassadors. We plan to share Our Purpose with an even wider audience by holding meetings at overseas companies.



Structure of Town Hall Meetings

Comments from Ambassadors

- Why Our Purpose is necessary
- The aspirations embodied in Our Purpose

Dialogue with an Ambassador

- Frank views about Our Purpose
- Actions needed to realize Our Purpose
- How to make a company more exciting

AMBASSADOR INTERVIEW



Makoto Sakugawa

AEON Financial Service Co., Ltd.

In What Ways Do You Want to Transform AFS?

Our Purpose expresses the shared aspirations of all employees, including myself.

I feel a strong sense of affinity with the words “By committing to each and every person,” and it is a very important concept for me. While it means that we commit to each and every customer, it can also express our commitment to each and every colleague. I believe that we cannot commit to each and every customer unless we respect and value each and every one of the people who work with us. I hope that everyone working to provide our comprehensive financial services will identify some words in Our Purpose that are especially important to them. If each of us focuses on those precious words in our day-to-day activities, the cumulative effect will enable us to achieve transformation. I hope that AFS will become a company in which we can maintain these efforts for 10 or even 20 years into the future.

Employee Comments about the Promotion of Our Purpose

Before the town hall meetings, many employees were wondering what management was planning. However, as the town meetings continued, more and more participants in this dialogue began to identify with the Company’s future direction. After each town hall meeting, we received an increasing number of comments from people who were eager to work toward the realization of Our Purpose. We have not yet reached the stage at which Our Purpose is understood and shared by all employees, so I look forward to continuing my activities as an Our Purpose Ambassador.

Town Hall
Meetings

Comments
from
Participants



Hideomi Yamaguchi | FeliCa Pocket Marketing Inc.

Compared with my first impressions, my views on Our Purpose changed quite significantly after I attended a town hall meeting.

When I focused on the meanings expressed in words like “smiles” and considered why it was “Our Purpose” rather than just “purpose,” I realized that Our Purpose was the result of careful thinking. For example, it talks about bringing “finance” closer to everyone, not “money.”

Our Purpose is a vital signpost for employees. It made me rethink my attitude toward my work.



Wakana Matsuzaki | AEON Insurance Service Co., Ltd.

At the town hall meeting, time was set aside for discussions with employees from other Group companies. My impression was that people were basing their work on a wide variety of different values.

The presence of people with diverse experiences and mindsets within the organization gives us an advantage in this time of rapid change. I have become convinced that we can contribute more closely to society if all employees think about the purpose of the AFS Group and create new ideas by working in their own ways.

History

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

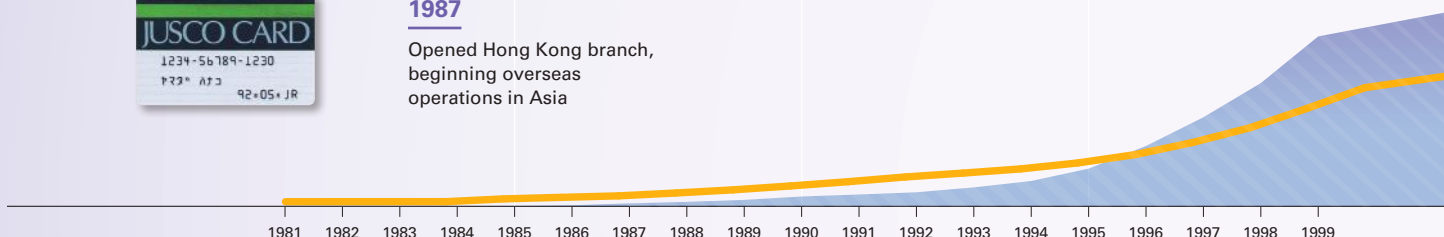


2001

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.

2021

Launch of the AEON Pay code payment system



2022

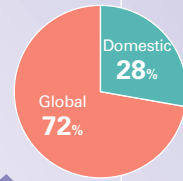
Design update for the AEON Card



2023

Management integration between AEON Financial Service Co., Ltd. and AEON Credit Service Co., Ltd.

Fiscal 2022 Domestic and Overseas Consolidated Operating Profit Percentages



48.24 million

Number of Consolidated Effective Members

Consolidated Operating Profit
(Millions of yen)

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 (FY)

2006



Indonesia

2008



Philippines Vietnam

2011



India Cambodia

2012



Laos Myanmar

2000s

- ▶ Multiple Debt Problem and revised Money Lending Business Act
- ▶ Lehman Brothers bankruptcy crisis

2010s

- ▶ Financial deregulation and market entrants from other industries
- ▶ Development of fintech

2020s

- ▶ COVID-19 pandemic
- ▶ Lifestyle transformation

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.

Changes of External Environment

Economy

- Inflation, rising interest rates
- Economic growth in Asian countries

Social Structure

- Birthrate decline and demographic aging (Japan)
- Rising life expectancies (Japan)
- Expanding income inequality (overseas)
- Insufficient access to financial services (overseas)

Consumption Trends

- Shift toward cashless payments
- Diversification of consumption needs
- Increasing focus on health

Sustainability

- Climate change
- Wars and conflicts

AFS Group Strengths

» P.15-P.20

Online touchpoints

Expertise about providing financial services with roots in overseas markets

Medium-Term Management Plan

Second founding: Value chain transformation and new network creation

Sources of



AEON Brand Strength

Stores	Approx. 18,000
Operating revenue	¥9,116.8 billion



Our Purpose

Our purpose is to bring “finance” closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles.

» P.7–P.10

Our Four Material Areas

» P.23–P.24

01 Pursuing happiness through innovative financial services


02 Exerting diversity and the potential of our people

03 Establishing organizational resilience

04 Addressing climate change


Our Services

» P.16–P.18

 Expenditure

 Investment

 Saving

 Preparation for the Future

 Borrowing

 Asset Management

Our Value

Financial Services Tailored to Lifestyles

We combine offline services under the AEON brand with online contact points to provide services that match individual customer needs.

Improving Access to Financial Services

We will improve access for more customers in Asian countries by democratizing financial services.

Value Creation

Network

Cardholders	48.24 million
Countries served	11
Sales offices	596

Financial Capital

Consolidated total assets	¥ 6.6 trillion
Rating	A (JCR) A- (R&I)

» P.57–P.59

Human Capital

Employees **16,132**

» P.30–P.38

*As of February 2023

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 ¥9 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 **¥9,116.8 billion*2**

Stores **18,000**

Countries Served **14**

*1 The Financial Services Business includes the AEON Financial Service Group, in addition to AEON Reit Management Co., Ltd.

*2 As of February 28, 2023



AEON Financial Service

Business Areas

- Credit Card Business
- Insurance Business
- Installment Financial Business
- Leasing Business
- Banking 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.
- FeliCa Pocket Marketing Inc.
- 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.



Comprehensive Financial Services

Provision of Comprehensive Financial Services that Are a 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 in 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

¥ 10,800.0 billion

Number of cardholders

48.24 million

Number of domestic cardholders

30.82 million

*As of February 28, 2023



Payments

Extensive Range of Payment Services



In addition to credit cards, debit cards, and WAON e-money, we offer an extensive lineup of payment services, including AEON Pay barcode payments, and payments using WAON POINT. AEON Pay is available via the iAEON integrated app and AEON Wallet, which is a portal app for all financial services. Since June 2023, people who do not have AEON Cards have been able to access charge payments by linking the system with their bank accounts. By using our payment services as a gateway for cross-selling, we will build links with AEON Group companies and external partners through our financial services.



Banking

Retail Banking Services



AEON Bank, Ltd. has a nationwide network of branches located mainly in AEON shopping centers. These branches, which are open 365 days a year, offer deposits, ATM services, loans (including housing loans), and advice about asset management. AEON Bank offers comprehensive retail banking services to meet customers' day-to-day needs, including a full range of online services and transactions.



Insurance

Expansion into the Health and Wellness Business

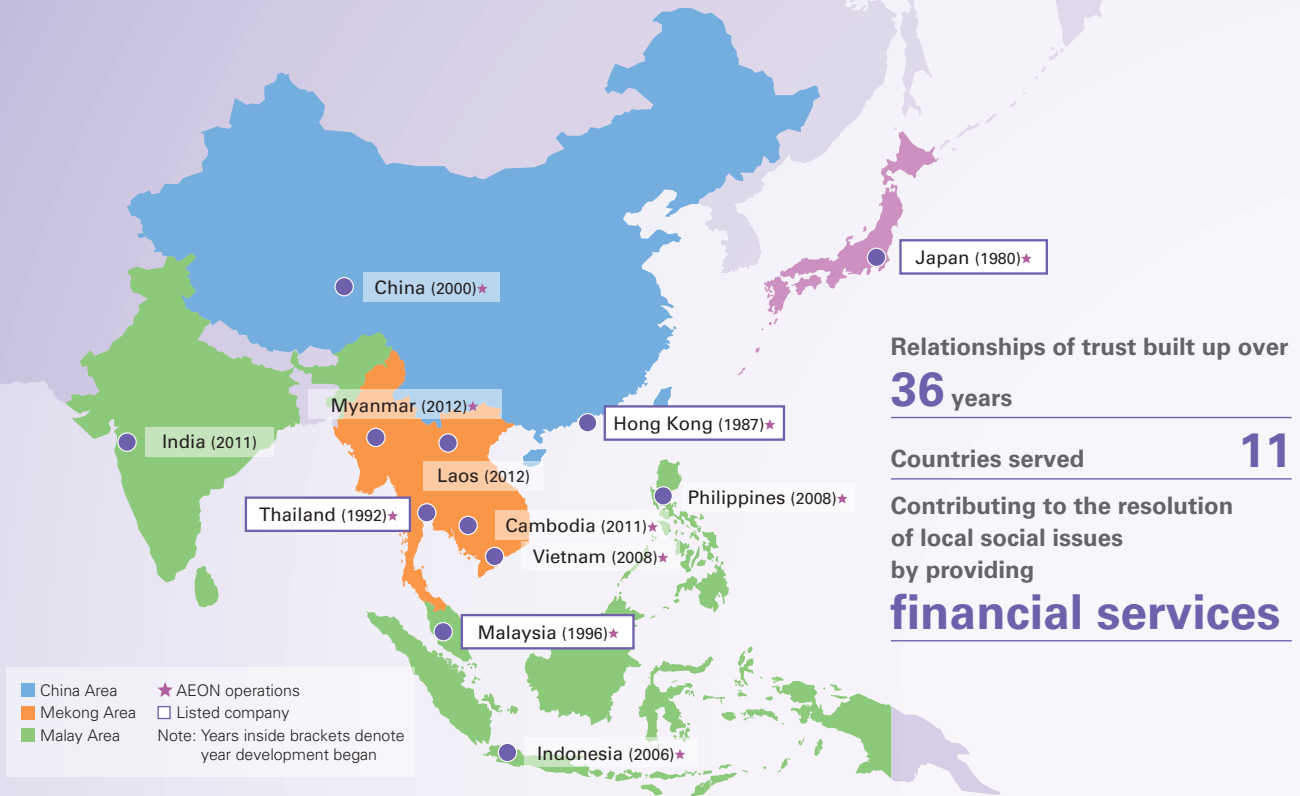


Our responses to the needs of today's continuing rise in health-awareness include sales of Genki Passport whole-life medical insurance for health promotion, and the provision of the ROUTY healthcare app. We are also establishing branches in AEON shopping centers where customers can obtain advice about the best insurance products to address their needs.



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. We have companies listed on stock exchanges in Hong Kong, Thailand, and Malaysia, with strong, localized customer bases and high notoriety.



Business Area Overseas

	Domestic	Mekong Area					Malay Area				China Area	
	Japan	Thailand	Cambodia	Vietnam	Myanmar	Laos	Malaysia	Philippines	Indonesia	India	Hong Kong	China
AEON Group Stores	●	●	●	●	●		●	●	●		●	●
Installment Finance	●	●	●	●	●	●	●	●	●	●		●
Personal Loans	●	●	●	■	●		●	●		●	●	●
Credit Cards	●	●	●				●		●		●	
Insurance Agencies	●	●		●			●				●	●
Electric Money (Prepaid)	●		●				●				■	
Collections Business	●	●		■								●
BNPL									●			
Digital Bank							■					

Products and services offered only in Japan: Bank deposits, debit cards, housing loans, small and short-term insurance, life insurance, and leases



Hong Kong



For many years, AEON Credit Service (Asia) Co., Ltd. collaborated with AEON STORES (HONG KONG) CO., LTD., which operates a retail business in Hong Kong. For example, the two companies regularly run Customer Appreciation Days.

AEON Card WAKUWAKU, which is targeted toward users in younger age groups, is attracting more cardholders thanks to additional benefits that can be accessed during visits to Japan.



Thailand



AEON THANA SINSAP (THAILAND) PCL. has become Thailand's biggest non-bank thanks to growth achieved through collaboration with leading local companies, including airlines, railroads, and major retailers.

It is digitalizing its app utilization processes and improving its operating efficiency and productivity, including the provision of totally cardless access to unsecured personal loans.



Malaysia



*Image of digital banking app

AEON CREDIT SERVICE (M) BERHAD is promoting customer base integration with local AEON Group retailers to allow data utilization and active cross-selling. AEON CREDIT SERVICE (M) BERHAD enjoys strong support from local customers and is ranked first in the market for motorcycle installment payment services, accounting for almost one-third of all newly registered motorcycles.

AEON Credit Service is also the first Group company to obtain a digital banking license in Malaysia and is now making preparations to launch this business.

» P.20 The Medium-Term Management Plan

Basic Policy

Second founding: Value chain transformation and new network creation

Topic: Domestic Initiatives

Expanding Customer Touchpoints

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. Our role in this strategy is to create infrastructure to link the AEON Living Zone through financial services.

As part of our contribution to this vision, we have updated our integrated financial app, the AEON Wallet to enhance usability from the customer's viewpoint. In addition to making the app simpler to use, we have made it possible for people without an AEON Card to access AEON Pay, coupons, and other services. We will continue to build our customer base while expanding our touchpoints to provide a convenient, seamless experience in the context of day-to-day living.

We are also strengthening collaboration with local communities. Initiatives in this area include the acquisition of FeliCa Pocket Marketing Inc. as a consolidated subsidiary, which specializes in Community Currency and regional point systems, as well as the operation of the "My Full" portal site for the hometown tax system.



Creating infrastructure for the construction of AEON Living Zone

Domestic
1

Taking the needs of local customers' living infrastructure

Domestic
2

Increase risk and cost control capabilities

Domestic
3

Ma
Initia

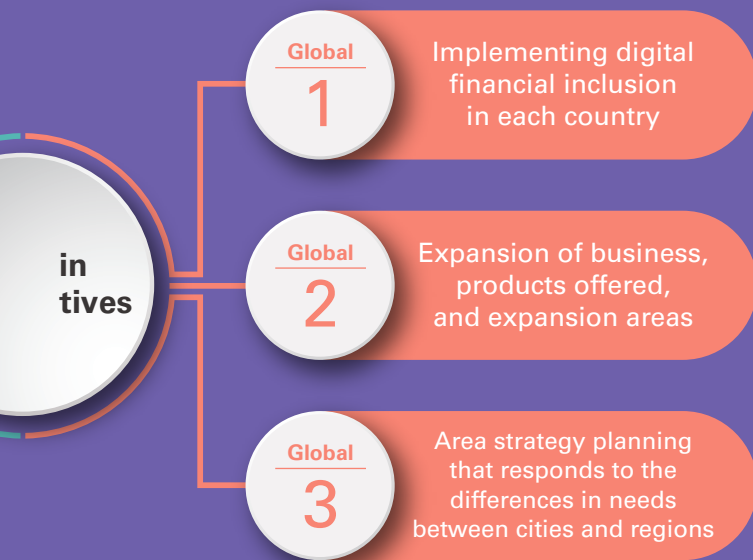
Enhancing Credit and Collection Systems with AI and Other Technologies

Customers must be able to use the services provided by the AEON Financial Service Group securely. We achieve this by using AI and information technology to enhance our credit and receivables management systems.

ACS Credit Management Co., Ltd. uses know-how developed through its debt collection processes, as well as data analysis technology and AI-based scoring to produce extremely precise analyses and make effective use of data assets. It is also optimizing productivity and operating efficiency by using accumulated data resources and information technology, including the development of highly efficient debt collection systems based on original scoring techniques.

AEON Financial Service has established a new security center, further strengthening systems to ensure that customers can use our services securely. This facility will allow centralized management of our card fraud detection processes and customer inquiry response services.

Our goal is to contribute to the construction of an AEON Living Zone (marketplace) that transcends the Group's products, services, and customer base by linking AEON Group companies and external partners through our financial services, including our payment and point systems.



Topic: Global Initiatives

Preparations for the Opening of a Digital Bank in Malaysia

In 2022, AEON Financial Service obtained its first digital banking license in Malaysia, and we are currently preparing to open a digital bank there in 2024.

The launch of this digital banking business will enable customers to access financial services continuously as their financing needs change in step with income and life stage changes. In addition to providing financial products and services, such as deposits, insurance, and small loans, the bank will also help customers to enrich their lives by working with other AEON Group companies to offer even greater support. It will also provide an environment in which banking services are readily accessible to a wider range of users, including the unbanked class of customers, who have previously found it difficult to access services.



*Image of digital banking app

Acquisition of Equity in a Vietnamese Finance Company

In October 2023, AEON Financial Service decided to acquire an equity interest in Post and Telecommunication Finance Company Limited, which specializes in personal financing. Since 2008, this company has been working to provide lifestyle-related services to its customers, primarily through its own installment sales of electrical appliances and motorcycles. The AEON Group is expanding its retail store network in Vietnam, which has a low average age and is expected to maintain high economic growth.

Going forward, the entire AEON Group will work together to accelerate the introduction of the AEON Living Zone in Vietnam. We will continue to enhance the services that we provide by applying the financial know-how accumulated in other Asian countries to the development of products for which there is strong demand in Vietnam, such as personal loans and credit cards.

FY2025 Targets

Operating Revenue **¥760 billion***

Operating Profit **¥100 billion**

Operating Profit Ratio **Domestic Business 40%**
Global Business 60%

*Consolidated operating revenue is the planned figure before the adoption of the Accounting Standard for Revenue Recognition.

We are working under our new management structure to realize Our Purpose and achieve continuous growth in our corporate value.

Tomoyuki Mitsufuji

Director and
Managing Executive Officer,
General Manager of the
Finance and Accounting Division



In recent years, we have seen dramatic shifts in societal values and perspectives, as well as major changes in consumer lifestyles and behavior patterns. There have also been significant shifts in our business environment, including growing demand for contactless services and remote communication options, diversification of products and customer needs, dramatic changes in the utilization of IT and other digital technologies, such as AI, and the emergence of numerous competitors with various backbone operations. To achieve sustainable growth under these circumstances, we must expand our customer base and enhance user satisfaction, while also working to introduce new technologies and raise productivity.

Based on this perception of our business environment, we decided in June 2023 to absorb AEON Credit Service Co., Ltd., a consolidated subsidiary. The aim of this move was to allow management resources to be allocated more strategically across the Group, while further accelerating our decision-making processes. Under this new business structure, all AEON Financial Service executives and employees will work together to realize Our Purpose and pursue business initiatives designed to enhance our corporate value.

Fiscal 2022 Performance and Progress under the Current Medium-Term Management Plan

Fiscal 2022 was the second year of our current medium-term management plan. Our efforts to expand transactions through marketing initiatives geared toward changes in consumer behavior patterns resulted in consolidated operating revenue of ¥451.767 billion. This represents an increase over the previous year's performance after adjustment for a ¥37.401 billion reduction in revenue due to application of the Accounting Standard for Revenue Recognition in Japan. Progress on our efforts to expand operating receivables, which consist primarily of cash advances in Japan was slower than expected. Despite this, consolidated operating profit was ¥7 million higher at ¥58.859 billion.

Under the current medium-term management plan, fiscal 2021 and 2022 were originally positioned as a period of preparation, followed by a phase leading to profit expansion starting in fiscal 2023. However, we have repositioned fiscal 2023 as a time for continued upfront investment. This reflects the impact of the COVID-19 pandemic, inflation, and other factors, as well as new

investments, including AEON Allianz Life Insurance and preparations for the establishment of a new digital bank in Malaysia. Currently, we are reviewing our milestones.

The cardholder base in Japan is over 30 million. Cardholder operating loans declined during the COVID-19 pandemic but have since recovered and returned to an upward trend. In the payment business, we are working to promote cashless payments throughout the Group and further enhance convenience for our customers. Our efforts in this area center on AEON Pay, a barcode payment method that can be used with the AEON Group's all-in-one iAEON app, as well as the AEON Wallet financial service app. In addition, the AEON Bank is enhancing the value of the comprehensive financial services that it provides to customers by lowering its housing loan interest rates and reviewing the unique benefits available through the AEON Select Club.

We have significantly accelerated our digitalization initiatives in overseas markets. Thanks to digital technology, the majority of transactions, from filing applications to the use of services, can be carried out via smartphone. In addition, by using AI-based data analysis and external data sources to enhance credit screening and credit management methods, we have been able to effectively control late payment and non-payment risks. We will continue to enhance the convenience of our services and the effectiveness of our credit screening and credit management methods as part of our continuing commitment to digital financial inclusion.

Financial Policies and Financing

Our balance sheet consists of assets, mainly in the form of operating loans (receivables), which are financed by bank deposits and borrowings, and shareholders' equity. The maturities of our receivables and the demand for funds vary according to the country and business area. Each Group company therefore needs to procure funds in ways that match their purposes. To ensure that our affiliated companies acquire funds appropriately and efficiently according to their needs, the Internal Control Committee and other bodies provide continual monitoring and guidance in relation to financing, interest rate risks, capital adequacy, and other factors. In addition, given the current interest rate uptrend, we believe that our ability to make optimal use of AEON Bank deposits will be a decisive factor as we work to secure a competitive advantage.

Enhancing Corporate Value

We see shareholder returns as one of our most important management priorities. Our basic policy is to provide appropriate profit distribution on a continuing basis, while also improving our competitiveness by investing in business expansion and productivity improvement, and maintaining a good balance with internal reserves as a risk buffer.

We return profits to shareholders primarily through dividends. Our guideline for shareholder returns is a dividend payout ratio of 30–40%. In fiscal 2020, our fully diluted earnings per share (EPS) dropped to ¥81.99 due to the impact of the COVID-19 pandemic. This decline, which resulted in the first dividend reduction in our corporate history, was a source of concern for our shareholders.

However, in fiscal 2022, we posted an EPS of ¥142.13 and paid a dividend of ¥53 per share, which brought the total payout ratio to 37.3%. Going forward, we will constantly target further improvement in our sustainable profitability.

We are also pursuing sustainable improvement in our corporate value by investing both organic and non-organic capital in growth fields. In line with our commitment to financial inclusion, we have laid foundations for growth by offering financial services that match the needs of customers in Asian countries. We decided to acquire the Vietnamese finance company Post and Telecommunications Finance Limited as a subsidiary in 2023, and we have plans to open a digital bank in Malaysia in 2024. In Japan, we acquired FeliCa Pocket Marketing as a consolidated subsidiary with the aim of enhancing our marketing capabilities in local governments. We are also strengthening our financial services for individuals in specific regions in Japan and other countries, including the expansion of our community-based solutions. Maximization of corporate value across the entire Group is a constant management focus, and we place particular importance on post-merger integration (PMI).

Investment in both human resources and IT systems is essential to the improvement of our competitiveness in domestic and overseas markets in today's increasingly challenging business environment. We will continue to use IT and other digital technologies, including advances in the rapidly evolving field of AI, to drive sustainable growth by enhancing the quality of the services we offer to our customers, while also raising our productivity and operating efficiency. The future is difficult to predict in this era of volatility, uncertainty, complexity, and ambiguity (VUCA). That is why we need to make effective use of

IT and digital technology while also investing in the development of human resources capable of adapting quickly to change. We are expanding educational opportunities to enable all employees, including officers, to improve their DX literacy. We are also preparing to update our credit card system as infrastructure for the AEON Living Zone and a framework for the collection, sharing, and utilization of information and data from the AEON Group's diverse businesses. By strategically investing in growth, we will expand the scope of our business activities and enhance our profitability.

To Our Stakeholders

Throughout our history, we have worked to provide financial services tailored to the needs of our customers in order to create an environment where finance is accessible to everyone. The financial products we handle play an invisible but essential role in daily life. By always taking the user's perspective into account, and by maintaining a cyclical approach that enables us to identify customer needs quickly and provide solutions to those needs, we have been able to benefit our customers by adding value in ways that are convenient and readily accessible. That is the reason for the existence of AEON Financial Service and the key to our ability to maintain sustainable growth. We will take steps to give our stakeholders, including investors and shareholders, a deeper understanding of our corporate value through the enhancement of our communication activities, including the development of our integrated report and other disclosure tools, as well as financial briefings and individual meetings, to provide clear information about our activities.

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

Major Financial Indicators

(Billions of yen)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2025
Operating revenue	439.0	457.2	487.3	470.6	451.7 (489.1)	760.0
Year-on-year increase/decrease	108%	104%	107%	97%	96% (104%)	—
Operating profit	70.1	65.0	40.6	58.8	58.8	100.0
Year-on-year increase/decrease	107%	93%	62%	145%	100%	—

* Ordinary revenue and ordinary profit for fiscal 2018.

* Consolidated operating revenues for fiscal 2021 and prior, as well as the planned figure for fiscal 2025, were before the adoption of the Accounting Standard for Revenue Recognition.

* Figures in parentheses for fiscal 2022 are prior to the adoption of the Accounting Standard for Revenue Recognition.

IT Systems and Digitalization Investment Results

(Billions of yen)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Period of Medium-Term Management Plan Fiscal 2021–2025
Consolidated	34.4	33.3	39.8	34.0	38.7	210.0
Domestic	28.0	28.1	34.3	29.2	30.4	—
Global	6.5	5.1	5.4	4.8	8.3	—

KPIs

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2025	
Ratio of bad debt allowance to operating revenue	Domestic	75%	76%	66%	73%	77% (80%)	65%
	Global	52%	52%	52%	50%	47%	46%
Ratio of personnel expenses to operating revenue	Domestic	16%	16%	15%	16%	19% (17%)	9%
	Global	16%	15%	14%	14%	13%	10%

* For fiscal 2018, the cost ratio is as a percentage of ordinary income. Operating expenses include selling, general and administrative expenses and financial expenses.

* Consolidated operating revenues for fiscal 2021 and prior, as well as the planned figure for fiscal 2025, were before the adoption of the Accounting Standard for Revenue Recognition.

* Figures in parentheses for fiscal 2022 were calculated using the operating revenues prior to the adoption of the Accounting Standard for Revenue Recognition.

We will continue to contribute to the resolution of social issues by thinking independently about how we can enrich the lives of our stakeholders, while taking up the challenge of innovation through autonomous action.



Yuro Kisaka

Director and
Managing Executive Officer
General Manager of the
Corporate Planning Division

Sustainability Management Guided by Our Purpose

The AEON Basic Principles are “pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.” All of the business activities for AEON Financial Service align with these principles. Our overriding priority is to maintain our role as a company dedicated to making the greatest possible contribution to our customers and local communities, while also continuing to innovate.

In accordance with the AEON Basic Principles, in November 2021 we identified social issues with the potential to have a medium- to long-term impact on the AFS Group’s business activities, as well as the key issues (materiality) that we need to address in order to contribute to the resolution of those issues. We also adopted the AFS Sustainability Policy, which defines how our 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.

We have appointed senior executives responsible for policy execution in Group companies to the Sustainability Committee, which discusses Group sustainability strategy and policy. We also have further strengthened our sustainability organization, which is led by the Strategy and Sustainability Department. We have listed the key issues in our materiality

that need to be addressed, and we are currently discussing principal actions relating to our material priorities in preparation for the establishment of specific KPIs.

In 2023, we announced Our Purpose, which defines the aspirations of the AFS Group and its reasons for existence. Individual employees will contribute to the resolution of social issues by thinking independently about what we can do to enrich the lives of our stakeholders, including our customers, and by acting autonomously and continuously taking up the challenges of innovation.

Financial Inclusion Initiatives

As a company that supports customer’s lifestyles, the AEON Group has close ties with consumers. We support lifestyles by providing the value that consumers need in their lives.

The AFS Group began to expand into overseas markets in 1987 with the establishment of a presence in Hong Kong. We have used that presence to identify customer needs that we can address flexibly through the provision of the financial services that help our customers lead richer lives. We have earned strong support from customers in markets that include Hong Kong, Thailand, and Malaysia by continuously working with local employees and local governments to put down roots in each region. It is clear from a review of the history of our overseas activities that we have made real contributions to financial inclusion.

We will continue these efforts to make basic financial services accessible to everyone, while actively pursuing sustainability initiatives in Japan and other countries.

To Our Stakeholders

Our goal as a corporate group is to be a leader in contribution to customers and communities. We will achieve that through our ongoing commitment to innovation. To guide these efforts, we have created Our Purpose, in which we pledge “to bring ‘finance’ closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles.” We all need to think and act independently in accordance with Our Purpose.

We will continue to work closely with our customers to provide financial services that match their lifestyle needs. As a corporate group dedicated to growth in partnership with its customers, I would like to take this opportunity to thank all of you for your continuing support.

Priority Categorization of Materiality*

*AEON Financial Service is committed to solving social issues through business activities and contributing to peace by creating a sustainable society where everyone can live a fulfilling and happy life. To achieve this goal, we have identified key issues that impact business in the medium to long term.

		Contributing to peace through the creation of a sustainable society	Initiatives
Human Rights	<p>Pursuing happiness through innovative financial services</p> <p>We are committed to seeking to enrich the lives and happiness of our customers by providing safe, secure, and innovative financial services, and by building an infrastructure that enables access to financial services for everyone, and by promoting financial literacy.</p>	<ul style="list-style-type: none"> • Customer Responsibility • Financial Inclusion and Financial Education • Technological Innovation • Sustainable Finance • Contribution to Local Communities 	<ul style="list-style-type: none"> Providing a safe, secure, and accessible financial infrastructure Enriching the lives of customers, business partners, and employees through financial education Promoting DX to improve customer experience Managing and procuring funds in consideration of social and environmental changes Contributing to the development of local communities through financial services
	<p>Exerting diversity and the potential of our people</p> <p>We are committed to achieving our goals as a team by respecting the humanity and diversity of our employees, and by creating a work environment where everyone feels fulfilled and where individual abilities are maximized.</p>	<ul style="list-style-type: none"> • Diversity & Inclusion • Securing and Maintaining Human Resources/Human Resources Development • Labour Practice • Occupational Health and Safety 	<ul style="list-style-type: none"> Respecting the diversity of employees and create a flexible and rewarding work environment
	<p>Establishing organizational resilience</p> <p>We are committed to developing highly ethical and disciplined human resources, and enabling quick and flexible decision-making by transferring authority to frontline operations. We are also committed to evolving our governance structure and building a strong corporate culture through the supervisory function exercised by the Board of Directors, risk management throughout the value chain, and business management enhancement.</p>	<ul style="list-style-type: none"> • Corporate Ethics and Compliance • Information Security • Corporate Governance • Risk Management • Business Model Resilience • Supply Chain Management • Stakeholder Engagement 	<ul style="list-style-type: none"> Building a governance structure that improves stakeholder trust
	<p>Addressing climate change</p> <p>We aim to solve global issues by working toward decarbonization together with our customers and local communities through products and services that the Group provides, transforming our business model, and effectively using resources in our business activities.</p>	<ul style="list-style-type: none"> • Response to Climate Change • Effective Use of Resources 	<ul style="list-style-type: none"> Provide financial services that contribute to a decarbonized society

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.

DX Strategy: Use the Unique Capabilities of the AEON Group to Provide Safe, Secure, Convenient, and Beneficial Customer Experiences

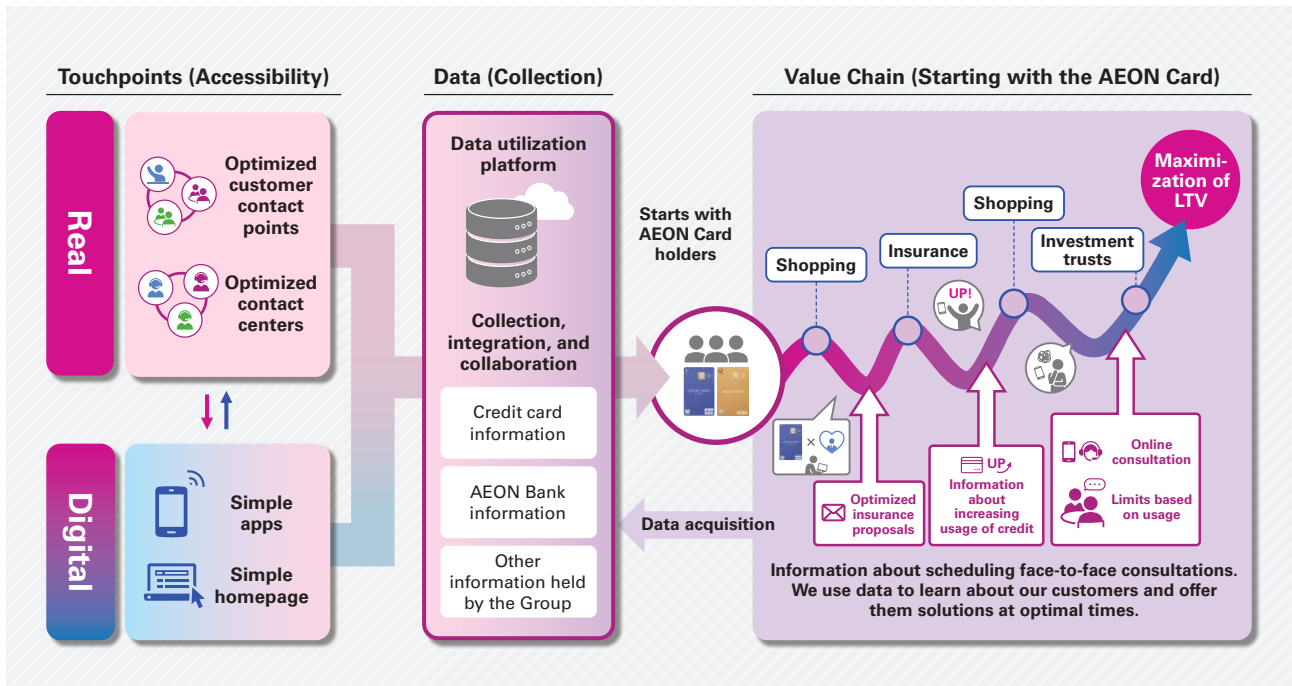
We have positioned our current medium-term management plan as the path to our “second founding.” Based on the core visions of the plan, which are “value chain transformation and new network creation,” we will transition from a business model centered on the real-world contact points that give AEON an advantage in Japanese and overseas markets, to an “online merges with offline” (OMO) value chain structure that also incorporates digital contact points. In Japan, we are helping to construct the AEON Living Zone, which provides seamless access to the products, services, and lifestyle products of the AEON Group, by enabling consumers to access payment functions and financial services digitally through the AEON Wallet app. In Asian markets, we are working toward digital financial inclusion by offering digital solutions tailored to digital maturity levels in each country.

We are using DX to transform our business model from three perspectives: customers, business, and from the viewpoint of our employees, including work style reform. In addition to the convergence of physical and digital contact points, we will also make optimal use of the Group’s resources of data and know-how. The purpose of the AFS Group is to bring finance closer to everyone by using the unique capabilities of the AEON Group to provide safe, secure, convenient, and beneficial customer experiences. We will continue our efforts to provide peace of mind and brighten the lives of every individual customer.

• Toward Business Model Transformation

We are determined to provide timely responses to the needs of individual AEON Group customers through the timely provision of optimized services that match their lifestyle, interests, and preferences. We will continue to maximize the life-time value (LTV) of the AFS Group by providing high-value customer experiences.

Business Model Transformation



Using Digital Technology to Enhance Payment Services

In September 2021, AEON launched iAEON, an all-in-one app intended to be a common point of contact for the entire AEON Group. Users of this app can access AEON Pay, a code payment system available at AEON Pay affiliated merchants throughout Japan, by registering their credit or debit cards with an AEON mark. In October 2022, we added AEON Pay functionality to AEON Wallet.

In June 2023, we also began to provide a new charge payment function through the AEON Pay system, allowing customers who do not have an AEON Card to use the service by linking it to an eligible bank account. In September of the same year, we further enhanced the usability and clarity of the AEON Wallet app by adopting a simpler and more intuitive design. In addition, individual users can select and customize a homepage according to the functions they want to use. We will continue to enhance the convenience and the functionality of AEON Wallet as a comprehensive financial app capable of providing even more customers with access to a wide range of financial services.

Three clickable home screens



Credit card usage

AEON Pay

Information on various deals

Strengthening Online Channels

AEON Bank, Ltd. aims to create an environment in which customers can easily access its financial services at any time and from any location. To achieve this goal, it is developing online channels that work in conjunction with their real-world counterparts. In addition to face-to-face meetings in branches, customers will be able to interact online with store staff through an online consultation service that allows them to seek advice, and complete and process applications via computers or smartphones. This service will enable customers to obtain services flexibly and in ways that match their changing lifestyles.

In July 2023, we updated the AEON Bank Passbook app by adding capabilities that have turned it into an integrated customer communication tool. In addition to the introduction of various new features, including messaging, we also enabled the app to connect to online consultation services.



Video consultation/processing desk

Progress toward Digitalization in Overseas Markets

By combining AI technology with external credit information, we have reduced screening times and enhanced our ability to provide customers with smooth access to our services in each country. These improvements to customer convenience include the introduction of electronic know your customer (e-KYC) technology to reduce complicated tasks at the time of application and shorten waiting times.

• Indonesia

In July 2021, our local subsidiary in Indonesia, PT. AEON CREDIT SERVICE INDONESIA (“ACSI”), began using AI-based credit scoring and collection scoring services developed by Global AI Innovations Laboratory (“GAILABO”). ACSI took this step to alleviate the difficulty of carrying out credit screening in an environment where a substantial number of people have no external credit information, forcing it to use an individualized screening model. By using its own data to digitalize the process, ACSI has dramatically reduced the average screening time from 55 minutes to just four minutes, thereby significantly improving customer convenience.

In October 2023, ACSI also launched QRIS PayLater, a new buy now, pay later (BNPL) payment service. We are constantly working to provide convenient financial services to local customers by further evolving our use of digital technologies. Innovations include linkage with the AEON FAST smartphone app, which offers an installment payment service for individual items.

BNPL App Logo and
Promotional Materials

Toward Resolution of Social Issues

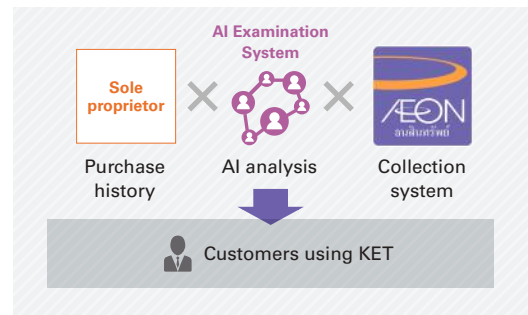
Through its business of providing financial services, the AFS Group will clarify the social issues faced by its customers in each country and region and address them from a long-term perspective.

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 make cashless transactions at partner stores that can be settled into a full account 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.

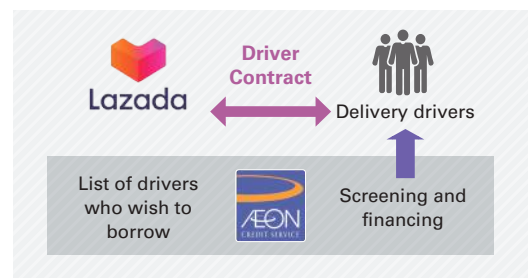


In Thailand, Rabbit Cash Company Limited, a new company established by local subsidiary AEON THANA SINSAP (THAILAND) PCL. as a joint venture with a local company in April 2021, obtained its nano finance license in May 2022. Nano finance is a microfinance loan product introduced by the Thai government 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 continuously 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, through a business alliance between AEON Bank Co., Ltd. and Yamada Escrow and Trust Co., Ltd., provides an inheritance-related consultation referral service (for testamentary trusts and inheritance arrangements) through referrals to the Company's inheritance specialists.

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.



Consultation at an AEON Bank branch

Aeon Heartful Volunteers

As a member of the AEON Group, we are participating in the Aeon Heartful Volunteers program 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.



Aeon Heartful Volunteers

Basic Concept	The AEON Basic Principles are to pursue peace, respect humanity, and contribute to local communities, always from the customer's point of view. AEON people put these principles into practice by utilizing various resources gained through business activities in voluntary initiatives that contribute to the resolution of local social issues.
Goals	In 2001, AEON designated the 11th day of each month as "AEON Day" and began pursuing clean and green activities that embody the AEON Basic Principles. Our employees are also involved in a wide range of ongoing voluntary activities, including Project AEON Joining Hands, an initiative to support recovery efforts after the Great East Japan Earthquake in 2011.

The knowledge and experience that our employees have gained from these activities and recovery initiatives after the Great East Japan Earthquake are now being applied to the activities of the Aeon Heartful Volunteers. We will continue to pursue initiatives that contribute to the solution of local social issues in our business areas throughout Japan.

• Marine Litter Cleanup Volunteers

The Marine Litter Cleanup Volunteer program, under which coasts and rivers are cleaned up, was established to help resolve the global marine pollution problem. The volunteers carry out beach cleaning projects in collaboration with AEON Group companies and local communities throughout Japan.



Cleanup activities overseas

• Ongoing Support for Recovery after the Great East Japan Earthquake

The AEON Group has continually supported long-term recovery efforts following the Great East Japan Earthquake in 2011 in a variety of initiatives including tree planting activities, the dispatching of volunteers, and continual fundraising activities.

• Cotton Harvesting by Volunteers

Since 2017, AEON Group volunteers have been working with The People, a specified NPO, to cultivate and harvest cotton on farmland around Iwaki City in Fukushima Prefecture. Farmers in the area have found it difficult to produce rice because of the soil damage due to the tsunami and have started to grow cotton, which is more resistant to salt contamination. The aim is to regenerate agriculture in the region and create local employment through the commercialization of cotton under the Fukushima Organic Cotton Project.



Cotton harvesting by volunteers

• The Online "Minamisanriku YES Workshop"

Despite the increased difficulty of travel to disaster-affected areas due to social changes caused by the COVID-19 pandemic, we are still maintaining lines of communication with people living in the impacted regions. Since 2020, we have been holding online craft workshops in which employees can participate from their homes.

The instructors for these workshops are provided by the Minamisanriku YES Workshop in the community of Minamisanriku in Miyagi Prefecture, which specializes in using the bounties of nature as raw materials to drive new cycles of creating, learning, and connecting. The program also provides opportunities for people to learn about forest cultivation and disaster prevention efforts in Minamisanriku by crafting items from local resources via an online woodworking experience based on the use of timber from forest thinning operations.



Pen holders made during a workshop

 Please refer to our corporate website for Social Contribution Activities.

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

Improving Financial Literacy

The AFS Group is helping to build a sustainable society through various initiatives based on the Sustainable Development Goals (SDGs) and other programs. For example, our awareness of the importance of learning about finance and contracts from a young age has led us to focus on initiatives to improve the financial literacy of high school and university students since 2018. We will continue to contribute to the creation of social infrastructure in the form of a cashless society in which people can enjoy that is safe, secure, convenient, and has economic benefits.

➔ Providing Financial Lectures

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

Complementary Financial Lectures

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of universities	25	12	11	11
Total number of lectures	116	93	84	75
Total number of participants	5,344	7,985	6,145	7,934



lifelong learning. From fiscal 2021, the secretariat was moved to AFS to provide a wider range of financial education opportunities to promote comprehensive financial literacy education. The administrative office for these activities was transferred to the AFS Academy following its establishment in March 2023. Our goal is to expand the scope of our financial literacy courses, which are already offered free of charge to high school and university students, to include junior high school students and working-age adults.

➔ Nationwide Financial Education Program

We run educational programs about money-related topics, such as credit cards, with the aim of helping young people to become responsible cardholders in the future. Since fiscal 2021, we have been implementing this initiative in each region, mainly at our branch offices 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.

➔ Activities with AEON 1% Club Foundation

The seven companies—AEON Financial Service Co., Ltd.; AEON Bank Co., Ltd.; AEON Housing Loan Service Co., Ltd.; AEON Insurance Service Co.,Ltd.; ACS Credit Management Co., Ltd.; AEON Product Finance Co., Ltd.; and ACS Leasing 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 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 Events

AFS contributes to the healthy development of future generations of citizens by supporting interactive events that encourage young people to think about the future of money. For example, we participate in Exciting Cashless Experience events run by the AEON 1% Club. Designed for children aged from preschool to junior high school, these events provide participants with opportunities to experience the convenience and other advantages offered by cashless payment systems through a range of content, including quizzes on the history of money, what cashless living is like today and in the past, and experiences focused on the convenience and benefits of cashless payments.



Exciting Cashless Experience events



The AEON 1% Club was established in 1990 as a vehicle for the fulfillment of our social responsibilities through concrete actions based on the AEON Basic Principles. Funded by 1% of profits generated when consumers use AEON Group goods and services, the program is focused on environmental and social contribution activities.

➔ See here for more information on AEON 1% Club.

<https://aeon1p.or.jp/1p/>



Yoshimi Nakajima

Director (Outside)
Chair, Nomination and
Compensation Committee

Takeshi Inagaki

Executive Officer
General Manager of Human Resources
and General Affairs Division

Naohiro Arai

Principal of the AFS Academy



AFS Academy Roundtable

Commitment to Human Capital, the Establishment of the AFS Academy

AEON Financial Service has inherited the AEON Group tradition of human resource policies designed to nurture people. One example of this approach was the establishment of the AFS Academy in March 2023. The mission of this educational and human resource development institution is to provide people with learning opportunities.

We asked an outside director who has been closely involved in our human capital management, the General Manager of our Human Resources and General Affairs Division, and the Principal of the AFS Academy to participate in a roundtable discussion about our basic human capital management philosophy and the role of the AFS Academy.

Underlying Commitment to Prioritizing People

Inagaki: Kojima Chizuko, the founder of the AEON Group, wrote a book for her employees. This book, titled *Ashiato* has become a bible not just for me, but for everyone involved in HR and management throughout the AEON Group. It clearly acknowledges that people drive corporate development and introduces “respecting humanity,” which also appears in AEON’s Basic Principles. This tradition of investing actively in human resources as invisible assets has been part of AEON’s culture since the 1970s. The reason for the management team’s emphasis on human resource development becomes apparent

if we look at it from the perspective of the AEON Group. The AEON Group would not have become a major business group with an operating revenue of over ¥9 trillion if it had not trained the many management personnel it needs to manage over 300 Group companies.

Arai: I moved to the AEON Group from another bank in 2006 to become a member of the founding management team for the AEON Bank. My impression was the AEON Group was far more focused on human resource development than my previous employer. An example of this is the importance placed on developing management. When I attended a seminar run by AEON Co., Ltd., I found that the content was designed to

contribute directly to the improvement of management skills. The range of training programs available is impressive both in terms of quantity and quality. I think that they were prioritizing investment in human resources long before “human capital” became a buzzword. Another feature of AEON’s approach to developing management is their commitment to passing on their corporate DNA, including their history and basic philosophy, to future generations. I have been profoundly impressed by AEON’s powerful drive to innovate. Behind that is a culture that welcomes challenges and tolerates failure.

Inagaki: Looking back on my own experiences, my strongest impression is about the way that people are praised for



AFS Academy Roundtable



Human resources have always been a foundational management priority for AEON Financial Service Group. We have entered a phase of transformation in which we will take up the challenge of continuous transformation as we work to become a company that exceeds our customers' expectations.

Yoshimi Nakajima

producing results after taking on challenges, rather than being blamed for any failures. That is especially true for people working on the front lines. One of the great things about AEON is that when a plan goes wrong, those taking part can always count on the support of those around them, including their boss, colleagues, and employees in other divisions. AEON recognizes the importance of continually taking up new challenges. One of the biggest obstacles to that, is the fear of failure. AEON personnel, whether management or regular employees, have been able to take on challenges continuously because they know they will be safe even if a plan is not successful. In today's business environment, competition is no longer one-dimensional, and we need the courage to make decisions when the outlook is uncertain. That requires the ability to think and make decisions autonomously. To become autonomous, we need to change ourselves, but that is not possible unless we are ready to learn by ourselves. It is becoming increasingly important for a company to provide a learning environment in which support will be provided to any individual who is even slightly motivated to learn. The ability of individual employees to act autonomously is vital from a management perspective and should be given the highest priority in human resource policies.

Nakajima: A company is not sustainable unless it can achieve growth and survive in the marketplace, and growth ultimately depends on human resources. We have always made human resources the core focus of our management policies. In recent years, the business environment

and the structure of business have been rapidly transformed by major changes. We need to preserve what is good, but I feel that we are now in a phase of transformation that will determine our future survival as a company. Players are moving into the financial business from a wide range of industries, with the result that competition is no longer limited to within the sector. Even international borders are disappearing. Different countries have different financial systems and laws. I think that we are already past the phase of expanding operations into new business areas and regions based on an understanding of those differences. Human resources are a key driver for maintaining our business advantage. People need to experience all kinds of things in different environments, and to keep learning. They need to continue taking up new challenges. Rather than doing the same things as other companies, I believe that AEON Financial Service has entered a phase of transformation in which we are evolving our traditional approach of management focused on our employees toward management policies that enable employees to grow.

Inagaki: We disclosed Our Purpose this year and I saw this as a sign that people have become aware of the need to be a company that can attract diverse individuals. The message is that we need to turn diversity into an advantage. However, in order to accept diversity, individuals must, as Ms. Nakajima commented, continually improve their skills. People have all kinds of ambitions and some want to improve their expertise, while others their management skills. The

important thing is for the Company to provide individuals who want to improve with opportunities to take up new challenges and with a good learning environment.

The AFS Academy – Turning Personal Growth into a Competitiveness Driver

Arai: President Fujita appeared to have been thinking about the concept for the AFS Academy for some time before he gave me the task of turning it into a reality. My first thought was about the influx of players from other industries into the financial business, which has resulted in the emergence of powerful rivals, and a relative decline in our presence in the industry. To break out of this situation and enhance our corporate value, we need to innovate. When we consider the ingredients needed for innovation, the first is ideas. Ideas occur when we combine different types of knowledge, so we cannot gain different types of knowledge if all the people in our organization have similar backgrounds. We need to recruit people with different types of knowledge, including people from other industries. In that way, we can create an organization with diversity. The same applies to individual employees. If individuals can accumulate diverse knowledge, they will be able to generate ideas by combining that knowledge. Innovation occurs when we refine those ideas and turn them into businesses that produce income. From a management perspective, I concluded that we needed to foster intrapersonal diversity by creating the AFS Academy for our employees as a place where they can

build the foundations for innovation. Given the increasing mobility of human resources today, one of our aims was to make AEON Financial Service more attractive by providing an environment in which people can learn freely, and to use that enhanced attractiveness to increase the diversity of our human resources. Financial literacy lectures for students have long been a priority for AEON Financial Service. By incorporating this function into the AFS Academy, we can also contribute to sustainability. Our three core themes when we established the AFS Academy were innovation, the enhancement of our presence in the human resources market, and the promotion of sustainability. We currently offer programs covering a wide range of topics that are not necessarily linked directly to our business activities. In Japan, we invite leading experts from various fields to present lectures. We also offer courses with relatively small class sizes for those wishing to enhance their general education. Our programs are open to all employees of domestic companies in the AEON Financial Service Group. In principle, participation is voluntary, and those wishing to study must submit applications as individuals.

Inagaki: Many individual employees have areas they want to study in. As someone involved in human resources management, I regret that we did not pay sufficient attention to the interests of these individuals. However, the AFS Academy provides all employees with a wide range of study options and opportunities, enabling them to study subjects that interest them whenever they want. By providing people with

opportunities to learn based on their personal goals, we in the human resources management area can focus on training and development in response to the needs of business divisions. I believe that this will result in the creation of an extremely positive environment in which these two types of learning will produce synergistic benefits.

Nakajima: I believe that the AFS Academy will play an important role as a forum where people from different divisions who have seldom had opportunities to work together can interact in a stimulating environment. I anticipate that Mr. Arai and his colleagues will continue to design this space based on feedback from various sources. I hope that it will evolve into a free environment in which people can share new business ideas, refine concepts, and create presentations about ideas that justify speaking to the president directly. Psychological safety is assured, since these activities are outside of the personnel evaluation system. Employees can place themselves in a different environment by moving away from their usual workplaces to participate in AFS Academy activities. I hope that people will take this opportunity to experience diversity and inclusion in a place where they can enjoy the experience of taking on new challenges. I believe that all directors have high expectations toward this initiative.

Arai: I agree. Many people have told me that they are extremely happy to have opportunities to meet a wide range of people from either within or outside of the company, and to obtain advice. I also want to turn the AFS Academy into a space where we can build the foundations for

workplace environments in which people can enjoy their work. Ideally, the academy will function like a real research institute by allowing its staff, who plan and administer courses, to carry out research in fields that interest them and also become instructors themselves. In addition, I feel that future management personnel cannot develop their sense of judgment solely through work. They also need to acquire a deep grounding in general education. In that sense, I would like the AFS Academy to take up the challenge of providing a liberal arts education. A good grasp of liberal arts is essential not just for management, but for anyone involved in business. I aim to help people in the AEON Financial Service Group to acquire a liberal arts education so that we can lay the foundation for the transformation of our businesses and operations.

Inagaki: There is another task I would like the AFS Academy to tackle. AEON Financial Service has many people who bring an excellent range of experience to their work. For example, there are people who have worked overseas for two decades or more and run multiple businesses successfully, as well as people with historic achievements in external negotiations. Unfortunately, these people have few opportunities to talk about their experiences. As a company that helped to popularize credit cards in Japan and has successfully developed businesses in overseas markets, AEON Financial Service has considerable resources of tacit knowledge. I believe we could significantly enhance our value by turning this tacit knowledge into some form of content, including stories about projects that went wrong, that can be shared by many

Innovation is vital to the enhancement of corporate value. We will build the AFS Academy into an attractive learning environment where people can acquire the knowledge needed to drive innovation.

Naohiro Arai





AFS Academy Roundtable

We are strongly committed to the transformation of our approach to human resources management. We will further enhance our human capital through a transformation process that encompasses the entire Company.

Takeshi Inagaki

people, thereby transforming it into institutional knowledge.

Arai: That's true. We should make greater use of people with extensive experience as in-house lecturers. The AEON Group has many legendary people and we could pass on the AEON Group's DNA by having these people present lectures in which they teach our younger employees about their experiences of starting new businesses, including businesses that were unsuccessful.

Improving Corporate Value through the Enhancement of Human Capital

Inagaki: People go through a variety of life events. Some have to care for children, others for aging family members. I believe we need to think about our commitment to our human capital, and to act as quickly as possible to collect and store data about employees' interests and life events with a certain level of accuracy. Over the next couple of years, I'd like to build a database of this type of quantitative personnel data as a resource for the Human Resources and General Affairs Division. As Kozima Tizuko wrote in *Ashiato*, we need to go back to human resource management based on concern for human beings. The other day I had an opportunity to talk with a much admired older colleague in the AEON Group. I was very impressed when he told me that he had always tried to learn about the interests and concerns of as many people as possible. He said that he had always approached his work from the viewpoint that you cannot transfer people to new positions unless you know what interests and concerns them. We

take responsibility for a portion of our employees' lives in the sense that we transfer or train them. As people involved in human resources management, we need to bring that level of commitment to our work. In addition to bringing back that commitment, I think that we should also build infrastructure for human resources management that allows us to reflect the human capital data in our decisions. We also need to take a multifaceted approach to achieving diversity and training people capable of acting autonomously. These are tasks that cannot be carried out by human resources management alone. We have to transform our entire management system, including work styles and the ways that meetings are held. I want us to take decisive action to transform the Company by transforming our approach to human resources management. From a practical viewpoint, however, there are qualitative and quantitative issues. The first step is to ensure that we can determine the current situation as the basis for achieving the qualitative and quantitative transformation sought by management. The most important question is what tools are available to drive qualitative change and quantitative expansion.

Nakajima: I believe that human resources policies and the AFS Academy should be approached collaboratively rather than as separate processes. The direction in which AEON Financial Service needs to move is indicated in our long- and short-term management strategies, which are based on Our Purpose. We have many tools that we can use to achieve this, including our human resources, technologies, and systems, as well as our wisdom and curiosity. As Mr. Inagaki said, we also need

to understand our current situation. However, we will achieve nothing unless we act on that understanding. As we move toward our vision and aspirations for the future, each of us has a role to perform, through which we help to drive our progress while also achieving personal growth. Management may have major expectations toward this process, but rather than simply expecting change, we need to take action ourselves. Ideally this process will generate a sense of engagement as employees achieve growth through human resources policies and AFS Academy programs, leading to the development of environments in which people can enjoy their work and feel happy to be working for AEON Financial Service. We often hear the keyword, "human capital." The most important key to raising awareness of this concept is commitment. The AFS Academy represents one of our commitments as a company. I want everyone to enjoy the full benefits of this new space. If everyone, including participants in our programs, works to develop the AFS Academy as their own asset, we will be able to maximize the value of our human capital and contribute to the enhancement of our corporate value.

Arai: To achieve those things, we first need employees to take a greater interest in the academy and participate more in the courses. Once employees take the first step toward engagement with the academy, they will gain an ongoing interest and begin to enjoy participation in its programs. Now, our focus is to create mechanisms that will encourage people to take that first step.



AFS Academy

In March 2023, we established the AFS Academy as a human resource training and development institution. Its mission is to provide learning opportunities for people within and outside the Group.

Our management challenges as a company, including the need to adapt to the rapid spread of digital technology, are paralleled by the challenges faced by individual employees, who need to adapt to a changing social environment by modifying their mindsets and work styles as well as acquire new knowledge through reskilling.

We believe “the greatest form of welfare is education.” That saying is reflected in our active investment in human resources, including the provision of learning opportunities. Through the AFS Academy and its extensive range of courses, we have further expanded our commitment to human capital management by responding to the educational needs of our employees and enabling them to develop over the medium to long term.

The AFS Group is also helping to achieve the Sustainable Development Goals (SDGs) and other targets through its efforts to realize a sustainable society, including our ongoing efforts to improve financial literacy among high school and university students. Going forward, the AFS Group will further expand its efforts to contribute to the realization of a sustainable society through SDG-related initiatives. For example, we aim to make AFS Academy courses available to external organizations.

Overview of AFS Academy Courses

	Themes and Overview		Purpose
1 Employees (Approx. 4,000 employees plan to take courses in 2023. Courses are free for all employees of AFS Group companies in Japan)	(1) Lecture topics	<ul style="list-style-type: none"> • Human resource management • Psychological safety • Digital transformation • Career development, etc. 	The acquisition of a wide array of knowledge and general education through lectures presented by prominent figures and experts in various fields
	(2) Courses	<ul style="list-style-type: none"> • Innovation and management fundamentals • Digital transformation • Introduction to financial accounting • Diversity • Self-understanding and psychological safety • Support for the acquisition of the Certified Internal Auditor (CIA) qualification, IT passport, etc. 	Development of specialized human resources through the acquisition and development of fundamental management skills, especially innovation and leadership, as well as knowledge that is not directly related to work, and the cultivation of a commitment to independent learning
	(3) Digital library	We have established a digital lending library for e-books	Building a broader knowledge base
2 External Learners (Approx. 8,000 students from 12 universities plan to take courses in 2023. Courses are available free of charge, primarily for high school and university students)	Our financial literacy and career development courses enable external students to acquire basic financial knowledge and learn about approaches to career development		Encouraging sustainability by enabling people to acquire a wide range of financial knowledge

AFS Academy Comments from Staff



Chihiro Fujinami

AEON Financial Service Co., Ltd.

My decision to apply for a position in the AFS Academy was prompted by my ambition to foster bonds among AFS Group employees through education, and to provide opportunities for many of our customers to learn more about finance. I also wanted to achieve personal growth by contributing to financial education for external students, as well as training for AFS Group employees.

I am currently an instructor for financial literacy classes for university students. Some aspects of the work—such as negotiations with universities and answering students’ questions after classes—can be challenging. Even so, I am very happy to have a job that I had been dreaming of doing for a long time, and am able to make full use of the knowledge and experience that I have gathered during my time working in a bank branch.

In the future, I would like to develop and teach courses not only for university students, but also for intermediate and high school students as well as working people.

AFS Academy Comments from Learners



Isaku Fukudome

FeliCa Pocket Marketing Inc.

When I heard about the establishment of the AFS Academy, I thought it was an opportunity too good to miss. I immediately applied for a course on new business development. In addition to that course, which involved weekly lessons held over a three-month period, I also applied to use the e-learning system. I feel that I was able to pursue my studies efficiently by focusing mainly on the course while using e-learning to supplement my studies.

Because the AFS Group is made up of various companies, Group employees handle a diverse range of work. The course gave me an opportunity to interact with people working in different companies and different areas. I also became aware of the benefits of having a unified educational system available across the entire Group. I look forward to taking other courses so that I can continue to expand my knowledge and meet other students.

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.

Promotion of Diversity

(1) Percentage of managerial positions filled by women

By the end of fiscal 2022, the percentage of managerial positions (assistant manager or higher) in the AFS Group (domestic and overseas) that were filled by women was 34.2%. 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 2022, the ratio of non-Japanese employees within the Group was 1.5%.

In contrast, the ratio of local employees in its overseas companies was 99.6% (the ratio of expatriates, including Japanese, was 0.4%).

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 employed by the Group in Japan who have disabilities stands at 2.5%.

AFS is 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.

Initiatives toward Realization of Well-being

(1) Health and productivity management

In fiscal 2016, the AEON Group adopted the Health Management Declaration as the basis for its efforts to ensure the physical and mental health of the Group’s employees and their families and cultivate human resources capable of achieving continual personal growth through careers spanning many years.

Initiatives implemented by the AFS Group under the Health Management Declaration are listed on the right.

The AEON Group provides health support for its employees and their families and works with its employees to build health and happiness in local communities.

[Behavioral guidelines]

- We are working to prevent health issues through health checkups and subsequent follow-up processes.
- We strive to improve employee mental health through four types of care (self-care, care provided by line managers, care by in-house industrial physicians, and care using resources from outside the Company).
- We comply with the conduct guidelines set down in the Declaration to Eliminate Unpaid Overtime and Long Working Hours and the Declaration on the Elimination of Harassment as part of our efforts to develop an organizational culture that offers psychological security and safety while fostering energized workplaces.
- We are helping to improve the health of customers and local communities through our products and services.

Thanks to these efforts, the Company and eight domestic Group companies (AEON Bank, Ltd.; AEON Insurance Service Co., Ltd.; ACS Credit Management Co., Ltd.; AEON Housing Loan Service Co., Ltd.; AEON Product Finance Co., Ltd.; AEON S.S. Insurance Co., Ltd.; ACS Leasing Co., Ltd.; and AEON Allianz Life Insurance Co., Ltd.) have been designated as Outstanding Health and Productivity Management Organizations for 2023. ACS Credit Management Co., Ltd. was also recognized as a White 500 organization for 2023, having been selected as one of the top 500 companies in the large enterprise category.

List of Domestic Companies Designated as Outstanding Health and Productivity Management Organizations

Included for five consecutive years	Included for four consecutive years	Included for two consecutive years	Included for fourth time
<ul style="list-style-type: none"> • ACS Credit Management Co., Ltd. • AEON Financial Service Co., Ltd. • AEON Housing Loan Service Co., Ltd. • AEON Insurance Service Co., Ltd. • ACS Leasing Co., Ltd. 	<ul style="list-style-type: none"> • AEON Bank, Ltd. • AEON S.S. Insurance Co., Ltd. 	<ul style="list-style-type: none"> • AEON Allianz Life Insurance Co., Ltd. 	<ul style="list-style-type: none"> • AEON Product Finance Co., Ltd.



(2) Health management initiatives at AFS

① Promotion of Health Management, Enhancement of Preventative Measures

We carry out annual group health checkups at each of our business sites with the aim of achieving 100% participation by employees. In addition, we took action in fiscal 2020 to reduce the rate of smoking by instituting Group-wide bans on smoking during working hours, smoking on company premises, and smoking less than 45 minutes before starting work. All Group employees are also registered users of the Pep Up health portal site operated by the AEON Health Insurance Society. Our aim is to encourage employees to review their lifestyle habits and improve their health literacy by visualizing their own health status.

② Promoting the Four Types of Care (Mental Health)

Mental health support measures in the workplace include training on self-care and line care with the cooperation of supervising industrial physicians. We also ask all AFS employees to undergo stress checks. The results of our organizational diagnostics are shared with the Safety and Health Committee and workplace organizations, while knowledge obtained from external advisers is used in the implementation of measures to solve issues at individual workplaces.

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.

③ Improvement of Working Environments

We are helping our employees achieve a healthy work-life balance through initiatives that include the official adoption of consecutive holidays, and the systematic provision of up to 15 days of annual paid leave. In addition, internal bodies, such as the Operational Risk and Compliance Subcommittee, monitor employee working hours, paid leave utilization rates, and other factors in order to identify and assess occupational health and safety risks.

④ Health Promotion and Health Management Activities for Customers and Local Communities

Our ROUTY healthcare app is an important part of our initiatives to contribute to health and happiness in local communities, which is one of the goals in the Health Management Declaration.



ROUTY healthcare app

(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

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

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

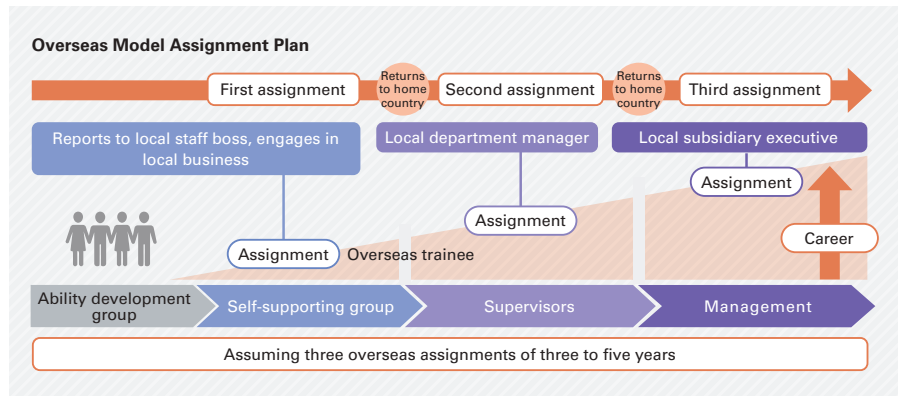
[Organizational strengthening, projects]

- Overseas management dispatches, overseas management personnel development course
- DX Promotion Department
- Ideathons

[Training]

- Domestic graduate school (MBA course) dispatches
- Job-specific courses (digital technology, human resources, finance and accounting, business audits)

Overseas Management Personnel Development Course



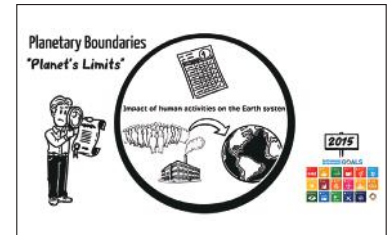
(2) Main training programs

① Governance Strengthening

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

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.



Sustainability training video

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	Professional Personnel	Philosophy/Human Rights/Governance	On Appointment/Career Support	Well-being
<ul style="list-style-type: none"> • Director and auditor training • Overseas management personnel development course • AFS Management Course • AFS Global Course • Training for newly appointed directors • Management executive training • Domestic graduate school (MBA course) dispatches 	<ul style="list-style-type: none"> • DX training • Finance and accounting personnel development course • Management planning training school • Job-specific courses (digital technology, human resources, finance and accounting) 	<ul style="list-style-type: none"> • Code of conduct training • Harassment training • Risk management training • Internal control training • Diversity promotion training • Sustainability training • Temporary director/Audit & Supervisory • Board member training • Board of Directors’ secretariat training • Finance and accounting manager training • Training about sexual minorities • Training about people with disabilities 	<ul style="list-style-type: none"> • Training for promotion • Digital technology and IT training • Training for prospective recruits and new employees • Follow-up training for employees during their first three years • CDP training (at ages 30 and 40) • Management and supervisory training • New center director training 	<ul style="list-style-type: none"> • Health management training • Training on women’s health issues

Note: Including AEON Group common programs

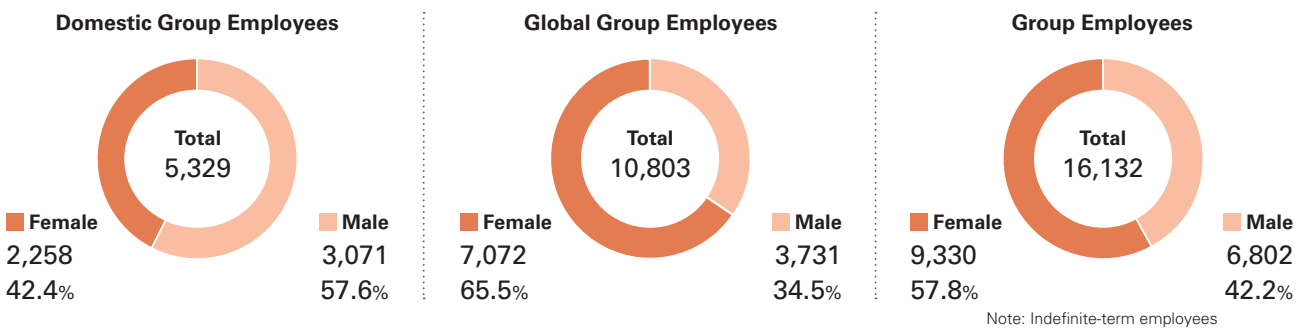
(3) AFS Academy

In March 2023, we opened the AFS Academy, an in-house educational institution dedicated to the development of skills needed by all employees of the AFS Group. We are encouraging voluntary learning activities by employees by providing online video learning resources and a digital library, as well as support for obtaining official qualifications, and seminars presented by outside instructors.

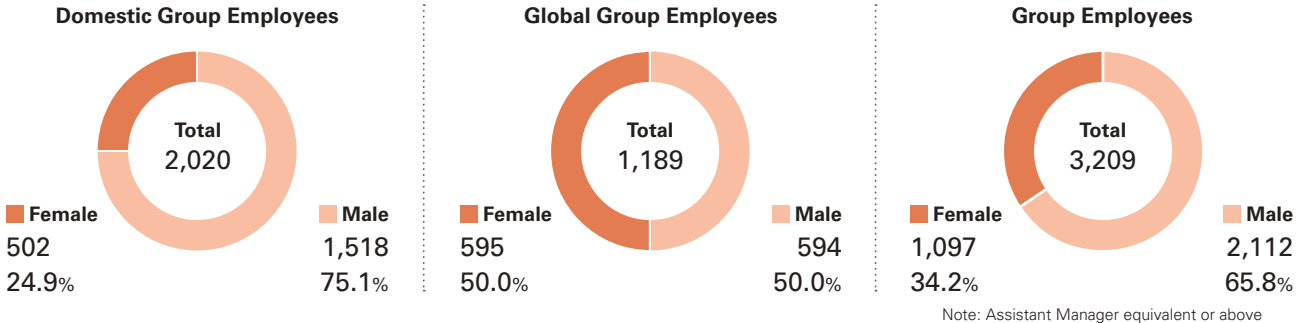
[▶ P.30 AFS Academy](#)

Human Resource-related Data

Number of Employees/Employee Ratio (Fiscal 2022)



Number of Managers/Manager Ratio (Fiscal 2022)



Total Number of New Hires (Fiscal 2022)

Domestic Group Companies

	Male	Female	Total
Regular recruitment	62	43	105 (Joined April 1, 2023)
Other than regular recruitment	182	107	289 (Joined from March 1, 2022 to the end of February 2023)

Average Age/Average Length of Service (as of February 28, 2023)

Domestic Group Companies

	Male	Female	Total
Average age	41.8	40.1	41.1
Average length of service	8.8 Years	7.0 Years	8.1 Years

Employment Rate of Persons with Disabilities (as of June 1, 2023)

2.50%

Note: Total of six 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 2022)

Domestic Group Companies

Training cost per person	¥32,906
Training time per person	23.7 Hours

Note: Including directors

Our Management Team (As of October 1, 2023)

Directors



Shunsuke Shirakawa
Chairman

1986 Joined Ministry of Finance
 2001 Appointed Secretary to the Minister for Financial Services
 2008 Appointed Director for Fiscal Investment and Loan Appropriation of Financial Bureau of Ministry of Finance
 2010 Appointed Director of Insurance Business Division of Supervisory Bureau of Financial Services Agency
 2011 Appointed Director of Evaluation Division of Inspection Bureau of Financial Services Agency
 2013 Appointed Deputy Director-General of the Planning and Coordination Bureau of Financial Services Agency
 2016 Appointed Deputy Director-General of the Planning and Coordination Bureau of Financial Services Agency
 2019 Appointed Deputy Commissioner for Policy Coordination of Policy Bureau of Financial Services Agency
 2021 Appointed Director General of Kanto Local Finance Bureau of Ministry of Finance

Appointed Advisor of the Company
 2023 Appointed Chairman and Director of AEON Bank, Ltd. (current position)
 Appointed Chairman of the Company (current position)
 Appointed Director of AFS Corporation Co., Ltd. (current position)
 Appointed Director of ACS Digital Berhad (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.
 2019 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.
 2022 Appointed Representative Director and President of AEON CREDIT SERVICE CO., LTD.
 Appointed Director of AEON BANK CO., LTD. (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 and 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)
 2022 Appointed Chairman of Investors' Association of ACS Trading Vietnam Co., Ltd. (current position)
 2023 Appointed Director and Managing Executive Officer, General Manager of the Overseas Business Division 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
 Appointed Head of Credit Card Business Administrative Department, Head of New Business Development Department of AEON CREDIT SERVICE (M) BERHAD
 2011 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 and Managing Executive Officer in charge of Group Corporate Planning of the Company.
 Appointed Director and Managing Executive Officer in charge of the Group Corporate Planning Division, Business Promotion Division, and Insurance Business of the Company.
 Appointed Director of AEON Insurance Service Co., Ltd.
 Appointed Director of AEON Allianz Life Insurance Co., Ltd.
 2022 Appointed Director and Managing Executive Officer in charge of the Group Corporate Planning Division of the Company.
 Appointed Director of AEON Product Finance Co., Ltd.
 2023 Appointed Director and Managing Executive Officer, General Manager of the Corporate Planning Division of the Company. (current position)



Tomoyuki Mitsufuji

Director and
Managing Executive Officer

1987 Joined The Sanwa Bank, Limited (currently, MUFG Bank, Ltd.)
1994 Appointed Deputy Head of Capital Market Department 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 Department of AEON Bank, Ltd.
2014 Appointed Director, Managing Executive Officer in charge of Corporate Business Department, Corporate Planning 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 Director of AEON Bank, Ltd.
Appointed Head of Risk Management & Compliance Division and Head of Risk Management Department of the Company
2019 Appointed Director and Senior Executive Officer in charge of Risk Management & Compliance and Head of Risk Management & Compliance Division of the Company
Appointed Chairman of the Commissaris of PT. AEON CREDIT SERVICE INDONESIA
Appointed Director and Senior Executive Officer in charge of Group Risk Management
2021 Appointed Director and 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 and Senior Executive Officer in charge of Group Corporate Management
2022 Appointed Director and Managing Executive Officer in charge of Group Corporate Management
2023 Appointed Director and Managing Executive Officer, General Manager of the Finance and Accounting Division of the Company. (current position)



Kazuaki Arima

Director and
Managing Executive Officer

1995 Joined the Company
2004 Appointed Head of Kyushu and Okinawa Business Department of the Company
2006 Appointed Head of Kyushu and Shikoku Branch of the Company
2008 Appointed Head of Metropolitan Branch of the Company
2011 Appointed General Manager of Development Department of AEON MALL Co., Ltd.
2012 Appointed General Manager of New Business Development Department of AEON MALL Co., Ltd.
Appointed Executive Officer and Head of Internet Business Department of AEON CREDIT SERVICE CO., LTD.
2013 Appointed Executive Officer and Head of Sales Planning Department of AEON CREDIT SERVICE CO., LTD.
Appointed Executive Officer and General Manager of Sales Planning Department of AEON CREDIT SERVICE CO., LTD.
2014 Appointed Executive Officer and General Manager of Marketing Department of AEON CREDIT SERVICE CO., LTD., and Head of Marketing Department of the Company

2015 Appointed General Manager of Business Promotion Department of AEON CREDIT SERVICE CO., LTD.
2016 Appointed General Leader of Four Shift System Promotion Team of AEON Co., Ltd.
2017 Appointed Project Leader of Alliance Promotion Team of AEON Co., Ltd.
2018 Appointed President and CEO of AEON ENTERTAINMENT CO., LTD.
Appointed Managing Executive Officer and in charge of Corporate Sales of AEON CREDIT SERVICE CO., LTD.
2022 Appointed Director of AEON MARKETING CO., LTD.
Appointed Director, Managing Executive Officer and in charge of Corporate Sales of AEON CREDIT SERVICE CO., LTD.
Appointed Director, Managing Executive Officer, in charge of Retail Sales and Corporate Sales and Head of Sales Planning Division of AEON CREDIT SERVICE CO., LTD.
2023 Appointed Director, Managing Executive Officer of the Company
Appointed Director, Managing Executive Officer, Representative of the Payment Business of the Company (current position)



Toshiya Shimakata

Director and
Managing Executive Officer

2000 Joined the Company
2006 Appointed Head of Public Relations Department of the Company
2008 Appointed Head of President Office of the Company
2010 Appointed Director and Head of Sales Division of AEON Credit Service (Asia) Co., Ltd.
2012 Appointed Chief Executive Officer of AEON MICRO FINANCE (TIANJIN) CO., LTD.
2013 Appointed Chief Executive Officer of AEON Credit Guarantee (China) Co., Ltd.
2015 Appointed President and CEO of ACS Trading Vietnam Co., Ltd.
Appointed Head of Sales Planning Department of AEON CREDIT SERVICE CO., LTD.
2016 Appointed General Manager of Credit Examination & Credit Management Department of AEON CREDIT SERVICE CO., LTD.
Appointed Executive Officer, General Manager of Credit Control Department and Head of Risk Management Department of AEON CREDIT SERVICE CO., LTD.
2017

Appointed Executive Officer, Deputy Head of Credit Control Division and Head of Credit Management Planning Department of AEON CREDIT SERVICE CO., LTD.
2018 Appointed Outside Director of Japan Credit Information Reference Center Corp.
2019 Appointed Director, Executive Officer and Head of Credit Control Division of AEON CREDIT SERVICE CO., LTD.
2021 Appointed Director, Managing Executive Officer and Head of Corporate Management Division of AEON CREDIT SERVICE CO., LTD.
2022 Appointed Director, Managing Executive Officer, Head of Corporate Management Division and General Manager of Legal & Risk Management Department of AEON CREDIT SERVICE CO., LTD.
Appointed Director, Managing Executive Officer of the Company
2023 Appointed Director of AEON Product Finance Co., Ltd. (current position)
Appointed Director, Managing Executive Officer, General Manager of the Corporate Management Division of the Company. (current position)



Hiroyuki Watanabe

Director

1982 Joined Isejin JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
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, General Affairs and Legal & Compliance of the Company
Appointed Director of the Company (current position)
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
Appointed Executive Officer of AEON Co., Ltd.
Appointed Director of the Company (current position)
2018 Appointed Director of AEON Bank, Ltd.
Appointed Director of ZAG ZAG Co., Ltd. (current position)
2020 Appointed Director of Abilities JUSCO Co., Ltd.
2021 Appointed Director of AEON DELIGHT CO., LTD. (current position)
Appointed Executive Vice President in charge of Human Resources and Administration, and Supervisor of Risk Management of AEON Co., Ltd. (current position)
2022 Appointed Outside Director of Inageya Co., Ltd. (current position)

Our Management Team

Directors



Yoshimi Nakajima

Director (Outside)

- 1980 Joined The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
 - 1982 Joined AVON Product Co., LTD., Tokyo Japan
 - 1990 Joined Disney Home Video Japan Co., Ltd.
 - 1992 Joined Dentsu Wunderman Direct Co., Ltd.
 - 1995 Joined Mary Kay Cosmetics Co., Ltd.
 - 1997 Joined Citibank, N. A.
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 Societe Generale 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. (concurrent position)
 - 2016 Appointed Senior Vice President in charge of Acquisition & Marketing of Personal Business Department of American Express International, Inc. (Japan) and President and Representative Director of American Express Japan Co., Ltd.
 - 2017 Appointed Outside Director of the Company (current position)
Outside Director of Yamaha Corporation (current position)
 - Appointed Outside Director of Japan Freight Railway Company (current position)
 - 2018 Appointed Outside 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
Outside Director of ULVAC, Inc.
Outside Director of Sekisui House, Ltd.



Kotaro Yamazawa

Director (Outside)

- 1980 Joined Bank of Japan
Appointed Deputy Representative of
 - 1988 Hong Kong Representative Office of Bank of Japan
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.
 - Appointed Senior Executive Officer of Japan Exchange Group, Inc. and Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
 - 2013 Appointed Senior Managing Executive Officer of Japan Exchange Group, Inc. and Director and Senior Managing Executive Officer of Osaka Securities Exchange Co., Ltd.
 - 2014 Appointed Director and Vice President of Osaka Exchange, Inc.
 - 2015 Appointed Director and Vice President of Osaka Exchange, Inc.
 - Appointed Advisor of Osaka Exchange, Inc.
 - 2017 Appointed Corporate Auditor (External) of the Company
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 Outside Director of HiJoJo Partners Inc. (current position)
 - 2021 Appointed Corporate Auditor (Full-Time) of AGRIMEDIA Co., Ltd.
 - 2022 Appointed Outside Director of MORNINGSTAR JAPAN Inc. (currently, SBI Global Asset Management Co., Ltd.) (current position)
- (Significant concurrent positions)
Outside Director of WingArc1st Inc.
Outside Director of HiJoJo Partners Inc.
Outside Director of Morningstar Japan K.K.
Corporate Auditor (Full-Time) of AGRIMEDIA Co., Ltd.



Tatsuya Sakuma

Director (Outside)

- 1983 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
 - 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
 - 2010 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
 - Retired from the position
 - 2019 Appointed Outside Director of bitFlyer, Inc.
Appointed Outside Director of the Company (current position)
Registered as an attorney-at-law (Da-ichi Tokyo Bar Association)
 - 2022 Appointed Outside Director of PowerX, Inc. (current position)
 - 2018 Appointed Outside Director of Riken Corporation (current position)
- (Significant concurrent positions)
Attorney-at-law of Aoyama TS Law Office
Outside Director of PowerX, Inc.
Outside Director of Riken Corporation



Takashi Nagasaka

Director (Outside)

- 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.
Appointed Outside Director of the Company (current position)
 - Appointed Outside Director of Tokushu Tokai Paper Co., Ltd. (current position)
 - 2022 Appointed Outside Director and Independent Officer and Audit and Supervisory Committee Member of PARK24 CO., LTD. (current position)
Corporate Auditor (Full-Time) (External)
- (Significant concurrent positions)
Representative of Takashi Nagasaka CPA Office
Outside Director of Tokushu Tokai Paper Co., Ltd.
Outside Director of PARK24 CO., LTD.

Auditors

**Maki Watanabe**

Corporate Auditor (External)

- 1988 Joined JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
- 1992 Served in Hyogo Accounting Section of JUSCO Co., Ltd.
- 1993 Served in Budget Section of Accounting Department of JUSCO Co., Ltd.
- 2010 Appointed General Manager of Accounting Department of AEON Co., Ltd.
- 2013 Appointed Audit & Supervisory Board Member of AEON Hokkaido Corporation
- 2013 Appointed General Manager of Consolidated Accounting Department of AEON Co., Ltd.
- 2013 Appointed Audit & Supervisory Board Member of Mega Sports Co., LTD
- 2017 Appointed Part-Time Audit & Supervisory Board Member of AEON MALL Co., Ltd.
- 2018 Appointed Full-Time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of AEON MALL Co., Ltd. (current position)
- 2018 Appointed Corporate Auditor (Full-Time) of the Company (current position)
- 2018 Appointed Auditor of AEON Bank, Ltd. (current position)
- 2023 Appointed Auditor of AFS Corporation Co.,Ltd. (current position)

**Go Otani**Corporate Auditor (External)
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.
- 2001 Appointed Deputy Vice President in Charge of IR of Corporate Communications Department of Yamanouchi Pharmaceutical Co., Ltd.
- 2003 Appointed Vice President in charge of European Business of Europe and U.S. Department of Yamanouchi Pharmaceutical Co., Ltd.
- 2005 Seconded to European Headquarter (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 Corporate Auditor (External) of the Company (current position)

**Yuko Yogo**Corporate Auditor (External)
Independent Director

- 1982 Joined Tokyo Branch of Morgan Bank (currently JP Morgan)
- 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
- 2005 Appointed Head of Human Resources of FIL Investments (Japan) Limited Appointed Representative Executive Officer of FIL Holdings Limited (from 2008 to 2016)
- 2016 Appointed Executive Officer and Head of Human Resources of FIL Investments (Japan) Limited
- 2019 Appointed Auditor (External) of the Company (current position)

**Takafumi Fujimoto**

Corporate Auditor

- 1987 Joined National Police Agency
- 2011 Appointed Chief of Kagawa Prefectural Police Headquarters
- 2014 Appointed Director of Community Safety Bureau of Tokyo Metropolitan Police Department
- 2015 Appointed Director of Personnel Division of Commissioner-General's Secretariat of National Police Agency
- 2017 Appointed Administrative Inspector General of Commissioner-General's Secretariat of National Police Agency
- 2018 Appointed Director-General for Policy Coordination of Commissioner-General's Secretariat of National Police Agency
- 2020 Appointed Chief of Osaka Prefectural Police Headquarters
- 2021 Appointed Director-General of the Criminal Affairs Bureau of National Police Agency
- Appointed Advisor of AEON Co., Ltd. (current position)
- 2022 Appointed Auditor of The Dai-ichi, Inc. Appointed Corporate Auditor of AEON CREDIT SERVICE CO., LTD.
- Appointed Corporate Auditor of the Company (current position)
- Appointed Auditor of AEON Retail Co.,Ltd. (current position)
- 2023 Appointed Auditor of AEON DELIGHT CO., LTD. (current position)

Executive Officers

Managing Executive Officer
Insurance Business Representative**Tatsuya Saito**Executive Officer
New Credit Card System Development
Project Team General Manager**Kazuo Nakayama**Executive Officer
Business Promotion Team General Manager**Shinichiro Nishimura**Executive Officer
Group Corporate Management Team
General Manager**Shozo Hamano**Executive Officer
Marketing and Innovation Division
General Manager**Toshiyuki Masuda**Executive Officer
Human Resources and General Affairs Division
General Manager**Takeshi Inagaki**Executive Officer
Corporate Audit Division General Manager**Kunihiro Wakida**Executive Officer
System Division General Manager**Hirofumi Mitsuishi**Executive Officer
Retail Sales Division General Manager**Tsuyoshi Narisawa**Executive Officer
Payment Business Team General Manager**Satoru Araki**Executive Officer
Processing Division General Manager**Nobuyuki Kimura**Executive Officer
Corporate Sales Division General Manager**Hiroshi Honda**Executive Officer
Sales Planning Division General Manager**Soichiro Hashimoto**Executive Officer
Customer Service Division General Manager**Kyoko Uchiyama**Executive Officer
Credit Management Division General Manager**Shigeki Yamada**

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.

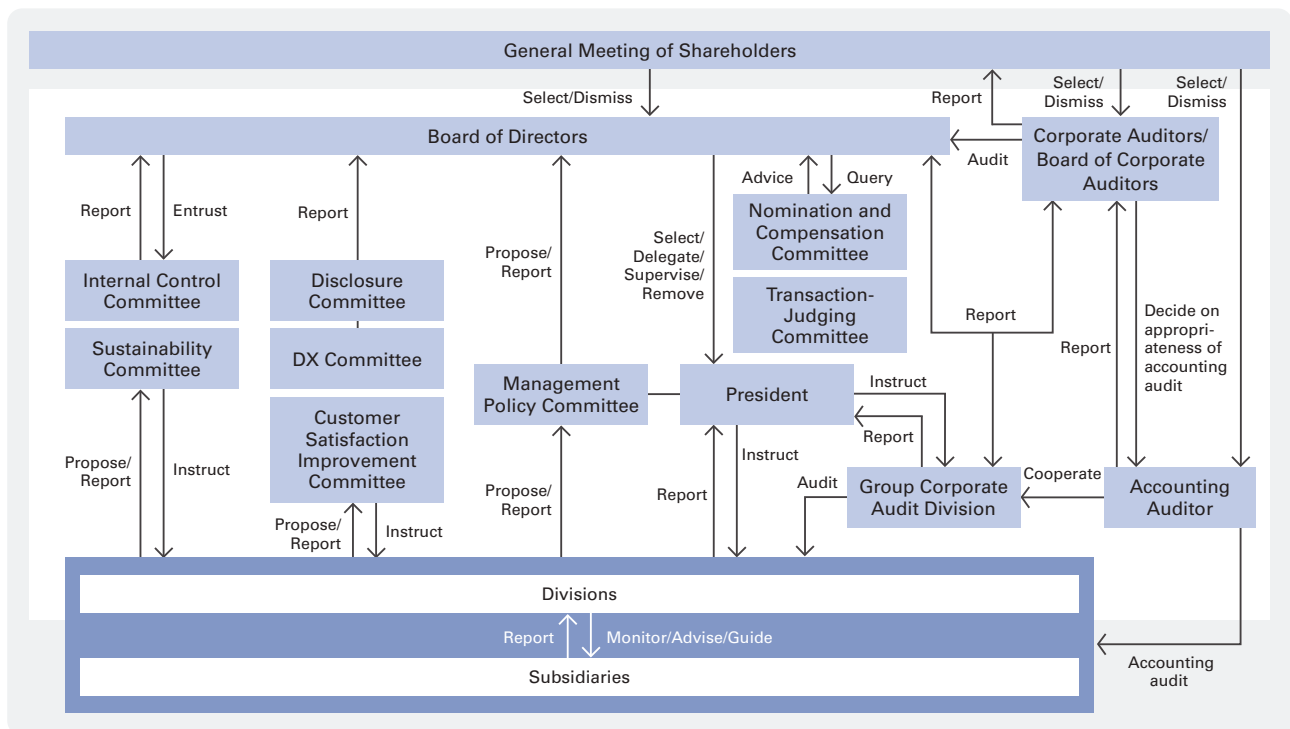
➔ Please refer to our corporate website for the Corporate Governance Guideline.

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

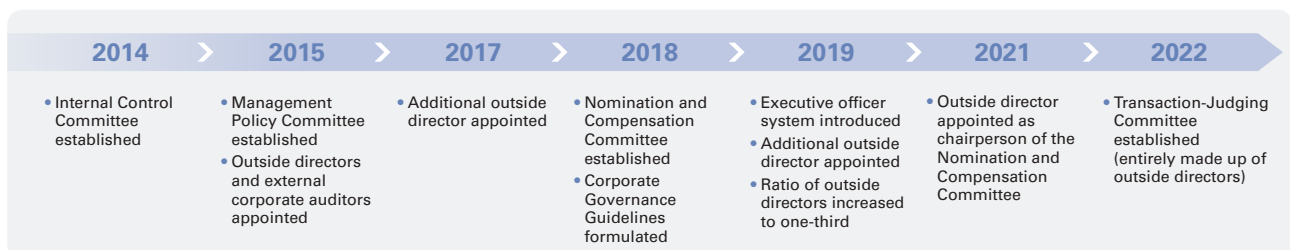
Corporate Governance Structure

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, the Disclosure Committee and Customer Satisfaction Improvement Committee, in addition to the Board of Directors.

Corporate Governance (As of September 30, 2023)








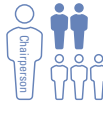




Evolution of Corporate Governance



Overview of Organization and Members

 Directors and Auditors
  Directors (Outside) and Auditors (External)

Name	Board of Directors	Management Policy Committee*	Internal Control Committee*	Sustainability Committee*	Board of Corporate Auditors
Members (Director/Auditors)	 8 internal members + 4 outside members Chairperson President and CEO	 7 internal members Chairperson President and CEO	 5 internal members Chairperson Director/Managing Executive Officer (In charge of Corporate Management)	 7 internal members Chairperson Director/Managing Executive Officer (In charge of Corporate Planning)	 1 internal members + 3 outside members Chairperson Corporate Auditor (External)
Overview	<ul style="list-style-type: none"> Engages in ongoing enhancement of management monitoring and internal control functions. Has the number of members required to allow timely decision-making with a focus on flexibility. Meetings held on a monthly basis, in principle. 	<ul style="list-style-type: none"> Established as the decision-making organ for the business operations of AEON Financial Service and its Group companies. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Ensures that the business operations of AEON Financial Service and its Group companies are executed appropriately and efficiently by engaging in specialized and general discussions and deliberations about matters relating to the development of the internal control system, by conducting comprehensive and expert review and deliberation to those concerned, providing necessary instructions, and by making necessary reports and proposals. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Engages in specialized and general discussions and deliberations about matters relating to the sustainability strategies and policies of AEON Financial Service and its Group companies, conducts comprehensive and expert review and deliberation to those concerned, provides necessary instructions, and makes necessary reports and proposals. Meetings held every six months as necessary. 	<ul style="list-style-type: none"> The Company is structured as a company with a Board of Corporate Auditors. The four-member board consists of three outside members (including two that qualify as independent officers) and one corporate member. One member has considerable knowledge on finance and accounting. Meetings held on a monthly basis as necessary.
Fiscal 2022 meetings held	18	31	12	2	19

Name	Nomination and Compensation Committee	Transaction-Judging Committee	Disclosure Committee	DX Committee*	Customer Satisfaction Improvement Committee*
Members (Director/Auditors)	 2 internal members + 4 outside members Chairperson Corporate Director (Outside)	 4 outside members Chairperson Corporate Director (Outside)	 5 internal members Chairperson Director/Managing Executive Officer (In charge of Finance and Accounting)	 5 internal members Chairperson Executive Officer (In charge of Marketing and Innovation)	 1 internal members Chairperson Executive Officer (In charge of Customer Satisfaction Improvement)
Overview	<ul style="list-style-type: none"> Ensures that the nomination and compensation decisions for directors and senior management of each subsidiary of the Company and its Group companies are made with objective, transparent, and independent procedures. The committee is also consulted by the Board of Directors to discuss and deliberate the candidates for the next director and the compensation of directors. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Deliberates on the appropriateness of significant transactions or acts that create a conflict of interest between the controlling shareholder and minority shareholders of the Company from the perspective of protection of the minority shareholders' interests. Meetings held as necessary. 	<ul style="list-style-type: none"> Engages in multi-faceted and comprehensive deliberations and discussions about important management-related information, such as disclosure data concerning the business performance and business operations of the AFS Group. Meetings held at least four times per year as necessary. 	<ul style="list-style-type: none"> Formulates digital transformation (DX) strategies for AFS and the AFS Group and works to optimize DX initiatives by individual Group companies from a Group-wide perspective. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Examines feedback from customers, affiliated merchants, and employees and engages in comprehensive and specialized deliberations and discussions about matters relating to the enhancement of the Company's customer services.
Fiscal 2022 meetings held	14	5	10	3	*Will be established in fiscal 2023

*Besides the directors above, executive officers and general managers of related departments also attend the committees.

Corporate Governance



Approach to Director Diversity

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 Meetings During FY2022
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% 18/18
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% 18/18
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% 18/18
Takashi Nagasaka	As a certified public accountant, Mr. Nagasaka has served in succession as an audit manager at ChuoAoyama 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% 18/18

Corporate Auditor (External)	Reasons for Appointment	Attendance at Board of Directors Meetings During FY2022
Maki Watanabe	After joining JUSCO Co., Ltd. (now AEON Co., Ltd.), Ms. Watanabe held a variety of posts, including head for the Consolidated Accounting Division. She also served as corporate auditor of various Group companies. She has extensive experience in accounting and as a corporate auditor and can be expected to fulfill the role of corporate auditor by ensuring the soundness and appropriateness of management and decision-making. For these reasons, she is seen as a person who can play an essential role in enhancing the structure and functions of the Company's Board of Corporate Auditors.	—
Go Otani	Mr. 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 was 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 worksite 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% 19/19
Yuko Yogo	After joining Morgan Bank (now J.P. Morgan), Ms. Yogo 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.	95% 18/19

Messages from Outside Directors

Questions for Outside Directors

We asked the four outside directors about their assessment of and expectations toward the AFS Group's reform program, and their views on related issues, including governance.



Yoshimi Nakajima
Chair, Nomination and
Compensation Committee

A.1 The AFS Group is using advanced information technology to stay ahead of escalating competition, including an influx of companies from other industries. Major reforms are inevitable in this environment. To build a future for the Group as an organization that meets the needs of society and individuals, top management will need to act resolutely to implement reforms, including changes to the organizational culture. Maintaining high governance standards is not an easy task for an organization with so many subsidiaries. I have been very impressed by the commitment shown by both management and employees in Japan and overseas. However, it will take time to make up for the delayed investment in human resources needed to carry out these tasks, and management will need to speed up its efforts in this area.

A.2 The key to achieving future sustainable growth will be the ability to anticipate customer needs and provide well-timed responses to those needs. While the AFS Group has a strong customer base, I feel that they have not always focused sufficiently on the challenge of maximizing the value of the customer base and the policies needed for that achievement. There is ample scope to achieve growth through fine-tuned initiatives, such as developing marketing ideas, and actualizing customer needs. Another priority will be the effective utilization of human resources. The keys to growth are the development of a business portfolio that is in tune with short- and long-term strategies, reskilling based on that portfolio, and the use of DX, IT, and other technologies to achieve high operational efficiency.

A.3 I believe that the role of outside directors is not to oppose the executive organization, but rather to help them to enhance their effectiveness. The enhancement of corporate value requires a cycle that begins with repeated discussions based on the diverse experience of the outside directors, followed by final decisions by the executive organization, and evaluation of those decisions. My impression is that the AFS Group is achieving improvement thanks to continuing efforts over many years.



Kotaro Yamazawa

A.1 The AFS Group's greatest advantage is its focus on the customer's perspective as Japan's first financial group with roots in the retail sector. The most important characteristic of the AFS Group's governance is parent-subsidary listings. However, proper care is taken in the administration of this strategy to ensure that the interests of minority shareholders are not compromised, including the establishment of a Transaction Judging Committee. The Company is implementing major reforms, including the expansion of the Nomination and Compensation Committee. I believe that the enhancement of Group governance will remain a major priority.

A.2 As part of its "second founding," AFS aims to establish a business model that will improve customer convenience while increasing earnings. One growth area is our overseas business. New business initiatives include the establishment of a digital bank in Malaysia. A medium-term priority will be the development of a fourth pillar alongside the three companies that have already been listed. I believe that in order to pursue this strategy, management will need to foster a culture of pursuing Group synergies. They will also need to build their talent pool, both by training people internally, and also by recruiting externally.

A.3 I believe that my mission as an outside director is to oversee business strategy formulation and executive actions, to make decisions about officer nominations and compensation, and to protect the interests of minority shareholders. I also place great importance on the improvement of profit ratios to ensure the Company achieves a PBR of 1.0, as required by the Tokyo Stock Exchange. Other extremely important priorities are the enhancement of capital efficiency, and contribution to the solution of social issues through business activities that are based on medium- to long-term perspectives and align with the AFS Group's "Our Purpose." As an outside director, I want to help AFS to realize its potential by using my experience and knowledge to address these priorities and provide guidance for the formulation of important management strategies.

- Q.1** How would you assess the current position of AFS, and what issues do you see in relation to governance?
- Q.2** What do you see as AFS Group's priorities in terms of achieving sustainable growth?
- Q.3** What are your thoughts concerning the role and mission of outside directors?



Tatsuya Sakuma
Chair, Transaction-Judging
Committee



Takashi Nagasaka

A.1 Since its founding as AEON Credit Service, the AFS Group has expanded its earnings through enterprising initiatives, including the development of retail-based financial services, early expansion into overseas markets, and the establishment of new types of banks. However, there are gaps in the Group's governance systems, in part due to the complex role of AFS as an intermediate holding company. This situation has at times led to misconduct. My perception is that management has been addressing these issues in recent years, primarily through efforts to improve governance.

A.2 As reflected in management's decision to call the current medium-term management plan the Company's "second founding," AFS needs to work proactively to take up new challenges and initiatives that match the AFS Group's "Our Purpose," while also taking steps to improve its governance. In my opinion, priority should be given to the restoration and evolution of the Group's founding culture, including its enterprising spirit and respect for risk-taking.

A.3 Contribution to the improvement of governance is an obvious part of our work as outside directors, but I also think that we need to encourage the AFS Group to take appropriate risks so that it can raise its corporate value by achieving further growth in line with its Purpose.

A.1 AFS can take pride in the broad scope of its activities in Japan and overseas, and in its role as a provider of diverse products and services to which it adds value as the integrated finance company in the AEON Group. I also feel that the AFS Group is achieving diversity and inclusion, as evidenced by its diverse and highly skilled human resources. However, many subsidiaries find it difficult to integrate the strengths of their diverse workforces, and in some cases, they are not making full use of their strengths. The key is to achieve overall optimization by bringing together the strengths of individuals.

A.2 The Company's profits have been on a downward trend for the past two to three years. Even taking into account the impact of the COVID-19 pandemic, I believe that this trend is indicative of a slowdown in the latent growth rate. The fact that the price-book value ratio (PBR) remains below 1.0 can be seen as a signal that the market feels doubtful about the Company's long-term growth potential. Management's first priority should be to restore this growth potential and improve ROE, while also engaging in repeated dialogue to give shareholders and investors a deeper understanding about the Company's growth strategies.

A.3 The most important mission of an outside director is management oversight. I am determined to maintain broad medium- to long-term perspectives without being influenced by internal pressures, and to focus on management strategies that will deliver sustainable growth. AFS's outside directors actively provide diverse input to management and take action from perspectives that are independent from the executive organization. We need to consider a wide range of factors and work to improve corporate value from the viewpoint of shareholders and investors.

Corporate Governance

Relationship with AEON Co., Ltd., Ensuring Equal Shareholder Rights

As the parent company, AEON Co., Ltd. holds 49.9% of voting rights. However, the business operations of AFS have been consistently based on independent decision-making as a listed subsidiary. By applying its unique insights as a comprehensive financial services provider with roots in the retail sector, AFS has worked to maximize the value it provides to all stakeholders, including minority shareholders.

In fiscal 2022, AFS established the Transaction-Judging Committee, which is made up exclusively of outside directors. Any transaction with the parent company that could conflict with the interests of minority shareholders is submitted in advance to this committee, which is tasked with ensuring that proper consideration has been given to the interests of minority shareholders by examining the appropriateness of such transactions.

The Transaction-Judging Committee met five times in fiscal 2022.

Decision Guidelines for Compensation Amounts and Method of Calculation

Officer Compensation (Fiscal 2022)

Classification	Number of Recipients	Total Compensation (Millions of Yen)		
		Base Compensation	Performance-linked Compensation	Non-monetary Compensation, etc.
Directors (Outside Directors)	10 (4)	172 (53)	55 (—)	13 (—)
Corporate Auditor (Corporate Auditor (External))	4 (4)	29 (29)	—	—
Total (Total of Outside Directors)	14 (8)	201 (82)	55 (—)	13 (—)

*1 Based on the status at the adjournment of the 41st Ordinary General Meeting of Shareholders held on May 23, 2022, one retired director is 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 (the 41st Ordinary General Meeting of Shareholders, held on May 23, 2022, resolved to limit compensation for outside directors to ¥100 million) and equity-linked compensation is limited to ¥150 million per year as determined by the fair market value of the stock options.

The number of directors at the conclusion of the 34th Ordinary General Meeting of Shareholders was 10 (with four outside directors), and the number of directors at the conclusion of the 41st Ordinary General Meeting of Shareholders was 12 (with four outside directors).

*3 The amount of compensation includes expenses related to the payment to five directors of ¥55.7 million for performance-linked compensation.

Non-monetary compensation includes expenses related to the allocation of stock options (stock acquisition rights) of ¥13.399 million for six directors.

*4 The 13th Ordinary General Meeting of Shareholders, held on May 18, 1994, resolved to limit compensation for corporate auditors to ¥50 million per year. The number of corporate auditors at the conclusion of the Ordinary Meeting of Shareholders was three (with three external auditors).

*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>

- May 2023: Amount of performance-linked compensation paid and number of shares of stock granted as compensation to full-time directors and executive officers for fiscal 2022
- May 2023: Director compensation following new elections (in fiscal 2023) (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 2023: Amount of performance-linked compensation paid and number of shares of stock granted as compensation to full-time directors and executive officers for fiscal 2022
- May 2023: Director compensation following new elections (in fiscal 2023) (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.



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 2022, we commissioned an independent organization to carry out a survey of the effectiveness of the Board of Directors. All 12 directors and all four corporate auditors participated in a questionnaire survey about the composition, administration, and other aspects of the Board of Directors. They also underwent individual interviews lasting approximately one hour.

The results indicated that there had been improvements since fiscal 2021, that there were no major issues concerning the current corporate and governance structures, and that the Board of Directors was generally functioning appropriately and was improving its effectiveness. Issues identified through this assessment will be the focus of continuing efforts to enhance the effectiveness of the Board of Directors.

Questionnaire Items

- Overall assessment of the Board of Directors
- Composition of the Board of Directors
- Preparations for Board meetings
- Administration of Board meetings
- Board deliberations
- Nomination and Compensation Committee
- Board of Corporate Auditors
- Each director's contributions to Board meetings
- Action on issues identified in fiscal 2021
- Analysis of gaps between the importance of motions and the time spent on deliberations (analysis of gaps based on 10 levels)

[Highly appreciated points on the effectiveness of the Board of Directors]

The following points were highly appreciated with the recognized improvements and enhancements.

- Having more robust discussions on the Board based on the viewpoint of achieving an optimal result for the entire Company
- Promoting mutual understanding among directors through off-site meetings
- Contribution made by the secretariat of the Board of Directors for preparations and other matters

[Issues identified as challenges regarding the Board's effectiveness]

- The following points were identified as the challenges that would require continued improvements

Sharing of an understanding of roles to be played by the Board of Directors.

The Board will share each director's understanding of the oversight function of the Board by having discussions from various viewpoints on the roles that the Board of Directors should perform to increase the Company's corporate value. At the same time, the execution side will clarify what roles they expect the Board of Directors to play to improve strategic discussions from the medium- and long-term perspectives.

- Review of Board composition and development of future top management

We will have discussions including discussions on board composition based on the roles that the Board of Directors should play, clarifying the qualifications and insights needed for the Company's directors. For the development of next-generation management, we will discuss how the Board of Directors should be involved from the viewpoint of supporting sustainable growth.

- Upgrading of the operation of the Board of Directors

To improve medium- and long-term strategic discussions at the Board of Directors meetings, we are closely examining the agenda items of the Board and preparing its annual agenda. We will also improve the function of the Board's secretariat and aim to achieve efficient operation and exercise the oversight function through the preparation of easier-to-understand materials for the Board and appropriate information provision to outside directors.

• Future key issues

We believe the effectiveness of the Board of Directors is secured at present but will aim to improve the following points including the on-going issues from the previous fiscal year as key issues to further enhance the Board effectiveness.

- Sharing of the Board's roles and deepening of discussions to improve corporate value (e.g., medium- and long-term visions and directions, reconfirmation of what the Company aspires to be, examination of expectations placed by capital markets)
- Review of Board composition and development of future top management
- Sorting out agenda to improve medium- and long-term strategic discussions at the Board
- Further upgrading of the secretariat's functions including improving the information provision system to directors

Risk Management

Risk Management

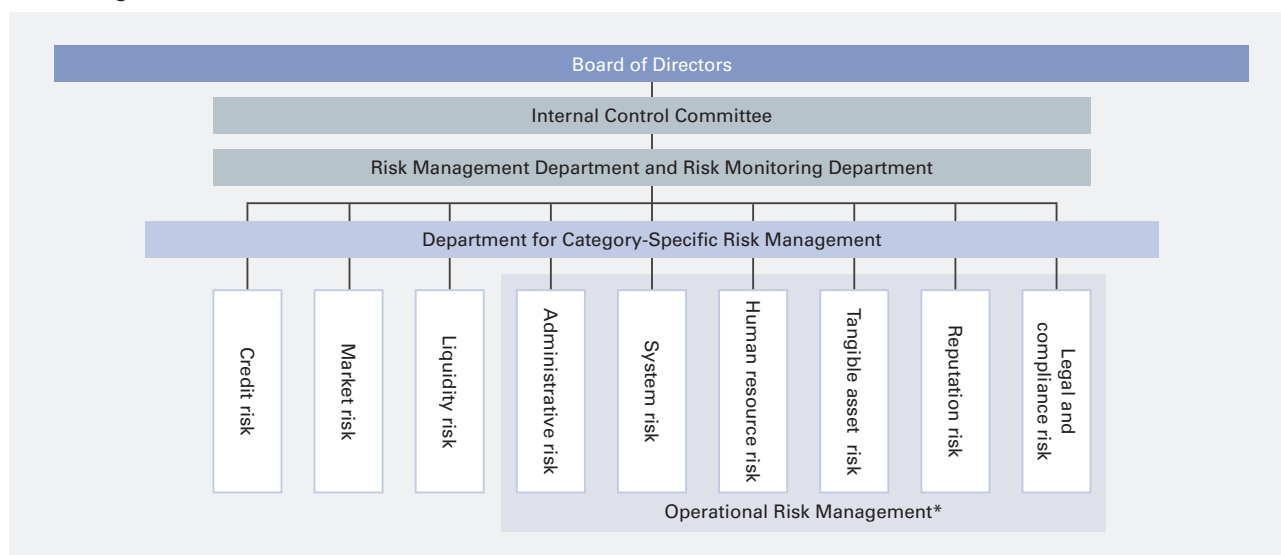
The Company employs a comprehensive approach in promoting risk management, working to evaluate the risks facing the Group in each risk category in the most consistent manner possible. This approach leads to a reliable and steady increase in corporate value.

As a structure to promote said risk management, the Company has established the Risk Management Department and the Risk Monitoring Department to oversee the risk management of the Company and the Group. The Internal Control Committee comprehensively studies and deliberates on matters relating to overall risk management in the Company and the Group and refers important matters to the Board of Directors. In addition, we have established subcommittees for each area under the Committee and conduct concrete examinations regarding operational issues that focus on monitoring and risk control. 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.

Risk Management Structure



*The Group classifies operational risk management into six categories. Departments manage risks relevant to them, while the Risk Management Department 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. We will draw up risk management action plans to guide the management of each type of risk in each fiscal year. After deliberations by the Internal Control Committee, these plans will be submitted to the Board of Directors for review and adoption. The Internal Control Committee and the Board of Directors will monitor progress on the execution of these plans on a monthly basis and deliberate on any actions required. The items listed on the Security Report and website have been highlighted as high priority risks and 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/>



Compliance System

The officers and employees of the Group comply with the guidance for appropriate judgments and actions in line with the social norms and corporate ethics upheld by the AEON Group and the AEON Financial Service (AFS) Group Policies on Compliance, 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 Legal and Compliance Department as an entity charged with overseeing the compliance of the Group. It monitors compliance for respective Company and the 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, monitoring 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

The AFS Group has established whistleblowing contact points in all Group companies and made employees aware of internal and external whistleblowing systems, such as the AEON Compliance Hotline and the AEON Financial Service Compliance Hotline. 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 especially in 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 whistleblowing systems where whistleblowing 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, the Company 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.

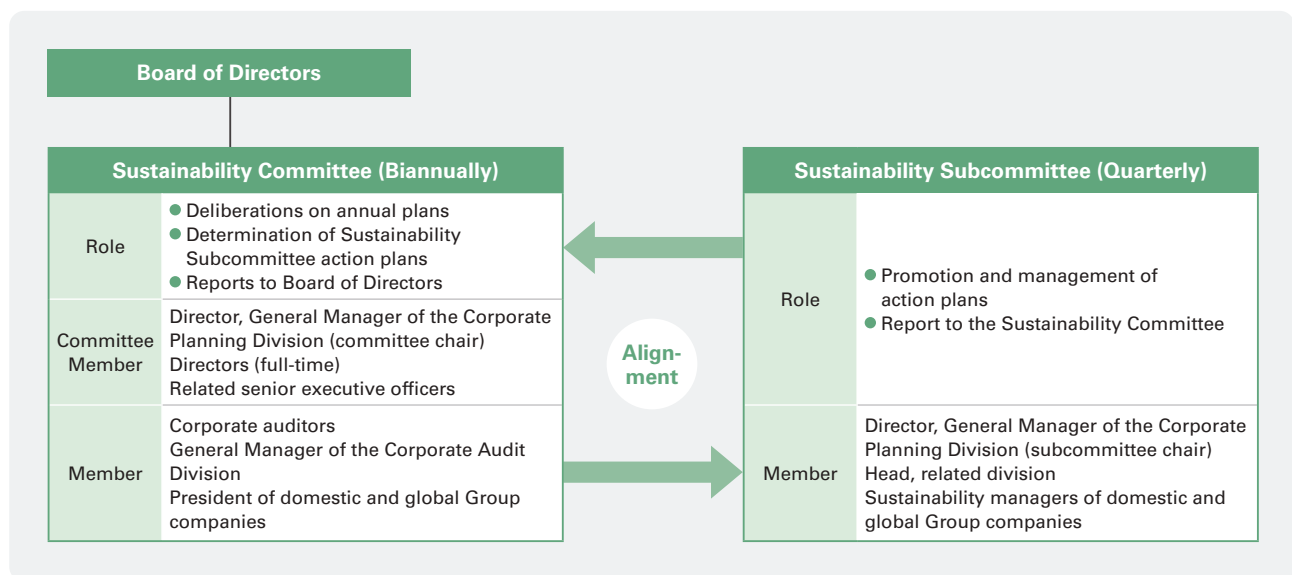


Governance

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.

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

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.

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.

① Major Climate-related Indicators in the Group

Indicators	Fiscal 2020 Results	Fiscal 2021 Results	Fiscal 2022 Results	YoY Change	
GHG emissions across the Group (Scope 1, 2)	15,828 tons	15,741 tons	13,155 tons	(2,586) tons	
Ratio of hybrid vehicles as % of cars owned by the company	49.29% ^{*1}	43.90% ^{*1}	53.34%	9.44%	
Credit card statement/Web statement ratio	Domestic	79.00%	83.97%	85.12%	1.15%
	Global	—	—	64.69%	—
	Total	—	—	78.48%	—

*1 The data for fiscal 2020 and 2021 have been updated to reflect more detailed survey processes.

· The Group calculates GHG emissions in accordance with the GHG protocol methodology.
· The following Group companies are included in the aggregation.
AEON Financial Service Co., Ltd.
AEON Bank, Ltd.
ACS Credit Management Co., Ltd.
ACS Leasing Co., Ltd.
AEON Housing Loan Service Co., Ltd.
AEON Insurance Service Co., Ltd.
AEON Product Finance Co., Ltd.
AEON Allianz Life Insurance Co., Ltd.
AEON CREDIT SERVICE (ASIA) CO., LTD.
AEON THANA SINSAP (THAILAND) PCL.
AEON CREDIT SERVICE (M) BERHAD

② Greenhouse Gas (GHG) Emissions by the Group

(Scope 1, 2)

Indicators	Fiscal 2020 Results	Fiscal 2021 Results	Fiscal 2022 Results	YoY Change
Scope 1 (Direct emissions from fuel consumption)	2,598 tons	3,332 tons	2,641 tons	(691) tons
Scope 2 (Indirect emissions from electricity use)	13,230 tons	12,409 tons	10,515 tons	(1,895) tons
Scope 1 and Scope 2 Total	15,828 tons	15,741 tons	13,155 tons	(2,586) tons

(Scope 3)

Indicators	Fiscal 2020 Results	Fiscal 2021 Results	Fiscal 2022 Results	YoY Change	
Emissions resulting from credit card paper statements	Domestic	15,695 tons	12,037 tons	11,421 tons	(616) tons
	Global	—	—	13,043 tons	—
	Total	—	—	24,464 tons	—
Emissions pertaining to printer use (upstream and downstream)	400 tons	287 tons	328 tons	41 tons	
Emissions relating to data center operations and maintenance*2	4,703 tons	4,794 tons	4,534 tons	(261) tons	

*2 The following two companies are included in the aggregation.
AEON Financial Service Co., Ltd.
AEON Bank, Ltd.

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.

Efforts to Reduce Environmental Impact

- Provision of eco-friendly services
- Use of Environmentally Responsible Materials in Credit Cards

AEON Cards issued by AFS are made from PET-G, a chlorine-free material that will not emit chlorine gases (dioxins) when burned. When completely incinerated, the material breaks down into water and carbon dioxide.

- 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 seven PET bottles
- Around three milk cartons
- 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.

- Promoting Paperless Operations in Thailand

By having promoted digitalization in countries outside of Japan in which 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, the company has transitioned to a completely cardless business by means of an app in May of the same year.



• Participation in AEON Forest Creation Activities

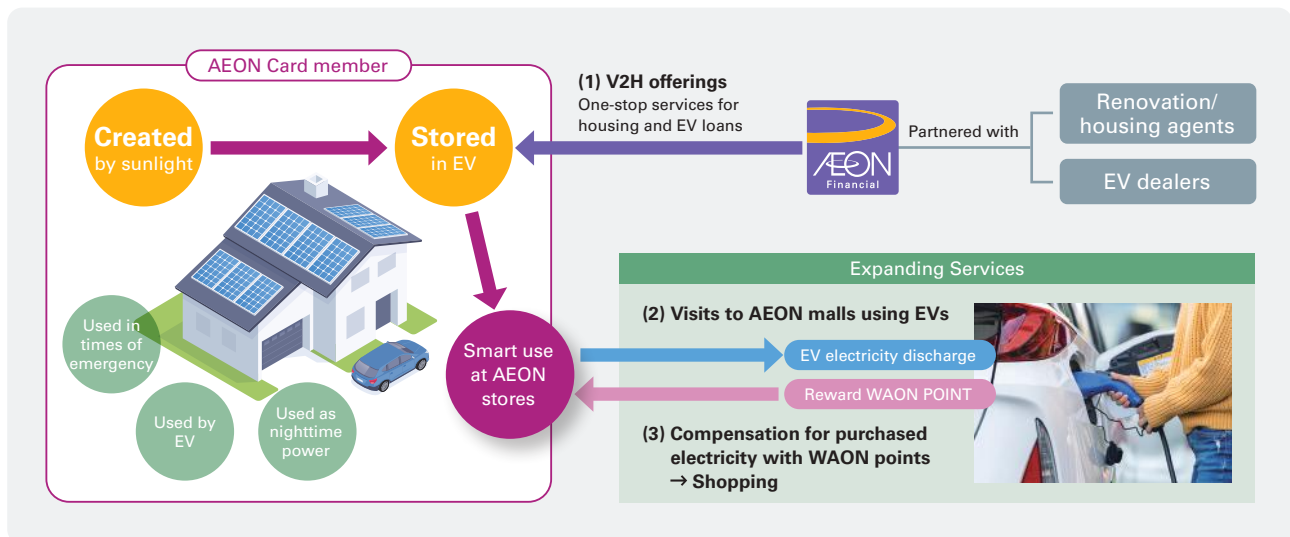
Since 2021, AFS has been participating in AEON Forest Creation Activities in cooperation with the AEON Environmental Foundation. Initiatives include tree planting by employees, environmental education, and efforts to raise awareness about forests and *satoyama* (ecosystems in traditional Japanese villages). Employees and their families regularly visit sites in Kimitsu City, Chiba Prefecture and the Watari-cho community in Miyagi Prefecture to carry out voluntary forest development activities, including supplementary planting and grass clearing. We also participate actively in tree-planting programs in Japan and overseas in partnership with local communities.



Tree planting

➡ 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.



➡ Procurement of Funds through Sustainability-linked Loans

In November 2022, our Hong Kong-based subsidiary, AEON Credit Service (Asia) Co., Ltd. (“ACSA”), procured funds through a sustainability-linked loan. The loan agreement stipulates sustainability targets for ACSA, including the reduction of electricity consumption and paper consumption, and the provision of financial support to students.

In January 2023, our Malaysian subsidiary, AEON CREDIT SERVICE (M) BERHAD (“ACSM”), also obtained a sustainability-linked loan. ACSM made a commitment to pursue sustainability and will continue to reduce CO₂ emissions and strengthen corporate governance. It will also provide increased finance for e-bikes. Financial inclusion initiatives will include the provision of financial services to small businesses, and the implementation of ESG education programs in schools.

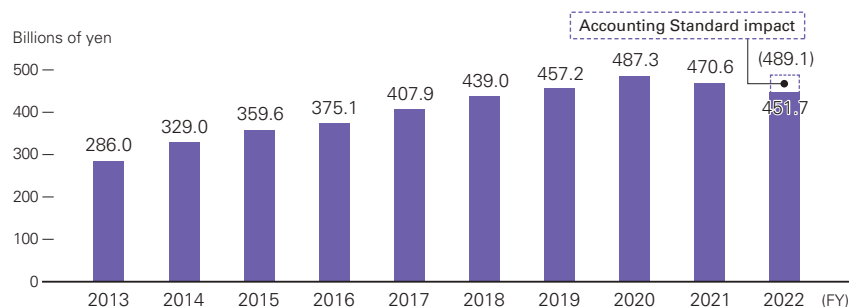
The AFS Group will continue to contribute to the realization of a sustainable society by addressing social issues through its business activities in various countries, while also working to improve its corporate value.

Financial Highlights

Summary of Financial Results for Fiscal 2022

- Consolidated operating revenue reached ¥451.767 billion. This result reflects higher card shopping transaction volumes in Japan and overseas and an increase in the financial receivables balance due to the recovery of economic activities after the impact of the COVID-19 pandemic, and the expansion of transaction volumes through promotional activities in response to changes in consumer behavior. Other factors included increases in the balances of personal loans and installment finance for individual products in our international business. Revenue in Japan was reduced by ¥37.401 billion due to the application of the Accounting Standard for Revenue Recognition. Without this factor, the result would have been an increase over the figure for the previous fiscal year.
- Consolidated operating profit increased by ¥7 billion year on year to ¥58.859 billion. This result was attributable in part to delayed progress toward the accumulation of operating receivables in Japan in the second half of the year.
- Net income attributable to owners of parent was 1.5% higher year on year at ¥30.677 billion.

Consolidated Operating Revenue

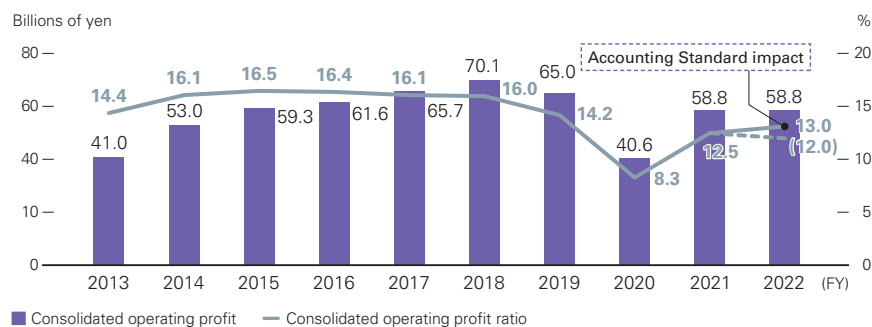


Consolidated Operating Revenue

Fiscal 2022	¥451.7 billion
	(¥489.1 billion)
YoY	-0.5%
	(+3.9%)

*Figures in parentheses represent results before the application of the Accounting Standard for Revenue Recognition.

Consolidated Operating Profit and Consolidated Operating Profit Ratio



Consolidated Operating Profit

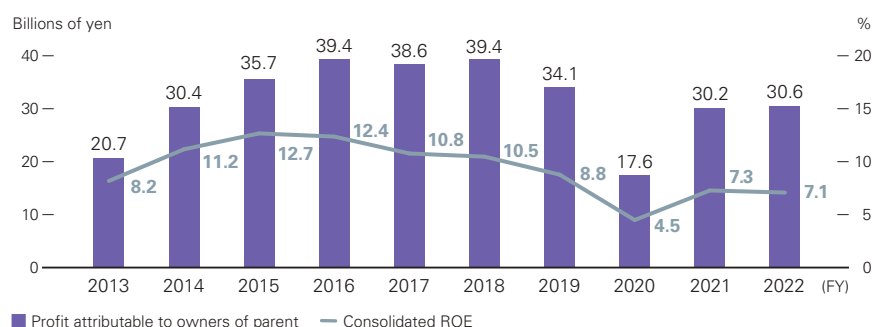
Fiscal 2022	¥58.8 billion
YoY	+0.0%

Consolidated Operating Margin

Fiscal 2022	13.0%
	(12.0%)
YoY	+0.5 pt
	(-0.5 pt)

*Figures in parentheses represent results before the application of the Accounting Standard for Revenue Recognition.

Profit Attributable to Owners of Parent and Consolidated ROE



Profit Attributable to Owners of Parent

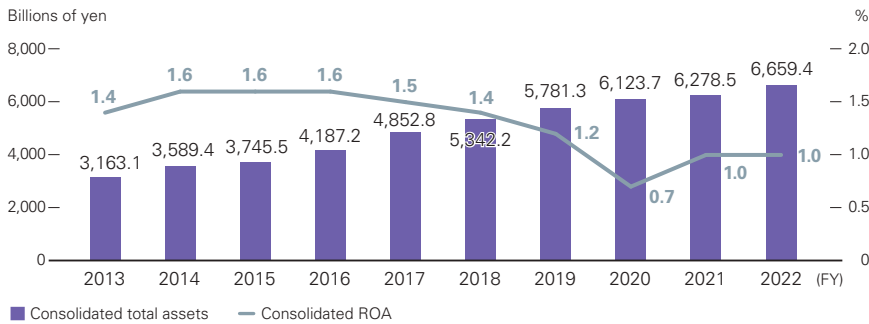
Fiscal 2022	¥30.6 billion
YoY	+1.5%

Consolidated ROE

Fiscal 2022	7.1%
YoY	-0.2 pt

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.

Consolidated Total Assets and Consolidated ROA



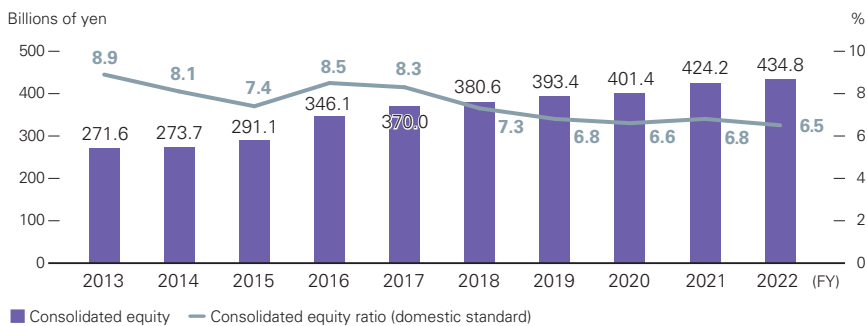
Consolidated Total Assets

Fiscal 2022 **¥6,659.4 billion**
YoY **+¥380.9 billion**

Consolidated ROA

Fiscal 2022 **1.0 %**
YoY **+0.0 pt**

Consolidated Equity and Consolidated Equity Ratio (Domestic Standard)



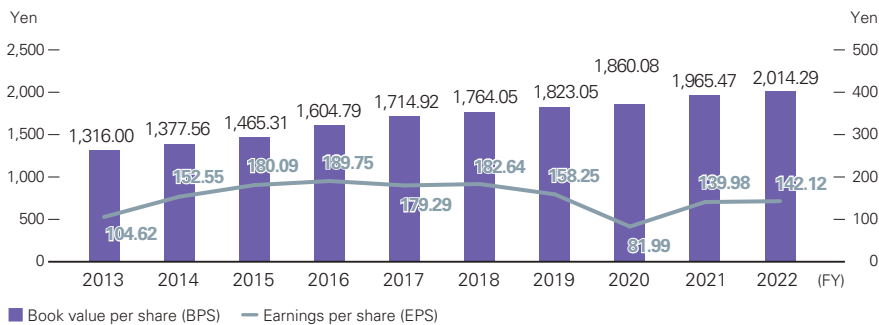
Consolidated Equity

Fiscal 2022 **¥434.8 billion**
YoY **+¥10.6 billion**

Consolidated Equity Ratio (Domestic Standard)

Fiscal 2022 **6.5 %**
YoY **-0.3 pt**

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



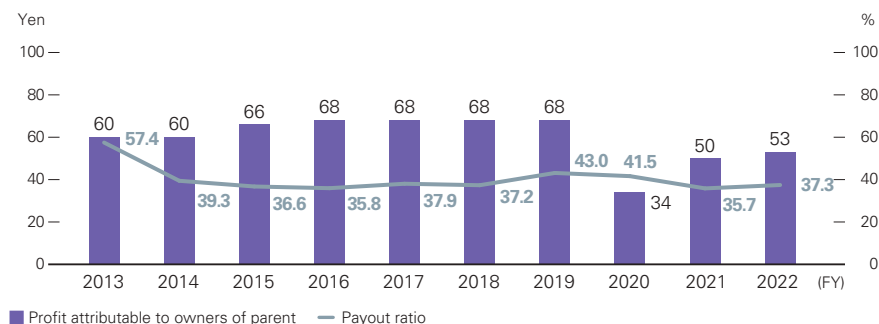
Book Value per Share (BPS)

Fiscal 2022 **¥2,014.29**
YoY **+¥48.82**

Earnings per Share (EPS)

Fiscal 2022 **¥142.12**
YoY **+¥2.15**

Dividends per Share and Payout Ratio



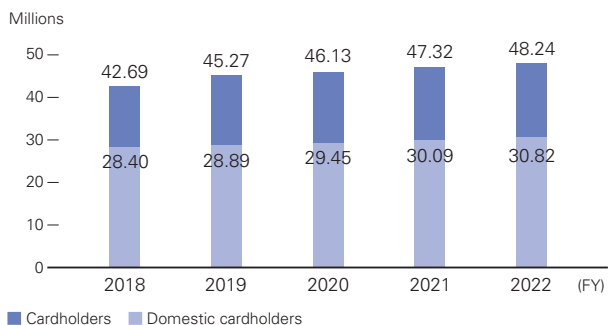
Dividends per Share

Fiscal 2022 **¥53**
Payout Ratio **37.3 %**

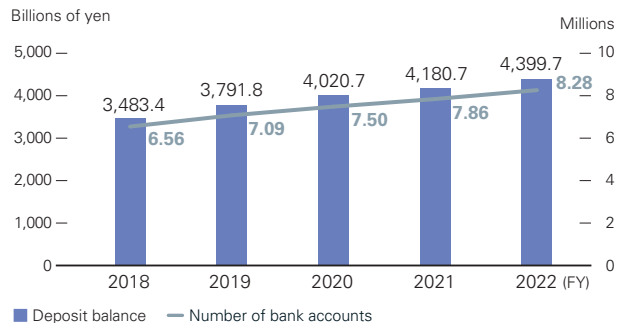
Notes: 1. The fiscal 2016 dividend per share includes 2 yen as a commemorative dividend for the 20th anniversary of the Company's listing.
2. The fiscal 2021 dividend per share includes 4 yen as a commemorative dividend for the 40th anniversary of the Company's founding.

Non-financial Highlights

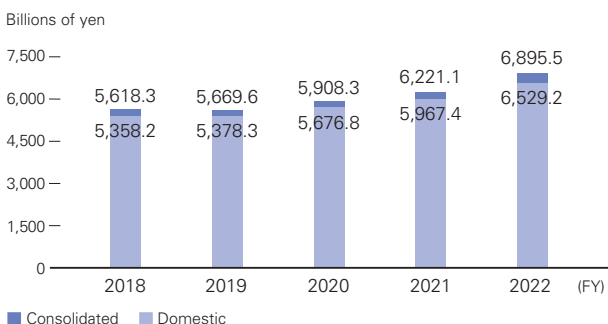
Cardholders



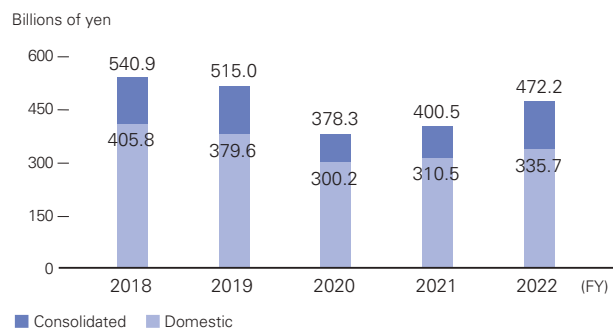
AEON Bank Deposit Balance and Number of Bank Accounts



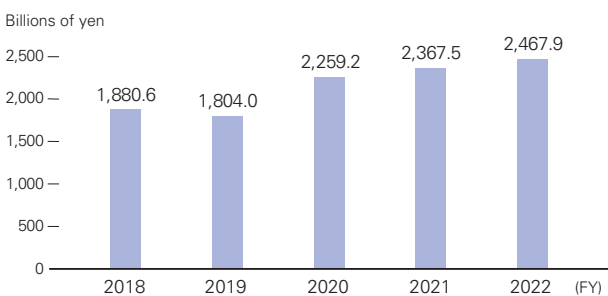
Card Shopping Transaction Volume



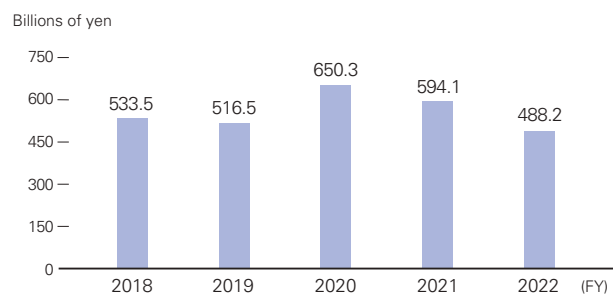
Card Cashing Transaction Volume



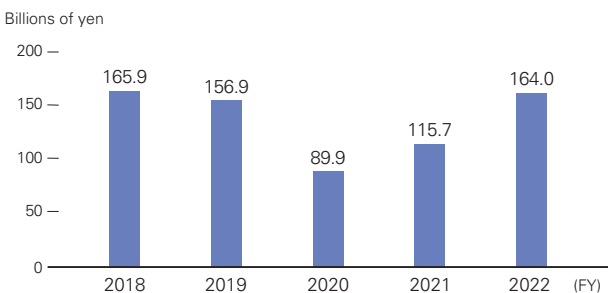
Total E-money Contracts Transaction Volume (Domestic)



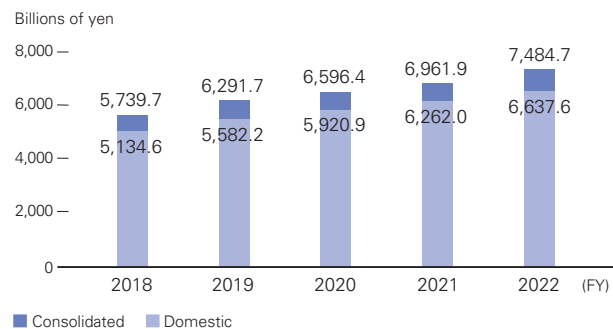
Housing Loan Transaction Volume (Domestic)



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.

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 2022)
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. We have also established a page for individual investors on our website with information for general readers, including details of our progress and outlines of our business activities.	—	Online event: 2
Periodic briefings for analysts and institutional investors	Top management holds results briefings each time financial results are announced. They provide explanation on the business environment, financial results, earnings forecasts, management strategy progress, etc.	Yes	Dialogue counterparties: 270
Availability of investor relations materials on the corporate website	We publish various materials, including audio versions of results briefings, and questions and answers during briefings. We also publish monthly information. The English version of the IR website contains various financial results and the integrated report in English.	—	Earnings release reports: Quarterly Other investor relations materials: As needed
Establishment of a department and a person in charge of investor relations	In June 2023 we established a new Investor Relations Department.	—	—
Others	The President and CEO, the Directors and the Investor Relations Department conduct meetings with individual domestic and overseas investors and securities analysts. In fiscal 2021, we began to arrange small meetings as opportunities for dialogue between outside directors and institutional investors.	Yes	Meetings: 115

External Recognition of AEON Financial Service (As of September 30, 2023)

IR Websites	Awards and Accreditations
Nikko Investor Relations Co., Ltd.	 2022 All Japanese Listed Companies' Website Ranking Overall Ranking: Best Sites
Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K.	 Gomez IR Site Ranking 2022 Excellent Company: Silver Award

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	 Included for 2 consecutive years
SOMPO Sustainability Index	 Included for 12 consecutive years
JPX-Nikkei Index 400	 Included for 10 consecutive years
S&P/JPX Carbon Efficient Index	 Selected as a constituent for the first time

Credit Rating Information (As of September 30, 2023)

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

11-year Summary

Former AEON Credit Service Co., Ltd. (current AEON Financial Service Co., Ltd.)	2012* ¹
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Consolidated cardholders (millions)	
Total	31.85
Domestic	22.24

For the year (millions of yen)	
Operating revenues	205,972
Operating expenses	172,892
Operating income	33,080
Ordinary income	33,367
Profit attributable to owners of parent	13,616

Per share information (yen)	
Book value per share	1,235.28
Earnings per share	88.12
Diluted earnings per share	78.25

At year-end (millions of yen)	
Operating loans	421,196
Operating loans including securitized receivables	518,908
Accounts receivable—installment	507,315
Accounts receivable—installment including securitized receivables	740,027
Total assets	2,534,208
Net assets	258,872

Key indicators (%)	
Operating income ratio	16.1
Equity ratio (domestic standard)	9.1
Return on assets	1.9
Return on equity	7.0

Dividends	
Dividend per share (yen)	50
Payout ratio (%)	56.9

AEON Financial Service Co., Ltd.* ²	2013* ³	2014	2015
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Consolidated cardholders (millions)			
Total	33.90	35.67	37.22
Domestic	23.45	24.64	25.88

For the year (millions of yen)			
Operating revenue* ⁵	286,070	329,046	359,651
Operating expenses* ⁶	244,978	275,965	300,270
Operating profit* ⁷	41,092	53,080	59,380
Profit attributable to owners of parent	20,743	30,491	35,785

Per share information (yen)			
Book value per share	1,316.00	1,377.56	1,465.31
Earnings per share	104.62	152.55	180.09
Diluted earnings per share	99.49	152.04	180.00

At year-end (millions of yen)			
Operating loans	1,276,741	1,474,236	1,673,997
Operating loans including securitized receivables	1,531,376	1,873,598	2,364,444
Accounts receivable—installment	957,403	1,038,221	1,022,387
Accounts receivable—installment including securitized receivables	1,085,969	1,185,191	1,314,385
Total assets	3,163,117	3,589,495	3,745,546
Net assets	307,291	324,948	340,886

Key indicators (%)			
Operating profit ratio* ⁸	14.4	16.1	16.5
Equity ratio (domestic standard)	8.9	8.1	7.4
Return on assets	1.4	1.6	1.6
Return on equity	8.2	11.2	12.7

Dividends			
Dividends per share (yen)	60	60	66
Payout ratio (%)	57.4	39.3	36.6

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. The Accounting Standard for Revenue Recognition has been adopted since fiscal 2022, and the reclassified figures before the adoption of the standard are shown as reference values in ().
- Ordinary expenses is used from fiscal 2013 to fiscal 2018. The Accounting Standard for Revenue Recognition has been adopted since fiscal 2022, and the reclassified figures before the adoption of the standard are shown as reference values in ().
- 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	2016	2017	2018	2019*4	2020	2021	2022
Consolidated cardholders (millions)							
Total	38.94	40.64	42.69	45.27	46.13	47.32	48.24
Domestic	26.92	27.75	28.40	28.89	29.45	30.09	30.82
For the year (millions of yen)							
Operating revenue*5	375,166	407,970	439,001	457,280	487,309	470,657	451,767 (489,168)
Operating expenses*6	313,559	342,223	368,830	392,209	446,657	411,804	392,907 (430,308)
Operating profit*7	61,606	65,746	70,171	65,070	40,651	58,852	58,859
Profit attributable to owners of parent	39,454	38,677	39,408	34,149	17,693	30,212	30,677
Per share information (yen)							
Book value per share	1,604.79	1,714.92	1,764.05	1,823.05	1,860.08	1,965.47	2,014.29
Earnings per share	189.75	179.29	182.64	158.25	81.99	139.98	142.13
Diluted earnings per share	183.96	170.02	173.20	154.15	81.97	139.97	142.12
At year-end (millions of yen)							
Operating loans	1,864,904	2,271,666	2,429,740	2,535,358	2,781,296	2,882,615	3,006,038
Operating loans including securitized receivables	2,757,434	3,326,572	3,757,628	4,153,294	4,507,680	4,824,899	5,159,479
Accounts receivable—installment	1,182,193	1,294,632	1,453,160	1,543,135	1,521,149	1,566,284	1,769,588
Accounts receivable—installment including securitized receivables	1,523,981	1,779,143	1,970,668	2,125,629	2,076,439	2,124,494	2,313,359
Total assets	4,187,263	4,852,844	5,342,228	5,781,370	6,123,721	6,278,586	6,659,468
Net assets	401,170	437,782	448,705	459,075	474,667	509,055	541,133
Key indicators (%)							
Operating profit ratio*8	16.4	16.1	16.0	14.2	8.3	12.5	13.0
Equity ratio (domestic standard)	8.5	8.3	7.3	6.8	6.6	6.8	6.5
Return on assets	1.6	1.5	1.4	1.2	0.7	1.0	1.0
Return on equity	12.4	10.8	10.5	8.8	4.5	7.3	7.1
Dividends							
Dividends per share (yen)	68	68	68	68	34	50	53
Payout ratio (%)	35.8	37.9	37.2	43.0	41.5	35.7	37.3

Consolidated Financial Statements

The Company's consolidated financial statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Statement of Changes in Consolidated Shareholders' Equity, and Consolidated Statement of Cash Flows) are certified by Deloitte Touche Tohmatsu LLC in accordance with Article 396, Paragraph 1 of the Companies Act and Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Consolidated Balance Sheet

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	738,782	842,615
Call loans	8,864	10,373
Accounts receivable - installment	1,566,284	1,769,588
Lease receivables and investments in leases	12,585	11,951
Operating loans	772,604	845,262
Loans and bills discounted for banking business	2,110,010	2,160,775
Securities for banking business	536,221	460,545
Securities for insurance business	49,397	18,134
Monetary claims bought	27,028	22,534
Money held in trust	111,015	123,894
Other	170,924	200,590
Allowance for doubtful accounts	(124,549)	(127,445)
Total current assets	5,979,170	6,338,823
Non-current assets		
Property, plant and equipment		
Buildings, net	8,648	9,555
Tools, furniture and fixtures, net	25,331	21,980
Construction in progress	109	222
Other, net	230	167
Total property, plant and equipment	34,320	31,925
Intangible assets		
Goodwill	14,924	13,191
Software	107,732	113,906
Other	4,344	3,942
Total intangible assets	127,001	131,040
Investments and other assets		
Investment securities	12,989	17,959
Deferred tax assets	39,021	37,544
Guarantee deposits	50,438	50,741
Other	34,928	50,763
Total investments and other assets	137,377	157,008
Total non-current assets	298,699	319,974
Deferred assets		
Bond issuance costs	716	670
Total deferred assets	716	670
Total assets	6,278,586	6,659,468

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable—trade	225,236	255,662
Deposits for banking business	4,178,544	4,397,953
Short-term borrowings	204,074	221,934
Current portion of long-term borrowings	90,214	117,858
Current portion of bonds payable	63,410	85,237
Commercial papers	85,000	75,000
Provision for bonuses	4,086	4,365
Provision for point card certificates	7,129	798
Other provisions	200	190
Other	194,349	185,509
Total current liabilities	5,052,244	5,344,510
Non-current liabilities		
Reserve for insurance policy liabilities	64,367	54,338
Bonds payable	277,250	264,826
Long-term borrowings	335,933	417,238
Retirement benefit liability	2,271	2,151
Provision for loss on interest repayment	6,476	4,822
Other provisions	460	232
Deferred tax liabilities	1,273	1,286
Other	29,252	28,928
Total non-current liabilities	717,286	773,824
Total liabilities	5,769,530	6,118,335
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	119,990	120,270
Retained earnings	258,525	278,172
Treasury shares	(442)	(390)
Total shareholders' equity	423,771	443,750
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,549)	(27,661)
Deferred gains or losses on hedges	(1,628)	120
Foreign currency translation adjustment	4,852	18,738
Remeasurements of defined benefit plans	(222)	(147)
Total accumulated other comprehensive income	450	(8,950)
Share acquisition rights	33	13
Non-controlling interests	84,799	106,319
Total net assets	509,055	541,133
Total liabilities and net assets	6,278,586	6,659,468

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Operating revenue		
Revenue from credit card business	131,779	112,416
Revenue from installment sales finance business	42,662	48,450
Financing revenue	128,421	137,960
Recoveries of written off receivables	11,920	16,116
Financial revenue		
Interest on loans and discounts from banking business	22,878	24,371
Interest and dividends on securities from banking business	4,866	3,162
Interest on call loans	29	204
Interest income	773	875
Other financial revenue	5,135	5,789
Total financial revenue	33,684	34,403
Insurance revenue		
Reversal of policy reserve	22,271	10,029
Other insurance revenue	6,918	3,175
Total insurance revenue	29,189	13,205
Fees and commissions	60,991	62,178
Other	32,007	27,036
Total operating revenue	470,657	451,767
Operating expenses		
Financial expenses		
Interest expenses	16,596	18,953
Interest on deposits from banking business	1,864	2,397
Other financial expenses	2,972	2,210
Total financial expenses	21,433	23,562
Insurance expenses		
Insurance claims and other	28,045	11,191
Other insurance expenses	146	1,737
Total insurance expenses	28,192	12,928
Fees and commissions payments	11,462	11,345
Selling, general and administrative expenses	347,766	342,034
Other	2,949	3,035
Total operating expenses	411,804	392,907
Operating profit	58,852	58,859
Non-operating income		
Dividend income	202	108
Gain on investments in investment partnerships	361	309
Foreign exchange gains	—	1,245
Subsidy income	493	117
Compensation income	—	734
Other	183	185
Total non-operating income	1,240	2,700
Non-operating expenses		
Share of loss of entities accounted for using equity method	26	—
Loss on valuation of investment securities	54	9
Foreign exchange losses	46	—
Loss on sale of receivables	10	—
Miscellaneous losses	10	3
Total non-operating expenses	149	13
Ordinary profit	59,944	61,547
Extraordinary income		
Gain on sale of non-current assets	21	10
Gain on sale of investment securities	436	—
Gain on termination of retirement benefit plan	239	—
Subsidies for employment adjustment	8	—
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	705	14
Extraordinary losses		
Loss on disposal of non-current assets	574	478
Impairment losses	202	777
Loss on liquidation of subsidiaries	53	149
Management integration expenses	—	84
System migration related expenses	—	245
Infectious disease related to cost	48	24
Other	25	1
Total extraordinary losses	903	1,760
Profit before income taxes	59,745	59,801
Income taxes—current	13,068	12,931
Income taxes—deferred	5,630	3,246
Total income taxes	18,698	16,177
Profit	41,047	43,623
Profit attributable to non-controlling interests	10,834	12,945
Profit attributable to owners of parent	30,212	30,677

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	41,047	43,623
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,757)	(24,837)
Deferred gains or losses on hedges	3,946	3,108
Foreign currency translation adjustment	8,226	24,041
Remeasurements of defined benefit plans, net of tax	130	75
Total other comprehensive income	6,545	2,387
Comprehensive income	47,593	46,011
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,969	21,277
Comprehensive income attributable to non-controlling interests	15,623	24,734

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Year ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	45,698	120,145	237,385	(460)	402,768
Changes during period					
Dividends of surplus			(9,064)		(9,064)
Profit attributable to owners of parent			30,212		30,212
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(7)	18	10
Change in ownership interest of parent due to transactions with non-controlling interests		(155)			(155)
Net changes in items other than shareholders' equity					
Total changes during period	—	(155)	21,140	17	21,003
Balance at end of period	45,698	119,990	258,525	(442)	423,771

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,283	(3,902)	(334)	(352)	(1,306)	43	73,162	474,667
Changes during period								
Dividends of surplus								(9,064)
Profit attributable to owners of parent								30,212
Purchase of treasury shares								(0)
Disposal of treasury shares								10
Change in ownership interest of parent due to transactions with non-controlling interests							155	—
Net changes in items other than shareholders' equity	(5,833)	2,273	5,186	130	1,756	(10)	11,482	13,228
Total changes during period	(5,833)	2,273	5,186	130	1,756	(10)	11,637	34,387
Balance at end of period	(2,549)	(1,628)	4,852	(222)	450	33	84,799	509,055

Year ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	45,698	119,990	258,525	(442)	423,771
Changes during period					
Dividends of surplus			(11,007)		(11,007)
Profit attributable to owners of parent			30,677		30,677
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(22)	52	29
Change in ownership interest of parent due to transactions with non-controlling interests		280			280
Net changes in items other than shareholders' equity					
Total changes during period	—	280	19,646	52	19,979
Balance at end of period	45,698	120,270	278,172	(390)	443,750

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(2,549)	(1,628)	4,852	(222)	450	33	84,799	509,055
Changes during period								
Dividends of surplus								(11,007)
Profit attributable to owners of parent								30,677
Purchase of treasury shares								(0)
Disposal of treasury shares								29
Change in ownership interest of parent due to transactions with non-controlling interests							(280)	—
Net changes in items other than shareholders' equity	(25,111)	1,749	13,886	75	(9,400)	(19)	21,799	12,379
Total changes during period	(25,111)	1,749	13,886	75	(9,400)	(19)	21,519	32,078
Balance at end of period	(27,661)	120	18,738	(147)	(8,950)	13	106,319	541,133

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	59,745	59,801
Depreciation	30,561	30,364
Amortization of goodwill	1,873	1,734
Share of loss (profit) of entities accounted for using equity method	26	(19)
Increase (decrease) in allowance for doubtful accounts	(10,602)	(4,029)
Increase (decrease) in provision for bonuses	484	91
Increase (decrease) in retirement benefit liability	(1,959)	140
Increase (decrease) in provision for point card certificates	(13,556)	(6,330)
Increase (decrease) in provision for loss on interest repayment	769	(1,653)
Increase (decrease) in other provisions	(77)	(224)
Financial revenue	(33,684)	(34,403)
Financial expenses	21,433	23,562
Dividend income	(202)	(108)
Loss (gain) on disposal of non-current assets	552	468
Loss (gain) on liquidation of subsidiaries	53	149
Decrease (increase) in operating loans receivable	18,031	(39,503)
Decrease (increase) in cash loans and bills discounted for banking business	(111,630)	(50,764)
Decrease (increase) in accounts receivable—installment	(30,412)	(167,235)
Net decrease (increase) in lease receivables and investments in leases	(300)	633
Net increase (decrease) in deposits	159,878	219,409
Increase (decrease) in trade payables	(44,964)	30,020
Net increase (decrease) in borrowed money	(8,626)	76,207
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	(599)	2,851
Net decrease (increase) in due from banks (over 3 months)	(710)	1,095
Net decrease (increase) in call loans	25,749	2,984
Increase (decrease) in commercial papers	—	(10,000)
Increase (decrease) in straight bonds - issuance and redemption	33,071	5,147
Increase (decrease) in reserve for insurance policy liabilities	(22,271)	(10,029)
Proceeds from sales and leasebacks	929	103
Interest received	33,988	33,342
Interest paid	(21,711)	(23,361)
Other, net	9,226	(29,576)
Subtotal	95,068	110,864
Interest and dividends received	202	108
Income taxes paid	(21,519)	(10,950)
Income taxes refund	2,535	5,116
Net cash provided by (used in) operating activities	76,287	105,138
Cash flows from investing activities		
Purchase of securities	(518,990)	(617,966)
Proceeds from sale of securities	248,186	130,479
Proceeds from redemption of securities	283,851	546,185
Increase in money held in trust	(28,450)	(23,628)
Decrease in money held in trust	10,823	10,578
Purchase of property, plant and equipment	(4,101)	(5,122)
Proceeds from sale of property, plant and equipment	76	12
Purchase of intangible assets	(24,961)	(28,749)
Proceeds from sale of intangible assets	3	6
Net cash provided by (used in) investing activities	(33,562)	11,796
Cash flows from financing activities		
Dividends paid	(9,064)	(11,007)
Proceeds from share issuance to non-controlling shareholders	—	2,040
Dividends paid to non-controlling interests	(4,443)	(5,174)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	0	0
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(416)
Net cash provided by (used in) financing activities	(13,508)	(14,559)
Effect of exchange rate change on cash and cash equivalents	1,674	4,688
Net increase (decrease) in cash and cash equivalents	30,890	107,064
Cash and cash equivalents at beginning of period	666,738	697,628
Cash and cash equivalents at end of period	697,628	804,693

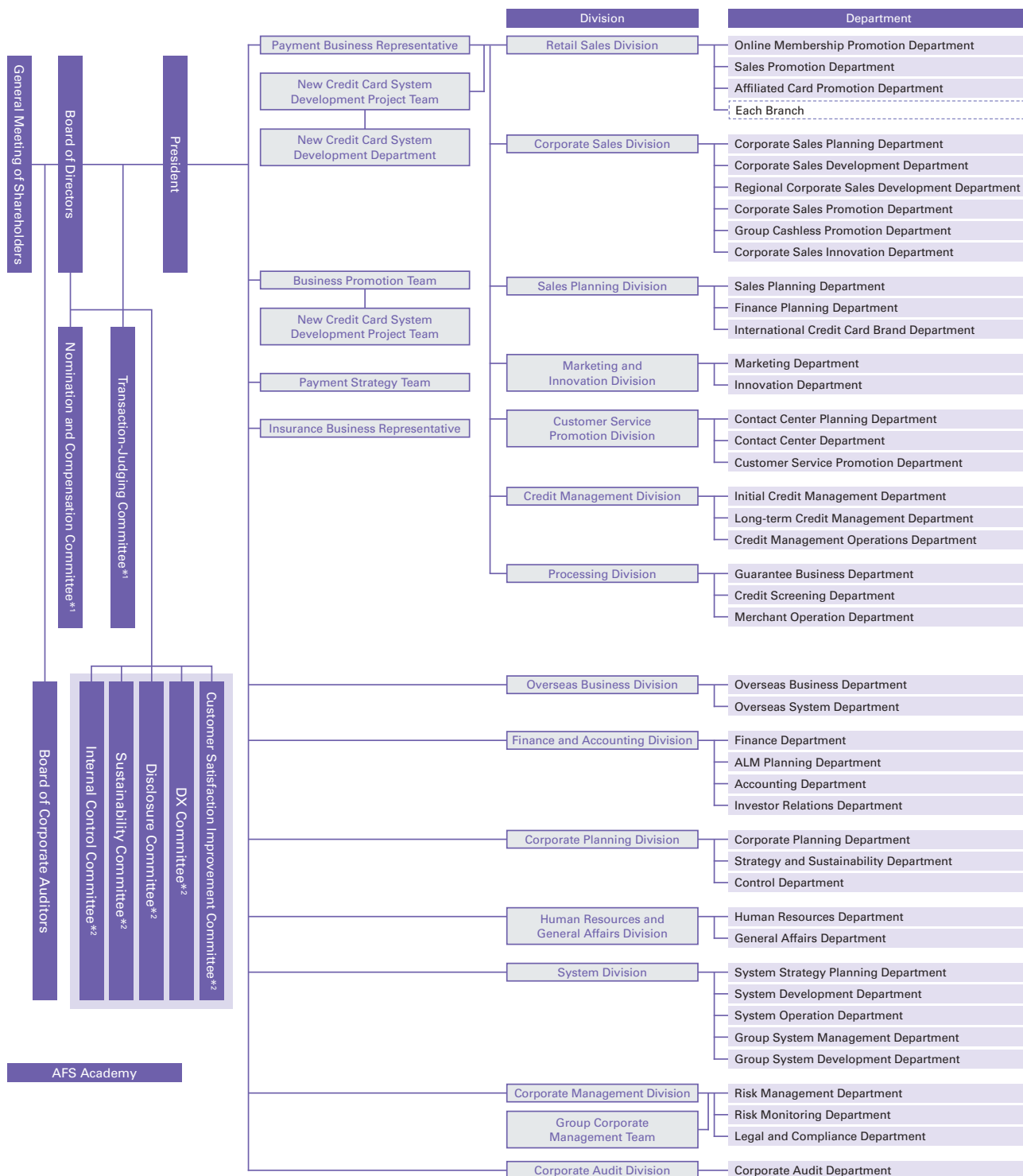
Company Information

Company Information

Company Name	AEON Financial Service Co., Ltd.
Established	June 20, 1981
Representatives	Shunsuke Shirakawa, 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 31, 2023)



*1 An advisory body comprising mainly outside directors.

*2 A committee comprising mainly executive officers.

Affiliated Companies

(As of February 28, 2023)

Introduction

Management Strategy

Management Base
—ESG—

Financial Section and
Company Information

Company Name Location	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: 49.99 (1.8)	—	—	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	Subletting of office premises
AEON Housing Loan Service Co., Ltd.	Chiyoda-ku, Tokyo	3,340	Solutions	100.0 (100.0)	1	Loans of capital	Management fees, outsourcing fees	Subletting of office premises
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.	Chiyoda-ku, Tokyo	250	Retail	99.0	—	Loans of capital	Management fees, outsourcing fees	Subletting of office premises
AEON Credit Service Co., Ltd.*4,5,9	Chiyoda-ku, Tokyo	500	Solutions	100.0	1	Loans of capital	Management fees, outsourcing fees	Subletting of office premises
AEON Product Finance Co., Ltd.	Chiyoda-ku, Tokyo	3,910	Solutions	100.0	1	Loans of capital	Management fees, outsourcing fees	Subletting of office premises
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	Subletting of office premises
AEON Allianz Life Insurance Co., Ltd.*5	Chiyoda-ku, Tokyo	19,749	Retail	60.0	—	—	Management fees, outsourcing fees	—
AEON CREDIT SERVICE (ASIA) CO., LTD.*6	Hong Kong	HKD 269 million	China Area	54.0 (54.0)	1	—	Outsourcing fees	Subletting of office premises
AEON THANA SINSAP (THAILAND) PCL.*4,5,7	Thailand	THB 250 million	Mekong Area	54.3 (19.2)	1	—	Management fees, outsourcing fees	—
AEON CREDIT SERVICE (M) BERHAD*4,5,8	Malaysia	MYR 584 million	Malay Area	61.5	1	—	Management fees, outsourcing 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 (100.0)	—	—	—	—
ACS CAPITAL CORPORATION LTD.	Thailand	THB 15 million	Holding Company or Other	29.0 (71.0)	—	—	—	—
AEON INSURANCE BROKERS (M) 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)	—	—	Management fees, outsourcing 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 65 million	Holding Company or Other	100.0	—	—	—	—
ACS TRADING VIETNAM CO., LTD.	Vietnam	VND 330,000 million	Mekong Area	100.0 (3.0)	1	—	Outsourcing fees	—
AEON INSURANCE BROKERS (HK) LIMITED	Hong Kong	HKD 1 million	China Area	100.0 (100.0)	—	—	—	—
AEON CREDIT SERVICE INDIA PRIVATE LIMITED*5	India	INR 4,200 million	Malay Area	100 (4.3)	—	—	—	—
AEON SPECIALIZED BANK (CAMBODIA) PUBLIC LIMITED COMPANY	Cambodia	USD 20 million	Mekong Area	100.0 (100.0)	—	—	Outsourcing 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 Leasing Service (Lao) Company Limited	Laos	LAK 28,000 million	Mekong Area	100.0 (100.0)	—	—	Management fees, outsourcing fees	—
AEON CREDIT SERVICE (PHILIPPINES) INC.*5	Philippines	PHP 3,500 million	Malay Area	99.1 (99.1)	—	—	Outsourcing fees	—
AEON Microfinance (Myanmar) Co., Ltd.	Myanmar	MMK 17,021 million	Mekong Area	100.0 (100.0)	—	—	Outsourcing fees	—
ACSI (Thailand) CO., LTD.	Thailand	THB 100 million	Mekong Area	100.0 (100.0)	—	—	—	—
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:

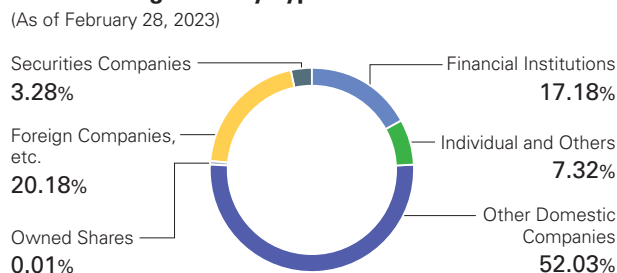
- Segment names are in the Main Business column.
- Figures in parentheses in the Voting Rights column indicate percentage of directly or indirectly owned voting rights. Figures in parentheses indicate percentage of voting rights held by entities that are close to and agree with the Company as indicated 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.
- As of June 1, 2023, AEON Credit Service Co., Ltd. ceased operations due to its merger with AEON Financial Service Co., Ltd.

Share Information

Basic Share Information (As of February 28, 2023)

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	33,002

Shareholding Ratio by Type of Shareholder (As of February 28, 2023)

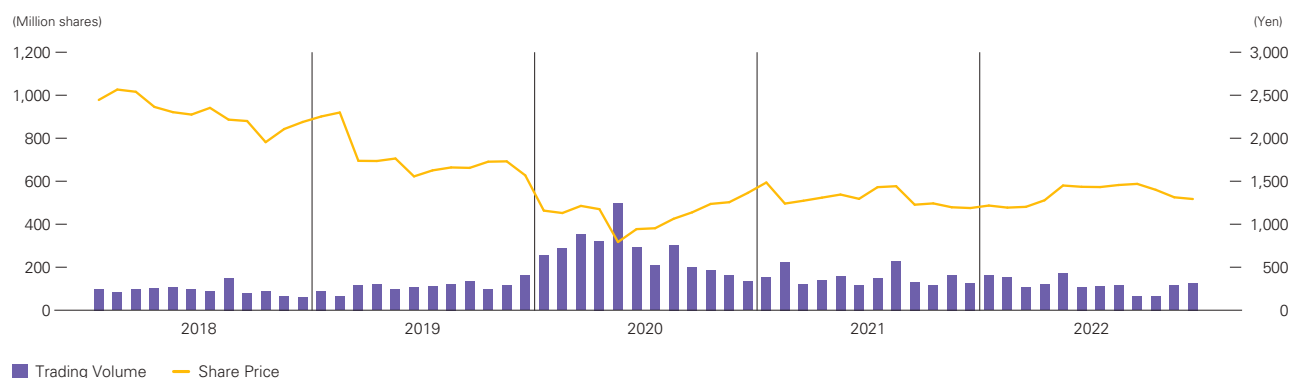


Major Shareholders (As of February 28, 2023)

Shareholder Name	Shares Held (Thousands)	Percentage of Total Shares Held (Excluding Treasury Stock) (%)
AEON Co., Ltd	104,051	48.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,851	10.12
Custody Bank of Japan, Ltd. (Trust Account)	7,815	3.62
STATE STREET BANK AND TRUST COMPANY 505223	4,891	2.27
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	3,318	1.54
Maxvalu Nishinohon Co., Ltd.	2,646	1.23
JP MORGAN CHASE BANK 385632	2,545	1.18
STATE STREET BANK AND TRUST COMPANY 505103	1,955	0.91
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,761	0.82
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS—UNITED KINGDOM	1,719	0.80

Note: In addition to the above, the Company holds 152,000 shares of treasury stock.

Share Price and Trading Volume



	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Market capitalization (Billions of yen)*	5,080	3,387	2,946	2,566	2,793
High (Yen)	2,785	2,329	1,601	1,608	1,521
Low (Yen)	1,849	1,493	793	1,135	1,055

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 Foundational Ideals

Pursuing peace, respecting humans, and contributing to local communities, always with customers as our starting point.

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AEON firmly believes that retailing is an industry to promote peace, humanity, and local communities.

To remain a thriving corporate group that fulfills this mission, we are committed to continuous innovation, with customers as our starting point.

AEON Group Future Vision

Create a future lifestyle that leads to a smile for each and every person

The future that the AEON group wishes to realize is one in which customers can feel a “brighter society” and “happiness that is uniquely their own,” creating a future that is fulfilling and full of smiles.

The AEON group wishes to be a group that leads the co-creation of lifestyles, enriching each individual and society as a whole.

Please refer to our corporate website for the AEON Foundational Ideals
<https://www.aeon.info/en/company/concept/>



Please refer to our corporate website for the AEON Group Future Vision
<https://www.aeon.info/vision/en/>





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

