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Brief Report of Financial Results (Unaudited)

(For the Fiscal 2020 Ended February 28, 2021)

April 9, 2021

Registered Company Name: **AEON Financial Service Co., Ltd.**

Stock Listing: Tokyo Stock Exchange, First Section

Code No: 8570

URL: <https://www.aeonfinancial.co.jp/eng>

President and CEO: Kenji Fujita

Contact: Kazuyoshi Suzuki, Director, Senior Executive Officer

1. Business performance (For the Fiscal 2020 ended February 28, 2021 and For the Fiscal 2019 ended February 29, 2020)

(1) Consolidated Operating Results

(Millions of yen truncated to the nearest million, %, yen)

	Operating revenue	Percentage Change	Operating profit	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Fiscal 2020 ended February 28, 2021	487,309	-	40,651	-	40,238	-	17,693	-
Fiscal 2019 ended February 29, 2020	457,280	-	65,070	-	65,797	-	34,149	-

※Comprehensive income; Fiscal 2020; 27,775million (-%), Fiscal 2019; 34,058 million (-)

	Profit attributable to owners of parent per Share (Yen)	Fully Diluted Profit attributable to owners of parent per Share (Yen)	Return on equity	Return on assets	Operating profit/Operating revenue
Fiscal 2020 ended February 28, 2021	81.99	81.97	4.5	0.7	8.3
Fiscal 2019 ended February 29, 2020	158.25	154.15	8.8	1.2	14.2

(Reference) Investment gains and losses on equity method; Fiscal 2020; 43 million, Fiscal 2019; 31 million.

(Note) Since the Group has changed its fiscal year from the consolidated fiscal year to the end of February, the consolidated fiscal year (April 1, 2019 to February 29, 2020) is 11 months. Therefore, the rate of increase or decrease compared to the previous fiscal year is not described.

(2) Consolidated Financial Position

(Millions of yen truncated to the nearest million, %, yen)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Fiscal 2020 ended February 28, 2021	6,123,721	474,667	6.6	1,860.08
Fiscal 2019 ended February 29, 2020	5,781,370	459,075	6.8	1,823.05

(Reference) Shareholder's equity; Fiscal 2020; 401,462million, Fiscal 2019; 393,417 million.

(3) Consolidated cash flows

(Millions of yen truncated to the nearest million yen)

	Net cash used in operating activities	Net cash used in Investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
Fiscal 2020 ended February 28, 2021	62,282	△94,557	△14,354	666,738
Fiscal 2019 ended February 29, 2020	352,217	△177,438	△89,040	713,407

2. Dividends

	Dividend per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total			
February 2020 term	yen	yen	yen	yen	yen	million yen	%	%
February 2021 term	-	29.00	-	39.00	68.00	14,674	43.0	3.8
February 2021 term (Estimated)	-	11.00	-	23.00	34.00	7,338	41.5	1.8
February 2021 term (Estimated)		14.00	-	26.00	40.00		41.1 to 45.4	

(Note) Breakdown of dividend for end-second quarter of February 2021 term (Estimated)

: Ordinary dividend 12yen, commemorative dividend for our 40th year of business 2yen.

Breakdown of dividend for fiscal year-end of February 2021 term (Estimated)

: Ordinary dividend 24yen, commemorative dividend for our 40th year of business 2 yen.

3. Forecast of Consolidated Earnings (For the fiscal year ending February 28, 2022)

(Millions of yen, %)

(% is the percentage of change to the previous year)

	Operating revenue	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributable to owners of parent	YoY	Net income per share
Full term	490,000 to 520,000	0.6 to 6.7	41,000 to 46,000	0.9 to 13.2	41,000 to 46,000	1.9 to 14.3	19,000 to 21,000	7.4 to 18.7	88.04 to 97.31

(Note) Consolidated earnings forecasts are disclosed in a range format.

※Notes

- (1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation) ; Yes
- (2) Change in accounting principle, procedure, disclosure, etc., concerning preparation of consolidated financial statements (matters to be mentioned concerning the change of important items to be the bases for preparation of consolidated financial statements)
 - ① Change by a newly issued accounting pronouncement; No
 - ② Change other than ① ; No
 - ③ Change accounting quotation ; No
 - ④ Restatement ; No
- (3) Number of shares issued (Common stock)
 - ① Number of shares issued at end of period (including treasury stock)
Fiscal 2020; 216,010,128 shares, Fiscal 2019; 216,010,128 shares
 - ② Number of shares of treasury stock at end of term
Fiscal 2020; 179,553 shares, Fiscal 2019; 208,452 shares
 - ③ Average of the number of shares during the quarter(For the Fiscal 2019 ended February 29, 2020)
Fiscal 2020; 215,812,956 shares, Fiscal 2019; 215,793,012 shares

(Reference): Report of Non-Consolidated Financial Results

Business performance (For the Fiscal 2020 ended February 28, 2021 and for the Fiscal 2019 ended February 29, 2020)

(1) Non-consolidated Operating Results

(Millions of yen truncated to the nearest million, %, yen)

	Operating revenue	YOY	Operating profit	YOY	Ordinary profit	YOY	Profit attributable to owners of parent	YOY
Fiscal 2020 ended February 28, 2021	22,252	-	13,429	-	12,378	-	8,529	-
Fiscal 2019 ended February 29, 2020	23,400	-	13,499	-	12,825	-	12,382	-

	Profit attributable to owners of parent per share	Fully Diluted Profit attributable to owners of parent per Share
Fiscal 2020 ended February 28, 2021	39.52	39.51
Fiscal 2019 ended February 29, 2020	57.38	55.90

(Note) Since the company has changed its fiscal year from the current fiscal year to the end of February, the fiscal year (April 1, 2019 to February 29, 2020) is 11 months. Therefore, the rate of increase or decrease compared to the previous fiscal year is not described.

(2) Financial position

(Millions of yen truncated to the nearest million, %, yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal 2020 ended February 28, 2021	685,719	215,862	31.5	999.94
Fiscal 2019 ended February 29, 2020	611,056	216,573	35.4	1,003.20

(Reference) Shareholder's equity; Fiscal 2020; 215,818 million, Fiscal 2019; 216,491 million.

※ The financial results are not audited by a certified public accountant or an audit corporation.

※ Remarks on the projections, other issues

(Notes on future statements, etc.)

The forecasts include the future prospects, the assumptions and forecasts underlying the plan on the present date, and the achievement is not intended to be a promise to us. In addition, actual performance is different from the above forecast due to various factors in the future.

(How to obtain supplementary information on financial results) We provide supplementary explanatory materials on our website for business and performance.

※ Aeon Credit Services Co., Ltd. and three other domestic subsidiaries have changed their fiscal year from the end of March to the end of February, so the consolidated fiscal year 2019 incorporates 11-month from April 1, 2019 to February 29, 2020, and the previous consolidated fiscal year was 12-month from April 1, 2018 to March 31, 2019.

Although AEON Bank, Ltd. has not changed its fiscal year from the end of March, AFS consolidated earnings figures incorporate 11-month from April 1, 2019 to February 29, 2020 for the fiscal year under review and 12-month from April 1, 2018 to March 31, 2019 for the previous consolidated fiscal year.

1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

1) Summary of Consolidated Results

The business environment surrounding AEON Financial Service Co., Ltd. (hereinafter the Company) in the fiscal year ended February 28, 2021 was forced to be closed and self-restraint for a certain period of time, such as the declaration of a state of emergency and restrictions on activities in many countries and regions in which the Company operated due to the global epidemic of covid-19 infection from the beginning of the fiscal year. From the middle of 2020, economic activity gradually resumed, and business activities continued to run side by side while taking anti-epidemic measures. However, at the end of the year, the number of infected people in some countries and regions re-expanded, and measures were taken to re-limit the restrictions on activities once relaxed. In 2021, vaccinations were started sequentially from medical personnel in each country around February, and align economic activities are expected to resume, it is still not yet possible to see the convergence of covid-19 infection, such as the time it takes for the entire nation to inoculate and the appearance that mutant strains are expanding.

In such a business environment, the Company strived to continue its business activities as much as possible under thorough anti-epidemic measures in accordance with the "AEON COVID-19 Disease Control Protocol" established in June 2020 (partially revised in November) as an anti-epidemic standard for protecting the safety and security of customers and employees. In order to respond to the lives and behaviors of customers that have changed due to the effects of covid-19, we have accelerated our efforts to transform our business model to improve digital transformation (DX), improve business efficiency, and create new revenue opportunities for the Group we have been working on for a long time. In addition, we have worked on work style reforms for employees through remote work and satellite work and have established a system that enables business continuity even in the corona disaster.

In addition, we have expanded our new customer base by utilizing our unique customer base, which is based on our strengths in partnering with major excellent companies such as AEON Group retailing, e-commerce channels, and public transportation, which handle daily necessities such as food and daily necessities, to provide highly convenient payment methods, as well as to enhance screening and diversify marketing methods.

In the fiscal year ended February 28, 2021, fee earnings were lower than the previous fiscal year due to a decrease in card transaction volume due to subdued consumption activities due to the effects of covid-19 infection, and a decline in demand for funds for cash advance and loans due to government measures to support people's lives, such as deferral of repayment and payment of benefits by local authorities in each country. On the other hand, consolidated operating profit was ¥487,309 million (up 6.6% year-on-year) due to the acquisition of the profit and loss statement of AEON Allianz Life

Insurance Co., Ltd., which became a subsidiary on March 31, 2020, from the cumulative period of the second quarter. Consolidated operating profit was ¥40,651 million (down 37.5% year-on-year) and ordinary profit was ¥40,238 million (down 38.8% year-on-year), mainly due to an increase in reserves for bad debts due to an increase in provision for bad debts in the first half of the fiscal year, and an increase in provision for loss on interest repayments. As an extraordinary loss, we recorded equipment costs of ¥436 million for anti-epidemic measures against covid-19. In addition, in the third quarter, AEON Credit Service (M) Berhad (hereinafter ACSM) in Malaysia agreed to settle a 96 million ringgit of additional taxation, which had been in dispute with the local tax authorities since November 2017, for 10 million ringgit. As a result, net profit attributable to owners of the parent was ¥17,693 million (down 48.2% year-on-year).

As described in the "Notice regarding Difference between Earnings Forecast and Actual Results, and Revision of Dividend Forecast" disclosed today, there is a difference between the current earnings forecast disclosed by the Company on January 13, 2021 and the actual value announced today. In addition, the Company revised its dividend forecast disclosed on July 8, 2020 upward due to the fact that net profit attributable to owners of the parent for the fiscal year ended February 28, 2021 exceeded expectations.

The Company changed the fiscal year-end from the previous fiscal year from March to February. As a result, the consolidated fiscal period (12 months from March 1, 2020 to February 28, 2021) is the consolidated fiscal period (11 months from April 1, 2019 to February 29, 2020). In addition, as reference figures, the total results for the 12 months from March 2019 to February 2020 are described as "during the same period of the previous year".

2) Business Segment Information

<Domestic Retail Business>

In the domestic and retail business, AEON Bank, Ltd. (hereinafter ABK) has strengthened non-face-to-face initiatives to respond to changes in customers' lives and behavior styles, providing a "branch visit reservation service" that allows customers to make online reservations in advance and providing guidance without waiting at branches, and a "TV consultation and counter" where various procedures can be used by video telephone at branches. In addition, we have expanded remote services such as "online consultation" where customer can talk directly with the person in charge of the branch from a PC or smartphone at a place tailored to the customer's convenience, such as at home. In November 2020, ABK established an online consultation booth at AEON TOWN Fujimino, and in December, AEON Mall Ageo and AEON Mall Kyoto Katsuragawa set up antiviral processing of branch equipment and individual booths for customers.

Furthermore, in October 2020, ABK started eKYC (online identity verification) for web applications for "Cash Card" and "AEON Bank CASH +DEBIT Card". In addition to improving security, such as

preventing spoofing by third parties by checking images taken with smartphones, mailing of documents has been omitted, and convenience has been improved, such as internet banking and foreign currency transactions being available from the day after application at the shortest.

The housing loan appealed for the benefits of "AEON Select Club", which continues to offer competitive interest rate plans and 5% discount every day for 5 years from joining AEON Group shopping. In addition to accepting face-to-face consultations, ABK have promoted initiatives to help customers complete contracts at home by using web applications, telephone calls, and mailings. In addition, by strengthening sales to affiliated companies by taking advantage of our strengths in screening, including Saturdays, Sundays, and holidays, the number of applications earned and the outstanding amount of loans increased, and outstanding housing loans increased to ¥2,277,446 million (up ¥292,111 million at the beginning of the fiscal year).

At the end of the current consolidated fiscal year, the number of deposit accounts was 7.5 million (up 410,000 at the beginning of the fiscal year), and the balance of deposit accounts was ¥4,020,788 million (up ¥228,951 million). Due in part to a decline in customer consumption due to the spread of covid-19 and a slowdown in customer demand for funds due to the effects of special cash payments by the government, the outstanding amount of cash advance operating receivables at the end of the current consolidated fiscal year was ¥428,804 million (down 13.3% year-on-year). On the other hand, these cash on hand have led to steady progress in repayment and a decrease in the delinquency rate.

As for asset management services, in October 2020, ABK started handling jointly-managed money trust, which are money trust products backed by the bank's housing loan receivables, etc. for individual customers. In addition to providing new options for customers' asset management, it has led to diversification of financing methods.

In August 2020, AEON Insurance Service Co., Ltd. launched "Online Consultation" and strengthened non-face-to-face sales activities that enable insurance consultation from customers' home, etc. in addition to stores.

Operating revenues in the domestic and retail businesses decreased due to declining consumption due to the effects of covid-19. On the other hand, fee revenue increased to ¥230,251 million (up 23.5% year-on-year) due to the impact of the in-house income statement of AEON Allianz Life Insurance Co., Ltd. from the consolidated period of the second quarter, and the increase in the volume of WAON that accompanies AEON cards and cash cards issued by ABK, mainly at AEON Group food supermarkets, which have strong sales. Operating profit was ¥4,648 million (down 69.0% year-on-year) in the first half of the year due to an increase in reserves for bad loans in preparation for an increase in future bad loans and an increase in reserves for bad loans.

<Domestic Solution Business>

In the domestic solutions business, in addition to VISA, we started installing touch payment functions for AEON cards at MasterCard and JCB in October 2020. In addition to the 20th anniversary campaign of AEON Card and the 1st anniversary campaign of Maruetsu Card, Sumitomo real estate shopping city AEON card and AEON card (Sakurazaka 46) have been issued as new cards. As a result, the number of valid card members in Japan was 29.45 million (up 560,000 at the beginning of the period). In addition, the number of new cards earned in the second half of the fiscal year recovered year-on-year compared to the first half, which was affected by the shopping center closures and other factors.

The volume of credit card purchase transactions has been on a downward trend again since November 2020, so that the use of gasoline, ETC, and other automobile-related products, public transportation, travel agencies, etc. due to self-restraint temporarily increased last fall, when the spread of the new coronavirus infection eased. On the other hand, the use of cards at these stores increased due to strong sales at food supermarkets and drugstores, including the AEON Group, which accounts for a high percentage of the Company's total transaction volume, and the point 10-times campaign. In addition, sales at home centers and electronics retailers also performed well, and the volume handled during the consolidated fiscal year recovered to ¥5,676,800 million (down 3.3% year-on-year), almost the same level as the same period last year.

In addition, ¥1,804,600 million in e-money transactions (including WAON) through payment networks provided by AEON Credit Service Co., Ltd. (hereinafter ACS), mainly at AEON Group food supermarkets (up 25.3% year-on-year) was strong.

With regard to screening, ACS made efforts to improve the accuracy of screening of mid-career credit by utilizing AI prediction models, and in debt collection, also promoted automation such as payment guidance to customers to further increase efficiency.

Regarding the online statement service which started in November 2019, ACS started with "Cosmo the Card Opus", a partner card with Cosmo Oil Co., Ltd. from November 2020, and as a result, the basic service of all credit cards handled by ACS was completed. Through the app, ACS provide timely usage details and discount coupon information to improve the convenience of AEON cards and reduce the environmental impact by reducing CO2 emissions.

In the installment finance business, auto loans, which are our main products, recovered the manufacturing and sales lines of new vehicles affected by the new coronavirus infection, resolved inventory shortages, and strengthened non-face-to-face proposals using online, although we were unable to compensate for the decline in the first half of the fiscal year, although we recovered to the level of the same period of the previous year, Volume decreased slightly year-on-year.

Operating revenues in the Domestic solutions business increased by ¥182,718 million (up 0.6% year-on-year) due to an increase in credit card purchase and WAON merchant revenue, despite a

decrease in loan revenues such as cash advance revenue. Operating profit was ¥16,615 million (down 29.8% year-on-year) in the first half of the year due to an increase in reserves for bad debts in preparation for an increase in bad debts of existing loans over the future, and an increase in reserves for bad debts.

<Global China Area>

AEON Credit Service (Asia) Co., Ltd. ((hereinafter ACSA), a local subsidiary in Hong Kong, saw an increase in sales of daily necessities such as food and daily necessities at AEON Group's retail business AEON Stores (Hong Kong) Co., Ltd. (AEON Stores Hong Kong) in response to the increase in home time due to corona disaster in credit card purchase; AEON Stores Hong Kong's credit card purchase transaction volume remained strong due to the continued cashback campaign according to the amount of money used on the weekend, as well as the new point plus 10x campaign on the 10th of each month. In addition, we conducted cashback campaigns for the use of major e-commerce sites and online channels. As a result, credit card purchase volumes started to recover from the second quarter, but decreased by ¥81,047 million (down 14.6% year-on-year) due to a decrease in overseas card use, dining out, and entertainment due to the effects of restrictions on overseas travel due to covid-19 infection.

With regard to card advance, although we resumed our ahead-minute business activities in September, taking into account the deterioration in the economic situation in Hong Kong, the outstanding operating receivables of cash advance decreased by 16.5% year-on-year to ¥17,035 million due to the effects of slowing demand for funds due to a decline in customer consumption behavior.

In addition, in order to expand the volume of transactions, we focused on improving the accuracy of screening by utilizing income forecasting models and external credit alert systems. Furthermore, as a result of efforts to control the delinquent progress of debt collection, such as monitoring risk receivables and conducting collection operations based on external scores, the ratio of delinquent loans to the outstanding of operating loans decreased and the amount of loans receivables was sound. In June 2020, in order to improve convenience for customers and promote non-face-to-face and contactless service, we launched the "Bonus Point Pay" service, which improves the service function of smartphone apps and allows customers to pay for card usage at points accumulated according to the use of credit cards. In addition, in order to complete the application to the delivery of the card non-face-to-face in the web application of the credit card, we proceeded with the construction of an online identity verification system by eKYC.

In addition to a decrease in credit card purchase and cash advance volumes, operating revenues in the Global China Area decreased due to a decrease in the amount outstanding of operating receivables, resulting in a decrease in fees and interest income of ¥15,567 million (down 17.7%

year-on-year) and operating profit of ¥4,545 million (down 23.4% year-on-year).

< Global Mekong Area >

In Global Mekong Area, AEON Thana Sinsap (Thailand) Pcl. (hereinafter ATS) in Thailand will lower interest rates on credit cards and various loans for a certain period of time at the request of the central bank in order to maintain the daily life of customers in the corona disaster, and for the three months from April to June 2020 for customers who have been offered. We have responded by setting a grace period for repayment of various loans. As for debt collection, ATS strengthened collection activities by mobilizing full-time staff, so as of the end of September, were on the way to collecting deferred receivables. In addition, as a measure to support consumers by the government, from August 1, 2020, the upper interest rate on cash advance, personal loans, and purpose loans was lowered, and the restrictions on loan caps for those with monthly incomes of 30,000 baht or less were relaxed. In response to this, ATS reviewed the examination criteria for each industry and area, while with regard to cash advance and personal loans, and responded by expanding the credit frame of customers who have the ability to repay from time to time. In addition, we worked to expand the volume of transactions by implementing a campaign to promote the use of the system for dormant members.

ATS has strengthened its partnership with leading external companies, and in July 2020, it will be the second partner card with Thai retail giant Big C, the premium card "Big C World MasterCard", and in October 2020, it will be the first partner card with BTS Group, a Thai transportation giant that operates elevated railways in the Bangkok metropolitan area, the IC ticket function partner credit card "AEON" Rabbit Platinum Card" has been issued. These credit cards are mainly for middle- and high-income customers living in the city center, and we aim to attract a new customer base with high online shopping frequency by granting benefits such as online payment discounts.

In credit card purchase, the volume of daily necessities such as food and daily consumables increased at major retail companies such as Big C, deeds were sluggish due to the influence of government regulations on activities.

In addition, we have proceeded with the construction of a system to start online identity verification by eKYC for web applications for credit cards.

In addition to proper staffing in the corona disaster, we added four kiosk-type stores in the current consolidated fiscal year that are low installation costs and can be opened in a space-saving way, reducing the cost of installing stores. By using the kiosk type of store form, it became possible to develop stores in a timely way, and the number of business development areas in Thailand became 62 out of 77 prefectures.

Operating revenues in the Global Mekong Area were ¥73,883 million (down 12.2% year-on-year) due to a decrease in interest rate income due to the Thai government's reduction in the upper interest

rate, cash advance, and a decrease in interest income due to a decrease in the amount outstanding of operating receivables for personal loans. Operating profit increased to ¥10,706 million (down 37.2% year-on-year) in the first half of the year due to an increase in reserves for bad loans in preparation for future increases in bad loans.

< Global Malay Area >

In Global Malay Area, Malaysia, ACSM merchants were closed and employees were forced to restrict their work due to activity restrictions from March 18, 2020 to May 4, 2020. In order to support customers' lives, ACSM responded to hire parches and private loan customers for two months in April and May 2020 in accordance with the policy of the local central bank. In June, ACSM established a counseling system to provide consultation on repayment methods, and as a result of strengthening our responses to the normalization of receivables, we set out our approach to deferred repayment as of the end of September.

With regard to motorcycle loans, which have a share of approximately 50% of the motorcycle installment finance market in Malaysia, the number of applications recovered at the same level as the same period of the previous year due to the relaxation of activity restrictions in May 2020, the return of the examination standards that had been stricter until then to the same level as the same period of the previous year, the elimination of motorcycle production delays and inventory shortages, and the offer of preferential interest rates due to the launch of new models. In the fourth quarter, the amount outstanding of operating receivables for motorcycle loans recovered to exceed the same period of the previous year, affected by the partial closure of merchants and a decrease in the number of customers visiting the store due to the effects of the Activity Restriction Order.

With regard to personal loans, the number of applications has been recovering due to the reopening of branches in September 2020 and strengthening guidance to customers who have sufficient repayment, but the amount outstanding of operating receivables has been lower than the same period of the previous year due to the effects of restrictions on activities by the beginning of May and measures such as government benefits and permission to draw funds from pension funds for the unemployed and reduced payers.

In September 2020, we also promoted the automation of screening, including the introduction of eKYC at motorcycle loans, auto loans, and home appliance hire purchase merchants. In the future, we will start online identity verification by eKYC for web applications for credit cards, and we are proceeding with procedures for obtaining approval by the government in order to proceed with the adoption of electronic signatures.

In addition, AEON Group's retail business AEON CO (M) GHD. (hereinafter AEON Malaysia) has been entrusted with the inquiring business of credit card payment and strengthened cooperation to demonstrate synergies of the AEON Group. In addition, in order to improve the convenience of

ACSM's payment app, in addition to immediately issuing e-money and installing service functions for excellent customers, we are promoting the introduction of a function that allows customers to shop on the site using accumulated points in cooperation with AEON Malaysia's online shopping site.

Operating revenues in the Global Malay Area decreased by 8.2% year-on-year to ¥47,680 million due to the closure of merchants during the period of activity restrictions due to the effects of covid-19 infection and a decrease in the amount outstanding of operating receivables due to stricter examination standards. In the first half of the fiscal year, the amount of reserves for bad loans increased due to the accumulation of reserves for bad loans in preparation for future bad loans, resulting in operating profit of ¥4,178 million (down 33.9% year-on-year).

3) Environmental Conservation and Social Contribution Activities

As a member of the AEON Group, the Company strive to solve social issues through our business based on our management philosophy of being a life support company that utilizes the future and trust of our customers through financial services. In order to achieve this, we are participating in AEON's CSR activities, not only complying with laws and regulations, but also ensuring that compliance awareness permeates the fore lines of business activities of group companies, including overseas subsidiaries, and strives to fulfill our social responsibilities by considering the environment, contributing to local communities, and further enhancing our corporate governance system.

In the fiscal year ended February 28, 2021, in order to maintain the daily lives of customers affected by covid-19 infection, local subsidiaries in Thailand and Malaysia provided life support for customers through financial services, such as a certain period of lower interest fees on credit cards and various loans and a grace period for repayment.

In addition, as part of its activities in accordance with international goals such as the Sustainable Development Goals (SDGs), the AEON Group will invest in social bonds issued by AEON Bank, Ltd. to raise funds for businesses that contribute to solving social issues, and the Company, AEON Credit Service Co., Ltd., and AEON Bank, Ltd. continued to provide financial education for high school and university students. In the fiscal year ended February 28, 2021, 12 universities, 93 lectures, and a total of 7,985 students attended the lecture online. As part of the AEON Global Internship, we provided Japanese university students (12 universities, 66 students) with the opportunity to learn about financial literacy and local culture through hands-on work experience training at a subsidiary in Malaysia.

With regard to reconstruction support for the Great East Japan Earthquake, we have deepened exchanges with local people through volunteer activities in the area, but in the current consolidated fiscal year, we were unable to engage in local activities or interact with local people due to corona disasters, so as part of the activities of the “Project to Connect AEON Hearts”, we have been

working to support the purchase of products from the Tohoku disaster-stricken areas. "Shopping that Connects Hearts" was carried out over two months from October to November 2020, and many executives and employees participated.

In addition, the Company, AEON Credit Service Co., Ltd. and AEON Bank, Ltd. have been registered as registered activities, and in March 2020, we acquired iso22301 certification, an international standard for business continuity management systems (BCMS), for the first time as a financial group that includes banks.

ISO22301 is an international standard for business continuity management systems (BCMS) that formulates measures to minimize the impact of these risks on business in case various risks such as natural disasters such as earthquakes, floods, typhoons, system troubles, pandemics, and fires become reality.

Our overseas subsidiaries, mainly listed companies in Hong Kong, Thailand, and Malaysia, continued to engage in social contribution activities in the Asian region where we operate, such as scholarship support for students studying in Asian countries, donations to medical institutions such as hospitals, and donations of medical devices.

In environmental conservation initiatives, group companies are promoting paperless and reducing CO2 emissions by using tablet terminals when explaining products at stores and applying for financial services, introducing digital signage in storefront announcements, and using online statement services.

We will continue to meet the expectations of our stakeholders and aim to achieve both sustainable social development and business growth.

4) Future Outlook

The Company have positioned the transformation period of our medium-term management plan (FY2021-FY2025) as our "second founding" and will proceed with reforms aimed at dramatic group growth under the policy of "innovation of the value chain and creation of networks".

In fiscal 2021, the first year of the 2021 fiscal year, we will begin investing and developing infrastructure for the AEON Group's common identity. Utilizing the Group's common ID, we will work to combine financial and living services that propose settlement, financing, insurance, asset formation services, etc. to AEON Group employees in Japan and overseas, as well as customers who use AEON Group stores for daily shopping. At the same time, we will strongly promote cashless payments such as touchless payments and e-money, which are rapidly spreading due to coronal disasters.

In addition to group credit life insurance provided by AEON Allianz Life Insurance Co., Ltd., which became a subsidiary in the fiscal year ended May 31, 2019, we will respond to customers' needs for illness, prevention, and health promotion through the development of health promotion insurance

apps. The AEON Group will demonstrate its strengths in sales channels, products, data, etc., and work together to realize cross-sell that provides new value to customers.

In Global, we will work on digital financial inclusion and expand customer IDs through the development of apps to complete everything from applications to execution of credit cards, payments, loans, etc. with smartphones, and through the advancement of credit and debt management. In addition, we will promote partnerships and collaborations with business partners inside and outside the AEON Group.

In the next stage of organizational reform, the Company will introduce a division system to make quick business decisions, and the Corporate Division will also work to improve the efficiency of overlapping functions and improve profitability.

(Millions of yen)		
Consolidated Earnings Forecasts	FY2021	FY2020 (Actual results)
Operating revenue	490,000～520,000	487,309
Operating profit	41,000～46,000	40,651
Ordinary profit	41,000～46,000	40,238
Profit attributable to owners of parent	19,000～21,000	17,693

With regard to covid-19, vaccinations have started in each country, and align economic activity is expected to pick up, it is still difficult to determine the inoculation and its effects on the entire nation, and the mutant strains are still in an unrecoverable situation.

In addition to the close relationship in handling volume to the infection situation in each country, the Company's business is in a situation where it is difficult to narrow down the scenarios that will be the premise of the next earnings forecast, as provision for bad debts and debt collection will be affected by the provision of benefits by governments.

For this reason, consolidated earnings forecasts for the fiscal year ending February 28, 2022 are disclosed in a range format.

We will promptly announce revisions to our earnings forecasts as soon as we are possible to make more reasonable estimates of our future prospects.

(2) Analysis of Financial Condition

1) Consolidated Assets, Liabilities and Net Assets

(Asset)

Total assets at the end of the current consolidated fiscal year increased by ¥342,350 million from the end of the previous consolidated fiscal year to ¥6,123,721 million. This was due to an increase of

¥323,593 million in loans in the banking industry due to an increase in mortgage transactions, an increase of ¥71,794 million in securities in the banking industry, and a decrease of ¥77,656 million in operating loans due to stagnation in economic activity due to the effects of covid-19 infection.

(Liabilities)

Total liabilities increased by ¥326,758 million from the end of the previous consolidated fiscal year to ¥5,649,053 million. This was due to an increase of ¥228,425 million in deposits due to the strengthening of the acquisition of savings accounts, and the addition of AEON Allianz Life Insurance Co., Ltd. as a newly consolidated target from the first quarter consolidated fiscal period, the company recorded insurance policy reserves.

(Net assets)

Total net assets increased by ¥15,592 million from the end of the previous consolidated fiscal year to ¥474,667 million. This was due to a decrease of ¥10,790 million in retained earnings due to dividend payments, while net income attributable to owners of the parent increased by ¥17,693 million.

2) Consolidated Cash Flows

<Cash flow for the current consolidated fiscal year>

	(Millions of yen)	
	FY2019	FY2020
Cash flow from operating activities	352,217	62,282
Cash flow from investing activities	△177,438	△94,557
Cash flow from financing activities	△89,040	△14,354
Effects of exchange rate change on cash and cash equivalents	△259	△40
Net increase (decrease) in cash and cash equivalents	85,478	△46,669
Cash and cash equivalents at beginning of period	627,929	713,407
Cash and cash equivalents at end of period	713,407	666,738

Cash flow from operating activities decreased by ¥289,935 million to ¥62,282 million due to an increase in loans in the banking industry due to an increase in the handling of mortgages and reimbursement of commercial papers.

Cash flow from investment activities increased by ¥82,881 million compared to the previous consolidated fiscal year, resulting in expenditures of ¥94,557 million, due to an increase in income from the sale and redemption of securities.

As for cash flow from financial activities, income increased by ¥74,686 million to ¥14,354 million from the previous consolidated fiscal year, as the Company had redeemed subordinated special bonds and convertible bonds with stock acquisition rights.

As a result, cash and cash equivalents decreased by ¥46,669 million to ¥666,738 million.

3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Year

The Company regards returning profits to shareholders as an important management measure, and its basic policy is to enhance corporate competitiveness by appropriately allocating profits to shareholders and securing retained funds to realize business expansion and productivity improvement.

< Dividends for the current fiscal year and the next fiscal year >

Due to a higher-than-expected net income attributable to owners of the parent for the fiscal year ended February 31, 2021, the year-end dividend of surplus for the fiscal year ended February 31, 2021 is scheduled to be 23 yen per share. As a result, the annual dividend for the current fiscal year, together with the second quarter end dividend of 11 yen, will be 34 yen.

We celebrated our 40th anniversary in 1981. In order to respond to long-term support from shareholders, the dividend forecast for surplus for the fiscal year ending February 31, 2022 is scheduled to be 40 yen per share, including ordinary dividends of 12 yen at the end of the second quarter and 24 yen at the end of the fiscal year based on the above policy, and 2 yen at the end of the second quarter and 2 yen at the end of the fiscal year as a commemorative dividend.

(Yen)

Dividend per share	Year ending Feb. 28, 2021	Year ending Feb. 28, 2022 (Forecast)
End-second quarter	11	14
Fiscal year-end	23	26
Annual total	34	40

2. Status of Corporate Groups

1) The Group consists of the Company, 32 consolidated subsidiaries, and one equity method affiliate, and consists of AEON Co., Ltd., the parent company of the Company, as a core group company, and mainly provides financial services such as comprehensive credit purchase mediation, individual credit mediation, financing, banking, and business agency services (debt management and collection) in each region. Each company develops business activities that are directly linked to customers.

2) The Group's business outline is as follows.

Segment		Business	Main subsidiaries
Domestic	Retail	Banking and insurance business, mainly for	AEON Bank, Ltd. AEON Insurance Service Co., Ltd. AEON SS Insurance Co., Ltd. AEON Allianz Life Insurance Co., Ltd.

		individual customers	
	Solution	Business that provides the Group's financial services using databases, mainly for merchants	AEON Credit Service Co., Ltd. AEON Product Finance Co., Ltd. AEON Housing Loan Service Co., Ltd. ACS Credit Management Co., Ltd. ACS Leasing Co., Ltd.
Global	China Area	Business that provides financial services to individual customers and merchants in each Area according to their needs	AEON CREDIT SERVICE (ASIA) CO., LTD.*1 AEON INSURANCE BROKERS (HK) LIMITED AEON INFORMATION SERVICE (SHENZHEN) CO., LTD. AEON MICRO FINANCE (SHENYANG) CO., LTD. AEON MICRO FINANCE (TIANJIN) CO., LTD. AEON MICRO FINANCE (SHENZHEN) CO., LTD. AEON CREDIT CARD (TAIWAN) CO., LTD.
	Mekong Area		AEON THANA SINSAP (THAILAND) PCL.*2 AEON INSURANCE SERVICE (THAILAND) CO., LTD. ACS SERVICING (THAILAND) CO., LTD. ACS TRADING VIETNAM CO., LTD. AEON SPECIALIZED BANK (CAMBODIA) PLC. AEON MICROFINANCE (MYANMAR) CO., LTD. AEON LEASING Service (LAO) COMPANY LIMITED
	Malay Area		AEON CREDIT SERVICE (M) BERHAD*3 PT. AEON CREDIT SERVICE INDONESIA AEON CREDIT SERVICE (PHILIPPINES) INC. AEON CREDIT SERVICE INDIA PRIVATE LIMITED

(*1) AEON CREDIT SERVICE (ASIA) CO., LTD. is listed on the Hong Kong Stock Exchange. (Securities Code: 900)

(*2) AEON THANA SINSAP (THAILAND) PCL. is listed on the Thai Stock Exchange. (Securities Code AEONTS)

(*3) AEON CREDIT SERVICE (M) BERHAD is listed on the Malaysian Stock Exchange. (Securities Code: 5139)

(*4) The following companies do not belong to the reporting segment and are included in the adjustments.

AEON Financial Services Co., Ltd.

AFS Corporation Co., Ltd.

AEON FINANCIAL SERVICE (HONG KONG) CO., LTD.

ACS CAPITAL CORPORATION LTD.

AEON CREDIT SERVICE SYSTEMS (PHILIPPINES) INC.

Note: On March 31, 2020, the Company made Allianz Life Insurance Co., Ltd. (changed its trade name to AEON Allianz Life Insurance Co., Ltd. as of May 1, 2020) a subsidiary.

3. Management Policy

1) Basic Policy of Management of the Company

As a lifestyle support company that makes use of the future and trust of the customers, the Company has established the basic policies as "customer first", "providing financial services that are closely attuned to customers' lifestyle", "responding to the trust and expectations of the society", and "establishing an internal culture full of vitality" as its basic management policy, and the eternal (AEON) mission is to make unlimited contributions to the customers through financial services. As a comprehensive financial group that combines retail and financial industries, we aim to become a financial services company which is the closest to customers in Japan and Asia by providing safe, secure, convenient, and profitable financial services.

2) Target Management Indicators

Under the medium-term management plan < FY2021-FY2025> formulated by the Group, the Company will strive to recover and improve its business performance at an early time from the effects of covid-19 infection and strive to achieve the following management indicator targets.

Management Indicators	Target figures (fiscal year ended February 31, 2026)
Operating revenue	¥760 billion
Operating profit	¥100 billion
Operating profit ratio (Domestic: Global)	Domestic : 40%, Global : 60%

3) Medium- to long-term management strategy and issues to be addressed

Although the environment surrounding the Group has been affected by the global spread of covid-19, business in each country in which it is deploying is gradually showing signs of recovery, but the outlook remains uncertain. The lifestyles and behaviors of customers who have undergone major changes due to the corona disaster are becoming entrenched, and they are required to respond

quickly to changes in customer needs, such as further digital transformation (DX), demand for non-contact and non-face-to-face services, and increasing health awareness and the importance of local areas.

Under these circumstances, in order to revamp the business portfolio and management structure of the entire Group, we formulated a medium-term management plan <FY2021-FY2025> and established the basic policy as "Second Founding: Innovation in the Value Chain and Creation of Networks." The AEON Group will make full use of the data and know-how accumulated through retail and touchpoints at real stores in Japan and overseas, where the AEON Group has an overwhelming advantage, and will build a platform that balances digital and real, and realizes the providing services that are "safe, secure, convenient, and available anytime, anywhere." Through this initiative, we will maximize the corporate value of the entire AEON Group by demonstrating synergies through collaboration with AEON Group companies and external partners.

In addition, the rapidly growing Asian countries are expected to continue to grow despite being affected by covid-19 infection. In this environment, the Group will promote investment in growth areas following Thailand, Malaysia, and Hong Kong, which have already achieved certain business results, and further expand its business by reviewing its business portfolio based on diversifying customer needs in each country and area.

<Main initiatives in Domestic business>

1) Creating infrastructure for the construction of AEON Living Area

One of the growth strategies of the AEON Group is to create AEON Living Areas and enrich the lives of customers by seamlessly providing products, services, and living infrastructure rooted in the local community by combining the comprehensive capabilities of each Group company.

The AEON Group plays a role in creating infrastructure that connects the AEON Living Area with financial services. As part of these efforts, we will work not only on the AEON Group but also on providing payment methods that can be used to "safely, securely, conveniently and at a great price, anytime, anywhere," and work on "Group-based cashless promotion", which positions our payment services such as AEON cards as the main payment method.

Furthermore, we will establish a system to provide personalized services to each customer in a timely manner, both digitally and realistically, by analyzing the service usage information accumulated through these initiatives and utilizing the sales base of each Group company. As a result, we will achieve a dramatic increase in the volume of transactions and the number of card holders and will expand cross-selling to each of the Group's businesses, including insurance businesses such as health-promotion insurance.

2) Taking the needs of local customers' living infrastructure

By supporting local governments with local currencies and regional gift certificate issuance projects,

or responding to life-related needs such as health and telecommunications, which are essential for daily life, we will provide a wide range of service use opportunities in the AEON Living Area to local customers and realize a rich lifestyle where they can receive services "anytime, anywhere, safely, safely, conveniently and at a great price."

3) Increase risk and cost control capabilities

In addition to enhancing credit and receivables management through scoring using AI, we will also work to expand the customer base that provides financial services.

In addition, we will review the touchpoints of both real and digital related to financial services and provide services flexibly according to customer needs, such as one-stop service, online customer service, and unmanned stores. In addition, we will review the headquarters functions that support the implementation of priority measures in this medium-term management plan, allocate optimal resources throughout the Group, and improve the accuracy of our risk and cost control capabilities.

< Main initiatives in Global business >

1) Implementing digital financial inclusion in each country

Since digital financial inclusion is one of the important measures for governments in Asian countries where the Group is developing, we will realize the early offering of products through apps and digital products, as well as digitize existing services. In addition, we will work to build living areas with AEON Group companies and leading partners in Asian countries as well as in Japan.

2) Expansion of business, products offered, and expansion areas

In regions where the number of high-income people such as Thailand and Malaysia, which are leading the way among the developing countries, we will actively expand our business portfolio by diversifying customer needs, insurance in response to sophistication, expanding asset-building products, and diversifying our business through alliances with leading partners.

In addition, in new growth areas such as Vietnam, we will combine our business expansion know-how to expand services that enrich the lives of our customers.

3) Area strategy planning that responds to the differences in needs between cities and regions

We will identify customer needs, demographics, and the effects of novel coronavirus infections that differ between cities and industries depending on each country and area and provide optimal services according to area characteristics in an optimal manner.

Common issues in promoting both domestic and international businesses include the establishment of governance systems related to IT and systems, the development of human resources such as management personnel and IT personnel, and the establishment of business models to increase sustainability. By working to expand our business while solving these issues, we will further enhance the effectiveness of our medium-term management plan.

4. Basic Approach to the Selection of Accounting Standards

AFS Group applies Japanese standards.

With regard to the application of international accounting standards, the Company plans to respond appropriately, taking into account various situations in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	762,891	705,739
Call loans	53,773	30,841
Accounts receivable - installment	1,543,135	1,521,149
Lease receivables and investments in leases	12,782	12,284
Operating loans	860,572	782,916
Loans and bills discounted for banking business	1,674,786	1,998,379
Securities for banking business	447,229	519,023
Securities for insurance business	—	70,261
Monetary claims bought	14,823	30,800
Money held in trust	50,308	92,567
Other	177,875	184,176
Allowance for doubtful accounts	△114,308	△133,331
Total current assets	5,483,871	5,814,809
Non-current assets		
Property, plant and equipment		
Buildings, net	11,984	9,752
Tools, furniture and fixtures, net	32,963	29,029
Construction in progress	151	232
Other, net	203	137
Total property, plant and equipment	45,302	39,152
Intangible assets		
Goodwill	18,378	16,784
Software	85,417	100,249
Other	5,138	4,738
Total intangible assets	108,934	121,773
Investments and other assets		
Investment securities	13,067	12,424
Deferred tax assets	39,141	44,289
Guarantee deposits	55,974	56,115
Other	34,299	34,376
Total investments and other assets	142,483	147,205
Total non-current assets	296,720	308,130
Deferred assets		
Bond issuance costs	779	780
Total deferred assets	779	780
Total assets	5,781,370	6,123,721

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Accounts payable – trade	260,810	270,015
Deposits for banking business	3,790,240	4,018,666
Short-term borrowings	139,386	216,468
Current portion of long-term borrowings	106,651	62,159
Current portion of bonds payable	45,253	23,012
Commercial papers	160,151	85,000
Provision for bonuses	3,685	3,511
Provision for point card certificates	20,713	20,685
Other provisions	198	197
Other	166,526	189,143
Total current liabilities	4,693,618	4,888,859
Non-current liabilities		
Reserve for insurance policy liabilities	—	86,639
Bonds payable	252,853	282,721
Long-term borrowings	316,005	337,026
Retirement benefit liability	4,381	4,707
Provision for loss on interest repayment	4,965	5,706
Other provisions	455	530
Deferred tax liabilities	3,626	1,518
Other	46,389	41,344
Total non-current liabilities	628,676	760,194
Total liabilities	5,322,295	5,649,053
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	120,360	120,145
Retained earnings	230,508	237,385
Treasury shares	△534	△460
Total shareholders' equity	396,032	402,768
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,912	3,283
Deferred gains or losses on hedges	△4,468	△3,902
Foreign currency translation adjustment	△467	△334
Remeasurements of defined benefit plans	△591	△352
Total accumulated other comprehensive income	△2,614	△1,306
Share acquisition rights	82	43
Non-controlling interests	65,575	73,162
Total net assets	459,075	474,667
Total liabilities and net assets	5,781,370	6,123,721

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Operating revenue		
Revenue from credit card business	125,700	128,701
Revenue from installment sales finance business	41,914	42,573
Financing revenue	149,815	136,913
Recoveries of written off receivables	9,604	9,450
Financial revenue		
Interest on loans and discounts from banking business	19,013	22,405
Interest and dividends on securities from banking business	4,617	4,650
Interest on call loans	974	276
Interest income	585	671
Other financial revenue	4,896	4,938
Total financial revenue	30,088	32,941
Insurance revenue		
Reversal of policy reserve	—	40,667
Other insurance revenue	—	10,997
Total Insurance revenue	—	51,665
Fees and commissions	59,565	60,384
Other	40,591	24,679
Total operating revenue	457,280	487,309
Operating expenses		
Financial expenses		
Interest expenses	18,686	18,437
Interest on deposits from banking business	3,209	2,321
Other financial expenses	2,576	2,271
Total financial expenses	24,473	23,030
Insurance expenses		
Insurance claims and other	—	50,331
Other insurance expenses	—	72
Total Insurance expenses	—	50,404
Fees and commissions payments	9,004	11,161
Selling, general and administrative expenses	354,977	358,689
Other	3,753	3,372
Total operating expenses	392,209	446,657
Operating profit	65,070	40,651
Non-operating income		
Dividend income	206	246
Gain on investments in investment partnerships	187	272
Foreign exchange gains	197	—
Other	152	232
Total non-operating income	742	751
Non-operating expenses		
Loss on valuation of investment securities	2	670
Foreign exchange losses	—	399
Miscellaneous loss	13	94
Total non-operating expenses	15	1,164
Ordinary profit	65,797	40,238
Extraordinary income		
Gain on sales of non-current assets	13	8
Subsidies for employment adjustment	—	360
Total extraordinary income	13	368

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Extraordinary losses		
Loss on disposal of non-current assets	682	709
Impairment loss	303	144
Loss on liquidation of subsidiaries	96	—
Infectious Disease Related Cost	—	436
Other	197	12
Total extraordinary losses	1,279	1,302
Profit before income taxes	64,530	39,305
Income taxes - current	22,677	21,316
Income taxes - deferred	△3,141	△8,120
Total income taxes	19,535	13,196
Profit	44,994	26,108
Profit attributable to non-controlling interests	10,844	8,415
Profit attributable to owners of parent	34,149	17,693

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Profit	44,994	26,108
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,953	243
Deferred gains or losses on hedges	△4,838	1,078
Foreign currency translation adjustment	△3,234	105
Remeasurements of defined benefit plans, net of tax	89	238
Total other comprehensive income	△10,936	1,666
Comprehensive income	34,058	27,775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,268	19,001
Comprehensive income attributable to non-controlling interests	6,790	8,773

(3) Consolidated Statement of Changes in Equity

Year ended February 29, 2020 (April 1, 2019 – February 29, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	45,698	120,213	235,413	△24,948	376,376
Changes during period					
Conversion of moving strike convertible bonds				0	0
Dividends of surplus			△14,673		△14,673
Profit attributable to owners of parent			34,149		34,149
Purchase of treasury shares				△0	△0
Disposal of treasury shares			△18	59	41
Cancellation of treasury shares			△24,354	24,354	—
Change in ownership interest of parent due to transactions with non-controlling interests		146			146
Change in scope of consolidation			△9		△9
Net changes in items other than shareholders' equity					
Total changes during period	—	146	△4,905	24,414	19,655
Balance at end of period	45,698	120,360	230,508	△534	396,032

	Accumulated other comprehensive income					Share acquisitio n rights	Non- controll ing interest s	Total net assets
	Valuatio n differen ce on availabl e-for- sale securiti es	Deferred gains or losses on hedges	Foreign currency translat ion adjustme nt	Remeasur ements of defined benefit plans	Total accumula ted other comprehe nsive income			
Balance at beginning of period	5,150	△1,675	1,472	△679	4,267	103	67,957	448,705
Changes during period								
Conversion of moving strike convertible bonds								0
Dividends of surplus								△14,673
Profit attributable to owners of parent								34,149
Purchase of treasury shares								△0
Disposal of treasury shares								41
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests							△146	—
Change in scope of consolidation								△9
Net changes in items other than shareholders' equity	△2,237	△2,792	△1,939	88	△6,881	△21	△2,234	△9,138
Total changes during period	△2,237	△2,792	△1,939	88	△6,881	△21	△2,381	10,370
Balance at end of period	2,912	△4,468	△467	△591	△2,614	82	65,575	459,075

Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	45,698	120,360	230,508	△534	396,032
Changes during period					
Conversion of moving strike convertible bonds					—
Dividends of surplus			△10,790		△10,790
Profit attributable to owners of parent			17,693		17,693
Purchase of treasury shares				△0	△0
Disposal of treasury shares			△26	74	47
Cancellation of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests		△214			△214
Change in scope of consolidation					—
Net changes in items other than shareholders' equity					
Total changes during period	—	△214	6,876	74	6,736
Balance at end of period	45,698	120,145	237,385	△460	402,768

	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	2,912	△4,468	△467	△591	△2,614	82	65,575	459,075
Changes during period								
Conversion of moving strike convertible bonds								—
Dividends of surplus								△10,790
Profit attributable to owners of parent								17,693
Purchase of treasury shares								△0
Disposal of treasury shares								47
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests							214	—
Change in scope of consolidation								—
Net changes in items other than shareholders' equity	371	566	132	238	1,308	△38	7,371	8,641
Total changes during period	371	566	132	238	1,308	△38	7,586	15,592
Balance at end of period	3,283	△3,902	△334	△352	△1,306	43	73,162	474,667

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Cash flows from operating activities		
Profit before income taxes	64,530	39,305
Depreciation	25,756	29,579
Amortization of goodwill	1,682	1,871
Share of loss (profit) of entities accounted for using equity method	△31	△43
Increase (decrease) in allowance for loan losses	12,791	18,496
Increase (decrease) in provision for bonuses	△304	△255
Increase (decrease) in retirement benefit liability	134	249
Increase (decrease) in provision for point card certificates	3,169	△28
Increase (decrease) in provision for loss on interest repayment	788	741
Increase (decrease) in other provision	249	102
Financial revenue	△30,088	△32,941
Financial expenses	24,473	23,030
Dividend income	△206	△246
Loss (gain) on disposal of non-current assets	669	700
Loss (gain) on liquidation of subsidiaries	96	—
Decrease (increase) in operating loans receivable	△18,534	79,179
Decrease (increase) in cash loans and bills discounted for banking business	△89,796	△323,593
Decrease (increase) in accounts receivable - installment	△99,040	21,641
Net decrease (increase) in lease receivables and investments in leases	△1,357	497
Net increase (decrease) in deposits	321,106	228,425
Increase (decrease) in trade payables	△24,769	9,218
Net increase (decrease) in borrowed money	23,253	59,745
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	△31,458	10,961
Net decrease (increase) in due from banks (over 3 months)	△1,678	△275
Net decrease (increase) in call loans	△24,784	6,954
Net increase (decrease) in commercial papers	57,952	△74,823
Increase (decrease) in straight bonds - issuance and redemption	195,270	6,353
Increase (decrease) in reserve for insurance policy liabilities	—	△40,667
Proceeds from sales and leasebacks	621	498
Interest received	29,070	33,392
Interest paid	△25,292	△23,719
Other, net	△34,506	6,447
Subtotal	379,763	80,800
Interest and dividends received	206	246
Income taxes paid	△29,605	△21,889
Income taxes refund	1,853	3,125
Net cash provided by operating activities	352,217	62,282

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Cash flows from investing activities		
Purchase of securities	△495,665	△589,889
Proceeds from sales of securities	128,891	189,861
Proceeds from redemption of securities	248,980	368,592
Increase in money held in trust	△30,899	△44,044
Decrease in money held in trust	2,997	7,223
Purchase of property, plant and equipment	△5,516	△4,908
Proceeds from sales of property, plant and equipment	24	8
Purchase of intangible assets	△26,251	△30,996
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	9,595
Net cash provided by (used in) investing activities	△177,438	△94,557
Cash flows from financing activities		
Redemption of convertible bond-type bonds with subscription rights to shares	△29,945	—
Redemption of subordinated bonds	△40,000	—
Dividends paid	△14,673	△10,790
Repayments to non-controlling shareholders	—	△25
Dividends paid to non-controlling interests	△4,422	△3,536
Purchase of treasury shares	△0	△0
Proceeds from disposal of treasury shares	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	△2
Net cash provided by (used in) financing activities	△89,040	△14,354
Effect of exchange rate change on cash and cash equivalents	△259	△40
Net increase (decrease) in cash and cash equivalents	85,478	△46,669
Cash and cash equivalents at beginning of period	627,929	713,407
Cash and cash equivalents at end of period	713,407	666,738

6. Non-consolidated financial statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	8,397	2,876
Advances paid	1,618	129
Prepaid expenses	536	544
Accounts receivable - other	6,969	8,059
Accrued income	36	164
Short-term loans receivable	199,700	276,050
Income taxes receivable	1,811	1,678
Consumption taxes receivable	106	—
Other	0	—
Total current assets	219,175	289,503
Non-current assets		
Property, plant and equipment		
Buildings	540	539
Accumulated depreciation	△216	△254
Buildings, net	323	285
Tools, furniture and fixtures	705	583
Accumulated depreciation	△521	△454
Tools, furniture and fixtures, net	184	128
Total property, plant and equipment	508	413
Intangible assets		
Software	1,704	1,621
Total intangible assets	1,704	1,621
Investments and other assets		
Investment securities	51,115	54,884
Shares of subsidiaries and associates	324,597	325,924
Long-term loans receivable from subsidiaries and associates	437	424
Long-term prepaid expenses	67	92
Deferred tax assets	11,744	11,162
Guarantee deposits	951	927
Total investments and other assets	388,915	393,417
Total non-current assets	391,127	395,453
Deferred assets		
Bond issuance costs	753	762
Total deferred assets	753	762
Total assets	611,056	685,719

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Short-term borrowings	70,637	138,590
Commercial papers	76,000	45,000
Current portion of bonds payable	20,000	10,000
Current portion of long-term borrowings	—	300
Accounts payable - other	3,377	3,776
Accrued expenses	452	399
Income taxes payable	56	169
Accrued consumption taxes	—	340
Unearned revenue	168	223
Deposits received	1,330	1,474
Provision for bonuses	35	107
Provision For Directors Remuneration Based On Performance	35	44
Other	11	10
Total current liabilities	172,105	200,435
Non-current liabilities		
Bonds payable	200,000	240,000
Long-term borrowings	21,300	28,224
Other	1,077	1,196
Total non-current liabilities	222,377	269,421
Total liabilities	394,483	469,856
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus		
Legal capital surplus	121,506	121,506
Total capital surpluses	121,506	121,506
Retained earnings		
Legal retained earnings	3,687	3,687
Other retained earnings		
General reserve	35,995	35,995
Retained earnings brought forward	8,514	6,227
Total retained earnings	48,197	45,909
Treasury shares	△534	△460
Total shareholders' equity	214,867	212,654
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,623	3,163
Total valuation and translation adjustments	1,623	3,163
Share acquisition rights	82	43
Total net assets	216,573	215,862
Total liabilities and net assets	611,056	685,719

(2) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Operating revenue		
Dividends from subsidiaries and associates	12,997	11,990
Commissions from subsidiaries and associates	10,402	9,857
Other	—	404
Total operating revenue	23,400	22,252
Operating expenses		
Selling, general and administrative expenses	9,901	8,823
Total operating expenses	9,901	8,823
Operating profit	13,499	13,429
Non-operating income		
Interest and dividend income	727	1,296
Foreign exchange gains	—	22
Other	52	96
Total non-operating income	780	1,415
Non-operating expenses		
Interest expenses	1,172	1,356
Commitment fee	3	10
Foreign exchange losses	15	—
Loss on valuation of investment securities	2	670
Amortization of bond issuance costs	241	229
Other	18	199
Total non-operating expenses	1,453	2,466
Ordinary profit	12,825	12,378
Extraordinary income		
Gain on liquidation of subsidiaries	71	—
Other	—	0
Total extraordinary income	71	0
Extraordinary losses		
Loss on disposal of non-current assets	21	63
Loss on valuation of shares of subsidiaries and associates	—	3,321
Other	—	17
Total extraordinary losses	21	3,402
Profit before income taxes	12,876	8,977
Income taxes - current	429	536
Income taxes - deferred	63	△88
Total income taxes	493	448
Profit	12,382	8,529

(3) Consolidated Statement of Changes in Equity

Year ended February 29, 2001 (April 1, 2019 – February 29, 2020)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	45,698	121,506	121,506	3,687	63,995	7,177	74,860
Changes during period							
Conversion of moving strike convertible bonds							
Dividends of surplus						△14,673	△14,673
Profit						12,382	12,382
Reversal of general reserve					△28,000	28,000	—
Purchase of treasury shares							
Disposal of treasury shares						△18	△18
Cancellation of treasury shares						△24,354	△24,354
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	△28,000	1,336	△26,663
Balance at end of period	45,698	121,506	121,506	3,687	35,995	8,514	48,197

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	△24,948	217,116	2,683	2,683	103	219,903
Changes during period						
Conversion of moving strike convertible bonds	0	0				0
Dividends of surplus		△14,673				△14,673
Profit		12,382				12,382
Reversal of general reserve		—				—
Purchase of treasury shares	△0	△0				△0
Disposal of treasury shares	59	41				41
Cancellation of treasury shares	24,354	—				—
Net changes in items other than shareholders' equity			△1,060	△1,060	△21	△1,081
Total changes during period	24,414	△2,248	△1,060	△1,060	△21	△3,330
Balance at end of period	△534	214,867	1,623	1,623	82	216,573

Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	45,698	121,506	121,506	3,687	35,995	8,514	48,197
Changes during period							
Conversion of moving strike convertible bonds							
Dividends of surplus						△10,790	△10,790
Profit						8,529	8,529
Reversal of general reserve							
Purchase of treasury shares							
Disposal of treasury shares						△26	△26
Cancellation of treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	△2,287	△2,287
Balance at end of period	45,698	121,506	121,506	3,687	35,995	6,227	45,909

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	△534	214,867	1,623	1,623	82	216,573
Changes during period						
Conversion of moving strike convertible bonds		—				—
Dividends of surplus		△10,790				△10,790
Profit		8,529				8,529
Reversal of general reserve		—				—
Purchase of treasury shares	△0	△0				△0
Disposal of treasury shares	74	47				47
Cancellation of treasury shares		—				—
Net changes in items other than shareholders' equity			1,540	1,540	△38	1,502
Total changes during period	74	△2,213	1,540	1,540	△38	△710
Balance at end of period	△460	212,654	3,163	3,163	43	215,862