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Brief Report of Financial Results (Unaudited)

(For the Fiscal 2021 Ended February 28, 2022)

April 7, 2022

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

Stock Listing: Tokyo Stock Exchange, Prime

Code No: 8570

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

President and CEO: Kenji Fujita

Contact: Yuro Kisaka, Director, Managing Executive Officer

1. Business performance (For the Fiscal 2021 ended February 28, 2022 and For the Fiscal 2020 ended February 28, 2021)

(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 2021 ended February 28, 2022	470,657	△3.4	58,852	44.8	59,944	49.0	30,212	70.8
Fiscal 2020 ended February 28, 2021	487,309	-	40,651	-	40,238	-	17,693	-

(Note) Comprehensive income; Fiscal 2021; 47,593million (71.4%), Fiscal 2020; 27,775 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 2021 ended February 28, 2022	139.98	139.97	7.3	1.0	12.5
Fiscal 2020 ended February 28, 2021	81.99	81.97	4.5	0.7	8.3

(Reference) Investment gains and losses on equity method; Fiscal 2021; △26 million, Fiscal 2020; 43 million.

(2) Consolidated Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Fiscal 2021 ended February 28, 2022	6,278,586	509,055	6.8	1,965.47
Fiscal 2020 ended February 28, 2021	6,123,721	474,667	6.6	1,860.08

(Reference) Shareholder's equity; Fiscal 2021; 424,222 million, Fiscal 2020; 401,462 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 2021 ended February 28, 2022	76,287	△33,562	△13,508	697,628
Fiscal 2020 ended February 28, 2021	62,282	△94,557	△14,354	666,738

2. Dividends

	Dividend per share					Total dividends paid	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total			
February	yen	yen	yen	yen	yen	million yen	%	%
2021 term	-	11.00	-	23.00	34.00	7,338	41.5	1.8
February	-	19.00	-	31.00	50.00	10,791	35.7	2.6
2022 term	-	19.00	-	31.00	50.00	10,791	35.7	2.6
February							37.2	
2023 term							to	
(Estimated)	-	20.00	-	30.00	50.00		40.0	

(Note) Breakdown of dividend for end-second quarter of February 2022 term

: Ordinary dividend 17yen, commemorative dividend for our 40th year of business 2yen.

Breakdown of dividend for fiscal year-end of February 2022 term

: Ordinary dividend 29yen, commemorative dividend for our 40th year of business 2 yen.

3. Forecast of Consolidated Earnings (For the fiscal year ending February 28, 2023)

(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	445,000	1.5	55,000 to 60,000	△6.5 to 1.9	55,000 to 60,000	△8.2 to 0.1	27,000 to 29,000	△10.6 to △4.0	125.10 to 134.36

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

In order to apply the accounting standards for revenue recognition (Accounting Standard No. 29, March 31, 2020) from the fiscal year ended February 28, 2023, operating revenue in the consolidated earnings forecasts for the fiscal year ended February 28, 2022, is the amount after the accounting standards are applied. To the rate of increase or decrease on the previous fiscal year compared to the figures after retroactively applying the accounting standards.

※Notes

(1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation) ; No

(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 2021; 216,010,128 shares, Fiscal 2020; 216,010,128 shares

② Number of shares of treasury stock at end of term

Fiscal 2021; 172,749 shares, Fiscal 2020; 179,553 shares

③ Average of the number of shares during the quarter(For the Fiscal 2019 ended February 29, 2020)

Fiscal 2021; 215,833,256 shares, Fiscal 2020; 215,812,956 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 2021 ended February 28, 2022	21,264	△4.4	11,873	△11.6	11,645	△5.9	10,474	22.8
Fiscal 2020 ended February 28, 2021	22,252	-	13,429	-	12,378	-	8,529	-

	Profit attributable to owners of parent per share	Fully Diluted Profit attributable to owners of parent per Share
Fiscal 2021 ended February 28, 2022	48.53	48.52
Fiscal 2020 ended February 28, 2021	39.52	39.51

(2) Financial position

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

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal 2021 ended February 28, 2022	733,686	217,321	29.6	1,006.72
Fiscal 2020 ended February 28, 2021	685,719	215,862	31.5	999.94

(Reference) Shareholder's equity; Fiscal 2021; 217,288 million, Fiscal 2020; 215,818 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.

(Notes on obtaining supplementary explanatory materials for financial results)

The Company provides FACTBOOK on its business and performance on its website.

^{GW}1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

1) Summary of Consolidated Results

The Company has positioned the basic policy of its medium-term management plan (FY2021-FY2025) as the “Second Founding: Innovation of the Value Chain and Creation of Networks” and is proceeding with reforms aimed at growth of the Group. In Japan, in FY2021 that was the first year of the management plan, the Company started investing in and developing infrastructure for the AEON Group’s common ID, and at the same time promoted cashless payments and introduction of new services including insurance products. Overseas, the Company worked on development of a smartphone application so that the customers may complete all the procedures for various services and products on the smartphone, from application to use. The Company also enhanced the credit examination and receivables management to promote digital financial inclusion. In addition, the Company established the “Basic Policy for Sustainability” as guideline for promotion of the Group’s sustainability management. The Group will aim to achieve both “Realization of Sustainable Society” and “Growth of the Group” as corporate group that continually renovates itself under AEON’s Basic Principles of “Pursuing Peace, Respecting Humanity and Contributing to Local Communities, Always the Customer’s Point of View as its Core.”

During the fiscal year under review, in the countries and regions where the Company is operating, the tough economic conditions due to the COVID-19 pandemic started improving gradually in the second half. However, the sense of uncertainty about economic recovery was raised again with the spread of the omicron strain from around the end of the fiscal year. Under such a situation, the Company, while rigorously implementing infection protection measures throughout the Group, worked on programs for achieving medium- to long-term growths, such as enhancement of online services, establishment of the AEON ecosystem (market place) around AEON’s common point system, and commencement of code payments and life insurance underwriting business in Japan. The Company also implemented sales promotion measures in response to changes in consumption trends of the customers and flexible credit limit system based on analysis of potential demand and repayment status of the customers to increase use of various services. Particularly, in Japan, the amount of credit card purchase transactions hit a record high, exceeding the pre-covid-19 level. However, due mainly to slow recovery in the amount of outstanding receivables from cash advances and instalment finance, consolidated operating revenue decreased 3.4%, year-on-year, to ¥470,657 million. In the meantime, thanks to sophistication of credit examination that the Company continued from the previous year and enhancement of the debt collection system, bad debt costs decreased substantially. Thanks also to efforts to curtail SG&A expenses by means of digitalization, consolidated operating profit rose 44.8%, year-on-year, to ¥58,852 million and ordinary profit 49.0% to ¥59,944 million. Profit attributable to owners of the parent was ¥30,212 million, up 70.8% from a year earlier.

Consolidated operating results for the fiscal year under review were as follows.

(Millions of Yen)

	Fiscal 2020 Ended February 28, 2021	Fiscal 2021 Ended February 28, 2022	Change	Percentage Change
Operating Revenue	487,309	470,657	△16,652	△3.4%
Operating Profit	40,651	58,852	18,201	44.8%
Ordinary Profit	40,238	59,944	19,705	49.0%
Profit Attributable to Owners of Parent	17,693	30,212	12,519	70.8%

Consolidated operating results by segment for the fiscal year under review were as follows.

(Millions of Yen)

		Operating Revenue			Operating Profit		
		Fiscal 2020 Ended February 28, 2021	Fiscal 2021 Ended February 28, 2022	Percentage Change	Fiscal 2020 Ended February 28, 2021	Fiscal 2021 Ended February 28, 2022	Percentage Change
Domestic	Retail	230,251	213,578	△7.2%	4,648	8,090	74.0%
	Solution	182,718	178,847	△2.1%	16,615	17,836	7.3%
Global	China Area	15,567	15,743	1.1%	4,545	5,530	21.7%
	Mekong Area	73,883	72,416	△2.0%	10,706	15,298	42.9%
	Malay Area	47,680	49,980	4.8%	4,178	12,977	210.6%
Total		550,101	530,566	△3.6%	40,693	59,732	46.8%
Adjustment		△62,792	△59,908	—	△42	△879	—
Consolidated		487,309	470,657	△3.4%	40,651	58,852	44.8%

2) Business Segment Information

[Domestic Retail Business]

In the domestic retail business, the Company, in addition to implementation of thorough infection prevention measures at offices of AEON Bank, Ltd., developed a system so that the customers can consult with office staff as well as with specialized staff using the “online consultation service” that is accessible from PCs at home, smartphones or dedicated booths.

In the housing loan business, the Company is promoting a program whereby the customer can complete the housing loan agreement all the way at home, by means of application on the webpage, consultation on the phone, and postal services. Also, the Company continued appealing plans that offer attractive interest rates and that come with awards for shopping at AEON Group stores. Thanks to these efforts, the Company was able to increase both the transaction amount and outstanding loans. The outstanding housing loans of AEON Bank, Ltd. rose to ¥2,532,311 million, up by ¥254,864 million from the beginning of the fiscal year.

In the asset management services, sale of “Rimawari-no-Tatsujin (Person of Wisdom for Yield),” a commingled money trust fund that invests in housing loans, etc. with high credit ratings and offers yields higher than those of yen deposits, continued good. Also, the Company expanded the product lineup, as witnessed by commencement of sale of investment trusts at the offices that invest in ESG stocks or that invest in sectors involved in the next-generation telecommunications, which are highly expected to grow in the future.

Also, the Company started “instant issuing of AEON Wallet (Virtual Select),” which is issuance of AEON Card Select (AEON card integrated with cash card function) on the smartphone. Thanks to an increase in the number of the card members, the number of deposit accounts of the Bank increased by 360,000 from the beginning of the fiscal year to 7,860,000, and the balance of the deposit accounts rose by ¥159,996 million to ¥4,180,785 million, showing steady growth.

As for the cash advance service, the voluntary restraint of social activities due to the covid-19 pandemic limited the customer needs for such services, and outstanding amount of trade receivables at the end of the fiscal year was ¥397,394 million, down by ¥31,410 million from the beginning of the fiscal year.

AEON Allianz Life Insurance Co., Ltd. offered group credit life insurance services to users of installment finance, borrowers of housing loans and borrowers of loans for studio apartment, provided by AEON Group companies. In addition, in November 2021, the company started selling “Genki Passport (Passport to Health),” a health enhancement-type permanent medical insurance product, to meet the customer needs in relation to presymptomatic diseases, disease prevention and health enhancement. The “Passport” is available at offices of AEON Bank and AEON Insurance Service as well as at non-group banks and insurance agencies. “Wellness Palette,” a smartphone application that comes with the “Passport,” provides the “Wellness Coin” for health-enhancing activities, which can be exchanged to health-related products and vouchers for use at the AEON Group companies, etc. Taking advantage of the AEON Group’s strengths such as sales channels, products and data, the Company will continue cross-sell programs that offer new values to the customers.

While interest income on loans, centering on revenues from credit card purchase transactions and housing loans, increased, revenues from insurance and cash advance services decreased. As a result, operating revenue of the domestic retail business decreased 7.2%, year-on-year, to ¥213,578 million. Operating profit was 8,090 million (up 74.0% year-on-year), thanks to decreases in insurance expenses, bad debt costs and interest payments on deposits.

[Domestic Solution Business]

The domestic solution business was affected by the voluntary restraint of social activities following the declarations of the state of emergency and implementation of pre-emergency measures. On the

other hand, the Company was able to win new members solidly due to online promotion of card membership and enhancing appealing improved usability of the AEON card following changes in the point system, and the number of valid card members in Japan exceeded 30 million (30,090,000 at the end of the fiscal year, up 640,000 from the beginning of the fiscal year). The number of valid cards that are equipped with the contactless payment function was 13,880,000 (up 2,240,000 from the beginning of the fiscal year). Furthermore, the Company added AEON Pay (code payment system) to iAEON, an AEON Group comprehensive application on the smartphone, in September 2021, and started WAON (an electronic money) service on Apple Pay in October 2021. Furthermore, AEON Credit Service Co., Ltd. entered into a business alliance agreement with Wealth Navi Co., Ltd., and is planning to offer, in the first half of 2022, a regular discretionary investment service where the investment money is paid with the AEON card.

In and after October 2021 when the state of emergency was lifted, uses started to recover gradually, at shopping malls and department stores, for automobile-related payments (gas, tolls payable at the ETC gate, etc.) and for public transportation-related payments. Also, the Company implemented large-scale sales promotions in cooperation with AEON Group companies, including events to promote use of AEON Pay and to award additional points to coincide with the black Friday sale. Thanks to these circumstances and efforts, revenues from credit card purchase transactions hit a monthly record high in December. Although consumption demand declined somewhat in January and February due to the impact of the omicron strain, transaction volume for the fiscal year hit a record high of ¥5,967,451 million, up 5.1% from a year earlier, exceeding the pre-covid-19 level.

In the installment finance business, the Company strived to acquire new stores and to increase the average amount per use, including various promotions implemented by AEON Product Finance Co., Ltd. such as a campaign for new stores and an incentive campaign for reward according to transaction results. However, due to delay in delivery of new cars owing to insufficient supply of semiconductors, insufficient number of used cars in the market and voluntary restraint on door-to-door sale of housing reforms owing to the covid-19 pandemic, revenues of the installment finance business decreased 13.8%, year-on-year, to ¥188,239 million.

AEON Product Finance Co., Ltd., in collaboration with housing-related companies and automobile dealers, is seeking to contribute to realization of decarbonated society through financial services, and, in cooperation with AEON Bank, started providing loans that package new and reformed net zero energy houses and electric vehicles, among others. Also in November 2021, it concluded a strategic partnership agreement with Sojitz Cooperation, one of the major general trading companies in Japan, and as the first of the programs, started providing automobile loans to AEON card members for purchase of used cars on the automobile trading platform “Culumo” developed and run by Sojitz.

As a result, operating revenue of the domestic solution business amounted to ¥178,847 million, down 2.1% year-on-year, because revenue from credit card purchase transactions and installment finance transactions remained at approximately the same level as in the previous fiscal year and revenue from loans such as cash advance transactions decreased from a year earlier. On the other hand, operating profit was ¥17,836 million, up 7.3% year-on-year, thanks to decreases in bad debt costs, reduction in mailing and printing expenses following full conversion of credit card statements into online versions for major partner cards from November 2020, and curtailment of advertisement expenses.

[Global China Area]

In China Area, AEON Credit Service (Asia) Co., Ltd. (hereinafter ACSA), a local subsidiary in Hong Kong, saw an increase in credit card purchase transactions to ¥99,939 million (up 23.3% year-on-year), exceeding the pre-covid-19 level both in terms of the local currency and in terms of yen, by taking various promotional measures for use of services in quick response to changing lifestyle of customers, including promotion of use on line and campaign for use at restaurants when demand away from home started to recover. In cash advances and personal loans, ACSA followed the PDCA cycle in the three points: credit policy; salability; and promotional measures; to increase high-quality trade

receivables. As a result, the amount of cash advances was ¥18,950 million, up 28.0% year-on-year, and that of loans ¥14,134 million, up 76.8%, both exceeding the pre-covid-19 level both in terms of the local currency and in terms of yen. As at the end of September 2021, the outstanding amount of trade receivables recovered to the level at the beginning of the fiscal year.

In order to develop and expand the sales network, ACSA opened the Mong Kok branch in August 2021 and the Yau Tong branch in March 2022, both inside newly opened AEON stores. ACSA will continue changing the office form from street-level offices to lightweight offices inside a commercial building to cater for consultation needs with focus on loans.

In mainland China, AEON Micro Finance (Shenzhen) Co., Ltd. posted net income for the first time since it started operations. In order to expand the business in the South China Area again, AEON Information Service (Shenzhen) Co., Ltd., a subsidiary managing call center operations in the area, was made a wholly-owned subsidiary of ACSA for the purpose of consolidating back-office operations and business resources. The company will strive to establish a seamless and responsive system covering provision of services to customers all the way to follow-ups, and to enhance internal control.

As a result, operating revenue in China Area rose 1.1% year-on-year to ¥15,743 million. Operating profit was ¥5,530 million, up 21.7% year-on-year, thanks mainly to stable management of receivables with sharp decreases in bad debt costs.

[Global Mekong Area]

In Mekong Area, the consumption environment is recovering in Thailand, the key country for the Group's operations in the area, as the government lifted in phases the strict restrictions on activities in the second quarter under the government policy of placing priority on resuming economic activities. The amount of credit card purchase transactions in the area was ¥114,492 million, up 1.5% year-on-year, thanks to implementation of sales promotion projects in collaboration with partner e-commerce operators and food delivery companies. Particularly the amount in the fourth quarter increased 10.9% from a year earlier, showing the recovery trend. In personal loans, the Group increased the limit for quality customers with relatively high income and good repayment records, and started providing loans with new schemes aimed at those that would be rejected in the traditional credit examination. As a result, the amount of personal loans increased 10.1%, year-on-year, to ¥73,529 million. Particularly, the amount in the fourth quarter jumped 15.0% from a year earlier.

However, due to the reduction in the cap interest rate imposed by the Thai government, which became effective in August 2020, and decrease in the average outstanding amount of cash advances and personal loans, operating revenue in Mekong Area was down 2.0%, year-on-year, to ¥72,416 million. In the meantime, thanks to decreased bad debt costs due to sophistication of credit examination and enhancement of the debt collection system, reduced interest expenses and curtailment of sales promotion expenses, operating profit rose 42.9% from a year earlier to ¥15,298 million.

Aeon Thana Sinsap (Thailand) PLC., a local subsidiary in Thailand, started a new credit examination system whereby the deposit book and utilities statements of the applicant are used for determination of the credit risk with full utilization of digital technologies. With this method, the company started providing loans to customers whose creditability used to be difficult to measure in the traditional credit examination method.

Further, the company is responding to the customer needs in relation to health awareness and risk avoidance. It started, for instance, issuing "AEON Wellness Platinum Card" that comes with special treatment privileges at health-related facilities such as fitness gyms and spas. The company also had the insurance agency business transferred from a local subsidiary insurance agency to establish a common customer base so that it can offer an insurance product suitable for a customer based on various information on the customer.

[Global Malay Area]

In the Malay Area, the situation remained tough in the first half of the fiscal year in Malaysia, the key country for the Group's operations in the area, including implementation of lockdown measures. However, since September, the consumption environment started recovering with easing of restrictions on various activities in all areas of the country, and all the economic activities have been resumed including trips to other states and domestic tours. AEON Credit Service (M) Berhad (hereinafter ACSM), a local subsidiary in Malaysia, worked to enhance its organization for non-face-to-face channels at its branches and member stores, such as implementation of an online application system for installment finance and personal loans. In addition, ACSM promoted use of the credit card on line. Furthermore, ACSM implemented campaigns for use of credit cards for drinking, eating and traveling in expectation of consumption rebound after easing of the restrictions on various activities. As a result, the amount of credit card purchase transactions in Malay Area rose 4.2% from a year earlier to ¥39,288 million for the full fiscal year and 13.5% for the fourth quarter, showing the recovery trend.

The motorcycle loans, of which ACSM has a market share of about 30%, were affected by motorcycle supply shortages due to restrictions on various activities and flooding, and ACSM implemented various measures, including programs in collaboration with automobile manufacturers and sales drives for large motorcycles, in preparation for winning touring demands that are expected to increase after easing of the restrictions on various activities. As a result, the amount of installment finance transactions in Malay Area rose 8.9%, year-on-year, to ¥64,161 million. The amount of personal loans rose 85.2%, year-on-year, to ¥28,051 million, thanks to implementation of cashback campaigns, etc. for capturing the demand for funds once the restrictions on various activities are eased, while continuing to apply the strict credit examination criteria in consideration of the impact of the covid-19 pandemic on regions and sectors.

In addition, ACSM is planning to tie up with the association of small businesses that has as member about 1.8 million owners of businesses such as markets and restaurants. ACSM aims to expand its customer base by issuing partnership electronic money on the membership card of the association. Furthermore, ACSM will work to support business of the small business owners and promote use of cashless payments by transferring sales proceeds of cashless payments to the electronic money account of the owners and letting business owners buy products via AEON at AEON's purchase prices. ACSM has already filed application for the digital banking license, and once approved, it will build the service infrastructure with fintech companies as partner to provide more comprehensive lines of financial services to a wider range of customers including unbanked people.

Operating revenue in Malay Area was ¥49,980 million, up 4.8%, year-on-year, thanks to recovery in revenues from credit card purchase transactions, installment finance transactions and personal loans. Operating profit was ¥12,977 million, up 210.6%, thanks to reduction in bad debts costs due to sophistication of credit examination and enhancement of the debt collection system that have continuously been improving the quality of trade receivables.

3) Sustainability Activities

The Group is well aware that sustainable development of the society is a precondition for the Group's business growth and is committed to environment preservation and social contribution. In order for the Group's businesses to be recognized as one of the essential social infrastructures both in Japan and overseas, the Group aims to achieve increases in both economic and social values by promoting sustainable management.

In promoting the sustainability management, the CSR Committee was reorganized during the consolidated fiscal year under review and renamed as the Sustainability Committee. The Committee also had the positioning, functions and roles revised so that sustainability activities are integrated with the management strategy.

In order to embody these efforts, in November 2021, the Group carried out analysis of both what agendas are important for the stakeholders and what agendas are for the Group, and identified important social issues (materialities) that may affect the Group's operations in the medium- to long-term. The Group also established the "AFS Sustainability Policy" as guideline for actions in practicing the sustainability management, thereby promoting solutions of materialities through business operations. In particular, the Group has: "Pursuing Happiness through Innovative Financial Services;" "Exerting Diversity and the Potential of Our People;" "Establishing Organizational Resilience;" and "Addressing Climate Change;" as key issues in management, and the Group companies will proactively integrate these issues in their business strategies. Particularly, with regard to "Addressing Climate Change," the Group is promoting measures so that the Group can, in accordance to the AEON Group's Decarbonization Vision, achieve net zero carbon dioxide emissions at offices by around 2040. Also, in November 2021, the Group expressed its support of the Task Force on Climate-related Financial Disclosures (TCFD), a framework for disclosure on information about the "risks and opportunities" for achieving the zero-carbon society, and is enhancing programs and information disclosure in accordance to the framework, identifying the amount of green-house gas emissions and analyzing climate change scenarios.

Furthermore, the Group has been working on financial education for high-school, university and vocational-school students as part of activities that are in line with global targets such as the sustainable development goals (SDGs), contributing to realization of the sustainable society.

With regard to support for reconstruction after the Great East Japan Earthquake, the Group has deepened exchanges with local people through volunteer activities in the area. During the consolidated fiscal year under review, as part of activities of the "Project to Connect AEON Hearts," the Group implemented two sessions of "Shopping that Connects Hearts," a support activity of buying local products of disaster-struck areas in Tohoku that can be purchased on line, from March 2021 to May 2021 and from October 2021 to January 2022 for a total of five months, and many executives and employees of the Group participated in the activity.

Overseas, the listed subsidiaries in Hong Kong, Thailand and Malaysia, as well as others, have been working on the social contribution activities on an ongoing basis. ATS, the subsidiary in Thailand, provided support for the medical care provision system of the country by supplying oxygen therapy equipment and personal protective equipment to hospitals and healthcare professionals. ACSM, the subsidiary in Malaysia, also donated foods, drinking water and other relief supplies to hospitals.

The Group believes that, in order to always pursue satisfaction of customers and to ensure continuous business growth, it is important that each and every one of the employees is "healthy both mentally and physically, and is full of vitality," and is promoting health management across the Group. During the consolidated fiscal year under review, AEON Credit Service Co., Ltd., a subsidiary of the Company, was certified in the "Certification System of Corporations Excellent in Health Management" (a certification system that the Ministry of Economy, Industry and Trade and Nippon Kenko Kaigi (Japan Health Conference) started in 2016) as "White 500" of Corporations

Excellent in Health Management 2022. Eight other Group companies were also certified as “Corporations Excellent in Health Management 2022.”

Certification of Group Companies for Corporations Excellent in Health Management 2022

Certified for Four Straight Years	AEON Credit Service Co., Ltd. (White 500) AEON Financial Service Co., Ltd.; AEON Housing Loan Service Co. Ltd.; AEON Insurance Service Co., Ltd.; ACS Credit Management Co., Ltd.; ACS Leasing Co., Ltd.
Certified for Three Straight Years	AEON Bank, Ltd.; AEON S. S. Insurance Co., Ltd.
Certified for First Time	AEON Allianz Life Insurance Co., Ltd.

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

4) Future Outlook

The Company has positioned the transformation period of the medium-term management plan (FY2021-FY2025) as the "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 2022, the Company will focus on ESG agendas, including digital transformation, health & wellness and financial inclusion, paving the way for the next growth stage. Domestically, the Group as a whole will promote cashless payments and enhance convenience, building on the "iAEON" application, which is the touchpoint for the customers with the AEON Group, and the Group's common point system "WAON." Overseas, the Company will work on digital financial inclusion, including development of a smartphone application that allows the customer to complete all the procedures for credit cards and loans on the smartphone, from filing application for to using the services, and sophistication of credit examination and receivables management to increase the number of member customers. The Company will also promote partnership and collaboration with business partners both within and without the AEON Group.

(Millions of Yen)		
Consolidated Financial Results	FY2022	FY2021 (Actual results)
Operating revenue	445,000	470,657
Operating profit	55,000~60,000	58,852
Ordinary profit	55,000~60,000	59,944
Profit attributable to owners of parent	27,000~29,000	30,212

Concerning the outlook of consolidated business results for FY2022, the impact of the covid-19 pandemic is getting controlled as the vaccination is spreading widely and policies for restarting economic activities are indicated at many countries. On the other hand, the foreign exchange rates and interest rates are moving wildly at present, with a rising sense of uncertainty for the future.

Under these circumstances, for operating revenue, the Company assumes that, in Japan, there will be impacts of expiration of existing insurance agreements at AEON Allianz Life Insurance, and those of delayed recovery of outstanding receivables from credit card purchase transactions and cash advances. The Company expects that operating revenue will remain at around the same level as that for FY2021 adjusted for the change in the revenue recognition standard applicable from FY2022.

Forecasts for other items are disclosed in a ranged format because, in addition to planned active sales promotion expenditures for increasing the number of members and expanding the outstanding amount of trade receivables, the Company has various factors such as foreign exchange rates and interest rates that are uncertain and may have major impact on the Company's business performance.

The Company will promptly announce revisions to the earnings forecasts as soon as it is possible to make more reasonable estimates of the future prospects.

(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 retaining funds for business expansion and productivity improvement.

[Dividends for the current and next fiscal year]

As profit attributable to owners of the parent exceeded the original estimate, the year-end dividend of surplus will be 31 yen per share, up by 8 yen from a year ago, in consideration of the policy above. The annual dividend, including 19 yen per share already paid at the end of the second quarter, will be 50 yen per share, including a dividend of 4 yen per share to celebrate the 40th anniversary of the Company.

	Dividend per Share		
Base Date	End of 2 nd Quarter	Year-end	Total
Most Recent Dividend Forecast (Announced on Oct. 6, 2021)	-	26 yen	45 yen
Revised	-	31 yen	50 yen
Actual Dividend Paid	19 yen	-	-
Actual Dividend Paid (Fiscal Year Ended Feb. 28, 2021)	11 yen	23 yen	34 yen

* Per-share dividend for FY2021 includes 2 yen per share paid at the end of the second quarter and 2 yen per share to be paid at the end of the fiscal year for an annual total of 4 yen per share as commemorative dividend.

For FY2022 ending Feb. 28, 2023, the annual dividend is planned to be 50 yen per share, with the commemorative dividend of 4 yen per share for FY2021 converted to regular dividend, subject to actual performance of the Company,

	Dividend per Share FY2021 Ended Feb. 28, 2022	Dividend per Share FY2022 Ending Feb. 28, 2023 (Planned)
Dividend at End of 2 nd Quarter	19 yen	20 yen
Year-end Dividend	31 yen	30 yen
Annual Dividend	50 yen	50 yen

3. Management Policy

(1) Basic Policy of Management of the Company

As a company that “supports customers’ lifestyles and enables each individual to maximize future opportunities through effective use of credit,” the Company has established the basic policies: “Customer First;” “Providing 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;” and is committed to the mission of truly contributing to the customers’ lives through financial services. As a comprehensive financial group that combines retail and financial industries, the Company aims at becoming a financial services company that is the closest to customers in Japan and in Asia by providing safe, secure, convenient, and value for money financial services.

(2) Target Management Indicators

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

Management Indicators	Target Figures (Fiscal Year Ending February 28, 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

The covid-19 pandemic is spreading and receding alternately around the world, but some countries and areas are gradually shifting the policy towards coexistence with the virus, and the economy is likely to recover gradually. However, the outlook for the future is still unclear, impacted by various international affairs. Furthermore, the market conditions are changing violently, such as rising interest rates, depreciating yen, and soaring prices of raw materials and energies. The lifestyle and behavior of the customers in the face of pandemic is now firmly established, and the needs for non-face-to-face services are growing further. At the same time, anxiety about the future is one of the factors to make people review their financial assets.

Under these circumstances, the Company is at a major turning point. During the previous fiscal year, the Company formulated the medium-term business plan <FY2021-FY2025> that incorporates the “Second Founding: Innovation of the Value Chain and Creation of Networks.” The Company started a plurality of new operations in Malaysia, Thailand, etc., and will bring these new businesses into full-scale operation in the near future. During the current fiscal year, the Company will focus on digital transformation, health and wellness and ESG, paving the way for the next growth stage. At the same time, the Group as a whole will promote cashless payments and enhance convenience, building on the “iAEON” application, which is the touchpoint of the customers with the AEON Group, and consolidation of the Group’s point system into “WAON.”

Pursuant to the “Basic Policy for Sustainability,” the Company classifies the materialities into the four categories: “Pursuing Happiness through Innovative Financial Services;” “Exerting Diversity and the Potential of our People;” “Establishing Organizational Resilience;” and “Addressing Climate Change.” By working on these issues, the Company aims at solving social issues through business operations.

By these measures, the Company will further enhance the realizability of the medium-term business plan.

[Main Initiatives in Domestic Business]

1) Building Infrastructure for Construction of AEON Ecosystem

One of the growth strategies of the AEON Group is building the AEON ecosystem by providing products and services that are rooted in the region as well as life infrastructure seamlessly to the customers, taking advantage of the comprehensive strengths of the Group companies, and enriches the life of the customers.

The Group is responsible for establishing the infrastructure for connecting the “AEON Ecosystem” with financial services, enhancing the usability of the payment methods that closely relate to the customer life. The Group will promote cashless payments, making the “AEON Pay” on “iAEON” and consolidated and more usable WAON point system accepted at stores both within and without the Group gradually.

In addition, the Company plans to propose and sell asset building products such as wellness-enhancing insurance products and investment trusts to customers that use the payment system in their daily life, thereby maintaining medium- to long-term relationship with the customers.

2) Capturing Needs of Regional Societies and Customers for Infrastructure for Life

The Company will provide services rooted in the life of regional customers. The Company will expand the areas where the Company provides support to local governments with issuance of local electronic currencies, implementation of regional point systems, and issuance of regional shopping vouchers, including regional health and wellness point systems and environmental point systems.

3) Increase Risk and Cost Control Capabilities

The Company will continue working on sophistication of credit and receivables management through scoring with AI, also promote non-face-to-face sales, such as enhancement of the contact center, and review services so that the Company can provide real and digital touchpoints seamlessly for the customers to use in accordance to their individual needs.

[Main Initiatives in Global Business]

1) Implementing Digital Financial Inclusion in Each Country

Digital financial inclusion is positioned as one of the key policies of governments in countries in Asia. In Malaysia, the Group has already applied for license for digital bank, and is currently preparing for commencement of operations. From now on, the Group will introduce most advanced technologies such as AI analysis to develop products and services so that the customers can use the services of the Group on an ongoing basis when their income changes or their financial needs change with the development of their life stage. In Thailand, by introducing new credit examination method through data analysis, the Group will start full operations of digital lending that makes it possible to provide small-amount loans to small business owners, thereby winning new customers.

2) Expanding Businesses, Products Offered and Areas with Operations

In regions where the Group started operations early such as in Thailand and in Malaysia, the number of high-income earners is increasing, and the Group will seek to proactively expand the business portfolio by providing insurance and asset-building products, which meet the customer needs that are getting more diverse and more sophisticated, and by diversifying the business portfolio through alliance with influential partners.

In Indonesia, Cambodia, Vietnam, etc. that are newly becoming a growth area, the Group will enhance such measures as integration of the Group point systems, and will expand the range of products on offer to win new customer segments.

3) Establishing Strategies by Area to Meet Differences in Needs between Cities and Rural Areas

The Group will identify customer needs and demographics that differ from country to country and from area to area, and the effects of the covid-19 pandemic that differ from city to city and from industry to industry, to provide optimal services according to regional characteristics in an optimal manner.

4. Basic Approach to the Selection of Accounting Standards

This Brief Report of Financial Results of AFS Group is prepared in accordance to the generally accepted accounting standards in Japan.

With regard to application of the international accounting standards, the Company will take appropriate actions in consideration of the circumstances both in Japan and overseas.

Attachments

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	705,739	738,782
Call loans	30,841	8,864
Accounts receivable - installment	1,521,149	1,566,284
Lease receivables and investments in leases	12,284	12,585
Operating loans	782,916	772,604
Loans and bills discounted for banking business	1,998,379	2,110,010
Securities for banking business	519,023	536,221
Securities for insurance business	70,261	49,397
Monetary claims bought	30,800	27,028
Money held in trust	92,567	111,015
Other	184,176	170,924
Allowance for doubtful accounts	△133,331	△124,549
Total current assets	5,814,809	5,979,170
Non-current assets		
Property, plant and equipment		
Buildings, net	9,752	8,648
Tools, furniture and fixtures, net	29,029	25,331
Construction in progress	232	109
Other, net	137	230
Total property, plant and equipment	39,152	34,320
Intangible assets		
Goodwill	16,784	14,924
Software	100,249	107,732
Other	4,738	4,344
Total intangible assets	121,773	127,001
Investments and other assets		
Investment securities	12,424	12,989
Deferred tax assets	44,289	39,021
Guarantee deposits	56,115	50,438
Other	34,376	34,928
Total investments and other assets	147,205	137,377
Total non-current assets	308,130	298,699
Deferred assets		
Bond issuance costs	780	716
Total deferred assets	780	716
Total assets	6,123,721	6,278,586

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	270,015	225,236
Deposits for banking business	4,018,666	4,178,544
Short-term borrowings	216,468	204,074
Current portion of long-term borrowings	62,159	90,214
Current portion of bonds payable	23,012	63,410
Commercial papers	85,000	85,000
Provision for bonuses	3,511	4,086

Provision for point card certificates	20,685	7,129
Other provisions	197	200
Other	189,143	194,349
Total current liabilities	4,888,859	5,052,244
Non-current liabilities		
Reserve for insurance policy liabilities	86,639	64,367
Bonds payable	282,721	277,250
Long-term borrowings	337,026	335,933
Retirement benefit liability	4,707	2,271
Provision for loss on interest repayment	5,706	6,476
Other provisions	530	460
Deferred tax liabilities	1,518	1,273
Other	41,344	29,252
Total non-current liabilities	760,194	717,286
Total liabilities	5,649,053	5,769,530
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	120,145	119,990
Retained earnings	237,385	258,525
Treasury shares	△460	△442
Total shareholders' equity	402,768	423,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,283	△2,549
Deferred gains or losses on hedges	△3,902	△1,628
Foreign currency translation adjustment	△334	4,852
Remeasurements of defined benefit plans	△352	△222
Total accumulated other comprehensive income	△1,306	450
Share acquisition rights	43	33
Non-controlling interests	73,162	84,799
Total net assets	474,667	509,055
Total liabilities and net assets	6,123,721	6,278,586

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Operating revenue		
Revenue from credit card business	128,701	131,779
Revenue from installment sales finance business	42,573	42,662
Financing revenue	136,913	128,421
Recoveries of written off receivables	9,450	11,920
Financial revenue		
Interest on loans and discounts from banking business	22,405	22,878
Interest and dividends on securities from banking business	4,650	4,866
Interest on call loans	276	29
Interest income	671	773
Other financial revenue	4,938	5,135
Total financial revenue	32,941	33,684
Insurance revenue		
Reversal of policy reserve	40,667	22,271
Other insurance revenue	10,997	6,918
Total Insurance revenue	51,665	29,189
Fees and commissions	60,384	60,991
Other	24,679	32,007
Total operating revenue	487,309	470,657
Operating expenses		
Financial expenses		
Interest expenses	18,437	16,596
Interest on deposits from banking business	2,321	1,864
Other financial expenses	2,271	2,972
Total financial expenses	23,030	21,433
Insurance expenses		
Insurance claims and other	50,331	28,045
Other insurance expenses	72	146
Total Insurance expenses	50,404	28,192
Fees and commissions payments	11,161	11,462
Selling, general and administrative expenses	358,689	347,766
Other	3,372	2,949
Total operating expenses	446,657	411,804
Operating profit	40,651	58,852
Non-operating income		
Dividend income	246	202
Gain on investments in investment partnerships	272	361
Subsidy income	—	493
Other	232	183
Total non-operating income	751	1,240
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	26
Loss on valuation of investment securities	670	54
Foreign exchange losses	399	46
Loss on sale of receivables	—	10
Miscellaneous losses	94	10
Total non-operating expenses	1,164	149
Ordinary profit	40,238	59,944
Extraordinary income		

Gain on sale of non-current assets	8	21
Gain on sale of investment securities	—	436
Gain on termination of retirement benefit plan	—	239
Subsidies for employment adjustment	360	8
Total extraordinary income	368	705

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Extraordinary losses		
Loss on disposal of non-current assets	709	574
Impairment losses	144	202
Loss on liquidation of subsidiaries	—	53
Infectious Disease Related Cost	436	48
Other	12	25
Total extraordinary losses	1,302	903
Profit before income taxes	39,305	59,745
Income taxes - current	21,316	13,068
Income taxes - deferred	△8,120	5,630
Total income taxes	13,196	18,698
Profit	26,108	41,047
Profit attributable to non-controlling interests	8,415	10,834
Profit attributable to owners of parent	17,693	30,212

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit	26,108	41,047
Other comprehensive income		
Valuation difference on available-for-sale securities	243	△5,757
Deferred gains or losses on hedges	1,078	3,946
Foreign currency translation adjustment	105	8,226
Remeasurements of defined benefit plans, net of tax	238	130
Total other comprehensive income	1,666	6,545
Comprehensive income	27,775	47,593
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,001	31,969
Comprehensive income attributable to non-controlling interests	8,773	15,623

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Additional information)

(Accounting estimates of the impact of the covid-19)

The Group assumes that the impact of the spread of the covid-19 will still take time to converge on the recovery status of repayment receivables, etc. in some countries. Based on this assumption, we anticipate an increase in future credit risk to repayment grace receivables, etc., and are included in the estimate of allowance for doubtful accounts.

Although the amount is the best estimate at this time, the assumptions used for the estimate are high, and if the status of the covid-19 and its impact on the economic environment change, allowance for doubtful accounts may increase or decrease in the consolidated financial statements and quarterly consolidated financial statements from the following consolidated fiscal year onwards.

(Segment information)

1. Reporting segment overview

The Group's reporting segments are subject to periodic examinations by the Board of Directors in order to determine the allocation of management resources and evaluate performance, with separate financial information available among the Group's constituent units.

The Company divides the "Domestic" business into "retail" and "solution" in order to clarify the role of the function by the target customer. The "Global" business is divided into "China Area" (Hong Kong, etc.), "Mekong Area" (Thailand, etc.), and "Malay Area" (Malaysia, etc.) so that the business model can be smoothly developed horizontally by dividing the three listed companies. Accordingly, the Group has five reporting segments: "Retail" and "Solutions" in "Domestic", "China Area", "Mekong Area" and "Malay Area" in "Global".

"Retail" is a banking and insurance business, mainly for individual customers.

"Solution" is a business that provides financial services of the Group using databases, such as processing business and individual installment business, mainly to merchants.

"China Area", "Mekong Area" and "Malay Area" are businesses that provide financial services tailored to needs including credit cards and loans to individual customers and merchants in each region.

2. Method for calculating the amount of operating income, profit or loss, assets, and other items by reporting segment

The accounting method for the reported business segments is the same as the accounting method introduced to prepare consolidated financial statements. Earnings in the reporting segment are based on operating profit. Internal operating revenues and transfer volumes between segments are based on actual market prices.

3. Segment Information

For the fiscal 2020 ended February 28, 2021

(Millions of yen)

	Segment					Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Domestic		Global					
	Retail	Solution	China Area	Mekong Area	Malay Area			
Operating revenue								
Operating revenue from external customer	226,946	123,569	15,563	73,826	47,680	487,586	△276	487,309
The internal operating revenue between segments	3,305	59,149	3	57	—	62,515	△62,515	—
Total	230,251	182,718	15,567	73,883	47,680	550,101	△62,792	487,309
Segment profit/ loss	4,648	16,615	4,545	10,706	4,178	40,693	△42	40,651
Segment assets	4,682,930	947,026	71,261	310,371	279,741	6,291,331	△167,609	6,123,721
Other								
Depreciation	7,184	14,966	1,128	3,677	2,216	29,174	405	29,579
Amortization of goodwill	1,443	428	—	—	—	1,871	—	1,871
Financial expenses	3,410	1,148	543	7,254	9,911	22,269	760	23,030
Provision of allowance for loan losses	2,612	24,645	1,165	26,272	16,786	71,482	△76	71,406
Increase in property, plant and equipment and intangible assets	7,492	26,472	1,093	1,930	1,847	38,836	671	39,507

(Remarks)

1. Instead of sales of general companies, operating revenues are listed.

2. Adjustments details are as follows.

(1) The adjustment of △276 million yen to Operating revenue from external customer represents corporate operating revenue that are not allocated to each reportable segment.

(2) The adjustment of △42 million yen to Segment Profit mainly represents the corporate operating revenue that are not allocated to each reportable segment and intersegment elimination.

(3) The adjustment of △167,609 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

3. Segment profit/ loss is adjusted to operating profit of consolidated statement of income.

For the fiscal 2021 ended February 28, 2022

(Millions of yen)

	Segment					Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Domestic		Global					
	Retail	Solution	China Area	Mekong Area	Malay Area			
Operating revenue								
Operating revenue from external customer	210,031	122,908	15,743	72,372	49,980	471,036	△378	470,657
The internal operating revenue between segments	3,546	55,939	0	43	—	59,530	△59,530	—
Total	213,578	178,847	15,743	72,416	49,980	530,566	△59,908	470,657
Segment profit/ loss	8,090	17,836	5,530	15,298	12,977	59,732	△879	58,852
Segment assets	4,818,287	935,681	76,591	321,275	290,395	6,442,231	△163,645	6,278,586
Other								
Depreciation	6,796	16,036	1,251	3,819	2,331	30,235	325	30,561
Amortization of goodwill	1,457	415	—	—	1	1,873	—	1,873
Financial expenses	3,714	1,296	429	6,030	9,519	20,991	442	21,433
Provision of allowance for loan losses	1,001	16,843	143	23,194	9,032	50,215	32	50,248
Increase in property, plant and equipment and intangible assets	6,137	22,701	782	2,814	2,199	34,636	324	34,961

(Remarks)

1. Instead of sales of general companies, operating revenues are listed.

2. Adjustments details are as follows.

(1) The adjustment of △378 million yen to Operating revenue from external customer represents corporate operating revenue that are not allocated to each reportable segment.

(2) The adjustment of △879 million yen to Segment Profit mainly represents the corporate operating revenue that are not allocated to each reportable segment and intersegment elimination.

(3) The adjustment of △163,645 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

3. Segment profit/ loss is adjusted to operating profit of consolidated statement of income.

(3) Consolidated Statement of Changes in Equity

Year ended February 28, 2021 (March 1, 2020 to 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					
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
Change in ownership interest of parent due to transactions with non-controlling interests		△214			△214
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								
Dividends of surplus								△10,790
Profit attributable to owners of parent								17,693
Purchase of treasury shares								△0
Disposal of treasury shares								47
Change in ownership interest of parent due to transactions with non-controlling interests							214	—
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

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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from operating activities		
Profit before income taxes	39,305	59,745
Depreciation	29,579	30,561
Amortization of goodwill	1,871	1,873
Share of loss (profit) of entities accounted for using equity method	△43	26
Increase (decrease) in allowance for doubtful accounts	18,496	△10,602
Increase (decrease) in provision for bonuses	△255	484
Increase (decrease) in retirement benefit liability	249	△1,959
Increase (decrease) in provision for point card certificates	△28	△13,556
Increase (decrease) in provision for loss on interest repayment	741	769
Increase (decrease) in other provisions	102	△77
Financial revenue	△32,941	△33,684
Financial expenses	23,030	21,433
Dividend income	△246	△202
Loss (gain) on disposal of non-current assets	700	552
Loss (gain) on liquidation of subsidiaries	—	53
Decrease (increase) in operating loans receivable	79,179	18,031
Decrease (increase) in cash loans and bills discounted for banking business	△323,593	△111,630
Decrease (increase) in accounts receivable - installment	21,641	△30,412
Net decrease (increase) in lease receivables and investments in leases	497	△300
Net increase (decrease) in deposits	228,425	159,878
Increase (decrease) in trade payables	9,218	△44,964
Net increase (decrease) in borrowed money	59,745	△8,626
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	10,961	△599
Net decrease (increase) in due from banks (over 3 months)	△275	△710
Net decrease (increase) in call loans	6,954	25,749
Increase (decrease) in commercial papers	△74,823	—
Increase (decrease) in straight bonds - issuance and redemption	6,353	33,071
Increase (decrease) in reserve for insurance policy liabilities	△40,667	△22,271
Proceeds from sales and leasebacks	498	929
Interest received	33,392	33,988
Interest paid	△23,719	△21,711
Other, net	6,447	9,226
Subtotal	80,800	95,068
Interest and dividends received	246	202
Income taxes paid	△21,889	△21,519
Income taxes refund	3,125	2,535
Net cash provided by (used in) operating activities	62,282	76,287

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from investing activities		
Purchase of securities	△589,889	△518,990
Proceeds from sale of securities	189,861	248,186
Proceeds from redemption of securities	368,592	283,851
Increase in money held in trust	△44,044	△28,450
Decrease in money held in trust	7,223	10,823
Purchase of property, plant and equipment	△4,908	△4,101
Proceeds from sale of property, plant and equipment	8	76
Purchase of intangible assets	△30,996	△24,961
Proceeds from sale of intangible assets	—	3
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	9,595	—
Net cash provided by (used in) investing activities	△94,557	△33,562
Cash flows from financing activities		
Dividends paid	△10,790	△9,064
Repayments to non-controlling shareholders	△25	—
Dividends paid to non-controlling interests	△3,536	△4,443
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	△2	—
Net cash provided by (used in) financing activities	△14,354	△13,508
Effect of exchange rate change on cash and cash equivalents	△40	1,674
Net increase (decrease) in cash and cash equivalents	△46,669	30,890
Cash and cash equivalents at beginning of period	713,407	666,738
Cash and cash equivalents at end of period	666,738	697,628

Non-consolidated financial statements
(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	2,876	2,212
Advances paid	129	131
Prepaid expenses	544	519
Accounts receivable - other	8,059	6,898
Accrued income	164	161
Short-term loans receivable	276,050	326,430
Current portion of long-term loans receivable from subsidiaries and associates	—	92
Income taxes receivable	1,678	1,285
Consumption taxes receivable	—	27
Total current assets	289,503	337,760
Non-current assets		
Property, plant and equipment		
Buildings	539	510
Accumulated depreciation	△254	△291
Buildings, net	285	218
Tools, furniture and fixtures	583	566
Accumulated depreciation	△454	△486
Tools, furniture and fixtures, net	128	80
Total property, plant and equipment	413	299
Intangible assets		
Software	1,621	1,573
Total intangible assets	1,621	1,573
Investments and other assets		
Investment securities	52,265	51,891
Shares of subsidiaries and associates	325,924	325,910
Bonds of subsidiaries and associates	2,619	2,753
Long-term loans receivable from subsidiaries and associates	424	369
Long-term prepaid expenses	92	89
Deferred tax assets	11,162	11,133
Guarantee deposits	927	1,199
Total investments and other assets	393,417	393,347
Total non-current assets	395,453	395,220
Deferred assets		
Bond issuance costs	762	705
Total deferred assets	762	705
Total assets	685,719	733,686

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Short-term borrowings	138,590	130,080
Commercial papers	45,000	45,000
Current portion of bonds payable	10,000	50,000
Current portion of long-term borrowings	300	9,000
Current portion of long-term borrowings from subsidiaries and associates	—	462

Accounts payable - other	3,776	3,228
Accrued expenses	399	378
Income taxes payable	169	132
Accrued consumption taxes	340	—
Unearned revenue	223	215
Deposits received	1,474	591
Provision for bonuses	107	153
Provision For Directors Remuneration Based On Performance	44	39
Other	10	13
Total current liabilities	200,435	239,294
Non-current liabilities		
Bonds payable	240,000	240,000
Long-term borrowings	27,800	35,900
Long-term borrowings from subsidiaries and associates	424	—
Other	1,196	1,170
Total non-current liabilities	269,421	277,070
Total liabilities	469,856	516,365
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus		
Legal capital surplus	121,506	121,506
Total capital surplus	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	6,227	7,628
Total retained earnings	45,909	47,311
Treasury shares	△460	△442
Total shareholders' equity	212,654	214,074
Valuation and translation adjustments		
Valuation difference on available-for- sale securities	3,163	3,214
Total valuation and translation adjustments	3,163	3,214
Share acquisition rights	43	33
Total net assets	215,862	217,321
Total liabilities and net assets	685,719	733,686

(2) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Operating revenue		
Dividends from subsidiaries and associates	11,990	11,340
Commissions from subsidiaries and associates	9,857	9,433
Other	404	489
Total operating revenue	22,252	21,264
Operating expenses		
Selling, general and administrative expenses	8,823	9,390
Total operating expenses	8,823	9,390
Operating profit	13,429	11,873
Non-operating income		
Interest and dividend income	1,296	1,376
Foreign exchange gains	22	130
Other	96	84
Total non-operating income	1,415	1,591
Non-operating expenses		
Interest expenses	1,356	1,296
Commitment fees	10	10
Loss on valuation of investment securities	670	54
Amortization of bond issuance costs	229	294
Other	199	163
Total non-operating expenses	2,466	1,820
Ordinary profit	12,378	11,645
Extraordinary income		
Gain on sale of investment securities	—	436
Gain on sale of shares of subsidiaries	—	230
Other	0	63
Total extraordinary income	0	731
Extraordinary losses		
Loss on disposal of non-current assets	63	67
Loss on valuation of shares of subsidiaries and associates	3,321	1,429
Other	17	0
Total extraordinary losses	3,402	1,496
Profit before income taxes	8,977	10,879
Income taxes - current	536	417
Income taxes - deferred	△88	△11
Total income taxes	448	405
Profit	8,529	10,474

(3) Consolidated Statement of Changes in Equity

Year ended February 28, 2021(March 1, 2020 to 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							
Dividends of surplus						△10,790	△10,790
Profit						8,529	8,529
Purchase of treasury shares							
Disposal of treasury shares						△26	△26
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						
Dividends of surplus		△10,790				△10,790
Profit		8,529				8,529
Purchase of treasury shares	△0	△0				△0
Disposal of treasury shares	74	47				47
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

(3) Consolidated Statement of Changes in Equity

Year ended February 28, 2022(March 1, 2020 to February 28, 2022)

(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	6,227	45,909
Changes during period							
Dividends of surplus						△9,064	△9,064
Profit						10,474	10,474
Purchase of treasury shares							
Disposal of treasury shares						△7	△7
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	1,401	1,401
Balance at end of period	45,698	121,506	121,506	3,687	35,995	7,628	47,311

	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	△460	212,654	3,163	3,163	43	215,862
Changes during period						
Dividends of surplus		△9,064				△9,064
Profit		10,474				10,474
Purchase of treasury shares	△0	△0				△0
Disposal of treasury shares	18	10				10
Net changes in items other than shareholders' equity			50	50	△10	39
Total changes during period	17	1,419	50	50	△10	1,458
Balance at end of period	△442	214,074	3,214	3,214	33	217,321