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Brief Report of Financial Results (Unaudited)

(For the Fiscal 2022 Ended February 28, 2023)

April 11, 2023

Company name **AEON Financial Service Co., Ltd.**

Listings Tokyo Stock Exchange, Prime Market

Security code 8570

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

Representative Kenji Fujita, President and CEO

Contact: Yuro Kisaka, Director, Managing Executive Officer

Date of the ordinary general meeting of shareholders May 24, 2023

Submission date of the annual securities report scheduled May 25, 2023

Starting date of paying year-end dividend May 9, 2023

Preparation of brief summary materials for financial results Yes

Holding of financial results presentation Yes (targeted at institutional investors and analysts)

1. Results for the Fiscal Year Ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(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 2022 ended February 28, 2023	451,767	—	58,859	0.0	61,547	2.7	30,677	1.5
Fiscal 2021 ended February 28, 2022	470,657	△3.4	58,852	44.8	59,944	49.0	30,212	70.8

(Note) Comprehensive income; Fiscal 2022; 46,011million (△3.3%), Fiscal 2021; 47,593million (71.4%)

	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 2022 ended February 28, 2023	142.13	142.12	7.1	1.0	13.0
Fiscal 2021 ended February 28, 2022	139.98	139.97	7.3	1.0	12.5

(Reference) Investment gains and losses on equity method; Fiscal 2022; 19 million, Fiscal 2021; △26 million.

Note: The Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29, March 31, 2020) has been applied from March 1, 2022. Figures for the fiscal year ending February 28, 2023 are based on the application of the relevant accounting standards, etc., so the percentage change in operating revenue compared to the previous fiscal year is not included.

(2) Consolidated Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Fiscal 2022 ended February 28, 2023	6,659,468	541,133	6.5	2,014.29
Fiscal 2021 ended February 28, 2022	6,278,586	509,055	6.8	1,965.47

(Reference) Shareholder's equity; Fiscal 2022; 434,800 million, Fiscal 2021; 424,222 million.

Note: The Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29, March 31, 2020) has been applied from March 1, 2022. Figures for the fiscal year ending February 28, 2023 are those after the application of the relevant accounting standards, etc.

(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 2022 ended February 28, 2023	105,138	11,796	△14,559	804,693
Fiscal 2021 ended February 28, 2022	76,287	△33,562	△13,508	697,628

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			
	yen	yen	yen	yen	yen	million yen	%	%
February 2022 term	-	19.00	-	31.00	50.00	10,791	35.7	2.6
February 2023 term	-	20.00	-	33.00	53.00	11,440	37.3	2.7
February 2024 term (Estimated)	-	25.00	-	28.00	53.00		42.4	

(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 29, 2024)

(Millions of yen, %)

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

	Operating revenue	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributabl e to owners of parent	YoY	Net income per share
Full term	480,000	6.2	61,000	3.6	61,000	△0.9	27,000	△12.0	125.08

(Notes) No disclose earnings forecasts for the cumulative interim period.

※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; Yes

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 2022; 216,010,128 shares, Fiscal 2021; 216,010,128 shares

② Number of shares of treasury stock at end of term

Fiscal 2022; 152,460 shares, Fiscal 2021; 172,749 shares

③ Average of the number of shares during the quarter

Fiscal 2022; 215,845,901 shares Fiscal 2021; 215,833,256 shares

(Reference): Report of Non-Consolidated Financial Results**Business performance (from March 1, 2022 to February 28, 2023)****(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 2022 ended February 28, 2023	17,493	—	9,349	△21.3	9,170	△21.2	8,702	△16.9
Fiscal 2021 ended February 28, 2022	21,264	△4.4	11,873	△11.6	11,645	△5.9	10,474	22.8

	Profit attributable to owners of parent per share	Fully Diluted Profit attributable to owners of parent per Share
Fiscal 2022 ended February 28, 2023	40.32	40.31
Fiscal 2021 ended February 28, 2022	48.53	48.52

Note: The Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29, March 31, 2020) has been applied from March 1, 2022. Figures for the fiscal year ending February 28, 2023 are those after the application of the relevant accounting standards, etc.

(2) Financial position

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

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal 2022 ended February 28, 2023	791,954	213,712	27.0	990.00
Fiscal 2021 ended February 28, 2022	733,686	217,321	29.6	1,006.72

(Reference) Shareholder's equity; Fiscal 2022; 213,699 million, Fiscal 2021; 217,288 million.

Note: The Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29, March 31, 2020) has been applied from March 1, 2022. Figures for the fiscal year ending February 28, 2023 are those after the application of the relevant accounting standards, etc.

※ 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.

Attachments

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1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

① Overview of consolidated financial results

During the fiscal year under review, the economic activities in the countries and regions where the Company operates started recovering from the effect of COVID-19, and the Company implemented promotional measures for various services in accordance with changes in the consumption trends of the consumers. In addition to increases in credit card purchase volumes and outstanding receivables balance in Japan and overseas, outstanding receivables of both personal loans and installment finance rose overseas. As a result, consolidated operating revenue for the fiscal year under review amounted to ¥451,767 million. Excluding the effect of the application of the “accounting standard for revenue recognition” in Japan, which amounted to ¥37,401 million, consolidated operating revenue increased from a year earlier. Consolidated operating profit amounted to ¥58,859 million, up by ¥7 million from a year earlier, mainly due to a delay in the increase in operating receivables balance in the second half of the fiscal year. Consolidated ordinary profit increased 2.7% from a year earlier to ¥61,547 million, and profit attributable to owners of the parent 1.5% to ¥30,677 million.

The operating results for the current consolidated fiscal year are as follows:

(Unit : Millions of yen)

	Previous FY	This FY	Change	Ratio
Operating revenue	470,657	451,767 (489,168)	△18,890 (18,511)	— (3.9%)
Operating profit	58,852	58,859	7	0.0%
Ordinary profit	59,944	61,547	1,603	2.7%
Profit (loss) attributable to owners of parent (△)	30,212	30,677	464	1.5%

*The Company started applying the “Accounting Standard for Revenue Recognition” at the beginning of the first quarter of the current consolidated fiscal year under review, and the figures shown for the second quarter of FY2022 are figures after the application of this standard. The figures in parentheses are calculated using figures before the application of the “Accounting Standard for Revenue Recognition,” and are provided for reference.

The segment results for the current consolidated fiscal year are as follows:

(Unit : Millions of yen)

		Operating revenue			Operating profit (loss) (△)		
		Previous FY	This FY	Ratio	Previous FY	This FY	Ratio
Domestic	Retail	213,578	167,877 (203,086)	— (△4.9%)	8,090	3,872	△52.1%
	Solution	178,847	176,358 (178,719)	— (△0.1%)	17,836	14,287	△19.9%
Global	China	15,743	22,462	42.7%	5,530	7,716	39.5%
	Mekong	72,416	86,020	18.8%	15,298	18,997	24.2%
	Malay	49,980	60,901	21.9%	12,977	15,716	21.1%
Total		530,566	513,621	—	59,732	60,590	1.4%
Adjustments		△59,908	△61,854 (△62,021)	—	△879	△1,731	—
Consolidated statements appropriation		470,657	451,767 (489,168)	— (3.9%)	58,852	58,859	0.0%

*The Company started applying the “Accounting Standard for Revenue Recognition” at the beginning of the first quarter of the current consolidated fiscal year under review, and the figures shown for the third quarter of FY2022 are figures after the application of this standard. The figures in parentheses are calculated using figures before the application of the “Accounting Standard for Revenue Recognition,” and are provided for reference.

②Business Segment Information

<Domestic Retail Business>

In the domestic retail business, AEON Bank, Ltd. took advantage of the fact that customers can easily drop by its office when they come shopping to the AEON stores and continued taking measures to meet their needs for consultation. In addition, the bank is also promoting measures for online applications and consultations. From September 21, functions are now available in the “Online Consultation Service” on investment trusts, foreign currency-denominated deposits and various types of loans, all the way from getting consultation and obtaining an appointment to making an application. With this service, customers can consult online, from home or anywhere convenient for them, with the same officer they see at the office. Furthermore, the newly added function allows the customers to share the screen they are working on with the officer so that the officer can answer their questions, consult, and advise more to the point than before in an easy-to-understand manner, improving convenience for the customers.

In the housing loan business, the bank continued waiving the add-on interests on the housing loan with the group credit life insurance for all diseases and reducing the same on the housing loan with cancer insurance. In addition, from January, the bank reduced the variable interest rate. As a result, the outstanding housing loans of AEON Bank, Ltd. rose to ¥2,660,917 million, up by ¥128,605 million from the beginning of the fiscal year. From March 2023, the bank revised the terms of the “AEON Select Club,” which allows the club members to have a 5% discount on purchases at AEON Group stores, where the effective period awarded to the borrowers of the bank’s housing loan was extended from the current five years to the completion of repayments of the qualified housing loans, allowing more customers to enjoy the reward for a longer period. The Group will continue implementing cross-sales programs that give new values to the customers, continuously making suggestions on the Group products suitable for the life stage of the customers when they use the services of the Group.

In the asset management services, the bank started, in April, offering “Rimawari-no-Kenjin (Person of Wisdom for Yield),” a jointly managed designated money trust that offers yields higher than those of yen deposits, and “AEON Financial Service Co., Ltd. No. 1” in January, another fund of similar nature. Sales of these products were very good, both selling out early. Also, in order to meet the need for inheritance-related services in the aging society, the Company formed a business alliance with Yamada Escrow and Trust Co., Ltd. and started, from May, offering inheritance-related services, including the will-trust service and inheritance administration. The Company is currently adding more stores that offer the services to build up a national network.

In the cash advance service, the bank implemented measures to win needs for money mirroring recovery in outing demand such as recreation and travel. The Company also took measures to enhance cash advance service on the internet and to promote the use of the service through outbound calls. Despite these efforts, however, the outstanding receivables totaled ¥395,311 million at the end of the fiscal year, down ¥2,083 million from the beginning.

The number of deposit accounts of the bank was 8,280,000 at the end of the fiscal year, up by 410,000 from the beginning, thanks to the increase in the number of members of the AEON Card Select (AEON card integrated with bank cash card function) and campaigns to celebrate the 15th anniversary of the bank. The amount of the deposits was ¥4,399,715 million at the end of the fiscal year, up by ¥218,930 million from the beginning.

AEON Allianz Life Insurance Co., Ltd. continued promoting group credit life insurance services to borrowers of housing loans, loans for studio apartments, and reform loans of the Group companies.

As a result, the operating revenue of the domestic retail business amounted to ¥167,877 million. Due to investments for the expansion of businesses and for human resources training, operating profit decreased 52.1% from a year earlier to ¥3,872 million.

<Domestic Solution Business>

In the domestic solution business, the Company implemented a campaign to celebrate the renewal of the design of the AEON Card from November. The Company also enhanced measures at stores and on the internet for promotion of “AEON Card (Minions),” “TGC Card” and “AEON Card (Sakurazaka 46) (an idol group)” that are popular among youngsters. As a result, the number of card members newly registered increased to 1,810,000 during the fiscal year, and the number of valid card members in Japan rose to 30,820,000 at the end of the fiscal year, up by 730,000 from the beginning.

The credit card purchases recovered for use for recreation, at travel agencies and for public transportation, while still not yet recovered in the sectors selling daily necessities mirroring defensive spending patterns of consumers due to soaring prices. The Company took measures such as awarding additional WAON points for purchases at AEON Group stores selling daily necessities, and promotion for use of the “AEON Pay” barcode payment system. Furthermore, the Company also tied up with travel agencies to award additional points and implemented promotional measures to register for payment of utility bills. The Company also took measures specific to each of the regions, in a bid to ensure continuous use of the service.

In order to promote the use of “iAEON,” an AEON Group comprehensive application on the smartphone, and of “AEON Pay,” a barcode payment system, the Company kept adding, as merchants, external parties such as mass merchandisers of household electrical appliances and hotels, in addition to complex leisure facilities, apparel stores

and restaurants. The Company also implemented a campaign to award additional WAON points for use of “AEON Pay.” From October 5, “AEON Wallet,” an official application of AEON Card, has the function of “AEON Pay.” The application can now be used to check the use history, to see the points that users have, to get attractive coupons and campaign information, and also to pay at “AEON Pay” merchants.

From July 5, the Company started “WealthNavi for AEON Card,” a discretionary investment service where the investment money is paid with the AEON card. The service allows users to have their assets managed, and at the same time collect WAON points. The Company is thus working to add values to the AEON Card.

As a result, credit card purchase volume for the fiscal year under review amounted to ¥6,529,220 million, up 9.4%, year-on-year. Thanks to campaigns to use revolving payments and the extension of the period for switching from one-off payments to revolving payments, the outstanding amount of revolving credit card purchase transactions and installment finance recovered to ¥265,362 million at the end of the fiscal year, up by ¥20,632 million from the beginning.

The installment finance business is still suffering from delays in the delivery of new cars owing to an insufficient supply of semiconductors and an insufficient number of used cars in the market. Although the transaction volume of installment finance rose 2.7% from a year earlier to ¥193,279 million, the outstanding amount of receivables remained sluggish.

As a result, the operating revenue of the domestic solution business amounted to ¥176,358 million. Operating profit decreased 19.9%, year-on-year, to ¥14,287 million, due mainly to investment in information technologies for enhancing security and for improving productivity.

On April 15, 2022, AEON Product Finance Co., Ltd., one of the Company’s subsidiaries, received a business improvement order from the Kanto Bureau of Economy, Trade and Industry pursuant to the Installment Sales Act. The company has implemented reoccurrence prevention measures, revising the business management system, re-developing the internal control system with the help of external experts, and is fostering a corporate culture of honoring compliance obligations. The Company takes the incident seriously and regrets sincerely, and will continue rebuilding the company’s governance system and strengthening administration and supervision of the company, thereby seeking the protection of customer interests and thorough abidance by the laws and regulations.

<Global China Area>

In the China area, AEON Credit Service (Asia) Co., Ltd. (hereinafter ACSA), a local subsidiary in Hong Kong, was in a harsh environment in the first quarter due to severe restrictions on various activities to deal with COVID-19. ACSA responded by promoting the use of online services in alignment with the changing lifestyle of customers, and, together with the flexible implementation of proactive use campaigns, credit card purchase volume increased 49.9%, year-on-year, to ¥149,840 million. In the acquiring business that ACSA started at all 82 stores of AEON Stores (Hong Kong), a retail business of the AEON Group, ACSA enhanced collaboration with external parties, including the introduction of UnionPay QR code payment system.

In April, ACSA started issuing “AEON Card Wakuwaku,” targeting mainly younger people. In addition to appealing the cashback scheme of the card, ACSA implemented a campaign to award additional cashback for card usage in Japan, in response to recovery in travels to Japan, which resulted in winning new members. From April, ACSA also enabled linking AEON cards with “WeChat Pay,” a smartphone payment system, and implemented a joint sales promotion, thus responding to various needs of customers for payment methods.

For cash advances and personal loans, ACSA continued improving the accuracy and speed of credit examination by refining credit policies and modifying the workflow and, to adapt to customer needs, optimized the sales channels to be used, including the consulting-style promotion at branch offices, application on the smartphone, and telemarketing. Thanks to these efforts, the volumes of cash advances and loans grew substantially, with the former amounting to ¥35,159 million, up 85.5%, year-on-year, and the latter, ¥23,432 million, up 65.8%.

ACSA also tied up with Chubb Life in October. In addition to the sale of medical insurance products through telemarketing and on the internet, ACSA started selling savings-type insurance products face to face. ACSA will seek to diversify revenue sources by expanding the fee businesses.

In mainland China, in order to expand the businesses in the South China Area, ACSA has consolidated back-office functions and management resources, establishing a more seamless, agile system and strengthening the internal control system. AEON Micro Finance (Shenzhen) resumed providing unsecured loans and is seeking to expand the business in the area.

As a result, operating revenue and operating profit increased in the China area for the fiscal year under review, with the former increasing 42.7% year-on-year to ¥22,462 million and the latter 39.5% year-on-year to ¥7,716 million.

<Global Mekong Area>

In Mekong Area, AEON Thana Sinsap (Thailand) (hereinafter ATS), a local subsidiary in Thailand, implemented measures to promote the use of “AEON Royal Orchid Plus Card,” a card co-branded with Thai Airways International, as a celebration of the 30th anniversary of the company and in response to recovering demand for tourism. In order to strengthen measures to win demand for online card usage, ATS proactively implemented sales

promotion measures in alliance with major e-commerce operators such as “Shopee” and “Lazada.” Accordingly, credit card purchase volume increased 46.1% from a year earlier to ¥167,327 million.

In September, ATS obtained approval for using eKYC online personal authentication system and started accepting applications from the mobile app on a full scale. With this system, ATS has done away with paper-based documents in the credit examination and shortened the examination time. In addition, ATS fine-tuned the scoring model, thereby improving the accuracy of the credit examination. In personal loans, ATS is promoting measures to reduce carbon dioxide emissions and increase the use of digital technologies, such as stopping issuing plastic cards and instead issuing virtual cards with mobile apps to loan customers.

Rabbit Cash Company Limited, a joint venture founded in April 2021 by ATS and a local company, obtained a license for “nano-finance” in May. By determining the credit risk from the sale and purchase history of the customer, among others, it is now able to provide loans in small amounts to customers for whom it was difficult to measure credit risk with conventional screening methods.

In May, ATS obtained a license for selling insurance products online and started selling products such as automobile insurance, domestic and overseas travel insurance, and cancer insurance on a mobile app in June. The usability for the customers is improved, and productivity is further enhanced as the insurance product can be selected on the mobile app, and payment is completed with the AEON card.

As a result, operating revenue in Mekong Area was ¥86,020 million, up 18.8%, year-on-year. Operating profit rose 24.2% to ¥18,997, thanks to the growth of volumes of various services, despite the provision for bad debts tending to be rising, mirroring increases in operating receivables.

<Global Malay Area>

In Malay Area, AEON Credit Service (M) Berhad (hereinafter ACSM), a subsidiary in Malaysia, carried out, jointly with AEON Co (M) BHD., a retail business subsidiary of the AEON Group, joint sales promotion measures including resumption of “AEON Customer Appreciation Day” that was suspended due to the COVID-19 pandemic. ACSM also continued implementing credit card use campaigns in a bid to increase online payment with the card. Thanks to these efforts, credit card purchase volume in Malay Area rose 25.1% from a year earlier to ¥49,156 million.

In the motorcycle loans, as the supply of motorcycles in the market started recovering from the first quarter, ACSM implemented promotional measures for new models jointly with motorcycle manufacturers. ACSM also carried out incentive campaigns, etc. with major merchants. In installment finance, ACSM introduced the eKYC online personal authentication system on the smartphone as well as a provisional credit approval system using information from external parties to shorten the examination time and improve the quality of receivables. With these efforts, installment finance volume in Malay Area rose 59.3%, year-on-year, to ¥102,203 million.

Personal loan volume increased 68.1% from a year earlier to ¥47,159 million, thanks to the cashback campaign implemented matching the usage amount in order to capture the growing demand from the recovery of the consumption environment.

Furthermore, the company worked to digitalize services and reform business processes by renewing the “AEON Wallet” mobile app to improve customer convenience and promote cross-selling by incorporating functions to apply for credit cards and personal loans.

As a result, operating revenue in Malay Area was ¥60,901 million, up 21.9%, year-on-year, and operating profit was ¥15,716 million, up 21.1%.

In April, the Company, jointly with ACSM, obtained a digital bank license, the first-ever such license issued in Malaysia, and is now preparing for the commencement of operations in FY2023. Combining the expertise of the AEON Group developed in Malaysia to date and the latest technologies, the Group will further enhance the customer base and diversify the financial services that it provides for the customers.

③Sustainability Initiatives

The Group has in place the “Basic Policy for Sustainability” that states the Group’s commitment to “contributing to peace by creating a sustainable society where everyone can live a fulfilling and happy life.” The Sustainability Committee, entrusted by the Board of Directors, discusses and studies matters related to sustainability in a comprehensive and specialized manner, and the Group then promotes measures to solve social issues through business activities. In November 2021, the Group identified important social issues (materialities) that may affect the Group’s operations in the medium- to long-term, positioned “Pursuing Happiness through Innovative Financial Services,” “Exerting Diversity and the Potential of Our People,” “Establishing Organizational Resilience,” and “Addressing Climate Change” as important management issues, and the Group companies are proactively integrating measures in their business strategies to address these issues.

In relation to the “Pursuing Happiness through Innovative Financial Services,” the Group started in Japan an “AEON Pay” code payment system to enhance convenience in shopping. Overseas, in Malaysia, the Group has started preparing for a digital bank business that will provide new financial experience and value to AEON Group customers through automated credit examination that utilizes AI technologies.

In Japan, the legal age of adulthood was lowered, and the Group continued visiting lectures and endowed courses on asset management and risks associated with financial transactions for high-school, university and vocational-school students to help improve financial literacy among younger generations.

AEON Credit Service (M) Berhad (hereinafter ACSM) and AEON Credit Service (Asia) were the first among the Group companies to conclude an agreement on sustainability-linked loan (hereinafter, SLL). By linking the terms of the loan, including interest rates, with attainment of sustainability targets, they seek to enhance effectiveness in promoting and supporting economic activities and growths that are sustainable environmentally and socially.

In relation to the “Exerting Diversity and the Potential of Our People,” the Company, together with its subsidiaries, promoted fostering employees and strengthening management to have advanced expertise in a wide range of fields in order for the Company and its subsidiaries to attain the strategic targets and to grow the business sustainably through innovations. As part of the initiative, the Company started AFS Academy, which will play a central role in financial literacy education and also in fostering employees. The Group believes that to keep pursuing customer satisfaction, it is essential for every employee to stay healthy in body and mind, full of vitality, and therefore, strives to promote health & productivity management across the group. During the fiscal year, AEON Credit Service Co., Ltd. and A. C. S. Credit Management Co., Ltd. were certified as “White 500” of the 2023 Health & Productivity Management Outstanding Organizations. Eight other Group companies were also certified under the same program.

For the “Establishing Organizational Resilience,” the Group checked and identified relevant laws and regulations, self-imposed rules and practices of the industry and situations of stakeholders by industry and by area that the Group companies operate in, so that the Group can respond quickly as required. In order to ensure stable and continuous provision of services that it provides, the Group also checked and identified supply chains and worked to enhance collaboration with relevant parties. Furthermore, in consideration of unstable political situations around the world and cyberattack risks being more evident, the Group companies both in Japan and overseas worked to enhance information security measures, including training to understand the risks and respond appropriately to suspicious emails. The Group companies also implemented crisis response training sessions, based on various scenarios of disasters inherent to the areas, including earthquakes and flooding.

Lastly, in “Addressing Climate Change,” the Group is promoting measures in accordance to the AEON Group’s “Decarbonization Vision” so that the net emissions of carbon dioxide at the stores will be zero by 2040. The Group is also working to calculate the amount of greenhouse gas emissions and analyzing climate change scenarios to identify the risks and opportunities that climate change may bring about to the Group’s businesses, pursuant to the Task Force on Climate-related Financial Disclosures (TCFD), an international framework for disclosure on information about climate change. With these measures, the Group will advance its programs and enhance the information disclosure to contribute to the realization of a decarbonized society.

Further, in order to help solve the marine plastic debris problems around the world, the employees of the Group are proactively participating, together with local residents, in the Marine Debris Clean-up Activities (Heartful Volunteer), which the AEON Group started this fiscal year across the nation. In addition, in order to promote forestation by employees, environment education, and awareness building and familiarization of village forest and woodland activities, the Group, in coordination with AEON Environmental Foundation and AEON Co., Ltd., implemented “AEON Forest Program” in Kimitsu City, Chiba Prefecture.

As part of the social contribution activities, the Company, from 2017, has been carrying out volunteer cotton-picking activities in Iwaki City, Fukushima Prefecture, to support the reconstruction efforts in the area where the farmland was severely damaged by seawater due to the tsunami accompanying the Great East Japan Earthquake. The activities had been suspended since 2020 due to the COVID-19 pandemic but are now resumed, and the employees of the Group companies have participated. To help the reconstruction efforts in the Tohoku Area, the Group is also continuing various volunteer activities that convey the feelings of the Group employees, such as the “Bookshelf Charity” where proceeds of unwanted books are donated, and the “Reconstruction Wiping Cloth Charity” where the materials for wiping cloth is donated.

Finally, in collaboration with AEON 1% Club , to which major companies of the AEON Group including the Company contribute an amount equivalent to 1% of net income before tax, the Company called for cashless donation using credit cards to the “AEON Fundraising to Rescue Children in Ukraine .” The Group also held events on financial education for children at AEON Malls across the country.

④Future outlook

In Japan, effective June 1, 2023, the Company plans to absorb AEON Credit Service Co., Ltd., a consolidated subsidiary, to strategically utilize the management resources across the Group and to speed up the decision-making process further. This will help the Company accelerate in implementing the aforementioned programs. The Company will continue to develop infrastructure for AEON Group's common ID and promote the use of and enhance the convenience of cashless payments.

Overseas, the Company will continue working on digital financial inclusion, enhancing convenience by developing apps and tools to complete the entire process from application to usage of credit cards and loans, and increasing productivity by advancing credit examination and receivables management. At the same time, the Company will promote alliance and collaboration with business partners inside and outside the AEON Group. In Malaysia, the Company will proceed with preparations for opening the digital bank.

(Unit : Millions of yen)

Forecast of Consolidated Earnings	For the FY ending February 29, 2024	For the FY ended February 28, 2023 (Current Fiscal Year Results)
Operating revenue	480,000	451,767
Operating profit	61,000	58,859
Ordinary profit	61,000	61,547
Profit attributable to owners of parent	27,000	30,677

As for the forecast of consolidated performance for the fiscal year ending February 2024, the Company currently expects that there will be expenses for management consolidation accompanying the reorganization of operations in Japan and that profit attributable to owners of the parent will decrease from the fiscal year ended February 2023. The Company will work on preparations for the next stage of growth.

The Company aims to become a financial group closest to the customers by further extending the payment networks and providing financial services online and offline in an integrated manner.

(2) Consolidated Financial Condition

① Status of Assets, Liabilities and Net Assets

(Assets)

Total assets at the end of the fiscal year increased by ¥380,882 million from the end of the previous fiscal year to ¥6,659,468 million. This was due to an increase in installment accounts receivable of ¥203,304 million due to an increase in credit card shopping transactions, an increase in loans and disbursements of ¥123,423 million due to an increase in the outstanding balance of residential housing loans and an expansion of personal loans in Global business, an increase in cash and deposits of ¥103,832 million, and a decrease of ¥75,676 million in securities in the banking business.

(Liabilities)

Total liabilities increased by ¥348,804 million from the end of the previous fiscal year to ¥6,118,335 million. This was due to an increase in interest-bearing debt of ¥123,173 million due to the demand for funds due to the expansion of trade receivables, and an increase in deposits of ¥219,409 million due to the expansion of use as a fund settlement account.

(Net Assets)

Total net assets increased by ¥32,078 million from the end of the previous fiscal year to ¥541,133 million. This was due to an increase of ¥30,677 million due to the posting of profit attributable to owners of parent, ¥13,886 million in the adjusted account for foreign exchange translation, and ¥21,519 million in non-controlling interests, while other securities valuation differences decreased by ¥25,111 million and retained earnings decreased by ¥11,007 million due to the payment of year-end and interim dividends.

② Status of Cash Flows

[Cash flow for the current consolidated fiscal year]

(Unit : Millions of yen)

	For the FY ending February 28, 2022	For the FY ended February 28, 2023
Cash flows from operating activities	76,287	105,138
Cash flows from investing activities	△33,562	11,796
Cash flows from financing activities	△13,508	△14,559
Net cash provided by (used in) financing activities	1,674	4,688
Effect of exchange rate change on cash and cash equivalents	30,890	107,064
Net increase (decrease) in cash and cash equivalents	666,738	697,628
Cash and cash equivalents at beginning of period	697,628	804,693

Cash flow from operating activities increased by ¥28,851 million compared to the previous fiscal year to ¥105,138 million due to an increase in installment accounts receivable due to an increase in credit card shopping transactions, while deposits increased due to the expansion of use as a fund settlement account.

Net cash provided by investing activities amounted to ¥11,796 million (compared to ¥33,562 million in the previous consolidated fiscal year) due to income from the sale and redemption of securities exceeding expenses from the acquisition of securities.

Net cash from financing activities increased ¥1,050 million from the previous fiscal year to ¥14,559 million, mainly due to an increase in dividend payments.

As a result of these results, cash and cash equivalents increased ¥107,064 million to ¥804,693 million.

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

The Company positions the return of profits to shareholders as an important management measure, and its basic policy is to enhance corporate competitiveness by appropriately distributing profits to shareholders and securing internal reserves to expand business and improve productivity.

<Dividends for the current and next fiscal year>

As net income attributable to owners of parent for the fiscal year ending February 2023 exceeded the forecast, we plan to forecast a year-end dividend of 33 yen per share (up 3 yen year-on-year) based on the above policy. As a result, the annual dividend for the current fiscal year, including the 20-yen dividend at the end of the second quarter, is expected to be 53 yen.

Base Date	Dividend per Share		
	End of 2 nd Quarter	Year-end	Total
Most Recent Dividend Forecast (Announced on April. 7, 2022)		30 yen	50 yen
Revised Forecast		33 yen	53 yen
Current term	20 yen		
Previous term (Fiscal Year Ended Feb. 28, 2022)	19 yen	31 yen	50 yen

*The dividend per share at the end of the second quarter and the end of the fiscal year ending February 2022 (forecast) includes a 40th anniversary dividend of 2 yen, respectively.

The dividend forecast for surplus for the fiscal year ending February 2024 is scheduled to be an annual dividend of 53 yen per share, taking into business performance trends.

	Dividend per share for the fiscal year ending February 2023	Dividend per share for the fiscal year ending February 2024 (forecast)
End of 2 nd Quarter	20 yen	25 yen
Year-end	33 yen	28 yen
Total	53 yen	53 yen

2. Management Policy

(1) Basic management policy of the company

Our management philosophy is to support customers' lifestyles and enable each individual to maximize future opportunities through effective use of credit in Japan and elsewhere in Asia. Our basic policies are to put customers first, provide financial services that are closely attuned to customers' lives, earn the trust of society and meet its expectations, and maintain a corporate culture that encourages our people to excel. We are committed to our mission of truly contributing to our customers' lives through financial services. As a comprehensive financial group that integrates the retail and financial industries, we aim to be the most familiar retail comprehensive financial services company to customers in Japan and other Asian countries by providing safe, secure, convenient, and affordable financial services.

(2) Target Management Indicators

Under the medium-term management plan (FY2021~FY2025), the Group will strive to quickly recover and improve its business performance from the impact of the COVID-19 pandemic and strive to achieve the following management indicator target values.

Management Indicators	Target Figures (FY ending February 2026)
Operating revenue	760 billion yen
Operating profit	100 billion yen
Operating profit ratio (Domestic : Global)	Domestic: 40%, Global: 60%

(3) Medium- to Long-Term Management Strategy and Issues to be Addressed

Regarding the environment surrounding the Group, the economy in countries and areas where the Group operates is gradually recovering, with the policy shifting towards coexistence with COVID-19. However, the market is changing substantially, affected by various international circumstances, such as rising interest rates and soaring material and energy prices. Anxiety about the future is one factor that makes people review their financial assets. Furthermore, the lifestyle and behavior of customers in expectation of the post-COVID-19 era are now firmly established, and the need for non-face-to-face services is growing further.

Under these circumstances, the Company is at a major turning point. During FY2021, the Company formulated a medium-term business plan (for FY2021–25) that incorporates the “Second Founding: Value Chain Transformation and New Network Creation.” During the current fiscal year, in businesses in Japan, the Group as a whole will promote cashless payments and enhance convenience for customers, building on the “AEON Pay” code payment of “iAEON,” the comprehensive app of the AEON Group. Overseas, the Company will steadily prepare for the next stage of growth, including acquisition of the license for a digital bank in Malaysia.

Both in Japan and overseas, the Company will focus on digital transformation, health & wellness, and ESG to further enhance the chances of realizing the medium-term business plan.

<Priority Measures in Domestic Business>

①Infrastructure development for the construction of the AEON Living Zone

One of AEON Group's growth strategies is to create an AEON ecosystem by seamlessly providing community-based products, services, and life infrastructure through the comprehensive strengths of the Group companies, thereby enriching the customers' lives.

The Group is responsible for establishing the infrastructure for connecting the “AEON Ecosystem” with financial services, enhancing the convenience of payment methods that are closely related to the customers' lives. The Group will expand cashless payment options, making the “AEON Pay,” the code payment system on “iAEON,” available on “AEON Wallet” as well.

Moreover, the Company will gradually add more merchants inside and outside the Group for the WAON point system, which became easier to use thanks to the changes made to the system in FY2021, and will also gradually increase AEON Pay merchants outside the Group. The Company will continue to promote cashless payment to enrich the customers' lives. For customers who use our payment services in their daily lives, the Company will establish closer relationships with the customers by proposing and selling health-promoting insurance products and investment trusts.

②Incorporating the needs of local communities and customers' living infrastructure

The Company will expand the areas for helping local governments issue local currencies, regional points, or regional shopping vouchers and provide the appropriate support based on the characteristics of respective regions for the issuance of regional health points, environmental points, or other points. The Company will also award benefits in line with the regional characteristics, thus providing services rooted in the life of regional customers.

③Improving risk and cost control capabilities

The Company will continue working on the sophistication of credit and receivables management through scoring

with AI. Since the number of illegal use of credit cards is increasing, the Company will work to prevent fraud by sending a notice of credit card use, thereby providing safety and security to the customers' daily lives. Due to changes in social situations, customer needs for non-face-to-face transactions are rising. The Company will review services to seamlessly provide physical and virtual touchpoints using the contact center app as the base so customers can use the services according to their individual needs.

<Priority Measures in Global Business>

①Implementing Digital Financial Inclusion in Countries

Digital financial inclusion is positioned as one of the key policies by the governments in Asian countries. In Malaysia, the Group obtained the license for a digital bank in April 2022 and is currently preparing to commence operations in FY2023. In preparing for the launch of the digital bank business, the Group will introduce AI analysis and other latest technologies and develop a series of products and services that will allow the customers to keep using the Group's service even when their income fluctuates or their financial needs change due to transition to the next life stage. In Thailand, by introducing a new credit examination method with data analysis, the Group will start full operations of digital lending that make it possible to provide small-amount loans to small business owners, thereby aiming to win new customers.

②Expansion of business, products, and areas of development

In the regions where the Group started operations early, such as Thailand and Malaysia, the number of high-income earners is increasing. The Group will seek to proactively expand the business portfolio by increasing insurance and asset-building products and also by diversifying the business through alliances with promising partners to meet the diversifying needs of these customers.

Also, in Indonesia, Cambodia, Vietnam and other new growth areas, the Group will reinforce initiatives such as integrating point systems within the group and expanding the range of product offerings to acquire new customer segments.

③Area strategy planning that responds to differences in urban and rural needs

The Group will identify the country- or area-specific customer needs, demographics, and the city- and industry-specific impact of the COVID-19 pandemic and provide optimal services based on these regional characteristics.

3. Basic Approach to the Selection of Accounting Standards

The Group applies Japan standards.

With regard to the application of International Financial Reporting Standards, we will respond appropriately in consideration of various domestic and international circumstances.

4. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

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

(Millions of yen)

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

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Operating revenue		
Revenue from credit card business	131,779	112,416
Revenue from installment sales finance business	42,662	48,450
Financing revenue	128,421	137,960
Recoveries of written off receivables	11,920	16,116
Financial revenue		
Interest on loans and discounts from banking business	22,878	24,371
Interest and dividends on securities from banking business	4,866	3,162
Interest on call loans	29	204
Interest income	773	875
Other financial revenue	5,135	5,789
Total financial revenue	33,684	34,403
Insurance revenue		
Reversal of policy reserve	22,271	10,029
Other insurance revenue	6,918	3,175
Total Insurance revenue	29,189	13,205
Fees and commissions	60,991	62,178
Other	32,007	27,036
Total operating revenue	470,657	451,767
Operating expenses		
Financial expenses		
Interest expenses	16,596	18,953
Interest on deposits from banking business	1,864	2,397
Other financial expenses	2,972	2,210
Total financial expenses	21,433	23,562
Insurance expenses		
Insurance claims and other	28,045	11,191
Other insurance expenses	146	1,737
Total Insurance expenses	28,192	12,928
Fees and commissions payments	11,462	11,345
Selling, general and administrative expenses	347,766	342,034
Other	2,949	3,035
Total operating expenses	411,804	392,907
Operating profit	58,852	58,859
Non-operating income		
Dividend income	202	108
Gain on investments in investment partnerships	361	309
Foreign exchange gains	—	1,245
Subsidy income	493	117
Compensation income	—	734
Other	183	185
Total non-operating income	1,240	2,700
Non-operating expenses		
Share of loss of entities accounted for using equity method	26	—
Loss on valuation of investment securities	54	9
Foreign exchange losses	46	—
Loss on sale of receivables	10	—
Miscellaneous losses	10	3
Total non-operating expenses	149	13
Ordinary profit	59,944	61,547

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Extraordinary income		
Gain on sale of non-current assets	21	10
Gain on sale of investment securities	436	—
Gain on termination of retirement benefit plan	239	—
Subsidies for employment adjustment	8	—
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	705	14
Extraordinary losses		
Loss on disposal of non-current assets	574	478
Impairment losses	202	777
Loss on liquidation of subsidiaries	53	149
Management integration expenses	—	84
System migration related expenses	—	245
Infectious Disease Related Cost	48	24
Other	25	1
Total extraordinary losses	903	1,760
Profit before income taxes	59,745	59,801
Income taxes - current	13,068	12,931
Income taxes - deferred	5,630	3,246
Total income taxes	18,698	16,177
Profit	41,047	43,623
Profit attributable to non-controlling interests	10,834	12,945
Profit attributable to owners of parent	30,212	30,677

(Consolidated statement of comprehensive income)

(Millions of yen)

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

(3) Consolidated Statement of Changes in Equity

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	59,745	59,801
Depreciation	30,561	30,364
Amortization of goodwill	1,873	1,734
Share of loss (profit) of entities accounted for using equity method	26	△19
Increase (decrease) in allowance for doubtful accounts	△10,602	△4,029
Increase (decrease) in provision for bonuses	484	91
Increase (decrease) in retirement benefit liability	△1,959	140
Increase (decrease) in provision for point card certificates	△13,556	△6,330
Increase (decrease) in provision for loss on interest repayment	769	△1,653
Increase (decrease) in other provisions	△77	△224
Financial revenue	△33,684	△34,403
Financial expenses	21,433	23,562
Dividend income	△202	△108
Loss (gain) on disposal of non-current assets	552	468
Loss (gain) on liquidation of subsidiaries	53	149
Decrease (increase) in operating loans receivable	18,031	△39,503
Decrease (increase) in cash loans and bills discounted for banking business	△111,630	△50,764
Decrease (increase) in accounts receivable - installment	△30,412	△167,235
Net decrease (increase) in lease receivables and investments in leases	△300	633
Net increase (decrease) in deposits	159,878	219,409
Increase (decrease) in trade payables	△44,964	30,020
Net increase (decrease) in borrowed money	△8,626	76,207
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	△599	2,851
Net decrease (increase) in due from banks (over 3 months)	△710	1,095
Net decrease (increase) in call loans	25,749	2,984
Increase (decrease) in commercial papers	—	△10,000
Increase (decrease) in straight bonds - issuance and redemption	33,071	5,147
Increase (decrease) in reserve for insurance policy liabilities	△22,271	△10,029
Proceeds from sales and leasebacks	929	103
Interest received	33,988	33,342
Interest paid	△21,711	△23,361
Other, net	9,226	△28,762
Subtotal	95,068	111,678
Interest and dividends received	202	108
Income taxes paid	△21,519	△10,950
Income taxes refund	2,535	5,116
Net cash provided by (used in) operating activities	76,287	105,953

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from investing activities		
Purchase of securities	△518,990	△620,864
Proceeds from sale of securities	248,186	133,163
Proceeds from redemption of securities	283,851	545,585
Increase in money held in trust	△28,450	△23,628
Decrease in money held in trust	10,823	10,578
Purchase of property, plant and equipment	△4,101	△5,122
Proceeds from sale of property, plant and equipment	76	12
Purchase of intangible assets	△24,961	△28,749
Proceeds from sale of intangible assets	3	6
Net cash provided by (used in) investing activities	△33,562	10,981
Cash flows from financing activities		
Dividends paid	△9,064	△11,007
Proceeds from share issuance to non-controlling shareholders	—	2,040
Dividends paid to non-controlling interests	△4,443	△5,174
Purchase of treasury shares	△0	△0
Proceeds from disposal of treasury shares	0	0
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	△416
Net cash provided by (used in) financing activities	△13,508	△14,559
Effect of exchange rate change on cash and cash equivalents	1,674	4,688
Net increase (decrease) in cash and cash equivalents	30,890	107,064
Cash and cash equivalents at beginning of period	666,738	697,628
Cash and cash equivalents at end of period	697,628	804,693

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption) Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity) Not applicable

(Change in significant subsidiary during the term) Not applicable

(Changes in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of this fiscal year. Consequently, revenue is recognized when control of promised goods or services has been transferred to the customer at the amount expected to be received in exchange for those goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

1. Revenue recognition for point system

With regard to points awarded to customers based on the point system operated by other companies, the amount equivalent to the points paid to other companies by AEON Bank, a consolidated subsidiary of the Company was previously recorded as advertising expenses for selling, general and administrative expenses but has been changed to a method of deducting them from revenue from credit card business as an amount to be collected for third parties.

2. Consideration paid to merchants

Consideration paid to merchants by AEON Credit Service, a consolidated subsidiary of the Company in accordance with the use of credit cards was previously treated as advertising expenses for selling, general and administrative expenses but has been changed to a method of deduction from revenue from credit card business.

The application of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effects of retrospectively applying the new accounting policy prior to the beginning of the first quarter of this fiscal year have been reflected in retained earnings at the beginning of the first quarter, and the new accounting policy has thereby been applied to the said beginning balance.

As a result, operating revenue and selling, general and administrative expenses decreased by 37,401 million yen for the consolidated fiscal year. In addition, provision for points decreased by 626 million yen, and other current liabilities increased by the same amount. There is no impact on the balance of retained earnings at the beginning of the fiscal year. In addition, due to changes in the Group's point system, there will be no provision for points in the future.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standards, the Company does not contain information that breaks down revenue arising from contracts with customers for the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied from the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has opted to prospectively apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc. Note that the impact of this change on the quarterly consolidated financial statements is immaterial.

(Segment Information)

1. Overview of Reportable Segments

The Group's reportable segments are those for which financial information is available separately from the Group's constituent units and are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate business performance.

The Company's "Domestic" business is divided into "Retail" and "Solutions" in order to clarify the role of functions depending on the target customer, and the "Global" business is divided into "China Area" (Hong Kong, etc.), "Mekong Area" (Thailand, etc.), and "Malay Area" (Malaysia, etc.) so that the horizontal development of the business model can be smoothly promoted by the three listed companies.

Therefore, the Group has five reportable segments: "Retail" and "Solutions" in Japan, and "China Area", "Mekong Area" and "Malay Area" in International.

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

"Solutions" is a business that provides the Group's financial services utilizing databases, such as processing business and individual installment business, mainly for franchisees.

"China Area", "Mekong Area" and "Malay Area" provide financial services such as credit cards and loans to individual customers and franchisees in each region according to their needs.

2. Method of calculating the amount of operating revenue, profit or loss, assets, and other items for each reportable segment

The accounting methods for the reported segments are the same as those employed for the preparation of consolidated financial statements. Profit in the reportable segment is based on operating profit. Internal operating revenue and transfer volume between segments are based on prevailing market prices.

As described in the change in the accounting policy, since the beginning of the current consolidated fiscal year we have applied the Accounting Standards for Revenue Recognition and changed the accounting method for revenue recognition, etc., and the calculation method for operating revenue and segment profit for the reportable segment has been changed in the same way.

The impact of these changes on operating revenues in the reportable segments was $\Delta 35,208$ million yen in domestic retail, $\Delta 2,360$ million yen in domestic solutions, and 167 million yen in adjustments for each reportable segment. In addition, there is no impact on segment profit.

3. Segment Information

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	5,526	22,701	782	2,814	2,199	34,025	324	34,350

(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.

For the fiscal 2022 ended February 28, 2023

(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	164,328	118,025	22,462	85,997	60,901	451,715	51	451,767
The internal operating revenue between segments	3,549	58,332	0	23	—	61,905	△61,905	—
Total	167,877	176,358	22,462	86,020	60,901	513,621	△61,854	451,767
Segment profit/ loss	3,872	14,287	7,716	18,997	15,716	60,590	△1,731	58,859
Segment assets	5,001,096	971,616	113,466	375,855	355,060	6,817,095	△157,626	6,659,468
Other								
Depreciation	6,243	15,951	1,411	4,041	2,377	30,025	339	30,364
Amortization of goodwill	1,457	274	—	—	3	1,734	—	1,734
Financial expenses	3,296	1,354	727	7,314	10,191	22,884	677	23,562
Provision of allowance for loan losses	△427	16,855	1,392	27,898	15,038	60,757	14	60,772
Increase in property, plant and equipment and intangible assets	7,111	26,898	903	3,482	1,381	39,777	120	39,898

(Remarks)

1. Instead of sales of general companies, operating revenues are listed.
2. Adjustments details are as follows.
 - (1) The adjustment of 51 million yen to Operating revenue from external customer represents corporate operating revenue that are not allocated to each reportable segment.
 - (2) The adjustment of △1731 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 △157,626 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.
4. Revenues arising from contracts with customers subject to the Revenue Recognition Accounting Standards included in operating revenues to external customers for the current consolidated fiscal year were 30,979 million yen in Domestic Retail, 65,618 million yen in Domestic Solutions, 4,192 million yen in China Area, 7,820 million yen in Mekong Area, 6,333 million yen in Malay Area, and 348 million yen in adjustments.

5. Non-consolidated financial statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	2,212	2,652
Advances paid	131	128
Prepaid expenses	519	639
Accounts receivable - other	6,898	6,940
Accrued revenue	161	184
Short-term loans receivable	326,430	375,020
Current portion of long-term loans receivable from subsidiaries and associates	92	109
Income taxes refund receivable	1,285	729
Consumption taxes refund receivable	27	—
Total current assets	337,760	386,404
Non-current assets		
Property, plant and equipment		
Buildings	510	426
Accumulated depreciation	△291	△236
Buildings, net	218	190
Tools, furniture and fixtures	566	406
Accumulated depreciation	△486	△350
Tools, furniture and fixtures, net	80	55
Total property, plant and equipment	299	246
Intangible assets		
Software	1,573	1,344
Total intangible assets	1,573	1,344
Investments and other assets		
Investment securities	51,891	49,743
Shares of subsidiaries and associates	325,910	336,690
Bonds of subsidiaries and associates	2,753	3,054
Long-term loans receivable from subsidiaries and associates	369	327
Long-term prepaid expenses	89	133
Deferred tax assets	11,133	11,801
Guarantee deposits	1,199	1,542
Total investments and other assets	393,347	403,292
Total non-current assets	395,220	404,882
Deferred assets		
Bond issuance costs	705	667
Total deferred assets	705	667
Total assets	733,686	791,954

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Short-term borrowings	130,080	125,890
Commercial papers	45,000	75,000
Current portion of bonds payable	50,000	75,000
Current portion of long-term borrowings	9,000	10,500
Current portion of long-term borrowings from subsidiaries and associates	462	109
Accounts payable - other	3,228	3,045
Accrued expenses	378	411
Income taxes payable	132	101
Accrued consumption taxes	—	71
Unearned revenue	215	180
Deposits received	591	2,324
Provision for bonuses	153	136
Provision For Directors Remuneration Based On Performance	39	41
Other	13	11
Total current liabilities	239,294	292,823
Non-current liabilities		
Bonds payable	240,000	215,000
Long-term borrowings	35,900	68,500
Long-term borrowings from subsidiaries and associates	—	327
Other	1,170	1,591
Total non-current liabilities	277,070	285,418
Total liabilities	516,365	578,242
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	7,628	5,300
Total retained earnings	47,311	44,982
Treasury shares	△442	△390
Total shareholders' equity	214,074	211,797
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,214	1,901
Total valuation and translation adjustments	3,214	1,901
Share acquisition rights	33	13
Total net assets	217,321	213,712
Total liabilities and net assets	733,686	791,954

(2) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Operating revenue		
Dividends from subsidiaries and associates	11,340	8,989
Commissions from subsidiaries and associates	9,433	8,156
Other	489	348
Total operating revenue	21,264	17,493
Operating expenses		
Selling, general and administrative expenses	9,390	8,143
Total operating expenses	9,390	8,143
Operating profit	11,873	9,349
Non-operating income		
Interest and dividend income	1,376	1,524
Foreign exchange gains	130	313
Other	84	71
Total non-operating income	1,591	1,910
Non-operating expenses		
Interest expenses	1,296	1,402
Commitment fees	10	11
Loss on valuation of investment securities	54	9
Amortization of bond issuance costs	294	291
Other	163	373
Total non-operating expenses	1,820	2,089
Ordinary profit	11,645	9,170
Extraordinary income		
Gain on sale of investment securities	436	—
Gain on sale of shares of subsidiaries	230	—
Gain on reversal of share acquisition rights	—	3
Other	63	—
Total extraordinary income	731	3
Extraordinary losses		
Loss on disposal of non-current assets	67	4
Loss on valuation of shares of subsidiaries and associates	1,429	—
Management integration expenses	—	84
Other	0	—
Total extraordinary losses	1,496	88
Profit before income taxes	10,879	9,086
Income taxes - current	417	463
Income taxes - deferred	△11	△79
Total income taxes	405	384
Profit	10,474	8,702

(3) Non-consolidated Statement of Changes in Equity

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

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		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

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

(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	7,628	47,311
Changes during period							
Dividends of surplus						△11,007	△11,007
Profit						8,702	8,702
Purchase of treasury shares							
Disposal of treasury shares						△22	△22
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	△2,328	△2,328
Balance at end of period	45,698	121,506	121,506	3,687	35,995	5,300	44,982

	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	△442	214,074	3,214	3,214	33	217,321
Changes during period						
Dividends of surplus		△11,007				△11,007
Profit		8,702				8,702
Purchase of treasury shares	△0	△0				△0
Disposal of treasury shares	52	29				29
Net changes in items other than shareholders' equity			△1,312	△1,312	△19	△1,331
Total changes during period	52	△2,276	△1,312	△1,312	△19	△3,608
Balance at end of period	△390	211,797	1,901	1,901	13	213,712

(4) Notes on Non-consolidated Financial Statements

(Notes on the Going-concern Assumption) Not applicable