



# Brief Report of Financial Results (Unaudited)

(For the Three Months Ended May 31, 2022)

July 5, 2022

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

Stock Listing: Tokyo Stock Exchange, Prime Market

Code No: 8570

President and CEO: Kenji Fujita

Contact: Yuro Kisaka, Director, Managing Executive Officer

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

## 1. Business performance (For the Three Months ended May 31, 2022 and for the Three Months ended May 31, 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
Three Months ended May 31, 2022	106,965	-	15,283	△26.2	16,382	△24.2	7,917	△32.1
Three Months ended May 31, 2021	122,205	11.1	20,710	-	21,603	-	11,667	-

(Note) Comprehensive income; The 1st Quarter of Fiscal 2022; 18,960 million (△9.2%), The 1st Quarter of Fiscal 2021; 20,872 million (-%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months ended May 31, 2022	36.68	36.68
Three Months ended May 31, 2021	54.06	54.05

(Note) "Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020) have been applied since the beginning of the first quarter of the current consolidated accounting period, and each figure for the first quarter of the fiscal year ending February 28, 2023 is the value after the application of the accounting standard, etc., and the rate of change in operating revenue from the same quarter of the previous year is not shown.

### (2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Three Months ended May 31, 2022	6,465,815	521,280	6.6	1,971.44
Fiscal 2021 ended February 28, 2022	6,278,586	509,055	6.8	1,965.47

(Reference) Shareholder's equity; The 1st Quarter of Fiscal 2022; 425,514 million, Fiscal 2021; 424,222 million

(Note) "Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020) have been applied since the beginning of the first quarter of the current consolidated accounting period, and each figure for the first quarter of the fiscal year ending February 28, 2023 is the value after the application of the accounting standard, etc..

## 2. Cash Dividends

(yen)

(Base date)	Dividend per share				
	First quarter period	Interim period	Third quarter period	Term end	Annual
February 2022 term	—	19.00	—	31.00	50.00
February 2023 term	—				
February 2023 term (Estimated)		20.00	—	30.00	50.00

(Note) Amendments from the most recently published dividend forecast : No

Breakdown of dividend for end-second quarter of February 2022 term

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

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. Projections (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 134.61

(Note) Amendments from the most recently published projections forecast : No

Interim projections forecast are not disclosed

In order to apply the "Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020) from the fiscal year ending February 28, 2023, operating revenue in the above consolidated earnings forecasts is the amount after the application of the accounting standards. The rate of change from the previous fiscal year is based on a comparison with the figures after retrospectively applying the relevant 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) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: No

(3) Change in accounting principle, procedure, disclosure, etc. concerning preparation of consolidated financial statements

①Change due to a newly issued accounting requirement: Yes

②Change other than ①: No

③Change accounting quotation: No

④Restatement: No

(4) Number of issued stock and outstanding stock (Common stock)

① Number of issued stock and outstanding stock at term end (including treasury stock)

The 1st quarter of Fiscal 2022: 216,010,128 shares; Fiscal 2021: 216,010,128 shares

② Number of shares of treasury stock at end of term

The 1st quarter of Fiscal 2022: 170,950 shares; Fiscal 2021: 172,749 shares

③ Average number of shares during the quarter (For the Three Months ended May 31, 2022)

The 1st quarter of Fiscal 2022: 215,839,120 shares; The 1st quarter of Fiscal 2021: 215,830,489 shares

※ This Brief Report of Financial Results (Unaudited) is not required for submission for quarterly audit review.

※Projections above are based on management's assumptions using information available at the time of publication. Owing to various factors, actual results may differ from these projections.

※Information about the business profile and financial results of AEON Financial Service Co., Ltd are available on the company home page.

## Attachments

### 1. Review of Operating Results and Financial Statements

#### (1) Analysis of Operating 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, the Company is investing in and developing infrastructure for the AEON Group’s common ID, and at the same time promoting cashless payments and introduction of new services including insurance products. Overseas, the Company is working 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 is also enhancing the credit examination and receivables management to promote digital financial inclusion.

In April, the Company, together with AEON CREDIT SERVICE (M) BERHAD, obtained the digital banking license in Malaysia, the first ever such license issued in the country. With MoneyLion Inc., a US fintech company operating digital financial platforms in the US, as a technology partner, the Company has been developing service infrastructure so that the environment is ready for providing, to a wider range of customers including unbanked people, financial products and services that meet the needs of individual customers, including deposits, insurance products, and small-amount loans. Work is going on so that such services may be started during the next fiscal year. Taking advantage of the expertise the Group has fostered in Malaysia coupled with the latest technologies, the Group will further enhance the customer base and diversify the financial services that the Group provides. During the first quarter of the current consolidated fiscal year under review, the COVID-19 pandemic was calming down across the countries and regions that the Group operates in, and the economic activities started recovering. Under such a situation, the Group implemented sales promotion measures in response to changes in consumption trends of the customers to increase sales of various products and services. In addition to increased amount and balance of credit card purchase transactions both in Japan and overseas, the outstanding amount of personal loans and instalment finance also increased overseas. However, due to the decrease in revenue following the application of the “Accounting Standard for Revenue Recognition” (by an amount of ¥8,222 million) and slow recovery in the amount of outstanding trade receivables in Japan, consolidated operating income totaled ¥106,965 million. Consolidated operating profit decreased to ¥15,283 million, down 26.2% from a year earlier, despite the Group’s efforts to curtail personnel expenses and bad debt costs. Consolidated ordinary profit decreased by 24.2% from a year earlier to ¥16,382 million, and profit attributable to owners of the parent by 32.1% to ¥7,917 million.

Operating results for the first quarter of the fiscal year ended May 31, 2022 are as follows:

(Unit : Millions of yen)

	Previous Q1	Q1	Change	Ratio
Operating revenue	122,205	106,965	△15,239	—
Operating profit	20,710	15,283	△5,426	△26.2%
Ordinary profit	21,603	16,382	△5,221	△24.2%
Profit (loss) attributable to owners of parent (△)	11,667	7,917	△3,750	△32.1%

\*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 consolidated operating income shown is the figure after application of the standard. For this reason, the year-to-year percent change in operating income is not shown.

Segment results for the first quarter of the fiscal year ended May 31, 2022 were as follows:

(Unit : Millions of yen)

		Operating revenue			Operating profit (loss) (△)		
		Previous Q1	Q1	Ratio	Previous Q1	Q1	Ratio
Domestic	Retail	58,286	41,015	—	4,134	307	△92.6%
	Solution	43,648	42,039	—	4,639	2,543	△45.2%
	Total	101,934	83,054	—	8,773	2,850	△67.5%
Global	China	3,755	4,621	23.1%	1,619	1,523	△5.9%
	Mekong	18,198	20,277	11.4%	4,830	5,213	7.9%
	Malay	13,265	14,043	5.9%	5,507	6,111	11.0%
	Total	35,219	38,942	10.6%	11,957	12,848	7.5%
Domestic・Global Total		137,153	121,997	—	20,731	15,698	△24.3%
Adjustments		△14,948	△15,031	—	△20	△415	—
Consolidated statements appropriation		122,205	106,965	—	20,710	15,283	△26.2%

#### [Business Segment Information]

##### <Domestic Retail Business>

In the domestic retail business, AEON Bank, Ltd. (the “Bank”) promoted programs so that the customers can complete application for housing loans via web pages and telephone consultation without leaving home. At the same time, taking advantage of the fact that the customers can easily drop by the Bank office when visiting AEON stores, the Bank also continued promoting programs to meet needs for face-to-face consultation at the Bank office. Thanks to these efforts, the outstanding residential housing loans rose to ¥2,589,865 million, up by ¥57,554 million from the beginning of the fiscal year.

In the cash advance business, the Company promoted use of the services through utilization of digital media such as AEON Wallet and e-mail newsletter as well as through outbound telephone calls. Owing to such efforts, the amount of cash advances started recovering, although still short of the FY2019 level prior to the COVID-19 pandemic. As a result, outstanding amount of receivables rose by ¥1,478 million from the beginning of the fiscal year to ¥398,872 million.

In the asset management services, from April 1, the Company started 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 yield higher than those of yen deposits. The product was well received and was sold out earlier than expected. In order to meet the inheritance-related needs 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 Tokyo Yaesu Branch of AEON Bank first started offering the service, which was relocated to Yaesu Underground Shopping Arcade that is directly connected to the JR Tokyo Station. The plan is that all the branches of the Bank offer the service over time.

At the end of the first quarter of the fiscal year under review, the number of deposit accounts of the Bank increased by 100,000 from the beginning of the fiscal year to 7,970,000, and the balance of the deposit accounts rose by ¥69,017 million to ¥4,249,802 million, growing steadily.

AEON Allianz Life Insurance Co., Ltd. promoted collaboration with the Group companies, offering group credit life insurance services to borrowers of housing loans, loans for studio apartment, and housing renovation loans provided by the Group companies. The company increased sales agents of the “Genki Passport (Passport to Health),” a health enhancement-type permanent medical insurance product that the company started selling in November 2021. The company promoted sale of the product by expanding the program for the “Wellness Coin,” which is available when the customers participated in health-enhancing activities on the “Wellness Palette,” a smartphone application that comes with the “Passport.” The “Coin” can be exchanged for health-related products and vouchers for use at the AEON Group companies, etc.

As a result, operating income of the domestic retail business totaled ¥41,015 million. Operating profit decreased 92.6% from a year earlier to ¥307 million, due to the decreasing outstanding amount of the cash advance receivables up to the previous fiscal year and increases in sales promotion expenses for expansion of credit card purchase transactions.

#### <Domestic Solutions Business>

In the domestic solution business, the Company enhanced efforts to solicit customers at new or renovated supermarket stores of the AEON Group to apply for the credit card membership. The online promotion of card membership worked well: in addition to promotion campaigns to meet needs in the new life starting in April, the in-house management of affiliate advertisement contributed, and the number of cards issued through online applications grew to account for over half the new memberships. As a result, the number of new memberships in the first quarter of the fiscal year under review was about 460,000, and the total number of valid card members was 30,220,000, up 130,000 from the beginning of the fiscal year.

In the credit card shopping, while use for recreational activities, travels, automobile-related payments (gas, tolls payable at the ETC gate, etc.), and public transportation remained good, use at shops selling daily necessities was sluggish, mirroring rising awareness for protection of daily lives in the face of soaring prices. The Company implemented use promotion measures such as awarding additional WAON points and rewarding use of “AEON Pay,” a barcode payment system. In addition, in order to cater for the away-from-home demand during the holiday week in May, the Company implemented a reciprocal customer transfer services between gas stations and AEON Group stores.

Furthermore, in order to promote use of “iAEON,” an application serving as the touchpoint of the customers with the AEON Group, and “AEON Pay,” a barcode payment system, the Company added non-Group participating stores such as recreational facilities complex operators and apparel retailers, thereby improving usability of these systems for the customers.

As a result, credit card shopping transaction volume for the first quarter of the consolidated fiscal year under review amounted to 1,608,616 million, up 9.7% year-on-year. The outstanding amount of revolving and instalment finance also recovered to ¥248,171 million, up ¥3,441 million from the beginning of the fiscal year.

AEON Credit Service Co., Ltd. entered into a business alliance agreement with Wealth Navi Co., Ltd. and started providing the “WealthNavi for AEON CARD” from July 5. The company started offering investment management service, the first-ever regular discretionary investment plan in Japan where the investment money can be paid with a credit card. The WAON points are also awarded. The company will thus provide high-value-added financial services. In the installment finance business, delay in delivery of new cars owing to insufficient supply of semiconductors and insufficient number of used cars in the market continued affecting the business, and revenues of the installment finance business decreased 1.0% year-on-year to ¥50,214 million.

As a result, operating income of the domestic solution business amounted to ¥42,039 million. Operating profit totaled ¥2,543 million, down 45.2% year-on-year.

#### <Global China Area>

In China Area, the consumption environment was at one time hit badly by the COVID-19 omicron strain infection that spread rapidly in February in Hong Kong, but AEON Credit Service (Asia) implemented promotion measures swiftly in response to the changing lifestyle of the customers, promoting online use of the card. Further, the company also launched a campaign for use at restaurants. Thanks to these efforts, the amount of the credit card purchase transactions amounted to ¥27,058 million, up 17.9% year-on-year. In addition, the company continued promoting creation of the AEON ecosystem, enhancing collaboration with AEON Stores (Hong Kong), a retail business of AEON Group, with all the 82 branches of the Stores handling acquiring operations for the company.

Furthermore, the company started issuing “AEON Card Wakuwaku,” which has the cash-back scheme and is targeted mainly at younger people. The company thus promoted winning new members actively, and also responded to diverse needs of the customers for payment methods, enabling linking AEON card with the “WeChat Pay” from April, a smartphone payment system.

For cash advances and personal loans, the company established a new rule for determination of the initial credit limit, and emphasized personalized approaches to existing customers. It also worked to improve usability of the services by shortening the time required for credit examination. By following the PDCA cycle on a continuous basis for the three areas of credit policy, salability, and promotional measures, the company focused on accumulating high-quality assets. As a result, the amount of cash advances was ¥6,369 million, up 53.9% year-on-year, and that of loans, ¥4,834 million, up 93.3%.

In mainland China, in order to expand the businesses in the South China Area again, the company promoted consolidation of the back-office functions and management resources, established a seamless and quick-response system from provision of services to the customers to follow-through services, and also strengthened the internal control system. AEON Micro Finance (Shenzhen) resumed providing unsecured loans from March, planning to

expand the business in the area.

As a result, operating income in China Area rose 23.1% year-on-year to ¥4,621 million, but due to increases in bad debt costs following increases in the trade receivables, operating profit declined 5.9% year-on-year to ¥1,523 million.

#### <Global Mekong Area>

In Mekong Area, in the first quarter of the previous fiscal year, various activities, including outings, were restricted in Thailand, the key country for the Group's operations in the area, because of the COVID-19 pandemic. In the first quarter of the current consolidated fiscal year, under the government policy of giving priority to resumption of economic activities, the consumption environment was recovering gradually. The credit card purchase transactions of AEON Thana Sinsap (Thailand) (hereinafter ATS), a local subsidiary in Thailand that celebrated its 30th anniversary, increased 59.0% year-on-year to ¥39,004 million, thanks to implementation of anniversary campaigns and other sales promotion activities with business partners such as e-commerce sites and food delivery services. In personal loans, ATS continued increasing credit limits for high-income customers with good repayment records and using digital technology for credit risk analysis to provide low-cost loans to people for whom it was difficult to do so with conventional screening methods. Thanks to these efforts, the amount of personal loans amounted to ¥23,064 million, up 40.6% year-on-year.

As a result, operating income in Mekong Area was ¥20,277 million, up 11.4% year-on-year, and operating profit ¥5,213, up 7.9%.

In May, ATS obtained a license for online sale of insurance products and started selling such products on a mobile application from June. The customer usability is improved as the insurance product can be selected and payment completed with the AEON card on the mobile application. In addition, ATS promoted use of digital technologies with focus on mobile devices, such as completely stopping issuing plastic cards to loan customers and using virtual cards on the mobile application instead.

Furthermore, at Rabbit Cash Company Limited, a new company that ATS founded in March 2021 in Thailand together with a BTS Group company managing the urban transportation and an outsourcing company working on human resources management for ATS, obtained a license for nano-finance in May this year. By determining the credit risk from sale and purchase history among others, it started providing safe and secure small-lot loans to the customers for whom it was difficult to measure the credit risk with conventional screening methods. With the license, the company is fully committed to the loan business utilizing the digital platform.

#### <Global Malay Area>

In Malay Area, the environment was tough in the first quarter of the previous fiscal year, such as implementation of lockdown in Malaysia, the key country for the Group's operations in the area. For the first quarter of the consolidated fiscal year under review, however, the consumption environment recovered. AEON Credit Service (M) Berhad (hereinafter ACSM), jointly with AEON Co (M) BHD., a retail business subsidiary of the AEON Group, implemented hari raya sales promotion measures and credit card use campaign to expand online payments. Owing to these efforts, the amount of credit card purchase transactions in Malay Area rose 131.3% from a year earlier to ¥23,347 million. Although the motorcycle loans, of which ACSM has a market share of about 30% of registered new motorcycles, were affected by motorcycle supply shortage, the number of applications increased 19% year-on-year thanks to promotional measures for new models implemented jointly with motorcycle manufacturers and partial revision and easing of credit examination criteria. As a result, the amount of installment finance transactions in Malay Area rose 20.1% year-on-year to ¥23,824 million. Personal loans were sluggish at one time after resumption of the pension withdrawal program in April, but the amount on transactions increased 9.5% from a year earlier to ¥8,790 million thanks to implementation of cashback campaigns according to the use amount to capture increasing demand following the recovery of consumption environment.

As a result, operating income in Malay Area was ¥14,043 million, up 5.9% year-on-year, thanks to recovery in revenues from credit card purchase transactions, installment finance transactions, and personal loans. Operating profit was ¥6,111 million, up 11.0%.

In November 2021, the Company identified important social issues (materialities) that may affect the Company's operations in the medium- to long-term, and established the "Sustainability Policy" to promote the sustainability management, contributing to realization of sustainable society and peace where everybody can live happily with peace of mind.

In particular, the Group considers the climate change issue as the most important issue to be addressed that may significantly affect the global environment and human society. The Group holds out the “AEON Decarbonization Vision,” under which the Group intends to achieve net zero carbon dioxide emissions in aggregate at the stores by around 2040. Also, in November 2021, the Group expressed its support of the Task Force on Climate-related Financial Disclosures (TCFD), and in addition to establishment of the governance structure and strategy for realization of the zero-carbon society, carried out analyses of the climate-related risks and opportunities under the two scenarios—1.5°C scenario and 4°C scenario—and disclosed the assessment of the impact that the climate change might have on the Group’s businesses. In the future, by establishing the reduction target of the greenhouse gas emissions, the Group will strive to build a resilient business model for the zero-carbon society.

This March, the Company was selected as a component issue of the “FTSE Blossom Japan Sector Relative Index,” which is one of the ESG indices used by the Government Pension Investment Fund (GPIF).

Furthermore, ACSM was selected as a component issue of the “FTSE4Good Bursa Malaysia Index” for the 8th consecutive year since 2015. The Index is composed of top 200 companies assessed by FTSE Russell. Moreover, ACSM recently won the four-star rank, the highest rank awarded to the component companies in the top quartile in the FTSE Bursa Malaysia EMAS Index.

On April 15, 2022, AEON Product Finance Co., Ltd., a subsidiary of the Company, received an order for business improvement from the Kanto Local Finance Bureau pursuant to the Installment Sales Act, and in response submitted the Business Improvement Report in June. The Company gravely accepts the order, sincerely regrets the incident, and will thoroughly implement measures to enhance the compliance and prevent recurrences across the Group.

The Company will continue to meet the expectations of the stakeholders and aim to achieve development of the sustainable society through business operations.

## **(2) Analysis of Financial Condition**

### **(Assets)**

As of the end of the first quarter of the consolidated fiscal year under review, total assets increased by ¥187,228 million from the end of the previous fiscal year to ¥6,465,815 million. This is attributed to an increase of ¥116,867 million in lendings in the banking business due to increases in outstanding housing loans, an increase of ¥162,396 million in receivables from installment finance mirroring favorable credit card sales transactions, and a decrease of ¥134,762 million in cash deposits.

### **(Liabilities)**

Total liabilities rose by ¥175,003 million from the end of the previous fiscal year to ¥5,944,534 million. This is mainly attributable to an increase of ¥84,020 million in interest-bearing debts due to buoyant fund demand mirroring increases in receivables, and an increase of ¥69,267 million in deposits received owing to wider use of the bank account as payment account.

### **(Net Assets)**

Total net assets increased by ¥12,225 million from the end of the previous fiscal year to ¥521,280 million. The factors include: quarterly profit attributable to owners of the parent amounting to ¥7,917 million; an increase of ¥8,302 million in foreign currency translation adjustment; and an increase of ¥10,935 in non-controlling interests. Other factors include a decrease of ¥10,274 million in valuation difference on available-for-sale securities and a decrease of ¥6,690 million in retained earnings due to payment of term-end dividends.

## **(3) Explanation of Forward-looking Information Such As Consolidated Earnings Forecasts**

At this time, there is no change in the earnings forecast announced on April 7, 2022.

## 2. Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	738,782	604,020
Call loans	8,864	4,684
Accounts receivable - installment	1,566,284	1,728,681
Lease receivables and investments in leases	12,585	12,265
Operating loans	772,604	824,156
Loans and bills discounted for banking business	2,110,010	2,226,878
Securities for banking business	536,221	527,437
Securities for insurance business	49,397	45,453
Monetary claims bought	27,028	26,142
Money held in trust	111,015	108,416
Other	170,924	174,072
Allowance for doubtful accounts	△124,549	△125,543
Total current assets	5,979,170	6,156,663
Non-current assets		
Property, plant and equipment	34,320	34,063
Intangible assets		
Goodwill	14,924	14,492
Software	107,732	110,522
Other	4,344	4,244
Total intangible assets	127,001	129,258
Investments and other assets	137,377	145,195
Total non-current assets	298,699	308,517
Deferred assets	716	633
Total assets	6,278,586	6,465,815
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	225,236	272,575
Deposits for banking business	4,178,544	4,247,811
Short-term borrowings	204,074	283,397
Current portion of long-term borrowings	90,214	104,062
Current portion of bonds payable	63,410	54,247
Commercial papers	85,000	79,000
Provision for bonuses	4,086	5,945
Provision for point card certificates	7,129	1,742
Other provisions	200	159
Other	194,349	175,023
Total current liabilities	5,052,244	5,223,966
Non-current liabilities		
Reserve for insurance policy liabilities	64,367	62,234
Bonds payable	277,250	248,576
Long-term borrowings	335,933	370,544
Retirement benefit liability	2,271	2,399
Provision for loss on interest repayment	6,476	5,695
Other provisions	460	235
Deferred tax liabilities	1,273	1,431
Other	29,252	29,451
Total non-current liabilities	717,286	720,568
Total liabilities	5,769,530	5,944,534



(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	119,990	120,308
Retained earnings	258,525	259,750
Treasury shares	△442	△437
Total shareholders' equity	423,771	425,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△2,549	△12,824
Deferred gains or losses on hedges	△1,628	76
Foreign currency translation adjustment	4,852	13,154
Remeasurements of defined benefit plans	△222	△210
Total accumulated other comprehensive income	450	195
Share acquisition rights	33	30
Non-controlling interests	84,799	95,735
Total net assets	509,055	521,280
Total liabilities and net assets	6,278,586	6,465,815

## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### Consolidated Statement of Income

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Operating revenue		
Revenue from credit card business	32,783	28,153
Revenue from installment sales finance business	11,128	11,172
Financing revenue	32,938	33,357
Recoveries of written off receivables	2,666	3,672
Financial revenue	9,298	10,039
Insurance revenue	11,531	3,090
Fees and commissions	16,473	14,804
Other	5,386	2,673
Total operating revenue	122,205	106,965
Operating expenses		
Financial expenses	5,286	5,255
Insurance expenses	11,158	2,986
Fees and commissions payments	2,650	3,046
Selling, general and administrative expenses	81,671	79,648
Other	728	745
Total operating expenses	101,495	91,682
Operating profit	20,710	15,283
Non-operating income		
Dividend income	129	64
Gain on investments in investment partnerships	294	216
Foreign exchange gains	—	667
Subsidy income	493	113
Other	31	38
Total non-operating income	949	1,100
Non-operating expenses		
Foreign exchange losses	46	—
Miscellaneous losses	9	0
Total non-operating expenses	56	0
Ordinary profit	21,603	16,382
Extraordinary income		
Gain on sale of non-current assets	6	1
Gain on sale of investment securities	436	—
Gain on termination of retirement benefit plan	239	—
Total extraordinary income	682	1
Extraordinary losses		
Loss on disposal of non-current assets	173	93
Impairment losses	93	11
Infectious Disease Related Cost	12	8
Other	10	1
Total extraordinary losses	290	115
Profit before income taxes	21,995	16,268
Income taxes - current	5,732	3,666
Income taxes - deferred	554	778
Total income taxes	6,287	4,444
Profit	15,708	11,823
Profit attributable to non-controlling interests	4,041	3,906
Profit attributable to owners of parent	11,667	7,917

## Consolidated State of Comprehensive Income

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	15,708	11,823
Other comprehensive income		
Valuation difference on available-for-sale securities	2,080	△10,193
Deferred gains or losses on hedges	△41	2,949
Foreign currency translation adjustment	3,026	14,368
Remeasurements of defined benefit plans, net of tax	98	11
Total other comprehensive income	5,163	7,136
Comprehensive income	20,872	18,960
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,810	7,662
Comprehensive income attributable to non-controlling interests	5,061	11,298

### **(3) Notes on Quarterly Consolidated Financial Statements**

(Notes on the Going-concern Assumptions)

N/A

(Notes When There Is a Significant Change in the Amount of Shareholders' Equity)

N/A

(Change in Significant Subsidiary During the Term)

N/A

(Change in Accounting Policy)

(Application of "Accounting Standard for Revenue Recognition")

The Company started applying the "Accounting Standard for Revenue Recognition" (Accounting Standard No. 29, March 31, 2020) at the beginning of the first quarter of the consolidated fiscal year under review, and will recognize the revenue at the time when the control over the goods or services promised is transferred to the customer for an amount expected to be receivable in exchange for the goods or services provided. Major changes accompanying the application of the Standard are as follows:

(1) Revenue Recognition in Relation to Point System

For the points awarded to the customers pursuant to the point system operated by other companies, the cash amount equivalent to the awarded points that AEON Bank, a consolidated subsidiary of the Company, pays to the operator used to be recorded as advertisement expenses in selling, general and administrative expenses, but the accounting policy is changed so that the amount is now recorded as deduction from revenue from credit card purchase contracts as an amount collected on behalf of the third party.

(2) Consideration Payable to Member Stores

The consideration payable to the member stores for use of the credit card from AEON Credit Service, a consolidated subsidiary of the Company, used to be recorded as advertisement expenses in selling, general and administrative expenses, but the accounting policy is changed so that the amount is now recorded as deduction from revenue from credit card purchase contracts.

Concerning application of the Accounting Standard for Revenue Recognition, the Company follows the transitional approach stipulated in the proviso to Clause 84 of the Accounting Standard for Revenue Recognition, and the cumulative difference, assuming the new accounting policy is retrospectively applied to the periods prior to the first quarter of the consolidated fiscal year under review, is added to or subtracted from retained earnings at the beginning of the first quarter of the consolidated fiscal year under review, and the new accounting policy is applied from the balance at the beginning of the fiscal year under review. Provided, however, that the method stipulated in Clause 86 of the Accounting Standard for Revenue Recognition is applied, and the new policy is not applied retrospectively to the contracts for which substantially all the revenue was already recognized in the periods prior to the first quarter of the consolidated fiscal year under review under the former accounting policy.

As a result, operating income and selling, general and administrative expenses for the first quarter of the consolidated fiscal year under review are both reduced by ¥8,222 million. Also, provision for point card certificates is reduced by ¥2,308 million, and other in current liabilities is increased by the same amount. The change in the accounting policy has no impact on the retained earnings at the beginning of the consolidated fiscal year under review. Due to the change in the point system of the Group, there will be no provision for point card certificates in the future.

Pursuant to Clause 28-15 of the "Accounting Standard for Quarterly Statements" (Accounting Standard No. 12, March 31, 2020), information on disaggregated revenue arising from contracts with customers in relation to the first quarter of the previous consolidated fiscal year is not disclosed.

(Application of Accounting Standard for Fair Value Measurement)

The Company started applying the "Accounting Standard for Fair Value Measurement" (Accounting Standard No. 30, July 4, 2019) from the beginning of the first quarter of the consolidated fiscal year under review, and the

Company will continue to apply the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement, following the transitional approach stipulated in Clause 19 of the Accounting Standard for Fair Value Measurement and in Clause 44-2 of the “Accounting Standard for Financial Instruments” (Accounting Standard No. 10, July 4, 2019). The effect of the accounting change on the consolidated financial statements for the first quarter of the consolidated fiscal year under review is negligible.

(Additional Information)

(Accounting Estimates of the Impact of the COVID-19 Pandemic)

There are no material changes to the assumptions, including the timing of the containment of the COVID-19 pandemic, stated in the “Important Accounting Estimates” of the Annual Securities Report for the previous consolidated fiscal year.

(Segment information)  
For 1st quarter of FY2021

1. Operating income and profit/loss is reported based on business segments as follows:

(Millions of yen)

	For the three month ended May 31, 2021							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	57,473	29,719	3,755	18,197	13,265	122,411	△206	122,205
Internal operating income between segments	812	13,928	0	1	—	14,742	△14,742	—
Total	58,286	43,648	3,755	18,198	13,265	137,153	△14,948	122,205
Segment Profit	4,134	4,639	1,619	4,830	5,507	20,731	△20	20,710

(Notes)1. Operating income is stated in here in replacement of sales turnover of general corporations

2. The amounts shown in the 'adjustments' portion are as follows:

△206 million yen shown in the 'Operating revenue from external parties' section includes Operating income of holding companies which do not fall under the category of any business segments.

Adjustment amount of △20 million yen shown in 'Segment profit' represents the net amount after elimination of Operating profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

3. Segmental profit has been adjusted with the operating profit in the quarterly consolidated income statement.

2. Notes on loss on disposal of non-current assets and goodwill on each segments : No

For 1st quarter of FY2022

1. Operating income and profit/loss is reported based on business segments as follows:

(Millions of yen)

	For the three month ended May 31, 2022							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	40,254	27,862	4,620	20,255	14,043	107,037	△71	106,965
Internal operating income between segments	760	14,177	0	22	—	14,960	△14,960	—
Total	41,015	42,039	4,621	20,277	14,043	121,997	△15,031	106,965
Segment Profit	307	2,543	1,523	5,213	6,111	15,698	△415	15,283

(Notes)1. Operating income is stated in here in replacement of sales turnover of general corporations

2. The amounts shown in the 'adjustments' portion are as follows:

△71 million yen shown in the 'Operating revenue from external parties' section includes Operating income of holding companies which do not fall under the category of any business segments.

Adjustment amount of △415million yen shown in 'Segment profit' represents the net amount after elimination of Operating profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

3. Segmental profit has been adjusted with the operating profit in the quarterly consolidated income statement.

4. Revenue arising from contracts with parties subject to revenue recognition accounting standards, which are included in operating revenue from external parties for the term was 9,398 million yen for Domestic Retail, 16,092 million yen for Domestic Solutions, 881 million yen for China Area, 1,752 million yen for Mekong Area, and 1,490 million yen for the Malay Area, and 49 million yen for Adjustments respectively.

2. Matters Concerning Changes to the Reporting Segments, etc.

As described in the change in accounting policy, since the Revenue Recognition Accounting Standards, etc. were applied from the beginning of the first quarter of the fiscal year under review, and the accounting method related to revenue recognition was changed, the calculation method of operating revenue and segment profit for the Reporting Segment was similarly changed.

The impact of such changes on the operating revenue of the reporting segments was △7,738 million yen for Domestic Retail, △525 million yen for Domestic Solutions, and 42 million yen for Adjustments for each reporting segment.

3. Notes on loss on disposal of non-current assets and goodwill on each segments : No