



Brief Report of Financial Results (Unaudited)

(For the Six Months Ended August 31, 2022)

October 4, 2022

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

Stock Listing: Tokyo Stock Exchange, Prime Market

Code No: 8570

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

President and CEO: Kenji Fujita

Contact: Yuro Kisaka, Director, Managing Executive Officer

1. Business performance (For the Six Months ended August 31, 2022 and for the Six Months ended August 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
Six Months ended August 31, 2022	221,579	-	31,857	△4.2	34,390	0.6	18,204	0.3
Six Months ended August 31, 2021	237,966	3.2	33,240	328.0	34,169	337.5	18,155	-

(Note) Comprehensive income; The 2nd Quarter of Fiscal 2022; 35,678 million (15.3%), The 2nd Quarter of Fiscal 2021; 30,948 million (-%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months ended August 31, 2022	84.34	84.33
Six Months ended August 31, 2021	84.12	84.11

(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 second 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
Six Months ended August 31, 2022	6,574,396	537,962	6.6	2,016.08
Year ended February 28, 2022	6,278,586	509,055	6.8	1,965.47

(Reference) Shareholder's equity; The 2nd Quarter of Fiscal 2022; 435,170 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 second 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	—	20.00	—	—	—
February 2023 term (Estimated)	—	—	—	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, 2022)

(Millions of yen, %)
(% is the percentage of change to the previous year)

	Operating revenue	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributable to owners of parent	YoY	Net income per share
Full year	445,000	1.5	55,000 to 60,000	Δ6.5 to 1.9	55,000 to 60,000	Δ8.2 to 0.1	27,000 to 29,000	Δ10.6 to Δ4.0	125.10 to 134.61

(Note) Amendments from the most recently published projections forecast : Yes

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 2nd 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 2nd quarter of Fiscal 2022: 160,446 shares; Fiscal 2021: 172,749 shares
 - ③ Average number of shares during the quarter (For the Six Months ended August 31, 2022)
The 2nd quarter of Fiscal 2022: 215,840,136 shares; The 2nd quarter of Fiscal 2021: 215,831,868 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.

1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

During the second quarter of the current consolidated fiscal year under review, economic activity in the countries and regions that the Group operates in started recovering, and the Group implemented sales promotion measures in response to changes in customers' consumption trends to increase sales of various products and services. In addition to growth in the amount and balance of card purchase transactions both in Japan and overseas, the outstanding amount of personal loans and installment finance also increased overseas. Consolidated operating revenue totaled ¥221,579 million, but excluding the impact of the decrease in revenue following the application of the "Accounting Standard for Revenue Recognition" (by ¥17,418 million) in Japan, it exceeded the results for the same period a year earlier. As a result, consolidated operating profit totaled ¥31,857 million (down 4.2% from a year earlier), progressing according to plan. Consolidated ordinary profit was ¥34,390 million (up 0.6% from a year earlier), and profit attributable to owners of the parent was ¥18,204 million (up 0.3% from a year earlier), the highest ever for the period.

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

(Unit : Millions of yen)

	Previous Q2	Q2	Change	Ratio
Operating revenue	237,966	221,579 (238,997)	△16,387 (1,031)	— (0.4%)
Operating profit	33,240	31,857	△1,382	△4.2%
Ordinary profit	34,169	34,390	221	0.6%
Profit (loss) attributable to owners of parent (△)	18,155	18,204	49	0.3%

*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.

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

(Unit : Millions of yen)

		Operating revenue			Operating profit (loss) (△)		
		Previous Q2	Q2	Ratio	Previous Q2	Q2	Ratio
Domestic	Retail	111,226	85,761 (102,145)	— (△8.1%)	5,961	4,078	△31.6%
	Solution	87,853	85,631 (86,749)	— (△1.2%)	9,851	6,941	△29.5%
Global	China	7,582	10,500	38.5%	2,936	3,407	16.0%
	Mekong	36,703	41,223	12.3%	7,629	9,596	25.8%
	Malay	25,208	28,938	14.8%	7,629	8,878	16.4%
Total		268,574	252,055	—	34,007	32,901	△3.2%
Adjustments		△30,607	△30,476 (△30,560)	—	△767	△1,043	—
Consolidated statements appropriation		237,966	221,579 (238,997)	— (0.4%)	33,240	31,857	△4.2%

*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.

[Business Segment Information]

<Domestic Retail Business>

In the domestic retail business, AEON Bank, Ltd. (the “Bank”) reduced interest rates on variable interest rate plans for refinancing for housing loans and implemented a campaign to add zero additional interest rates on group credit housing loans for all illnesses. Thanks to these efforts, the outstanding residential housing loans rose to ¥2,616,031 million (up ¥83,720 million from the beginning of the fiscal year). In addition, the Bank continued to respond to needs for consultations at physical stores by taking advantage of the fact that customers can easily drop by the Bank office when visiting AEON Group stores. The Bank also strengthened efforts to enable online applications and consultations.

In the cash advance business, the Company continued to promote the use of services through utilization of digital media and outbound telephone calls. However, with the recovery for funding needs still showing signs of delay, the outstanding amount of receivables fell from the beginning of the fiscal year to ¥389,564 million (down ¥7,830 million from the beginning of the fiscal year).

In order to meet the inheritance-related needs of the aging society, the Company formed a business alliance with Yamada Escrow and Trust Co., Ltd., and started offering inheritance-related services including will-trust services and inheritance administration at the Tokyo Yaesu Branch of AEON Bank in May. The Company expanded the availability for such services to 48 branches across Japan from September 1.

At the end of the second quarter of the fiscal year under review, the number of deposit accounts of the Bank was 8,060,000 (up 200,000 from the beginning of the fiscal year) and the balance of deposit accounts rose to ¥4,335,596 million (up ¥154,811 million from the beginning of the fiscal year), due to an increase in the number of members using AEON Card Select (an AEON card with an integrated cash card).

AEON Allianz Life Insurance Co., Ltd. continued to promote collaboration with Group companies as it achieved growth in group credit life insurance services that are offered to borrowers of housing loans, studio apartment loans, and housing renovation loans handled by Group companies.

As a result, operating revenue of the domestic retail business totaled ¥85,761 million. Operating profit amounted to ¥4,078 million (down 31.6% from a year earlier), due to an expansion in business operations and investment in human resources.

<Domestic Solution Business>

In the domestic solution business, the Company strengthened solicitations in stores for AEON cards designed with the animation character “Minions” in conjunction with the release of the movie “Minions: The Rise of Gru,” which led to in-store card applications recovering to pre-COVID levels. Online card applications also did well as the Company strengthened new membership campaigns and advertisements calling attention to card benefits in addition to promoting in-house management of affiliate advertising, and the number of cards issued through online applications grew to account the highest level of the new memberships. As a result, the number of new memberships in the second quarter of the fiscal year under review increased to 880,000 and the total number of valid card members in Japan rose to 30.32 million (up 230,000 from the beginning of the fiscal year).

In credit card shopping, while use for recreational activities, travelling, automobile-related payments such as gas and tolls payable at the ETC gate, and public transportation recovered, use at shops selling daily necessities continued to be affected by people’s reluctance to spend in the face of soaring prices. The Company implemented promotion measures such as awarding additional WAON points at AEON Group stores that sell daily necessities and rewarding use of “AEON Pay,” a barcode payment system. In addition, the Company implemented sales promotion plans to cater to demand during the summer vacation season, such as a plan to reward points with major travel agencies. Business areas are also working on their own sales promotion measures to encourage continued use.

On July 5, the Company launched a discretionary investment service, “WealthNavi for AEON CARD,” in which payments are made with the AEON card. With this service, the Company is working to increase the added value of AEON cards, such as the ability to accumulate WAON points while managing assets.

Furthermore, in order to promote the use of “iAEON,” an app serving as the touchpoint of customers with the AEON Group, and “AEON Pay,” a barcode payment system, the Company is continuing to expand non-Group participating stores, such as recreational complex facilities, apparel retailers, restaurants, and mass home appliance retailers.

As a result, credit card shopping transaction volume for the second quarter of the consolidated fiscal year under review amounted to ¥3,179,786 million (up 9.5% from a year earlier). The outstanding amount of revolving and installment finance also recovered, totaling ¥250,041 million (up ¥5,311 million from the beginning of the fiscal year).

In the installment finance business, delays in the delivery of new cars due to insufficiencies in semiconductor supply and a shortage of used cars on the market continued to have an effect. The transaction volume for installment finance

was ¥97,691 million (up 1.6% from a year earlier), an increase from the previous year, but outstanding receivables remained sluggish as the installment finance balance fell short of recovering.

As a result, operating revenue for the domestic solutions business was ¥85,631 million. Operating profit fell to ¥6,941 million (down 29.5% from a year earlier) due to increased IT investment aimed at improving productivity.

<Global China Area>

In the China Area, the Hong Kong local subsidiary AEON CREDIT SERVICE (ASIA) was under difficult conditions especially in the first quarter when restrictions on activity were tightened due to the COVID-19 pandemic. However, the company was quickly able to implement measures such as promoting online usage in line with customers' changing lifestyles and carrying out aggressive campaigns. As a result, the amount of credit card purchase transactions amounted to ¥63,795 million (up 37.1% from a year earlier). In addition, the subsidiary started introducing UnionPay QR code payments as part of the acquiring operations handled by all stores (82 stores) of AEON Stores (Hong Kong), a retail business of AEON Group.

Approximately 60% of applications for the AEON Card Wakuwaku, which was newly issued in April, were made online, and the promotion of a cashback scheme led to attracting younger members. In addition, a joint sales promotion campaign linking the AEON card with the smartphone payment system "WeChat Pay" proceeded well, contributing to a steady increase in membership.

For cash advances and personal loans, the subsidiary worked on improving credit accuracy and shortening the time required for credit examination by upgrading credit policies and reviewing operational flows. It also worked on optimizing sales channels such as consulting sales at branches, mobile apps, and telemarketing, while catering to customer needs. As a result, the amount of cash advances was ¥14,653 million (up 69.7% from a year earlier), and that of loans was ¥11,163 million (up 93.8% from a year earlier), a significant increase that led to the accumulation of high-quality operating receivables.

As a result, operating revenue in the China Area was ¥10,500 million (up 38.5% from a year earlier), and operating profit rose to ¥3,407 million (up 16.0% from a year earlier).

<Global Mekong Area>

In the Mekong Area and specifically in Thailand, a major market, the local subsidiary AEON Thana Sinsap (Thailand) (hereinafter, "ATS") carried out sales promotion activities with business partners such as large e-commerce sites and food delivery services. In response to the recovery in travel demand, it also actively promoted the use of the AEON Royal Orchid Plus Card, a tie-up card with Thai Airways International, and implemented a promotional measure to offer gasoline gift cards. As a result, credit card purchase transactions in the Mekong Area increased to ¥80,163 million (up 52.4% from a year earlier).

In personal loans, ATS stopped issuing plastic cards to customers altogether and shifted to virtual cards using the mobile app in an effort to promote digitalization. It also continued to increase credit limits for favorable customers with good repayment records. As a result of these efforts, the amount of personal loans amounted to ¥46,798 million (up 34.8% from a year earlier). In addition, Rabbit Cash Company Limited, a new company established by ATS as a joint venture with local companies in April 2021, obtained a license for nano-finance in May this year. As a result, ATS has been able to determine credit risks from sales and purchase history, etc., and has been able to start providing small-lot loans to customers for whom it was difficult to measure the credit risk using conventional screening methods. In May, ATS obtained permission to sell insurance online and began selling automobile insurance, travel insurance (domestic and overseas), and cancer insurance through mobile apps in June. Customer usability has improved, as payments can be completed with the AEON card on the mobile app.

As a result, operating revenue in the Mekong Area was ¥41,223 million (up 12.3% from a year earlier). Despite an upward trend in the provision of allowance for doubtful accounts as the company prepares for an increase in bad debts in the future, growth in various transaction volumes helped to raise the operating profit to ¥9,596 million (up 25.8% from a year earlier).

<Global Malay Area>

In the Malay Area, and specifically in Malaysia, a major market, the local subsidiary AEON CREDIT SERVICE(M)BERHAD (hereinafter, "ACSM") continued to carry out joint sales promotion measures with AEON CO (M) BHD., a retail business subsidiary of the AEON Group, and conduct credit card use campaigns to expand online payments. Owing to these efforts, the amount of credit card purchase transactions in the Malay Area totaled ¥23,816 million (up 31.3% from a year earlier).

As for motorcycle loans, of which ACSM has a market share of about 30% of registered new motorcycles in the country, ACSM proactively implemented joint sales promotion plans such as new model launch campaigns with

manufacturers and incentive campaigns with major member stores in line with an easing in supply shortages for motorcycles. As a result, the amount of installment finance transactions in the Malay Area increased to ¥50,634 million (up 76.8% from a year earlier). In personal loans, the Company implemented cashback campaigns according to customers' usage in an aim to capture growth in demand from the recovery in consumption. The amount of transactions was ¥21,537 million (up 98.0% from a year earlier).

As a result, operating revenue in the Malay Area was ¥28,938 million (up 14.8% from a year earlier), and operating profit was ¥8,878 million (up 16.4% from a year earlier).

In April of this year, the Company and ACSM jointly acquired Malaysia's first digital bank license, and the two are preparing to start operations in the next fiscal year. By combining the latest technology with the AEON Group's know-how cultivated in Malaysia, the Company aims to further expand its customer base and to diversify the financial services that it provides.

Attachments

Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	738,782	689,363
Call loans	8,864	8,547
Accounts receivable - installment	1,566,284	1,740,063
Lease receivables and investments in leases	12,585	11,968
Operating loans	772,604	821,476
Loans and bills discounted for banking business	2,110,010	2,158,682
Securities for banking business	536,221	604,186
Securities for insurance business	49,397	32,482
Monetary claims bought	27,028	25,046
Money held in trust	111,015	105,919
Other	170,924	188,490
Allowance for doubtful accounts	△124,549	△128,828
Total current assets	5,979,170	6,257,397
Non-current assets		
Property, plant and equipment	34,320	33,943
Intangible assets		
Goodwill	14,924	14,059
Software	107,732	114,141
Other	4,344	4,143
Total intangible assets	127,001	132,344
Investments and other assets	137,377	150,148
Total non-current assets	298,699	316,436
Deferred assets	716	562
Total assets	6,278,586	6,574,396
Liabilities		
Current liabilities		
Accounts payable - trade	225,236	257,721
Deposits for banking business	4,178,544	4,333,458
Short-term borrowings	204,074	299,228
Current portion of long-term borrowings	90,214	117,794
Current portion of bonds payable	63,410	84,476
Commercial papers	85,000	54,000
Provision for bonuses	4,086	3,511
Provision for point card certificates	7,129	1,278
Other provisions	200	105
Other	194,349	177,405
Total current liabilities	5,052,244	5,328,981
Non-current liabilities		
Reserve for insurance policy liabilities	64,367	59,319
Bonds payable	277,250	219,661
Long-term borrowings	335,933	389,790
Retirement benefit liability	2,271	2,484
Provision for loss on interest repayment	6,476	4,910
Other provisions	460	238
Deferred tax liabilities	1,273	1,382
Other	29,252	29,664
Total non-current liabilities	717,286	707,451
Total liabilities	5,769,530	6,036,433

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	119,990	120,270
Retained earnings	258,525	270,020
Treasury shares	△442	△410
Total shareholders' equity	423,771	435,578
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△2,549	△19,855
Deferred gains or losses on hedges	△1,628	0
Foreign currency translation adjustment	4,852	19,645
Remeasurements of defined benefit plans	△222	△199
Total accumulated other comprehensive income	450	△408
Share acquisition rights	33	32
Non-controlling interests	84,799	102,759
Total net assets	509,055	537,962
Total liabilities and net assets	6,278,586	6,574,396

Consolidated Statement of Income

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Operating revenue		
Revenue from credit card business	64,649	55,422
Revenue from installment sales finance business	21,947	23,215
Financing revenue	65,452	67,670
Recoveries of written off receivables	6,077	7,569
Financial revenue	16,717	17,203
Insurance revenue	19,267	7,137
Fees and commissions	31,374	31,434
Other	12,479	11,926
Total operating revenue	237,966	221,579
Operating expenses		
Financial expenses	10,599	11,167
Insurance expenses	18,578	6,490
Fees and commissions payments	5,727	6,163
Selling, general and administrative expenses	168,356	164,394
Other	1,464	1,506
Total operating expenses	204,726	189,721
Operating profit	33,240	31,857
Non-operating income		
Dividend income	150	75
Gain on investments in investment partnerships	257	250
Foreign exchange gains	15	1,257
Subsidy income	493	117
Compensation income	—	734
Other	56	109
Total non-operating income	973	2,545
Non-operating expenses		
Share of loss of entities accounted for using equity method	29	—
Loss on valuation of investment securities	—	10
Loss on sale of receivables	9	—
Miscellaneous losses	5	1
Total non-operating expenses	44	11
Ordinary profit	34,169	34,390
Extraordinary income		
Gain on sale of non-current assets	7	3
Gain on sale of investment securities	436	—
Gain on termination of retirement benefit plan	239	—
Subsidies for employment adjustment	7	—
Total extraordinary income	690	3
Extraordinary losses		
Loss on disposal of non-current assets	321	237
Impairment losses	139	11
Loss on liquidation of subsidiaries	53	—
Infectious Disease Related Cost	17	14
Other	11	1
Total extraordinary losses	543	265
Profit before income taxes	34,316	34,129
Income taxes - current	8,880	6,703
Income taxes - deferred	1,091	2,454
Total income taxes	9,971	9,157

Profit	24,345	24,971
Profit attributable to non-controlling interests	6,190	6,766
Profit attributable to owners of parent	18,155	18,204

Consolidated State of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	24,345	24,971
Other comprehensive income		
Valuation difference on available-for-sale securities	5,861	△17,220
Deferred gains or losses on hedges	184	2,852
Foreign currency translation adjustment	444	25,051
Remeasurements of defined benefit plans, net of tax	113	23
Total other comprehensive income	6,603	10,707
Comprehensive income	30,948	35,678
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,936	17,345
Comprehensive income attributable to non-controlling interests	6,011	18,333

(3) Notes on Quarterly Consolidated Financial Statements
(Notes on the Going-concern Assumption)
Not applicable

(Notes when there is a significant change in the amount of shareholders' equity)
Not applicable

(Change in significant subsidiary during the term)
Not applicable

(Changes to Accounting Policies)

(Application of Accounting Standards, etc. Related to Revenue Recognition)

"Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020, etc. from the beginning of the consolidated accounting period for the first quarter of the current fiscal year, and when the control of the promised goods or services is transferred to the customer, the revenue is recognized in the amount expected to be received in exchange for the goods or services. the main changes are as follows

(1) Revenue Recognition Related to the Point System

With regard to the points granted 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 promotion expenses of selling, general and administrative expenses. However, as an amount to be collected for a third party, we have changed the method to deduct from revenue from credit card business.

(2) Consideration paid to merchants

Consideration paid to merchants from AEON Credit Service, a consolidated subsidiary of the Company, in response to the use of credit cards, was previously treated as promotion expenses of selling, general and administrative expenses. However, as an amount to be collected for a third party, we have changed the method to deduct from revenue from credit card business.

The application of the Revenue Recognition Accounting Standards, etc. is in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standards. The cumulative impact of retrospectively applying the new accounting policy before the beginning of the first quarter consolidated accounting period is adjusted to the retained earnings at the beginning of the current first quarter consolidated accounting period, and the new accounting policy is applied from the balance at the beginning of the fiscal year. However, the Company has applied the method set forth in Paragraph 86 of the Revenue Recognition Accounting Standards, and has not retrospectively applied the new accounting policy to contracts for which the amount of almost all revenues has been recognized in accordance with the previous treatment prior to the beginning of the first quarter consolidated accounting period.

As a result, operating income, selling, and general and administrative expenses for the consolidated cumulative period of the second quarter of the fiscal year decreased by ¥17,418 million respectively. In addition, provision for point card certificates decreased by ¥1,178 million, and other current liabilities increased by the same amount. There will be no impact on the retained earnings balance at the beginning of the fiscal year. In addition, due to changes in the point system of the Group, there will be no provision for point card in the future.

In accordance with the transitional treatment set forth in Article 28-15 of the "Accounting Standards for Quarterly Financial Statements" (Corporate Financial Standards No. 12, March 31, 2020), the Company does not include information that breaks down revenues arising from contracts with customers for the consolidated cumulative period of the previous first quarter.

(Application of Accounting Standards, etc. for Calculation of Market Value)

"Accounting Standards for Calculating Market Value" (Corporate Accounting Standards No. 30, July 4, 2019, hereafter referred to as "Market Value Accounting Standards". etc. applied from the beginning of the first quarter consolidated accounting period. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standards for Market Value Calculation and Article 44-2 of the "Accounting Standards for Financial Instruments" (Corporate Accounting Standards No. 10, July 4, 2019), the Company has decided to apply the new accounting policy stipulated in the Market Value Accounting Standards, etc. into the future. The impact of this on the consolidated financial statements for the second quarter of the fiscal year under review will be minor.

(Additional information)

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

There are no material changes to the assumptions, including the timing of the convergence of the covid-19 infection, etc. stated in the (Important Accounting Estimates) of the Annual Securities Report for the previous consolidated fiscal year.

(Segment Information)

For 2nd 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 revenue								
Operating revenue from external parties	109,559	59,225	7,582	36,657	25,208	238,232	△265	237,966
Internal operating revenue between segments	1,667	28,628	0	46	—	30,342	△30,342	—
Total	111,226	87,853	7,582	36,703	25,208	268,574	△30,607	237,966
Segment Profit	5,961	9,851	2,936	7,629	7,629	34,007	△767	33,240

(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:

△¥265 million 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 △¥767 million 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 2nd quarter of FY2022

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

(Millions of yen)

	For the six months ended August 31, 2022							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating revenue								
Operating revenue from external parties	84,154	56,901	10,500	41,207	28,938	221,702	△123	221,579
Internal operating revenue between segments	1,606	28,729	0	16	—	30,352	△30,352	—
Total	85,761	85,631	10,500	41,223	28,938	252,055	△30,476	221,579
Segment Profit	4,078	6,941	3,407	9,596	8,878	32,901	△1,043	31,857

(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:

△¥123 million shown in the operating revenue from external parties includes operating revenue of holding companies which do not fall under the category of any business segments.

Adjustment amount of △¥1,043 million shown in the 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 customers subject to revenue recognition accounting standards, which are included in operating revenue to external customers for the consolidated cumulative period of the second quarter of the fiscal year under review, was ¥16,799 million for domestic retail, ¥31,925 million for domestic solutions, ¥1,924 million for China Area, ¥3,598 million for Mekong Area, ¥3,119 million for the Malay Area, and ¥102 million for adjustments, respectively.

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

(Important Subsequent Events)

(Merger of Consolidated Subsidiaries)

At the Board of Directors meeting held on October 4, 2022, the Company resolved to execute absorption-type merger of AEON Credit Service Co., Ltd. (hereafter “AEON Credit Service”), a consolidated subsidiary of the Company.

1. Purposes of the Merger

Under the basic policy of "Second Founding: Innovation of Value Chains and Creation of Networks" in the medium-term management plan, the Company's Group aims to create a platform that goes beyond the boundaries of the Group's financial products, services, and customer base by connecting AEON Group companies and external partners with financial services such as settlement and points.

Through this reorganization, the Company will accelerate the above initiatives by strategically utilizing management resources across the Group and further speeding up decision-making.

Through the further expansion of our payment network and the provision of seamless financial services utilizing both online and offline, the Company aim to be the financial group closest to our customers.

2. Outline of the Merger

(1) Schedule

Date of resolution of the Board of Directors: October 4, 2022

Date of signing the merger agreement: December 1, 2022 (Planned)

Effective date of the Merger: October 1, the first half of 2023

※With respect to The Company, the merger falls under “simplified absorption-type merger” as stipulated in Article 796, Paragraph 2 of the Companies Act of Japan, and for AEON Credit Service, “short-form merger” as stipulated in Article 784, Paragraph 1 of the Companies Act of Japan. Accordingly, either the Company or AEON Credit Service will not hold a respective general meeting of shareholders concerning the approval of the merger agreement.

(2) Form of the merger

Under this absorption-type merger, the Company will be the surviving company. AEON Credit Service will be dissolved.

(3) Details of allocation related to the merger

No applicable information.

(4) Treatment of the absorbed company's stock acquisition rights and bonds with stock acquisition rights

No applicable information.

(5) Name of the merger

AEON Financial Service Co., Ltd

3. Overview of the Companies Involved in the Merger

	Dissolved company (as of February 28, 2022)
Corporate name	AEON Credit Service Co., Ltd.
Head office	1-1, Kandanishiki-cho, Chiyoda-ku, Tokyo, Japan
Job title and name of representative	President and CEO Kenji Fujita
Line of business	Credit card, payment service and processing business
Capital stock	¥500 million
Established	November, 2012
No. of shares issued and outstanding	10,000,000 shares
Fiscal year-end date	February 28
Major shareholders and shareholding ratios	AEON Financial Service Co., Ltd. 100%
Financial position and operating results for the previous fiscal year (ended in February 2022)	
Total assets	¥75,738 million
Net assets	¥514,183 million
Net assets per share	¥7,573.88
Operating revenue	¥149,582 million
Operating profit	¥7,250 million
Ordinary profit	¥7,261 million
Net income per share	¥467.89

4. Outline of Accounting Procedures to be Implemented

Based on the "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, January 16, 2019) and the "Guidelines for the Application of Accounting Standards for Business Combinations and Accounting Standards for Business Separation and Other Matters" (Guidelines for the Application of Corporate Accounting Standards No. 10, January 16, 2019), the transaction will be processed as transactions under common control.