



Brief Report of Financial Results (Unaudited)

(For the Three Months Ended May 31, 2023)

July 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

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1. Business performance (For the Three Months ended May 31, 2023 and for the Three Months ended May 31, 2022)

(1) Consolidated Operating Results

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

	Operating income	Percentage Change	Operating profit	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Three Months ended May 31, 2023	116,600	9.0	9,191	△39.9	9,588	△41.5	3,596	△54.6
Three Months ended May 31, 2022	106,965	-	15,283	△26.2	16,382	△24.2	7,917	△32.1

(Note) Comprehensive income; The 1st Quarter of Fiscal 2023; 15,712 million (△17.1%),
The 1st Quarter of Fiscal 2022; 18,960 million (△9.2%)

(yen)

	Net Income per Share	Fully Diluted Net Income per Share
Three Months ended May 31, 2023	16.66	16.66
Three Months ended May 31, 2022	36.68	36.68

(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	Total equity ratio	Net Assets per Share
Three Months ended May 31, 2023	6,782,695	549,301	6.5	2,031.26
Fiscal 2022 ended February 28, 2023	6,659,468	541,133	6.5	2,014.29

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

2. Cash Dividends

(yen)

(Base date)	Dividend per share				
	First quarter period	Interim period	Third quarter period	Term end	Annual
February 2023 term	—	20.00	—	33.00	53.00
February 2024 term	—				
February 2023 term (Estimated)		25.00	—	28.00	53.00

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

3. Projections (For the fiscal year ending February 28, 2024)

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

	Operating income	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributable to owners of parent	YoY	Net income per share
Full term	480,000	1.5	61,000	3.6	61,000	△0.9	27,000	△12.0	125.08

(Note) Amendments from the most recently published projections forecast : No
Interim projections forecast are not disclosed

※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
① Change due to a newly issued accounting requirement: Yes
② Change other than ①: No
③ Change accounting quotation: No
④ Restatement: No
- (4) Number of shares issued (Common stock)
1) Number of shares issued at end of period (treasury stock included):
May 31, 2023; 216,010,128 shares, Fiscal 2022; 216,010,128 shares
2) Number of shares held in treasury at end of period:
May 31, 2023; 152,541 shares; Fiscal 2022; 152,460 shares
3) Average number of shares outstanding during the period:
Three Months ended May 31, 2023: 215,857,641 shares
Three Months ended May 31, 2022: 215,839,120 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.
- ※ The Company provides FACT BOOK on its business and performance on its website.

Accompanying Materials

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1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

During the first quarter of the current fiscal year under review, the business environment of the Company saw economic activities on a recovery trend in and outside Japan, due to the decreasing effects of COVID-19. At the same time, there remained uncertainties such as downside risks of overseas economies due to continued tight monetary policies in various countries except Japan, and suppressed consumer spending caused by rising prices. Under such circumstances, the Company endeavored to increase the volume of credit card purchase transactions and the outstanding receivables balance by offering financial services in response to the consumption trends of customers and their financial needs, and implementing timely and appropriate sales promotions. The Company increased the outstanding receivables of both personal loans and installment finance in countries where the Company operates, and the consolidated operating revenue amounted to ¥116,600 million (109.0% of the same period last year). Consolidated operating profit amounted to ¥9,191 million (60.1% of the same period last year). This was caused by an increase in provision for allowance for loan losses due to increased operating receivables balance and increases in expenses for sales promotion enhancement aimed at expanding its customer base and transaction volumes. Consolidated ordinary profit was ¥9,588 million (58.5% of the same period last year) and profit attributable to owners of parent was ¥3,596 million (45.4% of the same period last year).

As of June 1, 2023, the Company merged with its subsidiary AEON Credit Services Co., Ltd. and launched a new management system. The Company set “Second Founding: Value Chain Transformation and New Network Creation” as the basic policy of the Medium-Term Management Plan (FY2021–2025), and has been driving reform toward the Group’s growth. Through this business integration, the Company will accelerate strategic utilization of management resources across the Group; further speed up decision-making; and by connecting AEON Group companies and external partners through mainly payment services, expand and improve financial instruments and services of the Group as well as its customer bases. With these efforts, the Company aims to become an intimate financial group to its customers.

Operating results for the third quarter of the fiscal year ended May 31, 2023 are as follows:

(Unit : Millions of yen)

	Previous 1Q	1Q	Changes	Ratio
Operating revenue	106,965	116,000	9,634	9.0%
Operating profit	15,283	9,191	△6,091	△39.9%
Ordinary profit	16,382	9,588	△6,794	△41.5%
Profit (loss) attributable to owners of parent (△)	7,917	3,956	△4,320	△54.6%

Segment results for the third quarter of the fiscal year ended May 31, 2023 were as follows:

(Unit : Millions of yen)

		Operating revenue			Operating profit (loss) (△)		
		Previous 1Q	1Q	Ratio	Previous 1Q	1Q	Ratio
Domestic	Retail	41,015	42,808	4.4%	307	75	△75.4%
	Solution	42,039	44,786	6.5%	2,543	1,758	△30.9%
	Domestic Total*	68,203	71,331	4.6%	2,749	1,396	△49.2%
Global	China	4,621	6,746	46.0%	1,523	2,154	41.5%
	Mekong	20,277	21,694	7.0%	5,213	2,707	△48.1%
	Malay	14,043	16,911	20.4%	6,111	3,290	△46.2%
	Global Total*	38,942	45,352	16.5%	12,848	8,152	△36.5%
Total		121,997	132,947	9.0%	15,698	9,986	△36.4%
Adjustments		△15,031	△16,346	—	△415	△794	—
Consolidated statements appropriation		106,965	116,600	9.0%	15,283	9,191	△39.9%

* Figures in domestic total and global total are those after offsetting inter-segment transactions that are included in each business.

[Business Segment Information]

<Domestic Retail Business>

In the domestic retail business, AEON Bank Ltd. took advantage of its brick-and-mortar office where customers can drop by when they shop at the AEON stores and continued to take measures to meet their needs for consultation. The bank has also been building an online environment that allows customers to receive consultation equivalent to its brick-and-mortar office. New offices are established as OMO model stores, which are hybrid of online and offline features. They have an online support desk for various applications, and an “Online Consultation Service,” in which customers can consult online from home, or anywhere convenient for them, with the same staff member they see at the office by screen-sharing. The bank can now offer consultation and answer inquiries at a consistent quality anywhere that is convenient for customers.

In the housing loan business, the bank revised the terms of the “AEON Select Club” in March 2023, which is a limited membership program for borrowers of the bank’s housing loans and allows club members to have a 5% discount on purchases at AEON Group stores. In addition to removing the purchase limit which is subject to the 5% discount, the effective period given to the borrowers of the bank’s housing loan was extended from five years to the completion of repayment of the qualified housing loans. The number of housing loan consultations and preliminary applications have been steadily increasing through active promotion of the said program at offices and online. The bank will endeavor to further meet needs of customers toward future housing loan closures. The Company will continue implementing cross-selling that give new values to customers, continuously making suggestions on financial services suitable for the life stage of the customers by having them use the Group’s services for a long period of time with its housing loan as their starting point. As a result of these efforts, the outstanding housing loans of the bank before securitization rose to ¥2,704,364 million, up ¥43,447 million from the beginning of the fiscal year. The number of deposit accounts of the bank was 8,400,000 at the end of the first quarter of the current fiscal year, up 110,000 from the beginning of the fiscal year, thanks to the increase in the number of members of the AEON Card Select (AEON card integrated with bank cash card function) and winning young people’s need for debit cards. The amount of deposits was ¥4,430,353 million at the end of the first quarter, up ¥30,638 million from the beginning of the fiscal year.

In revolving credit card purchases and installment finance, the bank improved customer usability by adding a simulation function that allows customers to check their payment schedules online or on the smartphone app, in

addition to promotions to use the service with tie-up programs with member stores and cashback schemes. As a result, the outstanding amount of receivables increased to ¥277,323 million, up 11,961 million from the beginning of the fiscal year.

In the cash advance service, the bank continued implementing the campaign in response to financial needs brought on by increasing leisure activities, such as recreation and travel, as well as promoting use of the service according to the customer's past use. The bank also improved customer usability by adding a function that allows customers to change their payment method to revolving payment online or on the smartphone app. As a result, the outstanding amount of receivables increased to ¥407,888 million, up 12,577 million from the beginning of the fiscal year.

AEON Allianz Life Insurance Co., Ltd. promoted group credit life insurance services to borrowers of housing loans, loans for studio apartments, and reform loans of the Group companies, and also improved training for sales agencies to enhance sales of the "Genki Passport," a whole life medical insurance for retail customers.

As a result, the operating revenue of the domestic retail business amounted to ¥42,808 million (104.4% of the same period last year). Operating profit was ¥75 million (24.6% of the same period last year), due to an increase in financial expenses associated with the treatment of financial instruments in banking business, considering risks of interest rates rises in the future.

<Domestic Solution Business>

In the domestic solution business, the Company stepped up its efforts to solicit in-store customers to apply for credit card memberships when opening new or renovated stores of the AEON Group, and carried out promotion campaigns to meet needs in the new life starting in spring. In online applications, the Company promoted the inhouse management of affiliated advertisement and implemented measures utilizing external points award media, mainly for "AEON Card (Minions)," "TGC CARD," and "AEON Card (Sakurazaka 46) (an idol group)" that are popular among younger generation. With these efforts, the number of cards issued through online applications accounted for over half the new membership. On April 1, 2023, the Company started accepting applications for "Welcia Card," a new co-branded card with Welcia Holdings Co., Ltd. As a result, the number of card members newly registered was 470,000 during the first quarter of the current fiscal year, and the number of valid card members in Japan rose to 31,070,000 at the end of the first quarter, up 240,000 from the beginning of the fiscal year.

While credit card purchases recovered for recreation, domestic travel-related industries and public transportation because COVID related restrictions on various activities were lifted, consumers became increasingly oriented to save expenses for communications, utilities and everyday items because they became protective of their lives due to the increasing prices of goods and services. Polarization between spending and tightening has been increasing. In addition to campaigns to award additional WAON points at stores of the AEON Group and promote the use of barcode payment "AEON Pay," the Company continued to promote the use of credit cards by deploying various region-based sales promotion measures, such as campaigns to encourage registration for utilities payment in different regions.

The Company also promoted the use of "AEON Pay" by increasing the number of external members, such as restaurants and car parking whose demand for speedy payment is high.

As a result, credit card purchase volume for the first quarter of the current fiscal year amounted to ¥1,757,292 million yen (109.2% of the same period last year).

Since June 14, 2023, in addition to conventional credit card payment, "AEON Pay" has new functions available: "charge payment" which enables charging "AEON Pay" from a linked bank account and "use points" which allows using WAON points for payment. These functions allow customers who do not have AEON Cards to use payment systems of the Group and make them promising potential customers of AEON Card. The Company will cross-sell other products and services of the Company to these customers in the future.

In the installment finance business, the transaction volume of installment finance was ¥51,375 million (102.3% of the same period last year) because measures to promote the use of services were continued at member stores.

As a result, operating revenue for the domestic solution business was ¥44,786 million (106.5% of the same period last year). Operating profit was ¥1,758 million (69.1% of the same period last year) due partly to an increase in sales

promotion expenses to expand the customer base.

<Global China Area>

In the China area, while the mass movement of people gradually resumed after restrictions on various activities were lifted, AEON Credit Service (Asia) Co., Ltd. (hereinafter, ACSA) implemented joint programs with AEON Stores (Hong Kong) Co., Limited, a retail business subsidiary of the AEON Group, to promote the use of services and continued to promote the use of online services. Furthermore, ACSA launched a campaign to increase points awarded by up to 20 times on the 10th of every month, celebrating AEON Card business in Hong Kong which will mark its 30th anniversary in August. In response to increasing inbound tourists to Japan, “AEON Card Wakuwaku” targeting mainly younger people was launched in the previous fiscal year. It continued to have strong appeal and was in demand for its cashback scheme when using the card in Japan and for online shopping. As a result of the steady growth of the number of card members and transaction volumes, credit card purchase volume was ¥40,679 million (150.3% of the same period last year).

For cash advances and personal loans, in addition to renewing the smartphone apps and leveraging new channels such as social media, ACSA carried out personalized approaches to prime customers based on the status of their use of services and their financial needs. As a result, the number of applications at stores and online increased and the volume of cash advances and personal loans grew, with former amounting to ¥9,466 million (148.6% of the same period last year), and the latter ¥7,155 million (148.0% of the same period last year).

As a result, operating revenue and operating profit in the China Area for the first quarter of the current fiscal year were ¥6,746 million (146.0% of the same period last year) and ¥2,154 million (141.5% of the same period last year), respectively.

<Global Mekong Area>

In the Mekong Area, specifically in Thailand which is a major market, rising energy prices and inflation continued to put a strain on household budgets. AEON Thana Sinsap (Thailand) PCL. (hereinafter, “ATS”), a local subsidiary in Thailand, resumed “AEON Thanks Day,” a joint sales promotion program with its business partners, which had been suspended due to the COVID-19 pandemic, and also held events in various areas in Thailand to enhance solicitation of new card members and promotion of the use of cards. In response to recovering demand for visiting Japan, ATS worked on increasing the number of card members by strengthening sales promotions of the “J-Premier Platinum Card” which offer discounts and travel insurance to visitors in Japan, and as a result, credit card purchase transactions in the Mekong Area increased to ¥45,628 million (117.0% of the same period last year).

In personal loans, ATS progressed in digitalization by issuing virtual cards on its mobile app, which allows customers to check the status of their card usage anytime, as a part of its efforts to improve usability. ATS also promoted card use through a cash back scheme and others, targeting dormant card members. As a result of these efforts, the amount of personal loans totaled ¥24,909 million (108.0% of the same period last year).

Furthermore, for the purpose of improving customer satisfaction and operations based on customer input, ATS started social listening to collect and analyze customer comments on social medias, in addition to existing call centers and smartphone apps.

As a result, operating revenue in the Mekong Area was ¥21,694 million (107.0% of the same period last year). Operating profit was ¥2,707 million (51.9% of the same period last year) due in part to an increase in provision for allowance for loan losses caused mainly by increased operating receivables and declined repayment capacity due to the sluggish economy and inflation within Thailand.

<Global Malay Area>

In the Malay Area, AEON Credit Service (M) Berhad (hereinafter, “ACSM”), a local subsidiary in Malaysia, carried out joint sales promotion measures with AEON Co (M) BHD., a retail business subsidiary of the AEON Group, to meet demand during *Hari Raya Puasa*, and conducted credit card use campaigns to expand the transaction volumes of online shopping. Owing to these efforts, the amount of credit card purchase transactions in the Malay Area totaled ¥13,254 million (112.0% of the same period last year).

Concerning motorcycle loans, ACSM actively carried out joint promotional campaigns, etc, with major merchants as well as implemented with participating merchants a provisional credit approval system using information from external parties to shorten the approval time. With these efforts, installment finance volume in Malay Area rose to ¥29,325 million (123.1% of the same period last year).

For personal loans, ACSM implemented eKYC (online identity verification) and immediate provisional credit that had been rolled out for installment finance application in order to improve convenience, in addition to promoting telemarketing based on customer data analysis. As a result, the amount of personal loan transactions was ¥15,435 million (175.6% of the same period last year).

ACSM added functions to the mobile app AEON Wallet, such as interpersonal money remittance and payment of personal loans and installment finance, to develop an environment of closer-to-customer and easier-to-use financial services.

As a result, operating revenue in Malay Area was ¥16,911 million (120.4% of the same period last year). During the same period last year customers were able to afford repayments due to COVID-19 support measures of the Malaysian government, which significantly decreased the provision for allowance for loan losses. As a result, expenses for the first quarter of the current fiscal year increased compared with the same period last year and operating profit was ¥3,290 million (53.8% of the same period last year)

(2) Consolidated Financial Condition

(Assets)

Total assets at the end of the first quarter increased by ¥123,227 million from the end of the previous fiscal year to ¥6,782,695 million. This was mainly due to an increase in accounts receivable- installment of ¥116,343 million due to an increase in card shopping transactions, an increase in loans of ¥119,931 million due to an increase in card cash advances, personal loan and housing loan transactions, and a decrease of ¥20,699 million in securities for banking business.

(Liabilities)

Total liabilities increased by ¥115,059 million from the end of the previous fiscal year to ¥6,233,394 million. This was due to an increase in accounts payable-trade of ¥38,515 million, an increase in interest-bearing debt of ¥49,555 million because of the expansion of operating receivables, and an increase in deposits of ¥30,078 million due to the expansion of cash deposit.

(Net Assets)

Total net assets increased by ¥8,167 million from the end of the previous fiscal year to ¥549,301 million. This was due to an increase of ¥3,596 million due to the posting of net profit attributable to owners of parent, ¥2,475 million in foreign exchange translation adjustments, ¥4,506 million in non-controlling interests, and ¥5,392 million in valuation difference on available for sale securities.

Other factors include a decrease of ¥7,123 million in retained earnings due to payment of term-end dividends.

(3) Consolidated Earnings Forecast

As of now, there is no change in the earnings forecast announced on April 11, 2023.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of February 28, 2023	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	842,615	760,246
Call loans	10,373	14,629
Accounts receivable - installment	1,769,588	1,885,932
Lease receivables and investments in leases	11,951	11,676
Operating loans	845,262	895,736
Loans and bills discounted for banking business	2,160,775	2,230,233
Securities for banking business	460,545	439,845
Securities for insurance business	18,134	17,248
Monetary claims bought	22,534	19,981
Money held in trust	123,894	127,307
Other	200,590	190,023
Allowance for doubtful accounts	△127,445	△130,952
Total current assets	6,338,823	6,461,909
Non-current assets		
Property, plant and equipment	31,925	32,011
Intangible assets		
Goodwill	13,191	12,763
Software	113,906	117,393
Other	3,942	3,850
Total intangible assets	131,040	134,007
Investments and other assets	157,008	154,174
Total non-current assets	319,974	320,192
Deferred assets	670	593
Total assets	6,659,468	6,782,695
Liabilities		
Current liabilities		
Accounts payable - trade	255,662	294,178
Deposits for banking business	4,397,953	4,428,032
Short-term borrowings	221,934	263,352
Current portion of long-term borrowings	117,858	129,961
Current portion of bonds payable	85,237	85,245
Commercial papers	75,000	79,517
Provision for bonuses	4,365	5,867
Provision for point card certificates	798	699
Other provisions	190	116
Other	185,509	182,289
Total current liabilities	5,344,510	5,469,262
Non-current liabilities		
Reserve for insurance policy liabilities	54,338	52,915
Bonds payable	264,826	235,228
Long-term borrowings	417,238	439,271
Retirement benefit liability	2,151	2,245
Provision for loss on interest repayment	4,822	3,997
Other provisions	232	250
Deferred tax liabilities	1,286	1,237
Other	28,928	28,985
Total non-current liabilities	773,824	764,132
Total liabilities	6,118,335	6,233,394

(Millions of yen)

	As of February 28, 2023	As of May 31, 2023
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	120,270	120,265
Retained earnings	278,172	274,137
Treasury shares	△390	△390
Total shareholders' equity	443,750	439,710
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△27,661	△22,269
Deferred gains or losses on hedges	120	△56
Foreign currency translation adjustment	18,738	21,213
Remeasurements of defined benefit plans	△147	△136
Total accumulated other comprehensive income	△8,950	△1,248
Share acquisition rights	13	13
Non-controlling interests	106,319	110,825
Total net assets	541,133	549,301
Total liabilities and net assets	6,659,468	6,782,695

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

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Operating revenue		
Revenue from credit card business	28,153	30,838
Revenue from installment sales finance business	11,172	12,712
Financing revenue	33,357	36,339
Recoveries of written off receivables	3,672	3,548
Financial revenue	10,039	10,194
Insurance revenue	3,090	3,337
Fees and commissions	14,804	15,814
Other	2,673	3,815
Total operating revenue	106,965	116,600
Operating expenses		
Financial expenses	5,255	7,646
Insurance expenses	2,986	3,335
Fees and commissions payments	3,046	2,620
Selling, general and administrative expenses	79,648	93,038
Other	745	767
Total operating expenses	91,682	107,408
Operating profit	15,283	9,191
Non-operating income		
Dividend income	64	63
Gain on investments in investment partnerships	216	18
Foreign exchange gains	667	259
Subsidy income	113	—
Other	38	57
Total non-operating income	1,100	398
Non-operating expenses		
Miscellaneous losses	0	1
Total non-operating expenses	0	1
Ordinary profit	16,382	9,588
Extraordinary income		
Gain on sale of non-current assets	1	2
Total extraordinary income	1	2
Extraordinary losses		
Loss on disposal of non-current assets	93	201
Impairment losses	11	150
Management integration expenses	—	59
Infectious Disease Related Cost	8	—
Other	1	—
Total extraordinary losses	115	411
Profit before income taxes	16,268	9,179
Income taxes – current	3,666	3,570
Income taxes – deferred	778	△556
Total income taxes	4,444	3,013
Profit	11,823	6,166
Profit attributable to non-controlling interests	3,906	2,569
Profit attributable to owners of parent	7,917	3,596

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Profit	11,823	6,166
Other comprehensive income		
Valuation difference on available-for-sale securities	△10,193	5,357
Deferred gains or losses on hedges	2,949	△358
Foreign currency translation adjustment	14,368	4,535
Remeasurements of defined benefit plans, net of tax	11	10
Total other comprehensive income	7,136	9,546
Comprehensive income	18,960	15,712
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,662	11,298
Comprehensive income attributable to non-controlling interests	11,298	4,414

(3) 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 Guidance of Accounting Standard for Fair Value Measurement)

The Guidance of Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021)

has been applied from the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Guidance of Accounting Standard for Financial Instruments, the Company has opted to prospectively apply the new accounting policies set forth in the Guidance of Accounting Standard for Fair Value Measurement.

Note that this change has no impact on the quarterly consolidated financial statements.

(Segment Information)

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

For 1st quarter of FY2023

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

(Millions of yen)

	For the three month ended May 31, 2023							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	41,507	29,701	6,746	21,690	16,911	116,557	42	116,600
Internal operating income between segments	1,300	15,085	—	3	—	16,389	△16,389	—
Total	42,808	44,786	6,746	21,694	16,911	132,947	16,346	116,600
Segment Profit	75	1,758	2,154	2,707	3,290	9,986	△794	9,191

(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:

42 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 △794million 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 8,393 million yen for Domestic Retail, 17,783 million yen for Domestic Solutions, 881 million yen for China Area, 1,211 million yen for Mekong Area, and 1,907 million yen for the Malay Area, and 87 million yen for Adjustments respectively.

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

(Material Subsequent Events)

(Issuance of unsecured bonds)

Based on the resolution of the Board of Directors held on July 4, 2023, we issued unsecured straight bonds on February 21, 2023.

The outline is as follows:

1. (1) Name of bond: 22nd unsecured bond (with bond-to-bond limited rank concession)

(2) Total issue: 25 billion yen

(3)Interest rate: 0.44%

(4) Issue price: 100 yen per 100 yen at face value

(5) Issue date: July 4, 2023

(6) Due date: January 4, 2027

(7) Redemption method: Lump redemption at maturity

Purchase retirement may be made at any time after the day following the payment date.

(8) Payment date: July 4, 2023

(9)Use of funds: It will be used as part of the loan repayment fund.

2. (1) Name of bond: 23rd unsecured bond (with bond-to-bond limited rank concession)

(2) Total issue: 15 billion yen

(3)Interest rate: 0.58%

(4) Issue price: 100 yen per 100 yen at face value

(5) Issue date: July 4, 2023

(6) Due date: July 4, 2028

(7) Redemption method: Lump redemption at maturity

Purchase retirement may be made at any time after the day following the payment date.

(8) Payment date: July 4, 2023

(9)Use of funds: It will be used as part of the loan repayment fund.

(Merger of Consolidated Subsidiaries)

AEON Financial Service Co., Ltd. (hereafter “Company”) hereby announces that the Board of Directors meeting held on October 4, 2022, 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

Effective date of the Merger: 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

Not applicable

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

Not applicable

5) Company name of the Merger

AEON Financial Service Co., Ltd.

3. Overview of the Companies Involved in the Merger

	Dissolved company (As of February 28, 2023)
1) Corporate name	AEON Credit Service Co., Ltd.
2) Head office	1-1, Kandanshiki-cho, Chiyoda-ku, Tokyo, Japan
3) Job title and name of representative	President and CEO, Kenji Fujita
4) Line of business	Credit card, payment service and processing business
5) Capital stock	500 million yen
6) Established date	November, 2012
7) Number of shares issued	10,000,000 shares
8) Fiscal year-end date	February 28
9) Major shareholders and shareholding ratios	AEON Financial Service Co., Ltd. 100%
10) Financial position and operating results for the previous fiscal year (ended in February 2022)	
Fiscal year-end date	February 28
Total assets	77,411 million yen
Net assets	557,227 million yen
Net assets per share	7,744.16 yen
Operating revenue	150,980 million yen
Operating profit	7,120 million yen
Ordinary profit	7,104 million yen
Net income per share	450.27 yen

4. Overview of accounting procedures to be carried out

In accordance with the Accounting Standards for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidelines for Accounting Standards for Business Combinations and Business Splits, etc. (Accounting Standards for Business Combinations, etc., Accounting Standards No. 10, January 16, 2019), the transaction will be treated as a transaction under common control.