

This is an abridged translation of the original Japanese document and is provided for informational purposes only.

If there are any discrepancies between this and the original, the original Japanese document prevails.

Brief Report of Financial Results (Unaudited)

(For the Fiscal 2023 Ended February 28, 2024)

April 9, 2024

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

Listings Tokyo Stock Exchange, Prime Market

Security code 8570

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

Representative Kenji Fujita, President and CEO

Contact: Yuro Kisaka, Director, Managing Executive Officer

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

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

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

Preparation of brief summary materials for financial results Yes

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

1. Results for the Fiscal Year Ended February 28, 2024 (from March 1, 2023 to February 28, 2024)

(1) Consolidated Operating Results

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

	Operating revenue	Percentage Change	Operating profit	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Fiscal 2023 ended February 28, 2024	485,608	7.5	50,088	-14.9	51,174	-16.9	20,896	-31.9
Fiscal 2022 ended February 28, 2023	451,767	—	58,859	0.0	61,547	2.7	30,677	1.5

(Note) Comprehensive income; Fiscal 2023; 57,849million (25.7%), Fiscal 2022; 46,011million (-3.3%)

	Profit attributable to owners of parent per Share (Yen)	Fully Diluted Profit attributable to owners of parent per Share (Yen)	Return on equity	Return on assets	Operating profit/Operating revenue
Fiscal 2023 ended February 28, 2024	96.81	96.80	4.7	0.8	10.3
Fiscal 2022 ended February 28, 2023	142.13	142.12	7.1	1.0	13.0

(Reference) Investment gains and losses on equity method; Fiscal 2023; -101 million, 2022; 19 million.

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

(2) Consolidated Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Fiscal 2023 ended February 28, 2023	6,945,571	574,316	6.6	2,123.47
Fiscal 2022 ended February 28, 2023	6,659,468	541,133	6.5	2,014.29

(Reference) Shareholder's equity; Fiscal 2023; 458,394 million, Fiscal 2022; 434,800 million.

(3) Consolidated cash flows

(Millions of yen truncated to the nearest million yen)

	Net cash used in operating activities	Net cash used in Investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
Fiscal 2023 ended February 28, 2024	-50,776	-113,697	-18,191	625,482
Fiscal 2022 ended February 28, 2023	105,138	11,796	-14,559	804,693

2. Dividends

	Dividend per share					Total dividends paid	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total			
Fiscal 2022 ended February 28, 2023	yen —	yen 20.00	yen —	yen 33.00	Yen 53.00	million yen 11,440	% 37.3	% 2.7
Fiscal 2023 ended February 28, 2024	—	25.00	—	28.00	53.00	11,440	54.7	2.6
Fiscal 2024 ending February 28, 2025 (Estimated)	—	25.00	—	28.00	53.00		54.5	

3. Forecast of Consolidated Earnings (For the fiscal year ending February 28, 2025)

(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	520,000	7.1	55,000	9.8	55,000	7.5	21,000	0.5	97.28

(Notes) For details, please refer to "1. Business Results, (1) Summary of Business Results for the Current Period, (4) Future Outlook" on page 10.

※Notes

- (1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation) ; Yes
New: - , Excluded: 1 (company name) AEON CREDIT SERVICE CO., LTD.
(Note) For details, please refer to "5. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Changes in Significant Subsidiaries during the Fiscal Year)" on page 26 of the attached materials.
- (2) Change in accounting principle, procedure, disclosure, etc., concerning preparation of consolidated financial statements
(matters to be mentioned concerning the change of important items to be the bases for preparation of consolidated financial statements)
① Change by a newly issued accounting pronouncement; Yes
② Change other than ① ; No
③ Change accounting quotation ; No
④ Restatement ; No
- (3) Number of shares issued (Common stock)
① Number of shares issued at end of period (including treasury stock)
Fiscal 2023; 216,010,128 shares, Fiscal 2022; 216,010,128 shares
② Number of shares of treasury stock at end of term
Fiscal 2023; 139,844 shares, Fiscal 2022; 152,460 shares
③ Average of the number of shares during the quarter
Fiscal 2023; 215,861,602 shares Fiscal 2022; 215,845,901 shares

(Reference): Report of Non-Consolidated Financial Results

Business performance (from March 1, 2023 to February 28, 2024)

(1) Non-consolidated Operating Results

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

	Operating revenue	YOY	Operating profit	YOY	Ordinary profit	YOY	Profit attributable to owners of parent	YOY
Fiscal 2023 ended February 28, 2024	126,539	—	1,689	—		-7.7	36,185	315.8
Fiscal 2022 ended February 28, 2023	17,493	—	-124	—	9,170	-21.2	8,702	-16.9

	Profit attributable to owners of parent per share	Fully Diluted Profit attributable to owners of parent per Share
Fiscal 2023 ended February 28, 2024	167.63	167.63
Fiscal 2022 ended February 28, 2023	40.32	40.31

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

(2) Financial position

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

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal 2023 ended February 28, 2024	1,229,320	238,150	19.4	1,103.18
Fiscal 2022 ended February 28, 2023	791,954	213,712	27.0	990.00

(Reference) Shareholder's equity; Fiscal 2023; 238,143 million, Fiscal 2022; 213,699 million

※ The financial results are not audited by a certified public accountant or an audit corporation.

※ Remarks on the projections, other issues

(Notes on future statements, etc.)

The forecasts include the future prospects, the assumptions and forecasts underlying the plan on the present date, and the achievement is not intended to be a promise to us. In addition, actual performance is different from the above forecast due to various factors in the future.

(How to obtain supplementary information on financial results) We provide supplementary explanatory materials on our website for business and performance.

(Notes on obtaining supplementary explanatory materials for financial results)

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

Attachments

Contents

1. Review of Operating Results and Financial Statements	3
(1) Analysis of Operating Results	3
(2) Consolidated Financial Condition	12
(3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years	13
2. Scope of Consolidated Subsidiaries and Affiliates	14
3. Management Policy	15
(1) Basic management policy of the company	15
(2) Target Management Indicators	15
(3) Medium- to Long-Term Management Strategy and Issues to be Addressed	15
4. Consolidated Financial Statements and Main Notes	17
(1) Consolidated Balance Sheet	17
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	19
(3) Consolidated Statement of Changes in Equity	22
(4) Consolidated Statement of Cash Flows	24
(5) Notes on the Consolidated Financial Statements	26
(Notes on the Going-concern Assumption)	26
(Change in presentation)	26

1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

AEON Financial Service Co., Ltd. (hereinafter “the company”) formulated “Our Purpose” which redefines the Group’s raison d’être, to achieve sustainable growth through the provision of financial services. Under Our Purpose, all officers and employees aim to provide financial services that respond to changes in the life stage and living environment of all customers from the “perspective of consumers” that we have as a strength of a financial group originating from the retail industry, by thinking independently and acting autonomously to realize a fulfilling life for our customers.

Our purpose is to bring “finance” closer to everyone.

By committing to each and every person.,

We brighten up everybody lives with peace of mind and smiles.

In the current consolidated fiscal year, uncertainty about the future continued due to such factors as continued global political instability, slowing growth in the Chinese economy, and downside risks to the economy associated with tight monetary policies and high interest rates in countries other than Japan. In Japan, while the normalization of socioeconomic activities that had been stagnant for a long time in the COVID-19 progressed and the employment and income environment improved, rising prices due to the weak yen and other factors led to a polarization in personal consumption, with consumers becoming more thrifty in their daily consumption and aggressive spending on high value-added products and services.

Under such circumstances, the Company promoted a review of its business portfolio for optimizing the allocation, centered on and Purpose, in light of changes in the business environment.

As of June 1, 2023, the company merged with AEON Credit Service Co., Ltd., which was our consolidated subsidiary, through an absorption-type merger and launched a new management system to accelerate strategic allocation of management resources across the Group and further speed up decision-making.

In Japan, in order to strengthen the financial infrastructure centered on payment services, we made FeliCa Pocket Marketing K.K., which provides solutions for local governments such as local currencies and local points, a consolidated subsidiary on June 1, 2023, and made KYOEI A&I Co., Ltd., which operates an insurance agency business and other businesses, a consolidated subsidiary, Ltd. on February 1, 2024 to consolidate and streamline finance-related businesses in the AEON Group. On January 11, 2024, we decided to transfer all outstanding shares of AEON PRODUCT FINANCE CO., LTD., which operates an installment sales finance business for individual products, to Orient Corporation, and completed this share transfer on March 25, 2024.

Overseas, we decided to make Post and Telecommunication Finance Company Limited, which provides personal loans in Vietnam, a wholly owned subsidiary on October 20, 2023. In Malaysia, we have promoted preparing to open AEON BANK (M) BERHAD, which operates a digital bank business, a new banking format, in fiscal 2024.

Moreover, in Japan, we renewed the mobile app “AEON Wallet” as a contact point for comprehensive financial services, expanded the functionality of the code payment system "AEON Pay" and increased the number of locations where it can be used, and overseas, we have been working to improve convenience by providing solutions tailored to the digital maturity of Asian countries. we have also promoted employee training to develop DX human resources. As a result of these efforts, the Company was certified as a "DX Certified Business Operator" under the DX Certification System established by the Ministry of Economy on March 1, 2024.

In the current consolidated fiscal year, consolidated operating revenue was ¥485,608 million (107.5% of the previous year) due to the promotion of business structure reforms and the expansion of touchpoints integrating real and digital contact points in domestic and overseas to enhance corporate value, as well as an increase in transaction volume and operating receivables balances, including card shopping. On the other hand, despite continued efforts to improve cost control by enhancing credit monitoring and strengthening the debt collection system, the increase in bad debt-related expenses due to the economic slowdown and inflation overseas and the reduction of consumer support measures in the wake of the COVID-19 by governments, as well as an increase in sales promotion expenses due to aggressive implementation of measures to expand the customer base and promote credit card usage in domestic. As a result, consolidated operating profit was ¥50,088 million (85.1% of the previous year), consolidated ordinary profit was ¥51,174 million (83.1% of the previous year), and profit attributable to owners of the parent was ¥20,896 million (68.1% of the previous year).

Operating results for the current consolidated fiscal year are as follows:

(Unit : Millions of yen)

	Previous FY	This FY	Changes	Ratio
Operating revenue	451,767	485,608	33,841	7.5%
Operating profit	58,859	50,088	△8,771	△14.9%
Ordinary profit	61,547	51,174	△10,373	△16.9%
Profit(loss)attributable to owners of parent(△)	30,677	20,896	△9,781	△31.9%

Segment results for the current consolidated fiscal year are as follows:

(Unit : Millions of yen)

		Operating revenue			Operating profit (loss) (△)		
		Previous FY	This FY	Ratio	Previous FY	This FY	Ratio
Domestic	Retail	167,877	172,920	3.0%	3,872	4,699	21.4%
	Solution *2	180,337	190,710	5.8%	13,285	8,362	△37.1%
	Domestic Total*1*2	284,286	293,943	3.4%	16,160	11,644	△27.9%
Global	China	22,462	30,638	36.4%	7,716	8,797	14.0%
	Mekong	86,020	89,929	4.5%	18,997	15,878	△16.4%
	Malay	60,901	72,993	19.9%	15,716	13,541	△13.8%
	Global Total*1	169,384	193,561	14.3%	42,430	38,217	△9.9%
Total		517,600	557,192	7.6%	7.6%	51,278	△13.9%
Adjustments*1		△65,833	△71,583	—	△728	△1,190	—
Consolidated statements appropriation		451,767	485,608	7.5%	58,859	50,088	△14.9%

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

*2 As a result of the management integration on June 1, 2023 between the Company and AEON Credit Service Co., Ltd., a consolidated subsidiary of the Company, we reviewed our financial reporting categories and transferred the amounts that were previously included in the “Adjustments” that were not included in any business segment previously to the “Solution” segment from the first half of the consolidated fiscal year. Segment results for the previous first half of the consolidated fiscal year are presented based on the revised segment categories.

Business Segment Information

<Domestic Retail Business>

Operating revenue in the domestic retail business was ¥172,920 million (103.0% of the previous year), and operating profit was ¥4,699 million (121.4% of the previous year).

In the domestic retail business, AEON Bank, Ltd. (hereinafter “AEON Bank”) enhanced the benefits of “AEON Select Club,” which offers a daily 5% discount on purchases at AEON Group stores, as a benefit offered only to housing loans holders. In addition, AEON Bank added an online simulation function that allows customers to check the amount of discount on purchases based on their AEON Group usage status in stores and on the web, and continued efforts to strengthen advertising of the benefits through TV commercials and in stores led to a significant increase in the number of applications and an improvement in the contract rate. As a result of these efforts, housing loan transaction volume totaled ¥558,602 million (114.4% year-on-year), and the outstanding balance of housing loans before securitization increased to ¥2,814,325 million, up ¥153,407 million from the beginning of the fiscal year.

In asset formation service, the bank transferred its investment trust accounts to Monex, Inc. based on the comprehensive business alliance between AEON Bank and Monex, Inc. in the financial instruments intermediary business. Through this transfer, we expanded the number of investment trusts handled to meet the growing asset management needs of our customers, and worked to enhance customer services such as investment consultation. In addition, the bank reduced operating expenses by outsourcing system management and back-office operations related to the asset management business. The bank also promoted new account opening campaigns and participation in crowdfunding. As a result of these efforts, the number of deposit accounts of AEON Bank steadily rose to 8,580,000 at the end of the fiscal year, up by 300,000 from the beginning of the period, and the deposit balance to ¥4,539,372 million, up ¥139,656 million from the beginning of the period.

In revolving credit purchases and installment finance, the bank proactively promoted usage by, for example, conducting joint sales promotion programs with consumer electronics supply stores, etc. with high installment payment needs, as well as an initial usage campaign. In addition, the bank strived to improve the visibility of the result of a change in customers’ payment method to revolving payment, among other things, by adding a simulation function that allows customers to check their payment amounts for revolving credit card purchases on the app, and by renewing the mobile app “AEON Wallet.”

In cash advance business, the bank continued to implement the campaign in response to financial needs. The bank’s transaction volume increased as a result of efforts to add a function that allows customers to change their payment method to revolving payment online or via the smartphone. Furthermore, the bank strengthened outbound calls to provide appropriate credit limits and encourage usage based on the latest attribute information about customers, such as occupation, annual income, etc.

As a result, the balance of receivables from revolving credit card purchases and installment finance was ¥310,770 million, up ¥45,408 million from the beginning of the fiscal year, and the balance of cash advance receivables was ¥412,322 million, up ¥17,012 million from the beginning of the fiscal year. As such, the operating receivables balance increased steadily.

In the insurance-related business, AEON Allianz Life Insurance Co., Ltd. continued to promote group credit life insurance services to borrowers of housing loans, loans for studio apartments, and home improvement loans of the Group companies. We decided to transfer the insurance agency business of Kyoei A&I Co., Ltd., which became our consolidated subsidiary on February 1, 2024, to AEON S.S.Insurance CO., LTD., with the aim of improving efficiency by consolidating duplicated functions within the Group and strengthening the insurance agency business,

<Domestic Solution Business>

Operating revenue in the domestic solution business was ¥190,710 million (105.8% of the previous year), and operating profit was ¥8,362 million (62.9% of the previous year).

In the domestic solution business, we promoted new card enrollment in stores and online, and strengthened collaborations with partner companies, including the AEON Group, by issuing new co-branded cards and enhancing benefits. We improved code payment “AEON Pay” by adding functions, such as “charge payment” which enables charging “AEON Pay” from a linked bank account in addition to the existing credit card payment options, and “use points” which allows using WAON points for payment. Through such efforts, we have worked to increase the number of customer IDs. As a result, the number of new card members was 1,580,000 during the current fiscal year and the number of valid card members in Japan rose to 31,490,000, up by 670,000 from the beginning of the fiscal year.

In the credit card shopping business, although there was a decrease in the unit spending due to the increasing budget saving in daily consumption caused by rising prices and the government's measures to drastically reduce electricity and gas prices, the transaction volume expanded due to the removal of COVID-related restrictions and up usage in leisure and travel-related industries and public transportation. Moreover, we expanded the number of locations where AEON Pay is available, mainly vending machines and restaurants including fast-food outlets, family restaurants, etc. where demand for small-amount, speedy payment is high, and conducted measures to promote its use together with member stores. These efforts have contributed to a steady increase in the transaction volume of AEON Pay. As a result, credit card purchase volume amounted to ¥7,081,482 million (108.5% of the previous year).

In the installment finance business, the transaction volume was ¥198,225 million (102.6% of the previous year) because measures to promote the use of services were continued at automobile-related and other member stores,

On January 11, 2024, the Company decided to transfer all outstanding shares of AEON PRODUCT FINANCE CO., LTD., a consolidated subsidiary engaged in the installment credit business, to Orient Corporation, and completed the transfer of shares on March 25, 2024.

In the current consolidated fiscal year, transaction volume grew steadily as a result of efforts to promote the use of AEON Pay in addition to credit cards in response to growing needs for cashless payments. However, operating profit fell below the previous consolidated fiscal year's level due to an increase in sales promotion expenses resulting from aggressive sales promotion plans to expand the customer base in the first half of the current fiscal year, and an increase in bad debt-related expenses with the increased balance of operating receivables.

<Global China Area>

Operating revenue in the China Area was ¥30,638 million (136.4% of the previous year), and operating profit was ¥8,797 million (114.0% of the previous year).

In the China area, AEON CREDIT SERVICE (ASIA) CO., LTD. (hereinafter, “ACSA”), the local subsidiary in Hong Kong, integrated the code payment “UnionPay QR” offered by UnionPay International into ACSA’s smartphone app responded to meet the need of spending due to increase in the number of tourists coming to China. This made it possible for AEON UnionPay cardholders to seamlessly use code payment, etc. in China. In addition, ACSA worked to enhance convenience by introducing Near Field Communication (NFC) payments in the mobile app to meet the growing demand for smartphone payments.

Moreover, ACSA worked to expand the customer base by promoting immediate issuance at brick-

and-mortar locations and online enrollment. At the same time, it continued to undertake measures to promote usage commemorating the 30th anniversary of the issuance of the AEON card in Hong Kong, as well as joint sales promotions with business partners. As a result, credit card shopping volume was ¥179,341 million (119.7% of the previous year).

For cash advances and personal loans, the number of customers who use the online service has continued to increase due to strengthening face-to-face personalized loan consultations, and appeal use of social media, etc. As such, the transaction volume of cash advances was ¥42,201 million (120.0% of the previous year), and the transaction volume of personal loan was ¥35,517 million (143.0% of the previous year).

In response to the increase in bad debt-related expenses in line with the steady growth in transaction volume and the operating receivables balance, we improved credit accuracy by introducing a new scoring model, and in terms of collection, we strengthened our debt collection system by enhancing proposals for repayment methods tailored to customers' circumstances and utilizing outside debt collection companies, etc. As a result, both operating revenue and operating profit for the consolidated accounting period reached record highs.

<Global Mekong Area>

Operating revenue in the Mekong Area was ¥89,929 million (104.5% of the previous year), and operating profit was ¥15,878 million (83.6% of the previous year).

In the Mekong Area, AEON Thana Sinsap (Thailand) PCL. (hereinafter, "ATS"), a local subsidiary in Thailand, continued to work on "AEON Thanks Day," a joint sales promotion program with its business partners, and on enhancing the recruitment of new card members through events at newly opened stores. In addition, in response to growing EC demand and smartphone payment needs, we newly launched "Next Gen" digital credit, which is cardless type and issued on the ATS smartphone application, and the "Scan to pay" code payment service. This has made it possible to use the smartphone app to make payments at approximately 350,000 EMV-compliant merchant locations throughout Thailand, in addition to EC merchants. As a result, the transaction volume of cash shopping was ¥193,168 million (115.4% of the previous year).

In personal loans, ATS promoted the use of digital touch points, including a cash back program based on the amounts used through "Prompt Pay," an app for electronic payments and transfers between accounts offered by the Thai government. Through these efforts, the transaction volume was ¥109,379 million (117.0% of the previous year).

In Thailand, bad debt-related expenses increased due to a decline in repayment capacity as a result of inflation, gradual cancellation of debt relief measures by the government in COVID-19, and other pressures on household budgets. Under such circumstances, ATS have been continuously refined credit management and strengthened collection system by utilizing AI and external contractors to control costs.

In October 2023, the Company acquired shares in Post and Telecommunication Finance Company Limited (hereinafter, "PTF"), a financial company in Vietnam, and concluded a share transfer agreement in which PTF becomes the Company's wholly-owned subsidiary. While ACS TRADING VIETNAM CO.,LTD., a local subsidiary in Vietnam of the Company, commenced business related mainly to in-house installment sales of home appliances, motorcycles, etc. in Vietnam in 2008 and is working to provide services that are rooted in the lives of local customers, the Company aims to expand business in Vietnam through the provision of new financial services focused on personal loans by making PTF a subsidiary.

<Global Malay Area>

Operating revenue in the Malay Area was ¥72,993 million (119.9% of the previous year), and operating profit was ¥13,541 million (86.2% of the previous year).

In the Malay Area, AEON Credit Service (M) Berhad (hereinafter, “ACSM”), a local subsidiary in Malaysia, worked to strengthen acquiring new customers and promoted the use of cards by revising the benefits to provide up to 10% discount on the amount on “Customer Appreciation Day,” conducted joint measures with the Group’s retail business, AEON CO., (M) BHD. As a result, shopping transaction volume in the Malay Area was ¥56,862 million (115.7% of the previous year).

AS for motorcycle loans, ACSM worked to introduce to all member stores an immediate provisional credit function that utilizes external credit information, and further refine credit management by introducing AI credit scoring offered by GAILABO. In addition, ACSM started to offer new motorcycle loans for environmentally friendly EV motorcycles, and expanded the number of partners through such efforts and others. As a result, installment finance volume was ¥119,569 million (117.0% of the previous year).

For personal loans, in addition to eKYC (online identity verification) and immediate provisional credit that had been rolled out for installment finance application, ACSM introduced an electronic signing function to web-based applications. This made it possible for customers to complete all procedures for personal loans digitally, improving convenience for customers. As a result, the amount of personal loan transactions was ¥63,762 million (135.2% of the previous year).

AEON BANK (M) BERHAD (hereinafter “ABKM”, changed its name from ACS Digital Berhad, a preparatory company, to ABKM on December 18, 2023), a new digital bank business that is preparing to open in fiscal 2024, received a business license from the Central Bank of Malaysia on January 8, 2024. ABKM adopts Islamic banking products and services, which are widely used in Malaysia, and will start with deposit, debit card services, and gradually expand to personal loans and other financial services that meet customers' needs.

Moreover, starting from October 2023, PT AEON Credit Service Indonesia, a local subsidiary in Indonesia, launched “QRIS PayLater,” a BNPL (Buy Now Pay Later) service as a new payment method aligned to the needs of local customers, in addition to credit cards and installment finance.

In addition to revenue growth through steady expansion of transaction volume and operating receivables balance, we are continuously working to strengthen credit management and collection systems through the use of AI and digital technology. Malaysian government implemented measures to support customers to repay their loans in the previous consolidated fiscal year, and bad debt-related expenses decreased significantly. As a result, operating expenses increased year on year in the current consolidated fiscal year due to a year-on-year increase in bad debt-related expenses and the recording of preparation expenses for the opening of ABKM.

Bad debt-related expenses significantly decreased in the same period last year due to a circumstance where customers could easily make repayments given the implementation by the Malaysian government of supportive measures under the COVID-19. In addition we recorded preparation expenses for the opening of ABKM. Due to these things, operating costs increased year on year for the current fiscal year.

③Sustainability Initiatives

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

In relation to the “Pursuing Happiness through Innovative Financial Services,” the Group improved the convenience of AEON Pay, a code payment, enabling customers to make recharge payments, apply points, and transfer money between individuals. In addition, through the expansion of "YOMUSUBI", a communication platform connecting local governments, businesses, and users provided by FeliCa Pocket Marketing Co., Ltd., which is in charge of regional solutions business, and the opening of "Maifuru By AEON CARD", a portal site for tax payment in hometown tax, we are contributing to local communities through financial services. In October 2023, we decided to conclude a share transfer agreement with Post and Telecommunication Finance Company Limited, which operates a personal loan business in Vietnam, to make it a wholly owned subsidiary. In Vietnam, where the average age of the population is young and economic growth is expected to continue, the Aeon Group as a whole will further accelerate the expansion of the AEON LIVING ZONE to enrich the lives of its customers. In Malaysia, AEON BANK (M) BERHAD (hereinafter "ABKM"), a joint venture between AEON Financial Service Co., Ltd. and AEON CREDIT SERVICE (M) BERHAD, a Malaysian subsidiary, received a business license for digital banking from the Central Bank of Malaysia in January 2024. ABKM adopts products and services based on the Islamic financial system, which is widely used in Malaysia, and will gradually expand its products and services not only to individual customers but also to small business owners. By leveraging the AEON Group's customer base to provide financial services to all segments of the population, ABKM is helping to solve social issues and promote financial inclusion in Malaysia.

In relation to the “Exerting Diversity and the Potential of Our People,” the Company, together with its subsidiaries, promoted fostering employees and strengthening management to have advanced expertise in a wide range of fields in order for the Company and its subsidiaries to attain the strategic targets and to grow the business sustainably through innovations. As part of the initiative, the Company started AFS Academy in March 2023, which will play a central role in human resource education and development institution that provides learning opportunities. In December 2023, we also launched “Our Purpose Through Innovation,” an open innovation program.

In order to constantly pursue customer satisfaction, the Group believes that it is essential for each and every employee to be healthy and full of vitality, both physically and mentally, and strives to promote group-wide efforts to promote health & productivity management across the group.

During the fiscal year, AEON Financial Service Co., Ltd. and ACS CREDIT MANAGEMENT CO., LTD. were certified as "White 500" of the 2024 Health & Productivity Management Outstanding Organizations. Six other Group companies were also certified as Excellent Health Management under the same program.

For the “Establishing Organizational Resilience,” the Company merged its consolidated subsidiary AEON Credit Service Co. on June 1, 2023. Through this merger, the Company aims to strategically utilize management resources across the Group and further accelerate decision-making, accelerate cross-selling development centered on the settlement business, expand the Group's financial products and services and further expand its customer base. On January 11, 2024, the Company resolved to transfer all outstanding shares of its consolidated subsidiary, AEON PRODUCT FINANCE CO., LTD., to Orient Corporation (hereinafter "Orico"), and completed this share transfer on March 25, 2024. At the same time, the Company and Orico concluded a basic agreement on business alliance. Through this, the two companies will pursue a business alliance in a wide range of business areas with the aim of providing new value to customers and other stakeholders of both companies.

Furthermore, in light of political instability and cyber risks that have emerged all over the world, we are strengthening our information security measures by providing training to acquire knowledge and conducting drills on how to respond to suspicious e-mails at Group companies in Japan and overseas. Crisis response drills are conducted based on a variety of damage scenarios for each region in which the company operates.

In addition, the corporate governance system is being strengthened and enhanced to ensure transparent and fair decision-making based on the position of all stakeholders, such as by increasing the frequency of meetings of the Transaction Review Committee, which is composed of outside directors, to discuss issues from the perspective of protecting the interests of minority shareholders.

Lastly, in “Addressing Climate Change,” the Group is promoting measures in accordance to the AEON Group's “Decarbonization Vision” so that the net emissions of carbon dioxide at the stores will be zero by 2040. The Group is also working to calculate the amount of greenhouse gas emissions and analyzing climate change scenarios to identify the risks and opportunities that climate change may bring about to the Group's businesses, pursuant to the Task Force on Climate-related Financial Disclosures (TCFD), an international framework for disclosure on information about climate change. With these measures, the Group will advance its programs and enhance the information disclosure to contribute to the realization of a decarbonized society. Further, the employees are proactively participating, together with local residents, in the Marine Debris Clean-up Activities (Heartful Volunteer), which the AEON Group conducts as a social contribution activities. In addition, in order to promote forestation by employees, environment education, and awareness building and familiarization of village forest and woodland activities, the Group, in coordination with AEON Environmental Foundation and AEON Co., Ltd., implemented “AEON Forest Program” in Kimitsu City, Chiba Prefecture. In June 2023, we also held a tree-planting festival to commemorate the aforementioned management integration.

In addition, as part of the Great East Japan Earthquake reconstruction support activities, we continue to implement activities such as "Volunteer Cotton Harvesting" in Iwaki City, Fukushima Prefecture, "Bookshelf Charity" in which proceeds from the sale of unneeded books are donated, and "Reconstruction Wiping Cloth Charity" in which unused towels and other items are donated. In January 2024, a cashless donation was implemented through AEON Pay, AEON Card payment, as well as through AEON Card points and AEON Bank account, to the "Noto Peninsula Earthquake 2024 Emergency Relief Fund" conducted by AEON Co. Ltd.

Finally, in collaboration with AEON 1% Club, to which major companies of the AEON Group including the Company contribute an amount equivalent to 1% of net income before tax. The Group held events on financial education for children at AEON Mall Hakusan and AEON Mall Sapporo Hiraoka during the current fiscal year.

④Future outlook

The Company is reforming its business model for the growth of the Group, under the basic policy of "Second founding: Value chain transformation and new network creation" in the Medium-term Management Plan.

In the current fiscal year, through innovations in the value chain transformation, we will work to further expand the AEON LIVING ZONE by providing convenient functions to customers and building an environment that allows customers to use services anywhere. In Japan, we will accelerate our efforts by optimizing the sales touch points scattered throughout the Group and concentrating our resources on the above measures. Overseas, we will take the opportunity of opening a digital bank in Malaysia to shift to a business model based on a digital financial platform in each country, and will work to maximize customers' LTV by promptly responding to their changing and diverse needs.

As for the forecast of consolidated performance for the fiscal year ending February 2025, the Company currently expects that consolidated operating revenue, consolidated operating profit, and Profit attributable to owners of the parent will increase from the fiscal year ended February 2024. We will team up for the next stage of growth.

(Unit : Millions of yen)

Forecast of Consolidated Earnings	For the FY ending February 29, 2025	For the FY ended February 28, 2023 (Current Fiscal Year Results)
Operating revenue	520,000	485,608
Operating profit	55,000	50,088
Ordinary profit	55,000	51,174
Profit attributable to owners of parent	21,000	20,896

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

(2) Consolidated Financial Condition

① Assets, liabilities and net assets

(Assets)

Total assets at the end of the third quarter increased by ¥286,103 million from the end of the previous fiscal year to ¥6,945,571 million. This was mainly due to an increase in accounts receivable-installment of ¥73,899 million due to an increase in card shopping transactions, an increase in loans of ¥252,011 million due to an increase in card cash advances, personal loan and housing loan transactions, and a decrease in cash and deposit of ¥177,057 million.

(Liabilities)

Total liabilities increased by ¥252,919 million from the end of the previous fiscal year to ¥6,371,254 million. This was due to an increase in accounts payable-trade of ¥12,873 million, an increase in interest-bearing debt of ¥1,024,571 million because of the expansion of operating receivables, and an increase in deposits of ¥140,409 million due to the expansion of cash deposit.

(Net Assets)

Total net assets increased by ¥33,183 million from the end of the previous fiscal year to ¥574,316 million. This was due to an increase in profit attributable to owners of parent of ¥20,896 million, foreign exchange translation adjustments of ¥10,533 million, non-controlling interests of ¥9,596 million, valuation difference on available for sale securities of ¥6,018 million, and a decrease in retained earnings due to payment of term-end dividends of ¥12,519 million.

② Cash flows

[Cash flow for the current consolidated fiscal year]

(Unit : Millions of yen)

	For the FY ending February 28, 2023	For the FY ended February 28, 2024
Net cash provided by (used in) operating activities	105,138	△50,766
Net cash provided by (used in) investing activities	11,796	△113,697
Net cash provided by (used in) financing activities	△14,559	△18,191
Effect of exchange rate change on cash and cash equivalents	4,688	△554
Net increase (decrease) in cash and cash equivalents	107,064	△183,220
Cash and cash equivalents at beginning of period	697,628	804,693
Cash and cash equivalents at end of period	804,693	625,482

Net cash provided by operating activities amounted to ¥50,776 million due to an increase in cash advances, personal loan and housing loan.

Net cash provided by investing activities amounted to ¥113,697 million due to the expenses from acquisition of securities exceeding the income from the sale and redemption of securities.

Net cash from financing activities amounted to ¥18,191 million, mainly due to an increase in dividend payments.

An increase in cash and cash equivalents due to new consolidations resulted in a net cash flow of ¥4,008 million.

As a result of the above, cash and cash equivalents decreased ¥107,211 million to ¥625,482 million.

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

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

<Dividends for the current and next fiscal year>

We plan to forecast a year-end dividend of 28 yen per share based on the above policy. As a result, the annual dividend for the current fiscal year, including the 20 yen dividend at the end of the second quarter, is expected to be 53 yen.

As for dividend per share for the fiscal year ending February 2024, dividend at the end of 2nd Quarter is expected to be 25 yen, and dividend at the Year-end is expected to be 28 yen.

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

2. Scope of Consolidated Subsidiaries and Affiliates

(1) The Group consists of 33 consolidated subsidiaries and one equity method non-consolidated subsidiary. With AEON Co., Ltd., a parent company of the Company, at the core, the Group companies work in unison to provide financial services in their respective regions, including credit card, installment sales finance, financing, banking, and loan servicing (credit management and collection), and each company engages in business activities directly linked to its customers.

(2) The following is an overview of the Group's business.

Segment		Business	Major Group Companies
Domestic	Retail business	Banking and insurance business, primarily for individual customers	AEON BANK CO., LTD. AEON INSURANCE SERVICE CO., LTD. AEON S.S.INSURANCE CO., LTD. AEON ALLIANZ LIFE INSURANCE CO., LTD. KYOEI A&I Co., Ltd.
	Solution business	Business that provides the Group's financial services, primarily to member branches, using the Group's database.	AEON FINANCIAL SERVICE CO., LTD. AEON PRODUCT FINANCE CO., LTD. AEON HOUSING LOAN SERVICE CO., LTD. ACS CREDIT MANAGEMENT CO., LTD. ACS LEASING CO., LTD. FeliCa Pocket Marketing Inc.
Overseas	China area	Business that provides financial services to individual customers and merchants in each region according to their needs	AEON CREDIT SERVICE (ASIA) CO., LTD.※ 1 AEON INSURANCE BROKERS (HK) LTD. AEON INFORMATION SERVICE (SHENZHEN) CO., LTD. AEON MICRO FINANCE (SHENZHEN) CO., LTD.
	Mekong area		AEON THANA SINSAP (THAILAND) PCL. ※ 2 ACSI(THAILAND) CO., LTD. ACS SERVICING (THAILAND) CO., LTD. AEON ASSET MANAGEMENT (THAILAND) CO., LTD. ACS TRADING VIETNAM CO., LTD. AEON SPECIALIZED BANK (CAMBODIA) PUBLIC LIMITED COMPANY AEON MICROFINANCE (MYANMAR) CO., LTD. AEON LEASING SERVICE (LAO) CO., LTD.
	Malay area		AEON CREDIT SERVICE (M) BERHAD ※ 3 AEON INSURANCE BROKERS (M) SDN. BHD. AEON Bank (M) Berhad PT.AEON CREDIT SERVICE INDONESIA AEON CREDIT SERVICE SYSTEMS (PHILIPPINES) INC. AEON CREDIT SERVICE INDIA PRIVATE LTD.

※ 1 The shares of AEON CREDIT SERVICE (ASIA) CO., LTD. are listed on Hong Kong Exchanges and Clearing Limited. (Securities Code : 900)

※ 2 The shares of AEON THANA SINSAP (THAILAND) PCL. are listed on Stock Exchange of Thailand. (Securities Code : AEONTS)

※ 3 The shares of AEON CREDIT SERVICE (M) BERHAD are listed on Bursa Malaysia Berhad. (Securities Code : 5139)

※ 4 The following companies are not part of reportable segment and have been included in the adjustment amount.

AFS CORPORATION CO., LTD.

AEON FINANCIAL SERVICE (HONG KONG) CO., LTD.

ACS CAPITAL CORPORATION LTD.

AEON CREDIT SERVICE (PHILIPPINES) INC.

3. Management Policy

(1) Basic management policy of the company

The company aims to achieve sustainable growth, and to enhance corporate value through providing financial services by defining Our Purpose, which is “to bring ‘finance’ closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles”. Under this Purpose, we will provide financial services tailored to the life stages of all customers, and changes in their living environment, based on the “consumer perspective”, which is the strength of a financial group originating from the retail industry

(2) Target Management Indicators

We will continue to strengthen profitability and improve capital efficiency for sustainable growth, setting a target of 10% ROE for our management indicator

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

Regarding the environment surrounding the Group, in the global situation, uncertainty about the future is continuing due to the sluggish economic growth rate and political instability caused by conflicts in China, and the downside risk to economy due to tight monetary policies by governments of various countries.

While a virtuous cycle of economic growth is expected in Japan as companies raise prices and wage increases spread, customers are becoming increasingly aware of the need to protect their livelihood, which is affecting their consumption behavior and investment needs. In addition, cashless payments, which has made progress in the COVID-19 past, has been facing intensified competition from competitors to provide even more affordable and convenient services. This is further accelerating changes in the payment service environment, which is our main business area.

Under these circumstances, we have set forth our vision for 2030 as "a global company with close ties to local communities that brings finance closer to everyone". In addition to reaffirming our commitment to the entire Asian region as a market, we will work to realize this vision by being close to each and every one of our customers and resolving and solving their "inadequacies" as a community-based company in each country and region. In line with this, we will improve productivity through core competence by reviewing our business portfolio.

We set the basic policies of the medium-term management plan "The second founding: Value chain transformation and new network creation" based on Our Purpose, we will promote the following initiatives to provide more innovative financial services to our customers in Asian countries.

<Priority Measures in Domestic Business>

①Infrastructure development for the construction of the AEON Living Zone

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

The Group is responsible for establishing the infrastructure for connecting the “AEON Living Zone” with financial services, enhancing the convenience of payment methods that are closely related to the customers' lives. In line with this, we are further expanding the number of location where AEON Pay code payment can be used to make it a broad payment network that can be used at any store. In addition, we will make advanced efforts, including alliances with other companies, to build a payment network that connects Asia.

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

We will rebuild touchpoints with customers so that we can smoothly provide necessary services from the customer's perspective. We will promote cross-selling, improve customer satisfaction, and increase productivity through such measures as establishing brick-and-mortar stores where we can explain products to customers remotely in a friendly manner by utilizing digital technology even in

any store. In addition, we will make advanced efforts, including alliances with other companies, to build a payment network that connects Asia.

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

We will rebuild touchpoints with customers so that we can smoothly provide necessary services from the customer's perspective. We will promote cross-selling, improve customer satisfaction, and increase productivity through such measures as establishing brick-and-mortar stores where we can explain products to customers remotely in a friendly manner by utilizing digital technology even in small stores, and integrating the applications of our group companies to create an environment where we can provide a variety of products as a one-stop service. In addition, we will improve productivity as well as customer satisfaction. We will also develop new products and services tailored to customers' lifestyles to meet the needs of customers who have not been using our products until now.

③ Improving risk and cost control capabilities

The Company will continue to enhance credit and receivables management through scoring with AI. Since the number of illegal use of credit cards is increasing, the Company will work to prevent fraud by sending a notice of credit card use, thereby providing safety and security to the customers' daily lives.

<Priority Measures in Global Business>

① Implementing Digital Financial Inclusion in Countries

In Malaysia, the Group obtained the license for a digital bank in April 2022 and is currently preparing to commence operations in first half of FY2024.

AEON BANK (M) BERHAD, which operates a digital bank business, will introduce AI analysis and other latest technologies and build a business model that maximize customer LTV(lifetime value) that will allow them to keep using the Group's service even when their income fluctuates or their financial needs change due to transition to the next life stage. After commencing the Digital Bank, we will roll out the best practices in system architecture, AI utilization, and financial inclusion to our group companies to accelerate the transformation of the business models of our overseas companies.

② Expansion of business, products, and areas of development

In order to further accelerate the expansion of the AEON Living Zone in Vietnam, the AEON Group has decided to acquire 100% Capital Contribution at Post and Telecommunication Finance Company Limited., which operates a personal loan business in the country. The Group's overseas business has been growing at a rapid pace in the fourth quarter of the current fiscal year. In order to make this the fourth pillar of the AEON Group's overseas business, we will work to enrich the lives of our customers by strengthening our growth strategy and expanding the lineup of products and services that we offer.

In addition, we will continue to investigate new entry into the Asian market and work to expand the areas in which we will operate

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

We are working to build a credit management model based on forward-looking in each country. It will enable us to segment customer attributes and product portfolios by region, identify projected lifetime earnings and bad debt expense, and utilize this information in sales policies and screening criteria to develop area strategies in order to maximize profits by maximizing earnings and reducing bad debt expense.

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	842,615	665,558
Call loans	10,373	1,192
Accounts receivable – installment	1,769,588	1,843,488
Lease receivables and investments in leases	11,951	11,601
Operating loans	845,262	918,824
Loans and bills discounted for banking business	2,160,775	2,339,225
Securities for banking business	460,545	572,248
Securities for insurance business	18,134	15,873
Monetary claims bought	22,534	58,546
Money held in trust	123,894	116,695
Other	200,590	194,901
Allowance for doubtful accounts	△127,445	△120,707
Total current assets	6,338,823	6,617,447
Non-current assets		
Property, plant and equipment		
Buildings, net	9,555	10,775
Tools, furniture and fixtures, net	21,980	21,067
Construction in progress	222	176
Other, net	167	126
Total property, plant and equipment	31,925	32,146
Intangible assets		
Goodwill	13,191	11,684
Software	113,906	125,144
Other	3,942	3,550
Total intangible assets	131,040	140,379
Investments and other assets		
Investment securities	17,959	14,649
Deferred tax assets	37,544	35,453
Guarantee deposits	50,741	50,901
Other	50,763	54,041
Total investments and other assets	157,008	155,045
Total non-current assets	319,974	327,570
Deferred assets		
Bond issuance costs	670	553
Total deferred assets	670	553
Total assets	6,659,468	6,945,571

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	255,662	268,536
Deposits for banking business	4,397,953	4,538,363
Short-term borrowings	221,934	249,422
Current portion of long-term borrowings	117,858	165,716
Current portion of bonds payable	85,237	83,355
Commercial papers	75,000	95,000
Provision for bonuses	4,365	5,006
Provision for point card certificates	798	689

Other provisions	190	129
Other	185, 509	187, 491
Total current liabilities	5, 344, 510	5, 593, 712
Non-current liabilities		
Reserve for insurance policy liabilities	54, 338	48, 358
Bonds payable	264, 826	240, 604
Long-term borrowings	417, 238	451, 111
Retirement benefit liability	2, 151	2, 128
Provision for loss on interest repayment	4, 822	2, 518
Other provisions	232	302
Deferred tax liabilities	1, 286	1, 998
Other	28, 928	30, 521
Total non-current liabilities	773, 824	777, 542
Total liabilities	6, 118, 335	6, 371, 254
Net assets		
Shareholders' equity		
Share capital	45, 698	45, 698
Capital surplus	120, 270	119, 144
Retained earnings	278, 172	286, 022
Treasury shares	△390	△357
Total shareholders' equity	443, 750	450, 508
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△27, 661	△21, 643
Deferred gains or losses on hedges	120	212
Foreign currency translation adjustment	18, 738	29, 272
Remeasurements of defined benefit plans	△147	44
Total accumulated other comprehensive income	△8, 950	7, 885
Share acquisition rights	13	6
Non-controlling interests	106, 319	115, 916
Total net assets	541, 133	574, 316
Total liabilities and net assets	6, 659, 468	6, 945, 571

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Operating revenue		
Revenue from credit card business	112,416	125,716
Revenue from installment sales finance business	48,450	52,911
Financing revenue	137,960	151,909
Recoveries of written off receivables	16,116	16,048
Financial revenue		
Interest on loans and discounts from banking business	24,371	24,176
Interest and dividends on securities from banking business	3,162	2,626
Interest on call loans	204	340
Interest income	875	1,068
Other financial revenue	5,789	5,302
Total financial revenue	34,403	33,514
Insurance revenue		
Reversal of policy reserve	10,029	6,401
Other insurance revenue	3,175	6,201
Total Insurance revenue	13,205	12,602
Fees and commissions	62,178	68,009
Other	27,036	24,896
Total operating revenue	451,767	485,608
Operating expenses		
Financial expenses		
Interest expenses	18,953	23,626
Interest on deposits from banking business	2,397	3,095
Other financial expenses	2,210	2,358
Total financial expenses	23,562	29,081
Insurance expenses		
Insurance claims and other	11,191	11,215
Other insurance expenses	1,737	557
Total Insurance expenses	12,928	11,772
Fees and commissions payments	11,345	10,546
Selling, general and administrative expenses	342,034	381,006
Other	3,035	3,112
Total operating expenses	392,907	435,519
Operating profit	58,859	50,088
Non-operating income		
Dividend income	108	169
Gain on investments in investment partnerships	309	118
Foreign exchange gains	1,245	813
Subsidy income	117	—
Compensation income	734	—
Other	185	104
Total non-operating income	2,700	1,204
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	101
Loss on valuation of investment securities	9	—
Miscellaneous losses	3	17
Total non-operating expenses	13	118
Ordinary profit	61,547	51,174

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Extraordinary income		
Gain on sale of non-current assets	10	11
Gain on sale of investment securities	—	169
Gain on liquidation of investment securities	—	89
Gain on reversal of share acquisition rights	3	—
Total extraordinary income	14	270
Extraordinary losses		
Loss on disposal of non-current assets	478	678
Impairment losses	777	1,297
Loss on liquidation of subsidiaries	149	18
Management integration expenses	84	475
System migration related expenses	245	90
Infectious Disease Related Cost	24	—
Other	1	—
Total extraordinary losses	1,760	2,562
Profit before income taxes	59,801	48,883
Income taxes – current	12,931	13,057
Income taxes – deferred	3,246	2,117
Total income taxes	16,177	15,175
Profit	43,623	33,707
Profit attributable to non-controlling interests	12,945	12,810
Profit attributable to owners of parent	30,677	20,896

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Profit	43,623	33,707
Other comprehensive income		
Valuation difference on available-for-sale securities	△24,837	6,061
Deferred gains or losses on hedges	3,108	△2
Foreign currency translation adjustment	24,041	17,890
Remeasurements of defined benefit plans, net of tax	75	192
Total other comprehensive income	2,387	24,142
Comprehensive income	46,011	57,849
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,277	37,732
Comprehensive income attributable to non-controlling interests	24,734	20,117

Fiscal year ended February 28, 2023

(Millions of yen)

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

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

Fiscal year ended February 28, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	45,698	120,270	278,172	△390	443,750
Changes during period					
Dividends of surplus			△12,519		△12,519
Profit attributable to owners of parent			20,896		20,896
Purchase of treasury shares				△0	△0
Disposal of treasury shares			△17	33	15
Change in ownership interest of parent due to transactions with non-controlling interests		△1,125			△1,125
Change in scope of consolidation			△508		△508
Net changes in items other than shareholders' equity					
Total changes during period	—	△1,125	7,850	32	6,757
Balance at end of period	45,698	119,144	286,022	△357	450,508

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	△27,661	120	18,738	△147	△8,950	13	106,319	541,133
Changes during period								
Dividends of surplus								△12,519
Profit attributable to owners of parent								20,896
Purchase of treasury shares								△0
Disposal of treasury shares								15
Change in ownership interest of parent due to transactions with non-controlling interests							1,125	—
Change in scope of consolidation								△508
Net changes in items other than shareholders' equity	6,018	91	10,533	192	16,835	△7	8,471	25,299
Total changes during period	6,018	91	10,533	192	16,835	△7	9,596	33,183
Balance at end of period	△21,643	212	29,272	44	7,885	6	115,916	574,316

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	59,801	48,883
Depreciation	30,364	31,133
Amortization of goodwill	1,734	1,621
Share of loss (profit) of entities accounted for using equity method	△19	101
Increase (decrease) in allowance for doubtful accounts	△4,029	△10,943
Increase (decrease) in provision for bonuses	91	455
Increase (decrease) in retirement benefit liability	140	400
Increase (decrease) in provision for point card certificates	△6,330	△108
Increase (decrease) in provision for loss on interest repayment	△1,653	△2,304
Increase (decrease) in other provisions	△224	21
Financial revenue	△34,403	△33,514
Financial expenses	23,562	29,081
Dividend income	△108	△169
Loss (gain) on disposal of non-current assets	468	667
Loss (gain) on liquidation of subsidiaries	149	18
Management integration expenses	—	475
Decrease (increase) in operating loans receivable	△39,503	△43,803
Decrease (increase) in cash loans and bills discounted for banking business	△50,764	△178,450
Decrease (increase) in accounts receivable – installment	△167,235	△51,990
Net decrease (increase) in lease receivables and investments in leases	633	350
Net increase (decrease) in deposits	219,409	140,409
Increase (decrease) in trade payables	30,020	12,573
Net increase (decrease) in borrowed money	76,207	76,307
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	2,851	△2,492
Net decrease (increase) in due from banks (over 3 months)	1,095	3,257
Net decrease (increase) in call loans	2,984	△26,830
Increase (decrease) in commercial papers	△10,000	19,937
Increase (decrease) in straight bonds – issuance and redemption	5,147	△28,401
Increase (decrease) in reserve for insurance policy liabilities	△10,029	△5,979
Proceeds from sales and leasebacks	103	125
Interest received	33,342	32,010
Interest paid	△23,361	△28,423
Other, net	△29,576	△20,775
Subtotal	110,864	△36,353
Interest and dividends received	108	169
Income taxes paid	△10,950	△16,061
Income taxes refund	5,116	1,468
Net cash provided by (used in) operating activities	105,138	△50,776

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash flows from investing activities		
Purchase of securities	△617,966	△545,817
Proceeds from sale of securities	130,479	201,714
Proceeds from redemption of securities	546,185	269,720
Increase in money held in trust	△23,628	△5,451
Decrease in money held in trust	10,578	13,723
Purchase of property, plant and equipment	△5,122	△4,626
Proceeds from sale of property, plant and equipment	12	27
Purchase of intangible assets	△28,749	△40,436
Proceeds from sale of intangible assets	6	6
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	△65
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	123
Other, net	—	△2,616
Net cash provided by (used in) investing activities	11,796	△113,697
Cash flows from financing activities		
Dividends paid	△11,007	△12,519
Proceeds from share issuance to non-controlling shareholders	2,040	—
Dividends paid to non-controlling interests	△5,174	△5,671
Purchase of treasury shares	△0	△0
Proceeds from disposal of treasury shares	0	0
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△416	—
Net cash provided by (used in) financing activities	△14,559	△18,191
Effect of exchange rate change on cash and cash equivalents	4,688	△554
Net increase (decrease) in cash and cash equivalents	107,064	△183,220
Cash and cash equivalents at beginning of period	697,628	804,693
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	4,008
Cash and cash equivalents at end of period	804,693	625,482

(4) Notes on Non-consolidated Financial Statements

(Notes on the Going-concern Assumption) Not applicable

(Change in presentation)

The following reclassifications have been made to the financial statements as a result of the Company's transition to a business holding company due to an absorption-type merger on June 1, 2023.

(Change in presentation method)

In the previous fiscal year, ¥8,989 million of "Dividends received from affiliates" under "Operating revenue" and ¥370 million of dividends received included in "Interest and dividends income" under "Non-operating income" were reclassified as "Dividends received" of ¥9,360 million under "Non-operating income. Interest income of 1,154 million yen included in "Interest and dividends income" under "Non-operating income" in the previous fiscal year has been reclassified as "Interest income" of 1,154 million yen under "Operating income.

In the previous fiscal year, ¥8,156 million presented as "Commission received from subsidiaries and affiliates" in "Operating revenue," ¥348 million in "Other" and ¥54 million in "Commission received on guaranteed liabilities" included in "Other" under "Non-operating revenue" were reclassified as ¥8,558 million in "Other" under "Operating revenue".

In the previous fiscal year, "Interest expense" of ¥1,402 million, "Commitment fee" of ¥11 million and "Amortization of bond issuance costs" of ¥291 million included in "Non-operating expenses" were reclassified as "Other financial expenses" of ¥1,706 million in "Operating expenses".