



Brief Report of Financial Results (Unaudited)

(For the Six Months Ended August 31, 2021)

October 6, 2021

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

Stock Listing: Tokyo Stock Exchange, First Section

Code No: 8570

President and CEO: Kenji Fujita

Contact: Yuro Kisaka, Director, Managing Executive Officer

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

1. Business performance (For the Six Months ended August 31, 2021 and for the Six Months ended August 31, 2020)

(1) Consolidated Operating Results

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

	Operating revenue	Percentage Change	Operating profit	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Six Months ended August 31, 2021	237,966	3.2	33,240	328.0	34,169	337.5	18,155	-
Six Months ended August 31, 2020	230,674	-	7,766	-	7,810	-	1,480	-

(Note)Comprehensive income; The 2nd Quarter of Fiscal 2021; 30,948 million (-%), The 2nd Quarter of Fiscal 2020;△400 million (-%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months ended August 31, 2021	84.12	84.11
Six Months ended August 31, 2020	6.86	6.86

(2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Six Months ended August 31, 2021	6,191,527	498,676	6.8	1,952.47
Year ended February 28, 2021	6,123,721	474,667	6.6	1,860.08

(Reference)Shareholder's equity; The 2nd Quarter of Fiscal 2021;421,409 million, Fiscal 2020;401,462 million

2. Cash Dividends

(Yen)

(Base date)	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Year ended February 28, 2021	—	11.00	—	23.00	34.00
Year ending February 28, 2022	—	19.00	—	—	—
Year ending February 28, 2022 (Forecast)	—	—	—	26.00	45.00

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

Breakdown of dividend for end of 2Q of the year ending February 28, 2022

: Ordinary dividend 17yen, commemorative dividend of 2yen for the 40th anniversary of the establishment.

Breakdown of dividend for year-end of the year ending February 28, 2022 (Forecast)

: Ordinary dividend 24yen, commemorative dividend 2yen for the 40th anniversary of the establishment.

3. Projections (For the fiscal year ending February 28, 2022)

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

	Operating revenue	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributable to owners of parent	YoY	Net income per share
Full year	490,000	0.6	46,000	13.2	46,000	14.3	23,000	30.0	106.56
	~	~	~	~	~	~	~	~	~
	520,000	6.7	51,000	25.5	51,000	26.7	26,000	46.9	120.46

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

※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: No
 - ② Change other than ①: No
 - ③ Change accounting quotation: No
 - ④ Restatement: No
- (4) Number of issued stock and outstanding stock (Common stock)
 - ① Number of issued stock and outstanding stock at term end (including treasury stock)
The 2nd quarter of Fiscal 2021: 216,010,128 shares; Fiscal 2020: 216,010,128 shares
 - ② Number of shares of treasury stock at end of term
The 2nd quarter of Fiscal 2021: 176,088 shares; Fiscal 2020: 179,553 shares
 - ③ Average number of shares during the quarter (For the Six Months ended August 31, 2021)
The 2nd quarter of Fiscal 2021: 215,831,868 shares; The 2nd quarter of Fiscal 2020: 215,804,713 shares

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

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

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

Attachments

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	705,739	722,954
Call loans	30,841	7,981
Accounts receivable - installment	1,521,149	1,582,916
Lease receivables and investments in leases	12,284	12,294
Operating loans	782,916	760,454
Loans and bills discounted for banking business	1,998,379	2,053,601
Securities for banking business	519,023	525,289
Securities for insurance business	70,261	55,680
Monetary claims bought	30,800	29,460
Money held in trust	92,567	104,621
Other	184,176	155,214
Allowance for doubtful accounts	△133,331	△121,976
Total current assets	5,814,809	5,888,492
Non-current assets		
Property, plant and equipment	39,152	36,782
Intangible assets		
Goodwill	16,784	15,854
Software	100,249	100,207
Other	4,738	4,538
Total intangible assets	121,773	120,600
Investments and other assets	147,205	144,882
Total non-current assets	308,130	302,266
Deferred assets	780	767
Total assets	6,123,721	6,191,527
Liabilities		
Current liabilities		
Accounts payable - trade	270,015	230,409
Deposits for banking business	4,018,666	4,097,612
Short-term borrowings	216,468	247,380
Current portion of long-term borrowings	62,159	67,185
Current portion of bonds payable	23,012	51,456
Commercial papers	85,000	85,000
Provision for bonuses	3,511	3,198
Provision for point card certificates	20,685	22,616
Other provisions	197	82
Other	189,143	159,580
Total current liabilities	4,888,859	4,964,521
Non-current liabilities		
Reserve for insurance policy liabilities	86,639	71,395
Bonds payable	282,721	272,319
Long-term borrowings	337,026	343,591
Retirement benefit liability	4,707	2,595
Provision for loss on interest repayment	5,706	3,861
Other provisions	530	533
Deferred tax liabilities	1,518	1,648
Other	41,344	32,383
Total non-current liabilities	760,194	728,328
Total liabilities	5,649,053	5,692,850

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	120,145	120,117
Retained earnings	237,385	250,569
Treasury shares	△460	△451
Total shareholders' equity	402,768	415,934
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,283	9,257
Deferred gains or losses on hedges	△3,902	△3,769
Foreign currency translation adjustment	△334	226
Remeasurements of defined benefit plans	△352	△239
Total accumulated other comprehensive income	△1,306	5,475
Share acquisition rights	43	40
Non-controlling interests	73,162	77,226
Total net assets	474,667	498,676
Total liabilities and net assets	6,123,721	6,191,527

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Operating revenue		
Revenue from credit card business	64,017	64,649
Revenue from installment sales finance business	20,892	21,947
Financing revenue	72,073	65,452
Recoveries of written off receivables	3,742	6,077
Financial revenue	16,397	16,717
Insurance revenue	15,625	19,267
Fees and commissions	29,408	31,374
Other	8,516	12,479
Total operating revenue	230,674	237,966
Operating expenses		
Financial expenses	11,982	10,599
Insurance expenses	15,139	18,578
Fees and commissions payments	5,164	5,727
Selling, general and administrative expenses	188,882	168,356
Other	1,738	1,464
Total operating expenses	222,907	204,726
Operating profit	7,766	33,240
Non-operating income		
Dividend income	54	150
Gain on investments in investment partnerships	48	257
Foreign exchange gains	—	15
Subsidy income	—	493
Other	102	56
Total non-operating income	205	973
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	29
Foreign exchange losses	147	—
Loss on transfer of receivables	—	9
Miscellaneous loss	14	5
Total non-operating expenses	161	44
Ordinary profit	7,810	34,169
Extraordinary income		
Gain on sales of non-current assets	3	7
Gain on sales of investment securities	—	436
Gain on termination of retirement benefit plan	—	239
Subsidies for employment adjustment	87	7
Total extraordinary income	90	690
Extraordinary losses		
Loss on disposal of non-current assets	223	321
Impairment loss	93	139
Loss on liquidation of subsidiaries	—	53
Infectious Disease Related Cost	361	17
Other	—	11
Total extraordinary losses	677	543
Profit before income taxes	7,223	34,316
Income taxes - current	11,341	8,880
Income taxes - deferred	△7,933	1,091
Total income taxes	3,407	9,971
Profit	3,815	24,345
Profit attributable to non-controlling interests	2,334	6,190
Profit attributable to owners of parent	1,480	18,155

(Consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Profit	3,815	24,345
Other comprehensive income		
Valuation difference on available-for-sale securities	735	5,861
Deferred gains or losses on hedges	△925	184
Foreign currency translation adjustment	△4,080	444
Remeasurements of defined benefit plans, net of tax	53	113
Total other comprehensive income	△4,216	6,603
Comprehensive income	△400	30,948
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△975	24,936
Comprehensive income attributable to non-controlling interests	574	6,011

**(3) Notes on Quarterly Consolidated Financial Statements
(Notes on the Going-concern Assumption)**

N/A

(Notes when there is a significant change in the amount of shareholders' equity)

N/A

(Change in significant subsidiary during the term)

N/A

(Additional information)

(Accounting estimates on the effects of new coronavirus infections)

The Group assumes that the effects of the spread of the novel coronavirus will still take time to converge due to the recovery status of deferred receivables, etc. in some countries. Based on this assumption, the Company expect to increase credit risk in the future for deferred receivables, etc., and include them in our estimates for bad debts. Along that amount is the best estimate at this time, the uncertainty of the assumptions used in the estimates is high, and if the status of the new coronavirus infection and its impact on the economic environment changes, the reserve for bad debts may increase or decrease in the quarterly consolidated financial statements and consolidated financial statements from the following quarter onwards.

(Segment Information)

For 2nd quarter of FY2020

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

(Millions of yen)

	For the six months ended August 31, 2020							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating revenue								
Operating revenue from external parties	100,260	61,330	8,266	38,255	22,724	230,837	△162	230,674
Internal operating revenue between segments	1,612	30,530	2	41	—	32,186	△32,186	—
Total	101,873	91,860	8,269	38,296	22,724	263,024	△32,349	230,674
Segment Profit	△1,474	7,602	2,367	1,093	△2,321	7,268	497	7,766

(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:

△162 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 497 million yen shown in 'Segment profit' represents the net amount after elimination of Operating profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

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

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

For 2nd quarter of FY2021

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

(Millions of yen)

	For the three month ended May 31, 2021							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating revenue								
Operating revenue from external parties	109,559	59,225	7,582	36,657	25,208	238,232	△265	237,966
Internal operating revenue between segments	1,667	28,628	0	46	—	30,342	△30,342	—
Total	111,226	87,853	7,582	36,703	25,208	268,574	△30,607	237,966
Segment Profit	5,961	9,851	2,936	7,629	7,629	34,007	△767	33,240

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

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

△265 million 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 △767 million yen shown in 'Segment profit' represents the net amount after elimination of Operating profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

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

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