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# Brief Report of Financial Results (Unaudited)

(For the Fiscal 2022 Ended February 28, 2023)

April 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

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, 2023 (from March 1, 2022 to February 28, 2023)

### (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 2022 ended February 28, 2023	451,767	—	58,859	0.0	61,547	2.7	30,677	1.5
Fiscal 2021 ended February 28, 2022	470,657	△3.4	58,852	44.8	59,944	49.0	30,212	70.8

(Note) Comprehensive income; Fiscal 2022; 46,011million (△3.3%), Fiscal 2021; 47,593million (71.4%)

	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 2022 ended February 28, 2023	142.13	142.12	7.1	1.0	13.0
Fiscal 2021 ended February 28, 2022	139.98	139.97	7.3	1.0	12.5

(Reference) Investment gains and losses on equity method; Fiscal 2022; 19 million, Fiscal 2021; △26 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 2022 ended February 28, 2023	6,659,468	541,133	6.5	2,014.29
Fiscal 2021 ended February 28, 2022	6,278,586	509,055	6.8	1,965.47

(Reference) Shareholder's equity; Fiscal 2022; 434,800 million, Fiscal 2021; 424,222 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 those after the application of the relevant accounting standards, etc.

**(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 2022 ended February 28, 2023	105,138	11,796	△14,559	804,693
Fiscal 2021 ended February 28, 2022	76,287	△33,562	△13,508	697,628

**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			
	yen	yen	yen	yen	yen	million yen	%	%
February 2022 term	-	19.00	-	31.00	50.00	10,791	35.7	2.6
February 2023 term	-	20.00	-	33.00	53.00	11,440	37.3	2.7
February 2024 term (Estimated)	-	25.00	-	28.00	53.00		42.4	

(Note) Breakdown of dividend for end-second quarter of February 2022 term

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

Breakdown of dividend for fiscal year-end of February 2022 term

: Ordinary dividend 29yen, commemorative dividend for our 40th year of business 2 yen.

**3. Forecast of Consolidated Earnings (For the fiscal year ending February 28, 2024)**

(Millions of yen, %)

(% is the percentage of change to the previous year)

	Operating revenue	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributabl e to owners of parent	YoY	Net income per share
Full term	480,000	6.2	61,000	3.6	61,000	△0.9	27,000	△12.0	125.08

(Notes) No disclose earnings forecasts for the cumulative interim period.

**※Notes**

(1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation) ; No

(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 2022; 216,010,128 shares, Fiscal 2021; 216,010,128 shares

② Number of shares of treasury stock at end of term

Fiscal 2022; 152,460 shares, Fiscal 2021; 172,749 shares

③ Average of the number of shares during the quarter

Fiscal 2022; 215,845,901 shares Fiscal 2021; 215,833,256 shares

**(Reference): Report of Non-Consolidated Financial Results****Business performance (from March 1, 2022 to February 28, 2023)****(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 2022 ended February 28, 2023	17,493	—	9,349	△21.3	9,170	△21.2	8,702	△16.9
Fiscal 2021 ended February 28, 2022	21,264	△4.4	11,873	△11.6	11,645	△5.9	10,474	22.8

	Profit attributable to owners of parent per share	Fully Diluted Profit attributable to owners of parent per Share
Fiscal 2022 ended February 28, 2023	40.32	40.31
Fiscal 2021 ended February 28, 2022	48.53	48.52

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 2022 ended February 28, 2023	791,954	213,712	27.0	990.00
Fiscal 2021 ended February 28, 2022	733,686	217,321	29.6	1,006.72

(Reference) Shareholder's equity; Fiscal 2022; 213,699 million, Fiscal 2021; 217,288 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 those after the application of the relevant accounting standards, etc.

※ 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

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	738,782	842,615
Call loans	8,864	10,373
Accounts receivable - installment	1,566,284	1,769,588
Lease receivables and investments in leases	12,585	11,951
Operating loans	772,604	845,262
Loans and bills discounted for banking business	2,110,010	2,160,775
Securities for banking business	536,221	460,545
Securities for insurance business	49,397	18,134
Monetary claims bought	27,028	22,534
Money held in trust	111,015	123,894
Other	170,924	200,590
Allowance for doubtful accounts	△124,549	△127,445
<b>Total current assets</b>	<b>5,979,170</b>	<b>6,338,823</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	8,648	9,555
Tools, furniture and fixtures, net	25,331	21,980
Construction in progress	109	222
Other, net	230	167
<b>Total property, plant and equipment</b>	<b>34,320</b>	<b>31,925</b>
Intangible assets		
Goodwill	14,924	13,191
Software	107,732	113,906
Other	4,344	3,942
<b>Total intangible assets</b>	<b>127,001</b>	<b>131,040</b>
Investments and other assets		
Investment securities	12,989	17,959
Deferred tax assets	39,021	37,544
Guarantee deposits	50,438	50,741
Other	34,928	50,763
<b>Total investments and other assets</b>	<b>137,377</b>	<b>157,008</b>
<b>Total non-current assets</b>	<b>298,699</b>	<b>319,974</b>
Deferred assets		
Bond issuance costs	716	670
<b>Total deferred assets</b>	<b>716</b>	<b>670</b>
<b>Total assets</b>	<b>6,278,586</b>	<b>6,659,468</b>

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	225,236	255,662
Deposits for banking business	4,178,544	4,397,953
Short-term borrowings	204,074	221,934
Current portion of long-term borrowings	90,214	117,858
Current portion of bonds payable	63,410	85,237
Commercial papers	85,000	75,000
Provision for bonuses	4,086	4,365
Provision for point card certificates	7,129	798
Other provisions	200	190
Other	194,349	185,509
Total current liabilities	5,052,244	5,344,510
Non-current liabilities		
Reserve for insurance policy liabilities	64,367	54,338
Bonds payable	277,250	264,826
Long-term borrowings	335,933	417,238
Retirement benefit liability	2,271	2,151
Provision for loss on interest repayment	6,476	4,822
Other provisions	460	232
Deferred tax liabilities	1,273	1,286
Other	29,252	28,928
Total non-current liabilities	717,286	773,824
Total liabilities	5,769,530	6,118,335
<b>Net assets</b>		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	119,990	120,270
Retained earnings	258,525	278,172
Treasury shares	△442	△390
Total shareholders' equity	423,771	443,750
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△2,549	△27,661
Deferred gains or losses on hedges	△1,628	120
Foreign currency translation adjustment	4,852	18,738
Remeasurements of defined benefit plans	△222	△147
Total accumulated other comprehensive income	450	△8,950
Share acquisition rights	33	13
Non-controlling interests	84,799	106,319
Total net assets	509,055	541,133
Total liabilities and net assets	6,278,586	6,659,468

## (2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Operating revenue		
Revenue from credit card business	131,779	112,416
Revenue from installment sales finance business	42,662	48,450
Financing revenue	128,421	137,960
Recoveries of written off receivables	11,920	16,116
Financial revenue		
Interest on loans and discounts from banking business	22,878	24,371
Interest and dividends on securities from banking business	4,866	3,162
Interest on call loans	29	204
Interest income	773	875
Other financial revenue	5,135	5,789
Total financial revenue	33,684	34,403
Insurance revenue		
Reversal of policy reserve	22,271	10,029
Other insurance revenue	6,918	3,175
Total Insurance revenue	29,189	13,205
Fees and commissions	60,991	62,178
Other	32,007	27,036
Total operating revenue	470,657	451,767
Operating expenses		
Financial expenses		
Interest expenses	16,596	18,953
Interest on deposits from banking business	1,864	2,397
Other financial expenses	2,972	2,210
Total financial expenses	21,433	23,562
Insurance expenses		
Insurance claims and other	28,045	11,191
Other insurance expenses	146	1,737
Total Insurance expenses	28,192	12,928
Fees and commissions payments	11,462	11,345
Selling, general and administrative expenses	347,766	342,034
Other	2,949	3,035
Total operating expenses	411,804	392,907
Operating profit	58,852	58,859
Non-operating income		
Dividend income	202	108
Gain on investments in investment partnerships	361	309
Foreign exchange gains	—	1,245
Subsidy income	493	117
Compensation income	—	734
Other	183	185
Total non-operating income	1,240	2,700
Non-operating expenses		
Share of loss of entities accounted for using equity method	26	—
Loss on valuation of investment securities	54	9
Foreign exchange losses	46	—
Loss on sale of receivables	10	—
Miscellaneous losses	10	3
Total non-operating expenses	149	13
Ordinary profit	59,944	61,547

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Extraordinary income		
Gain on sale of non-current assets	21	10
Gain on sale of investment securities	436	—
Gain on termination of retirement benefit plan	239	—
Subsidies for employment adjustment	8	—
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	705	14
Extraordinary losses		
Loss on disposal of non-current assets	574	478
Impairment losses	202	777
Loss on liquidation of subsidiaries	53	149
Management integration expenses	—	84
System migration related expenses	—	245
Infectious Disease Related Cost	48	24
Other	25	1
Total extraordinary losses	903	1,760
Profit before income taxes	59,745	59,801
Income taxes - current	13,068	12,931
Income taxes - deferred	5,630	3,246
Total income taxes	18,698	16,177
Profit	41,047	43,623
Profit attributable to non-controlling interests	10,834	12,945
Profit attributable to owners of parent	30,212	30,677

## (Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	41,047	43,623
Other comprehensive income		
Valuation difference on available-for-sale securities	△5,757	△24,837
Deferred gains or losses on hedges	3,946	3,108
Foreign currency translation adjustment	8,226	24,041
Remeasurements of defined benefit plans, net of tax	130	75
Total other comprehensive income	6,545	2,387
Comprehensive income	47,593	46,011
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,969	21,277
Comprehensive income attributable to non-controlling interests	15,623	24,734



## (3) Consolidated Statement of Changes in Equity

Year ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	45,698	120,145	237,385	△460	402,768
Changes during period					
Dividends of surplus			△9,064		△9,064
Profit attributable to owners of parent			30,212		30,212
Purchase of treasury shares				△0	△0
Disposal of treasury shares			△7	18	10
Change in ownership interest of parent due to transactions with non-controlling interests		△155			△155
Net changes in items other than shareholders' equity					
Total changes during period	—	△155	21,140	17	21,003
Balance at end of period	45,698	119,990	258,525	△442	423,771

	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	3,283	△3,902	△334	△352	△1,306	43	73,162	474,667
Changes during period								
Dividends of surplus								△9,064
Profit attributable to owners of parent								30,212
Purchase of treasury shares								△0
Disposal of treasury shares								10
Change in ownership interest of parent due to transactions with non-controlling interests							155	—
Net changes in items other than shareholders' equity	△5,833	2,273	5,186	130	1,756	△10	11,482	13,228
Total changes during period	△5,833	2,273	5,186	130	1,756	△10	11,637	34,387
Balance at end of period	△2,549	△1,628	4,852	△222	450	33	84,799	509,055

Year ended February 28, 2023 (March 1, 2022 to 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
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	—
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

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	59,745	59,801
Depreciation	30,561	30,364
Amortization of goodwill	1,873	1,734
Share of loss (profit) of entities accounted for using equity method	26	△19
Increase (decrease) in allowance for doubtful accounts	△10,602	△4,029
Increase (decrease) in provision for bonuses	484	91
Increase (decrease) in retirement benefit liability	△1,959	140
Increase (decrease) in provision for point card certificates	△13,556	△6,330
Increase (decrease) in provision for loss on interest repayment	769	△1,653
Increase (decrease) in other provisions	△77	△224
Financial revenue	△33,684	△34,403
Financial expenses	21,433	23,562
Dividend income	△202	△108
Loss (gain) on disposal of non-current assets	552	468
Loss (gain) on liquidation of subsidiaries	53	149
Decrease (increase) in operating loans receivable	18,031	△39,503
Decrease (increase) in cash loans and bills discounted for banking business	△111,630	△50,764
Decrease (increase) in accounts receivable - installment	△30,412	△167,235
Net decrease (increase) in lease receivables and investments in leases	△300	633
Net increase (decrease) in deposits	159,878	219,409
Increase (decrease) in trade payables	△44,964	30,020
Net increase (decrease) in borrowed money	△8,626	76,207
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	△599	2,851
Net decrease (increase) in due from banks (over 3 months)	△710	1,095
Net decrease (increase) in call loans	25,749	2,984
Increase (decrease) in commercial papers	—	△10,000
Increase (decrease) in straight bonds - issuance and redemption	33,071	5,147
Increase (decrease) in reserve for insurance policy liabilities	△22,271	△10,029
Proceeds from sales and leasebacks	929	103
Interest received	33,988	33,342
Interest paid	△21,711	△23,361
Other, net	9,226	△28,762
Subtotal	95,068	111,678
Interest and dividends received	202	108
Income taxes paid	△21,519	△10,950
Income taxes refund	2,535	5,116
Net cash provided by (used in) operating activities	76,287	105,953

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from investing activities		
Purchase of securities	△518,990	△620,864
Proceeds from sale of securities	248,186	133,163
Proceeds from redemption of securities	283,851	545,585
Increase in money held in trust	△28,450	△23,628
Decrease in money held in trust	10,823	10,578
Purchase of property, plant and equipment	△4,101	△5,122
Proceeds from sale of property, plant and equipment	76	12
Purchase of intangible assets	△24,961	△28,749
Proceeds from sale of intangible assets	3	6
Net cash provided by (used in) investing activities	△33,562	10,981
Cash flows from financing activities		
Dividends paid	△9,064	△11,007
Proceeds from share issuance to non-controlling shareholders	—	2,040
Dividends paid to non-controlling interests	△4,443	△5,174
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	△13,508	△14,559
Effect of exchange rate change on cash and cash equivalents	1,674	4,688
Net increase (decrease) in cash and cash equivalents	30,890	107,064
Cash and cash equivalents at beginning of period	666,738	697,628
Cash and cash equivalents at end of period	697,628	804,693

## **(5) 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 Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of this fiscal year. Consequently, revenue is recognized when control of promised goods or services has been transferred to the customer at the amount expected to be received in exchange for those goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

1. Revenue recognition for point system

With regard to points awarded to customers based on the point system operated by other companies, the amount equivalent to the points paid to other companies by AEON Bank, a consolidated subsidiary of the Company was previously recorded as advertising expenses for selling, general and administrative expenses but has been changed to a method of deducting them from revenue from credit card business as an amount to be collected for third parties.

2. Consideration paid to merchants

Consideration paid to merchants by AEON Credit Service, a consolidated subsidiary of the Company in accordance with the use of credit cards was previously treated as advertising expenses for selling, general and administrative expenses but has been changed to a method of deduction from revenue from credit card business.

The application of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effects of retrospectively applying the new accounting policy prior to the beginning of the first quarter of this fiscal year have been reflected in retained earnings at the beginning of the first quarter, and the new accounting policy has thereby been applied to the said beginning balance.

As a result, operating revenue and selling, general and administrative expenses decreased by 37,401 million yen for the consolidated fiscal year. In addition, provision for points decreased by 626 million yen, and other current liabilities increased by the same amount. There is no impact on the balance of retained earnings at the beginning of the fiscal year. In addition, due to changes in the Group's point system, there will be no provision for points in the future.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standards, the Company does not contain information that breaks down revenue arising from contracts with customers for the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied from the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has opted to prospectively apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc. Note that the impact of this change on the quarterly consolidated financial statements is immaterial.

## (Segment Information)

### 1. Overview of Reportable Segments

The Group's reportable segments are those for which financial information is available separately from the Group's constituent units and are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate business performance.

The Company's "Domestic" business is divided into "Retail" and "Solutions" in order to clarify the role of functions depending on the target customer, and the "Global" business is divided into "China Area" (Hong Kong, etc.), "Mekong Area" (Thailand, etc.), and "Malay Area" (Malaysia, etc.) so that the horizontal development of the business model can be smoothly promoted by the three listed companies.

Therefore, the Group has five reportable segments: "Retail" and "Solutions" in Japan, and "China Area", "Mekong Area" and "Malay Area" in International.

"Retail" is a banking and insurance business mainly for individual customers.

"Solutions" is a business that provides the Group's financial services utilizing databases, such as processing business and individual installment business, mainly for franchisees.

"China Area", "Mekong Area" and "Malay Area" provide financial services such as credit cards and loans to individual customers and franchisees in each region according to their needs.

### 2. Method of calculating the amount of operating revenue, profit or loss, assets, and other items for each reportable segment

The accounting methods for the reported segments are the same as those employed for the preparation of consolidated financial statements. Profit in the reportable segment is based on operating profit. Internal operating revenue and transfer volume between segments are based on prevailing market prices.

As described in the change in the accounting policy, since the beginning of the current consolidated fiscal year we have applied the Accounting Standards for Revenue Recognition and changed the accounting method for revenue recognition, etc., and the calculation method for operating revenue and segment profit for the reportable segment has been changed in the same way.

The impact of these changes on operating revenues in the reportable segments was  $\Delta 35,208$  million yen in domestic retail,  $\Delta 2,360$  million yen in domestic solutions, and 167 million yen in adjustments for each reportable segment. In addition, there is no impact on segment profit.

### 3. Segment Information

For the fiscal 2021 ended February 28, 2022

(Millions of yen)

	Segment					Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Domestic		Global					
	Retail	Solution	China Area	Mekong Area	Malay Area			
Operating revenue								
Operating revenue from external customer	210,031	122,908	15,743	72,372	49,980	471,036	△378	470,657
The internal operating revenue between segments	3,546	55,939	0	43	—	59,530	△59,530	—
Total	213,578	178,847	15,743	72,416	49,980	530,566	△59,908	470,657
Segment profit/ loss	8,090	17,836	5,530	15,298	12,977	59,732	△879	58,852
Segment assets	4,818,287	935,681	76,591	321,275	290,395	6,442,231	△163,645	6,278,586
Other								
Depreciation	6,796	16,036	1,251	3,819	2,331	30,235	325	30,561
Amortization of goodwill	1,457	415	—	—	1	1,873	—	1,873
Financial expenses	3,714	1,296	429	6,030	9,519	20,991	442	21,433
Provision of allowance for loan losses	1,001	16,843	143	23,194	9,032	50,215	32	50,248
Increase in property, plant and equipment and intangible assets	5,526	22,701	782	2,814	2,199	34,025	324	34,350

(Remarks)

1. Instead of sales of general companies, operating revenues are listed.
2. Adjustments details are as follows.
  - (1) The adjustment of △378 million yen to Operating revenue from external customer represents corporate operating revenue that are not allocated to each reportable segment.
  - (2) The adjustment of △879 million yen to Segment Profit mainly represents the corporate operating revenue that are not allocated to each reportable segment and intersegment elimination.
  - (3) The adjustment of △163,645 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.
3. Segment profit/ loss is adjusted to operating profit of consolidated statement of income.

For the fiscal 2022 ended February 28, 2023

(Millions of yen)

	Segment					Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Domestic		Global					
	Retail	Solution	China Area	Mekong Area	Malay Area			
Operating revenue								
Operating revenue from external customer	164,328	118,025	22,462	85,997	60,901	451,715	51	451,767
The internal operating revenue between segments	3,549	58,332	0	23	—	61,905	△61,905	—
Total	167,877	176,358	22,462	86,020	60,901	513,621	△61,854	451,767
Segment profit/ loss	3,872	14,287	7,716	18,997	15,716	60,590	△1,731	58,859
Segment assets	5,001,096	971,616	113,466	375,855	355,060	6,817,095	△157,626	6,659,468
Other								
Depreciation	6,243	15,951	1,411	4,041	2,377	30,025	339	30,364
Amortization of goodwill	1,457	274	—	—	3	1,734	—	1,734
Financial expenses	3,296	1,354	727	7,314	10,191	22,884	677	23,562
Provision of allowance for loan losses	△427	16,855	1,392	27,898	15,038	60,757	14	60,772
Increase in property, plant and equipment and intangible assets	7,111	26,898	903	3,482	1,381	39,777	120	39,898

(Remarks)

1. Instead of sales of general companies, operating revenues are listed.
2. Adjustments details are as follows.
  - (1) The adjustment of 51 million yen to Operating revenue from external customer represents corporate operating revenue that are not allocated to each reportable segment.
  - (2) The adjustment of △1731 million yen to Segment Profit mainly represents the corporate operating revenue that are not allocated to each reportable segment and intersegment elimination.
  - (3) The adjustment of △157,626 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.
3. Segment profit/ loss is adjusted to operating profit of consolidated statement of income.
4. Revenues arising from contracts with customers subject to the Revenue Recognition Accounting Standards included in operating revenues to external customers for the current consolidated fiscal year were 30,979 million yen in Domestic Retail, 65,618 million yen in Domestic Solutions, 4,192 million yen in China Area, 7,820 million yen in Mekong Area, 6,333 million yen in Malay Area, and 348 million yen in adjustments.



## Non-consolidated financial statements

## (1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,212	2,652
Advances paid	131	128
Prepaid expenses	519	639
Accounts receivable - other	6,898	6,940
Accrued revenue	161	184
Short-term loans receivable	326,430	375,020
Current portion of long-term loans receivable from subsidiaries and associates	92	109
Income taxes refund receivable	1,285	729
Consumption taxes refund receivable	27	—
Total current assets	337,760	386,404
Non-current assets		
Property, plant and equipment		
Buildings	510	426
Accumulated depreciation	△291	△236
Buildings, net	218	190
Tools, furniture and fixtures	566	406
Accumulated depreciation	△486	△350
Tools, furniture and fixtures, net	80	55
Total property, plant and equipment	299	246
Intangible assets		
Software	1,573	1,344
Total intangible assets	1,573	1,344
Investments and other assets		
Investment securities	51,891	49,743
Shares of subsidiaries and associates	325,910	336,690
Bonds of subsidiaries and associates	2,753	3,054
Long-term loans receivable from subsidiaries and associates	369	327
Long-term prepaid expenses	89	133
Deferred tax assets	11,133	11,801
Guarantee deposits	1,199	1,542
Total investments and other assets	393,347	403,292
Total non-current assets	395,220	404,882
Deferred assets		
Bond issuance costs	705	667
Total deferred assets	705	667
Total assets	733,686	791,954

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	130,080	125,890
Commercial papers	45,000	75,000
Current portion of bonds payable	50,000	75,000
Current portion of long-term borrowings	9,000	10,500
Current portion of long-term borrowings from subsidiaries and associates	462	109
Accounts payable - other	3,228	3,045
Accrued expenses	378	411
Income taxes payable	132	101
Accrued consumption taxes	—	71
Unearned revenue	215	180
Deposits received	591	2,324
Provision for bonuses	153	136
Provision For Directors Remuneration Based On Performance	39	41
Other	13	11
Total current liabilities	239,294	292,823
Non-current liabilities		
Bonds payable	240,000	215,000
Long-term borrowings	35,900	68,500
Long-term borrowings from subsidiaries and associates	—	327
Other	1,170	1,591
Total non-current liabilities	277,070	285,418
Total liabilities	516,365	578,242
<b>Net assets</b>		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus		
Legal capital surplus	121,506	121,506
Total capital surplus	121,506	121,506
Retained earnings		
Legal retained earnings	3,687	3,687
Other retained earnings		
General reserve	35,995	35,995
Retained earnings brought forward	7,628	5,300
Total retained earnings	47,311	44,982
Treasury shares	△442	△390
Total shareholders' equity	214,074	211,797
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,214	1,901
Total valuation and translation adjustments	3,214	1,901
Share acquisition rights	33	13
Total net assets	217,321	213,712
Total liabilities and net assets	733,686	791,954

## (2) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Operating revenue		
Dividends from subsidiaries and associates	11,340	8,989
Commissions from subsidiaries and associates	9,433	8,156
Other	489	348
Total operating revenue	21,264	17,493
Operating expenses		
Selling, general and administrative expenses	9,390	8,143
Total operating expenses	9,390	8,143
Operating profit	11,873	9,349
Non-operating income		
Interest and dividend income	1,376	1,524
Foreign exchange gains	130	313
Other	84	71
Total non-operating income	1,591	1,910
Non-operating expenses		
Interest expenses	1,296	1,402
Commitment fees	10	11
Loss on valuation of investment securities	54	9
Amortization of bond issuance costs	294	291
Other	163	373
Total non-operating expenses	1,820	2,089
Ordinary profit	11,645	9,170
Extraordinary income		
Gain on sale of investment securities	436	—
Gain on sale of shares of subsidiaries	230	—
Gain on reversal of share acquisition rights	—	3
Other	63	—
Total extraordinary income	731	3
Extraordinary losses		
Loss on disposal of non-current assets	67	4
Loss on valuation of shares of subsidiaries and associates	1,429	—
Management integration expenses	—	84
Other	0	—
Total extraordinary losses	1,496	88
Profit before income taxes	10,879	9,086
Income taxes - current	417	463
Income taxes - deferred	△11	△79
Total income taxes	405	384
Profit	10,474	8,702

(3) Consolidated Statement of Changes in Equity  
Year ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	
					General reserve	Retained earnings brought forward	
Balance at beginning of period	45,698	121,506	121,506	3,687	35,995	6,227	45,909
Changes during period							
Dividends of surplus						△9,064	△9,064
Profit						10,474	10,474
Purchase of treasury shares							
Disposal of treasury shares						△7	△7
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	1,401	1,401
Balance at end of period	45,698	121,506	121,506	3,687	35,995	7,628	47,311

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	△460	212,654	3,163	3,163	43	215,862
Changes during period						
Dividends of surplus		△9,064				△9,064
Profit		10,474				10,474
Purchase of treasury shares	△0	△0				△0
Disposal of treasury shares	18	10				10
Net changes in items other than shareholders' equity			50	50	△10	39
Total changes during period	17	1,419	50	50	△10	1,458
Balance at end of period	△442	214,074	3,214	3,214	33	217,321

Year ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	
					General reserve	Retained earnings brought forward	
Balance at beginning of period	45,698	121,506	121,506	3,687	35,995	7,628	47,311
Changes during period							
Dividends of surplus						△11,007	△11,007
Profit						8,702	8,702
Purchase of treasury shares							
Disposal of treasury shares						△22	△22
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	△2,328	△2,328
Balance at end of period	45,698	121,506	121,506	3,687	35,995	5,300	44,982

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	△442	214,074	3,214	3,214	33	217,321
Changes during period						
Dividends of surplus		△11,007				△11,007
Profit		8,702				8,702
Purchase of treasury shares	△0	△0				△0
Disposal of treasury shares	52	29				29
Net changes in items other than shareholders' equity			△1,312	△1,312	△19	△1,331
Total changes during period	52	△2,276	△1,312	△1,312	△19	△3,608
Balance at end of period	△390	211,797	1,901	1,901	13	213,712

**(4) Notes on Non-consolidated Financial Statements**

(Notes on the Going-concern Assumption) Not applicable