



Brief Report of Financial Results (Unaudited)

(For the Three Months Ended May 31, 2022)

July 5, 2022

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

Stock Listing: Tokyo Stock Exchange, Prime Market

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 Three Months ended May 31, 2022 and for the Three Months ended May 31, 2021)

(1) Consolidated Operating Results

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

	Operating income	Percentage Change	Operating profit	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Three Months ended May 31, 2022	106,965	-	15,283	△26.2	16,382	△24.2	7,917	△32.1
Three Months ended May 31, 2021	122,205	11.1	20,710	-	21,603	-	11,667	-

(Note) Comprehensive income; The 1st Quarter of Fiscal 2022; 18,960 million (△9.2%), The 1st Quarter of Fiscal 2021; 20,872 million (-%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months ended May 31, 2022	36.68	36.68
Three Months ended May 31, 2021	54.06	54.05

(Note) "Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020) have been applied since the beginning of the first quarter of the current consolidated accounting period, and each figure for the first quarter of the fiscal year ending February 28, 2023 is the value after the application of the accounting standard, etc., and the rate of change in operating revenue from the same quarter of the previous year is not shown.

(2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Three Months ended May 31, 2022	6,465,815	521,280	6.6	1,971.44
Fiscal 2021 ended February 28, 2022	6,278,586	509,055	6.8	1,965.47

(Reference) Shareholder's equity; The 1st Quarter of Fiscal 2022; 425,514 million, Fiscal 2021; 424,222 million

(Note) "Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020) have been applied since the beginning of the first quarter of the current consolidated accounting period, and each figure for the first quarter of the fiscal year ending February 28, 2023 is the value after the application of the accounting standard, etc..

2. Cash Dividends

(yen)

(Base date)	Dividend per share				
	First quarter period	Interim period	Third quarter period	Term end	Annual
February 2022 term	—	19.00	—	31.00	50.00
February 2023 term	—				
February 2023 term (Estimated)		20.00	—	30.00	50.00

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

Breakdown of dividend for end-second quarter of February 2022 term

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

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

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

3. Projections (For the fiscal year ending February 28, 2023)

(Millions of yen, %)

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

	Operating income	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributable to owners of parent	YoY	Net income per share
Full term	445,000	1.5	55,000 to 60,000	△6.5 to 1.9	55,000 to 60,000	△8.2 to 0.1	27,000 to 29,000	△10.6 to △4.0	125.10 to 134.61

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

Interim projections forecast are not disclosed

In order to apply the "Accounting Standards for Revenue Recognition" (Corporate Accounting Standards No. 29, March 31, 2020) from the fiscal year ending February 28, 2023, operating income in the above consolidated earnings forecasts is the amount after the application of the accounting standards. The rate of change from the previous fiscal year is based on a comparison with the figures after retrospectively applying the relevant accounting standards.

※Notes

- (1) Change in significant subsidiary during the term
(Change in specified subsidiary that caused a change in the scope of consolidation): No
- (2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: No
- (3) Change in accounting principle, procedure, disclosure, etc. concerning preparation of consolidated financial statements
 - ① Change due to a newly issued accounting requirement: Yes
 - ② Change other than ①: No
 - ③ Change accounting quotation: No
 - ④ Restatement: No
- (4) Number of issued stock and outstanding stock (Common stock)
 - ① Number of issued stock and outstanding stock at term end (including treasury stock)
The 1st quarter of Fiscal 2022: 216,010,128 shares; Fiscal 2021: 216,010,128 shares
 - ② Number of shares of treasury stock at end of term
The 1st quarter of Fiscal 2022: 170,950 shares; Fiscal 2021: 172,749 shares
 - ③ Average number of shares during the quarter (For the Three Months ended May 31, 2022)
The 1st quarter of Fiscal 2022: 215,839,120 shares; The 1st quarter of Fiscal 2021: 215,830,489 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

Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	738,782	604,020
Call loans	8,864	4,684
Accounts receivable - installment	1,566,284	1,728,681
Lease receivables and investments in leases	12,585	12,265
Operating loans	772,604	824,156
Loans and bills discounted for banking business	2,110,010	2,226,878
Securities for banking business	536,221	527,437
Securities for insurance business	49,397	45,453
Monetary claims bought	27,028	26,142
Money held in trust	111,015	108,416
Other	170,924	174,072
Allowance for doubtful accounts	△124,549	△125,543
Total current assets	5,979,170	6,156,663
Non-current assets		
Property, plant and equipment	34,320	34,063
Intangible assets		
Goodwill	14,924	14,492
Software	107,732	110,522
Other	4,344	4,244
Total intangible assets	127,001	129,258
Investments and other assets	137,377	145,195
Total non-current assets	298,699	308,517
Deferred assets	716	633
Total assets	6,278,586	6,465,815
Liabilities		
Current liabilities		
Accounts payable - trade	225,236	272,575
Deposits for banking business	4,178,544	4,247,811
Short-term borrowings	204,074	283,397
Current portion of long-term borrowings	90,214	104,062
Current portion of bonds payable	63,410	54,247
Commercial papers	85,000	79,000
Provision for bonuses	4,086	5,945
Provision for point card certificates	7,129	1,742
Other provisions	200	159
Other	194,349	175,023
Total current liabilities	5,052,244	5,223,966
Non-current liabilities		
Reserve for insurance policy liabilities	64,367	62,234
Bonds payable	277,250	248,576
Long-term borrowings	335,933	370,544
Retirement benefit liability	2,271	2,399
Provision for loss on interest repayment	6,476	5,695
Other provisions	460	235
Deferred tax liabilities	1,273	1,431
Other	29,252	29,451
Total non-current liabilities	717,286	720,568
Total liabilities	5,769,530	5,944,534

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	119,990	120,308
Retained earnings	258,525	259,750
Treasury shares	△442	△437
Total shareholders' equity	423,771	425,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△2,549	△12,824
Deferred gains or losses on hedges	△1,628	76
Foreign currency translation adjustment	4,852	13,154
Remeasurements of defined benefit plans	△222	△210
Total accumulated other comprehensive income	450	195
Share acquisition rights	33	30
Non-controlling interests	84,799	95,735
Total net assets	509,055	521,280
Total liabilities and net assets	6,278,586	6,465,815

Consolidated Statement of Income

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Operating revenue		
Revenue from credit card business	32,783	28,153
Revenue from installment sales finance business	11,128	11,172
Financing revenue	32,938	33,357
Recoveries of written off receivables	2,666	3,672
Financial revenue	9,298	10,039
Insurance revenue	11,531	3,090
Fees and commissions	16,473	14,804
Other	5,386	2,673
Total operating revenue	122,205	106,965
Operating expenses		
Financial expenses	5,286	5,255
Insurance expenses	11,158	2,986
Fees and commissions payments	2,650	3,046
Selling, general and administrative expenses	81,671	79,648
Other	728	745
Total operating expenses	101,495	91,682
Operating profit	20,710	15,283
Non-operating income		
Dividend income	129	64
Gain on investments in investment partnerships	294	216
Foreign exchange gains	—	667
Subsidy income	493	113
Other	31	38
Total non-operating income	949	1,100
Non-operating expenses		
Foreign exchange losses	46	—
Miscellaneous losses	9	0
Total non-operating expenses	56	0
Ordinary profit	21,603	16,382
Extraordinary income		
Gain on sale of non-current assets	6	1
Gain on sale of investment securities	436	—
Gain on termination of retirement benefit plan	239	—
Total extraordinary income	682	1
Extraordinary losses		
Loss on disposal of non-current assets	173	93
Impairment losses	93	11
Infectious Disease Related Cost	12	8
Other	10	1
Total extraordinary losses	290	115
Profit before income taxes	21,995	16,268
Income taxes - current	5,732	3,666
Income taxes - deferred	554	778
Total income taxes	6,287	4,444
Profit	15,708	11,823
Profit attributable to non-controlling interests	4,041	3,906
Profit attributable to owners of parent	11,667	7,917

Consolidated State of Comprehensive Income

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	15,708	11,823
Other comprehensive income		
Valuation difference on available-for-sale securities	2,080	△10,193
Deferred gains or losses on hedges	△41	2,949
Foreign currency translation adjustment	3,026	14,368
Remeasurements of defined benefit plans, net of tax	98	11
Total other comprehensive income	5,163	7,136
Comprehensive income	20,872	18,960
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,810	7,662
Comprehensive income attributable to non-controlling interests	5,061	11,298

Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Note when there is a Significant Change in the Amount of Shareholders' Equity)

Not applicable

(Changes in Important Subsidiaries during the term)

Not applicable

(Changes to Accounting Policies)

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

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

(1) Revenue Recognition Related to the Point System

With regard to the points granted to customers based on the point system operated by other companies, the amount equivalent to the points paid to other companies by AEON Bank, a consolidated subsidiary of the Company was previously recorded as promotion expenses of selling, general and administrative expenses. However, as an amount to be collected for a third party, we have changed the method to deduct from revenue from credit card business.

(2) Consideration paid to merchants

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

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

As a result, operating income, selling, and general and administrative expenses for the consolidated cumulative period of the first quarter of the fiscal year decreased by 8,222 million yen respectively. In addition, provision for point card certificates decreased by 2,308 million yen, and other current liabilities increased by the same amount. There will be no impact on the retained earnings balance at the beginning of the fiscal year. In addition, due to changes in the point system of the Group, there will be no provision for point card in the future.

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

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

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

(Additional information)

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

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

(Segment information)
For 1st 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 income								
Operating revenue from external parties	57,473	29,719	3,755	18,197	13,265	122,411	△206	122,205
Internal operating income between segments	812	13,928	0	1	—	14,742	△14,742	—
Total	58,286	43,648	3,755	18,198	13,265	137,153	△14,948	122,205
Segment Profit	4,134	4,639	1,619	4,830	5,507	20,731	△20	20,710

(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:

△206 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 △20 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 1st quarter of FY2022

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

(Millions of yen)

	For the three month ended May 31, 2022							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	40,254	27,862	4,620	20,255	14,043	107,037	△71	106,965
Internal operating income between segments	760	14,177	0	22	—	14,960	△14,960	—
Total	41,015	42,039	4,621	20,277	14,043	121,997	△15,031	106,965
Segment Profit	307	2,543	1,523	5,213	6,111	15,698	△415	15,283

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

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

△71 million yen shown in the 'Operating revenue from external parties' section includes Operating income of holding companies which do not fall under the category of any business segments.

Adjustment amount of △415million yen shown in 'Segment profit' represents the net amount after elimination of Operating profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

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

4. Revenue arising from contracts with parties subject to revenue recognition accounting standards, which are included in operating revenue from external parties for the term was 9,398 million yen for Domestic Retail, 16,092 million yen for Domestic Solutions, 881 million yen for China Area, 1,752 million yen for Mekong Area, and 1,490 million yen for the Malay Area, and 49 million yen for Adjustments respectively.

2. Matters Concerning Changes to the Reporting Segments, etc.

As described in the change in accounting policy, since the Revenue Recognition Accounting Standards, etc. were applied from the beginning of the first quarter of the fiscal year under review, and the accounting method related to revenue recognition was changed, the calculation method of operating revenue and segment profit for the Reporting Segment was similarly changed.

The impact of such changes on the operating revenue of the reporting segments was △7,738 million yen for Domestic Retail, △525 million yen for Domestic Solutions, and 42 million yen for Adjustments for each reporting segment.

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