

# ***Results for the First Half of Fiscal Year 2013***

## ***AEON Financial Service Co., Ltd.***

Statements contained in this report with respect to the Company's management strategies, business policies and results forecasts are forward-looking statements about the future performance of the Company, which are based on the assumptions and beliefs in light of the information currently available. These forward-looking statements involve various uncertain factors including known and unknown risks such as economic trends, industry competition, market demand, exchange rates, tax and other systems that may cause the Company's actual results, performance or achievements to differ materially from the expectations expressed herein.

**Year-on-year comparisons of operating results and results by segment compare the period from April 1, 2013 to September 30, 2013 with the period from February 21, 2012 to August 20, 2012.**

# Strengthening of Compliance and Governance System

- Establish a governance system and generate awareness of compliance as a bank holding company.
- Establish a system facilitating appropriated management and supervision of subsidiaries (in personnel, organizational, physical and information systems terms).

## Measures to Prevent Recurrence (Summary)

(1) Generating corporate culture with emphasis on compliance

(2) Strengthening governance of subsidiaries

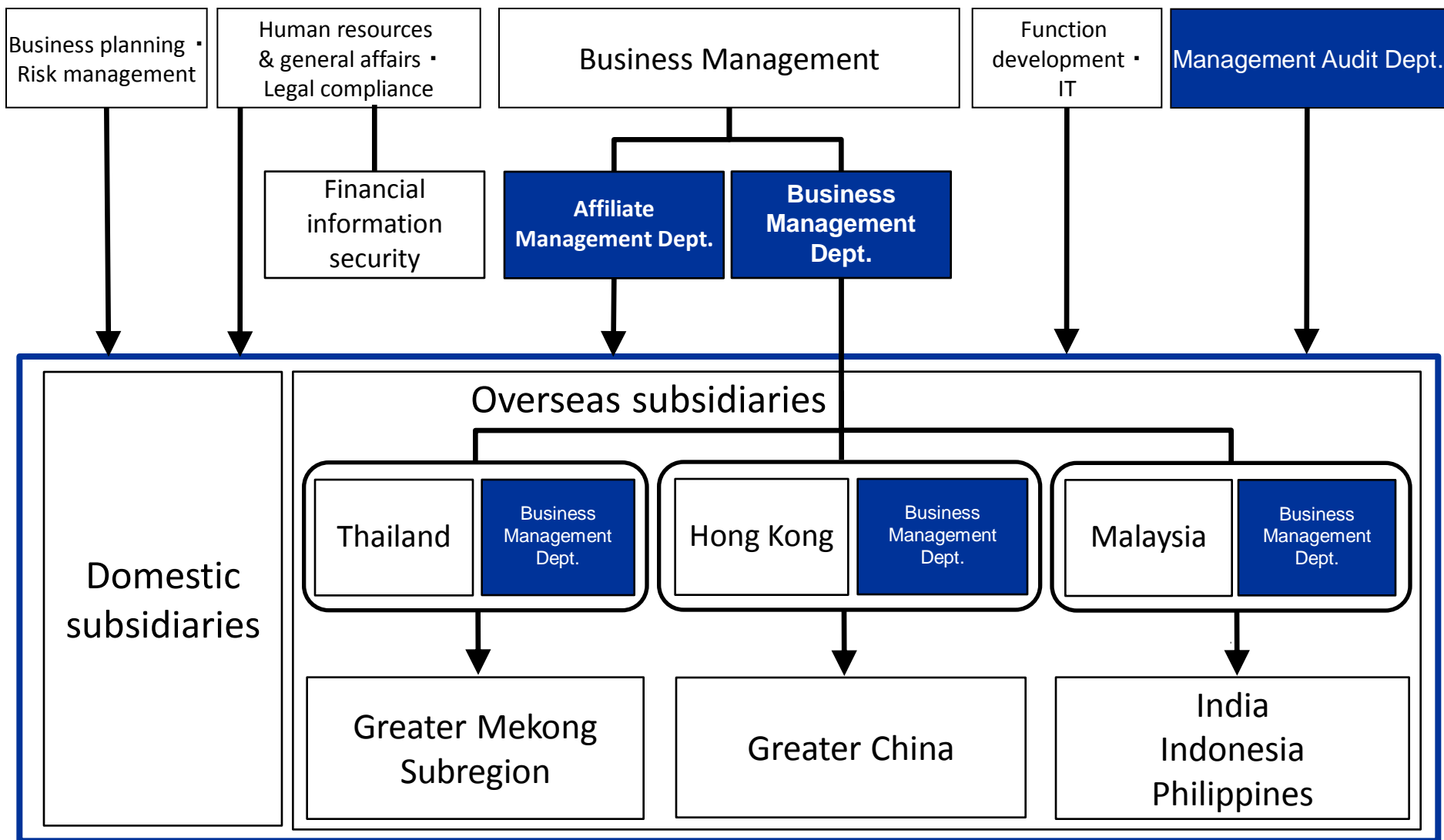
(3) Review of accounting system

(4) Review of HR/organizational structure

(5) Strengthening of information system structure

# Strengthening of Management Structure

■ Established the new Business Management Department to strengthen management of domestic and overseas subsidiaries.



# Synergy from Management Integration

## More convenient financing

- Make decisions on granting credit considering household income and asset information
- Make use of the fundraising function of AEON Bank

Domestic cashing balance  
+¥55.9 billion  
from start of fiscal year

## Stronger marketing power

- Utilize asset information to promote AEON Card Select sign-ups

AEON Card Select  
cardholders  
+¥320 thousand  
from start of fiscal year

## Expanded overseas business

- Strengthen our business management structure

Building trust among  
local customers

## Stronger sales force and higher productivity

- Consolidate head office departments and business centers
- Boost productivity by shifting personnel to sales departments

Office consolidation  
expenses  
¥400 million

# Operating Data (Balance Sheets)

(Billions of yen)

| Consolidated  | Results        | Change from start of fiscal year |
|---|----------------|----------------------------------|
| Cash and deposits                                     | 356.6          | -160.9                           |
| Loans and bills discounted                            | 1,244.3        | +116.3                           |
| Domestic  | 1,045.3        | +95.3                            |
| Overseas  | 199.0          | +21.0                            |
| Accounts receivable – installment                     | 876.3          | +369.0                           |
| Customers' liabilities for acceptances and guarantees | 186.3          | +185.7                           |
| Allowance for doubtful accounts                       | (46.7)         | -5.8                             |
| Domestic  | (37.0)         | -4.5                             |
| Overseas  | (9.7)          | -1.3                             |
| Securities and other assets                           | 353.7          | -68.5                            |
| <b>Total assets</b>                                   | <b>2,970.5</b> | <b>+435.8</b>                    |

(Billions of yen)

| Consolidated                                   | Results        | Change from start of fiscal year |
|--|----------------|----------------------------------|
| Deposits                                       | 1,678.3        | +466.2                           |
| Interest-bearing debt                          | 582.7          | -210.5                           |
| Borrowed money                                 | 514.9          | -180.5                           |
| Bonds payable                                  | 62.2           | -0.2                             |
| Convertible bonds                              | 5.6            | -24.4                            |
| Commercial paper                               | —              | -5.4                             |
| Acceptances and guarantees                     | 186.3          | +185.7                           |
| Accounts payable – trade and other liabilities | 237.4          | -32.5                            |
| <b>Total liabilities</b>                       | <b>2,684.7</b> | <b>+408.9</b>                    |
| <b>Total net assets</b>                        | <b>285.8</b>   | <b>+26.9</b>                     |
| <b>Total liabilities and net assets</b>        | <b>2,970.5</b> | <b>+435.8</b>                    |

## Operating Data (Statements of Income)

| Consolidated                    | Results<br>(Billions of yen) | YoY                     |
|---------------------------------|------------------------------|-------------------------|
| Ordinary income                 | 130.6                        | 148%                    |
| Domestic shopping               | 37.6                         | 114%                    |
| Domestic cash advances          | 17.4                         | 110%                    |
| Bank business                   | 20.1                         | <sup>*1</sup><br>(111%) |
| Fee business                    | 17.1                         | 145%                    |
| Overseas business               | 43.3                         | 150%                    |
| Installment payments and others | 2.6                          | <sup>*2</sup><br>(114%) |
| Consolidation adjustments       | (8.4)                        | —                       |

| Consolidated                 | Results<br>(Billions of yen) | YoY  |
|------------------------------|------------------------------|------|
| Ordinary expenses            | 118.2                        | 157% |
| Advertising and promotion    | 17.3                         | 154% |
| Bad debt allowance           | 14.2                         | 132% |
| Salaries and fringe benefits | 23.0                         | 173% |
| Administrative expenses      | 39.3                         | 163% |
| Equipment expenses           | 10.8                         | 143% |
| General expenses             | 2.8                          | 120% |
| Financial expenses           | 10.6                         | 178% |
| Ordinary profit              | 12.4                         | 94%  |
| Net income                   | 2.5                          | 42%  |

\*1 YoY comparison of bank business income is a comparison with the results of AEON Bank for the first half of the previous fiscal year.

\*2 YoY comparison of installment payment income is a comparison with the results of AEON Product Finance for the first half of the previous fiscal year.

# Results by Segment

- Steady growth in shopping and cash advances drove increases in income and profit in the credit business segment.
- AEON Bank posted first-half ordinary profit of ¥3.5 billion, with 3.5 billion, with ¥10.0 billion projected for the full fiscal year (non-consolidated).

(Billions of yen)

|  | Ordinary income |                | Ordinary profit |               |
|--|-----------------|----------------|-----------------|---------------|
|  |                 | YoY            |                 | YoY           |
| Credit business                          | 57.5            | 119%           | 7.9             | 111%          |
| Fee business                             | 17.1            | 145%           | 0.6             | 57%           |
| Overseas business                        | 43.3            | 150%           | 7.2             | 122%          |
| Bank business                            | 20.1            | +¥20.1 billion | 0.7             | +¥0.7 billion |
| Elimination of intersegment transactions | (8.4)           | -              | (4.1)           | -             |
| Consolidated results                     | 130.6           | 148%           | 12.4            | 96%           |

(Figures are rounded to the nearest hundred million.)

# Number of Cardholders and Active Cardholders

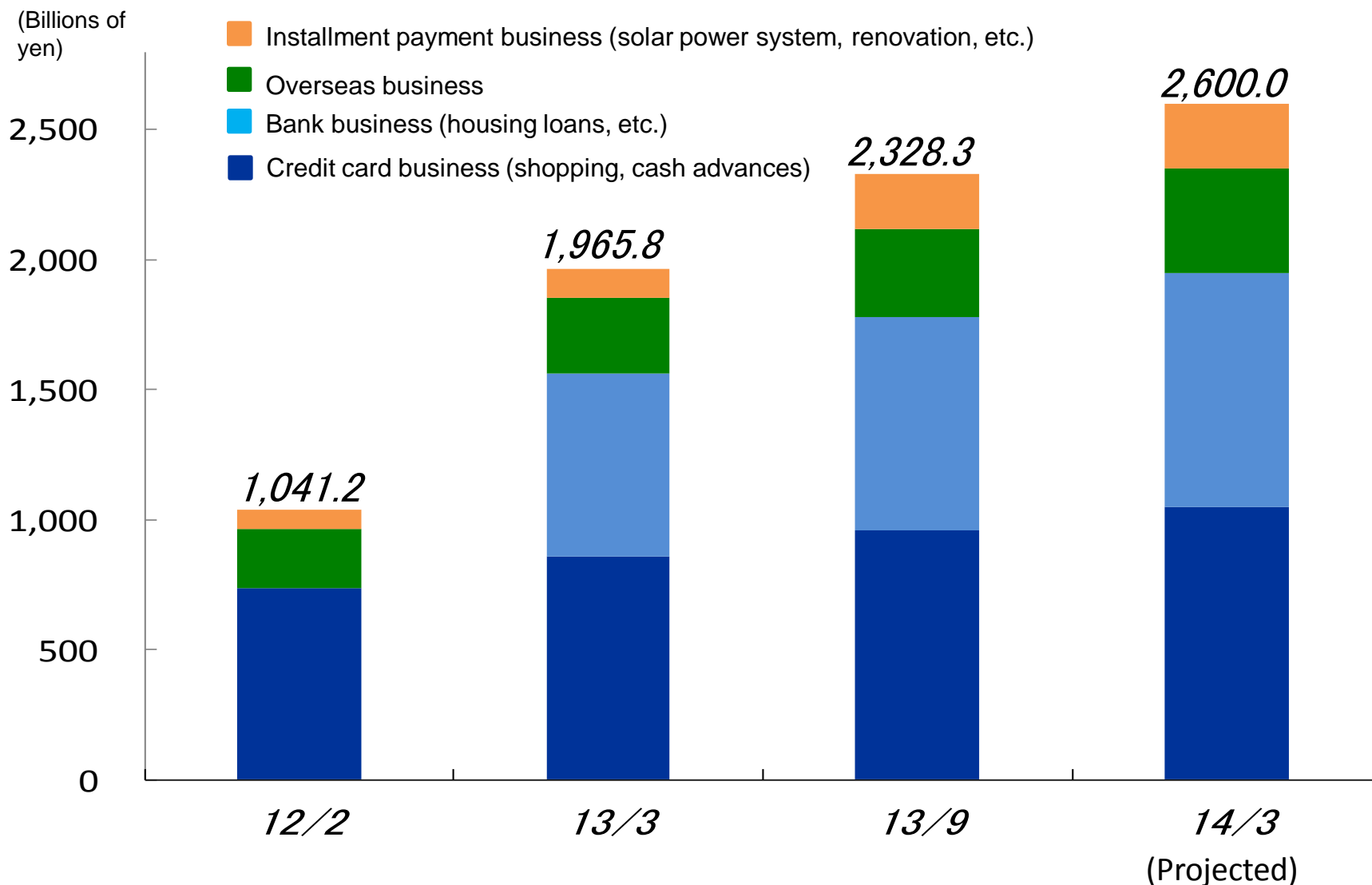
- On a consolidated basis, the number of cardholders was 32.95 million (up 1.10 million from the start of the fiscal year) and the number of domestic cardholders was 22.87 million (up 630,000).
- On a consolidated basis, the number of active cardholders was 18.64 million (up 800,000) and the number of domestic active cardholders was 14.26 million (up 540,000).
- The number of accounts was 3.41 million (up 820,000) and the number of AEON Card Select cardholders was 2.27 million (up 320,000).

|   | FY 2012      | FY 2013 1H   | Change   |
|---|--------------|--------------|----------|
| <b>Number of cardholders, consolidated</b>        | 31.85        | 32.95        | +1.10    |
| <b>Domestic</b>                                   | 22.24        | 22.87        | +0.63    |
| <b>WAON Cards issued</b>                          | 31.80        | 35.90        | +4.10    |
| <b>Number of active cardholders, consolidated</b> | 17.84        | 18.64        | +0.80    |
| <b>Domestic</b>                                   | 13.72        | 14.26        | +0.54    |
| <b>Number of accounts</b>                         | 3.06 million | 3.41 million | +350,000 |
| <b>AEON Card Select cardholders</b>               | 1.95 million | 2.27 million | +320,000 |
| <b>Number of domestic store locations</b>         | 260          | 320          | +60      |
| <b>Bank branches</b>                              | 105          | 115          | +10      |
| <b>Number of ATMs</b>                             | 2,680        | 3,823        | +1,143   |



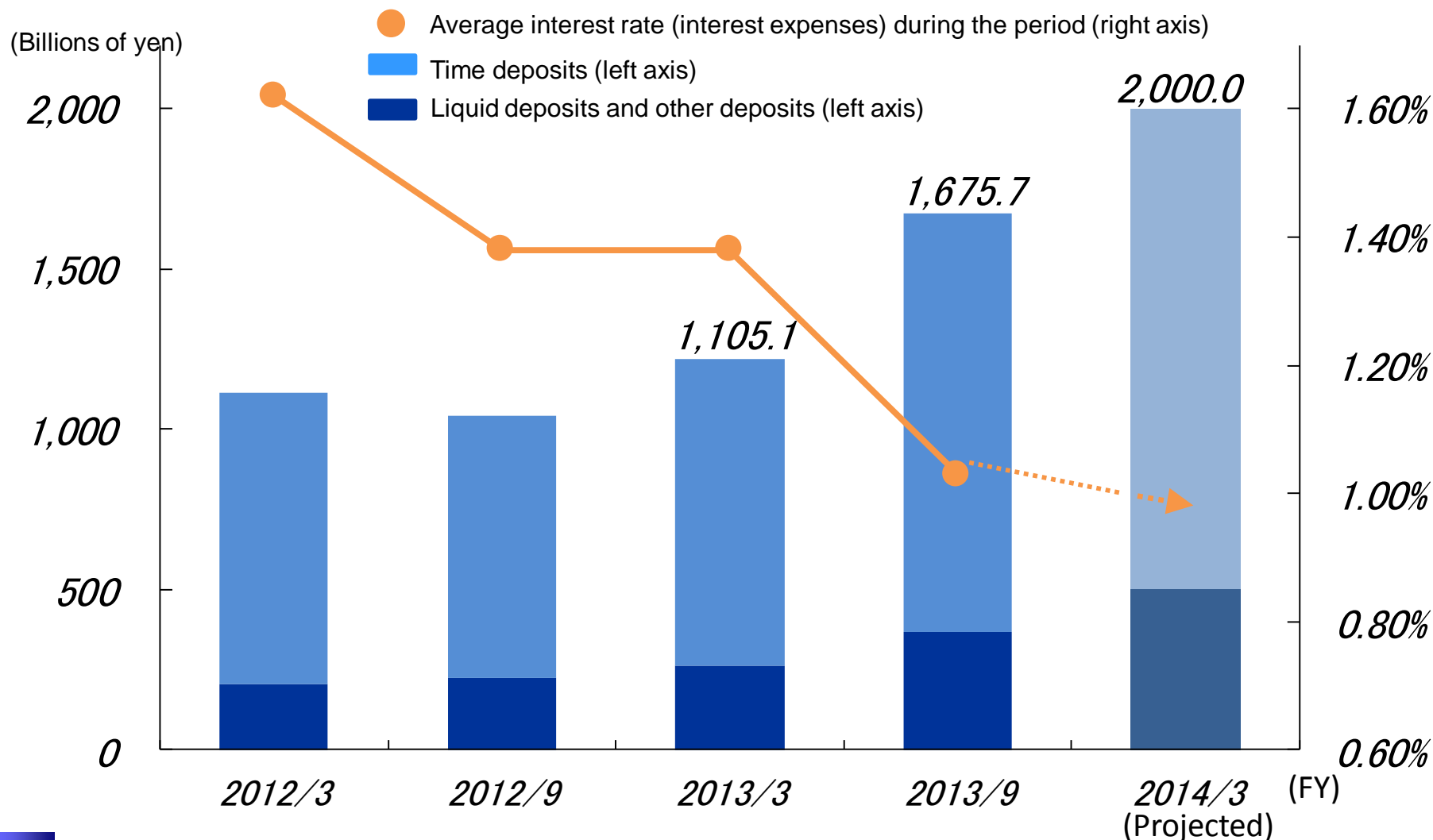
## Balance of Finance Receivables (before Securitization)

■ The balance of finance receivables is increasing due to promotion of credit cards and housing loans.



# AEON Bank Deposits and Interest Rate (Interest Expenses) (Domestic)

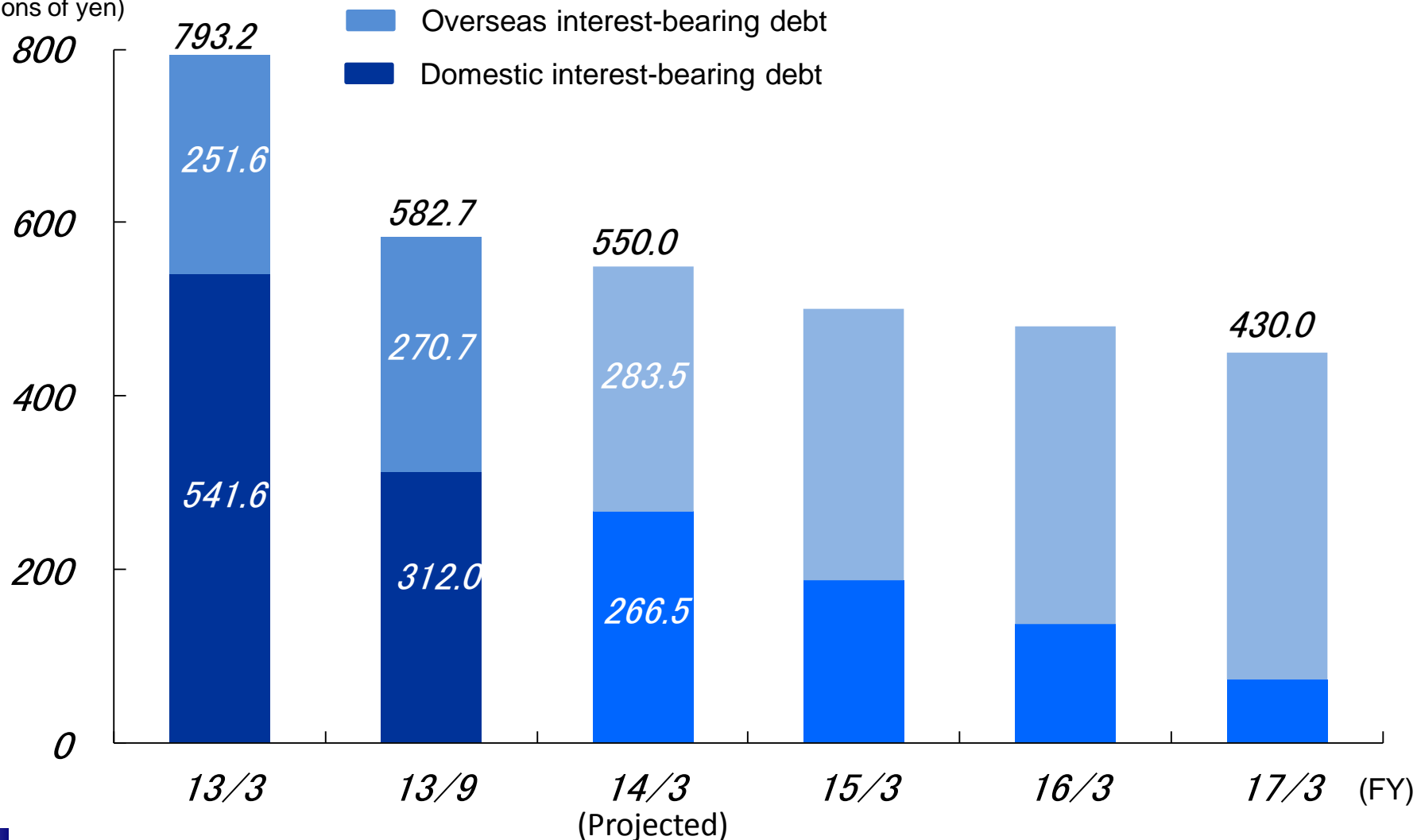
- The balance of deposits in the first half increased to ¥1,678.3 billion (up ¥466.2 billion from the start of the fiscal year), driven by a time deposit promotional campaign and other initiatives.
- Use of AEON Bank's fundraising function resulted in average interest rate (interest expenses) of 1.03% for the first half (down 0.35 percentage points from the start of the fiscal year).



# Reduction of Interest-bearing Debt

- Interest-bearing debt at the end of the first half was ¥582.7 billion (down ¥210.5 billion from the start of the fiscal year) as a result of factors including the shift to AEON Bank deposits.
- Interest-bearing debt at the end of fiscal 2013 is projected to be ¥550.0 billion (down ¥243.2 billion from the start of the fiscal year).

(Billions of yen)



# Allowance for Possible Credit Losses (Domestic Credit Card Business)

■ Provision for possible credit losses on domestic credit card receivables in the first half was ¥4.7 billion, and the ending balance of the allowance for possible credit losses was ¥25.1 billion.

(Billions of yen)

|   | FY 2012 1H | FY 2013 1H |
|---|------------|------------|
| Allowance for possible credit losses, beginning of period | 31.4       | 26.4       |
| Provision for possible credit losses                      | 3.4        | 4.7        |
| Write-off of credit losses (including transferred debt)   | 7.2        | 6.1        |
| Allowance for possible credit losses, end of period       | 27.5       | 25.1       |

|                                       |      |      |
|---------------------------------------|------|------|
| Allowance ratio                       | 3.3% | 2.6% |
| Actual costs related to credit losses | 10.6 | 10.8 |

(Billions of yen)

|   | FY 2013 1H             |
|---|------------------------|
| <b>Personal bankruptcies</b>  | <b>Fully amortized</b> |
| Receivables in arrears over 3 months and subject to special attention | 20.2                   |
| General provisions<br>*Includes structured debt in repayment          | 4.9                    |
| <b>Total</b>  | <b>25.1</b>            |

■ Allowance for possible credit losses (domestic subsidiaries)

AEON Bank: ¥3.1 billion

AEON Product Finance: ¥5.9 billion

AEON Housing Loan Service: ¥0.8 billion

## Allowance for Loss on Refund of Interest Received

- The number of disclosure claims in the first half was 900 claims per month (down 41% YoY), and the amount of interest refunded was ¥1.8 billion (down 28% YoY).
- Provision for loss on refund of interest received in the second half is projected to be ¥1.0 billion due to a decreasing number of disclosure claims.

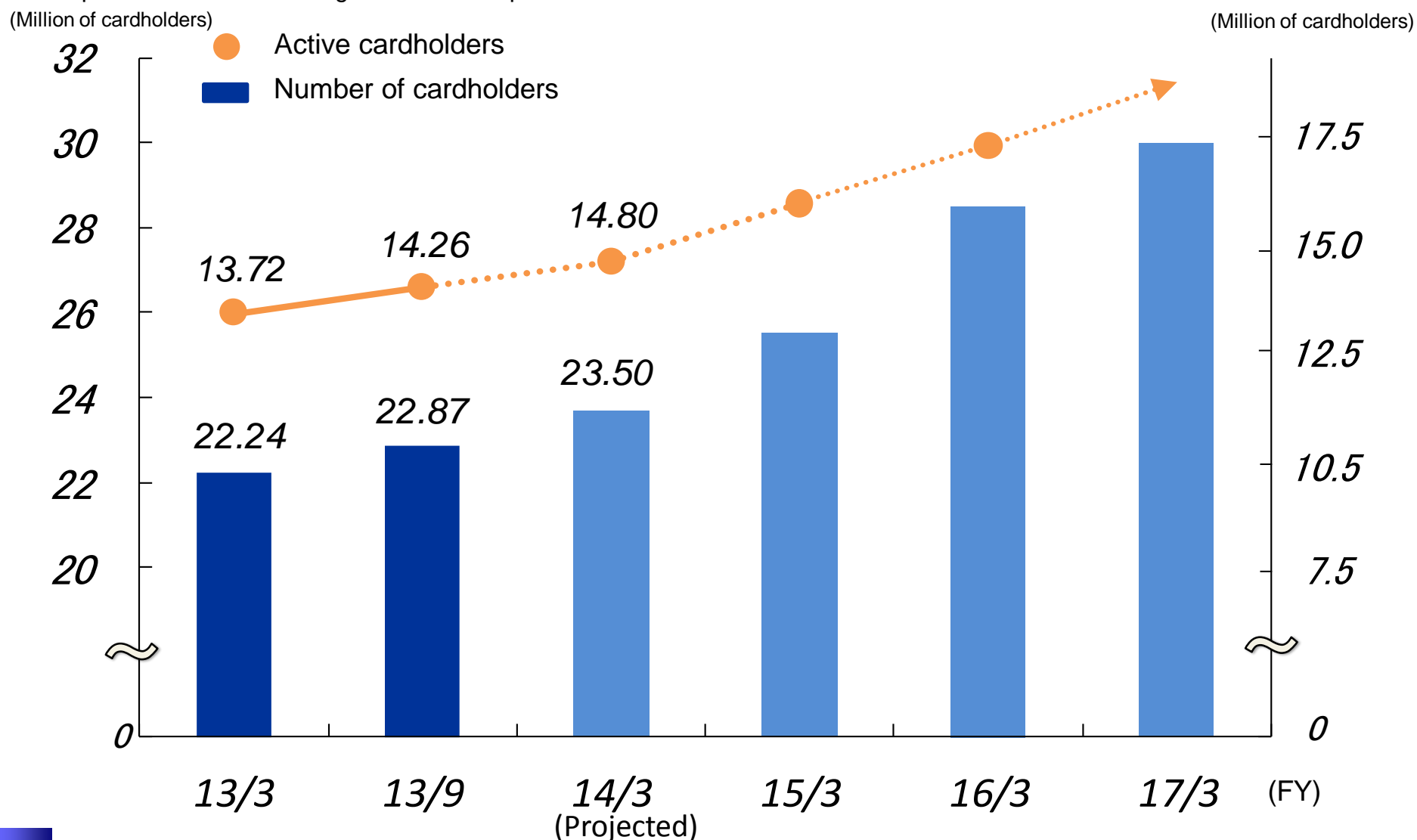
(Billions of yen)

|   | FY 2012 1H | FY 2012 2H | FY 2013 1H | FY 2013 2H<br>(projected) |
|---|------------|------------|------------|---------------------------|
| Allowance for loss on refund of interest received, beginning of period          | 9.2        | 6.6        | 3.7        | 3.0                       |
| Provision for loss on refund of interest received                               | —          | —          | 1.1        | 1.0                       |
| Interest refunded<br>(Sums refunded and appropriation of interest to principal) | 2.6        | 2.9        | 1.8        | 1.2                       |
| Allowance for loss on refund of interest received, end of period                | 6.6        | 3.7        | 3.0        | 2.8                       |

## ***Key Initiatives for the Second Half of FY 2013***

## Credit Card Business – ① Expansion of Number of Domestic Cardholders

- The number of cardholders was 23.5 million (up 1.26 million from the start of the fiscal year), driven by tablet purchases and stronger online sign-ups.
- The number of active cardholders was 14.8 million (up 1.08 million from the start of the fiscal year) with factors including the expansion of stores issuing cards on-the-spot.

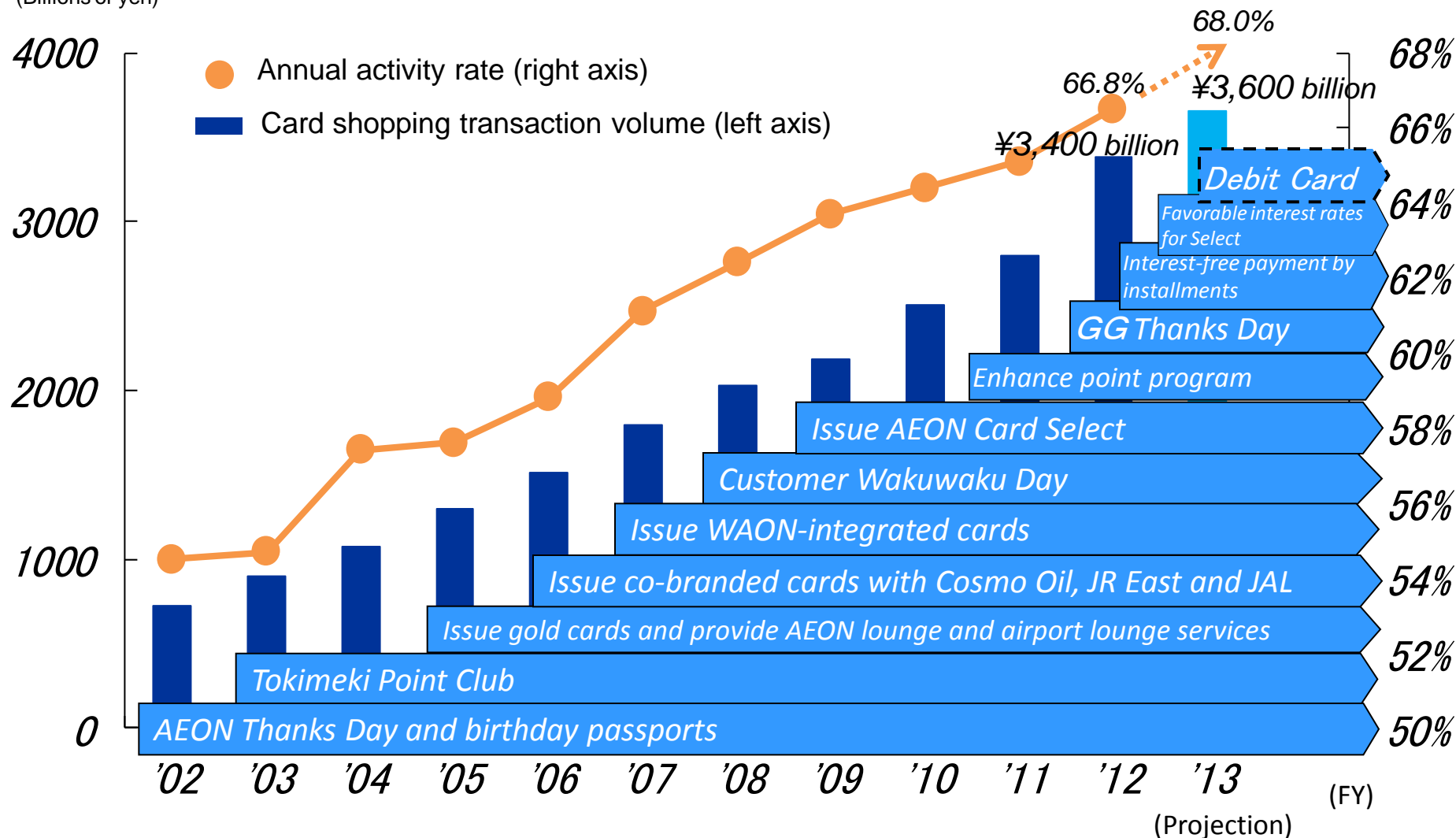


## ② Initiatives to Improve Annual Activity Rates

- Transaction volume was ¥1,684.7 billion in the first half (up 14% YoY) as the number of active cardholders continued to grow.
- The AEON Debit Card will be issued from January 2014, and we project transaction volume for FY 2013 of ¥3,600 billion (up 15% YoY) with an annual activity rate of 68.0% (up 1.2% percentage points YoY).

(Billions of yen)




(Transaction volume YoY is aggregated for same period)





### ③ Initiatives to Expand Transaction Volume

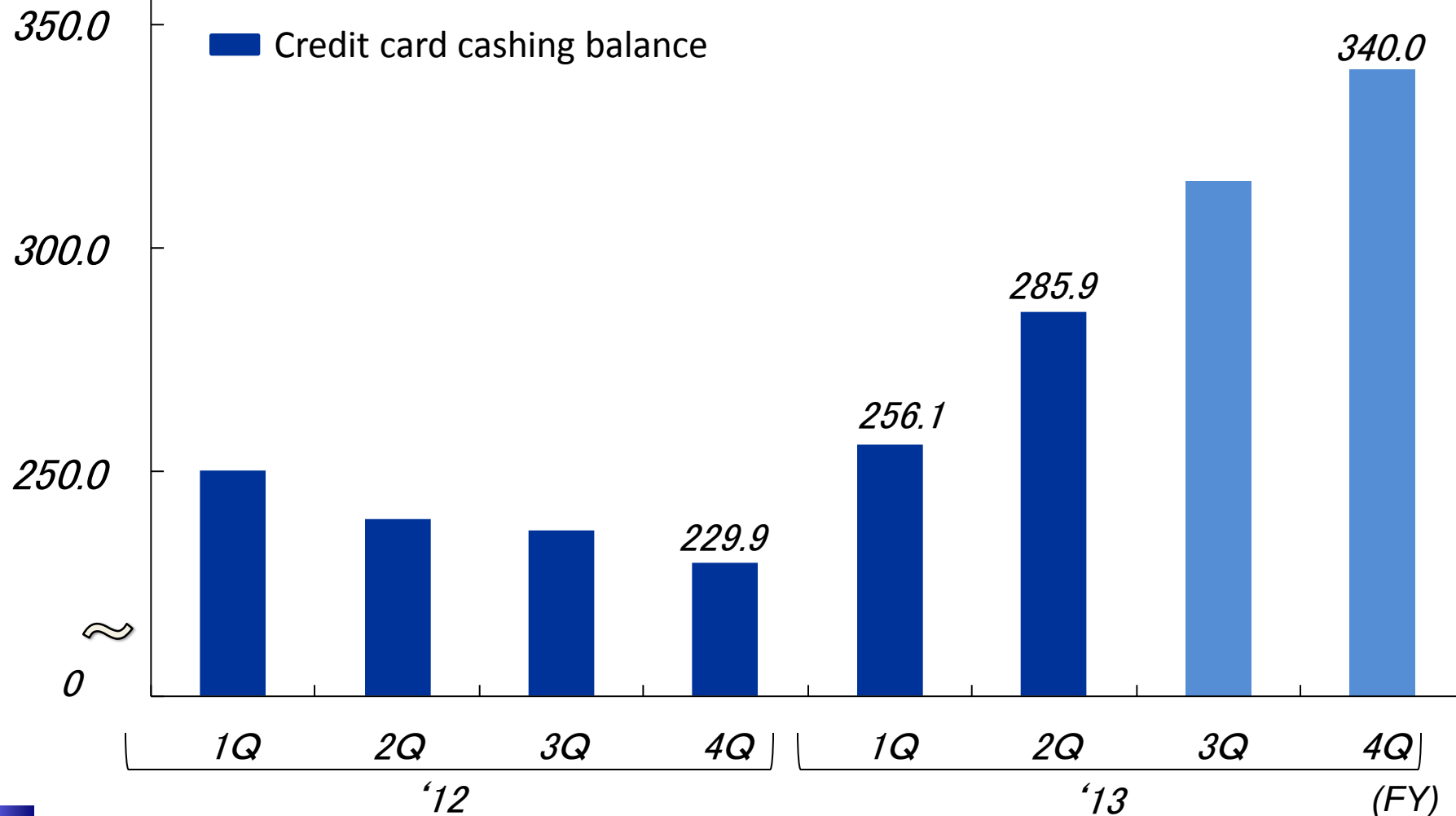
- Increased convenience by offering privileges such as favorable interest rates on ordinary deposits and thank-you day discounts for cardholders 55 and over.
- Expanded monthly rate of activity and amount of usage by enhancing functions and privileges.

|                          | Credit cards  |  |   |
|--------------------------|---|--|---|
|                          | AEON Card Select  | GG AEON Card (55 and over)   | AEON Card   |
|                          |    |  |  |
| Monthly rate of activity | 55%   | 43%  | 39%   |
| Monthly amount of usage  | ¥37,000   | ¥34,000  | ¥34,000   |
| Privileges               | Favorable interest rates<br>Charge points   | Discounts on the 15 <sup>th</sup> of every month                                   |   |
|                          | Thank-you day discounts on the 20 <sup>th</sup> and 30 <sup>th</sup> of every month/<br>Customer Wakuwaku Day on the 5 <sup>th</sup> , 15 <sup>th</sup> and 25 <sup>th</sup> of every month |  |   |

#### ④ Expansion of Credit Card Cashing Balance (Domestic)

- Credit card cashing balance at the end of the first half was ¥285.9 billion (up ¥56.0 billion from start of fiscal year) owing to enhancement of the ATM network.
- Cashing balance at the end of the fiscal year is projected to be ¥340.0 billion (up ¥110.1 billion from start of fiscal year).

(Billions of yen)



# Fee Business – ① Expansion of E-money Business

■ Promotion of registered WAON cards, which have high activity rates, helped boost transaction volume in the first half to ¥750.3 billion (up 32% YoY).

■ Added affiliated merchants with new payment terminals and introduced WAON at Daiei and other AEON Group companies.

## Key Initiatives

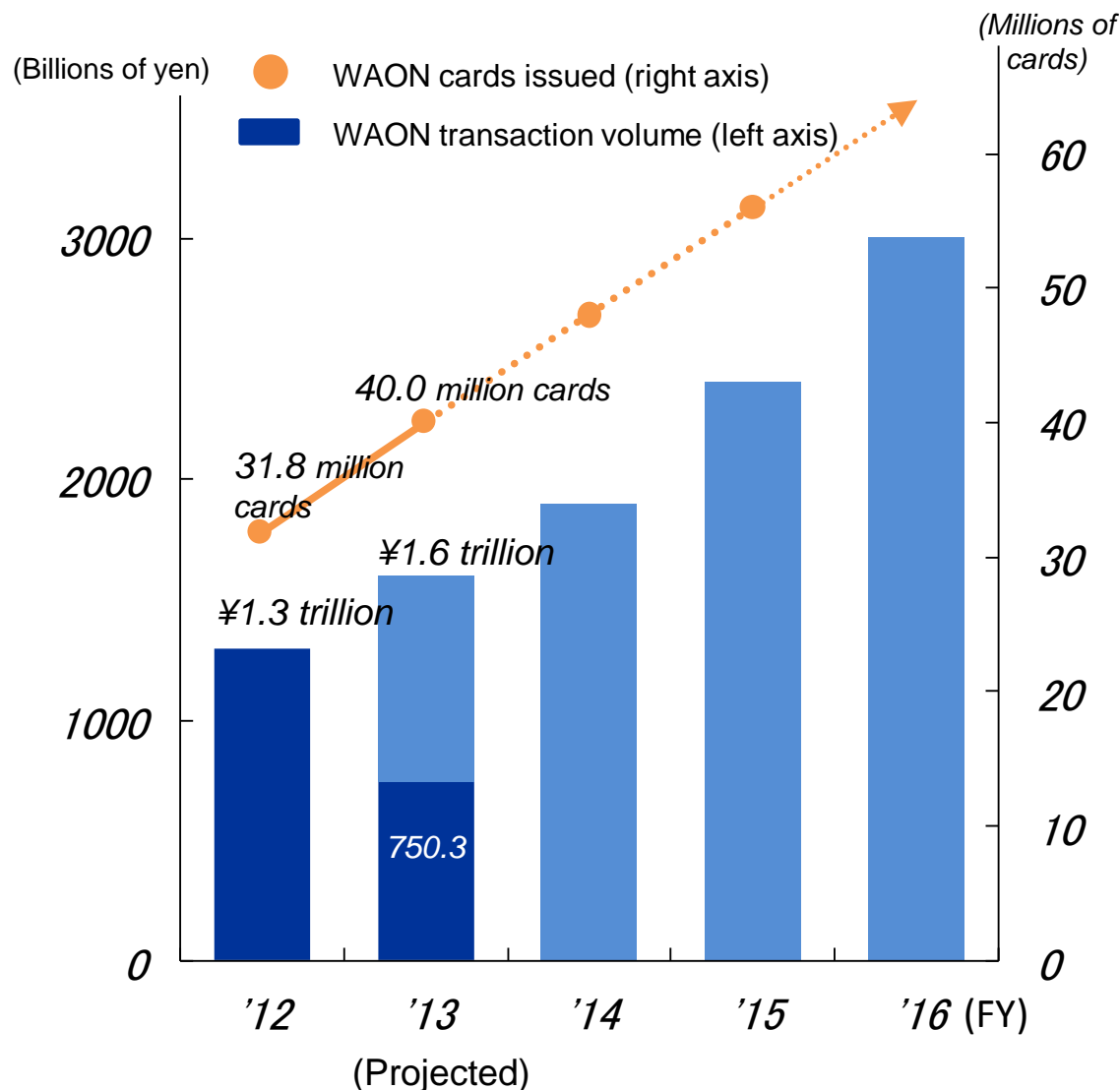
Expansion of registered WAON cards



Addition of affiliated merchants



Smartphone credit card payment terminal



## ② Promotion of Internet Business

- Transaction volume was ¥117.5 billion (up 17% YoY) due to strengthened online affiliated merchant development.
- Began Web-based application for switching to AEON Card Select and introduced payment with Tokimeki Points.

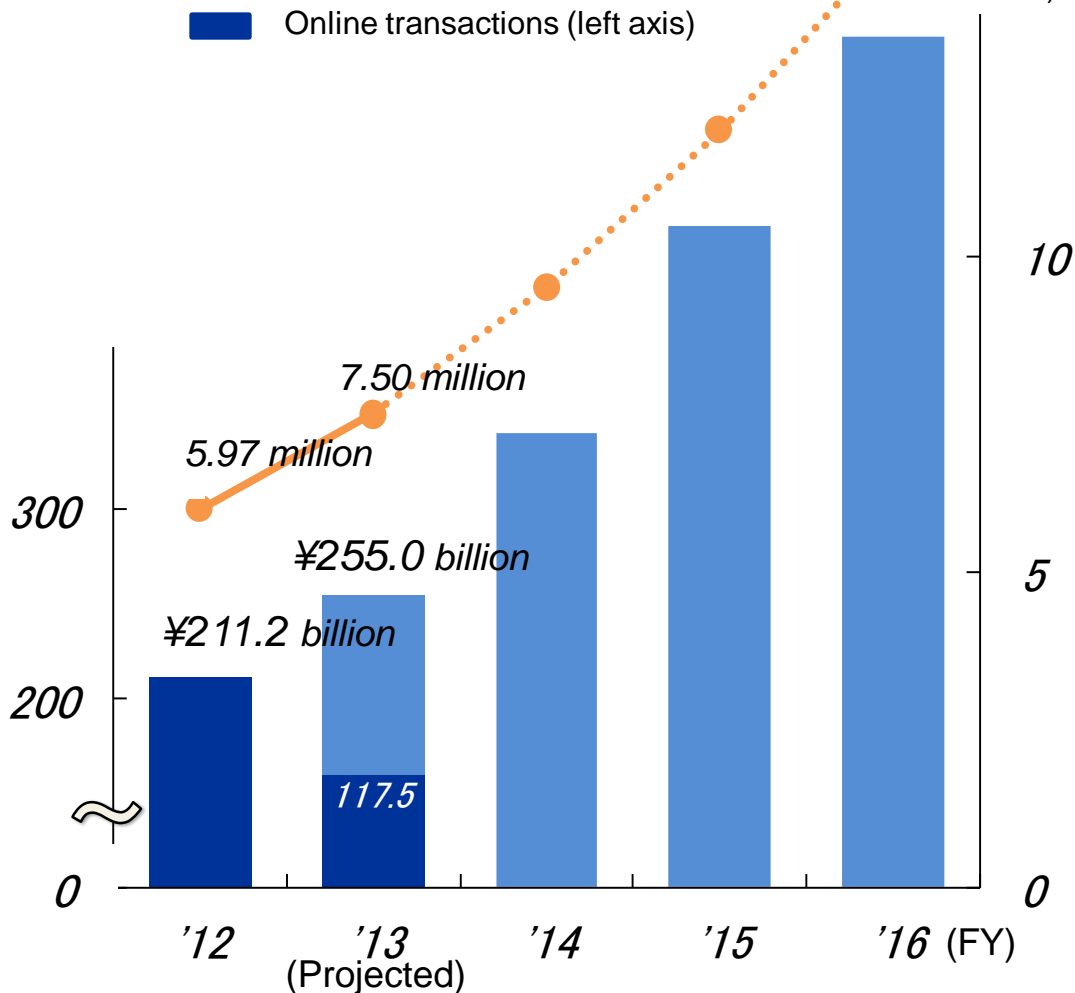


(Billions of yen)

600

- Number of online members (right axis)
- Online transactions (left axis)

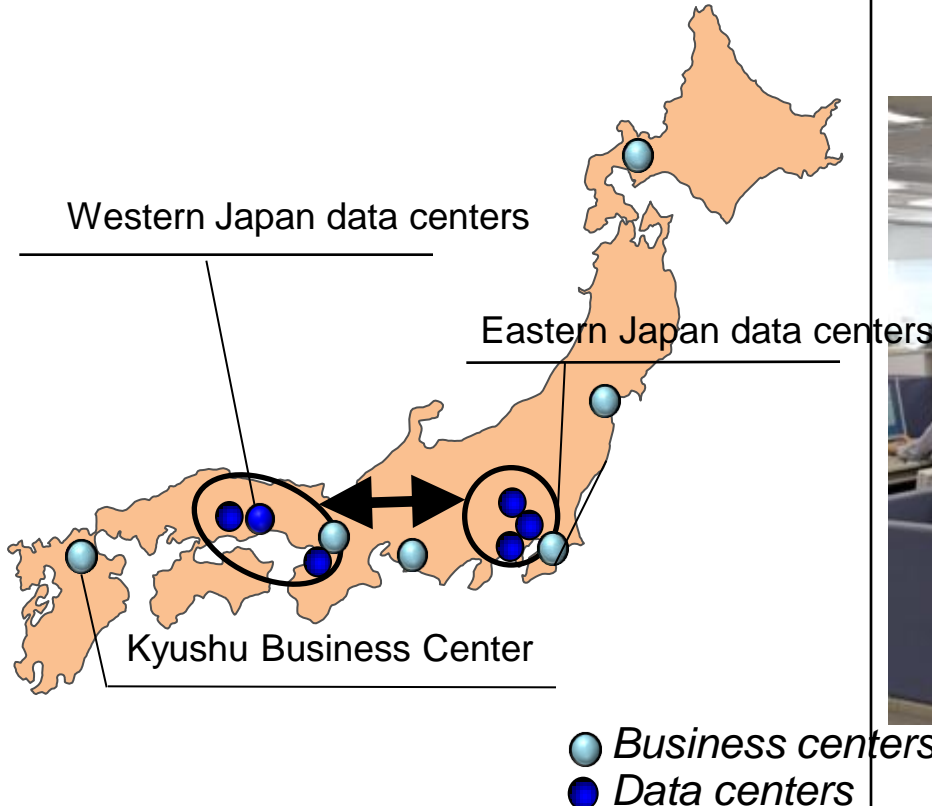

(Millions of members)



### ③ Efforts to Strengthen Disaster Recovery and Raise Productivity

■ In addition to our data centers in Eastern Japan, data centers were opened in Western Japan as a way of preparing for large-scale disasters.

■ We are consolidating business center functions to achieve low-cost operations.

| Key Initiatives   |   |
|---|---|
| Building a Disaster Recovery System   | Consolidation of Business Center Functions  |
|  <p>Western Japan data centers</p> <p>Eastern Japan data centers</p> <p>Kyushu Business Center</p> <p>● Business centers<br/>● Data centers</p> |  |

# Domestic Subsidiaries – Strengthening the Installment Payment Business

- Transaction volume rose steadily by 22% YoY for August and 25% for September as we promoted renovation and solar power loans.
- Expanded operations by starting business in AEON stores and issuing a co-branded card with Toshiba Stores (2,800 stores).

## Key Initiatives

Set up service desks in AEON stores

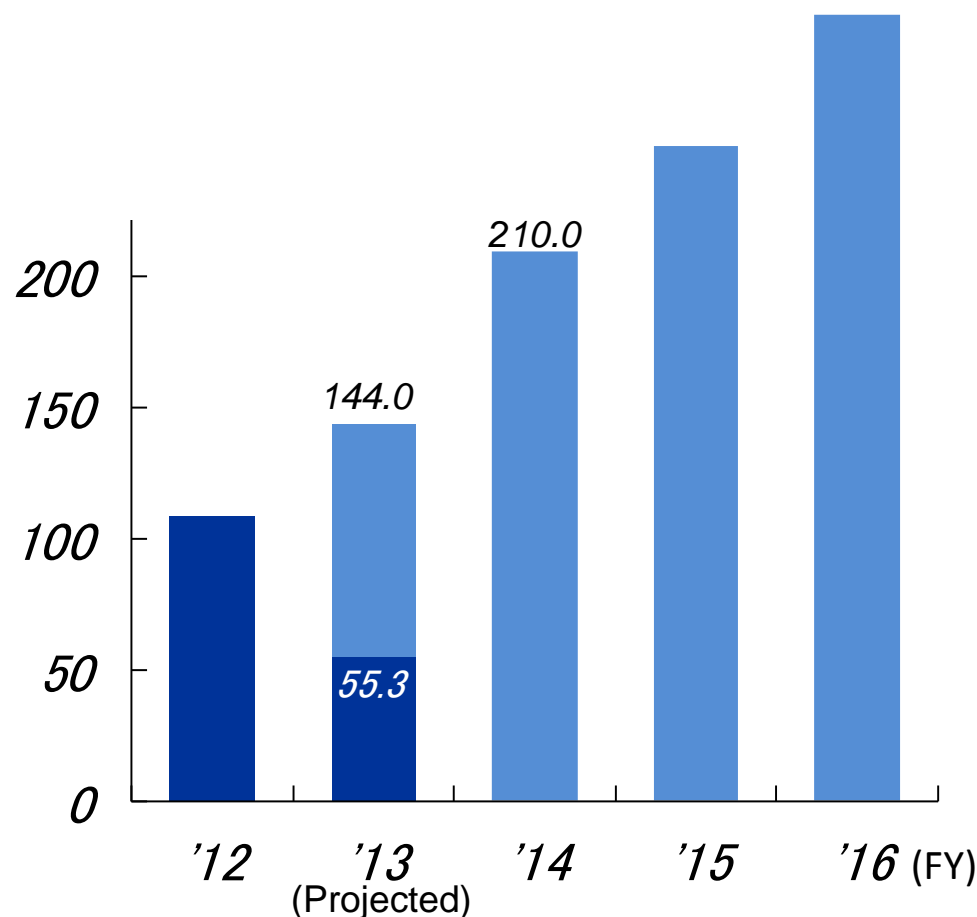


Expanded affiliated merchant network



(Billions of yen) **AEON Product Finance Transaction Volume**

■ Transaction volume







# Strengthening the Insurance Business

- Expanded number of insurance agency stores to 107 in the first half (up 17 stores from the start of the fiscal year), and plan to expand to 116 stores by the end of the fiscal year (up 26 stores).
- Projecting operating income of ¥5.9 billion for the fiscal year due to integration of Internet and store sales.

## Key Initiatives

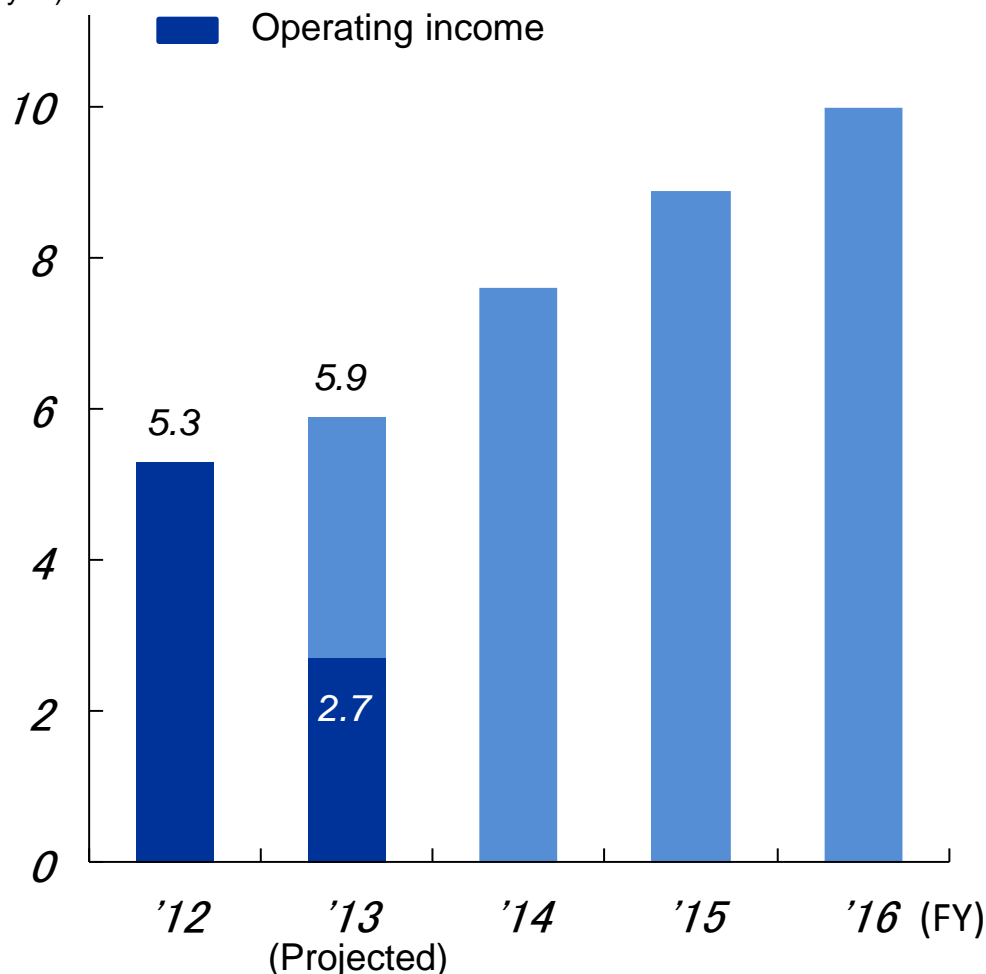
Expanded the sales network



Offered insurance products in cooperation with retailers



(Billions of yen) **Operating Income of AEON Insurance Service**





# Bank Business – ① Strengthening the Bank Business by Expanding the Sales Network

- Planning to increase number of ATMs installed to 5,000 (up 2,320 YoY) and number of bank branches to 124 (up 19 YoY).
- Expanded number of uses through an alliance with Mizuho Bank for surcharge-free ATM use and joint planning for coupons, etc.

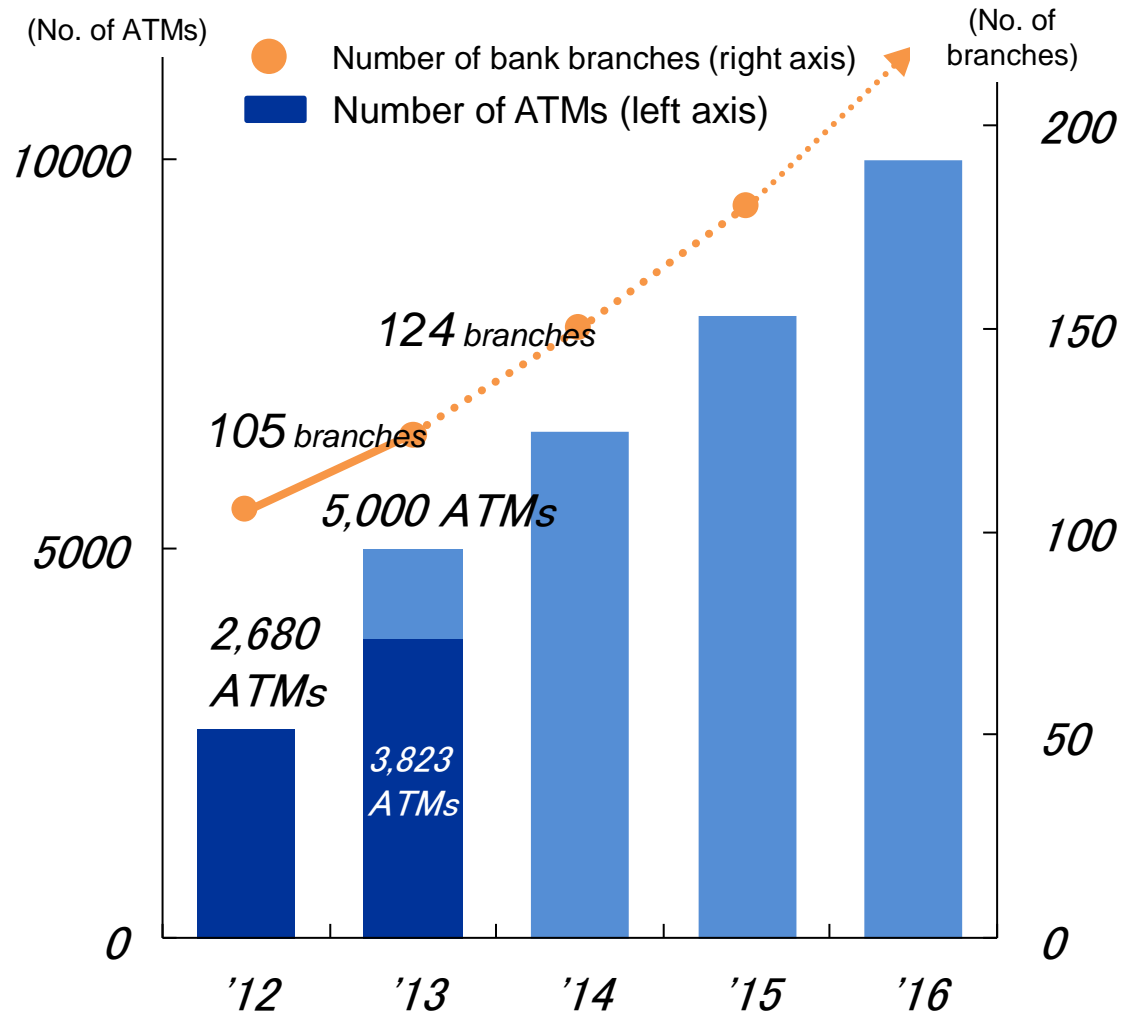
## Key Initiatives



Expanded the sales network



Enhanced convenience of ATMs



## ② Strengthening Online Banking

■ Expanded the number of investment trust products handled to 200, and transaction volume reached ¥36.0 billion (up 140% YoY).

■ In housing loans, enhanced omni-channel response to customers who apply online.

**Key Initiatives**

Expanded sales of investment trusts



Both online and offline service

Webで申込



店舗

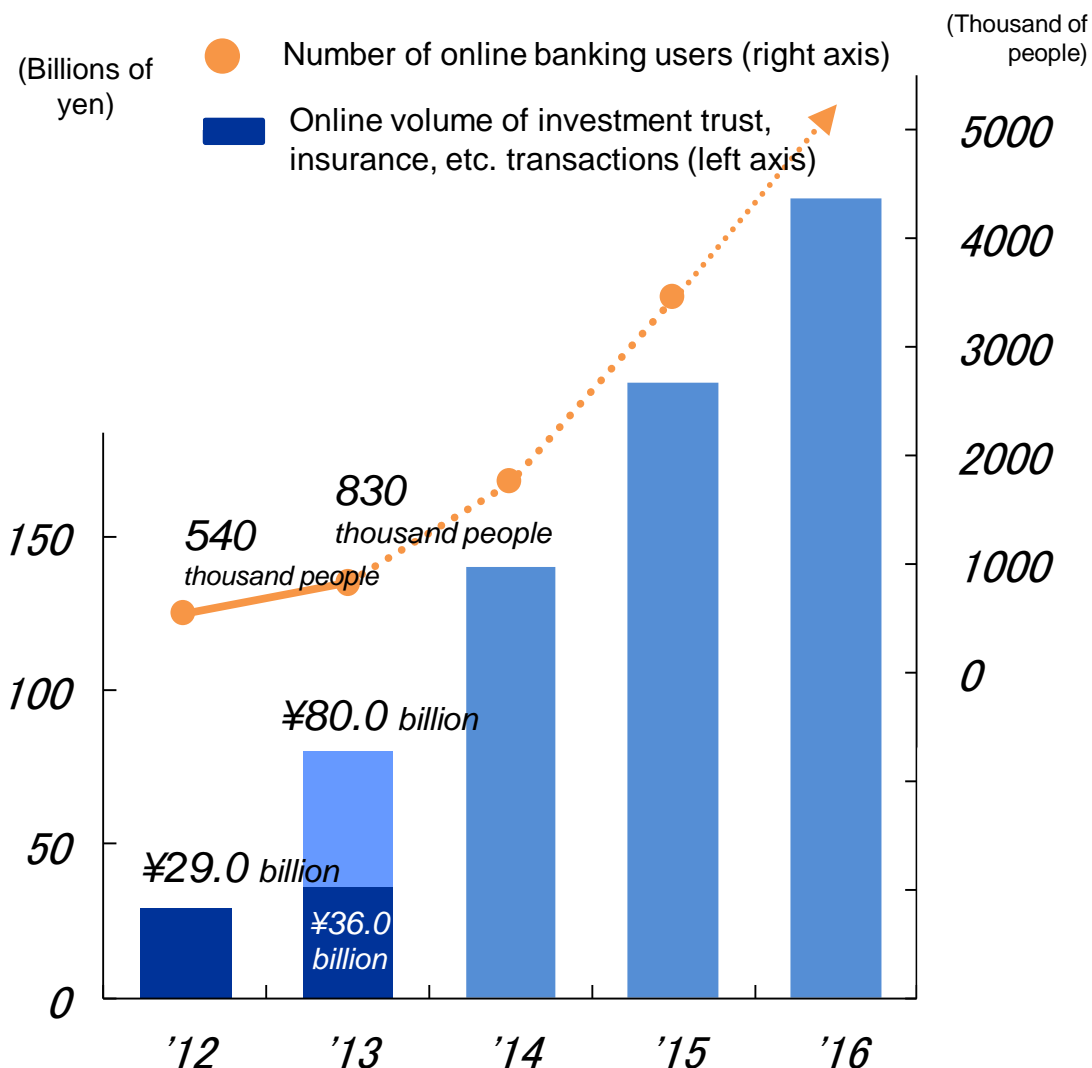


TEL



郵送





# Strengthening the Business Management System Centered on Hong Kong

- Operating profit in the first half was ¥166 million (down 5% YoY) due to investments made through expansion of operating bases in Shenyang, Tianjin and Shenzhen.
- Assigned a **Manager from the Business Management Department** to Hong Kong.



## AEON Credit Service (Asia) Results

(Thousands of people)

|                       | FY 2013 1H |      |
|-----------------------|------------|------|
|                       | Results    | YoY  |
| Number of cardholders | 1,210      | + 50 |

(Millions of Hong Kong dollars, Millions of yen)

|                    | Results | YoY  | Yen equivalent |
|--------------------|---------|------|----------------|
| Transaction volume | 4,118   | 112% | 52,000         |
| Operating income   | 591     | 101% | 7,500          |
| Operating profit   | 166     | 95%  | 2,100          |
| Net income         | 133     | 93%  | 1,640          |

(1 HK\$ = 12.65 yen)

# Business Development in Greater China

■ Hong Kong: Projecting transaction volume of HK\$4,118 million for the first half (up 12% YoY) and HK\$9,044 million for the fiscal year (up 17% YoY), driven by cardholder sign-ups and implementation of joint plans with affiliated companies.

Promote virtual prepaid cards on the Internet.

■ China: Strengthen sign-up efforts for House Card.

Promote outsourcing in processing business.

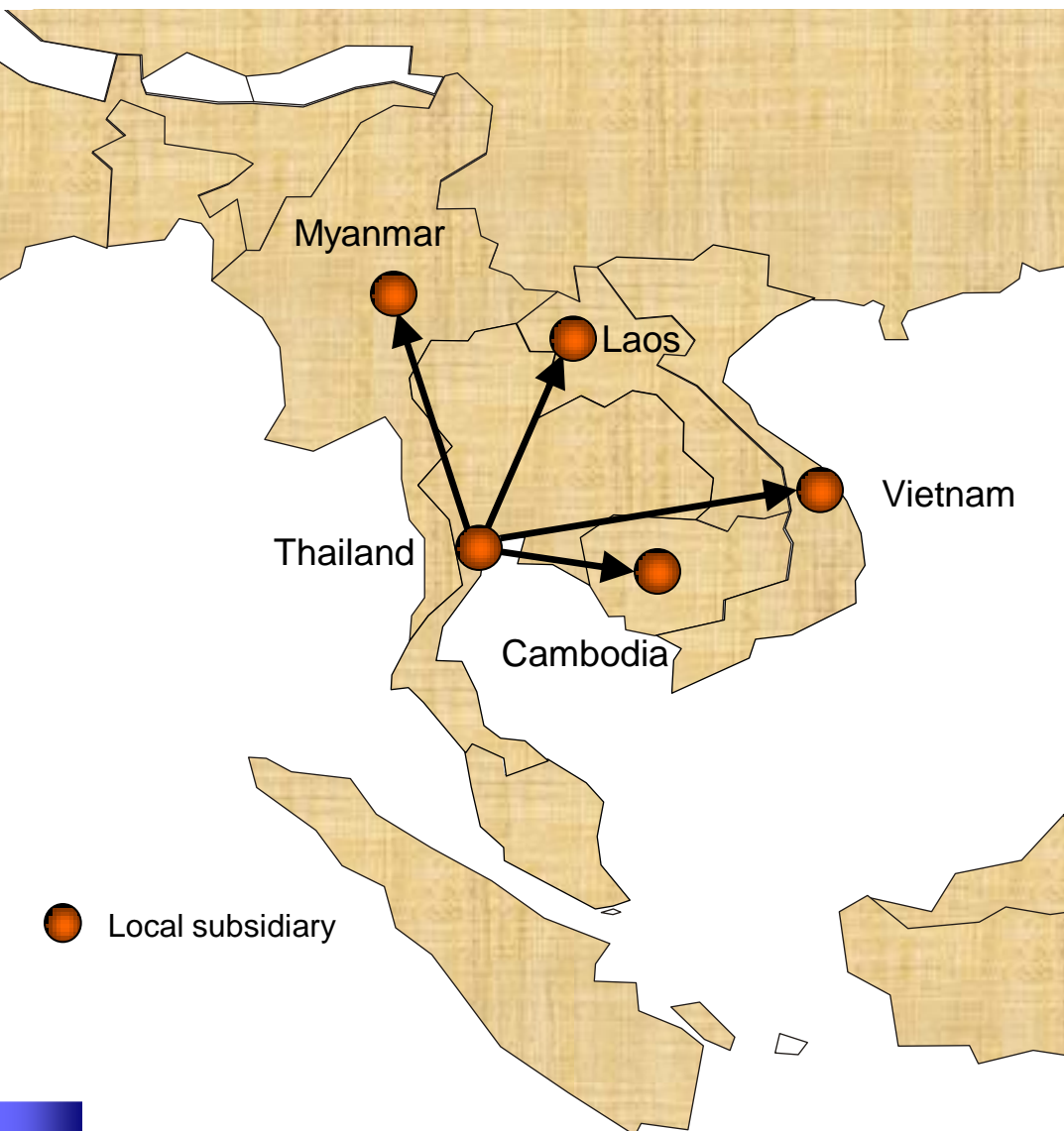
■ Taiwan: In addition to strengthening governance system, carry out a capital increase to promote continued card usage.

| Hong Kong   |   | Shenyang/Tianjin/Shenzhen   |
|---|---|---|
|  |   |  |
| Joint plans with affiliated companies   | Virtual prepaid card  |   |
| Beijing   | Shenzhen (Processing business)  | Taiwan  |
|  |  | <div>Strengthen governance system</div> <div>Capital increase</div>                 |



# Strengthening the Business Management System Centered on Thailand

- Consolidated operating profit in the first half reached a record 1,567 million Baht (up 71% YoY).
- Assigned a Manager from the Business Management Department to Thailand.
- Following on from Vietnam and Cambodia, expanding our operating base in Myanmar with the aim of achieving profitability.



## AEON THANA SINSAP (Thailand) Results

(Thousands of people)

|                       | FY 2013 1H |       |
|-----------------------|------------|-------|
|                       | Results    | YoY   |
| Number of cardholders | 6,920      | + 230 |

(Millions of Baht, Millions of yen)

|                    | Results | YoY  | Yen equivalent |
|--------------------|---------|------|----------------|
| Transaction volume | 46,030  | 126% | 149,000        |
| Operating income   | 7,265   | 124% | 23,500         |
| Operating profit   | 1,567   | 171% | 5,050          |
| Net income         | 1,253   | 191% | 4,050          |

(1 Baht = 3.23 yen)

# Business Development in Greater Mekong Subregion

- Thailand: Boost cardholder sign-ups and expand transaction volume through joint promotions with affiliated merchants. Strengthen development of affiliated merchants by introducing smartphone payment terminals.
- Vietnam: Open branches in two regional cities to expand sales network.
- Cambodia: Build a network of 700 stores by strengthening development of affiliated merchants among large consumer electronics retailers and others.
- Myanmar: Build a network of 500 stores by promoting development of affiliated merchants among mobile phone dealers and others.

## Thailand



## Cambodia



## Vietnam

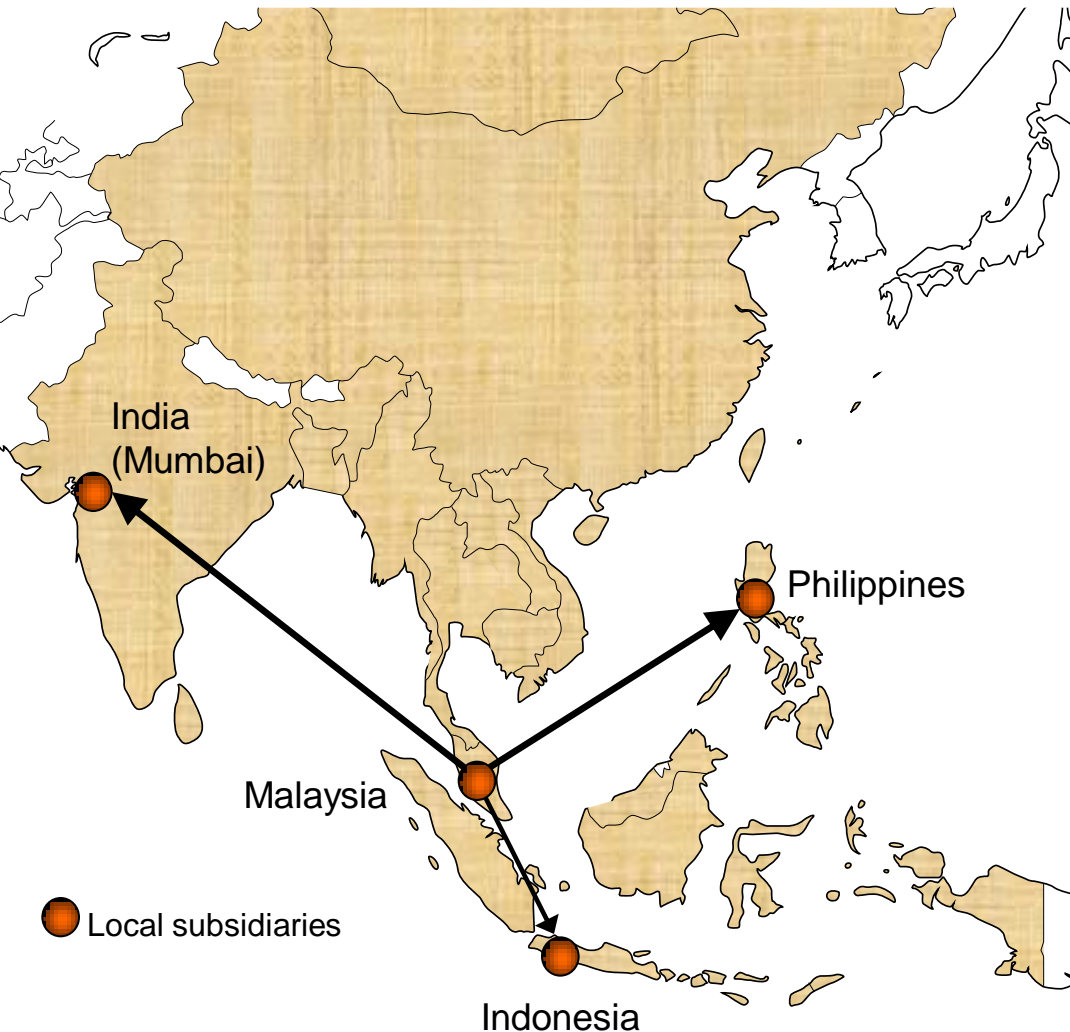


## Myanmar



# Strengthening the Management System Centered around Malaysia

- Operating profit in the first half was 113 million Ringgit (¥3.5 billion) (up 38% YoY).
- Assigned a Manager from the Business Management Department to Malaysia.
- Expanded affiliated merchant network in emerging economies.



## AEON Credit Service (Malaysia) Results

(Thousands of people)

|                       | FY 2013 1H |       |
|-----------------------|------------|-------|
|                       | Results    | YoY   |
| Number of cardholders | 1,230      | + 100 |

(Millions of Ringgit, Millions of yen)

|                    | Results | YoY  | Yen equivalent |
|--------------------|---------|------|----------------|
| Transaction volume | 1,655   | 147% | 51,700         |
| Operating income   | 325     | 141% | 10,160         |
| Operating profit   | 113     | 138% | 3,540          |
| Net income         | 84      | 140% | 2,640          |

(1 Ringgit = 31.25 yen)



# Business Development in Malaysia and Emerging Asian Economies

- Malaysia: Increase capital by becoming first Japanese company to issue perpetual bonds (approximately ¥6.0 billion)  
Start point business with AEON BIG.
- Indonesia: Strengthen development of affiliated merchants centered on large consumer electronics retailers and others.
- India: Promote human resource development and expand sales network.
- Philippines: Develop common information system for overseas operations and strengthen development of affiliated merchants in financing business.

## Malaysia



## Indonesia



## India



## Philippines (System)



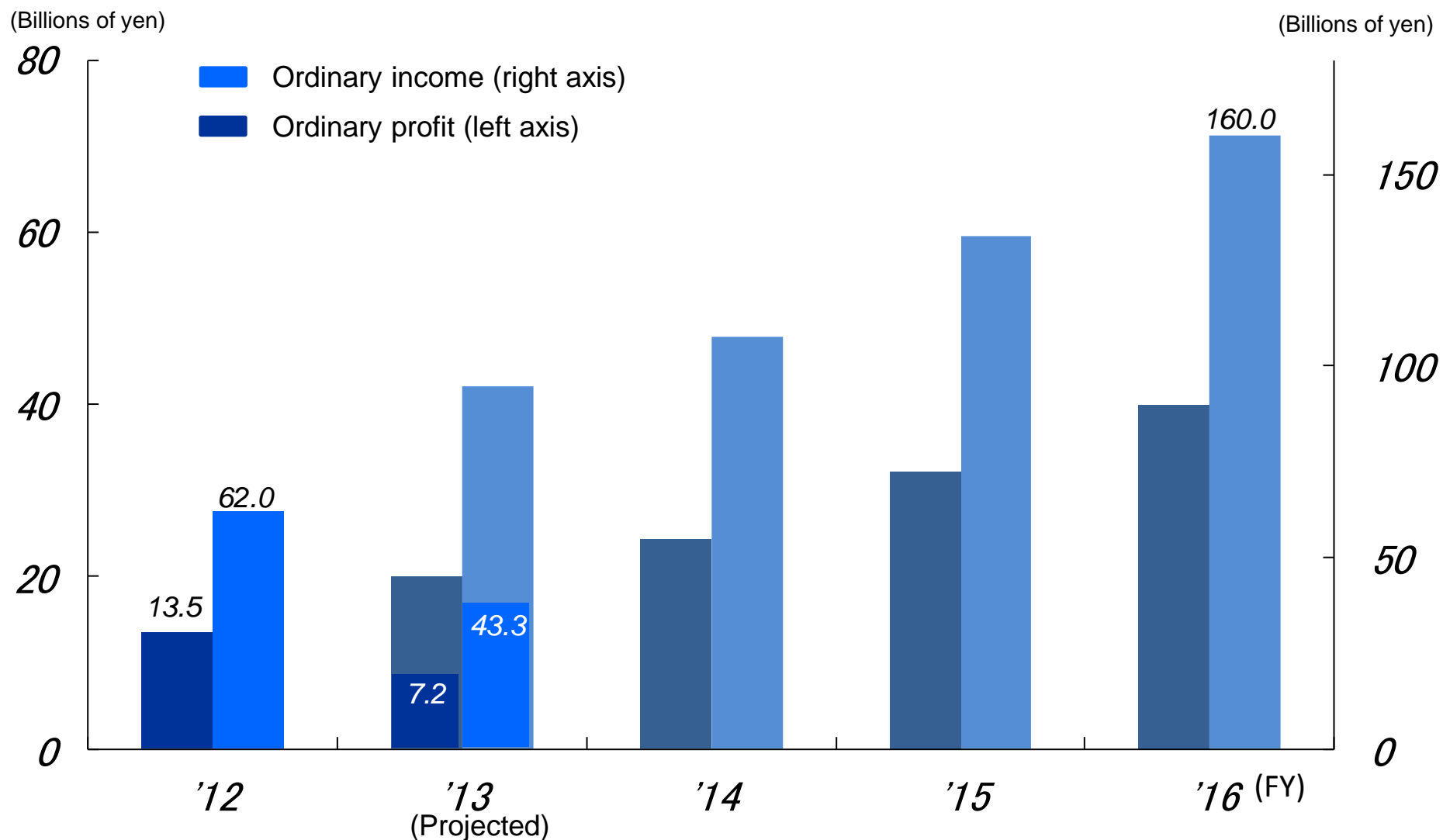
## Philippines (Financing)





# Overseas Business Results

- In the first half of FY 2013, ordinary income was ¥43.3 billion (up 50% YoY) and ordinary profit was ¥7.2 billion (up 22% YoY).
- By strengthening our business management system, we are aiming for ordinary income of ¥160.0 billion in FY 2016.



# Forecast of Results for FY 2013

- Made forward-looking investments in first half, including expansion of the ATM network and promotional events in connection with the management integration.
- In the second half, we plan to reach announced figures by focusing on low-cost operations while building up shopping, cash advance and housing loan balances.

|                      | Forecast of Results for FY 2013 |      |
|----------------------|---------------------------------|------|
|                      |                                 | YoY  |
| Ordinary income      | ¥265.0 billion                  | 129% |
| Ordinary profit      | ¥44.0 billion                   | 132% |
| Net income           | ¥23.8 billion                   | 175% |
| Net income per share | ¥116.39                         | 132% |

|                   | Interim | Year end | Full year |
|-------------------|---------|----------|-----------|
| Dividend forecast | ¥25     | ¥35      | ¥60       |