



AEON Financial Service Co., Ltd.

Results for the First Half of Fiscal Year 2014

1H FY 2014 Consolidated Results

■ Business Scale

	1Q		First Half Total	
	Results	Change from start of FY	Results	Change from start of FY
Number of cardholders, consolidated	34.39 million	+490 thousand	34.86 million	+960 thousand
Domestic	23.79 million	+340 thousand	24.05 million	+600 thousand
AEON Bank accounts	3.82 million	+140 thousand	3.96 million	+280 thousand
Finance receivables	¥2,813.9 billion	+¥20.2 billion	¥2,908.1 billion	+¥114.4 billion

■ Consolidated Results

	1Q		2Q		First Half Total		
	Results	YoY	Results	YoY	Results	YoY	Difference from forecast
Ordinary income	¥72.9 billion	112%	¥78.2 billion	119%	¥151.1 billion	116%	+¥6.1 billion
Ordinary expenses	¥64.6 billion	116%	¥67.0 billion	107%	¥131.6 billion	111%	+¥5.7 billion
Ordinary profit	¥8.2 billion	90%	¥11.1 billion	359%	¥19.4 billion	158%	+¥0.4 billion
Net income	¥3.8 billion	85%	¥7.1 billion	-	¥10.9 billion	433%	+¥3.9 billion

Dividends	—	¥25
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Results by Segment

(Billions of yen)

		1Q		2Q		First Half Total	
		Results	YoY	Results	YoY	Results	YoY
Credit business	Ordinary income	33.2	124%	35.7	116%	68.9	120%
	Ordinary profit	5.5	124%	8.0	235%	13.6	172%
	[Profit margin]	[16.8%]	[-0.0%]	[22.5%]	[+11.4%]	[19.8%]	[+6.0%]
Fee business	Ordinary income	10.5	121%	10.8	128%	21.3	124%
	Ordinary profit	0.08	15%	0.28	266%	0.36	58%
	[Profit margin]	[0.8%]	[-5.3%]	[2.7%]	[+1.4%]	[1.7%]	[-2.0%]
Banking business	Ordinary income	7.9	70%	9.2	107%	17.2	86%
	Ordinary profit	(1.6)	-	(0.7)	-	(2.4)	-
	[Profit margin]	[-]	[-]	[-]	[-]	[-]	[-]
Overseas business	Ordinary income	24.9	118%	27.7	125%	52.6	122%
	Ordinary profit	5.3	111%	5.6	234%	10.9	152%
	[Profit margin]	[21.3%]	[-1.4%]	[20.2%]	[+9.4%]	[20.7%]	[+4.1%]
Adjustment	Ordinary income	(3.6)	-	(5.3)	-	(9.0)	-
	Ordinary profit	(1.0)	-	(1.9)	-	(3.0)	-
Total	Ordinary income	72.9	112%	78.2	119%	151.1	116%
	Ordinary profit	8.2	90%	11.1	359%	19.4	158%
	[Profit margin]	[11.4%]	[-2.9%]	[14.3%]	[+9.6%]	[12.9%]	[+3.4%]

Consolidated Balance Sheets

(Billions of yen)

Consolidated	Results	Change from start of fiscal year	Consolidated	Results	Change from start of fiscal year
Cash and deposits	337.9	-78.6	Deposits	1,651.6	-66.0
Loans and bills discounted	1,388.5	+111.8	Interest-bearing debt	759.5	+122.3
Domestic	1,160.0	+96.3	Domestic [Call money]	433.0 [100.0]	+103.3 [+95.1]
Loans	391.0	+37.4	Overseas	326.5	+19.0
Overseas	228.4	+15.4	Allowance for loss on refund of interest received	3.6	+0.5
Accounts receivable – installment	918.0	-39.3	Accounts payable – trade and other liabilities	259.5	-64.2
Customers' liabilities for acceptances and guarantees	180.2	+3.8	Acceptances and guarantees	180.2	+3.8
Allowance for doubtful accounts	(47.9)	-0.4	Total liabilities	2,852.2	-3.5
Securities and other assets	369.4	-14.0	Total net assets	293.9	-13.3
Total assets	3,146.2	-16.8	Total liabilities and net assets	3,146.2	-16.8
Interest rate spread	8.0%	(*) +0.6%	Shareholders' equity ratio	9.2%	+0.2%

*Change from previous fiscal year

Progress of Synergy from Management Integration

	Initiatives	Effects
【Synergy from Management Integration】		
More convenient financing	<ul style="list-style-type: none"> Increased convenience of cash advances by basing credit decisions on household income and asset information 	Domestic loan balance +¥102.9 billion from FY 2011
Expanded overseas business	<ul style="list-style-type: none"> Accelerated business expansion by shifting to a bank holding company structure 	Full-fledged development of credit card business in Indonesia
Stronger marketing power	<ul style="list-style-type: none"> Unified marketing plans 	Improved efficiency with use of invoices and direct mail
Stronger sales force and higher productivity	<ul style="list-style-type: none"> Consolidated overlapping departments, shifted personnel to sales departments Consolidated sales bases of companies and strengthened cooperation 	Integrated business centers and head office functions of each company Consolidated 10 of the sales bases suited to integration

Progress of Cost Efficiency Improvements (Domestic)

(Billions of yen)

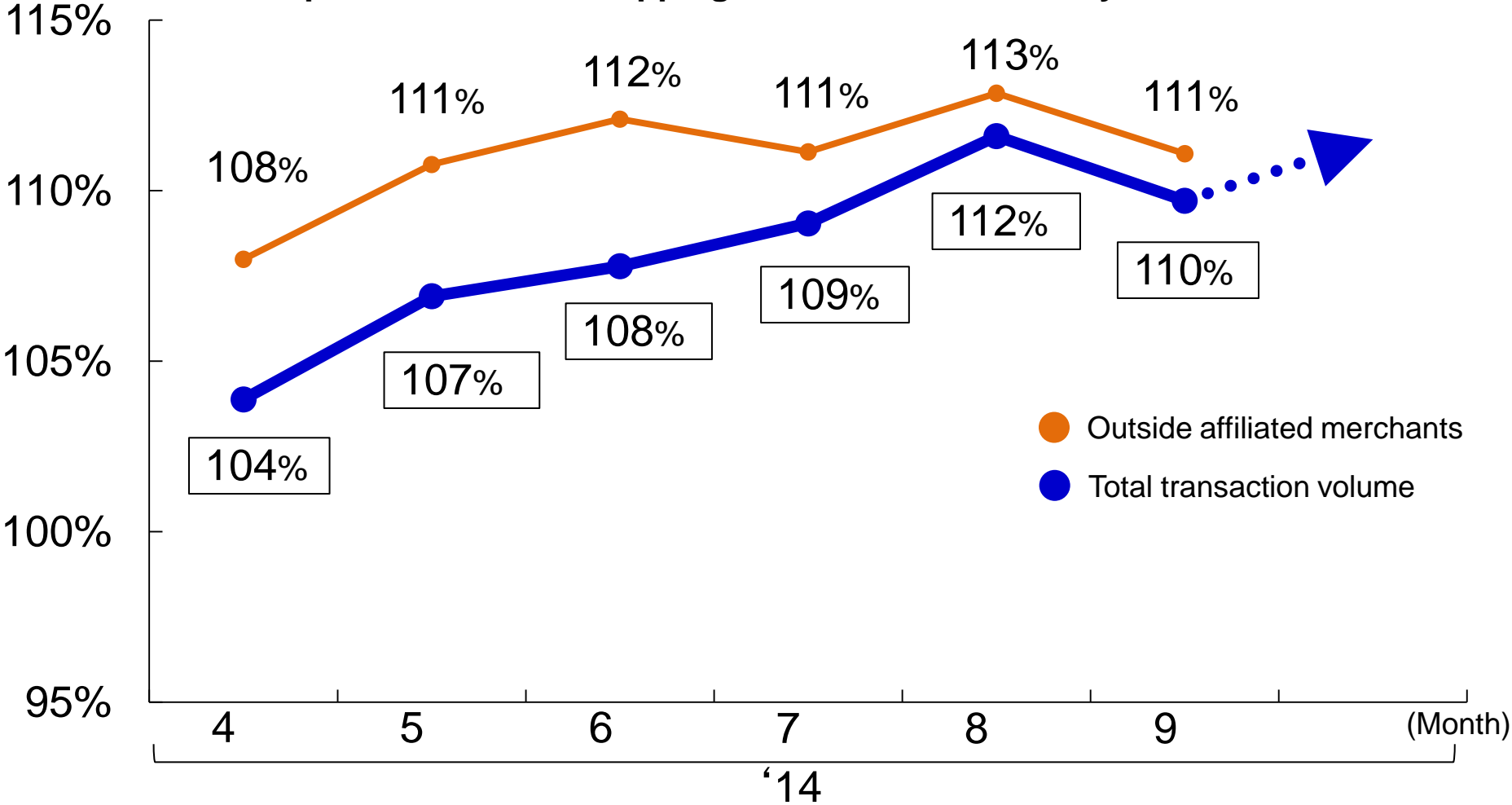
		1Q	2Q	
		Results	Results	Change from 1Q
Ordinary income		48.1	50.5	+2.48
Ordinary expenses		45.1	45.0	-0.12
Ratio of ordinary expenses to ordinary income		93.8%	89.0%	-4.9%
[YoY change]		[+3.9%]	[-6.9%]	[—]
	Advertising and promotion	8.5	7.9	-0.58
	Administrative expenses (excluding interest refunds)	17.0	16.6	-0.4
	Financial expenses	1.9	1.8	-0.14
	Salaries and fringe benefits	9.3	9.3	+0.08
	Equipment expenses	4.1	4.3	+0.13
	General expenses	1.0	1.2	+0.24
	Bad debt allowance	2.0	2.1	+0.14
	Interest refund expense	1.0	1.4	+0.4

Key Initiatives for the Second Half

Credit Card Business (Card Shopping Transaction Volume)

- 1Q: Expanded transaction volume through joint sales promotions with outside affiliated merchants
- 2Q: Transaction volume up 10% year-on-year on recovery in transactions with AEON Group

YoY Comparison of Card Shopping Transaction Volume by Place of Use



Credit Card Business (Stronger Marketing Power)

- Promoted card use through direct mail marketing to cardholders with no recent activity
- By activating these cardholders, we significantly expanded the monthly activity rate and usage amount

Effect of Promoting Credit Card Use with Direct Mail

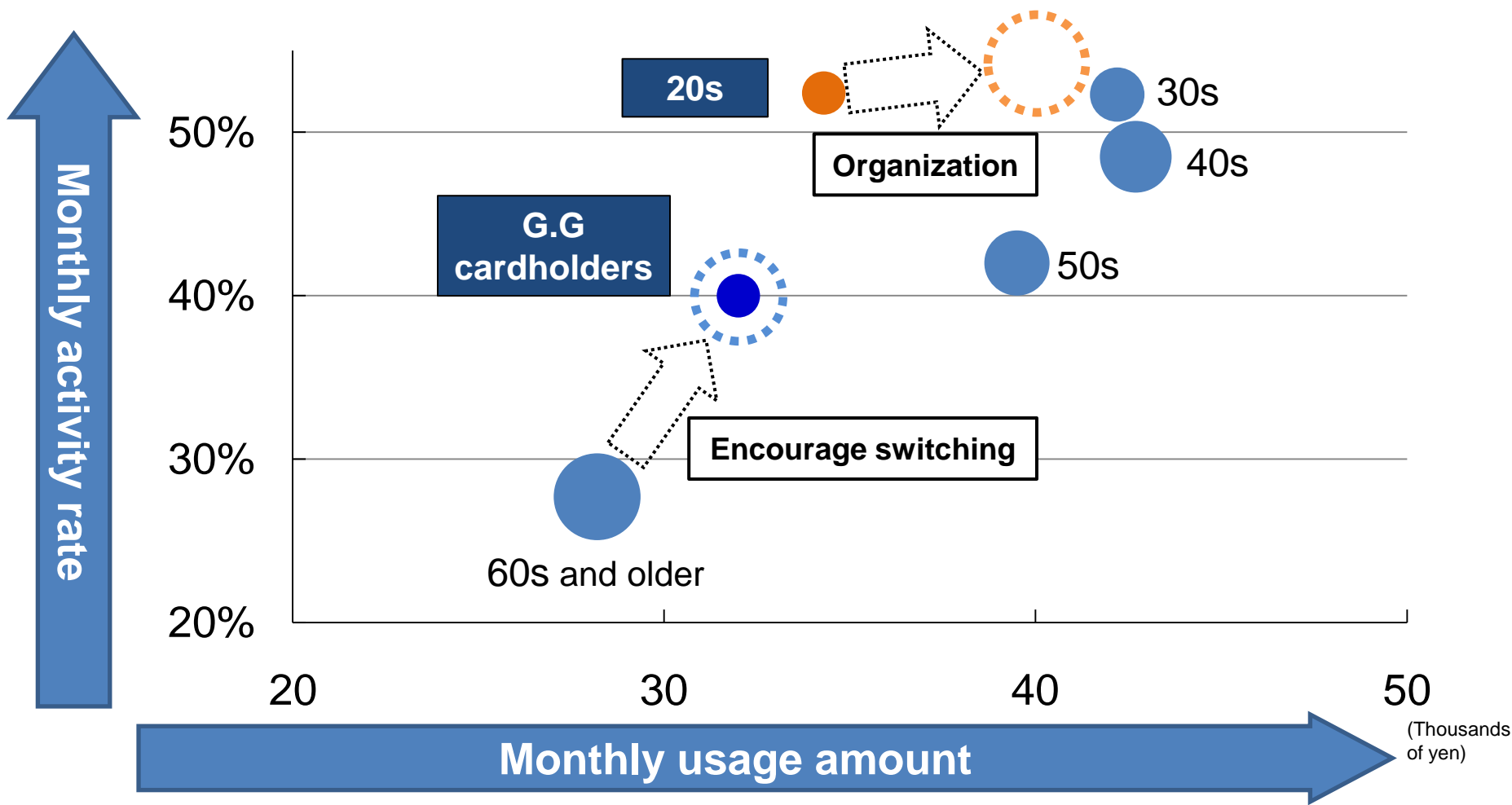
	All Cardholders	Activated Cardholders	Effect
Monthly activity rate	40%	47%	+7%
Monthly usage amount	¥32 thousand	¥78 thousand	+¥46 thousand

(Based on card use from July to September 2014 by cardholders who were sent direct mail in June)

Credit Card Business (Organization of Customers)

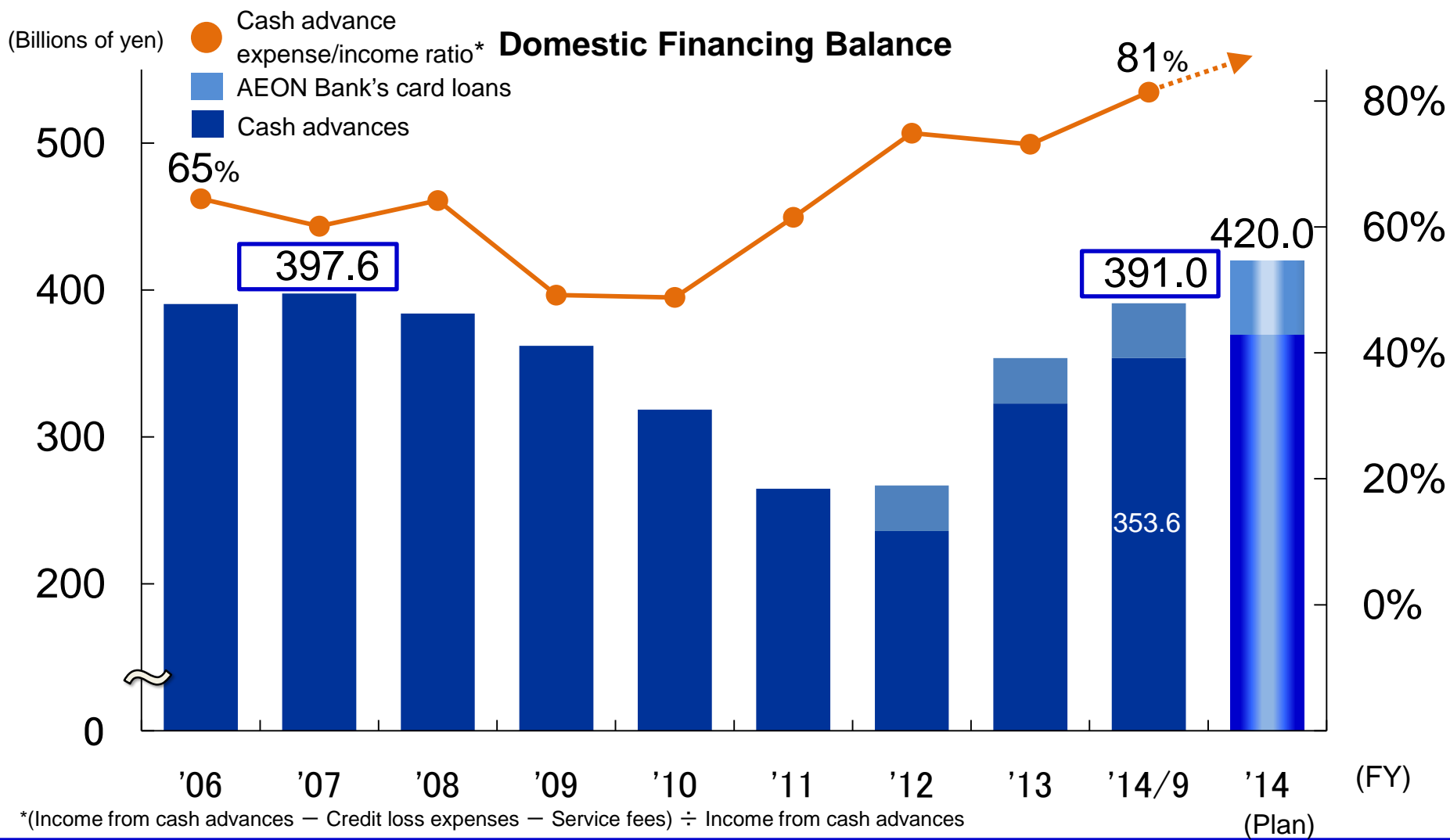
- Using co-branded card strategy and other approaches to create organizations of younger cardholders, who have high activity rates
- Promoting switch to G.G card, which has high activity rates and usage amounts

Monthly Activity Rates and Usage Amounts by Age Group



Credit Card Business (Expansion of Financing Business)

- Expense/income ratio improved with recovery of cash advances and reduction of credit loss and service fee expenses
- Total balance of cash advances and AEON Bank's card loans projected to reach a record ¥420.0 billion



Fee Business (Strengthening E-money Business)

- Strengthened affiliated merchant development with introduction of smartphone payment
- Plan to expand transaction volume to ¥2,000 billion

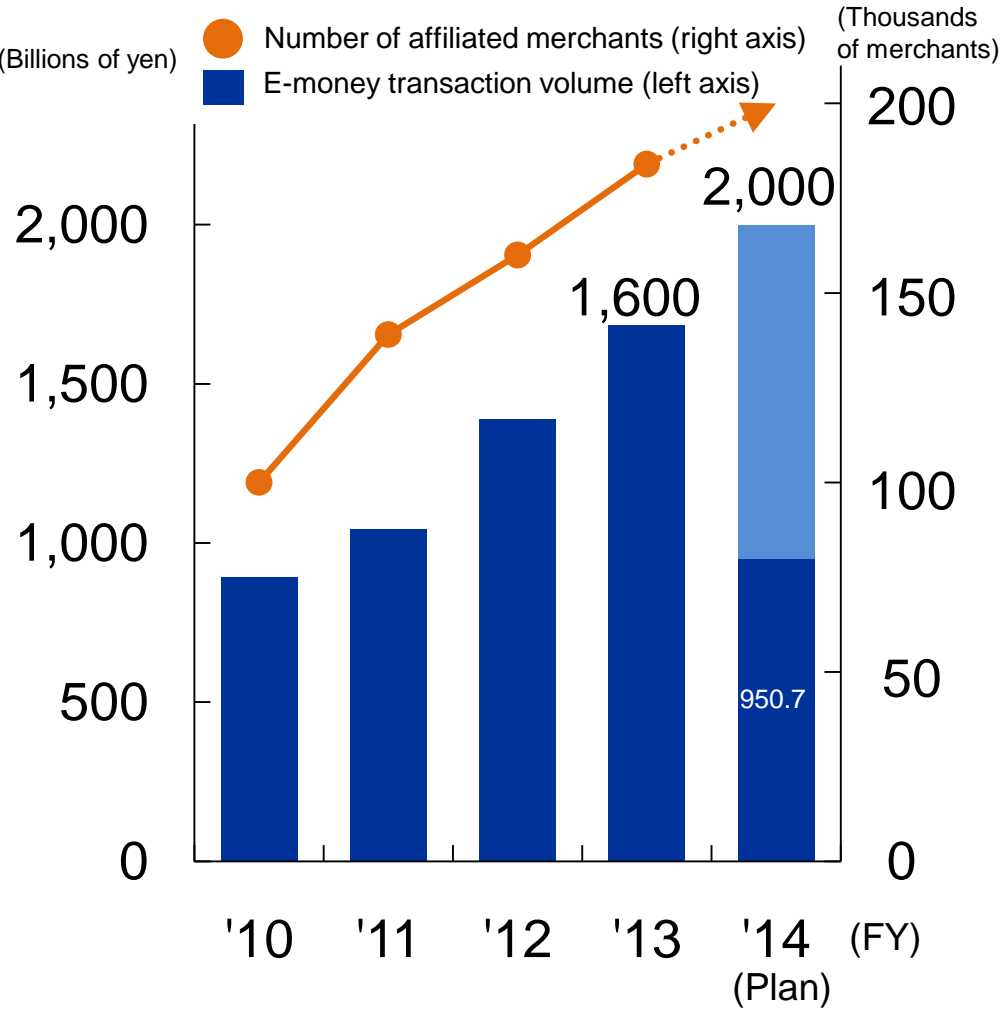
Launch of smartphone payment



Addition of affiliated merchants



E-money Transaction Volume and Number of Affiliated Merchants



Overseas Business (Strengthening Screening and Debt Collection)

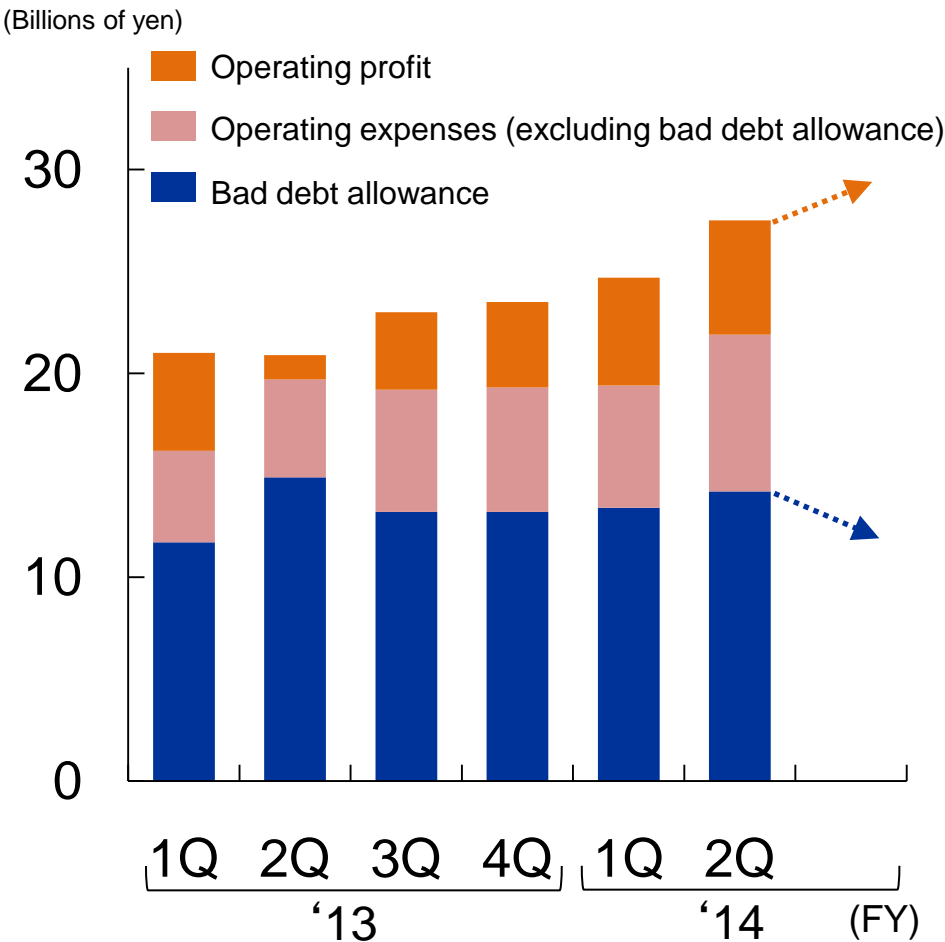
- Reviewed credit scoring
- Reduced credit loss expenses by systematizing collections

Systematization of Screening and Debt Collection



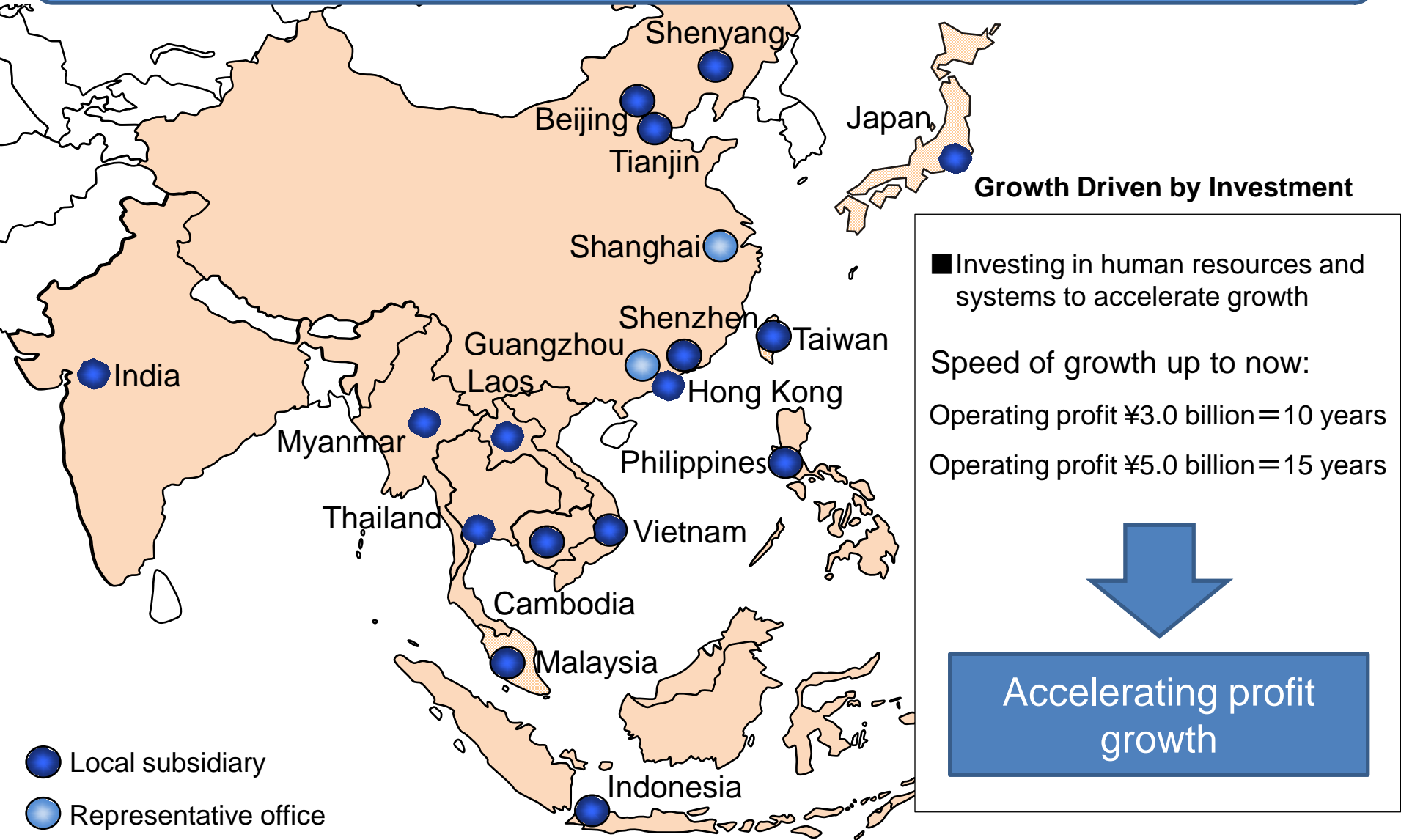
- Increased credit screening accuracy
- Improved collection efficiency

Bad Debt Allowance



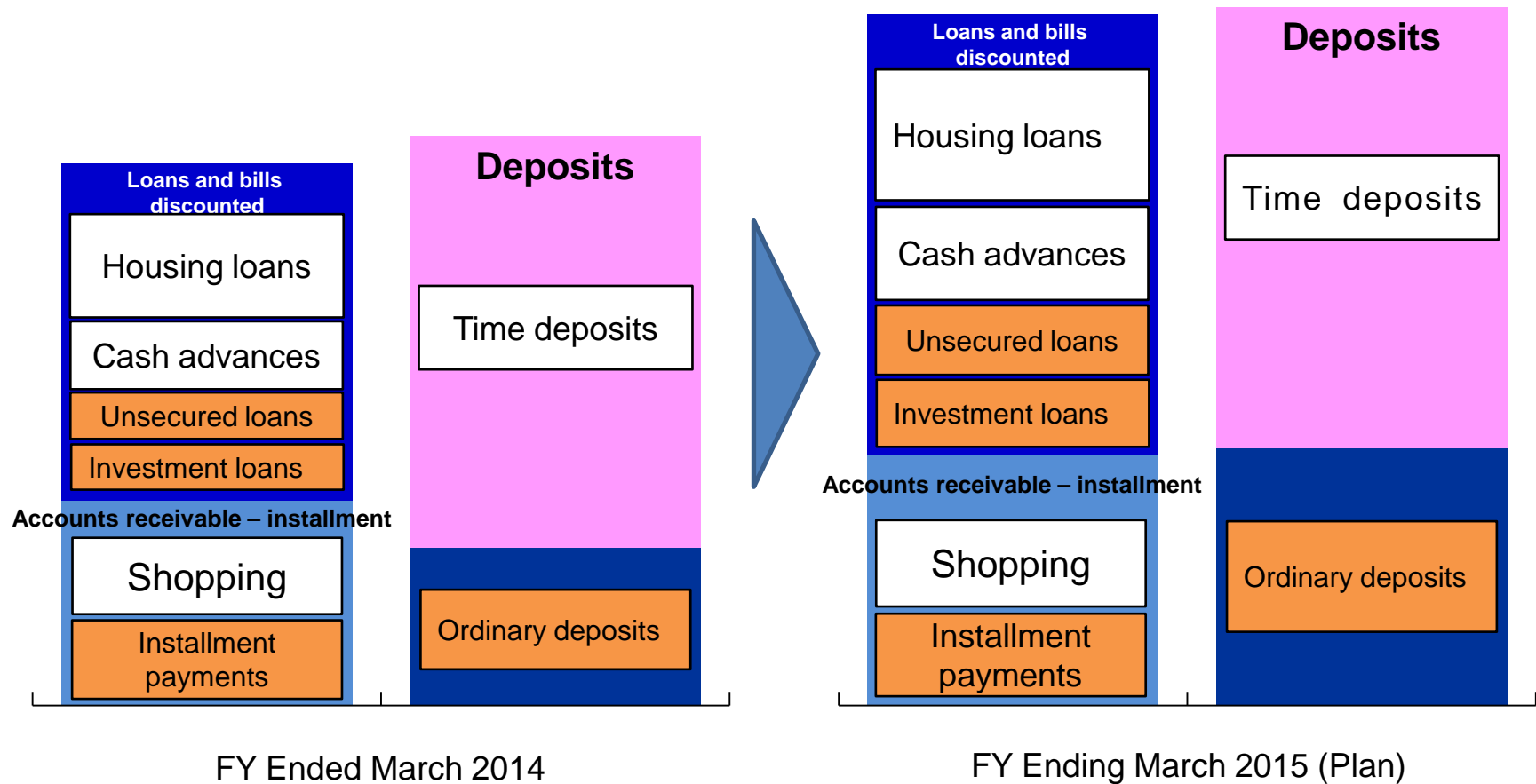
Overseas Business (Increasing Investment in Overseas Markets)

Expanding investment in human resources and systems to accelerate growth



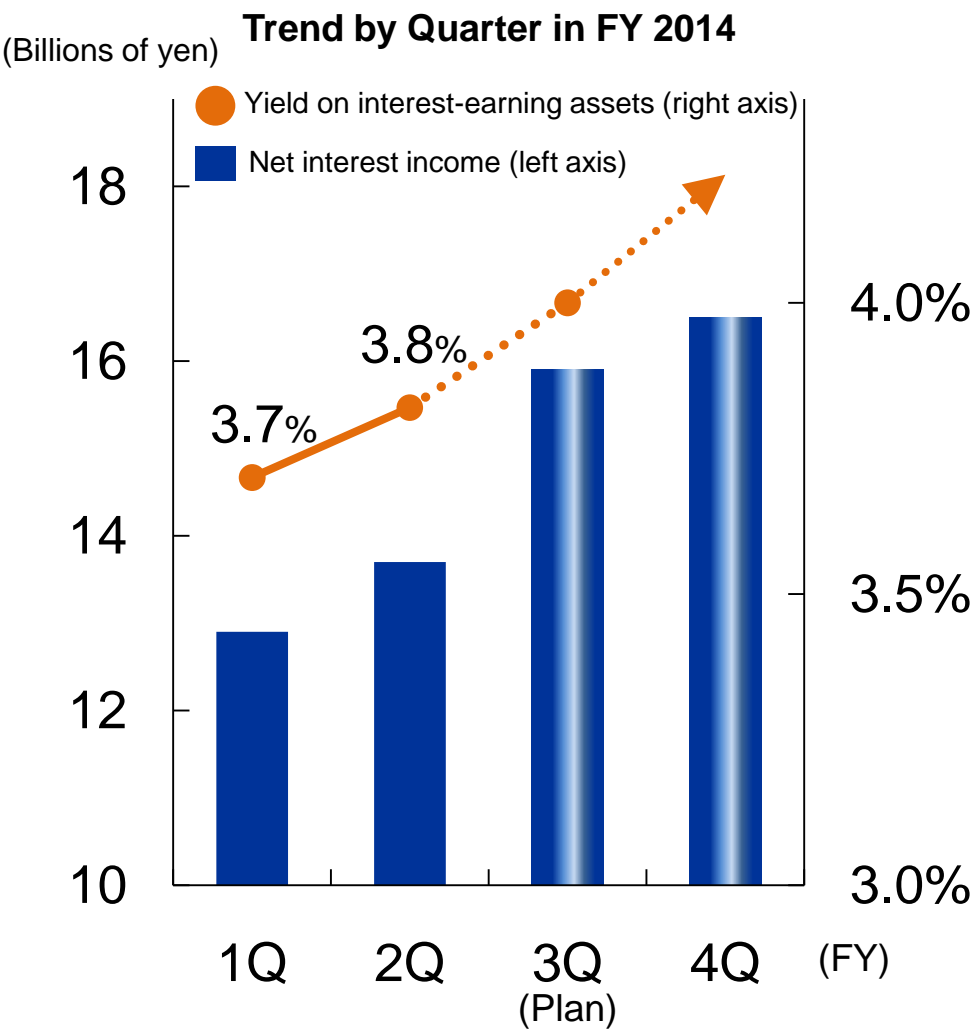
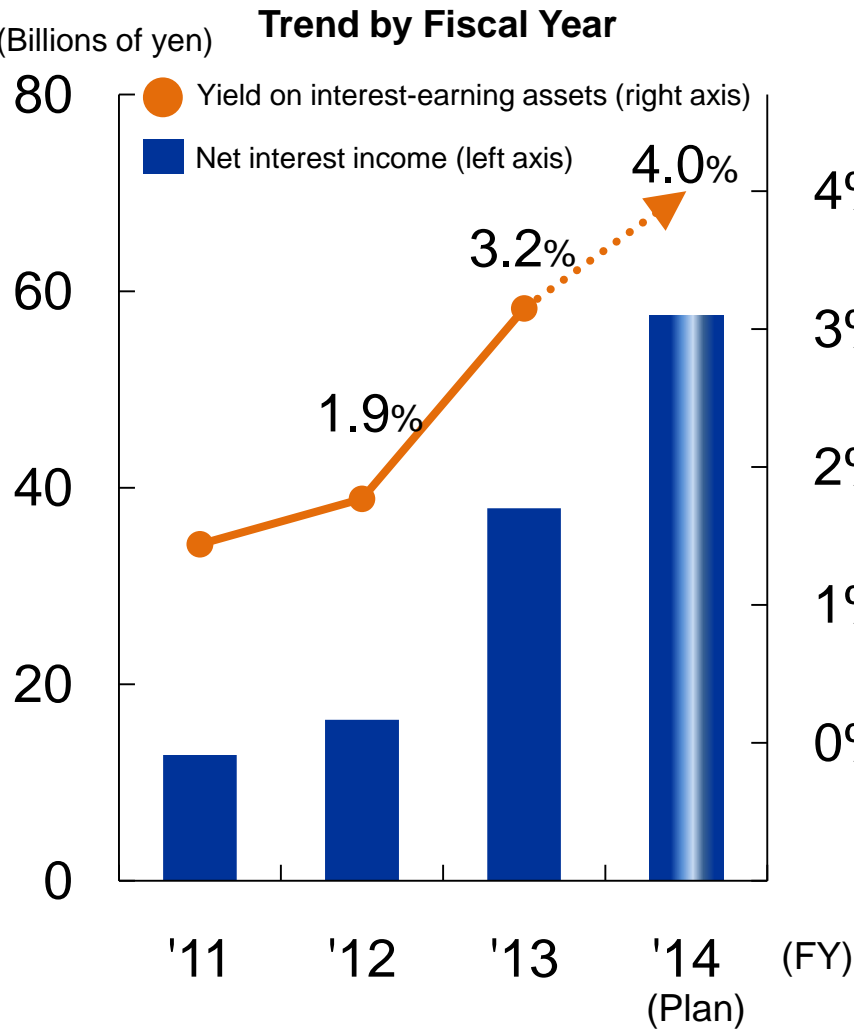
- Expanding unsecured loans and converting installment payments and investment loans to bank assets
- Shifting to ordinary deposits and increasing low-cost deposits

Finance Receivables and Deposits



Banking Business (AEON Bank's Net Interest Income)

- Expanding auto, renovation and solar power loans in addition to card loans
- Improving cash flow by reducing the cost of funds



Forecast of Results for FY 2014

	Forecast of Results	
	Results	YoY
Ordinary income	¥320.0 billion	112%
Ordinary profit	¥51.0 billion	124%
Net income	¥26.5 billion	128%
Net income per share	¥128.37	123%

	Interim (Actual)	Year end (Forecast)	Full year (Forecast)
Dividend forecast	¥25	¥35	¥60

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

(Billions of yen)

	FY 2013 1H	FY 2014 1H
Allowance for possible credit losses, beginning of period	26.4	24.2
Provision for possible credit losses	4.7	4.0
Write-off of credit losses (including transferred debt)	6.1	5.3
Allowance for possible credit losses, end of period	25.1	22.9
Allowance ratio	2.6%	2.1%

(Domestic subsidiaries) AEON Bank: ¥3.0 billion, AEON Product Finance: ¥4.7 billion, AEON Housing Loan Service: ¥0.8 billion

■ Allowance for Loss on Refund of Interest Received

(Billions of yen)

	FY 2013 1H	FY 2014 1H
Allowance for loss on refund of interest received, beginning of period	3.7	3.0
Provision for loss on refund of interest received	1.1	2.5
Interest refunded (Sums refunded and appropriation of interest to principal)	1.8	1.9
Allowance for loss on refund of interest received, end of period	3.0	3.6