Financial Section

Five-Year Summary

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Year Ended March 31, 2013 and Years Ended February 20, 2012 through 2009

	Millions of Yen					Thousands of U.S. Dollars[1]
	2013[4]	2012	2011	2010	2009	**2013[4]**
For the Year:						
Total operating revenues[2]	¥ **205,972**	¥ 169,853	¥ 169,191	¥ 164,449	¥ 173,165	$ **2,191,433**
Total operating expenses[2]	**172,892**	145,572	148,473	143,889	146,554	**1,839,476**
Income before income taxes and minority interests	**30,492**	17,907	20,936	4,698	30,365	**324,415**
Net income	**13,616**	8,988	9,541	198	14,789	**144,870**
	Yen					U.S. Dollars[1]
Per Share Data:						
Net assets	¥ **1,235.28**	¥ 1,012.52	¥ 1,015.17	¥ 994.42	¥ 1,036.35	$ **13.14**
Basic net income	**88.12**	57.30	60.83	1.26	94.29	**0.94**
Diluted net income[3]	**78.25**	57.30		1.26	94.28	**0.83**
	Millions of Yen					Thousands of U.S. Dollars[1]
At Year-End:						
Finance receivables—net of allowance for possible credit losses	¥ **891,556**	¥ 640,992	¥ 625,362	¥ 671,493	¥ 678,148	$ **9,485,647**
Net property and equipment	**20,061**	13,854	12,849	9,929	9,470	**213,440**
Total assets	**2,534,209**	907,659	901,579	866,365	854,194	**26,962,537**
Total liabilities	**2,275,337**	725,806	721,379	689,647	672,293	**24,208,282**
Equity	**258,872**	181,853	180,200	176,718	181,901	**2,754,255**
	Percentage					
Ratios:						
Equity ratio	**9.1%**	17.5%	17.7%	18.0%	19.0%	
Return on assets (ROA)	**0.8**	1.0	1.1	0.0	1.7	
Return on equity (ROE)	**7.0**	5.7	6.1	0.1	9.1	

1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93.99 to U.S.$1, the approximate rate of exchange on March 31, 2013. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.
2. Previously, processing service fees were recorded by the gross amount of service fees collected from merchants. However, effective from the fiscal year ended February 20, 2011, the amount of processing service fees reflects the net amount, after deducting the relevant service fees paid to the e-money issuers through the e-money settlement service of AEON Financial Service Co., Ltd (the "Company"). As a result, total operating revenues and total operating expenses for the years ended February 20, 2010 and 2009 are retroactively restated.
3. Diluted EPS for the year ended February 20, 2011 is not disclosed as no potential dilution exists.
4. The consolidated amounts for the fiscal year ended March 31, 2013 includes the results of AEON Bank, Ltd. and its subsidiary as AEON Bank, Ltd. became a wholly-owned subsidiary of the Company through the share exchange as of January 1, 2013. In addition, the consolidated amounts for the fiscal year ended March 31, 2013 covers a period of 13 months and 11 days from February 21, 2012 through March 31, 2013, due to the change in the Company's fiscal year.

Financial Review

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Years Ended March 31, 2013 and February 20, 2012

RESULTS OF OPERATIONS

	Millions of Yen			
	2013*	2012	Amount Change	Percentage Change
Operating Revenues:				
Credit card purchase contracts	¥ **86,988**	¥ 70,367	¥ 16,621	**23.6** %
Hire purchase contracts	**8,418**	7,370	1,048	**14.2**
Loan contracts	**72,507**	64,743	7,764	**12.0**
Processing services fees	**8,689**	7,092	1,597	**22.5**
Other operating revenues	**29,370**	20,281	9,089	**44.8**
Total operating revenues	¥ **205,972**	¥ 169,853	¥ 36,119	**21.3** %
Operating Expenses:				
Financial costs	¥ **13,943**	¥ 14,149	¥ (206)	**(1.5)** %
Provision for possible credit losses and write-off of bad debts	**23,577**	26,738	(3,161)	**(11.8)**
Other operating expenses	**135,372**	104,685	30,687	**29.3**
Total operating expenses	¥ **172,892**	¥ 145,572	¥ 27,320	**18.8** %
Operating Income	¥ **33,080**	¥ 24,281	¥ 8,799	**36.2** %

(*) During the fiscal year ended March 31, 2013, the Company changed its fiscal year to March 31, and accordingly, the above table compares amounts for the current fiscal year (from February 21, 2012 through March 31, 2013) with those for the previous fiscal year (from February 21, 2011 through February 20, 2012). In addition, the amounts for the fiscal year ended March 31, 2013 include the results of AEON Bank, Ltd. and its subsidiary.

Fiscal Summary

For the year ended March 31, 2013, despite signs of recovery in consumer spending and the domestic stock market, the domestic economic conditions remained uncertain, due to the slowdown of overseas economies, such as Europe, China and developing countries. In the financial market, the economic conditions also remained challenging due to the continued development of information technologies, such as internet and smart phones, and severe competition due to new entrants from other industries.

Under such circumstances, the Company and its subsidiaries (collectively, "the Group") reinforced solicitation of credit cards and collaborative campaigns with alliance partners in the credit card business. As a result, the number of active cardholders on a consolidated basis as at March 31, 2013 increased by 2.09 million to 31.85 million compared to the beginning of the current fiscal year and the transaction volume of credit card purchase contracts increased by 24.7% to ¥3,561,595 million compared to the previous fiscal year.

In the fee business, the Group's results were as follows: (a) In the e-money business, the Group has developed affiliated merchants of e-money WAON and expanded the number of cardholders with WAON-compatible credit cards. As a result, the number of facilities where WAON can be used and the total settlement amount by WAON steadily increased. (b) In the bank agency business, the Group has expanded its marketing network by establishing AEON Bank, Ltd. agencies and expanding the number of ATMs installed. (c) Also, as for other fee businesses of domestic subsidiaries, the Group has expanded its servicing business and reinforced its insurance agency business by establishing more insurance agencies and developing private insurance products.

In the overseas business, in addition to the Group focusing on the expansion of its listed subsidiaries in Hong Kong, Thailand, and Malaysia, it established a subsidiary, AEON Credit Holdings (Hong Kong) Co., Ltd., in Hong Kong to accelerate the expansion of business in the Chinese market.

In Thailand, the Group reorganized its local insurance agency companies and servicing company into direct subsidiaries of AEON THANA SINSAP (THAILAND) PLC. to streamline its business operations.

Furthermore, the Group launched hire purchase businesses in Tianjin (China), Mumbai (India), and Manila (Philippines). In addition, the Group raised funds by issuing zero coupon convertible bonds on March 23, 2012, which have been utilized for acquiring treasury stocks and investing in emerging economies to accelerate growth of the Group's Asian businesses.

Moreover, in order to maximize customer satisfaction as a comprehensive financial group that fuses retail and financial services, the Group resolved the management integration with AEON Bank, Ltd. on September 12, 2012, resulting in AEON Bank, Ltd. turning into a wholly-owned subsidiary as at January 1, 2013. In addition, on April 1, 2013, the Group executed the absorption-type splits with AEON Bank, Ltd. in which AEON Bank, Ltd. takes over rights and obligations of the Company's credit card business. The rights and obligations related to businesses other than those taken over by AEON Bank, Ltd. are taken over by a newly formed company, New AEON Credit Service Co., Ltd. As a result of the above, the Company has become a bank holding company and has changed its name to "AEON Financial Service Co., Ltd."

Furthermore, to express the Company's appreciation for the shareholders' support, the Company paid a commemorative cash dividend for the management integration between the Company and AEON Bank, Ltd. of ¥5 per share with a record date of January 4, 2013.

As a result of the above, the Group's financial results for the year ended March 31, 2013 were as follows: (a) operating revenues increased by 21.3% to ¥205,972 million, (b) operating income increased by 36.2% to ¥33,080 million, and (c) net income increased by 51.5% to ¥13,616 million, compared to the previous fiscal year.

In addition, the Company resolved at the meeting of its Board of Directors held on April 11, 2013 to acquire all shares of Toshiba Finance Corporation and turned it into a consolidated subsidiary as at May 16, 2013. Hereafter, the Company will nurture it as a key component of earnings alongside credit cards, banking, insurance, and e-money by expanding hire purchase and affiliated loans with a focus on future growth sectors of home renovation and solar energy systems. See Note 23 for the acquisition of shares of Toshiba Finance Corporation.

Transaction Volume

	Millions of Yen			
	2013*	2012	Amount Change	Percentage Change
Credit card purchase contracts	¥ **3,561,595**	¥ 2,855,592	¥ 706,003	24.7 %
Hire purchase contracts	**41,118**	26,619	14,499	54.5
Loan contracts	**406,743**	327,086	79,657	24.4
Processing services	**190,012**	127,603	62,409	48.9
Other transaction volume	**49,428**	26,909	22,519	83.7
Total transaction volume	¥ **4,248,896**	¥ 3,363,809	¥ 885,087	26.3 %

(*) The amounts of transaction volume for the fiscal year ended March 31, 2013 do not include transactions related to products of AEON Bank, Ltd.

Finance Receivables and loans and bills discounted in banking business

	Millions of Yen			
	2013	2012	Amount Change	Percentage Change
Installment sales receivables:				
Credit card purchase contracts	¥ **455,713**	¥ **395,628**	¥ 60,085	15.2 %
Hire purchase contracts	**51,602**	**32,006**	19,596	61.2
Subtotal	**507,315**	**427,634**	79,681	18.6
Operating loan receivables	**421,196**	**255,705**	165,491	64.7
Allowance for possible credit losses	**(36,955)**	**(42,347)**	5,392	(12.7)
Total finance receivables	¥ **891,556**	¥ **640,992**	¥ 250,564	39.1 %

	Millions of Yen
	2013
Loans and bills discounted in banking business	¥ **706,845**
Allowance for possible credit losses	**(3,959)**
Total loans and bills discounted in banking business	¥ **702,886**

Operating Revenues

	Millions of Yen			
	2013	2012	Amount Change	Percentage Change
Credit card purchase contracts	¥ **86,988**	¥ 70,367	¥ 16,621	23.6 %
Hire purchase contracts	**8,418**	7,370	1,048	14.2
Loan contracts	**72,507**	64,743	7,764	12.0
Processing service fees	**8,689**	7,092	1,597	22.5
Other operating revenues	**29,370**	20,281	9,089	44.8
Total operating revenues	¥ **205,972**	¥ 169,853	¥ 36,119	21.3 %

Operating Expenses

	Millions of Yen			
	2013	2012	Amount Change	Percentage Change
Financial costs	¥ **13,943**	¥ 14,149	¥ (206)	(1.5) %
Provision for possible credit losses and write-off of bad debts	**23,577**	26,738	(3,161)	(11.8)
Other operating expenses	**135,372**	104,685	30,687	29.3
Total operating expenses	¥ **172,892**	¥ 145,572	¥ 27,320	18.8 %

Cash flows

Net cash provided by operating activities for the year ended March 31, 2013 amounted to ¥27,278 million, mainly due to an increase in operating income and an increase in deposits in banking business due to the higher number of deposit accounts, which exceeded an increase in installment sales receivables due to the higher transaction volume of credit card purchases and an increase in operating loan receivables due to the recovery of the transaction volume of loan contracts.

Net cash provided by investing activities for the year ended March 31, 2013 amounted to ¥24,826 million, mainly due to proceeds from sale and redemption of securities in banking business and purchases of securities in banking business.

Net cash provided by financing activities for the year ended March 31, 2013 amounted to ¥219,960 million, mainly due to an increase in working capital, purchase of treasury stock, and commemorative dividends paid for management integration.

As a result of the above and the increase in cash and cash equivalents resulting from the exchange of shares of AEON Bank, Ltd. by ¥205,109 million, the balance of cash and cash equivalents as at March 31, 2013 increased by ¥479,845 million to ¥499,475 million compared to the end of the previous fiscal year.

BUSINESS PERFORMANCE BY REPORTABLE SEGMENT

Total assets and total operating revenues by reportable segment

	Millions of Yen			
	2013	2012	Amount Change	Percentage Change
Total Assets:				
Credit	¥ **766,072**	¥ 577,401	¥ 188,671	32.7 %
Fee Business	**75,423**	68,472	6,951	10.2
Banking	**1,343,687**			
Overseas	**323,108**	224,608	98,500	43.9
Reconciliations	**25,919**	37,178		
Total assets	¥ **2,534,209**	¥ 907,659	¥ 1,626,550	179.2 %
Operating Revenues:				
Credit	¥ **111,729**	¥ 101,954	¥ 9,775	9.6 %
Fee Business	**26,926**	17,000	9,926	58.4
Banking	**9,539**			
Overseas	**62,035**	52,490	9,545	18.2
Reconciliations	**(4,257)**	(1,591)		
Total operating revenues	¥ **205,972**	¥ 169,853	¥ 36,119	21.3 %

(*) Effective February 21, 2011, the Group adopted "Accounting Standard for Segment Information Disclosures" (Accounting Standards Board of Japan (ASBJ) Statement No. 17 revised in June 2010) and "Guidance on Accounting Standard for Segment Information Disclosures" (ASBJ Guidance No. 20 issued in March 2008).

* See Note 22 for details of the accounting standard and guidance noted above.

Consolidated Balance Sheet

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
March 31, 2013 and February 20, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 14)	¥ **499,475**	¥ 19,630	$ **5,314,128**
Call loans (Note 14)	**10,000**		**106,394**
Finance receivables-net of allowance for possible credit losses (Notes 4, 5, and 14)	**891,556**	640,992	**9,485,647**
Loans and bills discounted in banking business-net of allowance for possible credit losses (Notes 4, 14, and 21)	**702,886**		**7,478,306**
Securities in banking business (Notes 3, 5, and 14)	**205,081**		**2,181,945**
Deferred tax assets (Note 11)	**15,320**	19,215	**162,994**
Prepaid expenses and other current assets	**100,333**	53,637	**1,067,484**
Total current assets	**2,424,651**	733,474	**25,796,898**
Property and equipment:			
Land	**737**		**7,841**
Structures	**6,555**	3,831	**69,737**
Vehicles	**6,105**	5,016	**64,952**
Equipment	**32,531**	23,775	**346,117**
Construction in progress	**17**		**180**
Total	**45,945**	32,622	**488,827**
Accumulated depreciation	**(25,884)**	(18,768)	**(275,387)**
Net property and equipment	**20,061**	13,854	**213,440**
Investments and other assets:			
Investment securities (Notes 3, 4, and 14)	**15,658**	121,212	**166,596**
Investments in associated companies (Note 14)	**207**	205	**2,201**
Software	**22,773**	16,556	**242,291**
Deferred tax assets (Note 11)	**1,403**	4,351	**14,922**
Guarantee money deposits	**3,815**	1,897	**40,590**
Deferred charges	**122**	127	**1,303**
Long-term prepaid expenses	**5,039**	4,857	**53,611**
Goodwill (Note 19)	**28,885**	1,546	**307,317**
Other assets (Notes 6 and 21)	**11,595**	9,580	**123,368**
Total investments and other assets	**89,497**	160,331	**952,199**
Total	¥ **2,534,209**	¥ 907,659	$ **26,962,537**
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable (Notes 14 and 21)	¥ **207,650**	¥ 149,426	$ **2,209,278**
Deposits in banking business (Note 14)	**1,212,051**		**12,895,533**
Short-term borrowings (Notes 5 and 14)	**306,739**	34,001	**3,263,525**
Commercial paper (Note 5)	**5,443**	921	**57,909**
Current portion of long-term debt (Notes 5 and 14)	**131,014**	128,352	**1,393,914**
Accrued expenses	**15,924**	4,595	**169,427**
Allowance for point program	**8,696**	10,860	**92,520**
Deferred revenue	**2,831**	792	**30,123**
Accrued income taxes	**3,291**	1,831	**35,009**
Other current liabilities	**12,092**	24,208	**128,647**
Total current liabilities	**1,905,731**	354,986	**20,275,885**
Long-term liabilities:			
Long-term debt (Notes 5 and 14)	**355,860**	359,767	**3,786,149**
Deferred tax liabilities (Note 11)	**2,696**	273	**28,687**
Allowance for loss on refund of interest received	**3,722**	9,251	**39,593**
Other liabilities (Note 6)	**7,328**	1,529	**77,968**
Total long-term liabilities	**369,606**	370,820	**3,932,397**
Commitment and contingent liabilities (Notes 13, 15, 16, and 17)			
Equity (Notes 7, 8, and 23)			
Common stock—authorized, 540,000,000 shares; issued, 187,357,208 shares in 2013 and 156,967,008 shares in 2012	**15,467**	15,467	**164,555**
Capital surplus	**91,275**	17,047	**971,117**
Stock acquisition rights—245 rights in 2013	**23**	13	**241**
Retained earnings	**125,320**	134,582	**1,333,336**
Treasury stock—at cost, 111,422 shares in 2013 and 113,690 shares in 2012	**(143)**	(188)	**(1,518)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**2,717**	1,183	**28,913**
Deferred loss on derivatives under hedge accounting	**(1,705)**	(1,563)	**(18,138)**
Foreign currency translation adjustments	**(1,631)**	(7,712)	**(17,360)**
Total	**231,323**	158,829	**2,461,146**
Minority interests	**27,549**	23,024	**293,109**
Total equity	**258,872**	181,853	**2,754,255**
Total	¥ **2,534,209**	¥ 907,659	$ **26,962,537**

See notes to consolidated financial statements.

Consolidated Statement of Income

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Years Ended March 31, 2013 and February 20, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Operating revenues (Notes 4 and 21):			
Credit card purchase contracts	¥ 86,988	¥ 70,367	$ 925,506
Hire purchase contracts	8,418	7,370	89,561
Loan contracts	72,507	64,743	771,432
Interest income in banking business:			
Interest on loans and bills discounted in banking business	3,382		35,987
Interest and dividends on securities in banking business	1,368		14,548
Interest on call loans	1		14
Total interest income in banking business	4,751		50,549
Processing service fees	8,689	7,092	92,454
Other operating revenues	24,619	20,281	261,931
Total operating revenues	205,972	169,853	2,191,433
Operating expenses:			
Financial costs	(13,943)	(14,149)	(148,347)
Interest expenses on deposits in banking business	(712)		(7,571)
Provision for possible credit losses and write-off of bad debts	(23,577)	(26,738)	(250,850)
Other operating expenses (Note 9)	(134,660)	(104,685)	(1,432,708)
Total operating expenses	(172,892)	(145,572)	(1,839,476)
Operating income	33,080	24,281	351,957
Nonoperating revenues (expenses):			
Losses from natural disasters (Note 10)		(6,154)	
Loss resulting from step acquisitions (Note 19)	(1,752)		(18,645)
Management integration expenses	(1,011)		(10,762)
Other nonoperating revenues (expenses), net (Note 10)	175	(220)	1,865
Total nonoperating expenses	(2,588)	(6,374)	(27,542)
Income before income taxes and minority interests	30,492	17,907	324,415
Income taxes (Note 11):			
Current	(5,215)	(3,123)	(55,483)
Deferred	(6,207)	(3,328)	(66,041)
Total income taxes	(11,422)	(6,451)	(121,524)
Net income before minority interests	19,070	11,456	202,891
Minority interests in net income	(5,454)	(2,468)	(58,021)
Net income	¥ 13,616	¥ 8,988	$ 144,870

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 20):			
Basic net income	¥ 88.12	¥ 57.30	$ 0.94
Diluted net income	78.25	57.30	0.83
Cash dividends applicable to the year	50.00	45.00	0.53

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Years Ended March 31, 2013 and February 20, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Net income before minority interests	¥ 19,070	¥ 11,456	$ 202,891
Other conprehensive income (Note 18):			
Unrealized gain on available-for-sale securities	1,565	52	16,654
Deferred loss on derivatives under hedge accounting	(250)	(1,801)	(2,663)
Foreign currency transaction adjustments	10,499	(2,382)	111,707
Total other comprehensive income	11,814	(4,131)	125,698
Comprehensive income:	¥ 30,884	¥ 7,325	$ 328,589
Total comprehensive income attributable to:			
Owners of the parent	¥ 21,089	¥ 6,643	$ 224,374
Minority interests	9,795	682	104,215

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Years Ended March 31, 2013 and February 20, 2012

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Transaction Adjust-ments	Total	Minority Interests	Total Equity
Balance, February 21, 2011	156,854	¥ 15,467	¥ 17,047		¥ 132,652	¥ (188)	¥ 1,159	¥ (608)	¥ (6,296)	¥ 159,233	¥ 20,967	¥ 180,200
Net income					8,988					8,988		8,988
Cash dividends, ¥45 per share					(7,058)					(7,058)		(7,058)
Purchase of treasury stock	(1)											
Net change in the year				¥ 13			24	(955)	(1,416)	(2,334)	2,057	(277)
Balance, February 20, 2012	156,853	15,467	17,047	13	134,582	(188)	1,183	(1,563)	(7,712)	158,829	23,024	181,853
Net income					13,616					13,616		13,616
Cash dividends, ¥50 per share					(7,749)					(7,749)		(7,749)
Purchase of treasury stock	(12,270)					(15,001)				(15,001)		(15,001)
Disposal of treasury stock	3				(1)	4				3		3
Retirement of treasury stock					(15,042)	15,042						
Increase by share exchanges	42,660		74,228							74,228		74,228
Change of scope of equity method					(86)					(86)		(86)
Net change in the year				10			1,534	(142)	6,081	7,483	4,525	12,008
Balance, March 31, 2013	187,246	¥ 15,467	¥ 91,275	¥ 23	¥ 125,320	¥ (143)	¥ 2,717	¥ (1,705)	¥ (1,631)	¥ 231,323	¥ 27,549	¥ 258,872

	Thousands	Thousands of U.S. Dollars (Note 1)										
							Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Transaction Adjust-ments	Total	Minority Interests	Total Equity
Balance, February 20, 2012	156,853	$ 164,555	$ 181,369	$ 133	$ 1,431,883	$ (2,002)	$ 12,588	$ (16,626)	$ (82,049)	$ 1,689,851	$ 244,958	$ 1,934,809
Net income					144,870					144,870		144,870
Cash dividends, $0.53 per share					(82,447)					(82,447)		(82,447)
Purchase of treasury stock	(12,270)					(159,605)				(159,605)		(159,605)
Disposal of treasury stock	3				(10)	42				32		32
Retirement of treasury stock					(160,047)	160,047						
Increase by share exchanges	42,660		789,748							789,748		789,748
Change of scope of equity method					(913)					(913)		(913)
Net change in the year				108			16,325	(1,512)	64,689	79,610	48,151	127,761
Balance, March 31, 2013	187,246	$ 164,555	$ 971,117	$ 241	$ 1,333,336	$ (1,518)	$ 28,913	$ (18,138)	$ (17,360)	$ 2,461,146	$ 293,109	$ 2,754,255

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Years Ended March 31, 2013 and February 20, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ **30,492**	¥ 17,907	$ **324,415**
Adjustments for:			
Income taxes—paid	**(4,435)**	(7,570)	**(47,183)**
Income taxes—refund	**1,989**		**21,161**
Depreciation and amortization	**9,950**	7,996	**105,860**
Provision for possible credit losses	**20,513**	29,405	**218,246**
Changes in assets and liabilities:			
Increase in finance receivables	**(66,500)**	(46,650)	**(707,525)**
Increase in loans and bills discounted in banking business	**(67,423)**		**(717,342)**
Decrease in other assets	**27,017**	27,335	**287,453**
Increase in accounts payable	**28,504**	3,829	**303,268**
Increase in deposits in banking business	**77,516**		**824,728**
Decrease in other current liabilities	**(15,903)**	(1,562)	**(169,199)**
Decrease in allowance for loss on refund of interest received	**(5,529)**	(6,767)	**(58,830)**
Other	**(8,913)**	7,855	**(94,830)**
Net cash provided by operating activities	**27,278**	31,778	**290,222**
INVESTING ACTIVITIES:			
Increase in time deposits—net	**(3,241)**	(427)	**(34,478)**
Purchases of securities in banking business	**(35,197)**		**(374,476)**
Proceeds from sale and redemption of securities in banking business	**78,918**		**839,642**
Purchases of property and equipment	**(5,525)**	(4,119)	**(58,778)**
Proceeds from sale of property and equipment	**786**	309	**8,367**
Purchases of software	**(8,595)**	(7,093)	**(91,451)**
Purchases of investment securities	**(86)**	(60)	**(919)**
Cash paid in conjunction with the purchase of consolidated subsidiary (Note 12)	**(328)**	(1,488)	**(3,493)**
Other	**(1,906)**	(1,053)	**(20,283)**
Net cash provided by (used in) investing activities	**24,826**	(13,931)	**264,131**
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	**269,555**	2,878	**2,867,909**
Increase in commercial paper—net	**3,873**	516	**41,206**
Proceeds from issuance of convertible bonds	**29,919**		**318,322**
Proceeds from issuance of long-term debt	**80,384**	162,446	**855,239**
Repayments of long-term debt	**(139,325)**	(184,604)	**(1,482,336)**
Increase in treasury stock—net	**(15,017)**		**(159,768)**
Proceeds from issuance of subsidiaries' stock to minority shareholders	**177**		**1,880**
Dividends paid to the Company's shareholders	**(7,749)**	(7,058)	**(82,447)**
Dividends paid to minority shareholders	**(1,857)**	(1,555)	**(19,752)**
Net cash provided by (used in) financing activities	**219,960**	(27,377)	**2,340,253**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**2,672**	(507)	**28,424**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**274,736**	(10,037)	**2,923,030**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**19,630**	29,667	**208,847**
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM SHARE EXCHANGE (Note 12)	**205,109**		**2,182,251**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ **499,475**	¥ 19,630	$ **5,314,128**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2013 and February 20, 2012

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS") and accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Company resolved the amendments of its articles of incorporation and changed its fiscal year-end to March 31 at the extraordinary shareholders' meeting held on November 21, 2012. This change was made in light of Article 52-26 of the Banking Act because the Company would change into a bank holding company through the absorption-type company split effective as of April 1, 2013. As a result, the fiscal year ended March 31, 2013 covers a period of 13 months and 11 days from February 21, 2012 through March 31, 2013.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93.99 to $1, the approximate rate of exchange at March 31, 2013. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation—The consolidated financial statements as at March 31, 2013 include the accounts of the Company and its 35 (27 in 2012) subsidiaries and two (three in 2012) companies accounted for under the equity method.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill. Goodwill recognized for the Company or its consolidated domestic subsidiaries was amortized over a period not exceeding 20 years (estimated effective period). Insignificant goodwill and negative goodwill were recognized in profit or loss in the period the business combinations occurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group have been eliminated.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that: (ⅰ) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements; (ⅱ) financial statements prepared by foreign subsidiaries in accordance with either IFRS or U.S. GAAP tentatively may be used for the consolidation process; (ⅲ) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized research and development costs; 4) cancellation of fair value model of accounting for property, plant, and equipment and investment properties and incorporation of cost model of accounting; and 5) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008.

(c) Business Combination—In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations."

Under the revised standard, the acquirer recognizes a gain on bargain purchase (negative goodwill) in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation, whereas the previous accounting standard provided for a bargain purchase gain to be systematically amortized over a period not exceeding 20 years. This standard was applicable to business combinations undertaken on or after April 1, 2010.

As at September 12, 2012, the Company concluded the share exchange agreement with AEON Bank, Ltd., in which the Company became a wholly-owning parent company and AEON Bank, Ltd. became a wholly-owned subsidiary company. The Company executed the share exchange on January 1, 2013, after obtaining approval at the extraordinary shareholders' meeting held on November 21, 2012. As a result, the Company acquired 100% of the issued and outstanding shares of AEON Bank, Ltd. on January 1, 2013 and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 20 years (see Note 19).

(d) Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents of the Company and its consolidated subsidiaries, excluding the domestic subsidiary that operates banking business (hereafter "the domestic banking subsidiary"), include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition. Cash equivalent of the domestic banking subsidiary include due from the Bank of Japan.

(e) Finance Receivables—Finance receivables that the Group has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any write-off or valuation allowance.

(f) Allowance for Possible Credit Losses—The allowance for possible credit losses is stated at the amount considered to be appropriate based on past credit loss experience and an evaluation of potential losses in receivables.

The allowance for possible credit losses in banking business is determined by the domestic banking subsidiary in accordance with its internal standards for self-assessment of asset quality, write-offs and provisions.

The domestic banking subsidiary classifies its obligors into five categories for self-assessment purposes, namely, "normal," "in need of caution," "possible bankruptcy," "substantial bankruptcy," and "legal bankruptcy." For credits to obligors classified as normal or in need of caution, the allowance for possible credit losses is provided based on the domestic banking subsidiary's reasonably estimated rate of credit losses. For credits to those classified as possible bankruptcy, the allowance for possible credit losses is provided for the amount deemed necessary, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee. For credits to those classified as substantial bankruptcy or legal bankruptcy, the allowance for possible credit losses is provided for the full amounts of such credits, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

All claims are assessed initially by the operational departments based on the domestic banking subsidiary's internal standards for self-assessment of asset quality. The Internal Audit Department, which is independent from the operational departments, reviews the results of the self-assessments. The allowance is provided based on the results of the assessment procedures described above.

(g) Property and Equipment (excluding lease assets)—Property and equipment are stated at cost. Depreciation of property and equipment is computed under the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 2 to 15 years.

(h) Securities in Banking Business and Investment Securities—Securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

(i) Software (excluding lease assets)—Software is carried at cost, less accumulated amortization. Amortization of software of the Group is calculated by the straight-line method over the estimate useful lives within five years.

(j) Bond Issuance Costs—Bond issuance costs as of March 31, 2013, which have been deferred and included in other assets, were ¥122 million ($1,303 thousand). These costs are amortized by the interest method through the maturity of the bonds.

(k) Allowance for Point Program—The allowance for point program is stated at the amount considered to be appropriate based on the Company's past redemption experience.

(l) Allowance for Loss on Debt Guarantees—The allowance for loss on debt guarantees is stated at the amount considered to be appropriate based on the estimated loss on debt guarantees on loan instruments provided by partner financial institutions for individual customers.

(m) Allowance for Loss on Refund of Interest Received—The allowance for loss on refund of interest received (the amount of interest that exceeds the ceiling rate imposed by the Interest Rate Restriction Law) is provided by the Company and is stated at the amount considered to be appropriate based on the Company's past refund experience. In October 2006, "Application of auditing for provision of allowance for loss for reclaimed refund of interest in the accounting of consumer finance companies" of Industry Audit Practice Committee Report No. 37 by the Japanese Institute of Certified Public Accountants was issued and was adopted at the beginning of the fiscal year ended February 20, 2007.

(n) Retirement Benefit and Pension Plans—The Company and its consolidated domestic subsidiaries have a defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees. An overseas subsidiary has a severance payment plan for employees.

The defined benefit plan of the Company and its consolidated domestic subsidiaries was amended on January 15, 2010, and a new cash balance plan was implemented on April 1, 2010. Under the cash balance plan, the pension payment is adjusted for fluctuations in market interest rates. The Company and its consolidated domestic subsidiaries recognized all prior service costs arising from the amendment of the plan.

(o) Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of the grant and over the vesting period as consideration for receiving goods or services.

The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

The Company has applied the accounting standard for stock options to those granted on and after May 1, 2006.

(p) Recognition of Operating Revenues—The operations of the Group mainly comprise the following areas and the recognition of operating revenues is different according to each business. See Note 4 for amounts of transactions and realized operating revenues for each business.

(ⅰ) Credit card purchase contracts and hire purchase contracts

Installment sales receivables are recognized after the Group has accepted the relevant contracts that participating member stores refer to the Group.

The Group receives fees for collection of the installment sales and the related administrative services from the member stores under credit card purchase contracts and hire purchase contracts for shopping. The fees from the member stores are generally recognized at the time when the Group makes payments for the installment sales receivables to the member stores in advance.

The Group receives fees from customers under credit card purchase contracts and hire purchase contracts. The fees from customers are recognized principally by the effective interest method.

(ⅱ) Loan contracts

The Group provides cash advance and loan services. Loan receivables are recognized when cash is drawn down to customers. The interest income and the customer charge at the start of the contract are recognized principally by the effective interest method.

(q) Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance lease contracts that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance lease contracts were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. Under the revised accounting standard, assets used under finance lease arrangements are capitalized and depreciated using the straight-line method with their residual values being zero over their leased periods. Finance lease contracts which commenced before the transition date and do not transfer ownership of the assets to the lessee are accounted for in the same manner as operating lease contracts with disclosure of certain as-if-capitalized amounts. All other leases are accounted for as operating lease contracts.

(r) Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets that is not considered to be realizable.

(s) Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the consolidated financial statements in the following year upon the Board of Directors' resolution or shareholders' approval.

(t) Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(u) Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

(v) Derivative Financial Instruments—The Group uses derivative financial instruments to manage its exposures to market fluctuations in foreign currency exchange and interest rates. The Group enters into forward exchange contracts, currency swap contracts, and interest rate swap contracts to reduce its exposures to foreign currency and interest rate risk. The Group does not enter into any derivative contracts for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (ⅰ) all derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income and (ⅱ) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged items. Foreign currency-denominated long-term debt for which forward exchange contracts are used as hedging instruments are translated at the forward exchange rate if the derivatives qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. In principle, these swaps which qualify for hedge accounting are measured at market value at the consolidated balance sheet date and the unrealized gains or losses, net of applicable taxes, are deferred until maturity as deferred gain/loss on derivatives under hedge accounting under accumulated other comprehensive income in a separate component of equity. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

(w) Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if outstanding stock acquisition rights were exercised. Diluted net income per share of common stock assumes full exercise of outstanding stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(x) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(ⅰ) Changes in accounting policies

When a new accounting policy is applied due to a revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(ⅱ) Changes in presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(ⅲ) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(ⅳ) Correction of prior-period errors

When an error in prior-period financial statements is discovered, those statements are restated.

(y) New Accounting Pronouncements

Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the

Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

Major changes are as follows:
(i) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.
Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(ii) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.
(iii) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (i) and (ii) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (iii) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (i) and (ii) above from the end of the annual period beginning on April 1, 2013, and for (iii) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. SECURITIES IN BANKING BUSINESS AND INVESTMENT SECURITIES

Securities in banking business and investment securities as at March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Marketable equity securities	**¥ 5,689**	¥ 4,483	**$ 60,523**
Marketable debt securities:			
Government bonds	**21,498**		**228,725**
Corporate bonds	**54,334**		**578,087**
Total marketable debt securities	**75,832**		**806,812**
Other securities (Note 4)	**139,218**	116,729	**1,481,206**
Total	**¥ 220,739**	¥ 121,212	**$ 2,348,541**

The carrying amounts and aggregate fair values of securities in banking business and investment securities as at March 31, 2013 and February 20, 2012 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 2,615**	**¥ 3,086**	**¥ (12)**	**¥ 5,689**
Debt securities	**75,036**	**796**		**75,832**
February 20, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,591	¥ 2,139	¥ (247)	¥ 4,483

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 27,826**	**$ 32,830**	**$ (133)**	**$ 60,523**
Debt securities	**798,346**	**8,466**		**806,812**

Available-for-sale securities whose fair values are deemed to be difficult to determine as at March 31, 2013 and February 20, 2012 are disclosed in Note 14.
Loss on revaluation of investment securities for the year ended February 20, 2012 was ¥85 million (see Note 10).

4. FINANCE RECEIVABLES, LOANS AND BILLS DISCOUNTED IN BANKING BUSINESS AND OPERATING REVENUES

Finance receivables as at March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Installment sales receivables:			
Credit card purchase contracts	**¥ 455,713**	¥ 395,628	**$ 4,848,530**
Hire purchase contracts	**51,602**	32,006	**549,012**
Subtotal	**¥ 507,315**	¥ 427,634	**$ 5,397,542**
Operating loan receivables	**421,196**	255,705	**4,481,286**
Allowance for possible credit losses	**(36,955)**	(42,347)	**(393,181)**
Total	**¥ 891,556**	¥ 640,992	**$ 9,485,647**

Loans and bills discounted in banking business as at March 31, 2013 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2013	**2013**
Loans and bills discounted in banking business	**¥ 706,845**	**$ 7,520,432**
Allowance for possible credit losses	**(3,959)**	**(42,126)**
Total	**¥ 702,886**	**$ 7,478,306**

For the years ended March 31, 2013 and February 20, 2012, the Group securitized finance receivables and subsequently transferred the cash flow interests in those assets to unconsolidated special purpose entities.

The total amount of securitized receivables during the years ended March 31, 2013 and February 20, 2012 were ¥195,402 million ($2,078,969 thousand) and ¥131,879 million, respectively.

Some of the interests in the securitized financial assets are retained in the form of seller or subordinated tranches (“remaining interests”), which are included in investment securities.

The remaining interests included in investment securities as at March 31, 2013 and February 20, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Investment securities	**¥ 9,113**	¥ 105,980	**$ 96,967**

Transaction volume and realized operating revenue by type of contract for the years ended March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		**2013**	
	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue
Credit card purchase contracts	**¥ 3,561,595**	**¥ 86,988**	¥ 2,855,592	¥ 70,367	**$ 37,893,339**	**$ 925,506**
Hire purchase contracts	**41,118**	**8,418**	26,619	7,370	**437,477**	**89,561**
Loan contracts	**406,743**	**72,507**	327,086	64,743	**4,327,515**	**771,432**
Processing services	**190,012**	**8,689**	127,603	7,092	**2,021,620**	**92,454**
Other	**49,428**	**29,370**	26,909	20,281	**525,881**	**312,480**
Total	**¥ 4,248,896**	**¥ 205,972**	¥ 3,363,809	¥ 169,853	**$ 45,205,832**	**$ 2,191,433**

5. SHORT-TERM BORROWINGS, COMMERCIAL PAPER, AND LONG-TERM DEBT

Short-term borrowings and commercial paper as at March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Bank loans, 0.22% to 7.20% (2013) and 0.47% to 16.00% (2012)	**¥ 306,739**	¥ 34,001	**$ 3,263,525**
Commercial paper at 3.42% (2013) and 3.35% (2012)	**5,443**	921	**57,909**
Total	**¥ 312,182**	¥ 34,922	**$ 3,321,434**

Long-term debt as at March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Issued by the Company:			
Unsecured 1.08% Japanese yen notes due May 2012		¥ 20,000	
Unsecured 1.55% Japanese yen notes due February 2013		10,000	
Unsecured 1.79% Japanese yen notes due February 2014	**¥ 20,000**	20,000	**$ 212,789**
Unsecured 1.78% Japanese yen notes due July 2012		20,000	
Unsecured 1.02% Japanese yen notes due April 2015	**20,000**	20,000	**212,789**
¥15,000,000,000 Zero Coupon Convertible Bonds due 2016	**15,000**		**159,591**
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	**15,000**		**159,591**
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 5.20% Thai baht notes due August 2012		2,574	
Unsecured 3.28% Thai baht notes due July 2015	**1,861**	1,569	**19,801**
Unsecured 4.06% Thai baht notes due July 2016	**1,390**	1,172	**14,789**
Unsecured 3.85% Thai baht notes due December 2016	**1,841**	1,551	**19,585**
Unsecured 4.44% Thai baht notes due August 2017	**2,733**		**29,075**
Unsecured 4.77% Thai baht notes due September 2017	**1,868**		**19,874**
Issued by AEON Credit Service (M) Berhad:			
Medium Term Note 4.18% (*1) Malaysia Ringgit due January 2013		791	
Medium Term Note 4.15% (*1) Malaysia Ringgit due May 2013	**606**	527	**6,446**
Medium Term Note 3.85% (*1) Malaysia Ringgit due May 2012		1,055	
Medium Term Note 4.00% (*1) Malaysia Ringgit due October 2013	**1,514**	1,319	**16,113**
Medium Term Note 4.05% (*1) Malaysia Ringgit due July 2013	**908**	791	**9,668**
Medium Term Note 4.05% (*1) Malaysia Ringgit due September 2013	**909**	791	**9,668**
Medium Term Note 3.85% (*1) Malaysia Ringgit due November 2013	**1,212**	1,055	**12,891**
Medium Term Note 3.80% (*1) Malaysia Ringgit due January 2014	**303**	264	**3,223**
Medium Term Note 3.85% (*1) Malaysia Ringgit due January 2014	**757**	660	**8,057**
Medium Term Note 3.90% (*1) Malaysia Ringgit due July 2013	**454**	396	**4,834**
Medium Term Note 3.95% (*1) Malaysia Ringgit due April 2017	**1,514**		**16,113**
Medium Term Note 3.95% (*1) Malaysia Ringgit due April 2017	**1,212**		**12,891**
Medium Term Note 3.95% (*1) Malaysia Ringgit due May 2017	**1,666**		**17,725**
Medium Term Note 3.95% (*1) Malaysia Ringgit due July 2017	**1,666**		**17,725**
Long-term loans from banks and other financial entities due through 2019 with interest rates ranging from 0.49% to 12.30% (2013) and from 0.61% to 6.61% (2012):			
Collateralized	**17,813**	15,234	**189,519**
Unsecured	**370,834**	362,650	**3,945,463**
Lease obligations	**5,813**	5,720	**61,843**
Total	**¥ 486,874**	¥ 488,119	**$ 5,180,063**
Less current portion	**(131,014)**	(128,352)	**(1,393,914)**
Long term debt, less current portion	**¥ 355,860**	¥ 359,767	**$ 3,786,149**

(*1) Profit return rate

The following is a summary of the terms for conversion and redemption of the convertible bonds with stock acquisition rights:

	Conversion price(*1)	Number of shares of common stock (thousands)(*2)	Exercise Period
¥15,000,000,000 Zero Coupon Convertible Bonds due 2016	¥ 1,441.0	10,409	From April 6, 2012 to March 8, 2016
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	1,405.0	10,676	From April 6, 2012 to March 9, 2017

(*1) The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

(*2) Numbers of shares of common stock are calculated on the assumption that all convertible bonds with stock acquisition rights are converted as of March 31, 2013.

The annual maturities of long-term debt as at March 31, 2013 were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 131,014	$ 1,393,914
2015	91,846	977,187
2016	117,113	1,246,019
2017	92,296	981,976
2018	43,380	461,542
2019 and thereafter	11,225	119,425
Total	¥ 486,874	$ 5,180,063

The carrying amounts of assets pledged as collateral for long-term debt at March 31, 2013 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Installment sales receivables	¥ 15,682	$ 166,847
Operating loan receivables	11,302	120,252
Total	¥ 26,984	$ 287,099

In addition, securities in banking business amounting to ¥21,498 million ($228,725 thousand) as at March 31, 2013 have been pledged as collateral for exchange settlement and other transactions conducted by the domestic banking subsidiary.

6. RETIREMENT BENEFIT AND PENSION PLANS

The Company and its consolidated domestic subsidiaries sponsor a defined benefit pension plan, advance payment plan, and defined contribution pension plan for their employees. An overseas subsidiary has a severance payment plan for employees.

The net retirement benefit liability which was booked under other assets and/or other liabilities as at March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 1,740**	¥ 1,341	**$ 18,516**
Fair value of plan assets	**(987)**	(730)	**(10,506)**
Unrecognized actuarial loss	**(378)**	(343)	**(4,025)**
Net retirement benefit liability	**¥ 375**	¥ 268	**$ 3,985**
Asset	**(45)**	(11)	**(480)**
Liability	**¥ 420**	¥ 279	**$ 4,465**

The components of net periodic benefit costs for the years ended March 31, 2013 and February 20, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥ 197**	¥ 66	**$ 2,101**
Interest cost	**28**	23	**292**
Expected return on plan assets	**(11)**	(8)	**(119)**
Recognized actuarial loss	**95**	72	**1,014**
Other	**165**	130	**1,760**
Total	**¥ 474**	¥ 283	**$ 5,048**

Assumptions used for the years ended March 31, 2013 and February 20, 2012 were set forth as follows:

	2013	2012
Discount rate	**1.9%**	1.9%
Expected rate of return on plan assets	**1.33%**	1.21%
Recognition period of actuarial gain/loss	**10 years**	10 years

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, such as: (i) having a Board of Directors, (ii) having independent auditors, (iii) having an Audit & Supervisory Board, and (iv) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Board of Directors of the Company can declare dividends without resolution at the shareholders’ meeting since the Company is organized as a company with board committees and meet the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(d) Significant change in equity

The share exchange was implemented between the Company and AEON Bank, Ltd. on January 1, 2013 resulting in the Company owning all shares of AEON Bank, Ltd. The Company issued and granted 42,660,000 shares of common stock at an issue price per share of ¥1,740 in exchange for the shares of AEON Bank, Ltd. As a result, the Company’s additional paid-in capital increased by ¥74,228 million ($789,748 thousand).

8. STOCK-BASED COMPENSATION

The stock options outstanding as at March 31, 2013 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	12 directors	15,500 shares	April 21, 2011	¥ 1 $ 0.01	From May 21, 2011 through May 20, 2026
2013 Stock Option	6 directors	12,100 shares	April 21, 2012	¥ 1 $ 0.01	From May 21, 2012 through May 20, 2027

The summary of stock option activity is as follows:

	2013 Stock Option	2012 Stock Option
Nonvested (Shares)		
Outstanding at beginning of year		
Granted	12,100	
Expired		
Vested	12,100	
Outstanding at end of year		
Vested (Shares)		
Outstanding at beginning of year		15,500
Vested	12,100	
Exercised	1,600	1,500
Expired		
Outstanding at end of year	10,500	14,000
Exercise price	¥ 1	¥ 1
	$ 0.01	$ 0.01
Average stock price at exercise	¥ 2,439	¥ 2,439
	$ 25.95	$ 25.95
Fair value price at grant date	¥ 1,081	¥ 809
	$ 11.50	$ 8.61

The assumptions used to measure fair value of stock options vested during fiscal year 2013 were as follows:

	2013 Stock Option
Measurement method	Black-Scholes option-pricing model
Risk-free interest rate	1.08%
Expected life of option grants	7.5 years
Expected volatility of underlying stock	60.96%
Estimated dividend	¥45 per share

9. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Human resources	¥ **32,583**	¥ 23,280	$ **346,664**
Sales promotion expenses	**24,650**	19,209	**262,267**
Correspondence and transportation expenses	**13,337**	11,430	**141,893**
Commission fee	**14,770**	11,426	**157,147**
Other	**49,320**	39,340	**524,737**
Total	¥ **134,660**	¥ 104,685	$ **1,432,708**

10. NONOPERATING REVENUES (EXPENSES)

Other nonoperating revenues (expenses) for the years ended March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Amortization of negative goodwill		¥ 100	
Loss on revaluation of investment securities		(85)	
Share of profit (loss) of associates	¥ **117**	(157)	$ **1,251**
Other	**58**	(78)	**614**
Total	¥ **175**	¥ (220)	$ **1,865**

Losses from natural disasters

The Group recorded ¥3,140 million of losses caused by the March 11 Earthquake for the year ended February 20, 2012, consisting of ¥2,953 million for estimated uncollectable amounts of finance receivables and ¥187 million of other items. In addition, the Group recorded losses of ¥3,014 million for estimated uncollectable amounts of finance receivables from the flooding in Thailand for the year ended February 20, 2012.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.7% for the year ended March 31, 2013, and 40.4% for the year ended February 20, 2012. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as at March 31, 2013 and February 20, 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Allowance for possible credit losses	¥ **8,022**	¥ 10,342	$ **85,349**
Finance receivables	**243**	501	**2,585**
Allowance for point program	**3,402**	4,332	**36,192**
Allowance for loss on refund of interest received	**1,403**	3,701	**14,927**
Accrued income	**847**	911	**9,016**
Property and equipment	**173**	374	**1,841**
Intangible assets	**107**	324	**1,141**
Tax loss carryforwards	**15,277**	2,226	**162,538**
Unrealized loss on acquisition of subsidiaries	**4,032**		**42,901**
Other	**4,740**	1,816	**50,425**
Less valuation allowance	**(16,932)**	(129)	**(180,149)**
Offset with deferred tax liabilities	**(4,591)**	(832)	**(48,850)**
Total deferred tax assets	¥ **16,723**	¥ 23,566	$ **177,916**
Deferred tax liabilities:			
Enterprise taxes receivable		¥ 141	
Depreciation in consolidated foreign subsidiaries	¥ **417**	273	$ **4,441**
Unrealized gain on available-for-sale securities	**2,082**	556	**22,150**
Unrealized gain on acquisition of subsidiaries	**4,497**		**47,850**
Other	**291**	135	**3,095**
Offset with deferred tax assets	**(4,591)**	(832)	**(48,849)**
Total deferred tax liabilities	¥ **2,696**	¥ 273	$ **28,687**
Net deferred tax assets	¥ **14,027**	¥ 23,293	$ **149,229**

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and February 20, 2012 were as follows:

	2013	2012
Normal effective statutory tax rate	**37.7%**	40.4%
Earnings not taxable and expenses not deductible for income tax purposes—net	**(2.6)**	(3.4)
Per capita portion of inhabitants tax	**0.6**	0.5
Lower income tax rates applicable to income in certain foreign countries	**(7.3)**	(9.0)
Influence of elimination in consolidation	**7.6**	5.8
Influence of changes in the statutory tax rates	**4.3**	3.4
Other—net	**(2.8)**	(1.7)
Actual effective tax rate	**37.5%**	36.0%

12. SUPPLEMENTAL CASH FLOW INFORMATION

Purchases of newly consolidated subsidiaries

For the year ended March 31, 2013, the Company executed the share exchange with AEON Bank, Ltd., in which the Company became the wholly-owning parent company and AEON Bank, Ltd. became the wholly-owned subsidiary company. Assets and liabilities of AEON Bank, Ltd. and one other company that were newly consolidated at the time of the share exchange were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,221,266	$ 12,993,580
Noncurrent assets	15,794	168,038
Total assets acquired	¥ 1,237,060	$ 13,161,618
Current liabilities	¥ (1,182,169)	$ (12,577,601)
Long-term liabilities	(3,019)	(32,125)
Total liabilities assumed	¥ (1,185,188)	$ (12,609,726)

The cash and cash equivalents of ¥205,109 million ($2,182,251 thousand) at the time of the share exchange are included in the current assets and recognized in "Increase in cash and cash equivalents resulting from share exchange."

For the year ended February 20, 2012, Toshiba Housing Loan Service Corporation was included in the Group because of the purchase of the stock. Assets and liabilities of the subsidiary at the time of purchase, cash paid by purchasing the stock, and cash paid in conjunction with the purchase of consolidated subsidiary were as follows:

	Millions of Yen
Assets	¥ 38,186
Goodwill	1,539
Liabilities	(32,005)
Minority interests	(3,028)
Cash paid by purchasing the stock	4,692
Cash and cash equivalents of consolidated subsidiary	(3,204)
Cash paid in conjunction with the purchase of consolidated subsidiary	¥ 1,488

13. LEASES

The Group leases equipment, software, and other assets.

Total rental expenses for the years ended March 31, 2013 and February 20, 2012 were ¥7,804 million ($83,028 thousand) and ¥6,039 million, respectively, including ¥187 million ($1,988 thousand) and ¥209 million of lease payments under finance leases.

Pro forma information for the years ended March 31, 2013 and February 20, 2012

As discussed in Note 2.q., the Group accounts for finance lease contracts which existed at the transition date and which did not transfer ownership to the lessee as operating lease transactions. Pro forma information of such finance lease contracts on an "as if capitalized" basis for the years ended March 31, 2013 and February 20, 2012 were as follows:

(a) Acquisition cost and accumulated depreciation of finance leases

	Millions of Yen			
	2013			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**¥ 47**	**¥ 688**	**¥ 52**	**¥ 787**
Accumulated depreciation	**(43)**	**(589)**	**(44)**	**(676)**
Net leased property	**¥ 4**	**¥ 99**	**¥ 8**	**¥ 111**

	Millions of Yen			
	2012			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 98	¥ 695	¥ 57	¥ 850
Accumulated depreciation	(75)	(465)	(39)	(579)
Net leased property	¥ 23	¥ 230	¥ 18	¥ 271

	Thousands of U.S. Dollars			
	2013			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**$ 504**	**$ 7,319**	**$ 552**	**$ 8,375**
Accumulated depreciation	**(465)**	**(6,262)**	**(466)**	**(7,193)**
Net leased property	**$ 39**	**$ 1,057**	**$ 86**	**$ 1,182**

(b) Obligations under finance leases

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Due within one year	**¥ 133**	¥ 157	**$ 1,414**
Due after one year		146	
Total	**¥ 133**	¥ 303	**$ 1,414**

(c) Depreciation expense and interest expense under finance leases

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Depreciation expense	**¥ 159**	¥ 165	**$ 1,698**
Interest expense	**6**	9	**60**
Total	**¥ 165**	¥ 174	**$ 1,758**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases as at March 31, 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 1,386**	**$ 14,743**
Due after one year	**1,597**	**16,999**
Total	**¥ 2,983**	**$ 31,742**

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ended on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective February 20, 2011.

(a) Conditions of financial instruments

(i) Group policy for financial instruments

The Group (except for the domestic banking subsidiary) engages in the financial service business, which includes credit card services, loans, hire purchase, and other financial services. In order to conduct this business, the Group finances its operations through bank borrowings, issuance of corporate bonds and commercial paper, and securitization of financial assets. Several consolidated subsidiaries are overseas subsidiaries which operate within foreign currency-denominated economies.

Because the Group's financial assets and liabilities are exposed to market risk, such as volatilities in interest rates and foreign currency exchange rates, the Group enters into derivative financial instruments to mitigate the risk. The Group does not enter into or trade derivative financial instruments for speculative purposes.

The domestic banking subsidiary operates ATM business developed mainly through affiliated merchants of AEON and MaxValu across Japan, loan business developed through in-store branches of these merchants and financial service business providing investment products. To conduct these businesses, the domestic banking subsidiary raises funds primarily through deposits from customers, taking into account market conditions and the balance between short and long term funding requirements. As to fund management, the domestic banking subsidiary invests mainly in loans to individual customers, as well as in financing to corporations, call loans and securities comprised primarily of bonds. Accordingly, the domestic banking subsidiary holds financial assets and liabilities which are sensitive to fluctuations in interest rates. To manage the interest rate risks, the domestic banking subsidiary utilizes asset and liability management.

(ii) Nature and extent of risks arising from financial instruments

The Group's major financial assets are finance receivables which are exposed to credit risk of customer defaults.

Investment securities consist of equity securities and trust beneficiary rights. Equity securities are held for maintaining business with other companies and are exposed to market risk and credit risk. Trust beneficiary rights are held under the securitization programs of the Company and their dividends are derived from and collateralized by a pool of underlying assets, finance receivables. Therefore, trust beneficiary rights are exposed to credit risk.

The Group is exposed to risks relating to interest-bearing debt, such as borrowings, corporate bonds, and commercial paper whereby the Group may be unable to execute payments of such liabilities on the payment dates in cases, for example, where the Group is unable to use the market under certain environments, such as greater than expected fluctuations in financial conditions or a downgrade in the Group's credit rating. Several long-term debts are variable interest rate instruments and foreign currency-denominated instruments which are exposed to market risk, such as changes in interest rates and foreign currency exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to such market risk.

Derivative financial instruments have market risk and credit risk. Market risk is comprised of interest rate risk and foreign currency risk. The Group enters into derivative financial instruments to minimize the market risk to which long-term debts are exposed. Credit risk on derivative financial instruments reflects the possibility that a counterparty will fail to honor the contracts and default on the required payment.

The main financial assets held by the domestic banking subsidiary are loans to individual customers. These assets are exposed to credit risk arising from defaults by the customers. In addition, securities comprised primarily of bonds are exposed to risk of changes in interest rates and market risk arising from fluctuations in market prices. The main financing source of the domestic banking subsidiary is deposits from customers which are exposed to liquidity risk arising from deterioration in the financial position of the domestic banking subsidiary that makes it difficult to meet its obligations on the due date.

(iii) Risk management for financial instruments

• Credit risk management

The Group's credit risk is primarily attributable to their finance receivables. In order to minimize the credit risk, the Group companies have established credit risk control policies and systems. Management of the Group companies control the credit risk with appropriate credit limits and credit approvals in order to prevent over-lending to individual customers and to continuously improve the credit quality of their finance receivables. In addition, credit risk management divisions and credit assessment divisions monitor and analyze the credit quality to supervise prolonged overdue debts. The credit risk monitoring and controlling systems and processes are audited by an internal auditor.

For securities with active market quotations, management of the Group companies continuously monitor the market values. For securities with no active market quotations, management of the Group companies monitor the financial positions of the issuers on a regular basis.

Though derivative financial instruments are exposed to credit risk, the credit risk is limited because the counterparties are financial institutions with high credit-ratings and are well diversified.

The domestic banking subsidiary manages credit risks of individual borrowers by performing rigid credit risk assessments and management of debtors in accordance with credit risk management regulations. The Risk Management Department regularly performs these credit risk assessments through self-assessments of new and existing loans to individual borrowers to evaluate the creditworthiness of individual borrowers at all times. In addition, the Risk Management Department measures Value at Risk (which estimates the potential losses arising from financial instruments held in a certain period with a given probability based on historical data, hereafter, "VaR") to quantify risks on a daily basis and regularly reports to the Risk Management Committee and Board of Directors.

• Market risk management (foreign exchange risk and interest rate risk)

The Group enters into derivative financial instruments to manage its exposure to financial risk of changes in interest rates and foreign currency exchange rates of long-term debt. Upon entering derivative contracts, the notional amounts, maturities and expirations, and timings are determined according to internal rules. The transactions are executed and controlled by the Finance Department. The current positions of derivative financial instruments are periodically reported to management of the Group companies.

The domestic banking subsidiary manages market risk by a system of mutual checks and balances through assigning the functions of market front office, middle office and back office to different departments that are independent from one another. In addition, the domestic banking subsidiary generally performs quantitative market risk analysis for all financial instruments held and manages the level of market risk by mainly using VaR. Specifically, the domestic banking subsidiary controls market risk so that VaR does not exceed risk limits (allocated capital amount) resolved by the Board of Directors. Under the risk management system described above, the domestic banking subsidiary performs the following market risk managements.

(1) Interest rate risk management

The basic policy is to manage interest rate risk across all of the banking operation related accounts, so that the overall earning capacity of the domestic banking subsidiary is improved and customer needs for various financial services are met. The Risk Management Department measures and manages VaR and Basis Point Value (which denotes the change in value of a financial instrument resulting from, for example, a 10 basis point (0.1 percentage) change in the interest rate) in order to quantify interest rate risk within the banking operation related accounts on a daily basis. In addition, the Risk Management Department performs stress tests and regularly reports to the Risk Management Committee and Board of Directors.

(2) Security price risk management

The domestic banking subsidiary manages the risk of holding securities in accordance with the basic policy of risk management; "Implementing market risk management based on the business strategy, characteristics of business operations, and size of business." The domestic banking subsidiary measures the security price risk using VaR and monitors the results of VaR and stress tests against the risk limits to ensure both soundness and profitability. In addition, the domestic banking subsidiary regularly reports the monitoring results of the securities issuers' performance to the Risk Management Committee and Board of Directors because changes in creditworthiness of the securities issuers affect the price of the securities.

(3) Quantitative information on market risk

For interest rate risk, the domestic banking subsidiary measured VaR using the variance co-variance model (holding period: 240 days, historical observation period: 1 year, and confidence interval: 99%). The amount of VaR as at March 31, 2013 was ¥5,060 million ($53,833 thousand). For security price risk other than interest rate risk, the domestic banking subsidiary measured VaR using the Monte-Carlo simulation (holding period: 3 months, historical observation period: 5 years, and confidence interval: 99%). The amount of VaR as at March 31, 2013 was ¥6,285 million ($66,867 thousand). However, it should be noted that these figures are statistical figures based on changes in the historical market prices and represent quantities of market risks with a given probability. Accordingly, these figures may not cover the risk of drastic changes in market conditions beyond normal expectations.

• Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecasted and actual cash flows and maintaining a conservative level of long-term funding to finance its short-term financial assets.

For liquidity risk management, the domestic banking subsidiary sets asset reserve ratios and funding gap limits, and its Risk Management Department monitors the results on a daily basis and periodically reports to the Risk Management Committee and Board of Directors. In managing assets, the domestic banking subsidiary focuses on maintaining liquidity considering efficient use of funds.

(iv) Supplementary information on fair value of financial instruments

The fair values of financial instruments are measured based on quoted market prices, if available, or a reasonably assessed value if a quoted market price is not available. In the case of the latter, certain assumptions and variable preconditions are adopted. Accordingly, if different assumptions and preconditions are adopted, the calculated amount of the fair value may also be different.

See Note 15 for the details regarding fair value for derivatives.

(b) Fair value of financial instruments

The following presents the carrying amount of financial instruments in the consolidated balance sheet, the fair value, and the difference between the two as at March 31, 2013 and February 20, 2012. Financial instruments whose fair values are deemed to be difficult to determine are not included in the fair value disclosure. In addition, embedded derivatives contained in hybrid instruments that are not required to be separated from host instruments are included in the host instruments.

	Millions of Yen					
	2013					
		Carrying amount		Fair value		Difference
(1) Cash and cash equivalents	¥	**499,475**	¥	**499,475**		
(2) Call loans		**10,000**		**10,000**		
(3) Finance receivables—net of allowance for possible credit losses		**891,556**		**916,732**	¥	**25,176**
(4) Loans and bills discounted in banking business —net of allowance for possible credit losses		**702,886**		**705,177**		**2,291**
(5) Securities in banking business		**205,081**		**205,081**		
(6) Investment securities		**5,689**		**5,689**		
Total	¥	**2,314,687**	¥	**2,342,154**	¥	**27,467**
(7) Accounts payable	¥	**207,650**	¥	**207,650**		
(8) Deposits in banking business		**1,212,051**		**1,210,950**	¥	**(1,101)**
(9) Short-term borrowings		**306,739**		**306,739**		
(10) Long-term debt		**486,874**		**518,419**		**31,545**
Total	¥	**2,213,314**	¥	**2,243,758**	¥	**30,444**
(11) Derivative financial instruments (Note 15)	¥	**(10,657)**	¥	**(10,657)**		

	Millions of Yen					
	2012					
		Carrying amount		Fair value		Difference
(1) Cash and cash equivalents	¥	19,630	¥	19,630		
(3) Finance receivables—net of allowance for possible credit losses		640,992		651,348	¥	10,356
(6) Investment securities		4,483		4,483		
Total	¥	665,105	¥	675,461	¥	10,356
(7) Accounts payable	¥	149,426	¥	149,426		
(9) Short-term borrowings		34,001		34,001		
(10) Long-term debt		488,119		491,697	¥	3,578
Total	¥	671,546	¥	675,124	¥	3,578
(11) Derivative financial instruments (Note 15)	¥	(1,924)	¥	(1,924)		

	Thousands of U.S. Dollars					
	2013					
		Carrying amount		Fair value		Difference
(1) Cash and cash equivalents	$	**5,314,128**	$	**5,314,128**		
(2) Call loans		**106,394**		**106,394**		
(3) Finance receivables—net of allowance for possible credit losses		**9,485,647**		**9,753,513**	$	**267,866**
(4) Loans and bills discounted in banking business —net of allowance for possible credit losses		**7,478,306**		**7,502,681**		**24,375**
(5) Securities in banking business		**2,181,945**		**2,181,945**		
(6) Investment securities		**60,523**		**60,523**		
Total	$	**24,626,943**	$	**24,919,184**	$	**292,241**
(7) Accounts payable	$	**2,209,278**	$	**2,209,278**		
(8) Deposits in banking business		**12,895,533**		**12,883,817**	$	**(11,716)**
(9) Short-term borrowings		**3,263,525**		**3,263,525**		
(10) Long-term debt		**5,180,063**		**5,515,688**		**335,625**
Total	$	**23,548,399**	$	**23,872,308**	$	**323,909**
(11) Derivative financial instruments (Note 15)	$	**(113,381)**	$	**(113,381)**		

(i) Fair value of financial instruments

(1) Cash and cash equivalents and (2) Call loans

The carrying amounts of cash and cash equivalents and call loans are considered to approximate their fair values because of their short maturities.

(3) Finance receivables—net of allowance for possible credit losses

The fair value of finance receivables is determined by discounting expected cash flows (credit risk incorporated) of each segmented product with a discount rate consisting of a risk-free rate and collection costs of each product (expense ratio).

(4) Loans and bills discounted in banking business—net of allowance for possible credit losses

The carrying amount of loans in the banking business with floating interest rates approximates the fair value as long as borrowers' credit risks have not changed significantly after the execution of loans because the market rates are promptly reflected in the floating interest rates. The fair value of loans in the banking business with fixed interest rates is the present value that is estimated for each classification based on the type, internal rating, and term of the loans, and by discounting the total amounts of the principal and interest using the rates at which similar new loans would be made. For loans in the banking business with maturity less than one year, the carrying amount is considered to approximate their fair values because of their short maturities.

For loans to borrowers which are bankrupt, substantially bankrupt or potentially bankrupt, an allowance is provided based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value of those loans, net of allowance for possible credit losses, as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amount of loans in the banking business that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximates the fair value due to their expected repayment periods and interest rate conditions.

(5) Securities in banking business

The fair value of bonds is determined based on prices published by the Japanese Securities Dealers Association, prices provided by financial institutions or the discounted present value of future cash flows. The fair value of monetary claims bought is determined based on prices provided by financial institutions or the discounted present value of future cash flows.

(6) Investment securities

The fair value of stock with market quotations is determined with reference to quoted market prices. Stock with no market quotations and trust beneficiary rights are considered to be financial instruments whose fair values are deemed to be difficult to determine. Their fair values are not included in the fair value disclosure.

(7) Accounts payable and (9) Short-term borrowings

The carrying amounts of accounts payable and short-term borrowings are considered to approximate their fair values because these items will be settled in a short period of time.

(8) Deposits in banking business

For demand deposits, the amount payable on demand as of the consolidated balance sheet date is considered to be the fair value. The fair value of time deposits is calculated based on the discounted present value of future cash flows by certain time period. The discount rate used in the calculation is the interest rate that would be applied to newly accepted deposits. For short-term deposits, the carrying amount is considered to approximate their fair values because of their short maturities.

(10) Long-term debt

The fair values of bonds are determined with reference to quoted market prices. The fair values of other long-term debt are determined by discounting the total amounts of principal and interest by current interest rates assumed for the same debt.

(11) Derivative financial instruments

Information on the fair values of derivative financial instruments is included in Note 15.

(ii) Financial instruments whose fair values are deemed to be difficult to determine

The financial instruments below are not included in the fair value disclosure due to difficulties in the determination of fair values:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Stock with no active market quotations:			
Investment securities	**¥ 856**	¥ 10,749	**$ 9,106**
Investments in associated companies	**207**	205	**2,201**
Trust beneficiary rights	**9,113**	105,980	**96,967**

(iii) Maturity analysis for financial assets with contractual maturities

The table below analyzes the carrying amount of the Group's assets by maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

	Millions of Yen					
	2013					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and cash equivalents	**¥ 499,475**					
Call loans	**10,000**					
Finance receivables(*1)	**691,783**	**¥ 129,602**	**¥ 44,571**	**¥ 17,357**	**¥ 6,802**	**¥ 9,737**
Loans and bills discounted in banking business(*2)	**59,226**	**37,084**	**34,341**	**33,976**	**34,521**	**492,919**
Securities in banking business:						
Securities	**32,500**	**24,500**	**18,000**	**50,000**	**2,000**	**57,276**
Monetary claims bought	**1,920**			**3,434**	**753**	**12,472**
Total securities in banking business	**¥ 34,420**	**¥ 24,500**	**¥ 18,000**	**¥ 53,434**	**¥ 2,753**	**¥ 69,748**
Total	**¥ 1,294,904**	**¥ 191,186**	**¥ 96,912**	**¥ 104,767**	**¥ 44,076**	**¥ 572,404**

	Millions of Yen					
	2012					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and cash equivalents	¥ 19,630					
Finance receivables(*1)	547,406	¥ 57,122	¥ 18,712	¥ 6,375	¥ 3,016	¥ 16,985
Total	¥ 567,036	¥ 57,122	¥ 18,712	¥ 6,375	¥ 3,016	¥ 16,985

	Thousands of U.S. Dollars					
	2013					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and cash equivalents	**$ 5,314,128**					
Call loans	**106,394**					
Finance receivables(*1)	**7,360,182**	**$ 1,378,893**	**$ 474,209**	**$ 184,675**	**$ 72,367**	**$ 103,592**
Loans and bills discounted in banking business(*2)	**630,131**	**394,554**	**365,365**	**361,482**	**367,283**	**5,244,378**
Securities in banking business:						
Securities	**345,782**	**260,666**	**191,510**	**531,972**	**21,279**	**609,383**
Monetary claims bought	**20,428**			**36,533**	**8,019**	**132,699**
Total securities in banking business	**$ 366,210**	**$ 260,666**	**$ 191,510**	**$ 568,505**	**$ 29,298**	**$ 742,082**
Total	**$ 13,777,045**	**$ 2,034,113**	**$ 1,031,084**	**$ 1,114,662**	**$ 468,948**	**$ 6,090,052**

(*1) Finance receivables exclude ¥28,659 million ($304,910 thousand) and ¥33,723 million which have no specific contractual maturity date due to late payments or being under negotiations for the years ended March 31, 2013 and February 20, 2012, respectively.

(*2) Loans and bills discounted in banking business exclude the loans of ¥3,903 million ($41,528 thousand) with no specific recoverable amounts, such as loans to borrowers classified as legal bankruptcy, substantial bankruptcy, or possible bankruptcy, and ¥8,740 million ($92,986 thousand) which have no fixed maturity.

(iv) Maturity analysis of deposits in banking business and long-term debt with contractual maturities

The table below analyzes the carrying amount of financial assets and liabilities into the relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

	Millions of Yen					
	2013					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits in banking business(*)	**¥ 687,926**	**¥ 196,535**	**¥ 243,124**	**¥ 33,539**	**¥ 41,420**	**¥ 4,409**
Long-term debt	**131,014**	**91,846**	**117,113**	**92,296**	**43,380**	**11,225**
Total	**¥ 818,940**	**¥ 288,381**	**¥ 360,237**	**¥ 125,835**	**¥ 84,800**	**¥ 15,634**

	Thousands of U.S. Dollars					
	2013					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits in banking business(*)	**$ 7,319,140**	**$ 2,091,025**	**$ 2,586,699**	**$ 356,840**	**$ 440,682**	**$ 46,906**
Long-term debt	**1,393,914**	**977,187**	**1,246,019**	**981,976**	**461,541**	**119,426**
Total	**$ 8,713,054**	**$ 3,068,212**	**$ 3,832,718**	**$ 1,338,816**	**$ 902,223**	**$ 166,332**

(*) The cash flow of demand deposits is included in the "Up to 1 year" group.

15. DERIVATIVES

The Group enters into forward exchange contracts and currency swap contracts to hedge foreign currency risk on foreign currency-denominated debt. The Group also enters into interest rate swap contracts to limit the unfavorable impact from increases in interest rates on its floating-rate long-term debt. The interest rate swap contracts effectively swap a floating-rate interest payment to a fixed-rate interest payment. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Derivative financial instruments are subject to market risk and credit risk. Since the Group enters into derivative financial instruments only for hedging purposes, market risk in those hedging instruments is basically offset by opposite movements in the value of hedged items. The credit risk on those derivative financial instruments is limited as the counterparties are major financial institutions with high credit ratings.

The basic policies for the use of derivative financial instruments are approved by the Board of Directors and transactions are executed and controlled by the Finance Department. Each derivative transaction is periodically reported to management each time evaluation and analysis are made.

As noted in Note 14, the Group applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ended on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective February 20, 2011.

Derivative financial instruments qualifying for hedge accounting as at March 31, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		
	2013		
	Contract Amount	Fair value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	¥ **32,638**	¥ **(4,772)**	¥ **(4,772)**
Receive USD/Pay HKD	**5,636**	**(8)**	**(8)**
Receive USD/Pay MYR	**19,524**	**(550)**	**(550)**
Receive USD/Pay THB	**60,272**	**(2,322)**	**(2,322)**
Currency forward contracts:			
Receive USD/Pay MYR	**326**	**1**	**1**
Interest rate swap contracts:			
Receive floating/Pay fixed	**34,547**	**(2,112)**	**(2,112)**

	Millions of Yen		
	2012		
	Contract Amount	Fair value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	¥ 24,952	¥ 1,153	¥ 1,153
Receive JPY/Pay MYR	893	77	77
Receive USD/Pay HKD	4,791	20	20
Receive USD/Pay THB	32,802	(281)	(281)
Receive USD/Pay MYR	11,071	(613)	(613)
Currency forward contracts:			
Receive JPY/Pay MYR	806	(68)	(68)
Receive USD/Pay MYR	1,041	(46)	(46)
Interest rate swap contracts:			
Receive floating/Pay fixed	39,720	(2,166)	(2,166)

	Thousands of U.S. Dollars		
	2013		
	Contract Amount	Fair value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	$ **347,245**	$ **(50,775)**	$ **(50,775)**
Receive USD/Pay HKD	**59,963**	**(83)**	**(83)**
Receive USD/Pay MYR	**207,729**	**(5,849)**	**(5,849)**
Receive USD/Pay THB	**641,262**	**(24,707)**	**(24,707)**
Currency forward contracts:			
Receive USD/Pay MYR	**3,469**	**6**	**6**
Interest rate swap contracts:			
Receive floating/Pay fixed	**367,561**	**(22,463)**	**(22,463)**

Derivative financial instruments not qualifying for hedge accounting as at March 31, 2013 consisted of the following:

	Millions of Yen		
	2013		
	Contract Amount	Fair value	Unrealized Gain/Loss
Credit default swap contracts:			
Short position	¥ **3,000**	¥ **(894)**	¥ **373**

	Thousands of U.S. Dollars		
	2013		
	Contract Amount	Fair value	Unrealized Gain/Loss
Credit default swap contracts:			
Short position	$ **31,918**	$ **(9,510)**	$ **3,977**

There were no derivative financial instruments which did not qualify for hedge accounting as at February 20, 2012.

Fair values of derivative financial instruments are based on forward market quotations and mark-to-market reports provided by financial institutions.

The contract or notional amounts of derivative contracts shown above do not represent the amounts exchanged by the parties and do not measure the Group’s exposure to credit risk or market risk.

16. CONTINGENT LIABILITIES

Guaranteed amounts pertaining to finance receivables provided by partner firms, such as financial institutions, as at March 31, 2013 amounted to ¥549 million ($5,836 thousand).

17. LOAN COMMITMENTS

The Group provides cash advance and card loan services that supplement its credit card operations. The unexercised portion of loan commitments in these businesses was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Total loan limits	¥ **5,855,998**	¥ 5,568,113	$ **62,304,476**
Loan executions	**292,533**	301,383	**3,112,379**
Unexercised portion of loan commitments	¥ **5,563,465**	¥ 5,266,730	$ **59,192,097**

Most of the contracts for the above loan commitments were for cash advance services supplementary to credit card services. The execution of the loan commitments requires positive credit assessment. Therefore, not all unexercised portions of loan commitments will necessarily be executed.

The domestic banking subsidiary has entered into overdraft facility and loan commitment contracts. These contracts are contracts under which the domestic banking subsidiary lends to customers up to the prescribed limits upon receipt of a customer application as long as there is no violation of any condition in the contracts. As at March 31, 2013, the amount of unutilized commitments were ¥28,353 million ($301,656 thousand). Of these, the amount of unutilized commitments whose remaining contract terms were one year or less (or which were unconditionally revocable at any time) were ¥19,075 million ($202,948 thousand).

Since many of these commitments expire without being drawn down, the unutilized amount does not necessarily affect future cash flows. Many of these contracts have conditions whereby the domestic banking subsidiary can refuse customer applications for loans or decrease the contract limits for certain reasons, such as changes in financial situation, protection of own credit, and other reasonable grounds. After the conclusion of the contracts, the domestic banking subsidiary performs periodic reviews of the customers’ business results based on internal rules and takes necessary measures to reconsider conditions in the contracts and protect own credit.

18. COMPREHENSIVE INCOME

Reclassification adjustments to profit or loss and tax effects of other comprehensive income for the year ended March 31, 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2013		**2013**	
Unrealized gain on available-for-sale securities:				
Gains arising during the year	¥	**3,093**	$	**32,903**
Reclassification adjustments to profit or loss		**(568)**		**(6,041)**
Amount before income tax effect		**2,525**		**26,862**
Income tax effect		**960**		**10,208**
Total	¥	**1,565**	$	**16,654**
Deferred gain (loss) on derivatives under hedge accounting:				
Gains arising during the year	¥	**(487)**	$	**(5,182)**
Reclassification adjustments to profit or loss		**159**		**1,690**
Amount before income tax effect		**(328)**		**(3,492)**
Income tax effect		**(78)**		**(829)**
Total	¥	**(250)**	$	**(2,663)**
Foreign currency translation adjustments:				
Gains arising during the year	¥	**10,499**	$	**111,707**
Amount before income tax effect		**10,499**		**111,707**
Income tax effect				
Total	¥	**10,499**	$	**111,707**
Total other comprehensive income	¥	**11,814**	$	**125,698**

The corresponding information for the year ended February 20, 2012 is not required to be disclosed under the accounting standard for presentation of comprehensive income as it is the first year of adopting the standard.

19. BUSINESS COMBINATION

Business combination through acquisition

As at September 12, 2012, the Company concluded the agreement of share exchange with AEON Bank, Ltd. (hereafter "AEON Bank") in which the Company became a wholly-owning parent company and AEON Bank became a wholly-owned subsidiary company (hereafter "Share Exchange"). The Company executed the Share Exchange on January 1, 2013, after obtaining approval at the extraordinary shareholders' meeting held on November 21, 2012.

(a) Overview of business combination

(i) Name and business of acquired company

Name AEON Bank, Ltd.

Business
・Banking business
・Insurance agency business

(ii) Major reason for business combination

The Company achieved an improvement in business performance by expanding its fee business, primarily in e-money and bank agency business, strengthening business development into 11 foreign countries and regions, and advancing the transformation of its business structure. However, the competition has further intensified with the entry of IT companies, cell phone companies, and other new market entrants, making it necessary to pursue a new growth strategy. Since establishment in 2007, AEON Bank has increased deposits, housing loans, and extended its branch /ATM network by taking advantage of AEON Card Select and making use of its ties with the Company and other AEON Group companies, realizing a profit in the fiscal year ended March 31, 2012. Despite these positive indicators, AEON Bank believes that it must work to further solidify its revenue base to promote continuous and stable growth and enhance its corporate value.

In order to provide more convenient financial services from the customers' perspective, the Company and AEON Bank consider that it has now become essential to build a one-of-a-kind comprehensive financial group through structural reform that fuses retail and financial services, with credit, banking, insurance, and e-money business at its core.

Based on this background, through the management integration, the Company and AEON Bank, as financial services companies with roots in the retail industry, are working to maximize customer satisfaction by providing "safe, secure, economical, and convenient" financial products and services through fusing customers' purchasing and financial asset information.

Additionally, through further development of human resources, the Group aim to put in place an organizational structure that can be more successful in the global markets.

(iii) Date of business combination

January 1, 2013

(iv) Legal form of business combination

Share Exchange was conducted with the Company as the wholly-owning parent company in the share exchange and AEON Bank as the wholly-owned subsidiary company in the share exchange.

(v) Name of company after business combination

No change

(vi) Percentage of voting rights acquired

100%

In addition, 200,000 shares of AEON Bank's Class B common stock owned by the Company at the time of Share Exchange were nonvoting stocks.

(vii) Major grounds for determination of acquiring company

As under the business combination where shares are issued as a purchase consideration, the Company was the issuer of the shares and shareholders of the Company before Share Exchange received the largest portion of the voting rights in the Company after Share Exchange.

(b) Period for which financial results of acquired company were consolidated

From January 1, 2013 through March 31, 2013

(c) Acquisition cost of acquired company and the breakdown

	Millions of Yen		Thousands of U.S. Dollars	
Consideration for acquisition:				
Market value of AEON Bank's shares owned by the Company prior to business combination	¥	8,248	$	87,749
Market value of the Company's common stocks granted at the date of business combination		74,228		789,748
Costs directly attributable to the acquisition:				
Advisory fees and others		584		6,218
Total acquisition cost	¥	83,060	$	883,715

(d) Allocation ratio for Share Exchange by types of shares, method of calculating the ratio and number of shares granted

(i) Allocation ratio for Share Exchange by types of shares

For each share of the Company's common stock, 23.7 shares of AEON Bank's stock (common stock, Class A common stock, and Class B common stock) were allocated and granted.

(Note) The 200,000 shares of AEON Bank's Class B common stock owned by the Company did not receive any share allocation under Share Exchange.

(ii) Method of calculating allocation ratio for Share Exchange

The Company and AEON Bank determined the allocation ratio for Share Exchange by discussing the calculation results provided by Nomura Securities Co., Ltd. and LA Consulting Inc., which were designated as third-party institutions for calculating the ratio by the Company and AEON Bank, respectively.

(iii) Number of shares granted

42,660,000 shares

In addition, the amount of the Company's additional paid-in capital increased by ¥74,228 million ($789,748 thousand) due to the issuance of the shares granted.

(e) Difference between acquisition cost of acquired company and total acquisition cost through transactions relating to the acquisition

	Millions of Yen		Thousands of U.S. Dollars	
Acquisition cost of acquired company	¥	83,060	$	883,715
Total acquisition cost through transactions relating to the acquisition		84,812		902,360
Difference	¥	1,752	$	18,645

(f) Amount, cause, amortization method, and amortization period of goodwill incurred

(i) Amount of goodwill incurred

¥27,770 million ($295,457 thousand)

(ii) Cause of goodwill incurred

Excess earnings power is expected to be produced by the development of business and the effect of synergies in the future.

(iii) Amortization method and amortization period of goodwill incurred

The goodwill is amortized using the straight-line method over 20 years.

(g) Amounts of assets acquired and liabilities assumed at the date of business combination and the breakdown

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,221,266	$ 12,993,580
Noncurrent assets	15,794	168,038
Total assets acquired	¥ 1,237,060	$ 13,161,618
Current liabilities	¥ 1,182,169	$ 12,577,601
Long-term liabilities	3,019	32,125
Total liabilities assumed	¥ 1,185,188	$ 12,609,726

(h) Estimated amount of effect on the Company's consolidated statement of income if business combination were to be completed at the beginning of the current fiscal year and method of determining the effect

	Millions of Yen	Thousands of U.S. Dollars
Operating revenues	¥ 34,834	$ 370,610

(Method of determining the effect)

The effect was determined by calculating the difference between operating revenues calculated if the business combination were to be completed at the beginning of the current fiscal year and operating revenues on the acquiring company's consolidated statement of income.

However, this note is not audited.

20. NET INCOME PER SHARE

Basic and diluted EPS for the years ended March 31, 2013 and February 20, 2012 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollar
	Net Income	Weighted-Average Shares	EPS	
For the year ended March 31, 2013:				
Basic EPS				
Net income	**¥ 13,616**			
Net income available to common shareholders	**¥ 13,616**	**154,520**	**¥ 88.12**	**$ 0.94**
Effect of dilutive securities				
—Warrants of the Company		**26**		
—Convertible bonds of the Company		**19,471**		
Diluted EPS				
—Net income for computation	**¥ 13,616**	**174,017**	**¥ 78.25**	**$ 0.83**
For the year ended February 20, 2012:				
Basic EPS				
Net income	¥ 8,988			
Net income available to common shareholders	¥ 8,988	156,853	¥ 57.30	
Effect of dilutive securities				
—Warrants of the Company		13		
Diluted EPS				
—Net income for computation	¥ 8,988	156,866	¥ 57.30	

21. RELATED PARTY TRANSACTIONS

Transactions with the parent company and its subsidiaries for the years ended March 31, 2013 and February 20, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
AEON Co., Ltd.(*) (the parent company)	**2013**	2012	**2013**
Cash deposits	**¥ 4,685**	¥ 1,616	**$ 49,845**
Interest income	**24**	8	**252**

	Millions of Yen		Thousands of U.S. Dollars
AEON Retail Co., Ltd. (subsidiary of the parent company)	**2013**	2012	**2013**
Accounts payable	**¥ 37,714**	¥ 8,393	**$ 401,259**
Credit card purchase contracts	**10,878**	9,641	**115,740**
Processing service fees	**5,892**	4,925	**62,691**

The terms of the above transactions were set on an arm's-length basis and in the normal course of business. The transaction stated as "cash deposits" above are deposits of temporary excess operating cash in hand. The transaction amounts of "interest income" represent the average outstanding balance for each fiscal year. There was no outstanding balance as at March 31, 2013 or February 20, 2012. The interest on deposits is based on a Japanese yen short-term market interest rate.

(*) AEON Co., Ltd. is listed on the Tokyo Stock Exchange, First Section.

Transactions with related parties for the year ended March 31, 2013 were as follows:

	Transaction amount		Balance at end	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Directors and executive officers of the Company and AEON Co., Ltd.	**2013**	**2013**	**2013**	**2013**
Housing loans (Loans and bills discounted in banking business)	**¥ 29**	**$ 309**	**¥ 115**	**$ 1,227**

The transaction stated as "housing loans" above are standard products provided by AEON Bank, Ltd., a consolidated subsidiary of the Company. Interest rate and condition of repayment are similar to those given to third-party customers.

22. SEGMENT INFORMATION

The ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," in June 2010 and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," in March 2008. Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(a) Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Group.

The Group conducts business activities composed of the "Credit" business dealing in credit card purchase contracts, loan contracts, and hire purchase contracts in the domestic markets, "Fee Business" providing services including e-money in the domestic markets, "Banking" business dealing in banking services in the domestic markets, and "Overseas" business dealing in credit extensions and lending in the foreign markets. The Group formulates comprehensive strategies for each business. Accordingly, the Group has four reportable segments, "Credit," "Fee Business," "Banking," and "Overseas."

"Credit" consists of financial services such as credit card contracts and loan contracts with domestic customers.

"Fee Business" consists of the e-money business, the bank agency business, and the ATM business in the domestic markets.

"Banking" consists of banking businesses, including lending and management of deposits from customers.

"Overseas" consists of financial services, including credit card contracts and loan contracts with customers in Asia such as in Hong Kong, Thailand, and Malaysia.

(b) Methods of measurement for the amounts of operating revenues, profit (loss), assets, and other items for each reportable segment

The method of accounting by reportable segment is consistent with the method of accounting used for the preparation of the consolidated financial statements. The reportable segment profit (loss) is measured based on operating income of the financial statements. The intersegment revenues or transfers are based on the current market prices.

(c) Information about operating revenues, profit (loss), assets, and other items for each reportable segment

Millions of Yen — 2013

	Credit	Fee Business	Banking	Overseas	Total	Reconciliations (*1)	Consolidated (*2)
	Reportable segment						
Operating revenues							
Operating revenues from customers	¥ 111,254	¥ 24,223	¥ 8,473	¥ 62,022	¥ 205,972		¥ 205,972
Intersegment revenues or transfers	475	2,703	1,066	13	4,257	¥ (4,257)	
Total operating revenues	111,729	26,926	9,539	62,035	210,229	(4,257)	205,972
Segment profit	¥ 20,636	¥ 1,804	¥ 1,269	¥ 13,489	¥ 37,198	¥ (4,118)	¥ 33,080
Segment assets	¥ 766,072	¥ 75,423	¥ 1,343,687	¥ 323,108	¥ 2,508,290	¥ 25,919	¥ 2,534,209
Other items							
Depreciation and amortization	¥ 2,949	¥ 3,464	¥ 273	¥ 3,217	¥ 9,903	¥ 47	¥ 9,950
Amortization of goodwill		319	226	12	557		557
Financial costs	5,684	371	735	7,868	14,658	(3)	14,655
Provision for possible credit losses	8,028	601	962	10,922	20,513		20,513
Provision for point program	8,061	17	618		8,696		8,696
Increases in tangible and intangible assets	¥ 5,493	¥ 5,632	¥ 1,251	¥ 2,273	¥ 14,649	¥ 130	¥ 14,779

Millions of Yen — 2012

	Credit	Fee Business	Overseas	Total	Reconciliations (*1)	Consolidated (*2)
	Reportable segment					
Operating revenues						
Operating revenues from customers	¥ 101,568	¥ 15,815	¥ 52,470	¥ 169,853		¥ 169,853
Intersegment revenues or transfers	386	1,185	20	1,591	¥ (1,591)	
Total operating revenues	101,954	17,000	52,490	171,444	(1,591)	169,853
Segment profit (loss)	¥ 16,451	¥ (114)	¥ 11,081	¥ 27,418	¥ (3,137)	¥ 24,281
Segment assets	¥ 577,401	¥ 68,472	¥ 224,608	¥ 870,481	¥ 37,178	¥ 907,659
Other items						
Depreciation and amortization	¥ 2,303	¥ 2,866	¥ 2,790	¥ 7,959	¥ 37	¥ 7,996
Financial costs	7,133	90	6,929	14,152	(3)	14,149
Provision for possible credit losses	12,795	150	10,448	23,393		23,393
Provision for point program	10,860			10,860		10,860
Increases in tangible and intangible assets	¥ 3,726	¥ 3,482	¥ 3,772	¥ 10,980	¥ 76	¥ 11,056

Thousands of U.S. Dollars — 2013

	Credit	Fee Business	Banking	Overseas	Total	Reconciliations (*1)	Consolidated (*2)
	Reportable segment						
Operating revenues							
Operating revenues from customers	$ 1,183,678	$ 257,724	$ 90,150	$ 659,881	$ 2,191,433		$ 2,191,433
Intersegment revenues or transfers	5,054	28,756	11,343	140	45,293	$ (45,293)	
Total operating revenues	1,188,732	286,480	101,493	660,021	2,236,726	(45,293)	2,191,433
Segment profit	$ 219,558	$ 19,197	$ 13,502	$ 143,513	$ 395,770	$ (43,813)	$ 351,957
Segment assets	$ 8,150,567	$ 802,462	$ 14,296,062	$ 3,437,689	$ 26,686,780	$ 275,757	$ 26,962,537
Other items							
Depreciation and amortization	$ 31,375	$ 36,859	$ 2,900	$ 34,225	$ 105,359	$ 501	$ 105,860
Amortization of goodwill		3,395	2,403	120	5,918		5,918
Financial costs	60,470	3,946	7,816	83,714	155,946	(27)	155,919
Provision for possible credit losses	85,415	6,390	10,234	116,207	218,246		218,246
Provision for point program	85,760	185	6,576		92,521		92,521
Increases in tangible and intangible assets	$ 58,444	$ 59,923	$ 13,303	$ 24,187	$ 155,857	$ 1,388	$ 157,245

(*1) ¥(4,118) million ($(43,813) thousand) of reconciliations to segment profit for the year ended March 31, 2013 and ¥(3,137) million of reconciliations to segment profit for the year ended February 20, 2012 represent the corporate expenses unallocated to any reportable segment. The corporate expenses are mainly comprised of general and administrative expenses unattributable to any reportable segment. In addition, ¥25,919 million ($275,757 thousand) of reconciliations to segment assets for the year ended March 31, 2013 and ¥37,178 million of reconciliations to segment assets for the year ended February 20, 2012 represent the corporate assets unallocated to any reportable segment and the eliminations of intersegment transactions.

(*2) Segment profit is reconciled with operating income on the consolidated statements of income for the fiscal year ended March 31, 2013 and February 20, 2012.

(d) Information about geographic areas

(i) Operating revenues

Millions of Yen — 2013

Japan	Thailand	Other	Total
¥ 144,285	¥ 33,952	¥ 27,735	¥ 205,972

Millions of Yen — 2012

Japan	Thailand	Other	Total
¥ 117,383	¥ 29,351	¥ 23,119	¥ 169,853

Thousands of U.S. Dollars — 2013

Japan	Thailand	Other	Total
$ 1,535,113	$ 361,230	$ 295,090	$ 2,191,433

(ⅱ) Property and equipment

Millions of Yen			
2013			
Japan	Thailand	Other	Total
¥ 12,829	¥ 5,979	¥ 1,253	¥ 20,061

Millions of Yen			
2012			
Japan	Thailand	Other	Total
¥ 7,998	¥ 4,916	¥ 940	¥ 13,854

Thousands of U.S. Dollars			
2013			
Japan	Thailand	Other	Total
$ 136,499	$ 63,615	$ 13,326	$ 213,440

(e) Information about goodwill and negative goodwill by reportable segment

	Millions of Yen				
	2013				
	Credit	Fee Business	Banking	Overseas	Total
Goodwill at March 31, 2013(*3)		¥ 11,830	¥ 16,943	¥ 112	¥ 28,885

	Millions of Yen			
	2012			
	Credit	Fee Business	Overseas	Total
Goodwill at February 20, 2012 (*1) (*2)		¥ 1,539	¥ 7	¥ 1,546

	Thousands of U.S. Dollars				
	2013				
	Credit	Fee Business	Banking	Overseas	Total
Goodwill at March 31, 2013(*3)		$ 125,860	$ 180,260	$ 1,197	$ 307,317

(*1) Amortization of goodwill is offset by amortization of negative goodwill recognized on or before March 31, 2010.
(*2) Disclosure of amortization of negative goodwill is omitted because the amount was insignificant. The balance of unamortized negative goodwill was nil at the year-end.
(*3) Disclosure of amortization of goodwill is omitted because the similar information to the amount is disclosed in "(c) Information about operating revenues, profit (loss), assets, and other items for each reportable segment."

23. SUBSEQUENT EVENTS

(a) Appropriations of Retained Earnings
The following appropriations of retained earnings as at March 31, 2013 were approved at the Company's Board of Directors' meeting held on May 28, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 ($0.27) per share	¥ 4,681	$ 49,805

(b) Transactions under common control
As at January 25, 2013, the Company concluded the absorption-type split agreements with AEON Bank, Ltd. (hereafter "AEON Bank") in which AEON Bank will take over rights and obligations related to the Company's credit card and other businesses (hereafter referred to as "Absorption-type Split (ⅰ)"), and with AEON Credit Service Co., Ltd. (hereafter "AEON Credit Service") in which AEON Credit Service will take over rights and obligations related to businesses other than those to be taken over by AEON Bank as a result of Absorption-type Split (ⅰ) (hereafter referred to as "Absorption-type Split (ⅱ)", and hereafter Absorption-type Split (ⅰ) and Absorption-type Split (ⅱ) are collectively referred to as "Absorption-type Split"). The Company executed the Absorption-type Split on April 1, 2013, after obtaining approval at the extraordinary shareholders' meeting held on February 28, 2013.

(ⅰ) Overview of business combination

(1) Name and contents of the business involved in the Absorption-type Split

The Absorption-type Split (ⅰ) The Company's rights and obligations related to the credit card and other businesses

The Absorption-type Split (ⅱ) The Company's rights and obligations related to businesses other than those to be taken over by AEON Bank

(excluding any rights and obligations under separate agreements between the parties)

(2) Legal form of business combination

The Absorption-type Split (ⅰ) An absorption-type split with the Company as the absorbed company and AEON Bank as the successor company.

The Absorption-type Split (ⅱ) An absorption-type split with the Company as the absorbed company and AEON Credit Service as the successor company.

(3) Name, amount of assets, liabilities, and total equity, and number of employees of the absorbed company and the successor companies involved in the Absorption-type Split (As at March 31, 2013)

	Absorbed company	Successor companies	
	AEON Financial Service Co., Ltd.(*1)	AEON Bank, Ltd.	AEON Credit Service Co., Ltd. (*2)
Assets	¥961,269 million	¥1,329,099 million	¥50 million
Liabilities	¥759,001 million	¥1,265,084 million	¥20 million
Total equity	¥202,268 million	¥64,015 million	¥30 million
Number of employees	1,274	836	

	Absorbed company	Successor companies	
	AEON Financial Service Co., Ltd. (*1)	AEON Bank, Ltd.	AEON Credit Service Co., Ltd. (*2)
Assets	$10,227,358 thousand	$14,140,853 thousand	$532 thousand
Liabilities	$8,075,338 thousand	$13,459,767 thousand	$218 thousand
Total equity	$2,152,020 thousand	$681,086 thousand	$314 thousand
Number of employees	1,274	836	

(*1) AEON Credit Service Co., Ltd. has changed its name to AEON Financial Service Co., Ltd. as at April 1, 2013.
(*2) New AEON Credit Service Co., Ltd. has changed its name to AEON Credit Service Co., Ltd. as at April 1, 2013.

(4) Date of business combination
April 1, 2013

(5) Name of company after business combination
No change

(6) Other information regarding business combination
See Note 19.

(ⅱ) Outline of accounting method to be applied

Because the Absorption-type Split (ⅰ) and the Absorption-type Split (ⅱ) are transactions between a wholly-owning parent company and its wholly-owned subsidiary company, these transactions will be accounted for as "transactions under common control" under "Accounting Standard for Business Combinations" (ASBJ statement No. 21 revised on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 revised on December 26, 2008).

(c) Business combination through acquisition of shares
The Company resolved at the meeting of its Board of Directors held on April 11, 2013 to acquire shares of Toshiba Finance Corporation (hereafter "Toshiba Finance") and as at the same date concluded the share assignment agreement with Toshiba Corporation and acquired the shares on May 16, 2013.

(ⅰ) Purposes of business combination

The Company became a bank holding company with financial services subsidiaries on April 1, 2013. In addition to providing various secure, convenient, and beneficial financial products and services to the customers, the Company aims to further expand its business operations, leveraging on the strengths of each subsidiary to achieve synergies and develop new businesses.

Toshiba Finance Corporation was established in 1959. Since then, it expanded its operations, building its business on installment sales and credit guarantees in connection with sales of Toshiba home electronics and other products, using its operating capabilities, credit review knowhow, and nationwide sales network.

Making Toshiba Finance a consolidated subsidiary will bring its sales capabilities and specialized employees to the Company. In addition, the Company will nurture the newly acquired company as a key component of earnings alongside credit cards, banking, insurance, and e-money businesses, by expanding installment sales and affiliated loans with a focus on home renovation, solar energy systems, and agricultural equipment sales by leveraging on AEON Group's sales network, AEON Credit Service's low-cost administration and processing capabilities, and AEON Bank's deposit-taking capabilities.

(ii) Overview of business combination

(1) Name, business contents, and size of the acquired company

① Name	Toshiba Finance Corporation
② Business contents	・Installment sales, credit guarantees, and hire purchases ・Guarantee business and loan purchases ・Collection and payment agency
③ Capital	¥3,910 million ($41,600 thousand)
(2) Legal form of business combination	Acquisition of shares
(3) Date of business combination	May 16, 2013
(4) Name of company after business combination	No change
(5) Percentage of voting rights acquired	100%
(6) Major grounds for determination of the acquiring company	As the Company acquired the shares for a cash consideration.

(7) Acquisition cost of acquired company and the breakdown

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition(*): Cash	¥ 5,753	$ 61,209
Advisory fees and other	89	950
Total acquisition cost	5,842	62,159

(*) Reflects price adjustments specified in the share assignment agreement.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AEON Financial Service Co., Ltd.:

We have audited the accompanying consolidated balance sheet of AEON Financial Service Co., Ltd. (the "Company") (formerly AEON Credit Service Co., Ltd.) and its subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the 13 month and 11 days period then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Financial Service Co., Ltd. (formerly AEON Credit Service Co., Ltd.) and its subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the 13 month and 11 days period then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 23 to the consolidated financial statements, as at January 25, 2013, the Company concluded the absorption-type split agreements with AEON Bank, Ltd. (hereafter "AEON Bank") in which AEON Bank will take over rights and obligations related to the Company's credit card and other businesses, and with AEON Credit Service Co., Ltd. (hereafter "AEON Credit Service") in which AEON Credit Service will take over rights and obligations related to businesses other than those to be taken over by AEON Bank as a result of the absorption-type split with AEON Bank. The Company executed the absorption-type split on April 1, 2013, after obtaining approval at the extraordinary shareholders' meeting held on February 28, 2013. Our opinion is not qualified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 21, 2013

Corporate Data (As of September 2013)

Company Name	AEON Financial Service Co., Ltd.
Head Office	Kanda Mitoshiro-cho 1, Chiyoda-ku, Tokyo 101-8445, Japan
Tel	+81-3-5281-2030
URL	http://www.aeonfinancial.co.jp/eng/
Established	June 20, 1981
Capital Stock	¥27,676.5 million
Number of Employees	1,274/9,230 (Consolidated) (As of March 2013)
Domestic Subsidiaries	AEON CREDIT SERVICE CO., LTD. AEON BANK, LTD. AEON INSURANCE SERVICE CO., LTD. AEON HOUSING LOAN SERVICE CO., LTD. ACS CREDIT MANAGEMENT CO., LTD. AEON S.S. Insurance CO., LTD. AEON Product Finance CO., LTD.
Overseas Subsidiaries	
Hong Kong	AEON Financial Service (Hong Kong) Co., Ltd. AEON CREDIT SERVICE (ASIA) CO., LTD. AEON INSURANCE BROKERS (HK) LIMITED
China	AEON INFORMATION SERVICE (SHENZHEN) CO., LTD. AEON MICRO FINANCE (SHENYANG) CO., LTD. AEON CREDIT GUARANTEE (CHINA) CO., LTD. AEON MICRO FINANCE (TIANJIN) CO., LTD. AEON MICRO FINANCE (SHENZHEN) CO., LTD.
Thailand	AEON THANA SINSAP (THAILAND) PLC. ACS CAPITAL CORPORATION LTD. ACS SERVICING (THAILAND) CO., LTD. AEON Insurance Service (Thailand) Co., Ltd.
Malaysia	AEON CREDIT SERVICE (M) BERHAD
Taiwan	AEON CREDIT SERVICE (TAIWAN) CO., LTD. AEON CREDIT CARD (TAIWAN) CO., LTD.
Indonesia	PT. AEON CREDIT SERVICE INDONESIA
Vietnam	ACS TRADING VIETNAM CO., LTD.
Philippines	AEON CREDIT SERVICE SYSTEMS (PHILIPPINES) INC. AEON CREDIT SERVICE (PHILIPPINES) INC.
Cambodia	AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED
India	AEON CREDIT SERVICE INDIA PRIVATE LIMITED
Myanmar	AEON MICROFINANCE (MYANMAR) CO., LTD.

Shareholder Information (As of September 2013)

Closing Date	March 31
Stock Exchange Listing	Tokyo Stock Exchange, First Section (Securities Code: 8570)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.
Shares Issued	204,583,554 shares (as of September 30, 2013)
Shareholders' Meeting	Held in June of each year
Independent Auditors	Deloitte Touche Tohmatsu LLC

Board of Directors and Auditors (As of September 2013)

Directors

President & CEO	Kazuhide Kamitani
Directors, Senior Managing Executive Officers	Takashi Kiyonaga Hideki Wakabayashi Hiroyuki Watanabe Yutaka Yuge Masao Mizuno Takamitsu Moriyama

Auditors

Standing Corporate Auditor	Yotoku Hiramatsu
Corporate Auditors	Koshi Yamaura Motonari Ohtsuru Kazumasa Hamada * All corporate auditors are external auditors

Planting Seeds of Growth
We are ÆON

ÆON Financial Service Co., Ltd.   Annual Report 2013

AEON Financial Service

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