



We aim to be the most trusted financial services company in Asia: Sound, Reliable, and Convenient. And we have established the necessary frameworks to achieve this.

Kazuhide Kamitani
President and CEO

Business Performance in Fiscal Year 2012

In addition to personal consumption in Japan reaching a firm bottom in the current consolidated accounting period, equity markets have rallied and the economy has gradually recovered. Nevertheless, the unclear future economic situation has continued as a result of the lackluster economies in Europe, China, and emerging markets. The management environment in the finance industry also remains severe, with factors including progression in the information technology revolution such as the Internet and smartphones and increasing competition resulting from new entrance into the market from players in other industries.

In this management environment, we have taken actions to promote subscription of new members in our credit businesses and in joint sales planning with our alliance partners. As a result, our active members on a consolidated basis increased by 2.09 million to 31.85 million and we handled a total card shopping volume of JPY3.561594 trillion (a yoy increase of 24.7%).

Our fee businesses include e-money business, bank agency business, and other businesses through our subsidiaries in Japan. In our e-money business, we developed our network of WAON member outlets and promoted the issuance of WAON-linked cards, resulting in strong increases in both the number of locations in which WAON can be used and the total settlement volume. In our

bank agency business, we continued to expand our business promotion network through actions such as establishing AEON Bank, Ltd. branches and increasing ATM facility numbers. At our subsidiaries in Japan, we worked on expansion of commissioning in claim management and collection businesses, strengthening of our insurance agency business by establishing insurance shop outlets, and developing new private-brand insurance products.

In our overseas businesses, we expanded our scope of business with a focus on listed companies in Hong Kong, Thailand, and Malaysia. At the same time, we established Aeon Financial Service (Hong Kong) Co., Ltd. in Hong Kong for the purpose of accelerating business development in Chinese markets. In Thailand, we made each local subsidiary involved in developing insurance agency business and servicer business a subsidiary of AEON THANA SINSAP (THAILAND) PLC. as a step toward improving efficiency in business operations. Further, we commenced installment payment businesses in Tianjin (China), Mumbai (India), and Manila (the Philippines).

We are using the capital raised through issuance of convertible bonds with stock acquisition rights on March 23, 2012 to repurchase shares and as investment and financing capital to develop into new countries and further accelerate growth in Asian businesses.

As a result of the above, consolidated

operating income increased by 21.3% yoy to JPY205.972 billion, operating profit increased by 36.2% yoy to JPY33.080 billion, ordinary profit increased by 37.5% to JPY33.367 billion, and net income increased by 51.5% yoy to JPY13.616 billion.

Objectives of the New Structure

On April 1, 2013, we changed our trading name to AEON Financial Service Co., Ltd. and became a bank holding company, holding each of the finance industry companies within the group. The decision to merge with AEON Bank, Ltd. was finalized on September 12, 2012 and AEON Bank, Ltd. became a wholly-owned subsidiary on January 1, 2013. Further, we conducted a share split that succeeded all rights and obligations related to our credit card businesses to AEON Bank, Ltd. on April 1, 2013. We then proceeded to conduct a share split that succeeded all rights and obligations related to other businesses to the newly established AEON CREDIT SERVICE CO., LTD.

A resolution approving the acquisition of all shares of Toshiba Finance Co., Ltd. (currently AEON Product Finance) was passed at our Board of Directors' meeting on April 11, 2013, and we acquired all of the issued and outstanding shares of the company on May 16, 2013, making it a wholly-owned subsidiary. In doing so, we have established the foundations for expansion in product-specific installment services and partner loans in growth fields such as home renovations and solar power generation systems. Going forward, we will develop this business as the next core source of profit to our credit card, banking, insurance, and e-money businesses.

Under this new structure, our group has emerged as an integrated financial group without rival in the way we combine retail and financial businesses. We will provide sound, reliable, and convenient financial products and services to our customers and aim to maximize customer satisfaction. At the same time, we will generate group synergy through the strengths of each company including highly efficient administrative processing and funding functions to develop new businesses such as product-specific installment services as well as accelerating our development into new regions.

As a bank holding company, we will take ongoing actions in formulation of growth strategies, development of global and specialist human

resources, and strengthening of our business promotion abilities. We will also continue to work toward strengthening compliance and corporate governance and aim to build robust group management structures.

Medium-term Vision

Our medium-term vision is to be the financial services company most trusted by customers throughout Asia and to provide sound, reliable, and convenient financial products and services.

We have raised the following four key topics under our new structure in order to realize our medium-term vision, improve corporate value, and achieve sustainable growth.

1. Improving convenience in financing businesses

We have centralized group financing businesses within AEON Bank and we will take advantage of AEON Bank funding functions to aim for improved efficiency. We have also introduced credit standards based on household income and financial asset information, and we will take actions to realize even more stable financing at lower interest rates than we have to date.

2. Strengthening marketing ability

In addition to data analysis based on Aeon Card application information and shopping information, we will also use AEON Bank information to enable effective database marketing. By doing this, we will realize proposal marketing that responds to our customers' life events.

3. Expanding overseas businesses

We will operate our businesses under an even tighter management structure from the perspectives of management soundness and depositor protection in association with our change to a bank holding company. We will use this creditworthiness as a bank holding company to accelerate our business development in emerging markets in Asia.

4. Strengthening business promotion ability and improving productivity

We will use our move to a bank holding company structure as an opportunity to centralize areas of duplication and increase administrative efficiency. Together with this, we will redeploy personnel into business promotion divisions and aim to further strengthen our business promotion ability and improve productivity. Further, we will take actions to strengthen the customer service abilities and operational efficiency that we have built up to date and also enhance our compliance and corporate governance structures.