

Results for the Interim Period Ended  
August 20, 2006



AEON CREDIT SERVICE CO., LTD.

Consolidated Operating Data for the Interim Period Ended  
August 20, 2006

(Billions of yen)	Actual Results	Year-on-Year (YOY) Increase (%)	Difference between Forecast and Actual Results
Transaction volume	¥1,214.3	18%	¥54.3
Operating revenue	83.6	23	7.2
Revenue from credit card shopping	19.0	31	-
Revenue from cash advances	49.3	20	-
Operating income	18.8	14	0.3
Ordinary income	18.8	14	0.3
Net income	9.7	14	0.1
Net income per share (yen)	62.00	[7.40]	-

Number of Cardholders by Country

(Thousands)	Cardholders	Net Increase from Feb. 2006
Japan	14,080	380
Thailand	1,450	50
Hong Kong	910	40
Taiwan	110	10
Malaysia	60	30
Total	16,610	510

Ordinary Income

(Billions of yen)	Ordinary Income	Net Increase (%)
Japan	¥15.1	12%
Thailand	2.1	13
Hong Kong	2.0	36
Malaysia	0.32	49
NCS Kosan*	0.34	7
ACS Credit Management*	0.19	13

\* Amounts for subsidiaries are values before consolidated eliminations.

Note: A 3-for-1 stock split, implemented on February 21, 2006, has been retroactively factored into net income per share as at August 20, 2005, to determine the YOY increase for net income per share [shown in brackets].

Consolidated Financial Data

(Billions of yen)	At February 20, 2006	At August 20, 2006	Increase/Decrease over Interim Period
Total assets (including securitized receivables)	¥689.3 (¥766.6)	¥777.7 (¥855.5)	+¥88.3 (+¥88.8)
Installment sales receivables (including securitized receivables)	197.0 (258.0)	225.4 (289.6)	+28.3 (+31.6)
Operating loans receivables (including securitized receivables)	439.3 (459.7)	482.1 (500.1)	+42.8 (+40.3)
Net assets	138.6	160.2	+21.5
Shareholders' equity ratio (%)	20.1%	18.7%	-1.4 percentage points
Net assets per share (yen)	[¥883.44] 2,650.32	[¥927.26] 2,781.78	[+¥43.82] +131.46

Note: A 3-for-1 stock split, implemented on February 21, 2006, has been factored in to determine the amounts for net assets per share [shown in brackets].

Consolidated Cash Flows

(Billions of yen)	Interim Period Ended August 20, 2005	Interim Period Ended August 20, 2006
Cash and cash equivalents, start of interim period	¥16.6	¥16.4
Income before income taxes and minority interests	15.8	18.2
Increase in finance receivables	(69.9)	(84.5)
Other cash flows from operating activities	15.5	27.8
Net cash used in operating activities	(38.6)	(38.5)
Net cash used in investing activities	(3.9)	(5.6)
Net cash provided by financing activities	43.8	47.4
Cash and cash equivalents, end of interim period	17.9	23.4
Net increase in cash and cash equivalents	1.2	6.9

## Non-Consolidated Operating Data

(Billions of yen)	Actual Results	YOY Increase (%)	Difference between Forecast and Actual Results
Transaction volume	¥1,071.3	16%	¥41.3
Operating revenue	61.4	18	2.8
Revenue from credit card shopping	16.0	26	-
Revenue from cash advances	41.9	17	-
Operating income	14.4	11	0.01
Ordinary income	15.1	12	0.1
Net income	9.0	16	0.3
Net income per share (yen)	57.73	[7.98]	-

### Breakdown of Transaction Volume

(Billions of yen)	Actual Results	YOY Increase (%)
Shopping	¥720.0	20%
Cash advances	268.4	19

### Number of Cardholders

(Thousands)	Cardholders	Net Increase (Start of Interim Period)
Total cardholders	14,080	380
Active cardholders	7,970	310

	Actual Number	Net Increase (Start of Interim Period)
ETC cardholders	820	220
Gold cardholders	380	50

### Card-Use Amount per Active Cardholder

	Actual Results	YOY Increase
Shopping	¥177,000	¥19,000
Cash advances	64,000	5,000
Card total	¥241,000	¥24,000

Note: A 3-for-1 stock split, implemented on February 21, 2006, has been retroactively factored into net income per share as at August 20, 2005, to determine the YOY increase for net income per share [shown in brackets].

## Non-Consolidated Financial Data

(Billions of yen)	At February 20, 2006	At August 20, 2006	Increase/Decrease over Interim Period
Total assets (including securitized receivables)	¥544.2 (¥600.2)	¥614.2 (¥674.2)	¥69.9 (+¥73.9)
Installment sales receivables (including securitized receivables)	148.8 (198.8)	173.7 (228.0)	24.9 (+29.2)
Operating loans receivables (including securitized receivables)	349.9 (359.9)	381.7 (391.7)	31.8 (+31.8)
Net assets	123.5	129.7	+6.1
Shareholders' equity ratio (%)	22.7	21.1	-1.6 percentage points
Net assets per share (yen)	[786.94]	[826.81]	[+39.87]
	2,360.82	2,480.43	+119.61

Note: A 3-for-1 stock split, implemented on February 21, 2006, has been factored in to determine the amounts for net assets per share [shown in brackets].

## Dividends

	Fiscal Year Ended February 20, 2006	Fiscal Year Ending February 20, 2007 (Forecast)	
		Dividend	YOY Increase (¥)
Interim dividend (¥)	¥35	¥15 [¥45]	- [¥10]
Year-end dividend (¥)	55	20 [60]	- [5]
Annual dividend (¥)	90	35 [105]	- [15]
Payout ratio (%)	24.8%	26.2%	

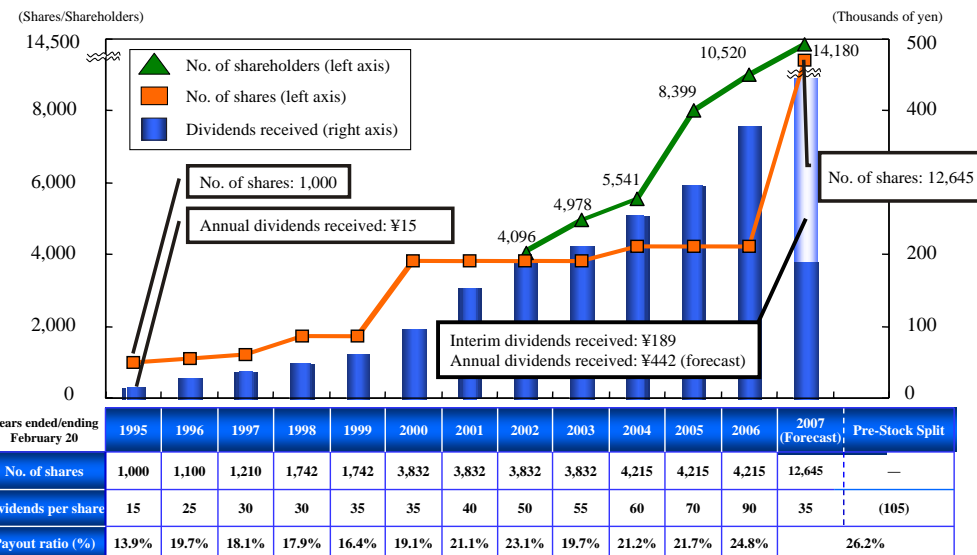
If the effect of the stock split is disregarded, the interim dividend for the year ending February 20, 2007, would be ¥10 higher year-on-year.

Note: Figures in brackets indicate what the dividend per share would be without the 3-for-1 stock split.

## Stock Splits and Dividends Received

On February 21, 2006, a 3-for-1 stock split was implemented and the number of shareholders increased.

The graph below illustrates changes in the number of shares owned and the value of dividends received by a shareholder with an initial holding of 1,000 shares on February 20, 1995.



## Total Cardholders on Worldwide Basis (Consolidated)

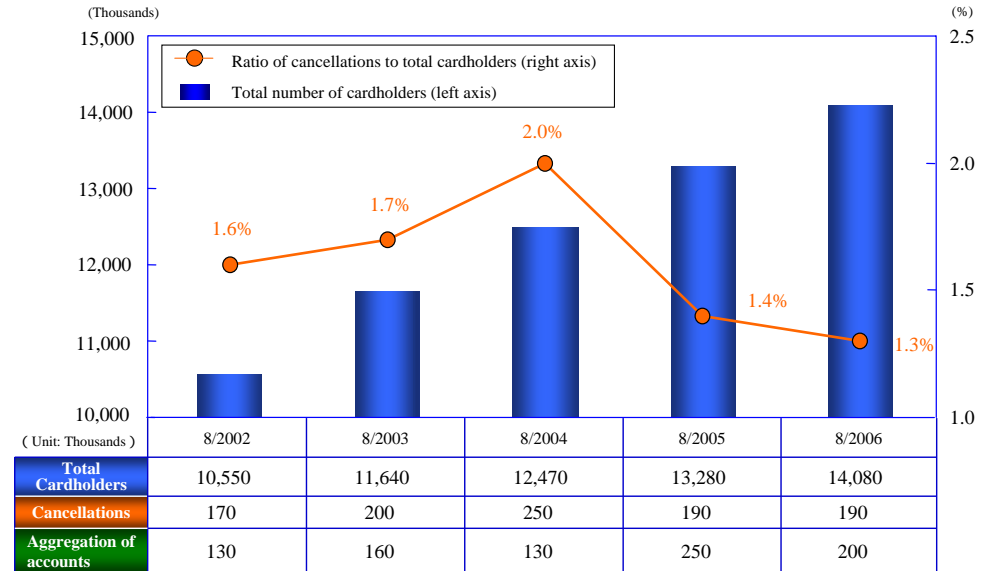
	Number of Cardholders	Net Increase
Japan	14,080,000	380,000
Thailand	1,450,000	50,000
Hong Kong	910,000	40,000
Taiwan	110,000	10,000
Malaysia	60,000	30,000
<b>Total</b>	<b>16,610,000</b>	<b>510,000</b>

## Number of Cardholders and Cancellations

We attracted 770,000 new cardholders.

We achieved a net increase in cardholders of 380,000 from February 20, 2006, and 800,000 from August 20, 2005.

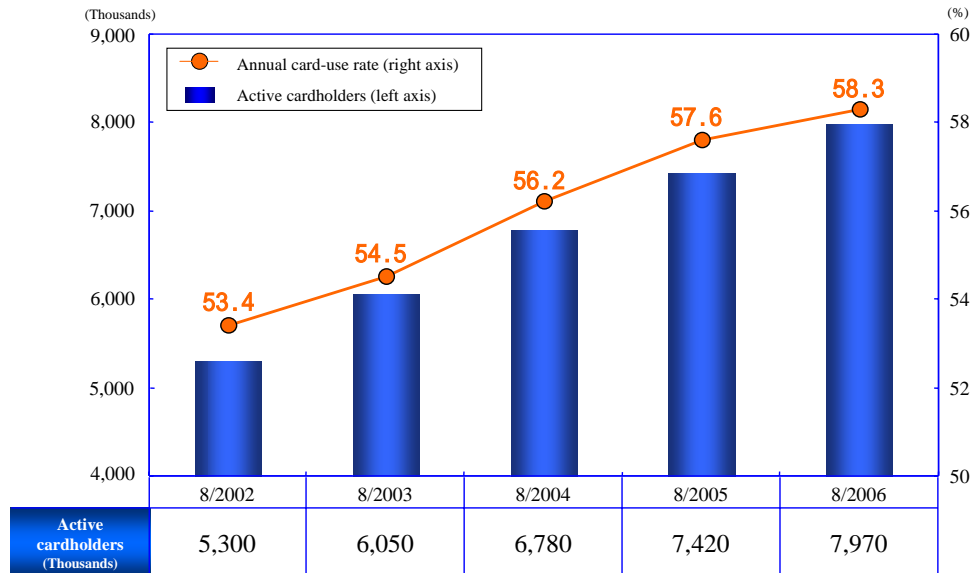
The cancellation rate continued to fall.



## Number of Cardholders and Active Cardholders

We achieved a net increase in active cardholders of 310,000 from February 20, 2006, and 550,000 from August 20, 2005.

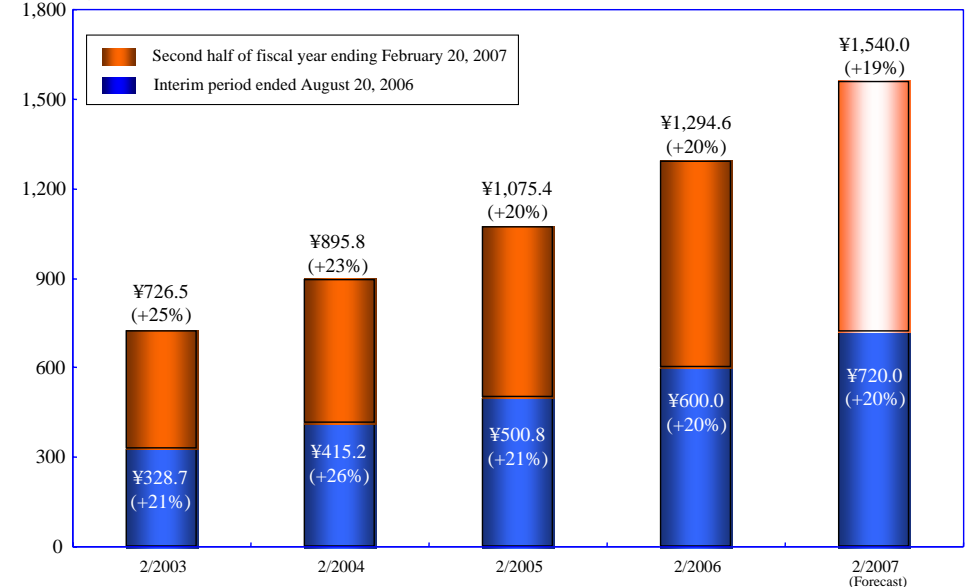
Annual card-use rate edged up 0.7%.



## Credit Card Shopping Transaction Volume

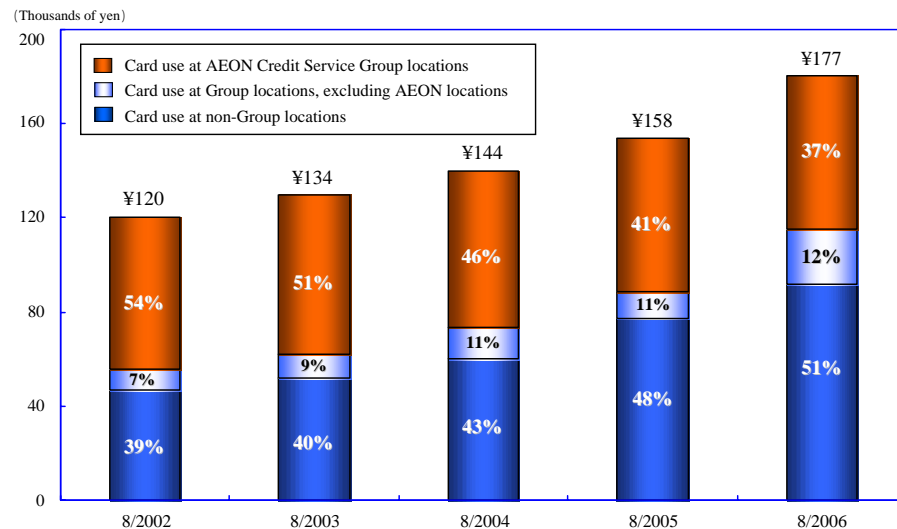
Credit card shopping transaction volume has grown by more than 20% for five consecutive years.

(Billions of yen)



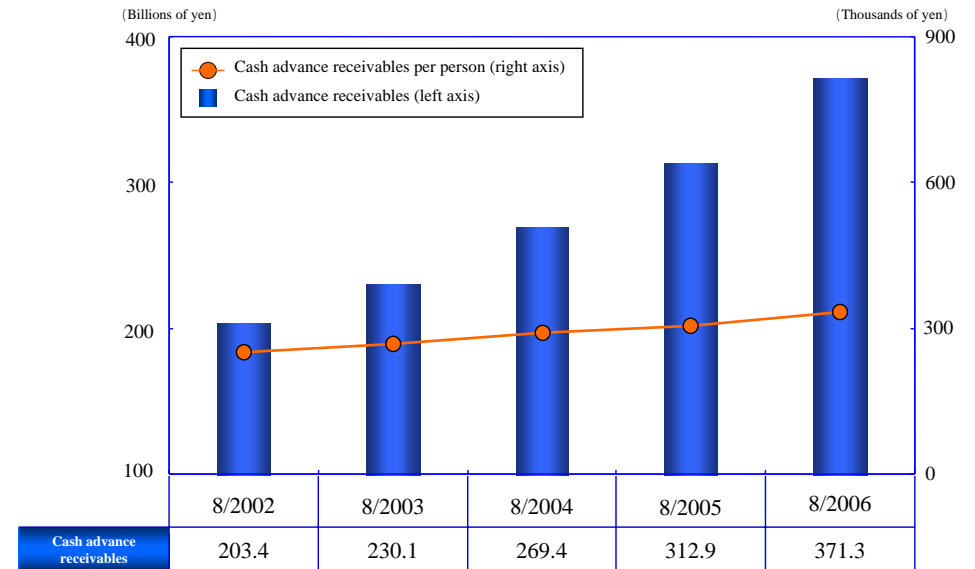
## Credit Card Shopping per Active Cardholder

Greater use as main credit card boosted ratio of use at locations outside the AEON Credit Service Group. Credit card shopping per active cardholder grew by ¥19,000.



## Cash Advance Receivables

Cash advance receivables have grown at a steady pace, paralleling a rise in the number of cardholders.



Note: The balance of cash advances includes securitized receivables.

## Allowance for Possible Credit Losses

### Allowance for Possible Credit Losses

(Billions of yen)	At February 2006	At August 2006
Balance, start of period	¥16.2	¥22.6
Provision for allowance for possible credit losses	19.9	15.5
Write-off of credit losses	13.5	7.9
Balance, end of period	22.6	30.1
Percentage of total finance receivables	4.05%	4.87%
Actual write-off costs	33.4	23.4

### Allowance Breakdown

(Billions of yen)	At August 2006
Personal bankruptcies	Already completely written off
Loans over three months in arrears and unpaid loans negotiated by lawyers	¥21.7
General allowance for possible credit losses	8.4
Total	¥30.1

## Allowance for Loss on Interest Payments

### Allowance for Loss on Interest Payments

(Millions of yen)	8/2005	2/2006	8/2006
Balance, start of period	–	–	¥220
Provision for possible repayments of excess interest charged	–	460	410
Repayments of excess interest charged	90	240	250
Balance, end of period	–	220	380

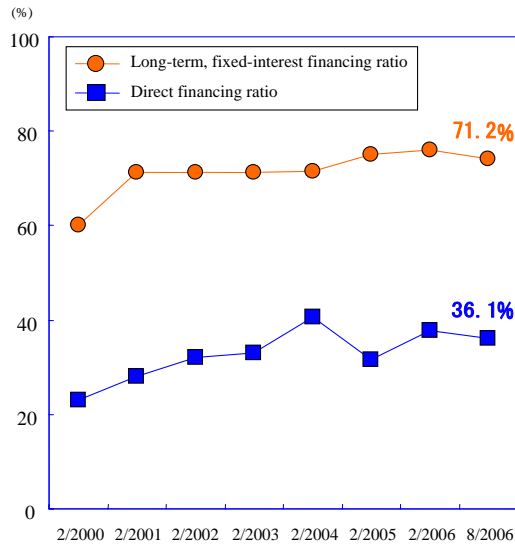
### Payments Following Negotiations on Repayment of Excess Interest Charged

(Millions of yen)	8/2005	2/2006	8/2006
Payments	¥560	¥1,220	¥790
YOY increase (%)	28.4%	30.2%	40.4%

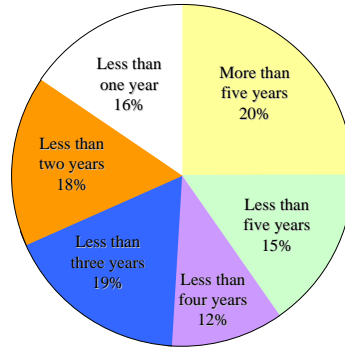
## Fund Procurement

Long-term, fixed-interest financing ratio continued to exceed 70%.

The average duration of long-term, fixed-interest financing was three years and two months.



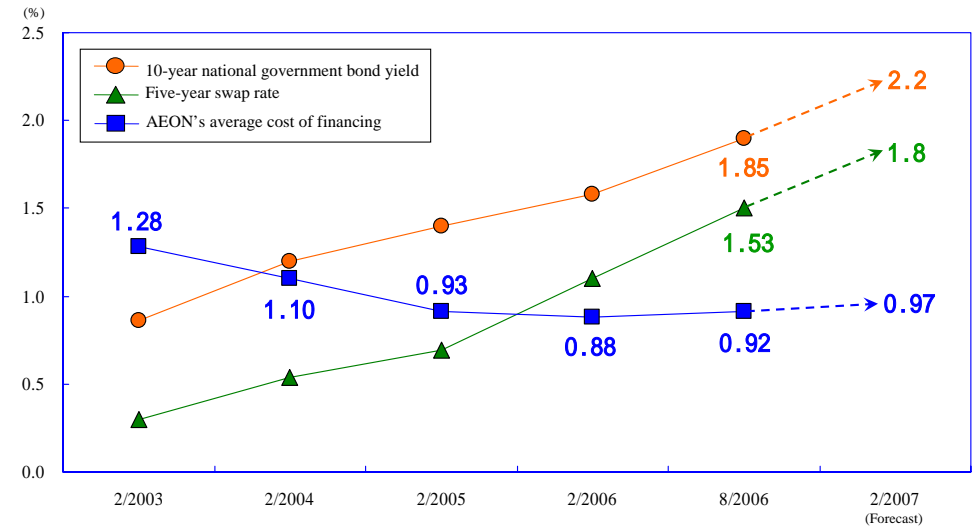
### Composition of Long-Term, Fixed-Interest Financing Durations



## Fund Procurement

AEON's average cost of financing was steady at 0.92%.

Even if interest rates should rise, AEON's average cost of financing is not expected to exceed 0.97%.



Note: Market rates used in the graph above are those that prevailed on the 20th of the designated month in the designated year.

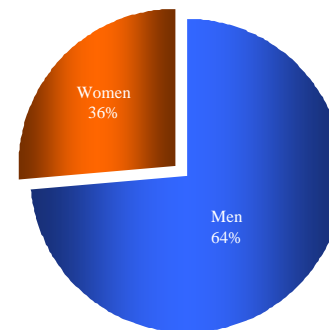
## Key Tasks for the Second Half of the Fiscal Year Ending February 20, 2007

## Promoting Cosmo the Card Opus

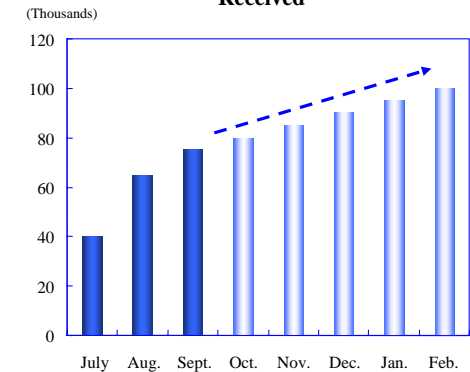
The first cards were issued in July 2006. By the end of September 2006, applications for cards had reached nearly 180,000.

Interest from men has been particularly favorable, with the average monthly card-use rate hovering at 80%, about triple the rate for regular credit cards.

### Cardholder Composition by Gender

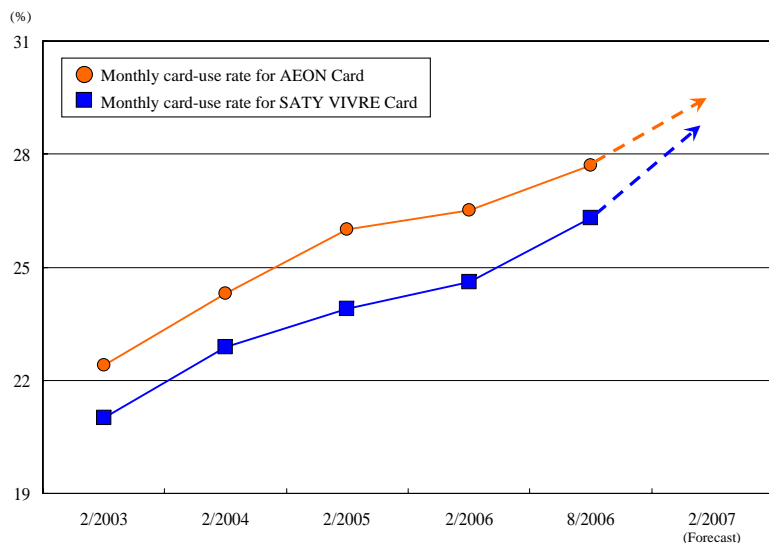


### Targets for Monthly Applications Received



## Strengthening SATY VIVRE

Enhance card privileges to boost monthly card-use rate.  
Recommence new Mycal store launch program to expand operating network.



## New Co-Branded Cards

We plan to issue co-branded cards through ties with three more companies.

**Kitamura Co., Ltd.**



Maintains 760-store national chain specializing in cameras.

**Shimamura Music Co., Ltd.**



Operates 105-store national chain selling musical instruments.

**Trading Company-Affiliated Petroleum Company**



Issue co-branded cards with another petroleum company, following success with Cosmo Oil Co., Ltd.

## Expanding the Settlement Domain

We will strengthen alliances with companies providing key infrastructure services.

Transportation	Communications	Public Funds, Utility Payments
<p>Cosmo Oil Co., Ltd.</p> <p>East Japan Railway Company</p> <p>Hanshin Expressway Public Corporation</p>	<p>NTT DoCoMo, Inc.</p> <p>Japan Post</p> <p>Softbank Telecom Corp.</p>	<p>Market Scale</p> <ul style="list-style-type: none"> <li>• Vehicle taxes ¥1.8 trillion</li> <li>• Property taxes ¥9.0 trillion</li> <li>• Residential taxes ¥8.0 trillion</li> <li>• Water bills ¥4.3 trillion</li> </ul> <ul style="list-style-type: none"> <li>• Hospital clinic fees ¥3.5 trillion</li> <li>• Pension and national insurance contributions ¥1.9 trillion</li> </ul> <p>Total: ¥28.5 trillion</p>

## Alliance with Japan Post

We entered an all-encompassing alliance with Japan Post in an effort to boost customer satisfaction.  
We established an AEON Service Desk at the Shinjuku Post Office.  
• Our goal is to expand dual postal savings cards, on-the-spot issuing and sales of insurance products.



AEON Service Desk open at Shinjuku Post Office

## Enhance Point Program

We plan to broaden the scope of affiliated companies for the Tokimeki Point Program to boost card-use rate and expand transaction volume.

We will progress from test introductions within the Group to a points system to include alliance and co-branded cards.



Warner Mycal



Cosmo Oil



Sports Authority



Cocos



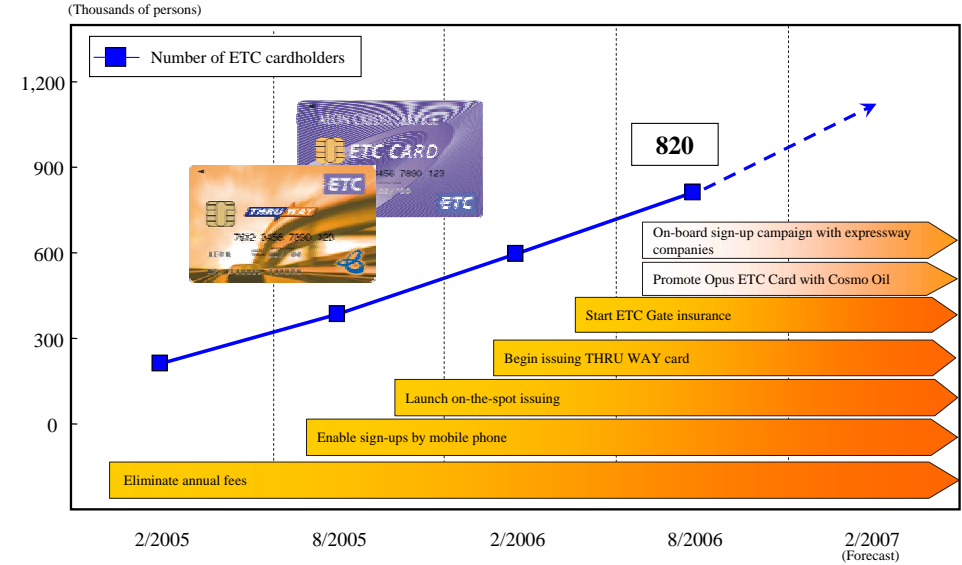
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## Increase Number of ETC Cardholders

We will seek a net increase of 220,000 electronic toll card (ETC) sign-ups to bring the total number of cardholders to 820,000.



## Boost Number of Gold Card Cardholders

We plan to increase 50,000 sign-ups from the previous fiscal year, to 380,000.

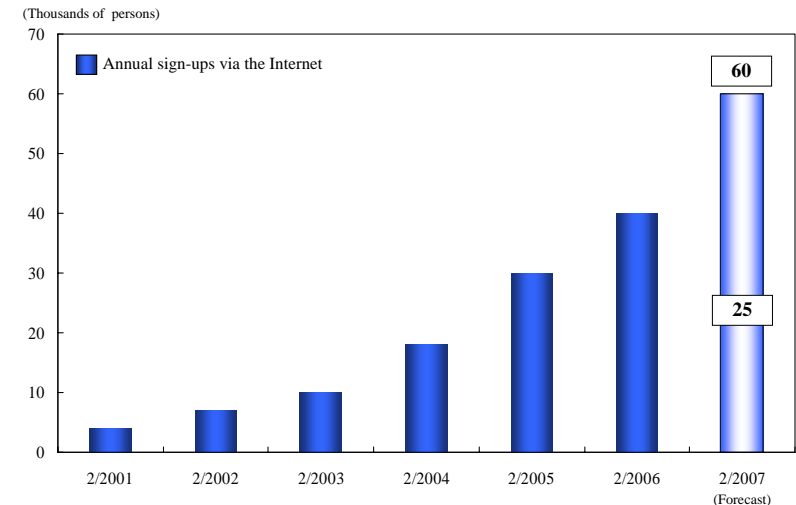
We were the first in the credit card industry to offer a no-fee gold card, and will continue to enhance our services with such features as insurance automatically included in the contract.

	AEON	Company S	Company J	Company M
Annual fee	None	¥10,500	¥10,500	¥10,500
(Family member)	None	¥1,050	One person, no fee; two or more persons, ¥1,050	One person, no fee; two or more persons, ¥1,050
Requirements	Card-use amount over a certain level	At least 18 years old Stable income Social credibility	At least 20 years old Continuously stable income	At least 30 years old Stable income Social credibility
Supplementary services	Insurance	Maximum of ¥30 million	Maximum of ¥50 million	Maximum of ¥50 million
	Discount privileges	A 5% discount on purchases at any company in the AEON Group on the 20th and 30th of every month	A 5% discount at Seibu Department Store and Loft locations	Not offered
	Other	Access to AEON Lounge facilities at 66 locations nationwide	¥200 discount at Idemitsu Museum of Arts	Point compensation rate increases if annual use exceeds ¥3 million

## Sign-Ups via the Internet and Mobile Phone

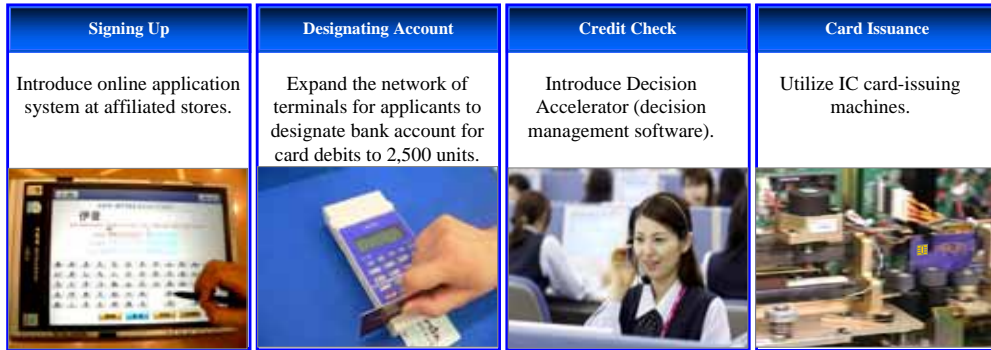
Offer limited-time privileges, such as Tokimeki Coins, for online sign-up.

Encourage sign-ups for Osafu keitai iD (ID for mobile phones with wallet function), AEON Suica Card and Cosmo Card to cultivate demand, particularly among young people and men of all ages.



## Revamping Card-Issuing Process

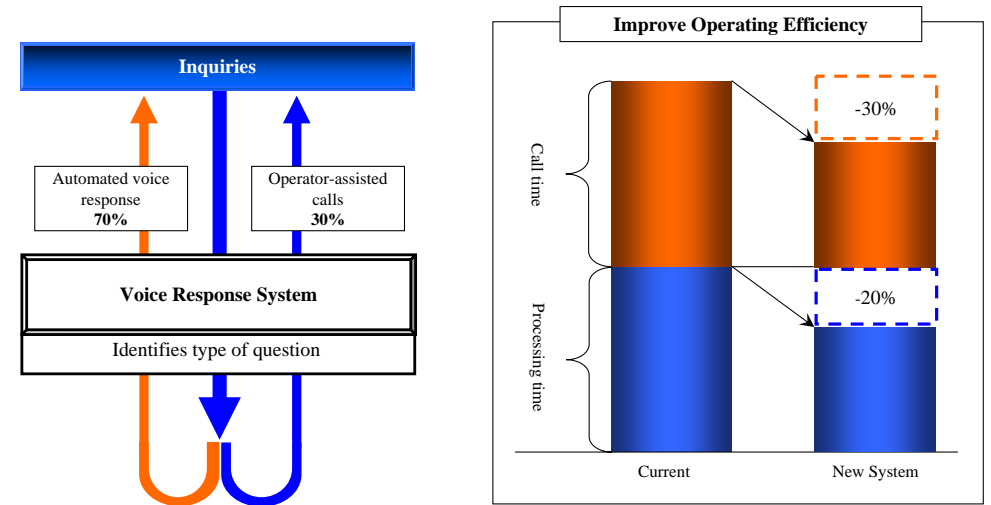
Cut costs by reducing charges on mail distribution of application forms and trimming account shortfalls.  
Make greater use of automated credit checks and improve credit check accuracy.  
Enhance measures to safeguard personal information and deal appropriately with the growing volume of such information.



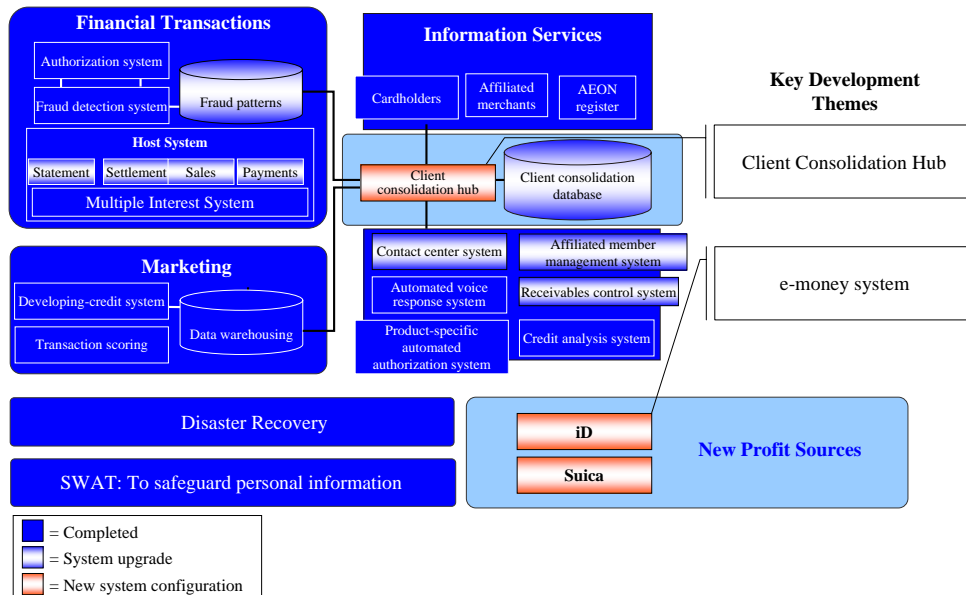
**Issue all cards within one week of application.**

## Industry's First Voice Response System

Expand contact center seating to 500, for Tokyo, Osaka, the Chubu region—centered on Nagoya—and northern Japan.



## System Improvements

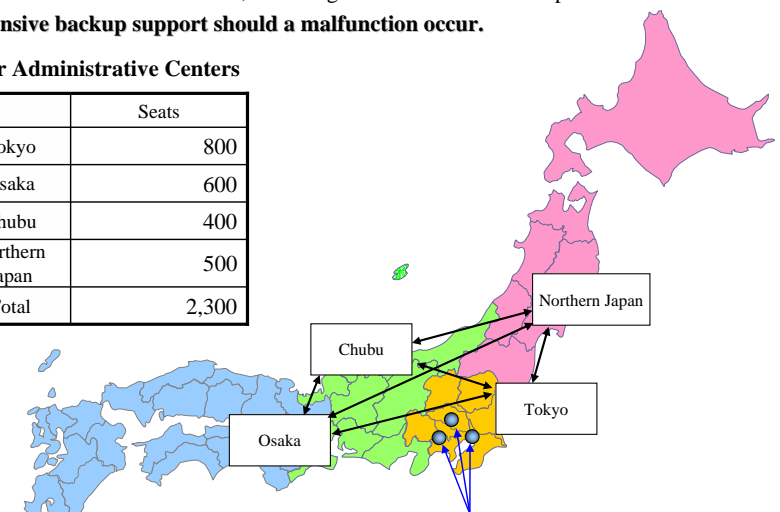


## Reinforce Disaster Recovery System

Establish the industry's first three-point platform system network.  
Expand the network to four locations, including a center for northern Japan.  
**Comprehensive backup support should a malfunction occur.**

### Four Administrative Centers

	Seats
Tokyo	800
Osaka	600
Chubu	400
Northern Japan	500
<b>Total</b>	<b>2,300</b>



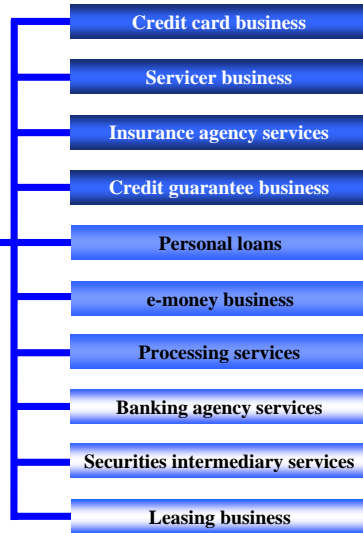
Three centers with platform systems



## Establish New Profit Sources



14.08 million cardholders



## Personal Loans

Began issuing AEON Value Card VIP.

Respond to the sudden need for funds prompted by such important occasions as marriage, the birth of a child or school entrance.

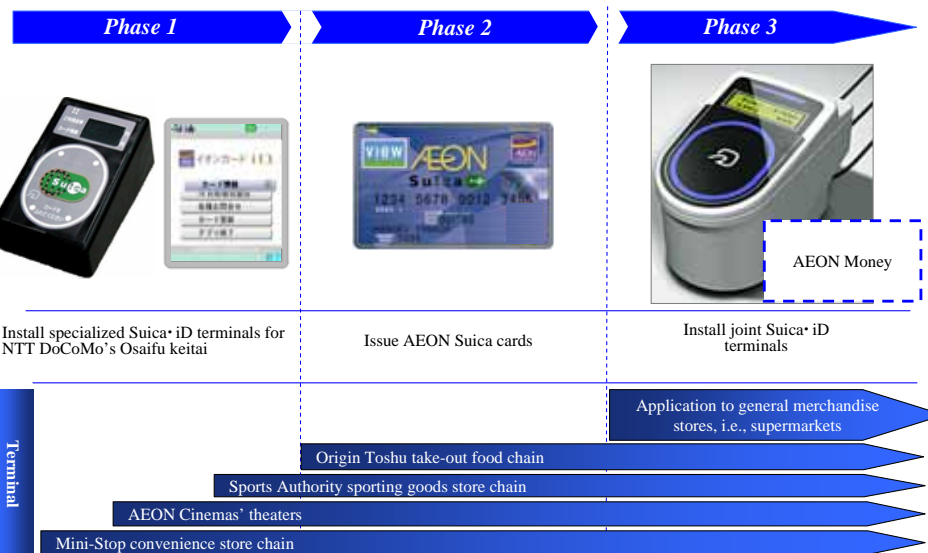
Conduct prudent credit checks using documents, such as payroll slips, to confirm income.

	Interest Rates	Credit Limit	Repayment Period
	→ 19.8%*	¥500,000	1 month–2 years
	14.8%	¥1 million	3–4 years
	9.8%	¥2 million	4–5 years

Note: Incremental approach, based on revised Money Lending Business Law.

## e-money Business

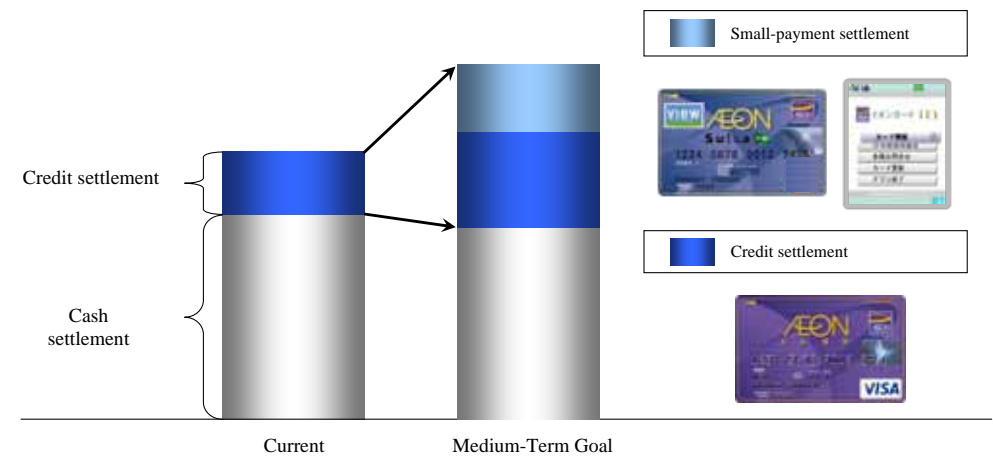
Begin e-money Suica acquiring and charging services in October 2006.



## e-money Business

Cultivate new profit sources through promotion of e-money business (revenues for acquiring and charging services).

Boost card-carrying and card-use rates by introducing a wider variety of settlement methods.



## Interim Period Business Highlights

Higher revenues and income despite sluggish conditions in the insurance industry.

- Encouraged policy sign-up online via mobile phone.
- Reinforced insurance sales through telemarketing.

	Results (Millions of yen)	YOY Increase (%)
Operating revenue	¥550	4%
Ordinary income	340	7



Opened mobile site for insurance sales.

## Principal Tasks in the Fiscal Year Ending February 20, 2007

- Promote insurance sales through joint efforts with Group members.
- Expand AEON's comprehensive insurance for children.

	Targets (Millions of yen)	YOY Increase (%)
Operating revenue	¥1,220	14%
Ordinary income	700	13



Advertise in Jusco flyers.

## Interim Period Business Highlights

- Collected payments on behalf of eight more companies, including Kansai Electric Power Co., Ltd.
- Entrusted to collect pension and national insurance contributions in six more areas, bringing total to nine areas.
- Expanded Osaka Contact Center.

	Results (Millions of yen)	YOY Increase (%)
Operating revenue	¥730	29%
Ordinary income	190	13



## Principal Tasks in the Fiscal Year Ending February 20, 2007

- Increase seating at contact centers to 400, from 300.
- Expand Nagoya Contact Center.
- Open Sendai Contact Center.

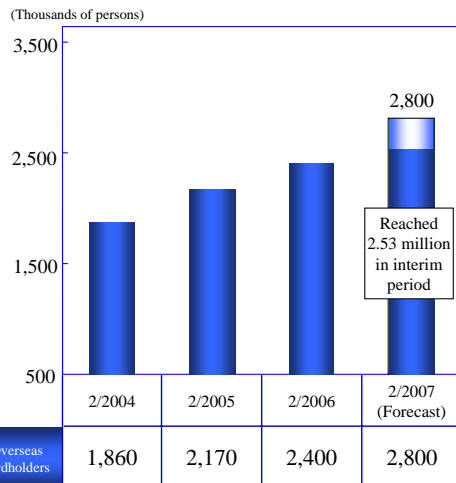
	Targets (Millions of yen)	YOY Increase (%)
Operating revenue	¥1,750	38%
Ordinary income	540	37



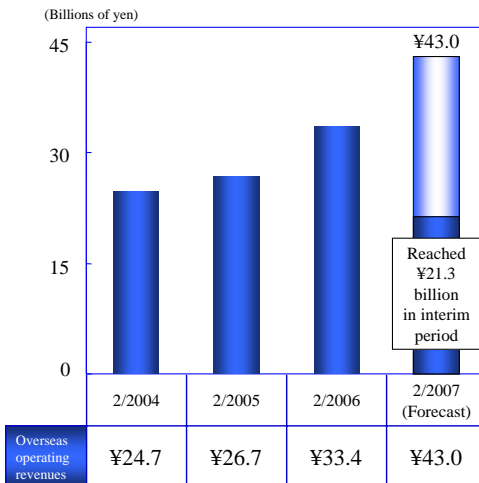
# Overseas Operations

The number of cardholders overseas grew to 2.53 million in the interim period ended August 20, 2006.  
The contribution of overseas operations to consolidated operating revenues rose to 26%.

## Number of Overseas Cardholders



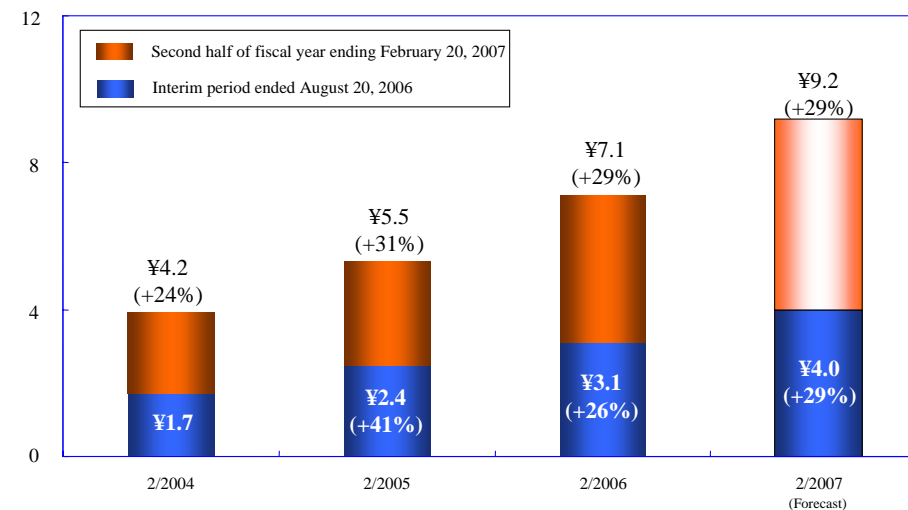
## Overseas Operating Revenues



# Overseas Operating Income

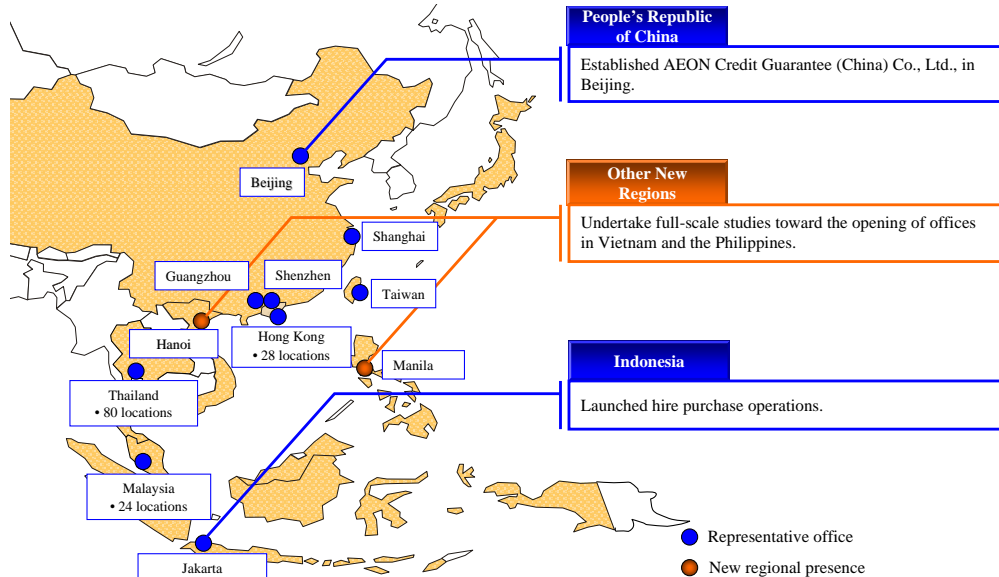
The contribution of overseas operating income to consolidated operating income increased 21% in the interim period ended August 20, 2006.

(Billions of yen)



## Expand Overseas Presence

Expand beyond existing operations in Hong Kong, Thailand, Malaysia and Taiwan, into such countries as the People's Republic of China (PRC) and Indonesia.



## Promote Credit Guarantee Business in PRC

Established AEON Credit Guarantee (China) Co., Ltd., to pursue credit guarantee business  
Paid-in capital: US\$10 million  
Headquarters: Beijing  
Partner bank: Bank of Communications Co., Ltd.

Promoting expansion of affiliated merchant network to include, among others, the PRC's big three home appliance and consumer electronics discount retailers: GOME Electrical Appliances Holding Ltd., Suning Appliance Chain Store (Group) Co., Ltd., and China Paradise Electronics Retail Ltd. (better known as Yongle).

### Partner Bank



### GOME



## Business Development in Indonesia

### Interim Period Business Highlights

- Launched hire purchase business in June 2006.
- Affiliated merchant network: 154 stores.

Principal Affiliated Merchants	
Consumer electronics superstores	• Electronic Solution Indonesia • AIGS
Personal computers Mobile phones	• Multicom • Yahuda
Furniture	• Indonesia Furniture



### Principal Tasks in the Fiscal Year Ending February 20, 2007

- Expand affiliated merchant network to 600 stores.
- Reinforce operating network through the opening of branch offices.
- Prepare to issue credit cards.



Consumer electronics superstore  
Electronic Solution Indonesia

## Operations in Hong Kong and Thailand

### Interim Period Business Highlights from Hong Kong

- Number of cardholders expanded to 910,000.
- Issued China Union Pay Card, a co-branded card with China Union Pay Co., Ltd.

	Results (Billions of yen)	YOY Increase (%)
Transaction volume	¥44.7	18%
Operating revenue	8.3	28
Ordinary income	2.0	36

### Interim Period Business Highlights from Thailand

- Number of cardholders climbed to 1.45 million.
- Insurance agency business secured 200,000 contracts.

	Results (Billions of yen)	YOY Increase (%)
Transaction volume	¥80.1	8%
Operating revenue	11.0	22
Ordinary income	2.1	13

## Operations in Malaysia

### ■ Interim Period Business Highlights

- Credit card business grew steadily.
- Number of cardholders doubled to 60,000.

	Results (Millions of yen)	YOY Increase (%)
Operating revenue	¥1,970	77%
Ordinary income	320	49



## Operations in Malaysia

### ■ Principal Tasks in the Fiscal Year Ending February 20, 2007

- Establish a system to support 120,000 cardholders.
- Set up a national network of 24 locations.
- Make preparations for IPO.

	Targets (Millions of yen)	YOY Increase (%)
Operating revenue	¥4,610	76%
Ordinary income	840	39



## Operations in Taiwan

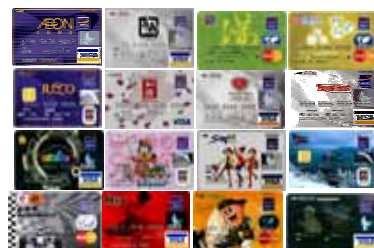
### ■ Interim Period Business Highlights

#### Hire purchase company

- Larger transaction volume led company into the black.

#### Credit card company

- Number of cardholders reached 110,000.



### ■ Principal Tasks in the Fiscal Year Ending February 20, 2007

#### Hire purchase company

- Expand affiliated merchant network to 5,000 stores.

#### Credit card company

- Promote development of co-branded cards and boost number of cardholders to 140,000.

Creation Social Welfare Foundation: 16 funds

Twin Tiger (shoe store chain): 20 stores

Paper Lunch (restaurant chain): 3 outlets

Okinawa Card (Okinawa Development Society)

## Results Forecast for the Fiscal Year Ending February 20, 2007

(Billions of yen)	Consolidated	YOY Increase (%)	Non-Consolidated	YOY Increase (%)
Transaction volume	¥2,535	16%	¥2,242	15%
Upward revision	55	2	42	2
Operating revenue	169.3	17	126	15
Upward revision	7.3	5	3	3
Operating income	44.5	11	35.3	10
Ordinary income	44.5	11	36.2	11
Net income	23.8	12	21	10
Net income per share (yen)	151.25	[16.18]	133.47	[12.39]

Note: A 3-for-1 stock split, implemented on February 21, 2006, has been factored into the net income per share values [shown in brackets].