

# Results for the First Half of Fiscal Year Ending February, 2008

 AEON CREDIT SERVICE CO., LTD.

## Operating Results

 イオンクレジットサービス株式会社

	Consolidated		Non-Consolidated	
	Actual Results (Billions of yen)	Year-on-Year Change	Actual Results (Billions of yen)	Year-on-Year Change
Transaction volume	1,339.2	110%	1,164.0	109%
Difference from Projection	0.8	-	6.0	-
Operating revenues	90.4	108%	60.8	99%
Difference from Projection	+ 2.4	-	2.2	-
Operating Income	17.8	95%	12.7	84%
Difference from Projection	1.1	-	0.9	-
Net Income for the First Half	9.8	101%	8.0	88%
Difference from Projection	0	-	0.2	-

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## Financial Data

 イオンクレジットサービス株式会社

	Consolidated		Non-Consolidated	
	Actual Results (Billions of yen)	Change during the First Term (Billions of yen)	Actual Results (Billions of yen)	Change during the First Term (Billions of yen)
Total Assets	852.6	+18.4	658.8	+21.7
Installment sales receivables	276.5	+15.7	216.0	+18.8
Operating loans receivables	515.3	+ 8.2	393.7	+ 8.1
Net Assets	177.4	+ 4.8	140.2	+ 3.8
Shareholders' equity ratio	18.8%	+ 0.2%	21.3%	0.1%

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## Dividends

 イオンクレジットサービス株式会社

The interim dividend was 15 yen and the year-end dividend is expected to be 25 yen, an increase of 5 Yen from the previous forecast.

	Fiscal Year ended Feb.2007 (Yen)	Fiscal Year ending Feb.2008, Forecast Dividends (Yen)	Fiscal Year ending Feb.2008, Modified Forecast Dividends (Yen)
Interim dividend	15	15	15
Year-end dividend	25	20	25
( Commemorative dividend )	( 5 )	( - )	( - )
Full-term dividend	40	35	40
( Commemorative dividend )	( 5 )	( - )	( - )
Payout ratio	30.5%	26.5%	30.3%

The Payout ratio is calculated on the consolidated basis as from the current interim period.

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# Summary of Business Results for the First Half

- 1 . Number of Cardholders
- 2 . Transaction Volume and Active Cardholders
- 3 . Credit Control/Recovery and Credit Losses
- 4 . Fund Procurement



## Number of Cardholders as of August 31, 2007

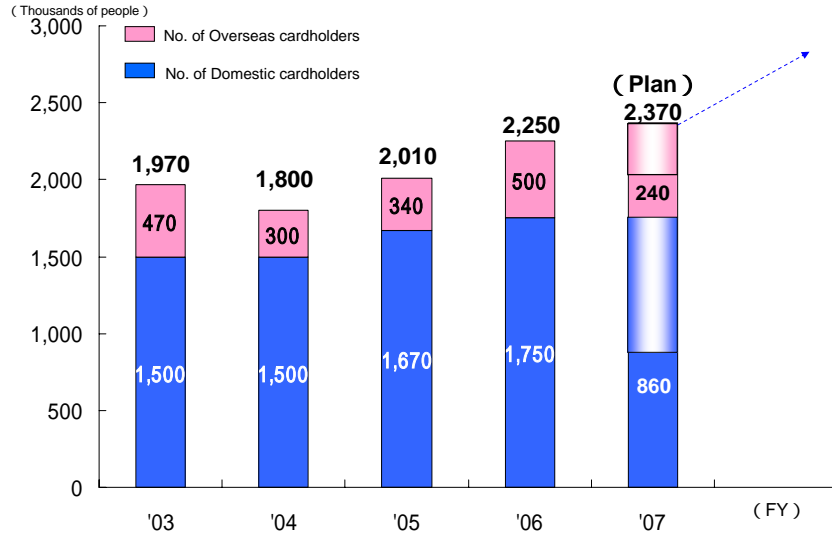
	No. of Cardholders (Thousands of people)	Net change during the term (Thousands of people)	No. of active cardholders (Thousands of people)	Net change during the term (Thousands of people)
Japan	14,980	+430	8,750	+450
Thailand	1,610	+60	980	+30
Hong Kong	980	+30	430	+30
Taiwan	110	+3	50	+6
Malaysia	80	+20	70	+4
<b>Total</b>	<b>17,760</b>	<b>+540</b>	<b>10,280</b>	<b>+520</b>

In addition to the above, there are organized house card holders in Thailand and Malaysia reaching 2,710 thousand persons and 400 thousand persons respectively.

## Number of Cardholders

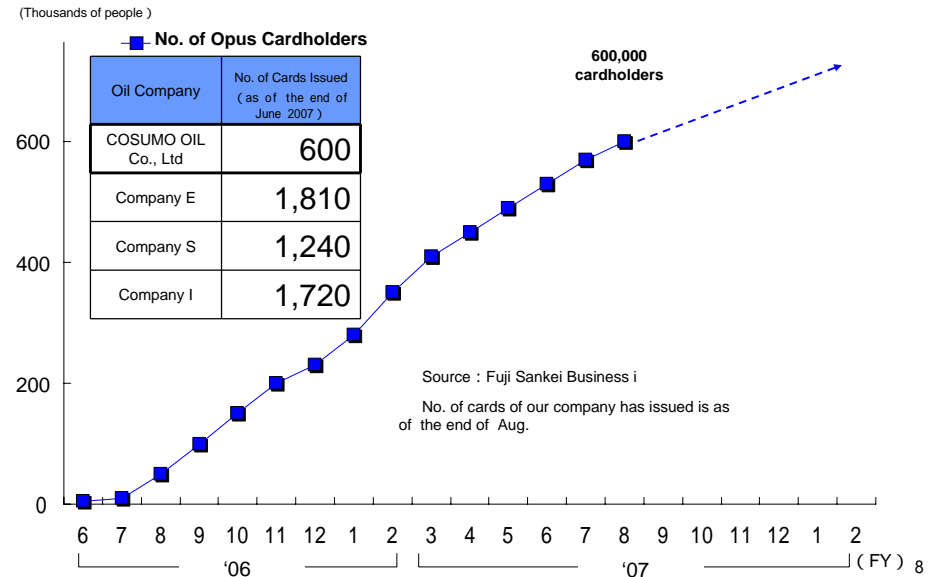
Number of cardholders increased by 1,100,000 persons (860,000 in Japan and 240,000 in overseas markets) during the term thanks to increases in sign-ups and issuance of co-branded cards.

We plan to achieve a full year increase of 2,370,000 cardholders (1,750,000 in Japan and 620,000 in overseas markets)

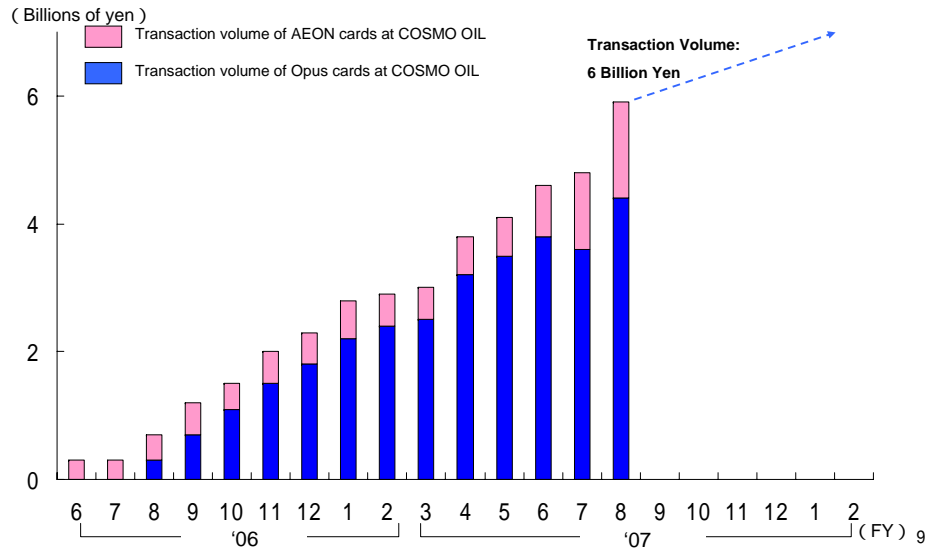


## Growth of Cosmo the Card Opus

600,000 cards were issued within just 1 year from the start of issuance.



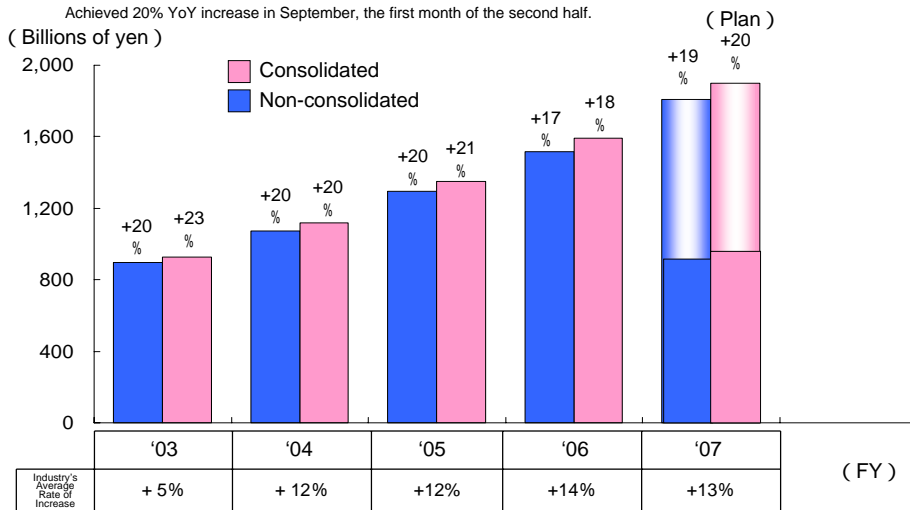
Monthly transaction volume expanded to 6 billion yen due to the successful joint project between COSMO OIL and AEON CREDIT SERVICE.



We started to issue 2 co-branded cards

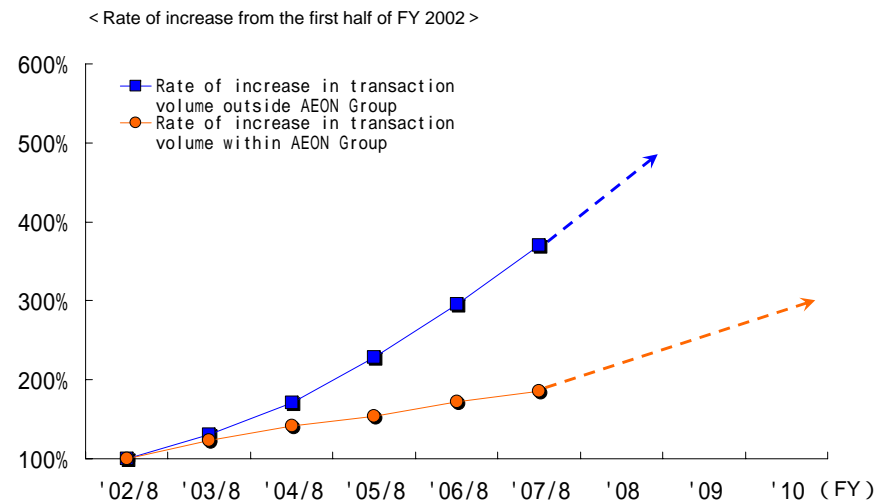
MITSUBISHI SHOJI SEKIYU Card	KNT Card
MITSUBISHI SHOJI SEKIYU Co., Ltd.	Kinki Nippon Tourist Co., Ltd.
<ul style="list-style-type: none"> <li>Gives double service points at any time by using MITSUBISHI SHOJI SEKIYU at 1,500 stations all over Japan</li> </ul>	<ul style="list-style-type: none"> <li>Gives triple service points at any time by using Kinki Nippon Tourist Card</li> </ul>

Continues 20% annual growth due to increases in cardholders, active usage ratio and amount of shopping.  
 Reached 884.5 billion yen on consolidated basis and 845.4 billion yen on non-consolidated basis during the current term.  
 Achieved 20% YoY increase in September, the first month of the second half.



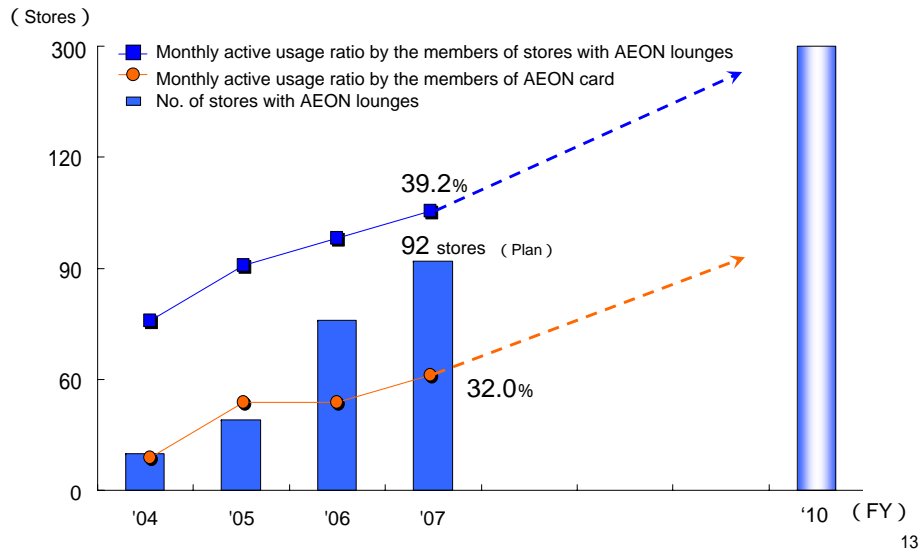
Industry's average rate of increase is calculated based on Consumer Credit Statistics of Japan: Credit Card Trend Survey Result and FY 2007 average are calculated based on the latest published statistics up to June.

Increase in transaction volume outside AEON Group has been the driving force behind the expansion of credit card shopping volume.



## Increase in AEON Lounges

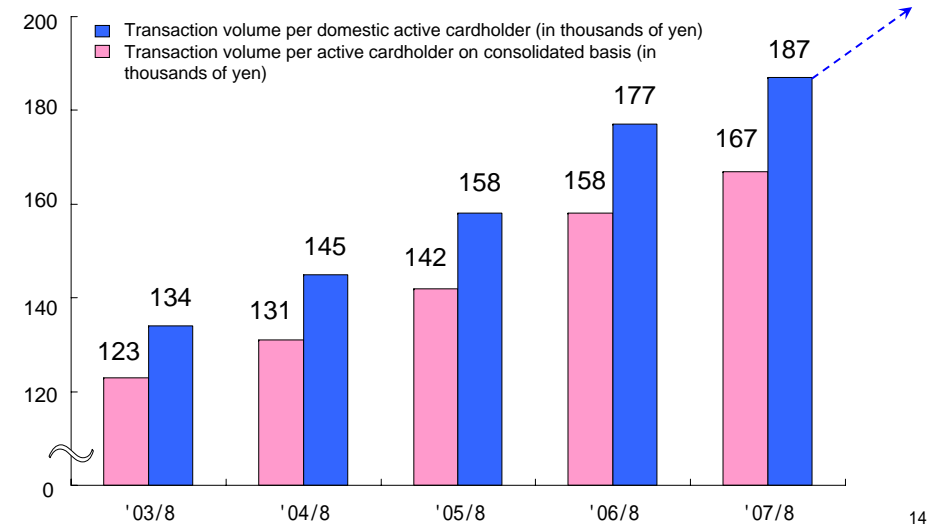
### Increase in AEON Lounges Improvement in active card usage ratio



## Increase in Transaction Volume per Active Cardholder

Transaction volume per active cardholder shows an unhindered upward trend due to enhancement of card functions and privileges.

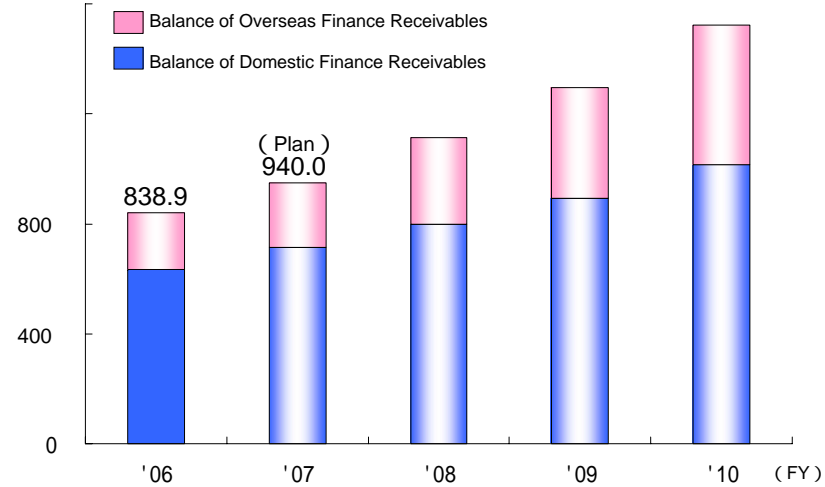
(Thousands of yen)



## Balance of Finance Receivables

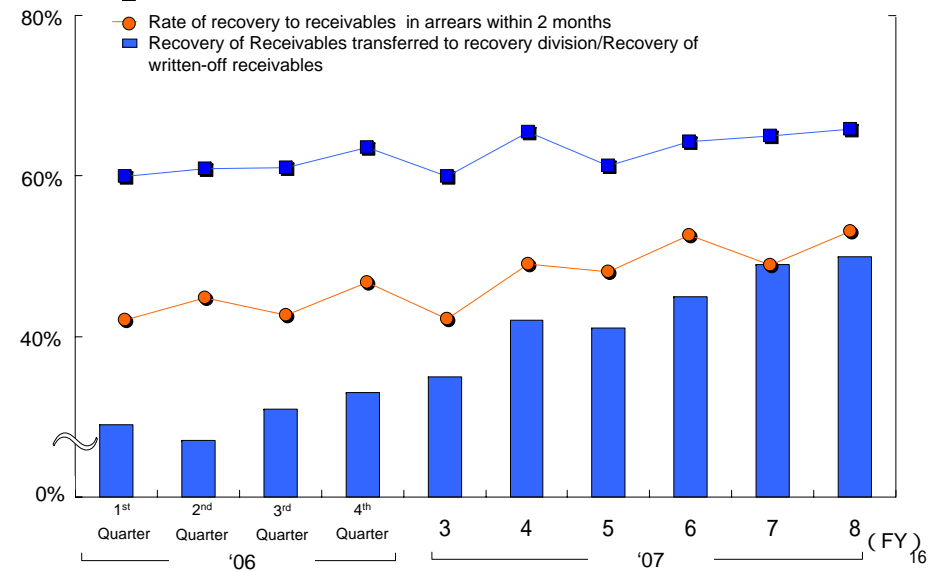
Increases in number of cardholders as well as active cardholders will continuously push the balance of finance receivables upward.

(Billions of yen)



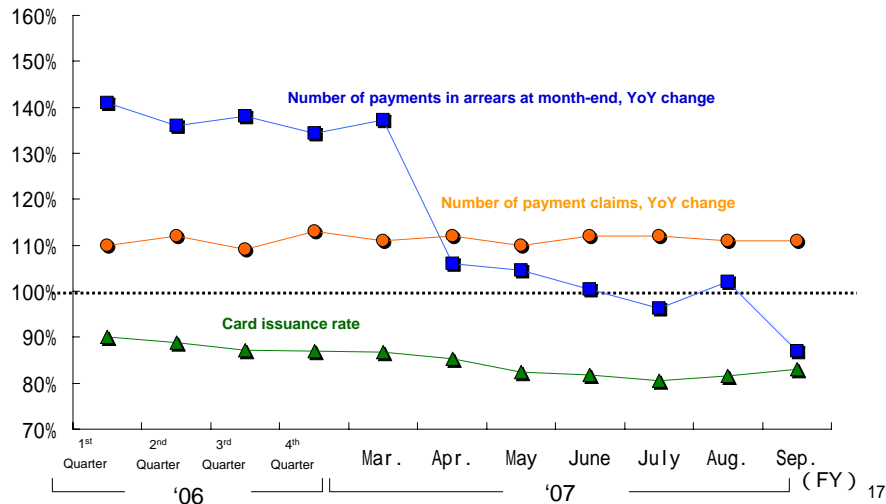
## Recovery Rate and Recovery of Transferred Receivables / Recovery of Written-Off Receivables

Rate of recovery to receivables in arrears within 1 month  
 Rate of recovery to receivables in arrears within 2 months  
 Recovery of Receivables transferred to recovery division/Recovery of written-off receivables



## Strengthening of Screening System / Recovery System

Number of payment claims is steadily increasing due to an increase in cardholders and enhancement of card privileges/functions  
 Strengthening of screening system is contributing to maintaining stable card issuance rate  
 Number of payments in arrears at the end of each month is decreasing due to strengthening of recovery system



## Provision for Doubtful Accounts / Losses on Interest Repayment

### < Provision for Doubtful Accounts >

### < Breakdown of Provision for Doubtful Accounts >

	FY ended Feb.2007 (Billions of yen)	1H ended Aug. 2007 (Billions of yen)
Balance, beginning of period	22.6	33.5
Provision for allowance for possible credit losses	26.5	15.4
Write-off of credit Losses	14.2	9.6
Balance, end of period	33.5	39.4
Provision for losses on interest repayment, end of year	7.0	7.0
Total	40.5	46.4
Percentage to total finance receivables	6.40%	6.90%

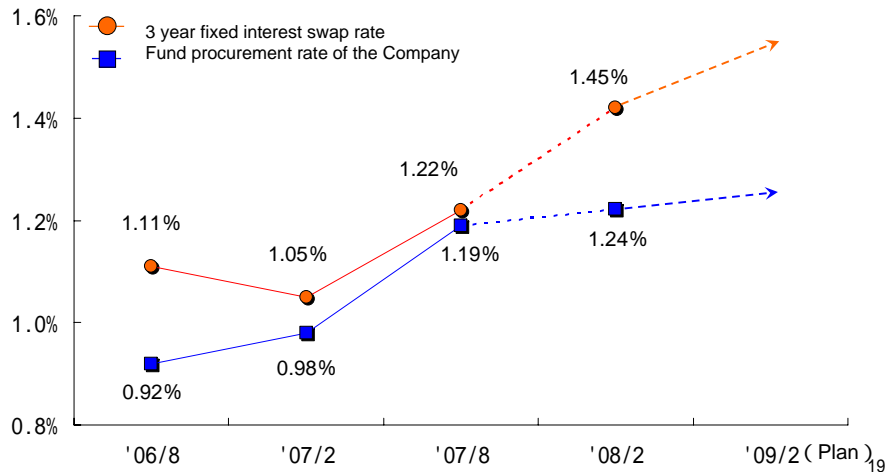
	FY ended Aug.2007 (Billions of yen)
Personal bankruptcies Receivables over 3 months in arrears and Receivables subject to legal liquidation	34.7
General allowance for possible credit losses	4.7
Total	39.4

Includes appropriation of interest to principal due to interest repayment claim  
 < Material Credit Losses Cost >

	2005/8	2006/2	2006/8	2007/2	2007/8
Comparison with previous term	105%	105%	131%	122%	103%

## Market Interest Rate and Fund Procurement Rate

Issued 20 billion yen in 5 year bond with the lowest spread of 0.09 % in the industry  
 Stable funding cost due to high long-term borrowing ratio of 70%  
 0.4% rise of short-term interest rate in the second half has been incorporated into the funding costs



## Major Targets of Implementation for the Second Half

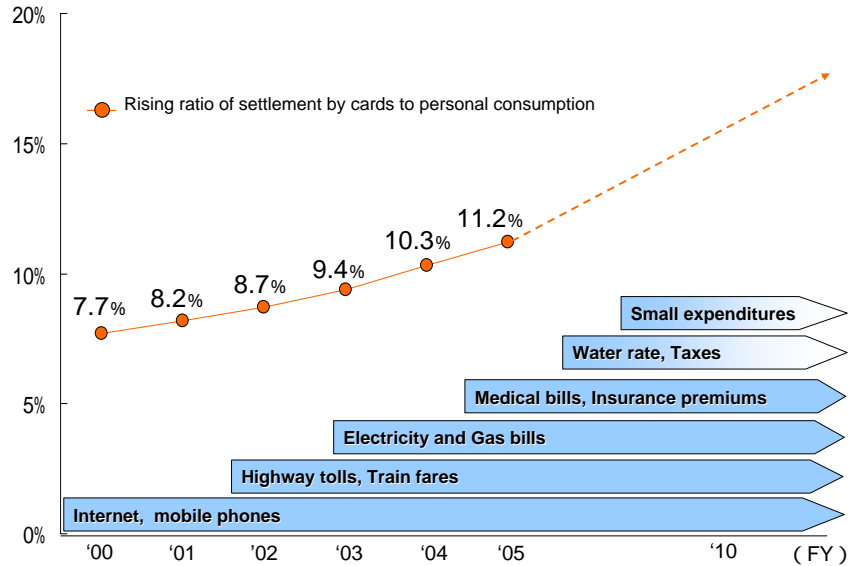
1. Strengthen the Competitive Edge of Credit Card Business
2. Develop New Sources of Income
3. Fortify Overseas Operations

### 1. Strengthen the Competitive Edge of Credit Card Business

- Expanding Pay-By-Card Market
- Enhancement of Card Functions/Privileges
- Issuance of New Co-Branded Cards

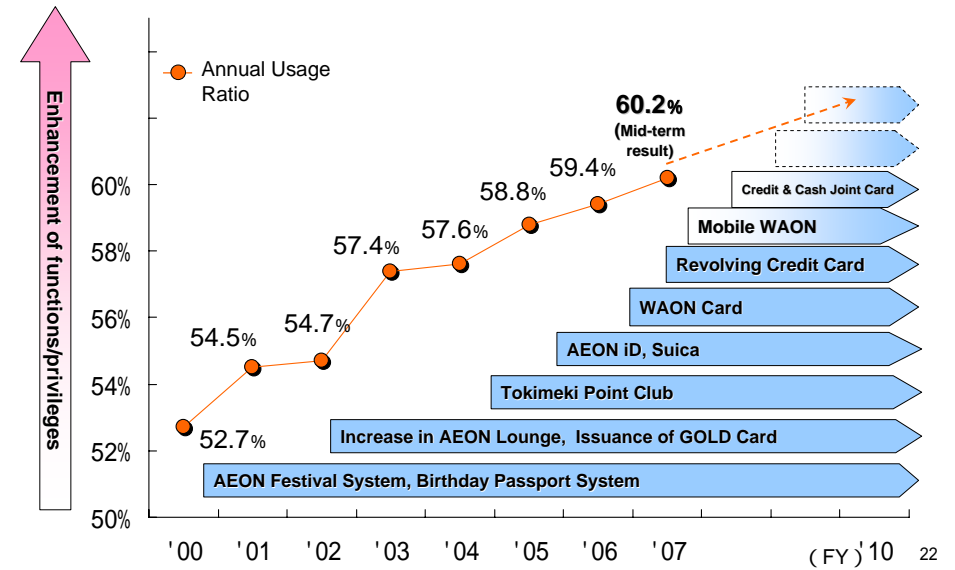


## Expanding Pay-By-Card Market



Source : Consumer Credit Statistics of Japan, 2007 edition

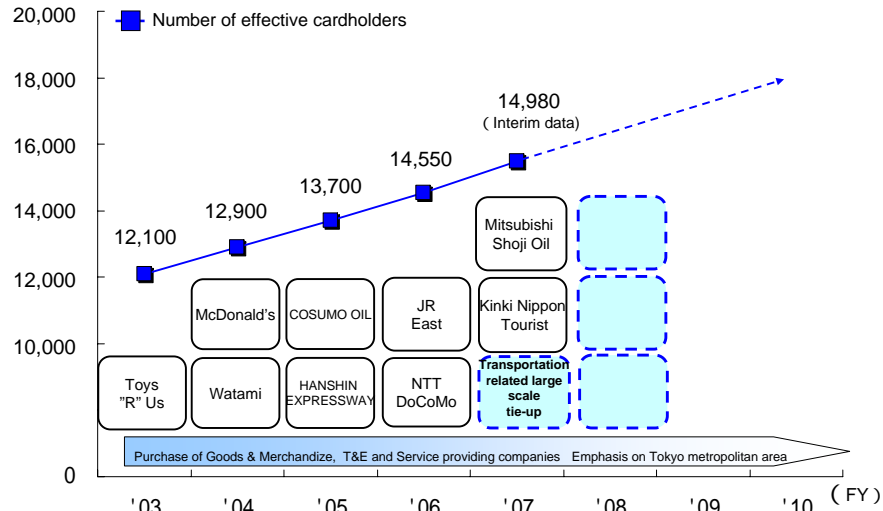
## Enhancement of Card Functions/Privileges



## Issuance of New Co-Branded Cards

Put an emphasis on the development in Tokyo metropolitan area

(Thousands of people)



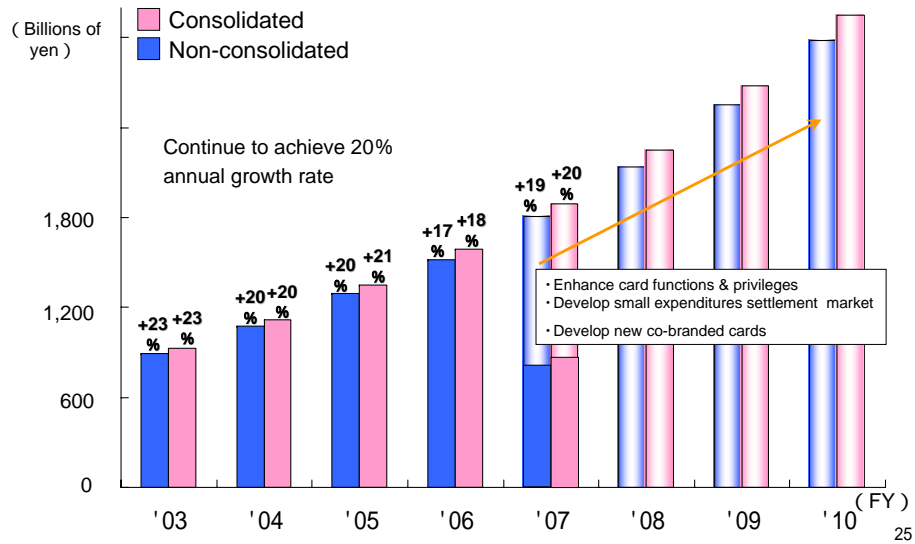
## Upgrade and Expand Internet Business

Collaboration with Kinki Nippon Tourist (KNT)

Start traveling services

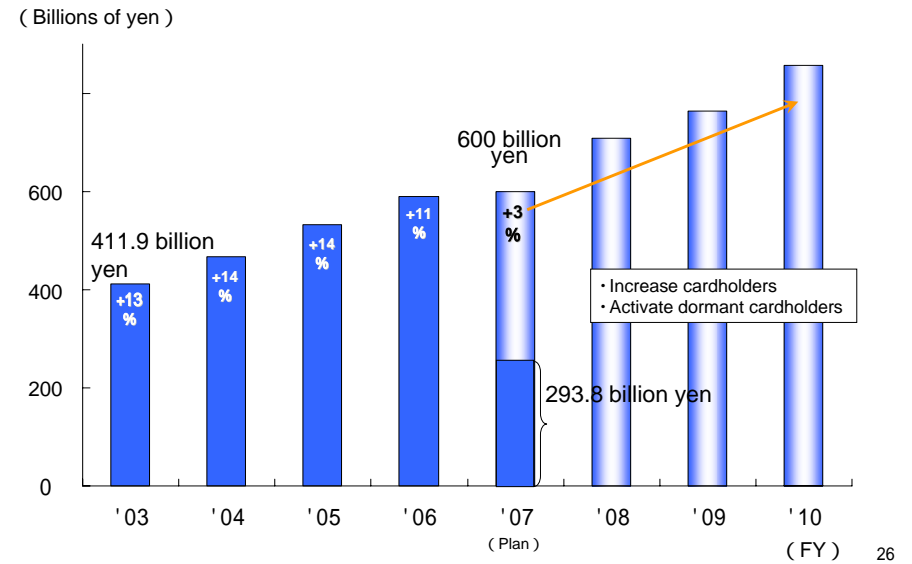
Plan for Transaction Volume of Credit Card Shopping

Plan to achieve 1,895 billion yen on consolidated basis and 1,810 billion yen on non-consolidated basis during the current fiscal year.



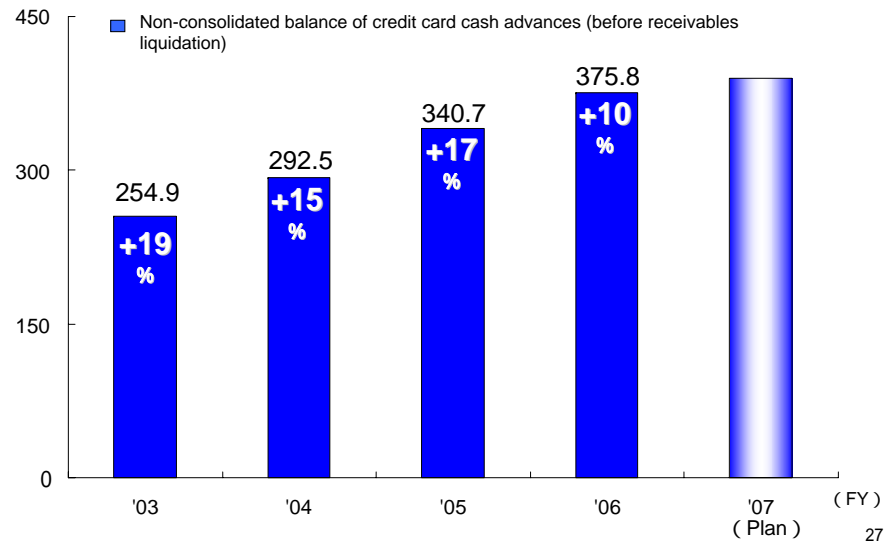
Plan for Transaction Volume of Credit Card Shopping (Consolidated)

Plan to boost transaction volume by increasing cardholders and activating dormant cardholders



Balance of Credit Card Cash Advances (Non-Consolidated)

(Billions of yen)



2. Develop New Sources of Income

Focus on Small Expenditures Settlement Market

Expand Acquiring Business

Develop Bank Agency Business

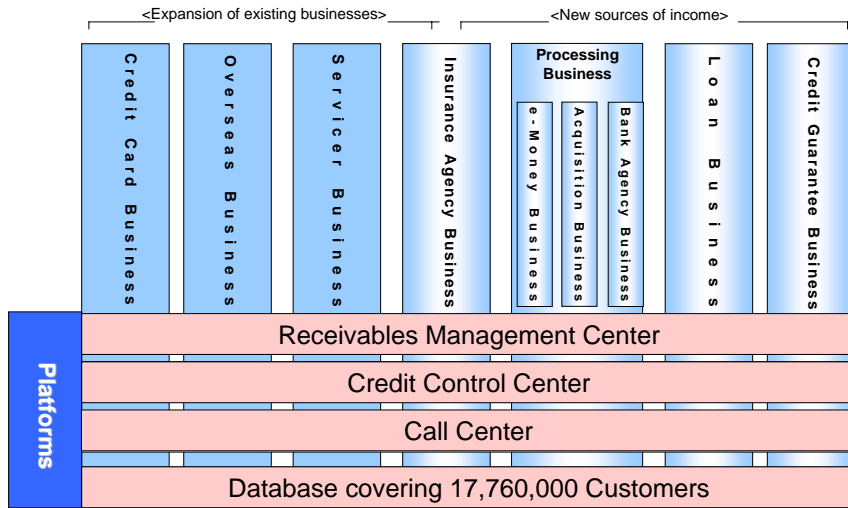
Develop Loan/Credit Guarantee Business

Expand Insurance Agency Business

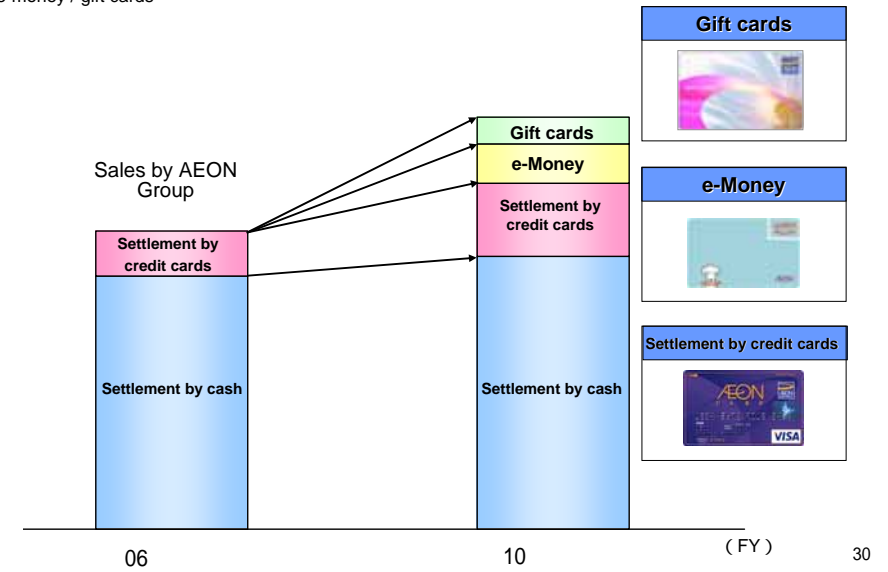
Expand Servicer Business



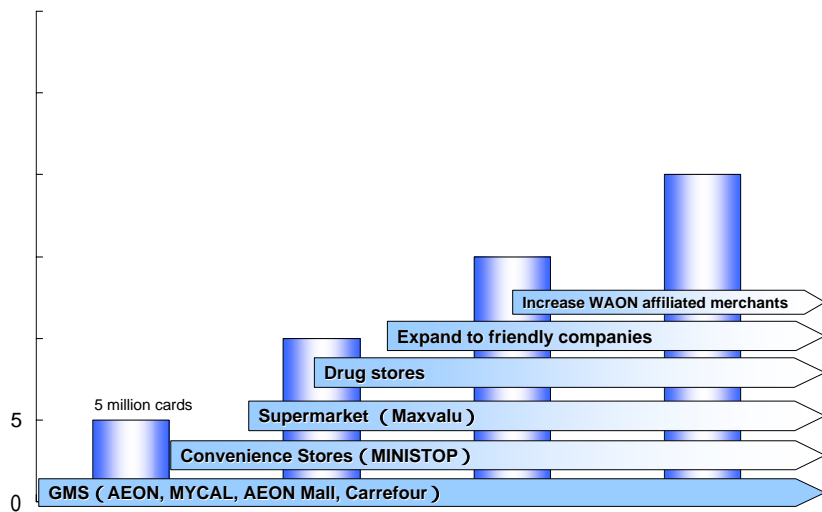
Establish new income models by making use of existing platforms



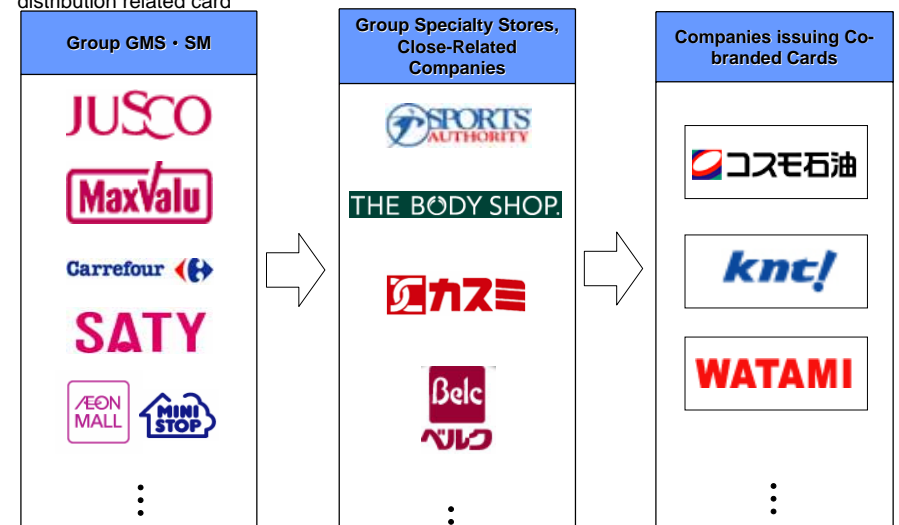
Plan to exploit the small expenditures settlement market amounting to 60 trillion yen through development of e-money / gift cards



(Millions of cards)



Enter the 10 trillion yen Gift Card market by making best use of the strengths of the distribution related card

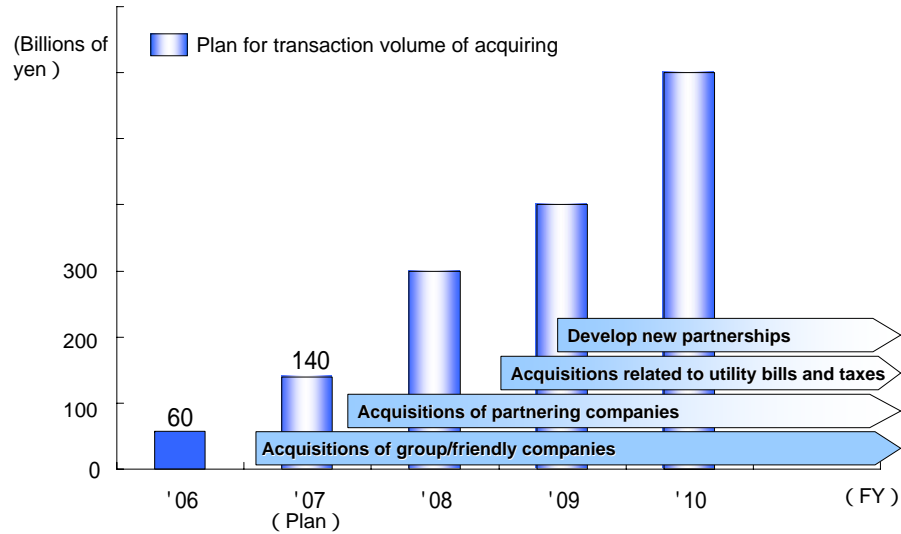




## Expand Acquisition Business

Full-fledged development of acquisition business

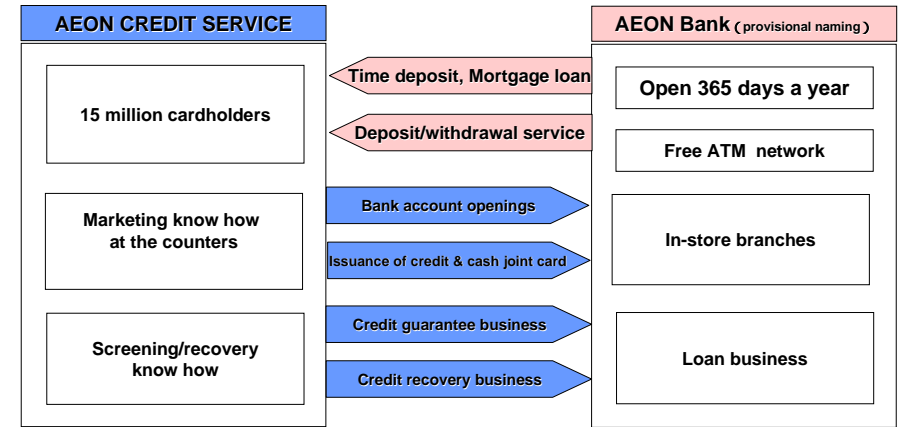
Approach group companies    Friendly companies    Partnering companies



## Develop Bank Agency Business

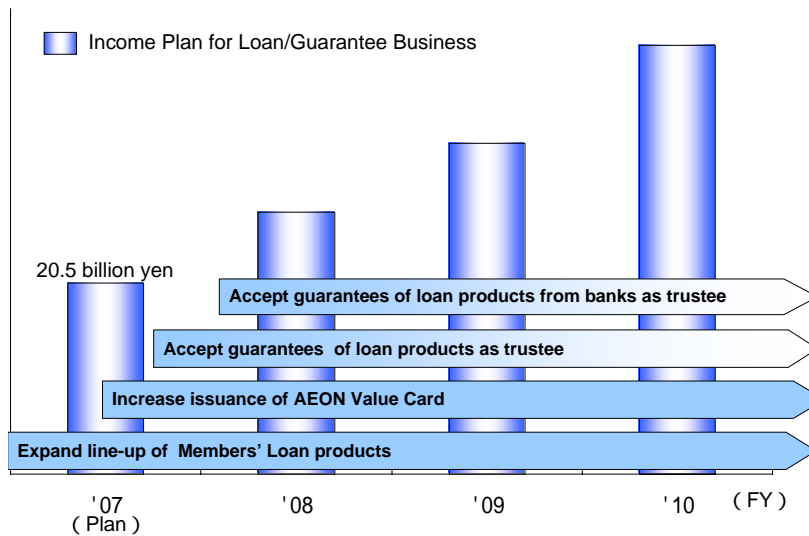
Subject to regulatory approval

Improve convenience by switching from CDs of our company to ATMs of AEON Bank (provisional naming)  
 Develop bank account application campaign by taking advantage of our credit card application campaign experience and knowledge  
 Develop credit guarantee business by making use of screening / recovery know how



## Develop Loan/Credit Guarantee Business (Consolidated)

Provide loan products satisfying the needs of various segments and life stages of clients  
 Accept guarantees of loan products as trustee



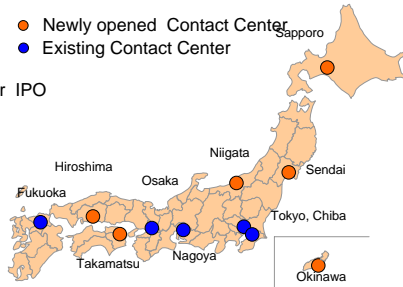
## Expand Insurance Agency Business

Integrate each company's insurance agency business    Increase management efficiency and strengthen business competitive edge toward new growth strategy

			FY 2010 ( Plan )
Company	Business Base	Development Tool	<b>Integrated Company</b> Volume of Insurance Premiums = 40 billion yen
	15,000,000 Cardholders	Direct Mail	
		WEB	
	8,000 Group Stores	Catalogue Stands	
		In-Store Branch	
	150 Group Companies	Route Sales (For Companies & Employees Needs)	

Summary of results for the first half ended in Aug.2007

- Increased sales office count from 5 to 11
- Strengthening company's organization in preparation for IPO

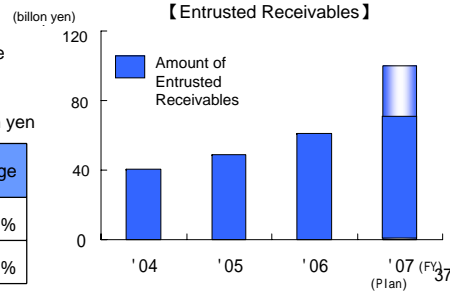


	Result (millions of yen)	YoY Change
Operating Revenue	1,040	121%
Operating Income	210	103%

Major targets for full year ending Feb.2008

- Increase entrusted receivables utilizing nation-wide operating offices
- Target amount of entrusted receivables: 100 billion yen

	Plan (millions of yen)	YoY Change
Operating Revenue	2,340	141%
Operating Income	700	136%



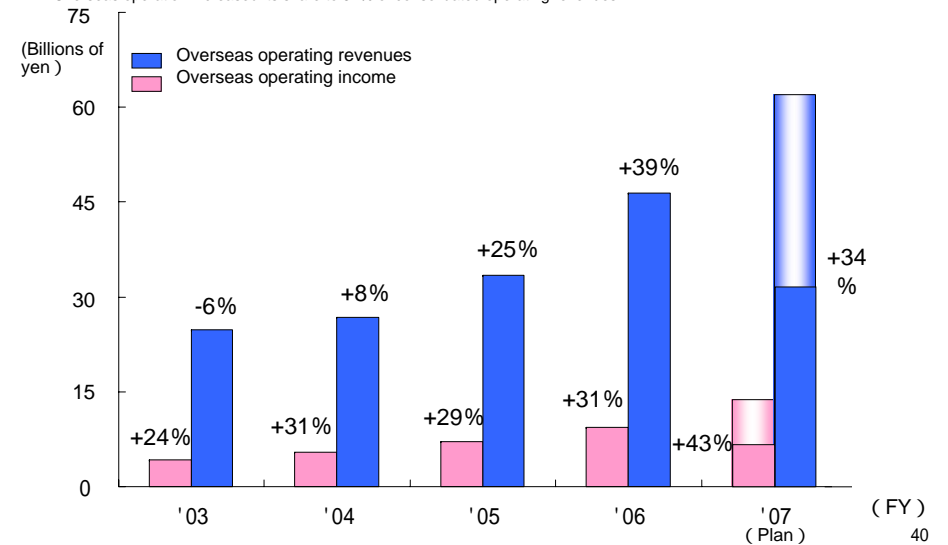
	FY2007		FY2008	FY2009
	First Half	Second Half		
Increase Profits	e-Money System	Systems for Bank Tie-ups	CM Card System	Debit Card
Member Services	Call Back System	Regeneration of Call Center System	WEB Marketing	CRM Data Analysis Promotion System
Operation-Driven	Acquiring System	Completion of Measures Respond to New Money Lending Business Law	Affiliated Shops Assistance System	Open Overseas System Development Center



3. Expand Overseas Operations

- Operations in Thailand
- Operations In Hong Kong
- Operations in Malaysia
- Operations in Taiwan
- Operations in Indonesia
- Operations in China

Overseas operating revenues and operating income increased to 28.6 billion yen (34% increase YoY) and 5.7 billion yen (43% increase YoY) respectively.  
Overseas operation increased its share to 32% of consolidated operating revenues



Summary of Half Year Results ended in Aug. 2007

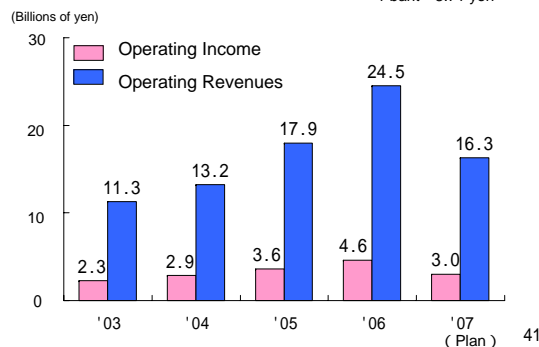
- Expanded peripheral-to-credit business by implanting Japanese business model
- Set up servicer company

	Result	YoY Change	Yen Equivalent
Operating Revenues	4,395 million baht	120%	16.3 billion yen
Operating Income	813 million baht	116%	3.0 billion yen

1 baht = 3.71 yen

Major targets for FY ending Feb.2008

- Provide house card members with international availability
- Start hire-purchase of agricultural machines /equipments
- Strengthen face-to-face sales of insurance utilizing sales network



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Summary of Half Year Results ended in Aug. 2007

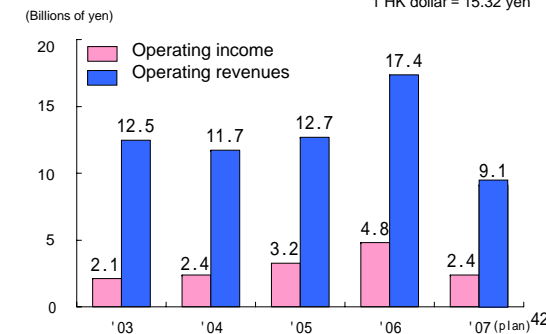
- Expanded peripheral-to-credit business by implanting Japanese business model
- Expanded insurance agent business

	Result	YoY Change	Yen Equivalent
Operating Revenues	594 million HK dollars	106%	9.1 billion yen
Operating Income	161 million HK dollars	117%	2.4 billion yen

1 HK dollar = 15.32 yen

Major Targets for FY ending Feb. 2008

- Full-scale shift of know-how and Employees to mainland China
- Expand servicer business
- Expand insurance agency business

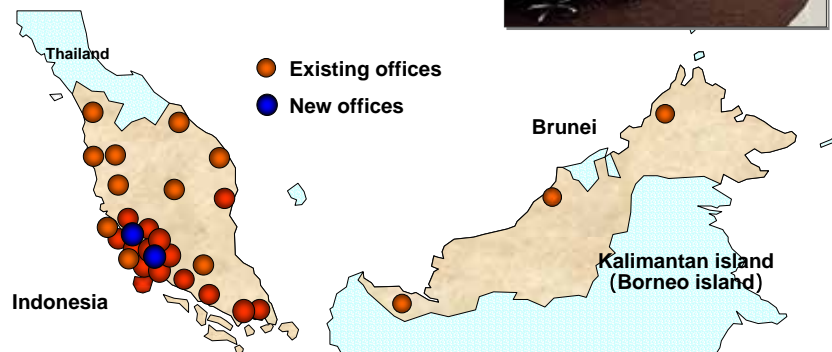


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-(1) Operations in Malaysia

Summary of Half Year Results ended in Aug. 2007

- Increased cardholders by 20,000 to 80,000 customers
- Added 2 new sales offices to reach 26 offices
- Increased affiliated merchants by 100 and increased affiliated stores to 5,500
- First non-bank to install ATMs 10 ATMs



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-(2) Operations in Malaysia

In December, AEON will be listed on the Bursa Malaysia (Malaysia Stock Exchange)



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Summary of Half Year Results ended in Aug. 2007

- Issued 2 kinds of new cards
- Card company turned a profit



3C Online Card  
< PC Mass Retailer >



The Kaohsiung Third Credit Co-operative Card  
< Local Bank >

Major Targets for FY ending Feb. 2008

- Increase co-branded card issuance companies by 6 to 28 companies on full year basis
- Build up the affiliated store network to 5,000 stores



Achieve 100 Million Yen Black Figure

Summary of Half Year Results ended in Aug. 2007

- Started issuing house cards to preferred customers
- Increased number of affiliated shop to 1,000



AEON Express Card



Expansion of sales office network

Medium-Term Plan

	FY 2007	FY 2008	FY 2009	FY 2010
Merchandise Strategy	Start issuing house cards	Start issuing Credit Cards	Increase network of affiliated shops to 5,000	Increase cardholder count to 100,000

-(1) Operations in China

Strengthen processing business through expansion of Call Center, Credit Control Center and Receivables Management Center

Expand operations to other regions in China



	Area for Expansion
FY 2007	Guangzhou
FY 2008	Beijing
FY 2009	Shanghai
FY 2010	Dalian

Establish Call Center with 300 operators , Increase operating income

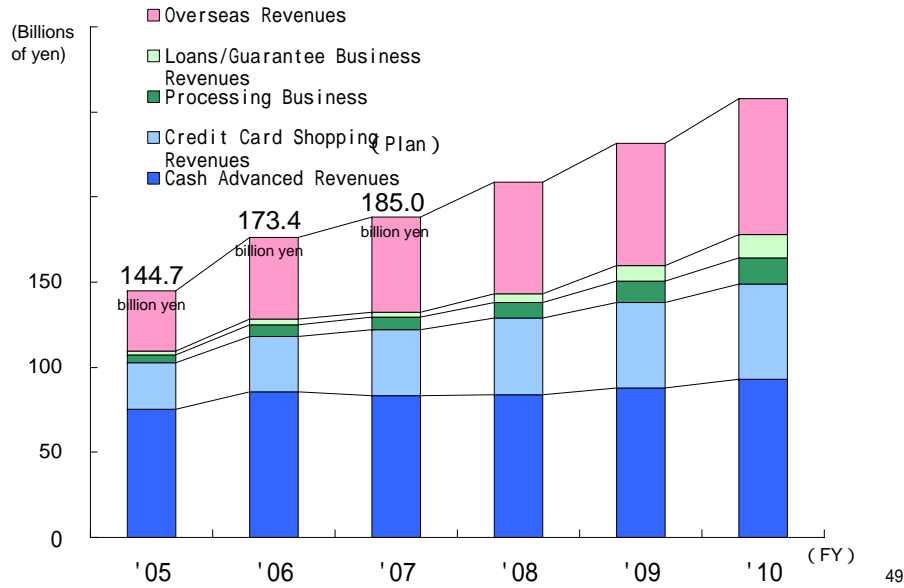
-(2) Operations in China

Started the guarantee business of credit on installment plan with Bank of Communications

Shenzhen AEON started procurement of hire purchase with consumer electronics chain stores, MKD and SUNDAN



	Area for Expansion
FY 2007	Beijing/ Guangzhou
FY 2008	Shanghai
FY 2009	Tsingtao
FY 2010	Dalian



	Consolidated		Non-Consolidated	
	Forecast (billions of yen)	YoY Change	Forecast (billions of yen)	YoY Change
Transaction Volume	2,850.0	115%	2,500.0	115%
Operating Revenues	185.0	107%	130.0	104%
Operating Income	41.0	100%	27.6	91%
Ordinary Income	41.2	100%	28.6	90%
Net Income	20.7	101%	16.2	91%

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