

## Results from the First Half of Fiscal Year 2010

Aeon Credit Service Co.,Ltd. Investor Relations

## Agenda

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■ First Half of Fiscal Year  
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\*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 various

uncertain factors including known and unknown risks 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.

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Aeon Credit Service Co.,Ltd.

Results from the First Half of Fiscal Year 2010

## First Half of Fiscal Year Operating Data

■ Both domestically and overseas, new cardholders are steadily increasing with a consolidated transaction volume of 1,574.6 billion yen (increase of 9% YoY).

■ Changes in how the electronic money revenue is booked have lowered the operating revenues by 5.8 billion yen.

■ Due to changes in the method for the allowance for possible credit losses based on payment in arrears category for Thailand and Malaysia, the provisioned amount increased.

(Unit: billions of yen)

Consolidated	Last year's 1 <sup>st</sup> half	1 <sup>st</sup> half	YoY change	Forecast	Difference
Transaction volumes	1,451.1	1,574.6	109%	1,495	+79.6
Operating revenues	84.9	82.5	97%	83.7	△1.13
Operating income	8.6	8.5	98%	9.6	△1.09
Ordinary income	8.4	8.5	102%	9.3	△0.72
Income	△6.1	3.8	Improvement amount +100	3	+0.84

Non-consolidated	Last year's 1 <sup>st</sup> half	1 <sup>st</sup> half	YoY change	Forecast	Difference
Transaction volumes	1,308.8	1,412.6	108%	1,360	+52.6
Operating revenues	57.3	55.5	97%	55.9	△0.38
Operating income	3.1	3.7	119%	4.1	△0.34
Ordinary income	3.9	4.7	120%	5.1	△0.37
Income	△7.4	2.8	Improvement amount +102	2.6	+0.21

Improvement amount: is what we call the amount which took us from the red into the black.

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Aeon Credit Service Co.,Ltd.

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## Financial Data

■ The credit card shopping transaction volume has been growing steadily and the consolidated Installment Sales receivables increased 39.9 billion yen from the start of this first half.

■ By restricting one-time payment in full to only AEON bank ATMs, we were able to reduce the non-consolidated loans receivables 17.3 billion yen from the start of this first half.

(Units: billions of yen)

	Consolidated		Non-consolidated	
	Actuals	Change over 1H	Actuals	Change over 1H
Total assets	901.7	+35.3	698.3	+35.4
Total financial receivables	945.4	+25.5	751.4	+18.8
Installment Sales receivables	483.1	+39.9	406.8	+36.2
Operating Loans receivables	462.2	△14.3	344.6	△17.3

	Actuals	YoY change	Actuals	YoY change
Net assets	176	+2.9	135.2	+1
Capital to assets ratio	17.2 %	+0.6 %	19.4 %	+0.7 %

※ The Operating Loans receivables is the balance before liquidation.

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## First Half of Fiscal Year financial results overview

### Number of effective and active cardholders

■ The number of consolidated and non-consolidated cardholders increased to 26.38 million (up 820,000 from the start of the 1<sup>st</sup> half) and 18.57 million (up 490,000 from the start of the 1<sup>st</sup> half), respectively.

■ The number of consolidated and non-consolidated active cardholders increased to 13.39 million (up 540,000 from the start of the 1<sup>st</sup> half) and 11.62 million (up 470,000 from the start of the 1<sup>st</sup> half), respectively.

(Unit: millions of cardholders)

	Start of 1H	1 <sup>st</sup> half	Change
Number of effective cardholders	25.56	26.38	+0.82
Number of domestic cardholders	18.08	18.57	+0.49
Number of overseas cardholders	7.48	7.81	+0.33
Hong Kong/China	1.16	1.25	+ 0.09
Thailand	5.47	5.67	+0.2
Malaysia	0.71	0.75	+ 0.04
Taiwan	0.12	0.13	+ 0.01

※The number of effective cardholders include 4.42 million overseas House Card cardholders

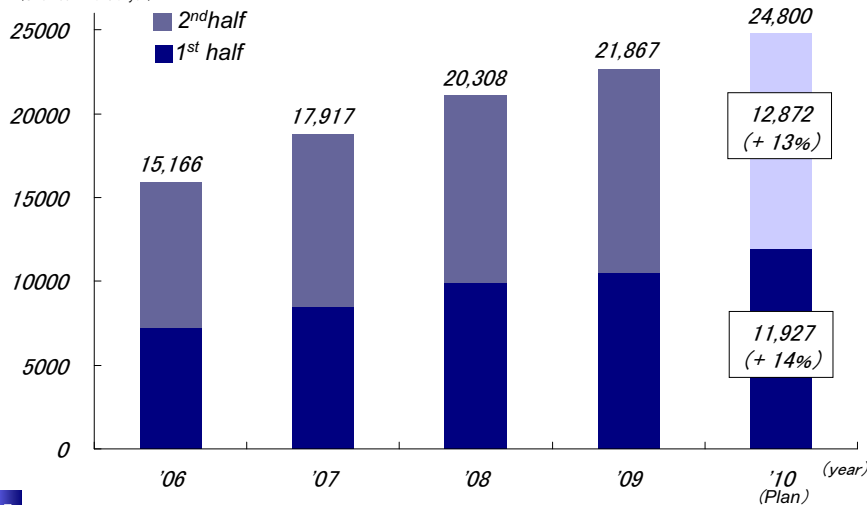
	Start of 1H	1 <sup>st</sup> half	Change
Number of active cardholders	12.85	13.39	+0.54
The number of domestic active cardholders	11.15	11.62	+0.47
Annual usage ratio	62.2%	62.8%	+0.6%
Domestic usage ratio	63.6%	64.3%	+0.7%

### Credit card shopping transaction volume (non-consolidated)

■ With the steady growth in the number of card-holders the first half, the credit card shopping transaction volume grew to 1,192.7 billion yen (increase of 14% YoY)

■ For the second half, we want to promote further joint planning activities with our affiliated merchants and we are expecting that the credit card shopping volume will grow to 2,480 billion yen (increase of 13% YoY)

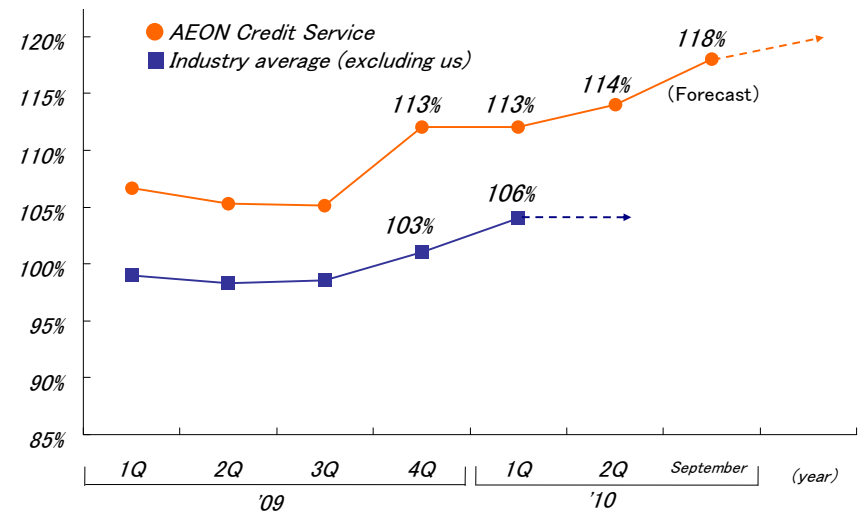
(Unit: 100 millions of yen.)



### Growth in credit card shopping transaction volume (non-consolidated)

■ With the numbers of effective and active cardholders on the rise, the growth in the credit card shopping volume has been consistently above the industry average.

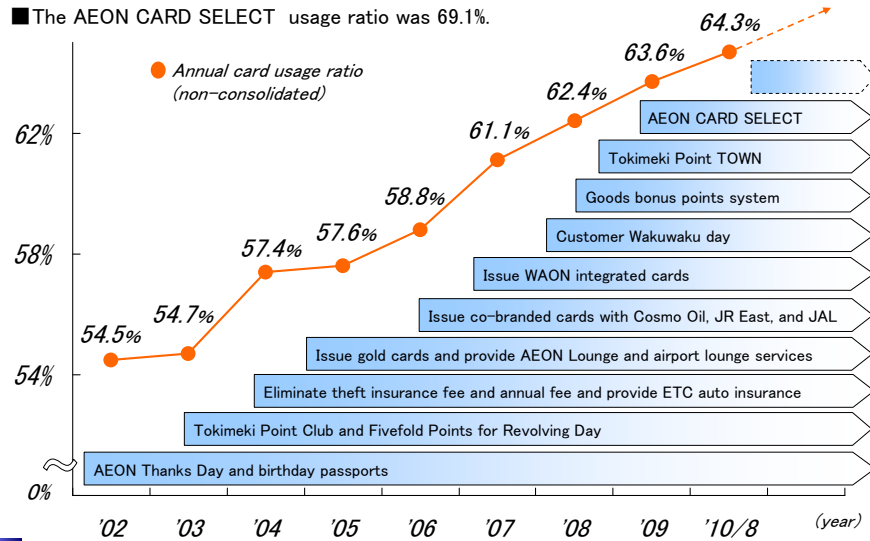
■ Due to the joint planning activities with our affiliated merchants, from 2009 Q4 onwards the credit card shopping volume has experienced double digit growth.



## Making efforts to increase the annual card usage ratio (non-consolidated)

■ In this 1<sup>st</sup> half, we increased the number of active cardholders to 11.62 million (up 470,000 from the start of the 1<sup>st</sup> half) and increased the card usage ratio to 64.3% (up + 0.7% from the start of the 1<sup>st</sup> half).

■ The AEON CARD SELECT usage ratio was 69.1%.

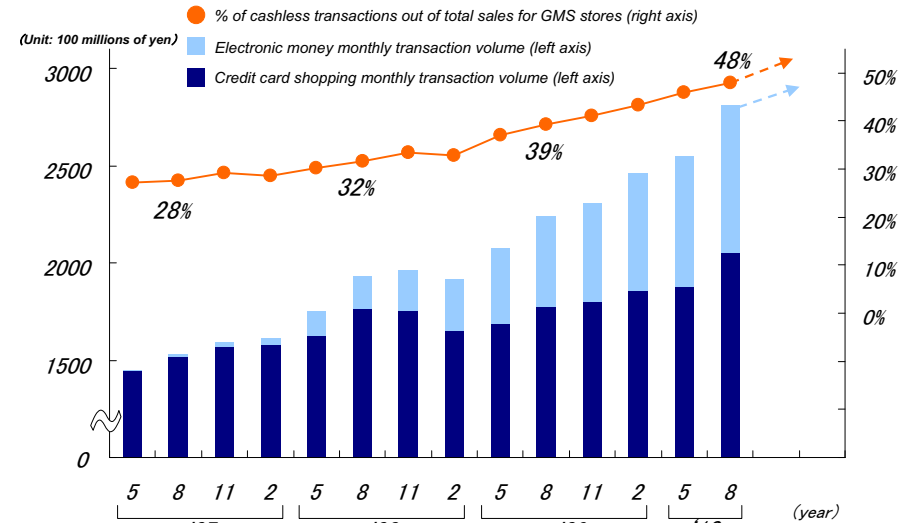


## Cashless transaction ratio and settlement volume

■ The combined monthly cashless settlement volume for credit card shopping and electronic money transactions was 280 billion yen. (increase of 26% YoY)

■ The transaction amount and the usage ratio both steadily increased due to the synergy of electronic money and credit cards.

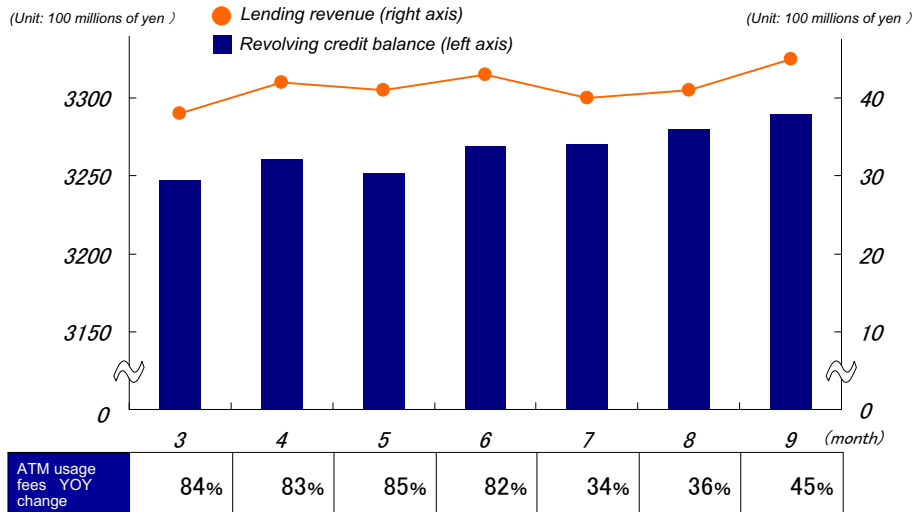
■ Due to the shift to more and more cashless transactions, concluding the sale at the register is quicker and efficiency is increased.



## Credit card cashing

■ With the shift toward using revolving credit, there is an increase of the revolving credit balance (increase of 3 billion yen since the start of this first half). Lending revenue is at the same level as the start of this first half.

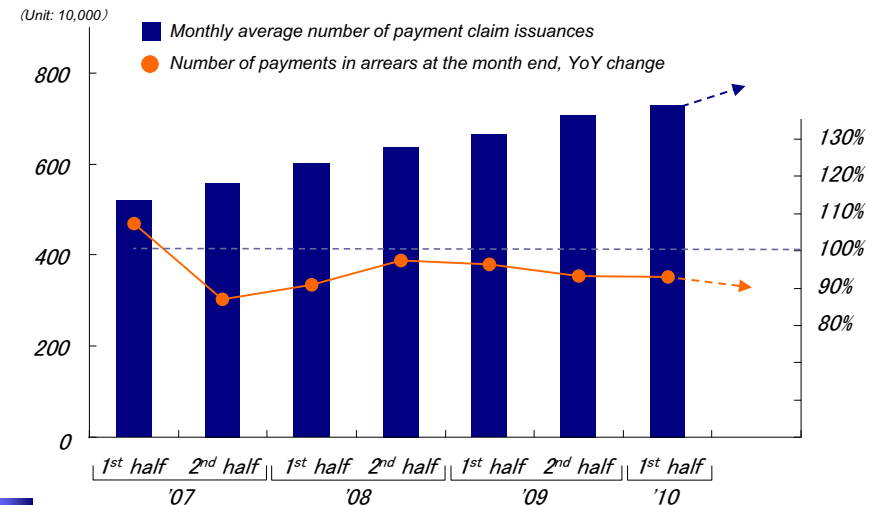
■ By limiting one-time in full payments to only AEON bank ATMs, we improved the ATM usage fees situation.



## Numbers of Payment Claim Issuances and Payments in Arrears at Month End

■ Due to the increase of effective cardholders and active cardholders, the monthly average number of payment claim issuances is 7.3 million. (increase of 10% YoY)

■ Stricter initial credit and additional credit control lowered the number of payments in arrears at the month end to be less than the level it was at a year ago.



## Allowance for Possible Credit Losses

■ The first half non-consolidated provision for possible credit losses was 11.3 billion yen (increase of 1.8 billion yen YoY). For the 2<sup>nd</sup> half, due to the impact of the new government regulations on transaction volume, we forecast the non-consolidated provision for possible credit losses will be 11.9 billion yen, an increase of 600 million yen compared to the 1<sup>st</sup> half.

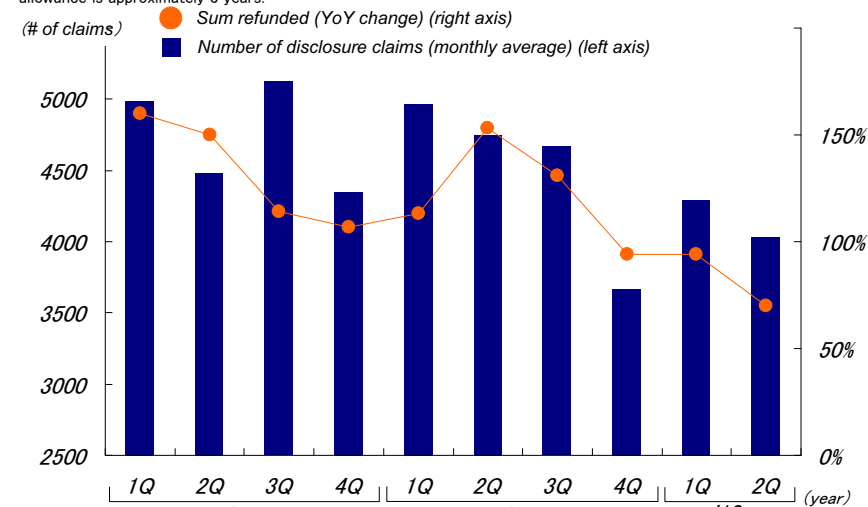
(Unit: billions of yen)	Feb 2010	Aug 2010		Aug 2010
Allowance for possible credit losses balance, start of term	45.6	47.7	Allowance for personal bankruptcies	All losses written off
Provision for possible credit losses	24	11.3	Receivables in arrears over three months and subject to special attention	39.5
Write-off of credit losses	21.9	12.2	General allowance for possible credit losses	7.3
Allowance for possible credit losses balance, end of term	47.7	46.8	Total	46.8

Allowance ratio, end of term	6.5 %	6.2 %
Actual costs related to credit losses	45.9	23.5

\*Actual costs related to credit losses = Provision for possible credit losses + Write-off of credit losses

## Number of disclosure claims and amount of excess interest repayment made

■ The number of disclosure claims went down to 87% YoY. For Sept, the number went down to 71% YoY.  
 ■ The amount of excess interest repaid was 3.3 billion yen (down 300 million yen compared to last year's second half). For the 2<sup>nd</sup> half, we estimate it will be 3 billion yen.  
 ■ The balance of the allowance for excessive interest repayment is 19.6 billion yen and the number of years covered by the allowance is approximately 3 years.



## Major targets of implementation (Domestic)

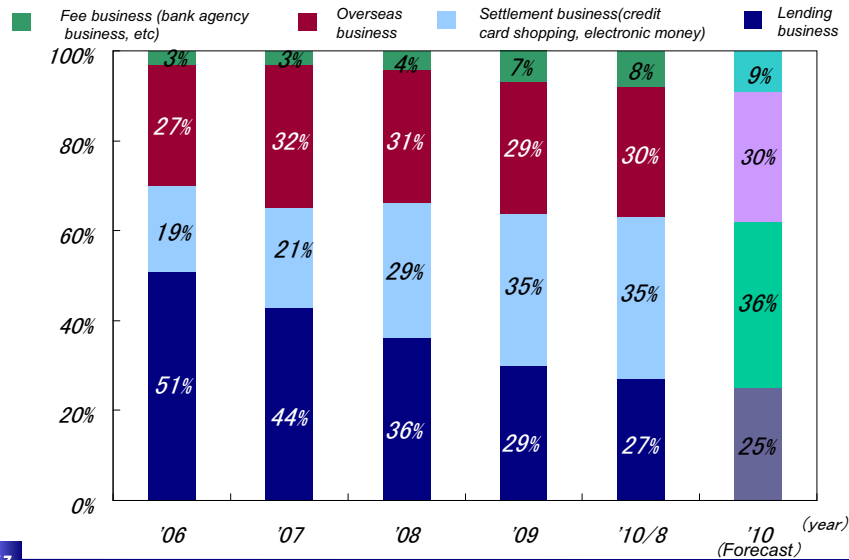
## Operating revenue by segment

■ For the 2<sup>nd</sup> half, we expect increased operating revenue through the increase of non-consolidated credit card shopping and increased revenue through the banking agency business. Also, for the overseas business, we expect an increase in the transaction volume and outstanding balances.

(Billions of yen)	1 <sup>st</sup> half		2 <sup>nd</sup> half(plan)		Full year(plan)	
		Y o Y		Y o Y		Y o Y
Credit card shopping	26.1	112%	28.9	116%	55	114%
Lending	24.3	92%	25.1	98%	49.4	95%
Electronic money	3.1	165%	3.6	134%	6.7	146%
Fee business (bank agency, etc)	1.8	100%	5	231%	6.8	184%
Domestic subsidiaries	2.8	93%	3.3	106%	6.1	100%
Overseas businesses	25.9	101%	28.1	109%	54	105%
Total	84	98%	94	106%	178	101%
Elimination of intracompany transactions	▲1.5	—	▲3.5	—	▲5	—
Consolidated total	82.5	97%	90.5	104%	173	100%

## Change in the business structure

- Our fee business and settlement business are growing steadily. The lending business has shrunk to 27% of our total operating revenues.
- As for our overseas business, we forecast greater operating income for Taiwan and Indonesia. Also, we expect Vietnam and the Philippines to be profitable in the 2<sup>nd</sup> half.






## Activities for the Settlement business

- We have intensified our AEON CARD SELECT sign-up activities and are planning to increase the number of cardholders to 1.3 million with an increase in the 2<sup>nd</sup> half of 400,000.
- Increase the transaction volumes of our electronic money business by implementing the WAON online settlement service.

(Unit: Millions of cardholders)	1 <sup>st</sup> half actuals		2 <sup>nd</sup> half plan		Full year plan	
		Net increase		Net increase		Net increase
# of cardholders	18.57	+0.49	19.1	+0.53	19.1	+1.02
# of WAON issued	15.8	+2.3	18.5	+2.7	18.5	+5
Total # of cardholders	34.37	+2.79	37.6	+3.23	37.6	+6.02

### 2<sup>nd</sup> half major targets of implementation

		
Intensify the sign-up activities for AEON CARD SELECT	Expand mobile WAON	Implement WAON online settlement

## Intensify the roll-out of our bank agency business

- Expand the total number of all-in-one financial services shops to 80 and strengthen our credit card/bank account sign-up activities, residential mortgage business, and insurance/investment trust sales activities.
- Start an ATM joint business, internalize our loan fees, and increase the convenience of account deposits and withdrawals.

	1 <sup>st</sup> half actuals		2 <sup>nd</sup> half plan		Full year plan	
		New stores		New stores		New stores
# of stores	68	+6	80	+12	80	+18
Operating revenue (billion yen)	1.3	387%	3.9	392%	5.3	391%

### 2<sup>nd</sup> half major targets of implementation



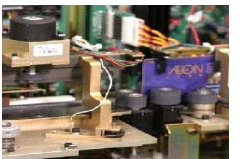
		
Roll-out all-in-one financial services shops	Strengthen our residential mortgage business	Start joint ATM business

## Expanding the processing business

- Increased 700 seats from the start of the year for a total of 3,000 seats and expanded the receivables recovery business.
- Promoting the use of our services from group companies.

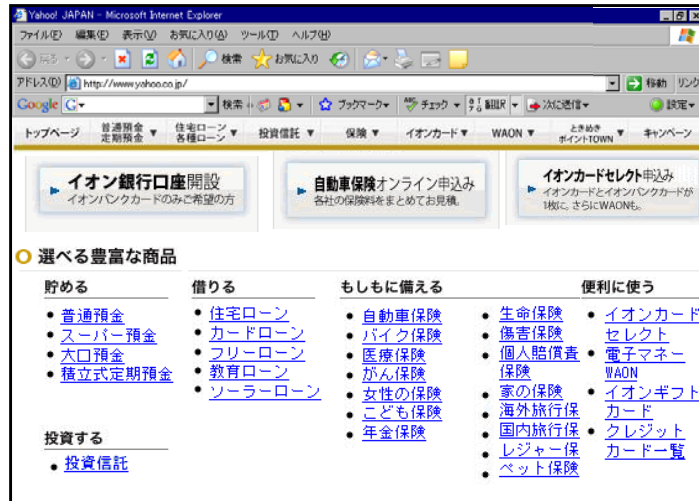
	1 <sup>st</sup> half actuals		2 <sup>nd</sup> half plan		Full year plan	
		Increased by		Increased by		Increased by
# of seats	2,500	+200	3,000	+500	3,000	+700

### 2<sup>nd</sup> half major targets of implementation

		
Collection agency business for utility charges	Expand customer base for call center, opening bank account service, and work processing business	Cash card/electronic money issuance servicer business

## Expanding the Internet Business

- Create an all-in-one online financial services shop for credit cards, insurance, banking, and electronic money.
- By implementing single sign-on, we are able to provide a safe, convenient, and beneficial service to our customers.



## Expanding the Insurance Agency Business

- The operating revenues for the first half was 0.7 billion yen (increase of 22% YoY). The operating revenues for the full year is estimated to be 1.6 billion yen (increase of 14% YoY)
- Develop private branded insurance through small sum short-term insurance providers.

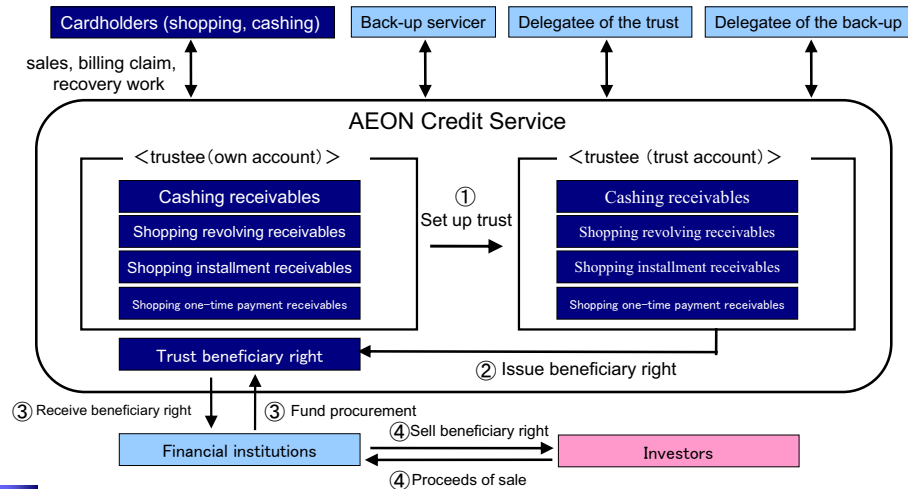
	1 <sup>st</sup> half actuals		2 <sup>nd</sup> half plan		Full year plan	
		Increased by		Increased by		Increased by
Operating revenues	0.7	122%	0.9	113%	1.6	114%

### 2<sup>nd</sup> half major targets of implementation

		
Expand the number of insurance shops (53 stores)	Strengthen our internet sales	Develop private branded insurance

## Implement new scheme for fund procurement

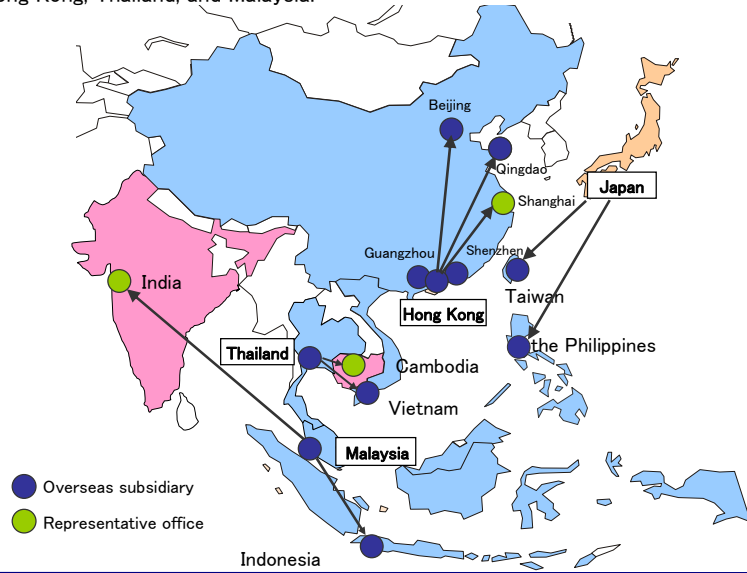
- Take the receivables we were entrusting to outside financial institutions and do the trust ourselves thus ensuring a stable method of fund procurement.
- By using the master trust method, we can implement a flexible and low cost method of fund procurement.



## Major Targets of Implementation (Overseas)

## Promote Roll-out into Asia Countries

■ Reinforce roll-out into surrounding nations through the listed companies in Japan, Hong Kong, Thailand, and Malaysia.



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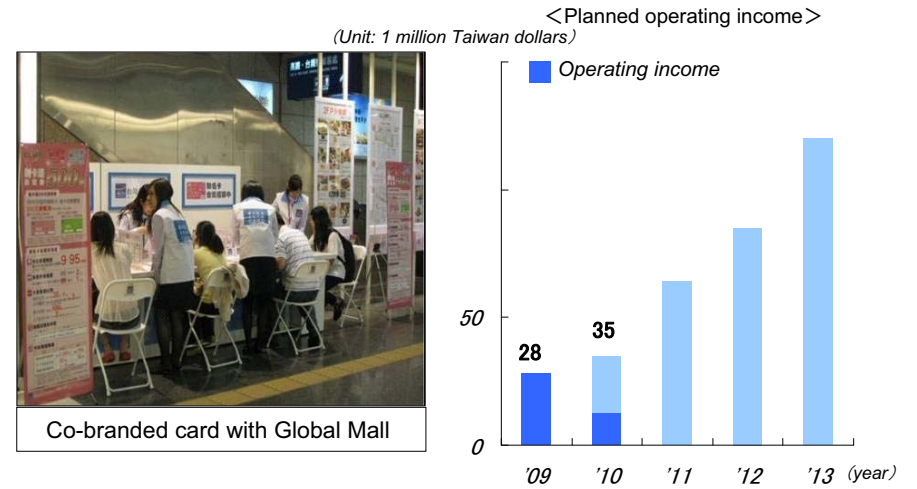
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Results from the First Half of Fiscal Year 2010

## Taiwan

■ The operating income for the 1<sup>st</sup> half was 13 million Taiwan dollars (increase of 18% YoY). The forecasted full year operating income is 35 million Taiwan dollars (increase of 25% YoY).

■ For the 2<sup>nd</sup> half, we will expand our own affiliate merchants network and promote acquiring activities.



Co-branded card with Global Mall

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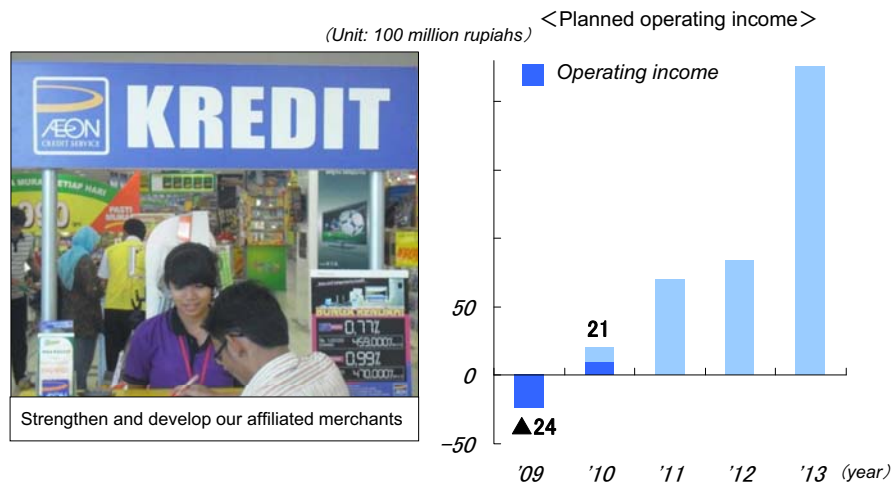
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Results from the First Half of Fiscal Year 2010

## Indonesia

■ The operating income for the 1<sup>st</sup> half was 1 billion rupiahs (improvement amount 2.5 rupiahs) thus putting Indonesia in the black. The forecasted operating income for the full year is 2.1 billion rupiahs.

■ For the 2<sup>nd</sup> half, we are planning on issuing a credit card.



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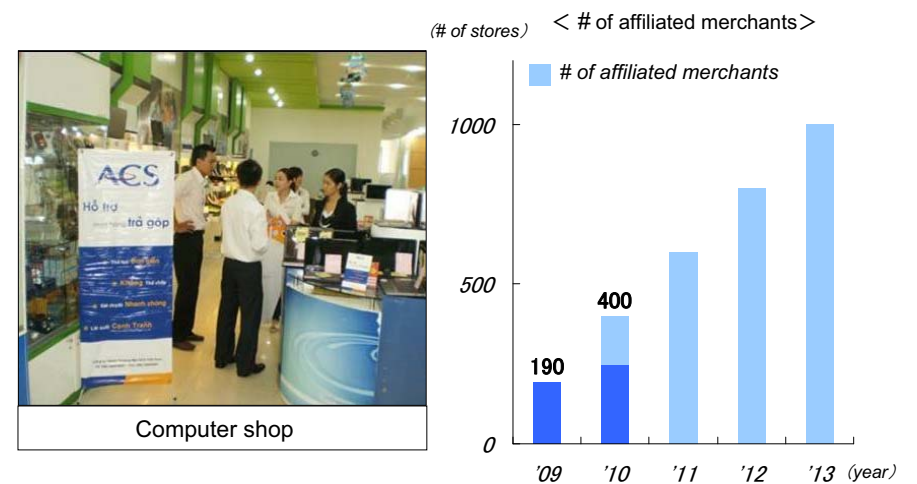
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Results from the First Half of Fiscal Year 2010

## Vietnam

■ In the 1<sup>st</sup> half, the number of affiliated merchants increased by 40 to a total of 230.

■ For the 2<sup>nd</sup> half, we plan to open a sales office in Hanoi, start selling motorcycles on the installment plan, and become profitable on a single month basis.



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Results from the First Half of Fiscal Year 2010

## the Philippines (system development)

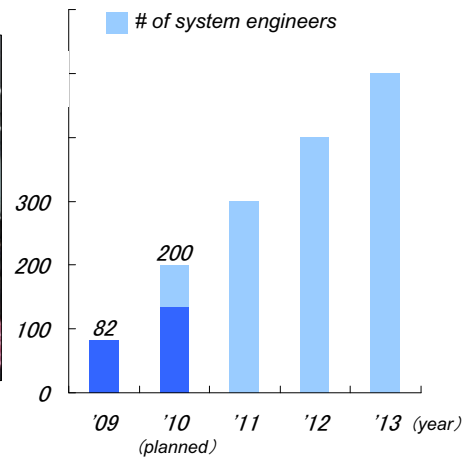
■ The operating income for the 1<sup>st</sup> half was 11 million pesos (improvement amount 13 million pesos). We plan to be profitable for the full year.

■ We will build a team of 200 system engineers in order to standardize the different privileges and point systems of each of the overseas subsidiaries.

(Unit: people)

< # of system engineers >

■ # of system engineers



## 2010 full year forecasted financial results

■ We plan to meet our goals by accelerating a change in the structure of the businesses along with implementing a low cost operation.

(Unit: Billions of yen)	Consolidated		Non-consolidated	
	Plan	YoY	Plan	YoY
Transaction volume	3,180	106%	2,900	107%
Operating revenues	173	100%	117.8	100%
Operating income	23	112%	11.5	126%
Ordinary income	22.5	110%	13.5	124%
Net income	9.5	+9.3	7.5	Improvement amount +10.1

(Unit: yen)	End of 1 <sup>st</sup> half	End of 2 <sup>nd</sup> half (plan)	Full year (plan)
Dividend	15	25	40