

Results for Fiscal Year 2014



FY 2014 Consolidated Business Scale and Results



•We positioned FY 2014 as a year for going “back to basics,” and prioritized the building of our governance system to ensure future growth.

FY 2014			
	Results		YoY
Number of cardholders, consolidated	35.67 million		+1,770 thousand
Domestic	24.64 million		+1,190 thousand
AEON Bank accounts	4.32 million		+640 thousand
Finance receivables (including securitized receivables)	3,242.4 billion		+448.6 billion
FY 2014			
	Results	YoY	Difference from forecast
Ordinary income	¥329.0 billion	115%	+¥9.0 billion
Ordinary expenses	¥275.9 billion	113%	+¥6.9 billion
Ordinary profit	¥53.0 billion	129%	+¥2.0 billion
Net income	¥30.4 billion	147%	+¥3.9 billion
Dividends	¥60	±¥0	—

AEON Financial Service Co., Ltd.

Results for the Fiscal Year 2014 1

Results by Segment



(Billions of yen)

	Credit	Fee	Banking	Overseas	Adjustment	Total
Ordinary income	146.4	45.4	41.6	112.5	(16.9)	329.0
YoY	112%	124%	101%	123%	-	115%
Ordinary expenses	114.2	43.5	41.7	90.4	(13.9)	275.9
YoY	111%	123%	106%	120%	-	113%
Bad debt allowance	8.8	1.2	0	29.7	-	39.7
YoY	95%	393%	-	138%	-	126%
Ordinary profit	32.1	1.8	(0.03)	22.1	(3.0)	53.0
YoY	115%	159%	-1.9	135%	-	129%
Loans and bills discounted	380.6	18.5	880.0	257.3	-	1,474.2
Loan yield	14.5%	1.8%	1.5%	24.8%	-	9.0%
Interest rate (interest expenses)	0.5%	0.9%	0.2%	4.0%	-	0.8%
Interest rate spread	14.0%	0.9%	1.3%	20.8%	-	8.2%

AEON Financial Service Co., Ltd.

Results for the Fiscal Year 2014 2

Consolidated Balance Sheets



(Billions of yen)

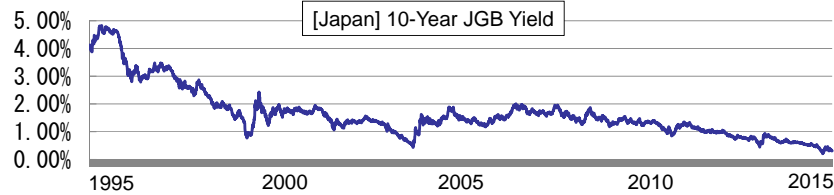
Consolidated	Results	Change from start of fiscal year	Consolidated	Results	Change from start of fiscal year
Cash and deposits	467.7	+51.0	Deposits	1,963.0	+245.2
Loans and bills discounted	1,474.2	+197.4	Interest-bearing debt	806.9	+169.7
Domestic	1,221.8	+158.0	Domestic [Call money]	435.9 [76.3]	+106.1 [+71.4]
Cash advances & consumer loans	416.4	+62.8	Overseas	370.9	+63.5
Overseas	257.3	+44.4	Allowance for loss on refund of interest received	4.8	+1.7
Accounts receivable – installment	1,038.2	+80.8	Accounts payable – trade and other liabilities	306.1	-15.2
Customers' liabilities for acceptances and guarantees	183.6	+7.2	Acceptances and guarantees	183.6	+7.2
Allowance for doubtful accounts	(49.2)	-1.7	Total liabilities	3,264.5	+408.7
Securities and other assets	474.9	+91.4	Total net assets	324.9	+17.6
Total assets	3,589.4	+426.3	Total liabilities and net assets	3,589.4	+426.3
Interest rate spread	8.2%	* +0.4%	Shareholders' equity ratio (domestic standard)	8.1%	-0.9%

*Change from previous fiscal year

AEON Financial Service Co., Ltd.

Results for the Fiscal Year 2014 3

- Interest rates in Japan remain at historically low levels, allowing us to raise long-term funds at low rates.
- Given the risk of rising interest rates and refinancings, we will raise long-term funds in the current low interest rate environment.



Potential risks		Interest rate rise	Refinancings
Short-term funds • Deposits (Ordinary & fixed-term) • Loans payable	Long-term funds • Deposits (Fixed-term) • Bonds • Loans payable	Approach to Funds • Prioritize long-term funding at low interest rates to address potential risks • Invest funds raised in higher-yield instruments • Improve balance sheet efficiency by moving long-term receivables off the balance sheet	FY 2015 plan • Long-term receivables: ¥520 billion • Securitization of receivables: ¥350-400 billion • Impact on profit: Approx. ¥10 billion (- ¥50 billion YoY)
Short-term credit facilities • Securitization of credit card shopping receivables (1 time) • Committed line of credit, etc.	Securitization • Housing loans, etc.		

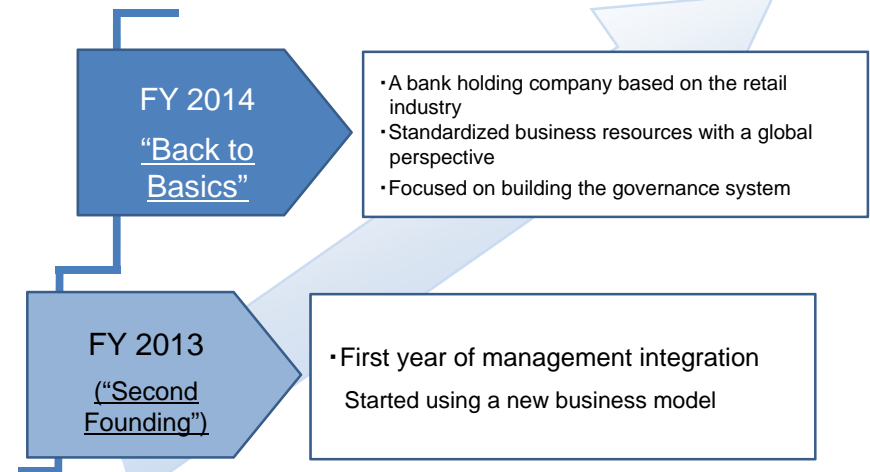
	Forecast of Results	
	Results	YoY
Ordinary income	¥380.0 billion	116%
Ordinary profit	¥61.0 billion	115%
Net income	¥33.0 billion	108%
Net income per share	¥166.09	112%

	Interim		Year end		Full year		Payout ratio	
	Forecast	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥28	+¥3	¥38	+¥3	¥66	+¥6	39.7%	+0.4%

Progress since the Management Integration

Positioning of FY 2014

- We positioned FY 2014 as a year for going “back to basics” with an eye on medium-to-long-term growth.
- We standardized domestic and overseas business resources with a global perspective.



Progress and Remaining Issues



	Progress	Remaining Issues
Results	<ul style="list-style-type: none"> Achieved record ordinary profit and net income 	<ul style="list-style-type: none"> Establish models for making in-store branches and ATM businesses profitable
Synergy	<p><u>More convenient financing</u></p> <ul style="list-style-type: none"> Increased unsecured loans (up ¥155.5 billion in two years) 	<ul style="list-style-type: none"> Increase number of users of unsecured loans Refine screening criteria
	<p><u>Stronger marketing power</u></p> <ul style="list-style-type: none"> Started building a foundation for big data 	<ul style="list-style-type: none"> Improve customer analysis skills, address shortage of analysts
	<p><u>Stronger overseas business</u></p> <ul style="list-style-type: none"> Business scale and results grew steadily, mainly at the three listed subsidiaries 	<ul style="list-style-type: none"> Shift profit structure away from high dependence on loans
Governance	<p><u>Stronger sales force and higher productivity</u></p> <ul style="list-style-type: none"> Integrated head office functions and shifted staff to sales departments 	<ul style="list-style-type: none"> Cross-sell financial services of group companies
	<ul style="list-style-type: none"> Strengthened governance and audit systems in Japan and overseas 	<ul style="list-style-type: none"> Further strengthen governance system for growth

"Back to Basics" Initiatives (Okinawa Rycom Branch)



The Okinawa Rycom branch, which opened on April 25, was designed based on the concept at the time of AEON Bank's establishment.



"Back to Basics" Initiatives (Okinawa Rycom Branch)



The branch promotes cross-selling and up-selling with easy-to-understand, convenient and speedy operation.

Card display

An attractive display of actual cards helps to build the brand image.

Digital signage

Cross-selling with displays featuring details on various financial products.

Appointment system

Consumers can shop while waiting, without wasting time.

Internet banking

The branch promotes an online-to-offline strategy and paperless banking.

"Back to Basics" Initiatives (Kamatori Branch)



We revitalized the Kamatori branch with a renovation reflecting the location's characteristics.

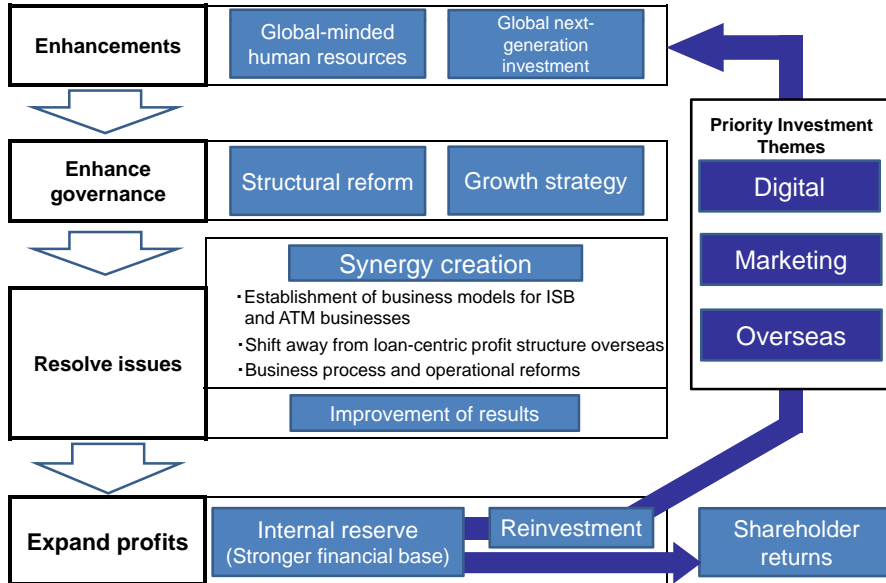


Before renovation



After renovation

Initiatives for Growth

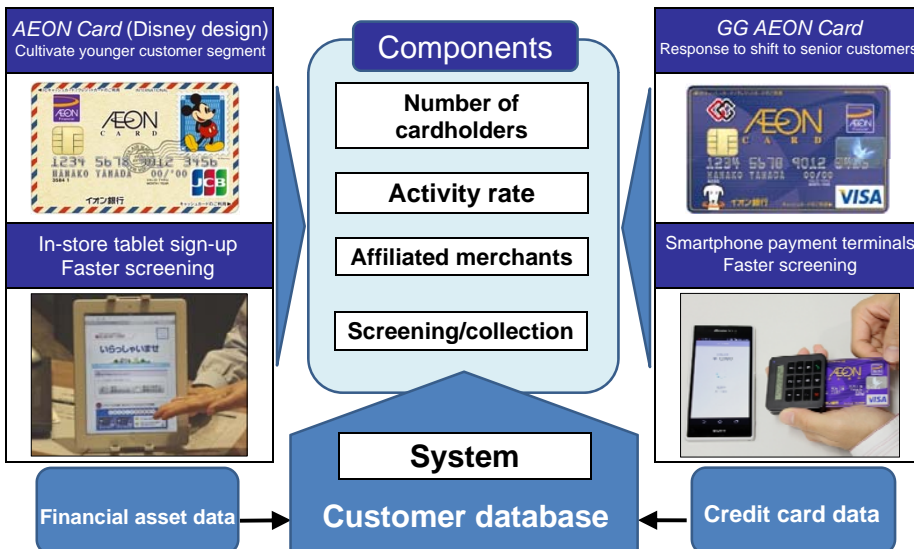


Future Directions

Credit Card Business (1)



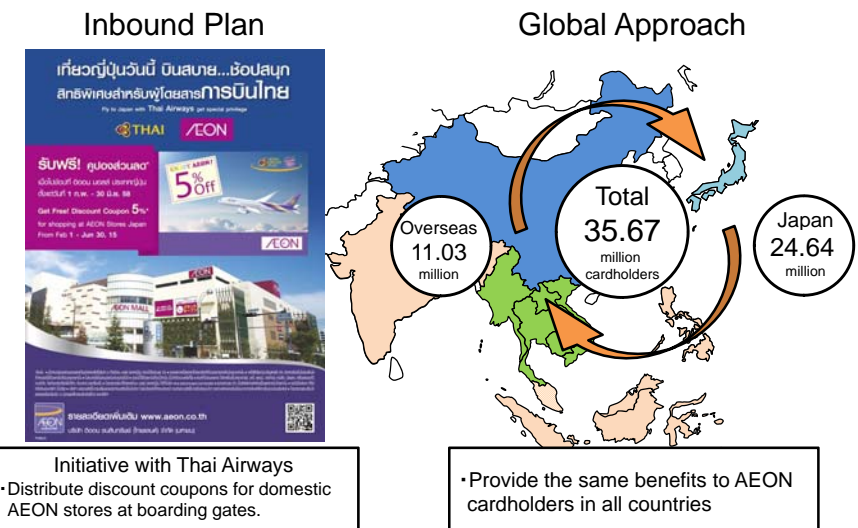
- Strengthen and expand the components of the Credit Card Business.



Credit Card Business (2)



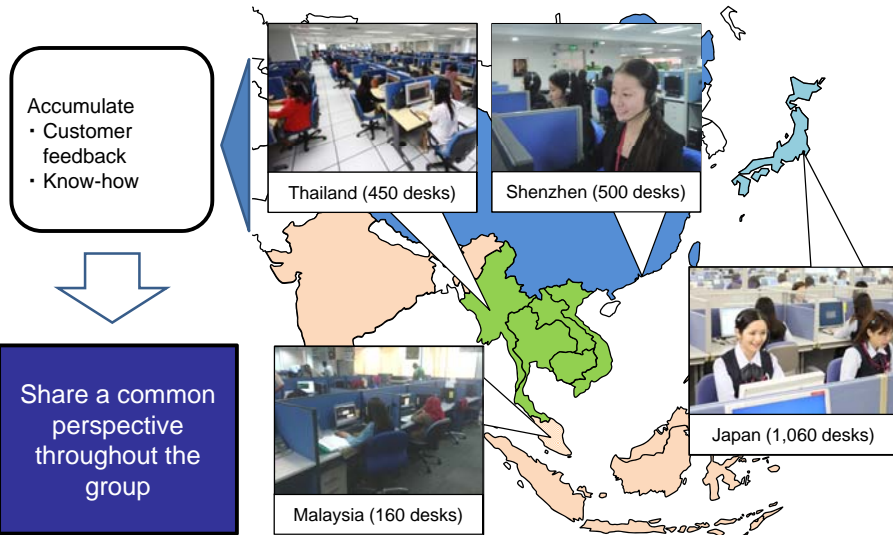
- Enhance promotions to inbound and outbound travelers using the AEON Group's retail network.



Fee Business



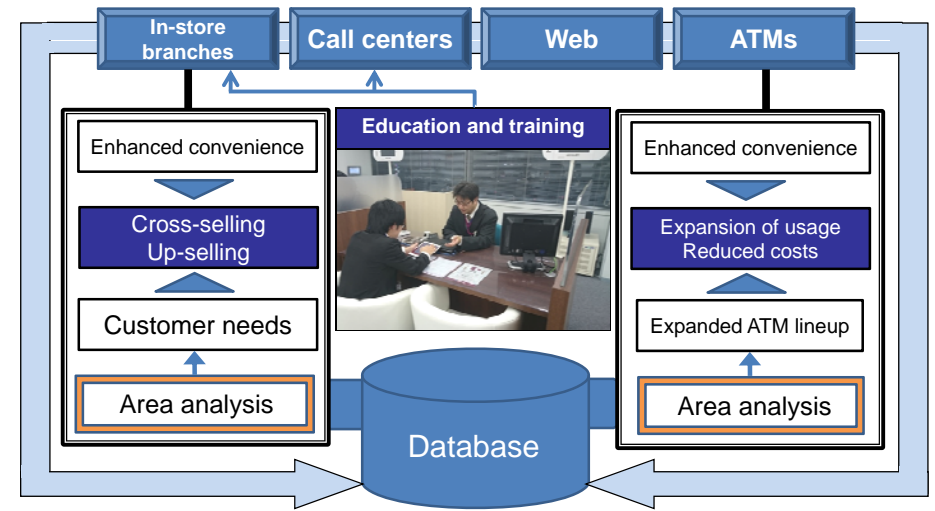
- Roll out call centers in each country to collect vast amounts of customer feedback.
- Improve efficiency with state-of-the-art systems and training of call center staff.



Banking Business (1)



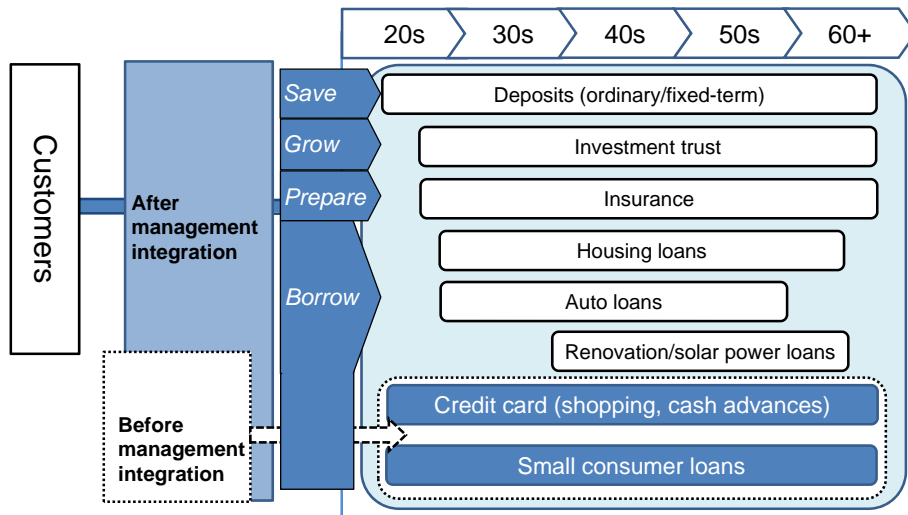
- Assemble information obtained from various channels in a database and conduct area analysis.
- Provide intensive employee education at training facilities to improve the level of customer service.



Banking Business (2)



- Begin providing a range of financial services made possible by the management integration.
- Offer products after clarifying targets from financial needs of customers based on their life plans and lifestyles.



Overseas Business (Greater China)



- Strengthen affiliated merchant development and collaboration with local AEON stores in Hong Kong to expand credit card shopping and fee income.
- In China, promote co-development of systems with Hong Kong and share screening and debt collection know-how.



Ordinary Income in Greater China

(Billions of yen)

	2014		2015	
	Results	Plan	YoY	
Ordinary income	22.1	27.0	122%	

Key Initiatives

Strengthen affiliated merchant development	<ul style="list-style-type: none"> • Expand the sales network • Enhance benefits to steer customers to affiliated merchants
Strengthen collaboration with AEON	<ul style="list-style-type: none"> • Analyze sales plan data • Develop sales promotions based on analysis results to expand transaction volume at AEON stores
Strengthen China business	<ul style="list-style-type: none"> • Share screening and debt collection know-how • Co-develop systems

Overseas Business (Greater Mekong Subregion)



- In Thailand, strengthen cultivation of a new customer base (by expanding sign-ups at BTS) and target the middle-income segment in regional cities.
- In neighboring countries, develop a plan for profitability in Myanmar, following Vietnam and Cambodia.



【AEON Rabbit Member Card】

■ Ordinary Income in Greater Mekong Subregion (Billions of yen)			
	2014		2015
	Results	Plan	YoY
Ordinary income	63.4	72.0	113%

Key Initiatives	
Cultivate new customer base	• Cultivate younger customer segment by boosting sign-ups for co-branded card with BTS
Expand operations in Thailand	• Expand sales network to match development of regional cities
Apply know-how from Thailand across the region	• Invest management resources in Vietnam, Cambodia, Myanmar and Laos

Overseas Business (Malay Subregion)



- In Malaysia, promote comprehensive financial service business initiatives integrated with retailers.
- Increase investment in Indonesia, India and the Philippines, which have larger markets than Malaysia.



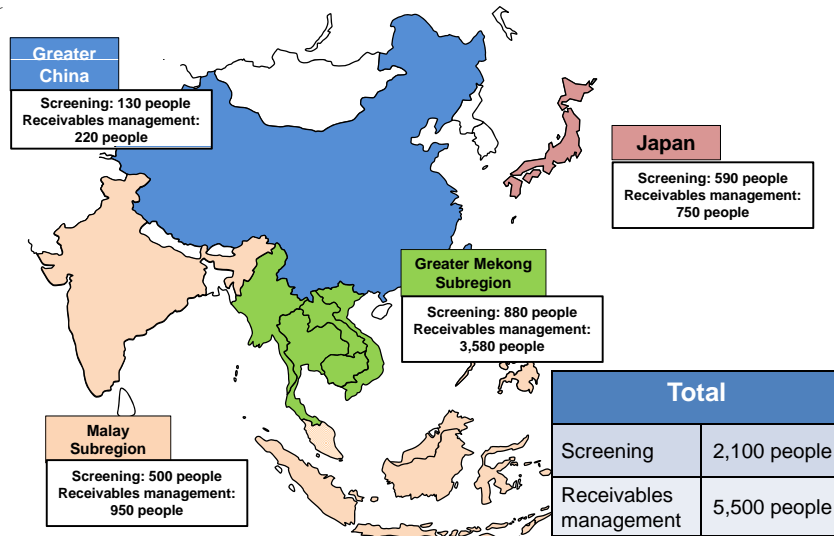
■ Ordinary Income in Malay Subregion (Billions of yen)			
	2014		2015
	Results	Plan	YoY
Ordinary income	33.8	41.0	121%

Key Initiatives	
Increase the number of cardholders	• With the credit card tax eliminated, expand sign-ups for credit cards with reward points
Promote comprehensive financial service initiatives	• Strengthen initiatives with AEON • Introduce new payment functions
Expand investment in neighboring countries	• Expand business by strengthening collaboration between operations in Malaysia and surrounding countries

Strengthen Screening and Credit Management



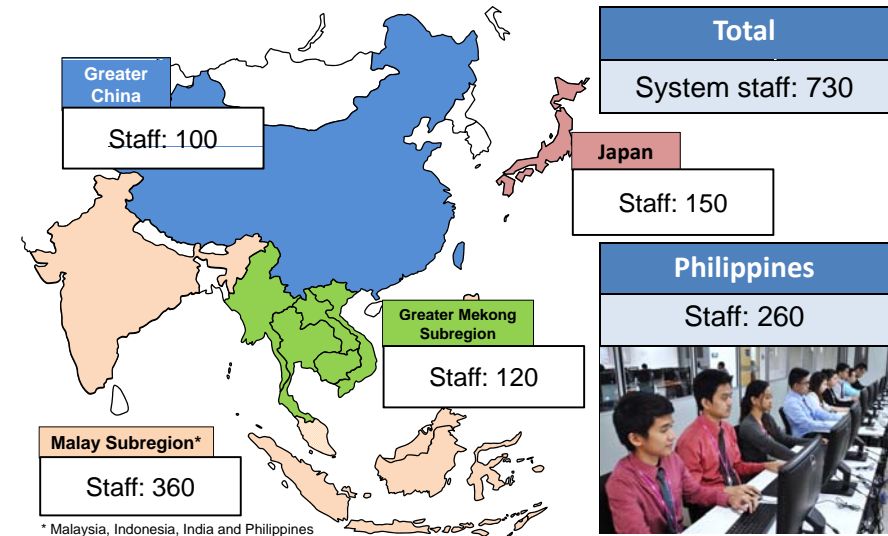
- Improve the efficiency of screening and receivables management by applying know-how from Japan.
- Grow outsourcing business based on data and know-how accumulated in each country.



Standardize Systems



- Accelerate growth in Japan and overseas by consolidating and standardizing system infrastructure in each country.



(Reference) Allowance for Possible Credit Losses and Allowance for Loss on Refund of Interest Received



■ Allowance for Possible Credit Losses (Domestic Credit Card Business) (Billions of yen)

	Credit	Fee	Banking	Overseas	Total
Allowance for possible credit losses, beginning of period	29.9	2.8	3.3	11.4	47.5
Provision for possible credit losses	8.8	1.2	0.0	29.7	39.7
Write-off of credit losses (including transferred debt)	12.6	0.9	0.2	24.3	38.0
Allowance for possible credit losses, end of period	26.1	3.1	3.1	16.8	49.2

(Domestic subsidiaries) AEON Bank: ¥3.2 billion, AEON Product Finance: ¥4.7 billion, AEON Housing Loan Service: ¥1.2 billion

■ Allowance for Loss on Refund of Interest Received (Billions of yen)

	FY 2013	FY 2014
Allowance for loss on refund of interest received, beginning of period	3.7	3.0
Provision for loss on refund of interest received	2.8	5.8
Interest refunded (Sums refunded and appropriation of interest to principal)	3.5	4.0
Allowance for loss on refund of interest received, end of period	3.0	4.8

(Reference) FY 2014 Results (Hong Kong, Thailand and Malaysia)



■ Consolidated Results of AEON Credit Service (Asia) Co., Ltd. (Billions of yen)

	FY 2013		FY 2014	
	Results	YoY	Results	YoY
Ordinary income	14.9	126%	18.1	122%
Ordinary profit	3.5	94%	4.8	138%
Net income	2.8	91%	3.9	139%

Exchange rates
 ·2013: HKD 1 = JPY 12.83
 ·2014: HKD 1 = JPY 14.04

■ Consolidated Results of AEON THANA SINSAP (THAILAND) PLC. (Billions of yen)

	FY 2013		FY 2014	
	Results	YoY	Results	YoY
Ordinary income	48.9	150%	57.6	118%
Ordinary profit	10.0	160%	10.1	101%
Net income	8.0	171%	8.0	101%

Exchange rates
 ·2013: THB 1 = JPY 3.21
 ·2014: THB 1 = JPY 3.35

■ Results of AEON Credit Service (M) Berhad (Billions of yen)

	FY 2013		FY 2014	
	Results	YoY	Results	YoY
Operating income	22.2	167%	28.3	128%
Operating profit	7.3	151%	9.4	129%
Net income	5.4	153%	7.0	128%

Exchange rates
 ·2013: MYR 1 = JPY 31.30
 ·2014: MYR 1 = JPY 32.58

(Reference) FY 2015 Business Plan (Domestic)



	FY 2014	FY 2015	
	Results	Plan	YoY
Number of cardholders	24.64 million	26.00 million	+1.36 million
Card shopping transaction volume	¥3,821.0 billion	¥4,200.0 billion	109.9%
E-money transaction volume	¥1,986.0 billion	¥2,281.0 billion	114.8%
Balance of cash advances	¥370.4 billion	¥400.0 billion	+¥29.6 billion
Balance of small consumer loans	¥45.9 billion	¥80.0 billion	+¥34.1 billion
Balance of unsecured loans	¥416.4 billion	¥480.0 billion	+¥63.7 billion

