

## Results for the First Half of Fiscal Year 2015



AEON Financial Service Co., Ltd.

## 1H FY 2015 Consolidated Business Scale and Results



Business Scale	1Q		First Half Total	
	Results	Change from start of FY	Results	Change from start of FY
<b>Number of cardholders, consolidated</b>	36.23 million	+560 thousand	36.71 million	+1,040 thousand
Domestic	24.97 million	+330 thousand	25.25 million	+610 thousand
<b>AEON Bank accounts</b>	4.48 million	+160 thousand	4.62 million	+300 thousand
<b>Finance receivables</b>	¥3,372.8 billion	+¥130.4 billion	¥3,502.1 billion	+¥259.7 billion

Consolidated Results	1Q		2Q		First Half Total		
	Results	YoY	Results	YoY	Results	YoY	Difference from forecast
<b>Ordinary income</b>	¥85.6 billion	117%	¥88.1 billion	113%	¥173.8 billion	115%	-¥1.2 billion
<b>Ordinary expenses</b>	¥73.0 billion	113%	¥63.4 billion	114%	¥147.9 billion	112%	-¥6.1 billion
<b>Ordinary profit</b>	¥12.5 billion	152%	¥13.3 billion	119%	¥25.9 billion	133%	+¥4.9 billion
<b>Profit attributable to owners of parent company</b>	¥7.1 billion	187%	¥6.9 billion	97%	¥14.1 billion	128%	+¥3.1 billion
<b>Dividends</b>	-		¥28		+¥3		

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## Results by Segment



(Billions of yen)		1Q		2Q		First Half Total	
		Results	YoY	Results	YoY	Results	YoY
<b>Credit business</b>	Ordinary income	37.2	112%	38.1	107%	75.4	109%
	Ordinary profit	8.2	148%	8.4	105%	16.7	123%
	Ordinary Profit ratio* (%)	22.3%	+5.4 pt.	22.1%	-0.4 pt.	22.2%	+2.4 pt.
<b>Fee business</b>	Ordinary income	11.7	111%	12.5	116%	24.2	114%
	Ordinary profit	0.8	1,055%	1.0	372%	1.9	522%
	Ordinary Profit ratio* (%)	7.3%	+6.5 pt.	8.5%	+5.8 pt.	7.9%	+6.2 pt.
<b>Banking business</b>	Ordinary income	11.6	145%	10.2	111%	21.8	127%
	Ordinary profit	0.2	+1.8	(0.4)	+0.3	(0.2)	+2.2
	Ordinary Profit ratio* (%)	1.9%	-	-	-	-	-
<b>Overseas business</b>	Ordinary income	30.7	123%	31.6	114%	62.3	118%
	Ordinary profit	5.7	108%	5.6	101%	11.3	104%
	Ordinary Profit ratio* (%)	18.6%	-2.7 pt.	18.0%	-2.2 pt.	18.3%	-2.5 pt.
<b>Adjustment</b>	Ordinary income	(5.6)	-	(4.4)	-	(10.1)	-
	Ordinary profit	(2.4)	-	(1.4)	-	(3.9)	-
<b>Total</b>	Ordinary income	85.6	117%	88.1	113%	173.8	115%
	Ordinary profit	12.5	152%	13.3	119%	25.9	133%
	Ordinary Profit ratio* (%)	14.7%	+3.3 pt.	15.1%	+0.8 pt.	14.9%	+2.0 pt.

\* Ordinary Profit ratio = Ordinary Profit ÷ Ordinary Income

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## Consolidated Balance Sheets



(Billions of yen)

Consolidated	Results	Change from start of FY	Consolidated	Results	Change from start of FY
Cash and deposits	393.4	-74.2	Deposits	1,990.6	+27.5
Loans and bills discounted	1,515.7	+414	Interest-bearing debt	749.3	-57.5
Domestic	1,265.5	+437	[Amount securitized]	[791.9]	[+245.5]
[Amount securitized]	[573.4]	[+181.5]	Domestic	371.7	-64.1
Cash advances + Small consumer loans	447.1	+30.7	Overseas	377.6	+6.6
Overseas	255.1	-2.2	Allowance for loss on refund of interest received	2.9	-1.8
Accounts receivable – installment	1,117.0	-26.4	Accounts payable – trade and other liabilities	282.7	-23.4
[Amount securitized]	[212.4]	[+65.4]	Acceptances and guarantees	182.7	-0.8
Customers' liabilities for acceptances and guarantees	182.7	-0.8	Total liabilities	3,208.3	-56.1
Allowance for doubtful accounts	(50.1)	-0.8	Total net assets	329.1	+4.2
Securities and other assets	483.9	+90	Total liabilities and net assets	3,537.5	-51.9
Total assets	3,537.5	-51.9	Shareholders' equity ratio (Domestic standard)	7.8%	-0.3%
Interest rate spread	8.2%	+0.2%			

\*Change from previous fiscal year

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## Funding



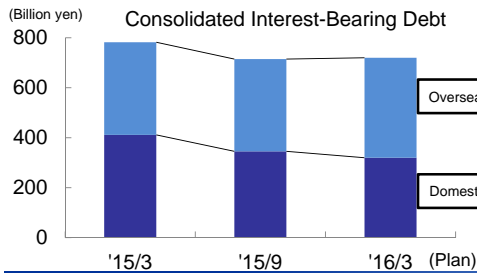
- In addition to strong growth in long-term receivables, the current environment is favorable for raising long-term funds at fixed interest rates.
- Consolidated interest-bearing debt has decreased as a result of funding from deposits and securitization of receivables.

### Backdrop of Securitization of Receivables

- Strong performance of long-term receivables (housing, auto, solar power and renovation loans)
- Ability to raise funds for long periods with lower interest rates than deposits for the terms of time deposits
- Slower economic growth, especially in China and resource- and oil-producing countries

### View of Securitization of Receivables

- Long-term funds at fixed interest rates are readily procurable.
- The effects of screening and credit management efforts were delayed due to the economic slowdown overseas.



- Consolidated Interest-Bearing Debt (As of September 30, 2015)  
¥749.3 billion (-¥57.5 billion from start of fiscal year)  
– Domestic: ¥371.7 billion (-¥64.1 billion)  
– Overseas: ¥377.6 billion (+¥6.6 billion)

↓  
**We also plan to reduce our year-end domestic interest-bearing debt by using deposits and securitizing receivables.**

## Forecast of Results for FY 2015



	Forecast of Results	
	Results	YoY
Ordinary income	¥380 billion	116%
Ordinary profit	¥61 billion	115%
Net income	¥33 billion	108%
Net income per share	¥166.09	109%

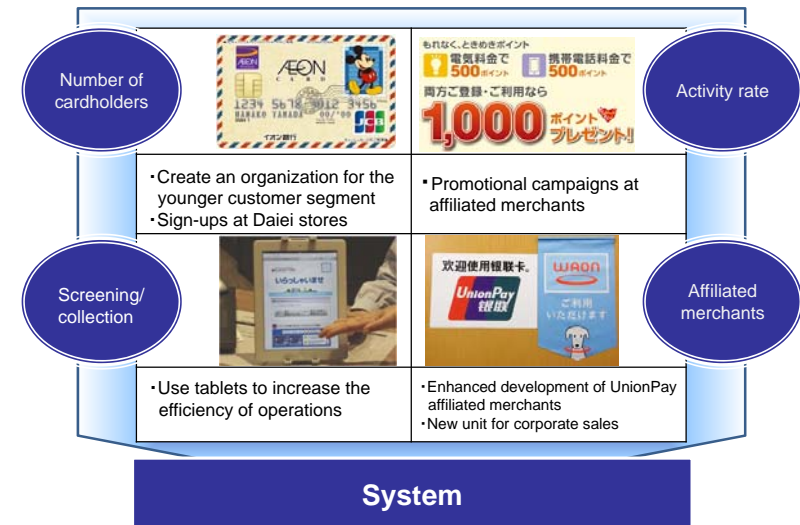
	Interim		Year end		Full year		Payout ratio	
	Actual	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥28	+¥3	¥38	+¥3	¥66	+¥6	39.7%	+0.4%

## Key Initiatives for the Second Half

## Credit Card Business



- Number of cardholders, activity rate, affiliated merchants, screening/collection, and system



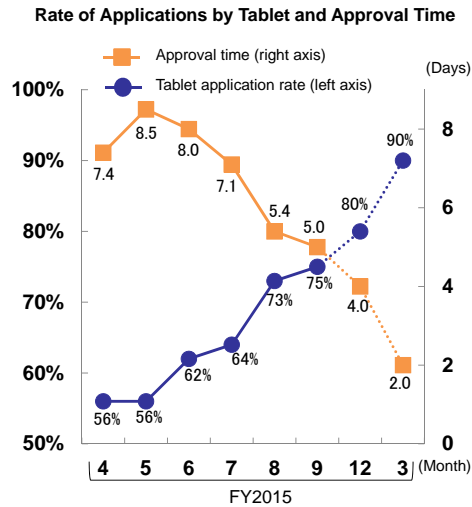
## Credit Card Business



- Shorten the time needed to enroll by using tablets for efficient cardholder sign-ups.
- Reduce costs by going paperless, with all sign-ups done on tablets.
- Introduce a camera function that can confirm identity to promote in-store completion of sign-ups.



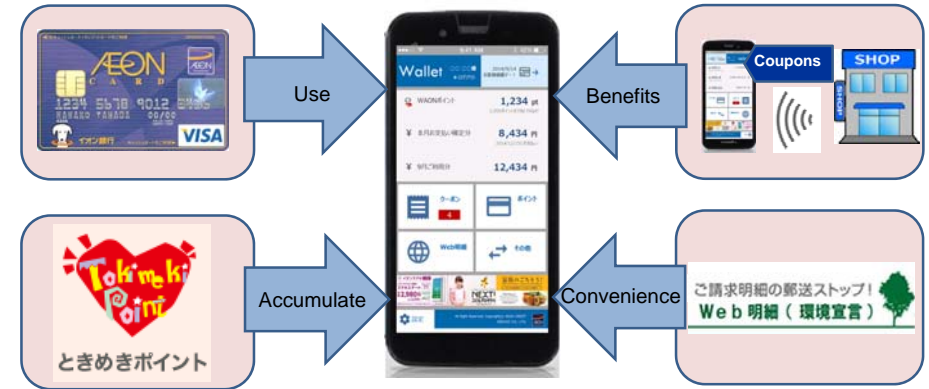
Promoting sign-ups by tablet



## Credit Card Business



- Develop an AEON Card smartphone app and introduce it on a trial basis.
- Offer payment, coupon delivery, confirmation of points and usage status, services, and other functions via smartphone.

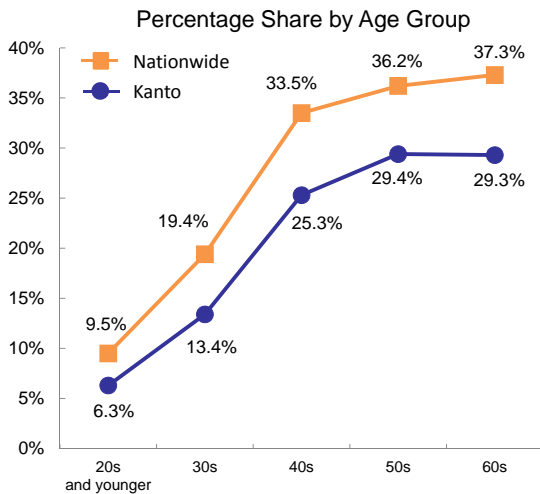


Development of Our Original App

## Credit Card Business



- Create an organization for the younger customer segment by promoting Disney sign-ups and enhancing debit card functions.
- Maintain activity rates by offering the G.G Card and gold versions of co-branded cards.



AEON Debit Card



AEON JMB Card G.G

## Credit Card Business



- Conduct cardholder sign-ups tailored to diverse AEON Group stores.
- Use digital infrastructure to expand sign-ups in the Tokyo area, where our household share is low.



Use digital infrastructure.

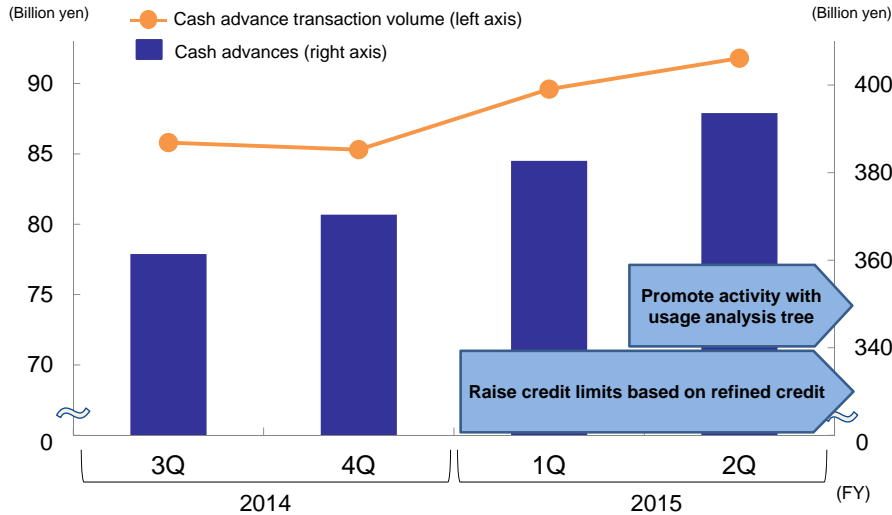
AEON Group Company	Number of Stores*
United Supermarket Holdings Inc.	483
AEON Market	75
My Basket	602
Strengthen sign-ups at Daiei and strategic small stores.	

\*Number of stores as of August 2015

## Credit Card Business



- Refined credit with data analysis in 1Q. Implemented policies for raising credit limits.
- In 2Q, promote activity with tree analysis of credit-use characteristics.



## Credit Card Business (Promotion of Installment Sales Finance Business)

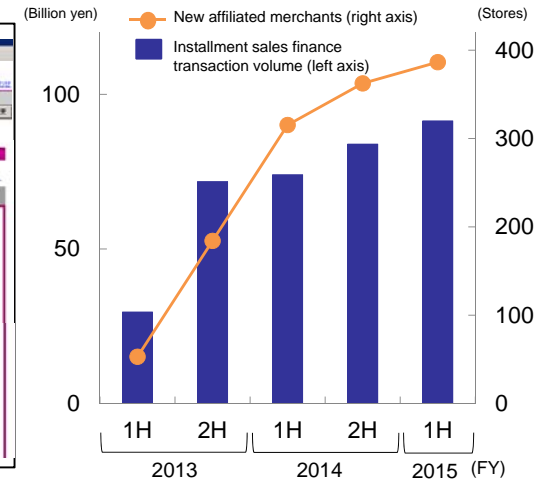


- Steadily expand our transaction volume by strengthening new affiliated merchant development and launching a Web-based instant credit screening system for auto loans.
- Continue affiliated merchant development in the second half and strengthen affiliated merchant maintenance.

### Web Credit Screening System



### Installment Sales Affiliated Merchants and Transaction Volume



## Fee Business (Insurance Agency and Housing Loan Businesses)



- In the insurance agency business, offer appointments and reception online. Promote an omni-channel approach to applications at the branch.
- Expand housing loan applications by increasing AEON Bank housing loans, in addition to "Flat 35" loans.

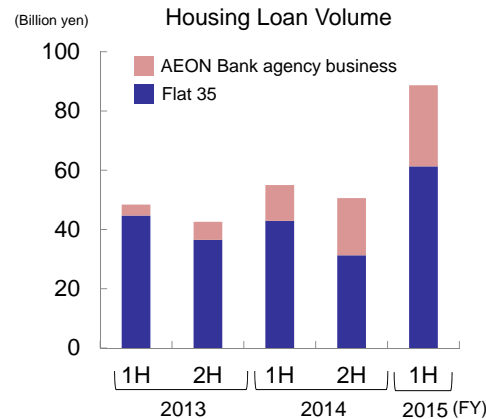
### Promotion of Omni-Channel Approach



Appointment for meeting at branch



**AEON INSURANCE SERVICE**  
1H operating income ¥3.3 billion (+11% YoY)



**AEON HOUSING LOAN SERVICE**  
1H operating income ¥2.7 billion (+33% YoY)

## Fee Business (Strengthening E-Money Initiatives)

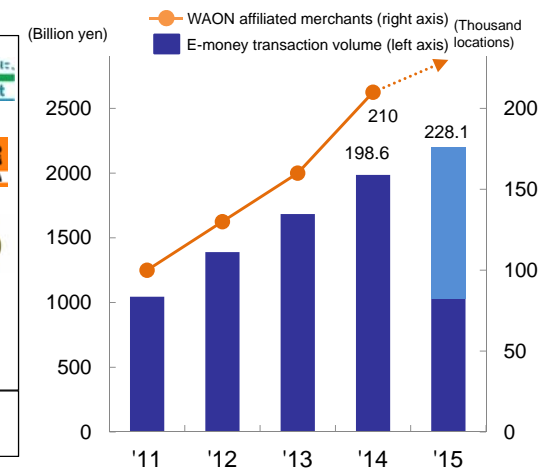


- Expand the transaction volume with the use of WAON at 12,220 Lawson convenience stores starting on December 15.
- Strengthen the development of outside WAON affiliated merchants that use new NFC terminals; used at 225,000 locations in the first half.



Use of WAON starting at Lawson stores

### E-Money Transaction Volume



## Banking Business (In-Store Branch Business)



- Improve customer convenience and efficiency with digitalization initiatives.
- Provide services tailored to regional characteristics and the needs of each customer.

### Product explanation using digital signage



### Concierge system



Details of Initiatives	Benefits
<ul style="list-style-type: none"> <li>• Switch to paperless processes                             <ul style="list-style-type: none"> <li>— Digital signage</li> <li>— Acceptance of notifications via tablet</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Fast service                             <ul style="list-style-type: none"> <li>— Saves reception and processing time</li> </ul> </li> <li>• Efficient notification                             <ul style="list-style-type: none"> <li>— Lower printing and content change costs</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Expansion of credit screening centers                             <ul style="list-style-type: none"> <li>— Shift from uniform screening to screening based on regional market characteristics</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Improved screening speed                             <ul style="list-style-type: none"> <li>— More applications processed</li> </ul> </li> <li>• Better screening accuracy                             <ul style="list-style-type: none"> <li>— Understanding of local conditions</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Utilize customer information                             <ul style="list-style-type: none"> <li>— Determine needs from information on attributes and usage</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Improved product proposals                             <ul style="list-style-type: none"> <li>— Generates list of recommended products from analysis data</li> </ul> </li> </ul>

## Banking Business (Initiatives in Human Resource Development)

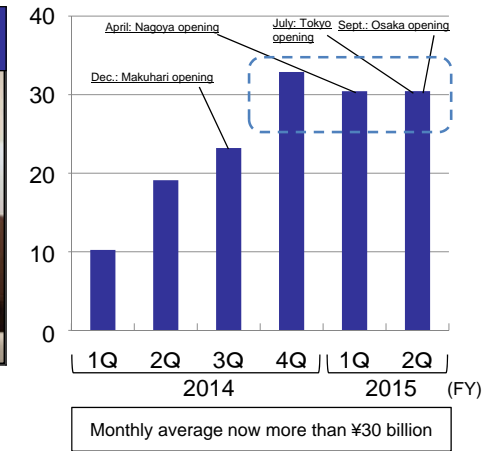


- Housing loans made in the first half expanded 207% YoY due to the effect of training at training facilities.
- Strengthening consulting capabilities in over-the-counter sales (investment trusts, insurance) in addition to housing loans.

### Training in a branch-like environment



Average Monthly Amount of Housing Loans Made (by Quarter)  
(Billion yen)



## Banking Business (Development of the ATM Business)



- AEON Bank ATMs have the infrastructure to provide cash advances, WAON recharging and other services, in addition to banking services such as deposits, withdrawals and transfers.

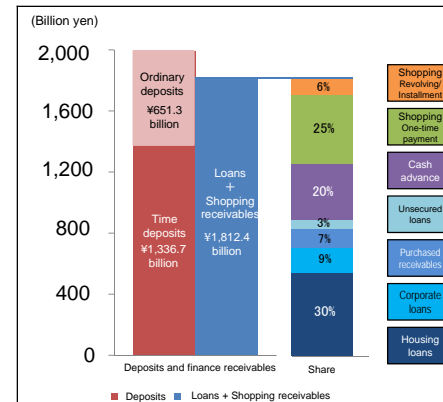
<h3>Banking services</h3> <ul style="list-style-type: none"> <li>Deposits &amp; withdrawals</li> <li>Transfers</li> <li>Time deposits</li> <li>Transaction records</li> <li>Setting changes</li> <li>Others</li> </ul>	<h3>WAON</h3>	<h3>EMV-compliant</h3> <p>INTERNATIONAL CARD /</p>
<h3>Cash advances</h3>	<h3>Coupon issuance</h3>	<h3>Digital signage advertising</h3>

## Banking Business (Balance Sheet)

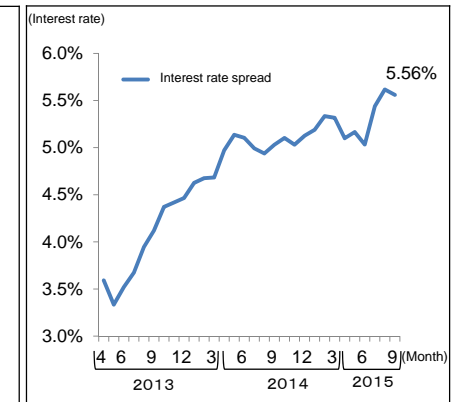


- Loan-to-deposit ratio of 63% due to the expansion of credit card receivables, and 91% when card shopping receivables are added
- Balance sheet efficiency improving with the expansion of highly profitable finance receivables and the lowering of deposit costs

### Finance Receivables (Including Card Shopping)



### Interest Rate Spread



- One-time payment shopping has an APR of about 18%.  
(Average affiliated merchant fee of 1.5% X 12 months)

- The yield on loans is rising due to the expansion of cash advances.
- The yield on deposits is decreasing due to the increase of the ordinary deposit ratio.

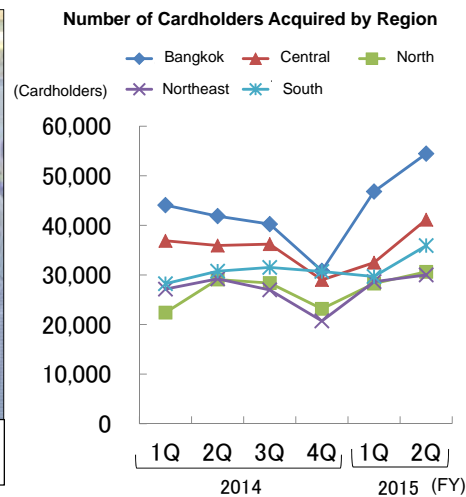
## Overseas Business (First-Half Initiatives of THANA SINSAP)



- Issued a co-branded card with a railway operator group for the purpose of acquiring cardholders among middle-income people working at offices and living along railway lines
- In addition to boosting sign-ups in Bangkok, shifted sign-up efforts from industrial areas to major regional cities



Cardholder sign-ups at Chit Lom train station



## Overseas Business (Finance Receivables of THANA SINSAP)



- Household debt centered on housing loans and personal loans is increasing, and financial institutions are tightening their credit standards.
- Recently, the delinquency of customers is improving due to the revision of credit screening standards and the strengthening of receivables management.

### Household Debt in Thailand

	2013	2014	2015 (June 30)
Amount of household debt	9.8 trillion baht	10.5 trillion baht	10.7 trillion baht
As a percentage of GDP	76%	80%	81%

Source: Bank of Thailand

### Years Since Customers' Start of Credit (As of September 30)

	2 years or more	Less than 2 years	Less than 1 year
Finance receivables	55.0 billion baht	4.9 billion baht	2.1 billion baht
Balance of delinquent loans	1.8 billion baht	200 million baht	40 million baht
Delinquency rate	3.3%	4.1%	1.7%

## Overseas Business (Finance Receivables of THANA SINSAP)



- Profit margins are improving as a result of improved yields and reduced provisions.
- Promoting a switch from loans to credit cards

### Product Comparison (THANA SINSAP)

	Credit Cards		HP/Specific-Purpose Loans		Personal Loans		Total	
	Result	Change from previous year	Result	Change from previous year	Result	Change from previous year	Result	Change from previous year
Share of transaction volume	49.5%	+2.1%	21.8%	-4.5%	28.8%	+2.4%	100%	-
Share of operating revenue	41.8%	+1.5%	18.0%	-4.8%	40.2%	+3.3%	100%	-
Yield	24.9%	+0.4%	23.7%	-0.46%	27.6%	+1.4%	25.7%	+0.7%
Provisions ÷ Receivables (before amortization)	5.3%	-2.1%	8.0%	-2.7%	10.3%	+1.6%	7.7%	-0.9%

## Overseas Business (Thailand: Enhancement of Receivables Management Operations)



- Introduced a new employee evaluation system, and evaluating employees every three months to allocate them appropriately
- Reallocating employees to delinquent receivables and external debt in the current month by raising collection efficiency with improved classification of the current month's receivables

### Bangkok Business Center



### Balance of Loans Entrusted by No. of Months Past Due

	Current month	1 month past due	2 months past due	>3 months past due and in litigation
Balance of loans (Million baht)	54,800	1,310	800	12,900
Number of loans (Thousand)	3,210	70	50	99
Administrative staff	1,160	420	280	390
Accounts handled per person	2,760	170	160	-

## Overseas Business (Business Development Centered on Thailand)



- Conducting card business, insurance agency business and servicer business in Thailand
- Acquired a specialized bank license and began credit card business in Cambodia

	Thailand	Vietnam	Cambodia	Myanmar	Laos
Credit cards	○		○ <small>Became a specialized bank</small>		
Installment sales finance	○	○	○	○	○
Personal loans	○		○	○	
Insurance agency	○				
Servicer business	○				
Leasing	○				
<b>Business resources</b>	Share employee development and expertise cultivated in Thailand.				
People/Materials	Utilize financing capability in Thailand (investment).				
Funds	Shared modules				
Systems					

Using business resources in Thailand to strengthen expansion in neighboring countries

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



### Allowance for Possible Credit Losses (Domestic Credit Card Business)

(Billion yen)

	Credit	Fee	Banking	Overseas	Total
Allowance for possible credit losses, beginning of period	26.1	3.1	3.1	16.8	49.2
Provision for possible credit losses	6.2	7.0	1.0	16.3	23.5
Write-off of credit losses (including transferred debt)	5.7	0.2	0.0	16.6	22.6
Allowance for possible credit losses, end of period	26.6	3.6	3.2	16.5	50.1

(Domestic subsidiaries) AEON Bank: ¥3.2 billion, AEON Product Finance: ¥4.6 billion, AEON HOUSING LOAN SERVICE: ¥1.3 billion

### Allowance for Loss on Refund of Interest Received

(Billion yen)

	FY 2014 1H	FY 2015 1H
Allowance for loss on refund of interest received, beginning of period	3.0	4.8
Provision for loss on refund of interest received	2.5	0.0
Interest refunded (Sums refunded and appropriation of interest to principal)	1.9	1.9
Allowance for loss on refund of interest received, end of period	3.6	2.9

## (Reference) 1H FY 2015 Results (Hong Kong, Thailand and Malaysia)



### Consolidated Results of AEON Credit Service (Asia) Co., Ltd. (Billion yen)

	1H FY 2014		1H FY 2015	
	Results	YoY	Results	YoY
Ordinary income	8.3	116%	9.9	119%
Ordinary profit	2.2	107%	2.3	104%
Net income	1.7	106%	1.8	105%

Exchange rates: HKD 1  
 • 1H 2014: JPY 13.17  
 • 1H 2015: JPY 15.66

Fiscal period  
 •2014: Feb. 21–Aug. 20  
 •2015: Mar. 1–Aug. 31

### Consolidated Results of AEON THANA SINSAP (THAILAND) PLC. (Billion yen)

	1H FY 2014		1H FY 2015	
	Results	YoY	Results	YoY
Ordinary income	27.0	115%	31.6	117%
Ordinary profit	4.9	98%	5.6	114%
Net income	3.9	98%	4.5	115%

Exchange rates: THB 1  
 • 1H 2014: JPY 3.15  
 • 1H 2015: JPY 3.63

Fiscal period  
 •2014, 2015:  
 Feb. 21–Aug. 20

### Results of AEON Credit Service (M) Berhad (Billion yen)

	1H FY 2014		1H FY 2015	
	Results	YoY	Results	YoY
Ordinary income	12.9	135%	14.9	115%
Ordinary profit	4.3	124%	4.5	104%
Net income	3.2	124%	3.4	106%

Exchange rates: MYR 1  
 • 1H 2014: JPY 31.60  
 • 1H 2015: JPY 32.43

Fiscal period  
 •2014: Feb. 21–Aug. 20  
 •2015: Mar. 1–Aug. 31

Note: Calculated from information released by each company

## (Reference) 1H FY 2015 Business Plan (Domestic)



	1H FY 2015		FY 2015	
	Results	Change from start of fiscal year	Plan	Change from start of fiscal year
Number of cardholders	25.25 million	+0.61 million	26.00 million	+1.36 million

	Results	YoY	Plan	YoY
Card shopping transaction volume	¥1,986.3 billion	108.8%	¥4,200.0 billion	109.9%
E-money transaction volume	¥1,029.6 billion	108.3%	¥2,281.0 billion	114.8%

	Results	Change from start of fiscal year	Plan	Change from start of fiscal year
Balance of cash advances	¥393.0 billion	+¥22.5 billion	¥400.0 billion	+¥29.6 billion
Balance of small consumer loans	¥54.1 billion	+¥8.2 billion	¥80.0 billion	+¥34.1 billion
Balance of unsecured loans	¥447.1 billion	+¥30.7 billion	¥480.0 billion	+¥63.7 billion