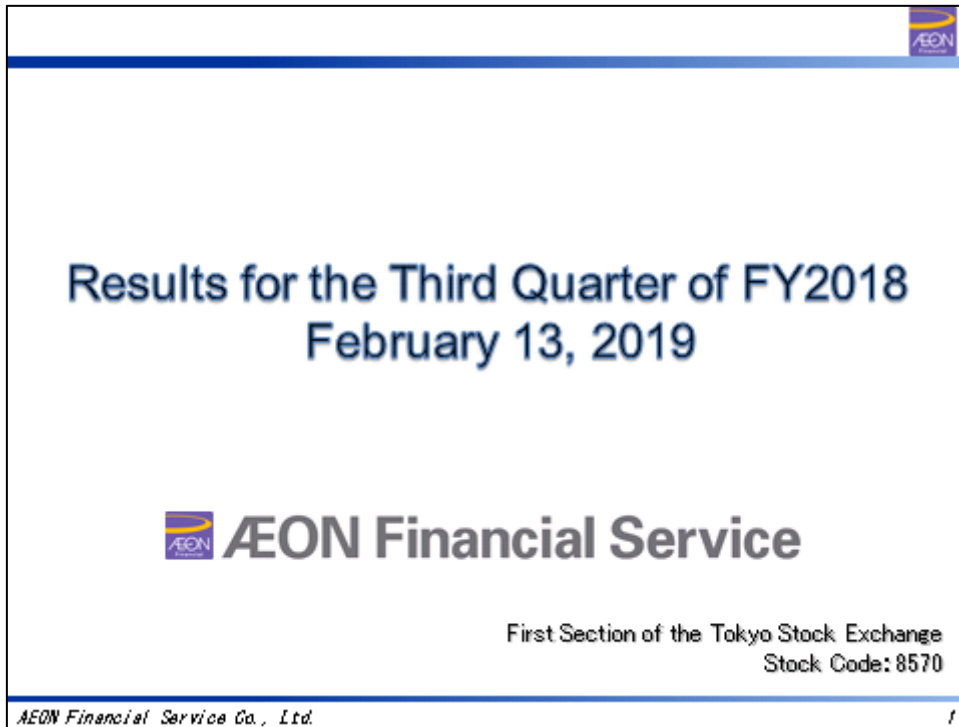


[p. 1]



Thank you so much for taking the time to attend our telephone results briefing.  
I am Suzuki in charge of corporate planning.

[p. 2]

- 1. Consolidated business outline and results**
- 2. Main initiatives**
- 3. Results forecast for FY2018**
- 4. Initiative for the next fiscal year**

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*AEON Financial Service Co., Ltd.* 2

- I would like to start by discussing the consolidated results and related details for the third quarter.

- Then I will discuss our key efforts in domestic and overseas operations, earnings forecast for the current fiscal year, and efforts for the next fiscal year and later. After that, I will invite you to ask questions.

Consolidated business outline and results① - business outline								
(Unit: billions of yen)	Domestic				Global			
	Credit card①		Installment sales	Housing loan (mil)	Credit card②		Installment sales③	Personal loan
	Shopping	Cash advance			Shopping	Cash advance		
Transaction volume	3,990.0	305.6	178.4	339.1	190.2	102.7	76.5	116.2
YoY	+8.1%	+4.7%	-1.5%	+10.4%	+10.2%	+14.2%	+27.9%	-9.2%
Finance receivables (bil)	1,117.5	470.8	610.3	1,906.1	99.7	102.0	166.2	219.2
Change from start of FY	<b>+141.4</b>	<b>+15.0</b>	<b>+64.1</b>	<b>+191.3</b>	<b>+2.5</b>	<b>+10.5</b>	<b>+15.2</b>	<b>+19.3</b>

※ 1 Includes amounts for Flat35 and studio condominium loan. ※ 2 Figures for domestic finance receivables refer to amounts before securitization.

(Unit: no. of people)	No. of cardholders④		
	Consolidated	Domestic	Global
Results	42.10mil	28.29mil	13.81mil
Change from start of FY	+14.8mil	+5.4mil	+9.1mil

① Domestic: Credit card  
 - Shopping (x vol.): Transaction vol. growth mainly due to more card usage at external merchants attributed to promotional tie-ups  
 - Cash advance (x vol.): Favorable trend in cash advance usage growth in Thailand attributed to credit enhancement strategy implemented before interest rate cap regulation introduced in Sep 2017

② Global: Credit Card  
 - Shopping (x vol.): Marketing campaigns to promote card usage, along with the growth of card holders, has been effective in boosting card usage  
 - Cash advance (x vol.): Favorable trend in cash advance usage growth in Thailand attributed to credit enhancement strategy implemented before interest rate cap regulation introduced in Sep 2017

③ Global: Installment finance  
 - Greater consumer spending in Malaysia during tax-free period before the implementation of a new consumer tax policy incentivized more purchases among the higher-income earners, resulting in positive growth in cars and higher-end motorcycles loan transactions volume

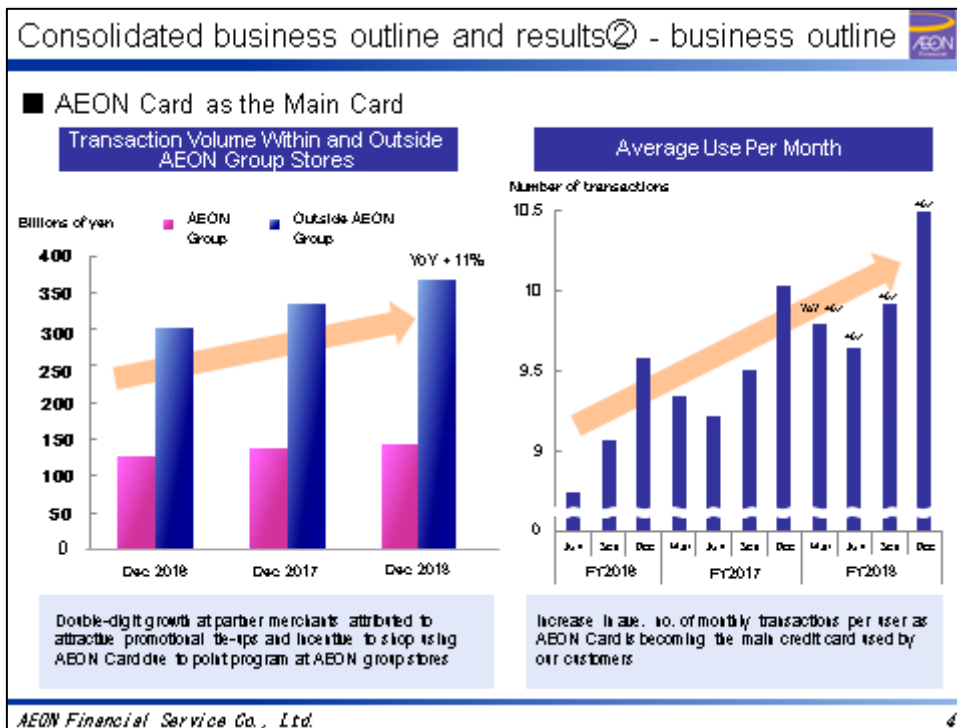
④ Consolidated, Domestic and Global number of cardholders  
 - Number of domestic members including debit cardholders and bank account holders increased by 570K to 28.77mil since start of FY  
 - Domestic: New credit cards targeted at theme park users, expressway users and fans of Japanese girl idol group  
 - Global: New premium cards to target the middle to high income segments were issued

(Unit: no. of accounts)	AEON Bank accounts		
	Total	Credit card linked with AEON Bank account	Debit card linked with AEON Bank account
Results	6.43mil	4.73mil	2.2mil
Change from start of FY	+3.8mil	+2.5mil	+0.8mil

(Unit: billions of yen)	Bank deposits balance		
	Total	Ordinary deposits	Time deposits
Results	3,465.3	2,525.9	918.5
Change from start of FY	+411.5	+505.1	-112.0

AEON Financial Service Co., Ltd. 3

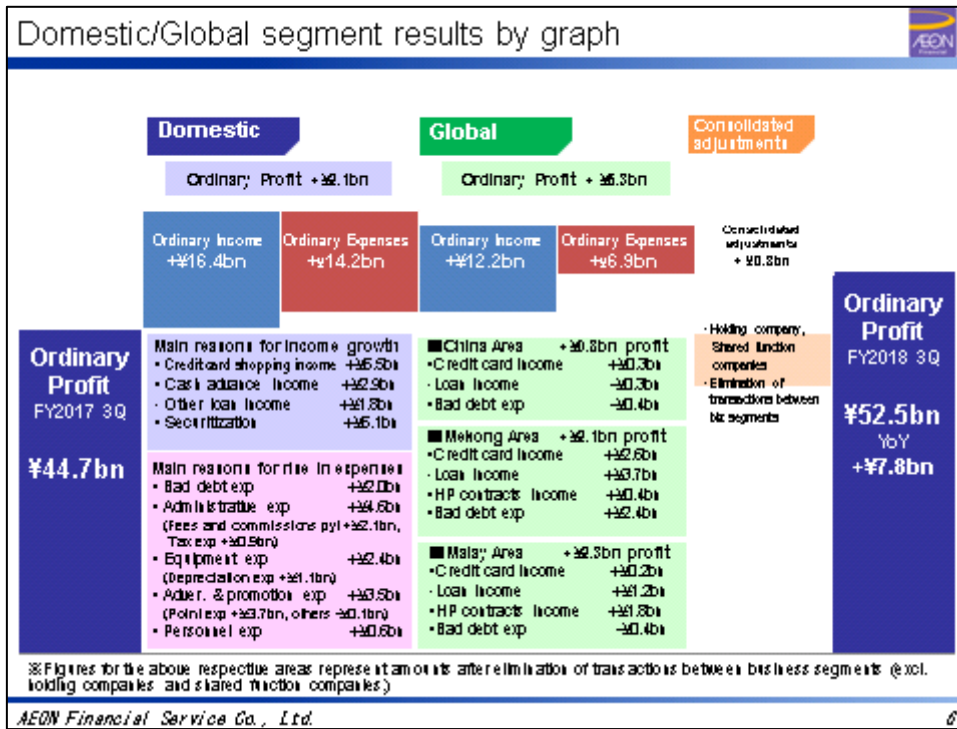
- First, let me talk about developments of our consolidated business during the period.
- In the domestic operation, amid slumping consumption of clothing and energy related items, including electric power and gas, due to a warm winter, credit card shopping transaction volume increased 8% from a year ago, driven by increased transaction volume at merchants outside the AEON Group thanks to, among other things, joint sales efforts with companies in tie-ups.
- In terms of cash advance, transaction volume grew 5% from a year ago while finance receivables increased 15.0 billion yen from the beginning of the fiscal year, due to the increase in users.
- Housing loans transaction volume increased 10% from a year ago while their finance receivables, in amounts before securitization, increased 191.3 billion yen from the beginning of the fiscal year, as special discount offers, special interest rate plans, etc. at AEON Group outlets proved popular among customers.
- In global, both credit card shopping and cashing grew two digits, driven by solid spending environment in the local markets. Transaction volume and balance of installment finance increased briskly in Malaysia, led by automobiles and motorcycles, as our local operation captured a demand surge during a tax-exemption period related to a transition of tax systems in the country.
- The consolidated number of cardholders grew solidly, helping to expand our customer base, as we issued tie-up cards with theme parks and transportation services in Japan and premium cards for medium- to high-income earners in the global business in order to capture new customers.



- Let me now discuss the increase in transaction volume thanks to increased use of the AEON Card as the main card.
- The chart on the left shows the transaction volume in and outside the AEON Group in December of the past three years.
- As the blue bar indicates, the transaction volume increased steadily in and outside the group. Transaction volume in December 2018 grew 11% from a year ago.
- The chart on the right shows the monthly average of number of uses, and it shows, as you can see, that the figures grew steadily.
- We think customers who use the AEON Card as their main card have increased, boosting the number of its uses in and outside the group, since we introduced the double-point campaign at AEON Group outlets in June 2016.

Consolidated business outline and results - results																																				
(Unit: Billions of yen)	Domestic total			Global total				Adjustments	Conso. Total																											
	※	Retail	Solutions	※	China Area	Mekong Area	Malay Area																													
Ordinary income	221.9	142.2	133.9	102.6	14.5	53.6	34.3	-54.1	324.7																											
YoY	+8%	+8%	+6%	+14%	+0%	+16%	+16%	+5%	+9%																											
Change	+16.4	+10.8	+7.6	+12.2	+0	+7.4	+4.7	-2.7	+28.0																											
Ordinary profit	26.7	9.6	19.6	25.4	5.3	10.6	9.3	-2.1	52.5																											
YoY	+9%	+45%	-4%	+27%	+18%	+26%	+33%	-11%	+18%																											
Change	+2.1	+3.0	-0.7	+5.3	+0.8	+2.1	+2.3	+0.2	+7.8																											
Ordinary profit ratio	12.0%	6.8%	14.7%	24.7%	37.1%	19.8%	27.2%	-	16.2%																											
YoY	+0.1pt	+1.7pt	-1.4pt	+2.5pt	+5.6pt	+1.5pt	+3.5pt	-	+1.1pt																											
※ Domestic total and global total represent amounts after elimination of transactions between business segments									Profit attributable to owners of parent	29.6																										
									YoY	+15%																										
<b>Domestic main factors</b> ( ¥ ): YoY % or amount <b>[Retail]</b> - Credit card shopping and cash adv. total +36.1bn, other loans +21.7bn <b>[Solutions]</b> - Bad debt exp +22.3bn				<b>Global main factors</b> ( ¥ ): YoY % or amount - Topline and profit growth in local currency and yen for all three areas - Thailand: Strong credit card shopping and cash advance transaction volume and expansion of loan balance - Malaysia: Credit card shopping and installment finance growth mainly attributed to more purchases of cars and higher-end motorcycles during temporary tax-free period before the switch to a new consumer tax policy * Foreign exchange impact: Ordinary income +12.4bn, Ordinary profit +10.8bn																																
<table border="1"> <thead> <tr> <th></th> <th>1Q</th> <th>2Q</th> <th>3Q</th> </tr> </thead> <tbody> <tr> <td>Ordinary income</td> <td>+7%</td> <td>+4%</td> <td>+8%</td> </tr> <tr> <td>Bad debt expenses</td> <td>+31%</td> <td>+14%</td> <td>+7%</td> </tr> </tbody> </table>					1Q	2Q	3Q	Ordinary income	+7%	+4%	+8%	Bad debt expenses	+31%	+14%	+7%	<table border="1"> <thead> <tr> <th></th> <th>Domestic</th> <th>China Area</th> <th>Mekong Area</th> <th>Malay Area</th> </tr> </thead> <tbody> <tr> <td>Personnel expense / Ordinary income</td> <td>15.7% (-1.0p)</td> <td>13.3% (-1.5p)</td> <td>14.7% (-0.0p)</td> <td>15.8% (+0.2p)</td> </tr> <tr> <td>Bad debt expense / Ordinary income</td> <td>7.3% (+0.4p)</td> <td>14.8% (-2.5p)</td> <td>25.3% (+1.1p)</td> <td>21.5% (-4.2p)</td> </tr> </tbody> </table>							Domestic	China Area	Mekong Area	Malay Area	Personnel expense / Ordinary income	15.7% (-1.0p)	13.3% (-1.5p)	14.7% (-0.0p)	15.8% (+0.2p)	Bad debt expense / Ordinary income	7.3% (+0.4p)	14.8% (-2.5p)	25.3% (+1.1p)	21.5% (-4.2p)
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* Impact on profit by securitization of finance receivables: net 1.5bn (+23%, +25.3bn); Amortization of finance receivables: 25.7bn																																				
AEON Financial Service Co., Ltd. <span style="float: right;">6</span>																																				

- Please take a look at the consolidated figures on the right-most column. We achieved eight straight years of increase in total third-quarter income and profit, while ordinary income and ordinary profit as well as profit attributable to owners of parent all reached the highest ever in terms of third-quarter figures.
- In domestic business, both income and profit grew, with ordinary income and ordinary profit increasing 8% and 9%, respectively, from a year ago.
- In addition, the ratio of personnel expenses to ordinary income increased 1.0 percentage point to 15.7%, achieving the KPI target of 16% set for the fiscal 2018, thanks to an improved operational efficiency due to factors including the introduction of RPA.
- The growth in bad debt expenses in the solutions segment has trended lower in terms of year-on-year change in quarterly figures. The year-on-year increase rate in the third quarter was smaller than the growth rate of the ordinary income in that quarter.
- In the global business, both income and profit grew in Greater China, Mekong and Malay regions in both local currency and yen basis as we worked to control costs and boost the top line.
- Thanks to our efforts to improve the quality of operational receivables in credit screening/management, the year-on-year change in the ratio of bad debt expenses to ordinary income has improved in each of the regions.



- This table shows key factors driving increase and decrease in ordinary profit.
- As we already discussed the details, I would like to skip explanation of it.

Consolidated balance sheet			Topics ※ ( ): Change from start of FY
Consolidated results (Unit: Billion yen)	Results	Change from start of FY	
Cash and deposits	679.4	+28.9	• Domestic balance : ¥640.3bn (+¥28.7bn) → attributed by temporary increase in securitization of finance receivables etc.
Loan and bills discounted	2,317.0	+45.3	
Accounts receivable - installment	1,537.7	+243.0	• Balance incl. securitization : ¥3,627.5bn (+¥301.3bn) In which, Domestic balance : ¥3,311.0bn (+¥271.3bn) In which, Global balance : ¥321.2bn (+¥29.5bn) • Securitized amount (Domestic only) : ¥1,310.2bn (+¥255.5bn)
Allowance for doubtful accounts	-101.1	-42.3	
Other Assets	860.2	+165.3	• Balance incl. securitization : ¥2,000.1bn (+¥221.0bn) In which, Domestic balance : ¥1,727.5bn (+¥205.3bn) In which, Global balance : ¥265.5bn (+¥17.5bn) • Securitized amount (Domestic only) : ¥652.4bn (+¥22.0bn)
Total assets	5,293.2	+440.3	
Deposits	3,466.5	+406.8	
Interest-bearing debt (excl. deposits)	850.9	+46.8	• Adjustment of beginning B/S balance in accordance with the implementation of IFRS 9 at various overseas subsidiaries led to impact on bad debt reserves by +¥35.0bn
Allowance for loss on refund of interest received	2.3	-0.7	• Securities : ¥315.1bn (+¥103.3bn)
Other liabilities	557.3	-0.7	• Ordinary deposits : ¥2,525.5bn (+¥505.1bn) • Time deposits : ¥941.0bn (+¥112.0bn)
Total liabilities	4,867.2	+452.2	
Total equity	425.9	-11.8	• Domestic balance : ¥355.5bn (+¥2.3bn) → Long-term loans payable : ¥37.5bn (+¥5.3bn) • Global balance : ¥651.2bn (+¥64.4bn) ※ Domestic and global amounts include figures for holding company and shared fund companies
Total liabilities and equity	5,293.2	+440.3	
Shareholders' equity ratio (domestic standard)	8.23%	-0.08pt	• Reduction or increase in risk assets due to expansion of business

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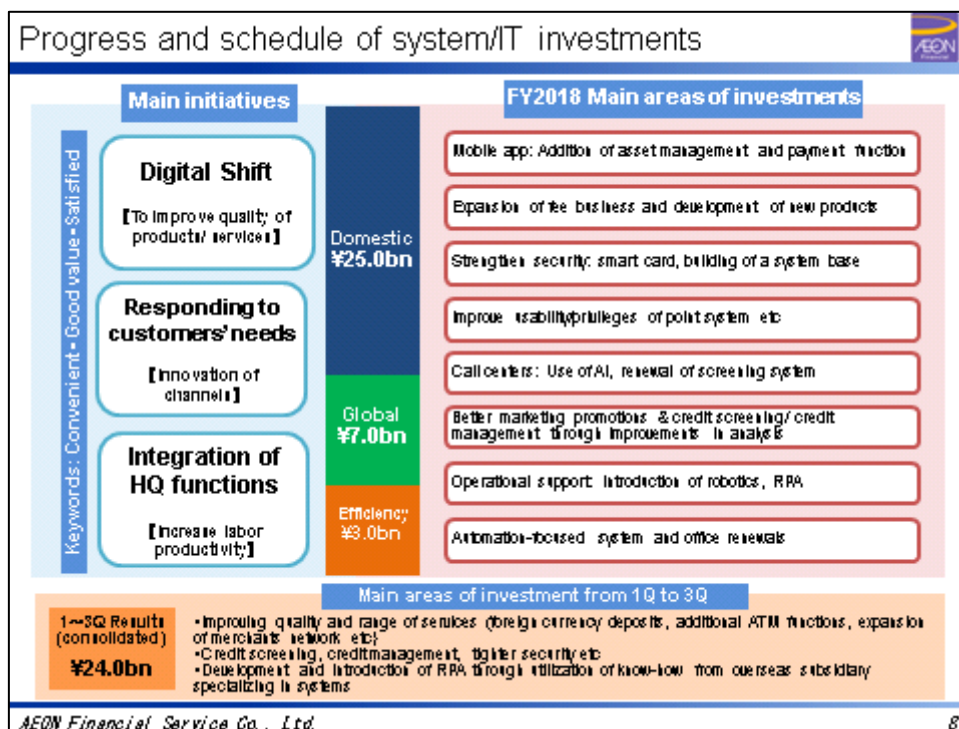
7

- Cash and deposits increased 28.9 billion yen from the beginning of the fiscal year thanks to securitization of finance receivables, etc. The combined total of loan and bills discounted and accounts receivable in installments increased 288.4 billion yen. The total assets reached 5,293.2 billion yen, increasing 440.3 billion yen from the beginning of the fiscal year.

- Total liabilities increased 452.2 billion yen from the beginning of the fiscal year to 4,867.2 billion yen as deposits increased 505.1 billion yen, led by ordinary deposits, as their use as transaction accounts grew due to an increase in cash cards combining credit card or debit card functions.

- Allowance for loss on refund of interest received decreased 0.7 billion yen from the beginning of the fiscal year to 2.3 billion yen as 0.8 billion yen was added to, and 1.5 billion yen, down 0.8 billion yen from a year ago, was drawn from, the allowance.

Total equity was 425.9 billion yen, down 11.8 billion yen from the beginning of the fiscal year. As a result, consolidated shareholders' equity ratio under the domestic standards came to 8.23%, down 0.08 percentage point from the beginning of the fiscal year.



- Let me move on to the progress of systems and IT investments, plans for the current fiscal year and details of investment in the third quarter.

- In the current fiscal year, we are planning to spend a total of 35 billion yen for further digitalizing products and services, enhancing credit screening and management, and consolidating and automating back office functions.

- In the third quarter, we made investments mainly for enhancing services. These included the start of a foreign currency deposit service, enhancement to ATM functions, including the introduction of a service to remagnetize cards that do not swipe properly and the introduction of the "Sumatto ATM" that enables use of a smartphone for transactions, and enhancement to member-outlet management and database systems.

- We are working to develop and introduce RPA, using an overseas systems subsidiary.

- Including investments for enhancing systems infrastructure overseas, including projects to strengthen credit screening and management and security, consolidated investment reached 24.0 billion yen.





## Main initiatives – Domestic Business

■ Expansion of new customer segments (Greater Tokyo· Male· Younger generation)

### AEON Bank Tokyo Yaesu Branch

(Opened in Dec 2018)

#### Greater Tokyo


- More efficient use of time for customers working in the city centre
  - ↳ Direct access from Tokyo Station, operating hours: 10am to 7pm
  - ↳ Appointments to visit the branch can be made via a reservation website to save waiting time
- [Special feature of city centre branch]
  - Most applications are made via the Internet; Actual visit to the branch is only for the contract signing process

### AEON Card (SKE48)



- Majority of cardholders are male
- Average transaction amount is 60% more than that of the average of all AEON cards

### AEON NEXCO Nishi-nihon Card



- Can be used at ETC, service areas, parking areas nationwide
- Majority of cardholders are male

### AEON Card Select (Minions)



- Targeted at the younger generation in their 20s

AEON Financial Service Co., Ltd.

- In domestic business, we carried out a campaign targeting customer segments that had been relatively outside our focus in terms of our membership demography, which include Tokyo metropolitan area residents, males and the younger generation.

- As part of efforts in the metropolitan area, we opened the AEON Bank Tokyo Yaesu Branch in last December.

- The branch is aimed at allowing people commuting to central Tokyo to visit for consultation and application using their breaks or before going home, featuring a convenient location accessible from Tokyo Station through an underground passage and a dedicated website where they can make reservations for visits.

- On the right-hand side of the page, you will find descriptions of features of tie-up cards that have been issued since last November.

- Many of the AEON Card (SKE48) holders are male customers in their 30s and 40s, and their average monthly transaction amount is significantly higher than the overall average.

- Many users of the AEON NEXCO Nishi-nihon Card are also male customers. Over 30% of them use it for the ETC service, meaning these people are likely to continue to use it for a long period of time. We think users of this card are more likely to use it as their main card.

- Nearly 30% of the users of the AEON Card Select (Minions), shown at the bottom, are customers in their teens and 20s, a segment that represents less than 10% in overall AEON cards demography. That means the card has successfully attracted the younger generation.

## Main initiatives – Global Business

■ Expansion of new customer segments (High-income earners)

**Thailand: AEON Royal Orchid Plus World Card**



- Privilege: Get 50% off the second purchase with every one business class ticket purchased
- ⇒ Ave. transaction amt is 40 times of that for all AEON cards

**Thailand: AEON J-Premier Platinum JCB Card**



- Receive benefits with purchases made at AEON stores in Japan
- ⇒ Meets demands of travelers to Japan
- 30% of total active cardholders visited Japan within 2 months; Ave. transaction amt is 1.5 times of other cards

**Malaysia: AEON Platinum Card**



- Targeted at middle/high income earners
- ⇒ Ave. transaction amt is 3 times that of other cards
- Cardholders make up 5% of total customer base within half a year since the first launch

**Hong Kong: AEON Card Premium**



- Targeted at middle/high income earners
- ⇒ Initiation for existing customers being sent out

**Malaysia: Standardization of point system within AEON Group stores**

As part of move to integrate point system within the AEON Group stores, AEON Member Plus Card and smartphone app AEON Wallet (Malaysia version) were launched

- ⇒ Sharing of customer information such as hobbies, spending patterns etc within the Group
- ⇒ The above app includes virtual card and QR Code payment functions



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- On the left of this page, you will find the description of our efforts on cards targeting medium- to high-income earners in the three key countries/region of our operation.

- All of these require annual membership fee but come with attractive offers, and are characterized by higher average transaction amounts compared to the average for all AEON cards. In particular, about 30% of the users of the AEON J-Premier Platinum JCB Card in Thailand have visited Japan in just two months after its debut. We expect it will continue to be used in visits to Japan.

- On the right side of the page is a description of a project to unify IDs in Malaysia. The project aims to integrate incentive point systems at our two local subsidiaries and the AEON Group through the use of a smartphone app. This app enables members with the group to share customer information and has a mobile payment function.

(Reference) FY2018 Business Plan (Domestic)				
	FY 2018 3Q		FY 2018	
	Results	Change from start of FY	Plan	YoY
Number of cardholders	28.29mil	+0.54mil	28.80mil	+1.05mil
	Results	YoY	Plan	YoY
Card shopping transaction volume	¥3,990.0bn	+8.1%	¥5,500.0bn	+11.0%
	Results	Change from start of FY	Plan	YoY
Balance of cash advances	¥470.8bn	+¥15.0bn	¥480.0bn	+¥24.1bn
Balance of small consumer loans	¥73.5bn	-¥3.9bn	¥85.0bn	+¥7.6bn
Balance of unsecured loans	¥544.2bn	+¥11.0bn	¥565.0bn	+¥31.7bn

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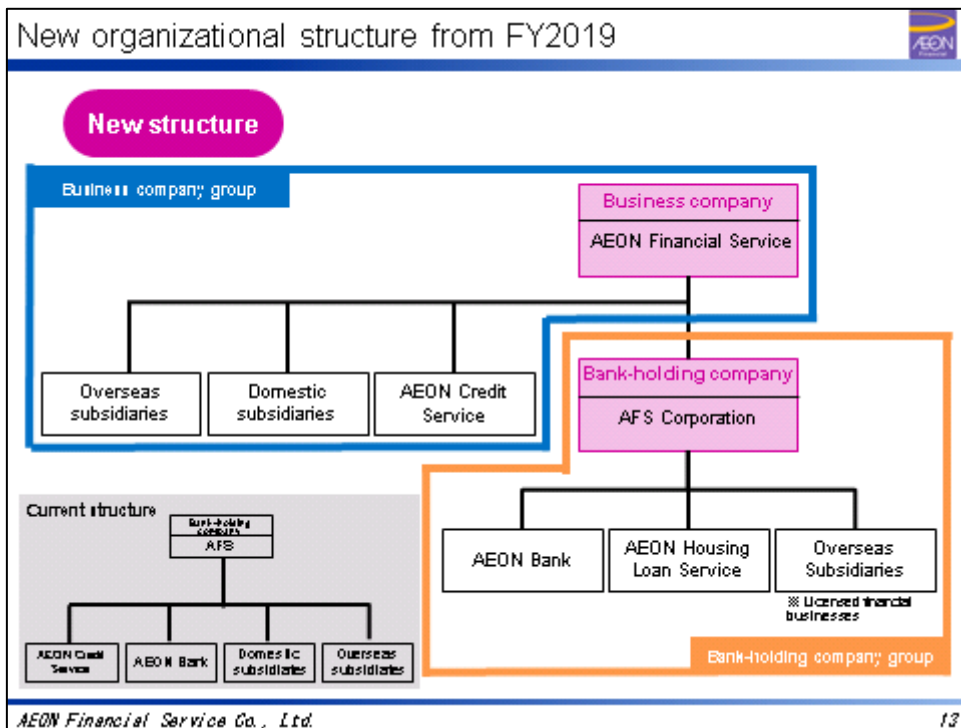
- Let's now move on to our targets for the current fiscal year.

- We aim to achieve these annual targets by working to enhance the effect of the measures that we have already introduced and introducing new products and services, which is being implemented in phases currently.

[p. 12]

Results Forecast for FY2018							AEON	
	FY2018							
	Forecast			YoY				
Ordinary income	¥440.0bn			+7.9%				
Ordinary profit	¥72.5bn			+10.3%				
Net income attributable to owners of parent (Net income per share)	¥42.0bn (¥194.66)			+8.6%				
	Interim		Year End		Full Year		Payout Ratio	
	Plan	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥29	±#0	¥39	±#0	¥68	±#0	34.9%	-3.0%
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- Lastly, I would like to talk about our consolidated earnings estimates and dividends for fiscal 2018.
- These are the figures we announced at the beginning of the fiscal year.
- We aim to expand various transaction volumes in Japan by capturing a higher consumption ahead of the season in which new life starts for many people through coordinated efforts of group member companies.
- We also aim to improve productivity by enhancing operational efficiency as we promote the "digital shift" efforts, including the introduction of RPA.
- In the global business, we will continue to work to control personnel and bad-debt expenses and accelerate efforts to expand the customer base of medium- to high-income earners in the three key countries/region and grow business in the countries where we do not have listed subsidiaries.
- We aim to achieve these targets by steadily implementing these efforts.
- Note that we are planning an annual dividend of 68 yen, as we expected initially. The planned payout ratio is within the range of 30% to 40%, unchanged from what we have targeted before.



- In closing this presentation, I would like to briefly explain our group's organizational reforms that we announced on January 21.

- As you can see here, we shifted to an operating holding company from a bank holding company as of April 1.

- In 2013, we became a bank holding company through business integration with AEON Bank. This union created, in view of the business environment at the time, a comprehensive financial group centered on AFS. We believe AFS has played an important role as a bank holding company.

- On the other hand, in the current business environment surrounding the financial industry, competition to win customers is intensifying across industrial boundaries and is changing daily. We decided that, in order for us to grow further in such circumstances, we will need to have a governance structure that ensures sound operation of banking services, create a flexible business model that allows us to continue to provide "safe and reliable," convenient and advantageous services and financial products that are tailored to each individual customer, and reform ourselves into a structure that allows individual divisions to work cohesively to expand in a more efficient and speedy manner.



- Our group aims to build an "AFS ecosystem" as "what we aim for in 2025."

We plan to expand our customer base by maximizing business synergy with the AEON Group and expanding tie-ups with external partner companies.

- As we are a financial company that has its origin in retail business, we have growth potential in numerous areas. For example, we can start an incentive point business or insurance business, which are both highly compatible with retail business, use the abundant data collected through financial business and tie-ups not just for ourselves but also to provide consulting service to help other companies enhance their sales or sales promotion, or launch an advertisement business.

- As I said at the beginning, the reorganization will take effect on April 1. It will become official after it is approved by the extraordinary general shareholders meeting in March and the regulatory authorities. We are working on strategies from various angles ahead of the full-fledged start of the new organizational structure. We plan to let you know about specific plans as soon as we are ready to.

Thank you very much for your attention.

## Questions and Answers

### ■ Mizuho Securities analyst

Q: I would like to ask about the new structure to be launched in April. After AEON Credit Service leaves the bank holding company, will there be any change in the operation of securitization of finance receivables? What is the shareholders' equity ratio under the Japanese standards? Is there any change in sale to external investors?

A: The direct parent of AEON Bank will change but there will be no change in transactions between the companies, so we would be able to continue the existing operation of securitization of finance receivables. I can't give you specific shareholders' equity ratio, but I can tell you that the balance of financial receivables will decrease significantly as three overseas companies will be removed. We expect shareholders' equity ratio will improve significantly due to the impact from a shift of the receivables.

We will think about what to do about securitization of finance receivables, including a possibility of sale to external investors.

Q: The pace of improvement in the ratio of personnel and bad-debt expenses in Asia has slowed. What are your views on the progress? What are medium-term KPIs from the next fiscal year?

A: There are gaps to target figures and we are not satisfied with the pace. On the other hand, there is the need to make large up-front investments for the electronic-money project, etc. in Cambodia in the Mekong region, and the impact of this is reflected. In terms of bad debts, we are changing the call center structure using IT in order to improve collection, but it has been taking time for completing the system.

We hope to set a new set of KPIs and announce them.

Q: How will the positioning of WAON change amid a growing use of contactless payments?

A: There are different needs for prepayment and postpayment cards, and we think the use of both for different purposes will continue. We continue to use WAON as a service for underaged users who cannot obtain credit cards themselves and senior users who prefer not to own cards. In the meantime, we hope to expand credit cards use by shifting from contactless to virtual. We plan to continue to use both channels.

### ■ Daiwa Securities analyst

Q: I'd like to ask about performance in Malaysia. The growth in revenue grew and credit cost was controlled in 3Q. Can you talk about the reason?

A: The tax-exempt period ended at the end of August so we were expecting a backlash, but the

transaction volume remained solid as retailers held prices steady.

Q: I'd like to ask about government policy to support cashless transactions. Were there requests to lower issuer rates from international brands? What is the scale of system collection costs?

A: At this point, there is nothing that has been decided in terms of issuer rate cuts, etc. I can't tell you a clear amount of impact as issuer-rate cuts and measures to return consumption tax are yet to be decided, but we expect the system costs will be relatively small.

■ Citigroup Global Markets Japan analyst

Q: What is your assumption of the gains on securitization?

A: We expect it to be in line with the levels in the previous year.

Q: What is the shareholders' equity ratio target in the new organizational structure? Were there operational or financial restrictions on growth?

A: Receivables that were held by subsidiaries under the bank holding company were transferred as we consolidated the bank holding company group into four companies, comprising AEON Bank, AEON Housing Loan Service and two overseas subsidiaries. We were liberated from shareholders' equity ratio regulations and restrictions on operational scope by regulatory authorities. We will work out the shareholders' equity ratio target, but for bank holding company only, it will likely be 8%, the previous target level.

Q: What do you use to set the amount of appropriate capital for your group as a whole?

A: We will take into consideration the view that shareholders' equity ratio is the reserves against risks that may bring consequences that go beyond expectations, in terms of use of measures to address shareholders' equity ratio regulations for banks. We will also consider the levels set by our rivals.

■ Macquarie Capital Securities (Japan) analyst

Q: You introduced VISA's contactless payment service in November last year. Tell me about the current situation.

A: We are introducing IC chips in phases. Instead of introducing them all at once, we are issuing chip-loaded cards when customers renew their cards. Starting in the new fiscal year, we plan to upgrade POS registers at nationwide AEON outlets to make them capable of handling contactless and communicate that the cards can be used with contactless devices overseas without worries. The number of outstanding cards totals about 1 million currently.



■ Merrill Lynch Japan Securities analyst

Q: I understand that you plan to maintain operational flexibility under a new organizational structure. Is that a decision that assumes M&A? What areas do you plan to target for M&A?

A: We are thinking about doing M&A. We are looking at all areas as targets. We focused on financial business in the past, but we plan to expand the scope as we now have a structure that allows us to take on from the primary industry to the tertiary industry, after the articles of incorporation was revised. The mission, "Providing service to individual customers," is the centerpiece.

Q: When you consider M&A, will you carry it out in relation to the AEON Group? Will you carry it out alone as well?

A: We attach importance not just to the provision of service to individuals, which is a mission, but to achieving synergy with the AEON Group. As the biggest member retailer is AEON and that the growth of the overall group will benefit us, we will attach importance to this point and selectively carry out M&A.