



September 13, 2013  
For immediate release

Registered Company Name: AEON Financial Service Co., Ltd.  
President and CEO: Kazuhide Kamitani  
Stock Listing: Tokyo Stock Exchange, First Section  
(Code No.: 8570)  
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Director, Senior Managing Executive Officer

### **Inappropriate Accounting Treatment by Company's Consolidated Subsidiaries and Fraudulent Activity by Former Director of a Consolidated Subsidiary**

AEON Financial Service Co., Ltd. (the "Company") has discovered through an internal investigation that two of the Company's consolidated subsidiaries (local subsidiaries in Taiwan), namely, AEON Credit Service (Taiwan) Co., Ltd. (the "Taiwan Credit Service Company") and AEON Credit Card (Taiwan) Co., Ltd. (the "Taiwan Credit Card Company"; together with the Taiwan Credit Service Company, the "Taiwan Service Companies") conducted inappropriate accounting treatment in the past. The Company has also discovered that one of the former directors of the Taiwan Credit Card Company committed fraudulent activity by embezzling money from the companies.

In order to fully uncover the details of the inappropriate accounting treatment and the fraudulent activity by the former director, the Company resolved, at the extraordinary meeting of the Board of Directors of the Company held today, to promptly establish a Third Party Committee that will be comprised of experts and the like who have no interests in the Company. Although the Company is now investigating the details of the facts involving the incidents, impact on the consolidated balance sheet of the Company and other consequences, we hereby inform you as follows of the circumstances discovered up to this point and measures to be taken in the future.

We sincerely apologize for causing significant concern and trouble to all of our customers, shareholders and other interested parties.

1. Background leading to the discovery of the incidents  
As the Company was strengthening the management and administration systems for the Company's group, some unusual figures were discovered in the amounts of the balance of trade receivables and allowance for bad debts of the Taiwan Credit Card Company around the middle of July 2013. When a person in charge at the Company confirmed with the former general manager of the Taiwan Credit Card Company (the person who had served as the general manager of the Taiwan Credit Service Company until April 2008; "Person A"), Person A reported that the Taiwan Service Companies conducted inappropriate accounting treatment in the past. In response to the report, the Company immediately commenced initial investigation processes such as dispatching persons in charge at the Company to Taiwan, and has continued up to the present to confirm the facts.

In the process of this investigation, the Company also discovered fraudulent activity (embezzlement of money from the companies) committed by a former director of the Taiwan Credit Card Company who was in charge of financial affairs ("Person B").

2. Outline of matters discovered up to this point

During the initial investigation process carried out up to this point, it was discovered that, in addition to inappropriate accounting treatment by Person C, who was the general manager of the Taiwan Service Companies at the time of their incorporation (concurrently serving as the general manager at both companies), Person A and Person B had conducted inappropriate accounting treatment such as recording interest income in amounts larger than the actual amounts, recording operating expenses and allowance for bad debts in amounts smaller than the actual amounts and recording accrued income and accounts receivable in amounts larger than the actual amounts, since around 2002.

It was also discovered that Person B had embezzled money from the Taiwan Service Companies through fraudulent accounting treatment since around 2002, apparently diverting the money to his personal funds for stock transactions, purchase of real estate and other purposes.

3. Amount of inappropriate accounting treatment, etc. and impacts on business results that have become known up to this point

The amount of consolidated current profits that will be impacted due to the inappropriate accounting treatment, etc. at the Taiwan Service Companies is a cumulative total of approximately TWD 880 million (approximately JPY 2.9 billion when converted into Japanese yen at today's exchange rate (JPY 3.3 for TWD)). Of this, the amount that is considered at present to be attributable to the fraudulent activity of embezzlement of money by Person B is approximately 83 million TWD (approximately JPY 270 million when converted into Japanese yen at today's above exchange rate). The Company will announce any impact on business results for the second quarter of FY 2013 as soon as it becomes known, but at present there are no revisions to the consolidated business results forecast of the Company for the full year ending March 31, 2014.

4. Measures to be taken in the future

The Company has taken the incidents seriously and is determined to endeavor to fully discover the details of the inappropriate accounting treatment and the fraudulent activity of embezzlement of money by promptly establishing a Third Party Committee as stated above.

Based on the results of the investigation, the Company will formulate measures for prevention of the reoccurrence of such misconduct, thoroughly implement the measures, and impose any necessary internal sanctions on the persons involved.

The Taiwan Service Companies will consult and cooperate with the relevant local authorities, and will strive not to inconvenience their local customers, affiliated merchants or other trading partners.

Please note that the disclosure of financial results for the second quarter is at present scheduled to be made in the middle of November 2013 as usual.

We again sincerely apologize for causing significant trouble and concern to all of our customers, shareholders and other interested parties.

5. Outline of the companies involved

	AEON Credit Service (Taiwan) Co., Ltd. (the Taiwan Credit Service Company)	AEON Credit Card (Taiwan) Co., Ltd. (the Taiwan Credit Card Company)
(1) Address	Taipei City	Taipei City
(2) Details of business	Hire purchase business for home electronic appliances, furniture, etc.	Credit card business
(3) Stated capital	TWD 50 million	TWD 955 million
(4) Capital relationship	99.9% by AEON Financial Service (Hong Kong) Co., Limited, which is a wholly owned subsidiary of the Company	99.9% by AEON Financial Service (Hong Kong) Co., Limited, which is a wholly owned subsidiary of the Company
(5) Incorporation	December 1999	August 2002

End