

November 22, 2016

Registered Company Name	AEON Financial Service Co., Ltd.
President and CEO	Kenji Kawahara
Stock Listing	Tokyo Stock Exchange, First Section (Code No.: 8570)
Contact	Hideki Wakabayashi, Senior Managing Director

Notice of Investment in IT Systems and Digitalization

AEON Financial Service Co., Ltd. (the “Company”) is implementing measures to boost productivity through digitalization and further strengthening profitability to support its continued evolution as a financial services company that grew out of the retail industry. The Company’s policies and criteria for the investment in IT systems outlined in the presentation materials for results for the first half of fiscal year 2016 are as follows.

- Investment Policy: Improve operating efficiency and profitability with systems (IT) and digitalization
 - (1) Innovation of products and services to promote the Four Shifts
 - Promote the AEON Group’s strategy of shifting to Asian markets, urban markets, senior-oriented markets and digital markets.
 - Promote cardless operations and diversification of payment functions using smartphones in Japan, and roll out these functions overseas.
 - Strengthen initiatives in the Greater Tokyo area using the AEON Group’s sales network.
 - (2) Improvement of screening and collection efficiency
 - Review the receivables portfolio and use artificial intelligence (AI) for more refined analysis of finance receivables data.
 - Introduce models developed in Japan to overseas markets.
 - (3) Improvement of labor productivity
 - Improve business processes through digitalization and automation.
 - Strengthen financial services by integrating functions.
- Investment Criteria: Profit benchmark for achieving our vision: ROI 30% or higher (average for FY 2016 – FY 2018)
 - Effects of investment: Reduction of bad debt allowance by increasing asset profitability and reduction of labor share of income

Action Items	Effect of Investment (FY 2018 Projection)
Provide one-stop financial products and services, introduce new products and provide the same cardholder benefits in every region	Consolidated ordinary income: +10% or more year on year
Reduce bad debt allowance (as percentage of ordinary income)	Overseas: 20% (reduction of 5 pts. from FY 2015)
Improve labor share of income (personnel expenses as a percentage of ordinary income)	Domestic: 16% (reduction of 2 pts. from FY 2015) Overseas: 11% (reduction of 4 pts. from FY 2015)

For reference:

Factors in Change in Ordinary Expenses	Change in Depreciation Expenses (FY 2018 Projection)
Increase in depreciation expenses due to investment in system (IT) of ¥100.0 billion (FY 2017 – FY 2019)	Compared with FY 2016: +¥14.0 billion
Decrease in depreciation expenses due to replacement of existing investments	Compared with FY 2016: -¥7.0 billion

Note: (FY 2019 Projection) Change in depreciation expenses = increase of ¥20.0 billion, decrease of ¥10.0 billion compared with FY 2016

- Financial Target
Maintain shareholders' equity ratio at around 8%