

## Six-Month Period Ended September 30, 2014 Consolidated Financial Results (Japanese GAAP)

November 11, 2014

Name of listed company: AEON Financial Service Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8570 URL: <http://www.aeonfinancial.co.jp/>

Representative: Akinori Yamashita, President and CEO

Official contact: Hideki Wakabayashi, Director, Senior Managing Executive Officer

Contact number: +81-3-5281-2057

Scheduled date for release of interim report: November 27, 2014

Trading accounts: None

Scheduled date of dividend payment commencement: December 9, 2014

Preparation of supplementary explanations of financial results: Yes

Financial results presentation to be held: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated results for the six-month period ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

(1) Consolidated operating results

(Percentages represent changes from the corresponding period of the previous year)

|                        | Ordinary revenue  |      | Ordinary profits  |      | Net income        |       |
|------------------------|-------------------|------|-------------------|------|-------------------|-------|
| Six-month period ended | (Millions of Yen) | %    | (Millions of Yen) | %    | (Millions of Yen) | %     |
| September 30, 2014     | 151,164           | 15.8 | 19,477            | 57.7 | 10,987            | 333.0 |
| September 30, 2013     | 130,562           | -    | 12,352            | -    | 2,537             | -     |

(Note) Comprehensive income September 30, 2014 ¥16,248 million (88.3%) September 30, 2013 ¥8,627 million (- %)

|                        | Net income per share | Net income per share<br>(Diluted) |
|------------------------|----------------------|-----------------------------------|
| Six-month period ended | Yen                  | Yen                               |
| September 30, 2014     | 54.63                | 54.31                             |
| September 30, 2013     | 13.24                | 12.17                             |

(Note) The percentage changes from the six-month period ended August 20, 2012 (from February 21, 2012 to August 20, 2012) to the previous six-month period ended September 30, 2013 (from April 1, 2013 to September 30, 2013) are not presented since AEON Financial Service Co., Ltd. (hereafter the Company) has changed its fiscal year-end during the fiscal year ended March 31, 2013.

(2) Consolidated financial conditions

|                    | Total assets      | Total equity      | Equity ratio | Net assets per share |
|--------------------|-------------------|-------------------|--------------|----------------------|
| As at              | (Millions of Yen) | (Millions of Yen) | %            | Yen                  |
| September 30, 2014 | 3,146,263         | 293,968           | 8.1          | 1,275.97             |
| March 31, 2014     | 3,163,117         | 307,291           | 8.6          | 1,316.00             |

(Reference) Equity as at September 30, 2014 ¥253,304 million March 31, 2014 ¥271,660 million

(Note) "Equity ratio" = {(Total equity – stock acquisition rights – minority interests) / total assets} X 100

This Equity ratio is different from the capital adequacy ratio prescribed by the Financial Service Agency.

## 2. Dividends

|                          | Dividends per share |        |        |          |       |
|--------------------------|---------------------|--------|--------|----------|-------|
|                          | 1Q-end              | 2Q-end | 3Q-end | Year-end | Total |
|                          | Yen                 | Yen    | Yen    | Yen      | Yen   |
| FYE 3/2014               | -                   | 25.00  | -      | 35.00    | 60.00 |
| FYE 3/2015               | -                   | 25.00  |        |          |       |
| FYE 3/2015<br>(forecast) |                     |        | -      | 35.00    | 60.00 |

(Notes) Revisions to the dividend forecasts most recently announced: No

## 3. Forecasts of consolidated results for the year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Percentages represent changes from the corresponding period of the previous year)

|           | Ordinary revenue  |      | Ordinary profits  |      | Net income        |      | Net income per share |
|-----------|-------------------|------|-------------------|------|-------------------|------|----------------------|
|           | (Millions of Yen) | %    | (Millions of Yen) | %    | (Millions of Yen) | %    | Yen                  |
| Full year | 320,000           | 11.9 | 51,000            | 24.1 | 26,500            | 27.8 | 128.37               |

(Note) Revisions to the latest forecasts of consolidated results: No

### \*Notes

(1) Changes in significant subsidiaries during the period (status changes of specified subsidiaries due to changes in the scope of consolidation): No

Newly consolidated: - Excluded: -

(2) Changes in accounting policies and accounting estimates, and restatement of revisions

- ① Changes in accounting policies as a result of revision of accounting standards : Yes
- ② Changes in accounting policies other than ① : No
- ③ Changes in accounting estimates : No
- ④ Restatement of revisions : No

(3) Number of shares issued (Common stock)

- ① Shares issued at period-end (including treasury stock)
- ② Treasury stocks at period-end
- ③ Average number of shares during six-month period

| (Shares)           |             |                    |             |
|--------------------|-------------|--------------------|-------------|
| September 30, 2014 | 208,327,973 | March 31, 2014     | 206,541,751 |
| September 30, 2014 | 9,807,997   | March 31, 2014     | 112,505     |
| September 30, 2014 | 201,113,299 | September 30, 2013 | 191,611,093 |

(The Company's financial information on a non-consolidated basis)

Non-consolidated results for the six-month period ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

(1) Operating results

(Percentages represent changes from the corresponding period of the previous year)

|                        | Operating revenues |       | Operating income  |   | Ordinary income   |   | Net income        |   |
|------------------------|--------------------|-------|-------------------|---|-------------------|---|-------------------|---|
| Six-month period ended | (Millions of Yen)  | %     | (Millions of Yen) | % | (Millions of Yen) | % | (Millions of Yen) | % |
| September 30, 2014     | 12,062             | 186.2 | 7,919             | - | 7,566             | - | 7,392             | - |
| September 30, 2013     | 4,214              | -     | 431               | - | 156               | - | (415)             | - |

|                        | Net income per share |
|------------------------|----------------------|
| Six-month period ended | Yen                  |
| September 30, 2014     | 36.76                |
| September 30, 2013     | (2.17)               |

(Note) The percentage changes from the six-month period ended August 20, 2012 (from February 21, 2012 to August 20, 2012) to the previous six-month period ended September 30, 2013 (from April 1, 2013 to September 30, 2013) are not presented since the Company has changed its fiscal year-end during the fiscal year ended March 31, 2013.

(2) Financial conditions

|                    | Total assets      | Total equity      | Equity ratio | Net assets per share |
|--------------------|-------------------|-------------------|--------------|----------------------|
| As at              | (Millions of Yen) | (Millions of Yen) | %            | Yen                  |
| September 30, 2014 | 332,699           | 198,151           | 59.5         | 997.77               |
| March 31, 2014     | 329,654           | 220,311           | 66.8         | 1,066.98             |

(Reference) Equity as at September 30, 2014 ¥198,077 million March 31, 2014 ¥220,256 million

\* Status of interim audit

The interim audit procedures of interim consolidated financial statements and interim non-consolidated financial statements as provided in the Financial Instruments and Exchange Act have not been completed as of the date of this report.

\* Explanation of appropriate use of forecasts of business results and other important matters

The forecasts of consolidated results include the Company's future prospects, assumptions used for planning and projections as of the date of this report. Actual results may differ from such forecasts for various reasons. Regarding information on the forecasts of consolidated results, please refer to "(4) Description of information on forecasts of consolidated results" on page 9.

The Company falls under the category of "Specified Business Corporation" under paragraph (2) of Article 17-15 of the Cabinet Office Ordinance Concerning Disclosure of Public Companies. Accordingly, the Company has prepared its interim consolidated financial statements and interim non-consolidated financial statements for the six-month period ended September 30, 2014.

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## 1. Qualitative information for the six-month period ended September 30, 2014

### (1) Description of operating results

As a bank holding company, the Company has improved compliance and risk management structures and corporate governance to further provide secure, convenient and valuable financial services from the customers' standpoint.

In addition, the Company and its group companies (collectively, the "Group") have further expanded their business operations, leveraging on the strengths of each subsidiary's know-hows and customer bases, to promote fee business, especially the e-money business, as well as the credit card and banking businesses. Also, the Group, especially the Company's three listed consolidated subsidiaries in Hong Kong, Thailand and Malaysia, has expanded its business operations in Asia.

The consolidated financial results of the Group for the six-month period ended September 30, 2014 were as follows. The Group achieved record-high ordinary revenue, ordinary profits and net income for the six-month period.

### [Consolidated financial results of the Group for the six-month period ended September 30, 2014]

(Millions of Yen)

|                  | Six-month period<br>ended September 30,<br>2013 | Six-month period<br>ended September 30,<br>2014 | Net change |
|------------------|-------------------------------------------------|-------------------------------------------------|------------|
| Ordinary revenue | 130,562                                         | 151,164                                         | +15.8%     |
| Ordinary profits | 12,352                                          | 19,477                                          | +57.7%     |
| Net income       | 2,537                                           | 10,987                                          | +333.0%    |

### [Overview of business segments]

#### ① Credit card business

The Group continued to reinforce cardholder solicitation through the internet by sending e-mail newsletters and posting advertisements on the search sites to meet customer needs to apply for credit cards via digital devices due to wider use of smartphones. The Group has also promoted cardholder solicitation at shopping stores of alliance partners and bank agencies through tablets to simplify the application process and improve the speed of credit reviews to shorten the processing time for card issuance. In addition, the Group has enhanced distribution of information such as credit card benefits and sales campaigns through digital signage advertising.

As a result, the number of active domestic cardholders as at September 30, 2014 increased by 0.60 million from the beginning of the current fiscal year to 24.05 million. In addition, the number of "AEON card select" members as at September 30, 2014 increased by 0.24 million from the beginning of the current fiscal year to

2.75 million. “AEON card select” is a card equipped with the functions and benefits of a credit card, banking card and e-money WAON.

As for credit card shopping, to respond to an effect of the consumption tax increase on consumer spending, the Group has promoted campaigns to offer interest free installment payment options for expensive goods. The Group has also worked together to promote credit card usage through providing cardholders with coupons and offering off the price of shopping at stores in AEON Mall and conducting direct marketing based on customers’ purchase history and information on financial assets. In addition, the Group has expanded the benefits of “Customer Appreciation Day” that provides 5% off the price of shopping to cardholders on the 20th and 30th of every month to stores of The Daiei, Inc. and to co-branded cards such as “COSMO THE CARD Opus.”

In order to meet customers’ demand for credit card settlements for monthly public utility bills such as electricity and gas charges and “consumption of intangible qualities” such as leisure and services, the Group has conducted promotional campaigns to award customers with tickets for theme parks and sports games to promote credit card settlements. Also, the Group has expanded opportunities for use of credit cards by enlarging its network of affiliated merchants such as accommodations, taxis and restaurants. In addition, the Group has improved services of affiliated merchants by installing multifunctional terminals equipped with several settlement functions such as settlements with credit cards and e-money.

As a result, the number of active cardholders increased by 0.37 million from the beginning of the current fiscal year to 14.91 million as at September 30, 2014, and transaction volume of credit card purchases increased by 8.3% to ¥1,825,070 million for the six-month period then ended compared to the corresponding period of the previous fiscal year.

As for cash advances, to further improve customer convenience, the Group expanded the ATM network of AEON Bank, Ltd. (hereafter “AEON Bank”). As a result, the transaction volume increased by 2.8% to ¥177,042 million for the six-month period ended September 30, 2014 compared to the corresponding period of the previous fiscal year and the balance of cash advances as at September 30, 2014 increased by ¥30,904 million from the beginning of the current fiscal year to ¥353,619 million.

AEON Product Finance Co., Ltd. (hereafter “AEON Product Finance”), which operates installment sales business, continued to expand the transaction volume by utilizing sales network of AEON group. AEON Product Finance conducted various campaigns at AEON stores such as offering interest free installment payment options for home renovation and solar energy systems and preferential interest rates on installment payments over a maximum of 120 payments as well as promoting installment sales of pets and bicycles. As

a result, the non-consolidated transaction volume of AEON Product Finance for the six-month period ended September 30, 2014 increased by 35.8% to ¥75,078 million compared to the corresponding period of the previous fiscal year.

\* The transaction volume as the basis for determining the comparison with the corresponding period of the previous fiscal year in the preceding paragraph includes the transaction volume for the period from April 1, 2013 to June 30, 2013, for which AEON Product Finance had not yet become the Company's consolidated subsidiary.

As a result of the above, the financial results of the credit business were as follows: (a) ordinary revenue increased by 19.9% to ¥68,968 million, and (b) ordinary profits increased by 72.0% to ¥13,654 million, compared to the corresponding period of the previous fiscal year.

## **② Fee business**

In the e-money business, the Group launched settlement services with WAON at stores of Welcia Holdings Co., Ltd., which operates drug pharmaceutical business in AEON Group, and started awarding bonus points at stores of The Daiei, Inc. to promote credit card usage through the sales network of AEON Group. In addition, the Group continued to expand the number of facilities where WAON can be used by launching settlement services for taxi fare with WAON to enhance convenience of settlements at transportation facilities along with leisure facilities and convenience stores.

As a result, the total settlement amount of the e-money business including WAON for six-month period ended September 30, 2014 increased by 22.7% to ¥950,718 million compared to the corresponding period of the previous fiscal year.

In the internet business, the Group launched a service that enables customers to complete a switch from AEON Card to AEON Card Select on the internet to simplify the process and improve customer convenience. In addition, the Group has promoted cardholder solicitation by adding a service for cardholders to invite their friends and family to apply for the AEON credit cards.

The Group also increased advertisements and solicited participating shops for "Tokimeki Point Town", which is a dedicated website offering preferential point award rates when shopping online to expand credit card transaction volume. In addition, the Group continued to promote registration for "web statements (ecology declaration)" where detailed statements can be viewed on the internet, and increased the number of the web statement members as at September 30, 2014 by 0.37 million from the beginning of the current fiscal year to 2.27 million.

Furthermore, the Group has enhanced security of the internet banking system by requesting additional password authentication when accessing the system through unusual operating environments.

AEON Housing Loan Service Co., Ltd. that operates housing loan business continued to enhance collaboration with home builders to expand transaction volume of “Flat 35 housing loans” and variable interest rate housing loan products arranged by AEON Bank.

In the insurance related business, AEON Insurance Service Co., Ltd., which operates insurance agency business, held insurance seminars at 118 insurance shops throughout Japan to enhance sales at brick and mortar stores. Also, it has strengthened sales of insurance products on the internet by implementing insurance product sales campaigns exclusively on the internet and sending e-mail newsletters to cardholders. AEON S.S. Insurance Co., Ltd., which operates small-amount and short-term insurance business, has promoted sales of bicycle injury insurance products.

As a result of the above, the financial results of the fee business were as follows: (a) ordinary revenue increased by 24.4% to ¥21,327 million, and (b) ordinary profits decreased by 42.1% to ¥367 million, compared to the corresponding period of the previous fiscal year. The decrease in the ordinary profits was due to the recognition of up-front costs for strategic investments such as establishing more ATMs of AEON Bank executed through June 30, 2014. However, ¥287 million of ordinary profits for the three-month period ended September 30, 2014 were higher than that for the three-month period ended June 30, 2014 of ¥80 million. The Group’s operating results are stably improving.

### **③ Banking business**

The Group expanded its marketing network through newly establishing three “Kurashi no Money Plaza,” which is a one-stop shop to provide various financial products and services including credit, banking and insurance, and installing 376 ATMs. As a result, the total number of “Kurashi no Money Plaza” increased to 127, and the total number of ATMs installed increased to 5,308.

In addition, the Group has promoted campaigns to offer preferential interest rates to AEON Card Select holders that have ordinary deposit accounts with AEON Bank and WAON automatic recharge services to promote use of bank accounts for daily needs. As a result, the number of customer deposit accounts held by AEON Bank increased by 0.28 million to 3.96 million and the balance of ordinary deposits increased by ¥59,218 million to ¥534,766 million, compared to the beginning of the current fiscal year. As for term deposits, the Group controlled the amount of newly raised deposits to optimize Asset Liability Management. As a result, the balance of term deposits decreased by ¥125,267 million to ¥1,114,080 million and the balance of total deposits decreased by ¥65,161 million to ¥1,650,620 million as at September 30, 2014, compared to the beginning of the current fiscal year.

As for loans, which are the Group’s main revenue stream, the Group has increased advertisements relating to

“AEON Select Club,” which extends benefits to borrowers such as providing 5% off the price of shopping every day at AEON stores, and programs to offer preferential interest rates to the borrowers. The Group also improved the speed and accuracy of credit reviews to expand the transaction volume of small lot retail loans such as card advances. As for financial services for corporate customers, the Group promoted “AEON Bank Agri Loan,” which is a loan product that targets farmers and launched “AEON Bank Clinic Loan,” which is a new loan product to provide start-up capital for opening medical clinics as tenants in AEON Group’s shopping stores. As a result, the balance of loans as at September 30, 2014 increased by ¥126,489 million to ¥1,140,601 million compared to the beginning of the current fiscal year.

As for sales of investment trusts, to encourage usage of Japan’s new tax exemption scheme for investment by individuals (NISA), the Group has conducted promotional campaigns to repay all fees incurred in purchasing investment trusts through NISA accounts with AEON Bank and to offer benefits to package products combining establishment of term deposit accounts and purchase of investment trusts.

Furthermore, to meet customers’ needs of management of various financial assets such as credit, loan, investment trust and insurance products, the Group has continued to provide training to employees under the AEON Financial Planner Program, which is a systematic training framework available for employees to obtain professional licenses such as the Certified Financial Planner qualification and to apply internal training courses.

As a result of the above, the financial results of the banking business were as follows: (a) the ordinary revenue decreased by 14.1% to ¥17,268 million, and (b) ordinary losses decreased by ¥3,143 million to ¥2,436 million, compared to the corresponding period of the previous fiscal year. The ordinary losses were ¥781 million for the three-month period from July 1, 2014 to September 30, 2014, while ¥1,655 million for the three-month period ended June 30, 2014. The level of losses has been steadily lowered.

#### **④ Overseas business**

In Hong Kong, the Group has promoted credit card usage with alliance partners through various means such as the sales campaign for the 20th anniversary of listing of AEON Stores (Hong Kong) Co., Ltd. and awarding points to cardholders every Wednesday. In addition, the Group has expanded the transaction volume of card shopping by providing cardholders with coupons for their shopping at stores in Japan through AEON Group’s network of affiliated merchants.

In China, the Group has collaborated with alliance partners to implement campaigns to promote hire purchase sales in Shenyang, Tianjin and Shenzhen where the Group operates hire purchase business.

As a result, consolidated operating revenues of AEON Credit Service (Asia) increased by 11.7% to HK\$630 million and ordinary profits increased by 2.5% to HK\$167 million, compared to the corresponding period of the previous fiscal year.

In Thailand, the continuous political instability has resulted in a slowdown in consumer spending. Despite the increased concern about the economic activity, the Group has solicited cardholders and expanded the transaction volume of card shopping by providing attractive credit card benefits through alliance partners such as fast-food shops and leisure facilities and implementing campaigns to promote usage of co-branded cards with Thai Airways International. In addition, the Group has reinforced expense controls and debt collection services in the business centers in five cities.

In Cambodia, the Group has implemented collaborative sales campaigns at the electric appliance department of AEON's first store, "AEON MALL Phnom Penh," that opened in June 2014, and promoted hire purchases through affiliated merchants, especially retailers of motorcycles and mobile phones. In addition, the Group prepares for launching credit card business to expand its business development. In Myanmar, the Group has enhanced advertisement at affiliated merchants to expand the transaction volume of hire purchases.

As a result, consolidated operating revenues of AEON Thana Sinsap (Thailand) increased by 18.4% to THB8,601 million and ordinary profits increased by 0.9% to THB1,580 million, compared to the corresponding period of the previous fiscal year.

In Malaysia, the Group continued to promote credit card usage by setting up "Thank You Day," which gives 5% off the price of shopping exclusively to cardholders at stores of AEON Malaysia and AEON BIG (M) Sdn. Bhd. Also, the Group has promoted credit card usage by announcing attractive credit card benefits through alliance partners such as gas stations. In addition, the Group has promoted hire purchase business for electric appliances, furniture and automobiles. As a result, operating revenue increased by 34.0% to MYR436 million, and ordinary profits increased by 22.8% to MYR103 million, compared to the corresponding period of the previous fiscal year.

In Vietnam, the Group has expanded the transaction volume of hire purchases for electric appliances by implementing campaigns to offer interest free installment payment options at AEON's first store in the country. In Indonesia, the Group has reinforced solicitation of cardholders by developing affiliated merchants for its hire purchase business and launching credit card business.

In India, the Group has developed affiliated merchants for its hire purchase business primarily targeting retailers of personal computers and mobile phones to expand its operating base.

In Philippines, the Group has increased the number of system engineers in the system development company and reinforced system development for its overseas subsidiaries. In addition, the Group continued to develop affiliated merchants for its hire purchase business primarily targeting furniture and electric appliances.

As a result of the above, the overseas business showed the following financial results: (a) the number of active cardholders as at September 30, 2014 increased by 0.36 million from the beginning of the current fiscal year to 10.81 million, (b) ordinary revenue increased by 21.6% to ¥52,663 million, and (c) ordinary profits increased by 52.0% to ¥10,910 million, compared to the corresponding period of the previous fiscal year.

In Taiwan, as at May 16, 2014, the Financial Supervisory Commission (hereafter “the local authority”) imposed administrative measure such as suspension of new credit card issuance against the Company’s consolidated subsidiary as a result of inappropriate accounting treatment revealed in 2013. However, as at September 5, 2014, the local authority lifted the suspension following the completion and authorization of implementing internal control systems under the direction of the local authority. All executives and employees of the Group will continue to fully comply with preventative measures.

#### **[Environmental conservation and social contribution activities]**

The Company aims to continuously increase corporate value by proactively engaging in environmental conservation and social contribution activities. Also, the Company has made efforts to contribute to the development of local society as a good corporate citizen.

For the six-month period ended September 30, 2014, the Company has engaged in the aid activities for those who suffered from the landslide disaster in Hiroshima City such as raising disaster relief funds, introducing the “Disaster Relief Loan Program for Residence,” which provides mortgage loans, providing credit retentions, and temporarily expanding credit facilities.

The Group’s overseas business, especially the Company’s three listed subsidiaries in Hong Kong, Thailand and Malaysia, has engaged in the social contribution activities such as donating school supplies to children and promoting donations to support building and renovating schools in Asia.

In addition, employees of the Group have actively worked together to join the environmental conservation activities such as domestic and overseas tree-planting activities.

## **(2) Financial conditions**

### **(Assets)**

The balance of total assets of the Group as at September 30, 2014 decreased by ¥16,854 million to ¥3,146,263 million compared to the end of the previous fiscal year, mainly due to a decrease of installment sales

receivables by ¥39,394 million resulting from a decline of customer demand derived from the last-minute spending before the increase of the consumption tax and a decrease of cash and due from banks by ¥78,671 million resulting mainly from a reduction in the balance of due from the Bank of Japan, which exceeded an increase of loans and bills discounted by ¥111,800 million due to the higher transaction volume of cash advances.

(Liabilities)

The balance of total liabilities of the Group as at September 30, 2014 decreased by ¥3,530 million to ¥2,852,294 million compared to the end of the previous fiscal year, mainly due to a decrease of accounts payable by ¥65,278 million resulting from a decline of customer demand derived from the last-minute spending before the increase of the consumption tax and a decrease of deposits by ¥66,080 million resulting from the control of deposit raising activities, which exceeded an increase of call money by ¥95,100 million due to financing needs.

(Equity)

The balance of total equity as at September 30, 2014 decreased by ¥13,323 million to ¥293,968 million compared to the end of the previous fiscal year, mainly due to an increase of treasury stock of ¥24,997 million resulting from the acquisition of treasury stock, which exceeded an increase of common stock by ¥1,250 million and an increase of capital surplus by ¥1,249 million resulting from the conversion of convertible bonds into shares.

**(3) Equity ratio**

Consolidated equity ratio of AEON Financial Service Co., Ltd. (Japanese GAAP)

|                           | As at March 31, 2014 | As at September 30, 2014<br>(Preliminary figures) |
|---------------------------|----------------------|---------------------------------------------------|
| Consolidated equity ratio | 9.0%                 | 9.2%                                              |

**(4) Information on forecasts of consolidated operating results**

As of the date of this report, there is no change in the forecast of consolidated results released on May 15, 2014.

**2. Other information regarding the financial results**

**(1) Changes in significant subsidiaries during the six-month period ended September 30, 2014**

None

**(2) Changes in accounting policies, changes in accounting estimates and restatement of revisions**

Effective from the six-month period ended September 30, 2014, the Group has adopted the provision of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No.26 issued on May 17, 2012, hereafter the “Accounting Standard”) and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 on May 17, 2012, hereafter the “Guidance”). Certain domestic subsidiaries of the Group reviewed the method of determining retirement benefit obligations and current service costs, and changed the allocation of estimated retirement benefits from the straight-line basis to the

benefit formula basis. In addition, the method of determining the discount rate applied in the calculation of projected benefit obligation was changed to the method to use the single weighted-average discount rate that reflects the estimated payment period of retirement benefits and the amount per each estimated payment period. The discount rate had previously been determined based on the yield of certain bonds, the maturity of which is close to the employees' average remaining service period.

The Group applied the transitional treatment prescribed in Paragraph 37 of the Accounting Standard. As at April 1, 2014, the Group has recognized the effect of changing the method of determining retirement benefit obligations and current service costs as an adjustment to the opening balance of retained earnings.

As a result, retirement benefit liability as at April 1, 2014 increased by ¥83 million and retained earnings as at April 1, 2014 decreased by ¥53 million.

The effect on net income and per share information for the six-month period ended September 30, 2014 is immaterial.

### **(3) Additional information**

#### Accounting treatment of card issuance costs

The Company's consolidated domestic subsidiaries had expensed credit card issuance costs immediately as incurred in the past. However, the issuance costs of IC-imbedded credit cards issued on or after July 1, 2014 are capitalized as assets and amortized over the valid periods of the cards. This change is a result of an increase in the asset value of the IC-imbedded cards due to a policy decision to switch newly issued credit cards to the IC-imbedded cards that can store a larger amount of customer-related information and to encourage customers to renew their current credit cards to the IC-imbedded cards in order to promote new products and services by using database marketing.

As a result, the ordinary profits and income before income taxes and minority interests for the six-month period ended September 30, 2014 increased by ¥629 million, respectively, compared to the amounts under the previous method.

### **3. Significant events regarding the going concern assumption**

None

#### 4. Interim consolidated financial statements

##### (1) Interim consolidated balance sheets

|                                                       | (Millions of Yen)    |                          |
|-------------------------------------------------------|----------------------|--------------------------|
|                                                       | As at March 31, 2014 | As at September 30, 2014 |
| (Assets)                                              |                      |                          |
| Cash and due from banks                               | 416,662              | 337,990                  |
| Monetary claims bought                                | 12,119               | 8,867                    |
| Securities                                            | 173,379              | 160,576                  |
| Loans and bills discounted                            | 1,276,741            | 1,388,542                |
| Installment sales receivables                         | 957,403              | 918,009                  |
| Other assets                                          | 80,294               | 76,739                   |
| Property and equipment                                | 31,185               | 33,301                   |
| Intangible assets                                     | 67,723               | 67,436                   |
| Goodwill                                              | 28,887               | 27,975                   |
| Other intangible assets                               | 38,835               | 39,460                   |
| Deferred tax assets                                   | 18,758               | 22,508                   |
| Customers' liabilities for acceptances and guarantees | 176,421              | 180,272                  |
| Allowance for possible credit losses                  | (47,574)             | (47,982)                 |
| Total assets                                          | 3,163,117            | 3,146,263                |
| (Liabilities)                                         |                      |                          |
| Deposits                                              | 1,717,769            | 1,651,689                |
| Accounts payable                                      | 203,742              | 138,463                  |
| Call money                                            | 4,900                | 100,000                  |
| Borrowed money                                        | 515,227              | 527,496                  |
| Bonds                                                 | 101,608              | 108,925                  |
| Convertible bonds                                     | 2,830                | 330                      |
| Other liabilities                                     | 111,859              | 122,015                  |
| Allowance for bonuses                                 | 2,200                | 2,376                    |
| Retirement benefit liability                          | 2,789                | 3,166                    |
| Allowance for point program                           | 11,012               | 11,666                   |
| Allowance for loss on refund of interest received     | 3,085                | 3,659                    |
| Allowance – other                                     | 556                  | 331                      |
| Deferred tax liabilities                              | 1,820                | 1,899                    |
| Acceptances and guarantees                            | 176,421              | 180,272                  |
| Total liabilities                                     | 2,855,825            | 2,852,294                |
| (Equity)                                              |                      |                          |
| Common stock                                          | 29,051               | 30,301                   |
| Capital surplus                                       | 104,860              | 106,110                  |
| Retained earnings                                     | 136,270              | 139,977                  |
| Treasury stock                                        | (145)                | (25,143)                 |
| Total shareholders' equity                            | 270,036              | 251,245                  |
| Unrealized gain on available-for-sale securities      | 4,027                | 3,717                    |
| Deferred loss on derivatives under hedge accounting   | (2,326)              | (2,257)                  |
| Foreign currency translation adjustments              | 294                  | 1,072                    |
| Accumulated adjustments for retirement benefit        | (371)                | (473)                    |
| Total accumulated other comprehensive income          | 1,623                | 2,059                    |
| Stock acquisition rights                              | 55                   | 73                       |
| Minority interests                                    | 35,576               | 40,590                   |
| Total equity                                          | 307,291              | 293,968                  |
| Total liabilities and equity                          | 3,163,117            | 3,146,263                |

(2) Interim consolidated statements of income and comprehensive income

(Interim consolidated statements of income)

|                                                                  | (Millions of Yen)                            |                                              |
|------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
|                                                                  | Six-month period<br>ended September 30, 2013 | Six-month period<br>ended September 30, 2014 |
| Ordinary revenue                                                 | 130,562                                      | 151,164                                      |
| Interest income                                                  | 51,092                                       | 59,835                                       |
| (of which: Interest on loans and bills discounted)               | 49,661                                       | 58,701                                       |
| (of which: Interest and dividends on securities)                 | 1,084                                        | 853                                          |
| Fees and commissions                                             | 67,431                                       | 78,885                                       |
| Other operating income                                           | 4,665                                        | 4,435                                        |
| Other income                                                     | 7,371                                        | 8,008                                        |
| Ordinary expenses                                                | 118,209                                      | 131,687                                      |
| Interest expenses                                                | 10,106                                       | 9,746                                        |
| (of which: Interest on deposits)                                 | 3,005                                        | 1,943                                        |
| Fees and commissions                                             | 9,000                                        | 10,261                                       |
| Other operating expenses                                         | 523                                          | 521                                          |
| General and administrative expenses                              | 83,199                                       | 90,466                                       |
| Other ordinary expenses                                          | 15,380                                       | 20,690                                       |
| Ordinary profits                                                 | 12,352                                       | 19,477                                       |
| Extraordinary loss                                               | 1,358                                        | 243                                          |
| Loss on disposal of property and equipment and intangible assets | 145                                          | 21                                           |
| Loss on cancellation                                             | -                                            | 218                                          |
| Management integration expenses                                  | 1,194                                        | -                                            |
| Other extraordinary loss                                         | 18                                           | 3                                            |
| Income before income taxes and minority interests                | 10,993                                       | 19,233                                       |
| Income taxes - current                                           | 5,964                                        | 7,789                                        |
| Income taxes - deferred                                          | (1,218)                                      | (3,479)                                      |
| Total income taxes                                               | 4,745                                        | 4,309                                        |
| Net income before minority interests                             | 6,247                                        | 14,923                                       |
| Minority interests in net income                                 | 3,709                                        | 3,936                                        |
| Net income                                                       | 2,537                                        | 10,987                                       |

(Interim consolidated statements of comprehensive income)

|                                                     | (Millions of Yen)                            |                                              |
|-----------------------------------------------------|----------------------------------------------|----------------------------------------------|
|                                                     | Six-month period<br>ended September 30, 2013 | Six-month period<br>ended September 30, 2014 |
| Net income before minority interests                | 6,247                                        | 14,923                                       |
| Other comprehensive income                          | 2,379                                        | 1,324                                        |
| Unrealized loss on available-for-sale securities    | 615                                          | (306)                                        |
| Deferred loss on derivatives under hedge accounting | 719                                          | 132                                          |
| Foreign currency translation adjustments            | 1,045                                        | 1,601                                        |
| Adjustments for retirement benefit                  | -                                            | (101)                                        |
| Comprehensive income                                | 8,627                                        | 16,248                                       |
| Total comprehensive income attributable to:         |                                              |                                              |
| Owners of the parent                                | 4,293                                        | 11,422                                       |
| Minority interests                                  | 4,334                                        | 4,825                                        |

(3) Interim consolidated statements of changes in equity

For the six-month period ended September 30, 2013 (from April 1, 2013 to September 30, 2013)

(Millions of Yen)

|                                                     | Shareholders' equity |                 |                   |                |                            |
|-----------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                     | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period                      | 15,466               | 91,275          | 125,320           | (142)          | 231,919                    |
| Change of items during the period                   |                      |                 |                   |                |                            |
| Conversion of convertible bonds                     | 12,210               | 12,210          |                   |                | 24,420                     |
| Cash dividends                                      |                      |                 | (4,681)           |                | (4,681)                    |
| Net income                                          |                      |                 | 2,537             |                | 2,537                      |
| Purchase of treasury stock                          |                      |                 |                   | (1)            | (1)                        |
| Disposal of treasury stock                          |                      | 0               |                   | 0              | 0                          |
| Net change in items other than shareholders' equity |                      |                 |                   |                |                            |
| Total change of items during the period             | 12,210               | 12,210          | (2,143)           | (1)            | 22,274                     |
| Balance at end of period                            | 27,676               | 103,485         | 123,176           | (144)          | 254,194                    |

|                                                     | Accumulated other comprehensive income           |                                                     |                                          |                                                |                                              | Stock acquisition right | Minority interests | Total equity |
|-----------------------------------------------------|--------------------------------------------------|-----------------------------------------------------|------------------------------------------|------------------------------------------------|----------------------------------------------|-------------------------|--------------------|--------------|
|                                                     | Unrealized gain on available-for-sale securities | Deferred loss on derivatives under hedge accounting | Foreign currency translation adjustments | Accumulated adjustments for retirement benefit | Total accumulated other comprehensive income |                         |                    |              |
| Balance at beginning of period                      | 2,717                                            | (1,704)                                             | (1,631)                                  | -                                              | (618)                                        | 22                      | 27,549             | 258,872      |
| Change of items during the period                   |                                                  |                                                     |                                          |                                                |                                              |                         |                    |              |
| Conversion of convertible bonds                     |                                                  |                                                     |                                          |                                                |                                              |                         |                    | 24,420       |
| Cash dividends                                      |                                                  |                                                     |                                          |                                                |                                              |                         |                    | (4,681)      |
| Net income                                          |                                                  |                                                     |                                          |                                                |                                              |                         |                    | 2,537        |
| Purchase of treasury stock                          |                                                  |                                                     |                                          |                                                |                                              |                         |                    | (1)          |
| Disposal of treasury stock                          |                                                  |                                                     |                                          |                                                |                                              |                         |                    | 0            |
| Net change in items other than shareholders' equity | 673                                              | 372                                                 | 710                                      | -                                              | 1,755                                        | 32                      | 2,868              | 4,656        |
| Total change of items during the period             | 673                                              | 372                                                 | 710                                      | -                                              | 1,755                                        | 32                      | 2,868              | 26,931       |
| Balance at end of period                            | 3,390                                            | (1,332)                                             | (921)                                    | -                                              | 1,136                                        | 55                      | 30,418             | 285,804      |

For the six-month period ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

(Millions of Yen)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period                       | 29,051               | 104,860         | 136,270           | (145)          | 270,036                    |
| Cumulative effects of changes in accounting policies |                      |                 | (53)              |                | (53)                       |
| Restated balance                                     | 29,051               | 104,860         | 136,216           | (145)          | 269,982                    |
| Change of items during the period                    |                      |                 |                   |                |                            |
| Conversion of convertible bonds                      | 1,250                | 1,250           |                   |                | 2,500                      |
| Cash dividends                                       |                      |                 | (7,225)           |                | (7,225)                    |
| Net income                                           |                      |                 | 10,987            |                | 10,987                     |
| Purchase of treasury stock                           |                      |                 |                   | (25,000)       | (25,000)                   |
| Disposal of treasury stock                           |                      | (0)             | (1)               | 2              | 0                          |
| Net change in items other than shareholders' equity  |                      |                 |                   |                |                            |
| Total change of items during the period              | 1,250                | 1,249           | 3,760             | (24,997)       | (18,737)                   |
| Balance at end of period                             | 30,301               | 106,110         | 139,977           | (25,143)       | 251,245                    |

|                                                      | Accumulated other comprehensive income           |                                                     |                                          |                                                |                                              | Stock acquisition right | Minority interests | Total equity |
|------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------|------------------------------------------|------------------------------------------------|----------------------------------------------|-------------------------|--------------------|--------------|
|                                                      | Unrealized gain on available-for-sale securities | Deferred loss on derivatives under hedge accounting | Foreign currency translation adjustments | Accumulated adjustments for retirement benefit | Total accumulated other comprehensive income |                         |                    |              |
| Balance at beginning of period                       | 4,027                                            | (2,326)                                             | 294                                      | (371)                                          | 1,623                                        | 55                      | 35,576             | 307,291      |
| Cumulative effects of changes in accounting policies |                                                  |                                                     |                                          |                                                |                                              |                         |                    | (53)         |
| Restated balance                                     | 4,027                                            | (2,326)                                             | 294                                      | (371)                                          | 1,623                                        | 55                      | 35,576             | 307,237      |
| Change of items during the period                    |                                                  |                                                     |                                          |                                                |                                              |                         |                    |              |
| Conversion of convertible bonds                      |                                                  |                                                     |                                          |                                                |                                              |                         |                    | 2,500        |
| Cash dividends                                       |                                                  |                                                     |                                          |                                                |                                              |                         |                    | (7,225)      |
| Net income                                           |                                                  |                                                     |                                          |                                                |                                              |                         |                    | 10,987       |
| Purchase of treasury stock                           |                                                  |                                                     |                                          |                                                |                                              |                         |                    | (25,000)     |
| Disposal of treasury stock                           |                                                  |                                                     |                                          |                                                |                                              |                         |                    | 0            |
| Net change in items other than shareholders' equity  | (309)                                            | 69                                                  | 777                                      | (101)                                          | 435                                          | 18                      | 5,013              | 5,467        |
| Total change of items during the period              | (309)                                            | 69                                                  | 777                                      | (101)                                          | 435                                          | 18                      | 5,013              | (13,269)     |
| Balance at end of period                             | 3,717                                            | (2,257)                                             | 1,072                                    | (473)                                          | 2,059                                        | 73                      | 40,590             | 293,968      |

(4) Notes regarding the interim consolidated financial statements

(Notes regarding the going concern assumption)

Not applicable

(Segment information)

[Information on amounts of ordinary revenues, profit (loss), assets and other items for each reportable segment]

For the six-month period ended September 30, 2013 (From April 1, 2013 to September 30, 2013)

(Millions of Yen)

|                                            | Credit    | Fee Business | Banking   | Overseas | Total     | Reconciliations | Consolidated |
|--------------------------------------------|-----------|--------------|-----------|----------|-----------|-----------------|--------------|
| Ordinary revenue                           |           |              |           |          |           |                 |              |
| Ordinary revenue from customers            | 57,088    | 11,136       | 19,037    | 43,300   | 130,562   | -               | 130,562      |
| Intersegment revenues or transfers         | 412       | 6,009        | 1,075     | 2        | 7,499     | (7,499)         | -            |
| Total ordinary revenue                     | 57,500    | 17,145       | 20,112    | 43,303   | 138,061   | (7,499)         | 130,562      |
| Segment profit                             | 7,939     | 634          | 706       | 7,178    | 16,458    | (4,106)         | 12,352       |
| Segment assets                             | 1,211,307 | 68,511       | 1,384,873 | 381,767  | 3,046,461 | (75,889)        | 2,970,571    |
| Other items                                |           |              |           |          |           |                 |              |
| Depreciation and amortization              | 1,652     | 1,737        | 618       | 1,970    | 5,979     | 69              | 6,049        |
| Amortization of goodwill                   | 44        | 356          | 451       | 14       | 867       | -               | 867          |
| Interest income                            | 17,552    | 841          | 8,868     | 24,823   | 52,086    | (993)           | 51,092       |
| Interest expenses                          | 2,135     | 122          | 2,215     | 5,218    | 9,691     | 414             | 10,106       |
| Provision for possible credit losses       | 4,275     | 170          | 21        | 7,690    | 12,158    | -               | 12,158       |
| Provision for point program                | 6,768     | 32           | 199       | -        | 7,001     | -               | 7,001        |
| Increase in tangible and intangible assets | 4,223     | 4,984        | 837       | 3,557    | 13,602    | 52              | 13,655       |

(Notes) Description of reportable segments

1. "Credit" consists of financial services such as credit card contracts and loan contracts with domestic customers.
2. "Fee Business" consists of various fee businesses, including the e-money business, operating in the domestic markets.
3. "Banking" consists of banking businesses including lending and management of deposits from domestic customers.
4. "Overseas" consists of financial services with customers in the overseas markets.

For the six-month period ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(Millions of Yen)

|                                                    | Credit    | Fee Business | Banking   | Overseas | Total     | Reconciliations | Consolidated |
|----------------------------------------------------|-----------|--------------|-----------|----------|-----------|-----------------|--------------|
| Ordinary revenue                                   |           |              |           |          |           |                 |              |
| Ordinary revenue from customers                    | 67,928    | 14,365       | 16,207    | 52,663   | 151,164   | -               | 151,164      |
| Intersegment revenues or transfers                 | 1,040     | 6,961        | 1,061     | 0        | 9,064     | (9,064)         | -            |
| Total ordinary revenue                             | 68,968    | 21,327       | 17,268    | 52,663   | 160,228   | (9,064)         | 151,164      |
| Segment profit (loss)                              | 13,654    | 367          | (2,436)   | 10,910   | 22,496    | (3,019)         | 19,477       |
| Segment assets                                     | 1,269,235 | 90,452       | 1,435,600 | 479,278  | 3,274,568 | (128,305)       | 3,146,263    |
| Other items                                        |           |              |           |          |           |                 |              |
| Depreciation and amortization                      | 1,751     | 2,541        | 656       | 2,037    | 6,987     | 61              | 7,048        |
| Amortization of goodwill                           | 89        | 356          | 451       | 14       | 911       | -               | 911          |
| Interest income                                    | 24,896    | 776          | 7,040     | 27,418   | 60,131    | (296)           | 59,835       |
| Interest expenses                                  | 1,827     | 168          | 1,228     | 6,250    | 9,474     | 271             | 9,746        |
| Provision for (reversal of) possible credit losses | 4,107     | 269          | (203)     | 12,087   | 16,260    | -               | 16,260       |
| Provision for point program                        | 7,330     | 176          | 78        | -        | 7,585     | -               | 7,585        |
| Increase in tangible and intangible assets         | 12,207    | 3,571        | 474       | 3,601    | 19,854    | 266             | 20,121       |

(Notes) Description of reportable segments

1. "Credit" consists of financial services such as credit card contracts and loan contracts with domestic customers.
2. "Fee Business" consists of various fee businesses, including the e-money business, operating in the domestic markets.
3. "Banking" consists of banking businesses including lending and management of deposits from domestic customers.
4. "Overseas" consists of financial services with customers in the overseas markets.

5. Interim non-consolidated financial statements

(1) Interim balance sheets

|                                                      | (Millions of Yen)    |                          |
|------------------------------------------------------|----------------------|--------------------------|
|                                                      | As at March 31, 2014 | As at September 30, 2014 |
| (Assets)                                             |                      |                          |
| Current assets                                       |                      |                          |
| Cash and deposits                                    | 1,660                | 1,813                    |
| Accounts receivable - other                          | 3,488                | 5,615                    |
| Income taxes receivable                              | -                    | 1,250                    |
| Other current assets                                 | 962                  | 191                      |
| Total current assets                                 | 6,111                | 8,870                    |
| Non-current assets                                   |                      |                          |
| Property and equipment                               | 0                    | 2                        |
| Intangible assets                                    | 21                   | 189                      |
| Investments and other assets                         |                      |                          |
| Investments in subsidiaries and associated companies | 303,051              | 303,051                  |
| Other assets                                         | 19,986               | 20,161                   |
| Total investments and other assets                   | 323,038              | 323,213                  |
| Total non-current assets                             | 323,060              | 323,405                  |
| Deferred charges                                     | 482                  | 423                      |
| Total assets                                         | 329,654              | 332,699                  |
| (Liabilities)                                        |                      |                          |
| Current liabilities                                  |                      |                          |
| Short-term borrowings                                | 20,000               | 49,900                   |
| Current portion of bonds                             | -                    | 20,000                   |
| Accrued income taxes                                 | 1,088                | 119                      |
| Allowance for directors' bonuses                     | 21                   | 28                       |
| Other current liabilities                            | 5,370                | 4,158                    |
| Total current liabilities                            | 26,479               | 74,205                   |
| Long-term liabilities                                |                      |                          |
| Bonds payable                                        | 80,000               | 60,000                   |
| Convertible bonds                                    | 2,830                | 330                      |
| Other liabilities                                    | 32                   | 12                       |
| Total long-term liabilities                          | 82,862               | 60,342                   |
| Total liabilities                                    | 109,342              | 134,547                  |

|                                                  | (Millions of Yen)    |                          |
|--------------------------------------------------|----------------------|--------------------------|
|                                                  | As at March 31, 2014 | As at September 30, 2014 |
| (Equity)                                         |                      |                          |
| Shareholders' equity                             |                      |                          |
| Common stock                                     | 29,051               | 30,301                   |
| Capital surplus                                  |                      |                          |
| Additional paid-in capital                       | 104,860              | 106,110                  |
| Other capital surplus                            | 0                    | -                        |
| Total capital surplus                            | 104,860              | 106,110                  |
| Retained earnings                                |                      |                          |
| Legal reserve                                    | 3,687                | 3,687                    |
| Other retained earnings                          |                      |                          |
| General reserve                                  | 75,995               | 63,995                   |
| Retained earnings carried forward                | 4,834                | 17,000                   |
| Total retained earnings                          | 84,517               | 84,682                   |
| Treasury stocks                                  | (145)                | (25,143)                 |
| Total shareholders' equity                       | 218,283              | 195,951                  |
| Valuation and translation adjustments            |                      |                          |
| Unrealized gain on available-for-sale securities | 1,973                | 2,126                    |
| Total valuation and translation adjustments      | 1,973                | 2,126                    |
| Stock acquisition rights                         | 55                   | 73                       |
| Total equity                                     | 220,311              | 198,151                  |
| Total liabilities and equity                     | 329,654              | 332,699                  |

(2) Interim statements of income

|                                              | (Millions of Yen)                            |                                              |
|----------------------------------------------|----------------------------------------------|----------------------------------------------|
|                                              | Six-month period<br>ended September 30, 2013 | Six-month period<br>ended September 30, 2014 |
| Operating revenues                           | 4,214                                        | 12,062                                       |
| Operating expenses                           |                                              |                                              |
| Selling, general and administrative expenses | 3,782                                        | 4,142                                        |
| Total operating expenses                     | 3,782                                        | 4,142                                        |
| Operating income                             | 431                                          | 7,919                                        |
| Non-operating revenues                       | 91                                           | 109                                          |
| Non-operating expenses                       | 366                                          | 462                                          |
| Ordinary income                              | 156                                          | 7,566                                        |
| Extraordinary loss                           | 48                                           | -                                            |
| Income before income taxes                   | 108                                          | 7,566                                        |
| Income taxes - current                       | 1,478                                        | 47                                           |
| Income taxes - deferred                      | (954)                                        | 125                                          |
| Total income taxes                           | 523                                          | 173                                          |
| Net income (loss)                            | (415)                                        | 7,392                                        |

## (3) Interim statements of changes in equity

For the six-month period ended September 30, 2013 (from April 1, 2013 to September 30, 2013)

(Millions of Yen)

|                                                     | Shareholders' equity |                            |                       |                       |               |                   |                                   |                         |
|-----------------------------------------------------|----------------------|----------------------------|-----------------------|-----------------------|---------------|-------------------|-----------------------------------|-------------------------|
|                                                     | Common stock         | Capital surplus            |                       |                       | Legal reserve | Retained earnings |                                   |                         |
|                                                     |                      | Additional paid-in capital | Other capital surplus | Total capital surplus |               | General reserve   | Retained earnings carried forward | Total retained earnings |
| Balance at beginning of period                      | 15,466               | 91,275                     | -                     | 91,275                | 3,687         | 75,995            | 14,223                            | 93,905                  |
| Change of items during the period                   |                      |                            |                       |                       |               |                   |                                   |                         |
| Conversion of convertible bonds                     | 12,210               | 12,210                     |                       | 12,210                |               |                   |                                   |                         |
| Cash dividends                                      |                      |                            |                       |                       |               |                   | (4,681)                           | (4,681)                 |
| Net loss                                            |                      |                            |                       |                       |               |                   | (415)                             | (415)                   |
| Reversal of general reserve                         |                      |                            |                       |                       |               |                   |                                   | -                       |
| Purchase of treasury stock                          |                      |                            |                       |                       |               |                   |                                   |                         |
| Disposal of treasury stock                          |                      |                            | 0                     | 0                     |               |                   |                                   |                         |
| Net change in items other than shareholders' equity |                      |                            |                       |                       |               |                   |                                   |                         |
| Total change of items during the period             | 12,210               | 12,210                     | 0                     | 12,210                | -             | -                 | (5,096)                           | (5,096)                 |
| Balance at end of period                            | 27,676               | 103,485                    | 0                     | 103,485               | 3,687         | 75,995            | 9,126                             | 88,809                  |

|                                                     | Shareholders' equity |                            | Valuation and translation adjustments            |                                             | Stock acquisition right | Total equity |
|-----------------------------------------------------|----------------------|----------------------------|--------------------------------------------------|---------------------------------------------|-------------------------|--------------|
|                                                     | Treasury stock       | Total shareholders' equity | Unrealized gain on available-for-sale securities | Total valuation and translation adjustments |                         |              |
| Balance at beginning of period                      | (142)                | 200,504                    | 1,741                                            | 1,741                                       | 22                      | 202,268      |
| Change of items during the period                   |                      |                            |                                                  |                                             |                         |              |
| Conversion of convertible bonds                     |                      | 24,420                     |                                                  |                                             |                         | 24,420       |
| Cash dividends                                      |                      | (4,681)                    |                                                  |                                             |                         | (4,681)      |
| Net loss                                            |                      | (415)                      |                                                  |                                             |                         | (415)        |
| Reversal of general reserve                         |                      | -                          |                                                  |                                             |                         | -            |
| Purchase of treasury stock                          | (1)                  | (1)                        |                                                  |                                             |                         | (1)          |
| Disposal of treasury stock                          | 0                    | 0                          |                                                  |                                             |                         | 0            |
| Net change in items other than shareholders' equity |                      |                            | 316                                              | 316                                         | 32                      | 348          |
| Total change of items during the period             | (1)                  | 19,321                     | 316                                              | 316                                         | 32                      | 19,670       |
| Balance at end of period                            | (144)                | 219,826                    | 2,057                                            | 2,057                                       | 55                      | 221,938      |

For the six-month period ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

(Millions of Yen)

|                                                     | Shareholders' equity |                            |                       |                       |               |                   |                                   |                         |
|-----------------------------------------------------|----------------------|----------------------------|-----------------------|-----------------------|---------------|-------------------|-----------------------------------|-------------------------|
|                                                     | Common stock         | Capital surplus            |                       |                       | Legal reserve | Retained earnings |                                   |                         |
|                                                     |                      | Additional paid-in capital | Other capital surplus | Total capital surplus |               | General reserve   | Retained earnings carried forward | Total retained earnings |
| Balance at beginning of period                      | 29,051               | 104,860                    | 0                     | 104,860               | 3,687         | 75,995            | 4,834                             | 84,517                  |
| Change of items during the period                   |                      |                            |                       |                       |               |                   |                                   |                         |
| Conversion of convertible bonds                     | 1,250                | 1,250                      |                       | 1,250                 |               |                   |                                   |                         |
| Cash dividends                                      |                      |                            |                       |                       |               |                   | (7,225)                           | (7,225)                 |
| Net income                                          |                      |                            |                       |                       |               |                   | 7,392                             | 7,392                   |
| Reversal of general reserve                         |                      |                            |                       |                       |               | (12,000)          | 12,000                            | -                       |
| Purchase of treasury stock                          |                      |                            |                       |                       |               |                   |                                   |                         |
| Disposal of treasury stock                          |                      |                            | (0)                   | (0)                   |               |                   | (1)                               | (1)                     |
| Net change in items other than shareholders' equity |                      |                            |                       |                       |               |                   |                                   |                         |
| Total change of items during the period             | 1,250                | 1,250                      | (0)                   | 1,249                 | -             | (12,000)          | 12,165                            | 165                     |
| Balance at end of period                            | 30,301               | 106,110                    | -                     | 106,110               | 3,687         | 63,995            | 17,000                            | 84,682                  |

|                                                     | Shareholders' equity |                            | Valuation and translation adjustments            |                                             | Stock acquisition right | Total equity |
|-----------------------------------------------------|----------------------|----------------------------|--------------------------------------------------|---------------------------------------------|-------------------------|--------------|
|                                                     | Treasury stock       | Total shareholders' equity | Unrealized gain on available-for-sale securities | Total valuation and translation adjustments |                         |              |
| Balance at beginning of period                      | (145)                | 218,283                    | 1,973                                            | 1,973                                       | 55                      | 220,311      |
| Change of items during the period                   |                      |                            |                                                  |                                             |                         |              |
| Conversion of convertible bonds                     |                      | 2,500                      |                                                  |                                             |                         | 2,500        |
| Cash dividends                                      |                      | (7,225)                    |                                                  |                                             |                         | (7,225)      |
| Net income                                          |                      | 7,392                      |                                                  |                                             |                         | 7,392        |
| Reversal of general reserve                         |                      | -                          |                                                  |                                             |                         | -            |
| Purchase of treasury stock                          | (25,000)             | (25,000)                   |                                                  |                                             |                         | (25,000)     |
| Disposal of treasury stock                          | 2                    | 0                          |                                                  |                                             |                         | 0            |
| Net change in items other than shareholders' equity |                      |                            | 153                                              | 153                                         | 18                      | 171          |
| Total change of items during the period             | (24,997)             | (22,332)                   | 153                                              | 153                                         | 18                      | (22,160)     |
| Balance at end of period                            | (25,143)             | 195,951                    | 2,126                                            | 2,126                                       | 73                      | 198,151      |

(4) Notes regarding the interim non-consolidated financial statements

(Notes regarding the going concern assumption)

None