

Results for the First Quarter of FY2019

August 9, 2019



AEON Financial Service

First Section of the Tokyo Stock Exchange
Stock Code: 8570

1. Consolidated business outline and results
2. Consolidated results by Segments
3. Policy of initiatives after the 2Q
4. FY2019 Consolidated forecasts

Consolidated business outline and results

(Unit: billions of yen)	Domestic				Global			
	Credit card ①		Installment sales	Housing loan (※1)	Credit card ②		Installment sales ③	Personal loans
	Shopping	Cash advance			Shopping	Cash advance		
Transaction volume	1,381.6	107.3	59.9	116.5	71.2	34.9	31.5	43.0
YoY	+9.0%	+5.4%	+2.1%	+6.8%	+13.2%	+3.6%	+29.6%	+27.3%
Finance receivables (※2)	1,071.8	483.1	625.9	2,092.8	99.9	101.7	177.5	232.8
Change from start of FY	+21.1	+8.9	△10.8	+69.2	△1.7	△1.0	+3.1	+3.1

※1 Fig. of Aeon Bank which includes amt for Flat 35 and studio condominium loan ※2 Fig. for domestic fin rec refer to amt before securitization

(Unit: no. of people)	No. of cardholders ④		
	Consolidated	Domestic	Global
Results	43.22mil	28.49mil	14.73mil
Change from start of FY	+0.53mil	+0.09mil	+0.44mil

(Unit: no. of accounts)	AEON Bank accounts		
	Total	Credit card linked with AEON bank acc	Debit card linked with AEON bank acc
Results	6.69mil	4.95mil	0.27mil
Change from start of FY	+0.13mil	+0.09mil	+0.03mil

(Unit: billions of yen)	Bank deposits balance			
	Total	Ordinary deposits	Time deposits	Foreign ccy deposits
Results	3,560.8	2,718.5	794.0	45.5
Change from start of FY	+77.4	+85.1	△21.2	+13.8

① Domestic: Credit card () shows change from start of FY
 > Shopping trx vol.: Transaction vol. growth mainly due to point-related initiatives (double the point and 10Xpoint campaign during Golden Week) in and out of the group. No. of active users 17.65mil (+¥0.16mil)
 > Cash advance trx vol.: No. of users 1.35mil (+¥30K), balance per user ¥330K (-¥1K)

② Global: Installment finance
 > The strong sales of automobiles and motorcycles in Malaysia, auto loans in Thailand and auto three-wheeled loans in the Philippines. Expansion of installment finance business in other countries we operate businesses.

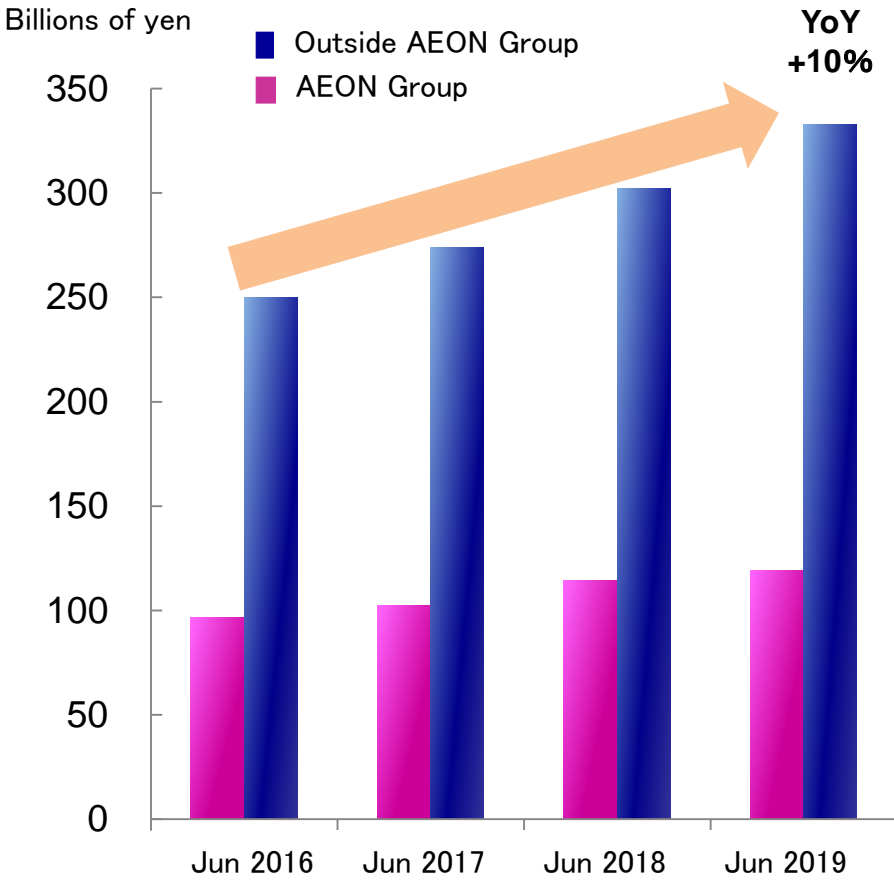
③ Global: Personal loans
 > Expansion of new lending services in Thailand and loans for middle-income earners in Malaysia.

④ Consolidated, Domestic and Global number of cardholders
 Number of domestic members including debit cardholders and bank account holders increased by 0.13mil to 30.23mil since start of FY
 > Domestic: the number of new credit card members registered is 420K (+10% YoY) by promoting the elimination of non-active users and the acquisition of digital IDs (Web users).
 > Global: Members increased mainly for new premium cards to target the middle to high income segments

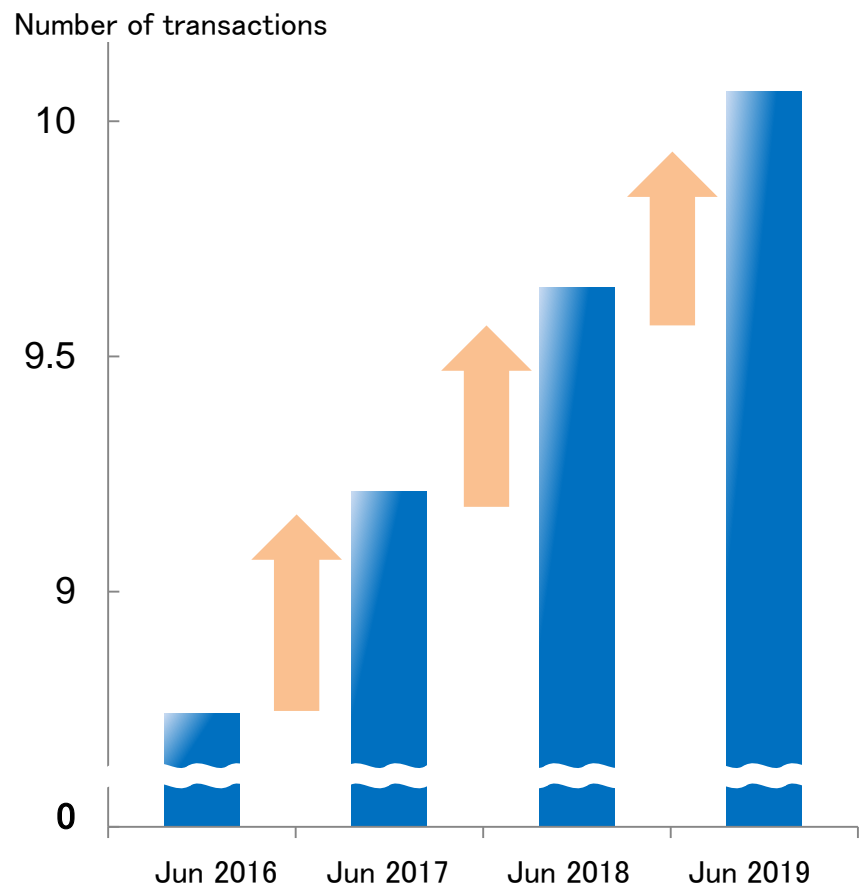
Impact of point-related initiatives

■ AEON Card as the Main Card

Transaction Volume in and out of AEON Group Stores



Average Use Per Month



※Transaction Volume and Average use per month are result of June each year.

Consolidated results by Segments

(Unit: Billions of yen)	Domestic total			Global total			Consol. Total ※2	
	※1	Retail	Solutions	※1	China Area	Mekong Area		Malay Area
Ordinary income	74.7	46.1	46.1	37.4	4.8	19.7	12.8	111.9
YoY	+8%	+7%	+7%	+13%	+2%	+15%	+16%	+10%
Change	+5.4	+2.9	+2.8	+4.4	+0.09	+2.5	+1.7	+9.7
Ordinary profit	5.6	0.8	4.8	8.4	1.7	3.5	3.1	13.5
YoY	+3%	+84%	△12%	△2%	△7%	+10%	△10%	△4%
Change	+0.1	+0.3	△0.6	△0.1	△0.1	+0.3	△0.3	△0.5
Ordinary profit ratio	7.5%	1.8%	10.4%	22.6%	35.9%	18.1%	24.5%	12.1%
YoY	△0.4pt	+0.7pt	△2.3pt	△3.4pt	△3.3pt	△0.8pt	△7.0pt	△1.7pt

※1 Domestic total and global total represent amounts after elimination of transactions between business segments

Profit attributable to owners of parent	7.2
YoY	△3%

※2 Include Holding company, Shared functions and elimination of Consolidated adjustments

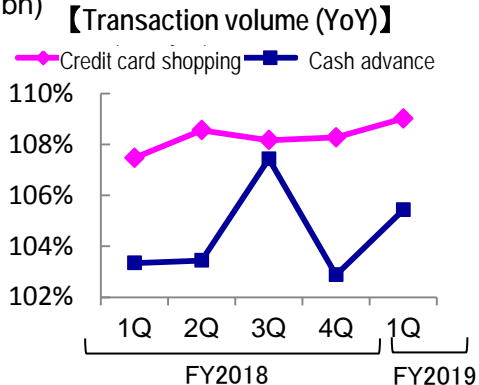
Domestic main factors ※ (): YoY % or amount

【Retail】

- Credit card shopping and cash adv. (+¥1.4bn)
- Sale of securities (+¥0.7bn)

【Solutions】

- Credit card shopping (+¥1.4bn)
- Instalment finance (+¥0.2bn)
- Promotional expenses (+¥0.7bn)
- Payment fee (+¥0.5bn)
- Card issuance fee (+¥0.2bn)



• Impact on Consol. profit by securitization of finance receivables: ¥1.9bn (+33%, +¥0.4bn)

Global main factors ※ (): YoY % or amount

- Topline and profit growth in Mekong Area
- Increase in revenue decrease in profit in China and Malay Area
- Malaysia: Trx vol of installment finance and loans and finance receivables growth. On the other hand, bad debt expense increased due to changes in accounting standards in the same period last year.
- Hong Kong: In view of the economic environment, conservatively implemented allowance for doubtful accounts

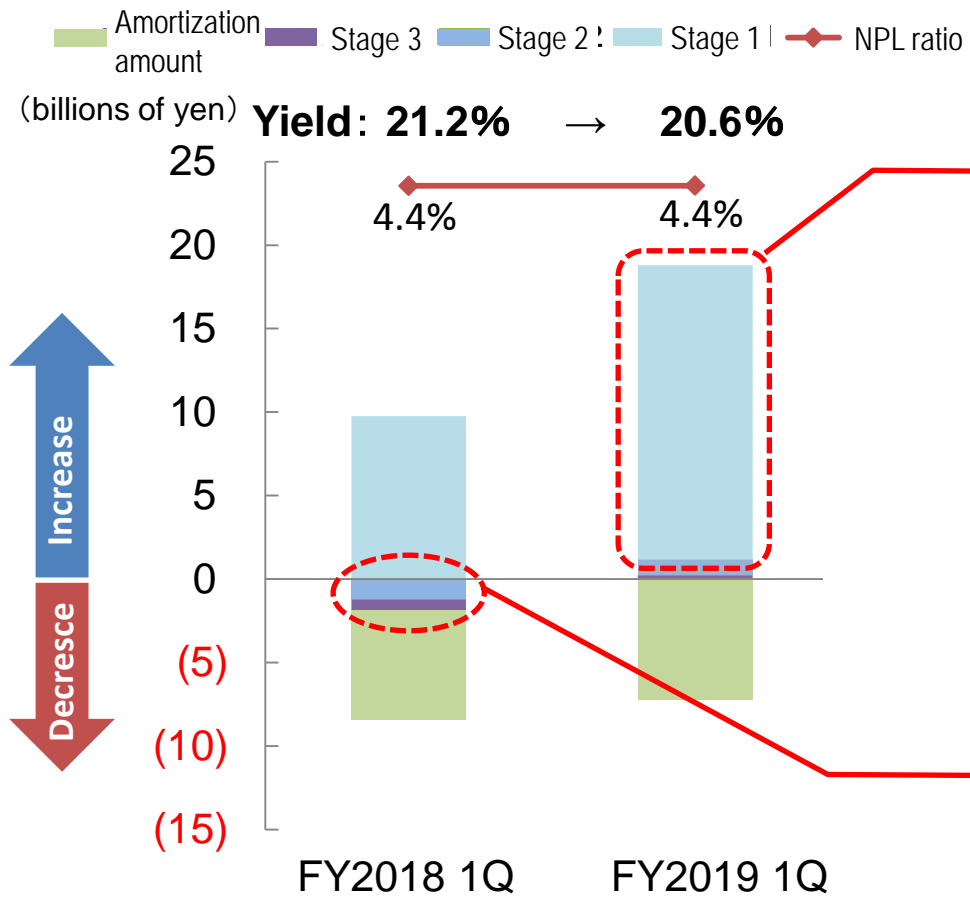
※ Foreign exchange impact: Operating income +¥0.17bn, Operating profit +¥0.05bn

	Domestic	China Area	Mekong Area	Malay Area
Personnel expenses/ Operating income	15.9% (△1.0pt)	13.1% (△0.7pt)	14.4% (△0.0pt)	14.1% (△0.4pt)
Bad debt expenses/ Operating income	8.3% (△0.5pt)	15.6% (+3.0pt)	29.7% (+3.7pt)	23.9% (+5.5pt)

※ Domestic bad debt exp. are figures excl. interest refunded exp., and adopting former standard for personnel exp.

Status of Finance Receivables in Global business

【Break down of finance receivables in 3 listed companies (Hong Kong, Thailand and Malaysia) in 1Q 】



< Topics of the current term >

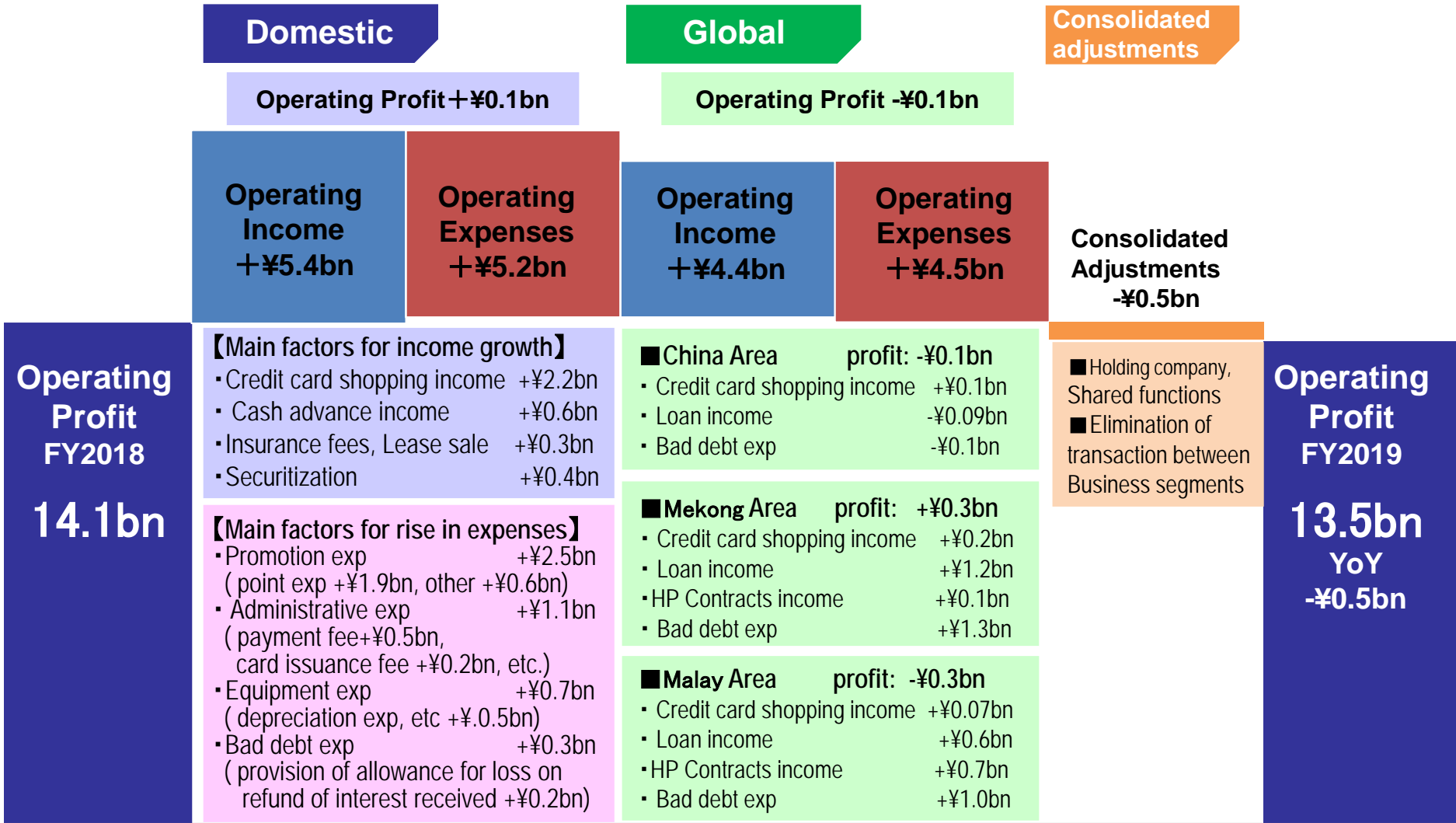
- Pace of increase in outstanding finance receivables accelerated in 1Q
- Increase by 1.8 times YoY
- Increase finance receivables of automobiles and motorcycles extended the duration
- NPL ratio and amortization amount were flat

< Topics of the previous term >

- In Malaysia, the recovery rate improved in FY2018 1Q due to the government's support measures for low-income people
- Decrease finance receivables in FY2018 1Q
- Cancellation of allowance for doubtful accounts for decrease in the outstanding balance of delinquent loans occurred

※The exchange rate is applied at the end of May 2019.

Consolidated segment results by graph



※The figures for each business are the number after the inter-segment elimination excluding holding company and shared functions

Consolidated balance sheet

Consolidated results (Unit: Billions of yen)	Results	Change from start of FY
Cash and deposits	756.9	+112.4
Operating Loans	874.2	+23.7
Loan and bills discounted for banking business	1,678.7	+93.7
Accounts receivable – installment	1,492.4	+39.2
Allowance for doubtful accounts	△105.4	△2.6
Other Assets	807.7	△15.9
Total assets	5,504.6	+250.5
Deposits	3,557.2	+88.0
Interest-bearing debt (excl. deposits)	1,054.9	+198.1
Other liabilities	447.7	△31.6
Total liabilities	5,059.9	+254.5
Total equity	444.6	△4.0
Total liabilities and equity	5,504.6	+250.5

Topics ※():Change from start of FY

• Domestic balance: ¥718.3bn (+¥111.1bn)
※ Including holding company

【Operating Loans and Loan and bills discounted for banking business】

• Balance incl. securitization : ¥3,853.6bn (+¥90.2bn)
in which, Domestic balance : ¥3,524.0bn (+¥88.1bn)
in which, Global balance : ¥334.5bn (+¥2.0bn)
• Securitized amount (Domestic only) : ¥1,300.7bn (-¥27.1bn)

• Balance incl. securitization : ¥1,981.8bn (+¥11.2bn)
in which, Domestic balance : ¥1,697.7bn (+¥10.3bn)
in which, Global balance : ¥277.4bn (+¥1.3bn)
• Securitized amount (Domestic only) : ¥489.4bn (-¥28.0bn)

Securities for banking business : ¥288.8bn (-¥36.1bn)

【Deposit on AEON Bank】

• Ordinary deposits : ¥2,718.5bn (+¥85.1bn)
• Time deposits : ¥794.0bn (-¥21.2bn)
• Foreign currency deposits : ¥45.5bn (+¥13.8bn)

• Domestic balance : ¥594.4bn (+¥184.6bn)
→ Short-term borrowings : ¥261.3bn (+¥144.2bn)
• Global balance : ¥460.5bn (+¥13.5bn)
※ Domestic and global amounts include figures for holding company and shared function companies

*In accordance with the transition to the business company, customer's liabilities for acceptance and guarantees (assets) and acceptance and guarantees (liabilities) are deleted.

Progress and schedule of system/IT investments

Main initiatives

Digital Shift

【To improve quality of products/ services】

Responding to customers' needs

【Innovation of channels】

Integration of HQ functions

【Increase labor productivity】

Domestic
¥20.0bn

Global
¥7.0bn

Efficiency
¥3.0bn

FY2019 Main areas of investments

Mobile app: add membership application & payment function

Development of new products and expansion of fee business

Strengthen security: smart card, building system infrastructure

Cashless Promotion: Improve usability/privileges of point system

Call centers: Use of AI, renewal of screening system

Better marketing promotions & credit screening/ credit management through improvements in analysis

Operational support: Introduction of RPA

Automation-focused system and office renewals

1Q Results
(consolidated)

¥7.3bn

- Improving quality and range of services (Instant card issuance in the mobile app, etc.)
- Credit screening, credit management (Utilization of AI technology, etc.)
- Development and introduction of RPA through utilization of overseas subsidiary specializing in systems

	Personnel expenses/ Operating income
Domestic	15.9% (Δ1.0pt)
Global	14.1% (Δ0.2pt)

※ personnel exp. adopt former standard

Policy of initiatives after 2Q

■ Promotion of further cashless through campaigns

- Tokimeki Point 10x Campaign in the group

イオンdeキャッシュレス!

予告

8/9(金)・16(金) **8日間連続!**

イオンマークのついたカードのクレジット払いご利用で

ときめきポイントが

10倍 — 基本の —

200円(消費)ごとに10ポイント
【イオンJCBカードは10ポイント】

Scheduled to be held multiple times from July to September

- Up to 20% cashback on card usage

新規ご入会者限定

■ 要エントリー ■ イオン銀行口座設定された方

カード利用代金 **最大20%** キャッシュバック

入会期間: 2019年7月1日(月)~9月30日(月)

利用期間		
7/25[木]~31[水]	8/25[日]~31[土]	9/24[火]~30[月]

あなたらしさの、そばに。 **AEON CARD**

1907-H009

- About twice as many new cardholders registered in July as the same month last year
- Acquired mainly credit card linked with AEON Bank account which has higher rate of cashback

Policy of initiatives after 2Q

■ Expand ID acquisition and digital membership customer base by issuing credit cards immediately and issuing new cards in smartphone apps

AEON Card (Toy·Story Design)



©Disney/Pixar

【 Target customer 】
Mass layer of consumption, such as younger generations and family, etc.

※ Benefits: Double the points at aeon group target stores at any time, etc.

Maruetsu Card



【 Target customer 】
Customers residing in the Tokyo metropolitan area

※ Benefits: AEON Card Benefits + 5% discount on every Sunday credit payment



- Card acquisition and immediate issuance is possible
- Deliver coupons and campaign information directly

FY2019 Consolidated forecasts

FY2019 Consolidated Forecasts ※1	FY2019 (from Apr 1. 2019 to Feb 29. 2020)		
	Interim (Cumulative)	Full term (11months)	(Reference ※2) 12 Months Conversion value
Operating income	¥225.0bn	¥430.0bn	¥470.0bn
Ordinary profit	¥25.0bn	¥70.0bn	¥73.0bn
Net income attributable to owners of parent (Net income per share)	¥13.1bn	¥38.0bn (¥176.11)	¥40.0bn (¥185.38)

	Interim		Year End		Full Year		Payout Ratio ※1	
	Plan	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥29	±¥0	¥39	±¥0	¥68	±¥0	38.6%	+3.8%

※1 Forecast and Payout ratio : figures of for the fiscal year ending February 29, 2020 (11 months) after the change in the fiscal year

※2 Figures that adjusted the full-year earnings forecast to 12 months (from April 2019 to March 2020)

(Reference) FY 2019 1Q Results (Hong Kong, Thailand, Malaysia)

		FY2018 1Q		FY2019 1Q	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$'000)	Revenue	325,828	+5%	324,853	-0.3%
	Operating income	307,260	+6%	308,629	+0.4%
	Profit for the period	119,178	+30%	106,792	-10.4%
AEON THANA SINSAP (THAILAND) (BAHT'000)	Total Revenues	5,016,463	+14%	5,493,819	+10%
	Profit before income tax	1,170,938	+55%	1,271,514	+9%
	Net profit for the period	938,013	+51%	1,016,811	+8%
AEON CREDIT SERVICE (M) Berhad (RM\$'000)	Revenue	325,718	+8%	378,588	+16%
	Profit from operations	190,272	+21%	188,056	-1.2%
	Profit for the period	99,235	+31%	84,600	-14.7%

※Source : Data related by each company. Hong Kong and Thailand are consolidated.

(Reference) FY2019 1Q Results (Hong Kong, Thailand, Malaysia)

■ Consolidated Results of AEON Credit Service (Asia) Co., Ltd. (Unit:Billions of yen)

	FY2018 1Q	FY2019 1Q	
	Results	Results	YoY
Operating income	4.4	4.5	+2%
Operating profit	4.2	4.3	+3%
Net income	1.6	1.5	-8%

Exchange rates: HKD 1
 •FY2018 1Q : ¥ 13.76
 •FY2019 1Q : ¥ 14.12

Fiscal period
 •2018: Mar. 1 ~ May. 31
 •2019: Mar. 1 ~ May. 31

■ Consolidated Results of AEON THANA SINSAP (THAILAND) PLC.

	FY2018 1Q	FY2019 1Q	
	Results	Results	YoY
Operating income	17.1	19.1	+12%
Operating profit	4.0	4.4	+11%
Net income	3.2	3.5	+11%

Exchange rates: THB 1
 •FY2018 1Q : ¥ 3.42
 •FY2019 1Q : ¥ 3.49

Fiscal period
 •2018: Mar. 1 ~ May. 31
 •2019: Mar. 1 ~ May. 31

■ Results of AEON Credit Service (M) Berhad

	FY2018 1Q	FY2019 1Q	
	Results	Results	YoY
Operating income	8.9	10.1	+14%
Operating profit	5.2	5.0	-3%
Net income	2.7	2.2	-17%

Exchange rates: MYR 1
 •FY2018 1Q : ¥ 27.53
 •FY2019 1Q : ¥ 26.91

Fiscal period
 •2018: Mar. 1 ~ May. 31
 •2019: Mar. 1 ~ May. 31

(Reference) Allowance for Doubtful Accounts and Allowance for Loss on Refund of Interest Received by Segment

■ Allowance for Doubtful Accounts (by Segment)

	Retail	Solutions	Domestic Total
Allowance for doubtful accounts, balance at beginning of period	¥2.7bn	¥47.9bn	¥50.1bn
Provision of allowance for doubtful accounts	¥0.2bn	¥6.1bn	¥6.3bn
Write-off of doubtful accounts (including transferred debt)	¥0.0bn	¥3.8bn	¥3.8bn
Allowance for doubtful accounts balance at end of period	¥3.0bn	¥50.2bn	¥52.7bn

(Subsidiaries in domestic) Aeon Credit Service : ¥30.1bn, Aeon Bank : ¥3.0bn, Aeon Product Finance : ¥6.7bn, Aeon Housing Loan Service : ¥1.7bn

■ Allowance for Loss on Refund of Interest Received

	FY2018 1Q	FY2019 1Q
Beginning of period	¥3.1bn	¥4.1bn
Provision	¥0.0bn	¥0.2bn
Interest refunded	¥0.6bn	¥0.4bn
End of period	¥2.4bn	¥3.9bn

(Interest claims amount : Cash out + principal payout)

	China Area	Mekong Area	Malay Area	Global Total	Consolidated
Allowance for doubtful accounts, balance at beginning of period	¥3.6bn	¥30.5bn	¥17.6bn	¥51.8bn	¥102.8bn
Provision of allowance for doubtful accounts	¥0.7bn	¥5.8bn	¥3.0bn	¥9.6bn	¥16.0bn
Write-off of doubtful accounts (including transferred credit)	¥0.8bn	¥5.1bn	¥3.5bn	¥9.5bn	¥13.3bn
Allowance for doubtful accounts, balance at end of period	¥3.4bn	¥31.3bn	¥17.1bn	¥52.0bn	¥105.4bn

Statements contained in this report with respect to the Company's management strategies, business policies and results forecasts are forward-looking statements about the future performance of the Company, which are based on the assumptions and beliefs in light of the information currently available. These forward-looking statements involve various uncertain factors including known and unknown risks such as economic trends, industry competition, market demand, exchange rates, tax and other systems that may cause the Company's actual results, performance or achievements to differ materially from the expectations expressed herein.



AEON Financial Service