



Brief Report of Financial Results (Unaudited)

(For the Nine Months Ended December 31, 2018)

February 13, 2019

Registered Company Name: **AEON Financial Service Co., Ltd.**

Stock Listing: Tokyo Stock Exchange, First Section

Code No: 8570

URL: <http://www.aeonfinancial.co.jp/eng/>

President and CEO: Kenji Kawahara

Contact: Hideki Wakabayashi, Director, CFO

1. Business performance (For the Nine Months Ended December 31, 2018 and For the Nine Months Ended December 31, 2017)

(1) Consolidated Operating Results

(Millions of yen truncated to the nearest million, %, yen)

	Ordinary income	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Nine Months Ended December 31, 2018	¥324,737	9.5%	¥52,576	17.5%	¥29,697	14.6%
Nine Months Ended December 31, 2017	296,695	8.1%	44,733	5.8%	25,911	0.1%

※Comprehensive income; The 3rd Quarter of Fiscal 2018; 38,072million(△3.3%), The 3rd Quarter of Fiscal 2017; 39,391million(40.8%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Nine Months Ended December 31, 2018	¥137.64	¥130.52
Nine Months Ended December 31, 2017	120.11	113.89

(2) Financial Position

(Millions of yen truncated to the nearest million, %, yen)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share (Yen)
Nine Months Ended December 31, 2018	¥5,293,218	¥425,952	6.9%	¥1,698.33
Fiscal year Ended March 31, 2019	4,852,844	437,782	7.6%	1,714.92

(Reference)1. Shareholder's equity; The 3rd Quarter of Fiscal 2018; 366,457million, Fiscal 2017; 370,016 million

2. Capital Ratio = {(Net assets – stock acquisition right – Non-controlling interests) / total assets} X 100

3. Capital ratio is not based on the regulation of Capital Adequacy Ratio.

2. Cash Dividends

(Base date)	Dividend per share				
	First quarter Period	Interim period	Third quarter period	Term end	Annual
March 2018 term	—	¥29.00	—	¥39.00	¥68.00
March 2019 term	—	¥29.00	—	—	—
March 2019 term (Estimated)	—	—	—	39.00	68.00

Note: Revision on dividend projection in the 1st Quarter ; No

3. Projections (For the fiscal year ending March 31, 2019)

(Millions of yen truncated to the nearest million, %, yen)

	Ordinary income	YOY (%)	Ordinary profit	YOY (%)	Profit attributable to owners of parent	YOY (%)	Net income per share
Full term	440,000	7.9	72,500	10.3	42,000	8.6	194.66

Note: Revision on the projection of consolidated results in the 3rd Quarter ; No

4.Others

- (1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation) ; No
- (2) Use of simplifications in accounting methods and Specific accounting method is applied to the condensed quarterly consolidated financial statements ; No
- (3)Change in accounting principle, procedure, disclosure, etc., concerning preparation of consolidated financial statements (Matters to be mentioned concerning the change of important items to be the bases for preparation of consolidated financial statements)
- ① Change by a newly issued accounting pronouncement ; Yes
 - ② Change other than ① ; No
 - ③ Change accounting quotation ; No
 - ④ Restatement ; No
- (4) Number of issued stocks and outstandings (Common stock)
- ① Number of issued stocks and outstandings at term end (including treasury stock)
The 3rd quarter of fiscal 2018; 225,510,128shares, Fiscal 2017; 225,510,128 shares
 - ② Number of shares of treasury stock at end of term
The 3rd quarter of fiscal 2018; 9,734,662shares, Fiscal 2017; 9,746,639shares,
 - ③ Average of the number of shares during the quarter(For the Nine Months Ended December 31, 2018)
The 3rd quarter of fiscal 2018; 215,769,463shares, the 3rd quarter of fiscal 2017; 215,721,860shares

※ This Brief Report of Financial Results (Unaudited) is not required for submission for quarterly audit review.

※ Projections above are based on management's assumptions using information available at the time of publication. Owing to various factors, actual results may differ from these projections.

Information about the business profile and financial results of AEON Financial Service Co., Ltd are available on the company home page.

5. Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen truncated the nearest million yen)

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets [abstract]		
Cash and due from banks-assets-BNK	650,470	679,422
Call loans-assets-BNK	—	17,266
Monetary claims bought-assets-BNK	5,095	4,887
Money held in trust-assets-BNK	—	13,015
Securities-assets-BNK	210,861	319,192
Loans and bills discounted-assets-BNK	2,271,666	2,317,062
Foreign exchanges-assets-BNK	—	955
Accounts receivable-installment	1,294,632	1,537,704
Lease receivables and investment assets	8,506	10,422
Other assets-assets-BNK	208,280	233,401
Property, plant and equipment	36,977	38,343
Intangible assets	92,356	97,177
Goodwill	21,896	20,520
Other-IA	70,459	76,657
Deferred tax assets-assets-BNK	23,357	32,665
Customers' liabilities for acceptances and guarantees-assets-BNK	109,461	92,882
Allowance for loan losses-assets-BNK	△58,822	△101,181
Assets	4,852,844	5,293,218
Liabilities [abstract]		
Deposits-liabilities-BNK	3,049,733	3,456,574
Accounts payable-trade	258,444	296,965
Commercial papers-liabilities	60,500	70,000
Borrowed money-liabilities-BNK	539,393	560,979
Bonds payable	135,665	151,269
Convertible bond-type bonds with share acquisition rights	29,948	29,946
Other liabilities-liabilities-BNK	202,531	179,062
Provision for bonuses	3,661	2,626
Net defined benefit liability	3,946	3,765
Provision for point card certificates-NCL	14,466	16,944
Provision for loss on interest repayment-liabilities-BNK	3,124	2,390
Other provision-NCL	316	261
Deferred tax liabilities-liabilities-BNK	3,868	3,596
Acceptances and guarantees-liabilities-BNK	109,461	92,882
Liabilities	4,415,061	4,867,265

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Net assets [abstract]		
Capital stock	45,698	45,698
Capital surplus	120,025	120,241
Retained earnings	227,387	225,687
Treasury shares	△24,986	△24,955
Shareholders' equity	368,124	366,671
Valuation difference on available-for-sale securities	3,556	311
Deferred gains or losses on hedges	△1,876	△1,384
Foreign currency translation adjustment	870	1,422
Remeasurements of defined benefit plans	△658	△563
Valuation and translation adjustments	1,891	△214
Share acquisition rights	104	111
Non-controlling interests	67,661	59,383
Net assets	437,782	425,952
Liabilities and net assets	4,852,844	5,293,218

(2) Consolidated Quarterly Statements of Income

(Millions of yen truncated the nearest million yen)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Ordinary income-BNK	296,695	324,737
Interest income-OI-BNK	115,698	127,704
Interest on loans and discounts-OI-BNK	114,022	125,012
Interest and dividends on securities-OI-BNK	1,278	1,991
Fees and commissions-OI-BNK	158,625	168,740
Other ordinary income-OI-BNK	14,997	20,260
Other income-OI-BNK	7,373	8,031
Ordinary expenses-BNK	251,962	272,160
Interest expenses-OE-BNK	14,430	16,021
Interest on deposits-OE-BNK	2,253	2,915
Fees and commissions payments-OE-BNK	24,413	26,429
Other ordinary expenses-OE-BNK	2,595	2,818
General and administrative expenses-OE-BNK	172,917	185,992
Other expenses-OE-BNK	37,605	40,898
Ordinary profit (loss)	44,733	52,576
Extraordinary income	1,436	10
Gain on disposal of non-current assets-EI	2	10
Gain on transfer from business divestitures-EI	1,433	—
Extraordinary losses	471	289
Loss on disposal of non-current assets-EL	171	226
Losses for business structure reforms -EL	217	—
Loss on liquidation of subsidiaries-EL	—	45
Other-EL	82	16
Profit (loss) before income taxes	45,697	52,298
Income taxes-current	12,318	16,852
Income taxes-deferred	246	△2,912
Income taxes	12,564	13,940
Profit (loss) (after amendment dated 2014-03-28)	33,132	38,357
Profit (loss) attributable to non-controlling interests	7,221	8,660
Profit (loss) attributable to owners of parent	25,911	29,697

(Consolidated statement of comprehensive income)

(Millions of yen truncated the nearest million yen)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit (loss) (after amendment dated 2014-03-28)	33,132	38,357
Other comprehensive income	6,258	△285
Valuation difference on available-for-sale securities, net of tax-OCI	914	△2,694
Deferred gains or losses on hedges, net of tax-OCI	8	951
Foreign currency translation adjustment, net of tax-OCI	5,257	1,363
Remeasurements of defined benefit plans, net of tax-OCI	77	95
Comprehensive income	39,391	38,072
Comprehensive income attributable to [abstract]		
Comprehensive income attributable to owners of parent	29,995	27,591
Comprehensive income attributable to non-controlling interests	9,395	10,481

Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption) Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity) Not applicable

(Changes in key subsidiary) Not applicable

(Changes in Accounting Policy)

From the first quarter of the fiscal year ending March 31, 2019, foreign consolidated subsidiaries and some other Aeon Group companies have adopted the following accounting standards.

For the adoption of these standards, the Company applied transitional measures which recognizes the cumulative effects of adoption of these standards as of the date of adoption, as it is permitted for a first-time adopter.

1. IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for classification, measurement and hedge accounting of financial instruments. Due to the adoption of IFRS 9 by foreign consolidated subsidiaries and some other group companies, the measurement method has been changed loans and bills discounted as well as allowance for doubtful accounts for account receivable. As a result, as of the beginning of the first quarter of the fiscal year ending March 31, 2019, allowance for doubtful accounts and deferred tax assets increased by 35,017 million yen and 6,776 million yen, respectively, while non-controlling interests and retained earnings decreased 11,536 million yen and 16,704 million yen respectively.

For reference, this change has little impact on profit/loss and per share information for the first nine months of the fiscal year ending March 31, 2019.

2. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 introduces an entity's single and comprehensive model for accounting of revenue from contracts with customers.

For reference, this change has little impact on profit/loss and per share information for the first nine months of the fiscal year ending March 31, 2019.

(4) Segment Information

(Millions of yen)

	For the nine months ended December 31, 2017							Consolidated financial statements appropriation (※3)
	Domestic		Global			Total	Adjustments (※2)	
	Retail	Solution	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external customer	129,716	75,822	14,489	46,166	29,675	295,871	824	296,695
The internal operating income between segments	1,724	50,490	0	31	—	52,246	52,246	—
Total	131,440	126,312	14,489	46,198	29,675	348,117	51,422	296,695
Segment Profit/ Loss	6,657	20,452	4,567	8,482	7,033	47,193	2,460	44,733

(Remarks) Content of each Segment

※1 The amounts of generally indicated as net sales are herein stated as operating revenue.

※2 Adjustments details are as follows.

- (1)The adjustment of 824 million yen to Operating revenue from external customer represents corporate income that are not allocated to each reportable segment.
- (2)The adjustment of △2,460 million yen to Segment Profit mainly represents corporate income that are not allocated to each reportable segment and intersegment elimination.
- (3)The adjustment of △1,518,869 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

※3 Segment income is adjusted to ordinary income of consolidated statement on nine months ended December 31, 2017.

(Millions of yen)

	For the nine months ended December 31, 2018							Consolidated financial statements appropriation (※3)
	Domestic		Global			Total	Adjustments (※2)	
	Retail	Solution	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external customer	139,819	82,143	14,544	53,673	34,393	324,572	164	324,737
The internal operating income between segments	2,439	51,824	5	17	—	54,287	54,287	—
Total	142,258	133,968	14,549	53,691	34,393	378,860	54,122	324,737
Segment Profit/ Loss	9,674	19,693	5,397	10,644	9,359	54,769	2,192	52,576

(Remarks) Content of each Segment

※1 The amounts of generally indicated as net sales are herein stated as operating revenue.

※2 Adjustments details are as follows.

- (1)The adjustment of 164 million yen to Operating revenue from external customer represents corporate income that are not allocated to each reportable segment.
- (2)The adjustment of △2,192 million yen to Segment Profit mainly represents corporate income that are not allocated to each reportable segment and intersegment elimination.
- (3)The adjustment of △1,631,951 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

※3 Segment income is adjusted to ordinary income of consolidated statement on nine months ended December 31, 2018.