



# Brief Report of Financial Results (Unaudited)

(For the Three Months Ended June 30, 2019)

August 9, 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 Three Months ended June 30, 2019 and For the Three Months ended June 30, 2018)

### (1) Consolidated Operating Results

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

	Operating income	Percentage Change	Operating profit	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Three Months ended June 30, 2019	111,947	9.5	13,589	Δ3.6	13,834	Δ2.7	7,203	Δ2.7
Three Months ended June 30, 2018	102,195	8.8	14,103	19.2	14,214	18.8	7,406	5.7

(Note)Comprehensive income; The 1st Quarter of Fiscal 2019;6,138 million (Δ 44.4%) , The 1st Quarter of Fiscal 2018;11,046 million (25.9%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months ended June 30, 2019	33.38	31.66
Three Months ended June 30, 2018	34.33	32.55

### (2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Three Months ended June 30, 2019	5,504,627	444,669	6.9	1,747.86
Fiscal year ended March 31, 2019	5,254,079	448,705	7.2	1,764.05

(Reference)Shareholder's equity; The 1st Quarter of Fiscal 2019 ; 377,165 million, Fiscal 2018 ; 380,644 million

## 2. Cash Dividends

(yen)

(Base date)	Dividend per share				
	First quarter period	Interim period	Third quarter period	Term end	Annual
March 2019 term	—	29.00	—	39.00	68.00
February 2020 term	—				
February 2020 term (Estimated)		(29.00)	—	(39.00)	(68.00)

(Note) No revision on dividend projection in the 1st Quarter expected

## 3. Projections (For the fiscal year ending February 29, 2020)

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

	Operating income	YOY	Operating profit	YOY	Ordinary profit	YOY	Profit attributable to owners of parent	YOY	Net income per share
Interim	225,000	—	25,000	—	25,000	—	13,100	—	60.71
Full term	430,000	—	70,000	—	70,000	—	38,000	—	176.11

(Note)No revision on the projection of consolidated results in the 1st Quarter expected

※The fiscal year ended march from fiscal 2019, following the approval of "Partial Changes in the Articles of Incorporation" at the Ordinary General Meeting of Shareholders held on June 25, 2019. It is changed the accounting period from the fiscal year ending March to the end of February.

The fiscal year ending February 2020, which is the period of change in the fiscal year, is from April 1, 2019 to February 29, 2020. 11 months to the end of the fiscal year. In addition, in accordance with the reorganization, we have changed the way we describe our earnings forecasts.

### ※Notes

(1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation): No

(2) Application of accounting treatment specific to the preparation of 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 as bases for preparation of consolidated financial statements)

①Change due to a newly issued accounting requirement: Yes

②Change other than ①: No

③Change accounting quotation: No

④Restatement: No

※ For details, see (Consolidated statement of comprehensive income) section.

(4) Number of issued stock and outstanding stock (Common stock)

① Number of issued stock and outstanding stock at term end (including treasury stock)

The 1st quarter of Fiscal 2019: 225,510,128 shares, Fiscal 2018: 225,510,128 shares

② Number of shares of treasury stock at end of term

The 1st quarter of Fiscal 2019: 9,722,912 shares, Fiscal 2018: 9,732,022 shares,

③ Average number of shares during the quarter (For the Three Months ended June 30, 2019)

The 1st quarter of Fiscal 2019: 215,784,142 shares; The 1st quarter of Fiscal 2018: 215,765,203 shares

※ 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.

## 4. Review of Operating Results and Financial Statements

### (1) Analysis of Operating Results

In the first quarter of the consolidated cumulative period, Aeon Financial Service Co., Ltd. (hereinafter AFS) focused on expanding its business base by working on measures to acquire new members in line with the government's promotion of cashless payments, ahead of the consumption tax hike scheduled for October in Japan. In addition, overseas, we have been working to expand our customer base and to improve the efficiency of screening, etc. by using digital, and to expand the balance of our operating receivables.

As a result, consolidated operating revenue were ¥111.947 billion (109.5% year-on-year). In Japan, sales promotion costs for strengthening membership acquisition have increased. Overseas, during the same period last year when IFRS No. 9 "Financial Instruments" was applied, especially in Malaysia, government support measures for low-income people reduced the outstanding balance of delinquent loans and suppressed bad debt expenses. However, as a result of the accumulation of outstanding operating receivables mainly for normal receivables, bad debt expenses such as the posting of allowances for the future have increased. As a result, operating profit was ¥13,589 million (96.4% year-on-year), ordinary profit was ¥13,834 million (97.3% year-on-year) and profit attributable to owners of parent was ¥7,203 million (97.3% year-on-year). For the second quarter to the cumulative period, consolidated earnings forecasts were as planned.

As a result of the reorganization on April 1, AFS transferred the functions of the bank holding company to its subsidiary, AFS Corporation, and shifted from a bank holding company to an operating company. As a result, AFS and its group companies (excluding AEON Bank and some Group companies) will further strengthen financial and retail collaboration, actively promote cooperation with external partners, and will report on new business development.

#### 【Business Segment Information】

##### Domestic Retail Business

In the domestic retail business, AEON Bank, Ltd. continuously strengthens its proposals for asset formation services such as mortgages, mutual funds, and foreign currency deposits, and

by utilizing the points program, which allows customers to receive preferential treatment such as savings interest rates and transfer fees depending on the transaction details, we have been able to acquire a composite transaction.

Aeon Bank continuously promoted the recruitment of "AEON CARD SELECT", which is a united credit card, electronic money WAON, and cash card, and "AEON Bank CASH + DEBIT" equipped with a debit payment function in the cash card. Through such measures, bank accounts and deposit balances have increased. As a result, the number of accounts increased by 6.69 million accounts (up 130,000 from the beginning of the fiscal year), and the total balance of accounts deposited at AEON Bank, Ltd. was 3,560.896 billion yen (up ¥77,459 million from the beginning of the fiscal year).

In addition, Aeon Bank continued to promote competitive special interest rate plans to acquire mortgage loans and promotion of benefits for Aeon Select Clubs, where customers receive daily discounts of 5% on purchases at the AEON stores. As a result, Aeon Bank's outstanding loans amounted to 2,150.938 billion yen (up ¥40,041 million from the beginning of the fiscal year).

With regard to asset formation services, we continued to promote the handling of foreign currency deposits, *Tsumitate* NISA (Accumulation Nippon Individual Savings Account), and AEON Bank i.DeCo (individual-type

defined contribution pension plan), and increased balance of such deposits.

AEON Insurance Service Co., Ltd. changed the name of the store to "Aeon no Hoken Sodan", and promoted the creation of stores that are more friendly and easy to consult by utilizing our consulting skills.

As a result, operating revenues in the domestic retail business was ¥46.176 billion (106.8% year-on-year) and operating profit was ¥818 million (184.4% year on year).

#### Domestic Solutions Business

In the domestic solutions business, we held the "U-25 New Life Campaign" with the idol group Keyakizaka 46 for the period from February 25 to April 30 as a campaign to support new life in order to promote cashless. In addition to twice the point award for using Aeon Cards within the Aeon Group outlets, which we have been implementing continuously in the aeon group, we have focused on acquiring new members and promoting the use of Aeon Cards, including implementing 10-fold points during the Golden Week. In Addition, in May, Aeon Card's official app "Aeon Wallet" started to provide an immediate issuance service of Aeon Card, and in an effort to improve the convenience of customers, 28.49 million domestic active card members (up 90,000 from the beginning of the fiscal year), card shopping volume was ¥1,381.639 billion (109.0% year-on-year).

In the individual product installment business, we continued to implement sales promotion measures to expand renovation loans and auto loans, resulting in the transaction of ¥59,982 million (102.1% year-on-year) in the individual product installment.

As a result, operating revenues in the domestic solutions business amounted to ¥46,118 billion (106.5% year-on-year) and operating profit of ¥4,812 million (87.5% year-on-year).

#### China

In Hong Kong, we issued higher-class AEON Premium Card for middle and high-income people in Hong Kong. We also made efforts to expand the number of new card members and the volume of transactions by implementing promotional measures in cooperation with Aeon group retail stores, as well as joint promotional measures with international brands, including an invitation prize for the Rugby World Cup 2019.

As a result, operating revenue was ¥4,861 million (101.9% year-on-year) and operating profit of ¥1,746 million (93.4% year-on-year) for consolidated earnings in China.

#### Mekong Area

In Thailand, we have made efforts to further improve the convenience of our customers, such as the start of year-to-year card use benefits in restaurants such as cafes that are popular among young people. In addition, we have introduced kiosk-type stores that can be opened with a small investment, to improve investment cost-effectiveness and optimize our sales network, and to steadily increase the number of new card members and the volume of transactions.

In addition, we promoted member loans for low and middle income earners, and put efforts on the installment of motorcycles and automobiles, and increased the volume of transactions.

As a result, operating revenue was ¥19,742 billion (114.7% year-on-year) and operating profit of ¥3,582 million (109.9% year-on-year) for consolidated earnings in the Mekong Area.

## Malay Area

In Malaysia, we continued to promote the AEON Members Plus Card, which features both electronic money and point cards, in cooperation with the smartphone app Aeon Wallet. In addition, we have promoted the unification of points with local Aeon retailers aiming at integrating those customer data. In addition to credit card volumes, personal loans also grew steadily.

In Indonesia, we have introduced an immediate screening app at the acceptance of individual product installments since May. By improving convenience for the customers, users and transaction volume have increased.

As a result, operating revenue was ¥12,812 million (116.2% year-on-year) and operating profit of ¥3,144 million (90.4% year-on-year) for consolidated earnings in Malay Area.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	644,502	756,932
Call loans	30,496	44,479
Accounts receivable - installment	1,453,160	1,492,440
Lease receivables and investments in leases	11,425	11,622
Operating loans	850,508	874,262
Loans and bills discounted for banking business	1,584,990	1,678,707
Securities for banking business	324,946	288,845
Monetary claims bought	13,316	12,714
Money held in trust	22,406	33,951
Other	148,506	135,379
Allowance for doubtful accounts	△102,831	△105,483
Total current assets	4,981,426	5,223,853
Non-current assets		
Tangible fixed assets	39,204	45,231
Intangible assets		
Goodwill	20,061	19,602
Other	80,116	82,003
Total intangible assets	100,177	101,605
Investments and other assets	133,042	133,581
Total non-current assets	272,425	280,418
Deferred assets	228	355
Total assets	5,254,079	5,504,627
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	285,653	265,435
Deposits for banking business	3,469,134	3,557,208
Short-term borrowings	161,744	317,056
Current portion of long-term borrowings	51,142	65,714
Current portion of bonds	50,522	74,123
Current portion of bonds with share acquisition rights	29,946	29,946
Commercial papers	102,079	125,849
Provision for bonuses	4,015	3,749
Provision for point card certificates	17,543	18,475
Other provisions	208	61
Other	153,634	148,774
Total current liabilities	4,325,626	4,606,395
Non-current liabilities		
Bonds payable	92,621	82,408
Long-term borrowings	331,935	316,105
Retirement benefit liability	4,120	4,098
Provision for loss on interest repayment	4,176	3,907
Other provisions	223	241
Deferred tax liabilities	3,935	3,784
Other	42,736	43,016
Total non-current liabilities	479,748	453,561
Total liabilities	4,805,374	5,059,957

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	120,213	120,214
Retained earnings	235,413	234,188
Treasury shares	△24,948	△24,925
Total shareholders' equity	376,376	375,175
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,150	5,303
Deferred gains or losses on hedges	△1,675	△2,061
Foreign currency translation adjustment	1,472	△645
Remeasurements of defined benefit plans	△679	△607
Total accumulated other comprehensive income	4,267	1,989
Share acquisition rights	103	83
Non-controlling interests	67,957	67,421
Total net assets	448,705	444,669
Total liabilities and net assets	5,254,079	5,504,627

**(2) Consolidated Statements of Income and Consolidated statement of comprehensive income  
(Consolidated Statements of Income)**

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<b>Operating revenue</b>		
Revenue from credit card business	29,873	32,121
Revenue from installment sales finance business	9,696	10,734
Financing revenue	35,778	38,750
Gain on bad debts recovered	1,564	1,939
Financial revenue	7,847	8,918
Fees and commissions	13,424	14,849
Other	4,010	4,634
<b>Total operating revenue</b>	<b>102,195</b>	<b>111,947</b>
<b>Operating expenses</b>		
Financial expenses	5,561	5,961
Fees and commissions payments	2,571	2,656
Selling, general and administrative expenses	79,298	88,821
Other	660	919
<b>Total operating expenses</b>	<b>88,092</b>	<b>98,358</b>
<b>Operating profit</b>	<b>14,103</b>	<b>13,589</b>
<b>Non-operating income</b>		
Dividend income	103	106
Foreign exchange gains	21	130
Other	26	26
<b>Total non-operating income</b>	<b>151</b>	<b>262</b>
<b>Non-operating expenses</b>		
Miscellaneous loss	40	17
<b>Total non-operating expenses</b>	<b>40</b>	<b>17</b>
<b>Ordinary profit</b>	<b>14,214</b>	<b>13,834</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	0	2
<b>Total extraordinary income</b>	<b>0</b>	<b>2</b>
<b>Extraordinary losses</b>		
Loss on disposal of non-current assets	96	135
Loss on liquidation of subsidiaries	157	—
Other	4	5
<b>Total extraordinary losses</b>	<b>258</b>	<b>140</b>
<b>Profit before income taxes</b>	<b>13,956</b>	<b>13,696</b>
Income taxes - current	4,617	4,445
Income taxes - deferred	△941	△881
<b>Total income taxes</b>	<b>3,676</b>	<b>3,563</b>
<b>Profit</b>	<b>10,280</b>	<b>10,132</b>
Profit attributable to non-controlling interests	2,873	2,929
<b>Profit attributable to owners of parent</b>	<b>7,406</b>	<b>7,203</b>



## (Consolidated statement of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	10,280	10,132
Other comprehensive income		
Valuation difference on available-for-sale securities	1,040	157
Deferred gains or losses on hedges	337	△643
Foreign currency translation adjustment	△654	△3,580
Remeasurements of defined benefit plans, net of tax	41	72
Total other comprehensive income	765	△3,994
Comprehensive income	11,046	6,138
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,724	4,925
Comprehensive income attributable to non-controlling interests	3,321	1,213

**(3) Notes on Quarterly Consolidated Financial Statements  
(Notes on the Going-concern Assumption)**

N/A

**(Notes when there is a significant change in the amount of shareholders' equity)**

N/A

**(Changes in important subsidiaries during the consolidated period for the current quarter)**

N/A

**(Change in accounting policy)**

IFRS No. 16 "Lease"

IFRS No. 16 "Lease" has been applied since the beginning of the first quarter consolidated accounting period at overseas consolidated subsidiaries, etc.

In accordance with the applicable accounting standards, at the beginning of the first quarter consolidated accounting period, ROU assets (property, plant and equipment) and lease obligations (included in "other" under current liabilities and non-current liabilities) increased 6,346 million yen and 6,346 million yen respectively.

The effect of the application of such accounting standards on profit and loss in the consolidated cumulative period for the first quarter is negligible.

## (Segment Information)

For 1st quarter of FY2018

1. Operating income and profit/loss is reported based on business segments as follows:

(Millions of yen)

	For the three month ended June 30, 2018							Consolidated financial statements appropriation
	Domestic		Global			Total	Adjustments	
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	42,534	26,735	4,767	17,201	11,030	102,269	△73	102,195
Internal operating income between segments	690	16,557	1	4	—	17,254	△17,254	—
Total	43,224	43,292	4,769	17,206	11,030	119,524	△17,328	102,195
Segment Profit	443	5,499	1,869	3,260	3,477	14,550	△446	14,103

(Notes) 1. Operating income is stated in here in replacement of sales turnover of general corporations.

2. The amounts shown in the 'adjustments' portion are as follows:

△73 million yen shown in the 'Operating revenue from external parties' section includes Operating income of holding companies which do not fall under the category of any business segments.

Adjustment amount of △446 million yen shown in 'Segment profit' represents the net amount after elimination of operating profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

3. Segmental profit has been adjusted with the operating profit in the quarterly consolidated income statement.

2. Notes on loss on disposal of non-current assets and goodwill on each segments : No

For 1st quarter of FY2019

1. Operating income and profit/loss is reported based on business segments as follows:

(Millions of yen)

	For the three month ended June 30, 2019							Consolidated financial statements appropriation
	Domestic		Global			Total	Adjustments	
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	45,363	29,341	4,859	19,737	12,812	112,115	△167	111,947
Internal operating income between segments	812	16,777	1	4	—	17,596	△17,596	—
Total	46,176	46,118	4,861	19,742	12,812	129,712	△17,764	111,947
Segment Profit	818	4,812	1,746	3,582	3,144	14,103	△514	13,589

(Notes)1. Operating income is stated in here in replacement of sales turnover of general corporations

2. The amounts shown in the 'adjustments' portion are as follows:

△167 million yen shown in the 'Operating revenue from external parties' section includes Operating income of holding companies which do not fall under the category of any business segments.

Adjustment amount of △514 million yen shown in 'Segment profit' represents the net amount after elimination of Operating profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

3. Segmental profit has been adjusted with the operating profit in the quarterly consolidated income statement.

2. Notes on loss on disposal of non-current assets and goodwill on each segments : No

3. Matters concerning changes to reporting segments, etc.

From the first quarter consolidated accounting period, the classification of assets and liabilities and the classification of revenues and expenses, we have created a table under rules on terms, forms, and method of creation of financial statements Quarterly Consolidated Financial Statements in accordance with Cabinet Office Ordinance No. 64, Heisei 19. As a result, the profit of the reported segment is changed based on the conventional ordinary income figures to the operating income. Segment information for the previous consolidated cumulative period was also we disclose it by the calculation method.