



Strengthening Management

- ▶ Roundtable Discussion with Representative Directors and Outside Directors32
- ▶ Corporate Governance36
- ▶ Our Management Team.....40
- ▶ Corporate Social Responsibility42
 - Initiatives to Increase Customer Satisfaction44
 - Environmental Conservation45
 - Social Contribution46

▶ Roundtable Discussion with Representative Directors and Outside Directors

Formulation of the Corporate Governance Guidelines

In April 2018, the Company established the Corporate Governance Guidelines, which set out a basic approach and specific framework and initiatives for corporate governance to ensure the most effective corporate governance for the Company and its consolidated subsidiaries.

Two representative directors and three outside directors of the Company discuss the current status of the Company's corporate governance and the meaning of these guidelines leading in to their establishment.



Masaki Suzuki

Chairman

Kenji Kawahara

President and CEO

Yoshimi Nakajima

Director (Outside)

Junya Hakoda

Director (Outside)

Motonari Otsuru

Director (Outside)

The Importance of Benchmarking in Corporate Governance

Please share your thoughts on the importance of benchmarking in corporate governance and how the Corporate Governance Guidelines should reflect this.

Nakajima A set of corporate governance guidelines should function as a commitment to stakeholders. They define the basic framework for a company to maintain a medium-to-long-term perspective and ensure its businesses are sustainable, while also being a promise to execute and disclose to customers, shareholders and employees various activities aligned with the company's management philosophy.

It is now commonplace for companies to enhance corporate governance disclosure as a fulfillment of their social responsibilities. However, corporate governance must be made an integral part of day-to-day operations to be acceptable to customers and employees, and persuasive for shareholders. Clarifying the status of corporate governance, outcomes, and future directions and aspirations is absolutely essential.

As we formulated and announced the Corporate Governance Guidelines, I kept the Company's service areas firmly in mind. The full understanding of stakeholders in each region is exceptionally important given the Company's operating environment as it proactively builds its business in Asia and the increasingly borderless nature of financial services. The Corporate Governance Guidelines take a

broad perspective and are a commitment to future actions and aspirations that earn the empathy and regard of stakeholders in the regions the Company serves.

Status of and Aspirations for Corporate Governance

Please discuss the current status of and future aspirations for the Company's corporate governance.

Kawahara By consistently strengthening the Company's corporate governance structure as a financial holding company since the transition to a holding company in April 2013, we have created a stable framework for corporate governance.

Furthermore, in 2017, we established the CSR Committee to formalize and manage at the top level our previously adopted conceptual approach to CSR. We also developed activities to enhance understanding of the Company by disclosing more information about our corporate governance framework and specific initiatives through annual reports and other forms of disclosure, culminating in the publication of our first integrated report last year.

Leading companies in Japan, including our competitors, are broadening and proactively disclosing their ESG programs. We needed to respond by swiftly enhancing the quality of our corporate governance in order to be a truly sustainable company.

We must improve the quality of corporate governance in order to grow our business sustainably and resolve social issues through our corporate activities. And as Ms. Nakajima pointed out, we must be totally committed to corporate governance, while comprehensively communicating our approach, so as to become a company that the world recognizes as being indispensable to society.

The Positioning and Significance of the Corporate Governance Guidelines

As mentioned earlier, corporate governance guidelines have to reflect day-to-day operations and build global



Yoshimi Nakajima
Director (Outside)

understanding. What are the focal points and emphases of the Company's Corporate Governance Guidelines?

Hakoda Backed by a customer base of over 40 million cardholders, the Company is currently expanding its businesses outward from Japan throughout Asia. Two of the Company's Basic Policies are "to put customers first" and "provide financial services that are closely attuned to customers' lives," and I have every reason to believe this view will successfully guide the Company as it launches new financial products and services to consistently generate sustainable growth. At the same time, rapid financial innovation worldwide has created a competitive operating environment in which companies that innovate prevail and companies that do not are left behind.

In this business environment, the Company must ensure stable management in order to be aggressive. Corporate governance is the key to such management. The new Corporate Governance Guidelines set out the basic structure to make the Company's corporate governance the most effective it can be. The Company needs to embrace these guidelines in further reforming the Group's corporate governance.



Kenji Kawahara
President and CEO

Key Points of the Corporate Governance Guidelines

Following on from our discussion about the creation of the Corporate Governance Guidelines, what are the key points of the 23 articles?

Otsuru As Mr. Hakoda mentioned, the guidelines form the basic structure for making the Company's corporate governance the most effective it can be. They encompass the AEON Basic Principles, as well as the Company's Management Philosophy and Basic Policies, largely codifying practices that have been well publicized within and outside the Company.

Employees in particular may therefore feel they are already familiar with the guidelines. However, I would like members of administrative and sales staff to consider the guidelines then look inside themselves and ask if they are putting customers first, earning the trust of society and meeting its expectations, and making their workplace dynamic.

On the other hand, Paragraph 3a of Article 2¹ and Paragraph 4 of Article 4² are fresh points that deserve attention.

Amid a rapidly changing business environment, people in relevant departments from frontline employees to members of the Board of Directors make decisions every day to expand the business. They need to gather the necessary information and make these decisions by carefully considering the advantages and disadvantages of measures, and the risks should the measures not go as planned. During this process I encourage people to freely and energetically share their opinions and ideas without worrying that they will be perceived as either pessimistic or far-fetched. The expectation illuminating these two articles is that open discussion will make each workplace dynamic, and the Company needs to put that expectation into practice.

Additionally, Article 20³ covers sustainability.

The term "sustainability" often seems to refer to economic activities that have ongoing viability for growth and do not exert a negative impact on the environment. In Article 20, however, "sustainability" does not refer to the Company's perception of its own future viability, but to whether local communities truly need the Company's businesses, both in Japan and overseas. This article expresses the Company's determination to be a financial services provider that stakeholders trust and appreciate.

By conducting business in accordance with the AEON Basic Principle of contributing to local communities and



Motonari Otsuru
Director (Outside)

the Company's Management Philosophy of supporting customers' lifestyles and enabling each individual to maximize future opportunities through effective use of credit, the Company is committed to becoming an indispensable member of society. I hope all officers and employees take this to heart as they confront difficulties in the course of their work in Japan and around the world.

**Corporate Governance Guidelines
That Serve Today and Tomorrow**

How should employees of AEON Financial Service embrace the Corporate Governance Guidelines?

Suzuki The Corporate Governance Guidelines set out the basic mechanism for making the Company's corporate governance the most effective it can be.

I would like officers and employees to use this mechanism in day-to-day management and operations, but it must not become a simplistic manual.

The Corporate Governance Guidelines are not just a list of Company rules. They also express a mindset that the Company and its employees should hold dear.



Masaki Suzuki
Chairman



Junya Hakoda
Director (Outside)

The Company operates in 12 Asian countries/regions, has about 18,000 employees, and we face intense competition in every region, every day. We therefore need to remember and practice the Basic Policies, as repeated at the beginning of the Corporate Governance Guidelines. We should put customers first, provide financial services that are closely attuned to customers' lives, earn the trust of society and meet its expectations, and maintain a corporate culture that encourages our people to excel. To do so, we will need to identify changes in our operating environment and boldly take on challenges to adapt and face up to issues.

We are counting on the full commitment of all employees.

1. "At all levels of decision-making, from the Board of Directors to individual departments, we shall gather sufficient information on advantages, disadvantages and risks to conduct multilateral assessments through free and vigorous discussions, employing an appropriate process in order to make optimal decisions that comply with laws, regulations and other social norms."
2. "We shall gather sufficient information necessary for deliberation, and conduct multilateral assessments through free and vigorous discussions that include outside directors, employing an appropriate process in order to make optimal decisions that comply with laws, regulations and other social norms."
3. "The Group recognizes that the sustainable development of society is essential to its businesses, and shall therefore conserve the environment and contribute to society. Furthermore, whether in Japan or overseas, we shall earn society's trust and meet its expectations by providing financial services that support customers' lifestyles, thereby positioning our Group businesses as indispensable parts of social infrastructure."

Our Basic Approach to Corporate Governance

AEON Financial Service Co., Ltd. (“the Company”) is a member of the AEON Group. The AEON Basic Principles, “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core,” guide us. The Company’s Basic Policies are “to put customers first, provide financial services that are closely attuned to customers’ lives, earn the trust of society and meet its expectations, and maintain a corporate culture that encourages our people to excel.”

The Company consistently develops, strengthens and enhances corporate governance to ensure transparent, fair, prompt and decisive decision-making with due consideration of the perspectives of all stakeholders in order to achieve sustainable growth and increased corporate value over the medium term.

Corporate Governance Structure

As a bank holding company, the Company aims to further strengthen management control and corporate governance. To this end, it has established the Management Policy Committee and Internal Control Committee in addition to the Board of Directors. Furthermore, to ensure sound management, the Company is a company with a Board of Corporate Auditors. The Board of Corporate Auditors comprises four corporate auditors, three of whom are outside corporate auditors (two of whom qualify as independent officers). Moreover, the full-time corporate auditor cooperates with the Company’s audit department and other parties to audit the execution of duties by directors on a day-to-day basis.

The Board of Directors comprises 10 full-time directors and three outside directors who have extensive experience in fields such as legal affairs, accounting, and overseas management to reflect the realities of the Company’s business and to add diversity that enhances decision-making and management oversight functions. Four corporate auditors, three of whom are outside corporate auditors, attend meetings of the Board of Directors. From the perspective of the effectiveness and efficiency of operations, the Board of Directors resolves important matters concerning the management of the Company and the Group pursuant to deliberation by the Management Policy Committee and the Internal Control Committee.

The Management Policy Committee is an advisory body that discusses management decision-making executed on the President’s authority. It consists of the President and CEO and full-time directors, and deliberates on business execution policies and individual action items at the Company and its subsidiaries.

With the aim of realizing sustainable growth and increased corporate value for the Group over the medium and long term, the Internal Control Committee comprehensively and expertly discusses and makes decisions on matters regarding the development of the internal control system within the scope entrusted by the Board of Directors and then provides reports and opinions to the Board of Directors.

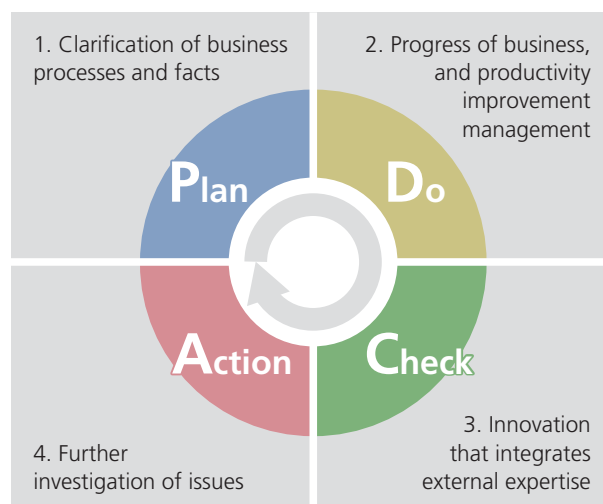
Initiatives to Increase the Effectiveness of the Board of Directors

Participants of Board of Directors meetings are surveyed concerning issues such as management by the Board of Directors, composition of the Board of Directors, and communication with stakeholders. The results are analyzed and evaluated, and a PDCA cycle is applied to address the various issues identified.

This initiative has supported corporate governance reforms that include enhancing the operation of the Board of Directors in ways such as thoroughly explaining agenda items to participants prior to meetings and formulating a policy on succession planning for the CEO and other key posts.

We will continue to enhance the functional effectiveness of the Board of Directors.

● Governance Initiatives to Increase the Effectiveness of the Board of Directors



● Status of Outside Directors

Name	Independent Director	Supplementary Information: Concurrent Positions	Reasons for Appointment
Motonari Otsuru	●	Outside Director of Aurora Servicing Ltd.; Outside Director of Morningstar Japan K.K.; Outside Corporate Auditor of SBI Insurance Group Co., Ltd.	Mr. Otsuru has extensive experience and insight as a lawyer, and has served in roles including Trial Director of the Supreme Public Prosecutors Office. He has been selected as Outside Director so that the Company can continue to receive his advice on strengthening internal control centering on compliance. Mr. Otsuru does not have any special interests in the Company, and we believe he is fully capable of independently fulfilling supervisory roles and functions.
Junya Hakoda	●	Corporate Auditor of Schroder Investment Management (Japan) Limited; Outside Director of Yamaha Corporation	Mr. Hakoda has practical experience as an expert certified public accountant and extensive insight into internal control. He has been selected as Outside Director so that the Company can receive his advice on strengthening internal control, which is a priority. Mr. Hakoda does not have any special interests in the Company, and we believe he is fully capable of independently fulfilling supervisory roles and functions.
Yoshimi Nakajima	●	Outside Director of Yamaha Corporation; Outside Director of Japan Freight Railway Company	Ms. Nakajima has been selected as Outside Director in light of her extensive overseas business experience and sophisticated insight, as well as her ability to use the contact network, expertise and knowledge she has acquired, in addition to an intimate familiarity with diversity issues from a global standpoint, to provide opinions on the Company's management from various perspectives. Ms. Nakajima does not have any special interests in the Company, and we believe she is fully capable of independently fulfilling supervisory roles and functions.

● Status of Outside Corporate Auditors

Name	Independent Corporate Auditor	Supplementary Information: Concurrent Positions	Reasons for Appointment
Go Otani	●	—	Mr. Otani has outstanding character, insight, and ethical standards, and is well-versed in internal control and corporate governance. Given his extensive experience, we believe he is able to contribute to the proper and appropriate management of the Company and has no conflict of interest with common shareholders. Mr. Otani does not have any special interests in the Company.
Kotaro Yamazawa	●	—	Mr. Yamazawa acquired knowledge of finance and accounting through his work at the Bank of Japan and a stock exchange, and is able to provide opinions on Company management from various perspectives using his knowledge of corporate governance and broad network of contacts in the financial industry. We believe he has no conflict of interest with common shareholders. Mr. Yamazawa does not have any special interests in the Company.
Junichi Suzuki	—	Corporate Auditor of AEON Bank, Ltd.	Given Mr. Suzuki's extensive overseas experience, we believe his oversight and effective advice on overall management will contribute to the proper and appropriate management of the Company. Mr. Suzuki does not have any special interests in the Company.

Policies for Compensation Amount and Method of Calculation

● Officer Compensation (Fiscal 2017)

Classification	Total Compensation (millions of yen)	Total Compensation by Classification (millions of yen)				Number of Recipients
		Base Compensation	Stock Options	Bonus	Retirement Benefits	
Directors (excluding outside directors)	291	187	33	70	—	13
Corporate Auditors (excluding outside corporate auditors)	—	—	—	—	—	—
Outside officers	59	59	—	—	—	7

Note: Number of recipients and total compensation includes compensation for three directors and one corporate auditor who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 27, 2017.

- The Company determines director compensation fairly and transparently to provide strong motivation for directors to properly execute management strategy, and links it to business performance.
- Director compensation consists of base compensation, performance-linked compensation, and equity-linked compensation in the form of stock options. Directors receive base compensation monthly. Directors receive performance-linked compensation after the close of the fiscal year based on annual performance. It is the sum of compensation linked to Company results and the performance of the individual director. Compensation for Company results is calculated by applying a coefficient to a standard amount based on the ratio of actual results to targeted results. Compensation for individual performance is determined by applying a coefficient to a standard amount based on the evaluation of individual performance. Equity-linked compensation takes the form of stock options granted to directors as stock acquisition rights after the fiscal year based on annual performance.

Dialogue with Stakeholders

The Company engages in responsible dialogue with shareholders and investors, mainly through top management and the investor relations department. We will continue to improve corporate value through responsible dialogue.

● Status of Investor Relations Activities

Investor Relations Activities	Details	Explanation by Representative Directors	Actions (Fiscal 2017 Actual)
Preparation and publication of a disclosure policy	We prepare a disclosure policy and publicize basic policies, standards of information disclosure, methods of information disclosure, and announcements of the IR quiet period.	—	—
Company briefings for individual investors	We hold company briefing sessions for individual investors to showcase the Company and explain its performance.	Yes	Briefings: 3 Number of participants: 254
Periodic briefings for analysts and institutional investors	Representative directors or the director in charge of corporate management periodically conduct briefings.	Yes	Dialogue counterparties: 166 companies
Periodic briefings for foreign investors	We publish English annual reports and an English version of the IR website. We translate various reporting materials into English and regularly hold meetings with overseas investors.	Yes	Dialogue counterparties: 28 companies
Availability of investor relations materials on the corporate website	We publish various materials, including audio versions of results briefings. We also publish monthly information.	—	Earnings release reports: Quarterly Other investor relations materials: As needed
Establishment of a department/person in charge of investor relations	Responsibility for disclosure has changed from the Investor Relations Office to the Corporate Communications Group.	—	—
Others	The President and CEO, director in charge of corporate management, and person in charge of investor relations conduct meetings with individual domestic and overseas investors and securities analysts.	Yes	Meetings: 165

● External Recognition of AEON Financial Service

IR Website	Awards and Accreditations
Nikko Investor Relations Co., Ltd.	 2017 All Japanese Listed Companies' Website Ranking Overall ranking: Best Sites (Sector ranking: Other Financing Business; 3rd place, Excellent Site)
Daiwa Investor Relations Co., Ltd.	 2017 Internet IR Awards Excellence Award
Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K.	 Gomez IR Site Ranking Excellent Company: Bronze Award

Index	Awards and Accreditations
MSCI Japan ESG Select Leaders Index ¹	 2018 Constituent MSCI Japan ESG Select Leaders Index Selected for inclusion from among the top 500 companies in Japan by market capitalization
SNAM Sustainability Index	 Selected for inclusion

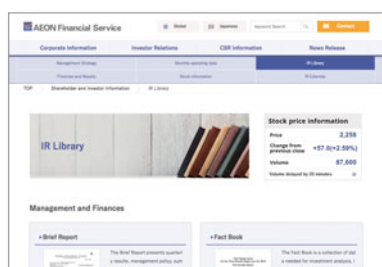
1. The MSCI Japan ESG Select Leaders Index is a free float-adjusted market capitalization weighted index designed to represent the performance of companies that have high Environmental, Social and Governance (ESG) performance from within its parent index, the MSCI Japan IMI Top 500 Index, and targets coverage of 50% of the parent index.

● Investor Relations Information Disclosure

Materials	Japanese	English
Announcement of results	●	●
Timely disclosure materials	●	●
Materials for individual investors	●	—
Shareholder and stock information	●	—
Performance and financial graphs and data	●	●

● Credit Rating Information (As of June 30, 2018)

Rating Agency	Long-Term	Short-Term
Japan Credit Rating Agency, Ltd. (JCR)	A (Stable)	J-1
Rating and Investment Information, Inc. (R&I)	A- (Stable)	a-1



● Corporate Website (IR Library)

Japanese

<http://www.aeonfinancial.co.jp/ir/library/>

Global

<http://www.aeonfinancial.co.jp/eng/ir/library/index.html>

► Our Management Team (As of June 30, 2018)

● Directors



Chairman

Masaki Suzuki

1978 Joined Ministry of Finance
 2002 Director of Banks Division I of Supervisory Bureau of Financial Services Agency
 2007 Deputy Vice Minister for Policy Planning and Co-ordination of Minister's Secretariat of Ministry of Finance
 2014 Vice-Minister of the Environment of Ministry of the Environment
 2015 Advisor of the Company
 Advisor of AEON Co., Ltd.
 Chairman and Representative Director of AEON Bank, Ltd.
 2016 Chairman and Director of AEON Bank, Ltd. (current position)
 Director of AEON Credit Service Co., Ltd. (current position)
 Chairman of the Company (current position)
 2017 Executive Officer in charge of General Finance Business of AEON Co., Ltd. (current position)



President and CEO

Kenji Kawahara

1980 Joined The Dai-Ichi Kangyo Bank, Limited (currently, Mizuho Bank, Ltd.)
 2009 Joined AEON Co., Ltd.
 2010 Director of AEON Mall Co., Ltd.
 2011 Managing Director of AEON Mall Co., Ltd.
 2012 Senior Managing Director of AEON Mall Co., Ltd.
 Representative Director and President of AEON Reit Management Co., Ltd.
 Executive Director of AEON REIT Investment Corporation
 2016 Director of AEON Bank, Ltd. (current position)
 Director of AEON Credit Service Co., Ltd.
 Director of AEON Product Finance Co., Ltd. (current position)
 President and CEO of the Company (current position)
 Director and Chairman of AEON Financial Service (Hong Kong) Co., Ltd. (current position)
 2018 Director and Chairman of AEON Credit Service Co., Ltd. (current position)



Director and Executive Vice President

Masao Mizuno

1982 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
 1984 Joined the Company
 1992 President and Representative Director of AEON Thana Sinsap (Thailand) Plc.
 2011 Director and Senior Managing Executive Officer of the Company
 Director and Chairman of AEON Credit Service (Asia) Co., Ltd.
 2013 Director of the Company
 Representative Director and President and Executive Officer of AEON Credit Service Co., Ltd.
 2014 Director and Executive Vice President in charge of Processing, Card Business of the Company
 Director of AEON Bank, Ltd.
 2015 Director and Executive Vice President in charge of Credit, Processing, Overseas Business of the Company
 Representative Director and President of AEON Credit Service Co., Ltd.
 2016 Director and Executive Vice President in charge of Overseas Business of the Company
 2017 Director and Executive Vice President of the Company (current position)



Director and Executive Vice President

Hiroyuki Watanabe

1982 Joined Isejin Jusco Co., Ltd. (currently, AEON Co., Ltd.)
 2006 Representative Director of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
 Director in charge of Human Resources, General Affairs and Public Relations of AEON Financial Project Co., Ltd.
 2008 Director and Managing Executive Officer in charge of Human Resources and General Affairs of AEON Bank, Ltd.
 2012 Director and Senior Managing Executive Officer of AEON Bank, Ltd.
 Director of the Company
 2014 Representative Director and Senior Managing Executive Officer of AEON Bank, Ltd.
 2015 President and Representative Director of AEON Bank, Ltd. (current position)
 2016 Director of AEON Credit Service Co., Ltd. (current position)
 2017 Director and Executive Vice President of the Company (current position)



Senior Managing Director in charge of Corporate Management and Head of Corporate Management Division

Hideki Wakabayashi

1980 Joined Japan Housing Finance Co., Ltd.
 1997 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
 2007 Vice President of AEON Co., Ltd.
 Corporate Auditor (Outside) of the Company
 2010 Managing Director of the Company
 2011 Director and Managing Executive Officer of the Company
 2013 Director and Senior Managing Executive Officer of AEON Credit Service Co., Ltd.
 2014 Director of AEON Credit Service Co., Ltd.
 Chairman and Representative Director of AEON Thana Sinsap (Thailand) Plc. (current position)
 2015 Senior Managing Director in charge of Corporate Management of the Company
 2017 Senior Managing Director in charge of Corporate Management and Head of Corporate Management Division of the Company (current position)



Managing Director in charge of Global Business and Head of Global Business Division

Masaaki Mangetsu

1981 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
 2013 COO of GMS Business of AEON (China) Co., Ltd.
 2014 Director and Executive Officer of AEON Credit Service Co., Ltd.
 2015 Director of AEON Credit Service Co., Ltd. (current position)
 Director and Head of Marketing Division of the Company
 2016 Managing Director in charge of Business Strategy of the Company
 2017 Managing Director in charge of Global Business and Head of Global Business Division of the Company (current position)
 Director and Chairman of AEON Credit Service (Asia) Co., Ltd. (current position)



Director in charge of Human Resources and General Affairs and Head of Human Resources and General Affairs Division

Yoshitaka Yamada

1987 Joined the Company
 2005 Director of the Company
 2011 Vice President of the Company
 2013 Director and Executive Officer of AEON Credit Service Co., Ltd.
 2015 Director, Managing Executive Officer and Head of Corporate Management Division of AEON Credit Service Co., Ltd. (current position)
 2017 Director of AEON Bank, Ltd. (current position)
 Director in charge of Human Resources and General Affairs, and Head of Human Resources and General Affairs Division of the Company (current position)



Director in charge of Corporate Planning and Head of Corporate Planning Division

Kazuyoshi Suzuki

1984 Joined The Sanwa Bank, Limited (currently, MUFG Bank, Ltd.)
 1990 Joined Ministry of Foreign Affairs, working at Embassy of Japan in Malaysia
 2005 Deputy Manager of Accounting Department of LOTTE Co., Ltd.
 2010 Joined Lotte Holdings Co., Ltd.
 2011 Joined AEON Bank, Ltd.
 2012 Executive Officer of AEON Bank, Ltd.
 2014 Director and Managing Executive Officer of AEON Bank, Ltd.
 2015 Senior Managing Director of AEON Product Finance Co., Ltd.
 2017 Director in charge of Corporate Planning and Head of Corporate Planning Division of the Company (current position)



Director in charge of Risk Management & Compliance and Head of Risk Management & Compliance Division

Naohiro Arai

1988 Joined The Mitsui Bank, Limited (currently, Sumitomo Mitsui Banking Corporation)
 2006 Public Relations Group Leader of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
 2012 Executive Officer of AEON Bank, Ltd.
 2014 Director and Executive Officer of AEON Bank, Ltd.
 2016 Director of AEON Bank, Ltd.
 2017 Director and Executive Officer in charge of Corporate Management of AEON Bank, Ltd.
 Director of AEON Credit Service Co., Ltd. (current position)
 Director in charge of Risk Management & Compliance and Head of Risk Management & Compliance Division of the Company (current position)
 2018 Director and Managing Executive Officer of AEON Bank, Ltd. (current position)



Director in Charge of IT and Digital, Head of System Division and Head of System Planning Department

Kazuo Ishizuka

1984 Joined the Company
 2009 Director of the Company
 2010 Director and Executive Officer in charge of System Department of AEON Bank, Ltd.
 2015 Director and Executive Officer in charge of System of AEON Bank, Ltd. (current position)
 2017 Director in Charge of IT and Digital, Head of System Division and Head of System Planning Department of the Company (current position)



Director
Tatsuya Saito
 1984 Joined Nihon Credit Service Co., Ltd. (currently, the Company)
 2002 Director of the Company
 2004 Managing Director of the Company
 2010 Director of the Company
 2011 Vice President of the Company
 2013 Vice President and Head of General Affairs Department of AEON Credit Service Co., Ltd.
 2014 Executive Officer of AEON Bank, Ltd.
 2015 Director and Executive Officer in charge of Corporate Management of AEON Bank, Ltd.
 2017 Director, Managing Executive Officer in charge of Retail Marketing of AEON Bank, Ltd. (current position)
 Director of AEON Insurance Service Co., Ltd.
 2018 Director of the Company (current position)
 Representative Director and President of AEON Credit Service Co., Ltd. (current position)
 Director of AEON Bank, Ltd. (current position)



Director (Outside)
Motonari Otsuru
 1980 Public Prosecutor of Tokyo District Public Prosecutors Office
 2005 Head of Special Investigation Task Force of Tokyo District Public Prosecutors Office
 2010 Deputy Chief Prosecutor of the Tokyo District Public Prosecutors Office
 2011 Trial Director of Supreme Public Prosecutor's Office Registered as Attorney-at-Law
 2012 Corporate Auditor (External) of the Company
 Outside Director of Aurora Servicing Ltd. (current position)
 2013 Outside Corporate Auditor of AEON Credit Service Co., Ltd.
 2014 Outside Director of the Company (current position)
 2015 Outside Director of Morningstar Japan K.K. (current position)
 2017 Outside Corporate Auditor of SBI Insurance Group Co., Ltd. (current position)



Director (Outside)
Junya Hakoda
 1974 Joined Mitsubishi Rayon Co., Ltd.
 1980 Joined Price Waterhouse Certified Public Accountants Office
 1983 Joined Aoyama Audit Corporation
 2006 Partner of PricewaterhouseCoopers Aarata
 2008 Eminent Professor of Graduate School of Keio University (current position)
 2012 Representative of Junya Hakoda Certified Accountant Office (current position)
 2014 Corporate Auditor of Schroder Investment Management (Japan) Limited (current position)
 2015 Outside Corporate Auditor of Yamaha Corporation
 Outside Director of the Company (current position)
 2017 Outside Director of Yamaha Corporation (current position)



Director (Outside)
Yoshimi Nakajima
 1980 Joined The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
 1982 Joined AVON Product Co., Ltd., Tokyo Japan
 1997 Vice President of Personal Finance Division of Citibank, N.A.
 2000 Senior General Manager in charge of Marketing and Sales of SG Online Branch of Societe Generale Securities Ltd.
 2002 Vice President in charge of Global Traveler's Check & Prepaid Card Service of American Express International, Inc. (Japan)
 2003 Vice President and Marketing Supervisor of Personal Business Department of American Express International, Inc. (Japan)
 2011 President of American Express International, Inc. (Singapore)
 2014 Senior Vice President in charge of Acquisition & Marketing of Personal Business Department of American Express International, Inc. (Japan)
 President and Representative Director of American Express Japan Co., Ltd. (concurrent position)
 2017 Outside Director of Yamaha Corporation (current position)
 Outside Director of the Company (current position)
 2018 Outside Director of Japan Freight Railway Company (current position)

● Corporate Auditors



Corporate Auditor (Full-Time) (Outside)
Junichi Suzuki
 1980 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
 1996 Store Manager of Jusco Sakasegawa of Jusco Co., Ltd.
 1998 General Manager of Administration Division of Siam-Jusco Co., Ltd. (currently, AEON (Thailand) Co., Ltd.)
 2002 Director and General Manager of Administration Division of Siam-Jusco Co., Ltd.
 2009 Director, Vice President and General Manager of Administration Division of Beijing AEON Co., Ltd.
 2011 General Manager of Administration Division of AEON Stores (Hong Kong) Co., Ltd.
 2012 Director and Vice President of AEON Stores (Hong Kong) Co., Ltd.
 2015 Corporate Auditor (Full-Time) of AEON Mall Co., Ltd.
 2018 Outside Audit & Supervisory Board Member (permanent) of AEON Bank, Ltd. (current position)
 Corporate Auditor (Full-Time) (Outside) of the Company (current position)



Corporate Auditor (Outside)
Go Otani
 1980 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently, Astellas Pharma Inc.)
 1997 Acting Senior Vice President, Shaklee Business of Yamanouchi Pharmaceutical Co., Ltd.
 Outside Director of Shaklee Corporation (USA) of Yamanouchi Pharmaceutical Co., Ltd.
 2001 Deputy Vice President in Charge of IR of Corporate Communications Department of Yamanouchi Pharmaceutical Co., Ltd.
 2003 Vice President in charge of European Business of Europe and U.S. Department of Yamanouchi Pharmaceutical Co., Ltd.
 2005 Seconded to European Headquarter (resided in the United Kingdom), General Manager of Internal Auditing Division of Astellas Pharma Inc.
 2009 Vice President of Internal Auditing Department of Astellas Pharma Inc.
 2013 Audit & Supervisory Board Member of Astellas Pharma Inc.
 2016 Corporate Auditor (Outside) of the Company (current position)



Corporate Auditor (Outside)
Kotaro Yamazawa
 1980 Joined Bank of Japan
 2006 Seconded to Osaka Securities Exchange Co., Ltd.
 2010 Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
 2013 Senior Executive Officer of Japan Exchange Group, Inc.
 Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
 2014 Senior Managing Executive Officer of Japan Exchange Group, Inc.
 Director and Senior Managing Executive Officer of Osaka Securities Exchange Co., Ltd.
 2015 Director and Vice President of Osaka Exchange, Inc.
 2017 Advisor of Osaka Exchange, Inc. (current position)
 Corporate Auditor (Outside) of the Company (current position)



Corporate Auditor
Takayuki Sakaki
 1998 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
 2009 Director and Head of Finance & Accounting Department of Maxwala Kanto Co., Ltd.
 2012 Director of AEON Kyushu Co., Ltd.
 2016 Director, Executive Officer, and Head of Corporate Strategy Division of AEON Kyushu Co., Ltd.
 President and Representative Director of AEON Store Kyushu Co., Ltd.
 2017 Head of Finance Department of AEON Co., Ltd. (current position)
 Director of AEON Store Kyushu Co., Ltd. (current position)
 Corporate Auditor of AEON Bike Co., Ltd.
 Corporate Auditor of the Company (current position)

► Corporate Social Responsibility



Since the launch of AEON Credit Service Co., Ltd., the predecessor of the Company, we have been engaging in environmental conservation and social contribution. In order to realize a sustainable society, we are undertaking corporate social responsibility (CSR) activities in accordance with international frameworks such as the Sustainable Development Goals (SDGs)* and ISO 26000, which is the global standard for social responsibility. From the perspective of creating shared value, we use mechanisms unique to the financial industry to reduce environmental impact and resolve social issues through our businesses.

Core subsidiaries AEON Credit Service Co., Ltd. and overseas listed subsidiaries have acquired the ISO 14001 certification (for environmental management systems) and ISO 9001 certification (for quality management systems). In addition to mitigating environmental impact, we work to eliminate human error by reducing loads relating to business processes through work-style reform, and are tireless when it comes to improving customer service.

* International goals for 2030 adopted by world leaders at the UN Sustainable Development Summit at the United Nations headquarters. Designed to create a sustainable society, the SDGs are 17 goals with 169 targets that provide the vision and delineate issues for the world in working together to address problems relating to poverty, climate change, energy and resources, urbanization, and inequality within and among countries/regions.

As women account for a large percentage of the Group's customers, we are actively increasing the ratio of female employees and managers as a means to ensure that products and services are attuned to our customer base. As a result of these initiatives, AEON Bank, Ltd. and AEON Credit Service Co., Ltd. were recognized with the highest Class 3 Eruboshi certification from the Japanese Minister of Health, Labour and Welfare for promoting the careers of women.

Our overseas businesses are also proactively introducing new initiatives to generate growth and resolve social issues. For example, our auto loan business for tricycle taxi drivers at our subsidiary in the Philippines uses new technology to extend loans to customers who formerly did not qualify for such services.

Our goals are to become the number one retail financial services company in Asia and to generate additional growth as a financial company trusted by people in Japan and overseas.



Basic CSR Policy

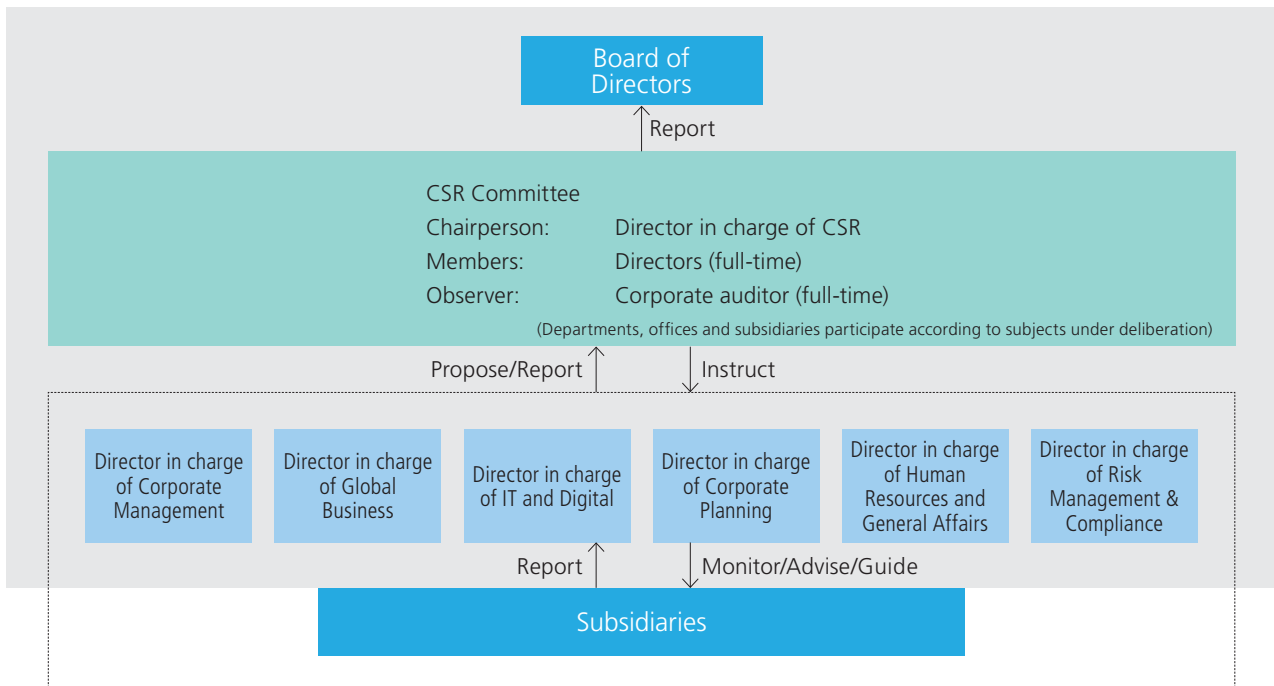
As a member of the AEON Group, AEON Financial Service aims to be a corporate group that responds to the expectations of stakeholders and contributes to the sustainable development of society based on its Management Philosophy "to support customers' lifestyles and enable each individual to maximize future opportunities through effective use of credit."

We do so through our business operations and our CSR activities. We comply with laws and regulations, thus inculcating an awareness of compliance that extends to the frontlines of all Group company business activities including overseas subsidiaries. We also fulfill our social responsibilities by considering the environment, contributing to communities and further enhancing our corporate governance structure.

Structure for Promoting CSR

AEON Financial Service established the CSR Committee chaired by the Director in charge of CSR to deliberate and decide matters relating to CSR including environmental conservation and community contribution. The committee

meets once each quarter to deliberate important issues related to CSR and the results of activities, and the committee chairperson reports on these deliberations to the Board of Directors.



AEON Financial Service Group ISO 14001 Certification (as of June 2018)

- AEON Credit Service Co., Ltd.
- AEON Credit Service (Asia) Co., Ltd.
- AEON Thana Sinsap (Thailand) Plc.
- AEON Credit Service (M) Berhad

Medium-Term CSR Outlook

In order to realize a sustainable society, AEON Financial Service’s CSR Committee uses the ISO 26000 international guidelines for social responsibility to examine CSR initiatives at each Group company. Also, with a view to tackling the SDGs adopted by the United Nations in September 2015,

we aim to contribute to social development through our business activities and CSR initiatives. We will systematically improve our CSR initiatives to grow sustainably with society into the future.

• AEON Financial Service’s CSR Activities



■ Initiatives to Increase Customer Satisfaction

Basic Policy

Our goal is to form close connections with our customers and enrich their daily lives as a comprehensive financial group with roots in the retail sector, so knowing customers better than any other company is crucial. We are implementing various initiatives so that we can continue to make customer-oriented proposals.

Customer Service

● Customer Service Competitions

We conduct customer service competitions at our call centers across Asia with the goal of improving customer satisfaction.

In addition, the President personally recognizes people who provide excellent customer service selected from this competition and from bank branches and offices throughout Japan to raise the morale of Group employees and improve their customer service skills.



Employees selected for excellent customer service

● Gathering Customer Opinions

Comments and requests from customers are valued and taken seriously, and are used to improve business operations and further enhance service. We provide customer opinion cards at bank branches and ATMs, and respond individually to customers who give us the permission to contact them. Customer opinions received at stores, call centers, corporate sites, and elsewhere are collected and classified, and we hold meetings and study groups to further improve service.

Customer opinion card

Asset Management

● Training to Improve Consulting Skills

AEON Bank provides portfolio training and presentation seminars to our sales staff to enhance their market analysis capabilities and ability to propose diversified investment portfolios.

● Seminars and Financial Literacy Classes

AEON Bank offers seminars on asset building and management and periodically holds classes to provide customers with the information they need to select financial products attuned to their life stage, and to create opportunities for customers with less investment experience to improve their financial literacy.

Seminars Held

Fiscal 2016	Fiscal 2017
302	439



Asset management seminar

We have also offered various classes to cultivate financial literacy among high school students, university students and Group company employees since fiscal 2017.

● After-Sales Service (Customer Satisfaction Assurance System)

Customers are free to visit bank branches to consult and check the status of their investments from 9 a.m. to 9 p.m.* every day of the year, including weekends and national/seasonal holidays.



* Opening hours may differ at some stores.

■ Environmental Conservation

Basic Approach

The pillars of our environmental initiatives are the formation of a low-carbon society, the preservation of biodiversity and the creation of a society that recycles resources. We will implement these initiatives by providing financial products and services that are closely linked to lifestyles and that offer security, convenience and value in customers' daily lives.

Environmental Policy

1. We are reducing greenhouse gas emissions to form a low-carbon society.
2. We are fulfilling our social responsibilities as a financial institution that is central to economic activity by reducing the impact of our business activities on ecosystems and preserving biodiversity to realize a prosperous society that coexists with nature.
3. We are reducing waste and conserving resources to create a recycling-oriented society.
 - 1) Promote the three Rs (reduce, reuse, recycle) of resources.
 - 2) Select raw and other materials that have less environmental impact.
4. We comply with laws and regulations related to the environment and disclose this policy to all employees and all people supporting our business activities.
5. We recognize that cooperation with customers and other stakeholders is important for the development of a sustainable society, and we will cooperate appropriately.

Environmental Conservation Initiatives

● ISO 14001 Certification

AEON Financial Service has established its own management structure for environmental activities. Major domestic subsidiary AEON Credit Service Co., Ltd. and three listed subsidiaries overseas have acquired ISO 14001 certification and are working to reduce environmental impact. AEON Credit Service's initiatives include improving business process efficiency, formulating an annual plan for its education and training system, and implementing ISO education to raise environmental awareness among employees.

● Reducing Resource Use

We are making effective use of limited resources and reducing environmental impact to support a recycling-oriented society. We have reduced paper consumption through the introduction of the Web Statements (Environmental Declaration) service, which allows customers to access statements online instead of receiving printed materials. Other initiatives include using tablet devices for credit card applications and making housing loan applications paperless.

● Tree Planting

AEON Financial Service Group employees energetically participate in tree planting activities sponsored by the AEON Environmental Foundation. Employees have participated in tree planting activities in locations including Watari, Miyagi Prefecture in October 2017 and the Peace Memorial Park in Itoman, Okinawa Prefecture in December 2017. Overseas, we participated in tree planting in Yangon, Myanmar in July 2017.



Tree planting in Myanmar

■ Social Contribution

● Support for Recovery from the Great East Japan Earthquake

We raised funds to support Great East Japan Earthquake recovery, and also participated in volunteer cotton harvesting in Iwaki, Fukushima Prefecture in cooperation with The People, an NPO. This activity involves cultivating, harvesting and commercializing cotton that can grow on abandoned agricultural land that suffered salt damage from the tsunami, thus supporting agricultural rehabilitation in Fukushima Prefecture and creating local employment. Executives, employees and their families from Group companies took part in the cotton harvest.



Volunteers harvesting cotton

● Community Contribution Overseas

We held a charity marathon to support the Ramathibodi Foundation in Thailand, which is engaged in cancer treatment and hepatocyte and genetic research. Other community support activities included donating relief supplies to flood victims in southern Thailand. In Malaysia, we also raised funds for children with disabilities. In addition, we continue to engage in social contribution activities in the Asian regions we serve, such as providing scholarship support for students in Asian countries and international students (mainly from Asia) studying in Japan.



Charity marathon in Thailand

● Donations and Fundraising

We continue to engage in numerous fundraising programs, including the charity program "24 Hour Television: Love Saves the Earth" and donations by customers using Tokimeki points earned on credit card payments. In addition, we also began working with The C.W. Nicol Afan Woodland Trust to sponsor the Forest and Children Fund, and with Japan for UNHCR to sponsor the UNHCR Refugee Welfare Fund. The C.W. Nicol Afan Woodland Trust is engaged in the regeneration of Japanese forests, while Japan for UNHCR conducts activities to protect refugees and people displaced internationally by conflict and persecution. Through the funds we raise, we will continue to help resolve various social problems. We are making it easier to donate by accepting contributions via bank transfer, as well as via AEON Bank ATMs and Internet banking.



"24 Hour Television" charity program





Financial Section

▶ 11-Year Summary	48
▶ Management's Discussion and Analysis of Operating Results and Financial Position	50
▶ Five-Year Summary	54
▶ Financial Review	55
■ Consolidated Balance Sheet	58
■ Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	59
■ Consolidated Statement of Changes in Equity	61
■ Consolidated Statement of Cash Flows	62
■ Notes to Consolidated Financial Statements	63
■ Independent Auditor's Report	97