

# Results for the Third Quarter of Fiscal Year 2016

## February 10, 2017



# Consolidated Results



	1Q		2Q		3Q	
	Results	Change from start of FY	Results	Change from start of FY	Results	Change from start of FY
Number of cardholders	37.73 million	+0.51	38.16 million	+0.94	38.61 million	+1.39
① Number of cardholders in domestic	26.20 million	+0.32	26.44 million	+0.56	26.69 million	+0.81
② Number of active cardholders in domestic	16.17 million	+0.24	16.37 million	+0.44	16.53 million	+0.6
③ AEON Bank accounts	50.9 million	+0.16	5.25 million	+0.32	5.39 million	+0.46
Number of AEON Card SELECT members	3.70 million	+0.14	3.84 million	+0.28	3.96 million	+0.40
Finance receivables	¥4,005.4bn	+¥147.8	¥4,111.5bn	+¥253.8	¥4,334.0bn	+476.3

## ① Number of cardholders in domestic

- Reinforce credit card sign-up in greater Tokyo, for example at Daiei
- Campaign through SNS increase credit card sign-up via web site

(Unit: Thousand)	Result	Share of domestic	Change from start of FY	Share of domestic
Greater Tokyo	5,580	21%	+230	29%

## ② Number of active cardholders in domestic

- Promote card usage at AEON group store due to double the point
- Web-based statement: 3.73mn  
(Change from start of FY: +0.5mn, Average monthly card use: 61.1%)
- Average yearly card use: 66.7% (Change from start of FY +0.3pt)
- Card shopping transaction volume: 3,357.4bn (YOY+10%)

## ③ Number of AEON Bank accounts

- Increase AEON Card SELECT member (ordinary deposit interest rate: 0.12% (0.1% added from ordinary deposit rate))
- Balance of ordinary deposit: about ¥1.3trillion  
(Change from start of FY +¥566.0 bn)

# Consolidated Results by Area



(Unit: Billions of yen)	3Q (for the 9 months)		
	Results	YoY	Change
Ordinary income	274.5	+4%	+9.5
Domestic	194.6	+11%	+19.3
Overseas	82.9	-10%	-9.7
Share of consolidated	30%	-5%	-
Ordinary expense	232.2	+4%	+9.5
Ordinary profit	42.2	+0%	+0.04
Domestic	29.5	+9%	+2.4
Overseas	15.2	-15%	-2.6
Share of consolidated	36%	-6%	-
Net income attributable to owners of the parent	25.8	+10%	+2.3

\*Results before inter-segment eliminations

Topics ※():YoY
<ul style="list-style-type: none"> <li>• Card shopping revenue : ¥6.51bn (+2.2bn)</li> <li>• Cash advance revenue : ¥4.73bn (+3.8bn) → Active card : 1.25mn (Change from start of FY +0.7mn) Balance/person : ¥311,000 ( Change from start of FY +¥5,000)</li> <li>• Securitization Receivables revenue : ¥7.7bn (-1.5bn) → Housing loan : ¥6.8bn, Auto loan : ¥0.8bn</li> </ul>
<ul style="list-style-type: none"> <li>▪ Effect of exchange rate : -¥14.6bn</li> </ul>
<ul style="list-style-type: none"> <li>• Financial expenses : ¥4.0bn (-0.7bn) → shifting to ordinary deposits</li> <li>• Operating expenses : ¥129.0bn (+11.5bn) → Personnel expenses : ¥34.2bn (+2.6bn, as of % of ordinary income 18%) → Point expenses : ¥16.3bn (+4.3bn) → Apply Pro Forma Standard Taxation : Tax ¥7.0bn (+1.7bn)</li> <li>• Provision for loss on interest repayment : ¥0.7bn (+0.7bn)</li> </ul>
<ul style="list-style-type: none"> <li>• Personnel expenses : ¥12.8bn (-1bn, as of % of ordinary income 16%)</li> <li>• Bad debt allowance : ¥22.0bn (-2.2bn, as of % of ordinary income 27%)</li> <li>• Effect of exchange rate : -¥2.8bn</li> </ul>

# Results by Segments



(Unit :Billions of yen)		3Q ( for the 9 months)			Topics ※():YoY
		Results	YoY	Change	
Credit business	Ordinary income	129.0	+11%	+13.2	<ul style="list-style-type: none"> <li>• Card shopping transaction volume : quarterly increased →YoY 1Q+8%、2Q+9%、3Q+12%</li> <li>• Installment sales volume : ¥170.6bn(+20%)</li> <li>• Balance of cash advance : ¥426.0bn ( Change from start of FY +20.4bn)</li> <li>• Provision of allowance for doubtful account of credit card : ¥11.0bn(+1.5bn) →Stable in % of balance/total finance receivables</li> </ul>
	Ordinary profit	29.7	+16%	+4.1	
	Ordinary profit ratio (%)	(23.1%)	(+1.0%)	( - )	
Banking business	Ordinary income	40.4	+12%	+4.3	<ul style="list-style-type: none"> <li>• Amount of Housing loan : ¥261.4bn(+1%) →YoY 1Q+26%、2Q-10%、3Q-16%</li> <li>• Balance of small consumer loans : ¥72.1bn ( Change from start of FY +10.3bn) → quarterly change : 1Q +¥4.8bn、2Q +¥3.4bn、3Q +¥1.9b</li> <li>• Sell Flat 35 at all directory managed in-store-branches</li> </ul>
	Ordinary profit	1.0	40%	-1.5	
	Ordinary profit ratio (%)	(2.6%)	(-4.6%)	( - )	
Overseas business	Ordinary income	82.9	-10%	-9.7	<ul style="list-style-type: none"> <li>• Hong Kong : decrease in income and increase in profit (local currency based) →Controlled SGA and bad debt allowance</li> <li>• Thailand : increase in income and decrease in profit (local currency based) →Sales and collection activities affected after the past away of former King</li> <li>• Malaysia : increase in income and profit (local currency based) →Controlled bad debt allowance</li> </ul>
	Ordinary profit	15.2	-15%	-2.6	
	Ordinary profit ratio (%)	(18.4%)	(-0.9%)	( - )	
Fee business, etc.	Ordinary income	40.4	+11%	+4.0	<ul style="list-style-type: none"> <li>• E-money transaction volume : ¥1,648.8bn(+4%)</li> <li>• Expense for transfer Flat 35 business is covered by consolidated ACS Leasing Co., Ltd. and WAONPOINT processing business</li> </ul>
	Ordinary profit	3.0	+22%	+0.5	
	Ordinary profit ratio (%)	(7.6%)	(+0.7%)	( - )	
Adjustment	Ordinary income	-18.3	-	-2.2	
	Ordinary profit	-6.8	-	-0.5	
Total	Ordinary income	274.5	+4%	+9.5	
	Ordinary profit	42.2	+0%	+0.4	
	Ordinary profit ratio (%)	(15.4%)	(-0.5%)	( - )	

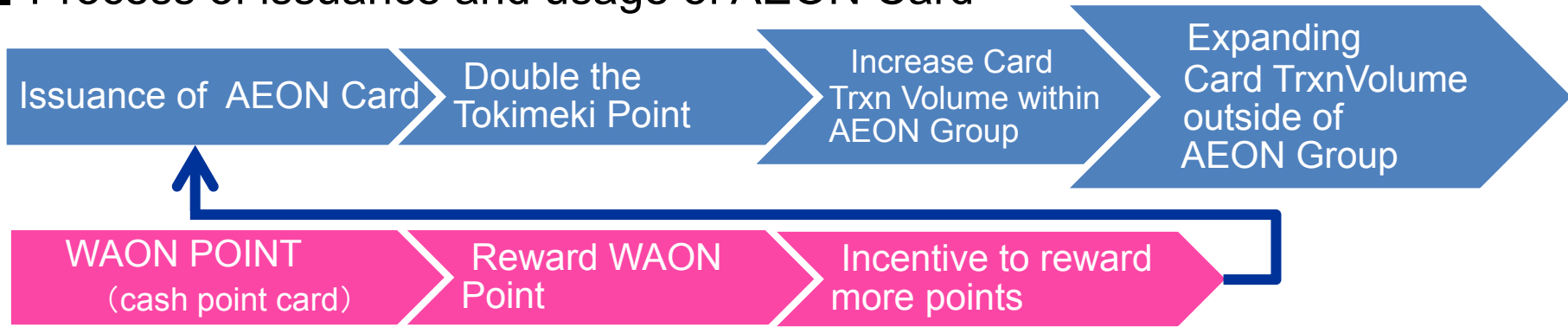
# Consolidated balance sheet



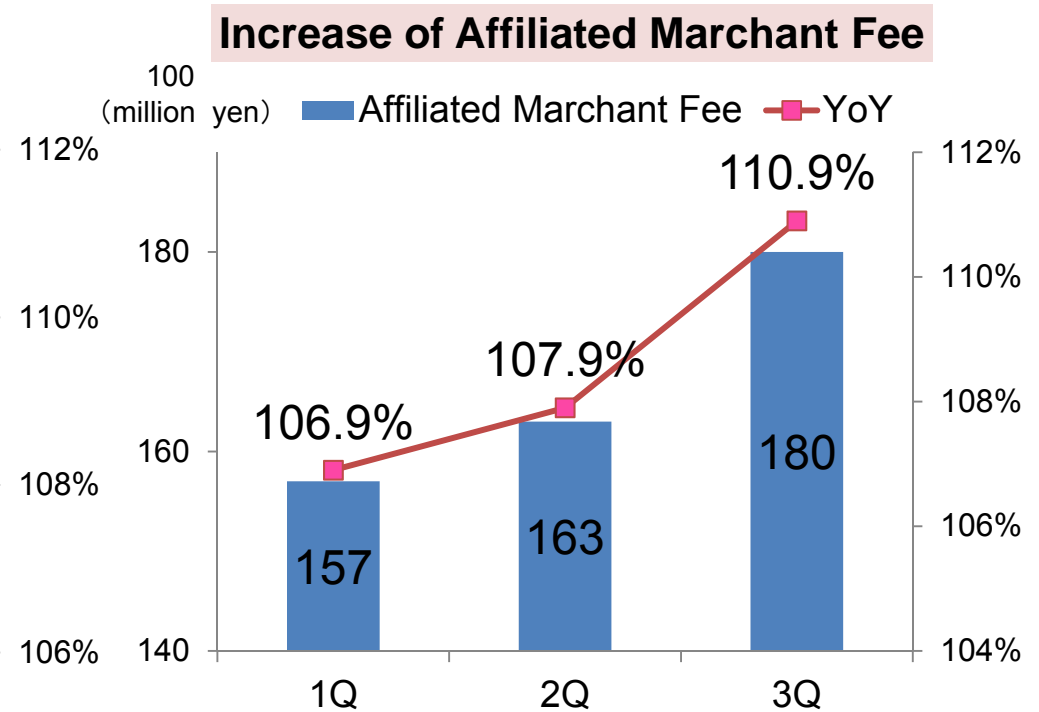
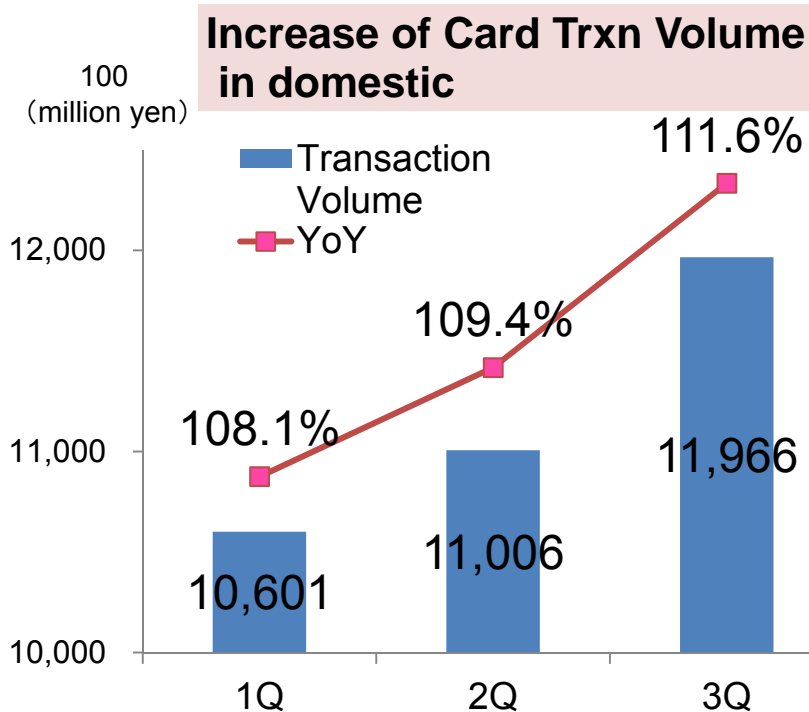
Consolidated Results (Unit:Billions of yen)	Results	Change from start of FY	Topics ※():Change from start of FY
Cash and deposits	526.5	+81.6	<ul style="list-style-type: none"> <li>Balance in domestic: ¥497.7bn (+78.1bn) →Needs usage of ATM on new year holidays and cash advance</li> </ul>
Loans and bills discounted	1,750.9	+76.9	<ul style="list-style-type: none"> <li>Balance in domestic : ¥1,507.8bn (+72.1bn) →unsecured loan : ¥498.2bn (+30.7bn) ※Housing loan (Including securitized receivables) : ¥1,345.8bn (+189.7bn)</li> <li>Balance in overseas : ¥248.1bn (+2.6bn)</li> </ul>
Accounts receivable – installment	1,257.1	+234.7	
Allowance for doubtful accounts	-52.3	-2.9	<ul style="list-style-type: none"> <li>Balance in domestic: ¥1,045.6bn (+229.4bn) →card shopping : ¥777.3bn (+167.5bn) →Installment sales : ¥268.2bn (+61.8bn)</li> <li>Balance in overseas : ¥211.4bn (+5.3bn)</li> </ul>
Other assets	683.9	+30.2	
Total assets	4,166.2	+420.7	<ul style="list-style-type: none"> <li>Customer's liabilities for acceptance and guarantees : ¥146.9bn (-19.6bn)</li> </ul>
Deposits	2,475.0	+322.1	
Interest-bearing debt	768.4	+7.7	<ul style="list-style-type: none"> <li>Ordinary deposits : ¥1,282.2bn (+566.0bn)</li> <li>Time deposits : ¥1,200.1bn (-236.8bn)</li> </ul>
Allowance for loss on refund of interest received	1.7	-2.4	
Other liabilities	539.0	+52.1	<ul style="list-style-type: none"> <li>Balance in domestic : ¥382.2bn (-1.6bn) →convertible bond : ¥30.0bn (+29.9bn) →Long-term loans payable : ¥40.4bn (-32.6bn)</li> <li>Balance in overseas : ¥386.2bn (-9.3bn)</li> </ul>
Total liabilities	3,784.2	-379.6	
Total net assets	3,819.8	+41.0	<ul style="list-style-type: none"> <li>Rose due to capital increase in Sep 2016</li> </ul>
Total liabilities and net assets	4,166.2	+420.7	
Shareholders' equity ratio [domestic standard]	8.09%	+0.67%	

# Effect of enhanced point program

## ■ Process of issuance and usage of AEON Card

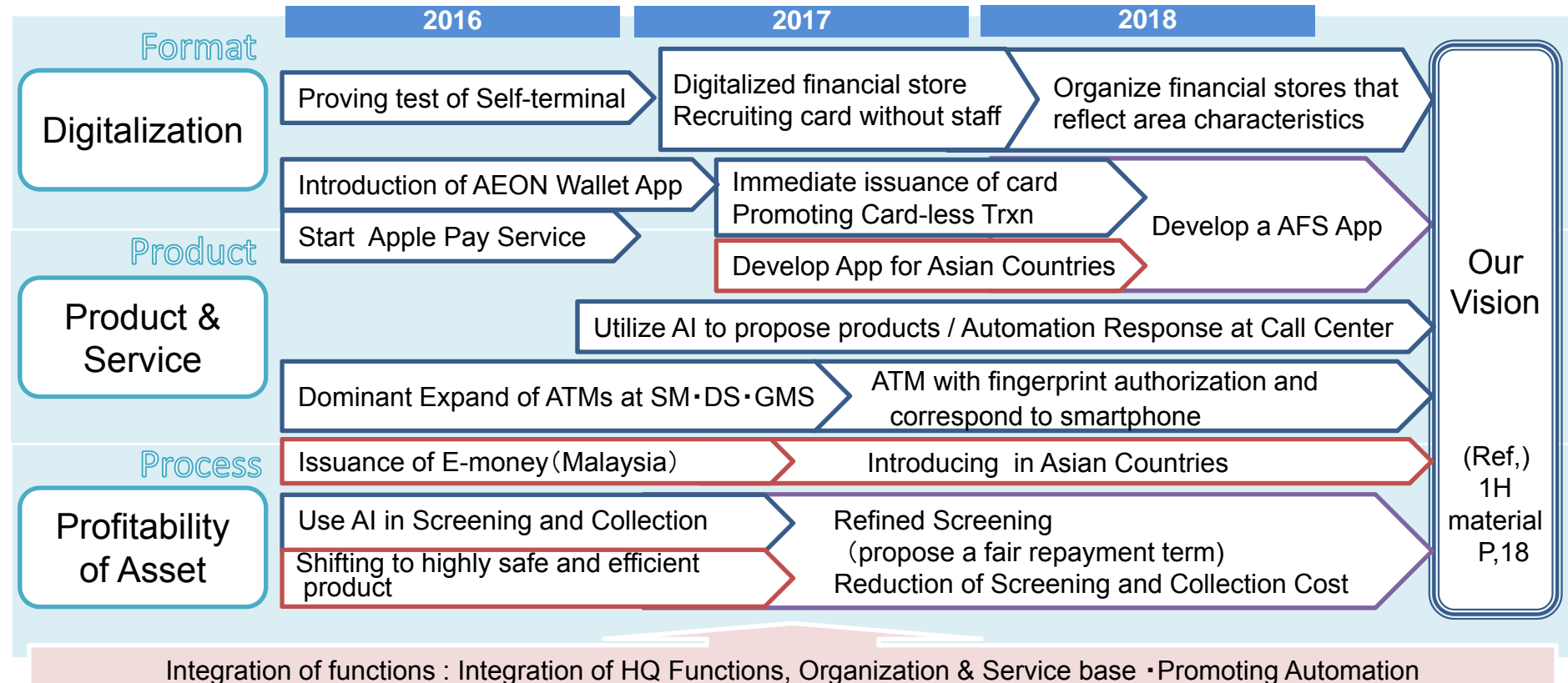


## ■ Effect of Double the Tokimeki Point



# Investment in system (IT)

- Purpose of Investment: Integrated channels(manned store・Web・call center) and reinforce financial service
- Main Investment : Research of new technologies, Strengthening of analysis functions, Standardization of systems(IT)



	Action Items	Effect of Investment (FY2018 Projection)	FY2016 Results			
			1Q	2Q	3Q	1-3Q
Effect of Investment (Expense)	Reduce bad debt allowance (as percentage of ordinary income)	Overseas : 20% (reduction of 5pts from FY2015)	25.6%	27.1%	27.0%	26.5%
	Improve labor share of income (personal expense as a percentage of ordinary income)	Domestic : 16% (reduction of 2pts from FY2015)	18.1%	17.8%	16.9%	17.6%
		Overseas : 11% (reduction of 4pts from FY2015)	15.9%	15.4%	15.2%	15.5%

# Forecast of Results for FY2016



- Domestic: Continual double digit growth in card shopping transaction volume  
Promote utilization of new card loan users and expand balance of unsecured loans
- Overseas: Refine screening and Improve screening and collection efficiency reduce bad debt allowance  
Improve management efficiency due to structural reforms

Forecast of Results		
	Results	YoY
Ordinary income	¥380 billion	+6%
Ordinary profit	¥63 billion	+6%
Net income attributable to owners of the parent	¥37 billion	+3%
Net income per share	¥171.56	-5%

	Interim		Year End		Full Year		Payout Ratio	
	Results	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥29	+¥1	¥39	+¥1	¥68	+¥2	39.6%	+3.1%



# (Reference) 3Q FY 2016 Results (Hong Kong, Thailand, Malaysia)



		FY2015 1 – 3Q		FY2016 1 – 3Q	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA)  (HK\$' 000)	Revenue	941,296	-2%	913,043	-3%
	Operating income	876,360	-1%	850,308	-3%
	Profit before tax	220,548	-13%	275,650	+25%
	Profit for the period attributable to : Owners of the Company	179,022	-13%	226,007	+26%
AEON THANA SINSAP (THAILAND)  (BAHT' 000)	Total Revenues	13,007,546	+2%	13,134,609	+1%
	Income before income tax expense	2,268,498	-1%	1,978,952	-13%
	Net profit for the period	1,811,527	-1%	1,579,250	-13%
AEON CREDIT SERVICE (M) Berhad  (RM\$' 000)	Revenue	706,942	-	811,113	+15%
	Profit from operations	329,971	-	395,790	+20%
	Profit before taxation	211,040	-	248,098	+18%
	Profit for the period	160,089	-	184,974	+16%

Source: Data released by each company. Figures for Hong Kong and Thailand are consolidated.

# (Reference) 3Q FY 2016 Results (Hong Kong, Thailand, Malaysia)



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

	FY 2015 3Q		FY 2016 3Q	
	Results	Results	YoY	
Ordinary income	15.5	13.6	-12%	
Ordinary profit	3.4	3.8	+11%	
Net income	2.8	3.1	+12%	

Exchange rates: HKD 1  
 •3Q 2015: ¥15.66  
 •3Q 2016: ¥13.89

Fiscal period  
 •2015: Mar. 1-Nov. 30  
 •2016: Mar. 1-Nov. 30

## ■ Consolidated Results of AEON THANA SINSAP (THAILAND) PLC. (Unit:Billions of yen)

	FY 2015 3Q		FY 2016 3Q	
	Results	Results	YoY	
Ordinary income	46.1	40.1	-13%	
Ordinary profit	8.0	6.0	-25%	
Net income	6.4	4.8	-25%	

Exchange rates: THB 1  
 •3Q 2015: ¥3.55  
 •3Q 2016: ¥3.06

Fiscal period  
 •2015: Feb. 21-Nov. 20  
 •2016: Mar. 1-Nov. 30

## ■ Results of AEON Credit Service (M) Berhad (Unit:Billions of yen)

	FY 2015 3Q		FY 2016 3Q	
	Results	Results	YoY	
Ordinary income	21.9	21.3	-3%	
Ordinary profit	6.5	6.5	-1%	
Net income	4.9	4.8	-2%	

Exchange rates: MYR 1  
 •3Q 2015: ¥31.08  
 •3Q 2016: ¥26.28

Fiscal period  
 •2015: Mar. 1-Nov. 30  
 •2016: Mar. 1-Nov. 30

Note: Results for fiscal 2015 have been retroactively adjusted.

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



### ■ Allowance for Doubtful Accounts (by Segment)

(Unit : Billions of yen)

	Credit	Banking	Overseas	Fee	Total
Allowance for doubtful accounts, beginning of period	27.5	3.2	15.0	4.2	49.4
Provision of allowance for doubtful accounts	11.8	0.0	22.0	1.2	35.0
Write-off of doubtful accounts (including transferred debt)	9.6	0.1	21.5	0.6	32.1
Allowance for doubtful accounts, end of period	29.6	3.0	15.4	4.7	52.3

(Domestic subsidiaries) AEON Bank: ¥3.0 billion, AEON Product Finance: ¥4.2 billion, AEON Housing Loan Service: ¥1.2 billion

### ■ Allowance for Loss on Refund of Interest Received

(Unit : Billions of yen)

	FY 2015 3Q	FY 2016 3Q
Allowance for loss on refund of interest received, beginning of period	4.8	4.2
Provision for loss on refund of interest received	0.0	0.7
Interest refunded (Sums refunded and appropriation of interest to principal)	3.1	3.2
Allowance for loss on refund of interest received, end of period	1.7	1.7

## (Reference) FY 2016 Business Plan (Domestic)



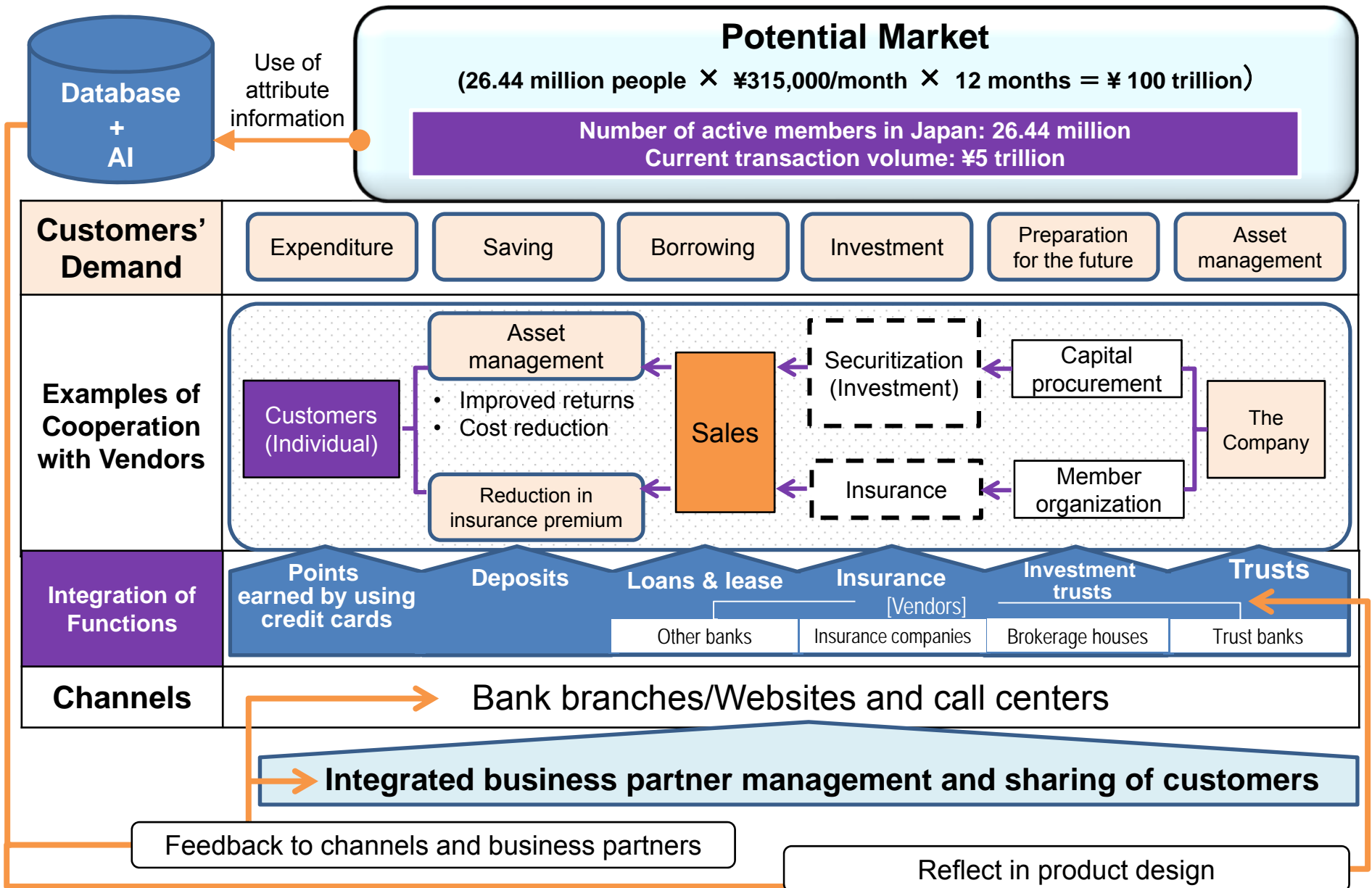
	FY 2016 3Q		FY 2016	
	Results	Change from start of FY	Plan	Change from start of FY
Number of cardholders	26.69 million	+0.81 million	27.40 million	+1.52 million

	Results	YoY	Plan	YoY
Card shopping transaction volume	¥3,357.4 billion	+9.8%	¥4,430.0 billion	+7.9%
E-money transaction volume	¥1,648.8 billion	+3.9%	¥2,250.0 billion	+5.6%

	Results	Change from start of FY	Plan	Change from start of FY
Balance of cash advances	¥426.0 billion	+¥20.4 billion	¥433.0 billion	+¥27.5 billion
Balance of small consumer loans	¥72.1 billion	+¥10.3 billion	¥85.0 billion	+¥23.2 billion
Balance of unsecured loans	¥498.2 billion	+¥30.7 billion	¥518.0 billion	+¥50.6 billion

# (Reference) Our Vision

—Integrate Common Functions to Reinforce Financial Service Capabilities —



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**