

# Results for the First Quarter of Fiscal Year 2017

## August 8, 2017



First Section of the Tokyo Stock Exchange  
Stock Code: 8570

# Consolidated results and business outline



| (Unit: Billions of yen)                     | 1Q      |      |        |
|---|---------|------|--------|
|   | Results | YoY  | Change |
| Ordinary income                             | 94.0    | +4%  | +3.5   |
| Ordinary expenses                           | 82.0    | +7%  | +5.3   |
| Ordinary profit                             | 11.9    | -13% | -1.7   |
| Profit from securitization receivables      | -       | -    | -2.9   |
| Net income attributable to owners of parent | 7.0     | -22% | -1.9   |

|                                      | 1Q         |                         |
|--------------------------------------|------------|-------------------------|
|                                      | Results    | Change from start of FY |
| No. of cardholders                   | 39.35mil   | +0.41mil                |
| No. of cardholders (Domestic)        | 27.14mil   | +0.22mil                |
| No. of active cardholders (Domestic) | 16.76mil   | +0.15mil                |
| AEON Bank accounts                   | 5.69mil    | +0.14mil                |
| No. of AEON Card Select members      | 4.21mil    | +0.13mil                |
| Finance receivables                  | ¥4,578.0bn | +¥150.7bn               |

## 【 1Q results 】 Consolidated results has been progressed as planned

- Ordinary income: ¥94bn (YoY +4%, +¥3.5bn, -¥0.6bn due to effect of exchange rate)

  - Domestic: Card shopping transactions vol. ¥1.1792tn (YoY +11%) led by increase in no. of cardholders and reward point sales promotion which is expected to continue. Increase in no. of active cardholders to 1.27mil (+0.04mil) led to rise in card cashing bal. per person is ¥317K (+¥2K from start of FY2017 1Q)
  - Global: Increase in sales and income from FY2016 4Q in Mekong Area and Malay Area driven by steady recovery trend.
- Ordinary profit: ¥11.9bn (YoY -13%, -¥1.7bn, -¥0.1bn due to effect of exchange rate)

  - Domestic: ①Reduction of sales promotion costs due to reward point policy and going paperless; ②Refund of interest claims +0.0 change YoY. ③In response to negative interest rate demand in FY2016 1Q, accounts receivable increased significantly by ¥2.9bn, leading to securitization being implemented ahead of schedule.
  - Global: Improvements in our main KPIs, personnel expenses as a % of ordinary income (15.1%, -0.8%) and bad debt allowance as a % of ordinary income (24.8%, -1.3%)
  - Ordinary profit as percentage share of consolidated amount: Domestic 45% (YoY -14%), Global 55% (YoY+14%)
- Net income attributable to owners of parent: ¥7bn (YoY -22%, -¥1.9bn)

  - Deferred tax asset classification change in AEON Bank since FY2016 1Q resulted in tax expenses of ¥3.8bn (+¥1.1bn)

# Results by segment

| (Unit: Billions of yen) | Domestic total |        |           | Global total |            |             | Adjustments | Total |            |
|-------------------------|----------------|--------|-----------|--------------|------------|-------------|-------------|-------|------------|
|                         | ※1             | Retail | Solutions | ※1           | China Area | Mekong Area |             |       | Malay Area |
| Ordinary income         | 64.5           | 41.0   | 40.5      | 28.9         | 4.7        | 14.5        | 9.5         | △16.4 | 94.0       |
| YoY                     | +4%            | -1%    | +7%       | +4%          | -3%        | +3%         | +9%         | -1%   | +4%        |
| Change                  | +2.6           | △0.3   | +2.6      | +1.0         | △0.1       | +0.3        | +0.8        | +0.2  | +3.5       |
| Ordinary profit         | 5.2            | 0.1    | 6.0       | 6.4          | 1.4        | 2.5         | 2.4         | △0.7  | 11.9       |
| YoY                     | -34%           | -95%   | +7%       | +14%         | +24%       | +12%        | +12%        | 60%   | -13%       |
| Change                  | △2.6           | △3.4   | +0.4      | +0.8         | +0.2       | +0.2        | +0.2        | +0.4  | △1.7       |
| Ordinary profit ratio   | 8.1%           | 0.5%   | 15.0%     | 22.2%        | 31.2%      | 17.2%       | 25.3%       | -     | 12.7%      |
| YoY                     | △4.6pt         | △8.4pt | +0.0pt    | +2.1pt       | +6.7pt     | +1.4pt      | +0.6pt      | -     | △2.5pt     |

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

※2 The definition of 'adjustments' may defer depending on presentation format. Please refer to slide P.16 for the respective definitions.

## ① Domestic main factors ※ ( ) YoY

### 【Retail】

- Income from fund activities (+¥1.9bn: Cashing+¥1.1bn, Other loan +¥0.7bn)
- Securitization of housing loan (-¥2.0bn)  
→ Implemented ahead of schedule in FY2016 1Q
- Amortization expenses (+¥0.2bn), Personnel expenses (+¥0.3bn), Expenses related to reward point program (+¥1.6bn)

### 【Solutions】

- Card shopping revenue (+¥0.9bn), Installment sales income (+¥0.3bn)
- Investment towards operational efficiency, credit screening and management (+¥0.7bn)
- Amortization expenses (+¥0.5bn), Advertising expenses excluding point program expenses (-¥0.6bn)
- Bad debt expenses (+¥0.3bn), Refund of interest claims (+¥80mil)

## ② Global main factors ※ ( ) YoY

### 【China Area: ↓income ↑profit for ACS(A)\*】

- Personnel expenses/Ordinary income: 15.2%(-2.0pt)
- Bad debt allowance/Ordinary income: 18.0%(-3.6pt)

### 【Mekong Area: ↑income ↑ profit for AEONTS\*】

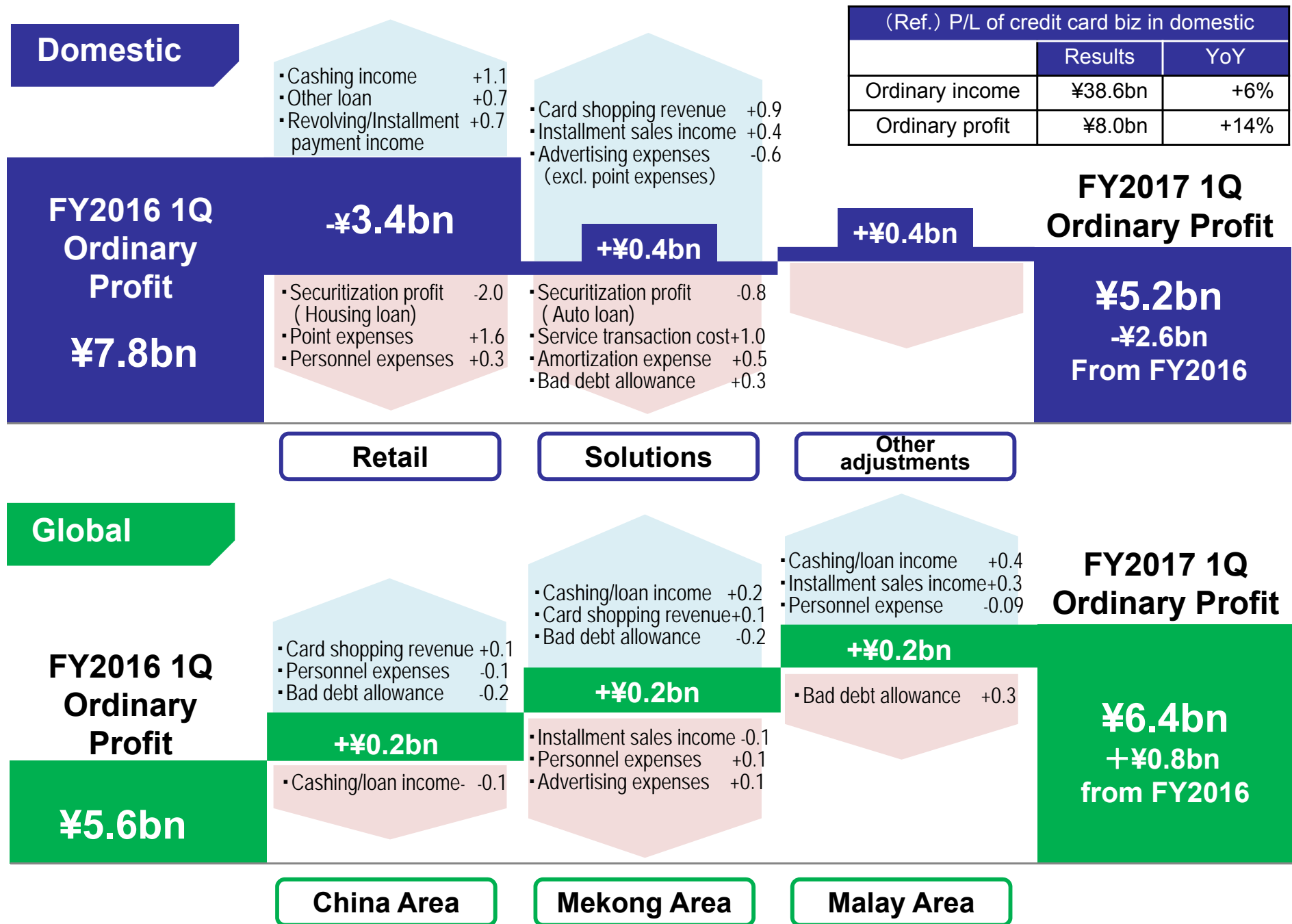
- Issuance of co-branded credit cards through collaboration with Big C, a major retail company in Thailand
- Personnel expenses/Ordinary income: 15.0%(+0.4pt)
- Bad debt allowance/Ordinary income: 26.0%(-2.6pt)

### 【Malay Area: ↑income ↑profit for ACS(M)\*】

- Personnel expenses/Ordinary income: 14.3%(-2.4pt)
- Bad debt allowance/Ordinary income: 26.4%(+1.9pt)

\*in local currency

# Domestic/Global segment results by graph



# Consolidated balance sheet

| Consolidated results<br>(Unit: Billions of yen)      | Results | Change from<br>start of FY | Topics ※(): Change from start of FY  |
|--|---------|----------------------------|--|
| Cash and deposits                                    | 467.1   | -67.4                      | ▪ Domestic balance: ¥433.0bn (-¥70.7bn)<br>→ increase in loans and securities  |
| Loan and bills discounted*                           | 2,870.3 | +112.8                     | ▪ Domestic balance: ¥2,620.3bn (+¥110.0bn)<br>→ unsecured loan: ¥518.3bn (+¥10.8bn),<br>in which cashing: ¥440.2bn (+¥8.5bn)<br>※ Housing loan (incl. securitization): ¥1,464.0bn (+¥56.0bn)<br>▪ Global balance: ¥255.0bn (+¥2.8bn) |
| Accounts receivable –<br>installment *               | 1,569.1 | +45.1                      |  |
| Allowance for doubtful<br>accounts                   | -51.8   | -1.4                       |  |
| Other Assets   | 655.2   | -0.6                       | ▪ Domestic balance : ¥1,346.0bn (+¥40.8bn)<br>→ increase in card shopping and installment<br>sales<br>▪ Global balance : ¥223.0bn (+¥4.2bn)  |
| Total assets   | 4,315.7 | +128.4                     |  |
| Deposits   | 2,692.6 | +150.5                     | ▪ Customers' liabilities for acceptance and<br>guarantees: ¥131.6bn (-¥7.0bn)  |
| Interest-bearing debt                                | 765.6   | +6.6                       |  |
| Allowance for loss on refund<br>of interest received | 3.0     | -0.7                       | ▪ Ordinary deposits: ¥1,579.4bn (+¥134.5bn)<br>▪ Time deposits: ¥1,115.2bn (+¥18.1bn)  |
| Other liabilities                                    | 452.7   | -28.4                      |  |
| Total liabilities                                    | 3,914.0 | +127.9                     | ▪ Domestic balance : ¥378.4bn (+¥9.0bn)<br>→ Long-term loans payable: ¥19.6bn (-¥4.0bn)<br>Shift to ordinary deposits continues<br>▪ Global balance: ¥387.2bn (-¥2.4bn)  |
| Total equity   | 401.6   | +0.5                       |  |
| Total liabilities and equity                         | 4,315.7 | +128.4                     | ▪ Increase attributed by reduction of risk assets  |
| Shareholders' equity ratio<br>(domestic standard)    | 8.77%   | +0.18%                     |  |

\*: Amounts does not include securitization

Sustainable growth of AFS group  
+  
Change in external environment → Conversion of business model

Structure Change

Expansion of asset formation service

## Retail

Change: • Direct management of In-Store-Branch  
• Integrate planning and management of ATM  
Effect: • Increase number of staff to expand sales of insurance and investment trust  
• Business efficiency  
Target Aim: Cross-selling financial products

Strengthen consulting business

## Solutions

Change: Concentrate on merchant business and card recruitment  
Effect: • Develop new settlement method  
• Specialization of merchant business development  
• Expanding biz area and improve card recruitment efficiency  
Target Aim: Construct merchant network & new card recruitment model

## Use of Database (Finance × POS data) and AI

• Show synergy between AFS group to provide products and services which suite to each individual customers

Integration of HQ functions

## Issuing new co-branded card

Promotion to increase transaction volume in AEON group and external affiliated merchants

### Kojima × Big Camera card



#### < Privilege >

- Reward Kojima pt and Tokimeki pt on WAON integrated card
- Exchange Tokimeki pt to Kojima / WAON pt

#### < Effect >

- Successful in consigned-card recruitment
- Acquisition of male cardholders  
Composition ratio: Male 60%  
(Difference from overall ratio +18%)
- Acquisition of high-spending customers  
Spending/month: 1.9x higher than overall

### AEON card (Minions)



#### < Privilege >

- Reward 10x Tokimeki pt for purchase at the park
- Exchange Tokimeki pt for Minions goods

#### < Effect >

- Acquisition of young and female cardholders  
Composition ratio: Female 81.2%  
(Difference from overall ratio + 27.5%)  
where under 29 year-old: 35.7%  
(Difference from overall ratio +15.1%)  
where first-card ratio: 72%
- Acquisition of customers in Western Japan  
Kinki region: 28.4%、Chu-shikoku region: 14.7%



From 2Q ( onwards): Issue new co-branded card to capture younger customers and those in greater Tokyo

## Malay Area

### Philippines Auto-loan business for 3-wheeled taxi

Motive: To provide products for unbanked persons and more employment opportunities

Target: People rejected from screening due to income and credit

Feature: Remote control of engine start/off

Technology: IoT devices and platforms of Global Mobility Service, Inc.

Tie-up: 2 Taxi Associations in Manila



Realization of our Management Philosophy

“Support customers’ lifestyles and enable each individual to maximize future opportunities through effective use of credit”

Future implementation in other Asian countries

(Indonesia, Malaysia, Vietnam, Cambodia)

## Malaysia

- Preparation for issuing platinum and corporate card. Preparation for issuing e-money and integrate points with Japanese points  
⇒ Expanding credit card, settlement and fee businesses
- Strengthen collaboration with AEON group and merchants ⇒ Shifting to goods sales

## China Area (Hong Kong)

- Double points at AEON stores for Gold card holders ⇒ Increase transaction volume
- Start selling Life Insurance as distributor (in addition to casualty insurance which is an existing product) ⇒ Increase Fee income
- Integration of business functions in China business ⇒ Improving trend in results



|   |                      | Credit Card               |                                      | Personal Loan                                   |                                      |
|---|----------------------|---------------------------|--------------------------------------|---|--------------------------------------|
|   |                      | Current                   | New                                  | Current   | New                                  |
| <b>Credit Limit</b><br>(monthly income) | ( Unit : THB)        |                           |                                      |   |                                      |
|   | More than 50K        | 5x salary                 | No change (5X)                       | 5x salary                                       | No change (5x)                       |
|   | Less than 50K to 30K |                           | 3x salary (only for new customers)   |   | 1.5x salary (only for new customers) |
|   | Less than 30K to 15K |                           | 1.5x salary (only for new customers) |   |                                      |
| More than 15K                           | Not permitted        | No change (not permitted) |                                      | ※maximum of 3 cards from all operators combined |                                      |
| <b>Interest rate cap</b>                |                      | 20%                       | 18%<br>(all receivables)             | 28%   | No change (28%)                      |

**Our cardholders** Targets are low-income earners who are not provided services from local banks

**Our actions**

- Increase credit limit of current cardholders in advance of regulation change
- Number of cardholders as of end of February : Credit card 2.38mil, member card 5.43mil

Increase number of cardholders by strengthening card recruitment effort for co-branded card w/ Big C

Exert a brand power and accumulated know-how of credit to acquire new customers as one of top non-bank

# Progress and Schedule in IT / System investment

| Objective                                  | Effect  | Amount of investment in 1Q | Main initiatives from 2Q  | Amount of investment |
|--|---|----------------------------|---|----------------------|
| Improve convenience and labor productivity | Improve correspondence level (strength in proposal, speed)  | Domestic<br>¥ 5.4bn        | <ul style="list-style-type: none"> <li>Replace system in call center</li> <li>Replace internet system</li> <li>Next generation credit card system</li> <li>Standardize system in global business</li> <li>Shift to paperless of loan and card application by using tablets</li> </ul>                             | Domestic<br>¥30bn    |
| Improve profitability of asset             | Respond to customer's financial needs, any time any where   | Global<br>¥0.4bn           | <ul style="list-style-type: none"> <li>Development related to unmanned store</li> <li>Develop / reform mobile apps to establish digital marketing</li> <li>Introducing mobile payment service</li> <li>Issue e-money to expand settlement business</li> <li>Start a new settlement method with QR code</li> </ul> | Global<br>¥4bn       |
|  | <ul style="list-style-type: none"> <li>Improve collection efficiency</li> <li>Reduction of credit risk</li> <li>Refine screening</li> </ul> |                            | <ul style="list-style-type: none"> <li>Build a process for targeting correction</li> <li>Introducing scoring system</li> <li>Introducing SAS: Improvement of screening system, analysis ability of customer credit, sales promotion</li> </ul>  |                      |

# Forecast of Results for FY2017

- Domestic : Continual growth in card shopping transaction volume
- Global : Recovery of topline, improvement of bad debt allowance and reduce personnel expense

|   | Forecast of Results |        |         |       |
|---|---------------------|--------|---------|-------|
|   | 1H                  | YoY    | 2H      | YoY   |
| Ordinary income                                 | ¥176bn              | -2.8%  | ¥390bn  | +4.0% |
| Ordinary profit                                 | ¥29bn               | +5.7%  | ¥65bn   | +5.5% |
| Net income attributable to owners of the parent | ¥19bn               | +11.7% | ¥40bn   | +1.4% |
| Net income per share                            | ¥88.08              | -2.3%  | ¥185.43 | -2.3% |

|                   | Interim  |     | Year End |     | Full Year |     | Payout Ratio |       |
|-------------------|----------|-----|----------|-----|-----------|-----|--------------|-------|
|                   | Forecast | YoY | Forecast | YoY | Forecast  | YoY | Forecast     | YoY   |
| Dividend forecast | ¥29      | ±¥0 | ¥39      | ±¥0 | ¥68       | ±¥0 | 36.7%        | +0.9% |

• Commemorative dividend “¥2” on previous fiscal year is replaced by the dividend

# (Reference) 1Q FY 2017 Results (Hong Kong, Thailand, Malaysia)



|   |   | FY2016    |      | FY2017    |      |
|---|---|-----------|------|-----------|------|
|   |   | Results   | YoY  | Results   | YoY  |
| AEON<br>CREDIT<br>SERVICE<br>(ASIA)<br>(HK\$'000)     | Total Revenue (※2)  | 326,690   | -1%  | 324,390   | -1%  |
|   | Profit before tax   | 89,846    | +15% | 110,274   | +23% |
|   | Profit for the period<br>attributable to :<br>Owners of the Company | 73,616    | +15% | 91,618    | +25% |
| AEON<br>THANA<br>SINSAP<br>(THAILAND)<br>(BAHT'000)   | Total Revenues  | 4,329,828 | -    | 4,388,728 | +1%  |
|   | Profit before income tax<br>expense                                 | 658,256   | -    | 753,817   | +15% |
|   | Net profit for the period   | 521,288   | -    | 619,724   | +19% |
| AEON<br>CREDIT<br>SERVICE<br>(M) Berhad<br>(RM\$'000) | Revenue + Other<br>operation income                                 | 289,207   | +13% | 333,442   | +15% |
|   | Profit before taxation  | 84,116    | +10% | 101,869   | +21% |
|   | Profit for the period   | 62,727    | +08% | 75,812    | +21% |

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

AEONTS changed accounting period in previous fiscal year ( May. 20 → May. 31)

※2 Total Revenue = Interest income + Other operating income + Recoveries of advances and receivables written-off

# (Reference) 1Q FY 2017 Results (Hong Kong, Thailand, Malaysia)



## ■ Consolidated Results of AEON Credit Service (Asia) Co., Ltd.

|                 | FY 2016 1Q | FY 2017 1Q |      |
|-----------------|------------|------------|------|
|                 | Results    | Results    | YoY  |
| Ordinary income | 4.7        | 4.6        | -1%  |
| Ordinary profit | 1.2        | 1.5        | +22% |
| Net income      | 1.0        | 1.3        | +24% |

Exchange rates: HKD 1

• 2016: ¥14.46

• 2017: ¥14.37

Fiscal period

• 2016: Mar. 1 ~ May. 31

• 2017: Mar. 1 ~ May. 31

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

|                 | FY 2016 1Q | FY 2017 1Q |      |
|-----------------|------------|------------|------|
|                 | Results    | Results    | YoY  |
| Ordinary income | 13.7       | 14.2       | +4%  |
| Ordinary profit | 2.0        | 2.4        | +17% |
| Net income      | 1.6        | 2.0        | +22% |

Exchange rates: THB 1

• 2016: ¥3.17

• 2017: ¥3.24

Fiscal period

• 2016: Mar. 1 ~ May. 31

• 2017: Mar. 1 ~ May. 31

## ■ Results of AEON Credit Service (M) Berhad

|                 | FY 2016 1Q | FY 2017 1Q |      |
|-----------------|------------|------------|------|
|                 | Results    | Results    | YoY  |
| Ordinary income | 8.0        | 8.5        | +6%  |
| Ordinary profit | 2.3        | 2.6        | +11% |
| Net income      | 1.7        | 1.9        | +11% |

Exchange rates: MYR 1

• 2016 : ¥27.82

• 2017 : ¥25.56

Fiscal period

• 2016: Mar. 1 ~ May. 31

• 2017: Mar. 1 ~ May. 31

(Unit: Billions of yen)

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



## ■ Allowance for Doubtful Accounts (by Segment)

|   | Retail | Solutions | Domestic Total |
|---|--------|-----------|----------------|
| Allowance for doubtful accounts, beginning of period        | ¥1.8bn | ¥33.7bn   | ¥35.5bn        |
| Provision of allowance for doubtful accounts                | ¥0.1bn | ¥4.4bn    | ¥4.5bn         |
| Write-off of doubtful accounts (including transferred debt) | ¥0.0bn | ¥3.1bn    | ¥3.1bn         |
| Allowance for doubtful accounts, end of period              | ¥1.8bn | ¥35.1bn   | ¥36.9bn        |

(Subsidiaries in domestic) Aeon Credit Service: ¥30bn, Aeon Bank: ¥1.9bn, Aeon Product Finance: ¥4.1bn, Aeon Housing Loan Service: ¥1.3bn

## ■ Allowance for Loss on Refund of Interest Received

|                     | FY2016 1Q | FY2017 1Q |
|---------------------|-----------|-----------|
| Beginning of period | ¥4.2bn    | ¥3.8bn    |
| Provision           | -         | ¥80mil    |
| Interest refunded   | ¥1.0bn    | ¥0.8bn    |
| End of period       | ¥3.1bn    | ¥3.0bn    |

(Interest claims amount : Cash out + principal payout)

|   | China Area | Mekong Area | Malay Area | Global Total | Consolidated |
|---|------------|-------------|------------|--------------|--------------|
| Allowance for doubtful accounts, beginning of period        | ¥1.7bn     | ¥8.4bn      | ¥4.3bn     | ¥14.5bn      | ¥50.3bn      |
| Provision of allowance for doubtful accounts                | ¥0.8bn     | ¥3.7bn      | ¥2.5bn     | ¥7.1bn       | ¥11.7bn      |
| Write-off of doubtful accounts (including transferred debt) | ¥1.0bn     | ¥3.9bn      | ¥2.1bn     | ¥7.0bn       | ¥10.2bn      |
| Allowance for doubtful accounts, end of period              | ¥1.5bn     | ¥8.3bn      | ¥4.7bn     | ¥14.6bn      | ¥51.8bn      |

# (Reference) FY 2017 Business Plan (Domestic)



|                       | FY 2017 1Q |                         | FY 2017  |          |
|-----------------------|------------|-------------------------|----------|----------|
|                       | Results    | Change from start of FY | Plan     | YoY      |
| Number of cardholders | 27.14mil   | +0.22mil                | 28.00mil | +1.08mil |

|                                  | Results   | YoY    | Plan      | YoY    |
|----------------------------------|-----------|--------|-----------|--------|
| Card shopping transaction volume | 1,179.2bn | +11.2% | 5,000.0bn | +10.7% |

|                                 | Results  | Change from start of FY | Plan     | YoY      |
|---------------------------------|----------|-------------------------|----------|----------|
| Balance of cash advances        | ¥440.2bn | +¥8.6bn                 | ¥460.0bn | +¥28.3bn |
| Balance of small consumer loans | ¥78.0bn  | +¥2.2bn                 | ¥90.0bn  | +¥14.1bn |
| Balance of unsecured loans      | ¥518.3bn | +¥10.8bn                | ¥550.0bn | +¥42.4bn |

# (Reference) Definition of “Adjustments” based on presentation format

## Brief Report

|        |           |       |        |       |                           |       |
|--------|-----------|-------|--------|-------|---------------------------|-------|
| Retail | Solutions | China | Mekong | Malay | <b>Adjustment amounts</b> | Total |
|--------|-----------|-------|--------|-------|---------------------------|-------|

Includes HQ/Shared function companies, transactions between business segments

## FACT BOOK

### «Operating Segment Performance» P.6 (FY2017 1Q)

| Domestic |           |                    |       | Global |        |       |                    |       | Adjustment amounts        | Consolidated |
|----------|-----------|--------------------|-------|--------|--------|-------|--------------------|-------|---------------------------|--------------|
| Retail   | Solutions | <b>Adjustments</b> | Total | China  | Mekong | Malay | <b>Adjustments</b> | Total | <b>Adjustment amounts</b> | Total        |

Includes transactions between Retail and Solutions

Includes transactions between China, Mekong and Malay Area

Includes HQ/Shared function companies, transactions between business segments

### «Financial Summary in Domestic» P.7 – 11 (FY2017 1Q)

| Domestic               |                              |                    |
|------------------------|------------------------------|--------------------|
| Domestic business unit | Aeon Financial Service (AFS) | <b>Adjustments</b> |

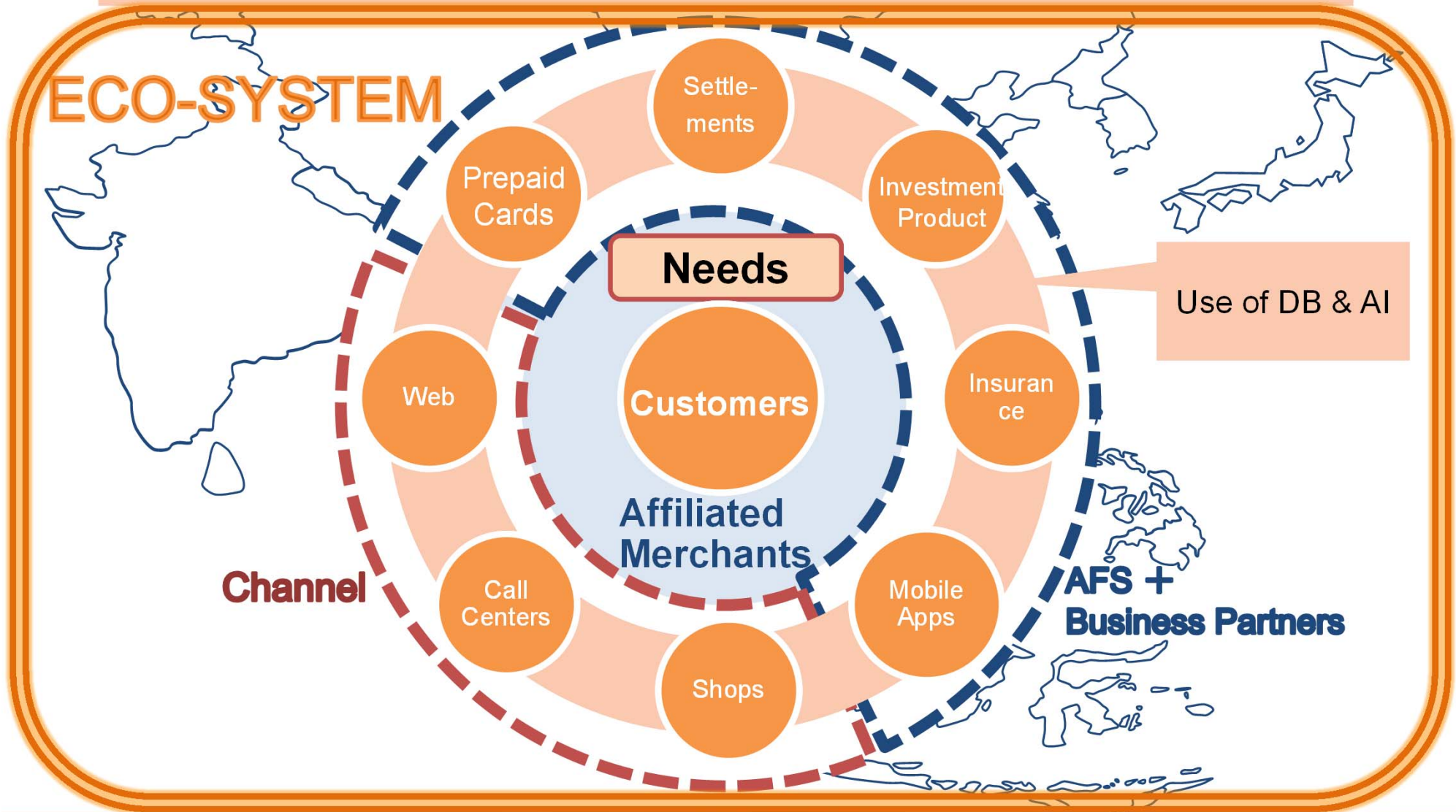
Includes transactions between Domestic business unit and AFS. Dividends from overseas subsidiaries are not eliminated.



# (Reference) Our Vision: "Asia's No.1 Retail Financial Service Company"

**MISSION:** Enrich daily lives of customers by providing financial services

**PROCESS:** Contributing to our customers at all life stages and lifestyles  
Using data-based marketing for our Asian subsidiaries  
Providing group synergies by strengthening financial services



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**