

Results for the Third Quarter of FY2017 February 9, 2018



AEON Financial Service

First Section of the Tokyo Stock Exchange
Stock Code: 8570

Consolidated results and business outline

(Unit: Billions of yen)	First Half of FY2017		3Q		1-3Q Cumulative	
	Results	YoY	Results	YoY	Results	YoY
Ordinary income	194.5	+8%	102.1	+9%	296.6	+8%
Ordinary expenses	165.9	+8%	85.9	+9%	251.9	+9%
Ordinary profit	28.5	+4%	16.1	+9%	44.7	+6%
Profit of securitization receivables	4.0	-22%	2.5	+10%	6.5	-13%
Depreciation of securitization receivables profit *	2.9	-	1.4	-	4.4	-
Net income attributable to owners of parent	17.1	+1%	8.7	-1%	25.9	0%

* Amount of depreciation for cumulative securitization receivables profit

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

[FY2017 3Q cumulative results: Record high results; Increase in consolidated income & profit for six consecutive terms. Consolidated results has been progressed as planned]

■ Ordinary income: ¥296.6bn(YoY +8%, +¥3.9bn due to exchange rate effect)

• Domestic: Card shopping txn vol. ¥3,691tn (YoY +10%) led by increase in cardholders and continued effect of reward pt sales promotion(Shopping income +¥8.1bn). Increase in no. of active cardholders to 1.28mil (+0.05mil from start of FY2017) also led to rise in cash adv. bal. to ¥327K per person(+¥12K from start of FY2017). From 10/1, all AEON Bank in-store branches are directly managed by AEON Bank (32 to 139 stores), and promotion of asset management services is emphasized.

• Global: Recovery of topline due to personal loans txn bal. growth (income from other loans+¥3.8bn) in Thailand, effect of measures implemented in response to the new credit card and personal loan regulations.

■ Ordinary profit: ¥44.7bn(YoY +6%, +¥0.7bn due to exchange rate effect)

• Domestic: ①Up-front investments of ¥6.0bn related to direct management of AEON bank branches, integration of HQ functions and improved efficiency in credit screening and collection management systems (Refer to Page 5) ②Favorable growth in card shopping txn led to increase in point exp. +¥3.2 ③ Bad debt exp. +¥1.0bn, Refund of interest claims ¥0.4bn, fall in refund of interest claims (YoY-33.3%).④Securitization of housing loans in 3Q to compress level of risk assets, to increase capital turnover and improve yield.

• Global: Shift from foundation construction stage to growth stage due to cost reduction through strengthening of screening and collection management. Main KPIs - Personnel exp./Ordinary income: 15.0%(YoY -0.3pt), Bad debt exp./Ordinary income: 24.4% (YoY -2.6pt), showing favorable progress in efficiency. Improvement in bad debt exp. in 3Q (¥22.0bn, YoY +0%, +¥0.9bn due to exchange rate effect) attributed to shift from financing to sale of goods.

■ Net income attributable to owners of parent: ¥25.9bn(YoY -0%)

• Deferred Tax Asset classification change in AEON Bank since FY2016(reduction of exp.), resulted in tax exp.(+¥1.8bn), Non-controlling shareholders profit(+¥1.6bn) in FY2017 3Q.

Consolidated results of business scale

	FY2016 4Q		FY2017 1H		FY2017 3Q	
	Results	YoY	Results	Change from start of FY	Results	Change from start of FY
① No. of cardholders	38.94 mil	+1.72 mil	39.84 mil	+0.90 mil	40.25	+1.31 mil
No. of domestic cardholders	26.92 mil	+1.04 mil	27.39 mil	+0.47 mil	27.58	+0.66 mil
② No. of active cardholders	16.61 mil	+0.68 mil	16.87 mil	+0.26 mil	16.98	+0.37 mil
③ AEON Bank accounts	5.55 mil	+0.62 mil	5.80 mil	+0.25 mil	5.92	+0.37 mil
No. of AEON Card SELECT members	4.08 mil	+0.52 mil	4.30 mil	+0.22 mil	4.38	+0.30 mil
④ Finance receivables	¥4,427.2bn	+569.5bn	¥4,806.6bn	+379.4bn	¥5,047.5bn	+620.2bn

① No. of cardholders

- Global: Successful cardholder recruitments efforts especially in Thailand attributed to new Big C co-branded cards led to favorable trend in number of cardholders.
- Stable growth due to double point program at AEON stores

② No. of active cardholders

- Double point program at AEON stores led to increase in card usage
- Web statements: 5.06 mil users registered (YoY +1.15 mil, active users rate: 57% per month)
⇒ FY2017 1H postage cost reduced by approx. ¥1.8bn (※comparing to when paper statements are used)
- Card shopping txn vol. ¥3.691tn (YoY +11%)

③ AEON Bank accounts

- Increase in number AEON Card SELECT and Debit card members.
- Ordinary deposits balance: ¥1.924tn (+¥479.6bn from start of FY)

④ Finance receivables (incl. securitization)

- Domestic: ¥4.507tn (+¥546.1bn from start of FY)
*Growth in card shopping (+¥150.8bn), housing loans balance (+¥127.2bn) and hire-purchase contracts balance (+¥78.4bn).
- Global: ¥545.0bn (+¥74.1bn from start of FY)
*Accounts receivable installment (+¥31.6bn), Loans and bills discounted (+¥42.4bn)

Results by segment

(Unit: Billions of yen)	Domestic total			Global total			Adjustments	Total	
	※	Retail	Solutions	※	China Area	Mekong Area			Malay Area
Ordinary income	205.5	131.4	126.3	90.3	14.4	46.1	29.6	△51.4	296.6
YoY	+7%	+6%	+6%	+11%	+4%	+11%	+15%	+2%	+8%
Change	+14.1	+7.3	+6.8	+9.0	+0.5	+4.7	+3.8	△0.9	+22.1
Ordinary profit	24.5	6.6	20.4	20.0	4.5	8.4	7.0	△2.4	44.7
YoY	-2%	-27%	-1%	+28%	+33%	+38%	+16%	-18%	+6%
Change	-0.6	-2.4	-0	+4.4	+1.1	+2.3	+0.9	+0.5	+2.4
Ordinary profit ratio	11.9%	5.1%	16.2%	22.2%	31.5%	18.4%	23.7%	-	15.1%
YoY	-1.2pt	-2.3pt	-1.0pt	+3.0pt	+6.9pt	+3.6pt	+0.3pt	-	-0.3pt

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

① Domestic main factors ※() YoY

【Retail】

- Interest income (+¥5.6bn: Cash adv.+¥3.1bn)
- Other operating income: Profit of securitization receivables of housing loan (-¥2.3bn)
- Fees and commissions payment (+¥3.4bn): increase in guarantee fees +¥2.4bn due to growth in finance receivables
- G&A exp.: Expenses related to reward point program (+¥3.4bn)

【Solutions】

- Fees and commissions: card shopping revenue (+¥4.3bn), Installment sales income (+¥1.0bn)
- Other operating income: Profit of securitization receivables (+¥1.1bn) where sale to external investors +¥1.3bn, internal (AEON BK) -¥0.2bn
- Fees and commissions payment +¥2.7bn: consulting fees etc
- Amortization expenses (+¥1.2bn), Advertising expenses excluding point program expenses (-¥0.3bn)
- Other ordinary expenses: Bad debt expenses (+¥0.5bn), Refund of interest claims (+¥0.4bn)

② Global main factors ※() YoY

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

- ACS(A): Increase in card shopping txn due to strengthening of cooperation with AEON Hong Kong (campaigns etc)
- Personnel expenses/Ordinary income: 14.8% (-1.6pt)
- Bad debt allowance/Ordinary income: 17.7% (-4.4pt)

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

- AEONTS: Strong receivables growth due to credit usage enhancement strategy for personal loans
- Personnel expenses/Ordinary income: 14.7% (+0.6pt)
- Bad debt allowance/Ordinary income: 25.2% (-4.5pt)

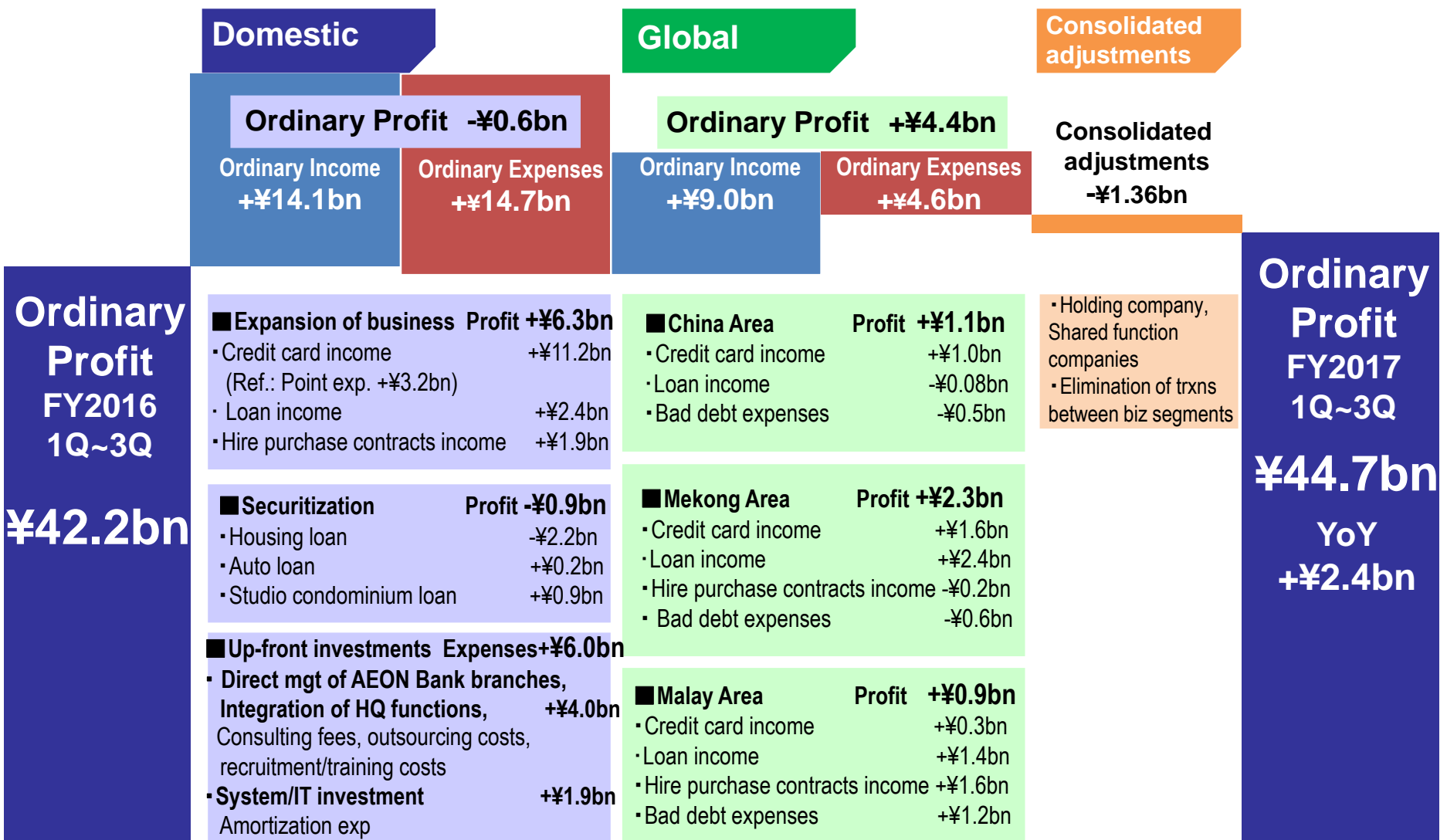
【Malay Area: ↑ income ↑ profit for ACS(M)*】

- ACSM: Increase in hire purchase contracts for bikes and cars
- Personnel expenses/Ordinary income: 15.6% (-1.1pt)
- Bad debt allowance/Ordinary income: 26.3% (+1.0pt)

*in yen and in local currency

Domestic/Global area results by graph

■ Expenses related to domestic up-front investments are being covered by growth in overseas biz



※Figures for the above respective areas represent amounts after elimination of transactions between business segments (excl. holding companies and shared function companies.)

Consolidated balance sheet

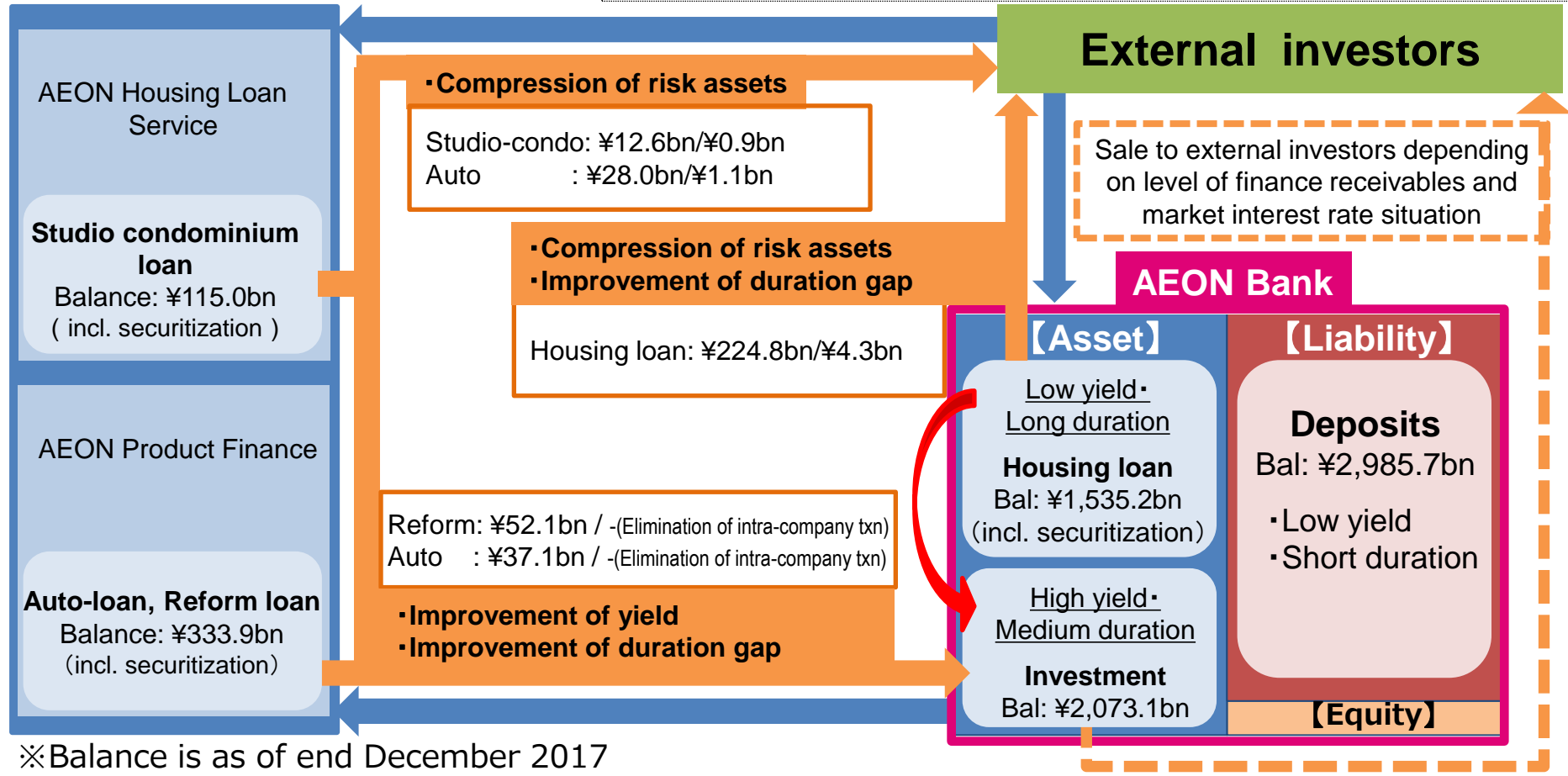
Consolidated results (Unit: Billions of yen)	Cumulative Results From 1Q-3Q	Change from start of FY	Topics ※(): Change from start of FY
Cash and deposits	561.1	+26.5	<ul style="list-style-type: none"> Domestic balance: ¥524.2bn (+¥19.1bn) →increase due to favorable trend in credit card txns
Loan and bills discounted	2,111.9	+247.0	<ul style="list-style-type: none"> Domestic balance: ¥1.822tn (+¥204.5bn) →unsecured loan: ¥524.5bn (+¥17.0n), in which cashing: ¥446.7bn (+¥15.0bn) ※Securitization balance: ¥1.036tn (+¥143.6bn) ※Housing loan (incl. securitization): ¥1,535tn (+¥127.2bn) Global balance: ¥294.6bn (+¥42.4bn)
Accounts receivable – installment	1,454.4	+272.2	
Allowance for doubtful accounts	-54.4	-4.1	
Other Assets	652.4	-3.3	
Total assets	4,725.5	+538.2	
Deposits	2,975.3	+433.2	<ul style="list-style-type: none"> Domestic balance : ¥1.203tn (+¥240.5bn) ※Securitization balance: ¥320.6bn (-¥21.1bn) →increase in card shopping and installment sales Global balance : ¥250.4bn (+¥31.6bn) →increase in card shopping and installment sales
Interest-bearing debt	788.2	+29.2	
Allowance for loss on refund of interest received	2.2	-1.5	<ul style="list-style-type: none"> Ordinary deposits : ¥1.924tn (+¥479.6bn) Time deposits : ¥1.058tn (-¥38.5bn)
Other liabilities	533.6	+52.5	
Total liabilities	4,299.5	+513.5	
Total equity	425.9	+24.7	<ul style="list-style-type: none"> Domestic balance : ¥367.1bn (-¥2.1bn) →Long-term loans payable: ¥28.9bn (+¥5.3bn) Shift to ordinary deposits continues Global balance : ¥421.0bn (+¥31.4bn)
Total liabilities and equity	4,725.5	+538.2	
Shareholders' equity ratio (domestic standard)	8.51%	-0.08pt	<ul style="list-style-type: none"> Prevent increase of risk assets

Improve profitability of asset ~capital efficiency by securitization~

- Improvement of yield and duration gap as well as compression of risk asset through funding by securitization
- Make use of low-cost funding available from AEON Bank and sale to external investors depending on level of balance of finance receivables and market interest rate situation
- Increase in risk asset amount is controlled to ¥180.0bn by effectively reducing risk asset by ¥150.0bn till 3Q. Planning to proceed initiatives for compression of risk asset in 4Q.

Securitization process up till FY2017 3Q

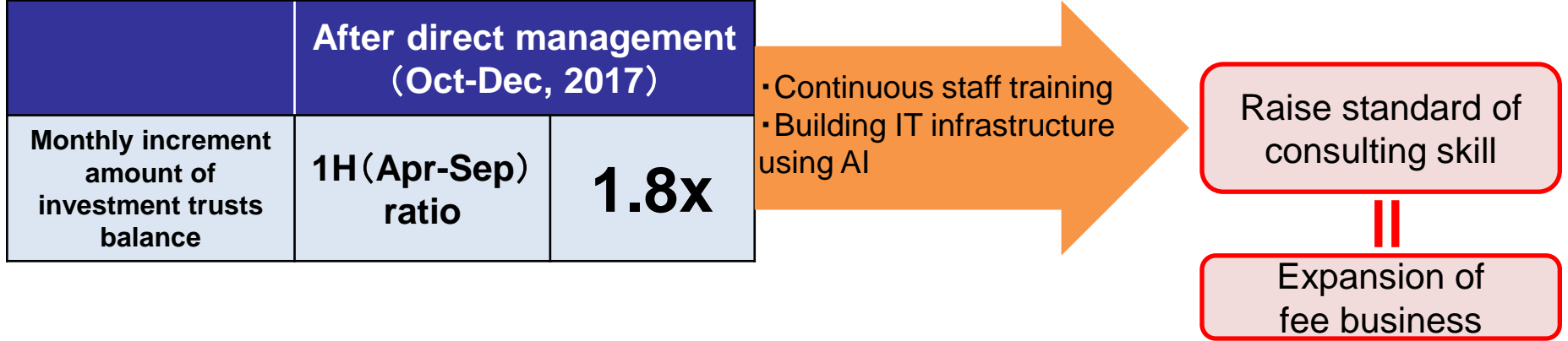
※ securitization funding Details in represent the ratio of Securitization amount in 1H/Resulting effect on profit



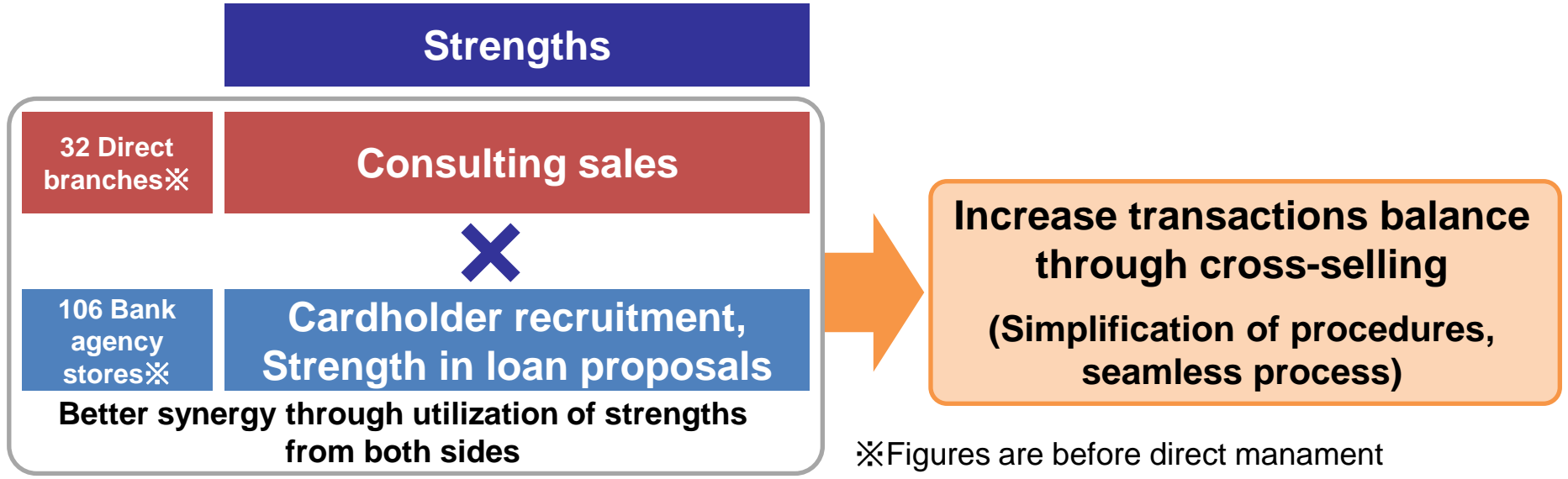
※Balance is as of end December 2017

Situation of direct management of AEON Bank branches

■ Speed up the pace of increment of balance of investment trust after direct management



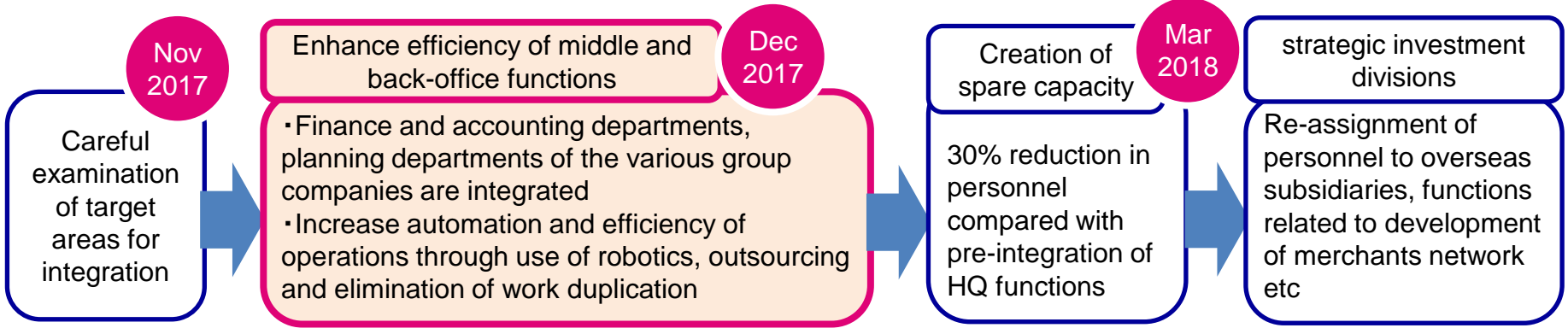
■ Fusion of strengths of directly managed stores and agency stores to promote cross-selling of products



Initiatives for improvement of convenience and labor productivity

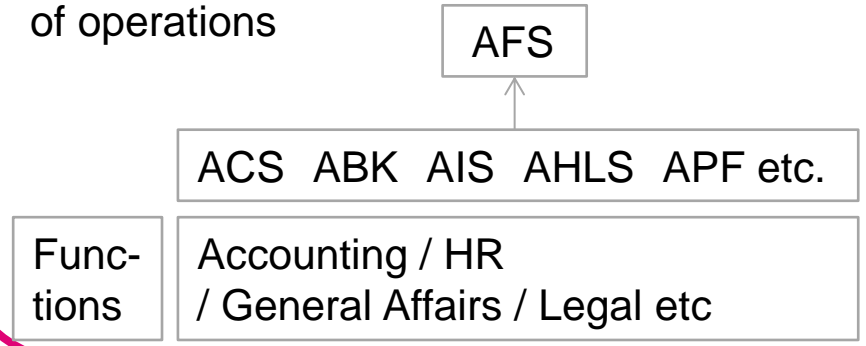
■ Integration of domestic HQ functions

- Increase operational efficiency and labor productivity by reassigning personnel to strategic investment divisions



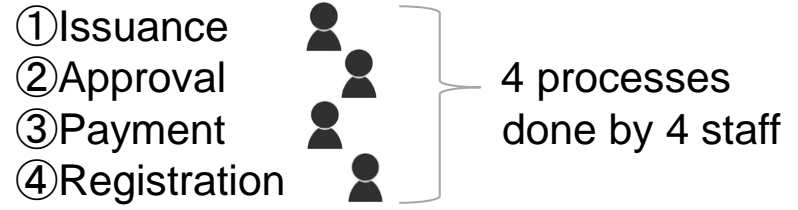
● HQ Integration

- Integration of domestic 9 companies functions (e.g. Accounting, HR etc.) into one company
- Promote automation and outsourcing of operations

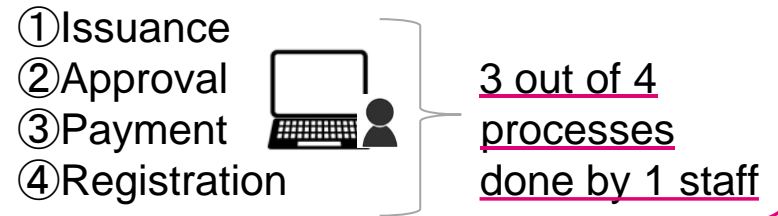


● Example of automation initiative:

- Current operations at Accounting Dept



• Automation: Introduction of Robotics



■ Initiatives through IT・digitalization

Key Word	Initiatives	
Easy access	<ul style="list-style-type: none"> Automated chat service through AI Credit card recruitment via Pepper Concierge service using AI 	
Simple Speedy	<ul style="list-style-type: none"> Paperless housing loan application process 	
Security	<ul style="list-style-type: none"> Banking transaction using fingerprint and pulse authentication 	
Comfortable	<ul style="list-style-type: none"> Digitalization of new ISBs through IT Semi-open booth 	
One to One service	<ul style="list-style-type: none"> 「Text mining tool」, 「Voice recognition Technology」 Collection process using AI 	

Offering products and services to support easy, convenient and good value lifestyle

Initiatives for Global segment(2H)

Mekong Area

● Thailand

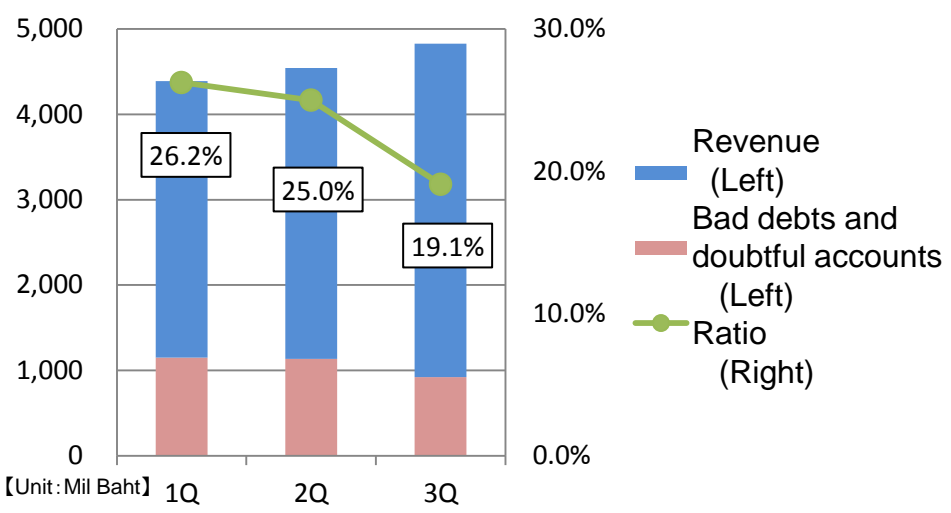
- Optimization of credit cost
 - Strengthen monitoring to customers who increased credit limit
 - Unified HQ and Servicer business for facilitation of collection and reduction of credit cost
- Expansion of transaction volume due to strengthened recruitment of Big C card
- Started auto-loan business
- Added payment function on mobile app

● Cambodia

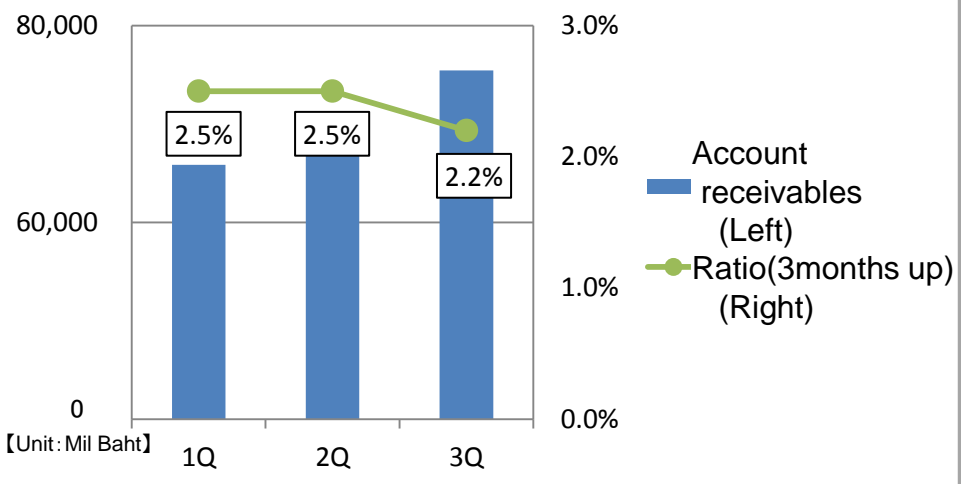
- Started auto-loan biz using IoT device
 - Number of contracts : 26
 - Number of payment default cases: 0 (at of end December, 2017)
- Promote mobile payment(e-money)



Transition of credit cost at AEONTS



Transition of account receivables at AEONTS



Initiatives for Global segment(2H)

China Area

- Hong Kong
 - Increase revenue and profit via expansion of card receivables in 3Q
 - Issuance of 「ONE PIECE Mastercard」
- China
 - Improve profitability of 3 micro-finance companies through integration of back-office functions

Malay Area

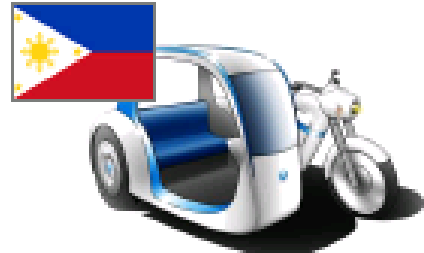
- Malaysia
 - Shift from financing to sale of goods.
 - Opening of “paperless and cashless” branch
 - Expansion of product line-ups in respond to growing salary trend and less unbanked in the future
 - Promote e-money point card
- Philippines
 - Started auto-loan business using IoT device
 Number of contracts : 423
 Number of payment default cases: 0
 (at of end December, 2017)

AEON Credit Service (Asia) Transition of comparison <YoY>

	1Q	2Q	3Q
Ordinary income	-1%	-2%	+6%
Ordinary profit	+23%	+5%	+34%

Aeon Credit Service (M) Berhad Transition of comparison <YoY>

(Unit : MR' million)	1Q	2Q	3Q
Account receivables	6,778	6,990	7,143
Personal Loan	1,730	1,827	1,883



Forecast of Results for FY2017

- Domestic: Sustainable growth of card shopping transaction volume and improve productivity through integration of HQ functions
- Global: Expansion of topline by new business and controlling bad debt allowance

	FY2017	
	Forecast	YoY
Ordinary income	¥390bn	+4.0%
Ordinary profit	¥65bn	+5.5%
Net income attributable to owners of parent (Net income per share)	¥40bn (¥185.43)	+1.4%

	Interim		Year End		Full Year		Payout Ratio	
	Plan	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) FY2017 3Q Results (Hong Kong, Thailand, Malaysia)



		FY2016 1Q-3Q		FY2017 1Q-3Q	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$'000)	Total Revenue (※2)	960,274	-3%	994,194	+4%
	Profit before tax	275,650	+25%	331,712	+20%
	Profit for the period attributable to : Owners of the Company	226,007	+26%	274,018	+21%
AEON THANA SINSAP (THAILAND) (BAHT'000)	Total Revenues	13,139,799	-1%	13,606,646	+4%
	Profit before income tax expense	1,978,952	-13%	2,547,198	+29%
	Net profit for the period	1,579,250	-13%	2,053,851	+30%
AEON CREDIT SERVICE (M) Berhad (RM\$'000)	Revenue + Other operation income	892,115	+15%	1,013,616	+14%
	Profit before taxation	248,098	+18%	292,969	+18%
	Profit for the period	184,974	+16%	217,749	+18%

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

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

(Reference) 1Q-3Q FY 2017 Results (Hong Kong, Thailand, Malaysia)



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

	FY 2016 1Q-3Q	FY 2017 1Q-3Q	
	Results	Results	YoY
Ordinary income	13.3	14.2	+7%
Ordinary profit	3.8	4.7	+24%
Net income	3.1	3.9	+25%

Exchange rates: HKD 1

- FY2016 3Q : ¥13.89
- FY2017 3Q : ¥14.34

Fiscal period

- 2016: Mar. 1 ~ Nov. 30
- 2017: Mar. 1 ~ Nov. 30

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

	FY 2016 1Q-3Q	FY 2017 1Q-3Q	
	Results	Results	YoY
Ordinary income	40.2	45.0	+12%
Ordinary profit	6.0	8.4	+39%
Net income	4.8	6.7	+41%

Exchange rates: THB 1

- FY2016 3Q : ¥3.06
- FY2017 3Q : ¥3.31

Fiscal period

- 2016: Mar. 1 ~ Nov. 30
- 2017: Mar. 1 ~ Nov. 30

■ Results of AEON Credit Service (M) Berhad

	FY 2016 1Q-3Q	FY 2017 1Q-3Q	
	Results	Results	YoY
Ordinary income	23.4	26.4	+13%
Ordinary profit	6.5	7.6	+17%
Net income	4.8	5.6	+17%

Exchange rates: MYR 1

- FY2016 3Q : ¥26.28
- FY2017 3Q : ¥26.09

Fiscal period

- 2016: Mar. 1 ~ Nov. 30
- 2017: Mar. 1 ~ Nov. 30

(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	¥34.3bn	¥35.5bn
Provision of allowance for doubtful accounts	¥0.5bn	¥13.6bn	¥14.1bn
Write-off of doubtful accounts (including transferred debt)	¥0.0bn	¥11.2bn	¥11.3bn
Allowance for doubtful accounts, end of period	¥2.2bn	¥36.7bn	¥38.3bn

(Subsidiaries in domestic) Aeon Credit Service: ¥30.3bn, Aeon Bank: ¥2.3bn, Aeon Product Finance: ¥4.6bn, Aeon Housing Loan Service: ¥1.6bn

■ Allowance for Loss on Refund of Interest Received

	FY2016 1Q-3Q	FY2017 1Q-3Q
Beginning of period	¥4.2bn	¥3.8bn
Provision	¥0.7bn	¥1.2bn
Interest refunded	¥3.2bn	¥2.7bn
End of period	¥1.7bn	¥2.2bn

(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	¥2.5bn	¥11.6bn	¥7.8bn	¥22.0bn	¥36.2bn
Write-off of doubtful accounts (including transferred debt)	¥2.8bn	¥10.9bn	¥6.9bn	¥20.8bn	¥32.1bn
Allowance for doubtful accounts, end of period	¥1.4bn	¥9.1bn	¥5.2bn	¥15.7bn	¥54.4bn

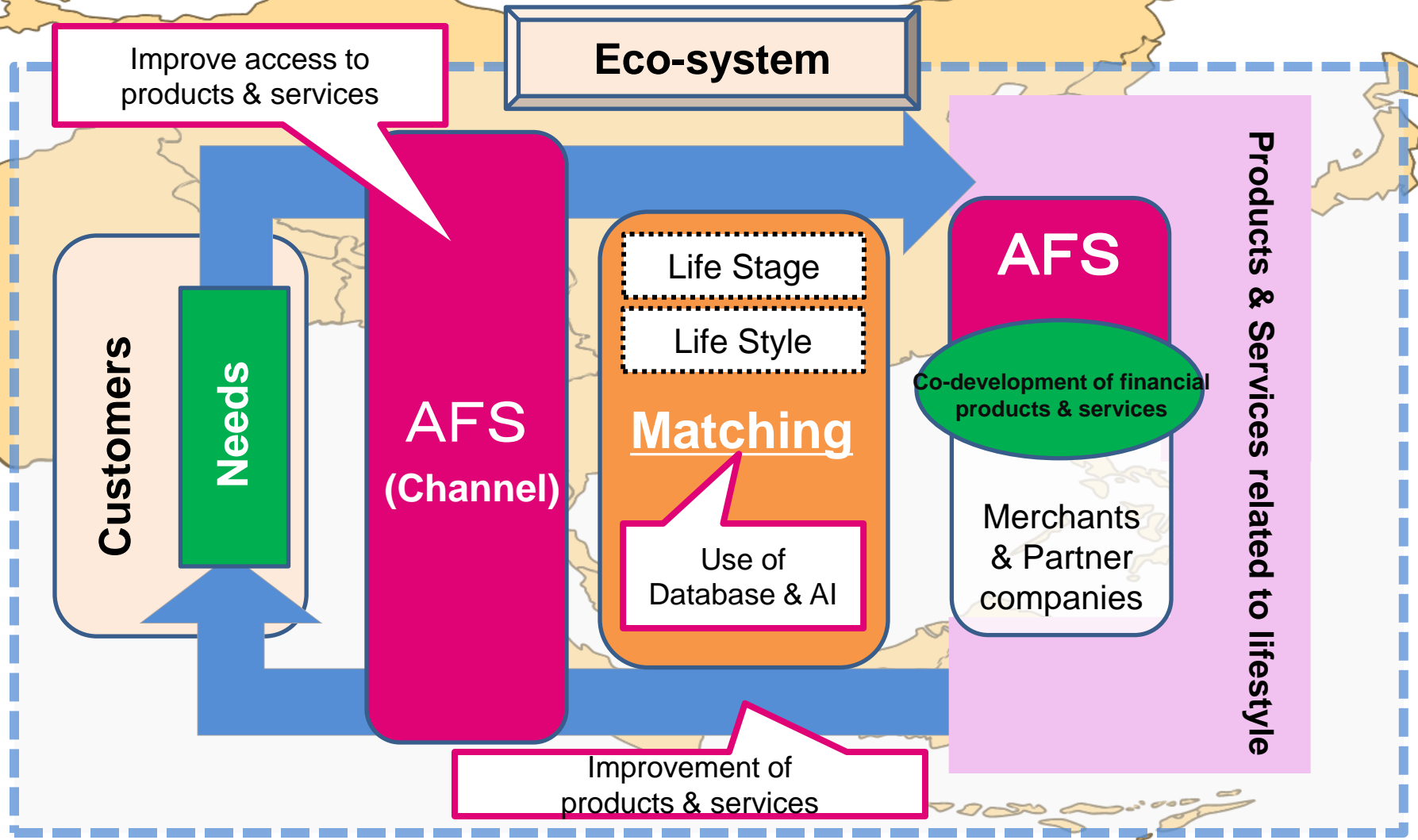
	FY 2017 3Q		FY 2017	
	Results	Change from start of FY	Plan	YoY
Number of cardholders	27.58mil	+0.66mil	28.00mil	+1.08mil

	Results	YoY	Plan	YoY
Card shopping transaction volume	3,691.9bn	+10.0%	5,000.0bn	+10.7%

	Results	Change from start of FY	Plan	YoY
Balance of cash advances	¥446.7bn	+¥15.0bn	¥460.0bn	+¥28.3bn
Balance of small consumer loans	¥77.7bn	+¥1.9bn	¥90.0bn	+¥14.1bn
Balance of unsecured loans	¥524.5bn	+¥17.0bn	¥550.0bn	+¥42.4bn

Our Vision “Asia’s No. 1 Retail Financial Service Company

- Improve convenience and access to financial products and services by utilizing the latest IT technology
- More proactive efforts in approaching customers as existing financial institutions are unable to provide sufficient services
- Matching the various lifestyle needs of customers starting from financial needs



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

Brief Report

Retail	Solutions	China	Mekong	Malay	Adjustment amounts	Total
--------	-----------	-------	--------	-------	---------------------------	-------

Includes HQ/Shared function companies, transactions between business segments

FACT BOOK

«Operating Segment Performance» P.6 (FY2017 3Q)

Domestic			Global				Adjustment amounts	Consolidated
Total	Retail	Solution	Total	China	Mekong	Malay		Total

↑
Adjustment transaction between Retail and Solution

↑
Adjustment transaction between China, Mekong and Malay Area

↑
Includes HQ/Shared function companies, transactions between business segments

«Financial Summary in Domestic» P7—11 (FY2017 3Q)

Domestic
Domestic business unit

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

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