

Results for the First Quarter of Fiscal Year 2018

August 10, 2018



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	102.3	+9%	+8.3
Ordinary expenses	88.1	+7%	+6.0
Ordinary profit	14.2	+19%	+2.2
Profit from securitization receivables	1.4	-	+1.4
Net income attributable to owners of parent	7.4	+6%	+0.4

	1Q	
	Results	Change from start of FY
No. of cardholders	41.12mil	+0.48mil
No. of cardholders (Domestic)	27.95mil	+0.20mil
No. of active cardholders (Domestic)	17.12mil	+0.10mil
AEON Bank accounts	6.17mil	+0.12mil
No. of AEON Card Select members	4.58mil	+0.10mil
No. debit cards	1.7mil	+0.02mil
Finance receivables	¥5,356.4bn	+¥132.7bn

【 1Q results 】 Record high results and increase in ordinary income & ordinary profit for six consecutive terms

■ Ordinary income: ¥102.3bn (YoY +9%, +¥8.3bn, +¥1.2bn due to effect of exchange rate)

• Domestic: Card shopping transaction vol. ¥1.267tn (YoY +7%)

Cash advance transaction vol. ¥462.8bn (+¥7.0bn since the start of the fiscal year)

• Global: Steady recovery trend since second half of FY2017 – growth in income and profit for all three areas

■ Ordinary profit: ¥14.2bn (YoY +19%, +¥2.2bn, +¥0.3bn due to effect of exchange rate)

• Domestic: ①Securitization of only auto loan finance receivables in 1Q (¥1.4bn) ②Bad debt exp +¥1.4bn YoY

③Refund of interest claims -54% YoY ④ Personnel exp as % of ordinary income 16.9%, -0.9pt YoY

• Global: Improvements in both KPIs - personnel exp as % of ordinary income 14.4%, -0.4pt YoY and bad debt exp as % of ordinary income 21.5%, -3.3pt YoY

• Ordinary profit as percentage share of consolidated amt: Domestic 39% (YoY -6pt), Global 61% (YoY+6pt)

Results by segment

(Unit: Billions of yen)	Domestic total			Global total			Adjustments	Total	
	※	Retail	Solutions	※	China Area	Mekong Area			Malay Area
Ordinary income	69.2	43.3	43.2	33.0	4.7	17.2	11.0	-17.2	102.3
YoY	+7%	+6%	+7%	+14%	+0%	+18%	+15%	+5%	+9%
Change	+4.7	-2.3	+2.7	+4.0	+0	+2.6	+1.4	-0.8	+8.3
Ordinary profit	5.4	0.5	5.4	8.6	1.8	3.2	3.4	-0.3	14.2
YoY	+4%	+127.2%	-10%	+34%	+26%	+30%	+44%	-45%	+19%
Change	+0.1	+0.3	-0.5	+2.1	+0.3	+0.7	+1.0	+0.3	+2.2
Ordinary profit ratio	7.8%	1.2%	12.7%	26.1%	39.2%	19.0%	31.5%	-	13.9%
YoY	-0.3pt	+0.7pt	-2.3pt	+3.9pt	+8.0pt	+1.8pt	+6.3pt	-	+1.2pt

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

① Domestic main factors ※ () YoY

【Domestic】

- Credit card income (+2.6bn)
- Securitization income (+1.4bn)
- Bad debt expense (+1.4bn)

【Retail】

- Growth in income and profit due to expansion of finance receivables balance

【Solutions】

- Increase in transaction volume and securitization of finance receivables led to increase in income
- Increase in bad debt expenses and investment expenses related to improvement of operational efficiency etc led to fall in profit

② Global main factors ※ () YoY

Topline growth and improvement of productivity

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

- Personnel expenses/Ordinary income: 13.8%(-1.3pt)
- Bad debt allowance/Ordinary income: 12.7%(-5.4pt)

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

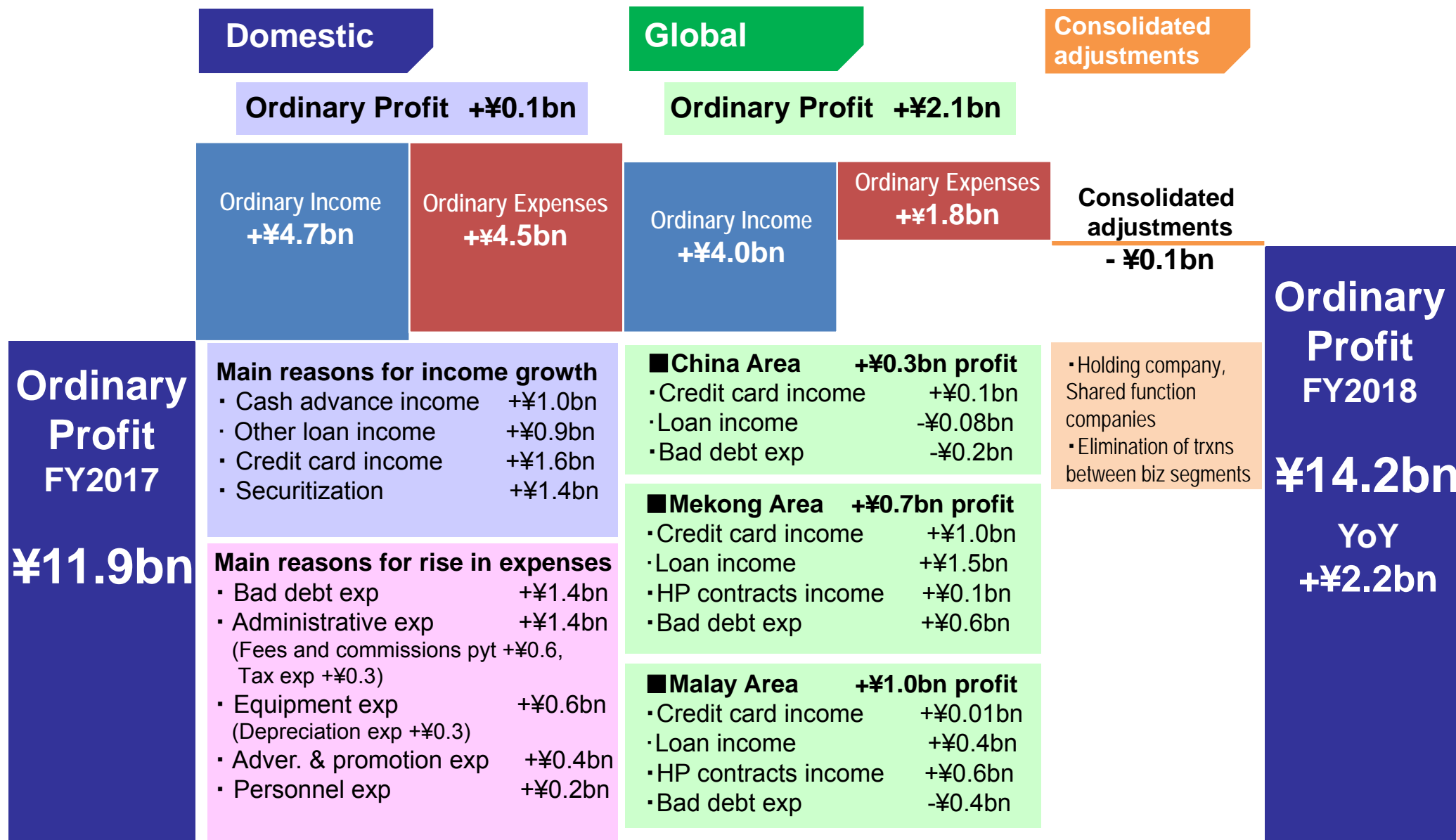
- Personnel expenses/Ordinary income: 14.5%(-0.5pt)
- Bad debt allowance/Ordinary income: 26.0%(+0.0pt)

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

- Personnel expenses/Ordinary income: 14.5(+0.2pt)
- Bad debt allowance/Ordinary income: 18.4%(-8.0pt)

*in local currency

Domestic/Global segment results by graph



※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)	Results	Change from start of FY	Topics ※(): Change from start of FY
Cash and deposits	576.4	-74.0	<ul style="list-style-type: none"> Domestic balance: ¥537.2bn (-¥74.3bn) →reduction attributed to increase in finance receivables
Loan and bills discounted*	2,391.1	+119.4	<ul style="list-style-type: none"> Domestic balance: ¥2,099.7bn (+¥115.4bn) →unsecured loan: ¥539.4bn (+¥6.1bn), in which cashing: ¥462.8bn (+¥6.9bn) ※Securitization balance: ¥1.034tn (-¥20.4bn) ※Housing loan (incl. securitization): ¥1,655.6bn (+¥43.9bn) Global balance: ¥295.2bn (+¥3.8bn) Securities: ¥238.3bn (+¥27.5bn), domestic +¥26.0bn →due to increase in investments trusts
Accounts receivable – installment *	1,334.0	+39.3	
Allowance for doubtful accounts	-95.8	-37.0	
Other Assets	721.0	+26.1	
Total assets	4,926.7	+73.9	
Deposits	3,209.7	+160.0	<ul style="list-style-type: none"> Domestic balance: ¥1,074.8bn (+¥37.0bn) ※Securitization balance: ¥483.3bn (-¥1.1bn) →increase in card shopping and installment sales Global balance: ¥251.3bn (+¥3.2bn) →increase in installment sales in Thailand and Malaysia
Interest-bearing debt	796.1	+8.0	
Allowance for loss on refund of interest received	2.4	-0.6	<ul style="list-style-type: none"> Ordinary deposits: ¥2,160.7bn (+¥139.9bn) Time deposits: ¥1,040.3bn (+¥9.7bn)
Other liabilities	505.9	-52.0	
Total liabilities	4,514.3	+99.3	
Total equity	412.3	-25.4	<ul style="list-style-type: none"> Domestic balance: ¥387.7bn (-¥9.5bn) →Shift to ordinary deposits led to fall Global balance: ¥408.4bn (+¥1.5bn) →due to expansion of finance receivables balance ※ Domestic and global amounts include figures for holding company and shared function companies
Total liabilities and equity	4,926.7	+73.9	
Shareholders' equity ratio (domestic standard)	8.55%	+0.22pt	<ul style="list-style-type: none"> Increase attributed by reduction of risk assets

Implementation of IFRS 9: Change in calculation method for allowance for doubtful accounts

- IFRS 9 implemented in key overseas subsidiaries since 1Q with respect to finance receivables in the consolidated earnings results
- Shift from 'incurred loss' model to 'expected credit loss' (ECL) impairment model

Impact on beginning B/S after adjustment for IFRS 9

Impact on PL for 1Q due to adjustments for IFRS 9 is ¥80mil

Unit: millions of yen

Beginning balance	Before adjustment for IFRS 9	After adjustment for IFRS 9	Amount of impact on B/S
Allowance for doubtful accounts	58,822	93,840	+35,017
Deferred tax assets	23,357	30,134	+6,776
Retained earnings	227,387	210,804	△16,583
Non-controlling interests	67,661	56,003	△11,657

**Before IFRS 9
(Incurred loss model)**

Allowance for doubtful accounts calculated based on credit losses recognized in the past 1 year

**After IFRS 9
(ECL impairment model)**

Allowance for doubtful accounts calculated based on expected credit loss for the next 12 months (for performing loans) or lifetime expected credit loss (for delinquent loans)

- Providing products/services targeting the younger generation/easy-to-approach potential asset management service users
- New privileges to encourage further use

• For the next generation about to start using financial service



- AEON Card (Minions)
- New co-branded card to be released

• For starters of asset management products



- Foreign currency deposits
- iDeCo, "Tsumitate" NISA
- ⇒ Provision of low-cost, low-risk products

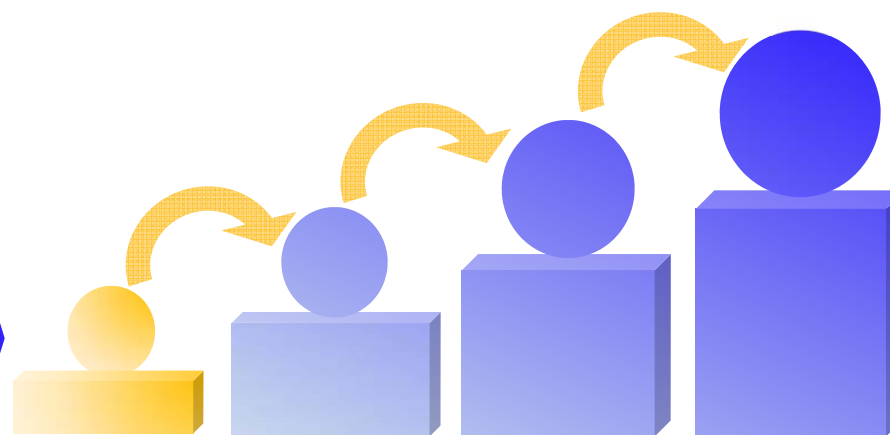
• For users who want better convenience



- Repairment of credit card magnetic stripes via ATM
- AI chatbot service
- Self-service terminals for various services

Privilege program for frequent users Introduction of AEON Bank 'My Stage'

⇒ Addition of member royalties



About our customer royalty program

Enjoy value-added privileges for various types of transactions

【Main privileges】

- Max 0.12% interest rate for ordinary bank deposits
- Free-of-charge interbank transfers for up to 5 times/months
- Free-of-charge deposits and withdrawals at ATMs for up to 5 times/months

- Expanding target to middle class and upper class
- New services targeted at the younger generation

Mekong Area

Thailand:

- ① **New “AEON Royal Orchid Plus World” co-branded card with Thai Airways:**
Targets customers with higher than average monthly income, offers special privileges such as 50% discount for one business class ticket with every pair tickets purchased
- ② **Promote usage of co-branded card with major local retail chain to celebrate one year’s anniversary of launching**
Targets customers with high usage frequency and high purchase amount

Cambodia: Introduced e-money

To promote circulation of USD in replacement of Cambodian Riel
Solution to social issue in Cambodia



China Area

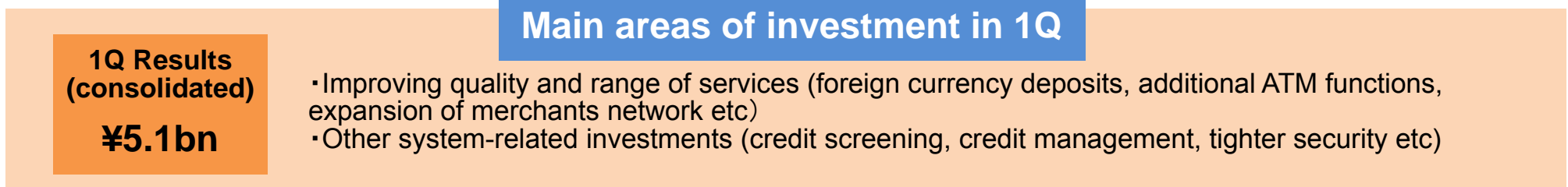
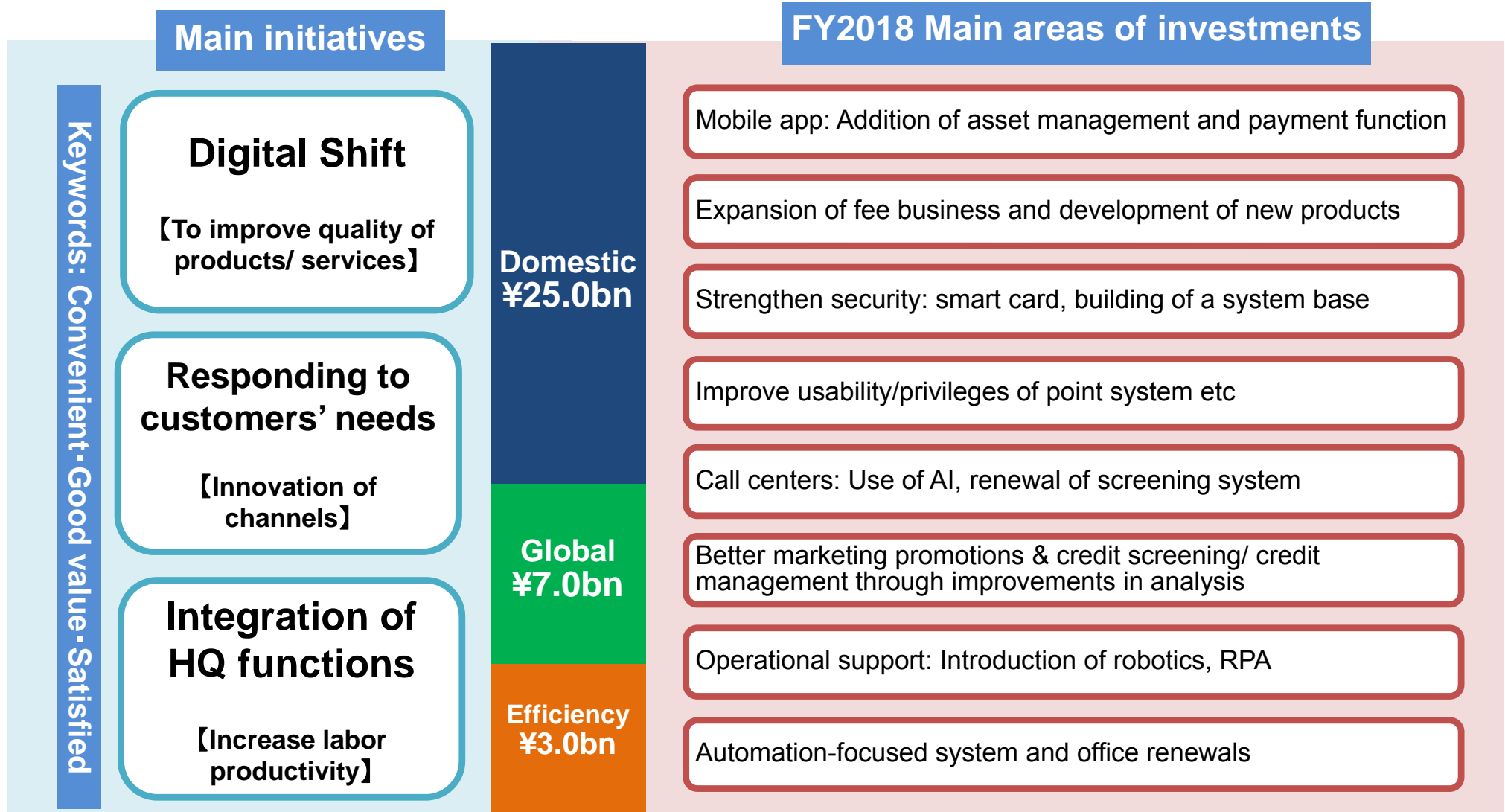
- Hong Kong:
- ① **Card member acquisition event for co-branded card in collaboration with popular character**
 - ② **Sales promotion program tie-up with low-cost carrier in HK**
“Hong Kong Express”: Offers point for users with a minimum usage
Targets the younger generation with more purchasing demands



Malay Area

- Malaysia:
- ① **Introduction of loan product which offers various interest rates based on risk level**
 - ✕ reward higher income members with better interest rates to reduce credit costs and acquire new members from the upper class
 - ② **Launch of platinum card in July to acquire new members**





Forecast of Results for FY2018

- Evolution of AFS ecosystem with the construction of a strong customer base and business foundation
- Revamp business model in view of improving receivables portfolio and profit structure

	FY2018	
	Forecast	YoY
Ordinary income	¥440.0bn	+7.9%
Ordinary profit	¥72.5bn	+10.3%
Net income attributable to owners of parent (Net income per share)	¥42.0bn (¥194.66)	+8.6%

	Interim		Year End		Full Year		Payout Ratio	
	Plan	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥29	±¥0	¥39	±¥0	¥68	±¥0	34.9%	-3.0%

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

(Reference) FY 2018 1Q Results (Hong Kong, Thailand, Malaysia)



		FY2017 1Q		FY2018 1Q	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$'000)	Total Revenue (※2)	324,390	-1%	341,873	+5%
	Profit before tax	110,274	+23%	140,827	+28%
	Profit for the period attributable to : Owners of the Company	91,618	+25%	119,178	+30%
AEON THANA SINSAP (THAILAND) (BAHT'000)	Total Revenues	4,388,728	+1%	5,016,463	+14%
	Profit before income tax expense	753,817	+15%	1,170,938	+55%
	Net profit for the period	619,724	+19%	938,013	+51%
AEON CREDIT SERVICE (M) Berhad (RM\$'000)	Revenue + Other operation income	333,652	+15%	354,971	+6%
	Profit before taxation	101,869	+21%	131,763	+29%
	Profit for the period	75,812	+21%	99,235	+31%

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

AEONTS' accounting period has been changed since FY2016 (end of period: May. 20 → May. 31)

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

(Reference) FY 2018 1Q Results (Hong Kong, Thailand, Malaysia)



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

	FY 2017 1Q	FY 2018 1Q	
	Results	Results	YoY
Ordinary income	4.6	4.7	+1%
Ordinary profit	1.5	1.9	+22%
Net income	1.3	1.6	+25%

Exchange rate: HKD 1
 •2017: ¥14.37
 •2018: ¥13.76

Fiscal period
 •2017: Mar. 1~May. 31
 •2018: Mar. 1~May. 31

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

	FY 2017 1Q	FY 2018 1Q	
	Results	Results	YoY
Ordinary income	14.2	17.1	+21%
Ordinary profit	2.4	4.0	+64%
Net income	2.0	3.2	+60%

Exchange rate: THB 1
 •2017: ¥3.24
 •2018: ¥3.42

Fiscal period
 •2017: Mar. 1~May. 31
 •2018: Mar. 1~May. 31

■ Results of AEON Credit Service (M) Berhad

	FY 2017 1Q	FY 2018 1Q	
	Results	Results	YoY
Ordinary income	8.5	9.7	+15%
Ordinary profit	2.6	3.6	+39%
Net income	1.9	2.7	+41%

Exchange rate: MYR 1
 •2017: ¥25.56
 •2018: ¥27.53

Fiscal period
 •2017: Mar. 1~May. 31
 •2018: Mar. 1~May. 31

(Unit: Billions of yen)

■ Allowance for Doubtful Accounts (by Segment)

	Retail	Solutions	Domestic Total
Allowance for doubtful accounts, beginning of period	¥2.3bn	¥40.6bn	¥42.6bn
Provision of allowance for doubtful accounts	¥0.2bn	¥5.8bn	¥6.0bn
Write-off of doubtful accounts (including transferred debt)	¥0.0bn	¥3.3bn	¥3.3bn
Allowance for doubtful accounts, end of period	¥2.5bn	¥43.2bn	¥45.3bn

(Subsidiaries in domestic) Aeon Credit Service: ¥24.4bn, Aeon Bank: ¥2.5bn, Aeon Product Finance: ¥5.2bn, Aeon Housing Loan Service: ¥1.6bn

■ Allowance for Loss on Refund of Interest Received

	FY2017 1Q	FY2018 1Q
Beginning of period	¥3.8bn	¥3.1bn
Provision	¥80mil	¥0mil
Interest refunded	¥0.8bn	¥0.6bn
End of period	¥3.0bn	¥2.4bn

(Interest claims amount: Cash out + principal payout)

	China Area	Mekong Area	Malay Area	Global Total	Consolidated
Allowance for doubtful accounts, beginning of period (IFRS 9 applied)	¥4.0bn	¥27.7bn	¥19.0bn	¥50.8bn	¥93.8bn
Provision of allowance for doubtful accounts	¥0.6bn	¥4.4bn	¥2.0bn	¥7.1bn	¥13.0bn
Write-off of doubtful accounts (including transferred debt)	¥0.7bn	¥4.5bn	¥2.9bn	¥8.2bn	¥11.0bn
Allowance for doubtful accounts, end of period	¥3.8bn	¥27.6bn	¥18.1bn	¥49.6bn	¥95.8bn

(Reference) FY2018 Business Plan (Domestic)



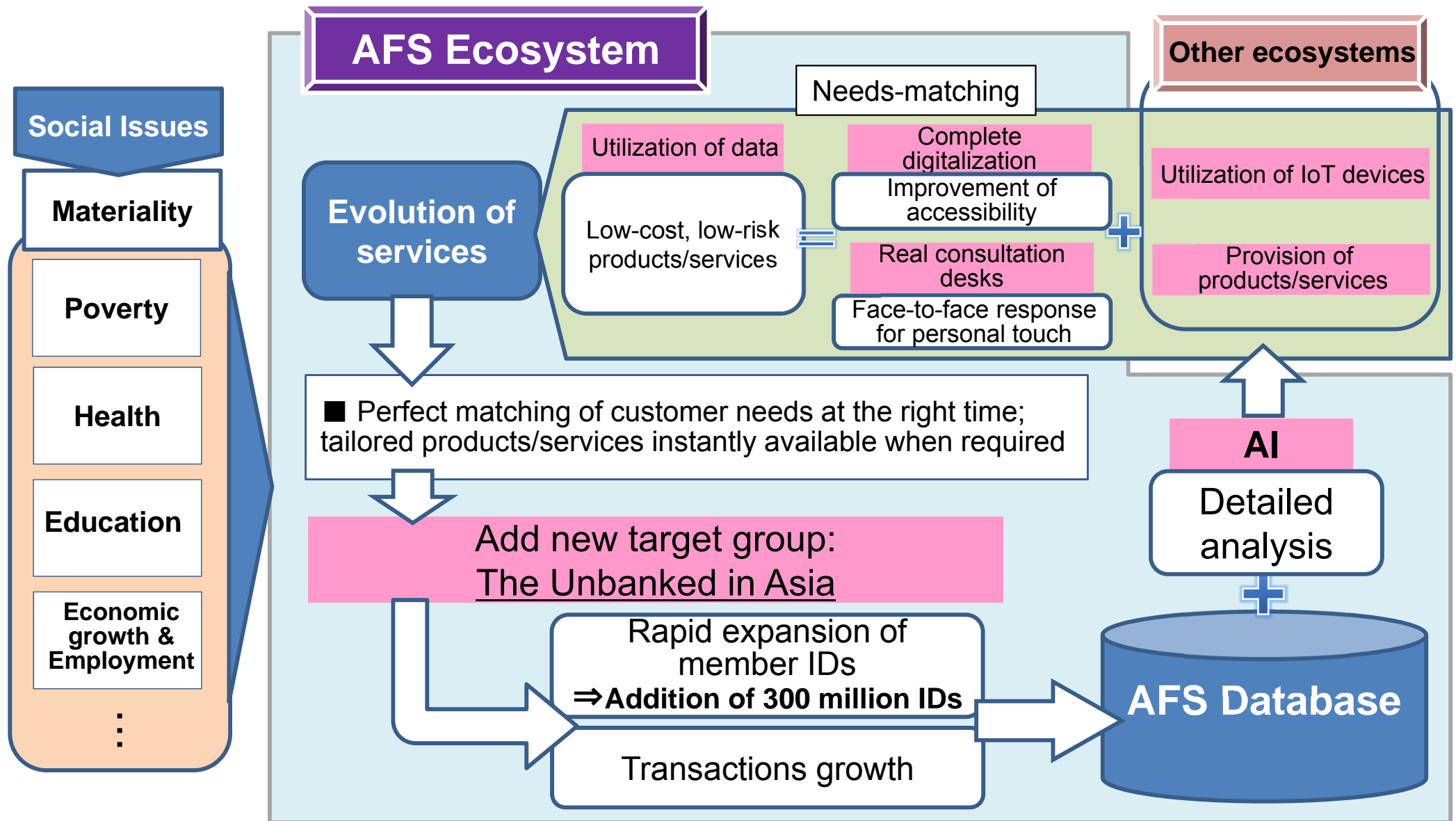
	FY 2018 1Q		FY 2018	
	Results	Change from start of FY	Plan	YoY
Number of cardholders	27.95mil	+0.2mil	28.80mil	+1.05mil

	Results	YoY	Plan	YoY
Card shopping transaction volume	¥1,267.3bn	+7.5%	¥5,500.0bn	+11.1%

	Results	Change from start of FY	Plan	YoY
Balance of cash advances	¥462.8bn	+¥6.9bn	¥480.0bn	+¥24.1bn
Balance of small consumer loans	¥76.6bn	+¥0.8bn	¥85.0bn	+¥7.6bn
Balance of unsecured loans	¥539.4bn	+¥6.1bn	¥565.0bn	+¥31.7bn

(Reference) Our Vision “Asia’s No. 1 Retail Financial Service Company”

- Aim: To build the most recognized ecosystem in Asia and promote rapid expansion of customer base by 2025
- Increasing transactions volume, provision of low-cost & low-risk products through data analysis



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