

Results for the First Half of FY2018

November 14, 2018



First Section of the Tokyo Stock Exchange
Stock Code: 8570

Consolidated business outline



(Unit: billions of yen)	Domestic				Global			
	Credit card ①		Installment sales	Housing loan (※1)	Credit card ②		Installment sales③	Personal loan
	Shopping	Cash advance			Shopping	Cash advance		
Transaction volume	2,582.4	202.5	117.6	222.3	125.0	67.7	50.0	73.2
YoY	+8.0%	+3.4%	-3.7%	7.7%	+14.1%	+17.9%	+17.7%	-14.0%
Finance receivables (※2)	1,007.2	467.5	587.8	1,839.5	97.2	98.1	159.6	207.6
Change from start of FY	+31.1	+11.7	+41.6	+124.6	+0.0	+6.5	+8.6	+7.7

※1 Includes amounts for Flat 35 and studio condominium loan ※2 Figures for domestic finance receivables refer to amounts before securitization

(Unit: no. of people)	No. of cardholders ④		
	Consolidated	Domestic	Global
Results	41.51mil	28.11mil	13.40mil
Change from start of FY	+0.87mil	+0.36mil	+0.51mil

(Unit: no. of accounts)	AEON Bank accounts		
	Total	Credit card linked with AEON bank acc.	Debit card linked with AEON bank acc.
Results	6.29mil	4.66mil	0.19mil
Change from start of FY	+0.24mil	+0.18mil	+0.05mil

(Unit: billions of yen)	Bank deposits balance		
	Total	Ordinary deposits	Time deposits
Results	3,322.2	2,286.7	1,017.1
Change from start of FY	+268.4	+265.9	-13.4

① Domestic: Credit card

➢ Shopping trx vol.: Double digit growth of transaction vol. at both AEON group and external merchants attributed to promotional tie-ups to encourage card usage

➢ Cash advance trx vol.: No. of users 1.30mil (+¥10K), balance per user ¥330K (+¥3000)

② Global: Credit Card

➢ Shopping trx vol.: Marketing campaigns to promote card usage, along with the growth of card holders, has been effective in boosting card usage

➢ Cash advance trx vol.: Favorable trend in cash advance usage growth in Thailand attributed to credit enhancement strategy implemented before last year's interest rate cap regulation

③ Global: Installment finance

➢ Greater consumer spending in Malaysia during tax-free period before the implementation of a new consumer tax policy incentivized more purchases among the higher-income earners, resulting in positive growth in cars and higher-end motorbikes loan transactions volume

④ Consolidated number of cardholders

➢ Domestic: Released new card design featuring popular image icon

➢ Global: New premium cards to target the middle to high income segments were issued

(Thailand: Platinum card in alliance with Thai Airways, Malaysia: AEON Platinum Card)

Consolidated and segment results



(Unit: Billions of yen)	Domestic total			Global total			Adjustments	Conso. Total	
	※	Retail	Solutions	※	China Area	Mekong Area			Malay Area
Ordinary income	145.8	94.3	87.7	67.3	9.5	35.0	22.7	-36.0	213.4
YoY	+8%	+11%	+5%	+14%	+1%	+17%	+17%	+9%	+10%
Change	+10.8	+9.0	+4.2	+8.5	+0.1	+5.0	+3.3	-3.0	+18.8
Ordinary profit	15.5	6.9	11.0	17.3	3.7	7.3	6.3	-2.3	33.0
YoY	-1%	+134%	-21%	+34%	+27%	+37%	+35%	+57%	+16%
Change	-0.1	+3.9	-3.0	+4.4	+0.7	+1.9	+1.6	-0.8	+4.5
Ordinary profit ratio	10.7%	7.4%	12.6%	25.8%	38.6%	21.0%	27.8%	-	15.5%
YoY	-1.0pt	+3.9pt	-4.3pt	+3.8pt	+7.8pt	+3.1pt	+3.6pt	-	+0.8pt
※ Domestic total and global total represent amounts after elimination of transactions between business segments							Profit attributable to owners of parent		17.9
							YoY		+4%

■ Domestic main factors ※ () YoY

【Domestic】

- Income growth mainly attributed to credit card income: Interest income +¥3.9bn, Fees and commissions ¥3.5bn
- Up-front investment costs +¥1.5bn including amortization exp, exp related to meeting customer needs wrt convenience (foreign currency deposits, enhancing ATM usability etc), investment towards operational efficiency (consolidation of HQ functions, introduction of RPA etc)
- Personnel expenses/Ordinary income: 16.1% (-0.8pt)→reduction in costs as a result of RPA implementation

【Retail】

- Increase in adver. and promotion exp by +¥1.7bn (where exp other than point costs decreased by ¥0.8bn) due to stronger emphasis placed on point prg

【Solutions】

- Refinement of criteria for measurement of allowance for installment finance receivables and increase in defaults led to rise in bad debt exp by +¥2.0bn
- ※Impact on profit by securitization of finance receivables: ¥7.1bn (+82%, +¥3.2bn); Amortization of finance receivables: ¥3.7bn

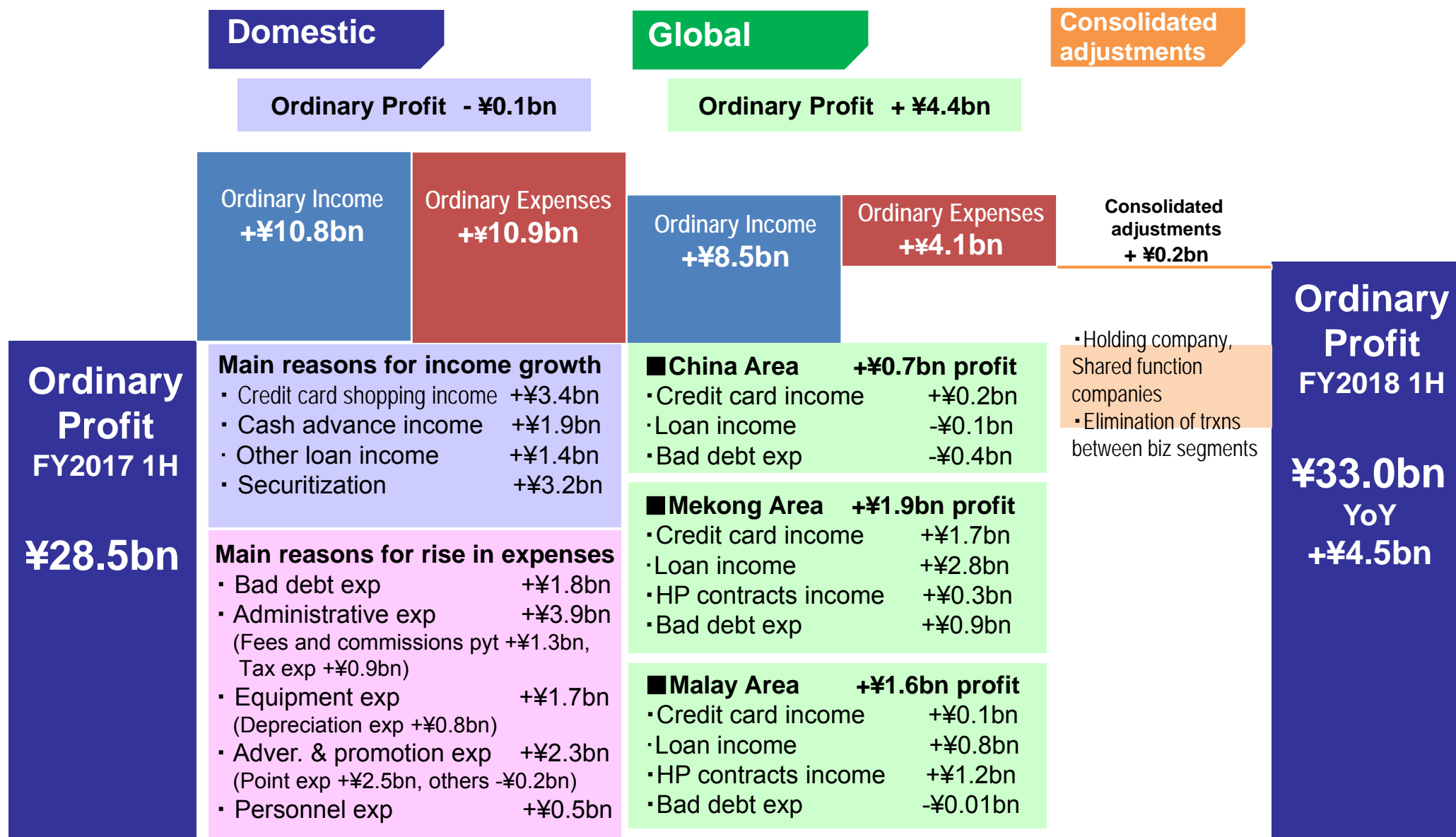
■ Global main factors ※ () YoY

- Topline and profit growth in local currency and yen for all three areas
- Thailand: Strong credit card shopping transaction volume and expansion of loan balance
- Malaysia: Installment finance growth mainly attributed to more purchases of cars and higher-end motorbikes during temporary tax-free period before the switch to a new consumer tax policy

	China Area	Mekong Area	Malay Area
Personnel expenses/ Ordinary income	13.5% (-1.6pt)	14.7% (-0.1pt)	15.2% (-0.1pt)
Bad debt expenses/ Ordinary income	13.6% (-4.6pt)	24.4% (-0.9pt)	22.5% (-4.0pt)

※Foreign exchange impact: Ordinary income +¥2.0bn, Ordinary profit +¥0.5bn

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

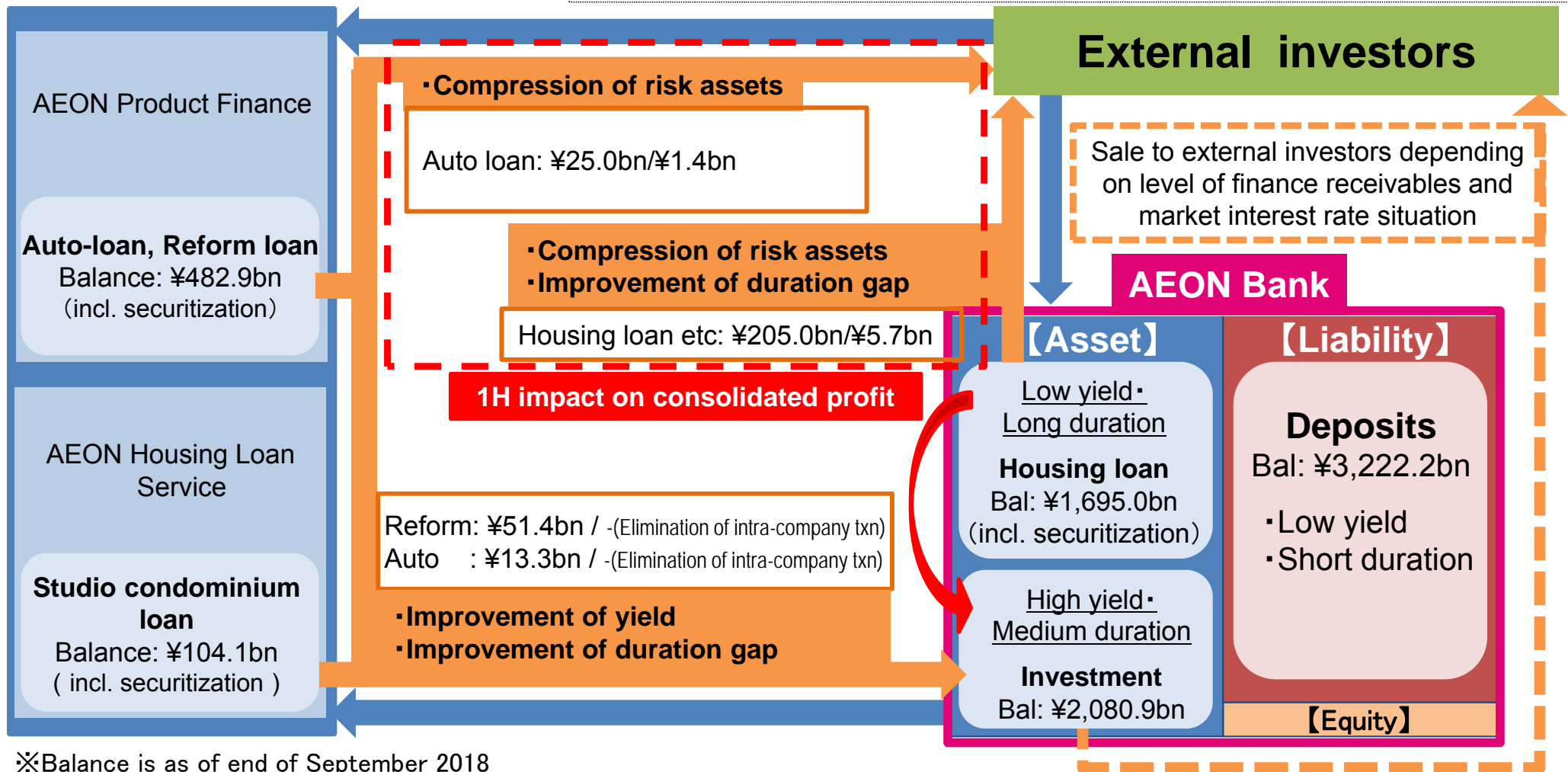
Consolidated results (Unit: Billions of yen)	Results	Change from start of FY	Topics ※(): Change from start of FY
Cash and deposits	674.8	+24.3	▪ Domestic balance: ¥636.0bn (+¥19.2bn) → attributed by increase in finance receivables
Loan and bills discounted*	2,314.9	+43.3	▪ Balance incl. securitization : ¥3,526.2bn (+¥199.6bn) in which, Domestic balance: ¥3,224.5bn (+¥185.3bn) in which, Global balance: ¥305.7bn (+¥14.3bn) ▪ Securitized amount (Domestic only): ¥1,211.2bn (+¥156.3bn)
Accounts receivable – installment *	1,402.2	+107.6	
Allowance for doubtful accounts	-98.2	-39.4	▪ Balance incl. securitization : ¥1,858.9bn (+¥79.7bn) in which, Domestic balance: ¥1,595.0bn (+¥72.7bn) in which, Global balance: ¥256.8bn (+¥8.7bn) ▪ Securitized amount (Domestic only): ¥456.6bn (-¥27.8bn)
Other Assets	799.1	+104.2	
Total assets	5,092.9	+240.1	
Deposits	3,320.2	+270.5	▪ Adjustment of beginning B/S balance in accordance with the implementation of IFRS 9 at various overseas subsidiaries led to impact on bad debt reserves by +¥35.0bn
Interest-bearing debt	836.3	+32.2	
Allowance for loss on refund of interest received	2.5	-0.5	▪ Securities: ¥289.8bn (+¥79.0bn)
Other liabilities	509.9	-48.0	▪ Ordinary deposits: ¥2,286.7bn (+¥265.9bn) ▪ Time deposits: ¥1,017.1bn (-¥13.4bn)
Total liabilities	4,669.1	+254.0	
Total equity	423.8	-13.9	▪ Domestic balance: ¥409.8bn (+¥12.5bn) → Long-term loans payable: ¥19.8bn (+¥10.3bn) ▪ Global balance: ¥426.5bn (+¥19.6bn)
Total liabilities and equity	5,092.9	+240.1	※ Domestic and global amounts include figures for holding company and shared function companies
Shareholders' equity ratio (domestic standard)	8.31%	-0.02pt	▪ Reduction of increase in risk assets due to expansion of business

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 by ¥220.0bn is prevented, led by effect from compression of risk asset (-¥40.0bn).

Securitization process in FY2018 1H

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



※Balance is as of end of September 2018

Main initiatives for FY2018

- A Complete Digital Shift
- Meeting Customer Needs through a Wider Range of Products and Services
- Speeding Up the Growth of Our Global Business

Summary of initiatives for the first half of FY2018

■ Introducing better services with the utilization of FinTech

Initiatives to promote paperless operations

- Encouraged customers to switch from paper to e-statements through registration on smartphone app “AEON Wallet”
 - ⇒ Percentage of total billings issued via e-statements (as of Sep) +20% YoY
- Paperless housing loan applications



Initiatives to support “cardless” payments

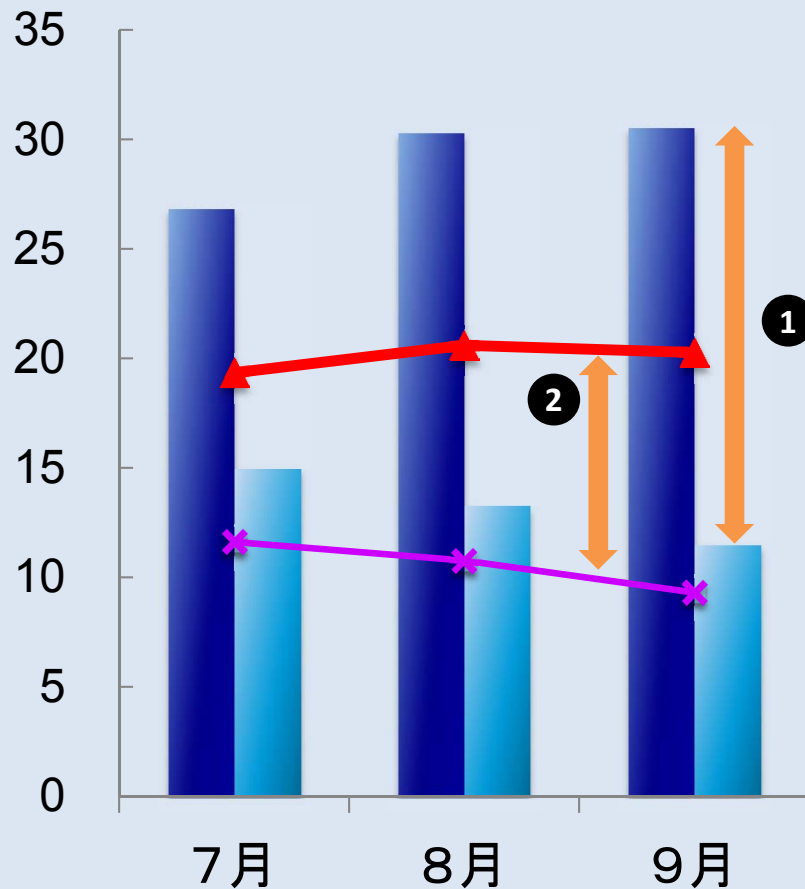
- Introduction of Smart-ATM in which ATM transactions can be done via smartphone
- Launched field trial of cardless payments using palm biometric authentication technology



■ Introduction of new ATM function: Repairment of card magnetic stripe

● Card reissuance and enquiries

(No. of cases in thousands)



① No. of card reissuance cases: YoY -62% (Sep.)

【Reduction effect】

- ・Expenses related to reissuance of card: approx. 30 million yen (for period from Jul. to Sep.)
- ・No. of days required for reissuance of card: Approx. 10 days

② No. of enquiries received by call center: YoY -54% (Sep.)

Card reissuance cases

■ FY2017

■ FY2018

Call center enquiries

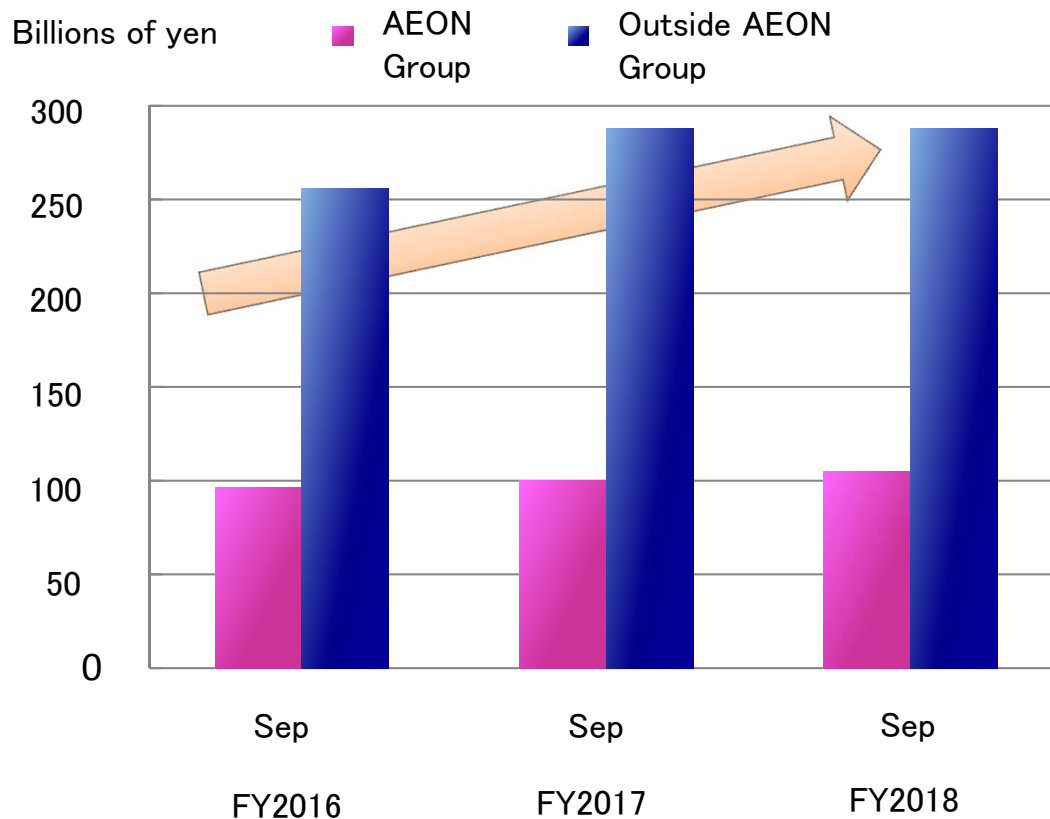
▲ FY2017

× FY2018

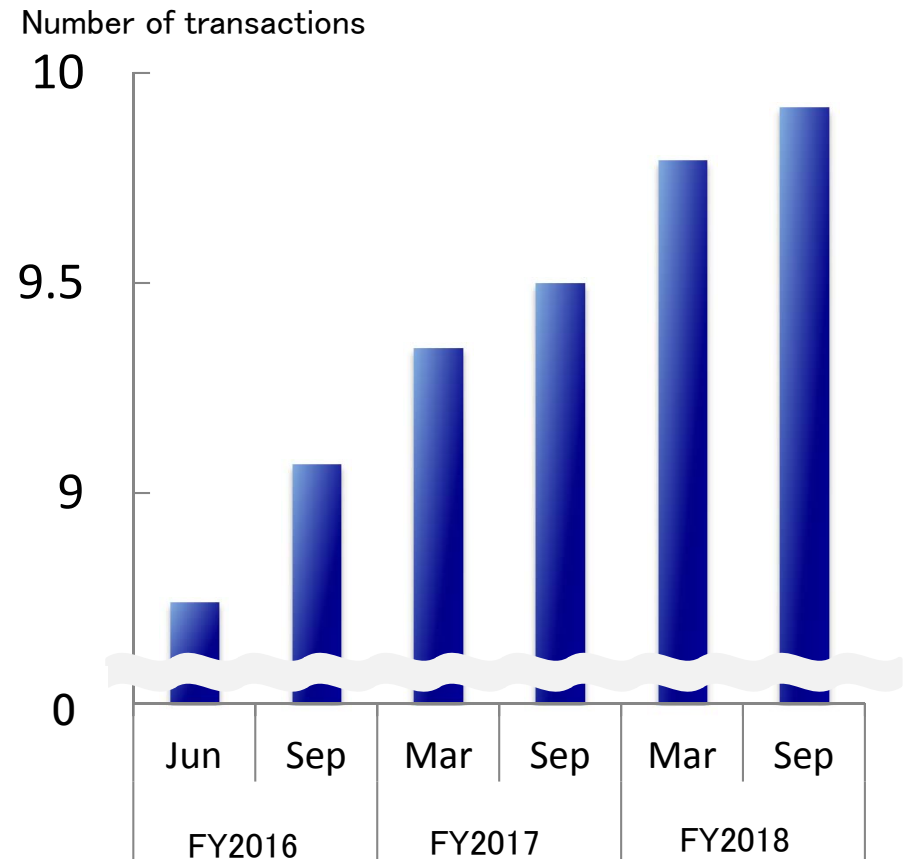


■ AEON Card as the Main Card

Transaction Volume Within and Outside AEON Group Stores



Average Use Per Month



Expansion of card usage at both AEON group and external merchants attributed to attractive point reward system at AEON Group stores as well as promotional tie-ups with alliance

Average number of monthly transactions per user has been increasing since the start of double point reward program at AEON Group stores in June 2016

■ Emphasis on Asset Management Business

Improving product lineup

- iDeco, Tsumitate NISA
- Foreign currency deposits
- A wide array of products



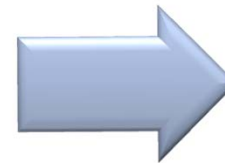
Refinement of branch structure

Direct management of AEON Bank branches since Oct 2017 implemented at all 106 agency branches



Sales staff with better skillsets

Training programs to improve quality of customer service and product recommendation



イオン銀行

第14回銀行リテールカ調査
2018年日本経済新聞社

■ Solving Social Issues while Introducing Digitalization in Our Products/Services

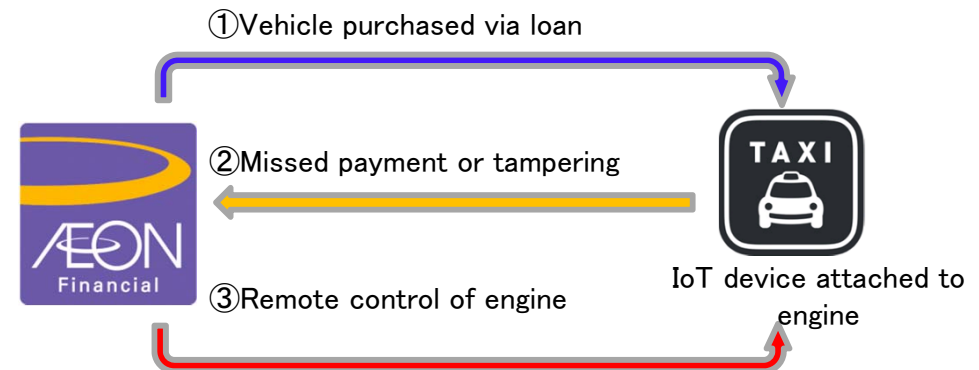
- Expansion of Auto Loan Business Utilizing IoT Device in the Philippines
 - Expansion of service to cater to four-wheeled taxis and EV taxis

- Start of E-money business including QR Code Payment • Remittance service in Cambodia



Supporting the use of cashless payments to cater to the middle and lower income earners

- Auto Loan Business Scheme



Create employment opportunities for low-income earner

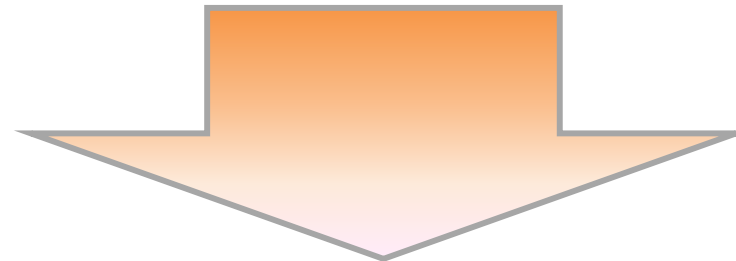


■ Topline growth and achieving better credit quality through acquisition of customers from the high-income segment

- Malaysia : AEON Platinum Card
Loan Products with interest rate set based on risk level



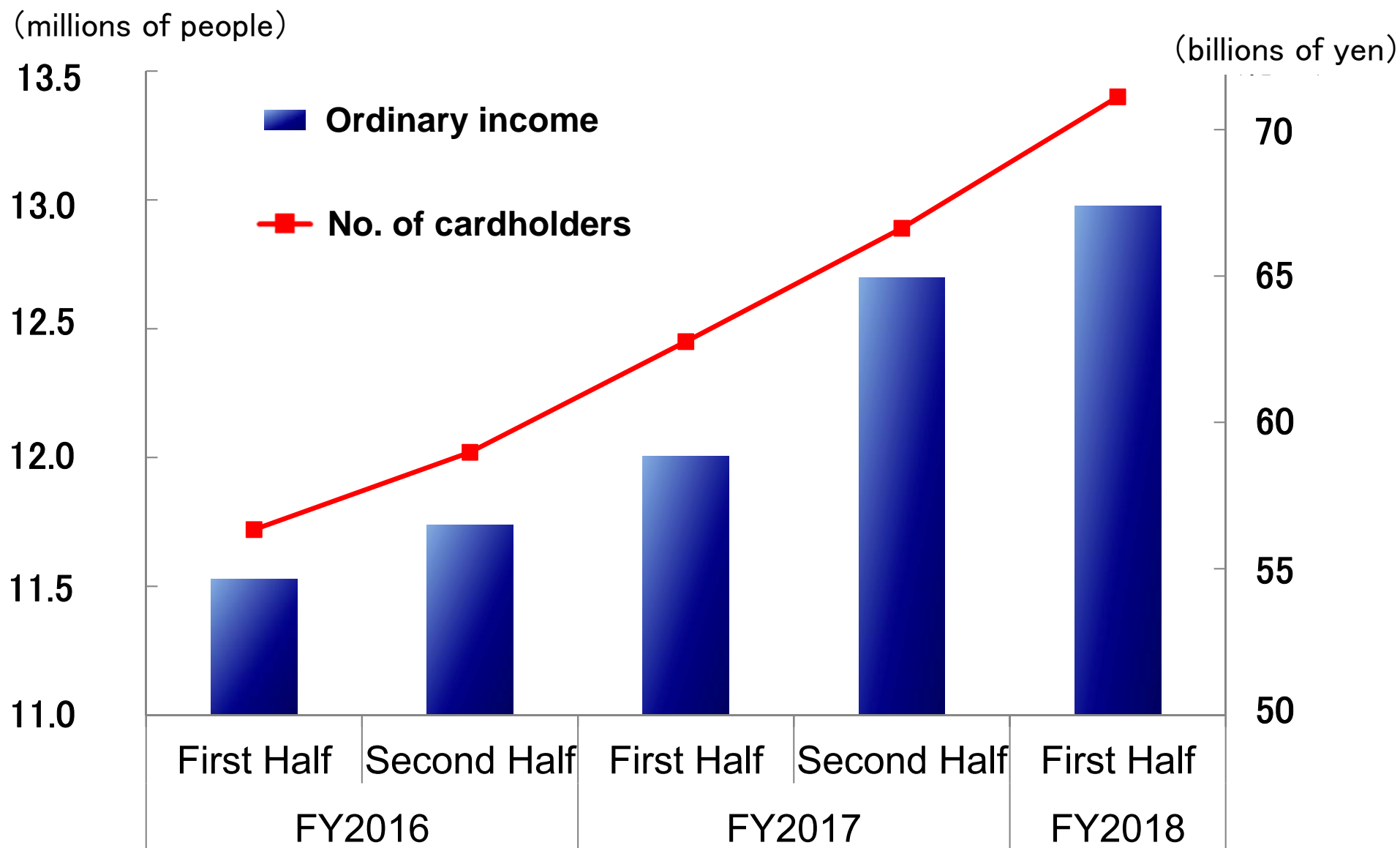
- Thailand : AEON ROYAL ORCHID PLUS Card
⇒ Targets users with a required monthly income



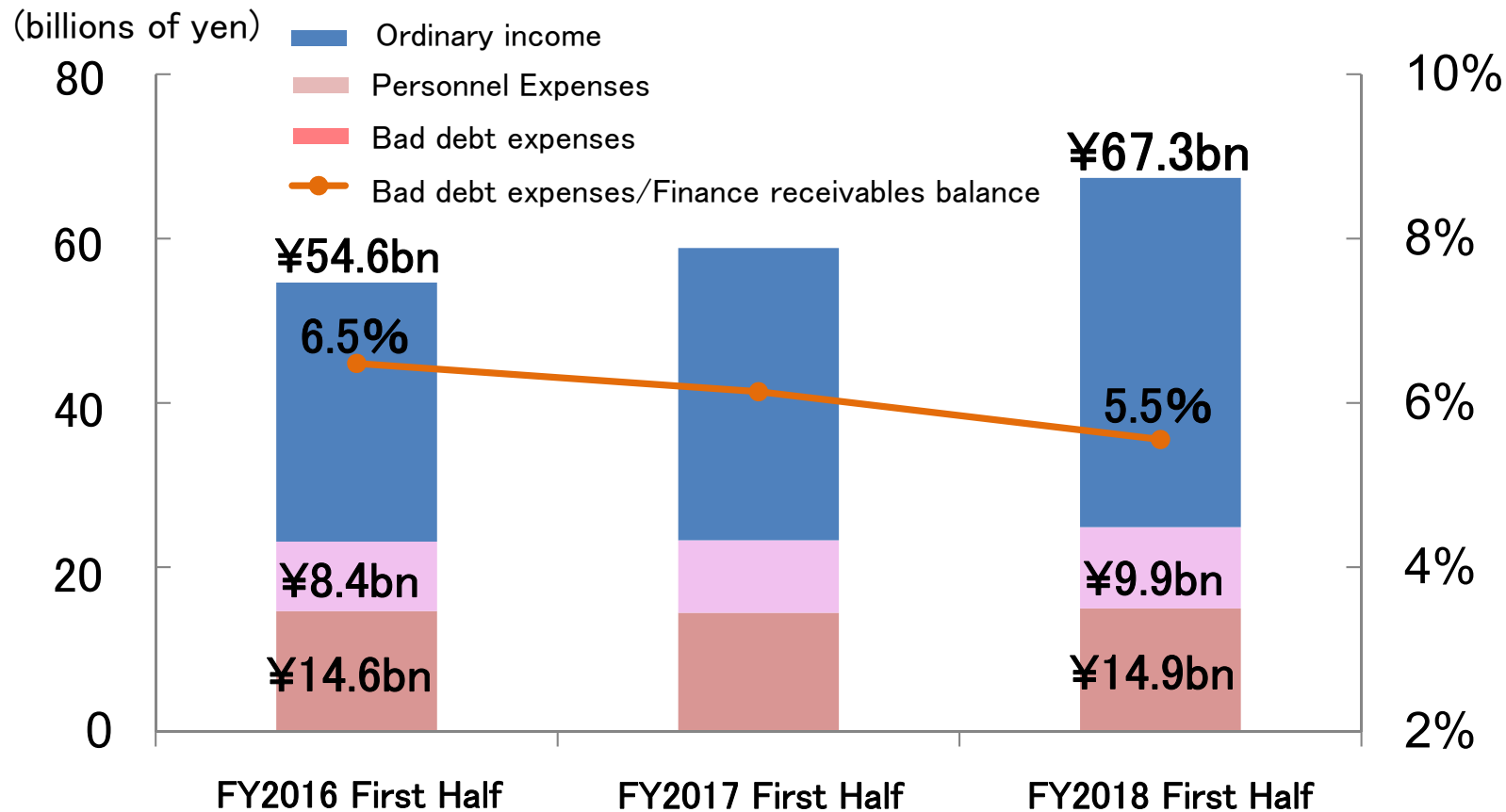
Expansion of Topline

Better credit quality
Reduction of credit cost

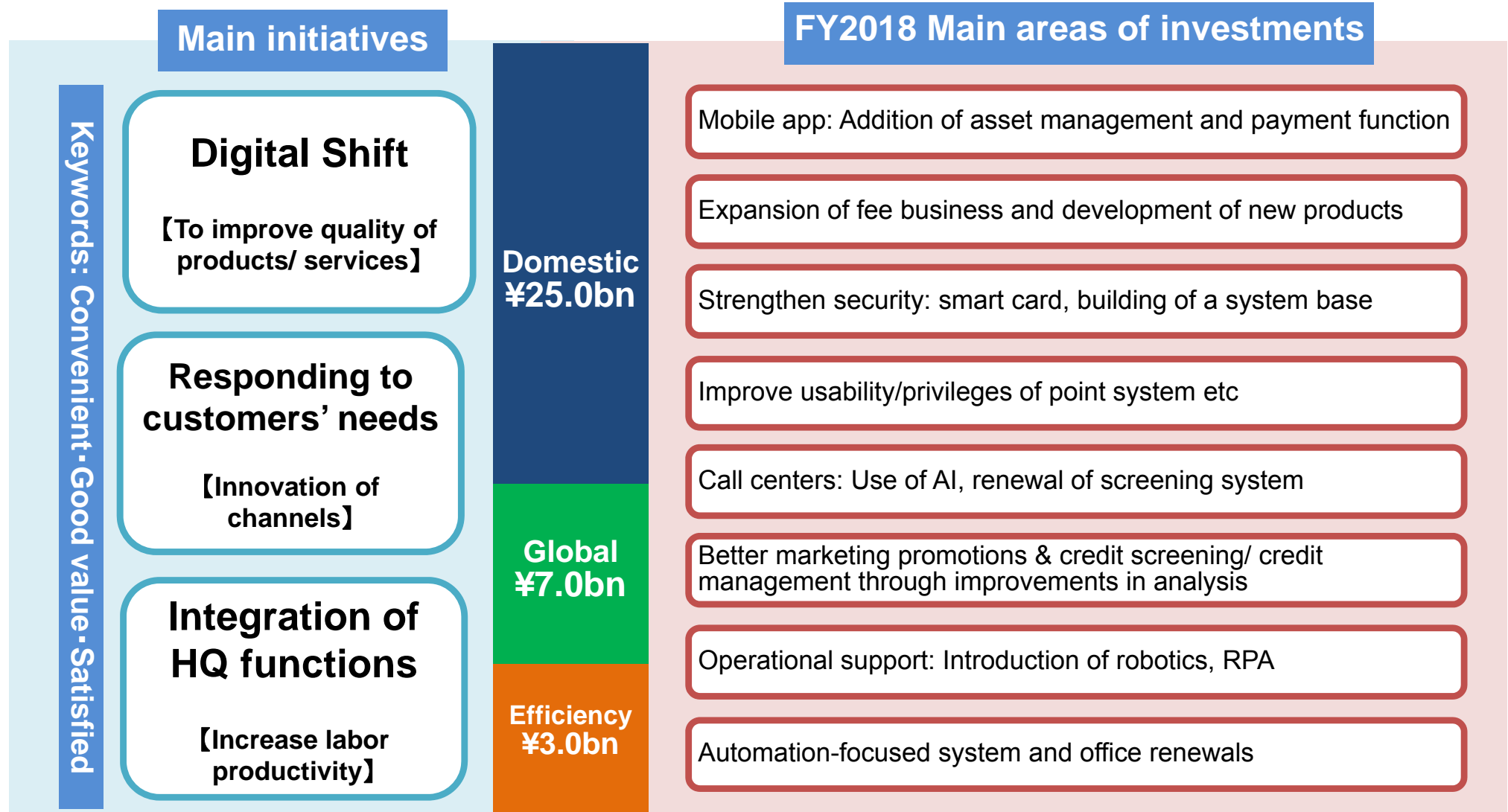
■ Further growth in the topline achieved together with increase in cardholders



■ Increase of bad debt expenses is controlled through refinement of credit screening and credit collection policies/systems



KPI	FY2016	FY2017	FY2018	
			First Half	Plan for Whole of Fiscal Year
Bad debt expenses/Ordinary Income (Global)	26%	23%	22%	20%
Personnel expenses/Ordinary Income (Global)	15%	15%	15%	11%



Main areas of investment in 1H

1H Results (consolidated)
¥15.0bn

- Improving quality and range of services (foreign currency deposits, additional ATM functions, expansion of merchants network etc)
- Other system-related investments (credit screening, credit management, tighter security etc)
- Reduction of man-hours in terms of work load due to introduction of RPA (as of Sep 2018: -30% as compared to Mar 2017)

Initiatives from second half of FY2018

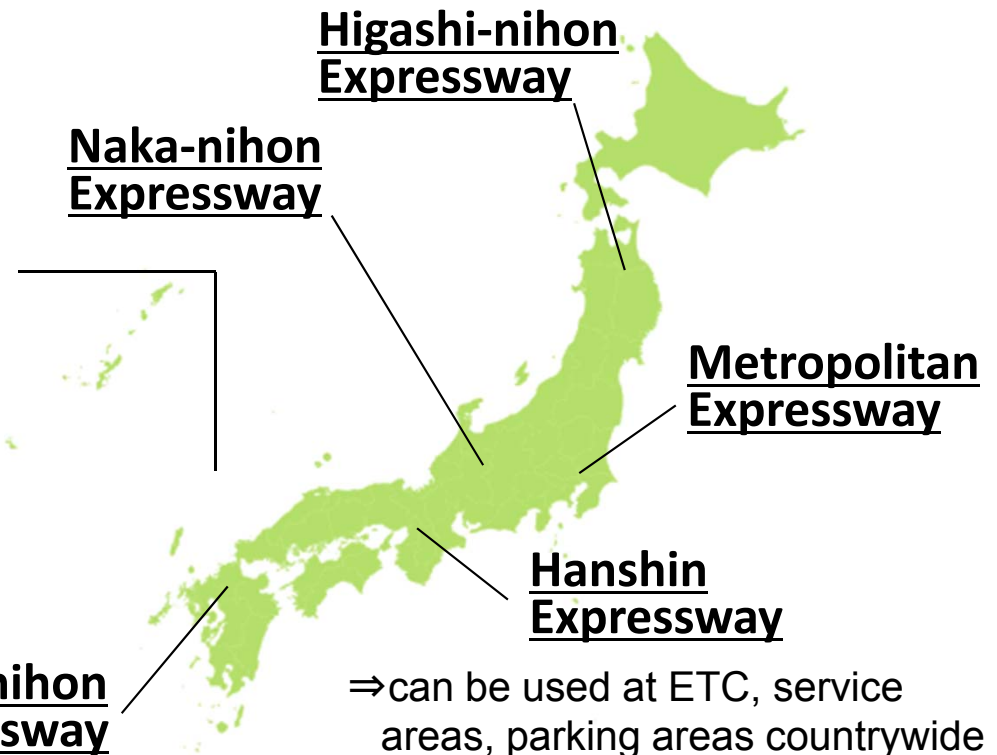
Expansion of new customer base: Male and the Younger Generation

AEON Card (SKE48)

Cardholders can select the card design on the smartphone app AEON Wallet featuring their favorite idol
 ⇒ Promotion of more app downloads from the young



AEON NEXCO Nishi-nihon Card



■ Towards Cashless, Cardless Payments

Promotion of Contactless Payments

Introduction of contactless payment function to match international standards in view of the upcoming 2020 Tokyo Olympics since Nov 2018

⇒ Cashless payment method to meet the demands of foreign tourists



Contactless payment

Shift Towards Cardless Payments

Addition of payment function via smartphone to the smartphone app AEON Wallet



AEON Wallet app interface

■ Improving accessibility via the use of smartphones

[Malaysia]

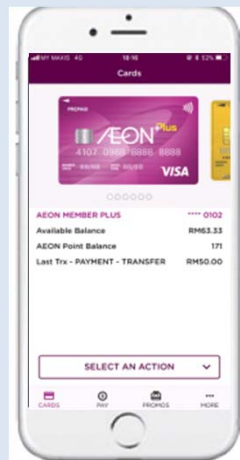
• Launched smartphone app AEON Wallet (Malaysian version)

Payments via QR Code introduced

⇒ Integration of AEON Group customers as part of move to construct a unique ecosystem



• Login



• Selection of card



• Payment terminal

[India]

• Instant credit screening made possible with launch of app “AEON FAST”

Screening method: Paper→Online

Screening time: approx. 3 hours→1 min



- Catering to various customer segments by enhancing the range of products/ services lineup

To serve the higher income segment

[Thailand]

Issuance of AEON J-Premier Platinum JCB Card
⇒ Targets higher income earners who travel to Japan



[Hong Kong]

Issuance of AEON Card Premium planned in Dec 2018



To serve the middle/lower income segment

[Indonesia]

The third country in which auto loan business utilizing IoT is further expanded



■ Countries we currently serve
■ Countries where the above-mentioned auto loan business is introduced

(Reference) FY2018 Business Plan (Domestic)

	FY 2018 1H		FY 2018	
	Results	Change from start of FY	Plan	YoY
Number of cardholders	28.11mil	+0.36mil	28.80mil	+1.05mil

	Results	YoY	Plan	YoY
Card shopping transaction volume	¥2,582.4bn	+8.0%	¥5,500.0bn	+11.1%

	Results	Change from start of FY	Plan	YoY
Balance of cash advances	¥467.5bn	+¥11.7bn	¥480.0bn	+¥24.1bn
Balance of small consumer loans	¥75.2bn	-¥2.2bn	¥85.0bn	+¥7.6bn
Balance of unsecured loans	¥542.8bn	+¥9.5bn	¥565.0bn	+¥31.7bn

Forecast of Results for FY2018

	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%

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



		FY2017_1H		FY2018_1H	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$' 000)	Total Revenue (※2)	652,213	99%	680,500	104%
	Profit before tax	210,796	114%	275,989	131%
	Profit for the period attributable to : Owners of the Company	173,784	114%	231,231	133%
AEON THANA SINSAP (THAILAND) (BAHT' 000)	Total Revenues	8,929,642	102%	10,109,906	113%
	Profit before income tax expense	1,599,297	116%	2,259,081	141%
	Net profit for the period	1,295,004	118%	1,811,635	140%
AEON CREDIT SERVICE (M) Berhad (RM\$' 000)	Revenue + Other operation income	671,651	115%	735,385	109%
	Profit before taxation	197,662	126%	238,996	121%
	Profit for the period	147,197	125%	179,875	122%

※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) FY2018 1H Results (Hong Kong, Thailand, Malaysia)

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

	FY 2017 1H	FY 2018 1H	
	Results	Results	YoY
Ordinary income	9.3	9.4	+2%
Ordinary profit	3.0	3.8	+28%
Net income	2.4	3.2	+30%

Exchange rates: HKD 1

▪ FY2017 1H: ¥14.29

▪ FY2018 1H: ¥13.92

Fiscal period

▪ 2017: Mar. 1 ~ Aug. 31

▪ 2018: Mar. 1 ~ Aug. 31

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

	FY 2017 1H	FY 2018 1H	
	Results	Results	YoY
Ordinary income	29.2	34.2	+17%
Ordinary profit	5.2	7.6	+46%
Net income	4.2	6.1	+45%

Exchange rates: THB 1

▪ FY2017 1H : ¥3.27

▪ FY2018 1H : ¥3.39

Fiscal period

▪ 2017: Mar. 1 ~ Aug. 31

▪ 2018: Mar. 1 ~ Aug.31

■ Results of AEON Credit Service (M) Berhad

	FY 2017 1H	FY 2018 1H	
	Results	Results	YoY
Ordinary income	17.2	20.1	+17%
Ordinary profit	5.0	6.5	+29%
Net income	3.7	4.9	+30%

Exchange rates: MYR 1

▪ FY2017 1H : ¥25.71

▪ FY2018 1H : ¥27.41

Fiscal period

▪ 2017: Mar. 1 ~ Aug. 31

▪ 2018: Mar. 1 ~ Aug. 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	¥2.3bn	¥40.6bn	¥42.6bn
Provision of allowance for doubtful accounts	¥0.0bn	¥11.3bn	¥11.2bn
Write-off of doubtful accounts (including transferred debt)	¥0.0bn	¥7.0bn	¥7.0bn
Allowance for doubtful accounts, end of period	¥2.3bn	¥44.9bn	¥46.9bn

(Subsidiaries in domestic) Aeon Credit Service: ¥26.0bn, Aeon Bank: ¥2.3bn, Aeon Product Finance: ¥5.5bn, Aeon Housing Loan Service: ¥1.6bn

■ Allowance for Loss on Refund of Interest Received

	FY2017 1H	FY2018 1H
Beginning of period	¥3.8bn	¥3.1bn
Provision	¥0.3bn	¥0.5bn
Interest refunded	¥1.8bn	¥1.1bn
End of period	¥2.3bn	¥2.5bn

(Interest claims amount : Cash out + principal payout)

	China Area	Mekong Area	Malay Area	Global Total	Consolidated
Allowance for doubtful accounts, beginning of period	¥4.0bn	¥27.7bn	¥19.0bn	¥50.8bn	¥93.8bn
Provision of allowance for doubtful accounts	¥1.3bn	¥8.5bn	¥5.1bn	¥14.9bn	¥26.5bn
Write-off of doubtful accounts (including transferred debt)	¥1.6bn	¥8.3bn	¥5.6bn	¥15.6bn	¥22.1bn
Allowance for doubtful accounts, end of period	¥3.6bn	¥27.9bn	¥18.4bn	¥50.1bn	¥98.2bn

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