

# Final results for the FY2018

May 13, 2019

 **AEON Financial Service**

First Section of the Tokyo Stock Exchange  
Stock Code : 8570

1. Consolidated business outline
2. Consolidated results
3. Future direction
4. FY2019 Main initiatives
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# Consolidated business outline



(Unit: billions of yen)	Domestic				Global			
	Credit card ①		Installment sales	Housing loan (※1)	Credit card ②		Installment sales ③	Personal loan
	Shopping	Cash advance			Shopping	Cash advance		
Transaction volume	5,358.2	405.8	241.7	499.2	260.1	135.1	104.7	161.3
YoY	+8.1%	+4.3%	-4.7%	+6.3%	+10.1%	+13.5%	+29.3%	-0.9%
Finance receivables (※2)	1,050.6	474.1	636.7	2,023.6	101.6	102.8	174.3	229.6
Change from start of FY	+74.4	+18.2	+90.5	+283.2	+4.5	+11.2	+23.3	+29.7

※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	42.69mil	28.40mil	14.29mil
Change from start of FY	+2.05mil	+0.65mil	+1.4mil

(Unit: no. of accounts)	AEON Bank accounts		
	Total	Credit card linked with AEON bank acc	Debit card linked with AEON bank acc
Results	6.56mil	4.86mil	0.24mil
Change from start of FY	+0.51mil	+0.38mil	+0.10mil

(Unit: billions of yen)	Bank deposits balance		
	Total	Ordinary deposits	Time deposits
Results	3,483.4	2,633.3	815.2
Change from start of FY	+429.6	+612.6	-215.2

## ① Domestic: Credit card

> Shopping trx volume.: Transaction vol. growth mainly due to more card usage at external merchants attributed to promotional tie-ups

> Cash advance trx volume.: No. of users 1.3mil (+¥10K), balance per user ¥330K (+¥7K)

## ② Global: Credit Card

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

> Cash advance trx volume.: Favorable trend in cash advance usage growth in Thailand attributed to credit enhancement strategy implemented before interest rate cap regulation introduced in Sep 2017

## 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 transaction volume

> In Thailand, auto loan transaction volume increased due to collaboration with major Japanese used car website management company

## ④ Consolidated, Domestic and Global number of cardholders

> Number of domestic members including debit cardholders and bank account holders increased by 0.78mil to 30.10mil since start of FY

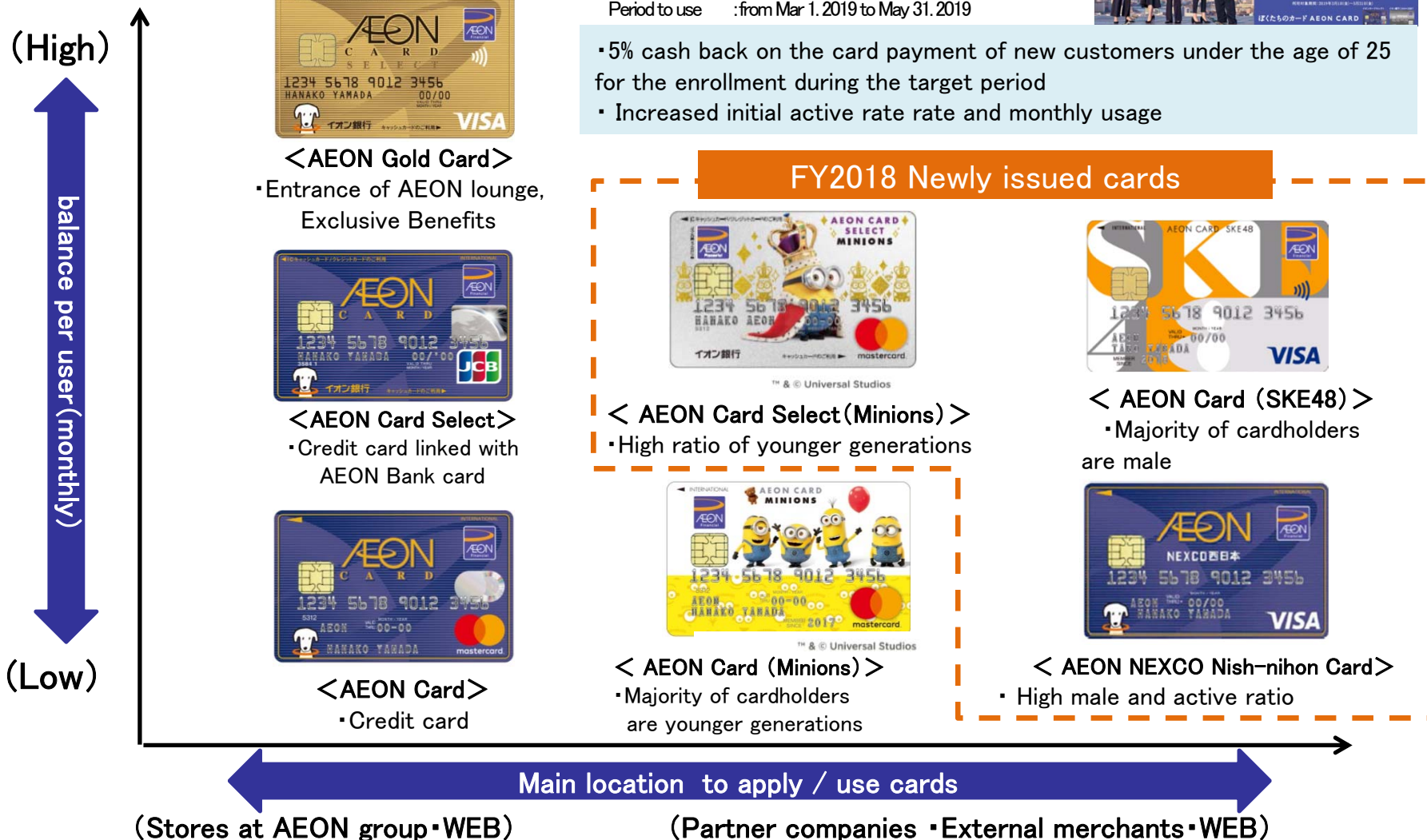
> Domestic: New credit cards targeted at theme park users and card with no-contact payment

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

# Consolidated business outline - Expansion of customer base



## Expansion of customer base through collaboration with external merchants

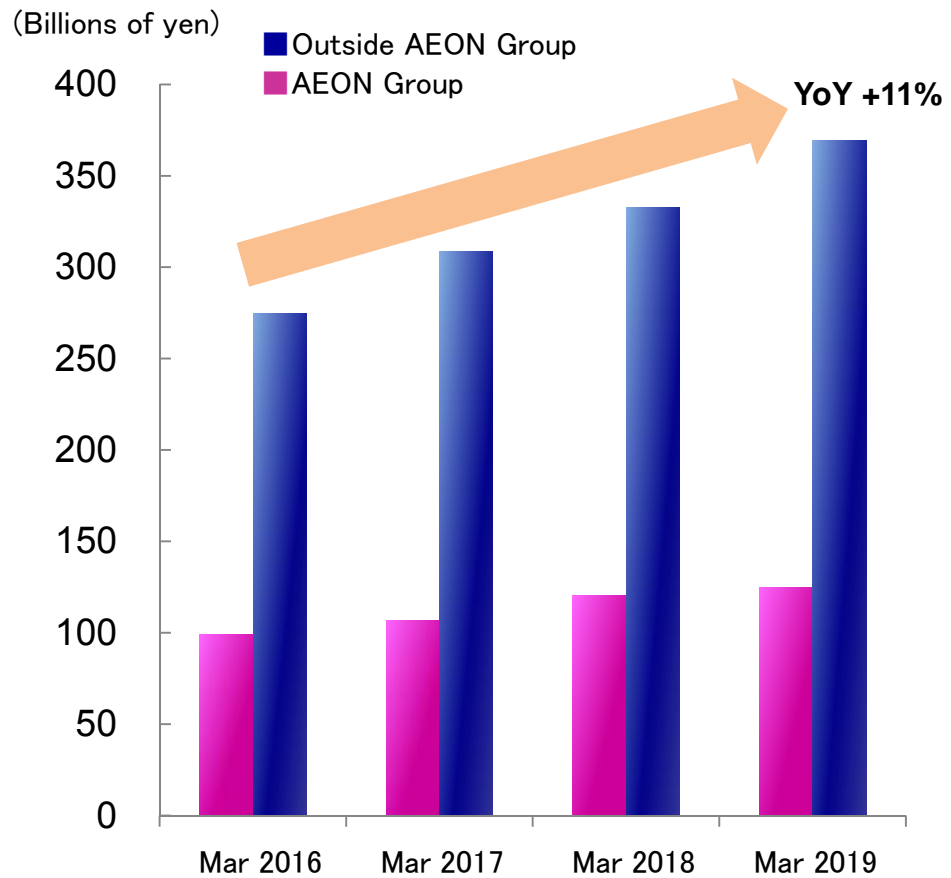


# Consolidated business outline - Effect of point measures

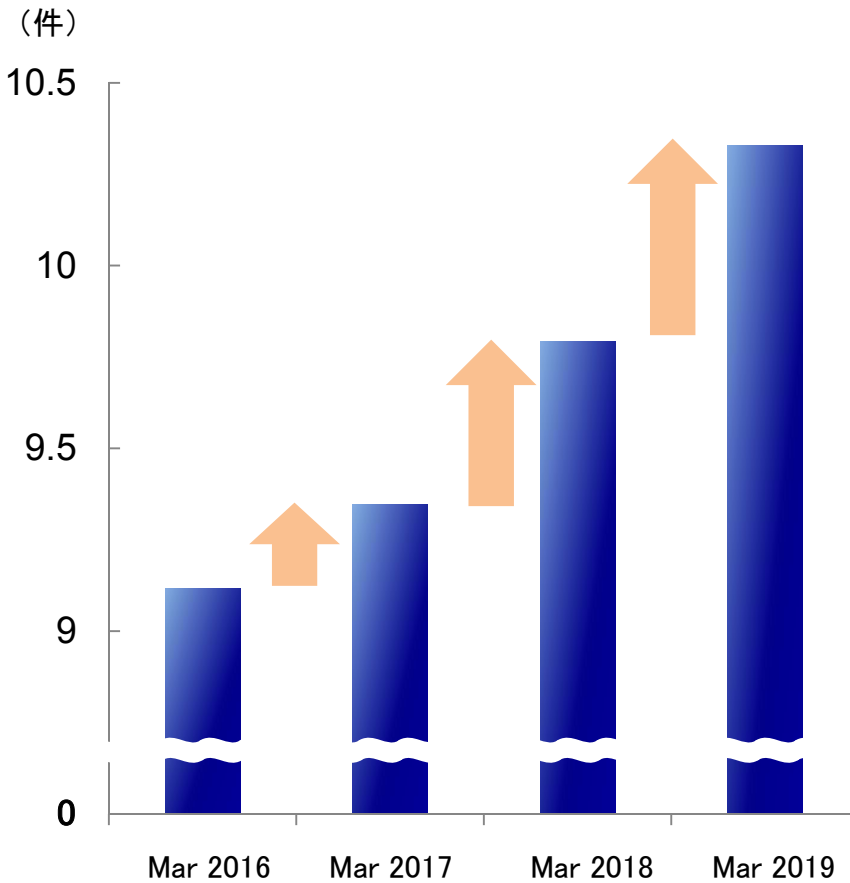


## ■ AEON Card as the Main Card

### Transaction Volume Within and Outside AEON Group Stores



### Average Use Per Month



# Consolidated business outline – Use of the membership program



## Expansion of cross selling by revision of point program

### Revision of point program

(Changes due to the revision)

- From 3 stages to 4 stages
- Provide savings interest rate by stage
- Review of required score points for use of Aeon Bank products and services
- Free benefit : reward WAON for commission transactions for other banks

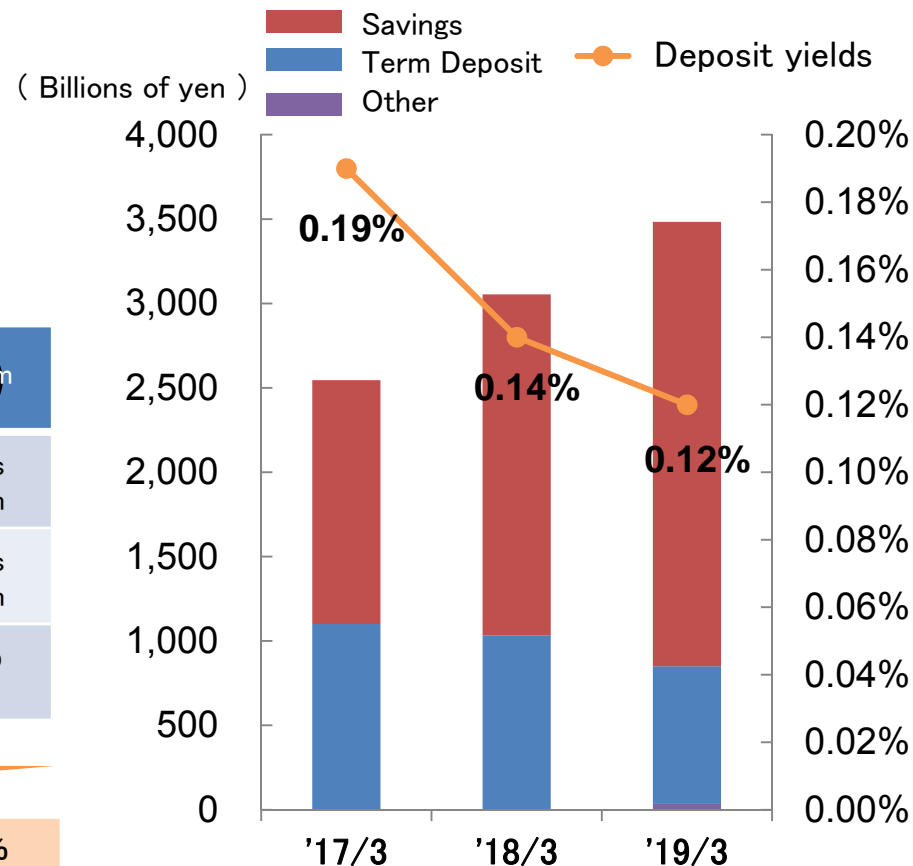
#### <AEON Bank MyStage>

Stage	Bronze	Silver	Gold	Platinum
Free : Transfer fee to other banks	-	1 time /month	3 times /month	5 times /month
Free : Other bank ATM usage fee	1 time /month	2 times /month	3 times /month	5 times /month
Savings Interest Rate	0.05% /year	0.1% /year	0.1% /year	0.12% /year

Reviewed savings interest rate from April, 2019

Savings Interest Rate	0.03% /year	0.05% /year	0.1% /year	0.15% /year
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### Change in bal. of deposit + deposit cost on AEON bank



※Deposit yield : year to date cumulative figures

#### Proposal of cross-selling to customers in the wake of the stage up

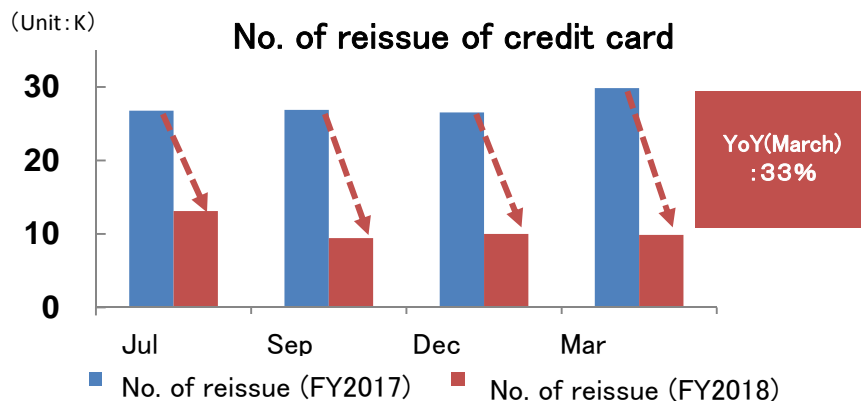
⇒Increased no. of multiple trading customer ( more than 5:1.2times, more than 10:2.2times)

⇒Increased no.of transactions for wealth management

(growth rate from end of FY2017:Investment Trust 200%, NISA 128%, iDeCo 263%)

## ■ Improve convenience level of products/ services and labor productivity

### Repairment of credit card magnet stripe by ATM



### AI chatbot service (Service hour : 24hours, 365 days)

イオンカードに関するお問い合わせを"みらい"さんがサポートします



みらいと申します！

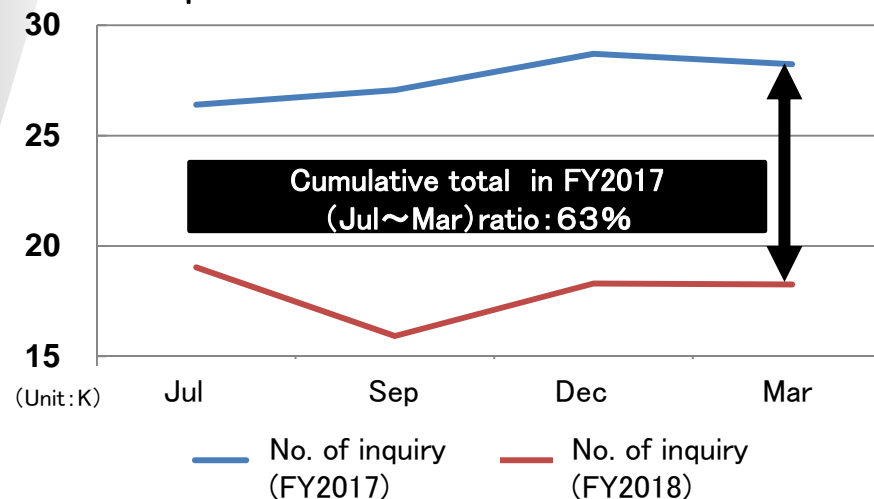
まだ新米で至らないこともたくさんあるかと思いますが、一生懸命お答えしますので、お気軽にご相談ください。



■ Improve convenience level of products / services for customers  
(Decrease customer inquiries)

■ Business complement of call center staff  
(Shorten call center business hours)

### No. of inquiry related to defect of magnetic stripe at Call Center





# Consolidated results



(Unit: Billions of yen)	Domestic total			Global total			Adjustments	Conso. Total	
	※	Retail	Solutions	※	China Area	Mekong Area			Malay Area
Ordinary income	298.4	188.9	181.7	139.2	19.6	72.5	47.0	-70.9	439.0
YoY	+7%	+7%	+6%	+12%	+1%	+13%	+17%	+11%	+8%
Change	+19.2	+11.6	+10.7	+15.4	+0.1	+8.5	+6.6	-6.8	+31.0
Ordinary profit	34.0	11.2	26.4	34.5	7.1	14.0	13.3	-2.0	70.1
YoY	+2%	+22%	-4%	+22%	+19%	+12%	+36%	-	+7%
Change	+0.5	+2.0	-1.1	+6.1	+1.1	+1.4	+3.5	-2.6	+4.4
Ordinary profit ratio	11.4%	6.0%	14.5%	24.8%	36.4%	19.3%	28.4%	-	16.0%
YoY	-0.6pt	+0.8pt	-1.6pt	+1.9pt	+5.5pt	-0.3pt	+4.1pt	-	-0.1pt
Profit attributable to owners of parent								39.4	
YoY								+2%	

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

## Domestic main factors ※ ( ): YoY % or amount

### 【Retail】

• Credit card shopping and cash adv. total +¥5.4bn, other loans +¥1.9bn, Insurance fee +¥0.5bn

### 【Solutions】

• Credit Card shopping (Merchant fee etc) +¥5.6bn  
• Bad debt exp +¥3.2bn  
• Payment fee +¥2.1bn,

	Solution		
	YoY	1H	2H
Ordinary income	+5%	+7%	
Bad debt expenses	+22%	+13%	

※ Impact on profit by securitization of finance receivables: ¥17.4bn (+12%, +¥1.9bn); Amortization of finance receivables: ¥8.1bn

## Global main factors ※ ( ): YoY % or amount

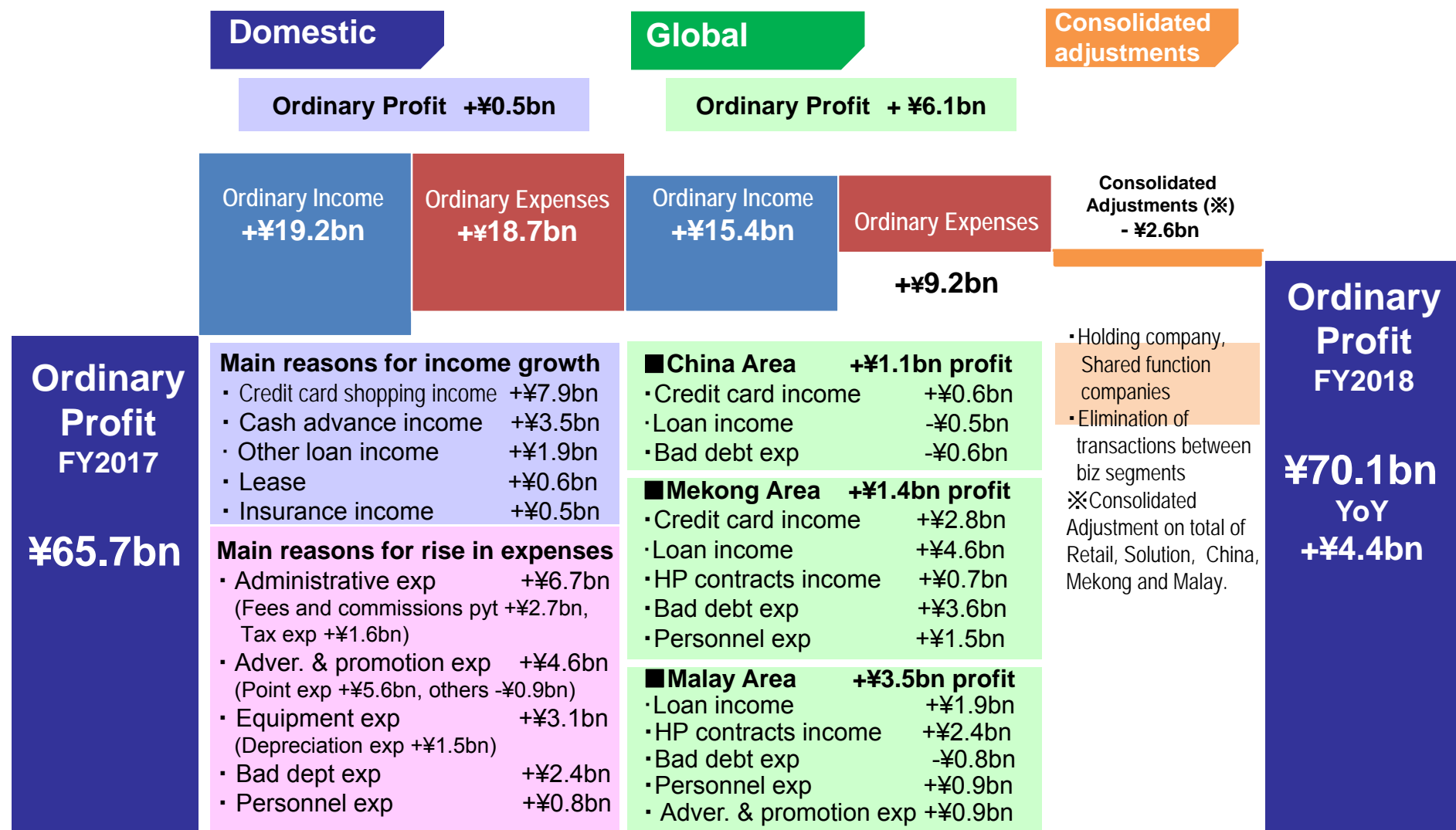
• Topline and profit growth in local currency and yen for all three areas  
• Thailand: Strong credit card shopping and cash advance transaction volume and expansion of loan balance  
• Malaysia: sales-related transaction volume increased due to the strengthening of sales promotion to the real tax exemption period accompanying the tax transfer. Increase in the balance of personal loans mainly for middle and high income earners

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

	Domestic	China Area	Mekong Area	Malay Area
Personnel expenses/ Ordinary income	15.6% (-0.8pt)	13.1% (-1.5pt)	14.8% (+0.4pt)	15.4% (-0.2pt)
Bad debt expenses/ Ordinary income	7.5% (+0.4pt)	14.3% (-3.5pt)	26.8% (+2.0pt)	20.4% (-5.5pt)



# 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	644.5	-5.9	<ul style="list-style-type: none"> <li>Domestic balance: ¥602.2bn (-¥9.3bn) → Decrease due to piling up balance of finance receivables</li> </ul>
Loan and bills discounted	2,429.7	+158.0	<ul style="list-style-type: none"> <li>Balance incl. securitization : ¥3,757.6bn (+¥431.0bn) in which, Domestic balance : ¥3,430.1bn (+¥390.9bn) in which, Global balance : ¥332.4bn (+¥41.0bn)</li> <li>Securitized amount (Domestic only): ¥1,327.8bn(+¥272.9bn)</li> </ul>
Accounts receivable – installment	1,453.1	+158.5	
Allowance for doubtful accounts	-102.8	-44.0	<ul style="list-style-type: none"> <li>Balance incl. securitization : ¥1,970.6bn (+¥191.5bn) in which, Domestic balance : ¥1,687.3bn (+¥165.0bn) in which, Global balance : ¥276.0bn (+¥27.9bn)</li> <li>Securitized amount (Domestic only): ¥517.5bn (-¥32.9bn)</li> </ul>
Other Assets	917.6	+222.7	
<b>Total assets</b>	<b>5,342.2</b>	<b>+489.3</b>	
Deposits	3,469.1	+419.4	<ul style="list-style-type: none"> <li>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</li> </ul>
Interest-bearing debt (excl. deposits)	856.8	+52.7	
Allowance for loss on refund of interest received	4.1	+1.0	<ul style="list-style-type: none"> <li>Securities: ¥344.6bn (+¥133.8bn)</li> </ul>
Other liabilities	563.5	+5.3	<ul style="list-style-type: none"> <li>Ordinary deposits: ¥2,633.3bn (+¥612.6bn)</li> <li>Time deposits: ¥815.2bn (-¥215.2bn)</li> <li>Foreign Currency deposits: ¥31.7bn (+¥31.7bn)</li> </ul>
<b>Total liabilities</b>	<b>4,893.5</b>	<b>+478.4</b>	
<b>Total equity</b>	<b>448.7</b>	<b>+10.9</b>	<ul style="list-style-type: none"> <li>Domestic balance : ¥409.7bn (+¥12.4bn) → Long-term loans payable : ¥37.8bn (+¥8.5bn)</li> <li>Global balance : ¥447.0bn (+¥40.2bn)</li> </ul> <p>※ Domestic and global amounts include figures for holding company and shared function companies</p>
<b>Total liabilities and equity</b>	<b>5,342.2</b>	<b>+489.3</b>	
Shareholders' equity ratio (domestic standard)	7.31%	-1.02pt	<ul style="list-style-type: none"> <li>Decrease due cost suppression for risk asset compression</li> </ul>

# Progress and schedule of system/IT investments



Purpose	Results	Main investments in FY2018 (Total amount ¥34.4bn, 99% of plan)	
Improve convenience level of products/services and labor productivity	Improvement of customer-service quality (Quality of proposals, Speed)	<b>Domestic</b> ¥28.0bn	<ul style="list-style-type: none"> <li>operation efficiency ( Introduction of AI-chat service and RPA)</li> <li>Infrastructure preparation for actual implementation of new products/services (management of merchant system, foreign CCY, self terminal)</li> </ul>
	Responding to the financial needs of our customers anytime and at any place		
Improve profitability of assets	Efficiency of collections Reduce risk of defaults Refinement of screening	<b>Global</b> ¥4.5bn	<ul style="list-style-type: none"> <li>Development of new products/services (smartphone app, non-contact payment, promotion of e-money and repairment of card magnet stripe)</li> <li>Operational efficiency improvement restructuring projects related to AEON Bank direct management and integration of HQ functions</li> </ul>
		<b>Efficiency</b> ¥2.0bn	

KPI for IT/investment	FY2015 Results	FY2016 Results	FY2017 Results	FY2018 Plan	FY2018 Results
Consolidated ordinary income (YoY)	+9%	+4%	+9%	+8%	+8%
Consolidated ordinary income	¥359.6bn	¥375.1bn	¥407.9bn	¥440.0bn	¥439.0bn
Bad dept exp./ordinary income (Global)	25%	26%	24%	20%	23%
Personnel exp./ordinary income (Domestic)	18%	17%	16%	16%	16%
(Global)	15%	15%	15%	11%	15%

# Change in the financial structure due to being a business company



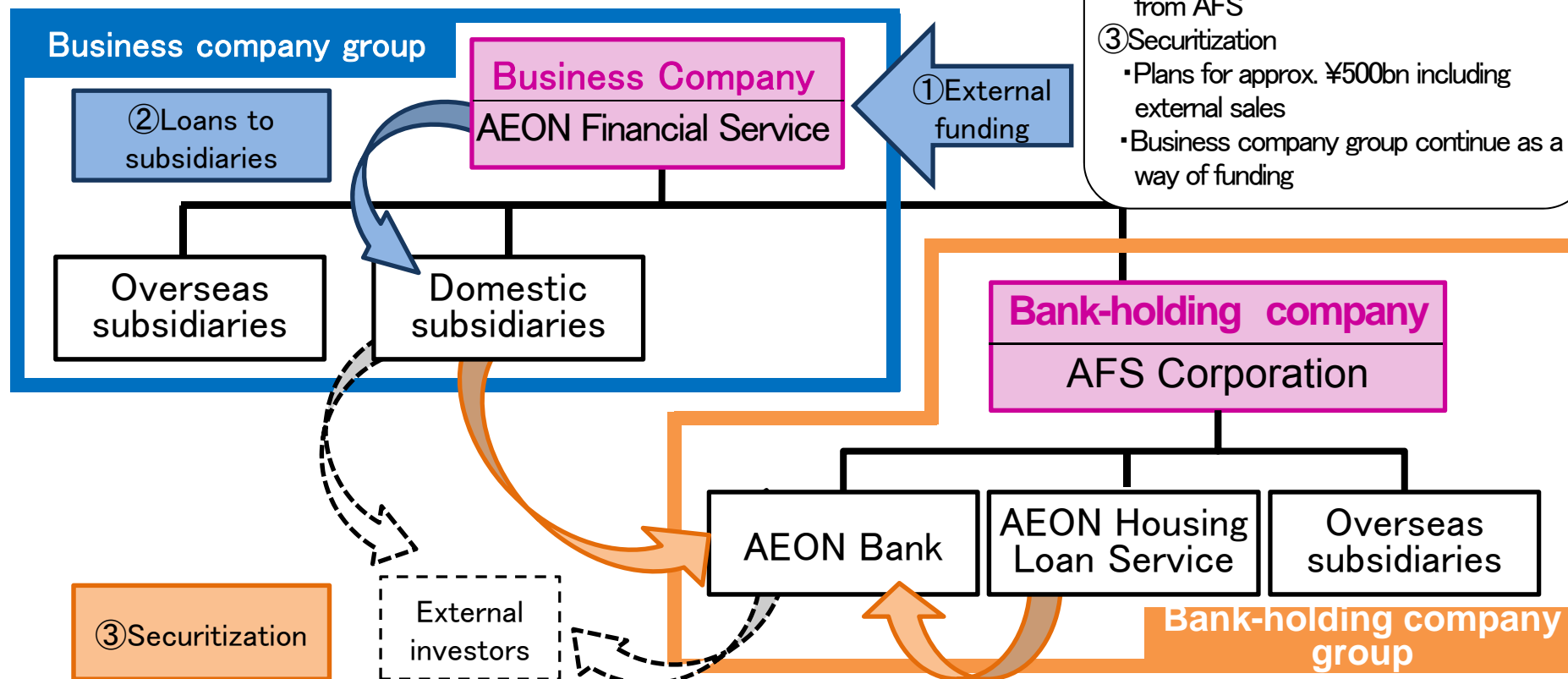
## Consolidation of funding functions (finance from bank ▪ issue of bonds/CP ▪ securitization)

### Effect

- Reduce funding cost, Integration of HQ financial functions
- Concentration, integration and fusion of management resources of each business company
- Strengthening cooperation with retail business and other companies outside the group

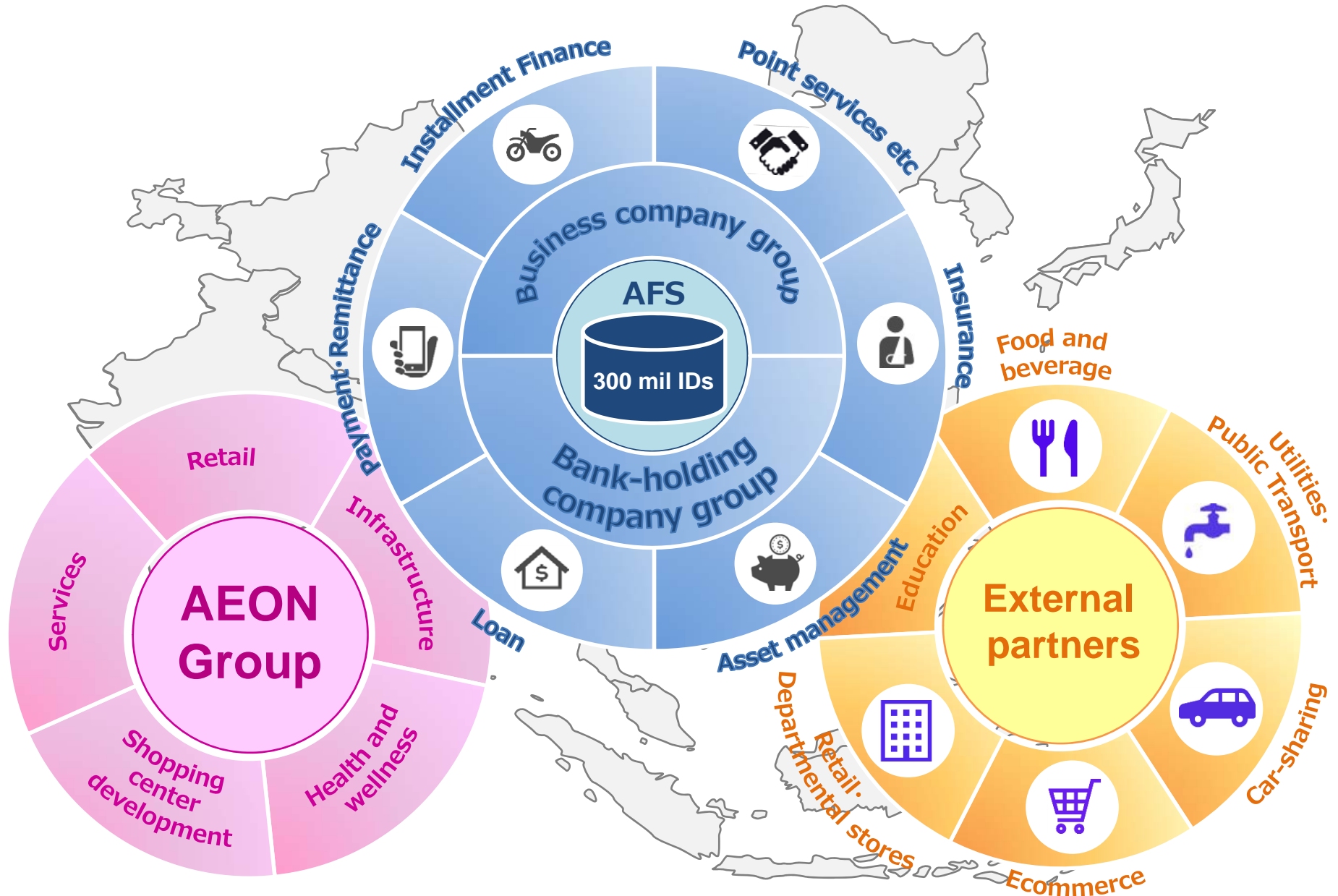
### FY2019 Funding Plan

- ① Unified external funding in domestic
  - finance from bank ▪ issue of bonds/CP
- ② Shift existing borrowed money in domestic incl. long-term funds from 3 to 5 years
  - Lend external borrowing belongs to ACS▪APF▪ACSL approx. ¥200bn from AFS
- ③ Securitization
  - Plans for approx. ¥500bn including external sales
  - Business company group continue as a way of funding

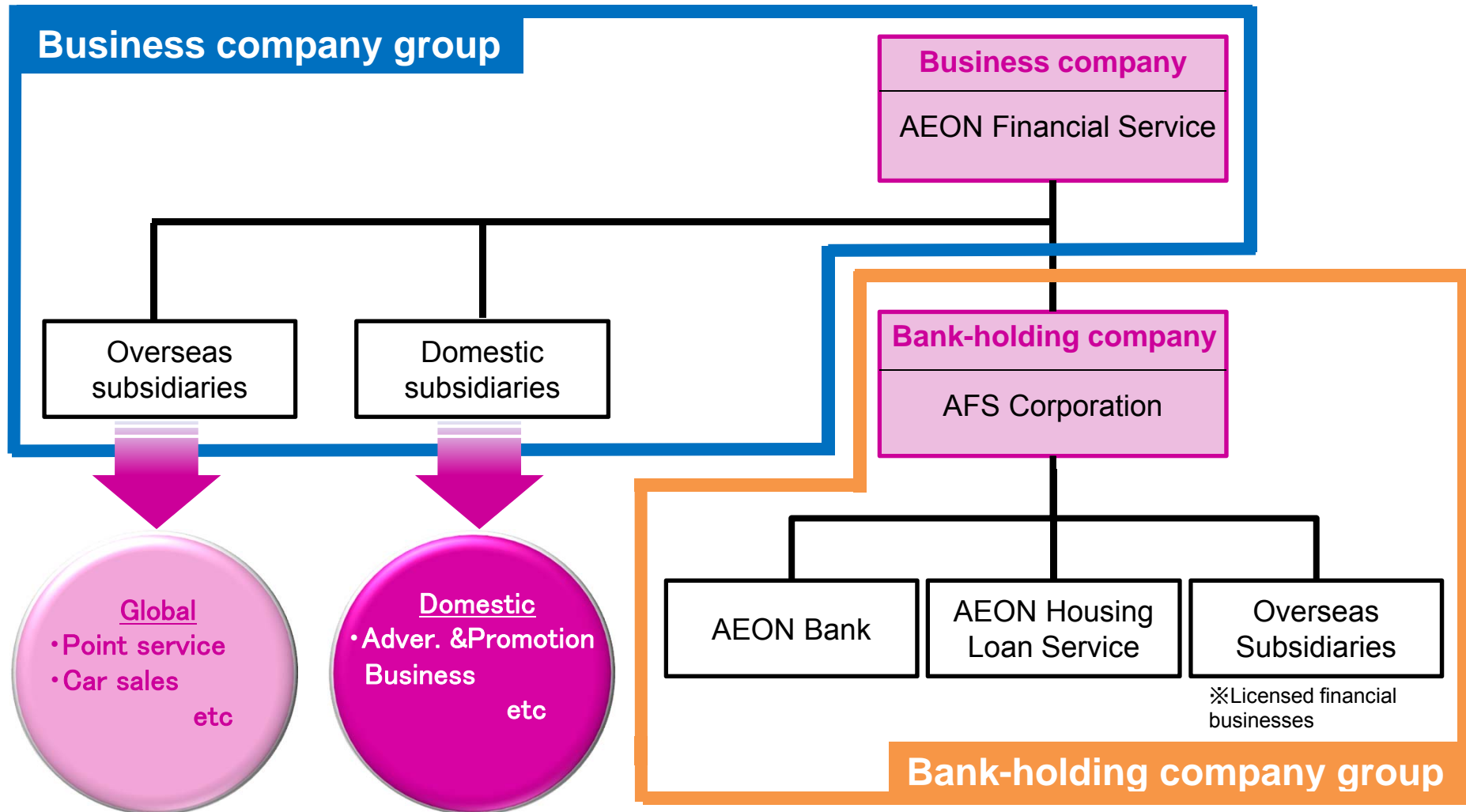


# Future direction

# Vision for 2025 “To be the No. 1 retail financial services company in Asia”



# New organizational structure from FY2019



※Examples of possible business activities due to amendments to the Articles of incorporation



# FY 2019 Main initiatives

# Global Business: initiatives for improving profitability

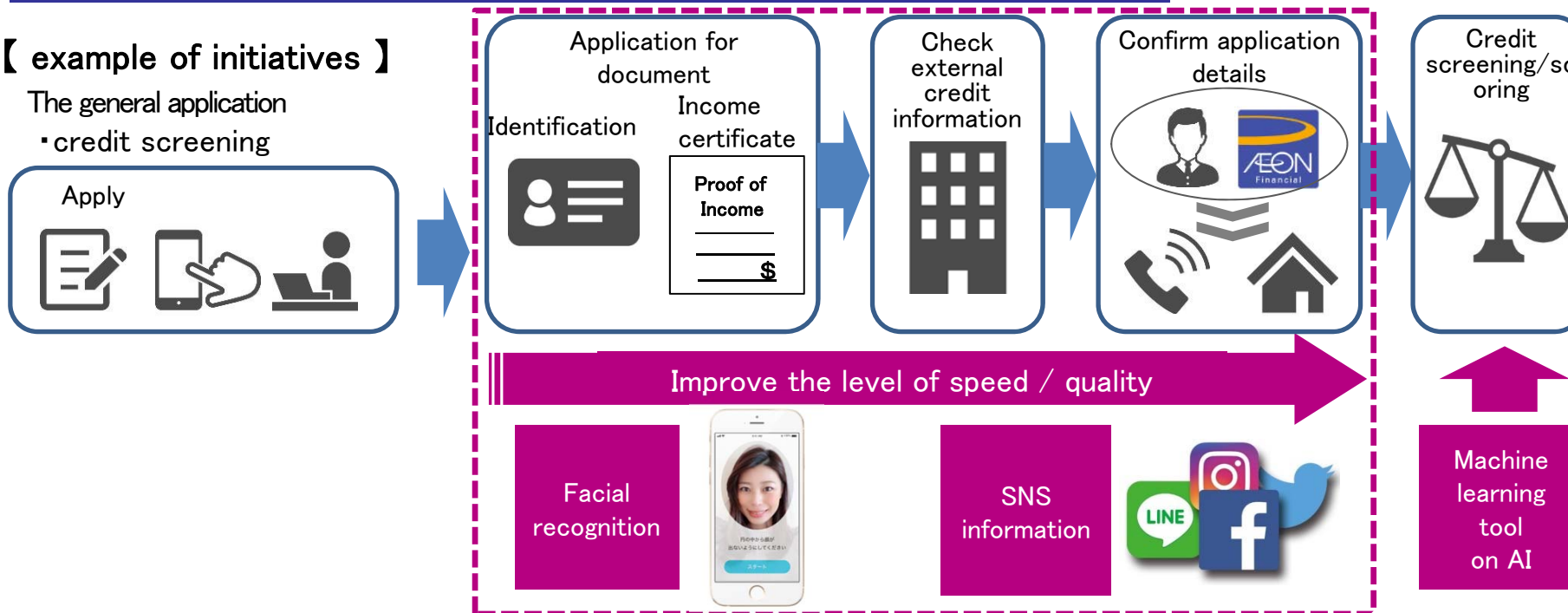


## Expansion of the top line while controlling costs

Improve efficiency of credit screening /management with use of AI base

### 【 example of initiatives 】

The general application  
 • credit screening



Strengthen initiatives for products and services for the middle and high-income groups

### FY2018 Newly issued premium cards



〈HK: AEON CARD Premium〉



〈Thailand: AEON J-Premier Platinum JCB Card〉



〈Malaysia: AEON Platinum Card〉

Will continue to focus on auto loans (Thailand) and other interest-based loans (Malaysia), etc.

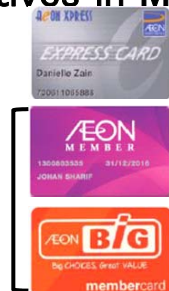
# Global business : ID expansion by mobile terminal

## ■ Provide any products and service by mobile apps

Countries in which we operate	China Area		Mekong Area					Malay Area			
	Hong Kong	China	Thailand	Cambodia	Vietnam	Myanmar	Laos	Malaysia	The Philippines	Indonesia	India
AEON operation (SM)	●	●	●	●	●	●		●		●	
Credit cards	●		●	●				●		●	
Personal loans	●	●	●	●		●		●	●		●
Installment credit		●	●	●	●	●	●	●	●	●	●
E-money (Pre-paie)				●				●			
Insurance agencies	●	●	●					●			
Point cards				●				●			

### 【Pioneering initiatives in Malaysia】

Our member cards

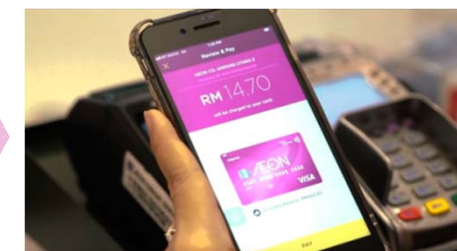


Point cards for two group retail companies

Integrate to apps  
Standardize ID



Providing payment services by e-money  
Conduct database Marketing



Promotion of cash-less by Aeon Group

Expand customer base and transaction volume through collaboration with partner companies

Enhancement of the function of the smartphone application  
“AEON Wallet”

# Domestic business : Enhancement of the function of “AEON Wallet”

■ AEON card functions and related transactions are available in the app

AEON Wallet



Shifting to  
Web statement

Add application and payment function to the app (plan)

One to One marketing

Cost for posting

Promote cross selling

CO2 Exhaust Capacity

Timely confirmation by  
statement

Cost for acquirement

Apply to all card members  
(scheduled to start from Statement issue in October)

Apply to group employees  
(started from Statement issued in March)

FY2018

FY2019

## 【Auto loan business utilizing IoT】

Philippines and Indonesia



- ✓ Engine remote control by IoT devices
- ✓ Taxi Association guarantees driver repayment → Provide a product/service to drivers who is capable of solvency but does not pass credit screening (unbanked customers)

From Jul 2017 Launched auto loan for three-wheeled taxi in the Philippines

From Jul 2018 Launched auto loan for four-wheeled taxi in the Philippines

From Nov 2018 Launched auto loan for four-wheeled taxi in Indonesia

## 【Introduction of e-money settlement in local currency】

Cambodia

- ✓ Promote local ccy distribution
- ✓ Reduce cash cost
- ✓ Eliminating the inconvenience of carrying cash

## 【Financing of local currencies by issuing ADB bonds】

Philippines

- ✓ First warranty by CGIF
- ✓ 1 bn pesos (approx. ¥2.14bn)
- ✓ Allocate to Auto loan business, personal loans and instalment

## 【Agricultural machinery and vehicle loans】

Vietnam

- ✓ Support for the dissemination of large-scale agriculture
- ✓ Matching with machinery and vehicle manufacturers
- ✓ Use of IoT devices (Light pickup)

## 【Issuance of Brand Prepaid cards】

Malaysia

- ✓ Standardize ID of finance and retail
- ✓ Promote sending customers to group companies and external use by alliances with external partner companies

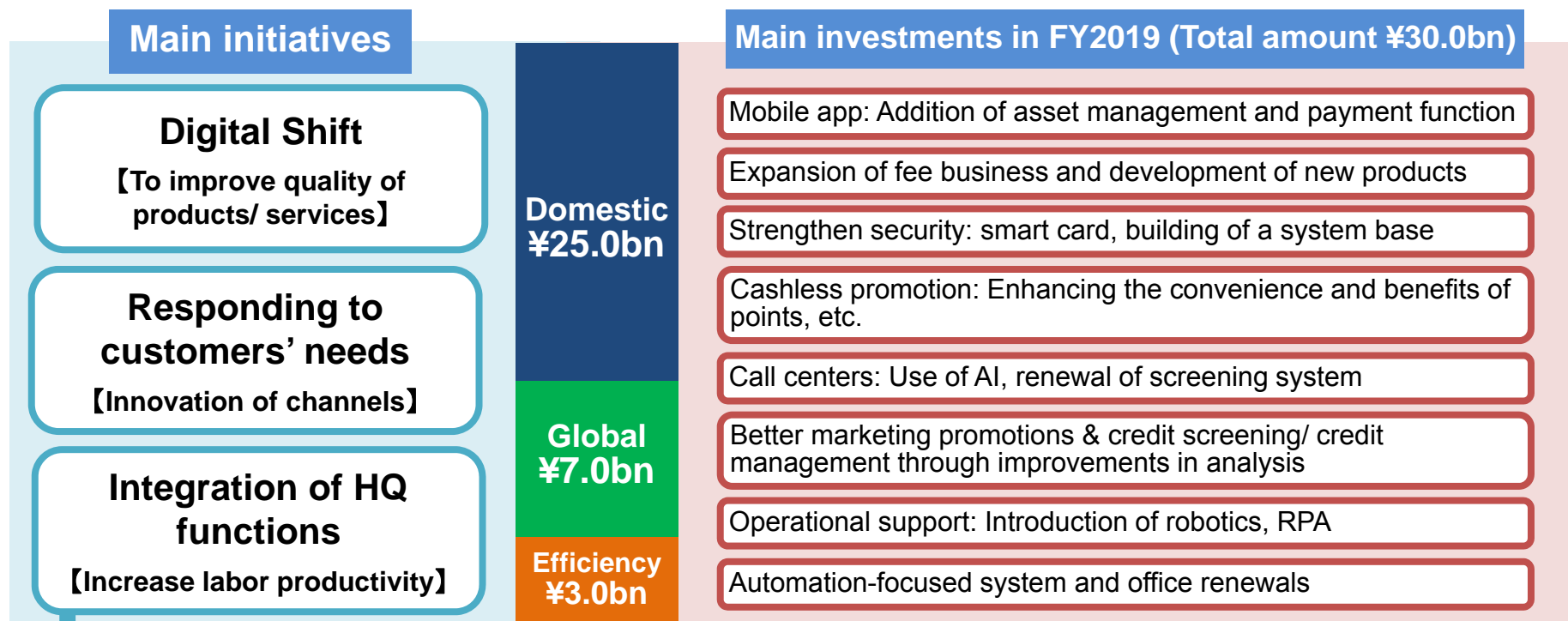
## 【APF: Obtaining a green bond rating】

Japan

- ✓ First Environmental ratings in the securitized market
- ✓ Target to renovation loan, solar loan



# FY2019 Plan and schedule of system/IT investments



■ Oct 2019 Unification of human resources system systems of two major domestic companies (promotion of human resource exchange and optimal placement efforts in the group)

KPI for IT/investment	FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Plan	Management Goals up to around FY2022
Bad dept exp./ordinary income (Domestic)	7%	7%	7%	7%	ROE more than 15%
(Global)	26%	24%	23%	22%	
Personnel exp./ordinary income (Domestic)	17%	16%	16%	15%	ROE more than 15%
(Global)	15%	15%	15%	14%	



# FY2019 Consolidated forecasts



■ The accounting period was changed from the fiscal year ending March to the end of February (※1)

	FY2019 ( from Apr 1. 2019 to Feb 29. 2020)		
	Interim (Cumulative)	Full term (11months)	(Reference ※3) 12 Months Conversion value
Operating income(※2)	¥225.0bn	¥430.0bn	¥470.0bn
Ordinary profit	¥25.0bn	¥70.0bn	¥73.0bn
Net income attributable to owners of parent (Net income per share)	¥13.1bn	¥38.0bn (¥176.11)	¥40.0bn (¥185.38)

	Interim		Year End		Full Year		Payout Ratio	
	Plan	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥29	±¥0	¥39	±¥0	¥68	±¥0	38.6%	+3.8%

※1 Forecast and Payout ratio : figures of for the fiscal year ending February 31, 2020 (11 months) after the change in the fiscal year, which are subject to approval at the annual general meeting of shareholders scheduled to be held on June 25, 2019

※2 Changes in the method of financial forecasts in accordance with reorganization

※3 Figures that adjusted the full-year earnings forecast to 12 months (from April 2019 to March 2020)

# (Reference) FY 2018 Results (Hong Kong, Thailand, Malaysia)



		FY2017		FY2018	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$' 000)	Total Revenue (※2)	1,337,034	+2%	1,375,751	+3%
	Profit before tax	447,265	+22%	524,122	+17%
	Profit for the period attributable to : Owners of the Company	371,148	+24%	437,254	+18%
AEON THANA SINSAP (THAILAND) (BAHT' 000)	Total Revenues	18,662,969	+5%	20,641,701	+11%
	Profit before income tax expense	3,714,354	+23%	4,434,243	+19%
	Net profit for the period	2,994,403	+23%	3,566,624	+19%
AEON CREDIT SERVICE (M) Berhad (RM\$' 000)	Revenue + Other operation income	1,361,606	+14%	1,519,550	+12%
	Profit before taxation	398,355	+13%	472,191	+19%
	Profit for the period	300,057	+13%	354,624	+18%

※1 Source : Data related 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) FY2018 Results (Hong Kong, Thailand, Malaysia)



(Unit: Billions of yen)

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

	FY2017	FY2018	
	Results	Results	YoY
Ordinary income	19.0	19.3	+2%
Ordinary profit	6.3	7.3	+16%
Net income	5.2	6.1	+16%

Exchange rates: HKD 1  
 • FY2017 : ¥14.27  
 • FY2018 : ¥14.08

Fiscal period  
 • 2017: Mar. 1 ~ Feb. 28  
 • 2018: Mar. 1 ~ Feb. 28

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

	FY2017	FY2018	
	Results	Results	YoY
Ordinary income	62.3	70.5	+13%
Ordinary profit	12.4	15.1	+22%
Net income	10.0	12.1	+22%

Exchange rates: THB 1  
 • FY2017 : ¥3.34  
 • FY2018 : ¥3.42

Fiscal period  
 • 2017: Mar. 1 ~ Feb. 28  
 • 2018: Mar. 1 ~ Feb. 28

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

	FY2017	FY2018	
	Results	Results	YoY
Ordinary income	36.0	41.3	+15%
Ordinary profit	10.5	12.8	+22%
Net income	7.9	9.6	+22%

Exchange rates: MYR 1  
 • FY2017 : ¥26.46  
 • FY2018 : ¥27.23

Fiscal period  
 • 2017: Mar. 1 ~ Feb. 28  
 • 2018: Mar. 1 ~ Feb. 28

# (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, balance at beginning of period	¥2.3bn	¥40.6bn	¥42.6bn
Provision of allowance for doubtful accounts	¥0.5bn	¥21.9bn	¥22.3bn
Write-off of doubtful accounts (including transferred debt)	¥0.0bn	¥14.6bn	¥14.7bn
Allowance for doubtful accounts balance at end of period	¥2.7bn	¥47.9bn	¥50.1bn

(Subsidiaries in domestic) Aeon Credit Service : ¥28.2bn, Aeon Product Finance : ¥6.3bn, Aeon Bank : ¥2.7bn, Aeon Housing Loan Service : ¥1.6bn

## ■ Allowance for Loss on Refund of Interest Received

	FY2017	FY2018
Beginning of period	¥3.8bn	¥3.1bn
Provision	¥2.7bn	¥3.2bn
Interest refunded	¥3.4bn	¥2.1bn
End of period	¥3.1bn	¥4.1bn

(Interest claims amount : Cash out + principal payout)

	China Area	Mekong Area	Malay Area	Global Total	Consolidated
Allowance for doubtful accounts, balance at beginning of period	¥4.0bn	¥27.7bn	¥19.0bn	¥50.8bn	¥93.8bn
Provision of allowance for doubtful accounts	¥2.8bn	¥19.4bn	¥9.6bn	¥31.8bn	¥54.0bn
Write-off of doubtful accounts (including transferred credit)	¥3.2bn	¥16.6bn	¥10.9bn	¥30.8bn	¥45.0bn
Allowance for doubtful accounts, balance at end of period	¥3.6bn	¥30.5bn	¥17.6bn	¥51.8bn	¥102.8bn

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