



Brief Report of Financial Results (Unaudited)

(For the six Months Ended September 30, 2016)

November 11, 2016

Registered Company Name: **AEON Financial Service Co., Ltd.**

Stock Listing: Tokyo Stock Exchange, First Section

Code No: 8570

URL: <http://www.aeonfinancial.co.jp/>

President and CEO: Kenji Kawahara

Contact: Hideki Wakabayashi, Director, CFO

1. Business performance (For the six Months ended September 30, 2016 and For the six Months ended September 30, 2015)

(1) Consolidated Operating Results

(Millions of yen truncated to the nearest million, %, yen)

	Ordinary income	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Six Months ended September 30, 2016	¥180,991	4.1%	¥27,426	5.8%	¥17,005	20.5%
Six Months ended September 30, 2015	173,830	15.0%	25,913	33.0%	14,109	28.4%

※Comprehensive income; The 2nd Quarter of Fiscal 2016; 11,592million(△17.0%) , The 2nd Quarter of Fiscal 2015; 13,962 million(△14.1%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months ended September 30, 2016	¥84.94	¥84.44
Six Months ended September 30, 2015	71.01	70.98

(2) Financial Position

(Millions of yen truncated to the nearest million, %, yen)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share (Yen)
Six Months ended September 30, 2016	¥3,929,320	¥373,375	8.3%	¥1,508.36
Six Months ended September 30, 2015	3,745,546	340,886	7.8%	1,465.31

(Reference)1. Shareholder's equity; The 2nd Quarter of Fiscal 2016; 325,312 million, Fiscal 2015; 291,186 million

2.Capital Ratio = {(Net assets – stock acquisition right – Non-controlling interests) / total assets} X 100

3.Capital ratio is not based on the regulation of Capital Adequacy Ratio.

2. Cash Dividends

(Base date)	Dividend per share				
	First quarter period	Interim period	Third quarter period	Term end	Annual
March 2016 term	—	¥28.00	—	¥38.00	¥66.00
March 2017 term	—	¥29.00	—	—	—
March 2017 term (Estimated)	—	—	—	(39.00)	(68.00)

Note:Revision on dividend projection in the 2nd Quarter ; No

3. Projections (For the fiscal year ending March 31, 2017)

(Millions of yen truncated to the nearest million, %, yen)

	Ordinary income	YOY (%)	Ordinary profit	YOY (%)	Profit attributable to owners of parent	YOY (%)	Net income per share
Full term	380,000	5.7	63,000	6.1	37,000	3.4	171.56

Note:Revision on the projection of consolidated results in the 2nd Quarter ; No

4.Others

(1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation) ; No

(2) Change in accounting principle, procedure, disclosure, etc., concerning preparation of consolidated financial statements

(matters to be mentioned concerning the change of important items to be the bases for preparation of consolidated financial statements)

① Change by a newly issued accounting pronouncement ; No

② Change other than ① ; No

③ Change accounting quotation ; No

④ Restatement ; No

(3) Number of issued stocks and outstandings (Common stock)

① Number of issued stocks and outstandings at term end (including treasury stock)

The 2nd quarter of fiscal 2016; 225,472,801 shares, Fiscal 2015; 208,527,801 shares

② Number of shares of treasury stock at end of term

The 2nd quarter of fiscal 2016; 9,799,154 shares, Fiscal 2015; 9,807,144 shares,

③ Average of the number of shares during the quarter(For the Six Months ended September 30, 2016)

The 2nd quarter of fiscal 2016; 200,200,473 shares, The 2nd quarter of fiscal 2015; 198,691,884 shares

※ Remarks on the projections, other issues

Projections above are based on management's assumptions using information available at the time of publication. Owing to various factors, actual results may differ from these projections.

5.Report of Non-Consolidated Financial Results

Business performance (For the six Months ended September 30, 2016 and For the six Months ended September 30, 2015)

(1) Non-consolidated Operating Results

(Millions of yen truncated to the nearest million, %, yen)

	Operating revenues	YOY (%)	Operating income	YOY (%)	Ordinary income	YOY (%)	Net income	YOY (%)
Six Months ended September 30, 2016	11,625	1.1	7,904	35.3	7,570	39.2	6,775	42.8
Six Months ended September 30, 2015	11,494	△4.7	5,843	△26.2	5,437	△28.1	4,743	△35.8

	Net income per share
Six Months ended September 30, 2016	33.84
Six Months ended September 30, 2015	23.87

(2) Financial position

(Millions of yen truncated to the nearest million, %, yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Six Months ended September 30, 2016	348,946	222,749	63.8%	1,032.20
Fiscal year ended March 31, 2016	331,946	192,973	58.1%	970.52

(Reference) Shareholder's equity; The 2nd Quarter of Fiscal 2016; 222,617 million, Fiscal 2015; 192,863 million

※ Remarks on the projections, other issues

Projections above are based on management's assumptions using information available at the time of publication. Owing to various factors, actual results may differ from these projections.

6. Interim Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen truncated the nearest million yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Cash and due from banks	444,868	543,071
Monetary claims bought	5,051	4,444
Securities	211,131	157,668
Loans and bills discounted	1,673,997	1,736,980
Accounts receivable-installment	1,022,387	1,104,564
Lease receivables and investment assets	5,405	6,399
Other assets	124,594	127,847
Property, plant and equipment	36,530	36,380
Intangible assets	77,163	83,060
Goodwill	25,597	24,664
Other intangible fixed assets	51,565	58,395
Deferred tax assets	20,433	21,428
Customer's liabilities for acceptances and guarantees	173,441	157,627
Allowance for loan losses	△ 49,458	△ 50,153
Total assets	3,745,546	3,929,320
Liabilities		
Deposits	2,152,928	2,360,224
Accounts payable-trade	173,568	153,523
Commercial papers	68,000	37,543
Borrowed money	535,989	501,540
Bonds payable	122,074	129,623
Convertible bond-type bonds with subscription rights to shares	50	30,050
Other liabilities	152,845	160,386
Provision for bonuses	2,828	2,844
Net defined benefit liability	3,530	3,437
Provision for point card certificates	12,456	14,315
Provision for loss on interest repayment	4,206	2,189
Other provision	396	250
Deferred tax liabilities	2,344	2,386
Acceptances and guarantees	173,441	157,627
Total liabilities	3,404,660	3,555,945
Net assets		
Capital stock	30,441	45,673
Capital surplus	106,230	121,461
Retained earnings	177,766	187,207
Treasury shares	△ 25,141	△ 25,121
Total shareholders' equity	289,296	329,221
Valuation difference on available-for-sale securities	5,889	5,292
Deferred gains or losses on hedges	△ 3,514	△ 3,213
Foreign currency translation adjustment	122	△ 5,435
Remeasurements of defined benefit plans	△ 607	△ 552
Total other comprehensive income	1,890	△ 3,909
Subscription rights to shares	110	131
Non-controlling interests	49,589	47,930
Total net assets	340,886	373,375
Total liabilities and net assets	3,745,546	3,929,320

(2) Consolidated Quarterly Statements of Income

(Millions of yen truncated the nearest million yen)

	For the Six months ended September 30, 2015	For the Six months ended September 30, 2016
Ordinary income	173,830	180,991
Interest income	68,427	69,234
Interest on loans and discounts	67,166	68,112
Interest and dividends on securities	946	846
Fees and commissions	91,969	91,131
Other operating income	5,079	11,871
Other ordinary income	8,353	8,753
Ordinary expenses	147,916	153,565
Interest expenses	11,023	9,708
Interest on deposits	2,130	1,758
Fees and commissions payments	11,795	12,358
Other operating expenses	425	1,584
General and administrative expenses	100,981	106,463
Other ordinary expenses	23,690	23,449
Ordinary profit	25,913	27,426
Extraordinary income	0	1
Gain on disposal of non-current assets	0	1
Extraordinary loss	1,101	146
Loss on disposal of noncurrent assets	1,022	117
Other	78	28
Profit before income taxes	24,813	27,280
Income taxes-current	7,699	7,470
Income taxes-deferred	△ 1,222	△ 959
Total income taxes	6,477	6,510
Profit	18,335	20,769
Profit attributable to non-controlling interests	4,225	3,764
Profit attributable to owners of parent	14,109	17,005

(Consolidated statement of comprehensive income)

(Millions of yen truncated the nearest million yen)

	For the Six months ended September 30, 2015	For the Six months ended September 30, 2016
Profit	18,335	20,769
Other comprehensive income	△ 4,373	△ 9,177
Valuation difference on available-for-sale securities	△ 225	△ 598
Deferred gains or losses on hedges	△ 159	538
Foreign currency translation adjustment	△ 4,035	△ 9,171
Remeasurements of defined benefit plans	47	54
Comprehensive income	13,962	11,592
(attributable to)		
Comprehensive income attributable to owners of the Company	11,585	11,205
Comprehensive income attributable to non-controlling interests	2,377	386

(3) (Summary) Consolidated Statements of Changes in net assets

(For the Six months ended September 30, 2015)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	30,421	106,230	154,518	△ 25,144	266,026
Changes of items during the period					
Issuance of new shares					
Convert of Convertible bond-type bonds with subscription rights to shares	10	10			20
Dividends from surplus			△ 6,954		△ 6,954
Net income attributable to shareholders of the parent			14,109		14,109
Purchase of treasury shares				△0	△0
Disposal of treasury shares					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		15			15
Change of scope of equity method □			△ 18		△ 18
Net changes of items other than shareholders' equity					
Total changes of items during the period	10	25	7,137	△0	7,172
Ending balance	30,431	106,255	161,656	△ 25,145	273,198

	Other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income			
Beginning balance	4,243	△ 3,468	7,446	△ 539	7,682	73	51,166	324,948
Changes of items during the period								
Issuance of new shares								
Convert of Convertible bond-type bonds with subscription rights to shares								20
Dividends from surplus								△ 6,954
Net income attributable to shareholders of the parent								14,109
Purchase of treasury stock								△0
Disposal of treasury stock								
Change in treasury shares of parent arising from transactions with non-controlling shareholders							△ 15	—
Change of scope of equity method □								△ 18
Net changes of items other than shareholders' equity	△ 217	△ 108	△ 2,246	47	△ 2,524	38	△ 422	△ 2,908
Total changes of items during the period	△ 217	△ 108	△ 2,246	47	△ 2,524	38	△ 438	4,248
Ending balance	4,026	△ 3,577	5,199	△ 491	5,157	112	50,727	329,196

(For the Six months ended September 30, 2016)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	30,441	106,230	177,766	△ 25,141	289,296
Changes of items during the period					
Issuance of new shares	15,231	15,231			30,463
Convert of Convertible bond-type bonds with subscription rights to shares					
Dividends from surplus			△ 7,551		△ 7,551
Net income attributable to shareholders of the parent			17,005		17,005
Purchase of treasury shares				△ 0	△ 0
Disposal of treasury shares		0	△ 12	20	8
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Change of scope of equity method □					
Net changes of items other than shareholders' equity					
Total changes of items during the period	15,231	15,231	9,441	20	39,925
Ending balance	45,673	121,461	187,207	△ 25,121	329,221

	Other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income			
Beginning balance	5,889	△ 3,514	122	△ 607	1,890	110	49,589	340,886
Changes of items during the period								
Issuance of new shares								30,463
Convert of Convertible bond-type bonds with subscription rights to shares								
Dividends from surplus								△ 7,551
Net income attributable to shareholders of the parent								17,005
Purchase of treasury stock								△ 0
Disposal of treasury stock								8
Change in treasury shares of parent arising from transactions with non-controlling shareholders								
Change of scope of equity method □								
Net changes of items other than shareholders' equity	△ 596	300	△ 5,557	54	△ 5,799	21	△ 1,658	△ 7,436
Total changes of items during the period	△ 596	300	△ 5,557	54	△ 5,799	21	△ 1,658	32,489
Ending balance	5,292	△ 3,213	△ 5,435	△ 552	△ 3,909	131	47,930	373,375

(4) Segment Information

(Millions of yen)

	For the six month ended September 30, 2015						
	Credit	Bank	Overseas	Fee	Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
Operating revenue							
Operating revenue from external customer	74,645	19,835	62,336	17,013	173,830	—	173,830
The internal operating income between segments	822	2,031	0	7,256	10,111	△ 10,111	—
Total	75,467	21,866	62,336	24,270	183,941	△ 10,111	173,830
Segment Profit/ Loss	16,740	△ 226	11,386	1,918	29,819	△ 3,905	25,913
Segment assets	1,421,929	1,589,238	549,267	152,903	3,713,338	△ 175,753	3,537,584
Other							
Depreciation	1,716	829	2,392	2,718	7,656	182	7,838
Amortization of goodwill	89	451	14	359	914	—	914
Interest income	28,542	7,645	31,936	877	69,002	△ 574	68,427
Interest expenses	2,222	819	7,609	181	10,832	190	11,023
Provision of allowance for loan losses	6,248	174	14,786	750	21,960	—	21,960
Increase in property, plant and equipment and intangible assets	5,340	1,381	2,180	2,698	11,601	661	12,263

(Remarks) Content of each Segment

※1 The amounts of generally indicated as net sales are herein stated as operating revenue.

※2 Adjustments details are as follows.

(1)The adjustment of △3,905 million yen to segment Profit/Loss represents corporate expenses that are not allocated to each reportable segment. Company-wide costs mainly refer to operations expenses that do not belong to reported segments.

(2)The adjustment of △175,753 million yen to segment assets represents total corporate assets that are not allocated to each reportable segment and intersegment elimination.

※3 Segment income is adjusted to ordinary income of consolidated statement on six months ended September 30, 2015

(Millions of yen)

	For the six month ended September 30, 2016						
	Credit	Bank	Overseas	Fee	Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
Operating revenue							
Operating revenue from external customer	81,952	24,696	55,772	18,569	180,991	—	180,991
The internal operating income between segments	1,647	2,241	0	8,144	12,033	△ 12,033	—
Total	83,600	26,937	55,772	26,714	193,024	△ 12,033	180,991
Segment Profit/ Loss	17,306	1,053	10,296	1,933	30,590	△ 3,164	27,426
Segment assets	1,495,500	1,923,650	508,325	168,817	4,096,294	△ 166,974	3,929,320
Other							
Depreciation	1,911	895	2,265	3,050	8,122	370	8,493
Amortization of goodwill	89	481	14	377	962	△ 30	932
Interest income	31,165	9,103	28,754	881	69,904	△ 669	69,234
Interest expenses	1,513	914	6,944	173	9,546	162	9,708
Provision of allowance for loan losses	8,034	△ 63	13,498	738	22,206	—	22,206
Increase in property, plant and equipment and intangible assets	7,941	2,093	1,885	4,878	16,799	733	17,532

(Remarks) Content of each Segment

※1 The amounts of generally indicated as net sales are herein stated as operating revenue.

※2 Adjustments details are as follows.

(1)The adjustment of △3,164 million yen to segment Profit/Loss represent corporate expenses that are not allocated to each reportable segment. Company-wide costs mainly refer to operations expenses that do not belong to reported segments.

(2)The adjustment of △166,974 million yen to segment assets represent total corporate assets that are not allocated to each reportable segment and intersegment elimination.

※3 Segment income is adjusted to ordinary income of consolidated statement on six months ended September 30, 2016.

※4 Segment Information includes “Fee Business” after established ACS Lease CO.,LTD.

Therefore “Fee Business” is changed in “Fee Businesses” from this consolidated fiscal year. □

7. (Summary) Non-consolidated financial statements

(1) (Summary) Non-consolidated Balance Sheets

(Millions of yen truncated the nearest million yen)

	As of March 31, 2016	As of September 30, 2016
ASSETS		
Current assets		
Cash and deposits	2,676	2,420
Accounts receivable-other	4,056	7,469
Income taxes receivable	2,129	970
Other	544	15,227
Total current assets	9,406	26,087
Non-current assets		
Property, plant and equipment	719	834
Intangible assets	926	1,123
Investments and other assets		
Shares of subsidiaries and associates	301,541	301,541
Other	19,589	19,856
Allowance for investment loss	△ 623	△ 998
Total Investments and other assets	320,507	320,399
Total non-current assets	322,153	322,357
Deferred assets	386	501
Total assets	331,946	348,946
Liabilities		
Current liabilities		
Short-term loans payable	1,200	1,500
Commercial papers	43,000	—
Current portion of bonds with subscription rights to shares	50	50
Income taxes payable	22	90
Reserve for executive performance bonuses	66	30
Other	4,234	3,465
Total current liabilities	48,573	5,135
Non-current liabilities		
Bonds payable	90,000	90,000
Convertible bond-type bonds with subscription rights to shares	—	30,000
Other	398	1,060
Total non-current liabilities	90,398	121,060
Total long-term liabilities	138,972	126,196

(Millions of yen truncated the nearest million yen)

	As of March 31, 2016	As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	30,441	45,673
Capital surplus		
Legal capital surplus	106,250	121,481
Other capital surplus	—	0
Total capital surplus	106,250	121,482
Retained earnings		
Legal retained earnings	3,687	3,687
Other retained earnings		
General reserve	63,995	63,995
Retained earnings brought forward	10,915	10,127
Total retained earnings	78,597	77,809
Treasury shares	Δ 25,141	Δ 25,121
Total shareholders' equity	190,147	219,843
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,715	2,774
Total valuation and translation adjustments	2,715	2,774
Subscription rights to shares	110	131
Total net assets	192,973	222,749
Total liabilities and net assets	331,946	348,946

(2) (Summary) Non-consolidated Statements of Income

(Millions of yen truncated the nearest million yen)

	For the Fiscal 2015 ended September 30, 2015	For the Fiscal 2016 ended September 30, 2016
Operating revenues	11,494	11,625
Operating expenses		
Selling, general and administrative expenses	5,650	3,721
Total operating expenses	5,650	3,721
Operating income	5,843	7,904
Non-operating income	109	175
Non-operating expenses	515	508
Ordinary income	5,437	7,570
Extraordinary losses	587	377
Income before income taxes	4,849	7,193
Income taxes-current	133	327
Income taxes-deferred	△ 27	90
Total Income taxes	106	418
Net income	4,743	6,775

(3) (Summary) Non-consolidated of Changes in net assets
(For the Fiscal 2015 ended September 30, 2015)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Beginning balance	30,421	106,230	—	106,230	3,687	63,995	13,849	81,531
Changes of items during the period								
Issuance of new shares								
Convert of Convertible bond-type bonds with subscription rights to shares	10	10		10				
Dividends from surplus							△ 6,954	△ 6,954
Net income							4,743	4,743
Purchase of treasury stock								
Disposal of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during the period	10	10	—	10	—	—	△ 2,210	△ 2,210
Ending balance	30,431	106,240	—	106,240	3,687	63,995	11,639	79,321

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Beginning balance	△ 25,144	193,039	2,554	2,554	73	195,667
Changes of items during the period						
Issuance of new shares						
Convert of Convertible bond-type bonds with subscription rights to shares		20				20
Dividends from surplus		△ 6,954				△ 6,954
Net income		4,743				4,743
Purchase of treasury stock	△ 0	△ 0				△ 0
Disposal of treasury stock						
Net changes of items other than shareholders' equity			401	401	38	440
Total changes of items during the period	△ 0	△ 2,191	401	401	38	△ 1,750
Ending balance	△ 25,145	190,848	2,956	2,956	112	193,916

(For the Fiscal 2016 ended September 30, 2016)

(Millions of yen truncated the nearest million yen)

(millions of yen, truncated the nearest million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Beginning balance	30,441	106,250	—	106,250	3,687	63,995	10,915	78,597
Changes of items during the period								
Issuance of new shares	15,231	15,231		15,231				
Convert of Convertible bond-type bonds with subscription rights to shares								
Dividends from surplus							△ 7,551	△ 7,551
Net income							6,775	6,775
Purchase of treasury stock								
Disposal of treasury stock			0	0			△ 12	△ 12
Net changes of items other than shareholders' equity								
Total changes of items during the period	15,231	15,231	0	15,231	—	—	△ 787	△ 787
Ending balance	45,673	121,481	0	121,482	3,687	63,995	10,127	77,809

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Beginning balance	Δ 25,141	190,147	2,715	2,715	110	192,973
Changes of items during the period						
Issuance of new shares		30,463				30,463
Convert of Convertible bond-type bonds with subscription rights to shares						
Dividends from surplus		Δ 7,551				Δ 7,551
Net income		6,775				6,775
Purchase of treasury stock	Δ 0	Δ 0				Δ 0
Disposal of treasury stock	20	8				8
Net changes of items other than shareholders' equity			58	58	21	79
Total changes of items during the period	20	29,696	58	58	21	29,775
Ending balance	Δ 25,121	219,843	2,774	2,774	131	222,749