



Brief Report of Financial Results (Unaudited)

(For the three Months Ended June 30, 2017)

August 8, 2017

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 three Months ended June 30, 2017 and For the three Months ended June 30, 2016)

(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
Three Months ended June 30, 2017	¥94,035	3.9%	¥11,964	Δ12.9%	¥7,003	Δ21.7%
Three Months ended June 30, 2016	90,469	5.6%	13,740	9.1%	8,948	24.5%

※Comprehensive income; The 1st Quarter of Fiscal 2017; 8,772 million(6.4%) , The 1st Quarter of Fiscal 2016; 8,248million(81.4%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months ended June 30, 2017	¥32.47	¥30.79
Three Months ended June 30, 2016	45.03	45.01

(2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share (Yen)
Three Months ended June 30, 2017	¥4,315,732	¥401,680	8.0%	¥1,596.89
Fiscal year ended March 31, 2017	4,187,263	401,170	8.3%	1,604.79

(Reference)1. Shareholder's equity; The 1st Quarter of Fiscal 2017; 344,479 million, Fiscal 2016; 346,182million

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 2017 term	—	¥29.00	—	¥39.00	¥68.00
March 2018 term	—	—	—	—	—
March 2018 term (Estimated)	—	(29.00)	—	(39.00)	(68.00)

Note: No revision on dividend projection in the 1st Quarter expected

3. Projections (For the fiscal year ending March 31, 2018)

(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
Interim	176,000	Δ2.8	29,000	5.7	19,000	11.7	88.08
Full term	390,000	4.0	65,000	5.5	40,000	1.4	185.43

Note: No revision on the projection of consolidated results in the 1st Quarter expected

4. Notes

- (1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation): No
- (2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: No
- (3) Change in accounting principle, procedure, disclosure, etc. concerning preparation of consolidated financial statements
(matters to be mentioned concerning the change of important items as bases for preparation of consolidated financial statements)
 - ① Change due to a newly issued accounting requirement: No
 - ② Change other than ①: No
 - ③ Change accounting quotation: No
 - ④ Restatement: No
- (4) Number of issued stock and outstanding stock (Common stock)
 - ① Number of issued stock and outstanding stock at term end (including treasury stock)
The 1st quarter of Fiscal 2017: 225,510,128 shares, Fiscal 2016: 225,510,128 shares
 - ② Number of shares of treasury stock at end of term
The 1st quarter of Fiscal 2017: 9,791,194 shares, Fiscal 2016: 9,791,194 shares,
 - ③ Average number of shares during the quarter (For the Three Months ended June 30, 2017)
The 1st quarter of Fiscal 2017: 215,718,934 shares; The 1st quarter of Fiscal 2016: 198,720,649 shares
- (5) This Brief Report of Financial Results (Unaudited) is not required for submission for quarterly audit review.
- (6) 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.
- (7) Information about the business profile and financial results of AEON Financial Service Co., Ltd are available on the company home page.

5. Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen truncated the nearest million yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Cash and due from banks	534,656	467,180
Call loans	30,000	—
Monetary claims bought	3,945	5,903
Securities	170,635	195,130
Loans and bills discounted	1,864,904	2,003,025
Accounts receivable-installment	1,182,193	1,242,108
Lease receivables and investment assets	7,103	6,920
Other assets	155,160	169,110
Property, plant and equipment	38,229	33,939
Intangible assets	87,053	87,853
Goodwill	23,732	23,273
Other intangible fixed assets	63,321	64,580
Deferred tax assets	25,007	24,762
Customer's liabilities for acceptances and guarantees	138,729	131,641
Allowance for loan losses	△ 50,356	△ 51,844
Total assets	4,187,263	4,315,732
Liabilities		
Deposits	2,542,090	2,692,655
Accounts payable-trade	189,365	169,797
Commercial papers	38,000	47,000
Borrowed money	514,946	525,505
Bonds payable	140,120	136,076
Convertible bond-type bonds with subscription rights to shares	30,000	30,000
Other liabilities	163,890	152,852
Provision for bonuses	3,243	3,204
Net defined benefit liability	3,415	3,427
Provision for point card certificates	14,518	15,082
Provision for loss on interest repayment	3,806	3,008
Provision for contingent loss	565	565
Other provision	359	186
Deferred tax liabilities	3,041	3,047
Acceptances and guarantees	138,729	131,641
Total liabilities	3,786,093	3,914,051
Net assets		
Capital stock	45,698	45,698
Capital surplus	121,211	121,211
Retained earnings	203,401	201,992
Treasury shares	△ 25,100	△ 25,100
Total shareholders' equity	345,210	343,801
Valuation difference on available-for-sale securities	4,893	4,797
Deferred gains or losses on hedges	△ 2,244	△ 2,542
Foreign currency translation adjustment	△ 1,235	△ 1,159
Remeasurements of defined benefit plans	△ 440	△ 415
Total accumulated other comprehensive income	972	678
Subscription rights to shares	112	112
Non-controlling interests	54,875	57,088
Total net assets	401,170	401,680
Total liabilities and net assets	4,187,263	4,315,732

(2) Consolidated Quarterly Statements of Income

(Millions of yen truncated the nearest million yen)

	For the Three months ended June 30, 2016	For the Three months ended June 30, 2017
Ordinary income	90,469	94,035
Interest income	35,021	37,389
(Interest on loans and discounts)	34,362	36,742
(Interest and dividends on securities)	535	523
Fees and commissions	45,988	50,425
Other ordinary income	6,444	2,742
Other income	3,015	3,477
Ordinary expenses	76,728	82,070
Interest expenses	4,952	4,739
(Interest on deposits)	873	757
Fees and commissions payments	6,155	7,758
Other operating expenses	913	905
General and administrative expenses	53,301	56,813
Other ordinary expenses	11,406	11,854
Ordinary profit	13,740	11,964
Extraordinary income	1	1,421
Gain on disposal of non-current assets	1	0
Gain on transfer from business divestitures	—	1,420
Extraordinary loss	76	174
Loss on disposal of non-current assets	48	79
Losses for business structure reforms	—	95
Other	28	0
Profit before income taxes	13,665	13,210
Income taxes-current	4,006	3,568
Income taxes-deferred	△ 1,265	299
Total income taxes	2,740	3,868
Profit	10,924	9,342
Profit attributable to non-controlling interests	1,976	2,338
Profit attributable to owners of parent	8,948	7,003

(Consolidated statement of comprehensive income)

(Millions of yen truncated the nearest million yen)

	For the Three months ended June 30, 2016	For the Three months ended June 30, 2017
Profit	10,924	9,342
Other comprehensive income	△ 2,676	△ 569
Valuation difference on available-for-sale securities	△ 539	△ 92
Deferred gains or losses on hedges	555	△ 578
Foreign currency translation adjustment	△ 2,719	75
Remeasurements of defined benefit plans	27	25
comprehensive income	8,248	8,772
(attributable to)		
Comprehensive income attributable to owners of parent	7,090	6,710
Comprehensive income attributable to non-controlling interests	1,157	2,062

Note: AEON Financial Service Co., Ltd. conducted structural reform and started under the new management structure from April 1, 2017. Following the structural reform, there will be a revision of business model through investments in IT systems and digitalization thus, income from a portion of business activities included in the 'Other ordinary income' section will be reclassified into 'Fees and commissions' and 'Other ordinary income' accordingly from the 1st quarter of Fiscal Year 2017 onwards. Similarly, expenses from a portion of business activities included in 'Operating expenses' will be reclassified into 'Other operating expenses' from the 1st quarter of Fiscal Year 2017. As a result, 1,331 million yen out of the original amount stated in 'Other ordinary income' in the 1st quarter of Fiscal Year 2016 will be reclassified as 'Fees and commissions' amounting to 1,217 million yen and 'Other ordinary income' amounting to 113 million yen respectively, while 65 million yen out of the original amount stated in 'Operating expenses' in the 1st quarter of Fiscal Year 2016 will be reclassified into 'Other operating expenses'.

Segment Information

For 1st quarter of FY2016

1. Ordinary income and profit/loss is reported based on business segments as follows:

(Millions of yen)

	For the three month ended June 30, 2016							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external parties	40,850	21,062	4,884	14,221	8,777	89,796	673	90,469
Internal operating income between segments	519	16,832	0	9	—	17,361	Δ 17,361	—
Total	41,370	37,894	4,884	14,231	8,777	107,157	Δ 16,687	90,469
Segment Profit	3,667	5,666	1,196	2,245	2,168	14,944	Δ 1,204	13,740

(Notes) 1. Ordinary income is stated in here in replacement of sales turnover of general corporations.

2. The amounts shown in the 'adjustments' portion are as follows:

673 million yen shown in the 'Operating revenue from external parties' section includes ordinary income of holding companies which do not fall under the category of any business segments.

Adjustment amount of Δ1,204 million yen shown in 'Segment profit' represents the net amount after elimination of ordinary

profit belonging to holding companies which do not fall under the category of any business segments and internal operating

income between segments.

3. Segmental profit or loss has been adjusted with the ordinary profit in the quarterly consolidated income statement.

For 1st quarter of FY2017

1. Ordinary income and profit/loss is reported based on business segments as follows:

(Millions of yen)

	For the three month ended June 30, 2017							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external parties	40,438	24,112	4,757	14,586	9,593	93,488	546	94,035
Internal operating income between segments	564	16,420	0	9	—	16,995	Δ 16,995	—
Total	41,003	40,533	4,757	14,596	9,593	110,484	Δ 16,449	94,035
Segment Profit	187	6,073	1,484	2,512	2,423	12,681	Δ 716	11,964

(Notes) 1. Ordinary income is stated in here in replacement of sales turnover of general corporations

2. The amounts shown in the 'adjustments' portion are as follows:

546 million yen shown in the 'Operating revenue from external parties' section includes ordinary income of holding companies which do not fall under the category of any business segments.

Adjustment amount of Δ716 million yen shown in 'Segment profit' represents the net amount after elimination of ordinary profit belonging to holding companies which do not fall under the category of any business segments and internal operating income between segments.

3. Segmental profit has been adjusted with the ordinary profit in the quarterly consolidated income statement.