



Brief Report of Financial Results (Unaudited)

(For the six Months Ended September 30, 2017)

November 13, 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 six Months ended September 30, 2017 and For the six Months ended September 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
Six Months ended September 30, 2017	¥194,533	7.5%	¥28,553	4.1%	¥17,178	1.0%
Six Months ended September 30, 2016	180,991	4.1%	27,426	5.8%	17,005	20.5%

※Comprehensive income; The 2nd Quarter of Fiscal 2017; 22,099million(90.6%) , The 2nd Quarter of Fiscal 2016; 11,592 million(△17.0%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months ended September 30, 2017	¥79.63	¥75.51
Six Months ended September 30, 2016	84.94	84.44

(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, 2017	¥4,482,403	¥413,115	7.9%	¥1,646.18
Six Months ended September 30, 2016	4,187,263	401,170	8.3%	1,604.79

(Reference)1. Shareholder's equity; The 2nd Quarter of Fiscal 2017; 355,114 million, Fiscal 2016; 346,182 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 2017 term	—	¥29.00	—	¥39.00	¥68.00
March 2018 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	390,000	4.0	65,000	5.5	40,000	1.4	185.43

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 2017; 225,510,128 shares, Fiscal 2016; 225,510,128 shares

② Number of shares of treasury stock at end of term

The 2nd quarter of fiscal 2017; 9,790,030 shares, Fiscal 2016; 9,791,194 shares,

③ Average of the number of shares during the quarter(For the Six Months ended September 30, 2017)

The 2nd quarter of fiscal 2017; 215,719,006 shares, The 2nd quarter of fiscal 2016; 200,200,473 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, 2017 and For the six Months ended September 30, 2016)

(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, 2017	11,513	△1.0	7,025	△11.1	6,802	△10.1	6,883	1.6
Six Months ended September 30, 2016	11,625	1.1	7,904	35.3	7,570	39.2	6,775	42.8

	Net income per share
Six Months ended September 30, 2017	31.91
Six Months ended September 30, 2016	33.84

(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, 2017	347,245	221,132	63.6%	1,024.42
Fiscal year ended March 31, 2017	349,909	222,220	63.5%	1,029.62

(Reference) Shareholder's equity; The 2nd Quarter of Fiscal 2017; 220,988 million, Fiscal 2016; 222,108 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, 2017	As of September 30, 2017
Assets		
Cash and due from banks	534,656	487,238
Call loans	30,000	—
Monetary claims bought	3,945	5,609
Securities	170,635	212,024
Loans and bills discounted	1,864,904	2,094,922
Accounts receivable-installment	1,182,193	1,285,848
Lease receivables and investment assets	7,103	7,780
Other assets	155,160	169,957
Property, plant and equipment	38,229	33,611
Intangible assets	87,053	88,001
Goodwill	23,732	22,814
Other intangible fixed assets	63,321	65,187
Deferred tax assets	25,007	24,986
Customer's liabilities for acceptances and guarantees	138,729	124,947
Allowance for loan losses	△ 50,356	△ 52,525
Total assets	4,187,263	4,482,403
Liabilities		
Deposits	2,542,090	2,814,269
Accounts payable-trade	189,365	207,443
Commercial papers	38,000	47,000
Borrowed money	514,946	530,185
Bonds payable	140,120	128,258
Convertible bond-type bonds with subscription rights to shares	30,000	30,000
Other liabilities	163,890	160,119
Provision for bonuses	3,243	3,112
Net defined benefit liability	3,415	3,449
Provision for point card certificates	14,518	15,183
Provision for loss on interest repayment	3,806	2,356
Provision for contingent loss	565	—
Other provision	359	215
Deferred tax liabilities	3,041	2,746
Acceptances and guarantees	138,729	124,947
Total liabilities	3,786,093	4,069,288
Net assets		
Capital stock	45,698	45,698
Capital surplus	121,211	121,149
Retained earnings	203,401	212,165
Treasury shares	△ 25,100	△ 25,097
Total shareholders' equity	345,210	353,915
Valuation difference on available-for-sale securities	4,893	4,895
Deferred gains or losses on hedges	△ 2,244	△ 2,635
Foreign currency translation adjustment	△ 1,235	△ 671
Remeasurements of defined benefit plans	△ 440	△ 389
Total accumulated other comprehensive income	972	1,198
Subscription rights to shares	112	143
Non-controlling interests	54,875	57,857
Total net assets	401,170	413,115
Total liabilities and net assets	4,187,263	4,482,403

(2) Consolidated Quarterly Statements of Income

(Millions of yen truncated the nearest million yen)

	For the Six months ended September 30, 2016	For the Six months ended September 30, 2017
Ordinary income	180,991	194,533
Interest income	69,234	75,760
(Interest on loans and discounts)	68,112	74,547
(Interest and dividends on securities)	846	942
Fees and commissions	94,394	103,394
Other ordinary income	12,094	9,999
Other income	5,267	5,378
Ordinary expenses	153,565	165,979
Interest expenses	9,708	9,574
(Interest on deposits)	1,758	1,527
Fees and commissions payments	12,358	16,137
Other operating expenses	1,714	1,870
General and administrative expenses	106,334	113,923
Other expenses	23,449	24,473
Ordinary profit	27,426	28,553
Extraordinary income	1	1,427
Gain on disposal of non-current assets	1	2
Gain on transfer from business divestitures	—	1,425
Extraordinary losses	146	426
Loss on disposal of noncurrent assets	117	139
Losses for business structure reforms	—	217
Other	28	69
Profit before income taxes	27,280	29,554
Income taxes-current	7,470	7,911
Income taxes-deferred	△ 959	△ 210
Total income taxes	6,510	7,700
Profit	20,769	21,853
Profit attributable to non-controlling interests	3,764	4,675
Profit attributable to owners of parent	17,005	17,178

(Consolidated statement of comprehensive income)

(Millions of yen truncated the nearest million yen)

	For the Six months ended September 30, 2016	For the Six months ended September 30, 2017
Profit	20,769	21,853
Other comprehensive income	Δ 9,177	245
Valuation difference on available-for-sale securities	Δ 598	Δ 9
Deferred gains or losses on hedges	538	Δ 730
Foreign currency translation adjustment	Δ 9,171	934
Remeasurements of defined benefit plans, net of tax	54	51
Comprehensive income	11,592	22,099
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	11,205	17,404
Comprehensive income attributable to non-controlling interests	386	4,695

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

(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 shares	Total shareholders' equity
Balance at beginning of current period	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
Dividends of surplus			△ 7,551		△ 7,551
Profit attributable to owners of 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					
Net changes of items other than shareholders' equity					
Total changes of items during the period	15,231	15,231	9,441	20	39,925
Balance at end of current period	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 accumulated other comprehensive income			
Balance at beginning of current period	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
Dividends of surplus								△ 7,551
Profit attributable to owners of 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								
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
Balance at end of current period	5,292	△ 3,213	△ 5,435	△ 552	△ 3,909	131	47,930	373,375

(For the Six months ended September 30, 2017)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	45,698	121,211	203,401	△ 25,100	345,210
Changes of items during the period					
Issuance of new shares					
Dividends of surplus			△ 8,413		△ 8,413
Profit attributable to owners of parent			17,178		17,178
Purchase of treasury shares				△ 0	△ 0
Disposal of treasury shares			△ 0	3	2
Change in treasury shares of parent arising from transactions with non-controlling shareholders		△ 61			△ 61
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	△ 61	8,764	3	8,705
Balance at end of current period	45,698	121,149	212,165	△ 25,097	353,915

	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			
Balance at beginning of current period	4,893	△ 2,244	△ 1,235	△ 440	972	112	54,875	401,170
Changes of items during the period								
Dividends of surplus								
Profit attributable to owners of parent								△ 8,413
Net income attributable to shareholders of the parent								17,178
Purchase of treasury stock								△ 0
Disposal of treasury stock								2
Change in treasury shares of parent arising from transactions with non-controlling shareholders							61	—
Net changes of items other than shareholders' equity	2	△ 391	563	51	225	31	2,921	3,178
Total changes of items during the period	2	△ 391	563	51	225	31	2,982	11,945
Balance at end of current period	4,895	△ 2,635	△ 671	△ 389	1,198	143	57,857	413,115

(4) Segment Information

(Millions of yen)

	For the six month ended September 30, 2016							
	Domestic		Global			Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Retail	Solution	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external customer	80,306	44,807	9,468	27,965	17,195	179,742	1,248	180,991
The internal operating income between segments	1,381	33,954	0	18	—	35,354	△ 35,354	—
Total	81,687	78,761	9,468	27,983	17,195	215,097	△ 34,106	180,991
Segment Profit/ Loss	5,649	12,333	2,352	4,335	3,897	28,567	△ 1,141	27,426
Segment assets	2,946,762	1,893,931	85,873	222,242	173,420	5,322,230	△ 1,392,910	3,929,320
Other								
Depreciation	2,263	3,764	389	911	386	7,714	778	8,493
Amortization of goodwill	704	214	14	—	—	932	—	932
Interest income	39,780	802	5,251	20,470	3,032	69,336	△ 101	69,234
Interest expenses	2,101	525	655	3,274	2,797	9,353	355	9,708
Provision of allowance for loan losses	△ 63	8,835	926	8,112	4,457	22,267	△ 61	22,206
Increase in property, plant and equipment and intangible assets	3,837	11,357	273	616	502	16,587	944	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 1,248 million yen to Operating revenue from external customer represents corporate income that are not allocated to each reportable segment.

(2)The adjustment of △1,141 million yen to Segment Profit mainly represents corporate income that are not allocated to each reportable segment and intersegment elimination.

(3)The adjustment of △1,392,910 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

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

(Millions of yen)

	For the six month ended September 30, 2017							
	Domestic		Global			Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Retail	Solution	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external customer	84,234	50,760	9,490	29,945	19,398	193,828	704	194,533
The internal operating income between segments	1,025	32,733	0	20	—	33,779	△ 33,779	—
Total	85,259	83,493	9,491	29,965	19,398	227,608	△ 33,074	194,533
Segment Profit/ Loss	2,967	14,124	2,921	5,359	4,686	30,059	△ 1,505	28,553
Segment assets	3,388,974	2,054,009	91,683	260,327	206,277	6,001,273	△ 1,518,869	4,482,403
Other								
Depreciation	2,761	4,592	328	960	406	9,050	407	9,458
Amortization of goodwill	704	214	—	—	—	918	—	918
Interest income	43,814	651	5,361	22,024	4,054	75,905	△ 144	75,760
Interest expenses	1,715	521	629	3,355	3,134	9,356	217	9,574
Provision of allowance for loan losses	233	9,186	777	7,581	5,141	22,921	54	22,976
Increase in property, plant and equipment and intangible assets	3,323	6,953	165	345	453	11,241	464	11,706

(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 704 million yen to Operating revenue from external customer represents corporate income that are not allocated to each reportable segment.

(2)The adjustment of △1,505 million yen to Segment Profit mainly represents corporate income that are not allocated to each reportable segment and intersegment elimination.

(3)The adjustment of △1,518,869 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

※3 Segment income is adjusted to ordinary income of consolidated statement on six months ended September 30, 2017.

※4 Notice of change in Business Segments

We conducted structural reform on April 1, 2017 and start under new management structural. Our business is currently segmented into Credit, Bank, Fee and Overseas. With the change in business segmentaion, we will report according to domestic business, Rerail and Solution, and for global business, China Area, Mekong Area and Malay Area.

Retail is the banking and insurance business where individual customer are the main targets.

Solution is to provide our financial services that use database for affiliated marchants.

China Area(mainly Hong Kong), Mekong Area(mailnly Thailand) and Malay Area(mainly Malaysia) is to provide financial services suited to customer needs for indivisual customer and affiliated marchant in Asia.

Previous segment information is created based on new reporting segments.

7. (Summary) Non-consolidated financial statements

(1) (Summary) Non-consolidated Balance Sheets

(Millions of yen truncated the nearest million yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	4,484	3,329
Accounts receivable-other	1,981	6,443
Short-term loans receivable	20,000	6,000
Income taxes receivable	1,688	875
Other	376	189
Total current assets	28,530	16,837
Non-current assets		
Property, plant and equipment	752	678
Intangible assets	1,177	1,163
Investments and other assets		
Shares of subsidiaries and associates	299,417	299,546
Other	19,594	28,642
Total Investments and other assets	319,011	328,188
Total non-current assets	320,941	330,031
Deferred assets	437	377
Total assets	349,909	347,245
Liabilities		
Current liabilities		
Short-term loans payable	1,500	1,500
Income taxes payable	196	139
Reserve for executive performance bonuses	60	26
Provision for contingent loss	565	—
Other	4,376	3,508
Total current liabilities	6,699	5,174
Non-current liabilities		
Bonds payable	90,000	90,000
Convertible bond-type bonds with subscription rights to shares	30,000	30,000
Other	989	939
Total non-current liabilities	120,989	120,939
Total liabilities	127,688	126,113

(Millions of yen truncated the nearest million yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	45,698	45,698
Capital surplus		
Legal capital surplus	121,506	121,506
Total capital surplus	121,506	121,506
Retained earnings		
Legal retained earnings	3,687	3,687
Other retained earnings		
General reserve	63,995	63,995
Retained earnings brought forward	9,386	7,856
Total retained earnings	77,068	75,538
Treasury shares	△ 25,100	△ 25,097
Total shareholders' equity	219,173	217,646
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,935	3,342
Total valuation and translation adjustments	2,935	3,342
Subscription rights to shares	112	143
Total net assets	222,220	221,132
Total liabilities and net assets	349,909	347,245

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

(Millions of yen truncated the nearest million yen)

	For the Fiscal 2016 ended September 30, 2016	For the Fiscal 2017 ended September 30, 2017
Operating revenues	11,625	11,513
Operating expenses		
Selling, general and administrative expenses	3,721	4,488
Total operating expenses	3,721	4,488
Operating profit	7,904	7,025
Non-operating income	175	239
Non-operating expenses	508	461
Ordinary profit	7,570	6,802
Extraordinary losses	377	63
Profit before income taxes	7,193	6,739
Income taxes-current	327	214
Income taxes-deferred	90	Δ 359
Total Income taxes	418	Δ 144
Profit	6,775	6,883

(3) (Summary) Non-consolidated of Changes in net assets
(For the Fiscal 2016 ended September 30, 2016)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	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				
Dividends of surplus							Δ 7,551	Δ 7,551
Profit							6,775	6,775
Purchase of treasury shares								
Disposal of treasury shares			0	0			Δ 12	Δ 12
Net changes of items other than shareholders' equity								
Total changes of items during the period	15,231	15,231	0	15,231	—	—	Δ 787	Δ 787
Balance at end of current period	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 shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	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
Dividends of surplus		Δ 7,551				Δ 7,551
Profit		6,775				6,775
Purchase of treasury shares	Δ 0	Δ 0				Δ 0
Disposal of treasury shares	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
Balance at end of current period	Δ 25,121	219,843	2,774	2,774	131	222,749

(For the Fiscal 2017 ended September 30, 2017)

(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	
Balance at beginning of current period	45,698	121,506	—	121,506	3,687	63,995	9,386	77,068
Changes of items during the period								
Issuance of new shares								
Dividends of surplus							△ 8,413	△ 8,413
Profit							6,883	6,883
Purchase of treasury shares								
Disposal of treasury shares							△ 0	△ 0
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	—	—	△ 1,530	△ 1,530
Balance at end of current period	45,698	121,506	—	121,506	3,687	63,995	7,856	75,538

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	△ 25,100	219,173	2,935	2,935	112	222,220
Changes of items during the period						
Issuance of new shares						
Dividends of surplus		△ 8,413				△ 8,413
Profit		6,883				6,883
Purchase of treasury shares	△ 0	△ 0				△ 0
Disposal of treasury shares	3	2				2
Net changes of items other than shareholders' equity			407	407	31	438
Total changes of items during the period	3	△ 1,527	407	407	31	△ 1,088
Balance at end of current period	△ 25,097	217,646	3,342	3,342	143	221,132