



Brief Report of Financial Results (Unaudited)

(For the Nine Months ended December 31, 2017)

February 9, 2018

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 Nine Months ended December 31, 2017 and For the Nine Months ended December 31, 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
Nine Months ended December 31, 2017	¥296,695	8.1%	¥44,733	5.8%	¥25,911	0.1%
Nine Months ended December 31, 2016	274,510	3.6%	42,277	0.1%	25,873	9.9%

※Comprehensive income; The 3rd Quarter of Fiscal 2017; 39,391million(40.8%) , The 3rd Quarter of Fiscal 2016; 27,966 million(12.2%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Nine Months ended December 31, 2017	¥120.11	¥113.89
Nine Months ended December 31, 2016	125.97	123.10

(2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share (Yen)
Nine Months ended December 31, 2017	¥4,725,532	¥425,936	7.6%	¥1669.94
Fiscal year ended March 31, 2017	4,187,263	401,170	8.3%	1,604.79

(Reference)1. Shareholder's equity; The 3rd Quarter of Fiscal 2017; 360,261million, 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 2018 term (Estimated)	—	—	—	(39.00)	(68.00)

Note:Revision on dividend projection in the 1st Quarter ; No

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
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 3rd 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) Use of simplifications in accounting methods and Specific accounting method is applied to the condensed 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 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

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

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

The 3rd quarter of fiscal 2017; 225,510,128shares, Fiscal 2016; 225,510,128 shares

② Number of shares of treasury stock at end of term

The 3rd quarter of fiscal 2017; 9,776,895shares, Fiscal 2016; 9,791,194shares,

③ Average of the number of shares during the quarter(For the Nine Months ended December 31, 2017)

The 3rd quarter of fiscal 2017; 215,721,860 shares, The 3rd quarter of fiscal 2016; 205,382,156shares

※ 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.

※ This Brief Report of Financial Results (Unaudited) is not required for submission for quarterly audit review.

※ Remarks on the projections, other issue

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.

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)

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Cash and due from banks	534,656	561,175
Call loans	30,000	—
Monetary claims bought	3,945	5,334
Securities	170,635	188,658
Loans and bills discounted	1,864,904	2,111,911
Accounts receivable - installment	1,182,193	1,454,455
Lease receivables and investment assets	7,103	8,497
Other assets	155,160	186,889
Tangible fixed assets	38,229	34,974
Intangible fixed assets	87,053	87,965
Goodwill	23,732	22,355
Other intangible fixed assets	63,321	65,610
Deferred tax assets	25,007	24,318
Customers' liabilities for acceptances and guarantees	138,729	115,833
Allowance for loan losses	△50,356	△54,482
Total assets	4,187,263	4,725,532
Liabilities		
Deposits	2,542,090	2,975,358
Accounts payable - trade	189,365	263,422
Commercial papers	38,000	53,500
Borrowed money	514,946	545,986
Bonds payable	140,120	126,388
Convertible bond-type bonds with subscription rights to shares	30,000	29,998
Other liabilities	163,890	163,093
Provision for bonuses	3,243	2,237
Net defined benefit liability	3,415	3,533
Provision for point card certificates	14,518	14,903
Provision for loss on interest repayment	3,806	2,293
Provision for contingent loss	565	—
Other provision	359	267
Deferred tax liabilities	3,041	2,779
Acceptances and guarantees	138,729	115,833
Total liabilities	3,786,093	4,299,596

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Net assets		
Capital stock	45,698	45,698
Capital surplus	121,211	119,939
Retained earnings	203,401	214,631
Treasury shares	△25,100	△25,064
Total shareholders' equity	345,210	355,204
Valuation difference on available-for-sale securities	4,893	5,825
Deferred gains or losses on hedges	△2,244	△2,209
Foreign currency translation adjustment	△1,235	1,803
Remeasurements of defined benefit plans	△440	△363
Total accumulated other comprehensive income	972	5,056
Subscription rights to shares	112	122
Non-controlling interests	54,875	65,552
Total net assets	401,170	425,936
Total liabilities and net assets	4,187,263	4,725,532

(2)Consolidated Quarterly Statements of Income

(Millions of yen truncated the nearest million yen)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income	274,510	296,695
Interest income	104,488	115,698
Interest on loans and discounts	102,864	114,022
Interest and dividends on securities	1,202	1,278
Fees and commissions	145,007	158,625
Other ordinary income	17,626	14,997
Other income	7,388	7,373
Ordinary expenses	232,233	251,962
Interest expenses	14,297	14,430
Interest on deposits	2,591	2,253
Fees and commissions payments	19,165	24,413
Other ordinary expenses	2,416	2,595
General and administrative expenses	160,461	172,917
Other expenses	35,891	37,605
Ordinary profit	42,277	44,733
Extraordinary income	1	1,436
Gain on disposal of non-current assets	1	2
Gain on transfer from business divestitures	—	1,433
Extraordinary losses	213	471
Loss on disposal of non-current assets	175	171
Losses for business structure reforms	—	217
Other	38	82
Profit before income taxes	42,065	45,697
Income taxes - current	11,774	12,318
Income taxes - deferred	△1,107	246
Total income taxes	10,667	12,564
Profit	31,398	33,132
Profit attributable to non-controlling interests	5,525	7,221
Profit attributable to owners of parent	25,873	25,911

(Consolidated statement of comprehensive income)

(Millions of yen truncated the nearest million yen)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	31,398	33,132
Other comprehensive income	△3,431	6,258
Valuation difference on available-for-sale securities	△853	914
Deferred gains or losses on hedges	1,801	8
Foreign currency translation adjustment	△4,461	5,257
Remeasurements of defined benefit plans, net of tax	82	77
Comprehensive income	27,966	39,391
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,085	29,995
Comprehensive income attributable to non-controlling interests	4,881	9,395

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, 5,486 million yen out of the original amount stated in 'Other ordinary income' in the 3rd quarter of Fiscal Year 2016 will be reclassified as 'Fees and commissions' amounting to 5,174 million yen and 'Other ordinary income' amounting to 312 million yen respectively, while 179 million yen out of the original amount stated in 'Operating expenses' in the 3rd quarter of Fiscal Year 2016 will be reclassified into 'Other operating expenses'.

Segment Information

For the 3rd quarter of FY2016

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

(Millions of yen)

	For the Nine Months ended December 31, 2016							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external parties	121,837	69,544	13,980	41,449	25,838	272,650	1,859	274,510
Internal operating income between segments	2,301	49,955	0	27	—	52,284	Δ 52,284	—
Total	124,139	119,499	13,980	41,477	25,838	324,935	Δ 50,424	274,510
Segment Profit	9,112	20,518	3,447	6,143	6,056	45,278	Δ 3,001	42,277

(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:

1,859 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 Δ3,001 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 the 3rd quarter of FY2017

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

(Millions of yen)

	For the Nine Months ended December 31, 2017							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external parties	129,716	75,822	14,489	46,166	29,675	295,871	824	296,695
Internal operating income between segments	1,724	50,490	0	31	—	52,246	Δ 52,246	—
Total	131,440	126,312	14,489	46,198	29,675	348,117	Δ 51,422	296,695
Segment Profit	6,657	20,452	4,567	8,482	7,033	47,193	Δ 2,460	44,733

(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:

824 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 Δ2,460 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.