



Brief Report of Financial Results (Unaudited)

(For the three Months Ended June 30, 2018)

August 10, 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/eng/>

President and CEO: Kenji Kawahara

Contact: Hideki Wakabayashi, Director, CFO

1. Business performance (For the three Months ended June 30, 2018 and For the three Months ended June 30, 2017)

(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, 2018	102,346	8.8	14,214	18.8	7,406	5.7
Three Months ended June 30, 2017	94,035	3.9	11,964	Δ12.9	7,003	Δ21.7

※Comprehensive income; The 1st Quarter of Fiscal 2018; 11,046 million(25.9%) , The 1st Quarter of Fiscal 2017; 8,772million(6.4%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months ended June 30, 2018	34.33	32.55
Three Months ended June 30, 2017	32.47	30.79

(2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Three Months ended June 30, 2018	4,926,747	412,356	7.2%	1,635.72
Fiscal year ended March 31, 2018	4,852,844	437,782	7.6%	1,714.92

(Reference)1. Shareholder's equity; The 1st Quarter of Fiscal 2018; 352,935 million, Fiscal 2017; 370,016 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

(yen)

(Base date)	Dividend per share				
	First quarter period	Interim period	Third quarter period	Term end	Annual
March 2018 term	—	¥29.00	—	¥39.00	¥68.00
March 2019 term	—	—	—	—	—
March 2019 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, 2019)

(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	207,000	6.4	32,000	12.1	19,000	10.6	88.06
Full term	440,000	7.9	72,500	10.3	42,000	8.6	194.66

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: Yes

② Change other than ①: No

③ Change accounting quotation: No

④ Restatement: No

※ For details, see (Consolidated statement of comprehensive income) in section, 5. Consolidated Financial Statements on page 6.

(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 2018: 225,510,128 shares, Fiscal 2017: 225,510,128 shares

② Number of shares of treasury stock at end of term

The 1st quarter of Fiscal 2018: 9,743,049 shares, Fiscal 2017: 9,746,639 shares,

③ Average number of shares during the quarter (For the Three Months ended June 30, 2018)

The 1st quarter of Fiscal 2018: 215,765,203 shares; The 1st quarter of Fiscal 2017: 215,718,934 shares

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

※ 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, 2018	As of June 30, 2018
Assets		
Cash and due from banks	650,470	576,413
Call loans	—	8,630
Monetary claims bought	5,095	4,911
Money held in trust	—	2,071
Securities	210,861	238,387
Loans and bills discounted	2,271,666	2,391,137
Foreign exchanges	—	1,644
Accounts receivable-installment	1,294,632	1,334,020
Lease receivables and investment assets	8,506	9,378
Other assets	208,280	192,239
Property, plant and equipment	36,977	36,890
Intangible assets	92,356	92,061
Goodwill	21,896	21,437
Other-IA	70,459	70,623
Deferred tax assets	23,357	30,738
Customers' liabilities for acceptances and guarantees	109,461	104,090
Allowance for doubtful accounts	△58,822	△95,868
Total assets	4,852,844	4,926,747
Liabilities		
Deposits	3,049,733	3,209,772
Accounts payable-trade	258,444	239,408
Commercial papers	60,500	75,361
Borrowed money	539,393	511,567
Bonds payable	135,665	140,819
Convertible bond-type bonds with subscription rights to shares	29,948	29,947
Other liabilities	202,531	174,812
Provision for bonuses	3,661	3,576
Net defined benefit liability	3,946	3,832
Provision for point card certificates	14,466	14,814
Provision for loss on interest repayment	3,124	2,485
Other provision	316	171
Deferred tax liabilities	3,868	3,732
Acceptances and guarantees	109,461	104,090
Total liabilities	4,415,061	4,514,391

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Capital stock	45,698	45,698
Capital surplus	120,025	120,102
Retained earnings	227,387	209,901
Treasury shares	△24,986	△24,977
Total shareholders' equity	368,124	350,725
Valuation difference on available-for-sale securities	3,556	4,087
Deferred gains or losses on hedges	△1,876	△1,727
Foreign currency translation adjustment	870	466
Remeasurements of defined benefit plans	△658	△616
Total other comprehensive income	1,891	2,210
Subscription rights to shares	104	97
Non-controlling interests	67,661	59,323
Total net assets	437,782	412,356
Total liabilities and net assets	4,852,844	4,926,747

(2) Consolidated Quarterly Statements of Income

(Millions of yen truncated the nearest million yen)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income	94,035	102,346
Interest income	37,389	41,921
Interest on loans and discounts	36,742	41,230
Interest and dividends on securities	523	526
Fees and commissions	50,425	52,958
Other operating income	2,742	4,046
Other ordinary income	3,477	3,420
Ordinary expenses	82,070	88,132
Interest expenses	4,739	5,267
Interest on deposits	757	1,002
Fees and commissions payments	7,758	8,634
Other operating expenses	905	843
General and administrative expenses	56,813	60,241
Other ordinary expenses	11,854	13,146
Ordinary profit	11,964	14,214
Extraordinary income	1,421	0
Gain on disposal of non-current assets	0	0
Gain on transfer from business divestitures	1,420	—
Extraordinary loss	174	258
Loss on disposal of non-current assets	79	96
Business restructuring expenses—	95	—
Loss on liquidation of subsidiaries	—	157
Other-EL	0	4
Profit before income taxes	13,210	13,956
Income taxes-current	3,568	4,617
Income taxes-deferred	299	△941
Total Income taxes	3,868	3,676
Profit	9,342	10,280
Profit attributable to non-controlling interests	2,338	2,873
Profit attributable to owners of parent	7,003	7,406

(Consolidated statement of comprehensive income)

(Millions of yen truncated the nearest million yen)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	9,342	10,280
Other comprehensive income	△569	765
Valuation difference on available-for-sale securities	△92	1,040
Deferred gains or losses on hedges	△578	337
Foreign currency translation adjustment	75	△654
Remeasurements of defined benefit plans	25	41
Comprehensive income	8,772	11,046
(attributable to)		
Comprehensive income attributable to owners of parent	6,710	7,724
Comprehensive income attributable to non-controlling interests	2,062	3,321

Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in key subsidiary)

Not applicable

(Changes in Accounting Policy)

From the first quarter of the fiscal year ending March 30, 2019, foreign consolidated subsidiaries and some other Aeon Group companies have adopted the following accounting standards.

For the adoption of these standards, the Company applied transitional measures which recognizes the cumulative effects of adoption of these standards as of the date of adoption, as it is permitted for a first-time adopter.

1. IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for classification, measurement and hedge accounting of financial instruments.

Due to the adoption of IFRS 9 by foreign consolidated subsidiaries and some other group companies, the measurement method has been changed loans and bills discounted as well as allowance for doubtful accounts for account receivable. As a result, as of the beginning of the first quarter of the fiscal year ending March 30, 2019, allowance for doubtful accounts and deferred tax assets increased by 35,017 million yen and 6,776 million yen, respectively, while non-controlling interests and retained earnings decreased 11,536 million yen and 16,704 million yen respectively.

For reference, this change has little impact on profit/loss and per share information for the first three months of the fiscal year ending March 30, 2019.

2. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 introduces an entity's single and comprehensive model for accounting of revenue from contracts with customers.

For reference, this change has little impact on profit/loss and per share information for the first three months of the fiscal year ending March 30, 2019.

Segment Information

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

2. Notes on loss on disposal of non-current assets and goodwill on each segments : No

For 1st quarter of FY2018

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

(Millions of yen)

	For the three month ended June 30, 2018							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external parties	42,534	26,742	4,767	17,204	11,032	102,282	64	102,346
Internal operating income between segments	778	16,557	1	4	—	17,342	Δ 17,342	—
Total	43,313	43,299	4,769	17,209	11,032	119,625	Δ 17,278	102,346
Segment Profit	508	5,489	1,869	3,264	3,479	14,611	Δ 397	14,214

(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:

64 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 Δ397 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.

2. Notes on loss on disposal of non-current assets and goodwill on each segments : No