



# Brief Report of Financial Results (Unaudited)

(For the Six Months Ended August 31, 2020)

October 7, 2020

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

Stock Listing: Tokyo Stock Exchange, First Section

Code No: 8570

President and CEO: Kenji Fujita

Contact: Kazuyoshi Suzuki, Director, Senior Executive Officer

URL: <https://www.aeonfinancial.co.jp/eng/>

## 1. Business performance (For the Six Months ended August 31, 2020 and For the Six Months ended September 30, 2019)

### (1) Consolidated Operating Results

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

	Operating income	Percentage Change	Operating profit	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Six Months ended August 31, 2020	230,674	-	7,766	-	7,810	-	1,480	-
Six Months ended September 30, 2019	235,958	10.8	24,931	Δ23.9	25,430	Δ23.1	12,030	Δ32.9

(Note) Comprehensive income; The 2nd Quarter of Fiscal 2020; Δ400 million (-%). The 2nd Quarter of Fiscal 2019; 8,950 million (Δ64.0%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months ended August 31, 2020	6.86	6.86
Six Months ended September 30, 2019	55.75	53.17

### (2) Financial Position

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

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
Six Months ended August 31, 2020	6,027,268	450,150	6.4	1,778.68
Fiscal year ended February 29, 2020	5,781,370	459,075	6.8	1,823.05

(Reference) Shareholder's equity; The 2nd Quarter of Fiscal 2020; 383,871 million, Fiscal 2019; 393,417 million

## 2. Cash Dividends

(yen)

(Base date)	Dividend per share				
	First quarter period	Interim period	Third quarter period	Term end	Annual
February 2020 term	—	29.00	—	39.00	68.00
February 2021 term	—	11.00			
February 2021 term (Estimated)			—	12.00	23.00

## 3. Projections (For the fiscal year ending February 28, 2021)

(Millions of yen, %)

(% is the percentage of change to the previous year)

	Operating income	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit attributable to owners of parent	YoY	Net income per share
Full term	460,000	-	10,000	-	10,000	-	5,000	-	23.17
			-20,000		-20,000		-10,000		-46.34

(Note) Interim earnings forecast are not disclosed

## ※Notes

- (1) Change in significant subsidiary during the term  
(Change in specified subsidiary that caused a change in the scope of consolidation): Yes  
New (Company name) AEON Allianz Life Insurance Co., Ltd.
  - (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
    - 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 2nd quarter of Fiscal 2020: 216,010,128 shares, Fiscal 2019: 216,010,128 shares
    - ② Number of shares of treasury stock at end of term  
The 2nd quarter of Fiscal 2020: 191,632 shares, Fiscal 2019: 208,452 shares,
    - ③ Average number of shares during the quarter (For the Six Months ended September 30, 2019)  
The 2nd quarter of Fiscal 2020: 215,804,713 shares; The 2nd quarter of Fiscal 2019: 215,787,486 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.

## **1. Review of Operating Results and Financial Statements**

### **(1) Analysis of Operating Results**

The business environment surrounding Aeon Financial Service Co., Ltd. (hereinafter the Company) during the second quarter of the fiscal year ended August 31, 2020, as the global spread of new Coronavirus infections continues, economic activity gradually resumed in each country and region in which we operate, due to the prohibition and self-restraint of out-of-office regulations and sales activities, and we are now in a state of running business activities side by side while taking preventive measures. The situation continues to be in an unpredictable regard to the re-spreading of infection, and private consumption and capital investment have not been able to wipe away the sense of stagnation, and there is a growing cautious view about the future. In addition, although the situation is different for each country and region, measures such as lowering the policy interest rate and extension on payment by the local authorities have been taken.

Under these circumstances, the group companies resumed its business such as sales, screening and collection activities, which had been suspended in some countries and regions, and worked to change the way of providing services and expand contact points, such as indirect, non-contact, cashless, etc., in response to customer lifestyles and behaviors that have changed due to the effects of the new Coronavirus infection. In addition, we are promoting initiatives by establishing business models that enable business continuity in Coronavirus pandemic, improving the efficiency of screening and debt collection operations, and reforming the way employees work by introducing remote work.

As a result, operating revenues was 230,674 million yen (down 2.2% year on year), operating income was 7,766 million yen (down 68.8% year on year) due to an increase in provision for allowance for doubtful account in preparation for future loan declines in Japan and overseas, and ordinary profit was 7,810 million yen (down 69.3%). Profit attributable to owners of parent was 1,480 million yen (down 87.7% year on year).

#### **【Business Segment Information】**

##### **<Domestic Retail Business>**

In the domestic retail business, AEON Bank Co., Ltd. resumed operations at AEON Mall, where the bank's branches are located, in May, when the government's declaration of a state of emergency was lifted, gradually returning to its normal sales conditions. In addition to utilizing an online reservation system that allows customers to make reservations in advance, the number of TV consultation desk has been increased from 50 at the end of August 2019 to 97 at the end of August 2020. In addition, from September, we introduced a service that allows customers to receive online financial consultations from their homes and other locations.

Mortgages continue to enhance the appeal of competitive interest rate plans and the AEON Select Club benefits, which offer a 5% daily discount on AEON Group purchases for five years since joining. In addition to accepting direct consultations, we also promoted a service that allows

customers to complete contracts at home by using applications from internet, telephone calls, and mailings through web advertisements, etc. In addition, as the number of applications acquired increased in Coronavirus pandemic by taking advantage of the differentiation of the sales method and strengthening sales to partner companies, including the response to screenings on Saturdays, Sundays, and holidays, the amount outstanding of the bank's mortgage loans amounted to 2,129,226 million yen (up 143,891 million yen from the start of the fiscal year).

In addition, the Bank has participated in the Maina Point project by the Ministry of Internal Affairs and Communications since July, and is working to promote the acquisition of new members of AEON Card and AEON Bank CASH+DEBIT, as well as the use of cards linked to the Individual Number Card, therein to promote the penetration of cashless payments.

On the other hand, in some of the payment services provided by the fund transfer company, several incidents occurred in which the bank's account was illegally linked and deposited. From the viewpoint of protecting depositors, the Bank will make every effort to implement security measures including two-factor authentication, to ensure that customers can use cashless payments that are more secure and will thoroughly prevent recurrence.

In addition, the number of savings accounts in the domestic and retail businesses was 7.29 million accounts (up 200,000 from the start of the fiscal year), and the balance of the savings accounts was 3,940,672 million yen (up 148.834 million yen). Due to the effects of the slowdown in customer consumption behavior and demand for funds due to the stay-at-home requests associated with the issuance of the emergency declaration in April, the outstanding amount of operating receivables for cash advance decreased to 423,971 million yen (39,262 million yen increase from the start of the fiscal year). Due to the effects of special cash payment by the government, the collection of loans has been favorable.

Regarding asset management services such as investment trusts, we distributed timely e-mail magazines about the bank's products in line with changes in stock prices and promoted sales.

AEON Insurance Service Co., Ltd. started online insurance consultations in August and strengthened indirect sales activities that allow insurance consultations from customers' homes, etc. in addition to storefronts.

AEON Allianz Life Insurance Co., Ltd., which became a subsidiary on March 31, 2020, is preparing for the launch of its business including creditor group insurance and health-promoting insurance.

The Company's balance sheet has been taken into consolidated financial results since the consolidated accounting period for the first quarter, and the Company's profit and loss statements have been taken into consolidated results since the second quarter's consolidated cumulative period.

As a result, operating revenue in the domestic and retail businesses was 101,873 million yen (up 1.4% year on year) and resulting in an operating loss of 1,474 million yen (operating profit of 5,229 million yen in the same period of the previous fiscal year) due to an increase in reserves for loans made in preparation for future loan declines. In addition, due to the decrease in demand for

funds due to the Coronavirus pandemic, securitization was refrained as part of our financing means.

#### <Domestic Solution Business>

In the domestic and solution business, in line with the lifting of the declaration of emergency situations in Japan, recruitment activities of AEON Card holders was gradually resumed at the store recruitment counter from mid-May, and card enrollment recruitment and campaign measures were implemented through the Web as well.

Due to self-restraint from going out, card shopping continued to be sluggish in automobile-related areas such as gasoline and ETC, public transportation, travel agencies, etc. Daily necessities such as supermarkets and drugstores, which account for a high ratio of the Company's transaction volume, increased sales. In addition, sales of online supermarkets, clothing specialty stores, furniture appliances, etc., which the AEON Group focuses on, were strong. In the second quarter, card shopping volume was 2,768,600 million yen (down 2.4% from the same period of the previous fiscal year), an improvement in sales of 1,337,200 million yen in the first quarter (down 6.1% from the same period of the previous fiscal year). The Company changed its fiscal year-end from the fiscal year ended March to February from the previous fiscal year. As a result, the period of the second quarter consolidated cumulative period (March 1, 2020 to August 31, 2020) and the previous second quarter consolidated cumulative period (April 1, 2019 to September 30, 2019) is different. As a reference, the total results for the six months from March to August 2019 are described as "between the same period of the previous year."

Sumitomo Real Estate Shopping City AEON Card, a partner card with Sumitomo Real Estate's commercial complex "Ariake Garden" has been recruiting members mainly on the Web since the start of February. Since the full-scale business of "Ariake Garden" started in mid-June, we have increased the number of members acquired in stores. In addition, the first anniversary campaign of the Web-only the Maruetsu Card expanded the customer base in the Tokyo metropolitan area, and the number of cardholders in domestic was 29.11 million (up 220,000 at the start of the fiscal year). In the installment finance business, we focused on sales of auto loans to used car dealers, which are in high demand amid sluggish new car markets due to the impact of new Coronavirus infection. In addition, pet loans have expanded significantly through campaigns tailored to the growing demand due to "Stay-at-home".

As a result, operating revenue in the domestic solutions business was 91,860 million yen (down 6.1% year on year) and operating profit was 7,602 million yen (down 16.2% year on year).

#### <China Area>

In the China Area, there are trade friction between the U.S. and China, anti-government demonstrations in Hong Kong, and re-expanding new Coronavirus infections. In addition, due to the enforcement of the National Security Act, the social situation continues to be unstable. Aeon Credit

Service (Asia) Co., Ltd. has implemented measures to create a work environment in which all head office employees can work from home and scattered functions and employees to key sites and enabled continuous business activities.

Card shopping has decreased reflecting the use of cards overseas due to restrictions on overseas travel. However, sales of food and other necessities at AEON Stores Co., Ltd. (AEON Stores S Hong Kong) increased due to an increase in home time. In addition, card usage at AEON Stores Hong Kong remained strong because of our effort to increase the attractiveness of Aeon Card, continuing the campaign to carry out cashback according to the amount of credit card used over the weekend for about one year.

In addition, in order for customers to use a credit card as their main card, we improved the convenience of the web app function in June and have launched the Bonus Point Pay service, which allows customers to pay their balance by using points earned through on the use of their credit card. In addition, we focused on efforts to improve the accuracy of screening by utilizing income forecasting models, external credit alert systems, and so on.

As a result, operating revenues in the China Area amounted to 8,269 million yen (down 13.8% year on year) and operating income was 2,367 million yen (down 23.6% year on year).

#### <Mekong Area >

In the Mekong Area, economic activity gradually resumed in Thailand due to the relaxation of the government's request to refrain from going out in the state of emergency and the curfew at night issued on March 26 from mid-June. In Myanmar, the number of people infected with the new Coronavirus infection has been increasing since the end of August, while Cambodian government has not issued strict regulations on going out, nor in Laos, the Prime Minister's ordinance, including a curfew, was lifted on May 4, and the restrictions have been gradually relaxed.

With the request by the central bank, Aeon Thana Sinsap (hereinafter ATS), our local subsidiary in Thailand, lowered interest rate fees for credit cards and loans for a certain period of time, and set a grace period for customers who have requested payments for three months from April to June, in order to maintain the daily lives of customers. Number of receivables for which repayment grace was applied as of the end of August was approximately 3% of the balance of all receivables due to the strengthening of collection by exclusive staff. In card shopping, sales at department stores and travel agencies have been sluggish due to self-restraint from unnecessary non-urgent going out. However, in particular, online sales in Bangkok were strong due to needs in daily necessities such as food and daily consumables, and cash back campaign according to the amount of credit card used online.

In July, we issued Big C World MasterCard which is a partnership card with local retail giant Big C. while a premium card for customers with monthly incomes of more than 30,000 baht and offer a 10% discount on shopping amounts when customer made online payments at online shops.. In

addition to acquiring a new customer base who shops online by recruiting members on the company's online shop, the issuance of the card will further strengthen our partnership with Big C, a major Thai retail company, and expect further growth in our sales volume.

In addition, we reviewed the card holders' criteria for industries and areas in the screening operation, and from August 1st, in line with deregulation of the loan cap for customer who has capacity to repay, we are working to expand the volume of transactions by responding to the increase in the credit amount of customers with good repayment history at any time.

As a result, operating revenues in the Mekong Areas amounted to 38,296 million yen (down 4.4% year on year) due to stricter screening criteria, and operating income was by 1,093 million yen (down 83.8% year on year) due to increase in the allowances for bad debt in preparation for an increase in loan losses in the future.

#### <Malay Area >

In the Malay Area, Malaysia shifted from the Activity Restriction Order to the Recovery Activity Restriction Order on June 10, and from July 1, economic activity gradually resumed including the reopening of schools, movie theaters, amusement parks, and other entertainment facilities. In India, lockdown measures were relaxed, but only some merchants have been allowed to resume operations. The head office employees of Aeon Credit Service India Private Limited, a local subsidiary in India, have reduced number of attendees at office to about 30 percent, and are shifted their sales staff to collect receivables. In Indonesia, due to the re-expansion of the new Coronavirus infection, large-scale social restriction orders have been tightened since September 14, and the local subsidiary Pt.AEON CREDIT SERVICE INDONESIA continues to be affected by the forced operations with a minimum number of employees.

In order to support the daily lives of customers, Aeon Credit Service (M) BERHAD (hereinafter ACSM), a local subsidiary in Malaysia, has granted hire purchase and personal loan customer's grace period for two months in April and May in accordance with policies from local central banks. In June, ACSM increased number of staff for receivables collection and proposed a re-split agreement of up to 24 months for customers who have difficulty repaying. As a result, the percentage of the number of receivables under repayment consultation, excluding balances that have been fully repaid and re-divided, of the total amount became approximately 8% as of the end of August and about 3% as of the end of September.

In addition, ACSM started the acquiring business at AEON CO.(M)BHD. (AEON Malaysia), a retail business of AEON Group in Malaysia, which was previously commissioned by a major local bank, and started contracting as a new source of revenue. In addition, in order to improve the convenience of web app functions in line with AEON Malaysia's online shopping site, ACSM installed immediate issuance of electronic money and service functions for customers with good payment record.

In addition, they are reviewing screening standards for some industries and areas affected to

corporate activities by the restrictions of the government. For motorcycle loans in Malaysia, where ACSM has a share of approximately 50% of the installment payment, ACSM have worked to expand handling volume by easing screening standards to meet the growing demand for motorcycle purchases under the requirement to ensure social distance.

As a result, operating revenues in the Malay Areas amounted to 22,724 million yen (down 11.1% year on year) due to the impact of the suspension of operating activities with the closure of merchant stores at the time of the Activity Restriction Order and stricter examination standards. Operating loss amounted to 2,321 million yen (operating income of 3,476 million yen in the first half of the previous fiscal year) due to an increase in the allowances for bad debt in preparation for an increase in loan losses in the future.

## **(2) Description of financial position**

(Asset)

Total assets at the end of the second quarter increased by 245,897 million yen from the end of the previous consolidated fiscal year to 6,27,268 million yen. This was due to a decrease of 66,458 million yen in operating loans due to stagnation in economic activity due to the effects of the new Coronavirus infection, while an increase in mortgage transactions resulted in an increase in banking loans of 289,132 million yen.

(Liabilities)

Total liabilities increased by 254,822 million yen from the end of the previous consolidated fiscal year to 5,577,117 million yen. This was due to an increase in deposits of 148,361 million yen due to the strengthening of the acquisition of savings accounts, and due to the addition of AEON Allianz Life Insurance Co., Ltd. as a new consolidated accounting target from the first quarter's consolidated accounting period, which resulted in a reserve for insurance contracts.

(Net assets)

Total net assets decreased by 8,924 million yen from the end of the previous consolidated fiscal year to 450,150 million yen. This was due to a decrease of 8,416 million yen in retained earnings and foreign exchange adjustment accounts of 2,358 million yen due to the payment of year-end dividends, while profit attributable to owners of the parent was recorded at 1,480 million yen.

## **(3) Description earnings Forecast and Dividend Forecast**

At this time, there is no change in the earnings forecast announced on July 8, 2020.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	762,891	692,457
Call loans	53,773	29,454
Accounts receivable - installment	1,543,135	1,562,260
Lease receivables and investments in leases	12,782	11,822
Operating loans	860,572	794,114
Loans and bills discounted for banking business	1,674,786	1,963,918
Securities for banking business	447,229	458,095
Securities for insurance business	—	100,042
Monetary claims bought	14,823	16,567
Money held in trust	50,308	67,134
Other	177,875	160,894
Allowance for doubtful accounts	△114,308	△136,624
<b>Total current assets</b>	<b>5,483,871</b>	<b>5,720,138</b>
Non-current assets		
Property, plant and equipment	45,302	41,540
Intangible assets		
Goodwill	18,378	17,727
Other	90,555	98,467
<b>Total intangible assets</b>	<b>108,934</b>	<b>116,194</b>
Investments and other assets	142,483	148,652
<b>Total non-current assets</b>	<b>296,720</b>	<b>306,387</b>
Deferred assets	779	741
<b>Total assets</b>	<b>5,781,370</b>	<b>6,027,268</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	260,810	226,360
Deposits for banking business	3,790,240	3,938,602
Short-term borrowings	139,386	271,592
Current portion of long-term borrowings	106,651	73,033
Current portion of bonds	45,253	26,498
Commercial papers	160,151	94,775
Provision for bonuses	3,685	2,990
Provision for point card certificates	20,713	20,393
Other provisions	198	82
Other	166,526	165,276
<b>Total current liabilities</b>	<b>4,693,618</b>	<b>4,819,604</b>
Non-current liabilities		
Reserve for contract of insurance	—	115,866
Bonds payable	252,853	257,823
Long-term borrowings	316,005	330,788
Retirement benefit liability	4,381	4,666
Provision for loss on interest repayment	4,965	3,944
Other provisions	455	488
Deferred tax liabilities	3,626	1,920
Other	46,389	42,014
<b>Total non-current liabilities</b>	<b>628,676</b>	<b>757,512</b>
<b>Total liabilities</b>	<b>5,322,295</b>	<b>5,577,117</b>

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Net assets		
Shareholders' equity		
Share capital	45,698	45,698
Capital surplus	120,360	120,177
Retained earnings	230,508	223,557
Treasury shares	△534	△491
Total shareholders' equity	396,032	388,941
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,912	3,384
Deferred gains or losses on hedges	△4,468	△5,091
Foreign currency translation adjustment	△467	△2,825
Remeasurements of defined benefit plans	△591	△537
Total accumulated other comprehensive income	△2,614	△5,070
Share acquisition rights	82	63
Non-controlling interests	65,575	66,216
Total net assets	459,075	450,150
Total liabilities and net assets	5,781,370	6,027,268

## (2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended August 31, 2020
Operating revenue		
Revenue from credit card business	66,509	64,017
Revenue from installment sales finance business	21,077	20,892
Financing revenue	77,885	72,073
Gain on bad debts recovered	4,106	3,742
Financial revenue	16,742	16,397
Insurance revenue	—	15,625
Fees and commissions	30,552	29,408
Other	19,085	8,516
Total operating revenue	235,958	230,674
Operating expenses		
Financial expenses	12,286	11,982
Insurance expenses	—	15,139
Fees and commissions payments	5,552	5,164
Selling, general and administrative expenses	191,175	188,882
Other	2,012	1,738
Total operating expenses	211,027	222,907
Operating profit	24,931	7,766
Non-operating income		
Dividend income	117	54
Gain on investments in investment partnerships	155	48
Foreign exchange gains	139	—
Other	102	102
Total non-operating income	515	205
Non-operating expenses		
Loss on valuation of investment securities	2	—
Foreign exchange losses	—	147
Miscellaneous loss	14	14
Total non-operating expenses	16	161
Ordinary profit	25,430	7,810
Extraordinary income		
Gain on sales of non-current assets	7	3
Subsidies for employment adjustment	—	87
Total extraordinary income	7	90
Extraordinary losses		
Loss on disposal of non-current assets	186	223
Impairment loss	213	93
Infectious Disease Related Cost	—	361
Other	150	—
Total extraordinary losses	550	677
Profit before income taxes	24,887	7,223
Income taxes - current	11,764	11,341
Income taxes - deferred	△3,964	△7,933
Total income taxes	7,800	3,407
Profit	17,087	3,815
Profit attributable to non-controlling interests	5,056	2,334
Profit attributable to owners of parent	12,030	1,480

(Millions of yen)

	Six months ended September 30, 2019	Six months ended August 31, 2020
Profit	17,087	3,815
Other comprehensive income		
Valuation difference on available-for-sale securities	611	735
Deferred gains or losses on hedges	△2,639	△925
Foreign currency translation adjustment	△6,175	△4,080
Remeasurements of defined benefit plans, net of tax	65	53
Total other comprehensive income	△8,137	△4,216
Comprehensive income	8,950	△400
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,302	△975
Comprehensive income attributable to non-controlling interests	1,648	574

### **(3) Notes on Quarterly Consolidated Financial Statements**

#### **(Notes on the Going-concern Assumption)**

N/A

#### **(Notes when there is a significant change in the amount of shareholders' equity)**

N/A

#### **(Change in significant subsidiary during the term)**

In the first quarter of this fiscal year, AEON Financial Service Co., Ltd has been included in the scope of consolidation due to the acceptance of a third-party allocation of shares to Allianz Life Insurance Co., Ltd. As of May 1, 2020, the Company has changed its name to AEON Allianz Life Insurance Co., Ltd. AEON Allianz Life Insurance Co., Ltd. falls under the scope of a specific subsidiary of AEON Financial Service Co., Ltd.

#### **(Additional information)**

(Accounting estimates on the effects of new coronavirus infections)

The Group estimates the allowance of bad debt based on the status of debt collection up to the time of preparation of quarterly consolidated financial statements, the policies of debtor protection by national authorities, external economic indicators, etc., based on certain assumptions about the effects of the spread of the new coronavirus infection, such as assuming that the convergence period will be around the end of fiscal 2020. Although the amount is the best estimate at the moment, the assumption is uncertain, and if the infection status of the new coronavirus and its impact on the economic environment change, the allowance may increase or decrease in the quarterly consolidated and consolidated financial statements from the following quarter.

## (Segment Information)

### For 2nd quarter of FY2019

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

(Millions of yen)

	For the six month ended September 30, 2019							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	97,554	63,545	9,586	40,034	25,571	236,291	△332	235,958
Internal operating income between segments	2,895	34,250	3	14	—	37,163	△37,163	—
Total	100,450	97,795	9,589	40,048	25,571	273,455	△37,496	235,958
Segment Profit	5,229	9,077	3,097	6,739	3,476	27,620	△2,688	24,931

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

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

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

Adjustment amount of △2,688 million yen shown in 'Segment profit' represents the net amount after elimination of Operating 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 operating profit in the quarterly consolidated income statement.

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

### For 2nd quarter of FY2020

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

(Millions of yen)

	For the six month ended August 31, 2020							
	Domestic		Global			Total	Adjustments	Consolidated financial statements appropriation
	Retail	Solutions	China Area	Mekong Area	Malay Area			
Operating income								
Operating revenue from external parties	100,260	61,330	8,266	38,255	22,724	230,837	△162	230,674
Internal operating income between segments	1,612	30,530	2	41	—	32,186	△32,186	—
Total	101,873	91,860	8,269	38,296	22,724	263,024	△32,349	230,674
Segment Profit	△1,474	7,602	2,367	1,093	△2,321	7,268	497	7,766

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

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

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

Adjustment amount of 497 million yen shown in 'Segment profit' represents the net amount after elimination of Operating 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 operating profit in the quarterly consolidated income statement.

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

3. Changes in business segments

(Change the classification method of the segment)

From the second quarter of this fiscal year, AEON Allianz Life Insurance Co., Ltd.'s statement of income has been included in the consolidated statement of income, and the segment is included in the "Retail" In line with this, we are reviewing the Group's management methods from the viewpoint of enhancing business management. As a result, some consolidated subsidiaries previously included in the "Solution" have been changed to "Retail."

Segment information for the previous second quarter consolidated cumulative period is based on the segment method after the change.