

## Results for the First Half of Fiscal Year 2016



## Consolidated Business Scale and Results



- Steady expansion on a consolidated basis to 38.16 million cardholders and ¥4,111.5 billion in finance receivables
- Increase in installment sales finance in Japan and allowance for doubtful accounts in Thailand based on forecast levels

Business Scale	1Q		First Half Total	
	Results	Change from start of FY	Results	Change from start of FY
Number of cardholders, consolidated	37.73 million	+510 thousand	38.16 million	+940 thousand
Domestic	26.20 million	+320 thousand	26.44 million	+560 thousand
AEON Bank accounts	5.09 million	+160 thousand	5.25 million	+320 thousand
Finance receivables	¥4,005.4 billion	+¥147.8 billion	¥4,111.5 billion	+¥253.8 billion

Consolidated Results	1Q		2Q		First Half Total		
	Results	YoY	Results	YoY	Results	YoY	Difference from forecast
Ordinary income	¥90.4 billion	+6%	¥90.5 billion	+3%	¥180.9 billion	+4%	-¥1.1 billion
Ordinary expenses	¥76.7 billion	+5%	¥76.8 billion	+3%	¥153.5 billion	+4%	-¥0.5 billion
Ordinary profit	¥13.7 billion	+9%	¥13.6 billion	+3%	¥27.4 billion	+6%	-¥0.6 billion
Profit attributable to owners of the parent	¥8.9 billion	+25%	¥8.0 billion	+16%	¥17.0 billion	+21%	+¥2.0 billion

Interim Dividends	—	¥29
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2

## Results by Area



- In Japan, housing loan transactions grew and ordinary deposits increased due to the effects of negative interest rates
- Overseas, exchange rates were in line with expectations. We tightened credit and shifted to product sales receivables

(Billions of yen)

		FY 2016					
		1Q		2Q		First Half Total	
			YoY		YoY		YoY
Ordinary income	Domestic	62.6	+14%	64.1	+13%	126.7	+13%
	Share of consolidated	69%	+4%	70%	+6%	69%	+5%
	Overseas	28.4	-7%	27.3	-14%	55.7	-11%
	Share of consolidated	31%	-4%	30%	-6%	31%	-5%
Ordinary profit	Domestic	8.7	+27%	9.4	+24%	18.2	+25%
	Share of consolidated	61%	+6%	64%	+7%	62%	+6%
	Overseas	5.4	-6%	4.8	-14%	10.2	-10%
	Share of consolidated	39%	-6%	36%	-7%	38%	-6%

\*Results before inter-segment eliminations

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3

## Results by Segment



(Billions of yen)		1Q		2Q		First Half Total	
		Results	YoY	Results	YoY	Results	YoY
Credit business	Ordinary income	39.6	+6%	43.9	+15%	83.6	+10%
	Ordinary profit	7.7	-7%	9.5	+13%	17.3	+3%
	Ordinary profit ratio (%)	(19.6%)	(-2.7%)	(21.7%)	(-0.4%)	(20.7%)	(-1.5%)
Banking business	Ordinary income	14.6	+26%	12.2	+19%	26.9	+23%
	Ordinary profit	1.6	+675%	-0.6	-	1.0	+1.2
	Ordinary profit ratio (%)	(11.4%)	(+9.6%)	(-)	(-)	(-)	(-)
Overseas business	Ordinary income	28.4	-7%	27.3	-14%	55.7	-10%
	Ordinary profit	5.4	-5%	4.8	-14%	10.2	-10%
	Ordinary profit ratio (%)	(19.0%)	(+0.4%)	(17.9%)	(-0.0%)	(18.5%)	(+0.2%)
Fee business, etc.	Ordinary income	13.0	+12%	13.6	+9%	26.7	+10%
	Ordinary profit	0.8	+1%	1.0	+1%	1.9	+1%
	Ordinary profit ratio (%)	(6.6%)	(-0.7%)	(7.9%)	(-0.6%)	(7.2%)	(-0.7%)
Adjustment	Ordinary income	-5.3	-	-6.6	-	-12.0	-
	Ordinary profit	-1.9	-	-1.2	-	-3.1	-
Total	Ordinary income	90.4	+6%	90.5	+3%	180.9	+4%
	Ordinary profit	13.7	+9%	13.6	+3%	27.4	+6%
	Ordinary profit ratio (%)	(15.2%)	(+0.5%)	(15.1%)	(+0.0%)	(15.2%)	(+0.3%)

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4

## Consolidated Balance Sheets



			(Billions of yen)		
	Results	Change from start of fiscal year		Results	Change from start of fiscal year
Cash and deposits	543.0	+98.2	Deposits	2,360.2	+207.2
Loans and bills discounted	1,736.9	+62.9	Interest-bearing debt	737.3	-23.3
Domestic	1,508.6	+72.9	Domestic	374.8	-8.9
Cash advances and consumer loans	492.5	+25.1	Overseas	362.4	-14.4
Overseas	233.3	-9.9	Provision for loss on interest repayment	2.1	-2.0
Accounts receivable – installment	1,104.5	+82.1	Accounts payable – trade and other liabilities	153.5	-20.0
Customers' liabilities for acceptance and guarantees	157.6	-15.8	Acceptances and guarantees	157.6	-15.8
Allowance for doubtful accounts	-50.1	-0.6	Total liabilities	3,555.9	-151.2
Securities and other assets	437.2	-43.0	Total net assets	373.7	+32.4
Total assets	3,929.3	+183.7	Total liabilities and net assets	3,929.3	+183.7
Interest rate spread	7.3%	-0.8%*	Shareholders' equity ratio [domestic standard]	8.3%	+0.9%

\*Change from previous fiscal year

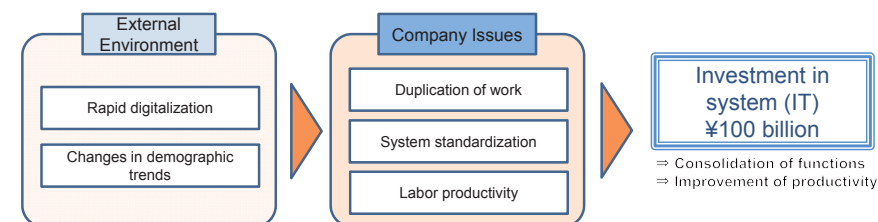
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5

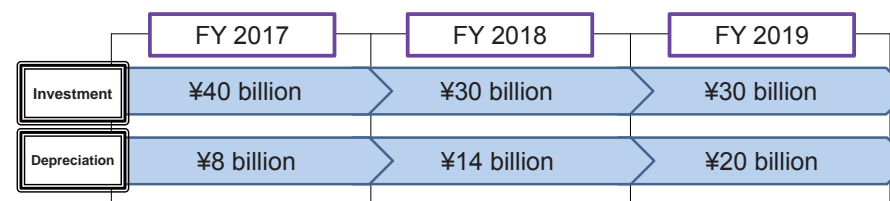
## Purpose of Capital Increase



- Enhance investment in systems to respond to the rapid advance of digitalization and to improve productivity
- Promote further growth by raising funds through stock and convertible bonds to supplement the capital allowance



### Schedule for Total Investment in System



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6

## Increasing Labor Productivity by Investing in System (IT)



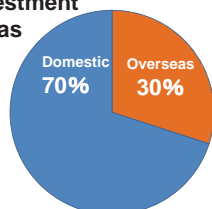
- In Japan, overcame falling yields resulting from legal changes through cost improvements and business expansion through M&A, etc.
- Increase productivity through investment in system (IT) and improve costs, primarily overseas

### Changes in the Last 10 Years

	FY 2006			FY 2015	
	Japan	Overseas		Japan	Overseas
Finance receivables	607	203.7		3,214.10	452.5
Yield	20%	30%		6%	25%
Total (Personnel expenses, bad debt allowance)	38.4 (12.1, 26.3)	20.1 (6.0, 14.1)		41.2 (28.3, 12.9)	49.5 (18.2, 31.2)
Ordinary profit	31.7	9.3		35.3	24
	Consolidated 41.0			Consolidated 59.3	

\*Personnel expenses and bad debt allowance are expenses related to finance receivables

### Investment Areas



### Main Investments

Research of new technologies	Make practical use of AI, authentication functions, blockchain technology and other technologies
Strengthening of analysis functions	Use AI in data analysis to raise the accuracy of screening, receivables management and promotions
Standardization of systems (IT)	Develop a foundation for providing services by unifying domestic and overseas systems

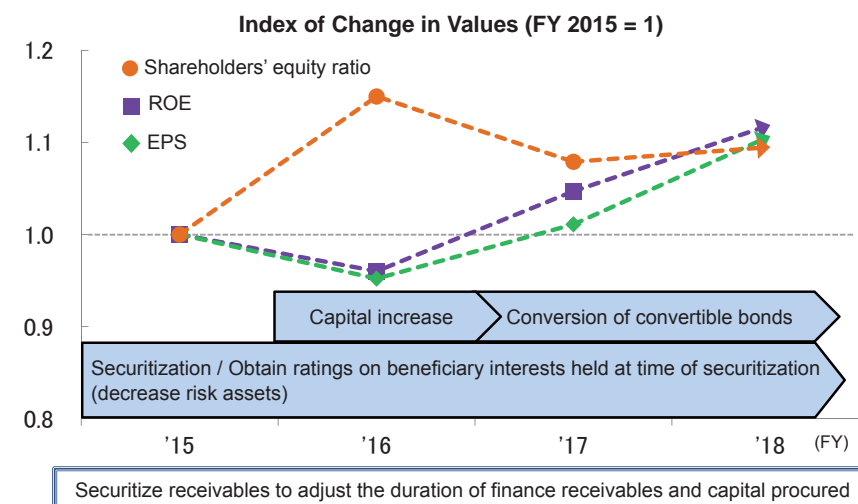
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7

## Capital Policy—Shareholders' Equity Ratio



- Improve the productivity of capital through measures such as shifting our receivables portfolio to focus on returns
- Maintain the shareholders' equity ratio at around 8% by increasing shareholders' equity and decreasing risk assets



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8

## Forecast of Results for FY 2016



■ Net income per share of ¥171.56 (start of fiscal year: ¥186.19) due to capital increase

Forecast of Results								
	Results				YoY			
Ordinary income	¥380 billion				+6%			
Ordinary profit	¥63 billion				+6%			
Net income attributable to owners of the parent	¥37 billion				+3%			
Net income per share	¥171.56				-5%			

	Interim		Year End		Full Year		Payout Ratio	
	Result	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	¥29	+¥1	¥39	+¥1	¥68	+¥2	39.6%	+3.1%

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9

## Key Initiatives for FY 2016

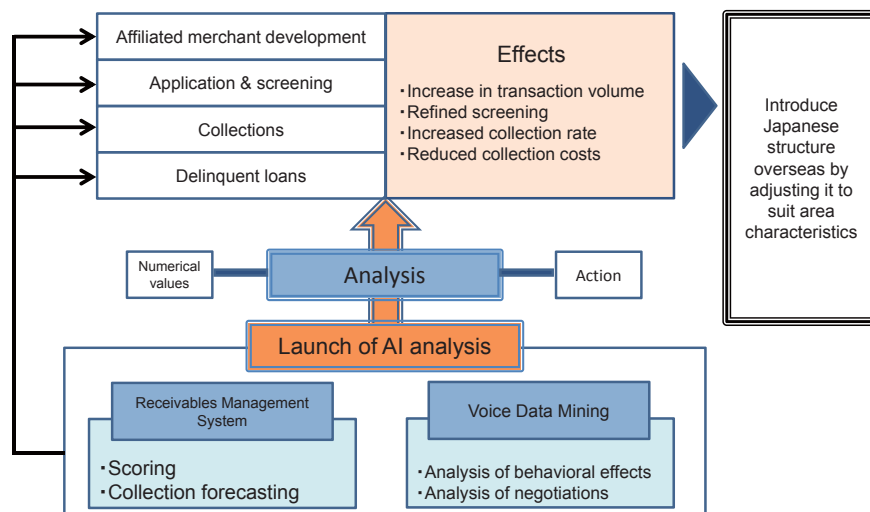
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10

## —Improvement of Screening and Collection Efficiency—



- Streamline administration of receivables, improve collection costs and expand income opportunities
- Provide feedback on results of delinquency analysis to screening, collections and other areas and refine screening



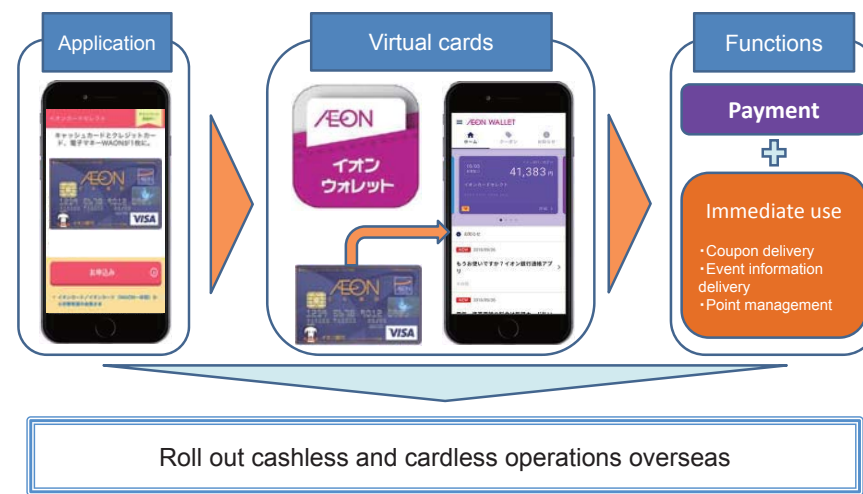
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11

## —Initiatives for Cardless Operations—



- Started payment service with Apple Pay in October
- Addition of payment function to smartphone app (AEON Wallet), virtualization of credit cards
- Will also roll out these operations in Asia to provide common services between Japan and overseas



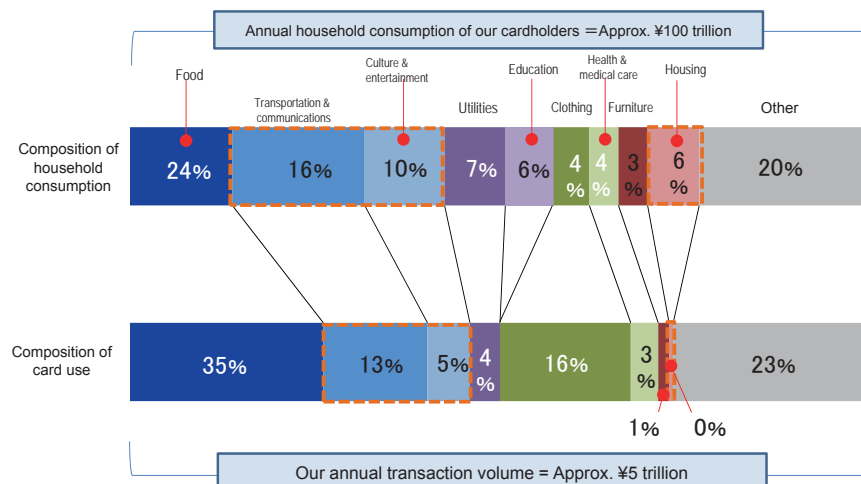
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12

## —Initiatives to Increase Card Transaction Volume—



- Strengthened services and benefits in response to changes in household consumption and developed new affiliated merchants
- Launched a rent payment service in September. Will promote use of our services in household consumption

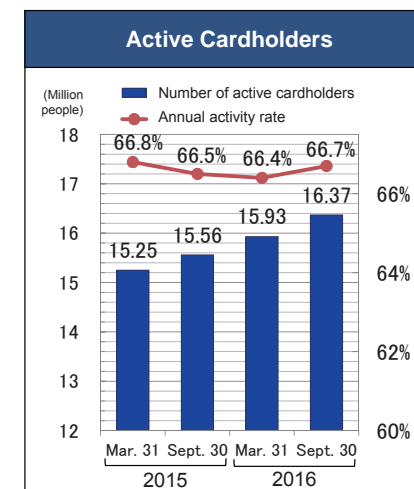
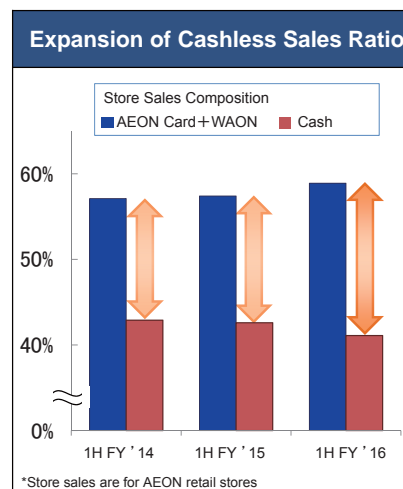


Source: Statistics Bureau, Ministry of General Affairs and Communications, 2015 Survey of Household Economy

## —Promotion of Card Use—



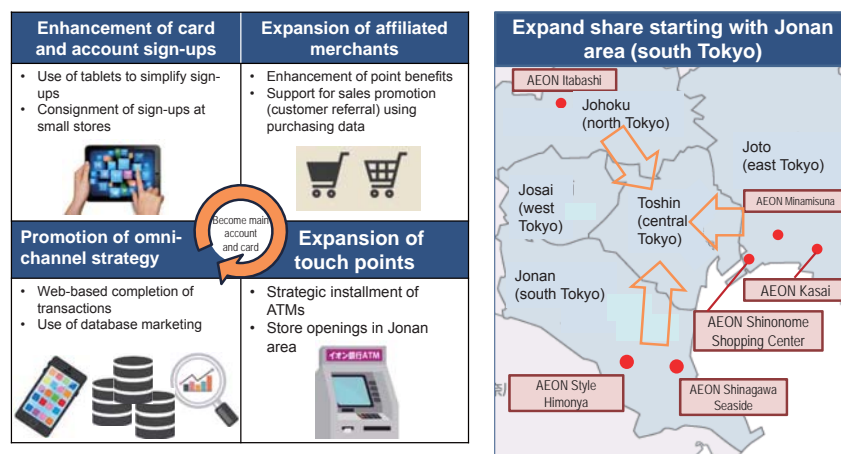
- Enhanced AEON Card point benefits starting in June (double points when used at AEON Group stores)
- Increased the activity rate by expanding the AEON Group's share of sales



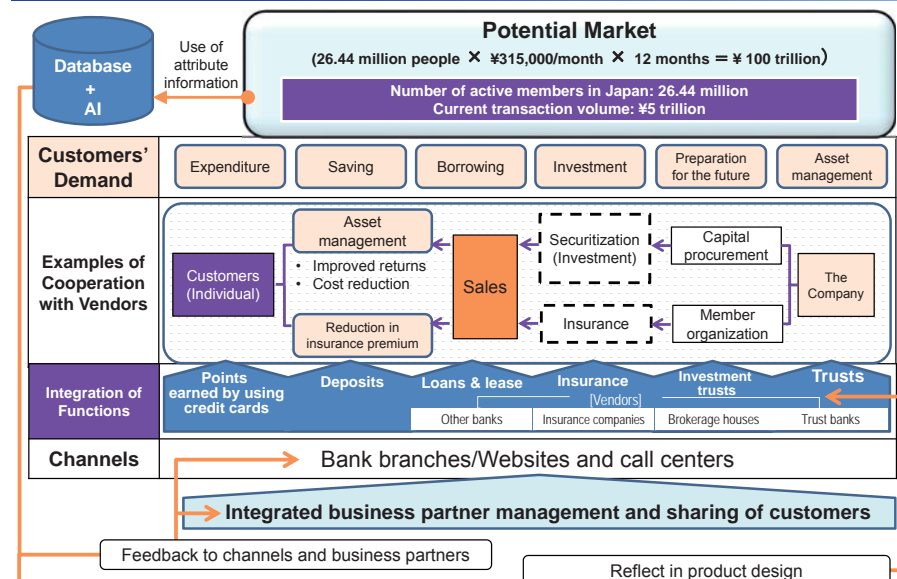
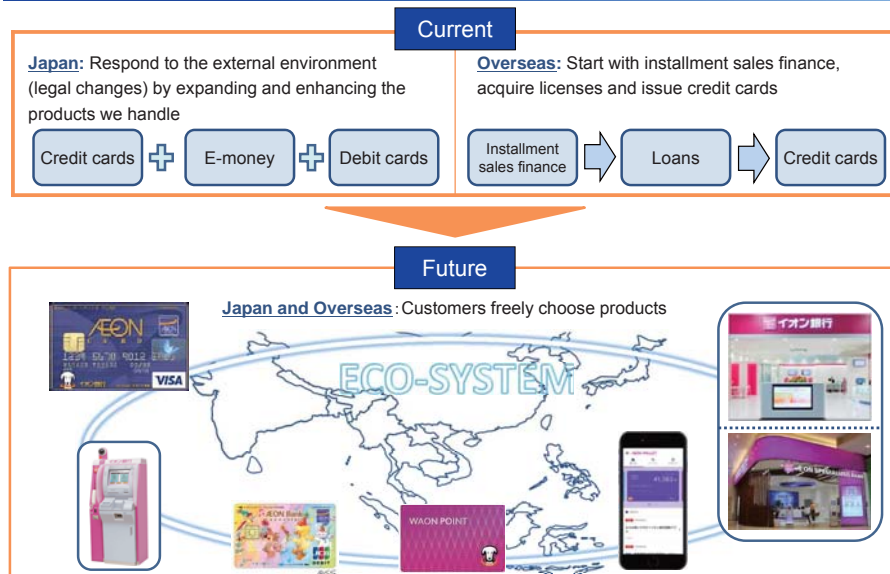
## —Strategy in Greater Tokyo—



- Strengthened cardholder sign-ups at AEON Group stores (consented sign-ups using tablets)
- Database-driven sales promotion and expansion of touch points (In Store Branches, ATMs)



## Future Direction



## Initiatives in Hong Kong

## External Environment of Hong Kong

- Economic growth in China is weakening, which has led to a slowdown in Hong Kong's economy.
- The number of visitors from China has decreased, causing spending on lifestyle-related goods such as groceries and daily essentials to bottom out.

	1H FY 2015	1H FY 2016
GDP Growth Rate of China	+7.0%	+6.7%
GDP Growth Rate of Hong Kong	+3.1%	+1.7%
Population of Hong Kong	7.30 million	7.34 million
Total visitors to Hong Kong (Jan.-June)	29.33 million	27.16 million
Visitors from China	22.85 million	20.42 million
Hong Kong retail sales growth rate	-1.6%	-10.5%
Food	+7.9%	+1.2%
Supermarkets	+1.1%	+1.0%
Unemployment rate in Hong Kong	3.2%	3.4%

1. Control the bad debt allowance and increase the quality of finance receivables

2. Improve productivity by promoting digitalization

3. Improve convenience and increase customer satisfaction

■ Bad debt allowance as a percentage of operating income

1H FY 2014: 25.5% ⇒ 1H FY 2015: 24.0% ⇒ 1H FY 2016: 23.1%

(Millions of HK dollars)

		1H FY 2014		1H FY 2015			1H FY 2016		
		Results	Percentage of finance receivables	Results	YoY	Percentage of finance receivables	Results	YoY	Percentage of finance receivables
Credit cards	Finance receivables	3,501	—	3,508	+0%	—	3,584	+2%	—
	Transaction volume	3,321	—	3,584	+8%	—	3,660	+2%	—
	Operating income	401	11.5%	396	-1%	11.3%	383	-3%	10.7%
	Bad debt allowance	86	2.5%	77	-10%	2.2%	75	-3%	2.1%
Personal loans	Finance receivables	1,815	—	1,740	-4%	—	1,613	-7%	—
	Transaction volume	692	—	759	+10%	—	691	-9%	—
	Operating income	186	10.2%	179	-4%	10.3%	172	-4%	10.7%
	Bad debt allowance	82	4.5%	82	+0%	4.7%	73	-11%	4.5%
ACS Asia Consolidated total*	Finance receivables	5,316	—	5,248	-1%	—	5,198	-1%	—
	Transaction volume	4,097	—	4,397	+7%	—	4,389	+0%	—
	Operating income	659	12.4%	662	+0%	12.6%	638	-4%	12.3%
	Bad debt allowance	168	3.2%	159	-5%	3.0%	148	-7%	2.8%

\* Includes insurance business and other income (income from collection of written-off claims, etc.)

## Cost Reduction (ACS Asia, Consolidated)

- Advertising expenses: 33% decrease (YoY) ⇒ Transaction volume: 0% increase (YoY)
- Bad debt allowance: 7% decrease (YoY) ⇒ Finance receivables: 2% increase (YoY)
- Personnel expenses: 14% decrease (YoY) ⇒ Operating income: 4% decrease (YoY)  
Personnel expenses as a percentage of operating income 1H FY 2015: 14.2% ⇒ 1H FY 2016: 12.7%

(Millions of HK dollars)

ACS Asia Consolidated	FY 2014 1H		FY 2015 1H		FY 2016 1H		
	Results	YoY	Results	YoY	Results	YoY	Change
Transaction volume	4,097	+6%	4,397	+7%	4,389	+0%	—
Operating income	659	+12%	662	+0%	638	-4%	-24
Operating expenses	482	+14%	515	+7%	467	-9%	-48
Advertising	35	-5%	41	+16%	27	-33%	-13
Bad debt allowance	168	+24%	159	-5%	148	-7%	-11
Personnel	78	+20%	94	+20%	81	-14%	-13
Other	200	+8%	221	+10%	212	-4%	-9
Operating profit	177	+6%	147	-17%	171	+16%	+24

## Initiatives to Increase Number of Cards Issued and Expand Share

- Will expand AEON Card immediate issuance service to four brands with the addition of VISA, MasterCard and JCB brands to the existing UnionPay brand



Can be used from the same day

Increase in card applications

Increase in card activity rate



## Initiatives to Expand Card Transaction Volume ①



- Implement plans exclusively for cardholders based on the concept of "Extraordinary experiences with everyday use"
- Increase cardholder loyalty

Summer Royal Caribbean Cruise Plan



Autumn Hong Kong Ocean Park Halloween Plan



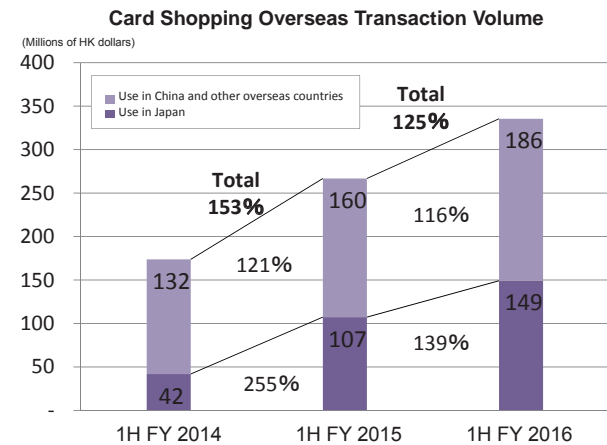
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25

## Initiatives to Expand Card Transaction Volume ②



- 870,000 visitors from Hong Kong to Japan in Jan.-June 2016, up 25% over the same period a year earlier  
⇒ Capturing overseas consumption, mainly from use in Japan



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26

## New Concept Branch



- Renewal of in-store branches in AEON Stores (Hong Kong) based on new concept  
⇒ Kornhill branch (June), Whampoa branch (September)

Previous store style



AEON Stores (Hong Kong) Kornhill branch



AEON Stores (Hong Kong) Whampoa branch

New concept



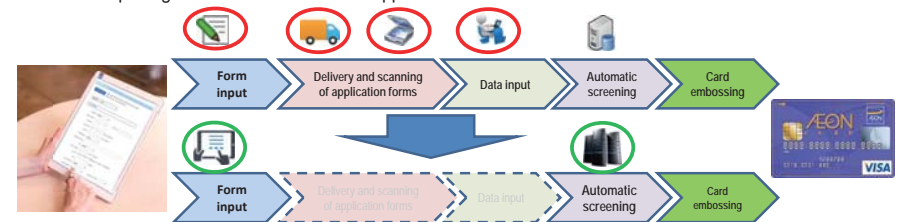
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27

## Future Initiatives



- Paperless Operation  
Eliminate paper application forms and issue cards immediately in store or online  
Reduce postage costs and risk of loss of application forms



- Mobile Payment  
Payment app and virtual card (issuance of card to smartphone)



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28

(Reference) 1H FY 2016 Results (Hong Kong, Thailand, Malaysia)



		1H FY2015		1H FY2016	
		Result	YOY	Result	YOY
AEON CREDIT SERVICE (ASIA) (HK\$ '000)	Revenue	628,960	-1%	606,598	-4%
	Operating income	587,366	+0%	563,935	-4%
	Profit before tax	146,887	-13%	185,576	+26%
	Profit for the period attributable to: Owners of the Company	119,748	-12%	152,142	+27%
AEON THANA SINSAP (THAILAND) (BAHT '000)	Total revenues	8,565,263	-1%	8,776,334	+2%
	Income before income tax expense	1,569,730	-1%	1,376,390	-13%
	Net profit for the period	1,256,167	-1%	1,097,266	-13%
AEON CREDIT SERVICE (M) Berhad (RMS '000)	Revenue	461,162	-	530,766	+15%
	Profit from operations	218,032	-	253,877	+64%
	Profit before taxation	140,538	-	157,291	+11%
	Profit for the period	106,727	-	117,921	+10%

Source: Data released by each company. Figures for Hong Kong and Thailand are consolidated.

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30

(Reference) FY 2016 1H Results (Hong Kong, Thailand, Malaysia)



■ Consolidated Results of AEON Credit Service (Asia) Co., Ltd. (Billions of yen)

	1H FY 2015	1H FY 2016	
	Results	Results	YoY
Ordinary income	10.3	9.1	-11%
Ordinary profit	2.2	2.6	+17%
Net income	1.8	2.2	+18%

Exchange rates: HKD 1  
 • 1H 2015: ¥15.66  
 • 1H 2016: ¥13.98

Fiscal period  
 • 2015: Mar. 1-Aug. 31  
 • 2016: Mar. 1-Aug. 31

■ Consolidated Results of AEON THANA SINSAP (THAILAND) PLC. (Billions of yen)

	1H FY 2015	1H FY 2016	
	Results	Results	YoY
Ordinary income	31.0	27.0	-13%
Ordinary profit	5.6	4.2	-26%
Net income	4.5	3.3	-26%

Exchange rates: THB 1  
 • 1H 2015: ¥32.63  
 • 1H 2016: ¥3.08

Fiscal period  
 • 2015: Feb. 21-Aug. 20  
 • 2016: Mar. 1-Aug. 31

■ Results of AEON Credit Service (M) Berhad (Billions of yen)

	1H FY 2015	1H FY 2016	
	Results	Results	YoY
Ordinary income	16.3	15.6	-4%
Ordinary profit	4.3	4.0	-6%
Net income	3.2	2.9	-7%

Exchange rates: MYR 1  
 • 1H 2015: ¥32.43  
 • 1H 2016: ¥26.89

Fiscal period  
 • 2015: Mar. 1-Aug. 31  
 • 2016: Mar. 1-Aug. 31

Note: Results for fiscal 2015 have been retroactively adjusted.

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31

(Reference) Allowance for Doubtful Accounts and Allowance for Loss on Refund of Interest Received by Segment



■ Allowance for Doubtful Accounts (by Segment)

(Billions of yen)

	Credit	Banking	Overseas	Fee	Total
Allowance for doubtful accounts, beginning of period	27.5	3.2	15.0	4.2	49.4
Provision of allowance for doubtful accounts	8.0	-0.0	14.6	0.7	23.4
Write-off of doubtful accounts (including transferred debt)	6.9	0.1	15.0	0.5	22.7
Allowance for doubtful accounts, end of period	28.6	3.0	14.6	4.4	50.1

(Domestic subsidiaries) AEON Bank: ¥3.0 billion, AEON Product Finance: ¥4.1 billion, AEON Housing Loan Service: ¥1.2 billion

■ Allowance for Loss on Refund of Interest Received

(Billions of yen)

	FY 2015 1H	FY 2016 1H
Allowance for loss on refund of interest received, beginning of period	4.8	4.2
Provision for loss on refund of interest received	0.0	0.0
Interest refunded (Sums refunded and appropriation of interest to principal)	1.9	2.0
Allowance for loss on refund of interest received, end of period	2.9	2.1

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32

(Reference) FY 2016 Business Plan (Domestic)



	FY 2016 1H		FY 2016	
	Results	Change from start of fiscal year	Plan	Change from start of fiscal year
Number of cardholders	26.44 million	+0.56 million	27.40 million	+1.52 million

	Results	YoY	Plan	YoY
Card shopping transaction volume	¥2,167.0 billion	+8.8%	¥4,430.0 billion	+7.9%
E-money transaction volume	¥1,090.8 billion	+5.9%	¥2,250.0 billion	+5.6%

	Results	Change from start of fiscal year	Plan	Change from start of fiscal year
Balance of cash advances	¥422.3 billion	+¥16.8 billion	¥433.0 billion	+¥27.5 billion
Balance of small consumer loans	¥70.2 billion	+¥8.4 billion	¥85.0 billion	+¥23.2 billion
Balance of unsecured loans	¥492.5 billion	+¥25.1 billion	¥518.0 billion	+¥50.6 billion

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33