

Value Creation Section

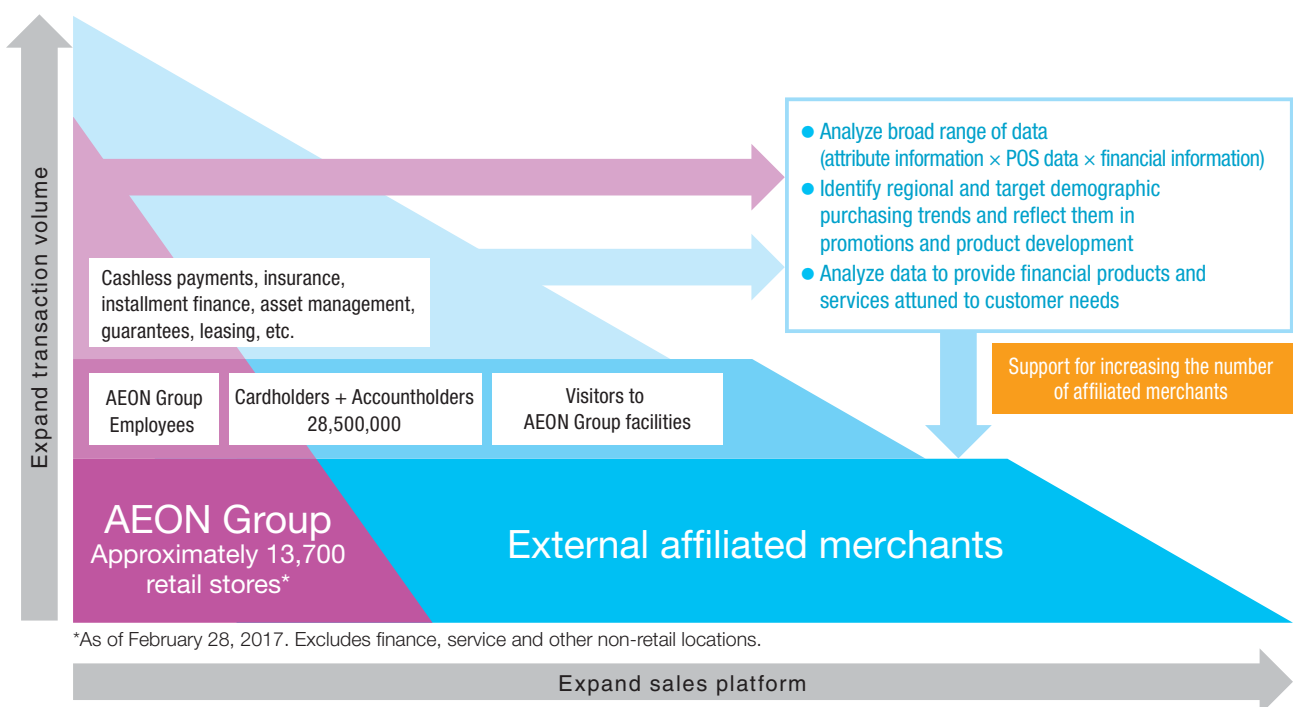
Domestic Business

Value Proposition

Enrich the daily lives of our customers by providing financial products and services attuned to life stages and lifestyles.

Financial Needs	Main Services
Expenditure	Credit cards, debit cards, e-money, installment finance, ATMs
Saving	Ordinary deposits, time deposits
Borrowing	Housing loans, personal loans
Investment, Preparation for the Future	Investment trusts, insurance
Asset Management	(We plan to partner with other companies to expand inheritance and other services.)

Domestic Business Strategy Summary



Sharpen Competitive Advantages

Business Reach of the AEON Group

We are a member of the AEON Group, which is expanding with a focus on Japan and other countries in Asia. Our goal is to enrich the daily lives of our customers as a comprehensive financial services group with roots in the retail sector.

We have 38.94 million AEON Card and other cardholders. In addition, the AEON Group has about 520,000 employees, and draws customers to 626 general merchandise stores¹ and 303 shopping centers.² This ability to link businesses across the broad array of AEON Group companies in Japan and overseas is a powerful advantage over competitors.

The AEON Financial Service Group's bank branches and insurance agencies are located mainly at AEON shopping centers and are open every day of the year, allowing customers to make visits according to their life routine, whether on their way home from work or out shopping. We will use the AEON Group platform and continue to improve convenience so that more customers can avail themselves of our financial services.

1. Includes equity-method affiliates

2. Includes AEON Mall shopping centers, as well as facilities with a gross leasable area of 20,000 m² or more

Sustainable Growth from Credit Cards

Domestic transaction volume for fiscal 2016 in the credit card market, our core business domain, was ¥50 trillion, 1.4 times greater³ than five years ago. Heading toward the Tokyo 2020 Olympic and Paralympic Games, cashless transactions will gain momentum as a means to raise convenience for international visitors to Japan, and transaction volume is forecast to continue to expand.

Under this operating environment, our growth rates for cardholders and transaction volume are continuing to rise. One of the standout characteristics of our portfolio is that women account for 64.5% of our cardholders. Among them, 58.8% are in their 30s to 50s, many of whom are homemakers, and who tend to use their credit cards for day-to-day shopping.

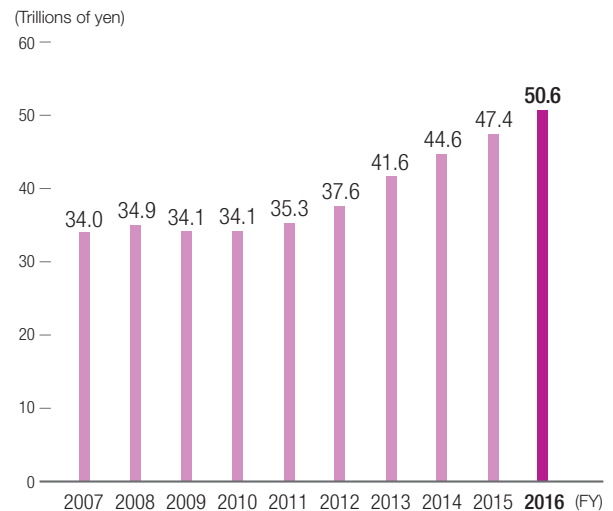
As a consequence, around 90% of shopping transaction volume is paid off the following month (i.e. paid in a single installment during the grace period). This makes our credit cards a core product that generates stable, reliable cash flow and which we expect to exhibit sustained growth.

3. Source: Survey of Selected Service Industries, Ministry of Economy, Trade and Industry



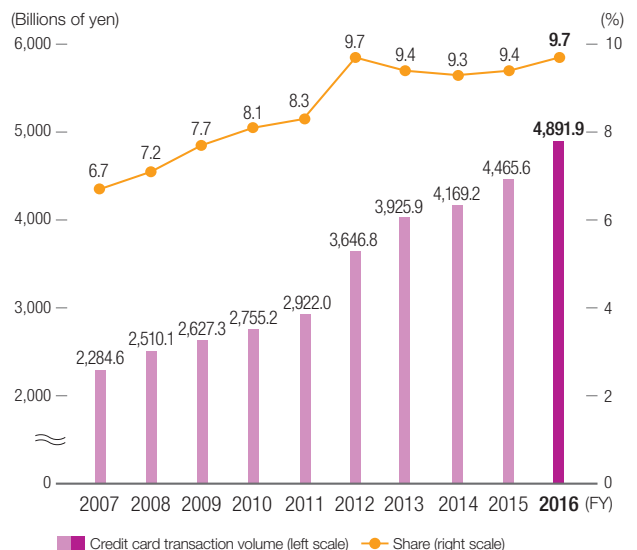
AEON Bank branches: 135
ATMs: 5,855
Insurance shops: 123

Domestic Credit Card Transaction Volume



Source: Survey of Selected Service Industries, Ministry of Economy, Trade and Industry

AEON Financial Service Credit Card Transaction Volume⁴ and Share^{5,6}



■ Credit card transaction volume (left scale) — Share (right scale)

4. Credit card transaction volume = Card shopping transaction volume + Cash advance transaction volume

5. AEON Financial Service calculation

6. Fiscal 2012 figures calculated on a 13-month basis

Growth Strategies Enabled by Our Financial Platform

We are building a financial platform by organically linking usage data for various Group products and services including credit cards, which account for our core customer base, in addition to personal loans, deposits, and insurance. Also, the databases we have built will enable us to provide products and services attuned to each customer's needs. Furthermore, we will not limit ourselves to our own services, but will develop new revenue streams by matching the needs of individual customers and partner companies.

Our Domestic Business is categorized into the business-to-consumer Retail business segment and the business-to-business Solutions business segment.

Focus Issues: Retail

Further Demonstrate Group Synergies

Cardholders and transaction volume are expanding steadily. However, many credit cardholders do not use any of the other products offered by the AEON Financial Service Group, so we have not been able to fully demonstrate Group synergies. We will therefore enhance collaboration with AEON Group companies, energetically reach out to their employees, use databases, and cross-sell to support the use of products and services other than credit cards.

Expand Customer Acquisition Channels

We have traditionally focused on acquiring customers through AEON Group stores and online. We are now complementing those channels by contracting business partners to recruit cardholders on our behalf. We are also using the AEON Wallet smartphone application to issue virtual credit cards, and we are accepting credit card enrollment via Pepper.⁷ We will expand these and other channels that enable efficient customer acquisition.

⁷ A humanoid robot developed by SoftBank Robotics Corp.

Expand New Customer Demographics

We will strategically open AEON Bank branches in Greater Tokyo neighborhoods where our market penetration is underdeveloped. In addition, we will aggressively market to young people, with strategies that include acquiring customers through the issue of theme park co-branded cards.

Focus Issues: Solutions

Further Expand External Affiliated Merchants

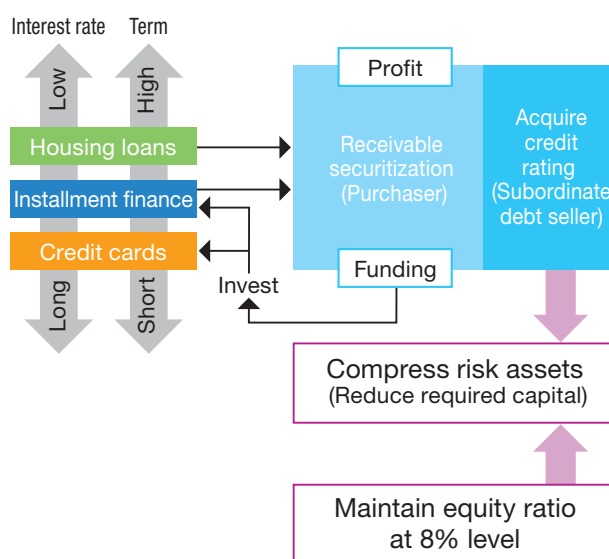
We will deploy more employees and increase new service offerings such as mobile payment terminals to expand the number of external affiliated merchants and help to realize a cashless society. We will also leverage our financial platform to analyze a broad range of data, including attribute information, POS data and financial information, as well as regional and target demographic purchasing trends. This will enable us to develop products and services attuned to customer needs and effectively direct customers to suitable offerings, working in cooperation with affiliated merchants to mutually improve sales.

Improve Return on Assets

Raise Asset Efficiency by Securitizing Receivables

From the perspective of asset and liability management, we are securitizing receivables by transitioning long-term receivables such as housing loans to shorter, more advantageous cash-to-cash cycles in the form of short-term receivables such as credit cards. We also manage risk by obtaining credit ratings for subordinated beneficiary rights.

Improving Return on Assets

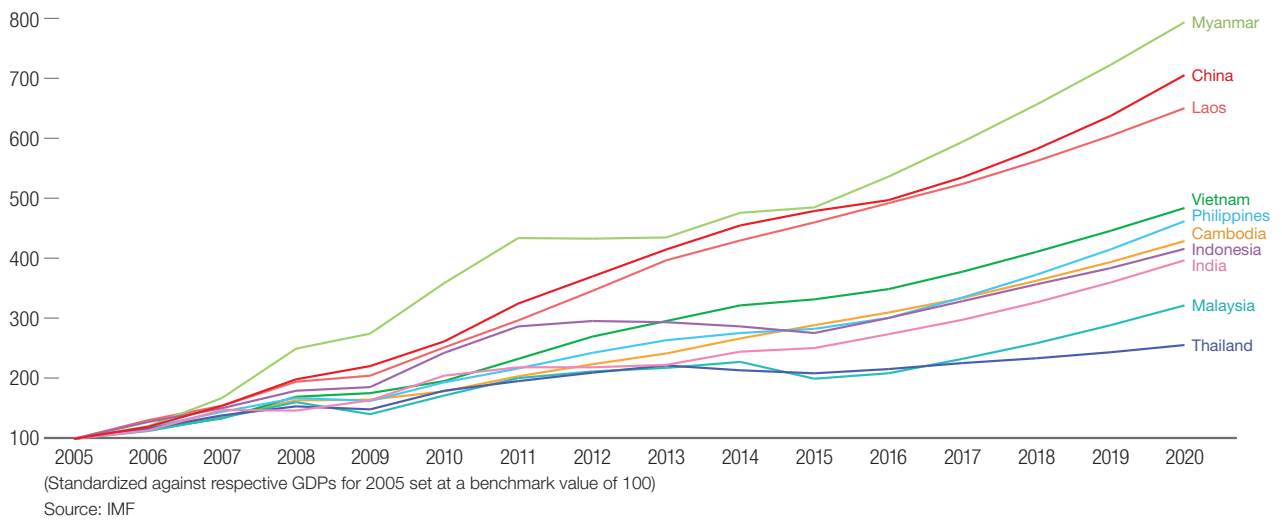


Global Business

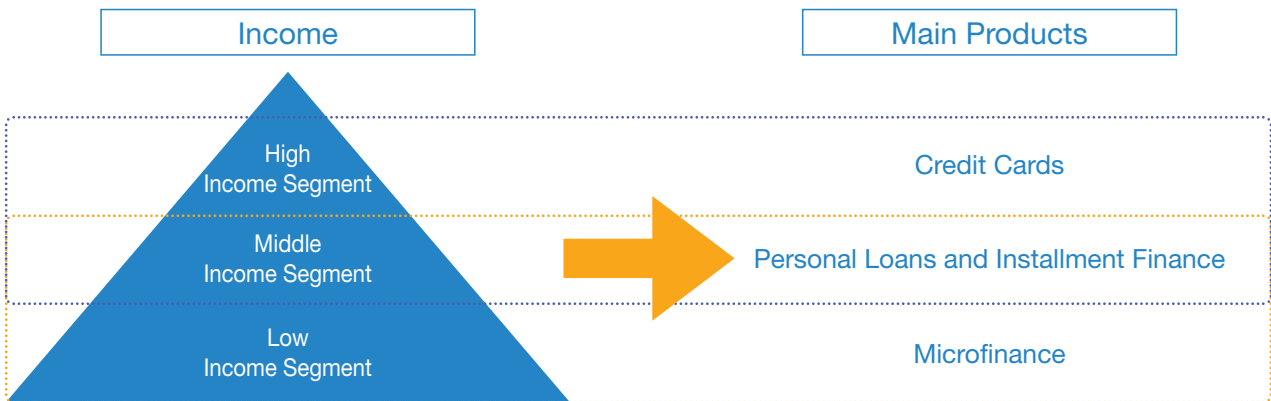
Value Proposition

Enrich the daily lives of our customers by using technology to create financial services suited to the needs of people in Asia.

■ GDP by Country (Actual 2005–2016, Forecast 2017–2020)



■ Main Products by Income Segment



■ Expanding Our Customer Base in Growing Regions

Stage	Mature			Growth		Transitional		Early			
	Hong Kong	Thailand	Malaysia	Indonesia	Cambodia	Vietnam	China	Myanmar	Philippines	India	Laos
As of Fiscal 2016	Personal loans, credit cards, insurance	Personal loans, installment finance, credit cards, insurance, collections	Personal loans, installment finance, credit cards, insurance	Installment finance, credit cards	Personal loans, installment finance, credit cards	Installment finance	Personal loans, installment finance, insurance, processing	Personal loans, installment finance	Installment finance	Installment finance	Installment finance
Fiscal 2017		Auto loans (plan)	E-money		E-money (plan)				Personal loans, auto loans for three-wheeled taxis		

Since establishing our first overseas base in Hong Kong, we have leveraged the knowledge we have acquired in Japan to build businesses attuned to the growth stages of Asian countries/regions. These businesses include the installment finance business that enables people to buy household goods, the personal loan business, and the credit card business that encompasses aspects of both.

We are now taking on the challenge of reshaping our traditional growth narrative to address changes in the operating environment such as the rapid progress of digitalization.

Specifically, we will shift away from loans toward purchase financing and use IT to improve credit screening accuracy. We will also improve the efficiency of receivables collection, build a low-risk debt portfolio, and increase return on assets. Systemization will reduce credit screening and debt collection costs, and we will leverage smartphones and other digital devices to serve unbanked customer segments. These initiatives will reduce the ratio of bad debt allowance and personnel expenses to ordinary income and improve productivity. As a result, we plan to increase the share in ordinary profit accounted for by our Global Business to 50% of consolidated ordinary profit by fiscal 2020.

Our Global Business is categorized into three regions, centered respectively on our three listed subsidiaries in Hong Kong, Thailand and Malaysia.

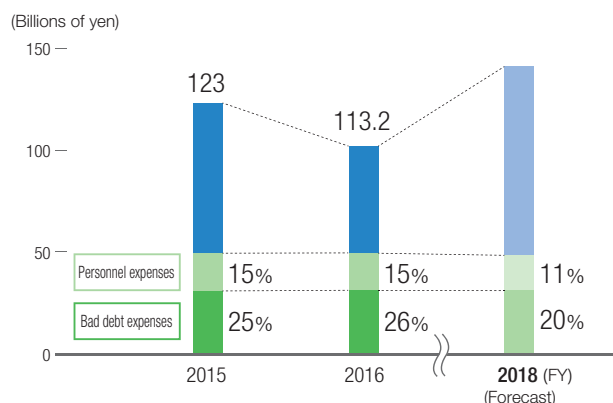
Greater China Area (Hong Kong, Taiwan and China)

Our subsidiary in Hong Kong, incorporated in 1990 and listed on the Hong Kong Stock Exchange in 1995, was our first overseas base. With its experience as a pioneer for establishing AEON retail stores abroad, it continues to collaborate with Group stores on sales promotion plans. Our operations in the region are adding cardholders and building transaction volume by bolstering efforts to attract customers with co-branded cards presented in conjunction with partners such as Japan Airlines and AEON Stores Hong Kong. To increase card use among international tourists visiting Japan, we also held campaigns that include joint sales promotion plans with AEON stores in Japan. Moreover, we are expanding transaction volume by offering gold cardholders the benefit of double points on purchases at AEON stores.

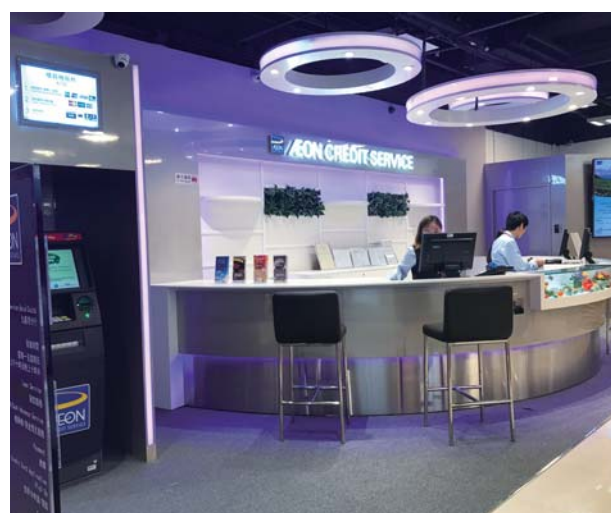
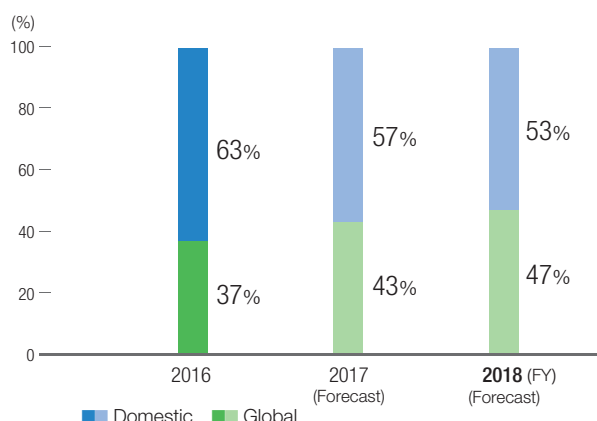
We will strengthen plans to add young cardholders with new co-branded cards, develop mobile applications that allow management of card statements, coupons and points from a single interface, and develop plans for outbound tourists.

In China, in Shenyang, Tianjin and Shenzhen, we are preparing to transition to a growth phase with a focus on the installment finance business.

Ratio of Bad Debt and Personnel Expenses to Global Business Ordinary Income



Breakdown of Consolidated Ordinary Profit by Business



Hong Kong

Mekong Area (Thailand, Vietnam, Cambodia, Myanmar and Laos)

Our subsidiary in Thailand, incorporated in 1992, was our second overseas base after Hong Kong. Its shares were listed on the Stock Exchange of Thailand in 2001, and it has been steadily expanding its business. We are proactively building alliances with Thai companies, including the co-branded finance card with ticketing and e-money functions we issue for BTS Group Holdings, which operates the Bangkok Mass Transit System. We are also acquiring additional cardholders with co-branded cards presented in conjunction with partners including major retailer Big C Supercenter and a movie theater operator.

Income is a constraint on credit card issuance in Thailand, so obtaining a credit card is difficult for many. However, we expect economic growth and an accompanying increase in annual personal income. These circumstances show great potential for us, particularly when considering the 5.42 million member cardholders* who may become credit cardholders in the future. We also plan to deploy the expertise we have acquired in the credit card business in the insurance and collections businesses.

We are primarily involved in the installment finance business in Vietnam, Cambodia, Myanmar and Laos. In addition, we have built a full-fledged credit card business in Cambodia after acquiring a specialized banking license, and we are working to expand transaction volume. We are also preparing to extend our e-money business.

* Customers who do not meet the annual income requirements for a credit card are still eligible to obtain a member card, which offers installment payment and finance functions.



Thailand

Malay Area (Malaysia, Indonesia, India and Philippines)

We established a subsidiary in Malaysia, our third overseas base, in 1996 and its stock was listed on Bursa Malaysia in 2007. We are acquiring cardholders via the AEON Group and implementing joint programs with partners to increase cardholder numbers and transaction volume. In addition, we are deepening collaboration with local AEON Group companies, such as issuing a co-branded credit card with point benefits for AEON Big Malaysia. We are also expanding our business by partnering with Visa Worldwide Pte. Ltd. and have decided to issue a point card with e-money functions through Visa's internationally branded payment network. At the same time, we will also take steps to integrate the point programs of AEON Group companies operating in Malaysia.

In Indonesia, we operate an installment finance business and are a full-fledged credit card issuer. In India and the Philippines, we are expanding our network of affiliated merchants in the installment finance business. We also launched a new initiative in July 2017 by signing an agreement with Global Mobility Service, Inc. to jointly create an auto loan business. The first stage involves using IoT devices and platform systems in the Philippines to enable us to offer loans for three-wheeled vehicles to people who have been unable to qualify for credit. This embodies the value offered by the AEON Financial Service Group, and is an initiative that provides products and services to unbanked segments and creates opportunities for employment. We are planning to expand this program to Indonesia, Malaysia, Vietnam and Cambodia.



Malaysia