

# Value Creation Section

## ► At a Glance

### ● Retail Services (Main Services)

#### Investment

- Investment trusts
- NISA (tax-exempt individual savings accounts)

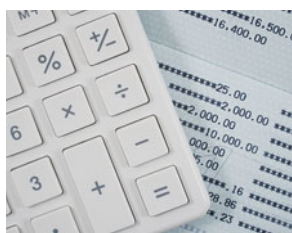


#### Asset Management

- AEON Wallet
- Passbook app

#### Saving

- Deposit services



## Financial services that are part of life

Employment

Marriage

Home ownership

Education

Life events

#### Borrowing

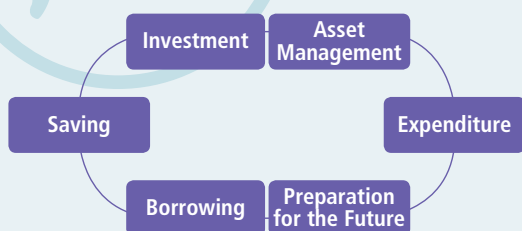
- Housing loans
- Card loans
- Consolidated and non-specific purpose loans
- Student loans
- Auto loans



#### Preparation for the Future

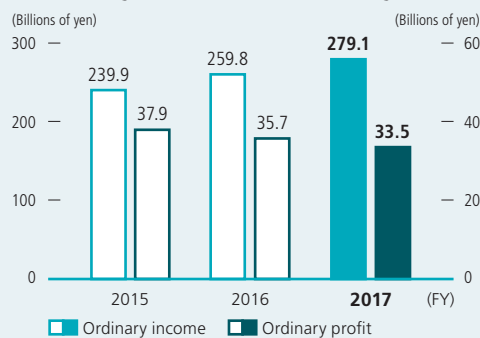
- Domestic insurance services

## Domestic Business



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

### ● Ordinary Income and Ordinary Profit

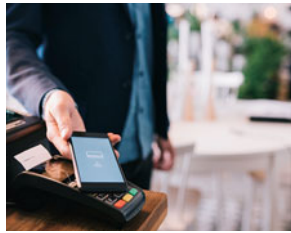




## Retirement

### Expenditure

- Credit cards
- Debit cards
- E-money WAON



### Affiliated Merchant Services

#### Promotional Support

- Sales promotion plans
- Issuance of co-branded cards
- Cross-promotion through rewards and benefits



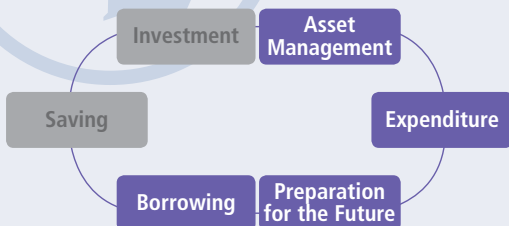
#### Improvement of Operational Efficiency

- Collection agency
- Corporate cards
- Financial services for employees

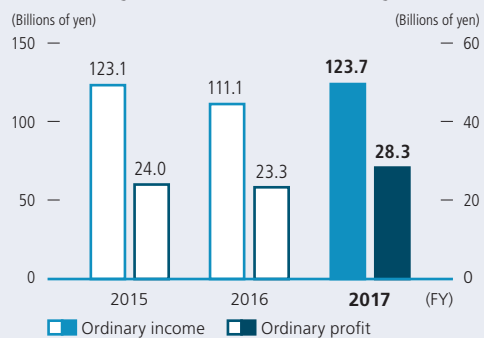


## Global Business

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



### Ordinary Income and Ordinary Profit



## ▶ Domestic Business

Value Proposition

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

### ● Main Services

#### Credit card shopping

Annual transaction volume:

about ¥ **4,950** billion

#### Credit card cash advances

Annual transaction volume:

about ¥ **380** billion

#### E-money

Annual transaction volume:

about ¥ **1,950** billion

#### Installment finance

Annual transaction volume:

about ¥ **250** billion

#### AEON Bank housing loans

Finance receivables (before securitization):

about ¥ **1,610** billion

#### AEON Bank ordinary and time deposits

Deposits:

about ¥ **3,050** billion

### ● AEON Bank's Network in Japan

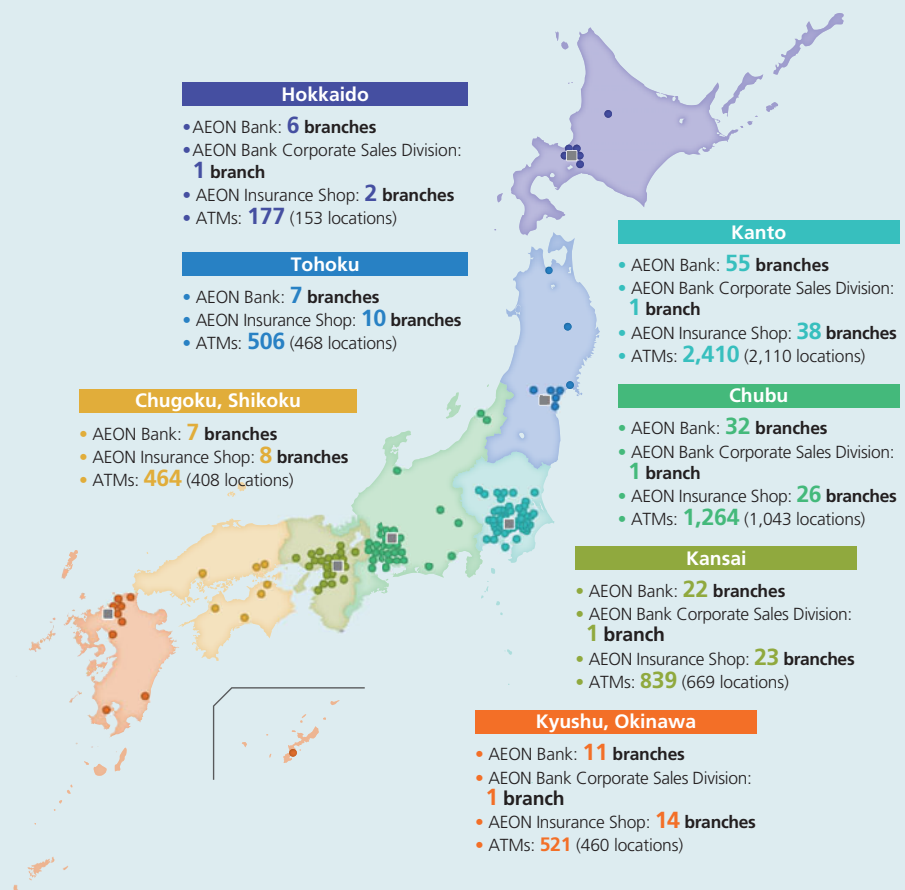
#### Branches

**140**

#### ATMs

**6,181**

- Branch
- Corporate sales office (Figures as of March 31, 2018)



## Business Overview

We operate in two segments in Japan: Retail, which is centered on services for individuals, and Solutions, which is centered on corporate services. In the Retail segment, we have leveraged the AEON Group's sales network of 490 general merchandise stores and 256 shopping centers\* to build a cardholder base of 27.75 million people in Japan, with a focus on AEON Card. Our bank branches and insurance agencies are mainly located in AEON shopping centers, allowing people to stop by on their way home from work or when out shopping. The Solutions segment mainly provides various financial services including installment finance and leasing and also supports the businesses of affiliated merchants in such ways as providing settlement infrastructure and making proposals for sales promotion plans.

\* Includes AEON Mall shopping centers, as well as facilities with a gross leasable area of 20,000 m<sup>2</sup> or more (as of February 28, 2018)

## Fiscal 2017 Initiatives

We have been reforming our business model in ways such as promoting digitalization and transforming our organization and business structure to address rapid changes in the external environment and to generate long-term, sustainable growth. In fiscal 2017, we continued to expand our customer base with an emphasis on credit cards, and reformed our service structure by digitalizing the various channels that are points of contact with customers and by integrating key business functions.

### ● New AEON Cards and Co-Branded Cards

Acquiring more cardholders for AEON Card and co-branded cards is fundamental to achieving sustainable growth. New cards issued in fiscal 2017 included the AEON Card featuring the Minions, the AEON Card with TGC design, and the Kojima × Bic Camera Card. These initiatives helped us acquire new young and male customers, two demographics among whom cardholder numbers are comparatively low.



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Approval No. CR18-1932

### ● Ongoing Digitalization

We continued to improve customer convenience and employee productivity through digitalization in fiscal 2017. Responding to the diversification of work styles and lifestyles in Japan, we introduced an AI-automated chatbot service that can handle inquiries 24 hours a day, 365 days a year. We also improved the user friendliness of AEON Wallet, an app that allows customers to use their smartphone to view card statements, discount coupons and campaign information. Other initiatives to improve convenience and empower customer access to financial services anytime, anywhere included the installation of self-service terminals and ATMs with biometrics authentication function.



### ● Direct Management of All AEON Bank Branches

We made the bank agency branches operated by AEON Credit Service into directly managed AEON Bank branches in October 2017 to further strengthen our service structure. Subsequently, we have enhanced the ability of branch staff to respond to consultations by providing ongoing training and educational support in order for them to acquire the qualifications necessary to sell insurance and investment trust products, thereby enabling staff at all branches to offer our full line of investment products. We will continue to provide customers with personalized financial services by integrating the strengths of our physical network with our digital network through which we identify latent needs through face-to-face interaction and the use of IT, which enhances customer convenience.



### ● Consolidation of Head Office Functions

We have been integrating overlapping back-office divisions within the Group largely by consolidating the head office functions of each Group company in Japan. We plan to redeploy the personnel made available through these initiatives to strategic overseas and affiliated merchant development divisions. In fiscal 2017, we scrutinized target business functions for consolidation and identified tasks suitable for automation using robotics, outsourcing, or elimination. We will continue to integrate and streamline operations to further promote operational efficiency in fiscal 2018.

## Future Initiatives

### ● Enhancing Asset Management Services

Reforming our business model in Japan is crucial. Today, the net savings of domestic consumers is negative for people age 20 to 40, and slightly positive for people age 41 to 49. This is attributable to the large cost of repaying housing loans and educating children. We therefore aim to provide housing loans concurrently with various investment products to people in their 20s–40s so as to support customers in asset management for the future, and bring in new customer segments with an emphasis on younger generations.

Customer Needs	Percentage of Households <sup>1</sup>	Net Savings <sup>2</sup>
Age 20–40: Preparing for the future	24%	Age 20–40: –¥5.24 million
Age 41–60: Preparing for the future, inheritance	33%	Age 41–49: ¥0.18 million Age 50–59: ¥12.11 million
Age 61+: Growing number of pensioners	42%	Age 61–69: ¥20.92 million Age 70+: ¥23.56 million

#### Current Situation

- Lack of relevant financial products and services
- People do not know where to turn for help
- Too many technical terms, so information is difficult to understand

#### Solutions

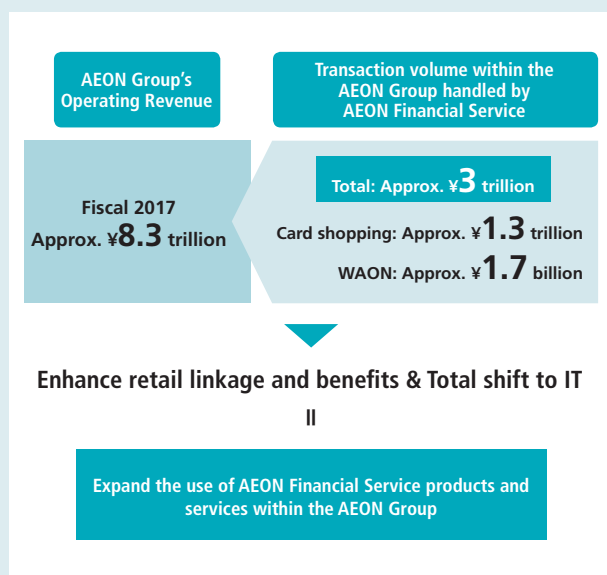
- ##### Our Advantages
- Low cost
  - Low risk
  - Easy consultation
  - Easy to understand

1. Household Projections for Japan, National Institute of Population and Social Security Research

2. Savings and Liabilities by Age Group for Households of Two or More, Ministry of Internal Affairs and Communications (2016)

### ● Building Additional Share within the AEON Group

We will expand our share of transactions made at AEON Group facilities, which are a key channel for acquiring customers and the use of our services. The AEON Group's operating revenue (net sales) in fiscal 2017 totaled approximately ¥8.3 trillion. We processed about ¥3 trillion of that figure, with card shopping transaction volume of approximately ¥1.3 trillion and WAON e-money transaction volume of approximately ¥1.7 trillion. To increase transaction volume, we will further strengthen retail linkage, enhance shopping benefits, and generate synergy among services that use IT and digital technologies.



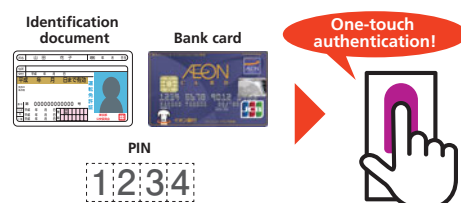
## HIGHLIGHT

### The first Japanese bank to make bank cards and PINs unnecessary! Introduction of biometrically authenticated bank transactions using fingerprints and vein patterns

We have been researching new ways to conduct bank transactions, including field-testing fingerprint authentication. Fiscal 2017 marked the start of bank transactions via two-factor biometric authentication using fingerprints and vein patterns, eliminating the need for a personal identification document, bank card or PIN input. This system is highly secure, and can identify customers in just a few seconds with a touch of the dedicated scanner. The introduction of this service is a first for the Japanese banking industry. At present this feature is available for AEON Bank ATMs and tablets used in over-the-counter transactions. This technology simplifies

ATM cash withdrawals and deposits, as well as in-branch procedures such as changing address and reissuing cards. Even without their bank card, personal identification document or any other form of identification, customers can have access to all services. Moreover, should a card be lost or misplaced, account holders can still conduct bank transactions—a major step forward in convenience and security. The next step will be to deploy self-service terminals throughout Japan, which will allow customers to quickly handle bank transactions themselves and

enable AEON Financial Service to open unstaffed retail branches in low-population communities and at small retail stores. Small branches with few or no employees will enable low-cost operation, improve capital and operating efficiency, and enhance productivity.



## ■ Main Cards

AEON Financial Service issues a broad lineup of cards with a variety of benefits at AEON Group companies and partner companies.



### Credit Cards

#### AEON Card

AEON Gold Card



AEON Card Select



AEON Card Select (Disney design)\*



©Disney

AEON Card (TGC design)



AEON JMB Card



AEON Suica Card



AEON Card Kitaca



AEON SUGOCA Card



AEON E-NEXCO Pass Card



AEON NEXCO Naka-nihon Card



AEON Metropolitan Expressway Card



AEON THRU WAY Card



AEON Renaissance Card



Benesse AEON Card



#### AEON Group Companies Cards

Sports Authority Card



KASUMI Card



#### Co-branded Cards with External Partners

Cosmo The Card Opus



Kojima x Bic Camera Card



Shimamura Music Card



San-X Card (Rilakkuma)



#### Co-branded Social Contribution Cards

Cosmo The Card Opus Eco



Yori Sou Chikara Tohoku Electric Power Card



#### Bank Cards & Debit Cards

AEON Bank Card



AEON Bank CASH + DEBIT



\* The issuance of the AEON Card Select (Disney design) is limited to Japan. (Selection of cards issued as of June 30, 2018)

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## Global Business

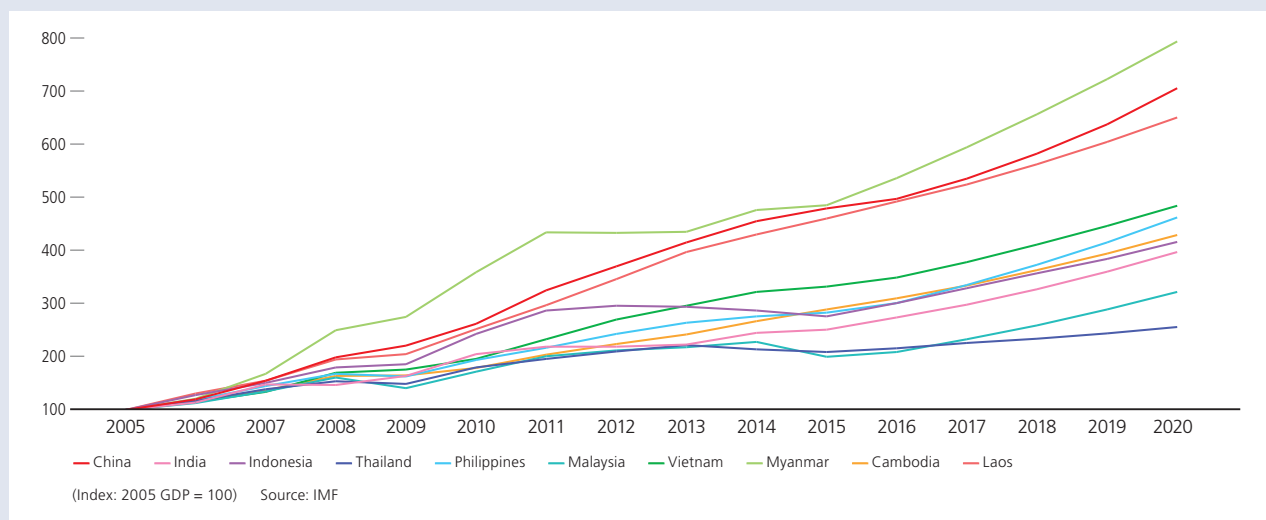
Value Proposition

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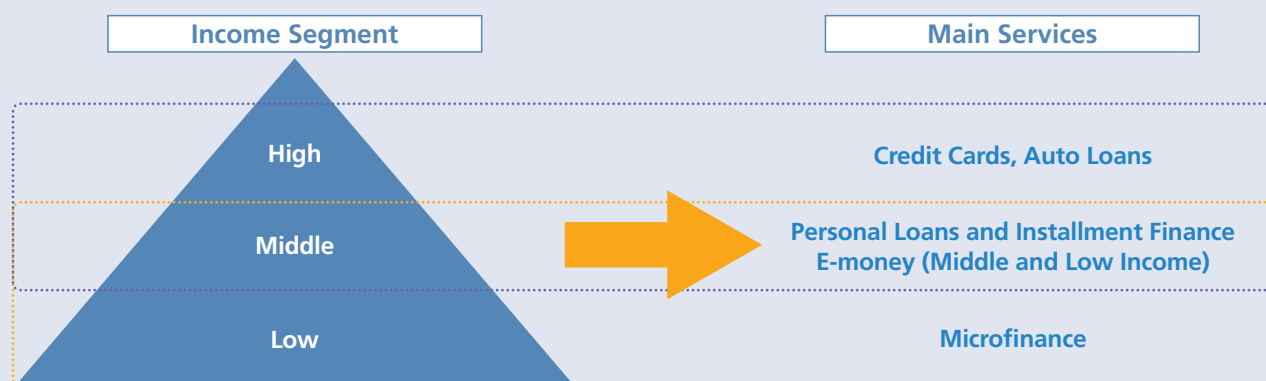
### Service Areas and Business Offerings by Country/Region

	China Area			Mekong Area					Malay Area			
	Hong Kong	China	Taiwan	Thailand	Cambodia	Vietnam	Myanmar	Laos	Malaysia	Indonesia	India	Philippines
Credit cards	●		●	●	●				●	●		
Personal loans	●	●		●	●		●		●		●	●
Installment finance		●		●	●	●	●	●	●	●	●	●
E-money (prepaid)				●	●				●			
Insurance agency	●	●		●					●			
Collections (external partners)		●		●								

### Market Environment GDP by Country (2005–2017 actual, 2018–2020 forecast)



### Main Services by Income Segment

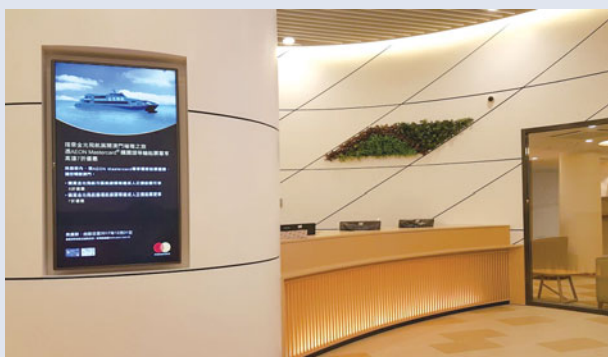


## Business Overview

We leveraged the business models and expertise we built in Japan to establish our first overseas base in Hong Kong. We have steadily expanded our business across Asia since then. Working in conjunction with the AEON Group's retail business, our operations cover the installment finance business, which helps people purchase items essential to daily life, the personal loan business, and the credit card business, which combines aspects of the installment finance and personal loan businesses. Our offerings are structured in accordance with the economic situation and growth stage of each country/region we serve. In executing region-specific strategies and businesses, we are now focusing on the China area, the Mekong area and the Malay area, where we have listed subsidiaries. Each of the three listed overseas subsidiaries that comprise our Global Business are experiencing renewed growth, with higher income and profit year on year.

### China Area (Hong Kong, China and Taiwan)

We established a subsidiary in Hong Kong in 1990 and listed it on the Hong Kong Stock Exchange in 1995. Hong Kong was a pioneer territory for AEON retail stores outside of Japan, and we have continued to collaborate with stores on plans to promote usage of services. In fiscal 2017, our focus in the region turned to providing fast, convenient services to enhance customer convenience. We also expanded our business by reinforcing benefits and service plans, issuing a card with popular animation ONE PIECE design, and renovating branches to have Japan-inspired aesthetics as well as enhancing cardholder acquisition efforts, with a view to making our cards the first choice of customers.



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

In the Mekong area, our subsidiary in Thailand, which was 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. In fiscal 2017, we reformed our business portfolio and improved employee productivity while expanding our business largely by enhancing member benefits, strengthening services for inbound and outbound travelers, and rolling out services to neighboring countries. Credit regulations were strengthened in Thailand, but we were able to respond flexibly by extending credit limits for prime borrowers. We issued co-branded cards with major local retailer Big C Supercenter Public Co. Ltd., entered the auto loan business, and improved convenience with updates to our mobile phone app, all of which contributed significantly to year-on-year income growth.



### Malay Area (Malaysia, Indonesia, India and the Philippines)

We established a subsidiary in Malaysia, our third base in Asia, in 1996 and its stock was listed on Bursa Malaysia in 2007. Since then, it has acquired cardholders via AEON Group stores and implemented joint programs with partners to increase cardholder numbers and transaction volume. We expanded the fee business, strengthened digital marketing, and built our business through branch reforms during fiscal 2017. In Malaysia, we collaborated with AEON Group retail stores to acquire point cardholders, launched a platinum card, and initiated sales of insurance to AEON Group employees. Malaysian shopping and motorcycle installment finance also posted solid results.





## Future Initiatives

The middle-income demographic has expanded in Asia in recent years, and financial product needs are diversifying. Moreover, technological advances have created the environment for a broader range of demographics to use financial products and services. Given these circumstances, AEON Financial Service will continue to build its platform for providing a common portfolio of financial products and services in each country it serves. We will also implement strategies aligned with regional attributes, such as the presence or absence of AEON Group retail stores and varying financial needs resulting from differing socioeconomic factors.

### ● AEON Group Operations

We have approximately 6 million cardholders in Malaysia, with approximately 4 million AEON Malaysia and AEON Big Malaysia point cardholders and approximately 2 million AEON Card cardholders. Our strategies will center on prepaid cards and smartphone apps with point functions to acquire cardholders to whom we did not initially extend credit. We also plan to add cardholders by further enhancing customer convenience through collaborations with companies in various industries, including local airlines, restaurants, online retailers, and public utility and transportation organizations. Furthermore, we will integrate customer data that is dispersed throughout and managed within the AEON Group and comprehensively deploy it to generate additional growth with more aggressive cross-promotion.

### ● Outside the AEON Group's Service Area

We intend to acquire customers by adding QR code settlement and other prepaid functions to credit cards and smartphone apps in regions that AEON retail stores do not serve. Going beyond settlement functions to provide access to bank account functions via smartphone, we will be able to link customers to services such as installment finance, personal loans, remittance and insurance.

## Concept for an Expanding Settlement Network in Malaysia



## Expanding Our Customer Base Outside the AEON Group's Service Area

