

# A History of Value Creation

AEON Financial Service has leveraged the AEON Group's sales network to expand its businesses with a focus on credit cards, as well as banking, insurance and other services, and was quick to actively expand overseas. In addition, we have a history of carefully monitoring changes in the business environment and then flexibly evolving our management system and businesses.

## phase 1

### Proliferation of credit cards

- First credit card issued in Japan in 1960. Use subsequently increases centered on cards issued by consumer credit companies.
- Acceptance of credit card transactions spreads in the chain store industry from 1975.



### Launch of shopping credit business

Issued our first credit card, Jusco Card, in 1980  
Nihon Credit Service Co., Ltd. established in 1981

People want convenience and cost-effectiveness when they spend their money. Employees at Jusco (now AEON) general merchandise stores were quick to understand this mindset as financial services began to gain traction in Japan. We worked with storefront employees, to conceive and implement one idea after another, including cards not requiring a signature for food purchases, combined postal savings cards and rewards on customer appreciation days. Transaction volume and cardholders increased steadily.

### The bubble economy and contraction of the Japanese market

- Japan's asset price bubble, characterized by soaring land and stock prices, collapsed in 1991, and the nation entered a recession.
- Japan's birthrate declined moderately. Concerns emerged about population decline and a shrinking domestic market.



### Acceleration of overseas operations

Established Hong Kong branch in 1987 (local subsidiary in 1990); local subsidiary in Thailand in 1992; local subsidiary in Malaysia in 1996

Began handling installment finance for furniture and home appliances at AEON Group retail stores

#### Overseas operations



Hong Kong



Thailand



Malaysia

Other companies in our industry aggressively invested in real estate during the bubble period, but we stayed focused on our main business and began to expand overseas in anticipation of the shrinking domestic market. Backed by economic growth in Asia, we rolled out financial services tailored to the characteristics of each country. Currently, we operate in 11 countries including Japan, and have listed companies on stock exchanges in Hong Kong, Thailand and Malaysia.

External environment

Management system changes

Value provided today

One of Japan's top issuers by number of cardholders

More than half of consolidated ordinary profit accounted for by our Global Business

phase **2**



### Lifestyles diversify while regulations ease

- The number of nuclear families and double-income households increased, and lifestyles diversified.
- Japan eased regulations and brought them in line with global standards, including broadened latitude for online transactions, leading to more companies in other industries entering the banking sector.



#### Launch of AEON Bank

Established AEON Bank, Ltd. in 2007  
 AEON Credit Service Co., Ltd. first in the Japanese credit industry to obtain a bank agency license



Indonesia



Philippines



Vietnam



India



Cambodia



Myanmar



Laos

AEON Bank is a financial institution that originated as a new consumer-oriented bank that harnesses a retail sector perspective—making it friendly, convenient and easy to understand. Branches are designed so that customers can drop in freely while shopping. AEON Bank offers services tailored to customers' daily lives, including no ATM fees 24 hours a day, 365 days a year, and banking on Saturdays, Sundays, national holidays, and weekday nights.

Products and services suited to diverse customer lifestyles

### Changes in the regulatory environment of the financial industry

- Revision of the Money Lending Business Act introduced maximum credit loan restrictions.
- In the wake of the global financial crisis, international calls for transparent corporate management strengthened, and companies in Japan enhanced corporate governance.



#### AEON Financial Service launched

AEON Financial Service Co., Ltd. established as a bank holding company in 2013

AEON Bank and AEON Credit Service merged to establish AEON Financial Service and integrated customer databases, including attribute, purchase history and asset information. AEON Financial Service used the diverse customer contact points, and product development and proposal capabilities of the two companies to establish a comprehensive financial business unique to the AEON Group that supports a wide array of secure, convenient and fulfilling lifestyles.

Broad support for customers with financial services not available at other institutions

AEON Financial Service was established in 2013. Since then, we have continued to strengthen and enhance our organizational structure in light of changes in the business environment, while also planning and launching new businesses. In April 2019, having transitioned from a bank holding company to a business company, AEON Financial Service is poised to deliver even greater value to customers.

## phase 3 Strengthening our organizational structure as a comprehensive financial group and enhancing our service lineup

External environment

- ICT advances have increased the sophistication and diversity of settlement infrastructure and services, leading to more companies from other industries entering the credit card industry.
- In overseas markets, Japanese and foreign-affiliated companies are successively entering Asian markets as part of the global economic shift toward Asia.

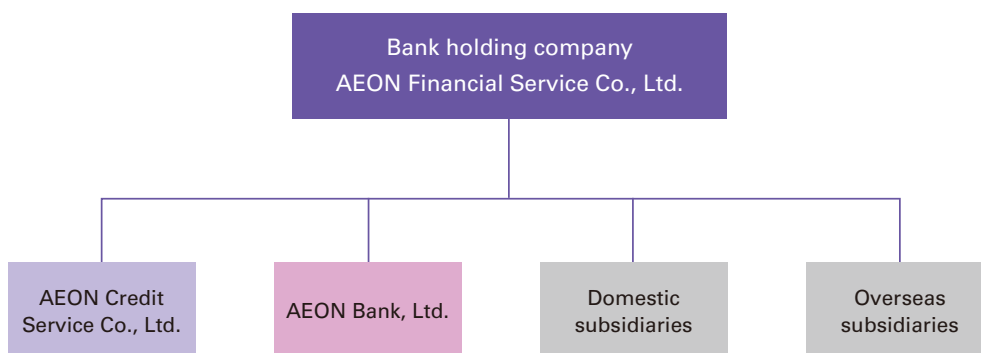
AEON Financial Service, established as a bank holding company in 2013, has expanded its products and services to match the diversifying financial needs of customers. We are continuously improving and enhancing the organizational structure of each Group company to offer financial services that are only possible because of our roots in the retail sector.

As an example, in 2017 AEON Bank began directly managing all bank agency branches previously operated by AEON Credit Service, with the objective of building a system that is a single source for financial products and services tailored to customers' life stages and lifestyles. We want our bank branches to be a trusted and familiar part of customers' lives. To develop approachability and professional knowledge, employees at all branches have been encouraged to acquire

financial planner and other qualifications. With all branches directly managed, we focused on improving the sales and consulting skills of employees and enhanced the sales network in Japan.

Meanwhile, AEON Credit Service has been working to develop new customer segments in collaboration with external partners, improve customer convenience by introducing digital technologies, and increase labor productivity. In these ways and others, since the establishment of AEON Financial Service in 2013, we have developed businesses and enhanced our service lineup as only possible because we are a comprehensive financial group with roots in the retail sector.

### Organizational Structure until March 31, 2019



# phase 4 Transitioning to a business company to respond flexibly to contemporary needs

- The competitive environment is becoming more challenging as technology companies such as IT platform developers and Fin-Tech firms from other industries enter the financial field.
- In capital markets, domestic and international institutional investors will further increase calls for effective corporate governance that improves corporate value.

In April 2019, AEON Financial Service Co., Ltd. underwent a change in organizational structure, transitioning from a bank holding company to a business company.

In recent years, transformations in Japan's social structure including the declining birthrate and aging population have changed our operating environment. In addition, a number of factors have intensified competition, including entry into the financial sector by companies from other industries that deploy vast amounts of personal information such as IT platform developers and Fin-Tech firms. We have therefore reorganized our Group structure to build a more flexible business model while maintaining and strengthening our governance system for ensuring sound banking management. Specifically, AEON Financial Service has established a new

bank holding company called AFS Corporation Co., Ltd. and itself became a business company, which will enable us to expand the scope of our businesses without being subject to the provisions of related laws such as the Banking Act.

One benefit of the new organization is that it has enabled AEON Financial Service to enter the reward point and warranty businesses, which have excellent synergy with the retail sector. We will deploy the big data we have acquired through our financial services and partnerships in our marketing programs, provide sales and marketing consulting services to other companies, and work with the advertising industry, as we go about expanding businesses that are best attuned to customer needs.

