

Value Creation in Action

Malaysia



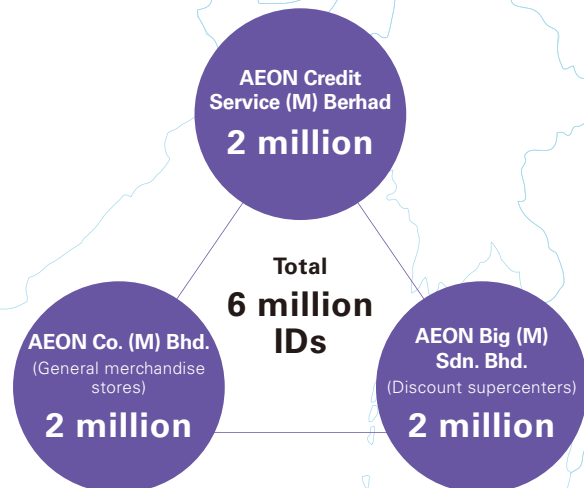
New Initiatives That Integrate Retail and Finance

Malaysia, a federal state with a nominal GDP per capita of over US\$10,000, is well on its way to completing its transformation from emerging economy to developed nation status. In 1996, we established the local subsidiary AEON Credit Service (M) Berhad (ACSM) in Malaysia, and since then we have been involved in businesses including unsecured personal loans, installment finance, and credit cards. In line with our Group-wide strategy of executing a digital shift, we launched the AEON Wallet smartphone app with QR code settlement capabilities and various user benefits in October 2018. This service enables cashless payment with support for prepaid card and point exchange functions. We plan to provide new services in the future, including peer-to-peer transactions and the ability to apply for short-term, small-amount insurance products.

We also launched AEON Wallet in Malaysia as a way to increase earnings for AEON Group companies while integrating and using customer settlement data to make shopping more convenient. The AEON Group operates AEON Co. (M) Bhd. general merchandise stores and AEON Big (M) Sdn. Bhd. discount supercenters in Malaysia. Previously, the two companies and ACSM each issued and managed their own rewards cards and point programs. Having collectively issued approximately 6 million cards, they also managed databases of customer purchase and card transaction history separately. However, this limited the effectiveness of sales promotions, and customers were inconvenienced by having to bring a different card to each store. Therefore, in fall 2018 we combined the cards of the three companies, and built a new settlement platform centering on a universal point program redeemable at any of the companies' stores. Customers can register their card to AEON Wallet, which also has credit card functionality. By letting customers experience the day-to-day convenience of using AEON Wallet, we will accelerate the integration of cardholder information centered on the app and further enhance our customer base.

ACSM is currently using the smartphone settlement platform to combine customer attribute information with purchase history information, and is proactively developing push marketing and financial products through collaboration among the three companies. In addition, we are improving the AEON Wallet user interface and user experience by linking to various existing services such as installment finance, personal loans, and insurance products. This will align our product lineup more closely with customers' lives and establish a flexible framework for determining credit limit. An additional consequence has been that we are seeing favorable results including growing transaction volume at the three companies.

At present, Malaysia has a population of about 32 million. ACSM seeks to acquire approximately 10 million IDs, i.e. roughly one third of the population. We will draw up scenarios to achieve this goal by collaborating with partners in industries other than finance and retail. We are confident that we can further enhance the added value of the financial services that ACSM provides through collaboration with other industries.



I can check my point balance and spending amount without going to a store, which is very convenient.



User feedback for AEON Wallet

"My mother and I both use AEON Wallet, and it is very easy to use. Products at AEON stores are inexpensive and earn points, so that's where I do my shopping for food and daily necessities. I can use the app to check my point balance and spending amount without going to a store, which is very convenient."

Much more convenient than cards— I'm pleased to have decluttered my wallet.



User feedback for AEON Wallet

"A year ago, my wallet was full of cards. Since I started using AEON Wallet, I no longer carry cards and have completely decluttered my wallet. It's really convenient because I can shop just by scanning the QR code displayed on my smartphone. When I shop at AEON Big, I use AEON Wallet instead of handing over a card at checkout."

We will implement measures unique to the AEON Group, such as cross-selling between retail and finance.

No other companies in Malaysia offer products and services that combine retail and finance. The settlement platform built by these three companies of the AEON Group is positioned as an essential part of our customer base, and has the potential to create unprecedented value through analysis of our database of 6 million cardholders. For example, cross-selling will become easier because we will be able to determine each individual's purchase history and propose optimal financial services at each life stage.

In addition, customer convenience was foremost in mind when we were developing the smartphone app alongside the settlement platform. For example, a function was added that allows customers to easily redeem points within AEON Wallet. Customers have indicated that they appreciate not having to go to a customer service desk to redeem points and the ability to pay at the checkout simply by holding their smartphone over a scanner.

The synergies between retail and finance resulting from the shared assets of the three companies will benefit customers throughout Malaysia, which in turn will enhance our unrivaled presence as a comprehensive financial group.



Shiro Ishida
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