

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

<p>Credit card shopping</p> <p>Annual transaction volume about ¥5,350 billion</p>	<p>Credit card cash advances</p> <p>Annual transaction volume about ¥400 billion</p>	<p>E-money</p> <p>Annual transaction volume about ¥1,880 billion</p>
<p>Installment finance</p> <p>Annual transaction volume about ¥240 billion</p>	<p>AEON Bank housing loans</p> <p>Receivables at end of period (before securitization) about ¥1,800 billion</p>	<p>AEON Bank ordinary and time deposits</p> <p>Deposits at end of period about ¥3,480 billion</p>

AEON Bank's Network in Japan

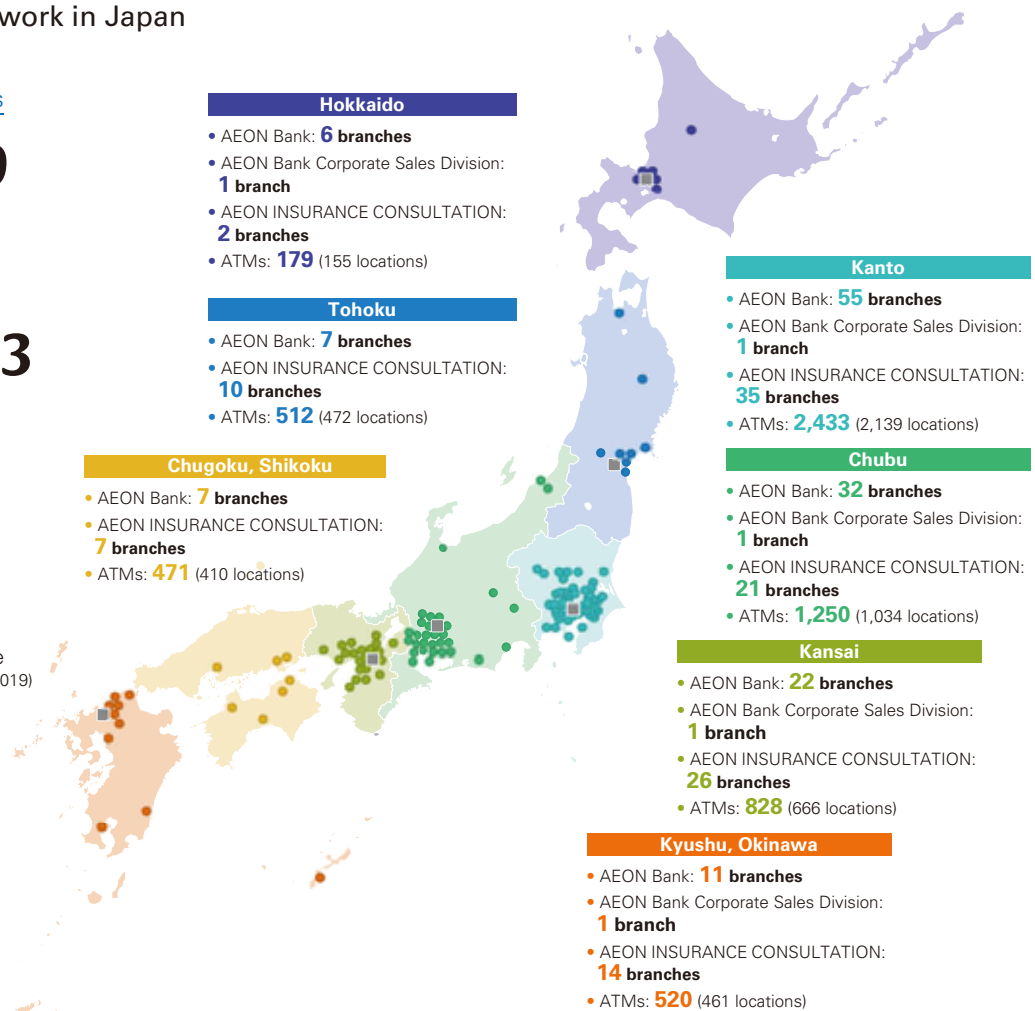
Branches

140

ATMs

6,193

● Branch
■ Corporate sales office
(Figures as of March 31, 2019)



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 to build a cardholder base of 28.4 million people in Japan, with a focus on AEON Card. In addition, 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.



Fiscal 2018 Initiatives

Companies from other industries are entering the settlement services business and collaboration among large corporations is resulting in the growth of new business fields. AEON Financial Service is addressing such changes in the external environment to generate long-term, sustainable growth by enhancing seamless settlement functions and by offering a lineup of financial products and services that are attuned to the needs of customers. In fiscal 2018, we increased the number of cardholders, with a focus on credit cards, and implemented service system reforms by digitalizing channels that serve as points of contact with customers.

New Cards

Acquiring more cardholders for AEON Card and co-branded cards is fundamental to achieving sustainable growth. New cards issued in fiscal 2018 to help us acquire new young and male customers included the AEON Card (SKE48) and the AEON Card (Minions). In addition, we conducted a campaign, featuring J-pop group Keyakizaka46, aimed at helping people 25 and younger get started in life. We also worked with external partners, for example, by issuing the co-branded AEON NEXCO Nishi-nihon Card with West Nippon Expressway Co., Ltd., and strengthened our product lineup of

public transportation-related co-branded cards nationwide to expand our earnings base.



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AEON Card Select (Minions)

Ongoing Digitalization

Digitalization initiatives continued in fiscal 2018. We enhanced customer convenience by launching a service at AEON Bank ATMs that can repair credit card magnetic defects, and by introducing an AI-automated chatbot service, which in addition to being able to handle inquiries 24 hours a day, 365 days a year, also supports branch and call center efficiency. Moreover, we improved customer convenience with smartphone apps. These included Sumatto ATM, which allows customers to conduct certain transactions just by holding their smartphone over an AEON Bank ATM, and Kakeibu, a household spending app that enables asset management. In addition, we began field tests for cardless payment using palm print biometric authentication technology.

Enhanced Proposals for Asset Management Services

We began directly managing all bank branches in fiscal 2017, and all branches have continued to train employees to improve their sales skills and ability to meet customer asset management needs. At the same time, we have enhanced our product lineup by adding foreign currency deposits to complement iDeCo and Tsumitate NISA offerings. We have also made investment trust application procedures paperless, which means they are more convenient for customers. In addition, we launched AEON Bank My Stage, a point program that allows customers to receive higher interest rates on deposits and preferential transfer fees depending on frequency of customer activity. This program encourages people to use the account as their main lifestyle account and for multiple banking transactions. We propose financial services that are suited to each customer by combining the strengths of brick-and-mortar channels with digital convenience.

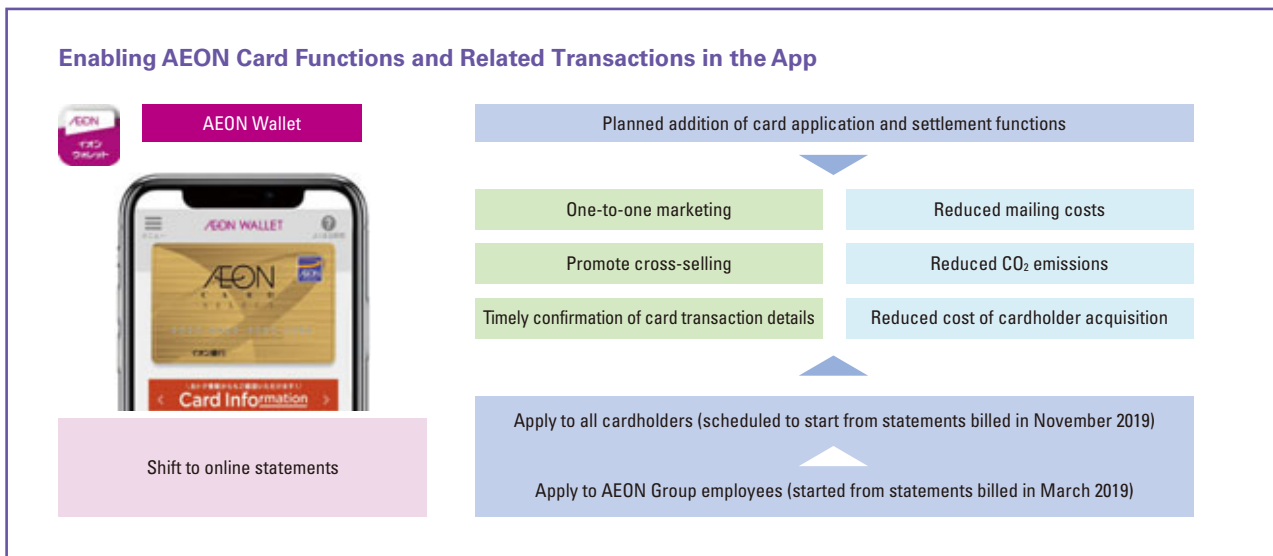


Future Initiatives

Enhanced AEON Wallet Functions

Through the credit card smartphone app AEON Wallet, customers can receive coupons and information on promotional campaigns, as well as confirm card transaction details. From May 2019, expanded functionality will include cardholder application with credit screening completed in as little as five minutes, enabling immediate online and other remote

payments, and shopping at iD affiliated merchants nationwide. In the future, we plan to enhance functionality including through additional settlement options. By expanding functions, we will be able to deliver timely product and service information via the app according to customer needs, thereby replacing materials previously enclosed with monthly paper statements. Furthermore, we will encourage use of paperless statements to reduce environmental impact and mailing costs.



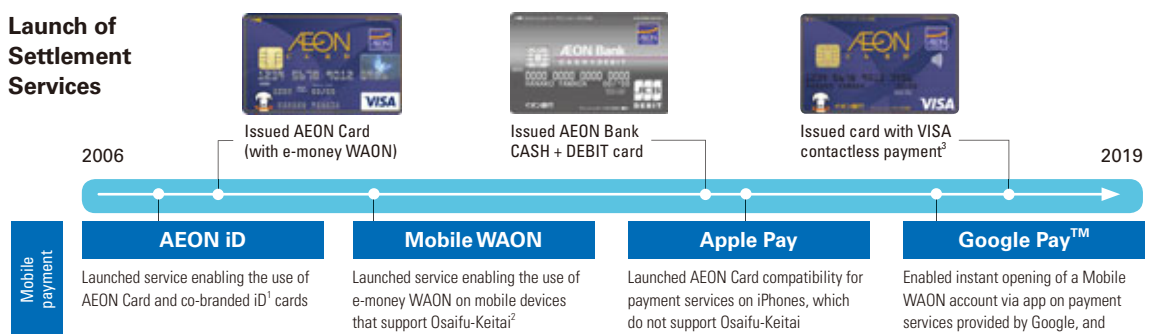
Highlight

Initiatives to Go Cashless

The Ministry of Economy, Trade and Industry announced its Cashless Vision in April 2018, and moved its 40% target for cashless settlement ahead by two years to 2025. In addition, the newly established Commission for Promotion of Cashless Settlement, which involves industry-government-academia collaboration on an industry-wide basis, is further promoting cashless transactions.

The AEON Group has been quick to promote cashless transactions by providing customers with a variety of settlement infrastructure linking finance and retail, including credit cards and e-money WAON service.

Launch of Settlement Services



1. A registered trademark of NTT DoCoMo, Inc. E-money settlement platform for contactless payment via smartphone or card.

2. A registered trademark of NTT DoCoMo, Inc. E-money settlement platform for contactless payment via mobile phone.

3. Payment by simply tapping a checkout terminal with the corresponding symbol. In general, no signature or PIN is required.



Global Business

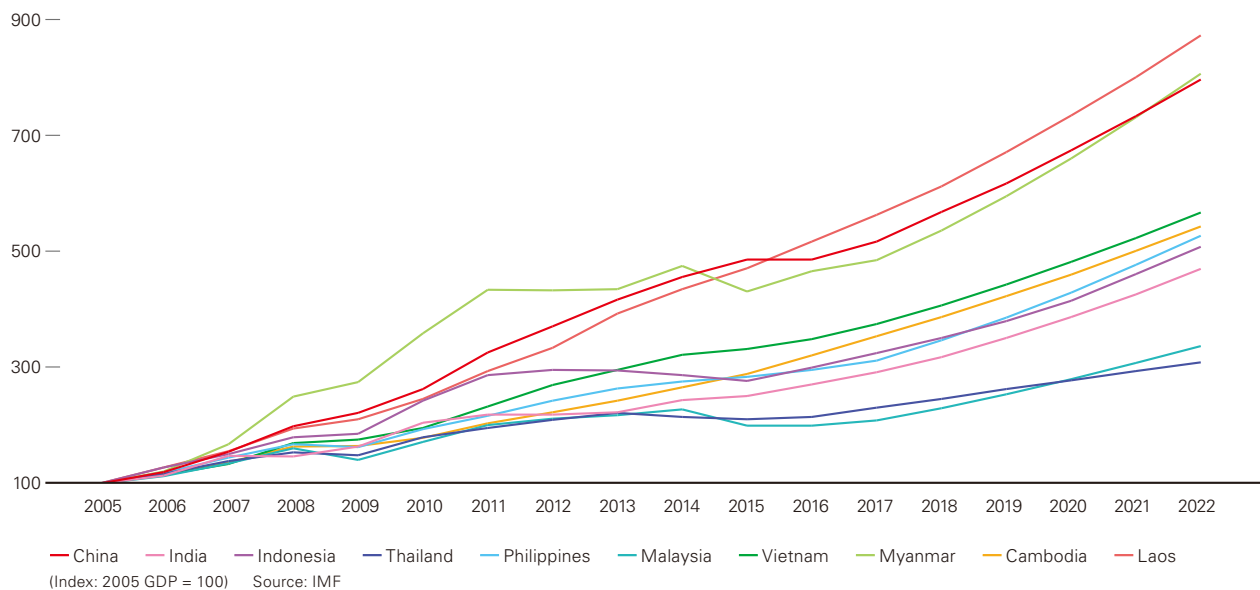
Value Proposition

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

Service Areas and Business Offerings by Country/Region

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

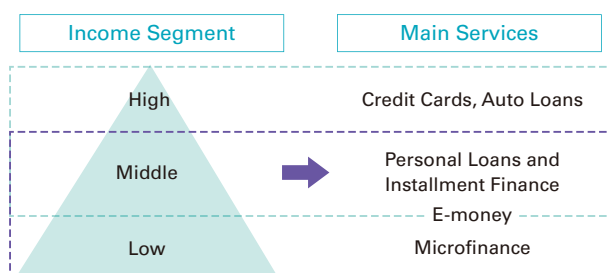
Market Environment GDP by Country (2005–2018 actual, 2019–2022 forecast)



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 collaboration with the AEON Group's retail business, our business portfolio combines the installment finance business, which helps people purchase items essential to daily life, the personal loan business, and the credit card business. Our strategies and businesses are tailored to the economic conditions and growth stage of each country we serve, and we have listed subsidiaries in the China area, the Mekong area and the Malay area. All three of these subsidiaries increased revenues and earnings in fiscal 2018. Growth has been steady, and Global Business ordinary profit exceeded 50% of consolidated ordinary profit for the first time.

Main Services by Income Segment



China Area (Hong Kong and China)

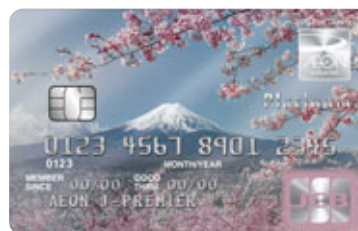
We established a subsidiary in Hong Kong in 1990 and listed it on the Hong Kong Stock Exchange in 1995. Beginning in the 1980s, Hong Kong was a pioneer territory for AEON retail stores outside of Japan, and we continue to collaborate with these stores on plans to promote the use of our services. In fiscal 2018, we issued AEON Card Premium for middle- and high-income demographics, expanded benefits for existing cardholders with annual spending above a designated threshold, and acquired new cardholders. In addition, we continued to enhance point redemption programs in conjunction with local airlines, targeting younger cardholders, and to attract new cardholders with the ONE PIECE Mastercard, which features popular Japanese animation characters.



AEON Card Premium

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

In the Mekong area, we established our subsidiary in Thailand in 1992 and listed its shares on the Stock Exchange of Thailand in 2001. We have steadily grown in Thailand since then by strengthening our brand. In fiscal 2018, in response to high demand for travel to Japan from Thailand, we launched the J-Premier Platinum JCB Card, which offers benefits at AEON stores in Japan, and continued to generate Group synergies. In addition, we introduced the AEON Happy Pay program, through which we determine the total credit line for purpose loan and personal loan customers on an individual basis at the time of card issue. We also accelerated credit screening for repeat customers, which has expanded transaction volume, while improving labor productivity by going paperless. We also moved forward with digitalization initiatives in each country. In Cambodia, we introduced QR code settlement through AEON Financial Service prepaid accounts using smartphones. In Myanmar, we began using push notifications to announce sales promotions via smartphone app.



AEON J-Premier Platinum JCB Card

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

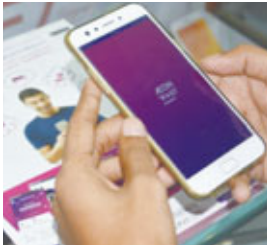
We established a subsidiary in Malaysia in 1996 and listed its stock on Bursa Malaysia in 2007. Since then, we have acquired cardholders via AEON Group stores and implemented joint programs with partners to increase cardholder numbers and transaction volume. In fiscal 2018, we issued the AEON Member Plus Card equipped with both e-money and point card functions. We have improved customer convenience and promoted cashless transactions by making it possible to link the card to our smartphone app with a QR code settlement function. In India, the number of users of the AEON Fast app for immediate credit screening has continued to expand, which has supported increased transaction volume. In addition, we expanded our sales base and strengthened our brand by opening a branch in Mumbai's largest shopping mall, as a place for accepting applications.



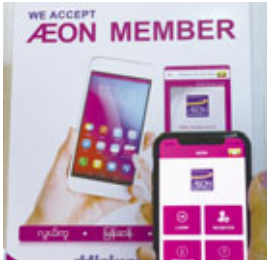
Digitalization Initiatives

The Global Business is carrying out digitalization initiatives in each country we serve and expanding member IDs with a focus on smartphones and other mobile devices. We will build financial and retail databases by providing various products

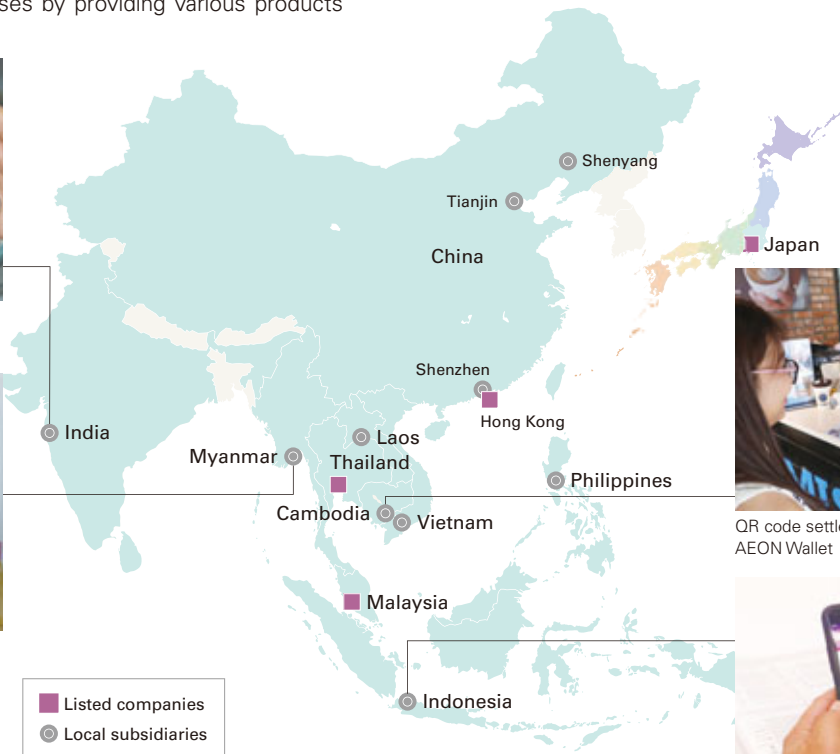
and services via mobile app, including prepaid card, credit card and other settlement services, and financial products including installment finance, personal loans and insurance. This will support our ability to make more precise marketing proposals that are aligned with customer needs.



Immediate credit screening via AEON Fast



Promotional campaigns via AEON Member



QR code settlement via AEON Wallet



Immediate credit screening via AEON Fast

Highlight

Increasing Efficiency in Credit Screening and Receivables Management through AI Platforms

AEON Financial Service is using IT technology to improve credit screening efficiency. We have integrated AI, facial recognition, and social network information into our standard application flow to structure speedy and highly accurate credit screening. In addition, we are researching ways to build customer evaluation models that combine lifestyle information inferred from purchase data with customer credit history. We are also considering the creation of new services that link our data with external data.

