



Kenji Fujita

President and CEO

By transforming from a financial services company into a comprehensive services company, we will achieve greater social development and further growth for the Company.

I was elected as President and CEO of AEON Financial Service Co., Ltd. in May 2020. Upon joining AEON Co., Ltd. (formerly Jusco Co., Ltd) in 1992, I was put in charge of store development and management in the retail business. From 2012, I was involved in the Company's financial business, and now, as President of the holding company that represents the financial business, I am determined to pursue management aimed at business expansion and further growth.

Experience and Values Gained from Overseas Assignments

Since joining the Company, I have spent the greater part of my career abroad, with over 20 years in Malaysia and Hong Kong, involved in the development and management of shopping centers, the establishment of local subsidiaries, and the support of all overseas subsidiaries, among other duties. From June 2019 to the moment I was elected President of the Company, I served as President of AEON Thana Sinsap (Thailand) Plc., a local subsidiary based in Thailand.

I learned much through these overseas assignments, but the most important thing I learned was to respect the locals and their culture, society, and customs, and to show my gratitude for being allowed to conduct our business in their space as a foreign affiliate.

Another lesson learned overseas was that for an organization, diversity equals strength. In Malaysia, the longest post over my career, people of many races and languages coexist together. Organizations that push for diversity are highly adaptable to changing conditions and, what is more, is that time after time they will find that by bringing together a variety of people with different cultures and ways of thinking, they are able to notice things that might have gone unchecked, develop new ideas, and take on new challenges.

As a manager, I will take advantage of my experience, both in terms of having worked in an environment different from Japan in various respects, such as culture, society, customers, laws, and regulations, and having taken on a wide range of duties, to drive further internationalization of the Company and to transform the business with an eye on the next generation.

Our Response to COVID-19

The global economy has been greatly affected by the spread of COVID-19. Consumption has plummeted, in part due to commercial facilities closing as a result of states of emergency and lockdown announcements in Japan and overseas. This in turn has had a major impact on our business.

After evaluating our efforts, we believe that we have taken appropriate infection prevention measures, which have included working to establish a safe and secure sales system for customers and prompt implementation of remote work for employees. At the same time, however, some issues did arise. I cannot say that we can put together an immediate response to digitalization, our customers' new ways of living, and the changes in consumer behavior.

While no one knows how long this disease will continue to spread, we as a company must adapt quickly to these new conditions and fight to survive. We cannot establish our business without the cooperation of our stakeholders. In that sense, it is also important that we show our ability to address social demands and prove our value as a company.

Accelerate Digital Shifts and Turn Changes in the Environment into Opportunities for Growth

The spread of COVID-19 has set off major changes in people's lifestyles and behaviors. As far as this concerns our business going forward, I see these changes as strong positives. One of these positives is the rapid progress of digitalization that has occurred. Due to self-quarantine practices, people have digitalized their lifestyle and consumer habits and moved them online. As a result, we are seeing an explosion in Japan's cashless payment market, which was previously slow-growing compared to the rest of the world. Our main battlefield is currently the off-line market, and although the transaction volume online varies from country to country, it is generally less than 10%. We believe that this proportion will have to grow as the online market expands and that the ratio of online to off-line transactions will be even in the next five years. To that end, we will further accelerate our efforts to bring services online and support cashless payments.

This is also the perfect opportunity to bring customer contact points and our internal back-office processes online. There are several types of credit card-related procedures that are typically done online in Japan, but are still done through analog methods overseas. Conversely, there are countries that, like Japan, require something similar to a personal seal or signature for signing loan agreements. By digitalizing processes that have been analog up to this point in time, we will be able to provide more convenient and agreeable products and services to customers and improve operational efficiency and productivity in our internal back-office operations as well.

Before this can take place, it is expected that companies in the financial industry that fail to offer online services will be weeded out in favor of new entrants from other industries. This trend will only accelerate as 5G services become available in each country, enabling seamlessly connected infrastructure. I personally have a strong sense of foreboding that we will not be able to remain competitive in the coming world unless we digitalize all of the operations, products, and services that are currently processed off-line.

In the future, we will initiate a digital shift in the value chains of each of the Group's businesses, in addition to digitalizing existing operations, and transform the products and services we offer to customers anew. While we must act in accordance with the laws and regulations of each country, we believe that we must complete this shift within the next one to two years, and will be strong and resolute in our efforts to promote measures accordingly.



Transformation from Financial Services to Comprehensive Services

We have put forth a declaration to “transform from a financial services company to a comprehensive services company” as management’s future course of action. This does not mean ending our existing financial businesses. Rather, it means building a wide-ranging business portfolio and combining financial services with a variety of non-financial life services in order to evolve into a company that can address the various needs of its customers.

For example, overseas, access to transportation plays an important role in obtaining a certain level of income in countries and regions where social infrastructure is not sufficiently developed. We provide financial services upon purchase of modes of transport and support businesses that provide these modes of transport, and in doing so our financial services are tied to products and services that match customers’ income and life stages. We are developing several overseas businesses that create their own business opportunities by incorporating financial services in this regard. Going forward, we will build a wide-ranging business portfolio in Japan and overseas to create services that are essential to the daily lives of our customers.

As part of this effort, we have entered the domestic insurance business. In 2019 we transitioned from a bank holding company to a business operating company, which allowed us to enter into various businesses without being subject to restrictions on the scope of operations under the Banking Act. Taking advantage of this situation, we acquired Allianz Life Insurance Japan Ltd., a Japanese subsidiary of the Germany-based Allianz Group, and made it a subsidiary of the AEON Financial Service Group in March 2020. One example for future business involves combining the AEON Group’s health and wellness business with our insurance business to provide new products and services to customers. Though it will take some time for the insurance business to contribute to business results, we intend to expand the business overseas as well.

In addition, we are taking a trial and error approach toward creating new business opportunities. However, we are not limited to utilizing the management resources of the AEON Financial Service Group—we are, in fact, utilizing the management resources of the entire AEON Group, so that we can provide services that meet the financial needs that arise in terms of retail, shopping malls, or any of their other businesses. Over the medium term, we will combine various businesses and services created in collaboration with the AEON Group and external partners to build a business portfolio that allows us to provide comprehensive services.

Overseas Development—Advantages and Issues

We operate in 11 countries and regions in Asia, including Japan, with a wide-ranging portfolio, both in terms of region and business. One major strength in our corner is that Asia, which serves as one of our pillars of growth, is expected to see further financial development in the future. This means that we have a particularly wide variety of approaches available to us from the perspective of combining financial services with life services, the strategy I mentioned previously.

With each country’s market having its own characteristics and regulations, one does not simply enter them without spending time and effort. It has become increasingly difficult to engage in cross-border development, particularly under circumstances such as the current COVID-19 pandemic. Therefore, the fact that we have made developments in Asian markets ahead of other companies will be a great advantage as we pursue further growth going forward. We aim to leverage this advantage to cultivate businesses in each country and region where we currently operate and expand business into other countries and regions.

On the other hand, there are naturally issues we must address as we develop overseas. We are currently focused on development in China and the ASEAN region, but with the different regulations and business models for each country, we need to establish a basic IT infrastructure to properly manage our overseas companies

while expanding business. What I have also gathered, both from my own experience working overseas and from our response to COVID-19, is that we need to transfer authority to local subsidiaries while lending our support to ensure that these companies can operate autonomously. Given that it is the local employees in each country who have the best understanding of the situation, customers, and society, it does not necessarily make sense for the Japanese head office to control everything. Also, because financial institutions will naturally have rules to comply with proper governance, I believe it necessary that we cultivate autonomous organizations with managerial human resources capable of acting based on their own judgment while keeping these rules and governance a priority.

Financial Services That Help Resolve Social Issues

Various social issues exist in the countries and regions of Asia in which we operate. Unstable employment opportunities, and a high proportion of low-income earners are just some examples of serious social issues. In fact, approximately 70% of our customers are unbanked and unable to receive credit from banks.

As previously mentioned, we help customers facing these issues with finding employment opportunities through financial services that are tied to acquiring transport. Once they are mobile, they are then able to work in remote factories, farms, or elsewhere. When a person can work and earn money, their standard of living goes up. If a person gets married and has a child, they will likely want that child to have a better education. In Malaysia, approximately 30% of motorcycle registrations are purchased through our financial services. Compared to before the service started, the current motorcycle market in Malaysia has doubled in size. We take pride in helping create employment opportunities and improving living standards for our customers.

In Japan, COVID-19 may cause a rise in the number of people who would like to leave the city and move to the suburbs or the countryside to work remotely. If that happens, lifestyles will change, requiring cars for transportation and more online shopping.

We intend to further enrich the lives of customers by utilizing financial services to support them according to their life stages and situations. As an integrated, retail-based financial business, we believe that it is our role to provide credit as a tool to address the SDGs and diversifying social needs and to help with the development of customers' lives and the societies in which they live them.

A Return to Our Management Philosophy

Our management philosophy is "to support customers' lifestyles and enable each individual to maximize future opportunities through effective use of credit." What this means on one hand is providing financial services as if they are life services—capturing the needs of each customer while also considering their lifestyle and future. On the other hand, it also means accepting the trust given us by the customer to help them generate financial credit. This involves not only providing credit to customers but also providing the means to make necessary payments for various life situations and enabling the use of other services that require credit to be utilized.

Our reason for being is to serve as a company that helps improve customers' lives as a comprehensive financial business of the AEON Group. To achieve further growth, we will return to our management philosophy anew, consider what value we can provide to society, and take the managerial steps to achieve our vision.

I would like to ask all of our stakeholders for their continued support going forward.