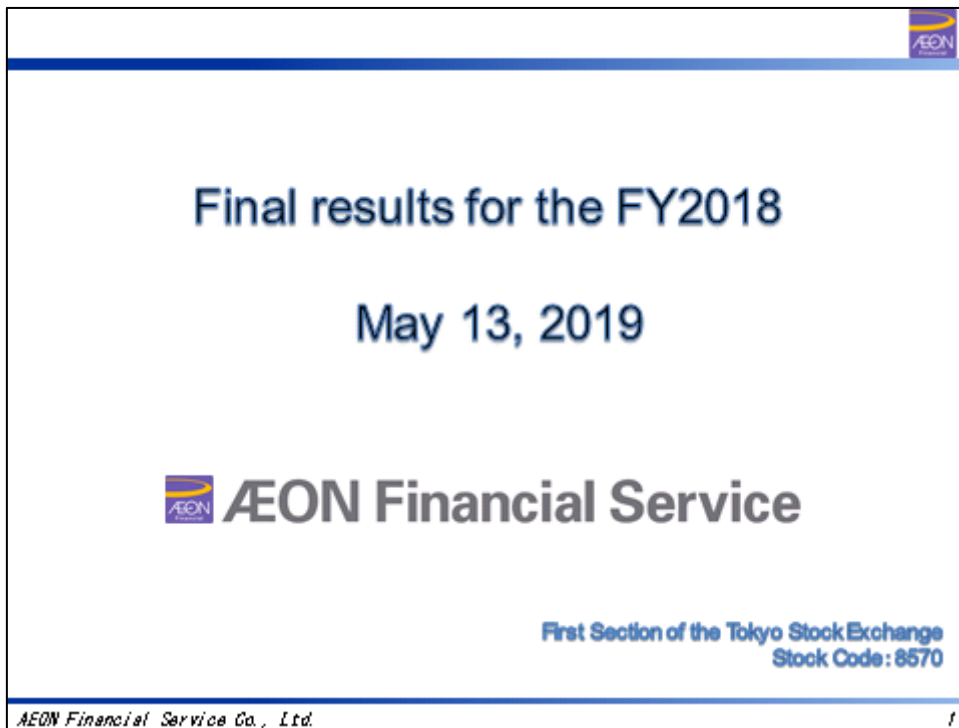


IR Presentation Material with notes and QAs

AEON Financial Service Co., Ltd. President and CEO Kenji Kawahara
AEON Financial Service Co., Ltd. Senior Managing Director Corporate Management
Hideki Wakabayashi

(Mr. Wakabayashi)

P.1



- My name is Wakabayashi. I am in charge of corporate management. I would appreciate your attention.

1. Consolidated business outline
2. Consolidated results
3. Future direction
4. FY2019 Main initiatives
5. FY2019 Consolidated forecasts

Consolidated business outline								
(Unit: billions of yen)	Domestic				Global			
	Credit card ①		Installment sales	Housing loan ②	Credit card ③		Installment sales ④	Personal loan
	Shopping	Cash advance			Shopping	Cash advance		
Transaction volume	5,398.2	405.8	241.7	499.2	280.1	135.1	104.7	181.3
YOY	+8.1%	+4.3%	-4.7%	+8.3%	+10.1%	+13.5%	+29.3%	-0.9%
Finance receivables (¥z)	1,050.8	474.1	808.7	2,023.8	101.8	102.8	174.3	229.8
Change from start of FY	+74.4	+18.2	+90.5	+283.2	+4.5	+11.2	+23.3	+29.7

※ 1 Includes amounts for H125 and studio condominium loan. ※ 2 Figures for domestic finance receivables refer to amounts before securitization.

(Unit: no. of people)	No. of cardholders ⑤		
	Consolidated	Domestic	Global
Results	42.69m	28.40m	14.29m
Change from start of FY	+2.09m	+0.69m	+1.4m

(Unit: no. of accounts)	AEON Bank accounts		
	Total	Credit card linked with AEON bank acc	Debit card linked with AEON bank acc
Results	8.58m	4.98m	0.24m
Change from start of FY	+0.51m	+0.38m	+0.10m

(Unit: billions of yen)	Bank deposit balance		
	Total	Ordinary deposits	Time deposits
Results	3,483.4	2,833.3	815.2
Change from start of FY	+429.8	+812.8	-215.2

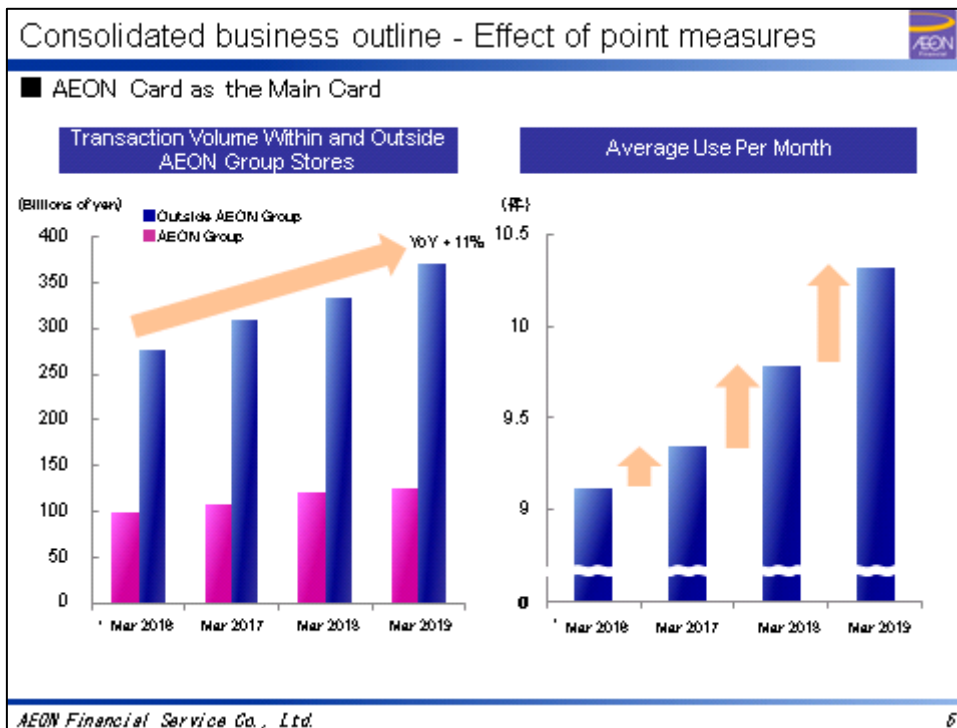
① Domestic: Credit card
 - Shopping tx volume: Transaction vol. growth mainly due to more card usage at external merchants attributed to promotional tie-ups
 - Cash advance tx volume: No. of users 1.3m (+210%), balance per user 300k (+25%)
 ② Global: Credit Card
 - Shopping tx volume: Marketing campaigns to promote card usage, along with the growth of card holders, has been effective in boosting card usage
 - Cash advance tx volume: Favorable trend in cash advance usage growth in Thailand attributed to credit enhancement strategy implemented before interest rate cap regulation introduced in Sep 2017
 ③ Global: Installment finance
 - Greater consumer spending in Malaysia during tax-free period before the implementation of a new consumer tax policy incentivized more purchases among the higher-income earners, resulting in positive growth in cars and high-end motorcycles loan transaction volume
 - In Thailand, auto loan transaction volume increased due to collaboration with major Japanese used car website management company
 ④ Consolidated, Domestic and Global number of cardholders
 - Number of domestic members including debit cardholders and bank account holders increased by 0.78m to 30.10m since start of FY
 - Domestic: New credit cards targeted at theme park users and card with no-contact payment
 - Global: New premium cards to target the middle to high-income segments were issued

AEON Financial Service Co., Ltd. 3

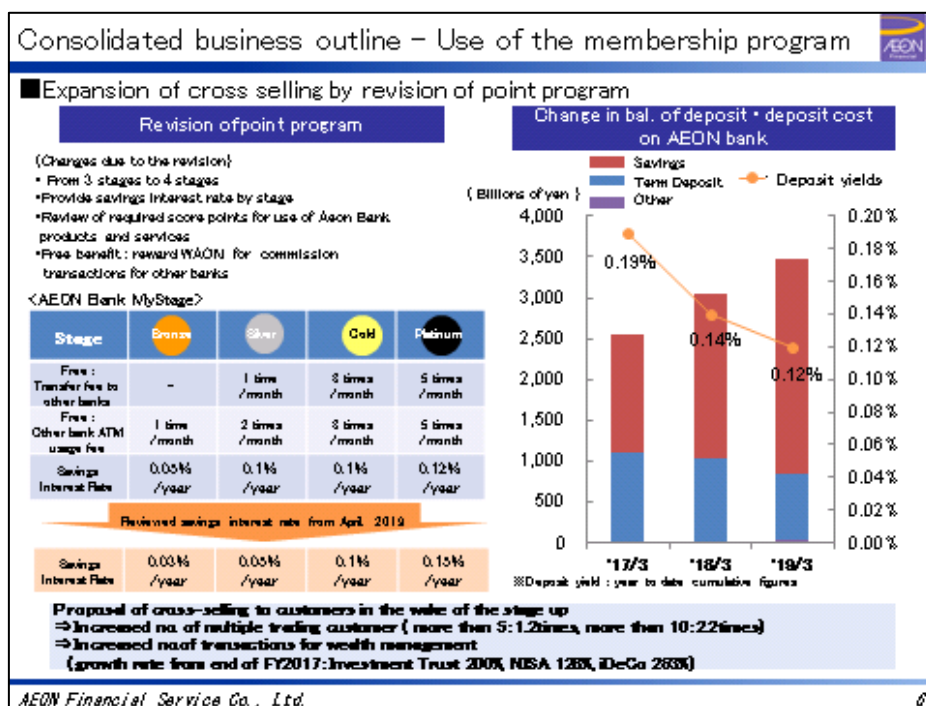
- I am going to discuss consolidated business results.
- Credit card shopping transaction volume increased 8% from a year ago, led by increased transaction volume at member outlets outside the AEON Group thanks to joint sales efforts with companies in tie-ups.
- In terms of cash advance, transaction volume grew 4% from a year ago by an increase of the number of users and the amount per user, while finance receivables increased 18.2 billion yen from the beginning of the year.
- Housing loans transaction volume increased 6% from a year ago while their finance receivables, in the amount after securitization, increased 272.5 billion yen from the beginning of the year, as special discount offers, special interest rate plans, etc. at AEON Group outlets proved popular among customers.
- In the global business, both credit card shopping and cashing grew two digits, supported by a solid spending environment in the local markets. Transaction volume and balance of installment finance increased briskly in Malaysia, led by automobiles and motorcycles, as our local operations captured a demand surge during a tax-exemption period related to a transition of tax systems in the Malaysia.
- The number of cardholders on the consolidated basis grew solidly, helping to expand our customer base, thanks to, in Japan, cards issued in tie-ups partners, including theme parks and transportation services, and, in the global business, issuance of premium cards targeting medium- to high-income earners.



- Next, I will discuss our efforts on business expansion.
- In fiscal 2018, we focused on expanding the customer base through tie-ups with other companies. Our new tie-up cards have helped us win the customer segments that have represented relatively small portions in our cardholder makeup, including young people and males.
- On Feb. 25, we started accepting advance membership application for card membership on the website, and in March, we started a campaign at the AEON stores nationwide to promote enrollment and use of the cards for customers aged 25 or younger. Customers aged 25 or younger represented about 20% of the total number of customers who enrolled during this campaign.
- In comparison of usage against the year-ago trends, we note improvement in initial active rates and monthly transaction amounts.
- Young customers use the cards for the cash advance service relatively more, and this was one of the key factors that boosted the increase in cash advance transaction volumes, as I discussed earlier.



- Let me now discuss the situation of our effort to increase use of the AEON Card as the main card through an incentive point measure.
- The chart on the left shows historic transaction volume in and outside the AEON Group stores in March of four years to 2018.
- As the blue bar indicates, transaction volume increased steadily outside the group. Transaction volume grew 11% from a year ago in this past March.
- The bar chart on the right shows the monthly average of number of uses, and, as you can see, the figure grew steadily.
- We think customers who use the AEON Card as their main card have increased since we introduced the double-point campaign at AEON Group stores in June 2016, increasing the opportunities to use it especially stores outside the group, where the point ratio is 0.5%.



-Next, let me move on to usage of membership programs.

- In April 2018, AEON Bank renewed the services under the Aeon Bank Point Club membership and renamed it, "AEON Bank My Stage."

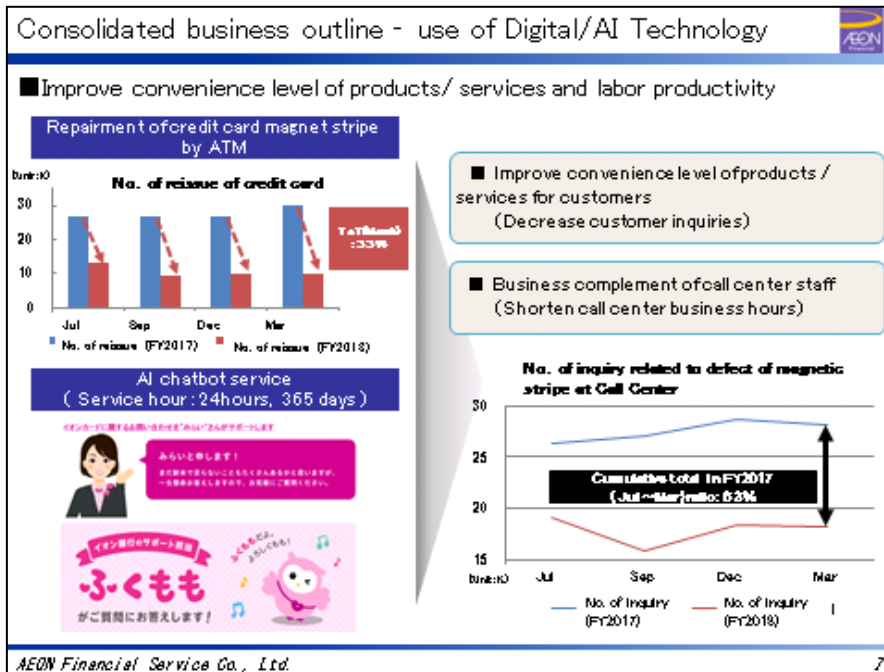
- AEON Bank My Stage adds scores for a wide-ranging transaction types, including use of the AEON Card and WAON, an electronic money, holding investment trusts and online banking, and has special offers that become available in accordance with "stage," or level, of scores.

- Special offers include higher interest rates on ordinary bank accounts, increased numbers of times for free customers are allowed to use other banks' ATMs or remit money to other banks' accounts.

- In the chart on the right, amount of total deposits is shown as the bar, and the line shows deposit yields. Deposit costs have decreased after the introduction of measures, such as My Stage.

- Furthermore, the attractiveness of the special offers has driven cross uses. For example, customers have increased transactions of investment trusts, NISA, iDeCo and foreign-currency deposits as they go up in stages, leading us to increase the opportunities to assist their asset formation.

- In addition, we revised the differential allocation of ordinary deposit interest rates offered on different stages in April, aiming to further encourage cross-uses and shift to asset-formation products from deposits.



- Next, let's look at how our use of digital and AI technologies led to improvement in customer convenience and our productivity.

- First, I'd like to discuss our remagnetizing service for AEON Cards using AEON Bank ATMs, which we started in June 2018.

- We use IC chip for reading information in the card when purchases are made using the AEON Card, but we use magnetized strip for when customers redeem special offers, such as the 5% discount on thank-you-customers days and free use of delicious water.

- These days, people tend to store their credit cards beside devices that have strong magnetism, such as smartphones, and this has increased incidents of deficiency in credit card magnetic strips. We reissued cards for such a problem, but this inconvenienced customers while they waited for the new card to arrive.

- Now that they can remagnetize the data on the AEON Card at AEON Bank ATMs, they no longer have to visit AEON stores or wait for the new card to arrive by post.

- Thanks to the new service, the number of reissuances associated with deficient card magnetization, which rose above 20,000 monthly in fiscal 2017, fell to about just one-third in March in fiscal 2018.

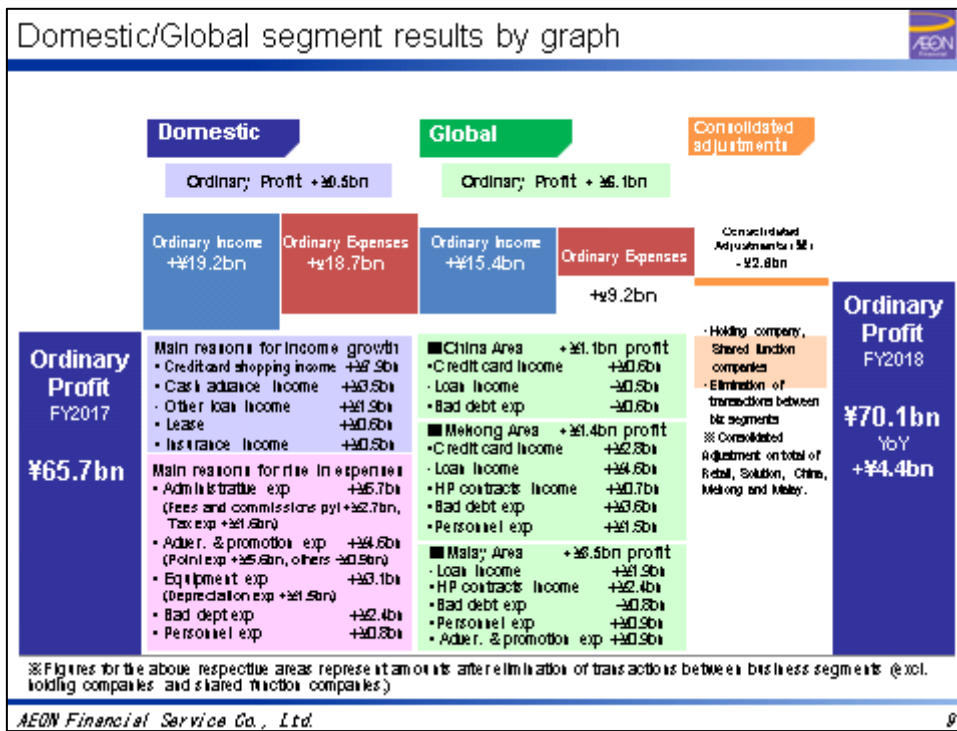
- Our automated chat service using artificial intelligence, as show on bottom left, answers customer questions about bank products and the AEON Card 24 hours a day and seven days a week.

- Thanks to this service, the number of calls received at our call center has declined, as shown in the chart on bottom right.

Consolidated results																																							
(Unit: Billions of yen)	Domestic total			Global total				Adjustments	Cons. Total																														
	Y	Retail	Solutions	Y	China Area	Mekong Area	Malay Area																																
Ordinary income	298.4	188.9	181.7	139.2	19.6	72.5	47.0	-70.9	439.0																														
YoY	+7%	+7%	+6%	+12%	+1%	+13%	+17%	+11%	+8%																														
Change	+19.2	+11.8	+10.7	+15.4	+0.1	+8.5	+8.8	-8.8	+31.0																														
Ordinary profit	34.0	11.2	26.4	34.5	7.1	14.0	13.3	-2.0	70.1																														
YoY	+2%	+22%	-4%	+22%	+19%	+12%	+36%	-	+7%																														
Change	+0.5	+2.0	-1.1	+8.1	+1.1	+1.4	+3.5	-2.8	+4.4																														
Ordinary profit ratio	11.4%	6.0%	14.5%	24.8%	36.4%	19.3%	28.4%	-	16.0%																														
YoY	-0.8pt	+0.8pt	-1.8pt	+1.9pt	+5.3pt	-0.3pt	+4.1pt	-	-0.1pt																														
Profit attributable to owners of parent									39.4																														
YoY									+2%																														
※ Domestic total and global total represent amounts after elimination of transactions between business segments																																							
Domestic main factors (¥): YoY % or amount [Retail] - Credit card shopping and cash adv. total +35.4bn, other loans +21.5bn, insurance fee +30.5bn [Solutions] - Credit Card shopping (Merchant fee etc) +35.5bn - Bad debt exp +33.2bn - Payment fee +32.1bn,					Global main factors (¥): YoY % or amount - Topline and profit growth in local currency and yen for all three areas - Thailand: Strong credit card shopping and cash advance transaction volume and expansion of loan balance - Malaysia: sales-related transaction volume increased due to the strengthening of sales promotion to the real tax exemption period accompanying the tax transfer. Increase in the balance of personal loans mainly for middle and high income earners ¥ Foreign exchange impact: Ordinary income +12.0bn, Ordinary profit +10.5bn																																		
<table border="1"> <thead> <tr> <th colspan="3">Solutions</th> </tr> <tr> <th></th> <th>YoY</th> <th>1H</th> <th>2H</th> </tr> </thead> <tbody> <tr> <td>Ordinary income</td> <td>+3%</td> <td></td> <td>+7%</td> </tr> <tr> <td>Bad debt expenses</td> <td>+22%</td> <td></td> <td>+13%</td> </tr> </tbody> </table>					Solutions				YoY	1H	2H	Ordinary income	+3%		+7%	Bad debt expenses	+22%		+13%	<table border="1"> <thead> <tr> <th></th> <th>Domestic</th> <th>China Area</th> <th>Mekong Area</th> <th>Malay Area</th> </tr> </thead> <tbody> <tr> <td>Personnel expenses/ Ordinary income</td> <td>15.6% [-0.8pt]</td> <td>18.1% [-1.5pt]</td> <td>14.8% [+0.4pt]</td> <td>15.4% [-0.2pt]</td> </tr> <tr> <td>Bad debt expenses/ Ordinary income</td> <td>7.5% [+0.4pt]</td> <td>14.8% [-3.5pt]</td> <td>26.8% [+2.0pt]</td> <td>20.4% [-5.5pt]</td> </tr> </tbody> </table>						Domestic	China Area	Mekong Area	Malay Area	Personnel expenses/ Ordinary income	15.6% [-0.8pt]	18.1% [-1.5pt]	14.8% [+0.4pt]	15.4% [-0.2pt]	Bad debt expenses/ Ordinary income	7.5% [+0.4pt]	14.8% [-3.5pt]	26.8% [+2.0pt]	20.4% [-5.5pt]
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※ Impact on profit by securitization of finance receivables: ¥17.4bn (+1.2%, +¥1.9bn), Amortization of finance receivables: ¥8.1bn																																							
AEON Financial Service Co., Ltd.																																							
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- Next, let's move on to the consolidated and segment results on page 8.
- Please take a look at the consolidated figures on the right-most column. We achieved eight straight years of increase in full-year income and profit, while ordinary income and ordinary profit reached the highest ever.
- In domestic business, ordinary income and ordinary profit increased 7% and 2%, respectively, from a year ago.
- Thanks to an improved operational efficiency due to measures such as consolidation of headquarters functions and introduction of robotic process automation (RPA), the ratio of labor cost to ordinary income improved 0.8 percentage point to 15.6%, reaching the 16% in our KPI targets for fiscal 2018.
- Bad debt expenses in the solutions segment has trended lower in terms of year-on-year change in the first and second halves, but we are yet to recover the overshoot in the first half. We will continue efforts to control occurrences of bad debts.
- In the global business, both income and profit grew in China, Mekong and Malay areas on both local currency and yen basis as we worked to reduce costs and boost the top line.
- In particular, in the Mekong area, customer base and top-line grew, although the ratio of bad debt expenses to ordinary income increased slightly over the year-ago level due to a review of credit lines in Thailand in response to a tighter-regulations introduced in September 2017.

- Year-on-year changes in ratios of bad debt expenses to ordinary income have improved in the China and Malay areas as our efforts to improve the quality of operational receivables in credit screening and management took effect in markets including Hong Kong and Malaysia, where we applied IFRS 9 locally.
- We plan to use the know-how learned in these areas to help improve profitability in other countries.



- Let me move on to page 9. We have a diagram showing the performance of individual areas for both domestic and global businesses. It shows key factors driving the increases and decreases in ordinary profit.

- As I already discussed the details, I would like to skip the explanation of figures on this page.

Consolidated balance sheet			Topics ※ (): Change from start of FY
Consolidated results (Unit: billion yen)	Results	Change from start of FY	
Cash and deposits	644.5	-5.9	• Domestic balance: ¥602.2bn (¥5.3bn) - Decrease due to piling up balance of finance receivables
Loan and bills discounted	2,429.7	+158.0	• Balance Incl. securitization: ¥3,757.8bn (¥331.0bn) In which, Domestic balance: ¥3,430.1bn (¥350.5bn) In which, Global balance: ¥332.4bn (¥41.0bn) • Securitized amount (Domestic only): ¥1,327.2bn (¥272.5bn)
Accounts receivable - installment	1,453.1	+158.5	• Balance Incl. securitization: ¥1,570.6bn (¥191.5bn) In which, Domestic balance: ¥1,387.3bn (¥165.0bn) In which, Global balance: ¥276.0bn (¥27.5bn) • Securitized amount (Domestic only): ¥517.5bn (¥32.5bn)
Allowance for doubtful accounts	-102.8	-44.0	• Adjustment of beginning B/S balance in accordance with the implementation of IFRS 9 at various overseas subsidiaries led to impact on bad debt reserves by ¥35.0bn
Other Assets	917.6	+222.7	• Securities: ¥344.8bn (¥133.8bn)
Total assets	5,342.2	+489.3	• Ordinary deposits: ¥2,633.3bn (¥512.6bn) • Time deposits: ¥615.2bn (¥215.2bn) • Foreign Currency deposits: ¥31.7bn (¥31.7bn)
Deposits	3,469.1	+419.4	• Domestic balance: ¥408.7bn (¥12.4bn) - Long-term loans payable: ¥37.2bn (¥6.5bn) • Global balance: ¥347.0bn (¥34.2bn)
Interest-bearing debt (excl. deposits)	856.8	+52.7	※ Domestic and global amounts include figures for holding company and shared function companies
Allowance for loss on refund of interest received	4.1	+1.0	• Decrease due to cost suppression for risk asset compression
Other liabilities	563.5	+5.3	
Total liabilities	4,893.5	+478.4	
Total equity	448.7	+10.9	
Total liabilities and equity	5,342.2	+489.3	
Shareholders' equity ratio (domestic standard)	7.31%	-1.02pt	

- Let's move on to the consolidated balance sheet.
- Cash and deposits decreased 9.3 billion yen from the beginning of the year as finance receivables increased. The combined total of loans and bills discounted, and accounts receivable in installments increased 316.6 billion yen. Total assets reached 5,342.2 billion yen, increasing 489.3 billion yen from the beginning of the year.
- Total liabilities increased 478.4 billion yen over the course of the year to 4,893.5 billion yen as deposits increased 419.4 billion yen, led by ordinary deposits, as their use as transaction accounts grew amid increased issuances of cash cards that have credit card and debit card functions.
- Allowance for loss on refund of interest received increased 1.0 billion yen from the beginning of the year to 4.1 billion yen as we added 3.2 billion yen to it in response to increased claims, led by some law offices, while the amount drawn from it decreased 1.2 billion yen to 2.1 billion yen.
- As a result, total equity increased 10.9 billion yen over the course of the year to 448.7 billion yen.
- Note that shareholders' equity ratio under the domestic standard fell 1.02 percentage point from the beginning of the year to 7.31% as we controlled costs associated with reduction in risk assets, even though we conducted securitization of credit to obtain funding for organizational reforms.

Progress and schedule of system/IT investments					
Purpose	Results	Main investments in FY2018 (Total amount ¥34.4bn, 99% of plan)			
Improve convenience level of products/services and labor productivity	Improvement of customer-service quality (Quality of proposals, Speed)	Domestic ¥28.0bn	<ul style="list-style-type: none"> operation efficiency (Introduction of AI-chat service and RPA) Infrastructure preparation for actual implementation of new products/services (management of merchant system, foreign CCY, self-terminal) 		
	Responding to the financial needs of our customers anytime and at any place		<ul style="list-style-type: none"> Development of new products/services (smartphone app, non-contact payment, promotion of e-money and replacement of card magnet stripe) Operational efficiency improvement restructuring projects related to AEON Bank direct management and integration of HQ functions 		
Improve profitability of assets	Efficiency of collections Reduce risk of defaults Refinement of screening	Global ¥4.5bn	<ul style="list-style-type: none"> Call-center (voice recognition system, predictive dial) Improving quality of credit screening and analysis, development of a collections data foundation Introduction of new scoring model and management accounting system 		
		Efficiency ¥2.0bn			
KPI for IT/Investment	FY2015 Results	FY2016 Results	FY2017 Results	FY2018 Plan	FY2018 Results
Consolidated ordinary income (YoY)	+9%	+4%	+9%	+8%	+8%
Consolidated ordinary income	¥359.8bn	¥375.1bn	¥407.9bn	¥440.0bn	¥439.0bn
Bad debt exp./ordinary income (Global)	25%	28%	24%	20%	23%
Personnel exp./ordinary income (Domestic)	18%	17%	18%	18%	18%
(Global)	15%	15%	15%	11%	15%
AEON Financial Service Co., Ltd. //					

-Next, I will explain the situation of our systems and IT investment in fiscal 2018.

- In fiscal 2018, we made investment to take more advantage of artificial intelligence (AI) and robotic process automation (RPA) and enhance the lineups of our products and services.

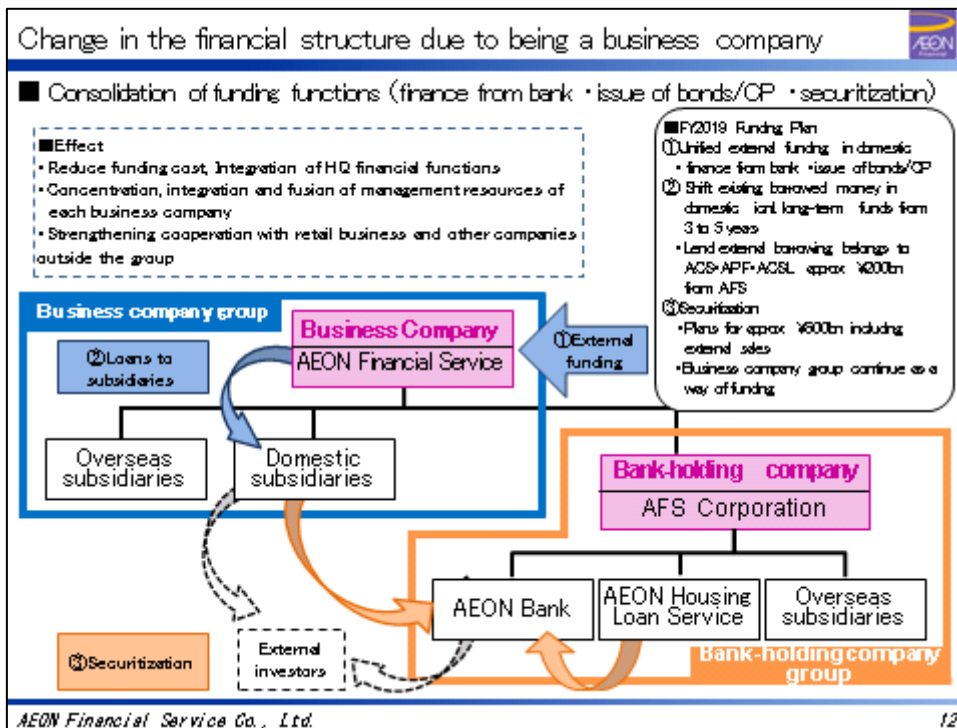
- The total investment reached 34.4 billion yen, largely in line with the target, but costs for conducting training to better utilize system investments, research and development, and analysis represented a large share, while investment for introducing new services for mobile apps in the domestic business and digitalization of operational processes in the global business remained relatively low.

- The KPIs on investment impact reached targets for growth rate in ordinary income and domestic labor share, but some targets were missed in the global business.

- The failure to achieve the targets in the global business was attributed mainly to productivity improvement failing to reach the assumed levels due to the delay in investment in fiscal 2017, and the impact of the change in accounting standards at key overseas subsidiaries.

- Criteria for booking allowance for doubtful accounts changed significantly in the first quarter of fiscal 2018 at some of the subsidiaries, especially the three listed overseas, after IFRS9 was applied on the local level as well as on the consolidated basis.

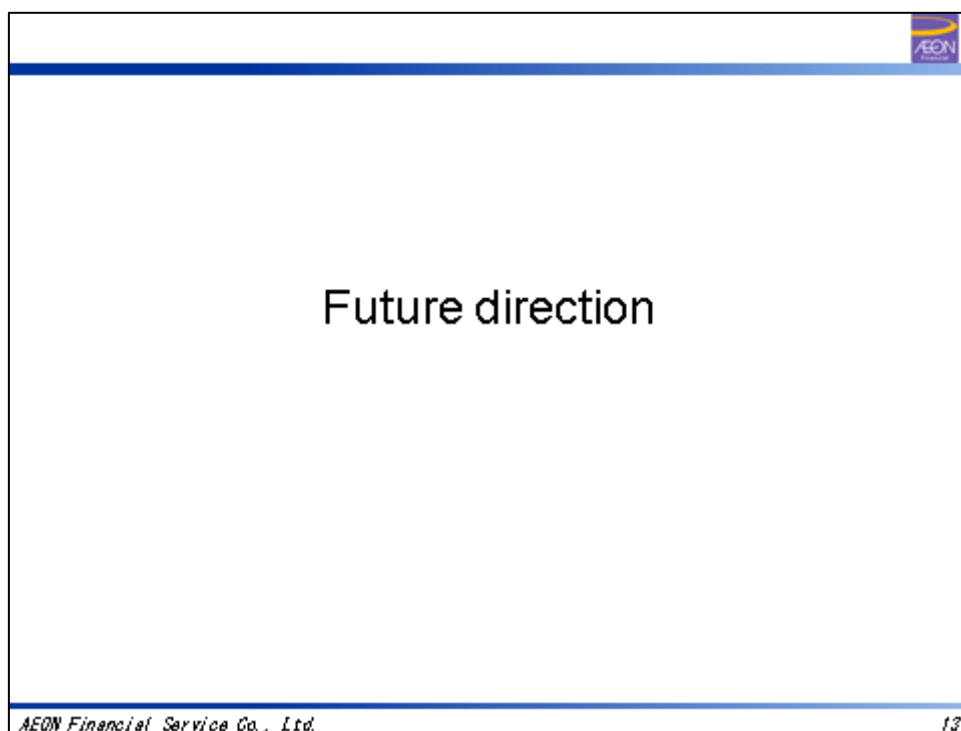
- As a result, credit costs increased 2.4 billion yen for performing loans, corresponding to a 2-point impact on the KPI, in Thailand and Malaysia.



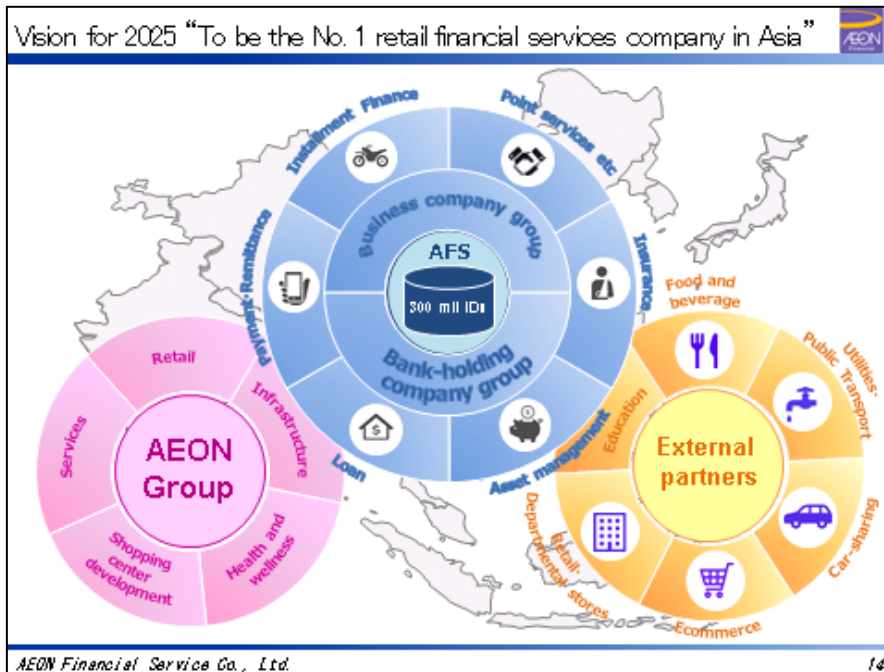
- Finally, let me discuss planned changes in our financial structure after our shift to an operating company from a holding company.
- We plan to make changes to our funding structure through the ongoing structural reforms.
- The plan is to centralize funding operations by consolidating management of all external borrowings by the operating company group at AEON Financial Service. We plan to perform the securitization service for AEON Bank and external investors, as we have done.
- We will also consider ways to combine indirect and direct funding.
- The bank holding company group will continue to manage risk assets by securitizing long-term loans from the viewpoint of asset-liability management (ALM), in addition to using deposits.
- Going forward, we aim to boost profitability by strengthening relationship with the retail business and through cooperation with partners outside the group.
- That concludes my part of presentation. Thank you very much for your attention.

(Mr. Kawahara)

P.13



- I am Kawahara of AEON Financial Service.
- First of all, our apologies for the failure to achieve disclosed targets. However, we haven't changed the policy to execute in the medium term, as we have said before. We think we will be able to realize what we have promised you by completing this.
- So, let me explain about the company's future direction.



-We have talked about this before, but we have the vision to become "No. 1 retail financial service company in Asia."

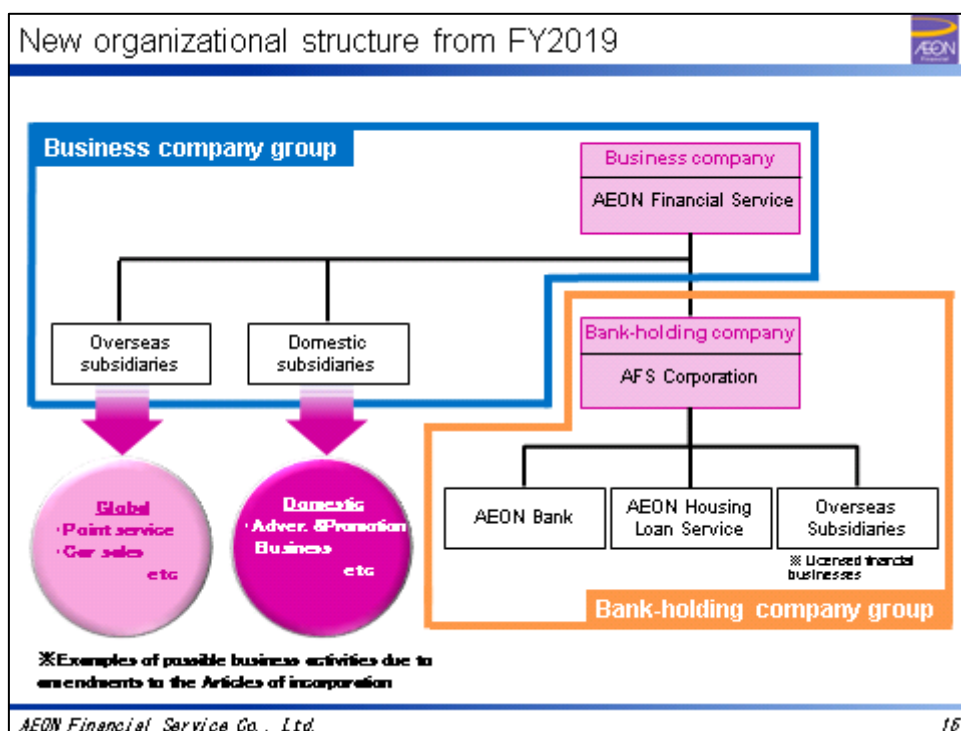
- We aim to achieve this by building the most recognized ecosystem in Asia, by the end of year 2025. This may be an abstract expression, but we hope to expand the number of IDs dramatically. Specifically, we aim to increase the number of IDs to 300 million in 2025 from the current figure of about 44 million.

- When we look at the business environment around our company, in Japan, the medium-income bracket is expected to decrease while the low-income bracket will increase amid declining birthrate and aging population. On the other hand, in the Asian countries where we operate, the low-income bracket is expected to shrink while the medium-income bracket will grow, as the economies develop.

- In the financial service industry, entry by businesses from other industries, armed with new transaction functions through smartphone apps, will intensify. We think customer lifestyles will grow more diverse as changes in incomes and services take place. We are also seeing diverging needs between different stages of life.

- As it is impossible to respond to all these varying needs by our resources only, we are considering a strategy of expanding our ecosystem by finding good partner companies. We think the key is in a pursuit of customer convenience to augment such an effort.

- In order to achieve the 300 million IDs target, we aim to expand our customer base by maximizing business synergy with the AEON Group and expanding tie-ups with external partner companies.

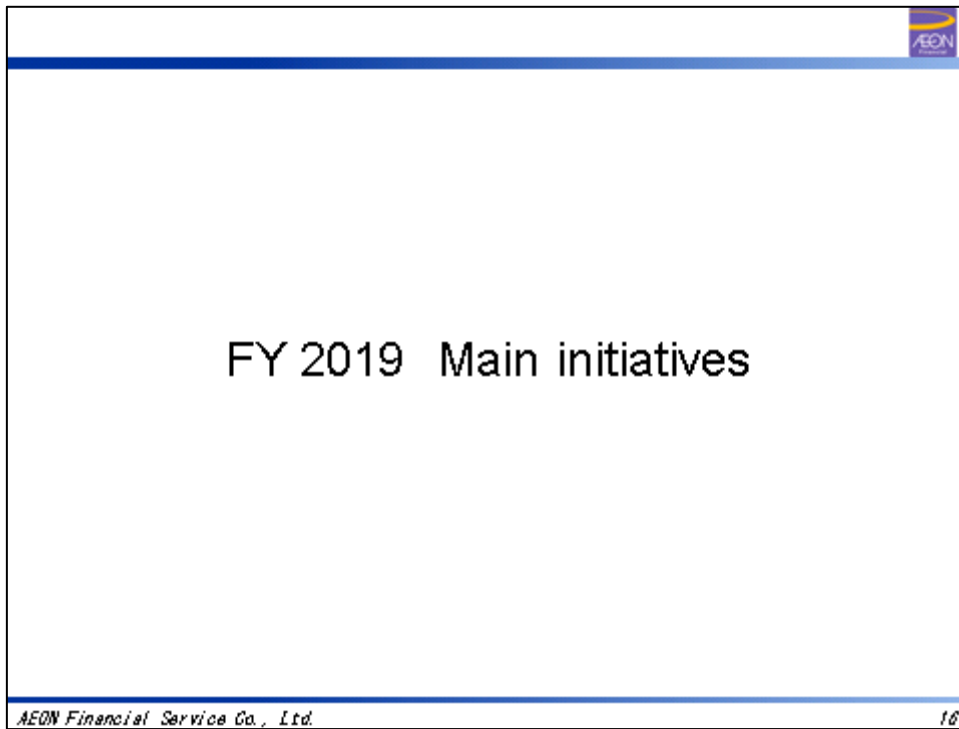


- AEON Financial Service is a parent company leading a comprehensive financial service group originating in a retail business, with 32 consolidated subsidiaries in 12 Asian countries and regions, including Japan, plus an affiliate accounted for using the equity method. It was established in 2013 as a bank-holding company controlling AEON Bank.

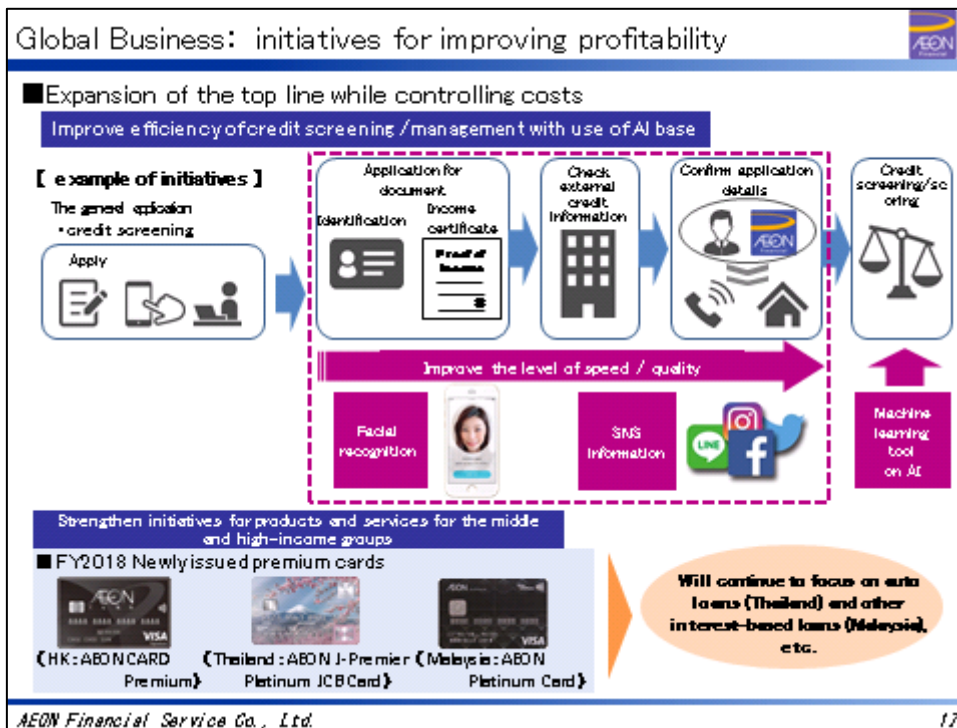
- It was created as a comprehensive financial service group centered on AFS in view of the business environment at the time. It was founded on the business model in which funds raised by AEON Bank are used by all members of the group, and we think this business model achieved a certain result.

- In April 2019, we established AFS Corporation through a corporate split, and the company changed to an operating company from a bank-holding company.

- This is something still under discussion and we plan to disclose the details when we work them out, but we have plans under discussion of to expand our business into various areas where we can take advantage of our access to retail business, including an incentive point or warranty business, an area highly compatible with retail, marketing service for our group members and areas including sales and sales-promotion consulting and advertisement services for other companies by taking advantage of abundant data we collected in the financial service and tie-ups.



- Let's move on to our initiatives planned in fiscal 2019.
- In fiscal 2019, we aim to focus on promotion of digitalization and expansion of products and customer base in order to address customer needs in a comprehensive manner under a radically changing environment.
- We have customarily started by discussing our domestic business, but in fiscal 2018, the global business came to represent over 50% of our ordinary profit. So, I will start with the global business.



- First, let me discuss our initiatives in the global business.
- The diagram in the upper part shows efforts to improve efficiency of credit screening using IT. We aim to create a speedy, highly precise screening flow by combining AI and facial recognition technologies, as well as information collected through social media, with the existing general application flow.
- We are working out a method to create a customer evaluation model that cannot be replicated by rivals, in which the lifestyle painted using the customer's purchase history and the customer's credit history in our possession will be combined. In the future, we plan to create new services that combine our data with external data.
- In addition, as shown in the lower half of the page, we plan to improve the quality of our credit portfolio and our profitability by stepping up provision of products and services that improves on the levels of existing services, targeting the medium- to high-income groups whose growth are expected to continue, in view of Asia's income brackets.

Global business : ID expansion by mobile terminal

■ Provide any products and service by mobile apps

Countries in which we operate	China Area		Malaysia Area					Southeast Asia Area			
	Hong Kong	China	Thailand	Cambodia	Vietnam	Myanmar	Laos	Malaysia	The Philippines	Indonesia	India
AEON operations (SM)	■	■	■	■	■	■		■		■	
Credit cards	■		■	■				■		■	
Personal loans	■	■	■	■			■	■	■		■
Installment credit		■	■	■	■	■	■	■	■	■	■
E-money (Pre-paid)				■				■			
Insurance agencies	■	■	■					■			
Point cards				■				■			

【Pioneering initiatives in Malaysia】

Our member cards

Point cards for two group retail companies

Integrate to apps
Standardize ID

Providing payment services by e-money
Conduct database Marketing

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-Next, I am going to talk about efforts for ID expansion by mobile terminal in the global business.

- Our corporate group has operations in 11 countries or regions outside Japan.
 - As you can see, we are providing a wide range of products and services, including credit cards, personal loans, installment credit, e-money, insurance agencies, and point cards, centering on regions where AEON has retail stores, though there are some exceptions. Our plan is to provide all these services through mobile apps.
 - Let me explain by taking Malaysia, where AEON operates retail stores, as an example. In Malaysia, we are outsourced the operation of a point card business that has about 4 million cards of AEON Malaysia and AEON BiG Malaysia. Combining 2 million existing members of ours, there are a total of 6 million members in the country.
 - By leading these members to our mobile app platform, we can assign them account IDs under a common system. This will in turn enable us to conduct database marketing linked to data, such as customer purchase history, in addition to providing the payment service using e-money.
- (Customers who may not be very accessible for us to offer our credit comes within our reach as members as we can access them through prepaid cards with a point program and the smartphone payment membership.)
- In addition, we aim to tie up with various service operators, including local airline

companies, restaurants, online service companies, public service entities and operators of transportation systems, to improve convenience for customers, with the further goal of expanding membership.

- Also, in regions where there are no AEON retailers, we aim to win more customers by incorporating prepaid functions, including QR codes, into cards and smartphone apps.

- We think we will be able to lead customers on our smartphone platform to make higher purchases and use personal loans, as well as use our remittance service and insurance services, by adding bank account-like functions to a smartphone, in addition to payment capability.

Domestic business : Enhancement of cashless initiatives 

- Promotion of cash-less by Aeon Group
- Expand customer base and transaction volume through collaboration with partner companies
- Enhancement of the function of the smartphone application "AEON Wallet"

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- In the domestic business, we are going to step up effort on cashless transaction initiatives. This is comprised of mainly three parts.

- The first is the joint promotion of cashless transactions at the AEON Group.

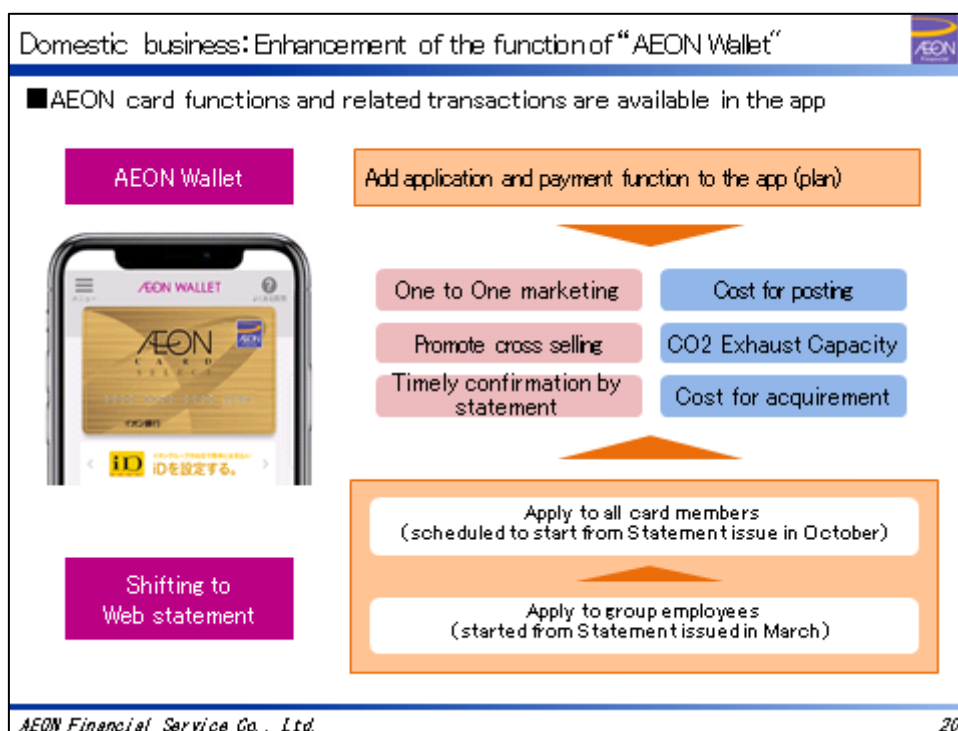
In April last year, AEON announced it would introduce a payment system using the noncontact payment technology compliant with the Type A/B global standard, provided by Visa Worldwide Japan. The company plans to replace 100,000 cash registers at its AEON stores with the noncontact payment machines by March 2020, in anticipation of increased foreign visitors to Japan. We also have already started a process to shift to AEON Cards embedded with an IC chip for Visa's noncontact system.

We aim to introduce services that will speed up operational processes, improve efficiency and enhance customer convenience by expanding use of cashless systems, including the contactless payment system.

- Secondly, we will step up effort to expand our customer base and transaction volumes in collaboration with partners.

We aim to expand our customer base and transaction volumes through issuance of cards in tie-up with external companies and implementation of joint sales promotion measures with merchants.

- The third is measures to enhance functionality of the AEON Wallet smartphone app. I am going to explain details of this on the next page.



- In this slide, I will explain our plan to enhance functions of our smartphone app with a goal to expand the membership IDs.


- The main role of the AEON Wallet app, which is for credit cards, has been to distribute coupons to customers and providing e-statements, which allows users to check their card bills.

- In this fiscal year, we plan to add functions enabling customers to submit enrollment applications and make payment through the app. In addition, we will shift all card members to web-based statement starting with payments due for withdrawal in November.

- The enhanced AEON Wallet functionality enables us to eliminate the type of sales promotion opportunities that have tended to be costly, by providing information on products and services fine-tuned to customer needs through the app in a timely manner, instead of printed promotional materials enclosed with a bill in an envelope monthly mailed to members.

In addition, it is expected to cut costs for encouraging enrollment by adding an enrollment application function and reduce environmental load by introducing paperless billing, eliminating the need to mail printed bills.


- We thus aim to provide various services that respond to customer needs and cut costs through digitalization.

Sustainable growth by resolving social issues 

FY2018
FY2019

[Auto loan business utilizing IoT]

Philippines and Indonesia



- ✓ Engine remote control by IoT devices
- ✓ Taxi Association guarantees driver repayment → Provide a product/service to drivers who is capable of solvency but does not pass credit screening (unbanked customers)

From Jul. 2017 Launched auto loan for three-wheeled taxi in the Philippines
 From Jul. 2018 Launched auto loan for four-wheeled taxi in the Philippines
 From Nov. 2018 Launched auto loan for four-wheeled taxi in Indonesia.

[Introduction of e-money settlement in local currency]

Cambodia

- ✓ Promote local coin distribution
- ✓ Reduce cash cost
- ✓ Eliminating the inconvenience of carrying cash

[Financing of local currencies by issuing ADB bonds]



Philippines

- ✓ First warranty by CGF
- ✓ 1 bn pesos (approx. ¥2.14bn)
- ✓ Allocate to Auto loan business, personal loans and installment

[Agricultural machinery and vehicle loans]

Vietnam

- ✓ Support for the dissemination of large-scale agriculture
- ✓ Matching with machinery and vehicle manufacturers
- ✓ Use of IoT devices (Light pickup)

[Issuance of Brand Prepaid cards]

Malaysia

- ✓ Standardize ID of finance and retail
- ✓ Promote sending customers to group companies and external use by alliances with external partner companies

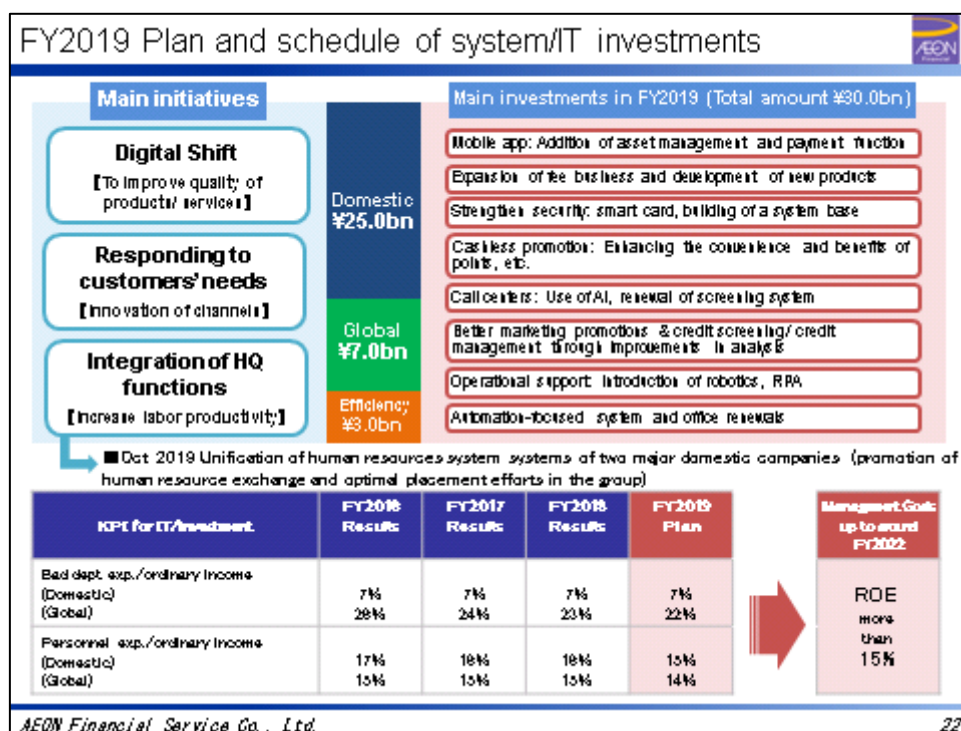
[APF: Obtaining a green bond rating]

Japan

- ✓ First Environmental ratings in the securitized market
- ✓ Target to renovation loan, solar loan

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- Next, we are undertaking initiatives to address different social issues in countries where we have operations, seeing resolution of social issues as business opportunities.
- What the slide describes is how our group contribute to the social environment as part of our business and I think it shows a successful business model. We believe, with pride, that we are a business company that will take advantage of this model to further expand profitable businesses and has done so.
- We plan to undertake such initiatives as a key area of endeavor.



- The next slide is about the system and IT investment to realize the initiatives I discussed earlier. In fiscal 2019, we plan to invest 30 billion yen.

- As Mr. Wakabayashi, our senior managing director, explained earlier, last fiscal year's investment performance went as planned in terms of the total amount, but there are areas where investment did not catch up both in the domestic and global business.

In this fiscal year, we aim to further enhance digital shift and responding to customers' needs, we will expand measures horizontally including addition of payment functionality to the mobile app and use of AI for credit screening, which we discussed earlier, steadily and in areas where they are expected to be effective.

- In relation to consolidation of headquarters functions, we plan to expand introduction of RPA, and improve efficiency of operations related to personnel and labor management, including a plan in this year to unify the personnel system of AEON Credit Service and AEON Bank.

- In terms of investment effectiveness KPIs, we have added bad debt to income ratio in the domestic business to the existing set of indicators.

In order to improve margins in both domestic and global businesses through investment, we aim to achieve ROE of 15% or higher by around fiscal 2022.

		FY2019 Consolidated forecasts				AEON			
<p>■ The accounting period was changed from the fiscal year ending March to the end of February (※1)</p>									
		FY2019 (from Apr 1, 2019 to Feb 29, 2020)							
		Interim (Cumulative)		Full term (11 months)		(Reference ※3) 12 Months Conversion Rate			
Operating income(※2)		¥225.0bn		¥430.0bn		¥470.0bn			
Ordinary profit		¥25.0bn		¥70.0bn		¥73.0bn			
Net income attributable to owners of parent (Net income per share)		¥13.1bn		¥38.0bn (¥176.11)		¥40.0bn (¥185.38)			
		Interim		Year End		Full Year		Payout Ratio	
		Plan	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast		¥29	±#0	¥39	±#0	¥68	±#0	38.6%	+3.8%
<p>※1 Forecast and Payout ratio : figures of for the fiscal year ending February 31, 2020 (11 months) after the change in the fiscal year, which are subject to approval at the annual general meeting of shareholders scheduled to be held on June 25, 2019</p> <p>※2 Changes in the method of financial forecasts in accordance with reorganization</p> <p>※3 Figures that adjusted the full-year earnings forecast to 12 months (from April 2019 to March 2020)</p>									
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- Lastly, I would like to talk about our consolidated earnings and dividend forecasts for fiscal 2019.
- As we disclosed in a timely-disclosure release on May 10, we plan to change the fiscal year end to February from March, pending approval by the annual general shareholders meeting scheduled on June 25.
- Due to this change, our earnings targets are for 11 months from April 2019 to February 2020.
- In fiscal 2019, AEON Group plans to run a group-wide campaign to promote cashless payment in the first half. The earnings forecast for the first half reflects the impact from it.
- We plan to make intensive, advance investment in the first half to expand the customer base and increase transaction volumes and achieve a sustainable revenue growth in the second half and beyond.
- We aim to achieve the forecast figures by steadily implementing the initiatives we discussed earlier.
- We plan to pay out the same number of dividends as the previous year, with an expected payout ratio of 38.6%.

Thank you very much for your attention.

QAs

■ Daiwa Securities Mr. Watanabe, Analyst

Q: What led you to lower the KPI targets in the global business, especially the target on labor cost ratio?

A: Senior Managing Director Wakabayashi: Systems measures and measures to improve efficiency were inadequate in merchant solicitation, screening and credit collection operations due to a delay in investment, which necessitated manual handling. We aim to correct the situation to catch up.

Q: To what extent did you incorporate the impact from the government's cashless measures in the fiscal 2019 plan?

A: President Kawahara: We expect card transaction volume will increase 14% compared to the previous year, or 6.1 trillion yen, in fiscal 2019. We did not forecast costs in anticipation of only the government's cashless campaign. We believe an effective way will be to concentrate investment in the first half and before the consumption tax hike. Our forecast of card transaction volume is 15% for the first half and 12% in the second half.

■ Mizuho Securities Mr. Sato, Analyst

Q: What are the grounds for setting the ROE target at 15% by fiscal 2022? Also, what level of profit would the company be able to make at this point?

A: President Kawahara: We have aimed for an ROE target of 15% in the medium to long term for some time. And we felt that we may have postponed achieving this target. Fiscal 2019 is the final year of the current medium-term plan, and we plan to work out the next plan covering a period from fiscal 2020 to fiscal 2022. Our plan is to achieve the 15% target in ROE by the time the next medium-term plan expires. Achieving this goal will be a milestone when we will work out a business plan on a longer horizon to fiscal 2025. We have the strength to achieve 77.0 billion yen in ordinary income in fiscal 2019.

Q: What are your views on risk factors in the competitive environment of smartphone payment, and what are your measures to compete?

A: President Kawahara: In terms of environment, competition is intensifying, but we perceive it as an interesting environment, rather than perceiving risks. I should not discuss specific measures, but we are considering them.

■ Citigroup Global Markets Japan Mr. Niwa, Analyst

Q: Describe what comprises ordinary profit, both in domestic and global operations.

A: Senior Managing Director Wakabayashi: Contribution of global operations to ordinary profit remains high. We expect profit contribution from the domestic business, where we plan to make investment for cashless payment, will remain flat or decrease slightly. In the global business, efforts to improve efficiency are progressing well, including measures overseas to improve operational processes in response to changes in accounting standards. We were able to expect that more efficient credit costs overseas would offset the domestic business, but were failed to anticipate the impact of an increase in provisions for performing loans as a result of a significant growth in outstanding loans in Thailand. On the other hand, we think these performing loans will contribute positively to earnings going forward.

Q: What is the expected direction of shareholders' equity ratio going forward?

A: President Kawahara: The banking regulation requirement of minimum 8% in shareholders' equity ratio is applicable to the intermediate holding company, and we are prepared to actually maintain the ratio of at least 9%. AFS overall does not fall under the scope of this requirement, meaning it is allowed to go down. We do not set specific benchmarks, and aim to operate using appropriate management literacy.

Q: What is the direction of securitization profit?

A: Senior Managing Director Wakabayashi: AFS Corporation will continue to control risk assets at banking business and housing loan service and implement securitization as it has done. Funding operations of APF and other companies will be consolidated to AFS, but funding through securitization will be utilized as before. We are considering securitization worth about 500 billion yen overall. We expect about 15.0 billion yen in profit from sale.

■ Macquarie Capital Securities Mr. Moriyama, Analyst

Q: What are measures to ensure that advertisement and promotion expenses in the first half would not be wasted?

A: President Kawahara: It is difficult to quantitatively grasp the impact of advertisement and promotion expenses. When to spend how much on what had already been decided. We identify effective ones from among past advertisement and promotion measures and consider pros and cons of implementing them. We do our best and make decisions in ways that can maximize impact.

Q: AFS now has greater freedom on its operation. Do you plan to aggressively seek M&A opportunities? Or do you plan to raise percentage stake in the overseas subsidiaries?

A: President Kawahara: M&A is an option that we need to consider for our business' growth. We hope to do it if we find a great opportunity. We are discussing options at a number of our businesses. If we raise percentage stake in overseas subsidiaries excessively, we could breach regulations in respective markets, including current ratio restrictions. We will consider measures to prevent outflows within the executable scope