Fiscal year ending February 2020 results briefing conference call:
Questions and answers

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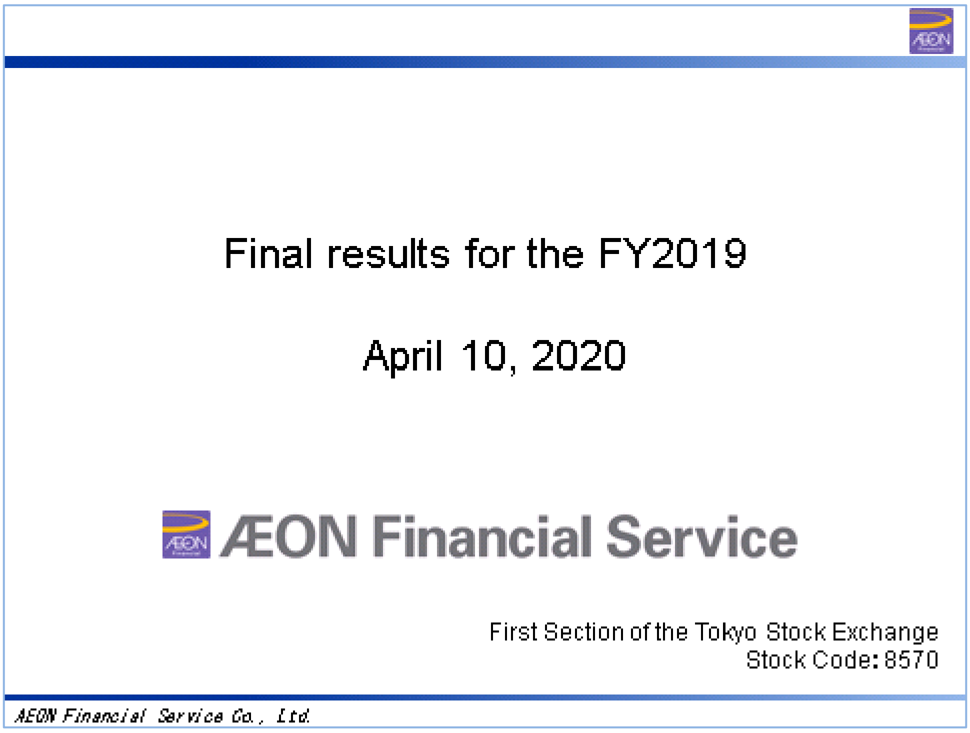


1. Consolidated business outline and results
2. Consolidated results by segments
3. FY2019 main initiatives and content

【Period of consolidated results in financial statements】

Due to changes in the fiscal year (from the end of March to the end of February), the period of consolidated results of the Company and some domestic subsidiaries (AEON Bank, AEON Credit Service, and three other companies) are as follows:

- This consolidated fiscal year (April 1, 2019 - February 29, 2020) for 11 months
- The previous consolidated FY (April 1, 2018 - March 31, 2019) for 12 months
  (The year-on-year ratio is compared to the 11-month conversion figure for the previous consolidated fiscal year)

In the Global business, all subsidiaries have closed their financial results by February from before the change in the financial year, both the consolidated fiscal year and the previous consolidated fiscal year include local 12-month financial results.

- On capturing period to consolidated results on financial statements
- We changed the fiscal year-end to the end of February starting in this consolidated fiscal year.

Due to this change, the period for which results of the Company and some of the domestic subsidiaries, including Aeon Bank and Aeon Credit Service, are included in the consolidated results has changed, as described below:

The present consolidated fiscal year spans 11 months from April 1, 2019 to Feb. 29, 2020.

The previous consolidated fiscal year spans 12 months from April 1, 2018 to March 31, 2019.

- Global business figures in both present and previous consolidated fiscal years include subsidiary figures for 12 months as all overseas subsidiaries have been closing accounts by the end of February since before the shift in fiscal year ends.

Consolidated business outline and results

(Unit: billions of yen)	Domestic: Credit card ❶ Shopping	Domestic: Credit card ❶ Cash advance	Domestic: Installment sales	Domestic: Housing loan ※1	Global: Credit card Shopping	Global: Credit card Cash advance	Global: Installment sales ❷	Global: Personal loans ❸
Transaction volume	5,378.3	379.6	218.3	567.8	291.2	135.4	132.7	156.9
YoY ※2	111%	103%	101%	114%	112%	100%	127%	97%
Finance receivables ※3	1,113.7	494.4	695.4	2,390.1	101.1	100.5	209.4	248.7
Change from start of FY	+63.1	+20.3	+58.6	+366.5	△0.5	△2.2	+35.0	+19.0

※1 Figures of AEON Bank which includes amount for Flat 35 and studio condominium loan ※2 Figures of domestic is comparison with the figures for 11 months from the previous FY
※3 Fig. for domestic refer to amount before securitization

(Unit: no. of people)	No. of cardholders ❹ Consolidated	Domestic	Global
Results	45.27mil	28.89mil	16.38mil
Change from start of FY	+2.58mil	+0.49mil	+2.09mil

(Unit: no. of accounts)	AEON Bank accounts Total	Credit card linked with AEON bank acc	Debit card linked with AEON bank acc
Results	7.09mil	5.24mil	0.35mil
Change from start of FY	+0.53mil	+0.38mil	+0.11mil

(Unit: billions of yen)	Bank deposits balance Total	Ordinary deposits	Time deposits	Foreign ccy deposits
Results	3,791.8	2,991.2	728.1	69.4
Change from start of FY	+308.4	+357.8	△87.1	+37.7

❶Domestic: Credit card ( ) shows change from start of FY
>Shopping tx vol.: Repeated ups and downs due to the reaction to the consumption tax hike and weather conditions (Quarterly YoY: 1Q+9.0%, 2Q+14.5%, 3Q+7.2%, 4Q+12.4%). The number of active cardholders* increased by the effect of enrollment and use measures: 18.43 million (+0.94 million). *A member who has used a card at least once a year
>Cash advance tx vol.: No. of users 1.23mil (-30K), balance per user ¥340K (+¥16K)

❷Global: Installment finance
>Expansion of installment finance business due to the strong sales of automobiles and motorcycles in Malaysia, auto loans in Thailand and other countries we operate businesses.

❸Global: Personal loans
>Unifying credit lines and applications for installment sales and personal loans in Thailand and expansion of personal loans for middle-income earners in Malaysia.

❹Consolidated, Domestic and Global number of cardholders
Number of domestic members including debit cardholders and bank account holders increased by 0.64mil to 30.74mil since start of FY
>Domestic: Promote the acquisition of digital IDs (WEB members) through membership campaigns and web-based statement. New cardholders is 1.85 million (122% compared to the same period of the previous FY)
>Global: Members increased mainly for prepaid card of the international payment brand, installment sales and personal loans.

AEON Financial Service Co., Ltd. 7

- Consolidated business outline and results are as follows.

- In domestic business, credit card transaction volume increased 11% from a year ago, as demand spiked before last October's consumption tax hike and dropped subsequently, and as a result of bad weather conditions, including typhoons and a warm winter.

The year-on-year change of transaction volume figures for the domestic business are compared to full previous year figures converted to 11 months.

- In terms of cash advances, transaction volume grew 3% from a year ago while finance receivables increased 20.3 billion yen as usage amount and balance per customer increased.

- Global business was brisk, with transaction volume of installment finance increasing 27% from a year ago and finance receivables rising 35.0 billion yen from the beginning of the year, driven by transaction volume increases in automobiles and motorcycles in Malaysia and a growth in auto loan business in other countries, including Thailand.

- Finance receivables of personal loans increased 19.0 billion yen from the beginning of the year, as application and credit lines for installment sales and personal loans were unified in Thailand and usage of personal loans increased mainly in medium- to high-income brackets in Malaysia.

- In terms of consolidated effective cardholder numbers, new credit card holders increased up 22% from a year ago to 1.85 million in domestic business driven by an enrollment solicitation campaign, while in the global business cardholders increased mainly in branded prepaid cards, installment finance and personal loans, contributing to an expansion in our customer base.

Consolidated results by segments

(Unit: Billions of yen)	Domestic total ※1	Retail ※2	Solutions ※2	Global total ※1	China Area	Mekong Area	Malay Area	Consol. Total ※3
Operating income	302.0	185.6	182.3	154.9	18.9	84.1	51.9	457.2
YoY	101%	98%	100%	111%	97%	116%	110%	104%
Change	+3.7	△2.9	+0.6	+15.7	△0.6	+11.5	+4.8	+18.8
Operating profit	36.4	14.9	23.7	29.3	5.9	17.0	6.3	65.0
YoY	106%	132%	90%	85%	83%	122%	47%	93%
Change	△2.1	+3.6	△2.6	△5.1	△1.1	+3.0	△7.0	△4.9
Operating profit ratio	12.1%	8.1%	13.0%	18.9%	31.9%	20.3%	12.2%	14.2%
YoY	+0.6pt	△2.1pt	△1.5pt	△5.9pt	△5.0pt	+1.0pt	△16.3pt	△1.7pt

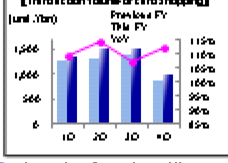
Profit attributable to owners of parent	34.1
YoY	87%

※1 Total of Domestic and Global figures amounts after elimination of transactions between business segments
※2 Retail is a personal-centric business, Solutions is a business that is central to merchants
※3 Include Holding company, Shared functions and elimination of Consolidated adjustments

■Domestic main factors ※( ): YoY % or amount

・Transaction volume of card shopping
2Q: A significant increase in demand for consumption tax increases
3Q: Slowing growth rate due to the downturn and unfavorable weather
4Q: Strong without external negative effects
・Promotional expense ratio for operating income after 3Q tended to restrain
[3Q: 1[illegible]%, YoY△12pt, 4Q: 1[illegible]%, Diff△[illegible]pt]

[Transaction volume of card shopping]



[Promotional expense ratio for operating income]

1Q	2Q
19.2% (+2.2pt)	27.1% (+9.5pt)
3Q	**4Q**
16.0% (△1.2pt)	16.8% (△0.8pt)

・Impact on Consol. profit by securitization of finance receivables: ¥28.2bn (165%, +¥11.3bn)

■Global main factors ※( ): YoY % or amount

・Hong Kong: Maintains earnings in a tough economic environment, but bad debt cost is increased.
・Thailand/Malaysia: Income increased due to transaction volume and finance receivables increased steadily. However bad debt expenses increased due to the impact of IFRS9 application in the same period of the previous year. The Malays' performance includes an annual impact (¥1.2bn) of improper accounting in the Philippines.
※Foreign exchange impact: Operating income [illegible], Operating profit [illegible]

	Domestic	Global	China	Mekong	Malay
Personnel expenses/ Operating income	14.9% (△0.2pt)	14.3% (△0.4pt)	13.4% (+0.3pt)	13.9% (△0.5pt)	15.4% (+0.0pt)
Bad debt expenses/ Operating income	6.9% (△0.5pt)	23.5% (+5.6pt)	19.1% (+4.2pt)	29.3% (+2.4pt)	30.7% (+10.2pt)

※ Domestic bad debt exp. are figures excl. interest refunded exp., and adopting former standard for personnel exp.

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- Consolidated results and results by segments are as follows.

- Please take a look at the consolidated figures on the far-right column in the upper table. Operating income increased, but operating profit and profit attributable to owners of parent decreased.

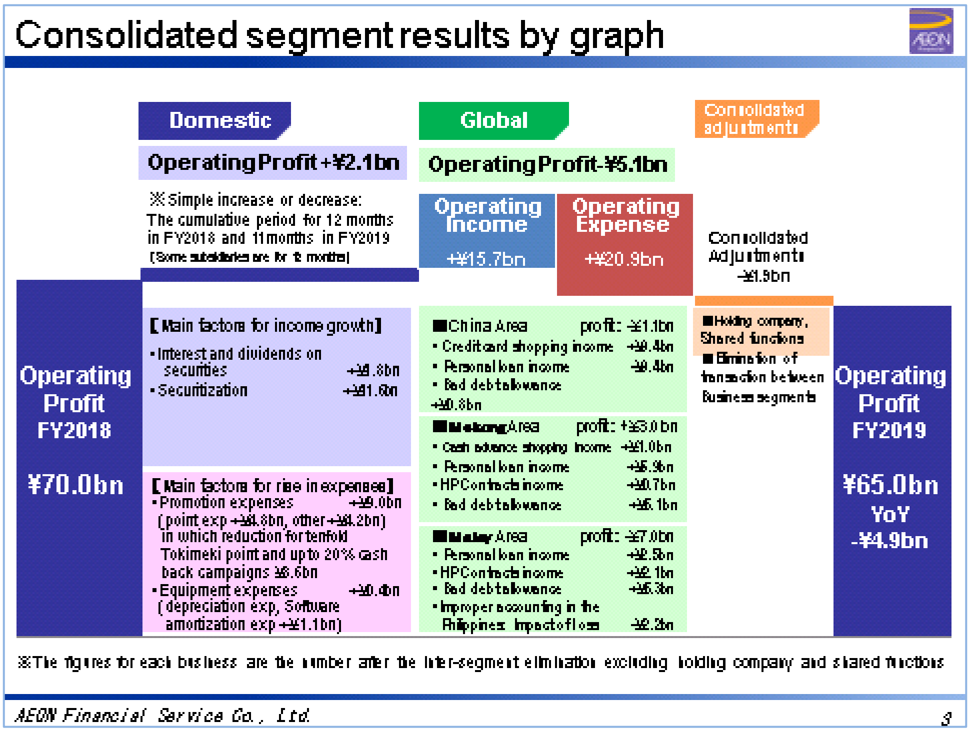
- Operating income of the domestic business increased 1% from a year ago even though the present fiscal year was shorter than the previous fiscal year by a month, as transaction volumes and operating receivables increased steadily and the schedule for securitization was moved up in anticipation of the interest rate environment in the future.

Ordinary profit increased 6% from a year ago by the effort to cost control after the 3Q in response to a sales promotion expenses in the first half associated with measures to boost enrollment and use.

- In global business, operating profit and income decreased in the China area due to negative impact from the U.S.-China trade friction and the pro-democracy protest in Hong Kong.

Both operating profit and income increased in the Mekong area as business grew steadily and we flexibly responded to the end of last October's introduction of a stricter credit collection law, sold loans written off to raise asset profitability and successfully controlled personnel and other expenses.

- While operating income grew by two digits in the Malay area, the area's operating profit decreased significantly due to an increase in bad debt expenses and a negative impact from inappropriate accounting practices at a Philippine subsidiary.



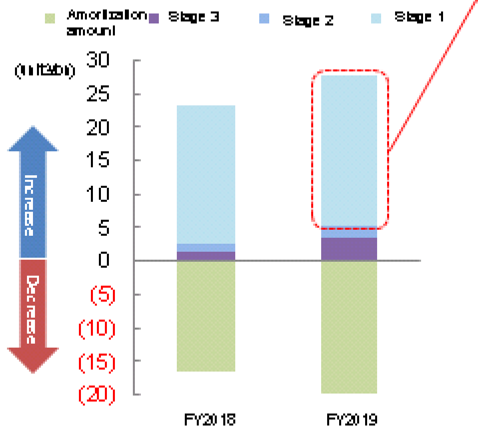
- Next, take a look at a graph showing the results of domestic and global businesses by business area.

- It shows key factors driving increases and decreases in operating profit.

Factors that increase in loan losses in the Mekong area

■ The balance of receivables steadily expanded, but the loan losses increased due to deteriorating economic conditions

【Balance of finance receivables at the beginning from the FY】



Note: The exchange rate for the graph figures is the rate as of the end of February 2020.

・Accelerating the pace of increase in the balance of finance receivables
→**Increase in normal receivables (stage 1) was <u>1.1 times higher than the same period of the previous year.</u>**
→**IFRS9 requires a loan loss allowance (12 months' worth) for normal receivables, and the cost of bad debt increases as the balance of finance receivables increases.**
・<u>Ratio of delinquency rises</u> due to the deterioration of the economic environment.

Mekong Area	Results	YoY Diff
Operating income	¥84.1bn	+¥11.5bn
Bad debt allowance	¥24.6bn	+¥5.1bn
Normal receivable	¥1.9bn	+¥1.1bn
Delinquent loans	¥22.6bn	+¥3.9bn

	4Q-end results	Diff start from FY
Finance receivables	¥311.6bn	+¥22.1bn
Delinquent loans	¥25.2bn	+¥4.8bn
Ratio of delinquent loans	8.1%	+1.0pt

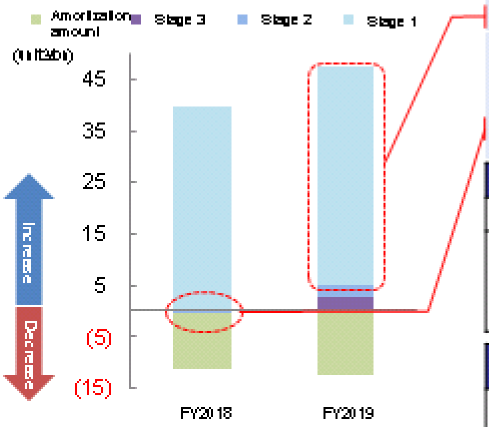
- Factors that drove an increase in bad debt expenses in the Mekong area are as follows.
- The chart on left compares changes in the balance of operating receivables for the Mekong area in the previous and the present fiscal years.
- We think the total lending limits introduced in Thailand in September 2017 have resulted in a decrease of lenders for individual customers, leading to a drop in their repayment capacity.

In addition, a gradual increase in delinquencies in our finance receivables due to increased credit risk mainly among businesses operating in the international trade industry, aggravated by the U.S.-China trade friction, has led to an increase in bad debt expenses.

Factors that increase in loan losses in the Malay area

■ Due to changes in the situation in the previous fiscal year and the current fiscal year, loan losses increased significantly from the same period of the previous year.

【Balance of finance receivables at the beginning from the FY】



Note: The exchange rate for the graph figures is the rate as of the end of February 2020.

＜Topics for current fiscal year＞
・Accelerating the pace of increase in the balance of finance receivables
→Increase in normal receivables (stage 1) was 1.1 times higher than the same period of the previous yr

＜Topics for previous fiscal year＞
・Impact of Malaysian government subsidy measures in the previous first quarter
→The balance of delinquent loans decreased due to improved collection rate
→Written off allowance for doubtful receivables for the decrease in eligible receivables

Malay Area	Results	YoY Diff
Operating income	¥51.9bn	+¥4.8bn
Bad debt allowance	¥15.9bn	+¥6.3bn
Normal receivable	¥1.6bn	+¥2.1bn
Delinquent loans	¥14.2bn	+¥4.1bn

	4Q-end results	Diff start from FY
Finance receivables	¥283.3bn	+¥36.6bn
Delinquent loans	¥30.2bn	+¥5.3bn
Ratio of delinquent loans	10.7%	Δ0.0pt

- Factors that drove an increase in bad debt expenses in the Malay area are as follows.

- The balance of normal receivables increased at a faster pace in the present period compared to the year-earlier period, which resulted in an increase in bad debt expenses.

- Percentage of delinquent loans declined slightly from the level at the beginning of the period, but bad debt expenses for delinquent loans increased significantly. This is due to reversal of allowances for doubtful accounts in response to an improvement in the collection rate of delinquent loans, helped by the Malaysian government's support measures for low-income earners. The increase in bad-debt expenses was limited as a result.

Consolidated balance sheet

Consolidated results (Unit: Billions of yen)	Results	Change from start of FY
Cash and deposits	762.8	+118.3
Operating Loans	860.5	+10.0
Loan and bills discounted for banking business	1,674.7	+89.7
Accounts receivable – installment	1,543.1	+89.9
Allowance for doubtful accounts	△114.3	△11.4
Other Assets	1,054.4	+230.7
Total assets	5,781.3	+527.2
Deposits	3,790.2	+321.1
Interest-bearing debt (excl. deposits)	1,064.8	+207.9
Other liabilities	468.5	△10.8
Total liabilities	5,322.2	+516.9
Total equity	459.0	+10.3
Total liabilities and equity	5,781.3	+527.2

Topics ※():Change from start of FY

- Domestic balance : ¥216.0bn (+¥108.5bn) *Including holding company
→ Increase due to sale of securities and securitization

[Operating Loans and Loan and bills discounted for banking business]
- Balance incl. securitization : ¥4,153.2bn (+¥389.5bn)
  In which, Domestic balance : ¥3,760.2bn (+¥324.3bn)
  In which, Global balance : ¥349.3bn (+¥16.2bn)
- Securitized amount (Domestic only): ¥1,617.5bn (+¥290.0bn)

- Balance incl. securitization : ¥2,125.6bn (+¥154.5bn)
  In which, Domestic balance : ¥1,809.1bn (+¥121.8bn)
  In which, Global balance : ¥310.5bn (+¥34.4bn)
- Securitized amount (Domestic only): ¥582.4bn (+¥64.5bn)

Money held in trust: ¥50.3bn (+¥27.5bn)

[Deposit on AEON Bank]
- Ordinary deposits : ¥2,991.2bn (+¥357.8bn)
- Time deposits : ¥728.1bn (-¥87.1bn)
- Foreign currency deposits : ¥69.4bn (+¥37.7bn)

- Domestic balance : ¥559.4bn (+¥149.6bn)
→ Bonds payable : ¥230.0bn (+¥140.0bn)
- Global balance : ¥505.3bn (+¥58.2bn)
※ Domestic and global amounts include figures for holding company and shared function companies

* In accordance with the transition to the business company, customer's liabilities for acceptance and guarantees (assets) and acceptance and guarantees (liabilities) are deleted.

- The consolidated balance sheet was as described below.
- Cash and deposits increased 118.3 billion yen from the beginning of the fiscal year due to borrowings related to consolidation of funding functions to the headquarters, sale of securities and securitization of finance receivables, among other factors.

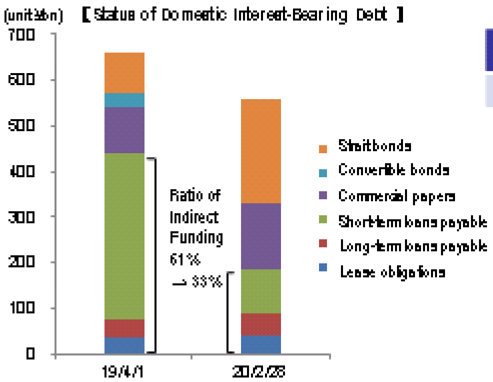
Loan and bills discounted for banking business grew 89.7 billion yen and the total assets came to 5,781.3 billion yen, increasing 527.2 billion yen from the beginning of the fiscal year.

- Total liabilities increased 516.9 billion yen from the beginning of the fiscal year to 5,322.2 billion yen as deposits increased 321.1 billion yen, led by ordinary deposits, thanks in part to the superior payment convenience of cash cards combining credit-card or debit-card functions and preferential interest rates and fees offered on use of services.
- As a result, total equity increased 10.3 billion yen over the course of the year to 459.0 billion yen.

Changes in the financial structure

■Centralize domestic funding and expand direct funding

- By issuing ¥180 billion corporate bonds in FY2019, prolonged (approximately 50% of long-term ratio) and stabilized funding
- Shift from indirect funding to direct funding (financial costs for AFS: -11bp by shifting from bank borrowing to corporate bonds,)
- Contribution of capital funds to overseas subsidiaries (loan of subordinate funds to overseas subsidiaries)



【Bond issuance in FY2019】

Unsecured bonds	Total	Average interest rate	Term
5th to 11th	¥180bn	0.28%	3.5yr to 7yr

【Main use of funding】

- Purchase AEON Bank mortgage loan subordinate beneficiary rights
  ･･･approx. JPY 40.0 billion
- Provide subordinate loans to ASB Cambodia
  ･･･USD 4 million (approx. JPY 0.44 billion)
- Purchase ACS Malaysia issued subordinate bonds
  ･･･RM 0.1 billion (approx. JPY 2.6 billion)
  of the total issuance of RM 0.2 billion
  (approx. JPY 5.2 billion)

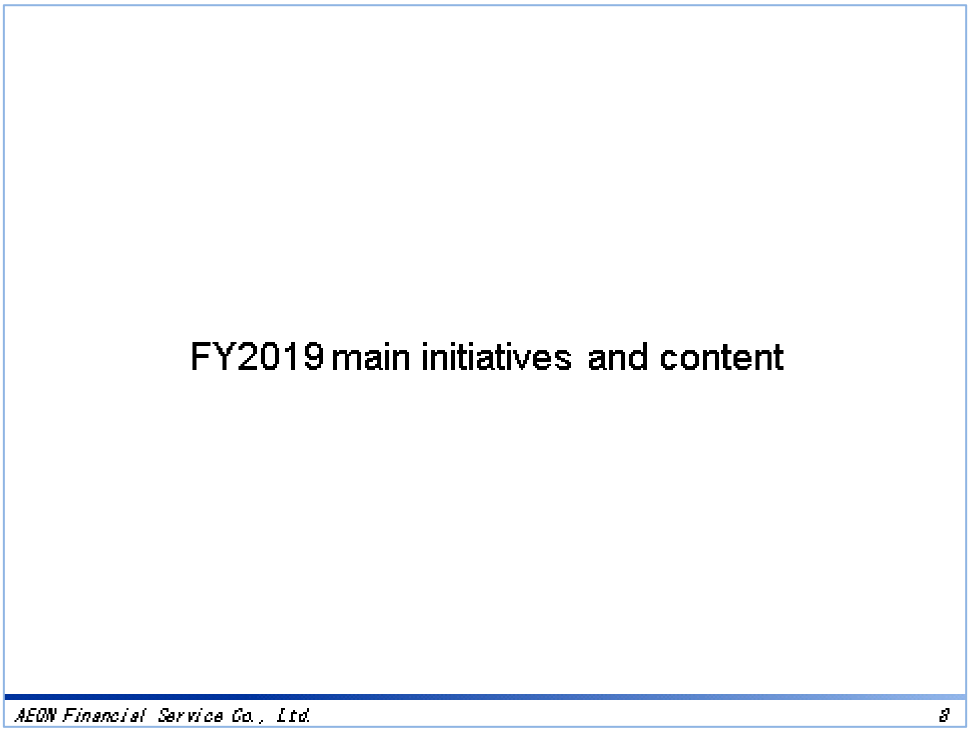
- Our financial measures during the present period are as follows.

- In the present fiscal year, we started centralizing funding functions of the group companies and worked on measures to shift to direct funding.

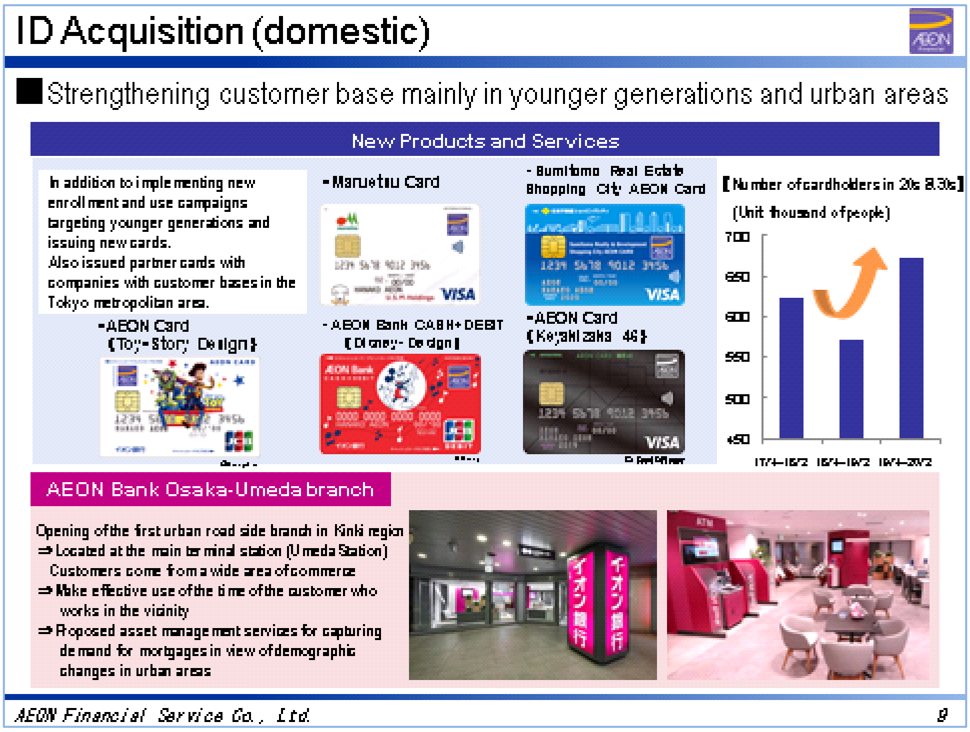
- An example of a specific measure is raising funds through corporate bonds, which is detailed here.

So far, financial expenses have declined 11 bp.

- Using a low-interest, long-term funds, we actively became involved in gearing measures of group companies, including purchase of debts, from subsidiaries, that can help reduce risk assets significantly or subordinated debts that can lead to reinforcing capital and lending them funds that are capital in nature.



- We will explain details of measures taken in fiscal 2019 using slides 11 to 15.



- In domestic business, we worked to expand the customer base, mainly in younger brackets and in urban areas, and promote use of cards through sales promotion measures.

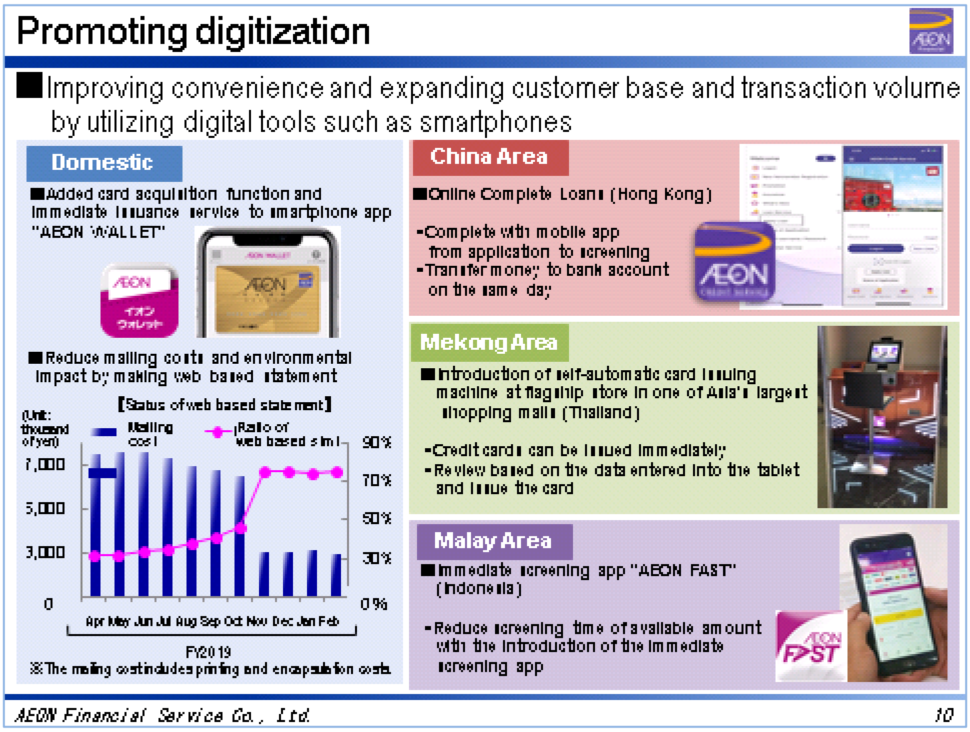
- In the first half of the year, we introduced Aeon Card (Toy Story Design) and Maruetsu Card. In the second half, we launched Aeon Bank Cash+Debit Card (Disney Design), Aeon Card (Keyakizaka 46) and Sumitomo Real Estate Shopping City AEON Card.

- We have successfully increased enrollment of target young customers in their 20s and 30s through a "new life enrollment campaign" targeting individuals aged 25 or younger and a "maximum 20% cash back campaign" run in the fiscal first half.

- In December, we opened the Osaka Umeda branch of Aeon Bank, our first urban-style branch in the Kinki region.

We created an environment where customers can use the branch with ease so that customers working at nearby offices can make appointments on a Web reservation service and drop by for signing contracts for housing loans or consulting about asset formation services during their break times or on their way back home.

- All branches introduced Port Navi, Aeon Bank's original asset simulation tool, and have model portfolios for more than 60 scenarios that include not just investment trusts but foreign currency deposits, so that they can offer services through which they make optimum suggestions that best suit customers' asset formation needs and future plans.



- In fiscal 2019, we worked to enhance customer convenience using digital tools, including smartphones, and expand the customer base and transaction volumes in Japan and overseas.

- In Japan, we launched in May a service in which Aeon Cards can be issued after credit screening is completed in minimum five minutes through the Aeon Wallet smartphone app, enhancing customer convenience.

- We made the web-based statements the standard feature for the Aeon Card, starting with withdrawals in November.

Mailing expenses decreased significantly and CO2 emissions declined as many customers shifted to the web-based statement service, except for users of some co-branded cards and those who opted for mailed, printed statements at cost.

- In global business, we started to provide a loan program in which the entire process, from application on a mobile app and credit screening to remittance to a bank account, is completed online on the same day.

We proceeded on digitalization in the countries we operate in, including the introduction of a customer-operated card-issuing machine at the flagship branch in Thailand and the introduction in Indonesia of an app that enables immediate credit screening for installment finance.

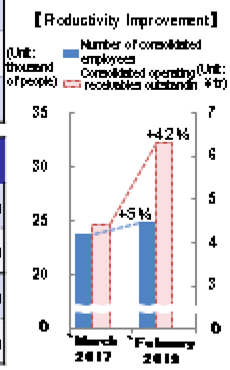
Result of Systems/IT Investments

■Domestic：Achieved the target level of operating expenses related to personnel expense and loan losses through paperless ness, consolidated head office functions, and system infrastructure development

■Global ： Focusing on expanding services utilizing mobile devices, labor's share has improved On the other hand, the ratio of bad debt expenses increased due to changes in accounting standards in the previous fiscal year and the deterioration of the economic environment

	FY2017	FY2018	FY2019	Cumulative	Planned
Results	¥35.3bn	¥34.4bn	¥33.3bn	¥103.0bn	¥100.0bn
Domestic	¥26.0bn	¥28.0bn	¥28.1bn	¥82.1bn	¥70.0bn
Global	¥9.3bn	¥6.5bn	¥5.1bn	¥20.9bn	¥30.0bn

KPI		FY2017	FY2018	FY2019	Planned
Bad debt exp./ Operating income	Domestic	7.1%	7.5%	**6.9%**	**7.0%**
	Global	24.1%	22.9%	**28.5%**	**22.0%**
Personnel exp./ Operating income	Domestic	16.4%	15.6%	**14.9%**	**15.0%**
	Global	14.8%	14.7%	**14.3%**	**14.0%**



- Details of our systems and IT investments are as follows.

- Over the three years from fiscal 2017 to fiscal 2019, we invested 100 billion yen on systems and IT with an aim to improve efficiency of work processes and enhance profitability through digitalization.

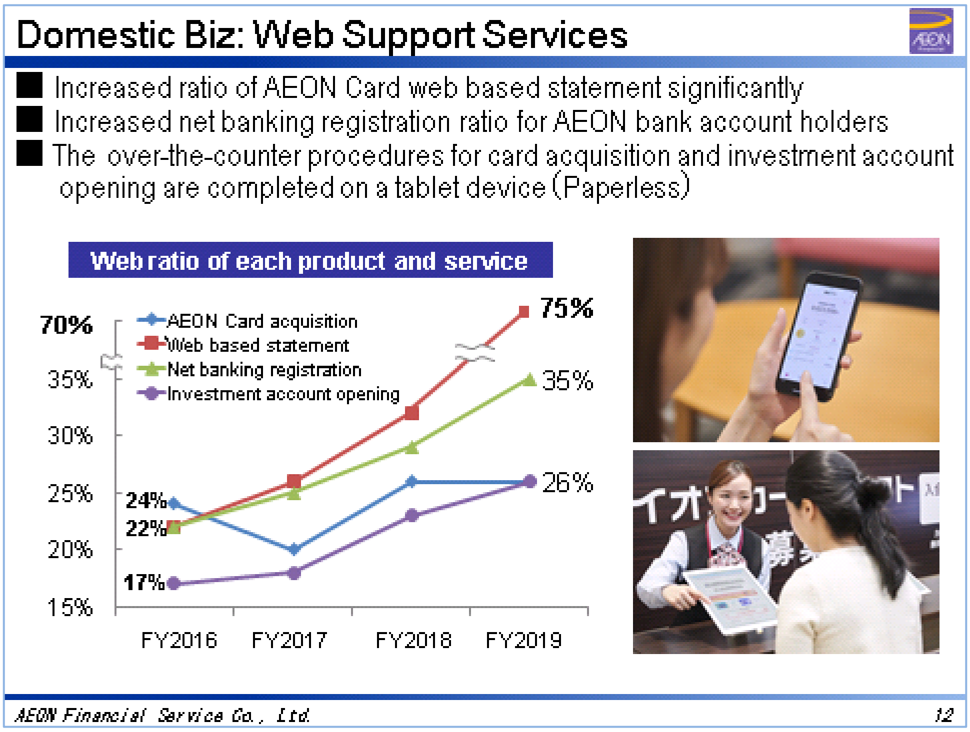
- In domestic business, we worked mainly on promoting paperless office, consolidating functions at the headquarters, development of system infrastructures, etc.

In global business, we made investments related to enhancing our infrastructure. These were for projects for reinforcing services using mobile apps, introducing a credit screening and management system that uses artificial intelligence and shifting to a new credit collection structure, among other things.

- Through these efforts, in domestic business, we achieved target figures for the ratio of bad debt expenses to operating income and labor's share.

In global business, on the other hand, we improved labor's share to the targeted level, but the ratio of bad debt expenses failed to reach the target, falling significantly from the level in fiscal 2018 due to a larger-than-expected amount of advance provisions of allowances for doubtful accounts, associated with a change in accounting standards, a deteriorated economic environment, etc.

- Note that the bar chart in the bottom right compares the number of employees on the consolidated payroll and the balance of consolidated operating receivables at the end of March 2017 and at the end of February 2019. This is to show you how our productivity has improved. The balance of consolidated operating receivables increased about 40% over the course of the three years but the number of employees did not increase much.



- The situation of our efforts to bring products and services to online through digitalization measures is as shown below.

- In credit card and banking businesses, our key business areas, ratios of web-based statements and customers registered for net banking rose thanks to measures, including development of smartphone apps and campaigns promoting web application.

- Although relatively many applications were submitted through consultation at branch counters for membership in the Aeon Card and opening of trust accounts, there are handled under a paperless process using tablets.

- As you have seen, we worked to improve convenience and productivity through digitalization of service-providing infrastructures, while conducting sales activities that take advantage of both real and virtual channels.

Global Biz: Expanding ID centered on mobile devices

■Providing key products and services through mobile apps

M : Mobile enabled

	China		Mekong					Malay			
	Hong Kong	China	Thailand	Cambodia	Vietnam	Myanmar	Laos	Malaysia	The Philippines	Indonesia	India
Credit cards	M		M	M				M			
Personal loans	M		M			M			M		M
Installment credit		M	M		M	M			M	M	M
E-money (Prepaid)				M				M			
Insurance agencies	M		M								
Point card								M			

[Cambodia]

- QR payment, review statement, and point exchange of credit card and e-money with the app. Promote the distribution and cashless-ness of our own currency, contribute to the resolution of social issues.

No. of members	End of Dec 2019	Diff from end of Dec 2018
Credit cards	45,000	+17,000
E-money	19,000	+12,000

[Malaysia]

- We and the two Group retailers consolidate membership cards into apps to share their identities. Provide QR payment services for credit cards and e-money

No. of members	End of Feb 2020	Diff from end of Feb 2020
Credit cards	290,000	+10,000
E-money	1,400,000	+950,000

(560,000 app members / +430,000)

- Our efforts to boost membership accounts IDs using the mobile platform in the global business is as follows.

- Our group has operations in 11 countries and regions overseas.

- As you can see, we provide a wide range of products and services, including credit cards, personal loans, installment credit, e-money, insurance agency and loyalty program cards, mainly in regions where Aeon has retail outlets, though there are some exceptions.

We aim to migrate all these services to a mobile app platform.

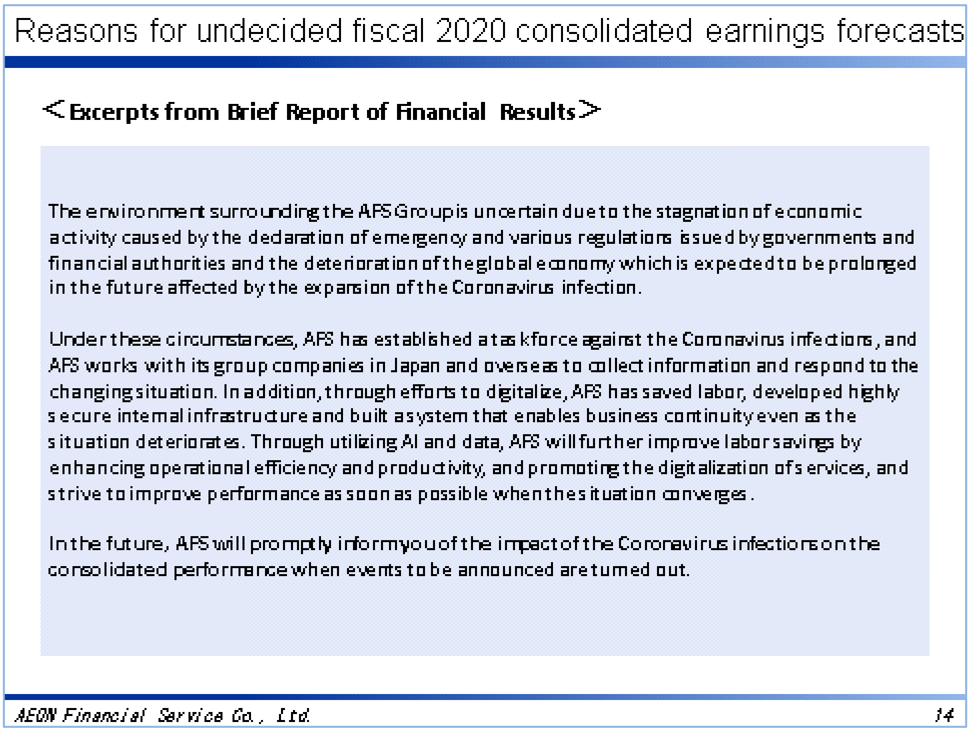
- As an example, we provide a mobile app service in Cambodia that allows customers to make payments using QR codes, view statements and exchange loyalty points with rewards.

By providing an e-money service backed by the riel, the local currency, the service supports the Cambodian government's initiative to promote use of the riel. It also contributes to solving social issues in the country by providing a cashless financial service that is secure, safe and convenient.

- In Malaysia, where Aeon operates retail outlets, we are contracted to operate a loyalty program that has about 4 million loyalty members of Aeon Malaysia and Aeon BiG Malaysia. Combined with 2 million existing members of ours, we have a total of 6 million members in the country.

- Migrating all these members to a mobile app platform has enabled us to share IDs and conduct database marketing linked to customer data, such as purchase history, as well as provide an e-money payment service.

- Going forward, we aim to tie up with entities in various industries, including local airline companies, restaurant operators, online service companies, public service entities and operators of transportation systems, continuing to improve convenience for customers, with the further goal of expanding membership.



- The reason why the consolidated earnings forecasts for the year ending February 2021 is still not ready is as follows.
- The environment currently surrounding our group remains in uncertainty as economic activities have fallen into stagnation under the state of emergency, regulations, etc. declared or issued by governments and financial authorities amid the spread of the novel coronavirus, and the global economy is expected to further deteriorate for an extended period.
- We have operations in 11 countries in Asia, including Japan. In many of them, economic activity has begun to be affected as governments have issued bans on going out and business activities, as well as orders to close commercial facilities.
- Under these circumstances, we have set up a task force on our response to the impact of the coronavirus pandemic, and are working with group companies in Japan and overseas to collect information and work out measures to respond to changing situations.
- Through our digitalization efforts in the past years, we have successfully saved labor and developed a highly secure internal infrastructure. This has made us well prepared to maintain our business even as the situation deteriorates.

Using artificial intelligence (AI) and data, we aim to further save labor by enhancing operational efficiency and productivity, and promoting the digitalization of services, and strive to improve performance as soon as the infection runs its course.
- In view of the situation, we have decided to withhold issuing estimates on consolidated earnings for the year ending February 2021, having judged that it is difficult to calculate figures in a reasonable manner as

there are too many uncertain factors impacting business results.

- We plan to announce the impact that the coronavirus pandemic may have on our consolidated results as soon as we know what to release.

[Questions and answers]

■ Mr. Watanabe, analyst at Daiwa Securities

Q: You indicated, in relation to credit costs overseas, in the conference call on the third quarter results that the calculation period for allowance for doubtful accounts may be changed. Was this actually done?

If so, how much impact did it have?

Also, the Mekong area part of the qualitative information in the flash earnings report says that sale of long-term delinquent receivables were carried out strategically. Explain this in detail.

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

Periods used in calculation differ from product to product as different country operations have different products. We initially used one year, but we use average three years in our estimates in Thailand. We identify parameters and indicators that go well with products and use them for making forecasts. In Malaysia, we use eight years as there are many long-term receivables. In Hong Kong, where we have only the credit card products, we plan to conduct detailed analyses of product and card usage situations and make changes in ratios of allowances for doubtful accounts where necessary. For now, we only changed the discount rate for future cash flow.

In terms of the impact of the sale of written-off receivables, we included collection cost in calculating expected loss rate in cases where IFRS 9 is applied. As we can reduce collection costs by selling written-off receivables, it impacts expected loss ratio and works favorably for us.

Receivables in Malaysia are relatively long term. We collected up to five-year receivables on our own, and contracted out collection of longer-term ones. Although it depends on the supply-demand balance, but we learned through a research that selling them earlier will work favourably for us. So we decided to sell them at regular intervals and have the staff at our credit management division to exclusively work on collection of young receivables.

Q: What areas do you think have higher risk of being affected by the novel coronavirus pandemic?

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

The countries we have operations are locked down, making it difficult for merchants to operate, with those in some industries as exceptions. In some countries, we are asked by local authorities to extend payment deadlines for three to six months to protect debtors. We were impacted slightly in March, but we expect a stronger impact will be felt in April and later. We remain uncertain as to when this situation may come to an end, and we have no choice but to expect poor top lines especially for the first and second quarters.

In terms of credit cost, we expect customers' income will fall and their creditworthiness will suffer as, for example, plants they work for are closed. But we are yet to determine the extent of such an impact.

Authorities have instructed us to treat the receivables for which we have extended deadlines as normal credit in customer credit information, but we do not know if this means any advantage for us in our accounts. We need to make careful judgments. We aim to focus on reducing costs especially in the first and second quarters.

■ Mr. Hara, analyst at SMBC Nikko Securities

Q: You do not disclose your dividend forecasts. I would like to know your view.

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

We did not disclose dividend forecast as we were unable to make results forecasts and decided not to disclose them. We plan to stick with the policy of stable payouts unless we sustain overly significant impact and maintain the stance for continued payouts.

Q: You said you moved up the schedule for securitizing receivables in view of the interest rate environment. By how long did you move it up?

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

We moved up the items originally planned in March to February. We were able to obtain long-term funds in fiscal 2019. The funding environment was favorable with low interest rates, and we conducted the securitization in such an environment and was able to secure funds earlier. There was positive impact on profit, but we think the advantage in terms of funding on the balance sheet was larger.

■ Mr. Sato, analyst at Mizuho Securities

Q: What risks do you see in the domestic business from the novel coronavirus pandemic?

A (by Kenji Kawahara, President and CEO):

We expect shopping using our cards will decrease significantly. There has been an increase in usage in online shopping, but usage has significantly decreased in areas including gasoline, travel, and tickets for events.

As the economy slows, individual income is shrinking. We expect credit cost of purchases using cards will deteriorate in both new and existing segments.

Q: Do you expect the positive impact in profit from securitization of receivables in the present fiscal year will decrease from the previous year's level?

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate

Management):

The cost overshoot of the sales promotion campaign was covered in the PL aspect through liquidation of card cashing. When we look at the outcomes, it is clear that the major factors for the failure to achieve targets were the impact of the Philippines and an increase in the allowance for doubtful accounts overseas. We are currently working to rebuilding the Philippine operation and make the framework of allowance for doubtful accounts more granular. We expect funding needs will decline in the year ending February 2021 as the balances of receivables are not expected to increase much in both Japan and overseas in April and later. We aim to use the funds we raised early by moving up the schedule in an effective manner within the group.

■ Mr. Tsujino, analyst at Mitsubishi UFJ Morgan Stanley Securities

Q: Was the amount raised through securitization of receivables in the present fiscal year smaller than the previous year? How much is the expected revenue?

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

Shopping in Japan will be affected badly. It is not on a level where large amounts can be raised.

Housing loans and loans for home renovation remains solid for now, but there have been an increase in cancellation of loans for home renovation as work is suspended due to a halt in import of some materials. Sales of cars will also be affected. Given the situation, we think we won't be able to raise large amounts or achieve large revenues.

Q: What is your view on sales promotion costs in the present fiscal year?

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

There is no way we can promote sales as most businesses, including the Aeon group, are exposed to a severe situation and as the mood of voluntary restraint prevails. As long as this situation continues, we should not run large sales promotion campaigns and impact of such promotional campaigns will be small, so we expect promotional costs will decrease. We aim to run promotional campaigns after the coronavirus pandemic runs its course and the economy returns to a growth track.

Q: Do you plan to review ratios of allowances for doubtful accounts in Japan?

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

There was a suggestion that we should reform ratios of allowances for doubtful accounts overseas by taking a longer period than the audit firms to review forecasts more precisely, and we reviewed data. The Japanese entities of our group use the Japanese accounting standards, so it will be based on actual performance. We cannot change ways significantly.

■ Mr. Niwa, analyst at Citigroup Global Markets Japan

Q: Discuss impact of the novel coronavirus pandemic, situation of shopping and cashing usage, as well as the situation of delinquency in Japan.

A (by Kenji Kawahara, President and CEO):

If you look at March alone, revolving credit is growing while cashing is not.

Delinquency rates have been gradually rising since last year, although it's not clear whether it is an impact of the pandemic. Note, however, that this increase is not rapid. Also, at this point, we extend payment deadlines in response to customer request, regardless of whether it is due to an impact of the pandemic. We have worked out risk scenarios.

Q: Is there any positive impact from the pandemic in Japan or overseas, not just negative impact?

A (by Kenji Kawahara, President and CEO):

We are promoting digitalization, in step with developments in general society. We are doing this while partially leaving face-to-face contact with customers, but we believe it is important to increase the things that can be done on smartphones. In our bank branches in Japan, we are introducing video systems, providing access points with no direct involvement of human agent, in addition to face-to-face counters. We plan to increase such access points further.

The situation is the same for overseas operations. We are working to increase services available on mobile apps in the countries we operate. Our past efforts have not been wasted. After the coronavirus pandemic runs its course, we expect to enter a phase in which we will attach importance to non-customer-facing access points. We hope to make further investment to enhance services.

■ Mr. Otsuka, analyst at JPMorgan Securities Japan

Q: What was shopping transaction volume in March in domestic business?

A (by Kohei Togami in charge of Corporate Planning IR):

Shopping transaction volume was about 98% of the year-earlier level.

Q: You explained the top line will be poor on account of the coronavirus pandemic. Does that mean interest income will decrease?

A (by Hideki Wakabayashi, Director and Senior Managing Executive Officer in charge of Corporate Management):

We expect interest incomes and fees will be affected as card and higher purchase new handling amounts decrease. In existing balances, top lines will be poor as we will not be able to book revenue on some receivables as their payment deadlines are extended or they are forgiven.

End