

# FY2020 Second Quarter IR Presentation Material

October 7, 2020

1. Consolidated results by segments
2. Consolidated results by area
3. Main Initiatives

# 1. Consolidated results by segments

(Unit: Billions of yen)	Domestic total			Global total			Consol. Total ※3	
	※1	Retail ※2	Solutions ※2	※1	China Area	Mekong Area		Malay Area
Operating revenue	1,617	1,018	918	692	82	382	227	2,306
YoY	100%	101%	94%	92%	86%	96%	89%	98%
Change	+6	+14	△59	△59	△13	△17	△28	△52
Operating profit	60	△14	76	11	23	10	△23	77
YoY	49%	-	84%	9%	76%	16%	-	31%
Change	△64	△67	△14	△121	△7	△56	△57	△171
Operating profit ratio	3.8%	△1.4%	8.3%	1.6%	28.6%	2.9%	△10.2%	3.4%
YoY	△4.0pt	△6.7pt	△1.0pt	△16.1pt	△3.7pt	△14.0pt	△23.8pt	△7.2pt

※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

Profit attributable to owners of parent	14
YoY	△12.3%

## ■ Domestic

• The use of e-money increased mainly in food supermarkets of the AEON Group, which had strong sales due to “stay-at-home”, etc. On the other hand, due to factors such as a decline in overall consumption and demand for funds, card shopping revenues and cashing revenues decreased. In addition, as a result of the reduction in costs associated with sales promotion and web based statement, Profit decreased due to an increase in bad debt allowance.

### 【Main factors for revenue growth】

- E-money +¥1.2bn
- Interest on Loans in Banking +¥0.5bn
- Securitization -¥11.2bn (Eligible receivables ¥ 60.0bn, impact ¥2.5bn)
- Credit card purchase -¥1.7bn
- Cash advances -¥2.3bn

### 【Main factors for rise in expenses】

- Promotion expenses -¥14.1bn
- Mailing cost + printing cost -¥2.8bn
- Bad debt allowance +¥6.4bn (cost on interest repayment -¥0.2bn)
- Equipment expenses +¥1.6bn (depreciation and software amortization exp +¥.1.5bn)

## ■ Global. ※Foreign exchange impact: Operating income +¥2.2bn, Operating profit +¥0.2bn

• Due to restrictions on going out and suspension of operating activities in each area, operating income decreased due to a decrease in volume and balance of operating receivables. In addition, operating income decreased due to an increase in bad debt allowance due to reservations for future loan losses, including remedies for repayment holidays.

### 【China Area】

- Credit card purchase revenue -¥0.4bn
- Personal loan revenue -¥0.4bn
- Cash advances revenue -¥0.5bn
- Bad debt allowance +¥0.1bn

### 【Mekong Area】

- Credit card purchase revenue -¥0.4bn
- Personal loan revenue -¥0.4bn
- Bad debt allowance +¥6.1bn
- Cash advances revenue -¥1.2bn
- HP Contracts revenue +¥0.3bn

### 【Malay Area】

- Credit card purchase revenue +¥0.1bn
- Personal loan revenue -¥0.6bn
- Bad debt allowance +¥4.2bn
- Cash advances revenue -¥0.09bn
- HP Contracts revenue -¥0.7bn

# — Performance progress against the company plan

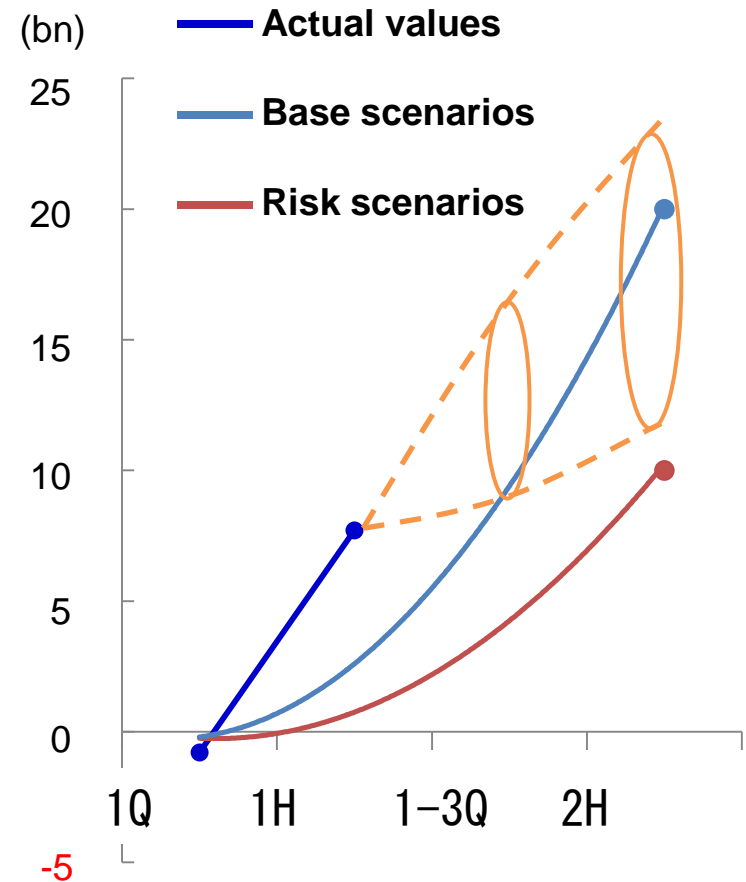
- The overall volume of transactions in the first half was at the assumed level of the base scenario
- At this time, credit risk has not materialized as much as originally expected

Impact on business performance :

Positive Negative

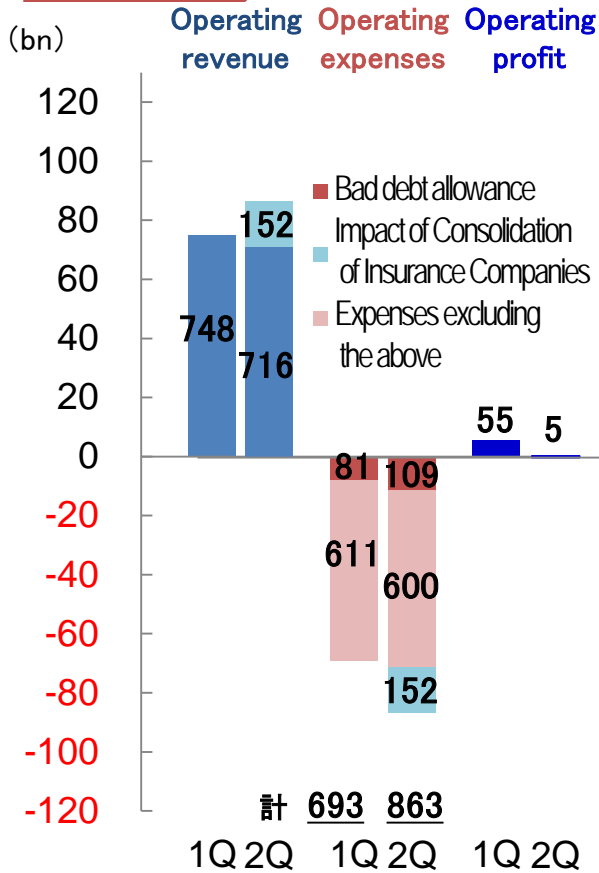
Premise	External environment	Transaction volume	Bad debt allowance
<b>Base Scenarios</b>	<ul style="list-style-type: none"> <li>The spread of infectious diseases. There is no activity limit of about the first wave.</li> </ul>	<ul style="list-style-type: none"> <li>Recovered to the same level as the previous year toward the end of the fiscal year.</li> </ul>	<ul style="list-style-type: none"> <li>Reduces the occurrence of additional bad debt allowance since the second half of the fiscal year</li> </ul>
<b>Risk Scenarios</b>	<ul style="list-style-type: none"> <li>Occurrence of large-scale activity restrictions associated with the re-expansion of infectious diseases.</li> </ul>	<ul style="list-style-type: none"> <li>Continued decline in transaction volume and outstanding finance receivables.</li> </ul>	<ul style="list-style-type: none"> <li>additional bad debt allowance will still be in place after the second half of the fiscal year.</li> </ul>
<b>Factors that deviate from actual values and assumptions</b>	<ul style="list-style-type: none"> <li>Restrictions on activities in operating countries will be relaxed</li> <li>Government support measures for businesses and individuals.</li> </ul>	<ul style="list-style-type: none"> <li>Recovery pace is favorable mainly for goods sales-related products.</li> <li>The problem with loans is a decline in demand for borrowing.</li> </ul>	<ul style="list-style-type: none"> <li>Collection of existing receivables, including repayment grace loans is favorable.</li> </ul>

## Consolidated Operating Income and Forecasts

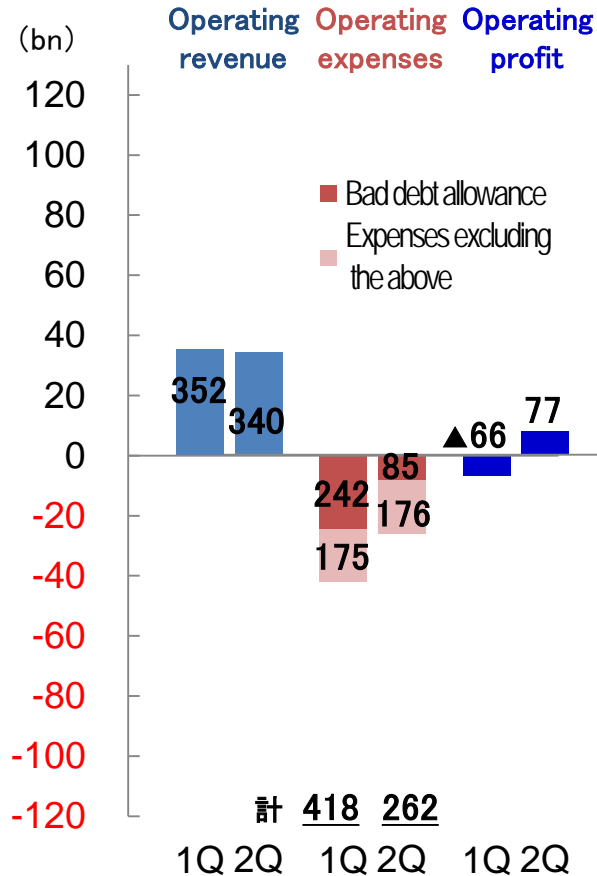


# – Comparison of Quarterly Performance

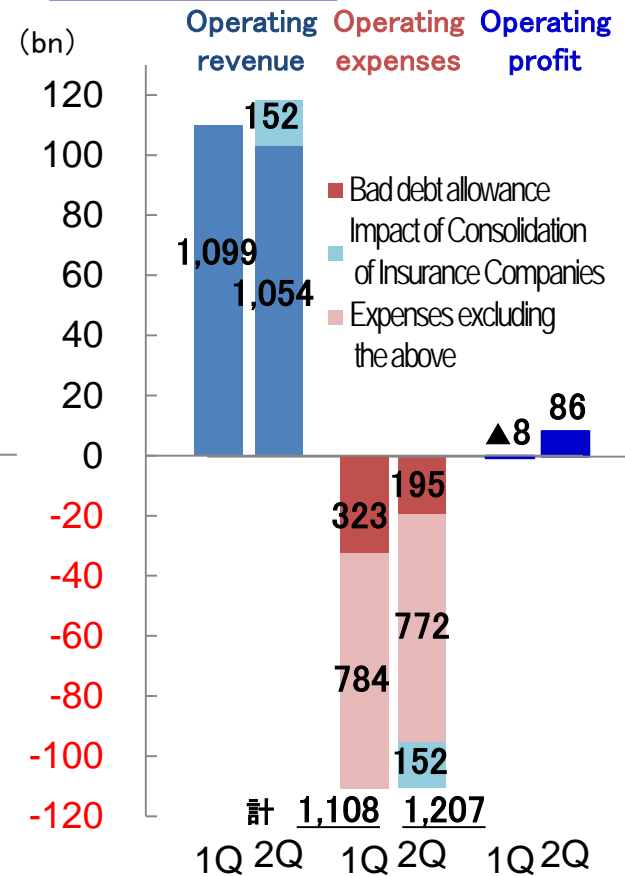
## Domestic



## Global



## Consolidated



- Compared to the first quarter, the second quarter has a corona impact for the whole period.
- In the second quarter, we added insurance revenues and expenses due to including insurance companies as a consolidated subsidiary, and conservative provision is added in view of future risks

- We increased reserves mainly in the first quarter to respond to the risk of loan collapse in the second half and beyond.
- In the second quarter, the level of profit improved compared to the first quarter, as the collection of grace loans progressed

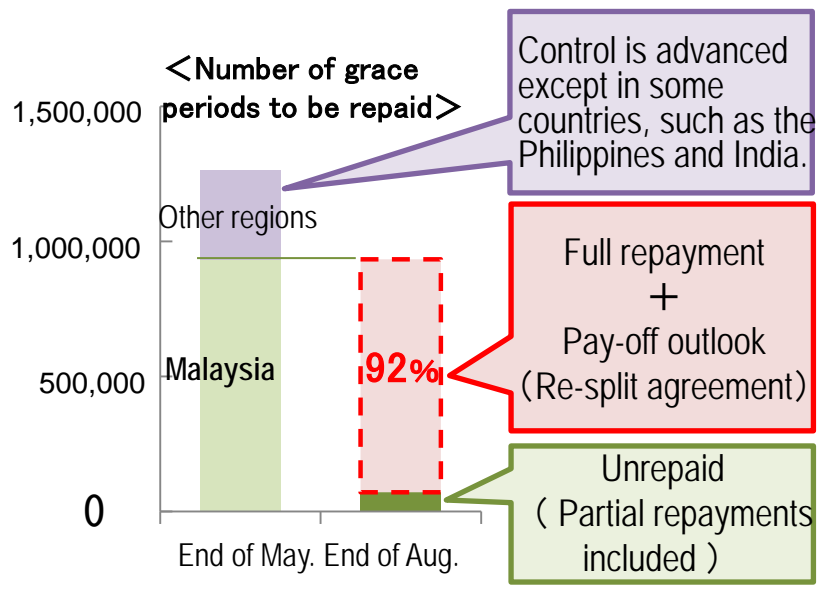
# – Status of Repayment Grace Measures (Global)

■ With the resumption of billing and the start of consultation, full and partial repayments and re-split agreements are in progress.

Repayment Grace The impact period: Resumption of billing:

Operating region	Monthly											Overview of applicable measures	
	2	3	4	5	6	7	8	9	10	11	Eligible receivables		
China												Full customer	
Thailand												Less than two months in arrears	
Cambodia												Less than two months in arrears	
Myanmar												Low-risk customers (Judgment of the Company)	
Laos												In principle, less than two months in arrears	
Malaysia												Less than two months in arrears (Credit card excluded)	
The Philippines												Full customer ※Re-implementation	
Indonesia													Specified business worker. Less than one months in arrears
India												Full customer	

## Collection status of loans to be repaid



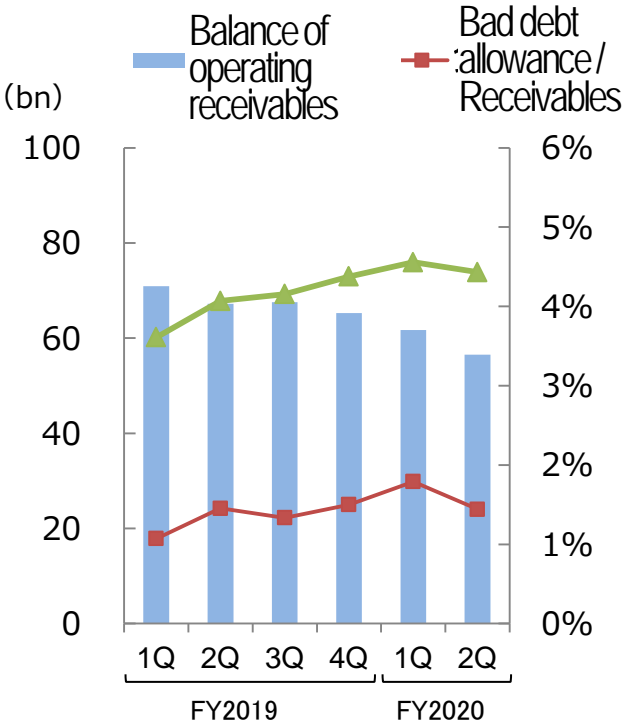
Changes in Thailand's regulations (since Aug. 2020)	Target	Before the change	After the change
Cap interest rate	Credit card	18%	16%
	Personal Loans	28%	25%
Credit frame (until the end of December 2021)	Monthly income of less than 30,000 baht	1.5 times the monthly income	twice the monthly income

# —Changes in the contents of operating receivables (Global)

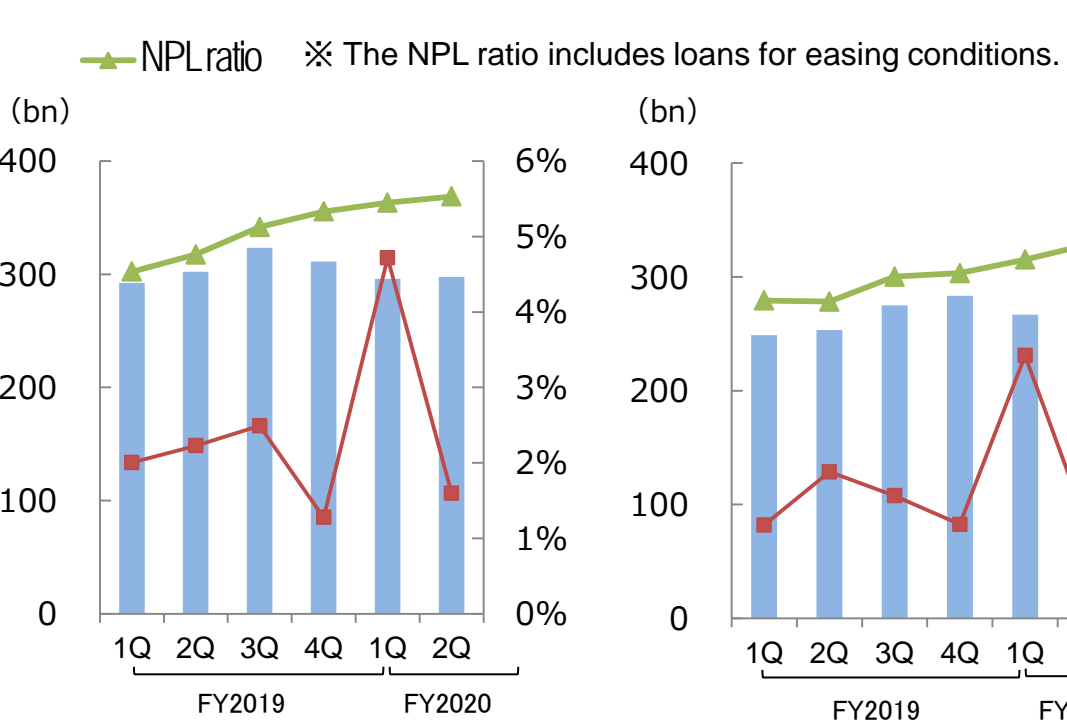
■ In the first quarter, bad debt allowance in preparation for future risks increased, including repayment grace loans

■ In the second quarter, the pace of increase in bad debt allowance slowed due to the recovery of repayment grace loans in Thailand, Malaysia, and other countries.

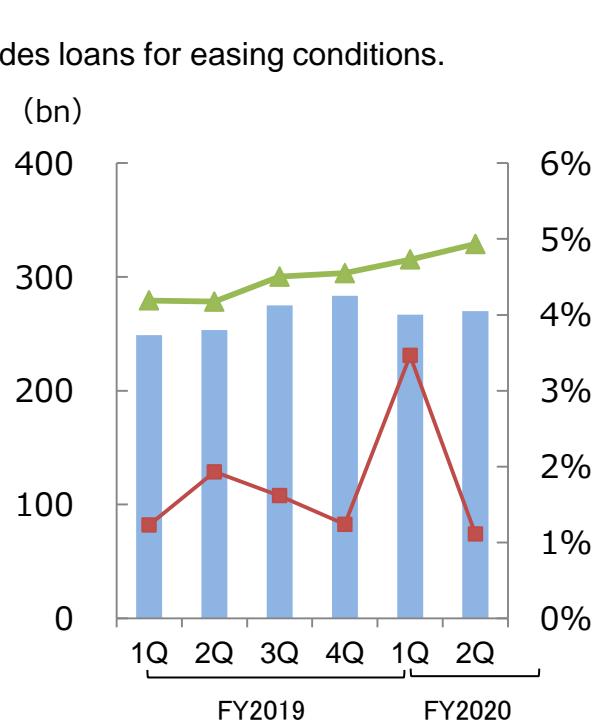
## China area



## Mekong area



## Malay area



# — Consolidated balance sheet

Consolidated results (Unit: Billions of yen)	Results	Change from start of FY
Cash and deposits	692.4	△70.4
Operating Loans	794.1	△66.4
Loan and bills discounted for banking business	1,963.9	+289.1
Accounts receivable – installment	1,562.2	+19.1
Allowance for doubtful accounts	△136.6	△22.3
Other Assets	1,151.1	+96.8
<b>Total assets</b>	<b>6,027.2</b>	<b>+245.8</b>
Deposits	3,938.6	+1,483
Interest-bearing debt (excl. deposits)	1,093.8	+290
Other liabilities	544.6	+773
<b>Total liabilities</b>	<b>5,577.1</b>	<b>+2,548</b>
<b>Total equity</b>	<b>450.1</b>	<b>△89</b>
<b>Total liabilities and equity</b>	<b>6,027.2</b>	<b>+2,458</b>

## Topics ※():Change from start of FY

• Domestic balance : ¥645.1bn (-¥70.9bn) \*including holding company  
→ Decrease due to demand for mortgages and other funds

**【Operating Loans and Loan and bills discounted for banking business】**

• Balance incl. securitization : ¥4,274.4bn (+¥121.1bn)  
in which, Domestic balance : ¥3,908.3bn (+¥148.0bn)  
in which, Global balance : ¥323.4bn (-¥25.8bn)  
• Securitized amount (Domestic only) : ¥1,516.4bn (-¥101.5bn)

• Balance incl. securitization : ¥2,118.0bn (-¥7.5bn)  
in which, Domestic balance : ¥1,812.3bn (+¥3.1bn)  
in which, Global balance : ¥300.5bn (-¥10.0bn)  
• Securitized amount (Domestic only) : ¥555.7bn (-¥26.7bn)

Securities for insurance business : ¥100.0bn (+¥100.0bn)

**【Deposit on AEON Bank】**

• Ordinary deposits : ¥3,146.9bn (+¥155.7bn)  
• Time deposits : ¥708.7bn (-¥19.3bn)  
• Foreign currency deposits : ¥82.3bn (+¥12.8bn)

• Domestic balance : ¥564.2bn (+¥74.7bn)  
→ Short-term borrowings : ¥235.6bn (+¥138.3bn)  
• Global balance : ¥459.6bn (-¥45.6bn)  
※ Domestic and global amounts include figures for holding company and shared function companies



## 2. Consolidated results by area

■ With the resumption of economic activity, the transaction volume of goods sales has been on a recovery trend since the first quarter.

	(unit : billion yen)	Q1		Q2		Balance of operating receivables ※1	Increase or decrease at the start of the fiscal year
		Transaction volume	YoY (Compared to the same period of the previous year)	Transaction volume	YoY (Compared to the same period of the previous year)		
Domestic	Credit card	14,391	96% (93%)	14,911	93% (99%)	15,485	▲596
	Card shopping	13,372	97% (94%)	14,314	95% (101%)	10,980	▲156
	Cash advance	946	88% (83%)	597	57% (61%)	4,504	▲439
	Installment finance	565	94% (88%)	546	86% (89%)	7,142	+188
	Housing loans ※2	1,737	149% (107%)	1,360	91% (107%)	25,271	+2,090
Global	Credit card	793	75%	725	71%	1,865	▲151
	Card shopping	565	79%	547	80%	937	▲74
	Cash advance	228	66%	178	53%	928	▲77
	Installment finance	177	56%	200	62%	3,005	▲100
	Personal loans	220	51%	177	45%	2,306	▲181

※1 The fiscal period is different from the previous fiscal year. Calculated in the same period as this fiscal year ※2 Before securitization

※3 Figures of AEON Bank, including condominium loans for investment.

(unit : million copies)	Cardholders		
	Consolidated	Domestic	Global
Results	45.67	29.11	16.56
Diff start of FY	+40	+22	+18

### 【Domestic】

- 720,000 new card members (71% year-on-year)
- In the previous FY, there was an impact of the large-scale enrollment campaign.
- For mortgage loans, refinancing consultations and application demand are enclosed in stores and on the web.

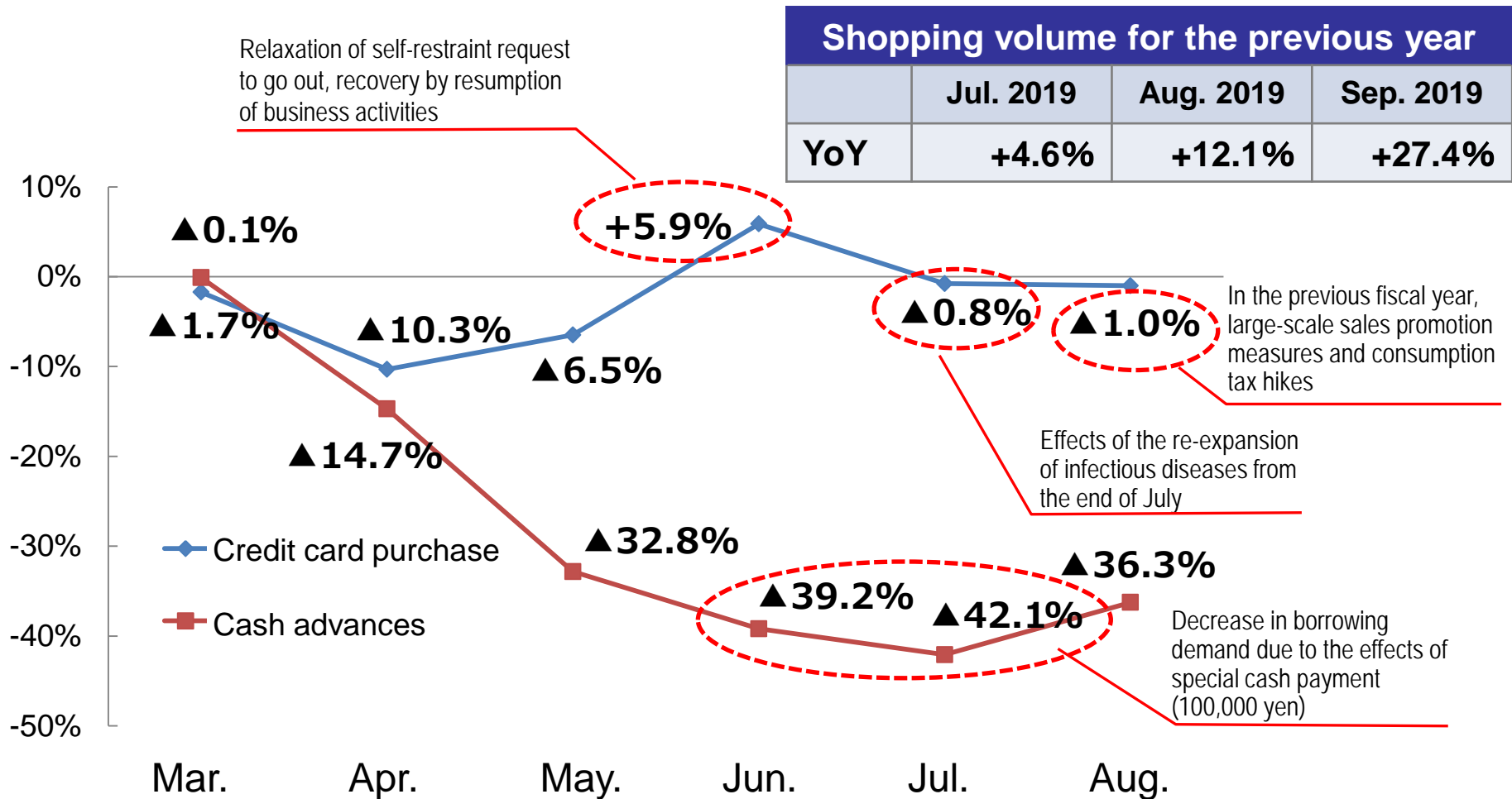
### 【Global】

- Card shopping and installment finance are recovering in Thailand and Malaysia
- Stricter screening of card cashing and personal loans in each country.

# — Credit card transaction in Japan

■ Credit card purchase : Until June, economic activity has been on a recovery trend due to the resumption of economic activity, and since July, there has been an impact of the re-expansion of infection and demand for consumption tax hikes in the previous fiscal year

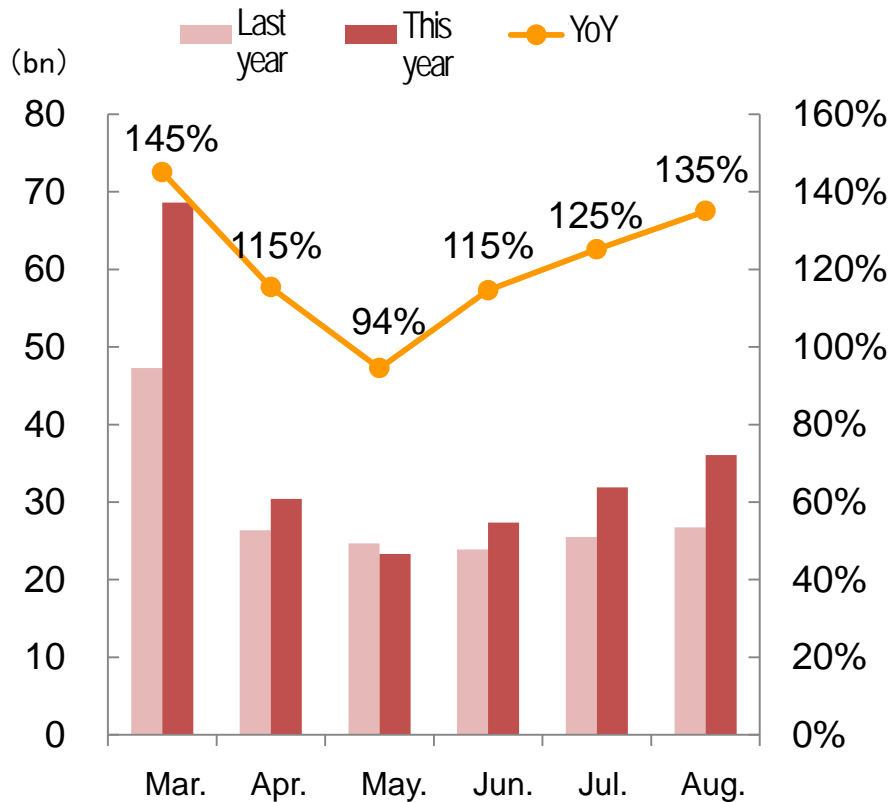
■ Cash advances : Effects of contraction of consumption and special cash payment, etc



# — AEON Bank Mortgage Handling

- Prolonged home time stimulates demand for home purchases and refinancing
- Increase in applications and loan execution via consultation counter and web screening

## Changes in the amount of mortgages handled



※ Proper loans excluding flat 35s and condominiums for investment

## Consultation/ Application acceptance status

	YoY		
	Q1	Q2	1H
Consultation counter No. of acceptance	+13%	<b>+46%</b>	<b>+29%</b>
Preliminary review No. of acceptance	▲1%	<b>+41%</b>	<b>+18%</b>
Web ratio (composition ratio)	<b>+ 10pt</b> (71%)	+ 6pt (67%)	<b>+ 7pt</b> (69%)

- Partner loan transactions, 2.5 times higher than the previous fiscal year  
 → Demonstrate strengths of Low interest rates, select club benefits and holiday screening results

- Started to provide joint investment-designated monetary trust products linked to mortgage claims (recruiting for individuals in the store or via WEB)  
 → Diversification of product lineup and suppliers

# Main initiatives

# – Domestic business (Strengthening consulting sales)

■ Develop direct and indirect channels to meet consultation and application needs

## AEON Bank Consulting counter



## AEON Bank's TV consultation desk



At the TV consultation desk, expert staff can respond according to the contents of the consultation.



- [Infectious disease control]
- Installation of anti-scattering panels
  - Wearing a mask, disinfection
  - Consultation on visiting the store by full reservation system

## AEON Insurance Service's WEB consultation



# — Domestic business

- Promoting indirect and non-contact services and cashless services
- Expand customer base through new cards and measures

## 1H

### • Sumitomo Real Estate Shopping City AEON Card Begins Full-scale Recruitment

→ June 17th, Opening of all tenants of Ariake Garden  
( Scheduled to be extended in April due to the spread of infectious diseases )



### • Promote the spread of touch payments with AEON group.

➢ Issued credit cards with touch payment function :  
678,000 (As of end of Aug.)  
→ 10 million copies by the end of this fiscal year



## 2H

### • AEON Bank "Online Consultation Service"

→ Started service at 141 stores nationwide (since Sep. 2020)

#### 【Consultations】

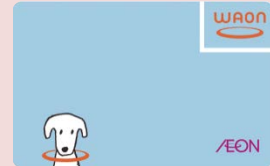
- Housing loans
- Foreign currency
- Insurance
- Investment trust
- iDeCo
- Various loans

### • AEON Card 20th Anniversary

→ Cooperating with subscription services

### • Participation in the Maina Point Project

→ Prepaid, debit, and post-pay  
All payment methods covered



# – Global business (Thailand)

- Enclose a high-level customer base through partnerships with leading external companies
- Strengthen online initiatives such as digitizing e-commerce benefits and services

1H

2H

① Promoting partnerships with major retail groups (July)

( Issue big C World MasterCard )

- Target customers with a higher tier (monthly income of 30,000 baht or more)
- 10% discount on Big C's e-commerce site



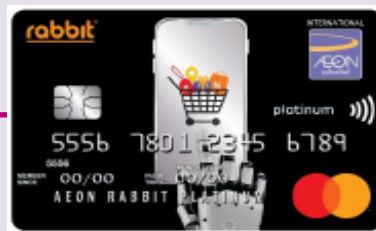
② Digital Personal Loans (October)

- Target customers with a higher tier (monthly income of 30,000 baht or more)
- App-only (card-less) service



③ Promoting alliances with elevated railway groups (October)

- ( Issue AEON Rabbit Platinum Card )
- Cultivating Businessmen in Urban Areas (Bangkok)
- E-money with prepaid transportation card
- 3% discount on online payment amount



More than 3.0 million baht

1.5 million to 3.0 million baht

Up to 1.5 million baht

# – Global business (Malaysia)

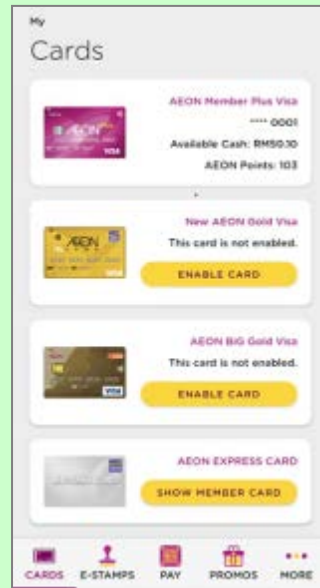
- Strengthening cashless response within the AEON Group (payment infrastructure, tools)
- Introduction of products tailored to changes in the economic environment and market needs

## 1H

### ① Enhancement of AEON Wallet App ( E-money immediate issuance service)



- Register credit cards, loan cards, and e-money
- The number of registered e-money subscribers was 1.58 million (170% year-on-year).



### ② Strengthening collaboration with group retailers

→ AEON Malaysia's acquiring business

## 2H

### ③ Efforts to automate the screening process



→ Automated identity verification with the introduction of e-KYC



→ Pre-credit for individual installments  
( Test-introduced )



→ Introduction of electronic signatures  
✳️ Applying for special permission  
( The current situation is required to be signed by law. )

- Complete indirect application
- Provide service in timely manner



# FY2020 Consolidated forecasts

(Yen)

	FY2020			
	Interim	YoY	Full term	YoY
Operating revenue	230.6bn	97.8%	460.0bn	100.6%
Operating profit	7.7bn	31.4%	10.0~ 20.0bn	15.4~30.7%
Profit attributable to owners of parent (EPS)	1.4bn (6.86)	12.3%	5.0~ 10.0bn (23.17 ~46.34)	14.6~29.3%

(Yen)

	Interim		Year End		Full Year	
	Result	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	11	Δ18	12	Δ27	23	Δ45

# (Reference) FY2020 Q1 Results (Hong Kong, Thailand, Malaysia)



		FY2019 Q2		FY2020 Q2	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$'000)	Revenue	654,867	100%	574,460	88%
	Profit before tax	230,371	83%	181,640	78%
	Profit for the period	190,394	82%	152,401	80%
AEON THANA SINSAP (THAILAND) (BAHT'000)	Total Revenues	5,663,542	112%	5,384,487	95%
	Profit before income tax	1,219,299	112%	1,215,569	100%
	Net profit for the period	977,881	112%	929,276	95%
AEON CREDIT SERVICE (M) Berhad (RM'000)	Revenue	783,034	119%	753,845	96%
	Profit before tax	179,544	75%	113,572	63%
	Profit for the period	133,727	74%	78,089	58%

※Excerpts from each company's presentation materials. Hong Kong and Thailand display the number of consolidations.

# (Reference) FY2020 Q1 Results (Hong Kong, Thailand, Malaysia)

## ■ Consolidated Results of AEON Credit Service (Asia) Co., Ltd.

(Unit: Billions of yen)

	FY2019 Q2	FY2020 Q2	
	Results	Results	YoY
Operating income	9.1	7.9	87%
Operating profit	3.2	2.5	78%
Net income	2.6	2.1	79%

Exchange rates: HKD 1

• FY2019 1H : ¥ 13.96

• FY2020 1H : ¥ 13.82

Fiscal period

: 1/3/2020 to 31/8/2020

## ■ Consolidated Results of AEON THANA SINSAP (THAILAND) PLC.

	FY2019 Q2	FY2020 Q2	
	Results	Results	YoY
Operating income	19.7	18.2	92%
Operating profit	4.2	4.1	97%
Net income	3.4	3.1	92%

Exchange rates: THB 1

• FY2019 1H : ¥ 3.49

• FY2020 1H : ¥ 3.39

Fiscal period

: 1/3/2020 to 31/8/2020

## ■ Results of AEON Credit Service (M) Berhad

	FY2019 Q2	FY2020 Q2	
	Results	Results	YoY
Operating income	20.7	18.9	91%
Operating profit	4.7	2.8	60%
Net income	3.5	1.9	55%

Exchange rates: MYR 1

• FY2019 1H : ¥ 26.46

• FY2020 1H : ¥ 25.12

Fiscal period

: 1/3/2019 to 31/8/2020

# (Reference) Allowance for Doubtful Accounts and Allowance for Loss on Refund of Interest Received by Segment

## ■ Allowance for Doubtful Accounts (by Segment)

	Retail	Solutions	Domestic Total
Allowance for doubtful accounts, balance at beginning of period	¥2.8bn	¥51.6bn	¥53.8bn
Provision of allowance for doubtful accounts	¥1.8bn	¥16.8bn	¥18.6bn
Write-off of doubtful accounts (including transferred debt)	¥0.1bn	¥10.4bn	¥10.6bn
Allowance for doubtful accounts balance at end of period	¥4.5bn	¥57.9bn	¥61.9bn

(Subsidiaries in domestic) AEON Credit Service : ¥40.1bn, AEON Bank : ¥4.5bn, AEON Product Finance : ¥7.9bn, AEON Housing Loan Service : ¥1.6bn

## ■ Allowance for Loss on Refund of Interest Received

	FY2019 Q2	FY2020 Q2
Beginning of period	¥4.1bn	¥4.9bn
Provision	¥0.7bn	¥0.4bn
Interest refunded	¥1.0bn	¥1.4bn
End of period	¥3.8bn	¥3.9bn

(Interest claims amount :  
Cash out + principal payout)

	China Area	Mekong Area	Malay Area	Global Total	Consolidated
Allowance for doubtful accounts, balance at beginning of period	¥3.8bn	¥34.5bn	¥21.0bn	¥59.4bn	¥114.3bn
Provision of allowance for doubtful accounts	¥1.9bn	¥18.7bn	¥12.2bn	¥32.8bn	¥51.4bn
Write-off of doubtful accounts (including transferred credit)	¥2.1bn	¥11.0bn	¥5.2bn	¥18.5bn	¥29.1bn
Allowance for doubtful accounts, balance at end of period	¥3.6bn	¥42.1bn	¥27.9bn	¥73.7bn	¥136.6bn

Statements contained in this report with respect to the Company's management strategies, business policies and results forecasts are forward-looking statements about the future performance of the Company, which are based on the assumptions and beliefs in light of the information currently available. These forward-looking statements involve various uncertain factors including known and unknown risks such as economic trends, industry competition, market demand, exchange rates, tax and other systems that may cause the Company's actual results, performance or achievements to differ materially from the expectations expressed herein.



# AEON Financial Service