

FY2020 IR Presentation Material

April 9, 2021

Key points of the announcement of this financial results

Q4 Earnings Summary

- Consolidated financial results for the full year were increased revenue and decreased profit.
- Total operating receivables increased from the beginning of the fiscal year, mainly for domestic housing loans and auto loans.
- In the fourth quarter, the negative impact of the third wave of infection was lower than expected. In some countries, delinquent loans decreased due to benefit re-payment, etc., and costs related to bad debts were reduced.
- Operating revenue, profit and net income increased from the previous forecast (January 13, 2021) and raised the dividend forecast.

FY2021 Earnings - Dividend Forecasts

- After considering the impact of the corona in the previous fiscal year (such as a decrease in the outstanding balance of high-yielding receivables and a reduction in the interest rate cap) and the upfront burden of growth investments in the new medium-term management plan, earnings forecasts for this fiscal year are expected to increase operating revenue and profit.
- Taking into account the balance between growth investment and profit growth, dividend forecasts are expected to increase.

1. Consolidated results by segments
2. Consolidated results by area
3. Overview of the new medium-term management plan
4. FY2021 earnings forecasts

【Period of consolidated results in financial statements for the previous fiscal year】

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 (March 1, 2020 - February 28, 2021) for 12 months**
- **The previous consolidated FY (April 1, 2019 – February 29, 2020) for 11 months**
(The year-on-year ratio is compared to the 12-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.

1. Consolidated results by segments - Deviations from company forecasts

【Factors that diverge between forecasts and actual results】

<4Q assumptions at the time of forecast announcement>

- In major countries such as Japan, Thailand, and Malaysia, the closure of commercial facilities and business hours have been shortened due to strict economic restrictions due to the third wave of infection.
- Credit risk increased due to the deterioration of the employment environment, the activation of deferred repayment measures, and the suspension of debt collection activities.



<Actual 4Q situation>

- Restrictions on activities may be stricter or re-issued in some countries, but the impact on handling volumes will be limited.
- Credit risk has been reduced, mainly in Malaysia, where permission to re-pay benefits and partially draw out pension reserves has been issued, and additional costs related to bad loans have been reduced.

	Forecast	Results	Change	Percentage
Operating revenue	¥470.0bn	¥487.3bn	+¥17.3bn	+3.7%
Operating profit	¥27.0 to ¥33.0bn	¥40.6bn	+¥76 to ¥13.6bn	+23.2 to 50.6%
Profit attributable to owners of parent	¥11.0 to ¥14.0bn	¥17.6bn	+¥3.6 to ¥6.6bn	+26.4 to 60.9%
Net profit per share	¥50.97 to ¥64.87	¥81.99	+¥17.12 to ¥31.02	+26.4 to 60.9%

1. Consolidated results by segments - Main initiatives (Domestic)

- Develop face-to-face and non-face-to-face channels to meet consultation and application needs
- Promotion of cashless payments by promoting the spread of touch payments

Anti-epidemic measures



Online consultation



Self-consultation booth



Touch payment

- Credit cards with touch payment function : 8.66 million (as of the end of February)
- Major international brands (VISA, Master, JCB)
The correspondence is the first in Japan



Online credit card statement

- From NOV 2019 statement , Aeon card statements are shifted to online.
- From NOV 2020 statement , all Aeon card statements are shifted to online.
- February 2021 statement (Apr 2 withdraw)
online ratio: 84.3%
(2.6 times before online announcement (MAR 2019statement))

1. Consolidated results by segments - Main initiatives (Global)

- Promotion of service offering centered on smartphone apps
- Strengthen cooperation with local AEON Group retailers and leading external companies

Online service-delivering channels

[HK]
Online-complete personal loans



[TH]
Digital Personal Loans
 → service with only a single app (cardless)

[MY]
Expand app's function (Immediate issuance of electronic money)



Strengthen collaboration with companies inside and outside the Group

[TH]
Issued collaboration cards with major retail and transportation companies.

Big C world Master card



AEON Rabbit Platinum card



[MY]
Collaboration with Local Retail AEON Malaysia's Myaeon (AEON Online Mall)
 → Use accumulated points for purchasing on the site

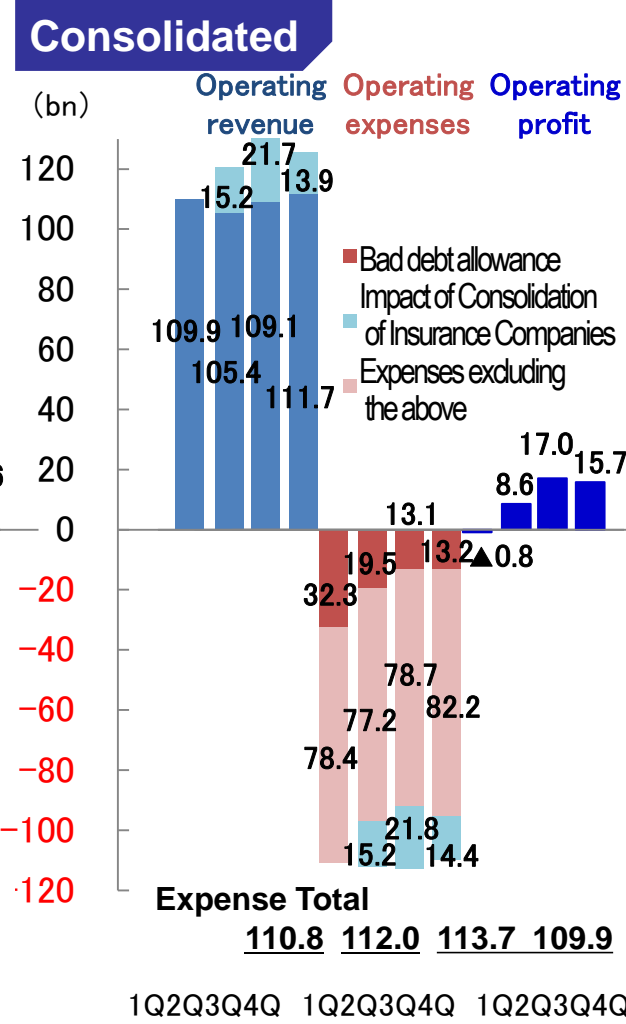
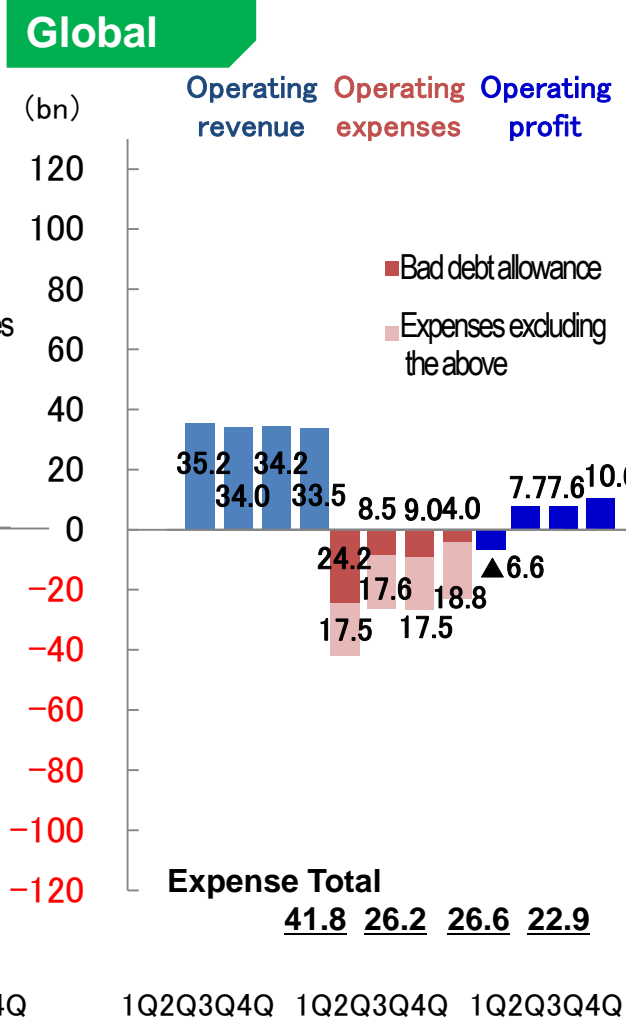
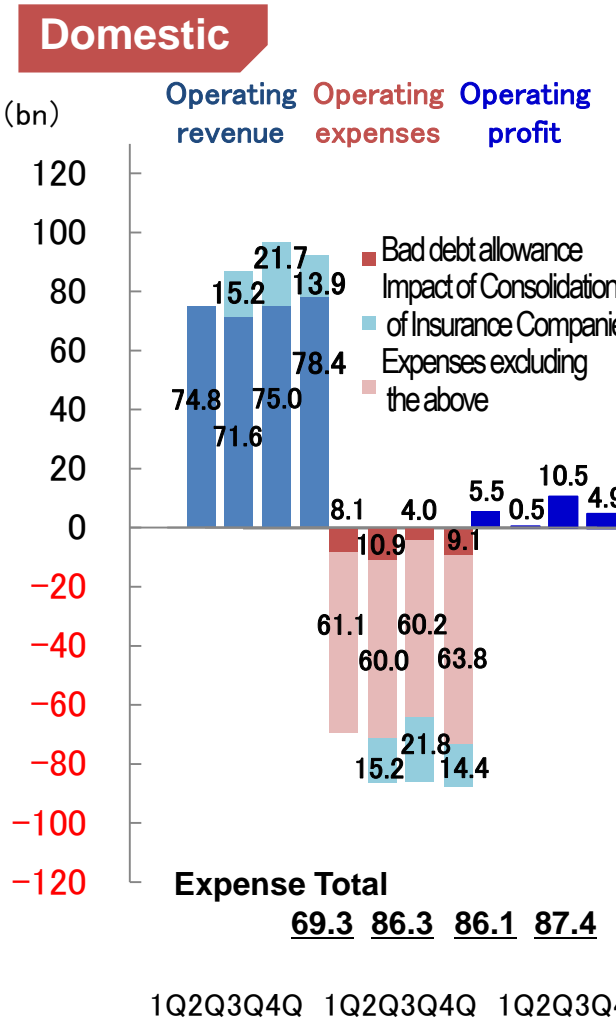


1. Consolidated results by segments - Full-year results

(Unit: Billions of yen)	Domestic			Global			Consol. Total ※3	
	Total ※1	Retail ※2	Solution ※2	Total ※1	China Area	Mekong Area		Malay Area
Operating Revenue	350.9	230.2	182.7	137.1	15.5	73.8	47.6	487.3
YoY	116%	124%	101%	89%	82%	88%	92%	107%
Change	+48.9	+43.8	+1.0	△17.8	△3.3	△10.2	△4.2	+30.0
Operating Profit	21.6	4.6	16.6	19.4	4.5	10.7	4.1	40.6
YoY	59%	31%	70%	66%	77%	63%	66%	62%
Change	△14.7	△10.3	△7.0	△9.8	△1.3	△6.3	△2.1	△24.4
Operating Profit Ratio	6.2%	2.0%	9.1%	14.2%	29.2%	14.5%	8.8%	8.3%
YoY	△5.9pt	△6.0pt	△3.9pt	△4.7pt	△3.1pt	△2.3pt	△4.8pt	△5.9pt
※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 <Reference>: Profit on securitized receivables: ¥13.9 bn (year-on-year difference -¥15.9 bn)							Profit attributable to owners of parent	17.6
							YoY	52%

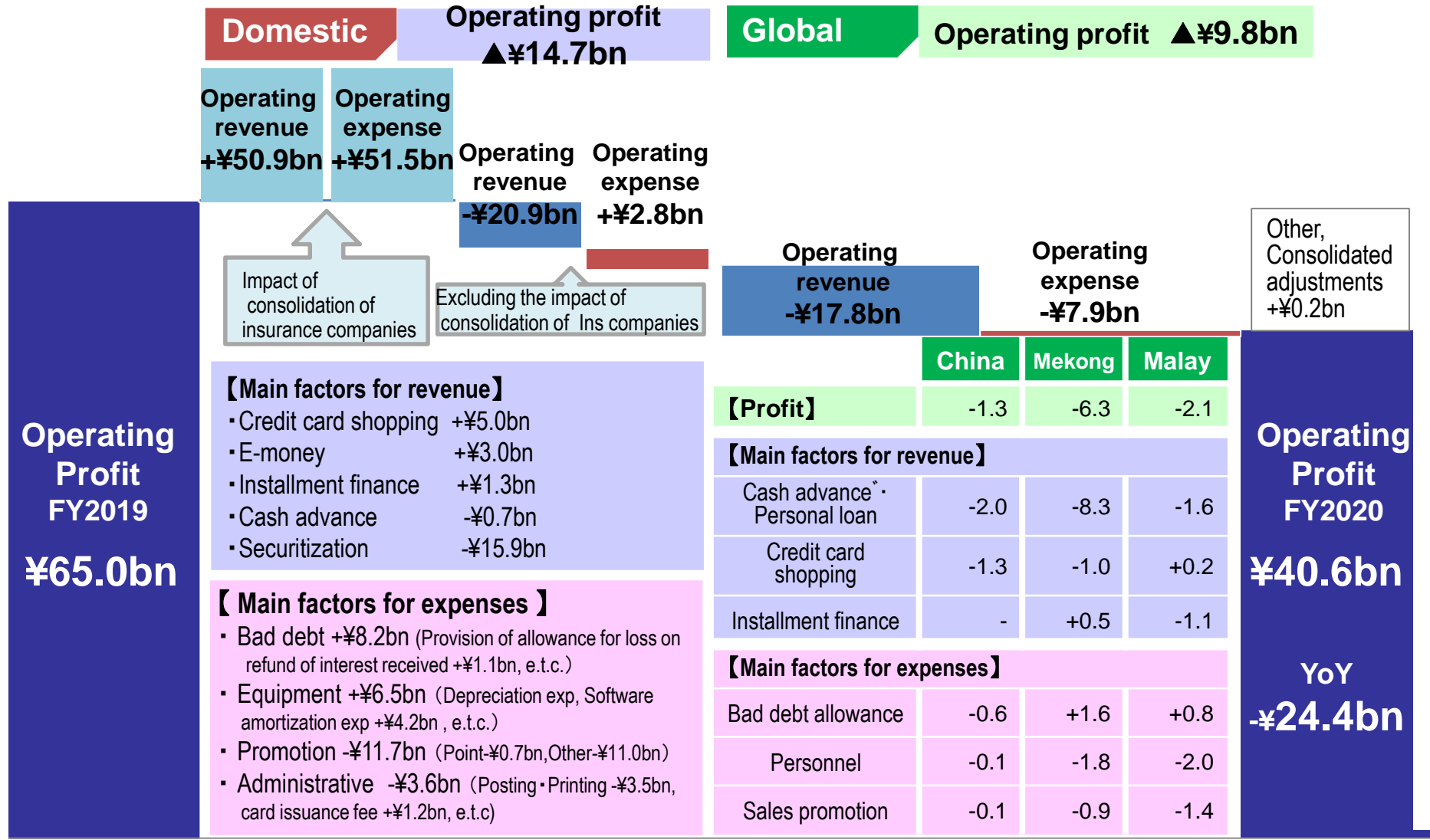
1. Consolidated results by segments - Quarterly Performance trends (Domestic and Global)

- In Domestic, revenue excluding the impact of consolidation of insurance companies increased from the second quarter onwards.
- In Global, control of bad debt-related expenses by managing deferred repayment claims, etc.



1. Consolidated results by segments - Factors contributing to increase or decrease in profit by area

Both domestic and international efforts were made to control costs, and the previous forecast was raised.



※Figures for each business are numeric after elimination between segments, excluding head office and functional companies.

2. Consolidated results by area

■ Affected by the corona disaster, the decline in the amount outstanding of receivables in Global business has been on a recovery trend.

	(unit : billion yen)	Q4		Comulative Q4				
		Transaction volume	YoY (Compared to the same period of the previous year)	Transaction volume	YoY (Compared to the same period of the previous year)	Balance of operating receivables ※2	Increase or decrease at the start of the fiscal year	compared to 3Q
Domestic	Credit card	1,533.2	146% (94%)	5,977.0	104% (95%)	1,449.2	△137.8	△104.2
	Card shopping	1,464.6	149% (95%)	5,676.8	106% (97%)	1,041.4	△72.2	△86.8
	Cash advance	68.5	105% (73%)	300.2	79% (72%)	428.8	△65.6	△17.3
	Installment finance	52.4	147% (95%)	218.4	100% (90%)	708.2	+12.8	△16.8
	Housing loans ※3	139.6	153% (105%)	599.4	126% (107%)	2,680.6	+406.9	+95.9
Global	Credit card	80.3	73%	309.7	73%	190.7	△10.9	+1.6
	Card shopping	62.0	80%	231.5	80%	97.7	△3.3	+1.4
	Cash advance	18.3	57%	78.1	58%	92.9	△7.5	+0.1
	Installment finance	22.2	63%	82.2	62%	207.9	△1.4	+1.2
	Personal loans	25.1	72%	89.9	57%	230.6	△18.1	+0.0

※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	46.13	29.45	16.68
Diff start of FY	+0.86	+0.56	+0.30

【Domestic】

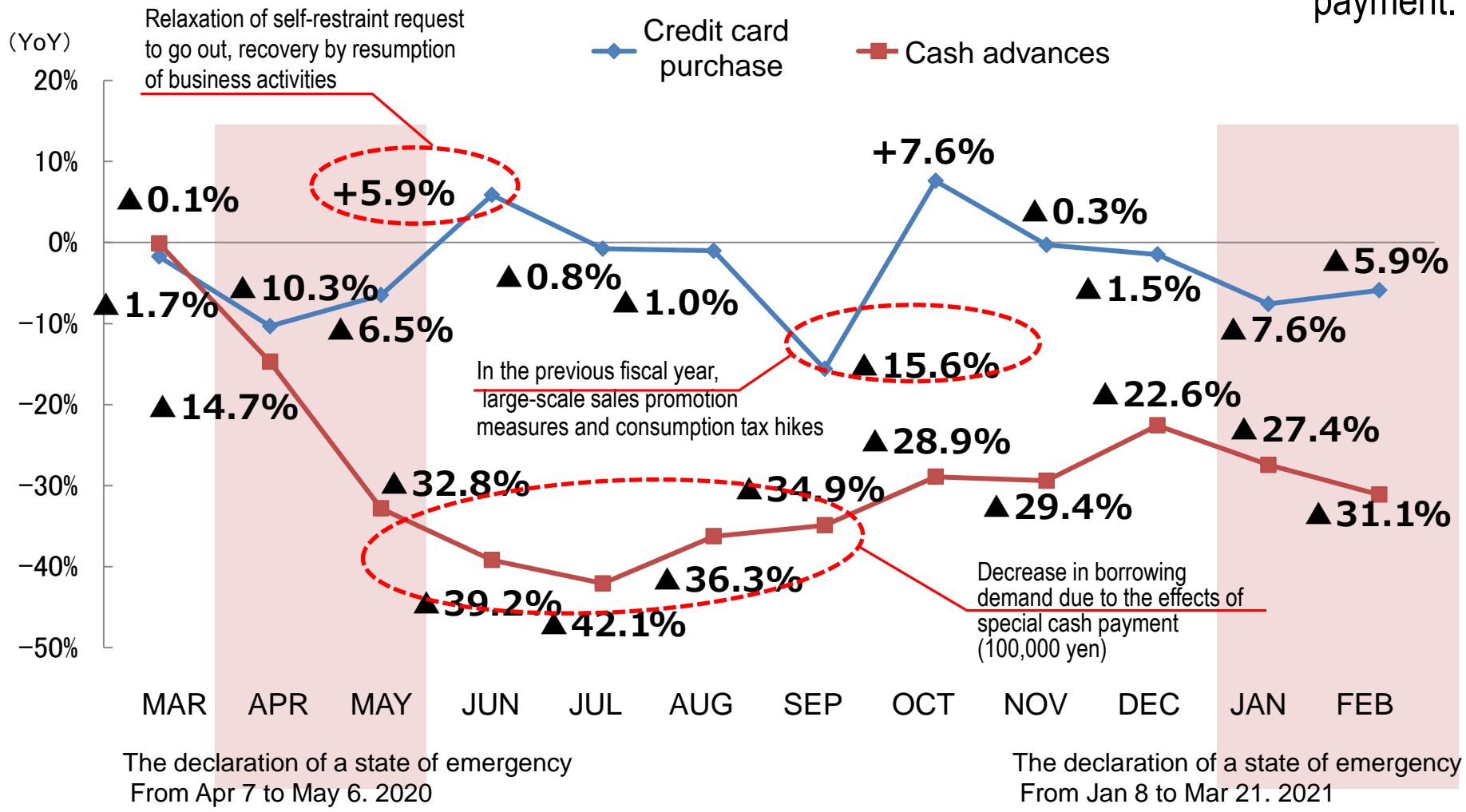
- 1,610,000 new card members (80% year-on-year, ▲390,000)
→ In the previous FY, there was an impact of the large-scale enrollment campaign.
- For mortgage loans, refinancing consultations and application demand are enclosed in stores and on the web.

【Global】

- Installment finance are recovering in Malaysia mainly on motorcycles.
- Personal loans are reviewed after screening risks in each country.

2. Consolidated results by area - Credit Card Shopping Volume Trends (Domestic)

- Credit card purchase: During the period of the declaration of a state of emergency, consumption in particular shrank.
- Cash advance: There are effects such as shrinking demand for funds and special cash payment.

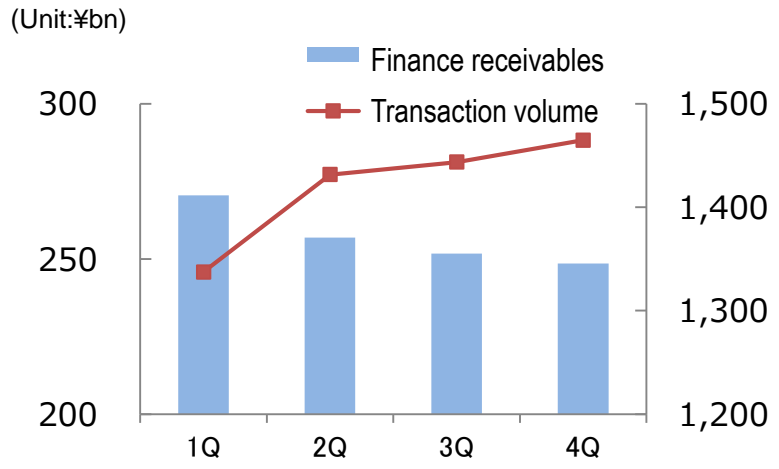


Domestic - Trends in various transactions and outstanding receivables of main products

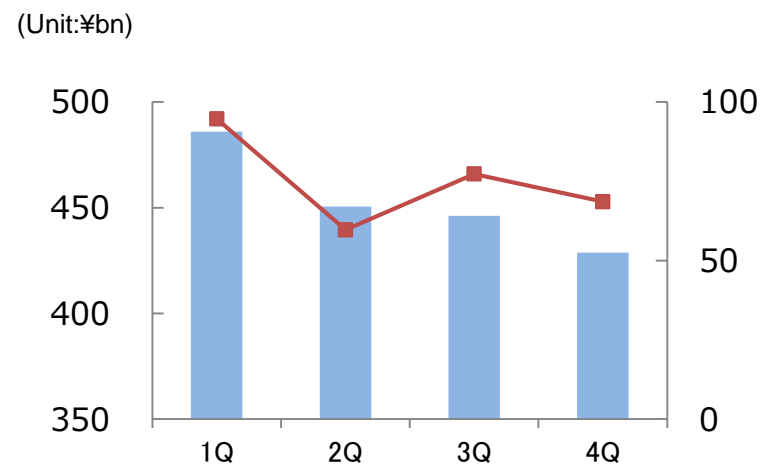
- Card shopping volumes were on a recovery trend.
- Housing loans volumes remained strong and firmly accumulated the outstanding of receivables.

Credit card purchase

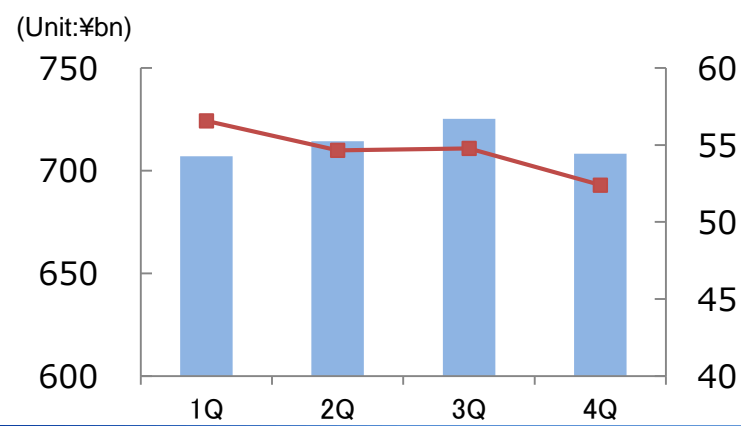
※Revolving payment installment receivables outstanding.



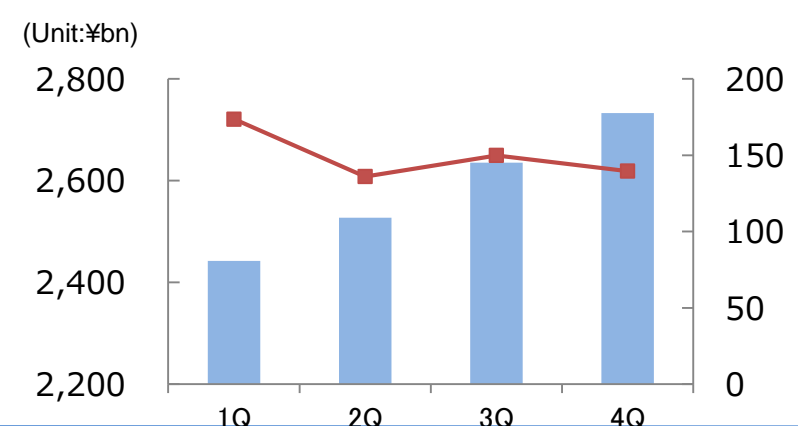
Cash advance



Installment finance

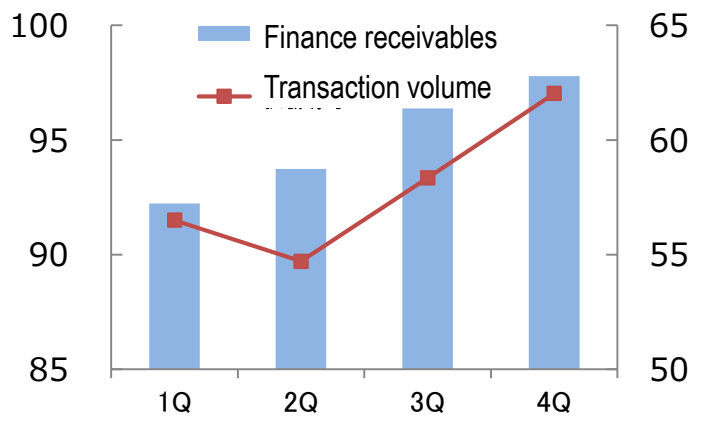


Housing loans

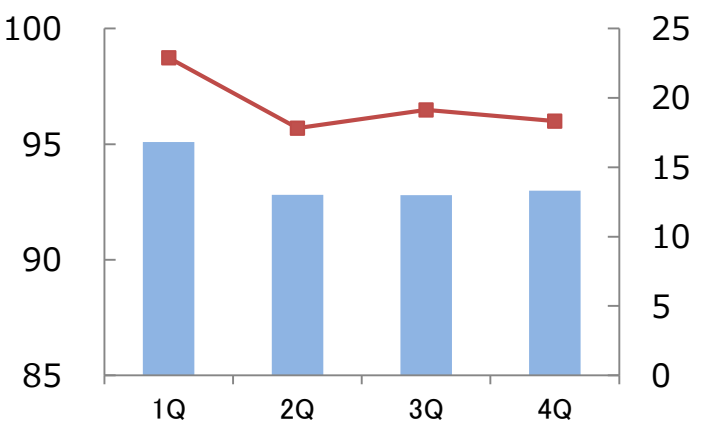


- Along with the recovery in economic activity, sales of goods (credit card purchase, installment finance) improved.
- Loans were temporarily revised to stricter examination standards, and the decline in loan balances bottomed out.

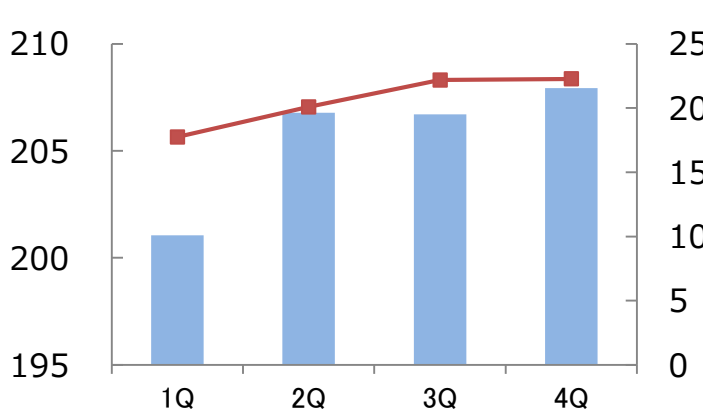
Credit card purchase



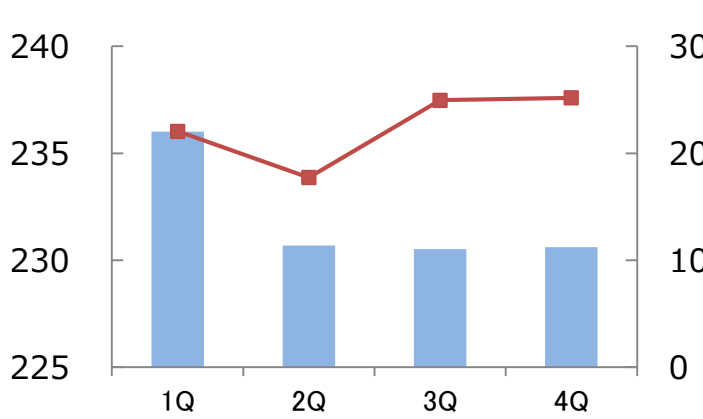
Cash advance



Installment finance



Housing loans

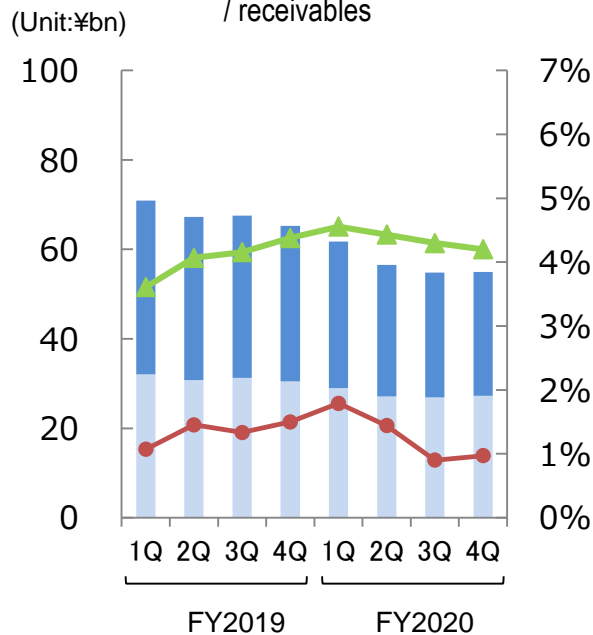


2. Consolidated results by area - Trends in finance receivables (Global)

- Mainly in the first quarter, expenses related to bad debts in preparation for future risks increased, including deferred repayment receivables.
- Since the Q3, the collection of deferred repayment receivables in Thailand, Malaysia has progressed, and costs related to bad debts remained at a low level, even as the NPL ratio increased due to the delinquent progress of some loans.
- In the Q4, the collection ratio of newly delinquent and existing delinquent loans improved due to the re-payment of benefits in Malaysia and a partial pension reserves program. The ratio of bad debt expenses compared to the outstanding receivables has decreased significantly.

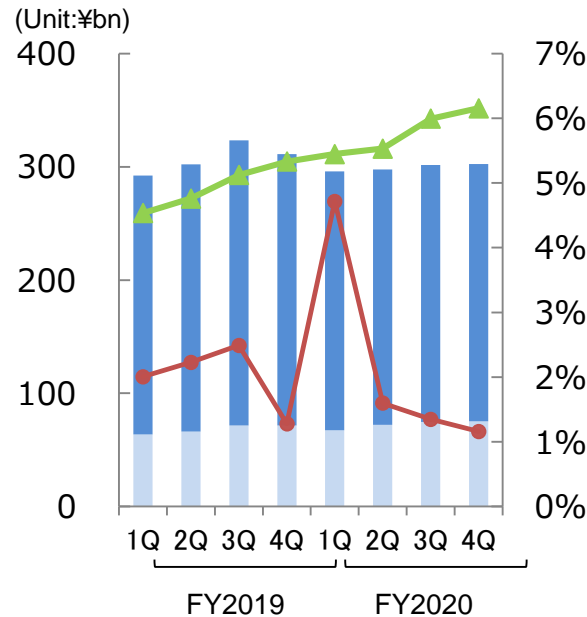
China Area

■ Finance receivables
● Bad debt expenses / receivables

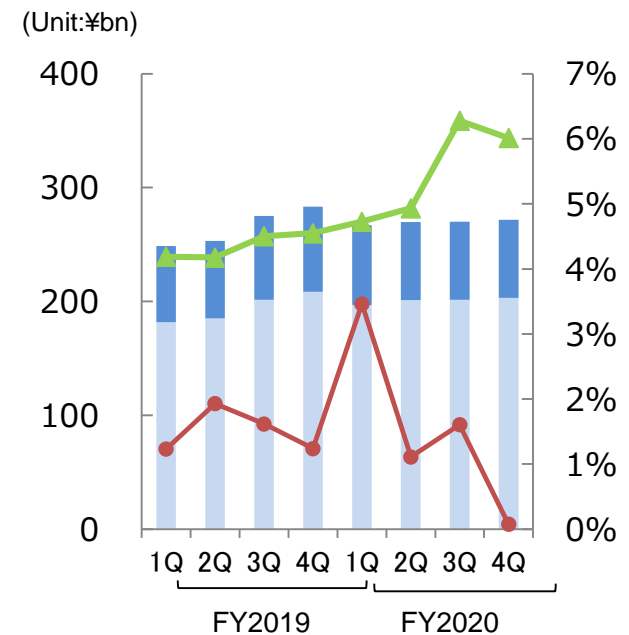


Mekong Area

■ Operating loans
▲ NPL ratio ※The NPL ratio includes condition-easing receivables.



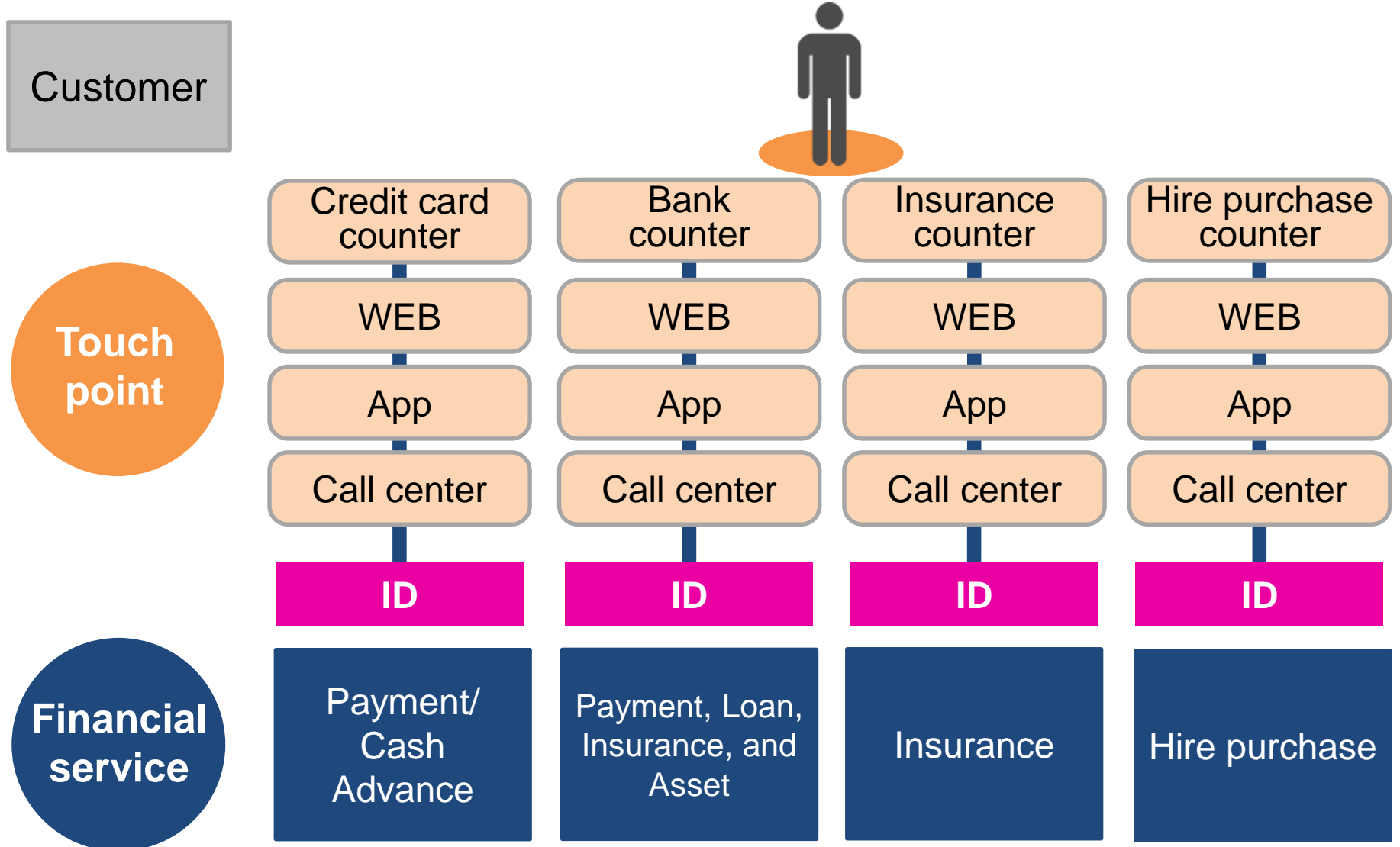
Malay Area



Summary of the medium-term management plan <FY2021-2025>

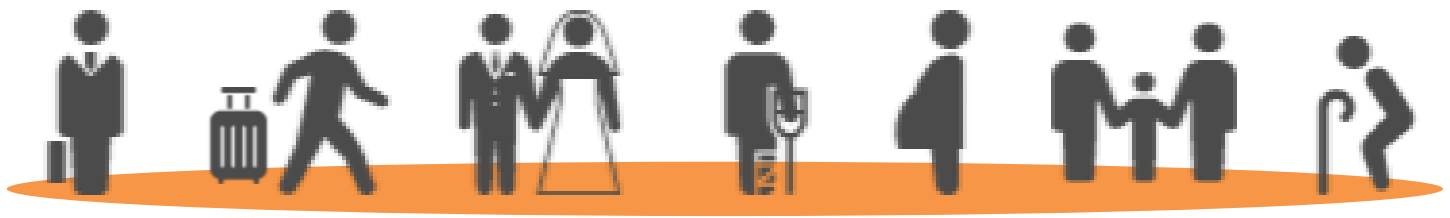
Current state of the AFS Group's service

- Structure in which each company individually provides optimal services to customers and maximizes profits based on its own, independent management policies

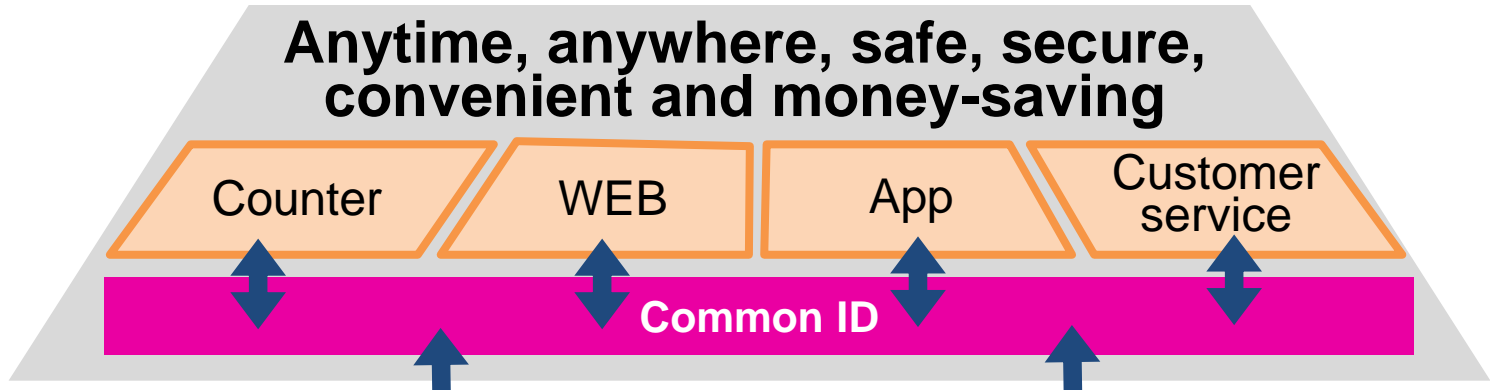


Our vision for the medium-term

Customer's life stage



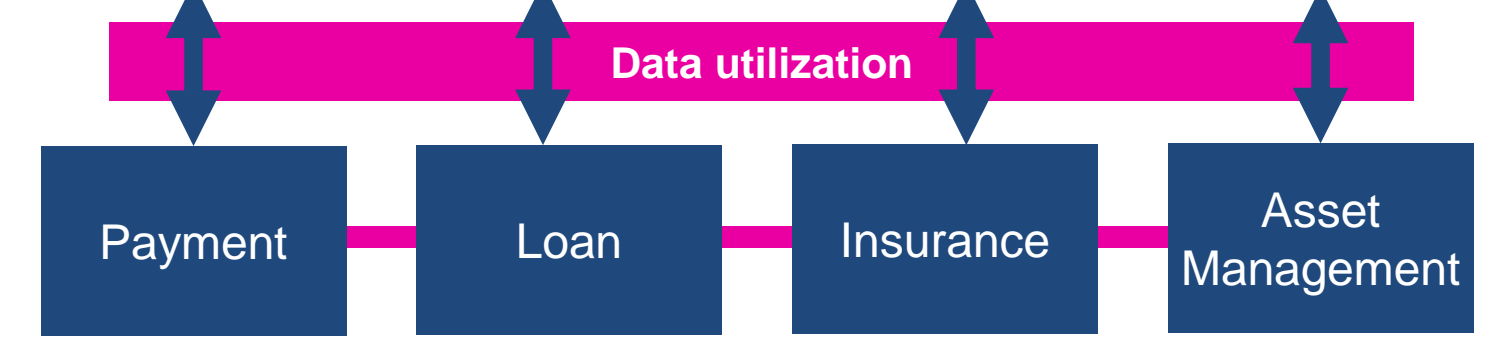
Touch point



Lifestyle service



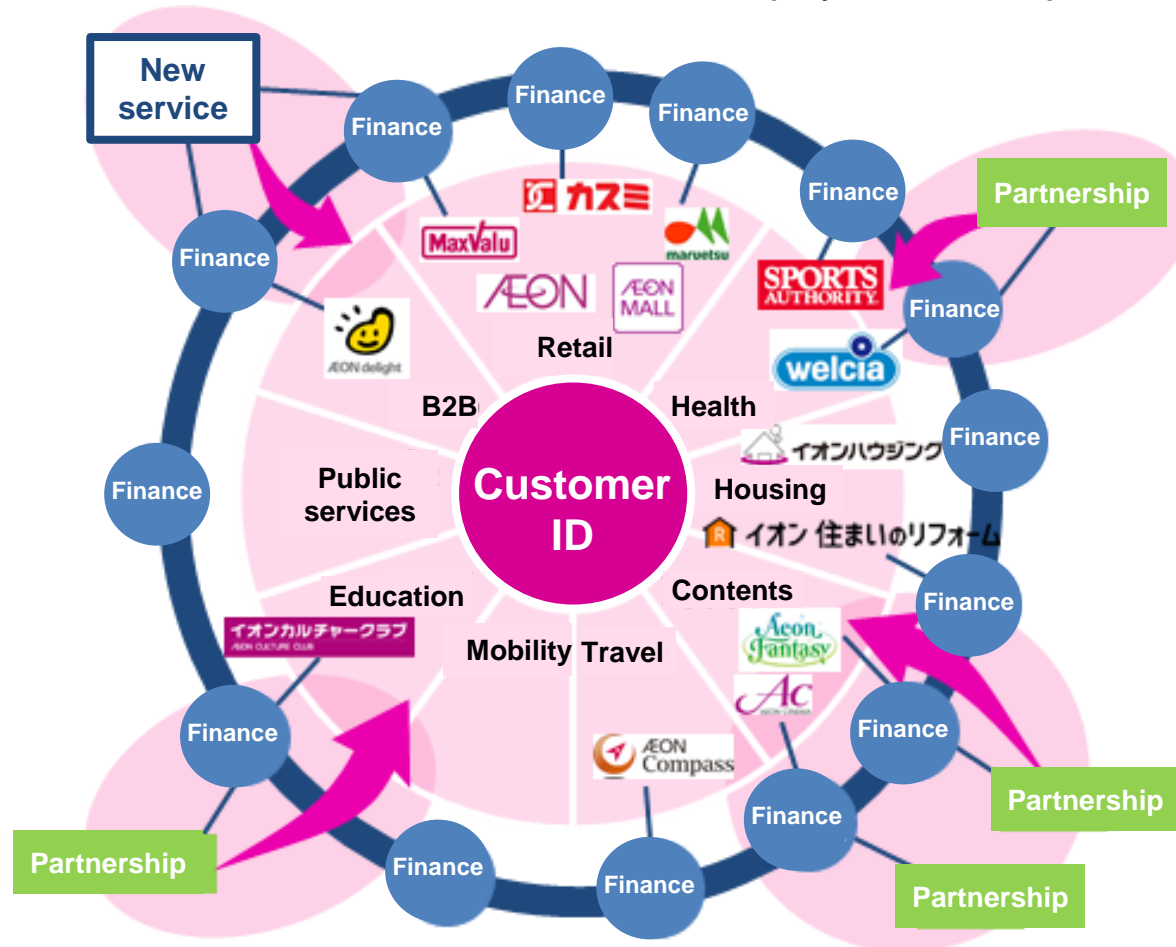
Financial service



Second founding

Value chain transformation and new network creation

Build an eco-system (marketplace) by connecting the services of the AEON Group and its partners with financial services such as payment and point systems



Domestic

- (1) Creating infrastructures for the AEON living zone
- (2) Incorporating the needs of local communities and customers
- (3) Improving risk control and cost control capabilities

Global

- (1) Realizing digital financial inclusion in each country
- (2) Expanding the business, products, and service area
- (3) Formulating and implementing area based strategies that respond to differences in the needs of urban and rural area

Priority measures (domestic)

Creating infrastructures for the AEON living zone

Group cashless operation

- Standardization of the Group's ID
- Promotion of the AEON card as the main card to customers

Creation of a payment network in each region

- Expansion to merchants inside and outside the Group

Cross-selling through data utilization

- Establishment of a data management system
- Providing one-stop financial and lifestyle services through multichannel touchpoints

Incorporating the needs of local communities and customers

Acquisition of customers outside the AEON living zone

- Acquisition through affiliated partners
- Expansion of partnerships with local governments and local merchants
- Development of new business areas and acquisition of the upstream service of the AEON Group's value chain

Improving risk control and cost control capabilities

- Reduction of bad-debt expenses through credit control sophistication
- Expansion of the customer base based on new scoring models
- Integration of the headquarters functions and reform of the organizational structure

Priority measures (global)

Realizing digital financial inclusion in each country

Customer base expansion with digital finance inclusion

- Migration of interface to mobile apps in each country
- Establishment of screening methods through the utilization of data and AI, and reducing bad debt allowance
- Building a marketplace through collaboration with AEON and partners

Expanding the business, products, and service area

Resource investment in key areas

- Expansion of the business portfolios in Thailand and Malaysia (insurance and asset formation products, alliances)
- Expansion of the business by obtaining licenses in Vietnam and other countries (fourth growth area)

Formulating and implementing area based strategies that respond to differences in the needs of urban and rural area

Review of region strategy

- Identifying differences among areas and among industries, and expanding strategies for sales and marketing accordingly
- Creation of innovative digital touchpoints and optimization of the branch network

Main numerical targets

(Unit: Billions of yen)

	FY2019 (Actual)	FY2020 (Actual)	FY2025 (Target)
Operating Revenue	457.3	487.3	760.0
Operating Profit	65.0	40.6	100.0
Operating Profit Ratio domestic : global	55% : 45%	53% : 47%	40% : 60%

Milestone

Develop the infrastructure in the transformation phase in order to reach the profit expansion phase

Priority investment period
ID acquisition, app development,
and insurance

FY2021-2022
<Transformation phase>

FY2023-2025
<Profit expansion phase>

FY2021 earnings forecasts

【Domestic】 Initiatives for Common Group IDs

- Build a group loyalty program to share customer base
- Fusion of Financial Services and Daily Life Services
- Promoting cashless activities through a group

【Domestic】 Expansion of cross-selling

- Creditor group insurance provided by AEON Allianz Life Insurance Co., Ltd.
- Cross-sell for health-related service (medical, sports, food, etc.) with health promotion insurance as a hook

【Global】 Digital Financial Inclusion

- Development of a complete application for financial services using smartphones
- Expansion of customer base (ID) through sophistication of credit and receivables management
- Promote partnerships and collaborations with business partners inside and outside the AEON Group

FY2021 Consolidated forecasts

(Yen)

	Full term	YoY
Operating revenue	490.0 – 520.0 bn	101 – 107 %
Operating profit	41.0 – 46.0 bn	101 – 113 %
Profit attributable to owners of parent (EPS)	19.0 – 21.0 bn (88.04 – 97.31)	107 - 119 % (+6.05 – +15.32)

	Interim		Year End		Full Year		Payout ratio	
	Forecast	YoY	Forecast	YoY	Forecast	YoY	Forecast	YoY
Dividend forecast	14	+3	26	+3	40	+6	41.1 – 45.4%	Δ0.4 – +3.9pt

(Notes: The dividend forecast for fiscal 2021 includes 2 yen at end of the second quarter and 2 yen at the end of the fiscal year of commemorative dividend for our 40th year of business.)

(Reference) Business performance excluding the impact of consolidation of insurance companies

■ P/L was consolidated from the second quarter of this fiscal year due to the consolidation of insurance companies.

(Figure are on the right for the impact)

■ Excluding the above effects, operating revenue for Q4 alone increased compared to the previous year.

*4Q of Domestic business (adjustment of fiscal year-end change)

【Results excluding the impact of consolidation of insurance companies】

【Figures for the impact (Domestic Business)】

(Unit: Billions of yen)	Q1	Q2	Q3	Q4	Cumulative
Operating revenue	-	15.2	21.7	13.9	50.9
Operating Expenses	-	15.2	2.18	14.4	51.5
Operating profit	-	0.0	▲0.1	▲0.4	▲0.6

(Unit: Billions of yen)	Q1	YoY	Q2	YoY	Q3	YoY	Q4	YoY	Cumulative	YoY
Consolidated operating revenue	109.9	98%	105.4	85%	109.1	91%	111.7	111%	436.3	95%
Domestic	74.8	100%	71.6	83%	75.0	92%	78.4	132%	299.9	99%
Global	35.2	94%	34.0	90%	34.2	88%	33.5	82%	137.1	89%
Consolidated operating expenses	110.8	113%	96.8	86%	91.9	90%	95.5	121%	395.0	101%
Domestic	69.3	100%	71.0	89%	64.2	95%	73.0	148%	277.7	105%
Global	41.8	145%	26.2	80%	26.6	79%	22.9	77%	117.7	94%
Consolidated operating profit	▲0.8	-	8.6	76%	17.2	95%	16.2	74%	41.2	63%
Domestic	5.5	99%	0.5	8%	10.7	78%	5.4	54%	22.2	61%
Global	▲6.6	-	7.7	160%	7.6	151%	10.6	97%	19.4	66%

(Reference) Consolidated balance sheet

Consolidated results (Unit: Billions of yen)	Results	Change from start of FY
Cash and deposits	705.7	△57.1
Operating Loans	7,82.9	△77.6
Loan and bills discounted for banking business	1,998.3	+323.5
Accounts receivable – installment	1,521.1	△21.9
Allowance for doubtful accounts	△133.3	△19.0
Other Assets	1,248.8	+194.5
Total assets	6,123.7	+342.3
Deposits	4,018.6	+228.4
Interest-bearing debt (excl. deposits)	1,043.2	△21.5
Other liabilities	587.1	+119.8
Total liabilities	5,649.0	+326.7
Total equity	474.6	+15.5
Total liabilities and equity	6,123.7	+342.3

Topics ※(): Change from start of FY

- Domestic balance: ¥653.1bn (-¥62.9bn) *including holding company
→ Increase in outstanding mortgage receivables due to strong transaction volumes

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

- Balance incl. securitization: ¥4,507.6bn (+¥354.3bn) in which, Domestic balance: ¥4,142.4bn (+¥382.2bn) in which, Global balance: ¥323.5bn (-¥25.7bn)
- Securitized amount (Domestic only): ¥1,726.3bn (-¥108.4bn)

- Balance incl. securitization: ¥2,060.0bn (-¥65.5bn) in which, Domestic balance: ¥1,749.7bn (-¥59.4bn) in which, Global balance: ¥305.7bn (-¥4.8bn)
- Securitized amount (Domestic only): ¥538.8bn (-¥43.6bn)

Securities for insurance business: ¥70.2bn (+¥70.2bn)

【Deposit on AEON Bank】

- Ordinary deposits: ¥3,265.1bn (+¥273.9bn)
- Time deposits: ¥661.5bn (-¥66.5bn)
- Foreign currency deposits: ¥91.2bn (+¥21.7bn)

- Domestic balance: ¥594.5bn (+¥55.9bn)
→ Short-term borrowings: ¥170.1bn (+¥72.8bn)
- Global balance: ¥448.7bn (-¥56.6bn)
- ※ Domestic and global amounts include figures for holding company and shared function companies

(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	¥2.6bn	¥25.3bn	¥28.0bn
Write-off of doubtful accounts (including transferred debt)	¥0.6bn	¥19.4bn	¥20.1bn
Allowance for doubtful accounts balance at end of period	¥4.8bn	¥57.4bn	¥61.7bn

(Subsidiaries in domestic) AEON Credit Service : ¥39.6bn, AEON Bank : ¥4.8bn, AEON Product Finance : ¥8.2bn, AEON Housing Loan Service : ¥1.7bn

■ Allowance for Loss on Refund of Interest Received

	FY2019	FY2020
Beginning of period	¥4.1bn	¥4.9bn
Provision	¥3.1bn	¥4.3bn
Interest refunded	¥2.3bn	¥3.5bn
End of period	¥4.9bn	¥5.7bn

(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	¥2.9bn	¥26.2bn	¥16.7bn	¥46.0bn	¥74.0bn
Write-off of doubtful accounts (including transferred credit)	¥3.5bn	¥18.9bn	¥12.2bn	¥34.7bn	¥55.0bn
Allowance for doubtful accounts, balance at end of period	¥3.2bn	¥41.9bn	¥25.5bn	¥70.6bn	¥128.6bn

(Reference) Domestic Card Shopping Volume Trends

■ Life-related industries performed well.
 On the other hand, industries that have a large impact on self-restraint are sluggish.

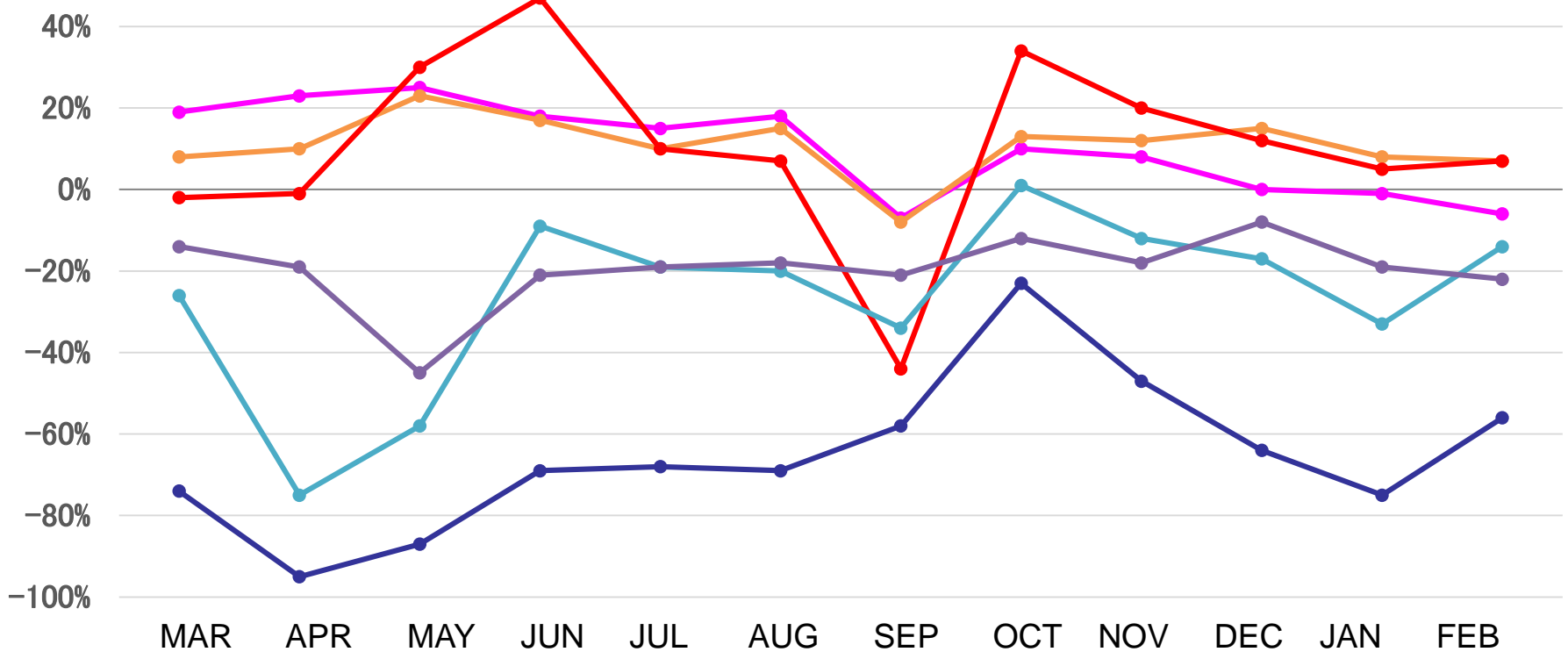
Year-on-year change in volume by industry and business type

Strong industries:

- Food supermarkets, Convenience stores.
- Mail-order shopping (internet, TV, etc.)
- Furniture, Home appliances

Unwell industries:

- Malls, Department Stores
- Gasoline, ETC, Car Supplies
- Transportation, Travel, Leisure and Entertainment



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



		FY2019 Q4		FY2020 Q4	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$'000)	Revenue	1,297,686	98%	1,089,858	84%
	Profit before tax	444,930	85%	357,946	80%
	Profit for the period	370,083	85%	301,575	81%
AEON THANA SINSAP (THAILAND) (BAHT'000)	Total Revenues	23,300,952	113%	21,301,902	91%
	Profit before income tax	5,143,787	116%	4,647,114	90%
	Net profit for the period	4,120,231	116%	3,680,034	89%
AEON CREDIT SERVICE (M) Berhad (RM'000)	Revenue	1,598,775	117%	1,561,660	98%
	Profit before tax	390,441	83%	324,907	83%
	Profit for the period	292,046	82%	233,957	80%

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

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

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

(Unit: Billions of yen)

	FY2019	FY2020	
	Results	Results	YoY
Operating income	18.1	14.9	82%
Operating profit	6.2	4.8	79%
Net income	5.1	4.1	80%

Exchange rates: HKD 1
 • FY2019 : ¥13.96
 • FY2020 : ¥13.68

Fiscal period
 : 1/3/2020 to 28/2/2021

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

	FY2019	FY2020	
	Results	Results	YoY
Operating income	82.2	72.4	88%
Operating profit	18.1	15.8	87%
Net income	14.5	12.5	86%

Exchange rates: THB 1
 • FY2019 : ¥ 3.53
 • FY2020 : ¥ 3.40

Fiscal period
 : 1/3/2020 to 28/2/2021

■ Results of AEON Credit Service (M) Berhad

	FY2019	FY2020	
	Results	Results	YoY
Operating income	42.1	395.5	94%
Operating profit	10.2	8.2	80%
Net income	7.6	5.9	77%

Exchange rates: MYR 1
 • FY2019 : ¥ 26.36
 • FY2020 : ¥ 25.35

Fiscal period
 : 1/3/2020 to 28/2/2021

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