

FY2020 Third Quarter IR Presentation Material

January 13, 2021

Q3 Earnings Summary

- Consolidated financial results for the third quarter were increased income and decreased profit
- Consolidated operating income for the third quarter alone(excluding the impact of consolidation of insurance companies) and operating receivables recovered from the second quarter.
- Costs were reduced from the same period of the year, mainly in Japan.
Consolidated operating income for the third quarter alone was at the same level as the same period last year.
- Accelerating the construction of indirect and non-contact sales structure in coronal disaster.

Revision of full-year earnings forecast

- The company's consolidated operating profit for the third quarter were revised upward after a forecast for the previous quarter (July 8, 2020).
- In view of concerns about the growing impact of the third wave worldwide, we will continue to use the range format in this forecast.
- Dividends are reviewed at an appropriate time after assessing the certainness of the profit attributable to owners of parent.

1. Consolidated results by segments
2. Consolidated results by area
3. Impact of covid-19 and main initiatives
4. Revision of full-year earnings forecast

1. Consolidated results by segments

(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	258.5	169.0	136.6	103.5	12.0	56.3	35.1	361.5
YoY	107%	112%	94%	91%	85%	91%	92%	102%
Change	+16.3	+17.6	△8.2	△10.5	△2.1	△5.3	△2.9	+5.4
Operating Profit	16.6	2.4	14.0	8.8	3.6	6.1	△0.9	24.8
YoY	65%	26%	79%	48%	80%	64%	-	58%
Change	△9.1	△7.0	△3.8	△9.5	△0.8	△3.4	△5.2	△18.2
Operating Profit Ratio	6.4%	1.5%	10.3%	8.5%	30.0%	10.9%	-	6.9%
YoY	△4.2pt	△4.8pt	△2.1pt	△7.6pt	△2.3pt	△5.9pt	-	△5.2pt
※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 <Reference>: Profit on securitized receivables: ¥6.0 bn (year-on-year difference -¥13.8 bn)							Profit attributable to owners of parent	10.0
							YoY	45%

1. Consolidated results by segments

- 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 the third quarter alone increased compared to the second quarter. Consolidated operating income recovered to the same level as the previous year, partly due to cost control.

【Figures for the impact (Domestic Business)】

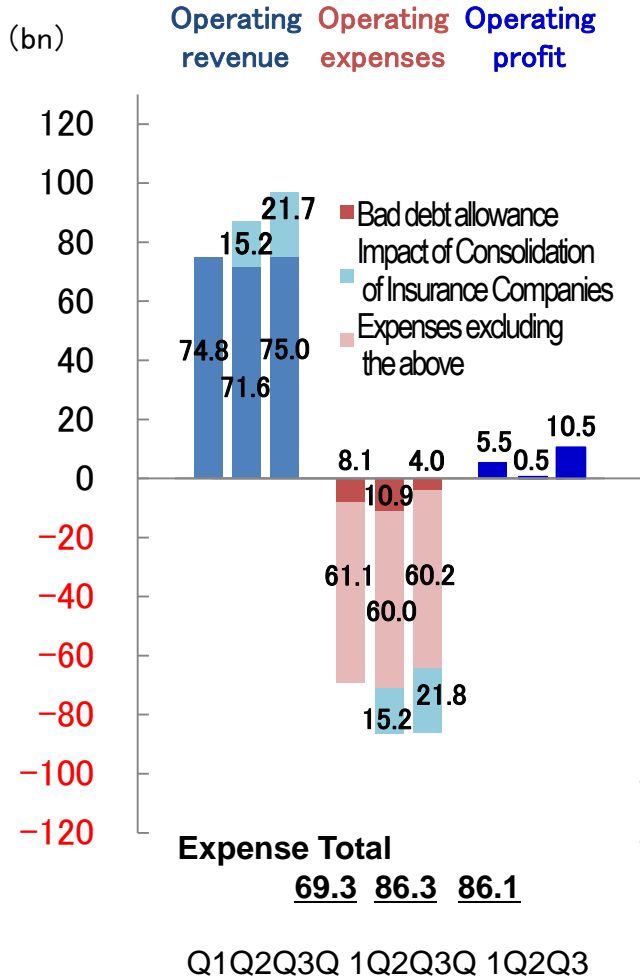
(Unit: Billions of yen)	Q1	Q2	Q3	Cumulative
Operating revenue	-	15.2	21.7	37.0
Operating Expenses	-	15.2	2.18	37.1
Operating profit	-	0.0	▲0.1	▲0.1

【Results excluding the impact of consolidation of insurance companies】

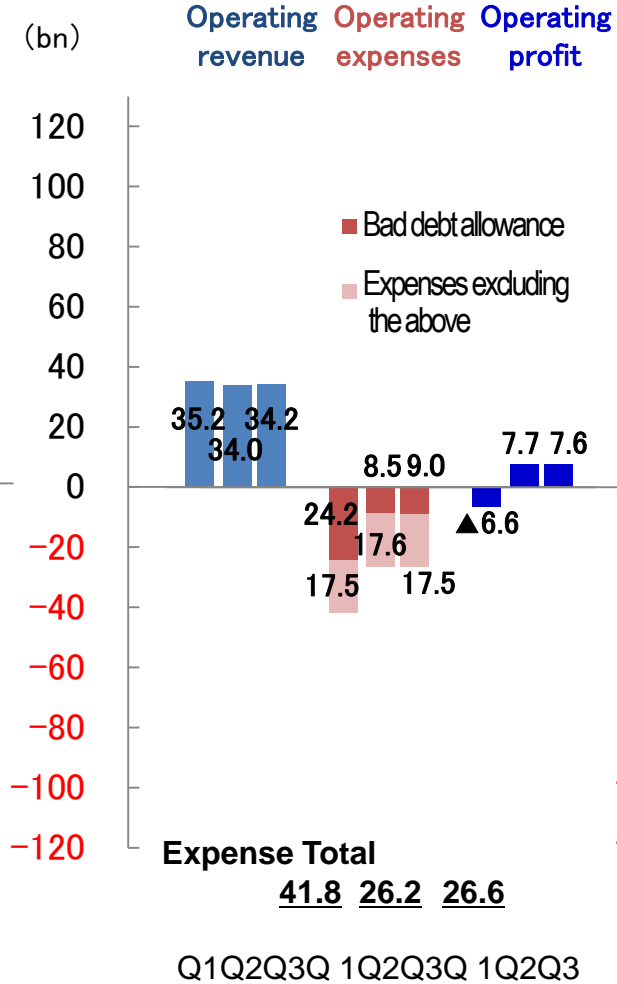
(Unit: Billions of yen)	Q1	YoY	Q2	YoY	Q3	YoY	Cumulative Q1 to Q3	YoY
Consolidated operating revenue	109.9	98%	105.4	85%	109.1	91%	324.5	91%
Domestic	74.8	100%	71.6	83%	75.0	92%	221.5	91%
Global	35.2	94%	34.0	90%	34.2	88%	103.5	91%
Consolidated operating expenses	110.8	113%	96.8	86%	91.9	90%	299.5	96%
Domestic	69.3	100%	71.0	89%	64.2	95%	204.6	95%
Global	41.8	145%	26.2	80%	26.6	79%	94.7	99%
Consolidated operating profit	▲0.8	-	8.6	76%	17.2	95%	24.9	58%
Domestic	5.5	99%	0.5	8%	10.7	78%	16.8	64%
Global	▲6.6	-	7.7	160%	7.6	151%	8.8	48%

1. Consolidated results by segments

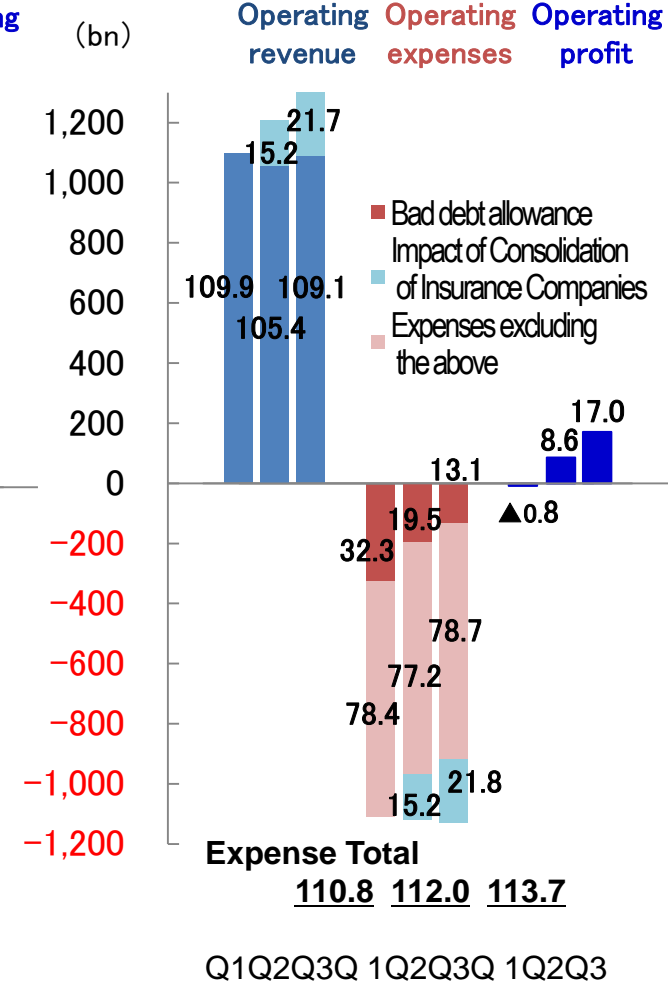
Domestic



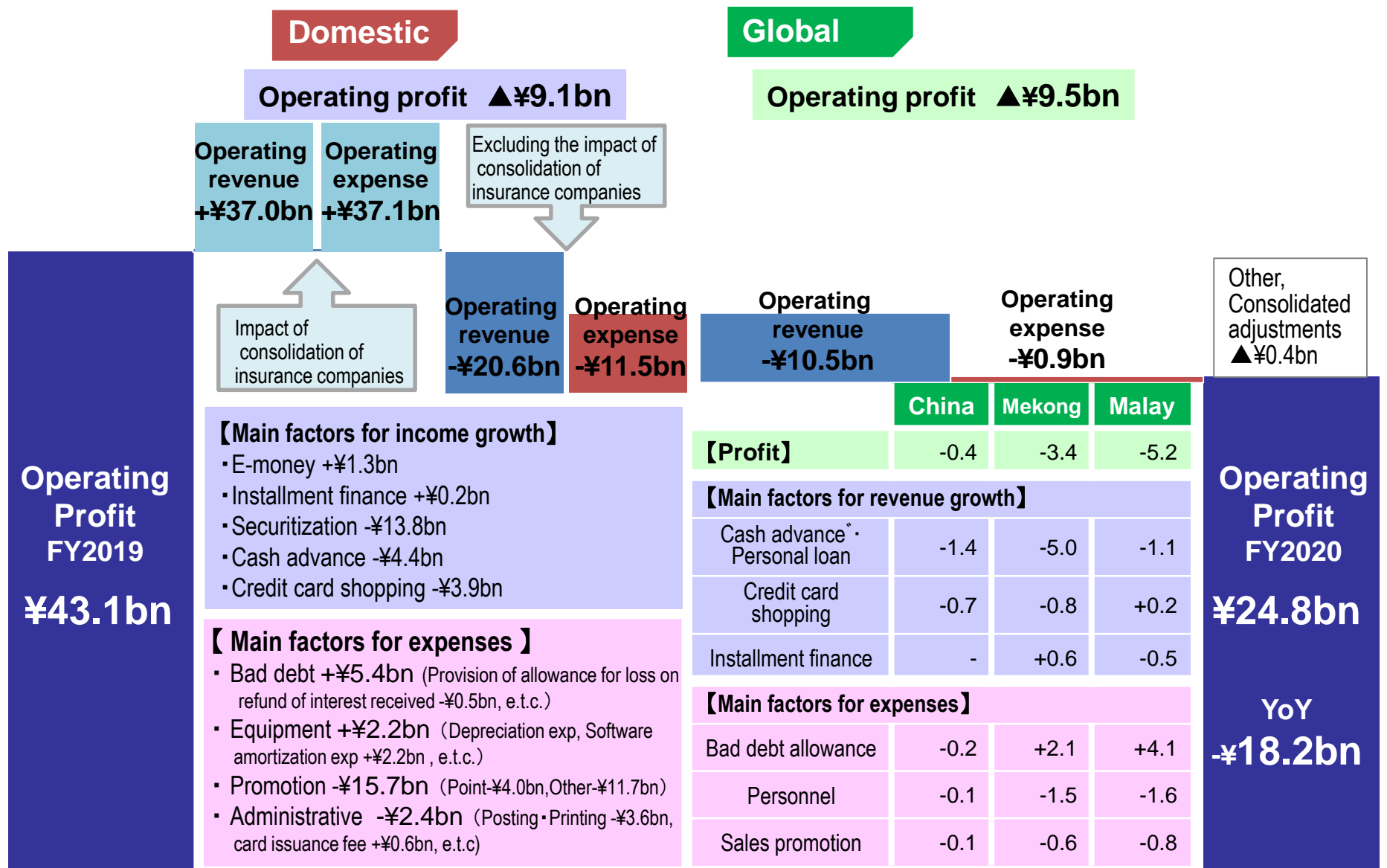
Global



Consolidated



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



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

1. Consolidated results by segments - Consolidated balance sheet

Consolidated results (Unit: Billions of yen)	Results	Change from start of FY
Cash and deposits	587.3	△175.5
Operating Loans	805.1	△55.4
Loan and bills discounted for banking business	1,979.1	+304.3
Accounts receivable – installment	1,622.7	+79.5
Allowance for doubtful accounts	△137.9	△23.6
Other Assets	1,185.3	+131.0
Total assets	6,041.6	+260.3
Deposits	3,915.4	+125.2
Interest-bearing debt (excl. deposits)	1,092.4	+27.6
Other liabilities	573.3	+106.1
Total liabilities	5,581.3	+259.0
Total equity	460.3	+1.2
Total liabilities and equity	6,041.6	+260.3

Topics ※(): Change from start of FY

• Domestic balance: ¥542.9bn (-¥173.1bn) *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: ¥4,413.4bn (+¥260.1bn) in which, Domestic balance: ¥4,047.8bn (+¥287.6bn) in which, Global balance: ¥323.3bn (-¥26.0bn)
• Securitized amount (Domestic only): ¥1,629.1bn (-¥11.2bn)

• Balance incl. securitization: ¥2,161.5bn (¥35.9bn) in which, Domestic balance: ¥1,853.5bn (+¥44.3bn) in which, Global balance: ¥303.0bn (-¥7.4bn)
• Securitized amount (Domestic only): ¥538.8bn (-¥43.6bn)

Securities for insurance business: ¥78.3bn (+¥78.3bn)

【Deposit on AEON Bank】

• Ordinary deposits: ¥3,125.9bn (+¥134.7bn)
• Time deposits: ¥698.2bn (-¥29.9bn)
• Foreign currency deposits: ¥89.6bn (+¥20.1bn)

• Domestic balance: ¥64.3.8bn (+¥84.3bn)
→ Short-term borrowings: ¥236.6bn (+¥139.3bn)
• Global balance: ¥448.5bn (-¥56.7bn)
※ Domestic and global amounts include figures for holding company and shared function companies

2. Consolidated results by area

Transaction volumes remained on a recovery trend from the second quarter, and the decrease in the balance of finance receivables is generally bottom-out.

	(unit : billion yen)	Q3		Comulative Q3				
		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 2Q
Domestic	Credit card	1,520.7	94% (95%)	4,443.8	94% (95%)	1,574.5	▲33.6	+26.0
	Card shopping	1,443.4	96% (96%)	4,212.1	96% (97%)	1,128.3	+14.6	+30.3
	Cash advance	77.3	75% (69%)	231.6	74% (72%)	446.1	▲48.2	▲4.3
	Installment finance	54.7	93% (88%)	166.0	91% (89%)	725.1	+29.7	+10.8
	Housing loans ※3	149.9	129%(110%)	459.7	120%(108%)	2,635.4	+317.3	+108.2
Global	Credit card	77.4	71%	229.3	72%	189.1	▲12.5	+2.6
	Card shopping	58.3	79%	169.5	79%	96.3	▲4.7	+2.6
	Cash advance	19.1	55%	59.8	58%	92.7	▲7.7	▲0.0
	Installment finance	22.1	67%	60.0	62%	206.7	▲2.7	▲0.0
	Personal loans	24.9	64%	64.7	53%	230.5	▲18.2	▲0.1

※1 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	46.22	29.29	16.93
Diff start of FY	+0.95	+0.40	+0.55

【Domestic】

- 1,200,000 new card members (79% year-on-year, ▲310,000)
→ 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】

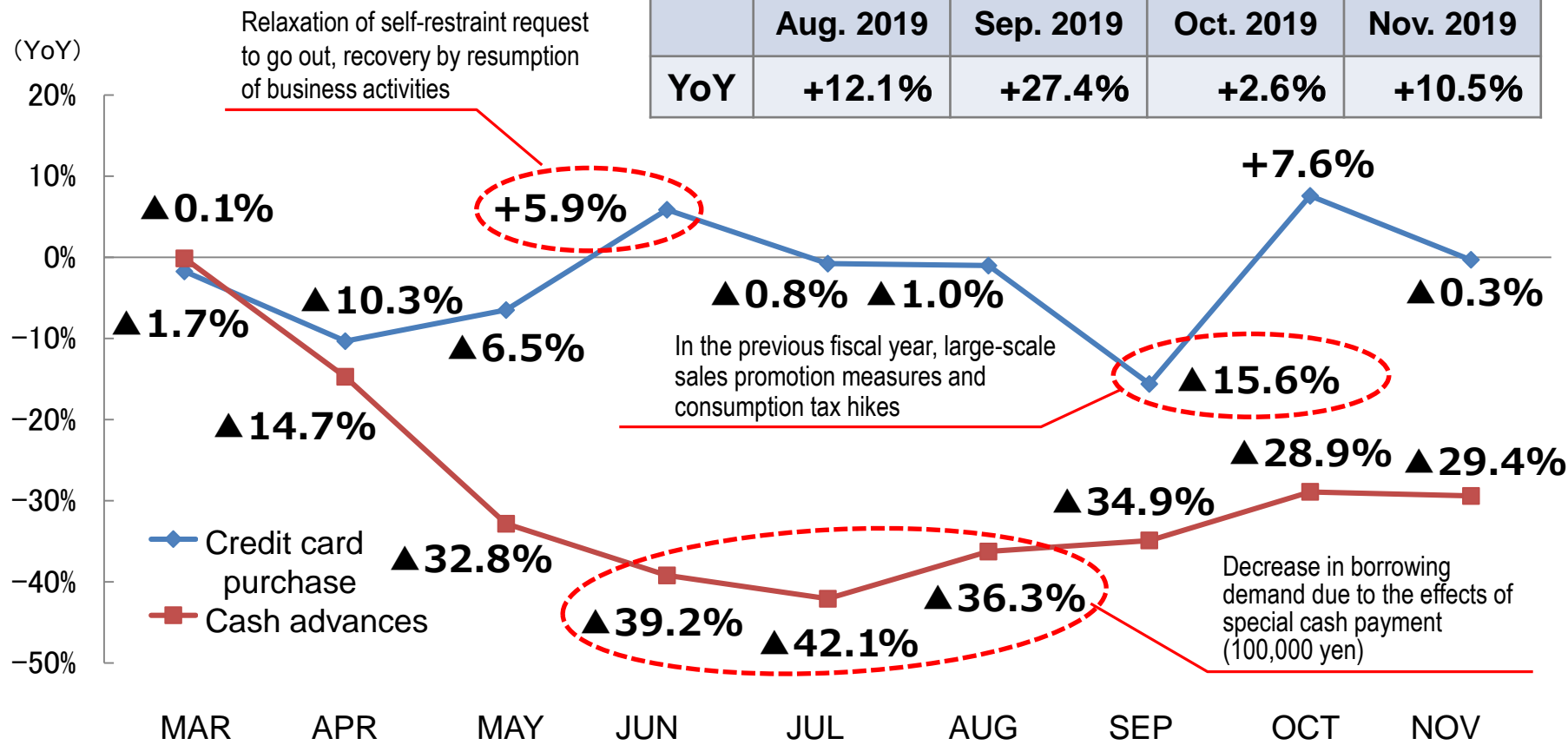
- Installment finance are recovering in Malaysia mainly on motorcycles.
- Personal loans are reviewed after screening risks in each country.

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

- Credit card purchase: Due to the impact of consumption tax hike (Oct. 1, 2019), transaction volumes fell the year-on-year rate of change in September, but in October increased in rebound
- Cash advance: There are effects such as shrinking consumption and special cash payment.

Shopping volume before and after consumption tax hike in the previous year (2019)

	Aug. 2019	Sep. 2019	Oct. 2019	Nov. 2019
YoY	+12.1%	+27.4%	+2.6%	+10.5%



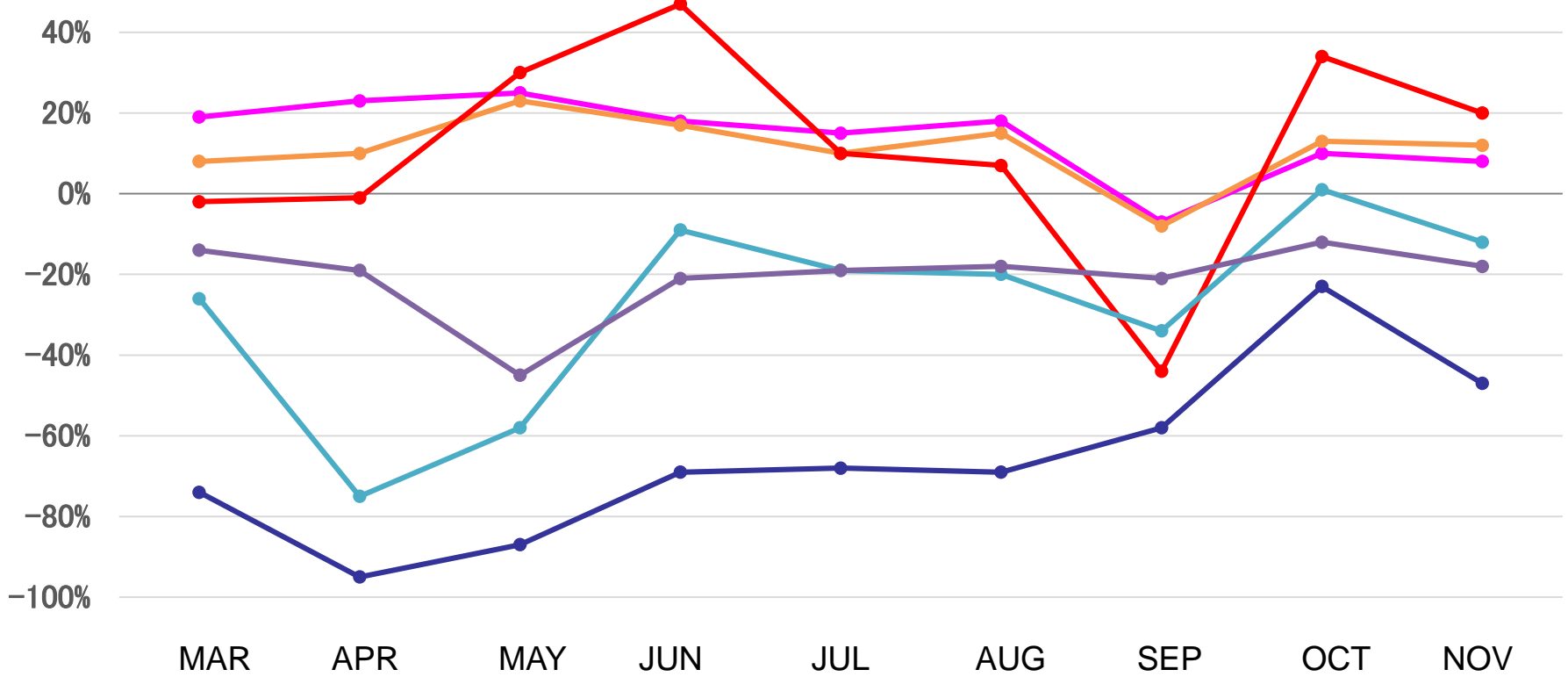
2. Consolidated results by area - Domestic Card Shopping Volume Trends

■ 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, Drugs
 - Mail-order shopping (internet, TV, etc.)
 - Furniture, Home appliances
- Unwell industries:**
- Malls, Department stores
 - Gasoline, ETC, Car Supplies
 - Transportation, Travel, Leisure and Entertainment

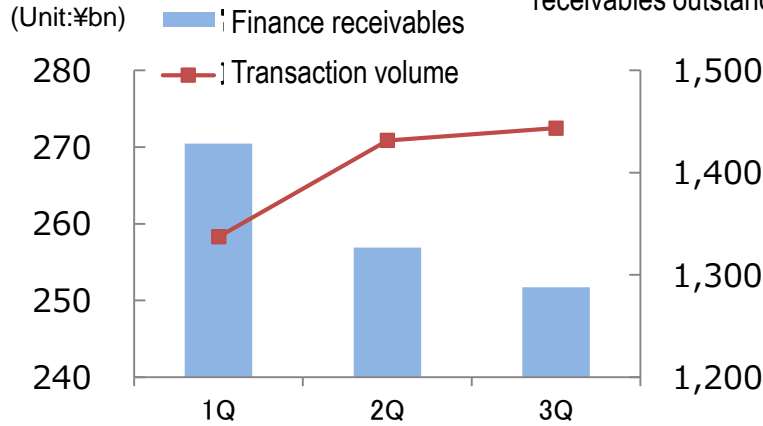


2. Consolidated results by area - Trends in various transactions and outstanding receivables (Domestic)

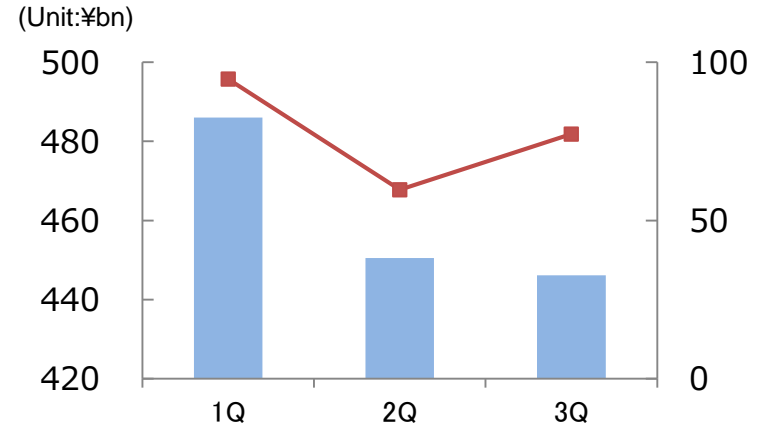
■ In card shopping and cashing, the pace of decline in balances slowed due to an increase in transaction volumes. Installment finance and housing loans firmly accumulated the outstanding of receivables.

Credit card purchase

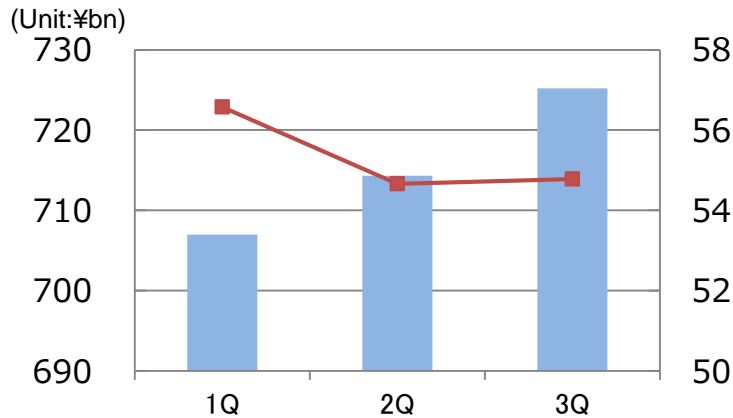
※Revolving payment installment receivables outstanding.



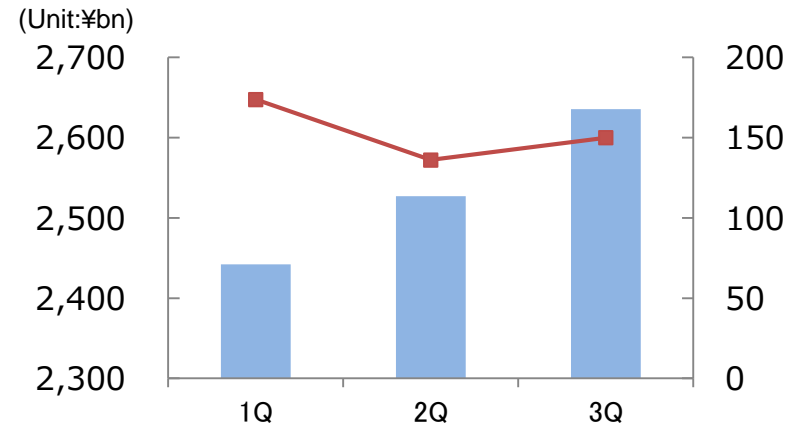
Cash advance



Installment finance



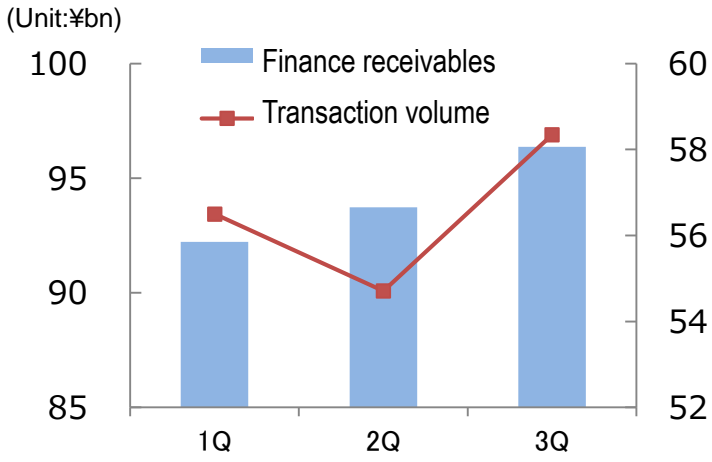
Housing loans



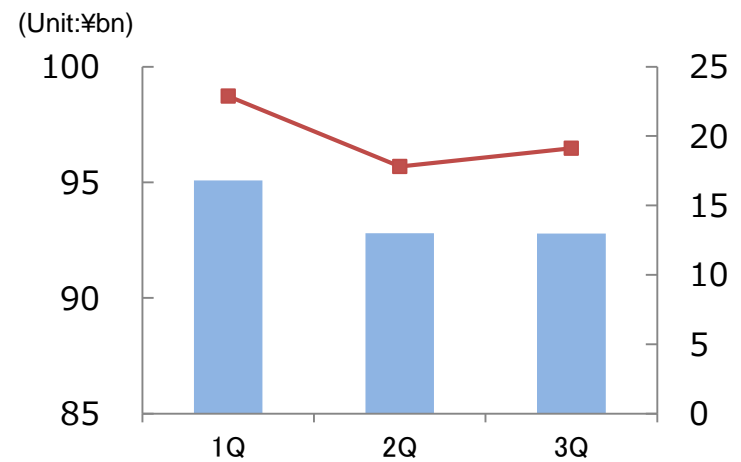
2. Consolidated results by area - Trends in various transactions and outstanding receivables (Global)

■ Along with the recovery in economic activity, sales of goods (credit card purchase, installment finance) improved. Loans were temporarily revised from the third quarter to stricter examination standards, and transaction volumes recovered.

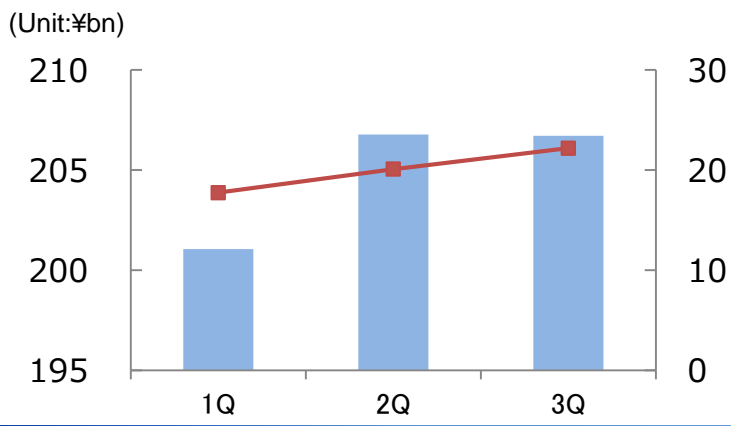
Credit card purchase



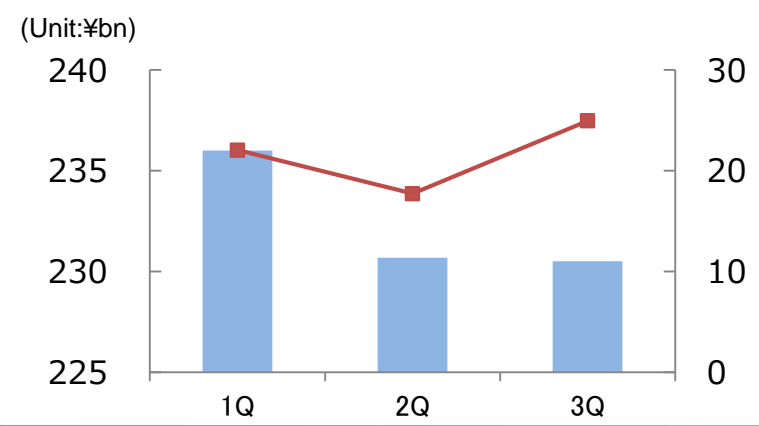
Cash advance



Installment finance



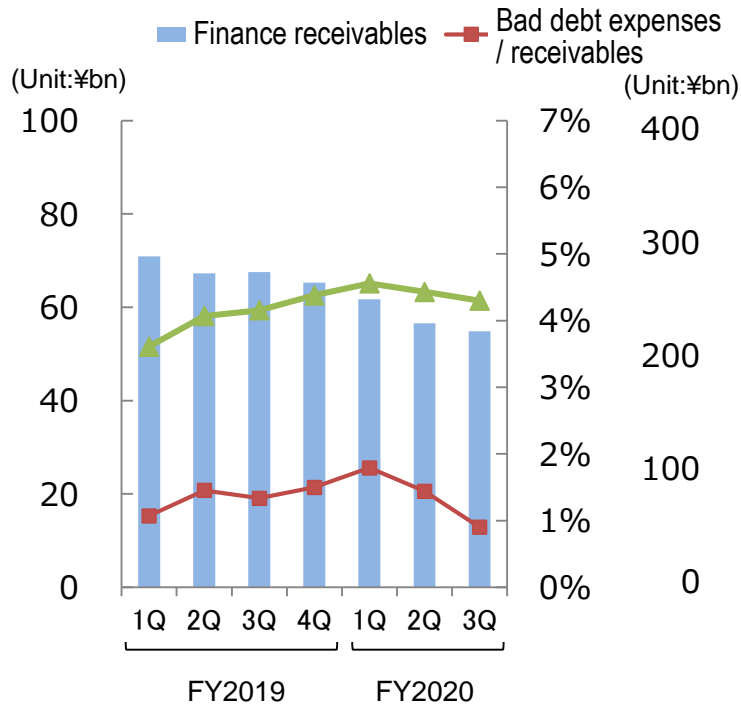
Housing loans



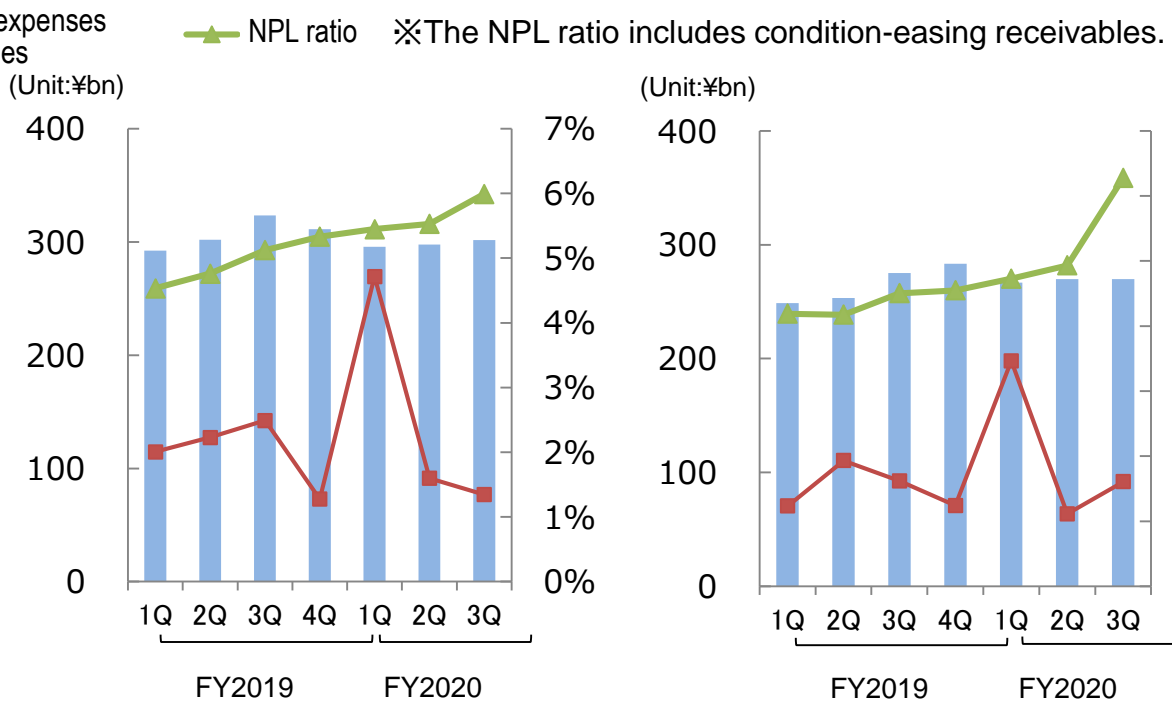
2. Consolidated results by area - Trends in finance receivables (Global)

- Mainly in the first quarter, expenses related to bad debts in preparation for future risks increased, including deferred repayment receivables.
- Since the second quarter, the collection of deferred repayment receivables in Thailand, Malaysia, and other countries has progressed, and costs related to bad debts have decreased.

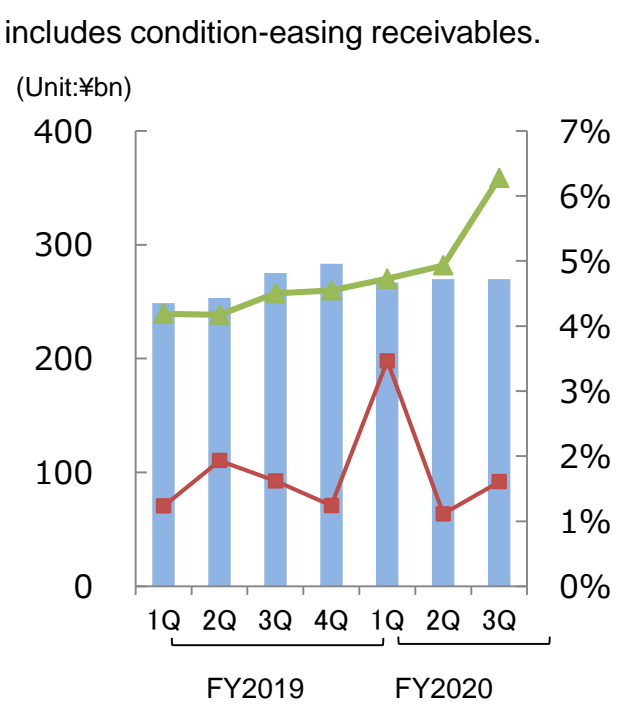
China Area



Mekong Area



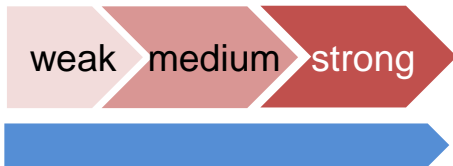
Malay Area



Impact of COVID-19 and main initiatives

3. Effects of the COVID-19 ①

- Behavioral regulations and business conditions
- Repayment grace measures impact period
- Resumption of billing



※Description of the situation in areas other than Laos and Vietnam with minor impacts

Operating area	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	Others (regulations, business conditions)	
JAPAN		Apr. 7 Declared the state of emergency	Preventing the spread of infection									Jan. 8 Declared the state of emergency	From Jan. 8 AEON Malls, AEON Bank continue to operate
Hong Kong	Mar. 26 Restrict entertainment and restaurants, gatherings	Restrictive measures, partial relaxation of assembly regulations								Nov. 16 Re-strengthen entertainment and restaurants, gatherings	-		
Thailand	Mar. 26 Declared the state of emergency (No going out at night)	From Jan. 15 Partial relaxation of regulations								Re-strengthening in response to the spread of infection in the prefecture adjacent to the capital		<ul style="list-style-type: none"> Repayment grace target : Delinquent receivables within 2 months Cap interest rate cut from August, Relaxation of the upper credit limits 	
	For 3 months												
Cambodia	Stay-at-home requests	Preventing the spread of infection									※1	<ul style="list-style-type: none"> Aeon Mall's first store has reduced its business hours since December due to the spread of infection (※1) Repayment grace target : Delinquent receivable within 2 months 	
	Up to 6 months												

1. Effects of the COVID-19

Operating area	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	Others (regulations, business conditions)	
Myanmar	Apr. 14 "Infected area lockdown" (night curfew)	Partial relaxation of regulations (Time reduction of night curfew)										<ul style="list-style-type: none"> Repayment grace target : Other (Low-risk customers (our judgment)) Billing resumes from May 2021 (※2) 	
	Up to 6 months							※2					
Malaysia	Mar. 18 Lockdown "Order to Restrict Activities"	May. 4 Conditional Activity Restriction Order	Recovery Activity Restriction Order							Oct. 14 to Jan. 14 Conditional Activity Restriction Order (some area)		<ul style="list-style-type: none"> Repayment grace target : Delinquent receivable within 2 months (exclude credit card) 	
	Up to 6 months												
The Philippines	Mar. 17 Lockdown	Significant easing restrictions (※3)										<ul style="list-style-type: none"> Four levels of regulations are implemented for each region (※3) Repayment grace target : All customers 	
	For 3 months					2 months							
Indonesia	Stay-at-home requests	Apr. 10 "Large-scale social restrictions"	Extend the restrictions										<ul style="list-style-type: none"> Repayment grace target : Other (Specific business workers overdue within a month)
	Up to 1 year												
India	Mar. 24 Lockdown	Jun. 1 Partial easing restrictions (※4)										<ul style="list-style-type: none"> Lockdown in containment zones where infected people are concentrated (※4) Repayment grace target : All customers 	
	For 3 months												

3. Main initiatives - Domestic

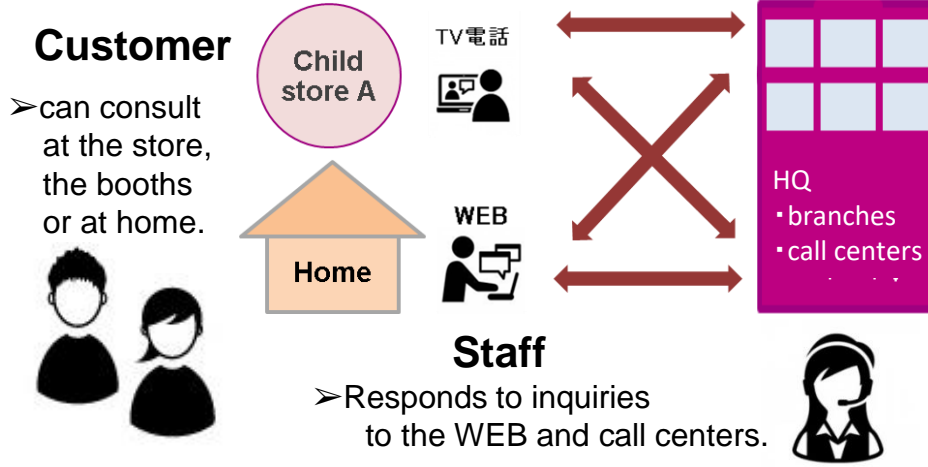
- Develop direct and indirect channels to meet consultation and application needs
- Promote cashless payments by encouraging the spread of touch payments

Stores that take anti-epidemic considerations

- Facilities for TV consultation and procedures and online consultation services
- Antiviral processing store equipment
- Establishment of individual



Online consultation



Touch payment

- Cards with touch payment function: 7.5 million (as of the end of November)
- Japan's first to support 3 major international brands (VISA, Master, and JCB)



3. Main initiatives - Global

- Enclosing the top customer base through partnerships with leading external companies
- Strengthen cooperation with local AEON Group retailers

Partnering with leading external companies

【Thailand】 Partner with top companies in each industry

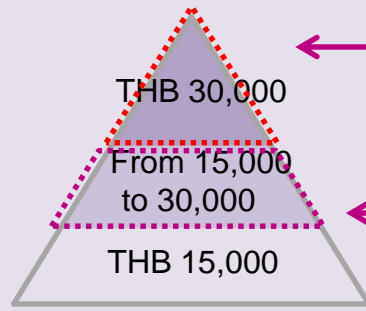
	Retail	Urban Railways	Cashless payments
No.1	CP ALL	BTS (Elevated Railway)	Rabbit card
No.2	Tesco Lotus	MRT (Underground Subway)	True CP
No.3	BIG-C	ART (Directly connected to the airport)	Thai Highway Corporation
Standards	Operating profit	Number of stations	Number of members

Big C World MasterCard (Jul)



Online benefits available

AEON Rabbit Platinum Card Issued (Oct)



Strengthening collaboration with the AEON Group

【Malaysia】

Collaboration with Local Retail AEON Malaysia's Myaeon (AEON Online Mall)

→ Introduced a function that allows to shop on the site using accumulated points



【Indonesia】

Issued by AEON Platinum Card (Oct)

→ Conditionally, the annual fee is free

→ Special benefits at local retail
AEON Indonesia



3. Main initiatives - Global

Accelerate online access to key products and services

	China Area		Mekong Area					Malay Area			
	HK	CN	TH	KH	VD	MM	LA	MY	PH	ID	IN
Credit card	◎		◎	◎				◎		○	
Personal loans	◎		◎	○		○		◎	◎		◎
Installment finance		◎	◎	○	◎	○	○	○	◎	◎	◎

◎ : Customer-made apps or web supported

○ : Planning for customer-made apps or web support



3. Main initiatives - Domestic and Global

- Reduce screening time and improved accuracy by utilizing identity verification (eKYC)
- Introduction of remote work and remoteization of sales structure

Optimization of screening

【Domestic】

Introduced online identity verification when applying for AEON Bank cash card and CASH+DEBIT card
 →Internet banking and foreign currency transactions will be available from the day after application at the shortest possible time



【Global・Malaysia】

Motorcycle loans, auto loans, and home appliance loans will be introduced identity verification (eKYC) in September as an effort to automate screening at merchant stores.

Remoteization of sales structure

Group companies introduce remote work as BCP support

→Network development and device distribution in a home environment enable the company to carry out HQ operations



Disaster Preparedance Support System

➤In the future, we plan to expand to customer operations by introducing system infrastructure and utilizing non-voice channels.



E-mail



Chatbots



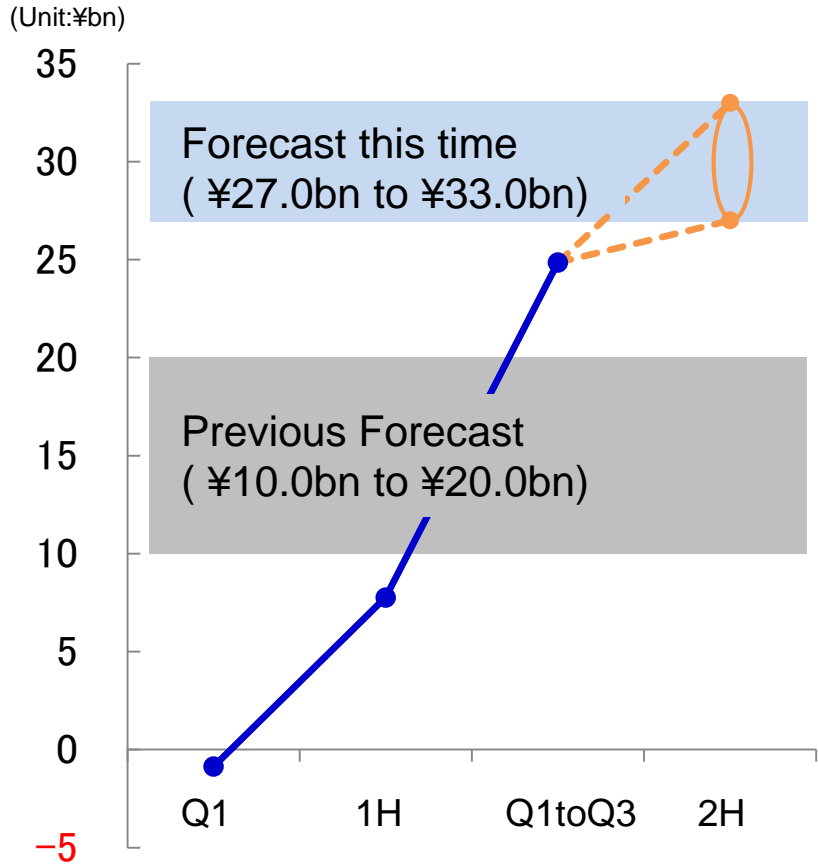
Livechat

Revision of full-year earnings forecast

4. Full-year earnings forecast - Progress in performance against company plans

- Consolidated financial results for the third quarter were higher than previously expected.
- The revised forecast continues the range format in view of concerns about the spread of infectious diseases in the third wave.

Trends and Outlook in consolidated operating profit



【Factors that diverge between forecast and actual results】

- <Economic environment>**
- Major countries such as Japan, Thailand, and Malaysia have no restrictions on economic activity or financial regulations that are about the first wave of infectious diseases.
 - The pace of deterioration in the employment environment and income levels has eased due to fiscal spending by governments, such as the special cash payment to firms and individuals.

- <Our countermeasures>**
- Accelerating the digitization of sales structures
 - Improvement of safe work environment for employees



- <Results>**
- With the resumption of economic activity, review screening standards at an early date than initially expected, and improve the volume of loans and installments sales
 - By reducing credit risk, additional expenses related to bad loans from the second half of the fiscal year onwards will be suppressed.

4. Full-year earnings forecast -

(Unit:Yen)

	Full-year FY2020			
	Operating revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous Forecast (A)	460.0bn	10.0— 20.0bn	10.0— 20.0bn	5.0— 10.0bn
Forecast this time (B)	470.0bn	27.0— 33.0bn	27.0— 33.0bn	11.0— 14.0bn
Change(B-A)	10.0bn	13.0— 17.0bn	13.0— 17.0bn	6.0— 4.0bn
(Reference) FY2019	457.2bn	65.0bn	65.7bn	34.1bn

※ Dividends are reviewed at an appropriate time after assessing the certainness of the earnings outlook

(Reference) FY2020 Q3 Results (Hong Kong, Thailand, Malaysia)



		FY2019 Q3		FY2020 Q3	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$'000)	Revenue	974,565	99%	839,595	86%
	Profit before tax	336,630	84%	275,257	82%
	Profit for the period	278,864	84%	230,371	83%
AEON THANA SINSAP (THAILAND) (BAHT'000)	Total Revenues	17,136,042	115%	16,297,101	95%
	Profit before income tax	3,774,487	115%	3,155,671	84%
	Net profit for the period	3,021,799	114%	2,419,701	80%
AEON CREDIT SERVICE (M) Berhad (RM'000)	Revenue	1,185,496	118%	1,155,312	97%
	Profit before tax	272,409	76%	171,277	63%
	Profit for the period	203,657	76%	120,238	59%

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

(Reference) FY2020 Q3 Results (Hong Kong, Thailand, Malaysia)

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

(Unit: Billions of yen)

	FY2019 Q3	FY2020 Q3	
	Results	Results	YoY
Operating income	13.5	11.5	85%
Operating profit	4.6	3.7	81%
Net income	3.8	3.1	81%

Exchange rates: HKD 1
 • FY2019 Q3 : ¥13.94
 • FY2020 Q3 : ¥13.73

Fiscal period
 : 1/3/2020 to 30/11/2020

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

	FY2019 Q3	FY2020 Q3	
	Results	Results	YoY
Operating income	60.3	55.0	91%
Operating profit	13.2	10.6	80%
Net income	10.6	8.1	77%

Exchange rates: THB 1
 • FY2019 Q3 : ¥ 3.52
 • FY2020 Q3 : ¥ 3.38

Fiscal period
 : 1/3/2020 to 30/11/2020

■ Results of AEON Credit Service (M) Berhad

	FY2019 Q3	FY2020 Q3	
	Results	Results	YoY
Operating income	31.2	29.1	93%
Operating profit	7.1	4.3	60%
Net income	5.3	3.0	56%

Exchange rates: MYR 1
 • FY2019 Q3 : ¥ 26.34
 • FY2020 Q3 : ¥ 25.20

Fiscal period
 : 1/3/2020 to 30/11/2020

(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	¥1.6bn	¥21.0bn	¥22.7bn
Write-off of doubtful accounts (including transferred debt)	¥0.2bn	¥14.1bn	¥14.3bn
Allowance for doubtful accounts balance at end of period	¥4.2bn	¥58.5bn	¥62.2bn

(Subsidiaries in domestic) AEON Credit Service : ¥40.6bn, AEON Bank : ¥4.2bn, AEON Product Finance : ¥8.3bn, AEON Housing Loan Service : ¥1.6bn

■ Allowance for Loss on Refund of Interest Received

	FY2019 Q3	FY2020 Q3
Beginning of period	¥4.1bn	¥4.9bn
Provision	¥1.0bn	¥0.4bn
Interest refunded	¥1.7bn	¥2.4bn
End of period	¥3.4bn	¥2.9bn

(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	¥2.4bn	¥22.7bn	¥16.5bn	¥41.7bn	¥64.4bn
Write-off of doubtful accounts (including transferred credit)	¥2.9bn	¥15.8bn	¥7.5bn	¥26.3bn	¥40.8bn
Allowance for doubtful accounts, balance at end of period	¥3.2bn	¥41.4bn	¥30.0bn	¥74.7bn	¥137.9bn

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