

## Results for the FY2021: Script and QAs

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# FY2021 IR Presentation Materials

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**AEON Financial Service Co., Ltd.**

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- Today, we will be briefing you on the following:

First, we will discuss the financial highlights of the full year.

Second, the impact of the application of the Accounting Standards for Revenue Recognition.

Third, the COVID-19 situation in FY2021.

Fourth, policies and key measures of the medium-term management plan.

Fifth, creation of the AEON Living Zone.

Sixth, outlook for transaction volumes and outstanding receivables.

Seventh, transforming business models.

Lastly, we will focus on earnings and dividend forecasts.

This is how we will proceed.

## 1. Financial Highlights・Financial Highlights (Consolidated results)

### The highlights of the consolidated results

- In FY2021, excluding consolidated effects on insurance revenues and profits, increased in revenue and profits.
- Although the recovery in the outstanding balance of receivables was sluggish and operating revenue was sluggish, profits increased significantly mainly due to an improvement in bad debt costs in Domestic and Global.
- Profit attributable to owners of parent recovered by more than 70% compared to the FY2020, landed at ¥30.2bn.
- Due to the significant increase in public income, the year-end dividend was increased by ¥5 and the dividend per share was ¥31 and annual increase to ¥50.

Consolidated	Domestic	Global
<b>Operating revenue</b>		
YoY (YoY) (YoY excluding insurance revenue) (101%) (102%) / 102%	YoY (YoY) (YoY excluding insurance revenue) (95%) (102%)	YoY (101%)
<b>¥470.6<sub>bn</sub></b>	<b>¥333.4<sub>bn</sub></b>	<b>¥138.1<sub>bn</sub></b>
<b>Operating profit</b>		
YoY (145%) (149%) / 115%	YoY (120%) (128%)	YoY (174%)
<b>¥58.8<sub>bn</sub></b>	<b>¥26.0<sub>bn</sub></b>	<b>¥33.8<sub>bn</sub></b>
<b>Profit attributable to owners of parent</b>	<b>Dividends per share</b>	<b>Payout Ratio</b>
YoY (171%) / 121%	Annual ¥50 <sup>(4)</sup> Interim : ¥19 <sup>(2)</sup> Year-end : ¥31 <sup>(2)</sup>	35.7%
<b>¥30.2<sub>bn</sub></b>		

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- We would like to start by discussing the consolidated results for the full year.
  - Operating revenue totaled 470.6 billion yen, down 3% year on year.
  - Operating profit totaled 58.8 billion yen, up 45% from a year earlier.
  - Profit attributable to owners of the parent was 30.2 billion yen, up 71% year on year.

All these results exceeded our forecasts.

Operating revenue declined as existing insurance policies expired at AEON Allianz Life Insurance, which was consolidated in the previous fiscal year. However, if we exclude this impact, both operating revenue and profit increased.

- Although growth in operating revenue was stalled due to a slow recovery in outstanding receivables, particularly in Japan, operating profit increased substantially primarily due to improvements in bad debt expenses both in Japan and overseas.
- As a result, profit attributable to owners of the parent recovered by over 70% year on year, to 30.2 billion yen.
- Since this figure is significantly higher than the 25 billion-yen profit announced in the financial results for the 3Q, the year-end dividend will be increased by 5 yen to 31 yen per share, which will result in a total annual dividend of 50 yen per share. As a result, the payout ratio will be 35.7% for the year.

1. Financial Highlights・Financial Highlights (Consolidated results)

**The highlights of the consolidated results**

- In Domestic, operating revenue increased significantly due to the effects of controlling expenses, reflecting the increase in profits from the sale of securitization and investment effects.
- In Global, as a result of steady accumulation of receivables and amortization of receivables, bad debt-related expenses increased, and profits decreased.

Consolidated	Domestic	Global
<b>Operating revenue</b>		
(YoY) (YoY excluding insurance revenue)	(YoY) (YoY excluding insurance revenue)	(YoY)
<b>¥121.9<sub>bn</sub> (97%) (106%)</b>	<b>¥87.5<sub>bn</sub> (95%) (107%)</b>	<b>¥34.6<sub>bn</sub> (103%)</b>
<b>Operating profit</b>		
(YoY) (YoY excluding insurance revenue)	(YoY) (YoY excluding insurance revenue)	(YoY)
<b>¥14.6<sub>bn</sub> (93%) (94%)</b>	<b>¥7.9<sub>bn</sub> (159%) (158%)</b>	<b>¥6.7<sub>bn</sub> (64%)</b>
<b>Profit attributable to owners of parent</b>	Achieved <u>30 million</u> domestic credit card members →Increase cardholders and increase active rate using WAON POINT	
<b>¥7.8<sub>bn</sub> (103%)</b>		

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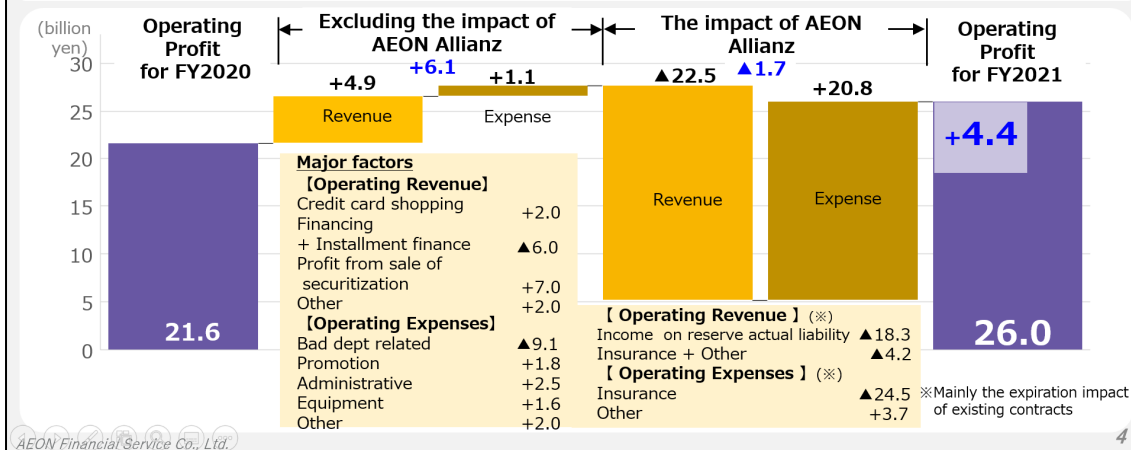
- Next, we will discuss the results for the 4Q (three-month period).
  - Operating revenue came to 121.9 billion yen, down 3% year on year.
  - Operating profit totaled 14.6 billion yen, down 7% year on year.
  - Profit attributable to owners of the parent was 7.8 billion yen, up 3% year on year.

These are the results.

- The domestic business posted a significant increase in operating profit, up 59% year on year, due to cost control factors and an upswing in profit from the securitization of receivables.
- Globally, operating profit decreased, down 36% year on year, due to loan-loss provisions to accommodate a steady increase in outstanding receivables, write-offs of receivables, and bad debt expenses.
- In Japan, the number of active credit card members has reached the 30 million milestone. We will work on expanding membership and increasing the active member rate by leveraging our loyalty program, WAON Point.

### Annual Trends in Domestic Business

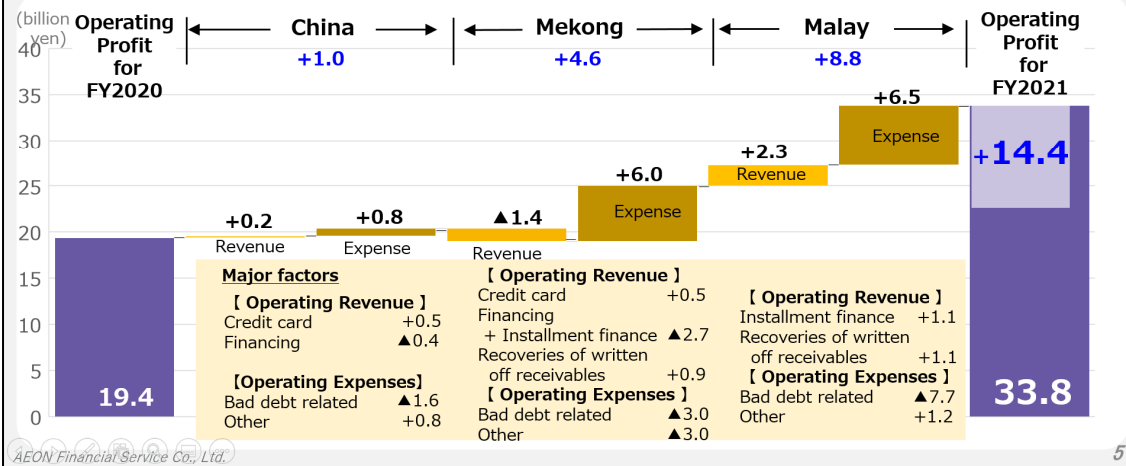
- In Domestic, although loans and installment income decreased due to sluggish growth in the amount outstanding of receivables, positive due to gains on sales of receivables.
- Point promotion costs, system-related expenses, etc. increased, while improving bad debt-related expenses to reduce costs.



- We will now talk about annual trends in the domestic business.
- Domestic operating profit increased by 4.4 billion yen, from 21.6 billion yen in the previous year to 26 billion yen. The waterfall chart illustrates factors contributing to this increase.
- Despite a decrease due to a slow growth in outstanding receivables, operating revenue increased due to an upswing in profit from the securitization of receivables. Here, we have excluded the impact of the consolidation of AEON Allianz Life Insurance.
- In terms of expenses, loyalty program costs and system-related costs increased, but improvements in bad debt expenses helped to keep overall expenses in check, resulting in an increase in profit.

### Annual Trends in Global Business

- In Global, despite a decrease in loan revenues such as cash advance and loans, profits increased significantly due to cost reductions, mainly bad debt-related expenses.

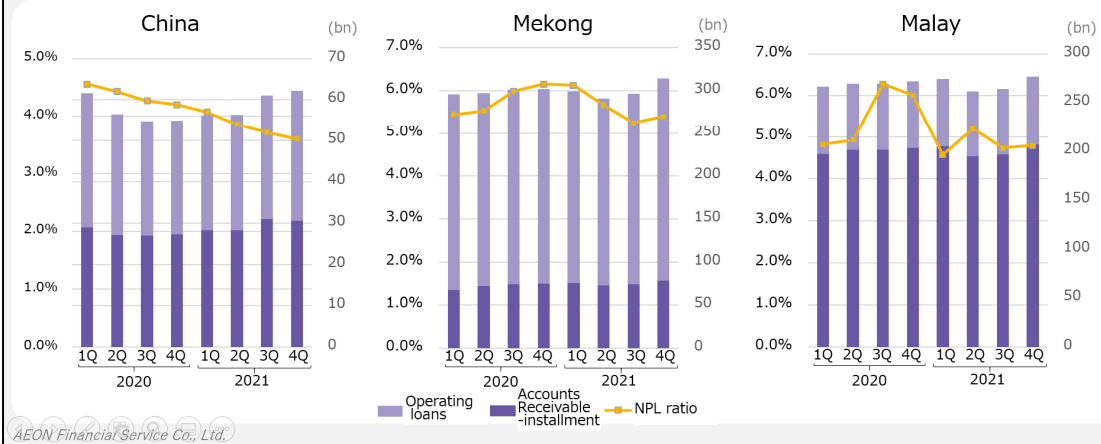


- Now we will look at annual trends in the global business.
- Globally, although revenues from our loan business such as cash advances and loans decreased, the company posted a substantial increase in profit, up 14.4 billion yen from a year earlier. This was due to cost reductions and lower bad debt expenses.
- In the China, Mekong, and Malay area, operating profit increased by 1 billion yen, 4.6 billion yen, and 8.8 billion yen, respectively, from a year earlier. All three area posted an increase in profit.

## 1. Financial Highlights・Performance by Business

### Receivables balance, NPL ratio (Global business)

- In each area, the accumulation of operating loans and installment receivables continued, and the balance of receivables recovered to the same level as before covid-19 started spreading.
- Strive to further accumulate balances while maintaining a low NPL ratio through the acquisition of high-quality receivables.



- In light of such circumstances, we are going to discuss the outstanding receivables and NPL ratios of the global business.
- From left to right, the graphs indicate changes over time in the China, Mekong, and Malay area, respectively. In all three area, outstanding receivables have recovered to pre-COVID levels due to an increase in operating loans receivable and installment accounts receivable. The recovery in the Mekong area is particularly evident in the 4Q.
- In all three area, we will strive to build our portfolio of high-quality receivables while maintaining low NPL ratios.

## 2. Impact of the application of the Accounting Standard on Revenue Recognition・Consolidation impact

### Impact of the application of the Accounting Standard on Revenue Recognition

- Started applying the Accounting Standard for Revenue Recognition in the Q1 of FY2022.
- Some operating revenues and expenses have been changed from gross to net due to the application of the standard.
- If the impact is estimated in FY2021 results, both operating revenue and operating expenses will decrease by approximately ¥32.1 bn.
- This is mainly a numerical recombination of domestic business, and there is no change in the figures of Global business.

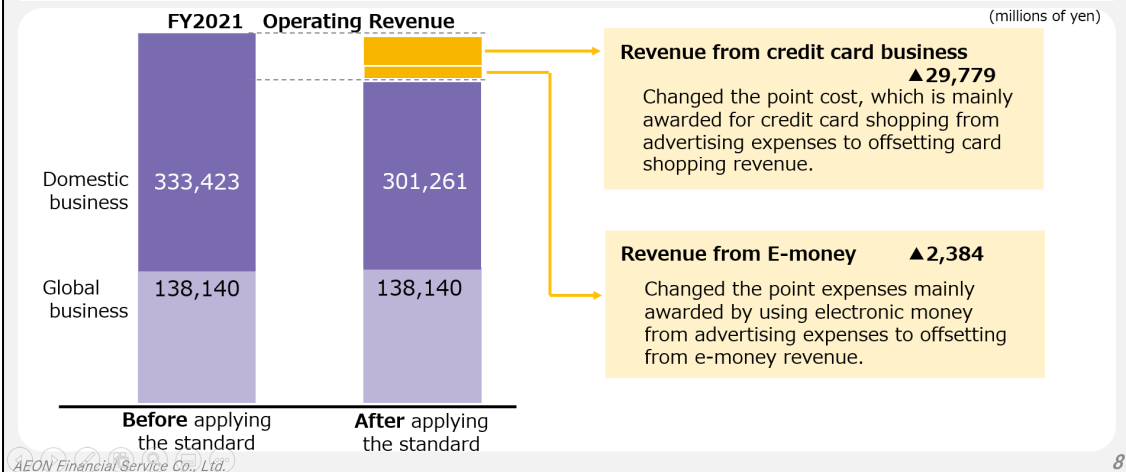
FY2021 Full Year Results							(millions of yen)
Before applying the standard			After applying the standard			Difference	
	Consolidation	Domestic	Global	Consolidation	Domestic	Global	
Operating Revenue	470,657	333,423	138,140	438,495	301,261	138,140	▲32,162
Operating Expenses	411,804	307,357	104,333	379,642	275,195	104,333	▲32,162
Operating Profit	58,852	26,065	33,806	58,852	26,065	33,806	±0
Net Profit	30,212			30,212			±0

- Now we are going to touch on the impact of the application of the Accounting Standards for Revenue Recognition.
- The Accounting Standards for Revenue Recognition are effective for fiscal years starting on or after March 1, 2022. Our company will introduce the new standards in the 1Q of FY2022.
- The introduction of the new standards will result in a change from gross to net presentation of certain operating revenues and expenses.
- We estimated the impact of the new standards based on the actual FY2021 results. Both operating revenue and expenses decreased by 32.1 billion yen.



### Impact of the application of the Accounting Standard on Revenue Recognition

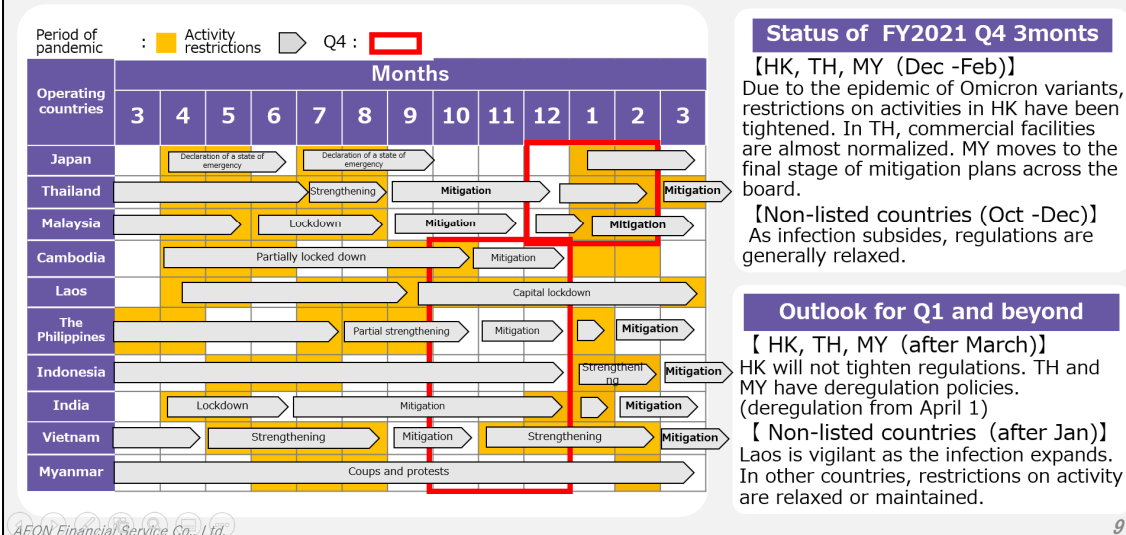
- Calculated in FY2021 results, the impact of ¥29.7 bn in domestic card shopping revenue and ¥2.3bn in domestic e-money revenue.
- Advertising exp also decreased by the same amount, but there was no impact on operating profit.



- The slide is a graph explaining the impact of the application of the Accounting Standards for Revenue Recognition.
- Credit card and e-money revenues were offset by expenses associated with the loyalty program. As a result, credit card revenue decreased by 29.7 billion yen, and e-money revenue decreased by 2.3 billion yen.
- Expenses were reduced by the same amount, so there was no impact on operating profit.

### 3. Covid-19 situation -Operating countries situation

#### Spread of infection and restrictions on activity in the operating countries



- Now we will discuss the COVID-19 situations and activity restrictions imposed in different countries over the past year.
- In this table, the box highlighted in yellow indicates a period of surge in infection cases, the arrow shows a period of activity restrictions, and the part encircled by the red line indicates the 4Q of the consolidated fiscal year under review.
- First, we will discuss the COVID-19 situations during the 4Q (three-month period).  
 In Hong Kong, stringent activity restrictions were imposed following the spread of the Omicron variant. In contrast, in Thailand, commercial activities were almost back to normal. In Malaysia, the entire country entered the final stage of the National Recovery Plan, citing the economy a top priority.
- In the countries where our unlisted subsidiaries operate, restrictions have been largely lifted as the case numbers have dwindled.
- In Hong Kong, no further restrictions will be put in place after the 1Q of FY2022.
- In Thailand and Malaysia, the policy has been announced that some restrictions will be lifted. Malaysia, in particular, is entering a new stage, as the country lifted its entry restrictions on April 1.
- In the countries where our unlisted subsidiaries operate, such as Laos, there is a heightened sense of vigilance and alertness, with a surge in infection cases. However, in other countries, restrictions have been either eased or sustained.
- These are the consolidated financial results for the fiscal year ended February 28, 2022.

Kenji Fujita, President and CEO, AEON Financial Service Co., Ltd.

**Medium-Term Management Plan Policy  
and Key Measures**



## Second founding Value chain innovation and network creation

### Domestic business

- ① Building infrastructure for the construction of AEON Living Zone
- ② Incorporating the needs of local communities and customers' living infrastructure
- ③ Increase risk and cost control capabilities

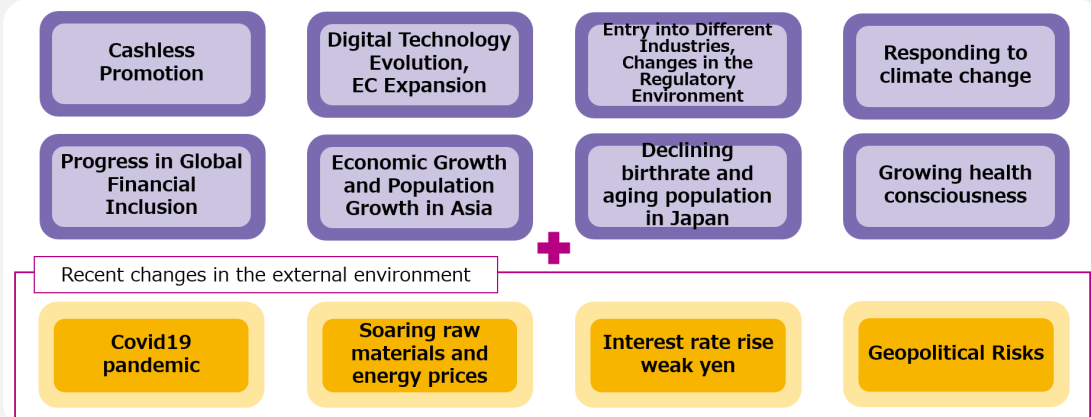
### Global business

- ① Implementing Digital Financial Inclusion in each countries
- ② Expansion of business, products, and development areas
- ③ Planning area strategies to meet the diff in urban and local needs

- The slide summarizes our medium-term management plan initiatives. We have already shown this to you a couple of times previously. In FY2021, Tokimeki Points awarded to credit cardholders were changed to WAON Points due to a system change in Japan.
- The iAEON app, which serves as a common touchpoint for the entire Group, was released along with AEON Pay, a code payment service.
- Globally, we have been using IT technologies such as AI to drive financial inclusion, which embodies our business model. All our initiatives are beginning to yield results.

### Changes in the environment surrounding us

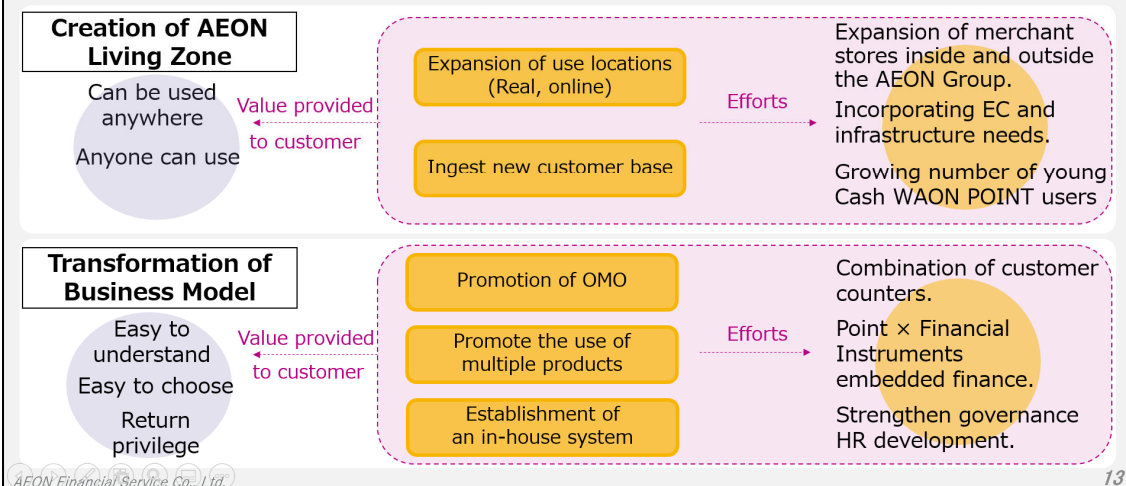
- Recently, customers' awareness of their life defense has been increasing due to the rise in global prices.
- In response to changes in the external environment, revised the business structure and implementation timing to achieve the final year of the medium-term management plan.



- Over the past years, there have been new changes in the business environment surrounding us, such as staggering surges in COVID-19 cases and soaring raw materials and energy prices.
- In the face of these changes, we have been re-evaluating our business structure and exploring the timeline of our initiatives to attain the goals of our medium-term management plan for FY2025.

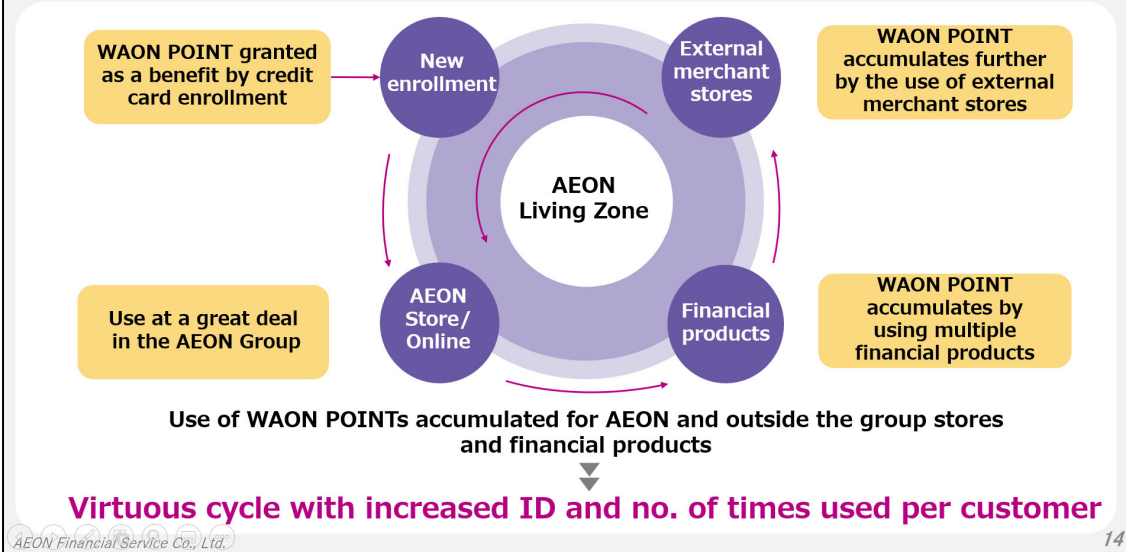
### Creation of AEON Living Zone and Transformation of Business Model

- Contribute to the improvement of quality of life by enhancing the value provided to customers and the construction of a "richer and more secure society".



- The medium-term management plan revolves around the concept of “value chain transformation and new network creation.” The attainment of this goal requires the creation of the AEON Living Zone and the transformation of our business models.
- To create the AEON Living Zone, the key is to leverage our loyalty program, WAON Point, to increase online orders, in addition to boosting sales in our bricks-and-mortar retail stores, which is one of our strengths.
- We will provide highly convenient services that can be made available to anyone, from anywhere, thereby creating the AEON Living Zone and becoming part of the underlying infrastructure of our society.
- Now we will discuss the transformation of our business models. Business models are quite basic overseas, enabling people to develop new businesses and products one after another. However, business structures are more complicated in Japan, so it takes innovation to transform our business models.
- We offer a diverse range of financial services, such as credit cards, banking, and insurance services. Our physical retail stores serve as a major touchpoint where our customers can familiarize themselves with our offerings.
- With respect to many of our products, we have been taking a “product-out” approach (a “build it and they will come” approach). We are working to upgrade and transform our products and services from a “market-in” perspective, where we focus on satisfying the customer’s unmet needs.
- In the future, we will integrate our online and offline marketing strategies for a seamless experience, offer products that appeal to customers, invest in personnel training, in order to provide easy-to-understand, accessible, and affordable financial services.
- Through our initiatives, we will deliver value to our customers and make our society richer and safer.

**Creation of AEON Living Area using WAON POINT**



- Now, we are going to talk about the AEON Living Zone.
- Our loyalty program, WAON Point, is an essential tool in expanding the AEON Living Zone.
- The above diagram illustrates how we will create the AEON Living Zone by using the loyalty program.
- The first step is to offer a welcome bonus to cardholders who sign up for a new credit card, and the next step is to invite them to enjoy our special offers at AEON stores, offline or online, thereby informing them of the benefits of our loyalty program.
- We will also promote the cross-selling of financial products by incentivizing purchases through our loyalty program.
- We will also partner with stores outside of the AEON Group and build out our e-commerce membership program, creating a network where the points you earn at one store can be redeemed at another.

### WAON POINT –ID expansion

- The cumulative number of Cash WAON POINT cards issued is about 30 million, and the e-money WAON is about 50 million. The potential for AEON Card members to be acquired is high.
- Promote AEON Card membership through awareness of the ease of collecting points and point grant campaigns.

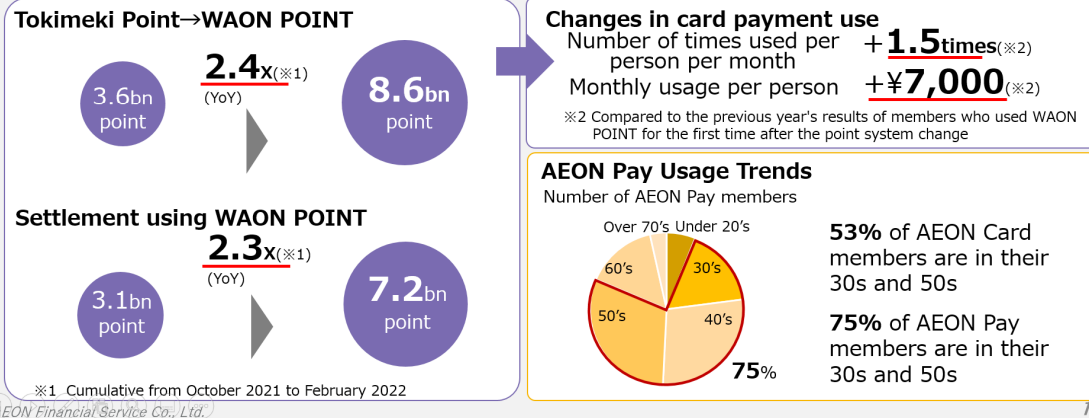


- Next, we will look at the expansion of users.
- The number of active AEON cardholders has reached the 30 million milestone, and this number is still growing.
- As shown in the image on the right, the cumulative number of Cash WAON Point cards issued is about 30 million. The cumulative number of E-money WAON cards issued, excluding those integrated with the AEON credit cards, is about 50 million.
- The number of AEON cardholders has the potential to grow if we offer the benefits of our loyalty program and the convenience of our e-commerce payment system to these 80 million customers and invite them to sign up for a new AEON credit card.
- We will work to increase our membership by promoting the AEON credit card, which makes it easier to earn more rewards points.



### Effects of WAON POINT and AEON Pay

- AEON Card members promote the use of points by improving the attractiveness of WAON POINT by changing the point system.
- Increased awareness of the convenience of points and contributes to an increase in the number of times and amount of card used.
- AEON Pay is widely used in the 30s and 50s, the generation with the highest household consumption, and is expected to increase transaction volume.



- Next, we would like to discuss changes in our loyalty program that took place in September 2021 and the launch of a new code payment service, AEON Pay.
- To summarize the figures for the period from October 2021 to February 2022 following the change in our loyalty program, the number of customers who converted their Tokimeki Points to WAON Points increased 140% compared to the same period last year.
- The number of customers who used WAON Points to pay for purchases increased 130% compared to the same period last year.
- As a result, with regard to cardholders who used their WAON Points for the first time following the loyalty program upgrade, the number of monthly AEON credit card transaction instances increased 50%, and the monthly payment amount per person increased by 7,000 yen, indicating that customers who are aware of the benefits of our loyalty program are fully enjoying all that our program has to offer.
- As for AEON Pay, customers in their 30s to 50s represent 75% of its users, about 20% higher than the percentage of AEON cardholders in their 30s to 50s.
- By promoting AEON Pay, we hope to attract a customer demographic with the highest household spending, as well as reaching out to younger customers.

### Recruitment of members using WAON POINT

- AEON Card membership plan using WAON POINT is carried out at any time.  
(in the case of web application, further points are added)
- Responding to the reduction of the age of adulthood (18 years old and over does not require parental consent) and implements an AEON Card membership plan for new adults.
- AEON Group expands WAON POINT usage points and promotes issuance of new partner cards.  
(scheduled for 2H of FY2022)

#### 【Point enrollment campaign + support for new adults】

The image shows two promotional banners for AEON CARD. The left banner is for a WAON POINT enrollment campaign, offering a maximum of 10,000 points. The right banner is for a 10% cashback campaign for new adults aged 18-20. Both banners include details about the campaign period and application methods.

#### 【Responses to the reduction of adult age】

Products	Before March 31	After April 1
AEON Cards	18-19 years old Parental consent required	From 18 years old no parental consent required
Driver's License Loans		
Auto Loans		
Dental Loans		
Pet Loans		
Mortgages		
Investment Trust		

- Next, we will move on to our cardholder acquisition efforts. We are currently ramping up our efforts to acquire new AEON cardholders by making use of our WAON Point program. We also invest in new cardholder acquisition campaigns online. If customers apply for a credit card online, we offer extra bonus points.
- We are stepping up our efforts to attract younger customers. The legal age of majority in Japan has been lowered from 20 to 18, so we are running campaigns to get 18-, 19-, and 20- year-olds to apply for a credit card, take out loans for purchases, and hold investment trusts.

## Promotion of the use of AEON cards using WAON POINT

### Use of living infrastructure, EC and online SM

- In line with the new life season, implemented a plan to promote registered merchants for living infrastructure such as rent, electricity, and water supply.



- Implementation of usage plans at online supermarkets and e-commerce where demand continues to grow.



### Support payment leveling and funding demand

- Implementation of a campaign to promote use of revolving credit and cash advance.



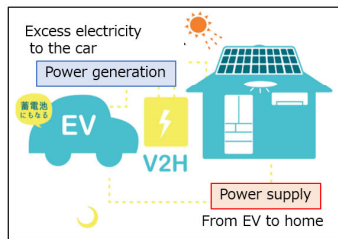
- Implementation of timely measures to promote use.
  - Notify potential customers of campaigns and change payment of revolving credit in app.
  - Strengthen the promotion center to tap outbound demand.
- Improving convenience through service improvements.
  - Introduction of designated bank transfer service for online cash advance.
  - Extension of application deadline for revolving payment change.

- Next, we will see how we promote the use of AEON credit cards.
- We use the WAON Point program to incentivize our customers to use AEON credit cards.
- April is the beginning of a new academic/financial year in Japan, so we have lined up our promotional campaigns of our registered member stores with this point in time in the calendar, aiming to incorporate day-to-day needs of our customers.
- We will help customers save on soaring utility bills such as electricity and gas, to enable our customers to maintain their standard of living and to help alleviate concerns about household finances.
- Online supermarkets and e-commerce stores have witnessed an uptick in demand following the COVID-19 pandemic. We will continue our efforts to increase online sales.
- Revolving credit and cash advances have bottomed out and are now climbing back up. To increase transaction volumes, we will leverage our rewards program and outbound marketing efforts to spur demand. We will be expanding our services tailored to the needs of individual customers, such as online cash advances and transfers of funds into their designated accounts.
- During FY2021, we missed out on opportunities to run large campaigns due to the COVID-19 pandemic. However, in FY2022, we hope to see more people getting active, out and about, so we will figure out the right timing to increase membership and transaction volumes through promotional campaigns.

## Cross-sell promotion using WAON POINT

### WAON POINT×installment sales finance

- AEON Product Finance provides new and renovated decarbonized housing and electric vehicle packaging loans, and implemented a campaign to grant WAON POINT at the time of closing.



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### WAON POINT×Asset Management Products

- WAON Points awarded by applying for AEON Bank's Tsumitate Investment.



Automatic accumulation of investment trusts

Foreign currency savings reserve

Tsumitate NISA

- AEON Credit Service and WealthNavi sign a business alliance agreement, and plan to start using Wealthnavi's investment-based service through AEON Card settlement in FY2022.



WAON POINT is granted according to the amount of installment.

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- Now we would like to talk about our cross-selling strategies.

AEON Product Finance, which operates in installment loans for products, offers loans to help people get the financing they need to purchase environmentally friendly products—a net-zero energy house (ZEH) and an electric vehicle (EV), both in one package. We also run a promotional campaign where customers can earn WAON Points at the time of signing a contract. We will expand our service to help create a sustainable society.

- As for the bank's asset management products, we award points to customers who have set up a regular/periodic investment plan. In FY2022, we will start awarding points to WealthNavi users if they use their AEON credit card as a payment method.

## 5. Creation of AEON Living Zone •Use Locations

### Expansion of use locations of WAON POINT and AEON Pay

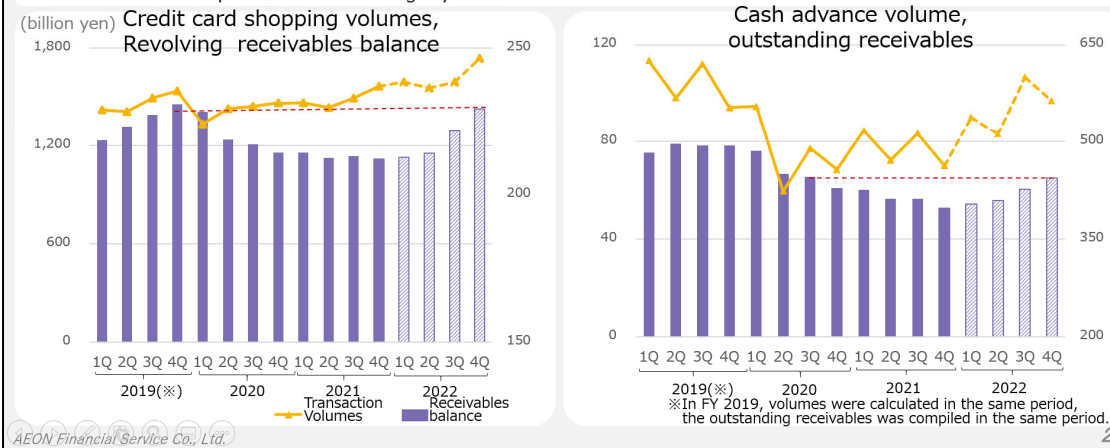
- In Sep 2021, WAON POINT and AEON Pay were introduced mainly by major companies of AEON Group.
- In March 2022, AEON Pay was started at 99 Round One stores in Japan as the first external member store (as of the end of February).
- In FY 2022, will expand the number of use locations inside and outside the AEON Group, targeting small stores such as restaurants and cafes.



- To expand the AEON Living Zone and create a network of stores, it is essential to expand the number of locations where WAON Point cards and AEON Pay are accepted.
- In FY2021, our focus was on building infrastructure within the AEON Group. In FY2022, we will start promoting the use of WAON Point and AEON Pay at drug stores, supermarkets, and AEON Group stores in the Tokyo metropolitan area.
- As for external member stores, we started with Round One Corporation, which began accepting AEON Pay as a payment method in March. We will also partner with restaurants and coffeehouse chains, which are popular among young people. For smaller stores, we will promote the use of a relatively inexpensive QR code scanning system to encourage the use of AEON Pay.
- Currently there are about 800,000 member stores that accept E-money WAON as a payment method. We plan to enable the use of AEON Pay and WAON Point at these stores, and through R&D, we will expand the network of our payment services, aiming to reach the 1 million milestone as soon as possible.
- AEON Next's next-generation online grocery store is scheduled to begin service in 2023 or later. To capitalize on increased demand from the expansion of the AEON Group's online supermarket, we will leverage our loyalty program perks at the e-commerce store.

### Domestic credit card shopping and cash advances

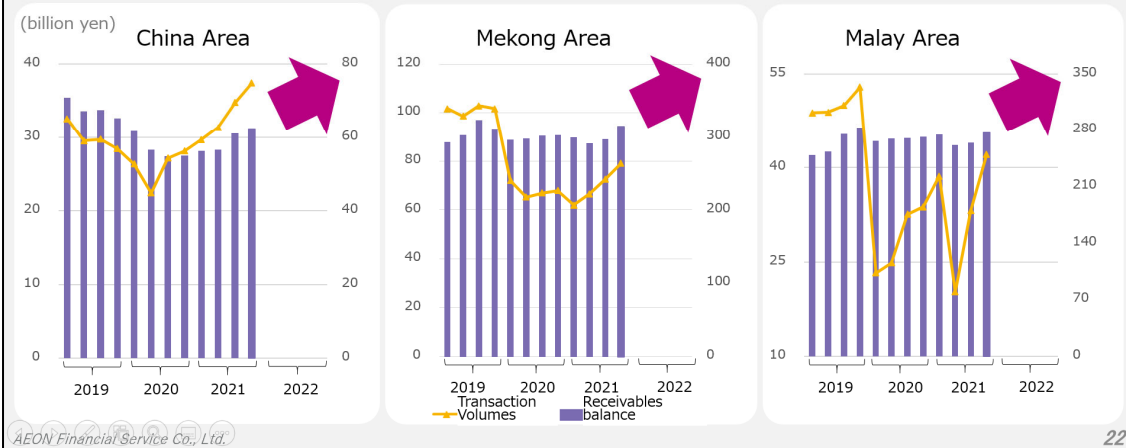
- In Domestic, the use of credit revolving and cash advance is expected to increase as people move.
- Credit card shopping volumes hit record highs and cash advance volumes are expected to expand to before covid-19 level.
- Credit revolving balances are at the same level as before covid-19 at the end of the FY and cash advance receivables are expected to recover slightly later.



- Through the initiatives we have put forward so far, we hope to expand credit card spending and cash advances once again.
- Revolving credit and cash advances will be used more extensively on various occasions, as people become more active in their day-to-day life.
- We believe that the use of revolving credit will be entering an expansion phase, as credit card transaction volumes continue to hit record highs, and a percentage of those credit cardholders use revolving credit to finance their purchases. Cash advance volumes are also projected to return to the pre-COVID levels.
- As a result, revolving credit receivables are projected to return to the pre-COVID levels by the end of FY2022, and cash advance receivables are expected to return to the pre-COVID levels slightly later.

### Global Transaction Volume and Receivables Balance

- Covis-19 infections will not converge in Asia, but activities are expected to become more active toward economic normalization.
- In all areas, both volumes and receivables are in the expansion phase and strong growth will be in the FY2022.



- Next, we will move on to transaction volumes and outstanding receivables in the global business.
- The COVID-19 pandemic has not subsided in these area, but economic activities have been picking up.
- Receivables in all three area, China, Mekong, and Malay, have entered an expansion phase. In FY2022, the top lines are expected to grow in all three areas.



### Transforming business models

#### DX

- Changes in the lives and behavior of customers
- Transforming and streamlining business models

#### Health & Wellness

- Increase in health awareness and promote behavioral changes
- Increase healthy expectancy and respond to pre-illness

#### ESG

- Build sustainable customer contact points
- Financial Inclusion



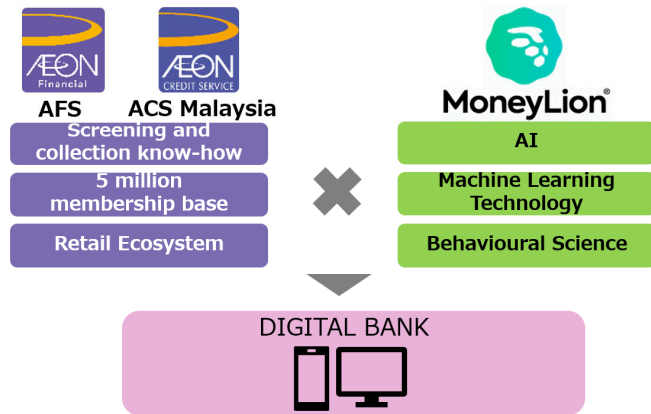
- Next, to further expand our business, the key is to transform our business models.
- DX, health & wellness, and ESG will be the three cornerstones that drive our innovation forward.
- We will invest our efforts in these three core areas to achieve the sustainable management that we are aiming for.
- Through DX, we anticipate our customers' needs and respond to them with our products and services.
- As for health & wellness, there is a growing health awareness worldwide. This is an area of great business opportunity where we should invest our efforts. Health & wellness are also a priority area for the AEON Group. The AEON Group will work as one to promote the wellbeing of our society.
- ESG presents a major management challenge, as well as an opportunity for our business to grow.
- We will carry out a wide range of initiatives to increase our corporate value over the long term on a sustainable basis.



### DX① -Digital business model transformation

- First Japanese company in Malaysia to apply for a digital bank license.

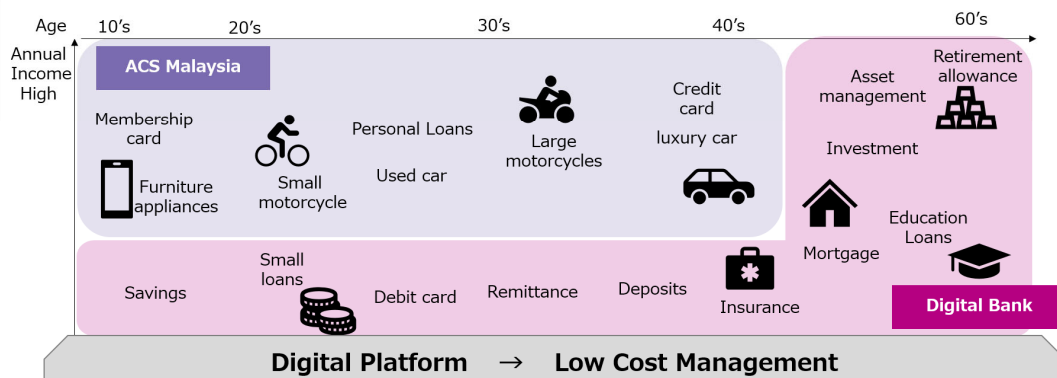
- MoneyLion as technology partner to open digital bank.
- MoneyLion has been a digital platformer providing retail banking to the middle class on mobile since its inception in the US in 2013.
- Bringing together each other's know-how to improve access to banking services and improving the quality of life of customers in cooperation with AEON's retail.



- One representative example of our DX initiatives is a digital bank in Malaysia, which is currently underway.
- The company has applied for a digital banking license to launch the first-ever Japan-based digital bank overseas, partnering with MoneyLion, a fintech company running a digital bank in the US.
- By combining the latest IT technology and expertise in digital banking with the business infrastructure of the AEON Group, including ACS Malaysia and AEON Malaysia, we can create new business models, capitalizing on the synergies that arise from the interplay of these specialist skills.

### DX① -Digital business model transformation (Malaysia Business)

- Improved accessibility expands customer base from unbanked to wealthy, young to elderly.
- Proposing and providing optimal financial products in line with changes in customers' lifestyles.



- The above slide illustrates our Malaysian business model after the launch of the digital bank.
- In the digital bank, the smartphone will provide a touchpoint where customers connect with us. The smartphone will provide convenient access to a wide range of products and services, such as deposits and asset management products. This will help expand our clientele, from the unbanked to the affluent.
- ACS Malaysia's current product offerings are made available primarily through the company's bricks-and-mortar stores. However, the company can showcase its product offerings on a digital platform, such as installment loans to finance motorcycles, which have the largest market share in Malaysia. As more people join the network, we can expect to see greater network effects.
- Data analysis will enable us to deliver more targeted products and services tailored to customers' lifestyles. This will greatly increase customer lifetime value (CLTV).
- As all processes can be completed digitally, the company can run a business at a low cost.
- We will create a new business model in Malaysia first, branch out to other ASEAN countries, and then transfer the technology to Japan.

## DX② -Digital business model transformation (Global Business)

- Transform business processes to improve the customer experience.

### Thana SinSap Initiatives

#### AEON THAI MOBILE App

- Virtual Cards  
→No need to carry a credit card or loan member card  
= **Cardless**
- Deposit loan debt directly into account  
→Repayment also **remitted in the app**
- Chat bot  
→**AI** answers instantly
- E-statement  
→**Anytime, anywhere**  
**Charges can be checked**

### Improving customer convenience



#### eService App

- E-KYC app  
→Identity verification completed **only with the app**

### Cost efficiency

Changes in cost reductions (FY2021)

Cost	FY2019 comparison
Labor	▲12%
Telephone	▲33%
Postage	▲20%
Printing	▲27%

⇒**Promote DX by horizontal deployment to countries**

- We will present a case study, showing how AEON Thana Sinsap in Thailand has improved the UI and UX on smartphones by transforming its business processes into digital solutions.
- With a single tap on a smartphone, customers can now use a product, make inquiries, and view transaction amounts. Without visiting a physical store, they can enjoy our services in a stress-free environment.
- AEON Thana Sinsap has streamlined its application, screening, and collection processes by automating routine tasks and minimizing paperwork, thereby significantly reducing costs in labor, phone, postage, and printing in FY2021 compared to FY2019.
- We have just presented a case study in Thailand. Over the past two years, we have been providing services via smartphones in other countries as well. In terms of the quality of our services, we have achieved a certain degree of success.
- By learning from these successful cases and putting these experiences into practice in Japan and abroad, we can transform our business processes and improve customer satisfaction.

## DX② -Digital business model transformation (Domestic Business)

- **AEON Credit Service** acquired **DX Transformation Certification** as established by the METI on April 1, 2022.
- In the AEON Living Zone, we will build DX infrastructure in the fields of app-based services, cashless payment and financial services, and realize customer satisfaction.

DX's initiatives of AEON Credit Services  
— Strategies and Measures —

### ① Enhancement of AEON Wallet

Strengthen the functions of AEON Wallet(\*) which is the digital foundation, in order to become a bridge between customers and the AEON Living Zone

### ② Enhancement of credit provision

Rebuild existing credit model using AI to enhance credit provision

### ③ Digitization of operations and expansion of digital support

Clarify digital and human response areas and provide services that are closer to customers than ever before

※AEON Card official app provided by AEON Credit Service



**Digital Transformation  
Certification**

Number of authorized businesses **357 companies**  
(As of April 2022)



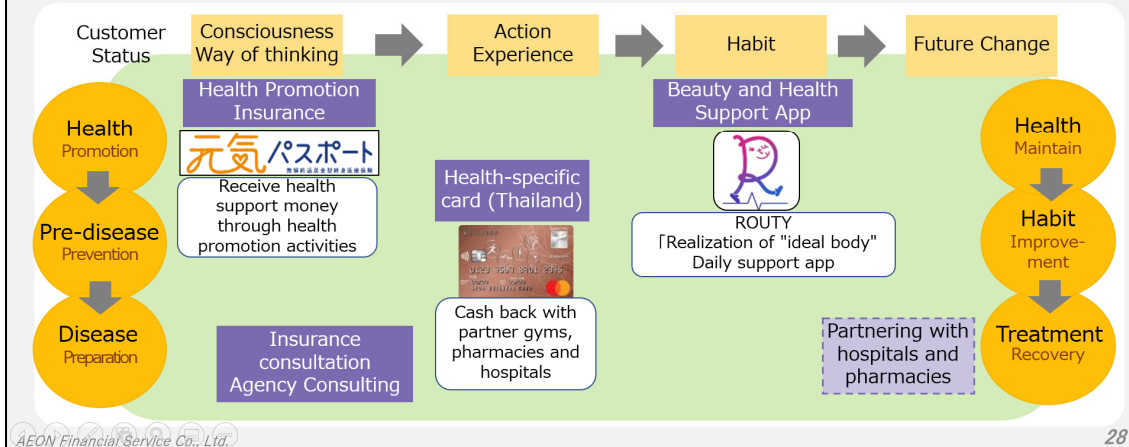
AEON Financial Service Co., Ltd.

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- In Japan, AEON Credit Service acquired the DX Certification on April 1.
- The company is constantly upgrading the functionality of its digital platform, the AEON Wallet app, which enables cardholders to receive e-statements, get special coupons, and redeem rewards points.
- The company aims to enhance customer satisfaction by building infrastructure to support DX, such as the creation of an AI-based credit scoring model and the streamlining of operations through digitalization.

## Health & Wellness

- Raise customers' health awareness, improve health conditions and contribute to the future of customers.
- Provide products that can maintain medium- to long-term relationships in preparation for the future.
- The AEON Group as a whole will promote partnerships with retailers and pharmacies to enhance the value provided to customers.



- Next, we will look at health & wellness, our second area of focus.
- In FY2021, AEON Allianz Life Insurance launched the “Genki Passport,” a health-enhancement insurance policy, aimed to raise customers’ health awareness and to prepare them for the “what-if’s” in life.
- AEON Credit Service has released “Routy,” an app that helps people acquire healthy eating and exercise habits.
- In Thailand, the company issues the AEON Wellness Card, a credit card focused on health and wellness, offering perks such as cashback for use at gyms, pharmacies, and hospitals in Thailand. The company is bolstering its initiatives to support disease prevention and treatment.
- As we just mentioned, we will actively work to expand our lineup of products and services to meet our customers’ health and wellness needs, reinforcing our partnerships with AEON Group retailers, drugstores in particular.
- Through our product offerings, we aim to positively influence our customers’ mindset, behavior and habits, helping our customers to build a brighter future.

## ESG① –AFS Sustainability Policy and Materiality Map

- Established **AFS Sustainability Policy**, which is the group's principle.
- Contributing to the realization of a sustainable society in the long term.
- **Materiality map** based on the policy.
- Identify social issues that the AFS Group will solve through its business.

Information about materiality  
<https://www.aeonfinancial.co.jp/en/activity/materiality/>



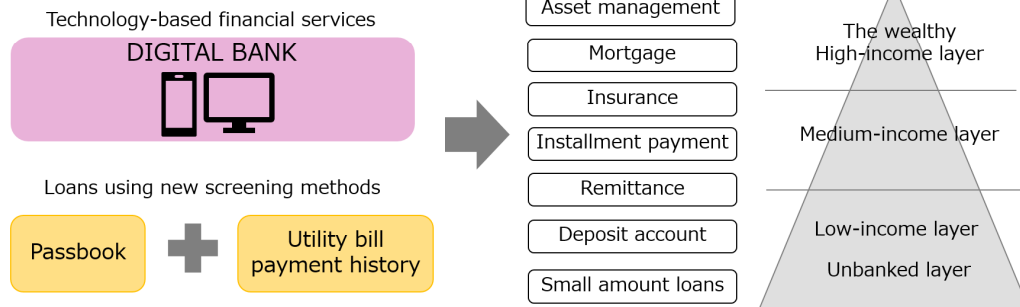
- We will look at our ESG initiatives, our third core area.
- In November 2021, the AFS Group formulated its Sustainability Policy, identifying social issues that we need to address through our business activities.
- We have systematically categorized the issues identified into four areas for clarification.
- We aim to achieve world peace through the creation of a sustainable society, striving to resolve social issues and to grow our business at the same time.

## ESG② – Pursuing happiness through innovative financial services

- Promote financial inclusion initiatives and reduce the disparity in financial services.

### Financial Inclusion

Digital Bank (Malaysia) / Digital Lending (Thailand)

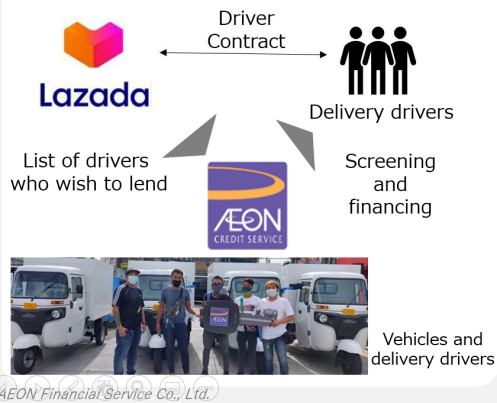


- To drive our ESG initiatives forward, we will focus on inclusive finance, aiming to enhance fair access for all individuals, rich or poor, to financial services. We offer digital banking in Malaysia, as well as digital lending in Thailand, where we use a new screening method that does not require proof of income.

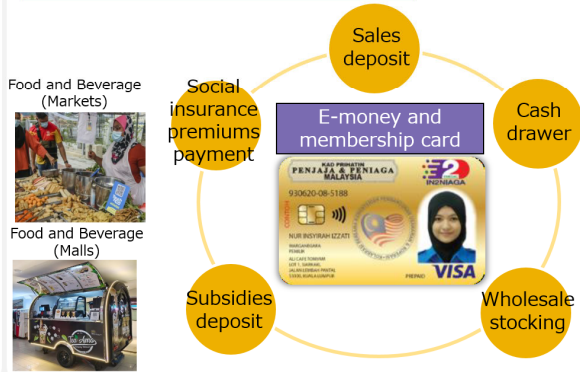
## ESG② – Pursuing happiness through innovative financial services

- ACS Philippines creates employment opportunities through a partnership agreement with Lazada, a major e-commerce operator and delivery drivers.
- ACS Malaysia partnered with a small business association registered by about 1.8 million sole proprietors operating markets and restaurants to provide business support to small enterprises using e-money.

### Create employment opportunities (ACSPH)



### Support to small enterprises (ACSM)



- In the Philippines, we have partnered with Lazada, an e-commerce company headquartered in Singapore, to help create job opportunities by financing Lazada delivery drivers wishing to take out loans.
- In Malaysia, we have partnered with an association of 1.8 million small businesses to issue membership cards, with e-money and financial account features.
- These membership cards enable businesses to settle accounts, make purchases at wholesale prices from local AEON stores, pay social insurance premiums, and receive subsidies, thereby promoting sustainable business development.



### ESG③ – Diversity and potential of human resources

- Contributing to local communities through the implementation of financial literacy education open both internally and externally.

#### AFS Group companies provide financial literacy education

Provided financial literacy education for credit cards and banking services at universities, high schools, and vocational schools in addition to AEON Group since 2018, companies.

Lectures to more than **7,000** students from more than **150** schools.

【AEON Credit Service】Financial Literacy Education



AEON Financial Service Co., Ltd.

AEON Bank distributes videos on its website and YouTube in addition to financial seminars for customers.



⇒ Preparations to start for the establishment of a system to promote educational activities will be started.

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- Next, we will talk about our initiatives in financial literacy education.
- Currently, AFS Group companies provide financial literacy education to students studying at high schools, vocational schools, and universities, as well as to employees of AEON Group companies. A total of over 7,000 students from over 150 schools have attended our lectures so far.
- With the trend towards the use of cashless financial transactions and the lowering of the age of majority in Japan, increasingly more educational institutions have been inviting us to give lectures. We hope to bolster our efforts in this area and contribute to society.
- AEON Bank posts seminar videos online, as well as offering in-store seminars.
- We have set up a YouTube channel called “Tamaru TV” to provide financial knowledge and to help people make informed financial choices in daily life.
- Going forward, we will enhance our internal system to actively promote financial literacy education, train our employees, and contribute to local communities.

**ESG③ – Diversity and potential of human resources**

- AFS Group companies certified Health and Productivity Management in 2022. AEON Credit Service selected as one of the top 500 organizations.
- Promote Health and Productivity Management with the aim of ensuring that all employees are physically and mentally healthy and full of vitality.

**AEON Credit Service** is recognized as a **"White 500"** of the **top 500** out of **2,299 corporations** under the SME category of Health and Productivity Management



**AFS Group companies continuously certifying excellent health and productivity management corporations**

<b>4th</b> consecutive year	AEON Credit Service, AEON Financial Services AEON Housing Loan Service, AEON Insurance Service CS Credit Management, ACS Lease
<b>3rd</b>	AEON Bank, AEON S.S. Insurance
Fist time	AEON Allianz Life Insurance

**【AEON Credit Service】****Health and Productivity Management Index**

	FY2019 Results	FY2020 Results	FY2021 Target
Health checkup rate	100%	100%	100%
Consultation recommendation rate	—	—	100%
Pep Up enrollment rate ※1	100%	100%	100%
Smoking rate (over 40 years old)	18.9%	19.1%	Down from the previous year
Employee Education (Health attendance rate)	100%	100%	100%
Stress check acceptance rate	97.0%	100%	100%
1on1 meeting rate (Conducted at least once a month) ※2	—	100%	100%
Annual paid leave acquisition rate	68.8%	71.4%	Up from the previous year

※1 Health portal site introduced by AEON Health Insurance Society

※2 Regular dialogue between superiors and subordinates

- This slide is about health and productivity management.
- AFS companies in Japan have been certified as outstanding organizations engaged in efforts to advance health and productivity management programs. AEON Credit Service, in particular, has been selected as one of the top 500 companies out of 2,229 under the “large enterprise” category.
- We use the Health and Productivity Management Index and the Health and Productivity Management Strategy Map to provide milestones for reaching health and productivity management goals, thereby promoting and supporting the health of our employees, the company’s most valuable assets.

**FY2022 Consolidated Financial Results and Dividend Forecasts**

- In FY2022, will implement investments to expand our business and accumulate business receivables. Expected to be at the same level as in FY 2021.
- Operating revenue and net profit continue to be disclosed on a flat range in light of uncertainty over the economic environment, such as interest rates, foreign exchange rates, and rising prices.
- The annual dividend per share will be increased by ¥4 from the ordinary dividend of ¥46 in FY2021, and the annual dividend will be ¥50.

Consolidated	Domestic	Global
<b>Operating revenue</b> (※1)	(YoY)	(YoY)
<b>¥445.0</b> bn (101%)	¥290.0bn (96%)	¥155.0bn (112%)
<b>Operating profit</b>		
<b>¥55.0</b> bn ~ <b>¥60.0</b> bn (93% ~ 102%)	¥21.0bn ~ ¥23.0bn (81% ~ 88%)	¥35.0bn ~ 38.0bn (104% ~ 112%)
<b>Profit attributable to owners of parent</b>	<b>Dividends per share</b>	<b>Payout Ratio</b>
<b>¥27.0</b> bn ~ <b>¥29.0</b> bn (89% ~ 96%)	(Increase in dividends)	
※1 Operating revenue is the number after the accounting standard on Revenue recognition are applied.	Annual <b>¥50</b> (+ ¥4)	Interim : <b>¥20</b> (+¥3)
AEON Financial Service Co., Ltd.	Year-end : <b>¥30</b> (+¥1)	<b>37.2% ~ 40.0%</b>

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- Lastly, we would like to talk about our earnings and dividend forecasts.
- Operating revenue is expected to be impacted by the new Accounting Standards for Revenue Recognition by about 35 billion yen. Excluding the impact of the new standards, operating revenue is expected to remain broadly unchanged from a year earlier under the same standards as in FY2021.
- The primary factors affecting operating revenue are the expiration of existing insurance policies at AEON Allianz Life Insurance and a slow recovery in revolving credit and cash advances.
- As for operating profit, we will continue to work on productivity and cost reduction. We will also actively invest in sales promotion to increase membership and to boost receivables, while reimbursing bad debt costs overseas to accommodate an increase in receivables, and making up for write-offs that we take associated with IT investments. We anticipate that the figure will be more or less the same as in FY2021.
- We will continue to disclose operating profit and net profit in ranges due to uncertain factors such as foreign exchange rates and interest rates, which have a considerable impact on our earnings.
- As for dividends, we expect profit attributable to owners of the parent to decline, but in line with our dividend policy, we plan to pay out an annual dividend of 50 yen per share, up 4 yen per share in real terms, with the commemorative dividend of 4 yen per share from the previous year added to an ordinary dividend.
- In FY2022, earnings are expected to level off, but we will prepare ourselves for a growth phase in FY2023 and beyond.
- We would like to ask for your continued support, as we work to create a stable foundation for new growth in the years to come.

## Q&As

■ Mr. Hara, analyst at SMBC Nikko Securities

(1)

Q: Concerning the domestic business, could you tell us a bit more about factors that led to the decline in profit?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

The primary reason is that operating receivables did not gather pace as expected last year, and interest income was somewhat low.

(2)

Q: With regard to the global business, how do you factor in fluctuating interest rates and foreign exchange rates in different area?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

We take a neutral stance on foreign exchange rates. Although we do take into account the current depreciation trend of the yen, we do not want to rely on foreign exchange rates to raise our earnings forecasts. As for the rising interest rates, we keep monitoring the interest rates in the countries where we operate our business, as we basically obtain funding in local currencies. Although no discernable impact has been noted at this point, we will keep monitoring the situation closely as it can potentially have a negative impact going forward.

■ Mr. Watanabe, analyst at Daiwa Securities

(1)

Q: With regard to the forecasts, there is a 5 billion-yen fluctuation range in operating profit. What are the variable factors? In FY2021, there were large profits from the securitization. For FY2022, do you expect them to be on a par with FY2021?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

As for the 5 billion-yen fluctuation range, the rising procurement costs overseas can potentially have a slightly negative impact. On the other hand, the depreciation of the yen may work in our favor. We believe that these factors can have a considerable impact on profit in the current fiscal year. The impact of the COVID situation on bad debt expenses remains uncertain, so this is highly variable.

As for the securitization, we expect the balance of receivables to be about the same level as in the

previous year. Revenue can fluctuate to some degree depending on factors such as market interest rates and investor demand.

(2)

Q: Concerning the shareholder returns, the dividend for FY2022 will remain unchanged. I believe that the dividend payout ratio has been applied automatically. Do you have any plans to raise the dividend?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

In FY2022, earnings are expected to level off, but we want to focus our efforts for future growth and reorganize our structure to improve revenue. We intend to maintain the dividend at 50 yen per share.

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

(1)

Q: Concerning the earnings forecasts, it was explained that the scale of securitization is about the same as in the previous year. Domestic operating profit is estimated to be 21 to 23 billion yen, and the range of fluctuation is not as significant. Did you make a more conservative estimate for the securitization gains than in the previous year?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

The securitization gains can be both positive and negative. In technical terms, if interest rates go up, then theoretically the securitization gains will also go up. We are not being conservative here.

(2)

Q: It was mentioned that domestic profit is expected to slow down due to a decline in highly profitable loan business such as cash advances. However, from what we can see from the financial results presentation material on page 21, outstanding receivables in Japan are set to recover. It appears that the average balance of revolving credit and cash advances will not fall below the FY2021 level. Based on what we have seen so far, I believe that factors contributing to the decline in profit in the domestic earnings forecasts are sales promotion expenses, loyalty program expenses, and AEON Allianz Life Insurance, rather than a decrease in outstanding receivables. It was explained that the coverage of the locations where customers can use AEON Pay and WAON Point will be expanded, so the loyalty program costs may increase in the future.

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

Outstanding receivables at the beginning of FY2022 were down several tens of billions of yen from a year earlier, so we do not anticipate a large increase on an average basis. Rather, we consider it to be a contributing factor in the decrease in profit.

As you just said, we have budgeted for additional loyalty program costs as we plan to run more promotional campaigns in the future.

(3)

Q: It was mentioned that cash advances and revolving credit will recover if you expand the WAON Point program, but intuitively I doubt if that will happen. Please provide any supporting materials to back that up.

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

There is nothing unusual about the measures taken to recover cash advances and revolving credit. We will leverage the integration of rewards programs, which has been our primary focus since FY2021, to continue to expand membership and to create more opportunities for people to use our services. In addition to expanding Gold Credit Card membership and running promotional campaigns to offer double, triple, or  $n$ -tuple rewards points, we will launch e-commerce initiatives to award points for purchases made during limited-time offers on Amazon or other similar retailers. We will also attract large businesses and invite service providers such as electricity and gas suppliers to join us, to encourage customers to pay their daily utility bills using our service. Given the limited opportunities available to use cash advances during the COVID-19 pandemic, we cannot be so optimistic, but we believe that we can create more opportunities to use revolving credit.

■ Mr. Otsuka, analyst at JP Morgan Securities

(1)

Q: As for the FY2022 forecasts, the exchange rate was mentioned as a variable factor. Exchange rates are shown on the presentation material page 42 (Appendix: FY2021 Global Business Performance (Yen Conversion)). Am I correct in my understanding that the FY2022 forecasts were created based on the exchange rates shown here?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

The exchange rates used in preparing the budget are roughly similar to the ones on page 42. The budget is not prepared based on the current exchange rates. Currently, the Japanese yen is weaker against the Malaysian ringgit. The yen is getting weaker at the moment, but how this will turn out is highly variable.

(2)

Q: Concerning the medium-term profit levels, operating revenue and operating profit for FY2018 (fiscal year ended March 2019) were 438 billion yen and 70 billion yen, respectively. We do understand that there were some technical factors involved, such as the change in the fiscal year end, the impact of the revised accounting standards, the outbreak of the COVID pandemic, and the acquisition of AEON Allianz Life Insurance. However, when you compare the operating profit figures for FY2022 and FY2018, there is a 10 billion-yen gap between the two. What are the factors giving rise to this gap? Can you reduce the gap over the medium term?

A: (Shigeto Nasu, Executive Officer and Group Corporate Division Head)

In FY2021, the total of domestic revolving credit and cash advances was approximately 100 billion yen, which deviated considerably from the plan. Revenue also declined as existing insurance policies expired at AEON Allianz Life Insurance, so there is a one-year gap in terms of revenue. However, profit will recover during the period FY2022–FY2025, as the growth in the latter two years of this period will be robust. When calculating the profit levels for FY2022, in particular, we factored in the system investment, which provides a foundation to build our domestic business on, and the investment in sales promotion to expand membership.

■ Mr. Niwa, analyst at Citigroup Global Markets Japan

(1)

Q: Globally, you are set to generate operating profit of more than 20 billion yen over the three-year period up to FY2025. How do you plan to achieve this target? The FY2022 plan forecasts an increase in costs. Please tell us about the impact.

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

As for Vietnam and the Philippines, our priority countries, progress has been hampered by the COVID-19 pandemic, and we are not yet back on track. However, we would like to generate more profits in these countries. We also intend to expand our business in the three listed companies, which generate the majority of our profits overseas.

(2)

Q: How much did you invest in systems during FY2021? What is the amount and nature of the investment in FY2022 and beyond?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

Investment in systems and facilities was under 40 billion yen in FY2021. We expect it to be about

the same in FY2022. We also intend to allocate resources to deal with the deterioration of facilities and to promote DX and IT projects.

(3)

Q: On the surface, the amount of investment made does not seem to indicate that investment in systems is gathering pace. Is there a change in the nature of the investment?

A: (Tomoyuki Mitsufuji, Director and Senior Executive Officer in charge of Group Corporate Management)

Investment in mission-critical systems requires a large amount of money and a long period of time. DX, on the other hand, does not require large capital outlays in most cases, so the amount invested may seem negligible at times.

■ Mr. Sato, analyst at Mizuho Securities

(1)

Q: Could you update us on the current status of the expense ratio, excluding the bad debt expenses, and the personnel expense ratio, both of which are presented as KPIs in the medium-term management plan. What is your outlook on these KPIs going forward?

A: (Shigeto Nasu, Executive Officer and Group Corporate Division Head)

In FY2021, revenue declined; the COVID-19 pandemic last year also led to fluctuations in bad debt expenses. We expect SG&A expenses, in particular, to decline as outlined in the medium-term management plan, although investment in systems may increase marginally in the immediate future.

(2)

Q: Concerning the domestic top lines, given the changes made to the accounting standards and the impact of AEON Allianz Life Insurance, do you have any plans to change the targets for the KPIs or redefine the KPIs?

A: (Shigeto Nasu, Executive Officer and Group Corporate Division Head)

We will be rolling out the medium-term management plan, and will consider making changes as necessary.