

Results for the First Quarter of FY2022: Script and the QAs

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FY2022 First Quarter IR Presentation Materials

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•Today, we will brief you on the following:
First, the financial highlights of the first quarter;
second, the overview of domestic business;
third, the overview of global business;
fourth, our priority initiatives; and
lastly, our earnings and dividend forecasts.

We'll explain in that sequence.

1. Financial Highlights

The highlights of the consolidated results

- Consolidated results in the 1Q, excluding the impact of the application of accounting standards for revenue recognition increased income and profit compared to the 1Q of FY2019 before the Covid-19 pandemic.
- In the domestic business, the credit card business is strong, and business results are progressing as planned.
- In the international business, in addition to the recovery of the top line, continuous productivity improvement increased revenue and profit year-on-year.

Consolidated	Domestic	Global
Operating revenue (YoY) (compared to the 1Q of FY2019) ¥106.9 bn (88%) <small>[comparison with before the application of accounting standards for revenue recognition]</small> (94%) (103%)	¥68.2 bn (78%) (YoY) (compared to the 1Q of FY2019) (88%) (102%)	¥38.9 bn (111%) (104%) (YoY) (compared to the 1Q of FY2019)
Operating profit ¥15.2 bn (74%) (112%)	¥2.7 bn (30%) (49%)	¥12.8 bn (107%) (152%)
Profit attributable to owners of parent ¥7.9 bn (68%) (110%) <small>※From this fiscal year, accounting standards for revenue recognition is applied.</small>	<small>※Domestic and Global results include figures after elimination of set-offs in transactions between business segments.</small> Performance progress rate (compared to full-year forecast)	
	Consolidated operating revenue 24.0%	Consolidated operating profit 25.5%~27.8%
		Profit attributable to owners of parent 27.3%~29.3%

- We would like to start by discussing the cumulative consolidated results for the first quarter.
- Operating revenue was 106.9 billion yen, down 12% year on year, and up 3% from fiscal year 2019.
- Operating profit was 15.2 billion yen, down 26% year on year, and up 12% from fiscal year 2019.
- Profit attributable to owners of parent was 7.9 billion, down 32% year on year, and up 10% from fiscal year 2019.

When excluding the effect of applying the accounting standard for revenue recognition, these results showed both increased revenue and profit compared to the pre-COVID levels in fiscal year 2019.

Please refer to the Appendix for the details of the effect of applying the accounting standard for revenue recognition.

- Our domestic business moved forward as planned with the credit card business on a recovery trend.
- Our global business made more revenue and profit than the same period a year ago, owing to the top-line recovery and continuous productivity gains.

2. Overview of Domestic Business

Breakdown of operating profit in the domestic business year-on-year

- In the credit card business, in addition to the recovery in credit card shopping transaction volumes, the balance of revolving credit and cash advance receivables bottomed out and reversed compared to the beginning of the FY. Improved bad debt expenses, resulting in an increase of ¥400 million in operating profit from the previous FY.
- Although there are impacts such as the securitization of receivables (-¥2.5bn) in the previous year, all of them have already been factored into the quarterly plan.

(Unit : billions of yen)

	Contents	YoY Change	
Re-growth of credit card business	■ Card Shopping Recovery -Transaction Volume: 110%(YoY) / Revolving balance: +¥1.0bn(YoY), +¥3.0bn compared to the beginning of the FY ■ Bottoming out of the cash advance slump -Transaction Volume: 101%(YoY) / Balance: -¥27.0bn(YoY), +¥1.4bn compared to the beginning of the FY ■ Promote settlement of long-term delinquent loans and improve debt-related costs	Shopping revenue	+2.0
		Increase in points and sales promotion expenses	▲1.1
		Cash advance revenue	▲1.0
		Reduction of doubtful debt-related expenses	+0.5
		Operating Profit	+0.4
Growth investment in insurance biz	■ AEON Allianz Life Insurance -Operating revenue: ¥2.9bn, Operating expenses associated with full-scale business development of ¥1.1bn	Operating Profit	▲1.1
Other factors affecting changes from previous year	■ Securitization of receivables -The previous FY, held in the 1Q. This FY, will be conducted after the 2Q. The amount of implementation is planned to be the same as previous FY ■ Housing loan fees -Control the amount of execution while assessing the interest rate situation ■ Strengthening IT Investments -Next credit card system, investment in business efficiency, etc. ■ Strengthening Internet Business and DX Human Resources - Strengthen HR resources who are well-versed in future priority areas	Operating Profit	▲2.5
			▲1.1
			▲1.3
			▲0.7
		Total	▲6.3

- Operating profit in the domestic business decreased by 6.3 billion yen from last year. We are going to explain the attributing factors.
- Our credit card business bounced back from the level at the beginning of this fiscal year, owing to the recovery in the shopping transaction volumes and the bottoming out of the balances of revolving credit and cash advance receivables. Furthermore, there was improvement in bad debt expenses, resulting in an increase in operating profit by 400 million yen from the previous fiscal year.
- In our insurance business, on the other hand, AEON Allianz Life Insurance started full-scale investment for growth in its third year since joining our group, resulting in a decrease of 1.1 billion yen.
- Other factors causing the changes from the previous year included the securitization of receivables. It was implemented in the first quarter of the previous year with the impact of a decrease of 2.5 billion yen, which has already been factored into the first quarter plan. In this fiscal year, securitization of receivables will be implemented after the second quarter. The amount for the full year is planned to be about the same as the previous year.

- Moreover, as stated here, our future-oriented investments and other spending items decreased profit by 6.3 billion yen in total. But they were in line with our plan and the effect of these investments should show itself soon.

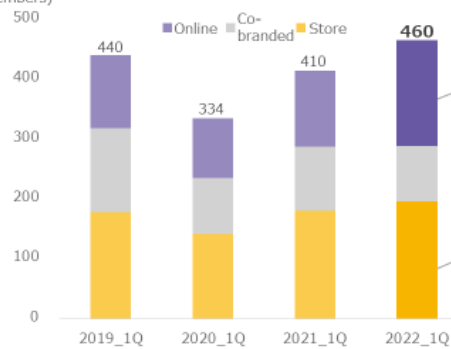
2. Overview of Domestic Business

Expansion of the number of AEON Card members in the domestic businesses

- By changing the point system, the attractiveness of credit card benefits has been improved.
- Re-expansion of membership at store
- In addition to the recovery in enrollment at store, the number of members increased through the strengthening of online recruitment initiatives

(Unit :
thousand of
members)

■ Status of the number of new members and the enrollment ratio by channel



Online recruitment

Focusing on web recruitment including measures such as instant issuance of credit cards via apps. After the Covid-19 pandemic, online touch points also became strengths

Recruitment at **store (real)**

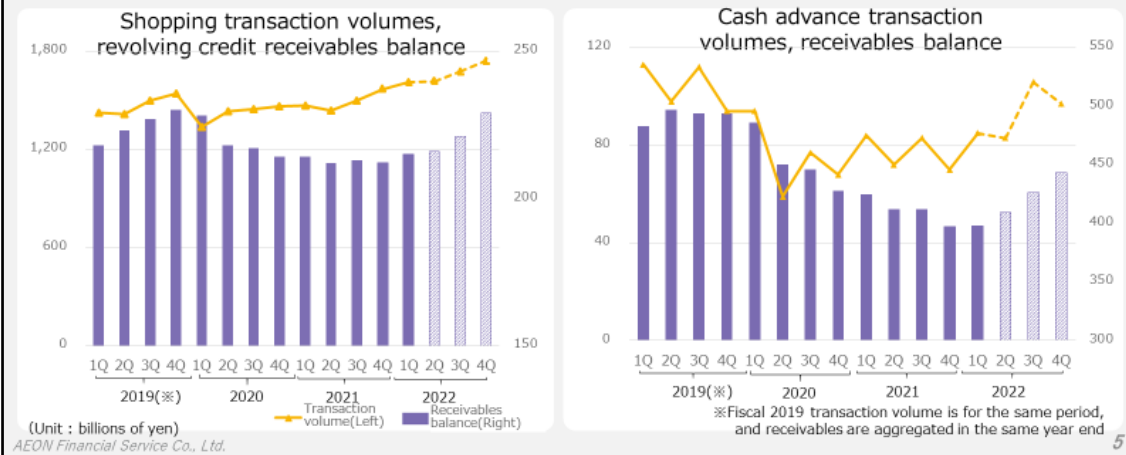
Against the backdrop of the revitalization of the flow of people, the no.of members at stores is on a recovery trend Demonstrate the strengths of the AEON Group, which actually has touch points

- This graph shows the number of newly acquired members of AEON Card in Japan over the years by acquisition channel.
- The first quarter of this fiscal year saw an acquisition of 460,000 new members in total owing to the updating of the point system last year, which increased the attractiveness of the card's benefits. The number exceeded that of the fiscal year starting in 2019 before the pandemic.
- The number of customers who became members online is represented by the purple bars. The number has steadily increased due to our focused effort to solicit online – for instance, we instantly issue cards to customers via apps.
- The number of customers who became members at stores is represented by the yellow bars, which show that AEON Group's strength was demonstrated with the revitalization of the flow of people. Overall, the number of new members is also on an increasing trend.

2. Overview of Domestic Business

Domestic credit card receivables

- Shopping use recovers ahead of time as consumption revitalizes
- Shopping volume has recently grown by double digits yoy. Revolving credit balance expands again
- A full-fledged recovery in cash advance transaction volume is expected in the 2H or later, while the balance of cash advance receivables recovers somewhat later



- Next, these graphs show changes in the transaction volumes and the balance of receivables of credit cards in Japan. The left graph shows the volume of shopping transactions and the balance of revolving credit receivables. The right graph shows the volume of cash advance transactions and the balance of receivables.
- With consumption picking up, the use of credit cards for shopping has been recently recovering ahead of other usages; the volume of shopping transactions increased by 10% from the same period a year ago, showing a double-digit growth. At the same time, the balance of the revolving credit receivables also resumed its rising trend from this first quarter.
- The volume of cash advance transactions was up 1% from the same period a year ago, also exceeding the previous year. We expect full recovery after the second half of the fiscal year. We envision that the recovery in the transaction volume will bring the balance of cash advance receivables to the previous levels.

3. Overview of Global Business

Transaction volume and the status of outstanding receivables of the global business

Major Initiatives in Each Area	China Area (Hong Kong)			Mekong Area (Thailand)			Malay Area			Global Business			
	(Unit : billions of yen)	■ Leveraging Group Synergies Introduced acquirer to all AEON stores in FY, expanding volumes		■ Promoting Digitalization Promotion of online card payments, provision of new loan products		■ Advancement of Screening Expand the cap by assessing credit risk mainly from excellent customers		■ Strengthening collaboration w/marchants & affiliated stores Conducted sales promotion plans w/motorcycle manufacturers and dealers in Malaysia		■ Digitization of Screening Automation of examination by AI in Indonesia		Total	
		YoY change	QoQ change	YoY change	QoQ change	YoY change	QoQ change	YoY change	QoQ change	YoY change	QoQ change	YoY change	QoQ change
Credit card	Transaction volume	33.4	123%	101%	62.5	162%	116%	12.6	117%	108%	108.6	142%	110%
	Outstanding Receivables	55.9	+10.5	+7.0	149.9	+27.6	+14.0	21.3	▲0.06	▲0.01	227.1	+27.6	+14.0
Installment finance	Transaction volume	-	-	-	2.8	62%	86%	23.8	120%	127%	26.6	109%	121%
	Outstanding Receivables	-	-	-	23.1	▲0.2	+0.4	202.9	+16.6	+16.8	226.0	+14.5	+17.3
Personal loans	Transaction volume	4.8	193%	111%	23.0	141%	119%	8.7	109%	76%	36.6	136%	104%
	Outstanding Receivables	15.6	+4.7	+2.2	167.2	+15.3	+11.5	74.8	+8.1	+5.5	257.7	+28.2	+19.3
Total	Transaction volume	38.2	129%	102%	88.4	148%	115%	45.2	117%	108%	171.9	134%	110%
	Outstanding Receivables	71.5	+15.2	+9.2	340.3	+40.9	+26.0	299.1	+24.7	+22.4	711.0	+80.9	+57.7

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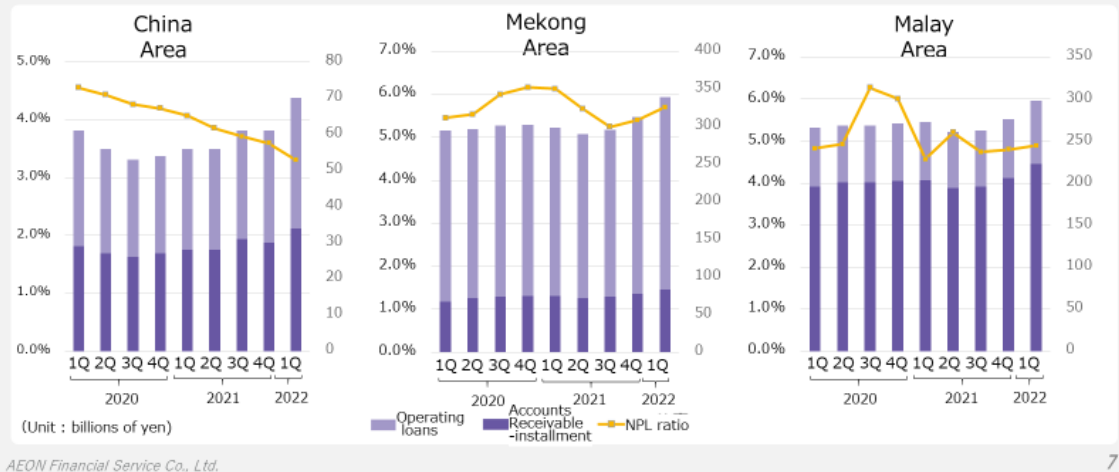
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- Next, these are the results of the global business.
- The table lists the transaction volume and the status of outstanding receivables by service and by area, namely, China Area, Mekong Area, and Malay Area. All areas show steady expansion of the business.
- In China Area, we are stepping up our efforts, mainly through group synergies and new credit policies. For instance, we are increasing transaction volume by adopting acquiring services for all of the 82 stores of AEON Stores (Hong Kong), and promoting loan consolidation services for members who have used loans of other companies.
- In Mekong Area, we are making efforts to upgrade our screening process and increase transaction volume. For instance, we are taking measures for digitalization through promoting online credit-card payments and providing new loan products while also raising credit limits primarily for customers with good standing.
- In Malay Area, we strengthened collaboration with motorcycle manufacturers and dealers in Malaysia, and automated our screening process by using artificial intelligence in Indonesia. Consequently, Malay Area is showing a full-scale recovery trend following China Area and Mekong Area.

3 . Overview of Global Business

Outstanding receivables and NPL ratio of the global business

- The pace of increase in operating loans and accounts receivable-installment accelerates in each area, and the outstanding balance of receivables exceeds before the Covid-19 pandemic levels
- Continued efforts to improve the quality of receivables have kept the NPL ratio stable at a low level

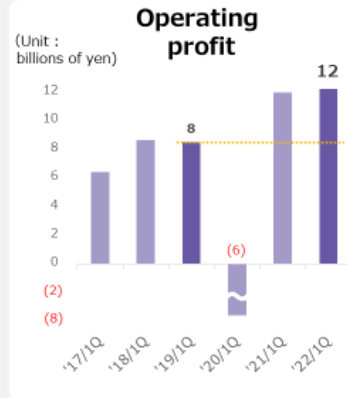
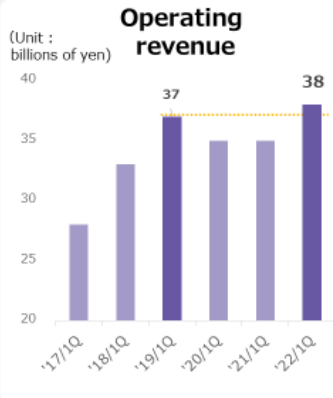


- In light of these circumstances, we will explain changes in outstanding receivables and nonperforming loan (NPL) ratios in each area.
- From left to right, these charts show changes in China, Mekong, and Malay areas, respectively. All areas show accelerated growth of operating loans and accounts receivable installment, while finance receivables increased beyond the pre-COVID levels.
- Furthermore, our continued efforts to improve the quality of receivables have kept the NPL ratios stable at low levels. Although Mekong Area has recently shown small rises, it keeps the levels below the pre-COVID times. We will continue accumulating high-quality receivables.

3 . Overview of Global Business

Transforming the business model of the global business

- Operating revenue increased due to recovery in transaction volume and outstanding receivables, recovering to before the Covid-19 levels
- Operating profit moves away from labor-intensive models by promoting digitalization, mainly in Thailand and Malaysia
- Shift from investment in efficiency during the Covid-19 pandemic to investment in growth in the future to accelerate profit growth



Operating expense ratio (compared to operating income)

	1Q	compared to the 1Q of FY2019
Selling, general and administrative expense ratio excluding bad debt expenses	37%	▲3pt
Labor cost ratio	13%	▲2pt

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- All those factors put our global business's profit securely back on a growth trajectory.
- Operating revenue increased owing to the recovery in transaction volume and outstanding receivables, reaching a record high of 38.9 billion yen in the first quarter.
- We promoted digitalization primarily in Thailand and Malaysia for cost considerations, which improved the ratio of personnel cost to operating revenue to 13%; thus, we successfully moved away from the labor-intensive model and curbed cost.
- As a result, operating profit was 12.8 billion yen, also breaking the record for the first quarter.
- Looking forward, we intend to shift from investment to improve efficiency during the pandemic to investment to grow, which should accelerate profit growth.

This concludes our explanation of the overview of the first-quarter results.

Priority Initiatives

- Now, we are going to explain our priority initiatives for the first quarter and from the second quarter.

DX Initiatives (Digital Financial Inclusion)

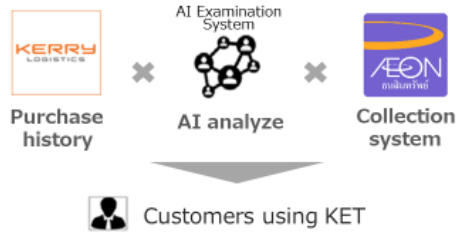
Acquired "Digital Bank" license (Malaysia)

Licensed Consortium	
AFS ACSM MoneyLion	Comprehensive Financial Services Retail non-bank (Local No.1) U.S. Digital Bank (U.S. No.2)
Axiata RHB	Major local telecommunications subsidiary Ranked 4th among local commercial banks
SEA YTL	Shopee, major online game and EC company Local conglomerates (telecommunications, construction, power generation, etc.)
GXS Bank	Joint venture between Grab and Singapore's telecommunications giant Singtel (Singapore Digital Bank)
Kuok Brothers	Investment firm of local millionaire Lobert Kuok
KAF Investment Bank Carsome Ringgit Plus(RGP) MoneyMatch(MM)	Local Investment Bank Local Used Car Trading Online Platform Local Financial Intermediary Aggregator Local Money Transfer Platform

- 5 of the 29 entries were issued digital bank licenses
- Prepare for commercialization by the end of FY23

Acquired "Nano Finance" license (Thailand)

- AI analyzes the sales and purchase history of sole proprietors using local delivery companies (Kerry Express Thailand). Calculate credit score and offer loans



- To begin with, we will explain our projects for digital transformation (DX), starting from the promotion of financial inclusion with digital technologies abroad.
- First of all, we have mentioned some time ago about digital bank license in Malaysia. On April 29, we received a notice from the country's central bank about its decision to grant us the license. Of the 29 candidates, five consortiums were granted the license. Besides our Group, Asia's leading technology firms, such as Grab and Sea, were selected.
- As for the reason why our Group could get the license, we believe the biggest factor was that ACS Malaysia has, since its establishment, worked on financial inclusion—the aim of the license issuance—and has built a track record as the top retail non-bank in the country.
- Other reasons we were regarded well should be our technology partnership with MoneyLion, a US digital finance company, which was selected in the Forbes Fintech 50 companies that transform the world, and the presence of AEON brand that AEON Group' retail business has established over 30-plus years.
- The second initiative is the acquisition of the permit to offer Nano Finance business in Thailand. Nano Finance is small-amount financing introduced by the Thai

government for the purpose of protecting consumers and sole proprietors from unofficial high-interest rate loans. We will have a system that uses artificial intelligence to analyze sales and purchase history and assess credit risk, making it accessible for customers with unstable income, too.

- Going forward, we will capture customer needs in each country and area, and will work on measures for financial inclusion.

DX Initiatives (Domestic Business)

Reserve investment through AEON Card settlement

- Launched credit card reserve function for the first time in Japan in a discretionary investment service
- While accumulating WAON POINT by reserving by AEON Card settlement, discretionary investment service can be used
- AEON Bank formed a business alliance with WealthNavi in 2018. Expansion of the number of persons eligible to use the service from savings account members to AEON Card members



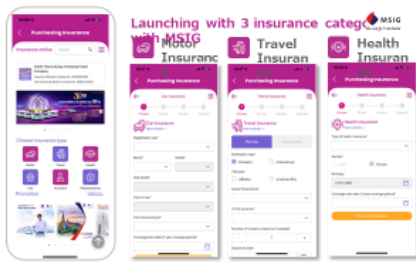
- Next, we would like to introduce our efforts for digital transformation in Japan.
- As mentioned in today's news release, we formed an alliance with WealthNavi, an asset management service company that uses robo-advisor driven by artificial intelligence. By doing so, for the first time in Japan, we started offering an accumulation function where discretionary investment service is provided with credit card settlement.
- Up until now, WealthNavi's services were available for account members of AEON Bank. Now, the services are further offered to the members of AEON cards. Customers can accumulate WAON Points by making investment through AEON card settlement, which should make the cards more attractive.

We are going to increase the number of users by promoting the service.

Health & Wellness Initiatives

Expanding real and digital insurance sales channels (Thailand)

- Acquisition of insurance intermediary qualification by card recruitment staff progresses, promoting cross-selling insurance sales
- Obtained permission from the Insurance Commission of Thailand to sell insurance online and started selling insurance on the app



Full-scale development of insurance business (Malaysia)

- Achieved profitability in the first quarter results
- Acquired the business of an insurance broker with no restrictions on the no. of companies handled. In addition to expanding the no. of products handled, strengthen product development from the customer's perspective.
- In addition to existing customers such as credit card members, provide services to customers in the AEON Living Zone

Promotion of health promotion insurance (Domestic)

- AEON Allianz Life Insurance's whole life medical insurance "Genki Passport" is being gradually expanded at banks and insurance agents outside the Group, in addition to AEON Bank and AEON Insurance Services.

•The next initiative is "Health & Wellness."

•In Thailand, we are expanding touchpoints, both real and digital.

At the real stores, an increasing number of the staff who solicit for credit cards in the stores are obtaining the insurance intermediary qualification. This will promote the sale of insurance by cross-selling with credit card recruitment.

In the online stores, we started selling insurance by using an app after obtaining the permission to sell insurance online from the Insurance Commission of Thailand. Our initial offer is auto insurance. We will sell life insurance and other products according to our plan.

•In Malaysia, we acquired an insurance broker business in the previous fiscal year, starting the insurance business in full swing. In addition to increasing the number of products handled, we can develop new products.

Recently, the business turned a profit. We expect it to be profitable for the full year, too.

In addition to the existing customers of AEON Credit Service (Malaysia), we will offer services to customers in the AEON Living Zone, including the customers of AEON retail stores in Malaysia.

- In Japan, we are promoting AEON Allianz Life Insurance's whole life medical insurance, "Genki Passport." We are expanding our distribution network within our Group as well as to regional banks, outside insurance agencies, and the like. We will continue our efforts for further expansion.

Initiatives for post-pandemic (Global)

30th anniversary of company establishment (Thailand)

- Since its establishment, expanded its business through a strategy of alliances with leading external companies
- As an anniversary project, implemented initiatives tailored to customer behavior and revitalization of consumption



Electric Vehicle Presentation Ceremony

AEON Card WAKUWAKU issuance started (Hong Kong)

- Targeting people in 20s to 40s who have a high desire to consume, AEON Card with cashback benefits is issued
- The return rate is 0.5%, compared to the high reduction rate of 6% for online use, 3% for Japan use, and 1% for food and beverage use
Against the backdrop of the easing of travel restrictions and the ongoing depreciation of the yen, will aim to capture the growing demand for travel



- Next is the initiatives for post-pandemic in the global business operation.
- In many countries where we operate, the economic activities are coming back. Taking this as an opportunity also for our company to increase sales, we are boosting our sales activities.
- In Thailand, AEON Thana Sinsap celebrated its 30th anniversary of establishment. The photo at the bottom left of the slide shows the prize presentation ceremony of our campaign where the credit card users had the chance to win an electric vehicle in a drawing.
By launching such a big event, we are going to capture our customers' appetite for spending and increase sales.
- In Hong Kong, we started issuing a new card, "AEON Card WAKUWAKU," which has the cashback benefit, targeting consumers in their 20s to 40s, who have a high desire to consume. The card has special benefits of giving higher rewards rates if used online or in Japan. We expect a swift recovery. We will also try capturing demand for travel.

4. Priority Initiatives・Results in the 1Q and initiatives after the 2Q

Initiatives for post-pandemic (Domestic)

Responding to changes in Consumer Activity

- In addition to the demand established by the pandemic, plan to use the service in line with the recovery of demand for travel and leisure



Responding to the Growing Awareness of Livelihood Defense

- In response to rising prices and utility costs, implemented point-doubling projects centered on daily necessities and campaigns to use utility bills.



Expand AEON Pay usage

	1Q	After 2Q
AEON Group	Origin Toshu (Food), Max Valu Kanto	Mega Sports, Renovation Studio
Outside the Group	Round One, AOKI, ART Moving Company	Coffee shops, accommodations, etc.

- Next come the post-pandemic initiatives for our business in Japan.
- We will promote sales for spending for new life styles that have been established during the pandemic. In addition, we will aggressively launch plans for usage for travel and leisure businesses, for which demand is recovering.
- On the other hand, customers are keener to protect their livelihood given the rising price levels and utility costs and other factors.
In such an environment, we should be able to demonstrate our strength as a company that supports everyday life, which is our management philosophy.
We will support customers' lives by offering a plan of giving twice as many WAON Points primarily for the daily necessities, giving points for payment of utility bills, and other means. We will enhance our initiatives to make their lives better. In this way, we will strive for further differentiation.
- AEON Pay, which offers a service of code payment, focuses on expanding areas where the service can be used within the AEON Group and to outside the Group, in order to enhance touchpoints in the AEON Living Zone.

ESG Initiatives (TCFD Compliance, External Evaluation)

Disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD)

• Based on the TCFD framework, disclosed assessments and targets for the impact of climate change on the Group's businesses.

■ Governance System

The Company's sustainability enforcement system

■ Strategy

Analyze risks and opportunities associated with climate change by scenario

■ Risk Management

Risk management process

■ Metrics and Goals

Main climate-related indicators and GHG emissions in the Group

HP : <https://www.aeonfinancial.co.jp/en/activity/environment/climate/>

ESG External Evaluation

• Promote ESG initiatives in Japan and overseas, improve external evaluations, and aim to become a constituent stock in major ESG indexes.

■ AFS

• Selected as a constituent stock of the FTSE Blossom Japan Sector Relative Index, one of the ESG indices adopted by the GPIF



**FTSE Blossom
Japan Sector
Relative Index**

■ ACS Malaysia

• Highest ESG ranking by FTSE with a 4-star rating
• In addition, selected for the FTSE 4Good Bursa Malaysia Index, which consists of 200 companies with the same rating, for the 8th consecutive year since 2015



FTSE4Good

- Next comes our Environmental, Social, and Governance (ESG) initiatives.
- We clarified our policy for taking measures for the climate change based on the framework for the Task Force on Climate-Related Financial Disclosures (TCFD). Under this policy, we are going to strengthen the system for implementation to contribute to the building of a carbon-neutral society through our business activities.
- As for external evaluation, the Financial Times Stock Exchange Group gave good assessment to both AEON Financial Service and AEON Credit Service (ACS) in Malaysia.
- The entire AFS group is going to promote ESG initiatives and upgrade non-financial measures together with financial measures.

ESG Initiatives (Domestic: Responding to inheritance and asset management needs)

Expansion of inheritance-related services

- Started handling inheritance-related business with partner companies (Yamada Escrow Trust) , in response to inheritance needs in an aging society
- (1) Testamentary trust work
Consultation on wills, advice on preparation and custody of wills, and execution of wills in one lump sum
- (2) Heritage arrangement work
Acting on behalf of inheritance division procedures, preparation of division agreements, support for documentation at the time of heir agreement, etc.
- Started providing services at the relocated AEON Bank Tokyo Yaesu Branch. Taking advantage of merits such as good access to stores and friendliness, plan to sequentially expand to stores nationwide.

Provision of asset management services

- Even those who do not have a lot of investment experience can invest with peace of mind as a product that sells the third pecuniary trust “Rimawari-no Kenjin”
- Backed by financial claims such as high-rated mortgage loans, operate with profitability that exceeds yen deposits while considering safety
- Matching demand for funds (using housing loans) with investment demand (stable yield)



•As another initiative for social aspect of ESG, we would like to present AEON Bank’s undertaking.

•First, in order to deal with inheritance issues that are arising with the aging population in Japan, we formed an alliance with Yamada Escrow and Trust and started handling inheritance-related services such as testamentary trust and heritage arrangement. Provision of such services started at the Tokyo Yaesu Branch first with a plan to expand to all branches across the nation.

AEON Bank has a friendly atmosphere and provides easy access to its branches. By taking advantage of such strength for these unfamiliar services, we will aim at resolving customers’ issues.

•Second, we are enhancing our asset management services. Our pecuniary trust, “Rimawari-no Kenjin (return wise man),” is a safety-minded product backed by high-rated mortgage loans of the Bank and other assets, so that even customers rather new to investment can invest with peace of mind. As this is very popular, the third offering in April was completely sold out before the closing date, as in the case of the first and second offerings.

•We will continue striving to develop products that are easy to understand and purchase for customers regardless of their investment experience.

5. Earnings and Dividend Forecasts

FY2022 earnings forecast, dividend forecast (unchanged)

- In FY2022, made investments to expand our business operations and accumulate operating receivables. Expected performance at the same level as FY2021
- In view of uncertainties in the economic environment, such as interest rates, foreign exchange rates, and price rises, operating profit and net profit will continue to be disclosed in a range
- The annual dividend per share will be increased by 4 yen from the ordinary dividend of 46 yen in FY2021 and will be planned at 50 yen per year

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

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- Lastly, we would like to talk about our earnings and dividend forecasts.
- There have been no change from our announced figures in April.
In our view, we made a fairly good start in the first quarter compared to the plan.
- The credit business, which is our mainstay business, has been sound, both in Japan and abroad, which is expected to keep the growth trend after the second quarter as well.
- On the other hand, we are facing some challenges, such as higher policy rates in the world, and the impact of higher prices and utility costs on consumption. We will deal with those issues with a steady hand.
- We are going to steadily carry out the planned measures to achieve the earnings forecasts.

We would appreciate your continued support.

Questions and Answers

■ Mr. Watanabe, analyst at Daiwa Securities

(1)

Q: On page 3, you explained that the company controlled the offering of housing loans while keeping an eye on the interest rate situation. Is there a possibility that the amount of loans will be less than your projection? Also, from the viewpoint of Asset Liability Management (ALM), you may have a downward outlook for securitization. In that case, will you be able to maintain gains from securitization for this period by securitizing other products?

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

In the first quarter, we offered the services while somewhat consciously avoiding the interest rate competition. At the same time, in our plan, AEON Bank will keep the current levels when other banks are raising their interest rates. We are also considering enhancement of various services; for instance, customers who take up a housing loan from AEON Bank can shop at AEON Group stores at discounted prices (AEON Select Club). How we demonstrate our competitiveness besides interest rate is important. That should be where we have advantages, too. The volume of housing loan transactions is expected to reach our projection. In that sense, we do not have securitization issues from the perspective of ALM at this moment.

(2)

Q: How much was the impact of the exchange rates and the effect of the yen's depreciation in the first quarter? Is there a possibility that you might update or revise the company's plan in the second quarter, although there may be some uncertainty in the market environment?

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

The impact of the exchange rate is a significant positive factor. Our company's plan is always subject to update. But we want to appropriately take action while monitoring the status against the plan, as the exchange rate is not the sole determinant.

(3)

Q: Last time when you presented the financial results, you talked about updating of the medium-term management plan. How is the progress since then?

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

There is no change in that we are going to consider revision as necessary while monitoring changes in the environment and other factors.

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

(1)

Q: In the first quarter, there was no securitization. Given the environment, will securitization be implemented as projected at the beginning of the period?

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

At this moment, we envision that it will go as projected as long as we can accumulate assets according to the plan. But we have a risk factor of getting an impact if large-lot housing loans fluctuate. Also, automobiles, solar products, and other things may be somewhat impacted by the shortage of materials. We will keep a close eye on this area.

(2)

Q: AEON Allianz Life Insurance decreased profit by 1.1 billion yen. Given the increased costs from the second half, this is perhaps as expected. How much did this insurer alone contribute to the profit in the first quarter? Also, do you expect such a number to remain at the same level for the full year?

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

As this insurance company has not turned a profit yet, there was no profit contribution. The loss amount in the first quarter was about 1 billion yen.

(3)

Q: Malay Area gives me an impression that there are wide fluctuations in profit from one quarter to another as seen last year. I believe this led to the good progress rate for the overall global business in the first quarter. On the other hand, I think in your plan, costs will increase in the remaining three quarters. Is this viewpoint correct?

A: (Yuro Kisaka, Director and Managing Executive Officer in charge of the Group Corporate Planning Division)

In Malaysia, we do not think it is necessary to increase a lot given the recent situation of collection and the economic recovery. On the other hand, as we introduced IFRS 9 in Malaysia, in consideration of the expected economic

recovery and other factors, we believe we will need to increase bad-debt reserves by a certain degree for normal receivables accordingly. But please understand that this is an increase for normal receivables, and not for worsening of situations. Let me inform you about the latest situation in Malaysia. In this country, the government allowed withdrawal from pension programs as a measure to support individuals. As a result, people who temporarily found it difficult to repay, were able to pay back the outstanding debt. Overall, our collection is stable now. We would like to reassure you on this point.

(4)

Q: Specifically, where do you think you can improve efficiency for digital banking in Malaysia? Don't you need to anticipate temporary increase in expenses or decrease in profit?

A: (Yuro Kisaka, Director and Managing Executive Officer in charge of the Group Corporate Planning Division)

Basically, our model enables completion of the process from applying for a loan with the app on a mobile device, from offering of the loan to repayment. Thus, it will offer convenience to customers and also drastically change the way we do our business. Specifically, we want to upgrade the model, so that we will not use humans for screening, managing receivables, and doing other work.

From the perspective of opportunities to increase revenue, while about 70% of our customers are in their 20s and 30s, we do not think the non-bank alone can cover if we are to offer services throughout their lifetime. By digital banking, we will combine deposit, insurance, and asset management services to build a business that will support customers throughout their lives. We will also do fund raising by ourselves. For digital banking, we will establish a separate company. Under the bank capital regulation, we plan to have an equity capital of 6 billion yen at the time of establishing the company.

Establishment of the business model will probably take four to five years, which will give some pressure on us. But as our business in Malaysia is likely to expand, we understand that there will be no particular problem.

■ Mr. Hara, analyst at SMBC Nikko Securities

(1)

Q: On page 3, what kind of time horizon and investment do you envision for the

next credit card system? Also, how do you anticipate the likely impact on the income statement including the cost?

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

The time horizon is for about two fiscal years, in which it will be completed. The cost is expected to be commensurate with the asset of all software investments of about 100 billion yen. When it starts operating, a certain amount depreciation expense should accrue as expected. We intend to generate revenue by increasing the number of members and enhance the quality of services.

(2)

Q: While prices in Japan are rising in full swing, what kind of impact do you anticipate?

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

Like any other companies, we are duly concerned about the phenomenon.

While people may in fact curb their consumption, they are increasingly more willing to spend for various items, recovering from the pandemic. As you would understand by looking at the transaction volume of various items, consumption is on an increasing trend. From the standpoint of protecting the lifestyle, people will consume even without going on a trip. AEON primarily handle daily necessities. We are selling things of which consumption cannot be slashed. In that regard, we have differentiating factors and strength.

■ Mr. Sato, analyst at Mizuho Securities

(1)

Q: On page 8, you have explained about the shift from a labor-intensive model, referring to the sales and administrative expense ratio and the personal cost ratio. Looking by segment, I got an impression that personnel cost in Malay Area is significantly restrained. Could you explain the background and its sustainability?

A: (Yuro Kisaka, Director and Managing Executive Officer in charge of the Group Corporate Planning Division)

In 2019 and 2020, the global business in general was hit by the impact of the lock-down, which was not comparable to what happened to the business in Japan. On the other hand, during the lock-down, our business became

extremely strong by enabling transactions to complete entirely with mobile devices, using artificial intelligence for screening and loan management, and taking other measures. So, we understand that we have resumed the growth process. In Malaysia, there was a period when we closed all stores other than those that handle daily necessities. During this period, we reviewed the entire business structure. For instance, we slimmed down the operation so that 3,000 employees are enough, which was 3,600 in fiscal 2019. These undertakings are linked with projects for digital banking, too. We intend to extend the business model built in Malaysia to other parts of the world.

(2)

Q: The slashing of the payroll should also reduce the actual amount of personnel cost in Malaysian local currency. Are we to understand that this level can be sustained?

A: (Yuro Kisaka, Director and Managing Executive Officer in charge of the Group Corporate Planning Division)

We understand that there is basically no need to significantly increase the number of employees. On the other hand, wages in Malaysia are rising in line with the nation's GDP growth rate of around 5%. In addition, as we are going to hire more IT personnel, there may be times when some portion of our personnel cost will increase.

(3)

Q: I recall that three months ago you talked about a plan of revising numbers in the rolling period in the medium-term management plan to reflect the environment. But I got an impression from your explanation that the expression somewhat changed. Please tell us more about your schedule of revision.

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

As you pointed out, we are indeed going to use a rolling period, and we are also going to revise as necessary as a matter of fact. We do not operate assuming we will always change numbers. Instead, we will keep reviewing what should be done where, depending on the changed environment.

(4)

Q: Given the changes in the various factors in the environment, such as the impact of revenue standards and foreign exchange, you may need to review definitions in the calculation of cost ratios, personnel cost ratios, and other

measures. When do you expect to disclose them?

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

I cannot respond off-hand to you about changes in Key Performance Indicators (KPIs) and other matters. We would like to appropriately disclose when possible.

■ Mr. Niwa, analyst at Citigroup Global Markets Japan

(1)

Q: On page 5, the volume of shopping transactions and the balance of revolving credit receivables were revised upward from the materials for the presentation for the previous financial results. What turned out well? Was it the macro environment, any change in your credit policy, or marketing? Please comment on the quality of customers, too.

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

Our finance receivables increased because the macro environment picked up and our company did well. Looking at the difference from other companies, our solicitation of new members went well owing to the consolidation of points last year, increasing unique users. Consequently, as there were no risk factors, such as voluntary restraint in the latter half of March, and as it was easy to use points in April and May, I think there were more opportunities for customers to use our services for traveling and leisure. Speaking about the quality of customers, some people became members because using points became easier. I suspect that we have more customers with stronger appetite for consumption.

(2)

Q: Please tell me about how your company thinks about its capital adequacy ratio at this moment and the outlook for the full year?

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

It is 6.6% at this moment. It is difficult to make a general comment as we have a very big asset of the bank. The leverage is 14 to 15 times, which seems like an appropriate level and also close to that of other non-banks.