

# FY2021 First Quarter IR Presentation Material

July 7, 2021

# Key points of the announcement of this financial results

## Q1 Earnings Summary

- Consolidated financial results for the first quarter increased revenue and profit.
- The impact of coronavirus infections in the first quarter was limited compared to the first quarter of last year.
- In the Domestic Business, transaction volumes have been on a recovery trend, the amount outstanding of receivables has stopped declining.
- In the Global Business, refinement of screening due to coronal disasters and the construction of debt collection systems have greatly improved costs related to bad debts.

## Outlook for Q2 and Beyond

- In the second quarter, restrictions on activities were being tightened in operating countries with a growing trend of infection. With the increase in vaccination rates, economic activity is expected to be revitalized toward the second half of the year.
- In the Domestic Business, the company will strengthen its membership base and continue to focus on debt collection in the Global Business. Will promote initiatives to expand our customer base through financial inclusion, etc.
- Implement sales promotion measures in order to revitalize consumption.

1. Impact of infectious diseases on the economies of each country
2. Consolidated results
3. Initiatives since the second quarter
4. Consolidated earnings forecasts

# 1. Impact of infectious diseases on the economies of each country

Time of infection: ■ Activity restrictions: ► 1Q: |

Operating area	Month					
	1	2	3	4	5	6
Japan	Declaration of a state of emergency ►			Declaration of a state of emergency ►		
Thailand	Activity restrictions ►					
Malaysia	Activity restrictions ►				Lockdown	
Cambodia				Activity restrictions Lockdown ►		
Laos				Lockdown ►		
The Philippines	Activity restrictions ►					
Indonesia	Activity restrictions ►					
India				Lockdown ►		
Vietnam	Activity restrictions ►				Strengthening activity restrictions ►	
Myanmar	Restrictions on coups and protests ►					

## Q1 Status

【Thailand, Malaysia (March to May)】

- Private consumption has remained firm since April, economic activity is suppressed with the spread of infected people.

【Countries are not listed (Jan to Mar)】

- Maintaining the underlying trend of economic recovery.

## Q2 Outlook

【Thailand, Malaysia (Jun to Aug)】

- Thailand has tightened restrictions on activities, Malaysia has been locked down, and regulations are becoming stricter.

【Countries are not listed (Apr to Jun)】

- The number of infected people increased in each country. Impact on economic activity through stricter regulations, such as activity restrictions and lockdowns.

## 2. Consolidated results - Consolidated Statements of Income

- In the Domestic Business, revenues and profits increased due to a recovery in volumes and reductions in costs related to bad loans.
- In the Global Business, decreased in revenues and increased in profit due to a significant improvement in bad loan-related expenses.

(Unit: Billions of yen)	Domestic			Global				Consol. Total ※3
	Total ※1	Retail ※2	Solution ※2	Total ※1	China Area	Mekong Area	Malay Area	
Operating Revenue	87.3	58.2	43.6	35.2	3.7	18.1	13.2	122.2
YoY	117%	131%	93%	99%	87%	95%	113%	111%
Change	+12.4	+13.9	△3.0	△0.0	△0.5	△0.9	+1.4	+12.2
Operating Profit	9.0	4.1	4.6	11.9	1.6	4.8	5.5	20.7
YoY	163%	-	86%	-	133%	-	-	-
Change	+3.4	+4.0	△0.7	+18.5	+0.4	+8.9	+9.1	+21.5
Operating Profit Ratio	10.4%	7.1%	10.6%	34.0%	43.1%	26.5%	41.5%	16.9%
YoY	+2.9pt	+6.8pt	△0.9pt	-	+14.8pt	-	-	-

※1 Total of Domestic and Global figures amounts after elimination of transactions between business segments

※2 Retail is a personal-centric business, Solutions is a business that is central to merchants

※3 Include Holding company, Shared functions and elimination of Consolidated adjustments

<Reference>: Profit on securitized receivables: ¥2.5 bn (year-on-year difference ¥0.9 bn)

Profit attributable to owners of parent

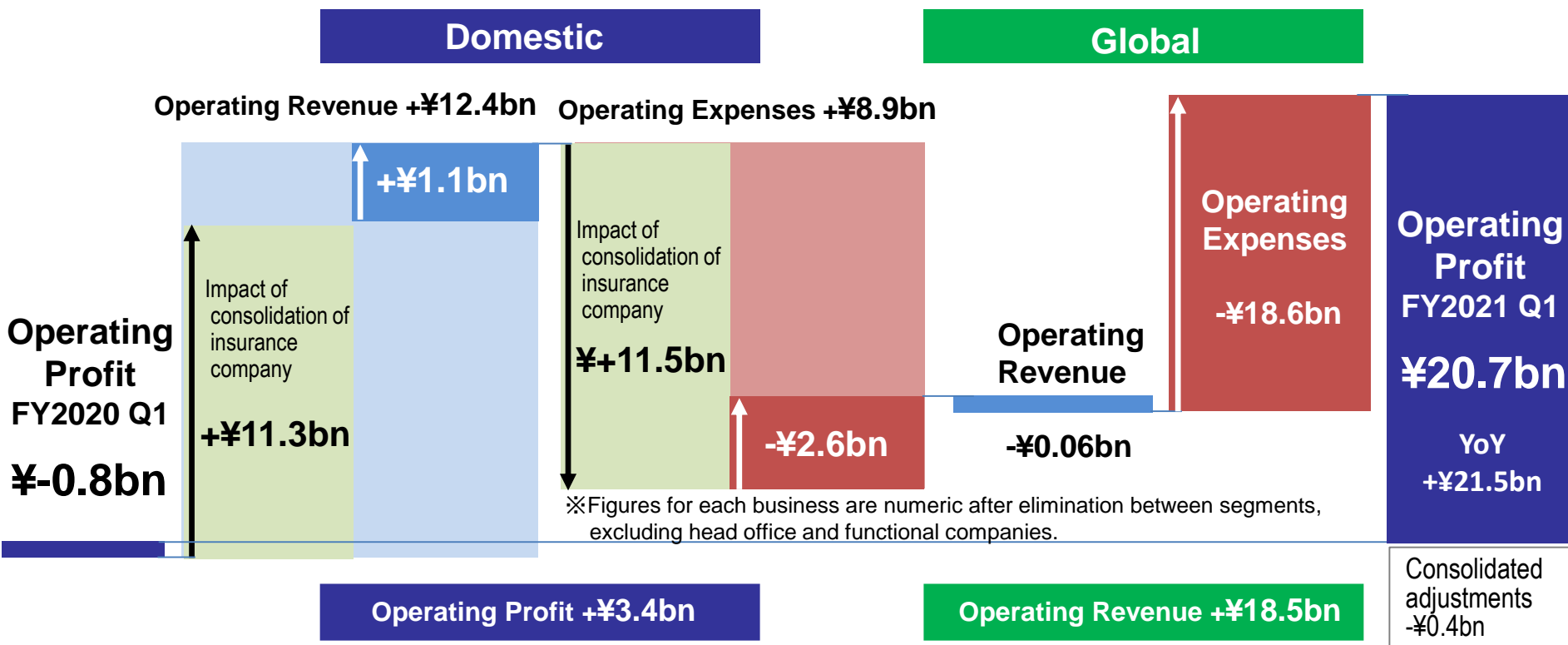
11.6

YoY

+12.7

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

■ Reduction of Domestic and Global expenses contributes to the recovery in operating profit



Main factors for revenues	Domestic	Global
	<ul style="list-style-type: none"> <li>• Credit card shopping +¥1.5bn</li> <li>• Securitization, Gain on investments in securities +¥1.6bn</li> <li>• Cash advance, Installment finance -¥2.2bn</li> </ul>	<ul style="list-style-type: none"> <li>• Cash advance, Personal loan -¥2.0bn</li> <li>• Bad debts recovered +¥1.1bn</li> <li>• Credit card shopping, Installment finance +¥0.4bn</li> <li>• Insurance, Processing and other fee revenue +¥0.4bn</li> </ul>
Main factors for expenses	<ul style="list-style-type: none"> <li>• Bad debt allowance -¥3.5bn</li> <li>• Others +¥0.9bn</li> </ul>	<ul style="list-style-type: none"> <li>• Bad debt allowance -¥19.0bn</li> <li>• Financial exp. -¥0.5bn, Personnel exp. +¥0.7bn</li> </ul>

## 2. Consolidated results - Consolidated balance sheet

■ In the first quarter, the outstanding amount of operating receivables such as operating loans, loan and bills discounted for banking business and accounts receivable (installment) increased by ¥165 bn. Allowance for doubtful accounts decreased by ¥8.6 bn.

### 【Consolidated operating receivables balance】

- Balance incl. securitization : ¥6,764.0bn(+¥167.6bn)  
     in which, Domestic balance : ¥6,88.0bn (+¥167.1bn)  
     in which, Global balance : ¥630.1bn (+¥0.8bn)
- Securitized amount (Domestic only) : ¥2,284.1bn (+¥2.5bn)

(Unit: Billions of yen)	Results	Change from start of FY
Cash and deposits	612.7	△93.0
Operating Loans	801.4	+18.5
Loan and bills discounted for banking business	2,081.3	+82.9
Accounts receivable – installment	1,584.7	+63.6
Allowance for doubtful accounts	△124.6	+8.6
Other Assets	1,215.8	△33.0
Total assets	6,171.3	+47.6

(Unit: Billions of yen)	Results	Change from start of FY
Deposits	4,029.5	+10.9
Interest-bearing debt (excl. deposits)	1,123.5	+80.3
Other liabilities	527.7	△59.6
Total liabilities	5,680.7	+31.6
Total equity	490.6	+15.9
Total liabilities and equity	6,171.3	+47.6

## 2. Consolidated results by area

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

	(Unit: Billions of yen)	Transaction volume	YoY	YoY	Balance of operating receivables	Increase or decrease at the start of the FY
			(Compared to the same period of the previous year)	(Compared to the same period of the previous year)※		
Domestic	Credit card	1,551.0	108%	104% (101%)	1,516.2	+46.0
	Card shopping	1,466.3	110%	106% (103%)	1,090.3	+48.8
	Cash advance	84.6	89%	79% (75%)	425.9	△2.8
	Installment finance	50.6	90%	85% (81%)	727.2	+2.5
	Housing loans	205.6	111%	162% (118%)	2,950.8	+1,46.7
	Others	-	-	-	893.6	△28.2
	Total	-	-	-	6,088.0	+167.1
Global	Credit card	76.5	96%	72%	189.1	△1.6
	Card shopping	57.5	102%	81%	97.1	△0.6
	Cash advance	18.9	83%	54%	92.0	△0.9
	Installment finance	24.4	138%	77%	211.5	+3.5
	Personal loans	26.9	122%	63%	229.4	△1.1
	Total	-	-	-	630.1	+0.8
		-	-	-	6,764.0	+167.6

※Comparison with March to May 2019 results.

(unit: million copies)	Cardholders		
	Consolidated	Domestic	Global
Results	46.54	29.65	16.89
Diff start of FY	+0.41	+0.20	+0.21

### 【Domestic】

- 410,000 new card members (+80,000 year-on-year)
- 10.42 million cards of with contactless payment function issued (as of the end of May)

### 【Global】

- Malaysia E-money membership 2.1 million (+640,000 year-on-year)



# 2. Consolidated results -

Transaction volume of major products and outstanding amount of receivables

Domestic

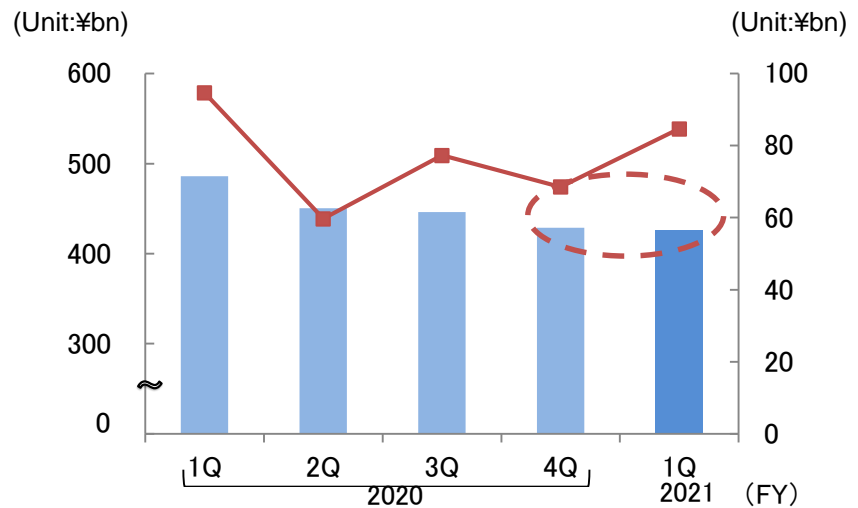
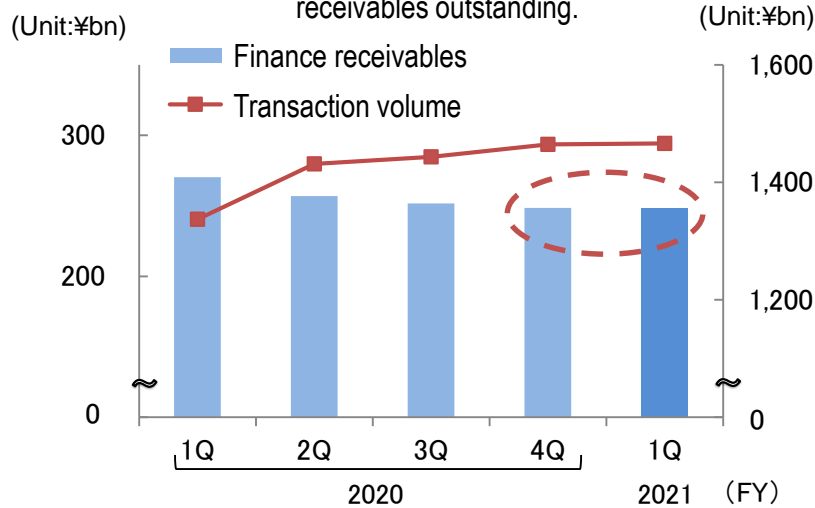
- Credit card purchase increased the number of members and implemented measures to use for high-priced products.
- Card caching digs up existing customers and stops balances from declining.

## Credit card purchase

※Revolving payment installment receivables outstanding.

【 Left axis: debt outstanding, Right axis: Transaction volume 】

## Cash advance



- Increased membership recruitment at Malls and GMS in addition to online and food supermarkets focused on the previous year
- High-priced items such as watches and jewelry, and plans for use at electronics retailers
- The amount outstanding of receivables has stopped lowering

- In addition to activating dormant cardholders, and promote the use of settlement data for selected cardholders from analysis
- The number of cardholders of balances has increased since the end of the fiscal year, and transaction volumes have been recovering
- Decrease in receivables decreased

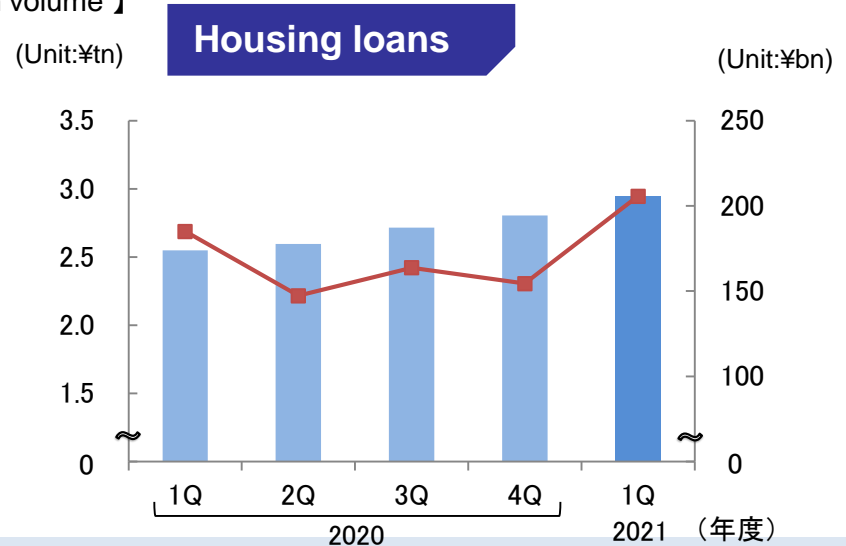
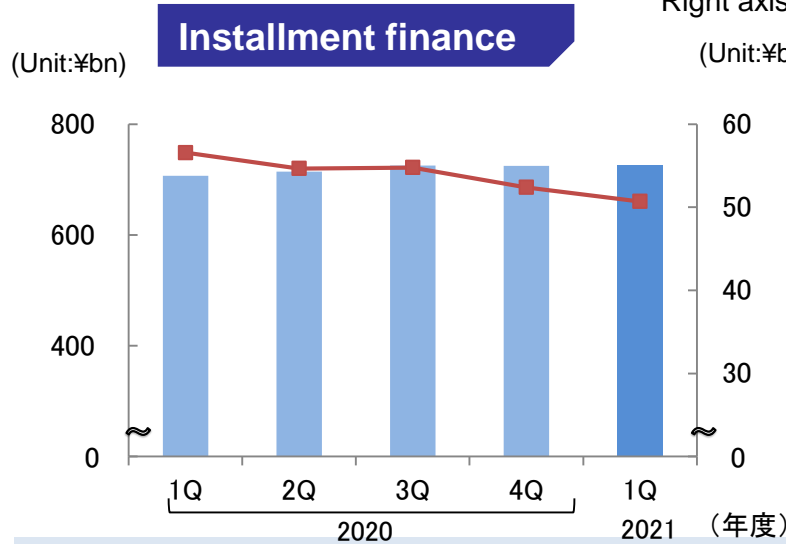
# 2. Consolidated results -

Transaction volume of major products and outstanding amount of receivables

Domestic

- In installment finance, the balance increased due to initiatives to improve sales efficiency and measures to improve unit prices.
- In housing loans, the amounts of transaction volume and the outstanding of receivables increased due to the promotion of web applications.

【 Left axis: debt outstanding, Right axis: Transaction volume 】



- Increased productivity by introducing digital proposals for merchants and increasing the number of merchant visits by optimizing sales patterns
- Auto loans promote joint campaigns with merchants and free-repayment loans in response to the impact of parts shortages

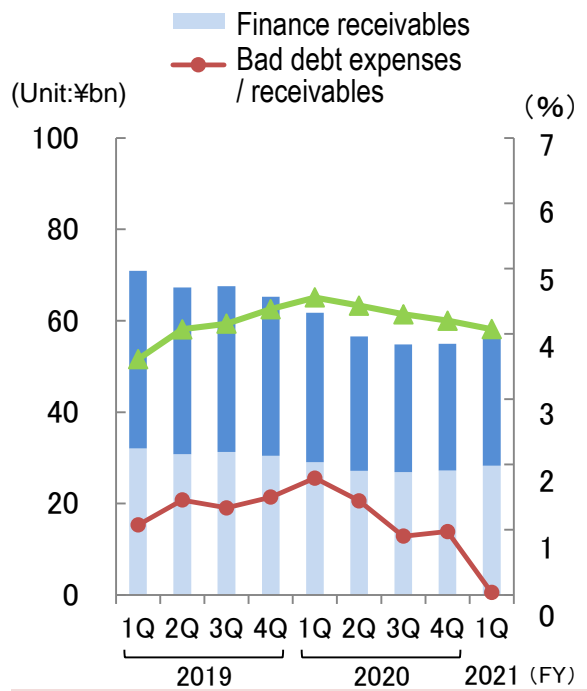
- Increase in the number of applications and transaction volumes via the WEB due to the establishment of online consultations
- Increase in new projects by strengthening sales to partner house manufacturers drives increase in volume
- The outstanding of receivables expanded firmly

# 2. Consolidated results by area - Trends in finance

Global

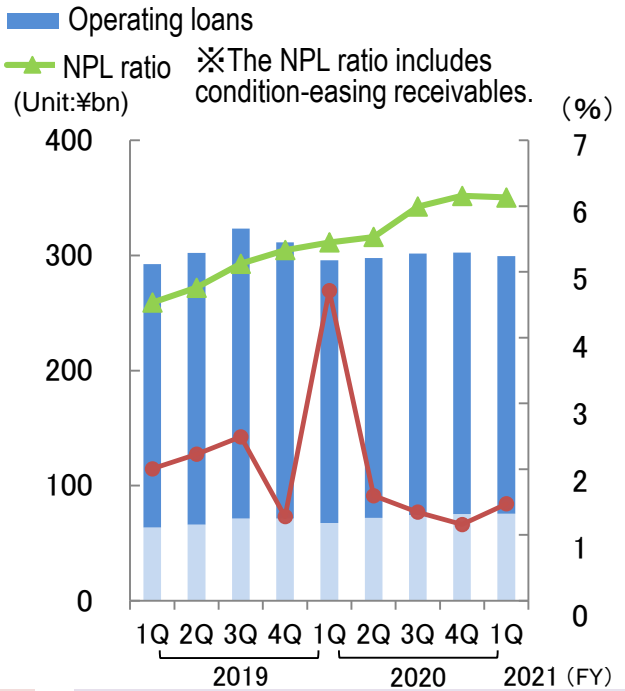
■ Improve NPL ratio by refining screening by utilizing IT technology and credit information, streamlining payment guidance by analyzing repayment history, and improving debt collection systems

## China Area



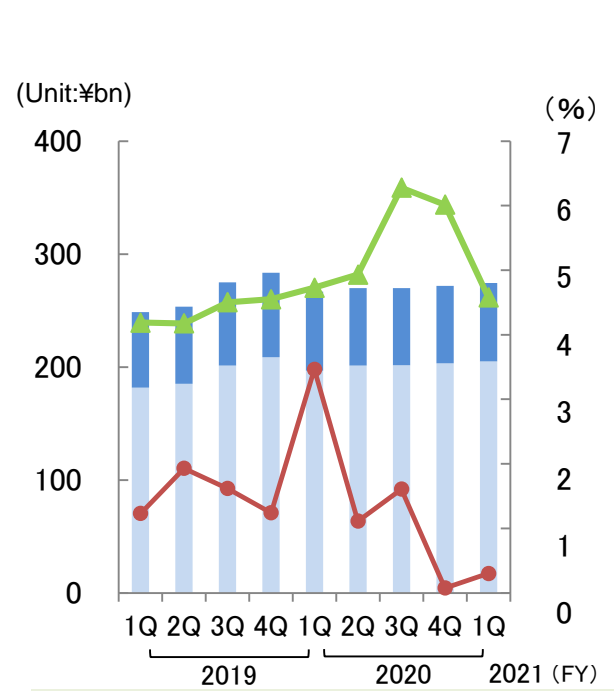
**Hong Kong**  
 - Used the alert services of external credit information agencies. Early understanding of information on the occurrence of delinquent at other companies, improving the accuracy of mid-term credit, suppressing bad debts, and expanding the amount outstanding of loans

## Mekong Area



**Thailand**  
 - Analyzed the repayment history, extracted customers who need payment guidance, and improved bad debt costs by establishing an efficient collection system under attendance restrictions.

## Malay Area

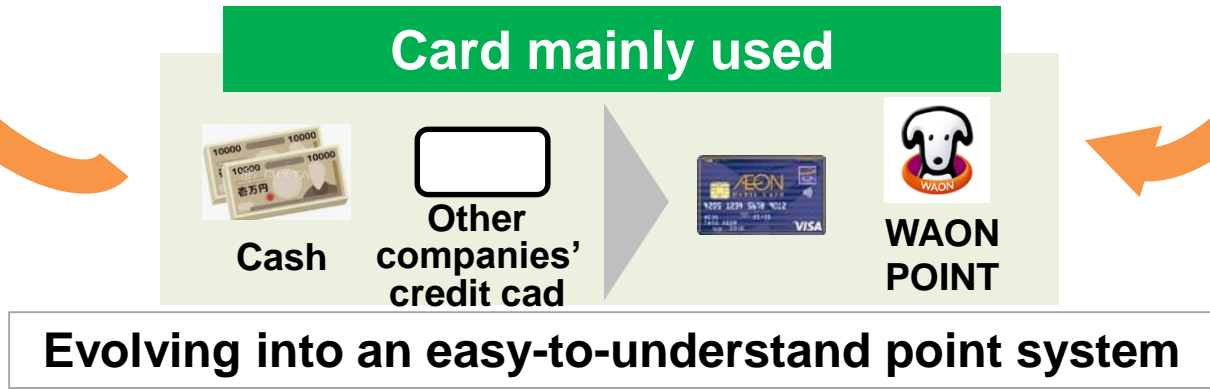
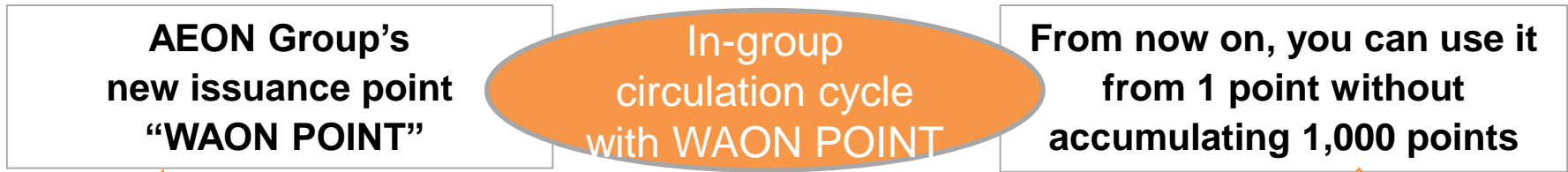
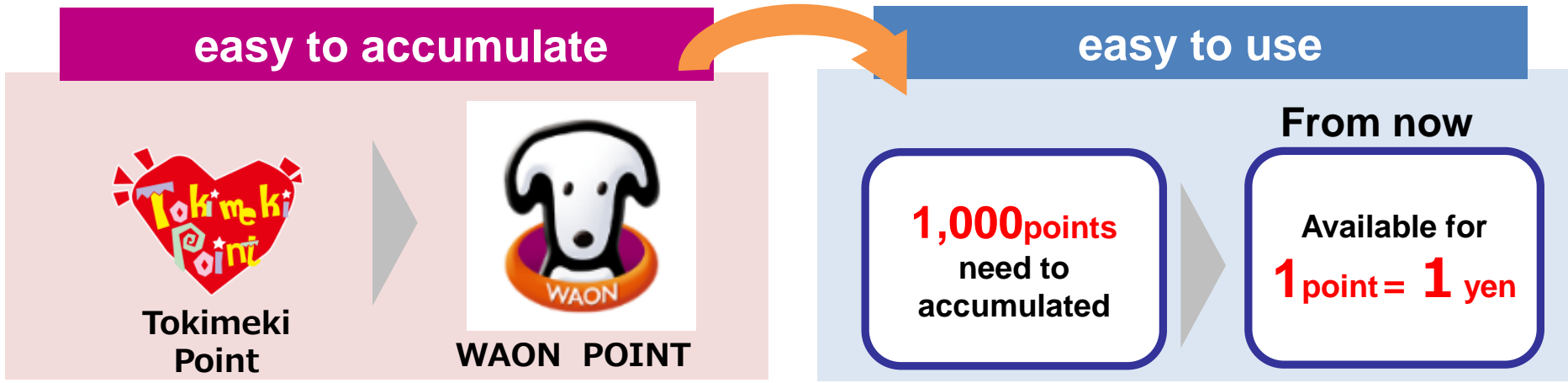


**Malaysia**  
 - Refined the screening criteria from the analysis of corona impact in each region using AI  
 - Prioritized personnel and establish collection systems for debt management

# Initiatives since the second quarter

# 3. Initiatives since Q2 - Change of point system of AEON card

- Credit cards and electronic money earn the same points
- AEON Group's common promotional effects and cashless promotion by points



\*Points are awarded from 11<sup>th</sup> Sep usage

# 3. Initiatives since Q2 - Measures to expand card purchase volume

Domestic

Strengthen sales promotion measures in time for recovery and growth in industries and business

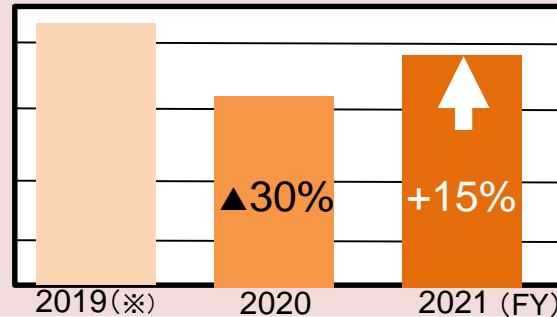
Credit card purchase transaction volume

In view of the movement in the first quarter, selected industries and business type to strengthen sales promotion. "Revenge consumption" in industries where customers were refraining from acting due to corona disaster is expected to expand. In addition, approached new consumption due to changes in lifestyles and changes in customer awareness.

< Transaction volume comparison of the same period of the previous year (1Q)>

**【 V-shaped recovery 】**

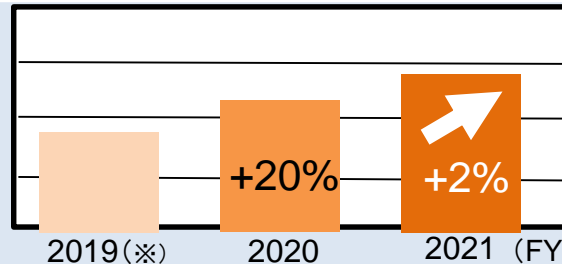
Travel Mall Transportation Restaurant, etc.



- Since the 2Q, the relaxation of activity restrictions has made full-fledged movement of people more active
- Collaboration projects with major travel agencies and 10x point campaigns at malls

**【 Sustained growth 】**

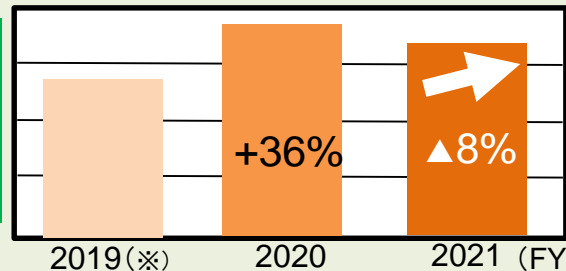
Delivery EC Subscriptions, etc.



- The convenience of indirect and non-contact services has permeated as a new way of life. Continue to expand
- Partner campaigns with food delivery and campaigns at online supermarkets

**【 Life is essential 】**

Food supermarkets Drugstores, etc.



- Increased hygiene awareness and home-cooking orientation due to corona effects have become established, and food supermarkets are up 30% compared to the previous year
- Strengthen WAON POINT measures and recruitment of partner cards

# 3. Initiatives since Q2 - Expand new revenue streams

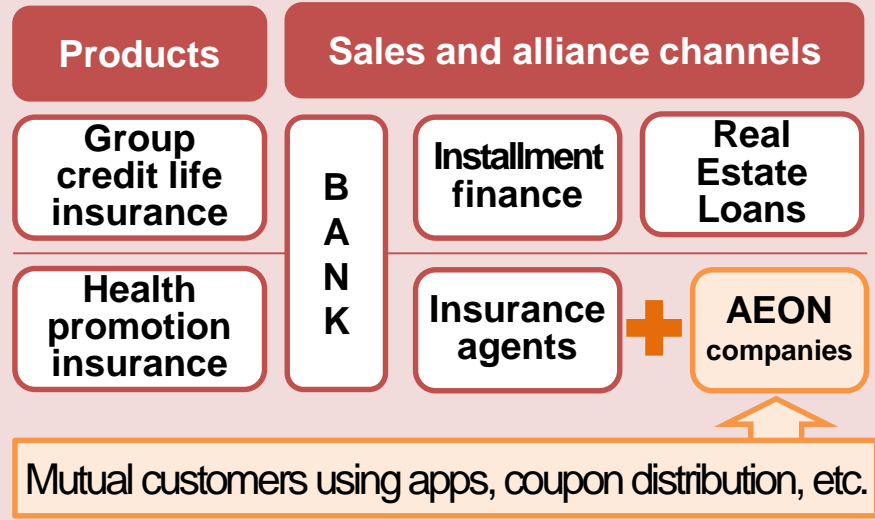
**Domestic**

- Develop insurance products and apps to meet growing health and beauty demands
- Promote cross-selling through coupons, point benefits, etc.

## Development and sales of insurance products

### 【AEON Allianz Life Insurance】

- Start of sales of insurance products
- Group credit life insurance for housing loans (from May 17, 2021)
- Health promotion type insurance (scheduled for the 2H of this fiscal year)
  - Aiming to cross-sell the AEON Group's health-related products (medical, sports, food, etc.)



## Develop new revenue models

### 【AEON Credit Service】



「ROUTY」  
Health and Beauty Healthcare App (from July 7, 2021)

- 『From everyday habits to ideal body』
- Recipe proposal by nutrient analysis of meals
- Health challenge function to accumulate points
  - Plan to develop AEON Card member benefits and flat-rate services

Diet records nutrients with photo shoots

Health advice and recipe suggestions

WAON POINT is presented by achieving the step target

Download (iOS)

(Android)

### 3. Initiatives since Q2 – Thailand, Malaysia

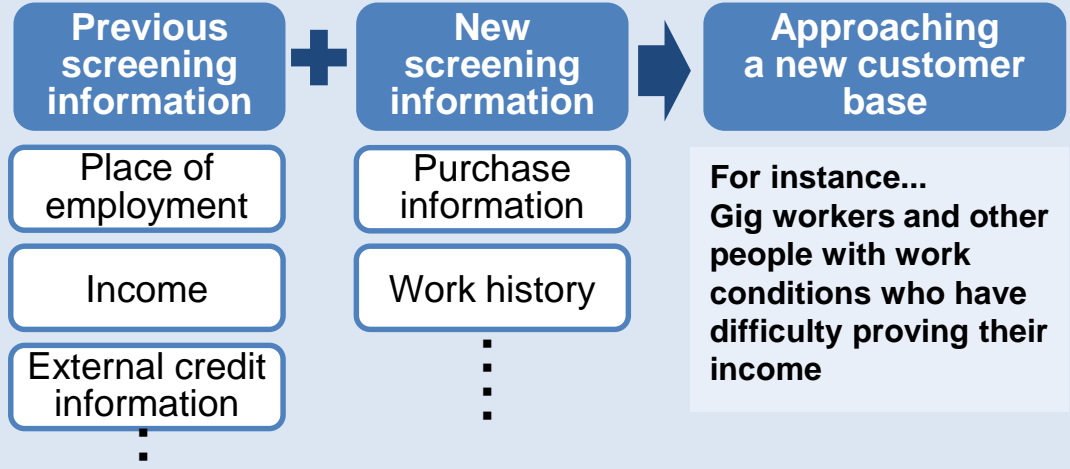
Global

- Develop new screening methods by utilizing the know-how and data of our partners
- Increase productivity and accelerate service by reorganizing our resources

#### Customer expansion through financial inclusion

##### 【Thailand】

Establishes a joint venture with BTS Group which operates elevated railways a labor management outsourcing company(Loan business started from the 2H of the FY onwards)  
 → Determine credit risk based on data such as customer's purchase history and work history



#### Increased convenience and productivity

##### 【Thailand】

Expansion of insurance business (scheduled for the 2H of the FY)

- Expansion of product lineup (cancer, automobiles, travel), insurance sales in app
- Promote simultaneous application of credit cards
- Back-office transfer and integration and reduce operating expenses

##### 【Hong Kong】

Digitalization and increase use through real channels

- Completely indirect card application procedure by utilizing app, e-KYC
- Digitalization of card recruitment strengthens telemarketing operations for existing customers

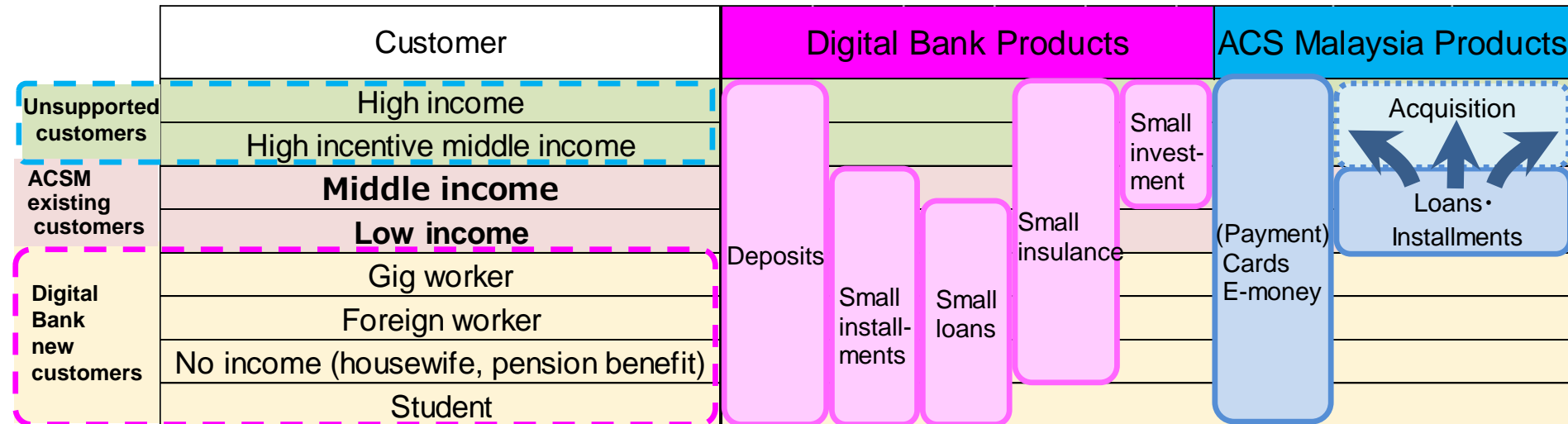


# 3. Initiatives since Q2 – Malaysia

Global

- Applied for a license for a digital bank in response to the Malaysian government's policy of promoting financial inclusion and digitization on June 30, 2021
- Expand products, develop a new customer base by improving access, and try to cross-sell ACS Malaysia products.

	Digital Bank	Online Bank	Traditional banks
Key channels	Apps	Websites	Branches
Competitiveness	Touchpoint, access, customer convenience, information collection, utilization technology	Cost competitiveness	Scale, creditworthy, comprehensive product
Operation	Business operations that do not go through people in all operations including AI utilization and back-office operations	Replacing in-store operations with online	Teller, face-to-face service



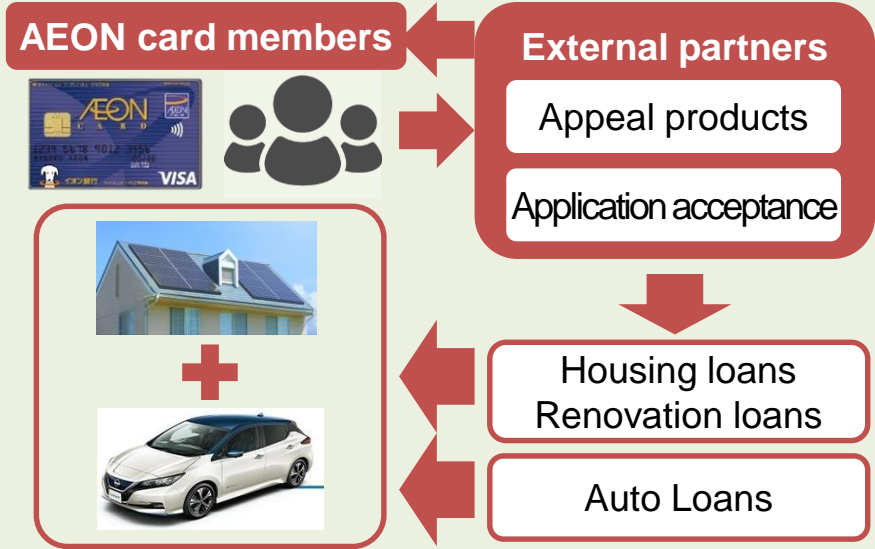
# 3. Sustainability initiatives

**Domestic  
Global**

- Development of products and services for the realization of a decarbonization society
- Early convergence of infectious disease spread and implementation of support for economic recovery

## Decarbonization initiatives

- 【AEON Product Finance(APF), AEON Bank】**
- New construction and renovation of decarbonized homes and loans packaged with electric vehicles (EVs) will be offered
    - Appeal to AEON Card members
    - Preferential interest rates applied to renovation and car loans
    - APF partner applies set discount on Housing + EV, Points Awarded



## Corona-related initiatives

- 【AFS】**
- Support for corona vaccination
    - Donation of inoculation support to governments in Malaysia, Vietnam, Indonesia, Thailand and Cambodia
    - Inoculation of group employees (planned)
- 【ACS Malaysia】**
- Support for essential workers and corona-impact industries
    - Donation of food and hygiene products to medical personnel
    - Donations to military and police
    - Donations to the aviation and entertainment industries
- 【AEON Thana Sinsap】**
- Support for people with disabilities and medical institutions
    - Donating food and hygiene products to people with visual disabilities
    - Donation of medical equipment and hygiene products to medical institutions

## 4. FY2021 Consolidated forecasts

(Yen)

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

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

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

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

## ■ Allowance for Doubtful Accounts (by Segment)

	Retail	Solutions	Domestic Total
Allowance for doubtful accounts, balance at beginning of period	¥4.8bn	¥57.4bn	¥61.7bn
Provision of allowance for doubtful accounts	-¥0.1bn	¥4.6bn	¥4.5bn
Write-off of doubtful accounts (including transferred debt)	¥0.0bn	¥7.6bn	¥7.5bn
Allowance for doubtful accounts balance at end of period	¥4.6bn	¥54.4bn	¥58.77bn

(Subsidiaries in domestic) AEON Credit Service : ¥37.4bn, AEON Bank : ¥4.7bn, AEON Product Finance : ¥7.8bn, AEON Housing Loan Service : ¥1.6bn

## ■ Allowance for Loss on Refund of Interest Received

	FY2020 Q1	FY2021 Q1
Beginning of period	¥4.9bn	¥5.7bn
Provision	¥0.0bn	¥0.0bn
Interest refunded	¥0.7bn	¥1.0bn
End of period	¥4.1bn	¥4.6bn

(Interest claims amount :  
Cash out + principal payout)

	China Area	Mekong Area	Malay Area	Global Total	Consolidated
Allowance for doubtful accounts, balance at beginning of period	¥3.2bn	¥41.9bn	¥25.5bn	¥70.6bn	¥133.3bn
Provision of allowance for doubtful accounts	¥0.0bn	¥4.4bn	¥0.8bn	¥5.2bn	¥9.8bn
Write-off of doubtful accounts (including transferred credit)	¥0.4bn	¥5.8bn	¥4.5bn	¥10.8bn	¥18.4bn
Allowance for doubtful accounts, balance at end of period	¥2.7bn	¥40.4bn	¥21.8bn	¥65.0bn	¥124.6bn

# (Reference) FY2021 Q1 Results (Hong Kong, Thailand, Malaysia)



		FY2020 Q1		FY2021 Q1	
		Results	YoY	Results	YoY
AEON CREDIT SERVICE (ASIA) (HK\$'000)	Revenue	297,470	90%	254,494	86%
	Profit before tax	90,091	69%	116,062	129%
	Profit for the period	75,264	70%	96,963	129%
AEON THANA SINSAP (THAILAND) (BAHT'000)	Total Revenues	5,655,967	99%	5,041,213	89%
	Profit before income tax	607,177	46%	1,439,172	237%
	Net profit for the period	454,911	43%	1,083,694	238%
AEON CREDIT SERVICE (M) Berhad (RM'000)	Revenue	385,272	95%	410,966	107%
	Profit before tax	37,086	31%	215,858	582%
	Profit for the period	26,279	29%	163,092	621%

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

# (Reference) FY2021 Q1 Results (Hong Kong, Thailand, Malaysia)

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

(Unit: Billions of yen)

	FY2020 Q1	FY2021 Q1	
	Results	Results	YoY
Operating income	4.1	3.5	86%
Operating profit	1.2	1.6	130%
Net income	1.0	1.3	130%

Exchange rates: HKD 1  
 • FY2020 Q1 : ¥13.93  
 • FY2021 Q1 : ¥14.03

Fiscal period  
 : 1/3/2021 to 31/5/2021

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

	FY2020 Q1	FY2021 Q1	
	Results	Results	YoY
Operating income	19.0	17.6	93%
Operating profit	2.0	5.0	247%
Net income	1.5	3.8	248%

Exchange rates: THB 1  
 • FY2020 Q1 : ¥ 3.37  
 • FY2021 Q1 : ¥ 3.51

Fiscal period  
 : 1/3/2021 to 31/5/2021

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

	FY2020 Q1	FY2021 Q1	
	Results	Results	YoY
Operating income	9.6	10.8	112%
Operating profit	0.9	5.7	613%
Net income	0.6	4.3	653%

Exchange rates: MYR 1  
 • FY2020 Q1 : ¥ 25.17  
 • FY2021 Q1 : ¥ 26.49

Fiscal period  
 : 1/3/2021 to 31/5/2021

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



# AEON Financial Service