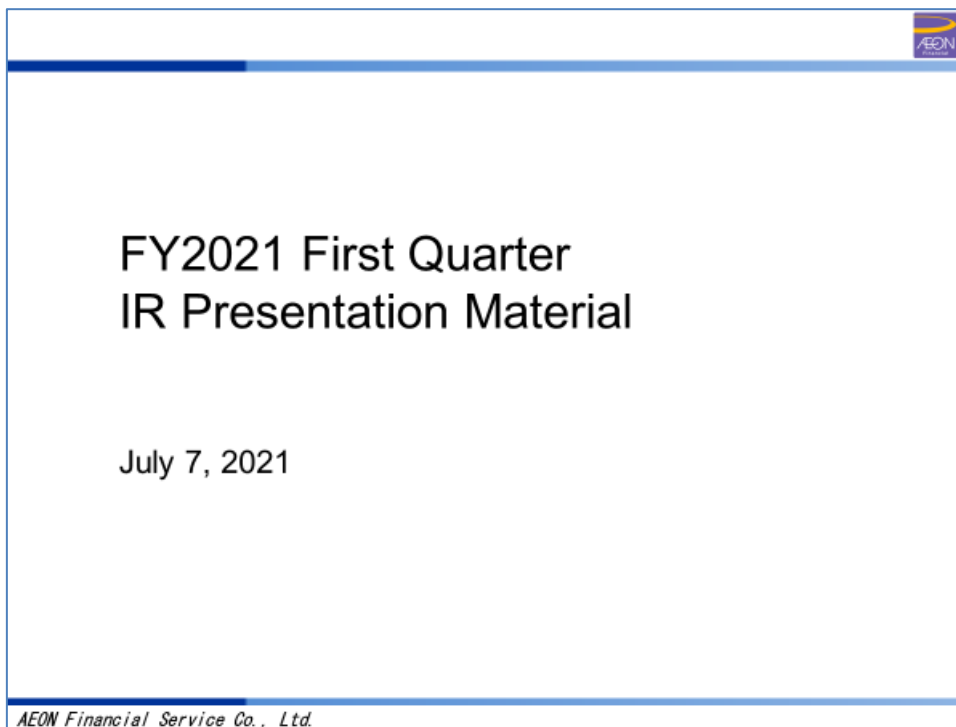


This is an abridged translation of the original Japanese document and is provided for informational purposes only.
If there are any discrepancies between this and the original, the original Japanese document prevails.

Results for the FY2021 Q1

Scripts and QAs

Scripts



P.1

Today, while you are busy, thank you very much for participating in our financial results telephone briefing.

I'm Mitsufuji, who is in charge of group corporate management.

Today, I would like to explain the summary of the financial results.

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.

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P.2

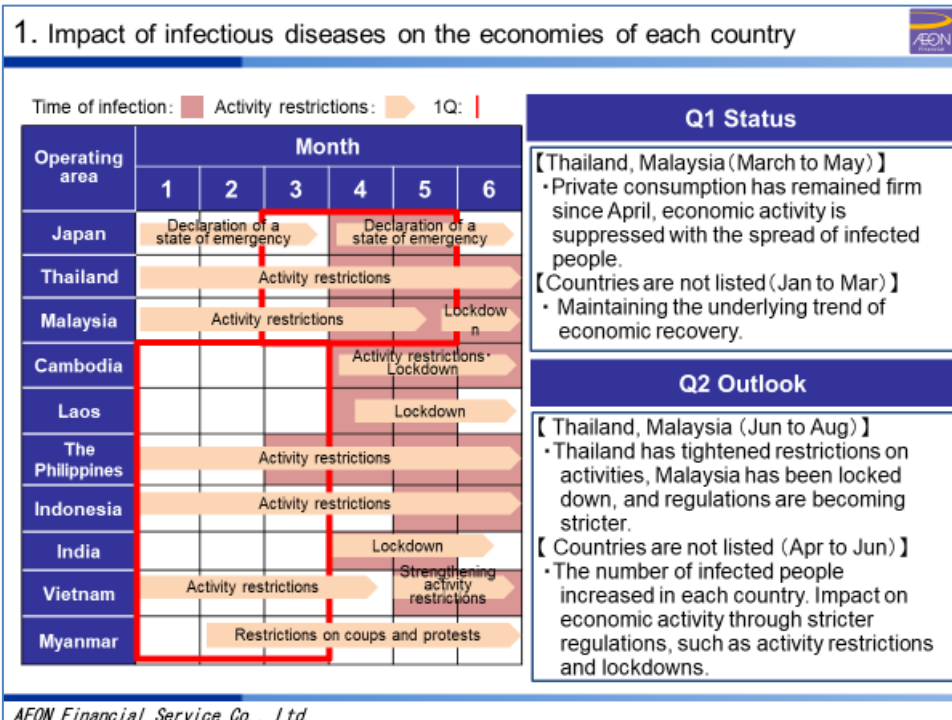
- Consolidated financial results for the first quarter increased revenue and profit.
- The impact of covid-19 in the first quarter was limited compared to the first quarter of last year.
- The volume of transactions in the Domestic Business was on a recovery trend in September 2021, and the amount outstanding of receivables, which had been declining, stopped declining due to the promotion of various measures.
- In the Global Business, as a result of further refinement of screening due to Corona disaster and the construction of a debt collection system, costs related to bad debts have improved significantly.
- Second-quarter results are currently progressing as planned. Restriction measures are being strengthened in operating countries that are on the rise of infection. Economic activity is expected to be revitalized as vaccination rates rise.
- In the Domestic Business, we are strengthening our membership base, and in the Global Business, we continue to focus on debt collection. And we will promote initiatives to expand our customer base through financial inclusion, which is a priority measure for this fiscal year.
- Will 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

P.3

- The explanations are in the order you see on screen.



P.4

- The table above is a list of the situations of new coronal infections in each country. The red area indicates the time of spread of the infection, arrows indicates activity restricted period and the red line is the first quarter of the consolidation period. Each country is also in a situation where some kind of activity restriction measures are being taken.
- In the first quarter, private consumption in Thailand and Malaysia remained firm. However, since April, economic activity has been restrained along with the spread of infected people. In other countries where unlisted operating companies, the economic recovery trend remained on a trend from January to March.
- In the second quarter, restrictions on activities in Thailand were tightened, and Malaysia was locked down. The number of infected people is also increasing in unlisted countries, and the impact of stricter regulations on economic activity has become apparent.
- We will continue to monitor the economic impact of infectious diseases and the impact on the Company's business performance.

2. Consolidated results - Consolidated Statements of Income

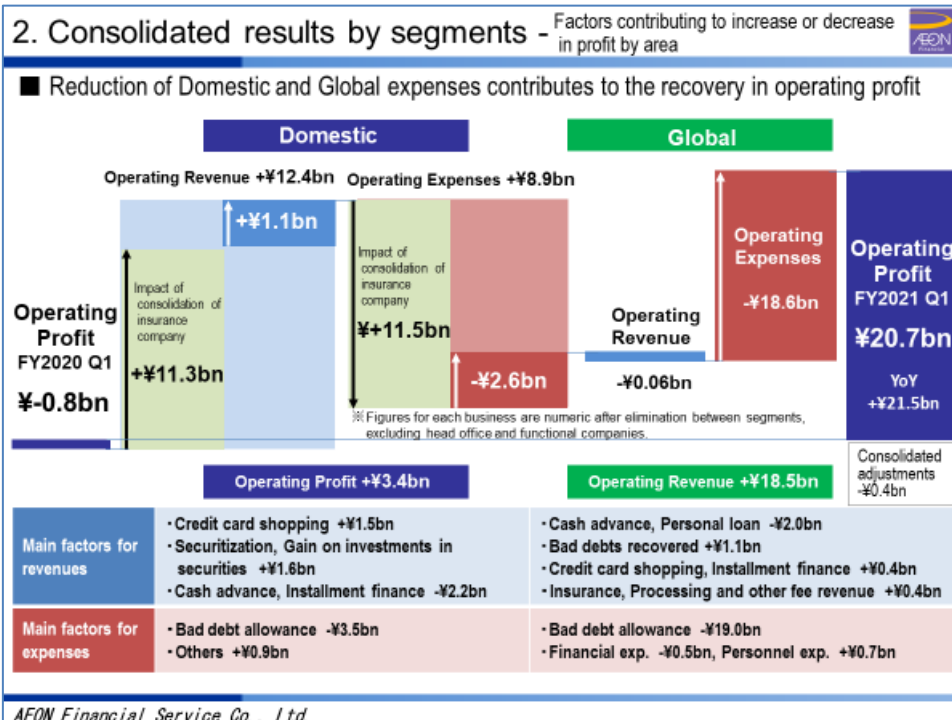


- In the Domestic Business, revenues and profits increased due to a recovery in volumes and reductions in costs related to bad loans.
- In the Global Business, decreased in revenues and increased in profit due to a significant improvement in bad loan-related expenses.

(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	Δ3.0	Δ0.0	Δ0.5	Δ0.9	+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	Δ0.7	+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	Δ0.9pt	-	+14.8pt	-	-	-
※1 Total of Domestic and Global figures amounts after elimination of transactions between business segments							Profit attributable to owners of parent	11.6
※2 Retail is a personal-centric business, Solutions is a business that is central to merchants							YoY	+12.7
※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)								

P.5

- Next, details of consolidated financial results for the first quarter.
- In the consolidated total, operating revenue was ¥122.2 billion, 111% year-on-year, up ¥12.2 billion year-on-year, operating profit was ¥20.7 billion, up ¥21.5 billion year-on-year, profit attributable to owners of parent was ¥11.6 billion, up ¥12.7 billion year-on-year, resulting increase in revenue and profit, as described above.
- In the Domestic Business, revenue and profit increased due to a recovery in transaction volumes and reductions in costs related to bad loans.
- In the Global Business, operating revenue decreased slightly, but profit increased due to a significant improvement in bad loan-related expenses.



P.6

- The increase in operating revenues in the Domestic Business was largely due to the ¥11.3 billion impact of the consolidation of AEON Allianz Life Insurance. Due to an increase in revenue due to strong credit card purchase, secured an increase revenue even excluding the impact of Allianz. In addition, improvements in bad loan-related expenses contributed significantly to the increase in profit.
- In the Global Business, operating revenue decreased slightly, but profit increased due to improvements in bad loan-related expenses. Since credit card purchase and installment finance are increasing revenues, we will lead to the second quarter and beyond.

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	(Unit: Billions of yen)	Results	Change from start of FY
Cash and deposits	612.7	△93.0	Deposits	4,029.5	+10.9
Operating Loans	801.4	+18.5	Interest-bearing debt (excl. deposits)	1,123.5	+80.3
Loan and bills discounted for banking business	2,081.3	+82.9	Other liabilities	527.7	△59.6
Accounts receivable – installment	1,584.7	+63.6	Total liabilities	5,680.7	+31.6
Allowance for doubtful accounts	△124.6	+8.6	Total equity	490.6	+15.9
Other Assets	1,215.8	△33.0	Total liabilities and equity	6,171.3	+47.6
Total assets	6,171.3	+47.6			

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- Total assets was ¥6,171.3 billion, up ¥47.6 billion from the beginning of the fiscal year. Total liabilities increased by ¥5,680.7 billion, up ¥31.6 billion from the beginning of the fiscal year. Total equity was ¥490.6 billion, up ¥15.9 billion from the beginning of the fiscal year.
- Total operating receivables in the red line increased by ¥165.0 billion. Operating receivables including securitization was ¥6,764 billion, up ¥167.6 billion from the beginning of the fiscal year.
- In response to the increase in operating receivables, as described above, the amount outstanding of bad debts decreased by ¥8.6 billion due to improvements in bad debt-related expenses in Japan and overseas.

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 (Compared to the same period of the previous year)	YoY (Compared to the same period of the previous year)※	Balance of operating receivables	Increase or decrease at the start of the FY
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】

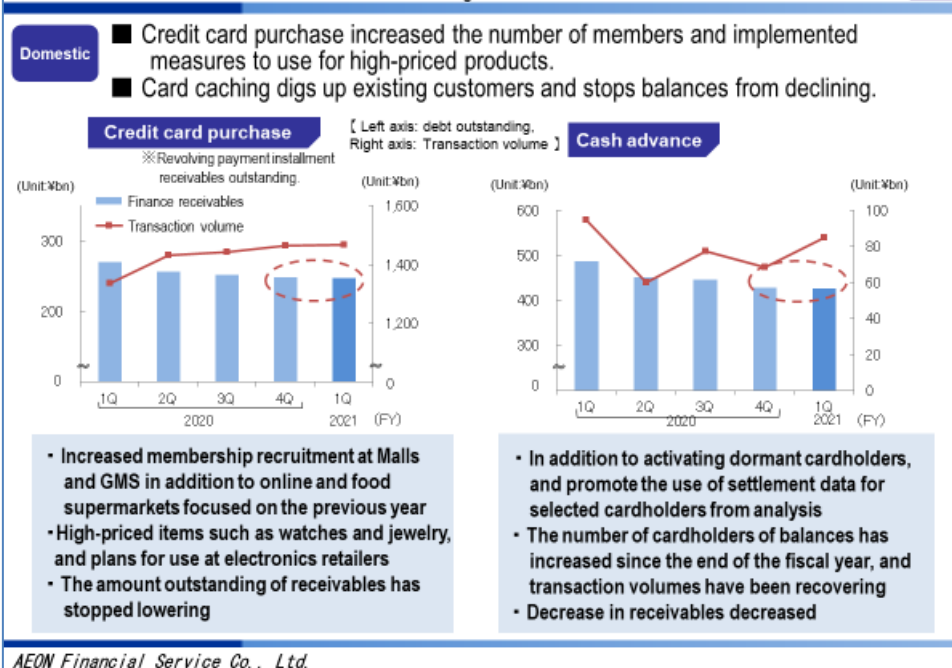
- Malaysia E-money membership 2.1 million (+640,000 year-on-year)

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- The table above lists the transaction volumes in the Domestic and Global Businesses and the outstanding amount of operating receivables, and the transaction volumes are also described as reference values compared to the previous year before Corona was affected.
- The number of cardholders was enhanced by taking measures in response to the Corona situation both in Japan and overseas. As a result, consolidated cardholders were 46.54 million, up 410,000 copies from the beginning of the fiscal year, In the Domestic Business, 29.65 million copies, up 200,000 copies from the beginning of the fiscal year, In the Global Business, 16.89 million copies, up 210,000 copies from the beginning of the fiscal year

2. Consolidated results -

Transaction volume of major products and outstanding amount of receivables



P.9

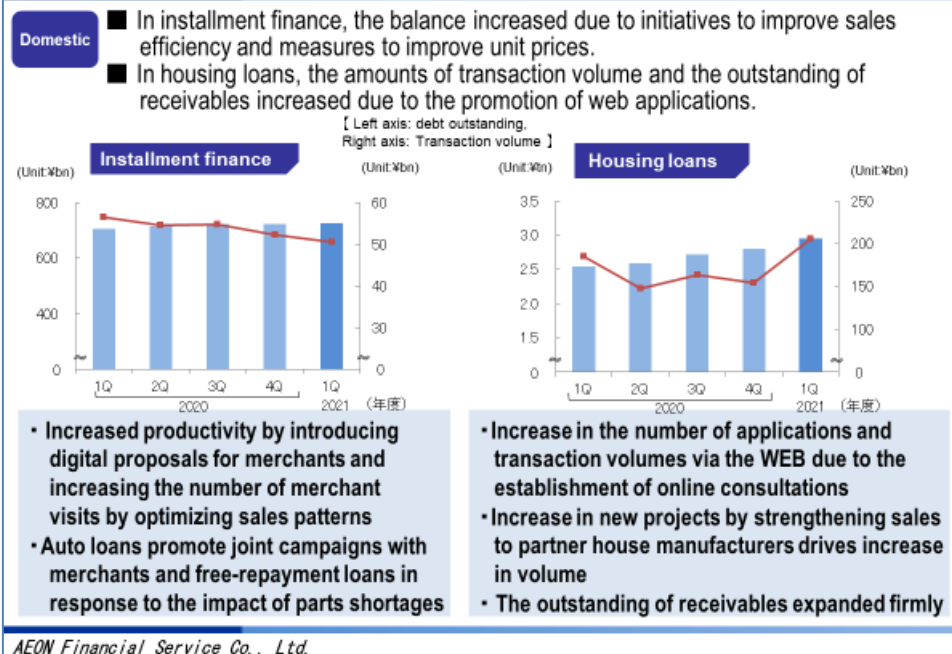
- The amount outstanding of revolving and installment finance receivables shown in the bar chart on the left stopped declining in the first quarter and has been on an inverting trend.

In addition to expanding the number of cardholders, it is thought that the results of measures such as planning the use of high-priced items such as electronics stores are available.

- As for cash advances of the right bar graph, in addition to activating dormant cardholders, as a result of implementing measures to promote the use of settlement data to selected cardholders, the decline in the amount outstanding of receivables has narrowed, and reversals since the second quarter have come into view.

2. Consolidated results -

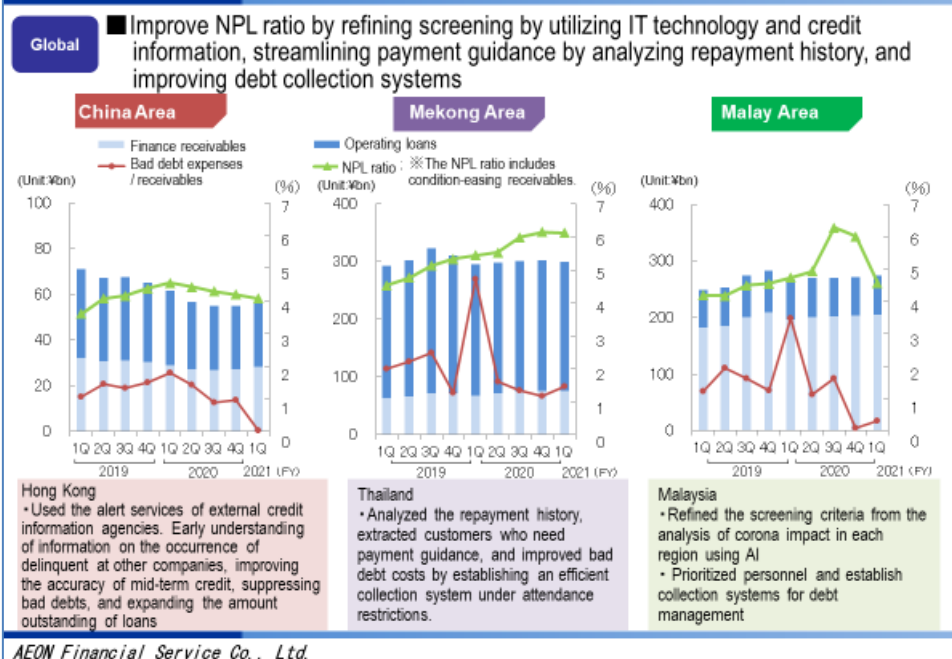
Transaction volume of major products and outstanding amount of receivables



P.10

- The amount outstanding of installment finance and housing loans remained firm.
- In addition to efforts to improve sales efficiency by introducing digital proposals for merchants, auto loans have increased their balances due to joint campaigns with merchants and the promotion of free-repayment loans.
- In the case of housing loans, online consultations have become established due to Corona disaster, and the number of applications and transaction volumes via the WEB have increased.
In addition, sales to partner house manufacturers increased the number of new projects and expanded both the amount volume and the amount outstanding of receivables.

2. Consolidated results by area - Trends in finance

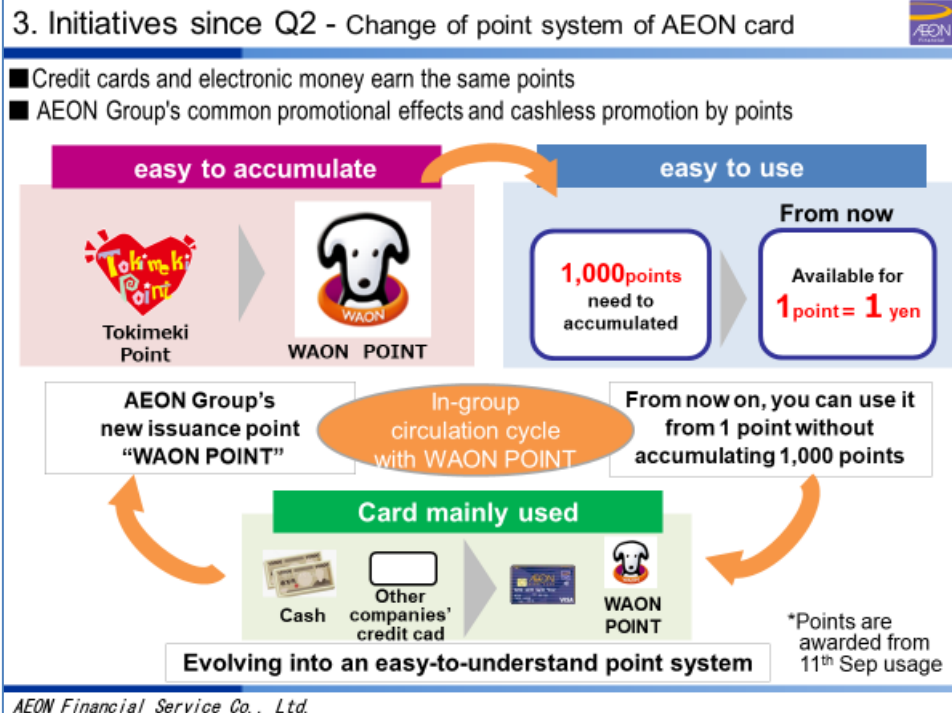


P.11

- As for the amount outstanding of operating receivables, it can be confirmed that each Areas have bottomed out or started to increase as shown in the bar chart.
- With about the contents of the claims, in the China Area, the accuracy of credit in the process was improved by utilizing the alert service of the external credit information agency.
In the Mekong Area, analyzed the repayment history, extracted customers who need payment guidance, and established an efficient collection system.
In the Malay Area, in addition to refining the screening criteria using AI, and prioritized the placement of personnel for debt collection and worked to establish a system.
- As a result of these initiatives, the ratio of loan outstanding and NPL ratios of bad debts in each area has been on a declining trend.

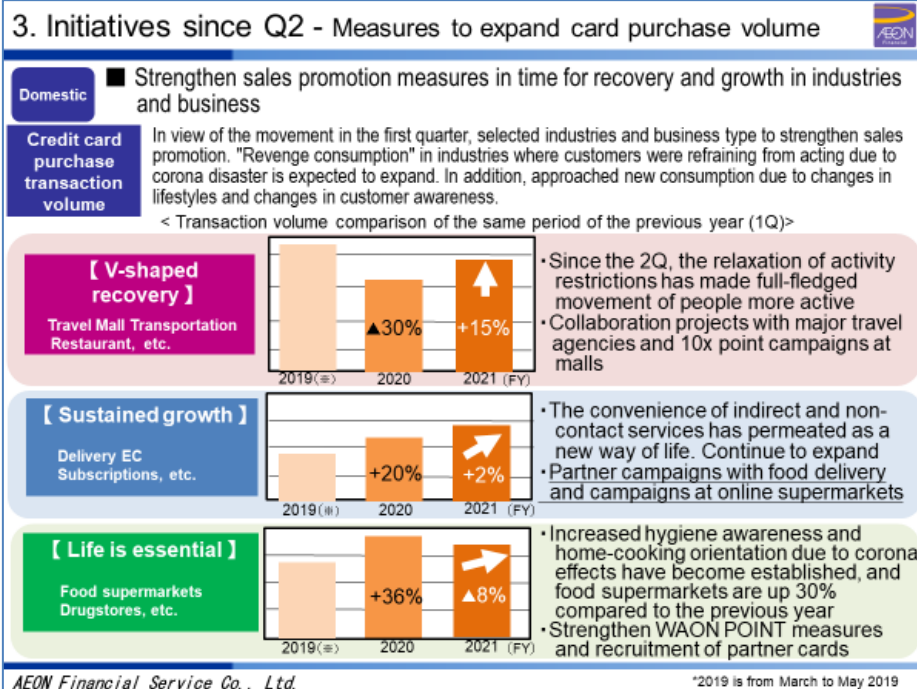


Initiatives since the second quarter



P.13

- As released today (July 7), the AEON Card point system has been changed from the current TOKIMEKI point to "WAON POINT".
- One of its growth strategies is to create an "AEON Living Zone" that brings together the comprehensive strengths of each group company and seamlessly provides products, services, and living infrastructure rooted in the local community.
- By making the group's points system the same, it becomes "easy to accumulate", and by making it possible to use it from one point and "easy to use", it becomes a convenient and easy-to-understand point for customers.
In addition, AEON group as a whole has a very competitive scale of about 110 billion points.
- We will promote the use of this as a "Leverage" and promote the main card of our customers by promoting group-common promotional measures and cashless.



P.14

- Due to significant changes in customers' consumption behavior regarding activity restrictions and the establishment of new lifestyles, industries and business categories that can be expected to grow in the future are classified into three categories.
- We will implement measures tailored to each recovery and growth level.
- The top "V-shaped recovery type" is an industry commonly called revenge consumption, where recovery is expected with the relaxation of activity restrictions and the activation of people's movement, such as travel, transportation, or malls and restaurants. From the second quarter onwards, we will implement collaboration projects with major agents such as JTB and HIS, as well as measures such as a 10-times point campaign at malls.
- "Sustained growth type" is an industry where the growth rate accelerates due to Corona disaster, such as delivery, e-commerce, and subscription, and further expansion is expected as a new lifestyle. We will work to strengthen its partnership campaigns with Uber Eats and other food delivery companies, as well as efforts at online supermarkets.
- "Life-necessity type" is an industry that expanded greatly in 2020 due to increased hygiene awareness and the establishment of an internal food orientation, such as food supermarkets and drug stores. These industries will steadily secure transaction volumes through WAON POINT and measures to strengthen recruitment of partner cards, special demand for coronal disasters will once calm down.

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.)

Products	Sales and alliance channels
Group credit life insurance	B A N K
Health promotion insurance	
	Installment finance Real Estate Loans Insurance agents + AEON companies

Mutual customers using apps, coupon distribution, 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)



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- In order to expand new revenue streams that are not bound by the boundaries of financial services, we will strengthen our efforts to address the growing demand for health and beauty in particular this fiscal year.
- The first is the development and sale of insurance products.
In May 2021, AEON Allianz Life Insurance started the sale of group credit life insurance in partnership with AEON Bank's housing loans and AEON Product Finance.
- In addition, we plan to sell health promotion insurance from the second half of this fiscal year.
We aim to expand AEON group health-related products such as medical care, sports, and food by cross-selling by making the most of channels such as insurance agents and AEON companies.
- Aeon Credit Service also released "ROUTY", a health care app related to health and beauty.
- Based on the concept of "from daily habits to the ideal body", it will implement recipe proposals by analyzing dietary nutrients, health challenge functions that accumulate points, etc., and build a new revenue model through AEON Card member benefits and flat-rate services.

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

Previous screening information	+	New screening information	→	Approaching a new customer base
Place of employment		Purchase information		For instance... Gig workers and other people with work conditions who have difficulty proving their income
Income		Work history		
External credit information		⋮		

Increased convenience and productivity

<p>【Thailand】 Expansion of insurance business (scheduled for the 2H of the FY)</p> <ul style="list-style-type: none"> > 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 	<p>【Hong Kong】 Digitalization and increase use through real channels</p> <ul style="list-style-type: none"> > Completely indirect card application procedure by utilizing app, e-KYC > Digitalization of card recruitment strengthens telemarketing operations for existing customers
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- As an initiative to expand customers through financial inclusion, which is a priority implementation of this fiscal year, the BTS Group which operates elevated railways in Thailand and a contracted labor management outsourcing company established a joint venture for the loan business.
- In addition to conventional attribute information such as place of employment and income, we will work on approaches to new customer base such as those in labor forms where payslip is difficult to provide by obtaining new information such as purchase history and work history.
- In addition, as an effort to improve convenience and productivity, we will also expand its insurance business in Thailand.
We will strive to improve convenience by expanding our product lineup, selling them through our own apps, and applying simultaneously with credit cards.
- In Hong Kong, we will use apps and e-KYC to completely indirect card application procedures, conduct telemarketing in stores, and expand its use through digitalization and real channels.

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

	Customer	Digital Bank Products	ACS Malaysia Products
Unsupported customers	High income		
	High incentive middle income		
ACSM existing customers	Middle income		
	Low income	Deposits	Small investment
Digital Bank new customers	Gig worker	Small installments	(Payment) Cards E-money
	Foreign worker	Small loans	Acquisition
	No income (housewife, pension benefit)	Small insurance	Loans - Installments
	Student		

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- While the need for asset management products is expanding in Asian countries due to the increase in household income and the aging of the population, it is also true that there are still many so-called unbanked people who have low bank account ownership and do not have access to financial services.
- In Malaysia, in addition to the expected expansion of high-income and middle-income customer, the government's policy of promoting financial inclusion and digitalization for the unbanked class makes it easier to enter the digital bank business compared to Japan and other countries.
- Under these efforts, we applied for a license for the digital bank on June 30 with the aim of building a new business model that combines existing non-bank businesses with digital banks.
- Digital banks have advantages over conventional banks and internet banks in terms of apps as their main channels, touchpoints and access, customer convenience, and operations using AI.
- By obtaining a digital bank license, new products such as deposits, small amount installments, small amount loans, and small amount insurance will be available. We will develop a new customer base such as gig workers and foreign workers, and high-income customer who have not been supported until now, provide these new products and cross-sell ACS Malaysia products.
- In the future, we plan to expand the technologies and know-how gained in Malaysia to Japan and other countries.

3. Sustainability initiatives



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

Decarbonization initiatives	Corona-related initiatives
<p>[AEON Product Finance(APF), AEON Bank]</p> <ul style="list-style-type: none"> • 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 	<p>[AFS]</p> <ul style="list-style-type: none"> • Support for corona vaccination ➢ Donation of inoculation support to governments in Malaysia, Vietnam, Indonesia, Thailand and Cambodia ➢ Inoculation of group employees (planned) <p>[ACS Malaysia]</p> <ul style="list-style-type: none"> • 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 <p>[AEON Thana Sinsap]</p> <ul style="list-style-type: none"> • 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

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- We recognize that efforts to realize a decarbonization society are also an important issue for financial services companies.
- AEON Product Finance and AEON Bank plan to provide loans packaged with build decarbonized homes, renovation and electric vehicles.
We will promote initiatives for decarbonization by expanding products that are convenient and at great prices for customers by appealing to AEON Card members, providing preferential interest rates, and awarding set discounts and points by partner companies.
- As for corona-related initiatives, as recently released, we donated inoculation support money to governments in Malaysia, Vietnam, Indonesia, Thailand, and Cambodia. In addition, we plan to vaccinate group employees.
- ACS Malaysia donates food and hygiene products to medical professionals and provides support to essential workers and corona-impact industries such as the military and police, aviation and entertainment industries.
- ATS donates food and hygiene products to people with visual difficulties, and donates medical equipment and hygiene products to medical institutions.
- We will continue to provide assistance for the early convergence of countries.

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.)

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- Earnings forecasts

Operating revenue was ¥490 billion yen to 520 billion,
Operating income was ¥41 to 46 billion,
Profit attributable to owners of parent was ¥19 to 21 billion.

- Dividend forecasts

End of 2nd quarter ¥14, year-end ¥26, annual ¥40,
None of these results are currently revised from the fiscal year ending February 28, 2021.

- In order to realize the medium-term management plan by FY 2025, we will implement the initiatives from the second quarter and beyond described today to achieve steady results.

- We look forward to your continued support. Thank you for listening.

QAs

■ Mr. Watanabe, analyst at Daiwa Securities

Q: Malaysia's bad loan reserves have decreased to 21.8 billion yen. Is it factoring in the impact of the lockdown?

A: Malaysia's bad debt reserves were due to the recent improvement in collections since last year, and debt collection has been good. On the other hand, there are some areas amount have increased by accumulating balances. Since debt collection has been stable since the second quarter, we do not expect a large amount of bad debts.

Q: Since IFRS9 has been introduced, can the loan loss reserve be recorded for the future after the second quarter. Is it already factored in for the future?

A: As you understand.

Q: With a view to profit progress, operating income in the first quarter has progressed to half of the full year. What is the background to keeping full-year forecasts and dividends unchanged?

A: About half the profit of the full-year budget earned in the first quarter. As explained at the beginning, there are some parts that cannot be read such as the influence of Corona. we are aware that we are somely cautious, but we have not changed our earnings forecasts or dividend forecasts at this time. We would like to consider it while watching the progress in the future.

■ Mr. Okada, analyst at USB Securities

Q: Please tell us about the planning assumptions for credit card purchase volume and cash advances volume for KPIs of the top line in Japan. It has been decided to re-extend the measures to prevent the spread. I would like to know the impact.

A: The initial assumption was that the economy would gradually recover from the second quarter onwards, and in the second half of the fiscal year, the volume of transactions would be accumulated. Lockdown is expected to be extended in operating countries in the second quarter, but basically the economy is expected to rise as vaccination rates rise. In the first quarter, the amount outstanding of receivables has stopped declining, so we are factoring in double-digit growth from the point of going to take sales toward a reversal.

Q: This year's cardholders base enhancement part is factored in additionally. Is it good to understand that it will not be digested in the first quarter, and the cost will come out after the second quarter?

A: For 8 billion yen, the change of the points system will be after September. I would like you to understand that many of them will be recorded in the second half of the fiscal year.

■ Mr. Hara, analyst at SMBC Nikko Securities

Q: Could you tell us about the medium- to long-term changes in costs related to changes in the domestic point system?

A: Originally planned costs will be recorded in the second half of the year. Regarding medium- to long-term costs, due to the nature of points, we believe that they will go up and down somewhat depending on the application rate and customer's use. With the change of the system, we will factor it into our business performance while assessing the situation.

Q: Regarding overseas credit costs, I was briefed on recent developments. If the collection rate deteriorates in the future will the reserves increase? Could you tell us about the outlook for overseas reserves for consolidation?

A: With reserves for bad debt overseas, infections have spread in the second quarter, even in places such as Cambodia where the impact of corona has been low. Myanmar is currently concerned about transaction volumes and collection due to the coup. Overseas unlisted companies including these have three months off in the consolidation period, so they have made estimates on consolidation and accrued the reserves. The consolidation period is in agreement with overseas listed companies. Therefore, we will factor in the figures within IFRS, including future forecasts, taking into account future economic indicators, etc. we recognize that there will continue to be fluctuations in the second half of the fiscal year and beyond.

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

Q: The amount outstanding of receivables has been down considerably in the Mekong Area this time, and the volume of transactions has also been lower. Compared to Malaysia, the recovery seems to be sluggish. Could you tell us why and how to think about it after the second quarter? I'd like to see what kind of growth it will lead to after corona is over.

A: Since eating and drinking in the store is restricted even in restaurants, the handling volume is assumed to be under planned in the second quarter. On the earnings front, there is also the effect of interest rate cut, but it has held up because it maintains a certain balance. If we do not consider taking revenue in the second half of the fiscal year to match the recovery, we believe that the performance will be severe as you pointed out. The Mekong Area, Cambodia and Myanmar performed well last year, so we will keep a close eye on them.

Q: The financial forecast is annual, and there is no publication of the overseas forecast though the reserves was enough in Asia. Please tell me if you can recognize that overseas is in a better condition than the company forecast range created by your company in the future.

A: Although profits are slightly higher in Japan than overseas, I would like you to consider them at half the time, even considering that they are currently performing well. There are no major negative factors.

Q: This time, a change in the points system was released. It is expected to cost about ¥12 billion in the second half of the year, costing Allianz, credit cards and points. When it comes to increasing the point reserves, is it not a temporary cost to bring over to the next fiscal year? In the explanation in April, I recognized it as a temporary cost, so I would like you to explain it.

A: What we said was ¥8 billion this fiscal year is a point switching campaign, and it will be used for sales expansion and announcements. Of course, temporary costs are included. There is no doubt that reserves will increase due to the change in the points system, but it has already been factored in. Reserved costs will increase constantly as a result of the system change, this fiscal year's costs are the figures included in sales promotion.

■ Mr. Otsuka, analyst at JP Morgan Securities

Q: When break down bad debt expenses between Japan and overseas, I have the impression that the domestic is particularly different annually. Since the first quarter is ¥4.5 billion, it will be ¥20 billion on annual, but I heard that it is about ¥30 billion per year. Could you tell me what this gap is? Similarly, overseas is ¥10 billion in the first quarter, so it becomes ¥40 billion on annual. It's a little higher than what I heard before.

A: In Japan, we are not expecting a sharp increase in the number of loans that have been delinquent in the second quarter or beyond, as sufficiently collected initial delinquent and long-delinquent loans have been collected. Overseas, the amount outstanding of loans outstanding has not increased, so the balance of bad debt reserves is low, but it is expected to increase to a certain extent from the second quarter with the expansion of the outstanding amount of loans.

Q: With regard to domestic bad debt-related expenses, it is not an annualized amount of 4.5 billion yen (20 billion yen), but is it good to understand that the amount outstanding of receivables will increase in the future, so the cost will also increase in the second half of the year?

A: As you understand.

Q: The related costs of AEON Allianz Life Insurance were said to be ¥4 billion per year, but are they recorded in the first quarter?

A: The company is currently considering selling health-promotion insurance at the end of the year and started to sell group credit life insurance. Along with this, it is expected that sales costs will be charged in the second half of the fiscal year, and it should be recognized that sales will be recorded at a time close to the end of the fiscal year.

■ Mr. Niwa, analyst at Citigroup Global Markets Japan

Q: Could you tell us whether operating profit has been raised or lowered against your internal budget?

A: The ¥43.5 billion forecast for this fiscal year will be profitable quarterly by ¥11 billion. There are seasonal factors, but in that sense the first quarter was nearly double the

profit level. In the first quarter, we originally planned that the effects of the new coronavirus would be up to the first quarter of each country. As a result, the impact of coronavirus did not appear in terms of performance. We continue to assume conservatively from the second quarter onwards.

Q: How much of a year of revenue planning do you consider in securitization and asset management? Please tell me the result of the first quarter.

A: With regard to the securitization of receivables and the operating income of securities, we expect the gain on the securitization of receivables to be about ¥15 billion per year. In the first quarter, ABK receivables that had not been implemented in the last fiscal year were securitized which was higher than the previous year. Asset management gains are normal.

■ Mr. Sato, analyst at Mizuho Securities

Q: Could you tell us about the situation and outlook for Malaysia? Lockdowns have been further tightened since July to severe outing restrictions. If the toughest lockdown period in July extend, the situation will be same as last year?

A: About Malaysia, regulations are being tightened. We are working on what retail merchants can do. Since we are doing online support this time, we recognize that we will not be as depressed as last year. As for the collection, we have taken such a response as to reduce the number of people at the head office and replace the personnel to collection, so there is no significant drop.

Q: It will be difficult to talk about profit swinging because the company plan is clear. If profits continue to improve, will the payout rate of 40% be protected?

A: This year, there was also a commemorative dividend which exceeded 40%. There is no change in the basic policy of 30 to 40%.