



AEON Financial Service

Stock Listing : Tokyo Stock Exchange, Prime Market
Code No. : 8570

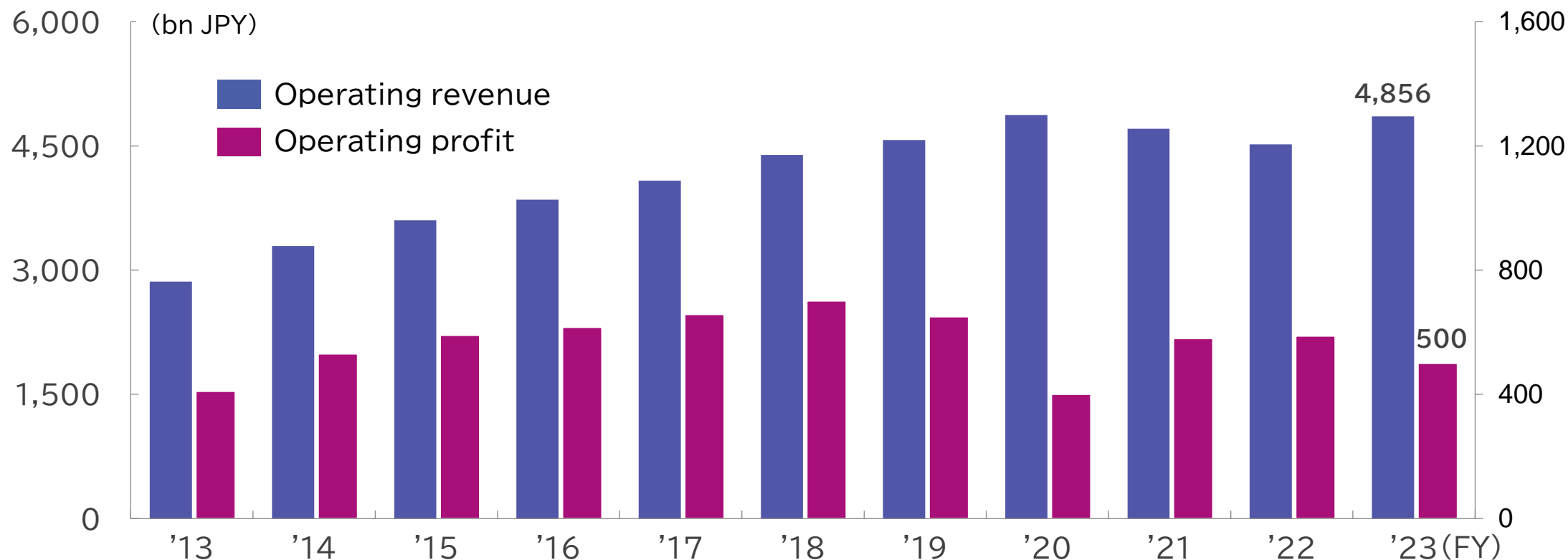
About Us (ENG)

Consolidated Financial Results over 10 years(FY2013-FY2023)

Expanding business performance while responding to changes in the external environment.
Aiming to surpass the performance in pre-COVID-19 period as soon as possible.

External environment

- ▶ 2014:Consumption tax hike(5%→8%) ▶ 2016:BOJ introduced low interest rates policy
- ▶ 2019:Demo in HK & Consumption tax hike(8%→10%), COVID-19

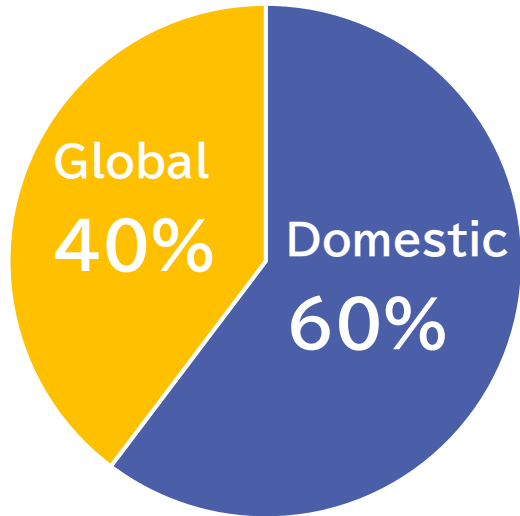


ROE	8.2	11.2	12.7	12.4	10.8	10.5	8.8	4.5	7.3	7.1	4.7
PBR	1.77	2.20	1.81	1.31	1.43	1.28	0.86	0.73	0.60	0.64	0.62

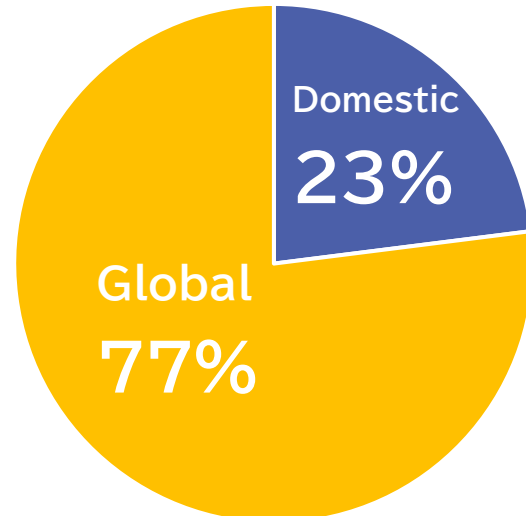
Domestic and Overseas Composition and Strengths

Composition of Domestic and Global (%)

Operating revenue



Operating profit



※FY2023

High proportion of operating profits from Global markets with growth potential

Our strengths

《Domestic》

Wide network of one of the top retail groups in Japan

《Global》

Pioneering overseas expansion and locally rooted business development

[Domestic] AEON Group touch points across the country

One of the top retail groups
in Japan



Number of Group employees : About 590,000

Number of stores/locations : About 18,000

Consolidated operating revenue : 9,553bn JPY

Number of countries : 13

About 1.3bn customers come to the AEON group stores in Japan each year



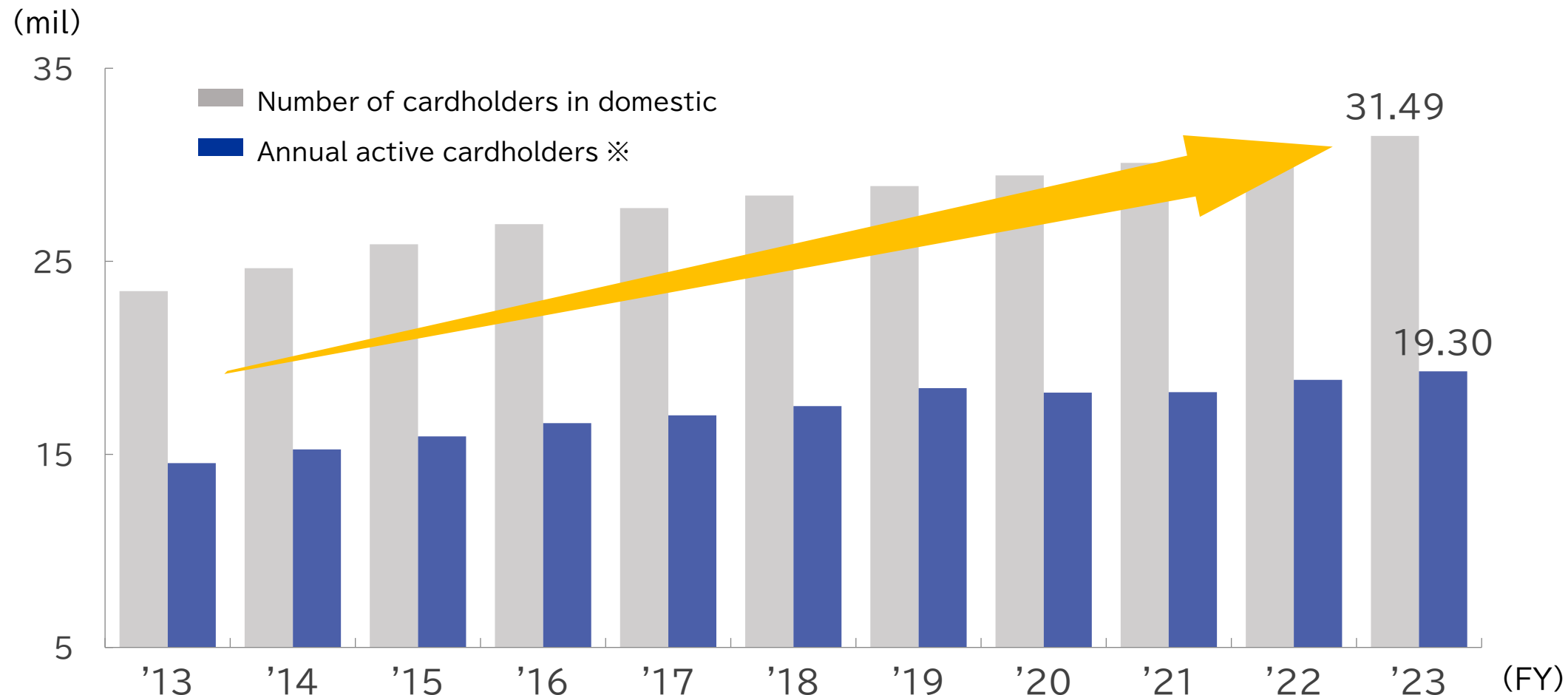
Touch points across the country

Reaching out to customers by leveraging AEON's ability to attract customers and **real touch points** such as bank branches

Providing credit cards and financial products to match customers' lifestyle

[Domestic] Consolidated Cardholders over 10 years (FY2013~FY2023)

Expanding the number of cardholders by offering no annual membership fee as well as preferential points and discounts at AEON group stores.

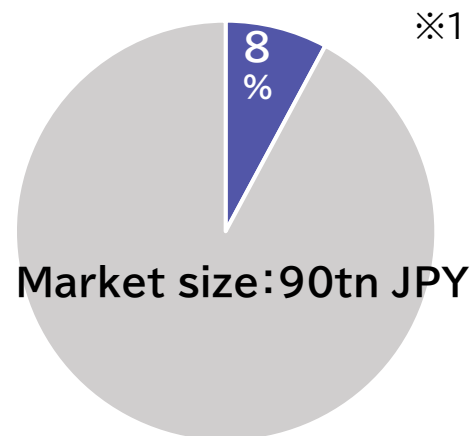


※ Number of annual active cardholders : the number of cardholders used their cards at least once during the year

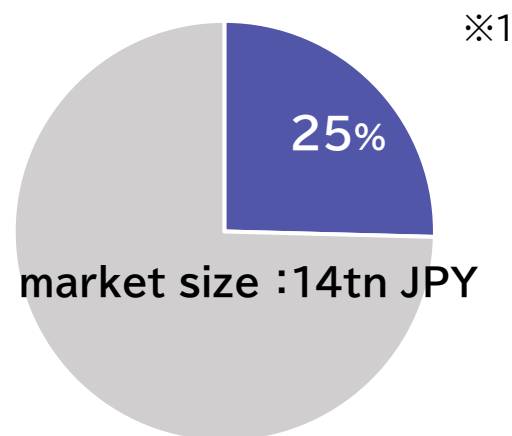
[Domestic] Market Share of Payment Business

《Market Share》

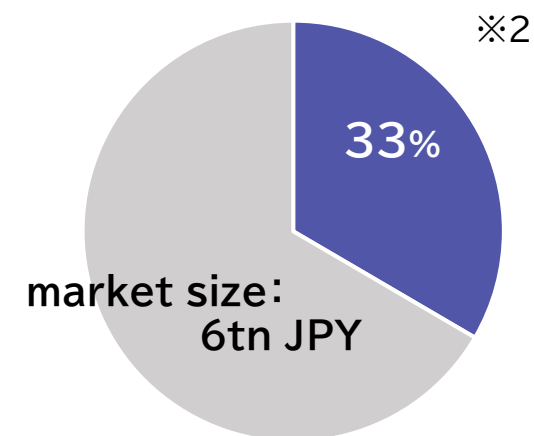
Credit purchase



Cash advance



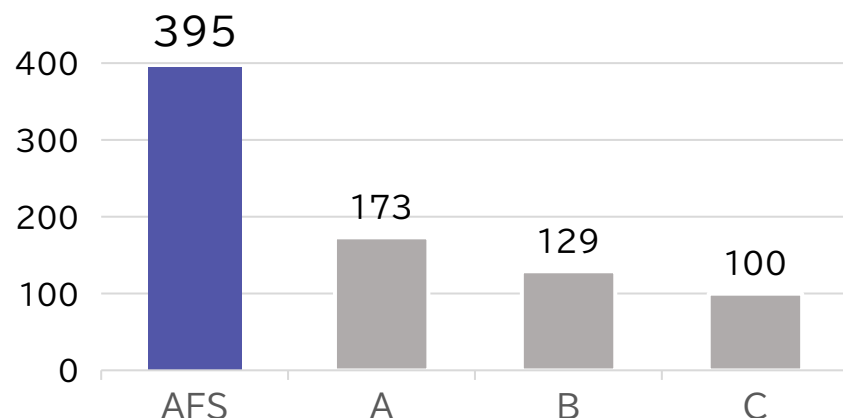
e-money



《Balance of receivable》

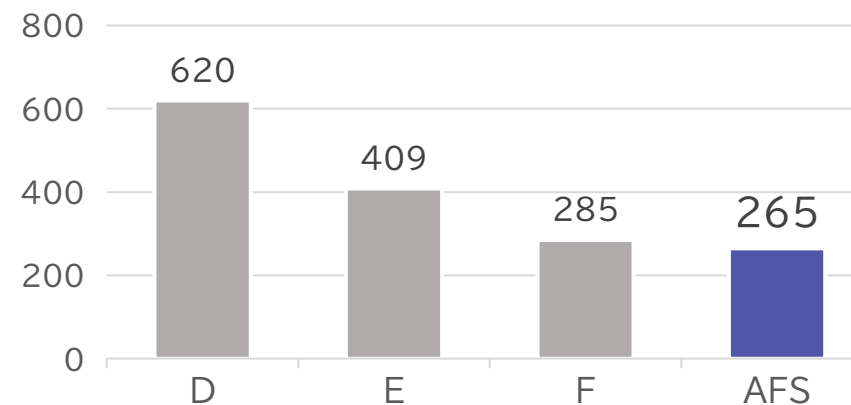
(bn JPY)

Cash advance ※3



(bn JPY)

Credit purchase ※3



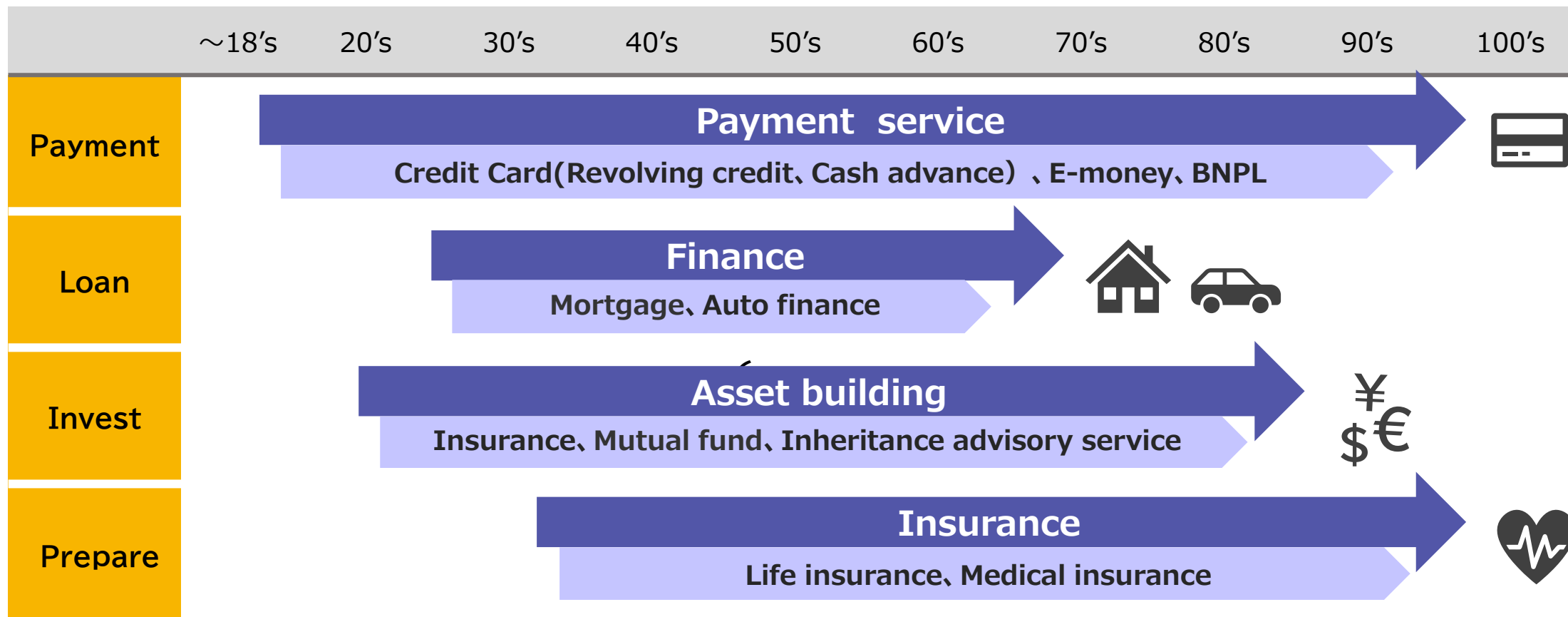
※1 Based on AFS data FY2023 compared with a METI research for FY2023

※3 Based on data published by Yano Research Institute Ltd. FY2023

※2 Based on a METI research FY2023

[Domestic] A wide variety of financial products

Propose financial products in line with the customers' life-style.



[Domestic] Banking business (AEON Bank)



It's convenient if I can go to a bank while shopping !



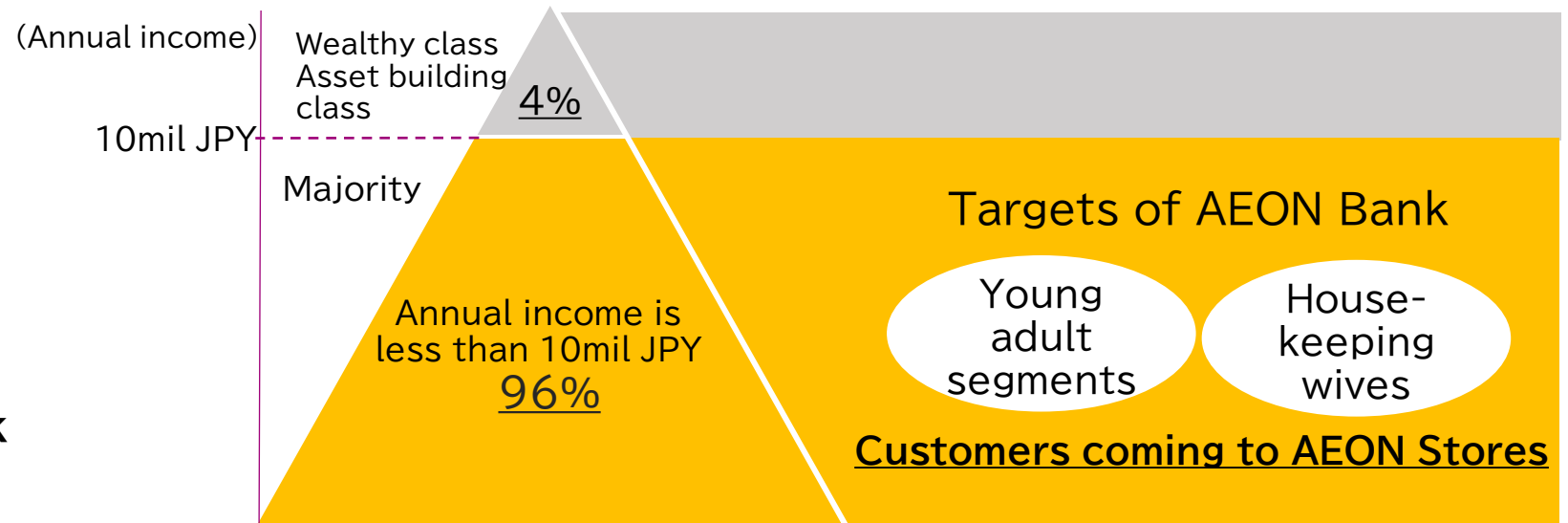
I hope to go to a bank weekends...



I wish if there was a bank I could talk to!

<Business situation (As of February FY2024) >

- Number of bank account : 8.58mil
- Total balance: about 4.6tn JPY

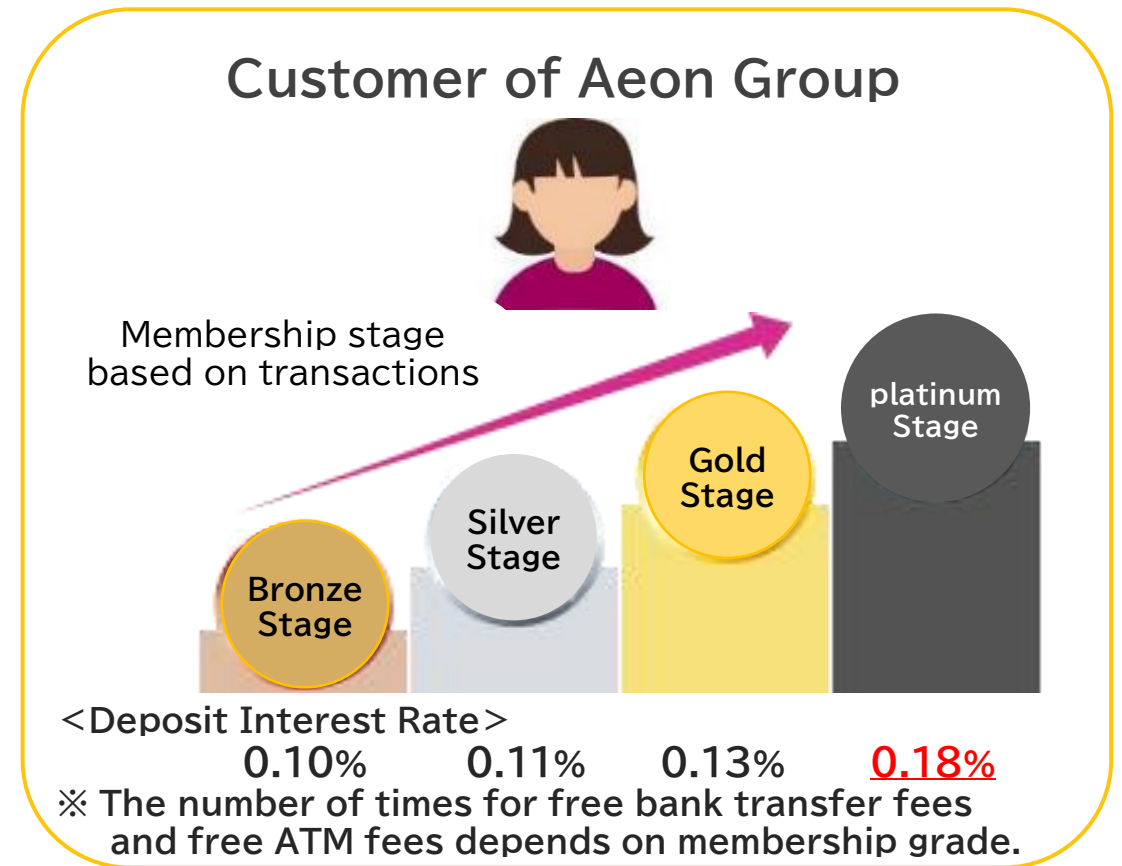
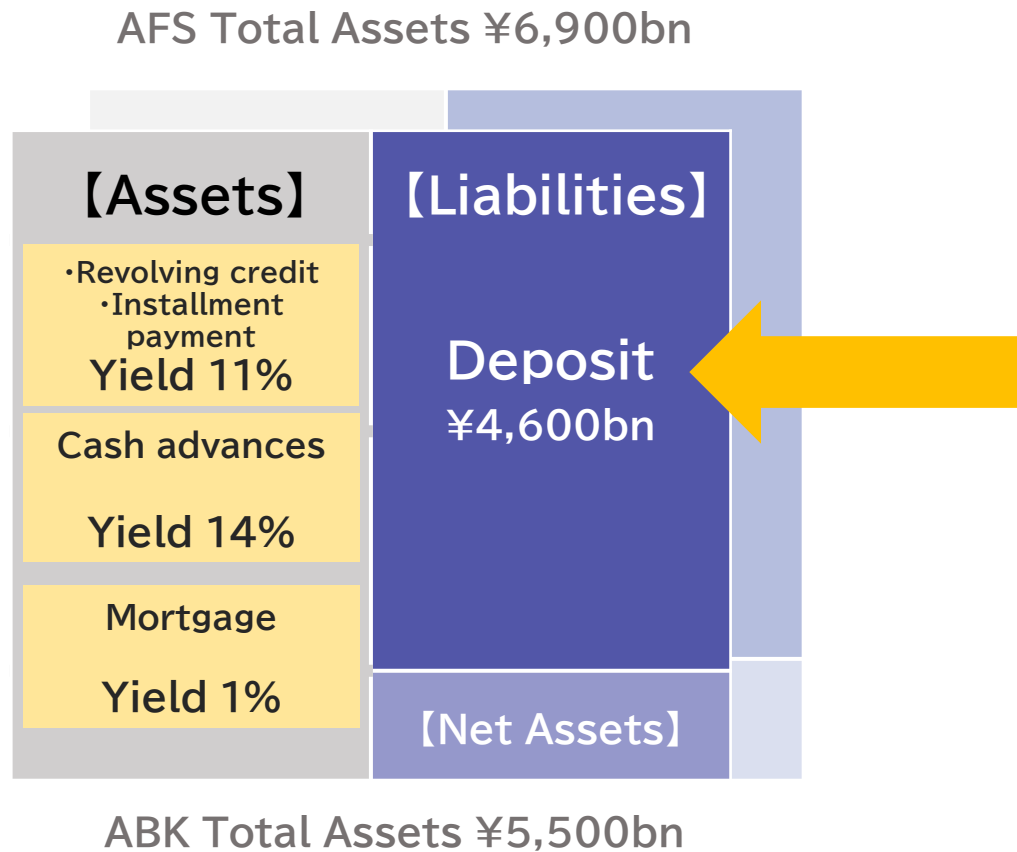


Innovative bank established from customers feedback

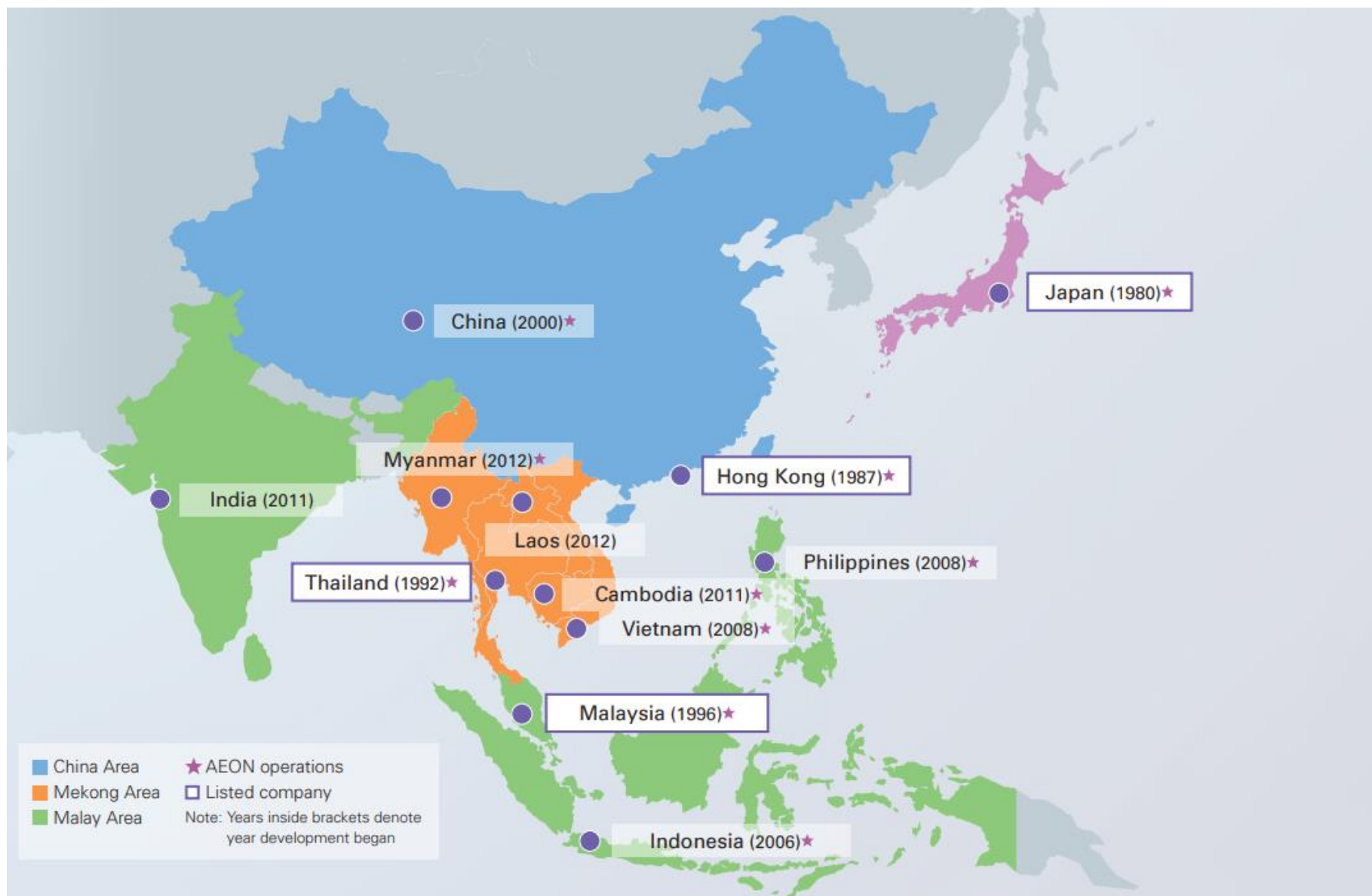
[Domestic] Financing Advantages

Low-interest funding cost allows for high yields.

Offering customers high interest rates on savings accounts depending on transactions.



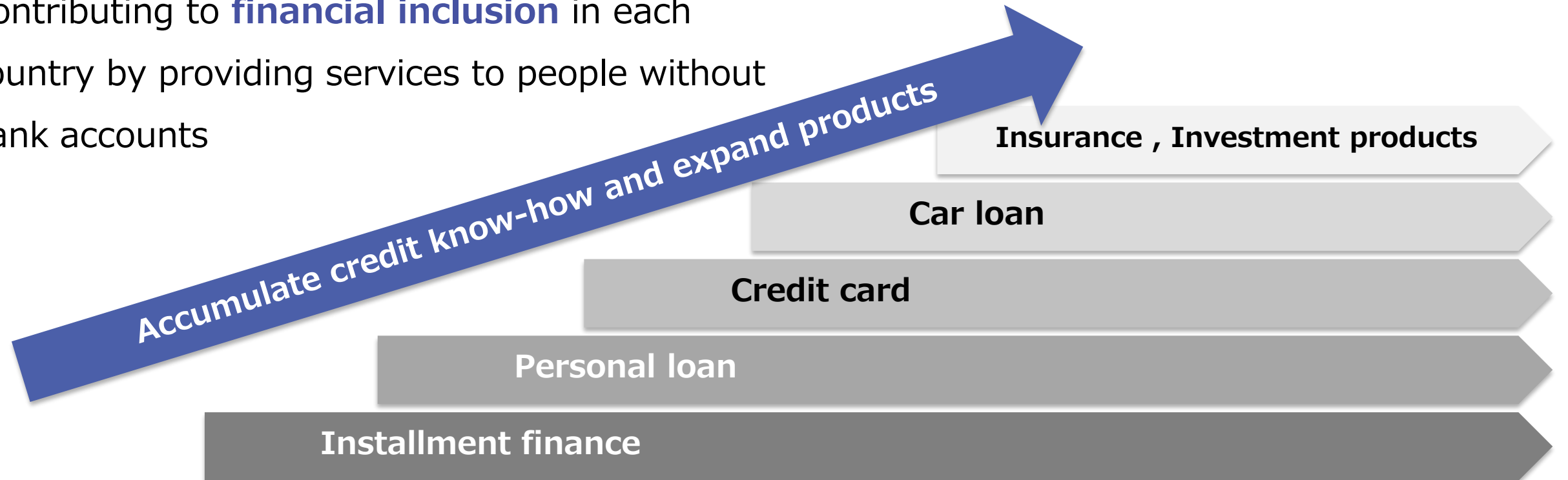
[Global] Business in 10 Asian countries















History of Overseas Expansion and Business Models

History	1980s	1990s	2000s	2010s
	<ul style="list-style-type: none">• 1987 Hong Kong	<ul style="list-style-type: none">• 1992 Thailand• 1996 Malaysia	<ul style="list-style-type: none">• 2000 China• 2006 Indonesia• 2008 The Philippines / Vietnam	<ul style="list-style-type: none">• 2011 India / Cambodia• 2012 Laos / Myanmar

Contributing to **financial inclusion** in each country by providing services to people without bank accounts



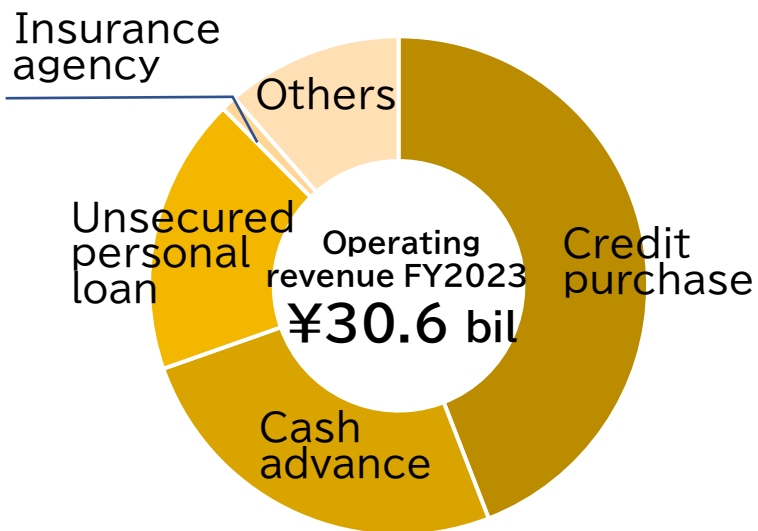
Business operation of each area

	Domestic	Mekong area					Malay area				China area	
	Japan	Thailand	Cambodia	Vietnam	Myanmar	Laos	Malaysia	The Philippines	Indonesia	India	Hong Kong	China
												
AEON Group stores	●	●	●	●	●		●	●	●		●	●
Installment finance	●	●	●	●	●	●	●	●	●	●		●
Personal loan	●	●	●	■	●		●	●		●	●	●
Credit card	●	●	●	■			●		●		●	
Insurance agency	●	●		●			●			■	●	●
E-money (Prepaid)	●		●	■			●				■	
Servicer (Third party's finance receivable)	●	●										●
BNPL									●			
Digital Bank							●					

<Available only in Japan> Mortgage / Short-Term insurance / Life insurance / Lease

[Global] Feature of Global Business

China Area



Market

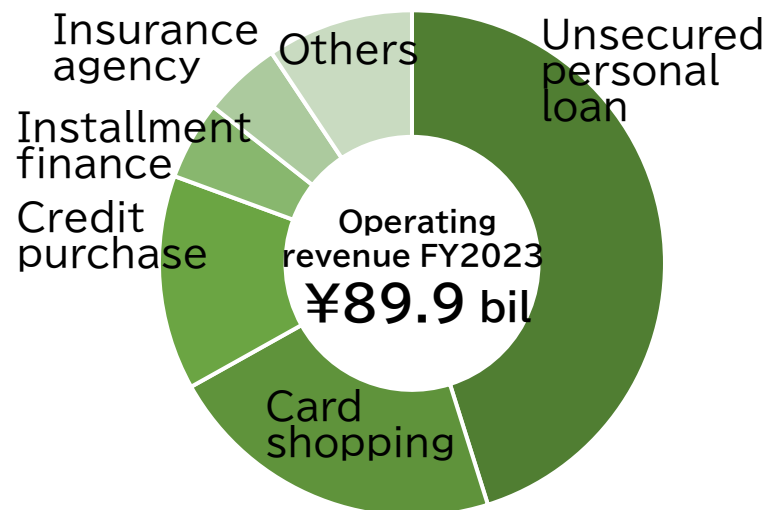


Hong Kong



China

Mekong Area



Market



Thailand



Cambodia



Vietnam

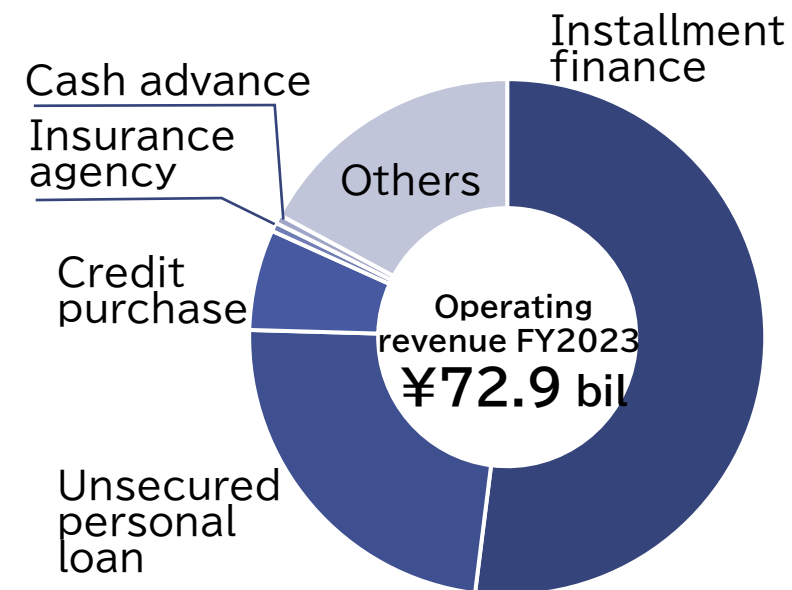


Myanmar



Laos

Malay Area



Market



Malaysia



The Philippines



Indonesia



India

[Global] China Area – Business in Hong Kong

In addition to collaboration with local AEON retailers, issue credit cards with benefits for use in Japan. Integrated the code payment “UnionPay QR” offered by UnionPay International into ACSA’s smartphone app.

《Collaboration with Aeon Stores Hong Kong》



《Dealing with tourists traveling to China and Japan》



Provides credit cards for tourists visiting Japan and the code payment “UnionPay QR” for tourists visiting China.

[Global] Mekong Area – Business in Thailand

- Personal loan and credit card and business are both among the top 3 local non-banks.

《Examples of alliances with local companies》



Credit card with mileage function



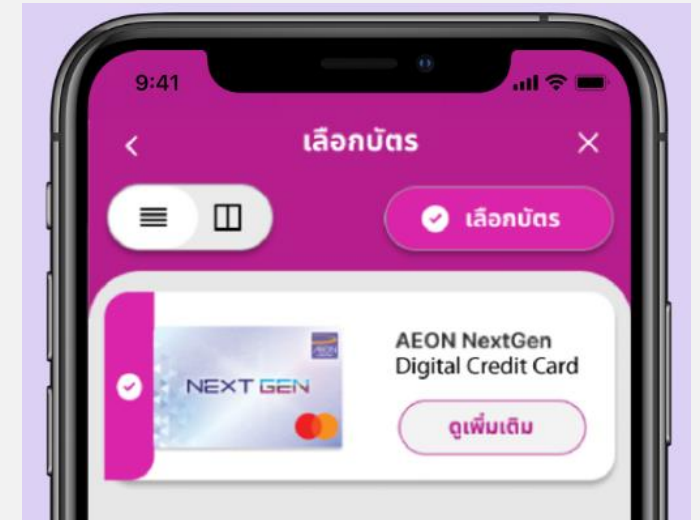
Credit card with IC ticket function



Credit card with discount shopping



《Digitalization》



”Next Gen“ fully digitalized credit card issued via ATS smartphone app.

[Global] Malay Area – Business in Malaysia

- Largest local non-bank with No.1 share in motorcycle loan business (Approx. 30% of newly registered vehicles).
- Full online application process, eliminating the need to visit a branch and making it available to customers away from the branch.

《Collaboration with dealer》



《 Digitization of the application process 》

Before



Online application



Verification by visiting the store

Approved



Signing at the store

After



Online application



• Online verification
• Temporary credit

Approved



Digital signature

[Global] Opening of Digital Bank (Malaysia)

- Malaysia's First Digital Bank Utilizing Islamic Financial Method opened on May 26, 2024.
- Expanding as a center of digital services in the AEON life range.

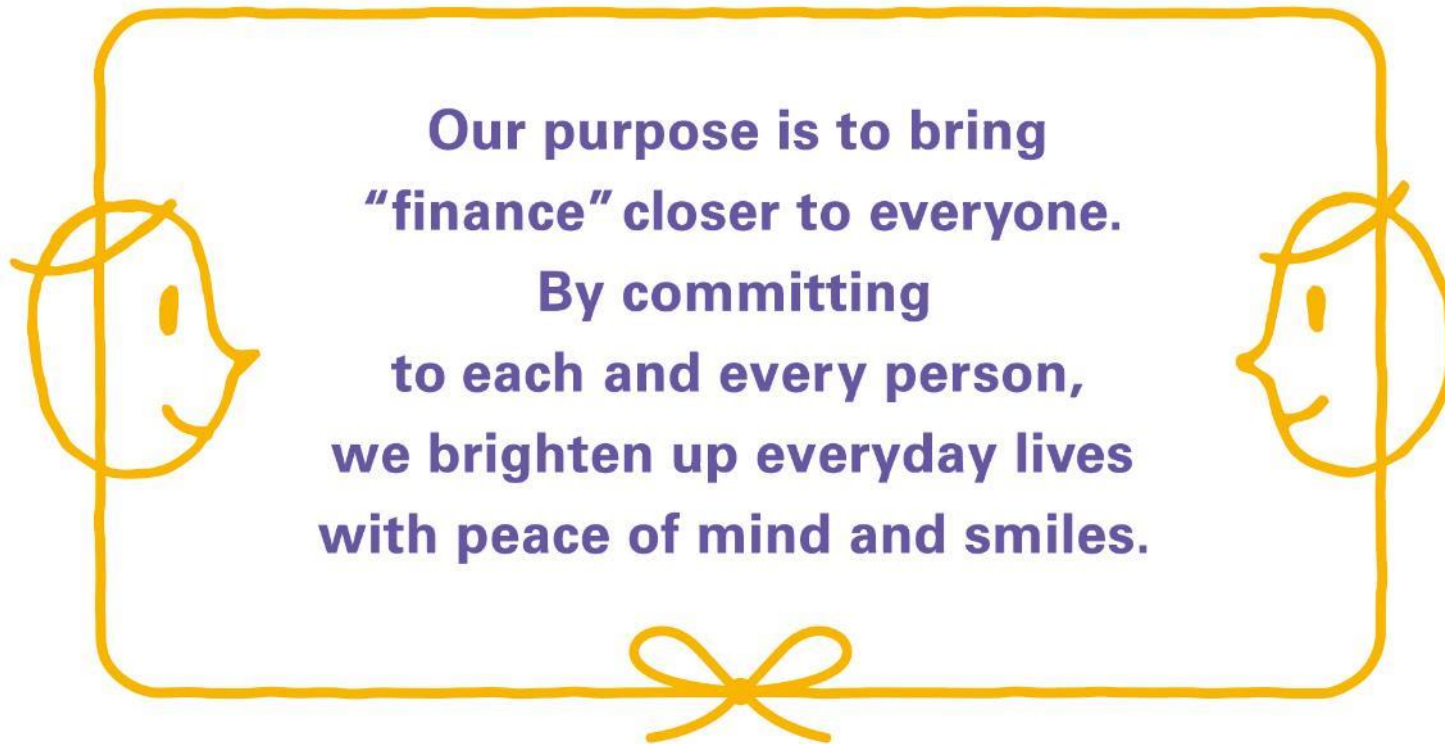
AEON BANK(M) opened on May 26, 2024



- Bank deposit
- Debit card
- Code payment
- Point card

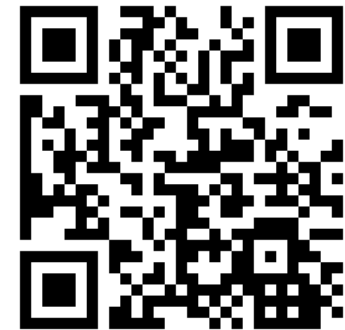


Our Purpose



- Common decision-making policy of AFS Group to maximize the value provided to customers and enhance corporate value

Our Purpose QR code








<https://www.aeonfinancial.co.jp/en/purpose/>

Includes background on the formulation of the Purpose and the thoughts behind the Purpose.

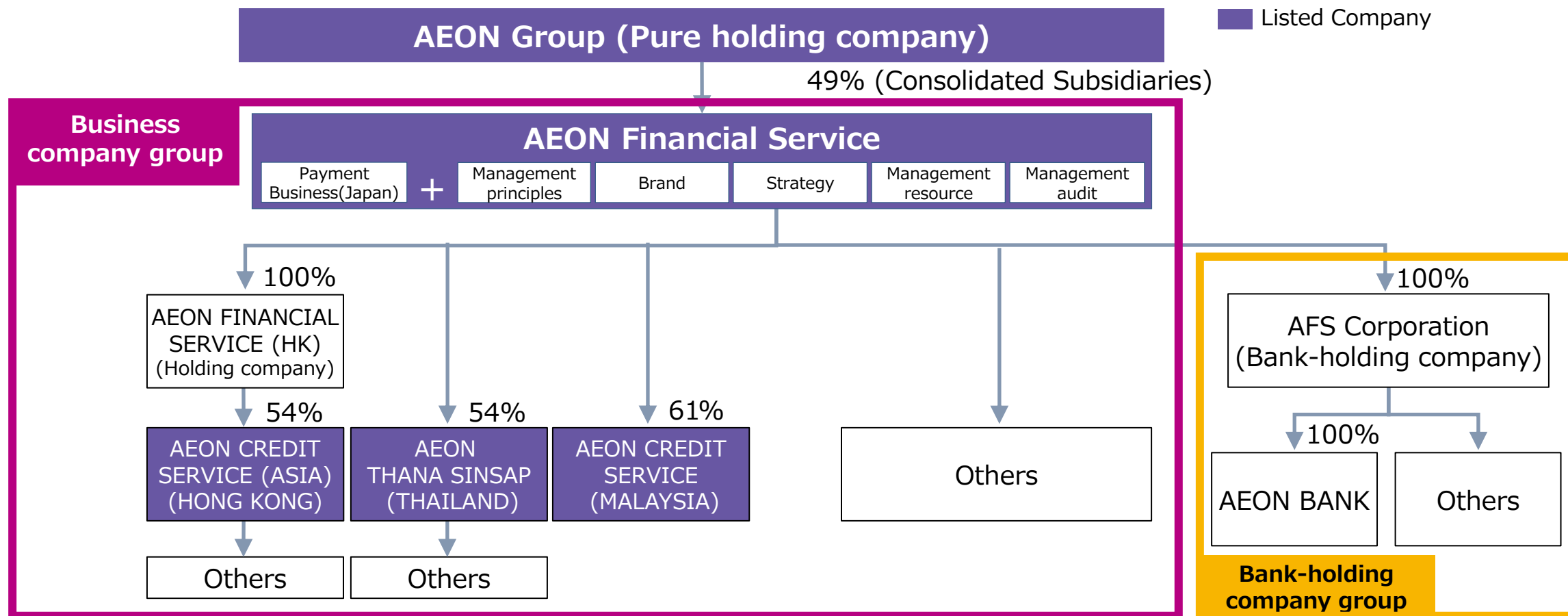
AFS Sustainability Policy and Materiality Map

•In November 2021, we clarified social issues that impact the Group and identified key issues (Materiality) that need to be addressed.

•Key issues were clarified by categorizing the identified materiality into four themes.

Contributing to peace through the creation of a sustainable society 			Initiatives	Key Indicators (2030)
Human Rights	Pursuing happiness through innovative financial services We are committed to enriching the lives and happiness of our customers by providing safe, secure, and innovative financial services, by building an infrastructure that enables access to financial services for everyone, and by promoting the improvement of financial literacy.	<ul style="list-style-type: none"> • Customer Responsibility • Financial Inclusion and Financial Education • Technological Innovation • Sustainable Finance • Contribution to Local Communities 	Providing a safe, secure, and accessible financial infrastructure Promoting DX to Improve Customer Experience Contributing to the development of local communities through financial services. Enriching the lives of customers, business partners, and employees through financial education. Managing and procuring funds in consideration of social and environmental changes	<ul style="list-style-type: none"> • Digital provision of all financial products and services, along with continuous updates of security measures ensures that customers can feel safe using them. • Provision of payment services that are borderless in the countries where we operate. • Developing and securing human resources for DX promotion • Promoting financial inclusion initiatives • Cooperation with communities and local areas • Support for disaster measures using financial services • Total number of participants in the financial education program: 500,000 Domestic: 350,000 Overseas: 150,000 • Consideration of sustainable investment and loan policies • Implementing sustainable finance
	Exerting diversity and the potential of our people We are committed to achieving our goals as a team by respecting the humanity and diversity of our employees and by creating a work environment where everyone feels fulfilled and where individual abilities are maximized.	<ul style="list-style-type: none"> • Diversity & Inclusion • Securing and Maintaining Human Resources/Human Resources Development • Labor Practice • Occupational Health and Safety 	Respecting the diversity of employees and creating a flexible and rewarding work environment.	<ul style="list-style-type: none"> • Percentage of managerial positions filled by women Directors: 30%; Divisional heads and higher : 30% (Domestic) • Employment rate of persons with disabilities: 3% (Domestic) • PRIDE Index Recognition (Domestic) • Rate of male employees taking childcare leave: 100% (Domestic) • Enhancement of employee training • Improvement in employee engagement
Establishing organizational resilience We are committed to developing highly ethical and disciplined human resources and enabling quick and flexible decision-making by transferring authority to frontline operations. We are also committed to evolving our governance structure and building a strong corporate culture through the supervisory function exercised by the Board of Directors, risk management throughout the value chain , and business management enhancement.	<ul style="list-style-type: none"> • Corporate Ethics and Compliance • Information Security • Corporate Governance • Risk Management • Business Model Resilience • Supply Chain Management • Stakeholder Engagement 	Building a governance structure that improves stakeholder trust	<ul style="list-style-type: none"> • Compliance with laws and regulations • Number of operation suspensions due to incidents • Consideration of the inclusion of sustainability indicators into officer compensation • Improvement in external ESG rating assessment • In times of business crisis, such as during a natural disaster, a prompt and appropriate response is necessary for minimizing damage, ensuring business continuity, and facilitating early recovery (BCP). • Fostering governance awareness 	
Addressing climate change We aim to solve global issues by working toward decarbonization together with our customers and local communities through the products and services that the Group provides, transforming our business model, and effectively using resources in our business activities.	<ul style="list-style-type: none"> • Response to Climate Change • Effective Use of Resources 	Providing financial services that contribute to a decarbonized society	<ul style="list-style-type: none"> • Addressing climate change • Promotion of sustainability activities for environmental conservation • Reduction of greenhouse gas emissions by promoting energy conservation • Provision of environmentally responsible products and services 	

G: Group Management Structure



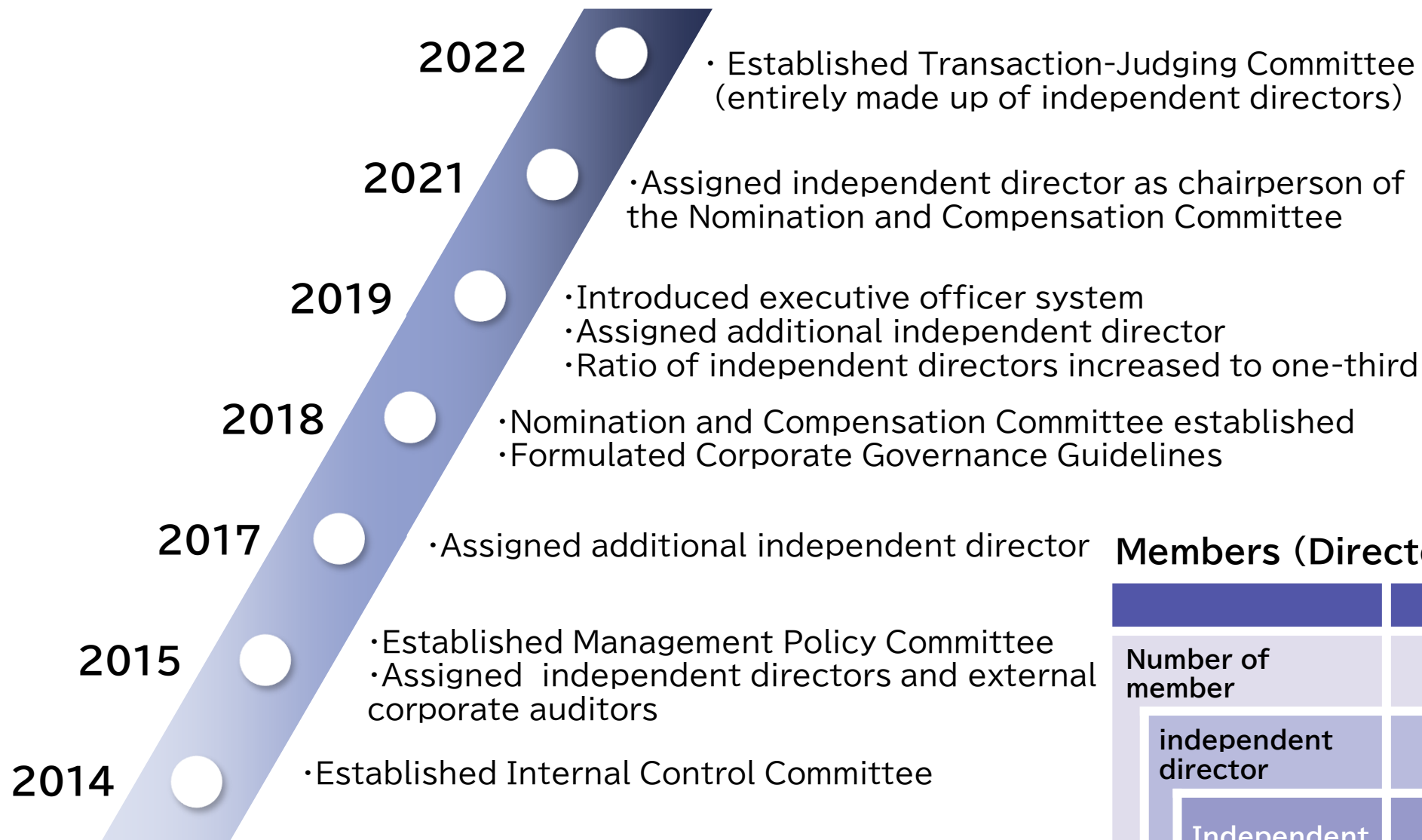
Advantages of affiliation with AEON Group

- Exclusive utilization of AEON Group's platform expanding both domestically and globally.
- Generating synergies by deep understanding the financial industry and the retail industry through personnel exchange.

Advantages of listed overseas subsidiaries

- Listed on a stock exchange in a local market leads to superiority in sales, recruitment and funding.

G:History of Corporate Governance



Members (Director/ Auditors)

	Director	Auditor
Number of member	12	4
independent director	4 (female:1)	3 (female:3)
Independent	4 (female:1)	2 (female:2)

S:[Domestic] Sustainability Activity

Financial Education

Financial literacy Education Seminar



FY2023

	Free Seminar	Financial Education Program
Total number of seminar	94	85
Total number of participants	14,258	11,629

Disaster Recovery Support

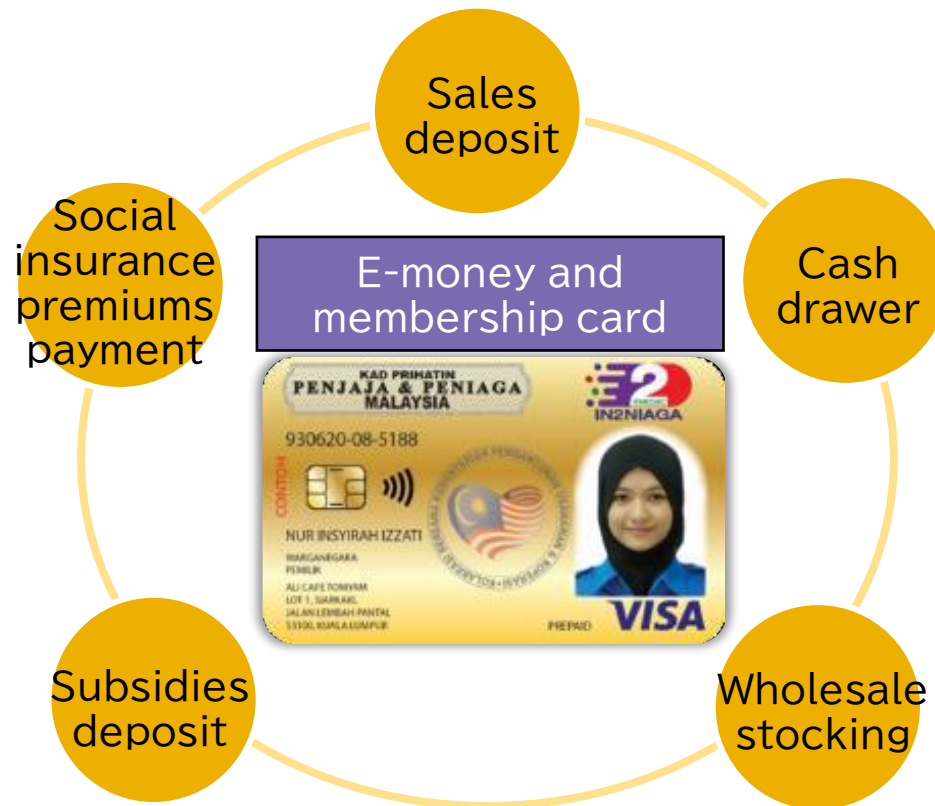


We promote cashless donation through AEON Pay and WAON POINT for the 2024 Noto Peninsula Earthquake.

S: [Global] Sustainability Activity

Support to small enterprises (Malaysia)

ACS Malaysia provided business support to small enterprises using e-money.



Issuance of sustainability-linked loan (Hong Kong)

Fundraising in Hong Kong with linking borrowing conditions such as interest rates to the achievement of sustainability targets.

< Sustainability Targets (Excerpt)

Reduction of electric consumption

Reduction of paper utilization

Students Scholarship

Staff Training

E: Support for the TCFD, external evaluation

Task Force on Climate-related Financial Disclosures(TCFD)

<Disclosures

- 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

ESG External Evaluation

- Promote ESG initiatives in Japan and overseas, aiming to enhance external evaluations and to be included in major ESG indices



2024 CONSTITUENT MSCI日本株
ESGセレクト・リーダーズ指数

2024 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)



Japan ex-REIT Gender Diversity
Tilt Index

TOP CONSTITUENT 2024



**FTSE Blossom
Japan Sector
Relative Index**



Medium-Term business plan and Dividend Policy

Positioning of the mid-term management plan "Second Foundation: Value Chain Innovation and Network Creation"

Our Purpose

Our purpose is to bring "finance" closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles.

~FY2020
Expansion Phase

FY2021~2025
Transformation Phase

FY2026~
Growth phase

The Second Foundation
Value Chain Innovation and Network Creation

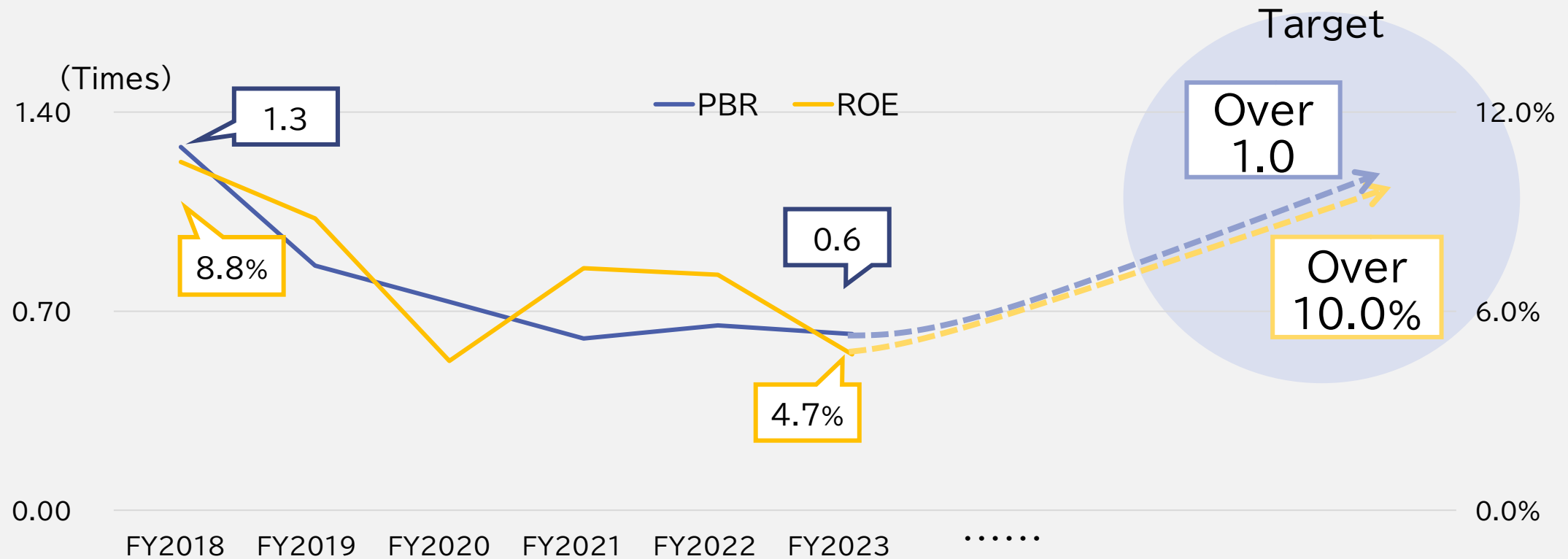
- ✓ Expansion of membership
- ✓ Comprehensive financing of Domestic Business (Commencement of banking and insurance business)
- ✓ Expansion to Overseas Countries

- ✓ Reviewing the portfolio in response to changes in the business environment
- ✓ Creation of new business models utilizing digital technology
- ✓ Strengthening infrastructure for the creation of an AEON life range
- ✓ Strengthening the use of banks in response to changes in monetary policy

- ✓ Providing financial services rooted in each region in overseas expanded countries, mainly in Asia
- ✓ To be a company that supports the lives of each and every one of our customers by resolving their "inconveniences"

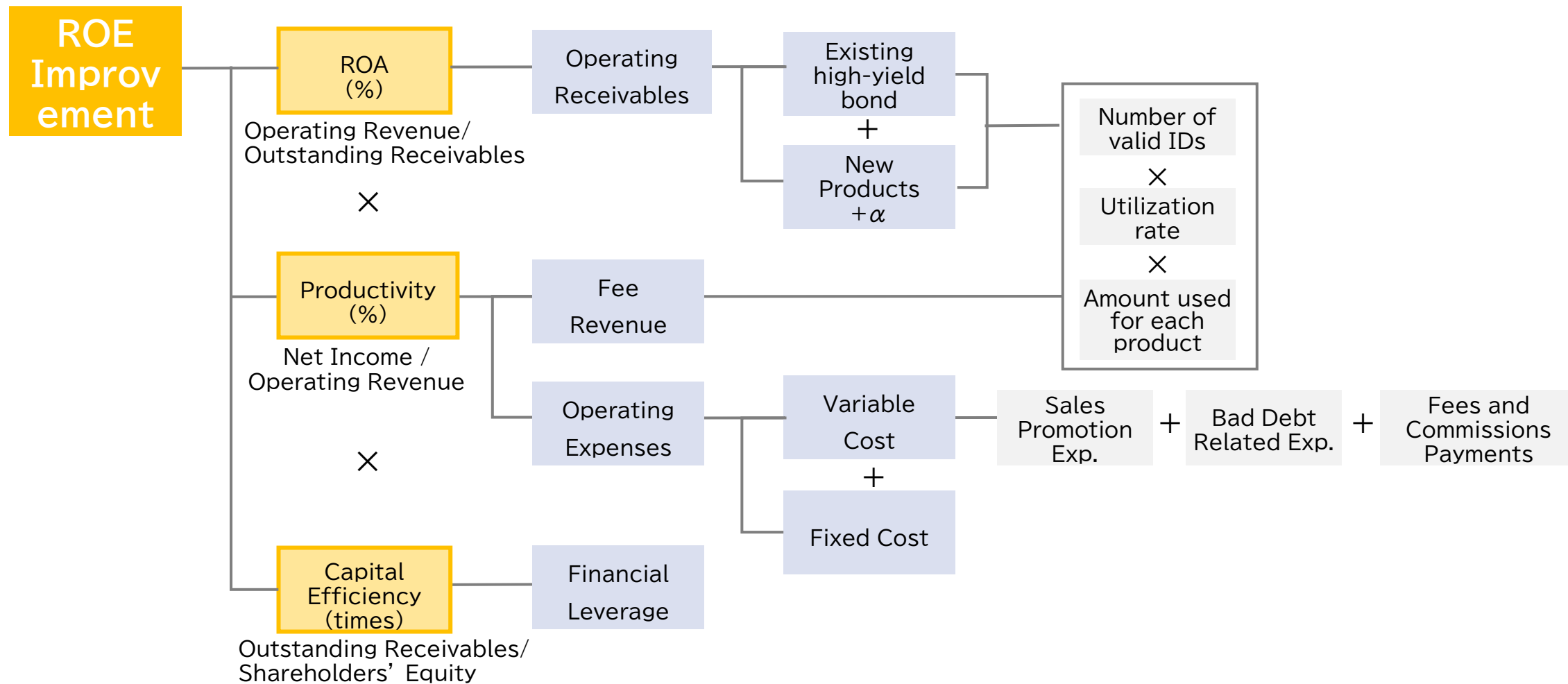
Recognition of current status and establishment of management indicators

- ROE and PBR have declined since the pandemic, slowing recovery.
- Aim to achieve and maintain ROE of 10% or more above cost of capital, with ROE and PBR as management indicators.

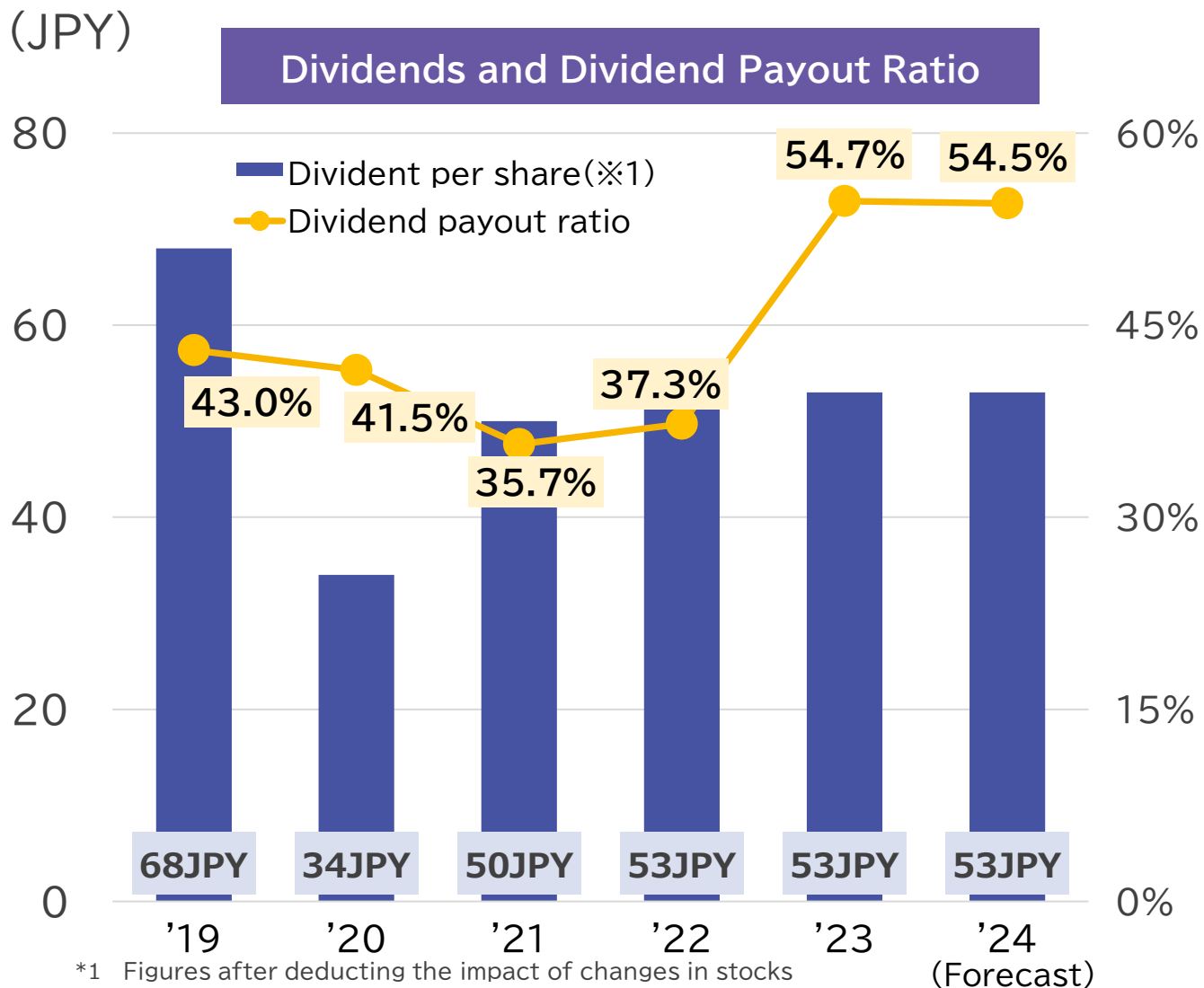


Approach to ROE Improvement

The basic policy will be to build up the balance of operating receivables toward improving “return on assets” and to expand revenue from fees toward improving “productivity.”



Dividend Policy



Dividend Policy

- Dividend payout ratio of 30-40%
- Stable and sustainable dividend



We plan a dividend per share of 53 JPY, which is the same as fiscal 2023.



Appendix

APPENDIX / Company Information

Establishment	20 June, 1981
Representatives	Kenji Fujita, President and CEO
Consolidated Operating revenue	485.6 Billions of JPY (FY2023)
Consolidated Operating profit	50.0 Billions of JPY (FY2023)
Number of Employees	15,968 (FY2023)
Market capitalization	299.0 Billions of JPY (As of January 31, 2024)
Share Price / Share Unit	1,384 JPY/ 100 (As of July 31, 2024)
PER (Forecast) / PBR	14.23 times / 0.65 times (As of July 31, 2024)
Fiscal Year	March 1 to February 28 of the following year

■ Bond Credit Ratings

Rating Institution	Long Term	Short Term
Japan Credit Rating Agency, Ltd. (JCR)	A (Stable)	J-1
Rating and Investment Information, Inc. (R&I)	A- (Stable)	A-1

APPENDIX / Our History

1981	Company established (as Nihon Credit Service Co., Ltd.)
1987	A branch opened in Hong Kong, marking commencement of overseas operations
1992	A subsidiary established in Thailand
1996	Listed on TSE 2nd Section / A subsidiary established in Malaysia
1998	Listed on TSE 1st Section
2003	AEON gold card issued as a first credit card company in Japan without annual membership fee
2007	AEON Bank established
2009	Commenced issuing “AEON Card Select” that combines cash card and WAON
2013	Management integrated with AEON Bank to be a bank holding company Company name changed to AEON Financial Service Co., Ltd.
2016	AEON Card official app “AEON Wallet” service started
2019	AEON Financial Service Co., Ltd. changed from a bank holding company to a business company
2020	Established AEON Allianz Life Insurance Co.,Ltd.
2021	AEON’s official app “iAEON” equipped with code payment function “AEON Pay”
2023	AEON Credit Service Co., Ltd. Merges into AEON Financial Service Co., Ltd.
2024	Opening Malaysia’s First Digital Bank Using Islamic Financial Method

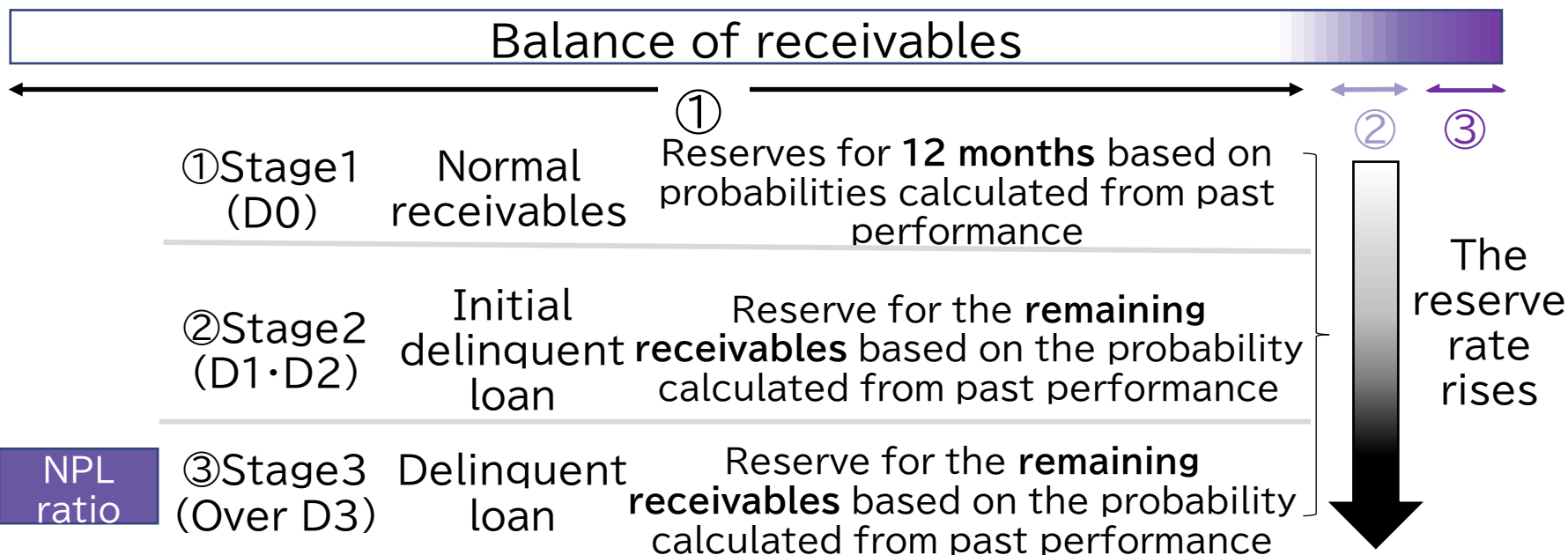
APPENDIX / Financial Highlights

		'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23
Operating revenue (*1)	Bil JPY	2,860	3,290	3,596	3,751	4,079	4,390	4,572	4,873	4,706	4,517	4,856
Operating profit (*1)	Bil JPY	410	530	593	616	657	701	650	406	588	588	500
Operating profit ratio (*1)	%	14.4	16.1	16.5	16.4	16.1	16.0	14.2	8.3	12.5	13.0	10.3
Profit attributable to owners of parent	Bil JPY	207	304	357	394	386	394	341	176	302	306	208
Return on equity	%	8.2	11.2	12.7	12.4	10.8	10.5	8.8	4.5	7.3	7.1	4.7
Return on assets	%	1.4	1.6	1.6	1.6	1.5	1.4	1.2	0.7	1.0	1.0	0.3
Equity ratio (*2)	%	8.9	8.1	7.4	8.5	8.3	7.3	6.8	6.6	6.8	6.5	6.6
Book value per share	JPY	1,316	1,377	1,465	1,604	1,714	1,764	1,823	1,860	1,965	2,014	2,123
Earnings per share	JPY	104.62	152.55	180.09	189.75	179.29	182.64	158.25	81.99	139.98	142.13	97.2
Dividend per share	JPY	60	60	66	68	68	68	68	34	50	53	53
Payout ratio	%	57.4	39.3	36.6	35.8	37.9	37.2	43.0	41.5	35.7	37.3	54.5
Number of shares outstanding	Mil JPY	206	208	208	225	225	225	216	216	216	216	216
Fiscal year end Stock price	JPY	2,327	3,035	2,656	2,097	2,445	2,253	1,568	1,364	1,188	1,293	1,307

APPENDIX / IFRS9 Definition of allowance for bad debts

- In overseas countries, IFRS 9's bad debt allowance reserves have been applied, and the increase or decrease in the total amount of receivables affects the amount recorded
In particular, it is necessary to reserve 12 months' provision for normal receivables, and fluctuations in the balance of the year-end
- For receivables with increased credit risk, the expected amount of credit loss for the entire period is recognized

$$\begin{array}{ccccccc}
 \text{ECL} & = & \text{PD} & \times & \text{LGD} & \times & \text{EAD} \\
 \text{Expected} & & \text{Probability} & & \text{Loss given} & & \text{Exposure at} \\
 \text{credit loss} & & \text{of default} & & \text{default} & & \text{default}
 \end{array}$$



Increase or decrease in total receivables

- The proportion of normal receivables to the total receivables is about 90% or more
- In a situation where the total amount of receivables does not expand, such as the pandemic, the balance of normal receivables also decreases, so allowances for bad debt tend to decrease

Outstanding receivables & NPL ratio

- As the outstanding balance of receivables decreases, the tendency for the NPL ratio to improve is likely to improve the quality of receivables

APPENDIX / Promotion of Health and Productivity Management

• We have established the Health and Productivity Management Declaration and are promoting health management with the aim of ensuring that employees and their families are physically and mentally healthy and that human resources who continue to grow can continue to work for a long time.

「Aeon Health Management Declaration」

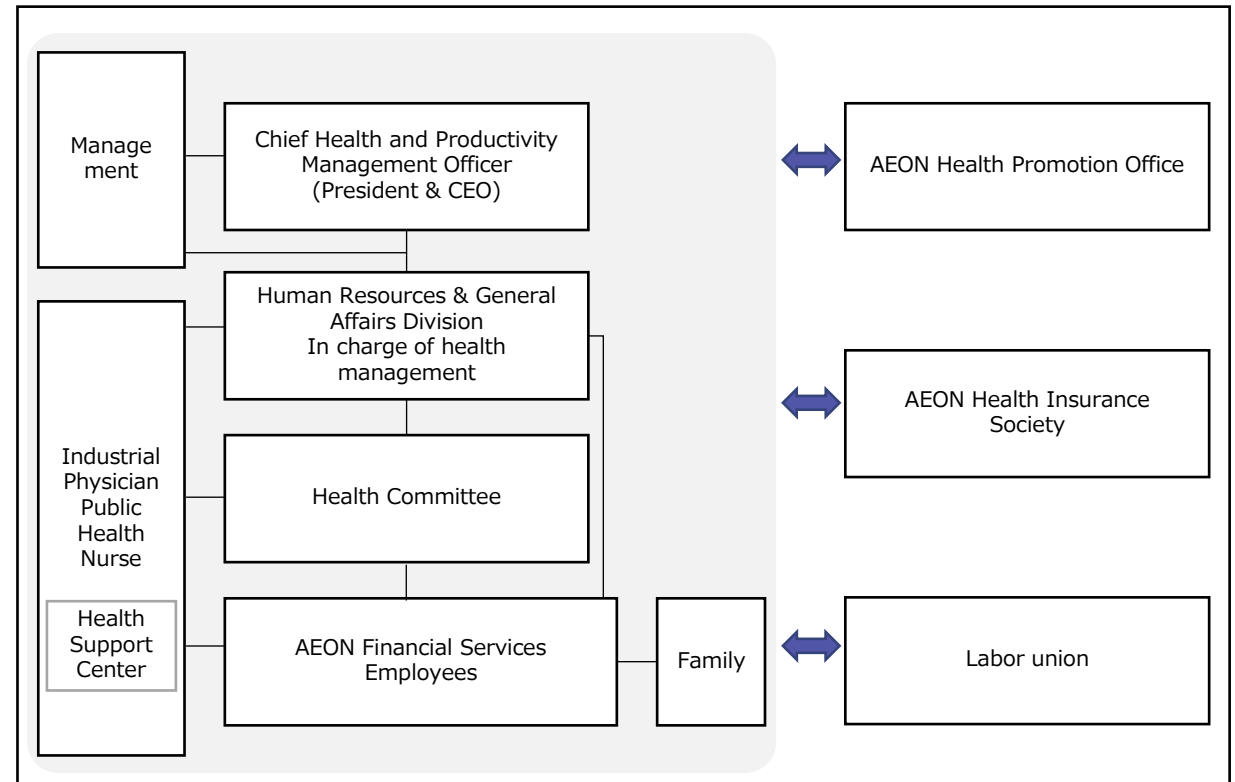
Aeon supports the health of employees and their families.

Together with our employees, we will realize the health and happiness of the local community.

Four Action Guidelines

- ① We will strive to prevent diseases through health checkups and follow-ups based on the results of health checkups.
- ② We will strive to promote mental health through the four types of care (care by oneself, care by superiors, care by occupational health staff in the workplace, and care through external functions).
- ③ We will comply with the action guidelines of the Declaration of the Eradication of Long Working Hours and the Declaration of the Eradication of Harassment, and strive to foster a psychologically safe and secure organizational culture and a vibrant workplace.
- ④ Through our products and services, we contribute to the health of our customers and local communities.

Promotion System



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