

Value Creation Process

At all times. In all places. In all situations.

AEON Financial Service will continue to improve the quality of life for consumers by providing comprehensive financial services to meet every need.

SOCIAL ISSUES & CHANGES IN THE INDUSTRY

Opportunities

- Economic growth in Asian countries
- Inflation, rising interest rates
- Shift toward cashless payments
- Promotion of digitalization, upgrade of industrial technology
- Diversification of consumption needs
- Increased focus on asset building needs

Risks

- Birthrate decline, demographic aging, and shrinking workforce (Japan)
- Insufficient access to financial services (overseas)
- Tightening of regulations in various countries
- Competition escalating beyond business formats
- Wars and conflicts
- Response to climate change

INPUT

Financial Capital

Consolidated total assets **¥6,945.5 billion**

Consolidated equity **¥458.3 billion**

Human Capital

Employees **15,968**
including Overseas **10,700**

Intellectual Capital

Fusion of digital and real

Data accumulation

Social Capital

Consolidated cardholders **50.27 million**

Business areas of financial services **11 countries**

AEON Brand Strength

AEON Group employees **Approximately 600,000**

Stores **17,887**

*As of February 29, 2024

BUSINESS ACTIVITY (BUSINESS PROCESS)

Strategy

Second Founding

Value chain transformation and new network creation

Business Circulation

Value chains

Our Strengths

Real touchpoints

Expertise about providing financial services rooted in communities overseas

Maximization of value provision for customers

Real/digital networks

Data utilization

Materiality

Pursuing happiness through innovative financial services

Exerting diversity and the potential of our people

Establishing organizational resilience

Addressing climate change

Corporate Governance

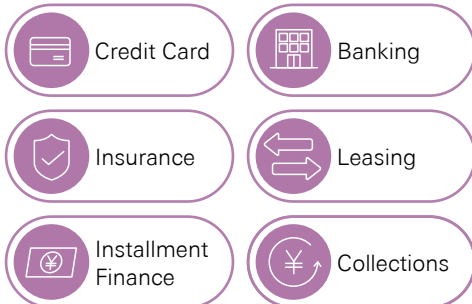
Our Purpose

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.

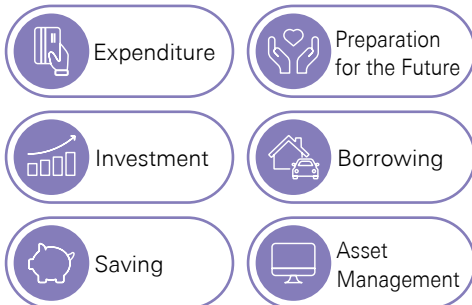
Ideal State
for **2030**

OUTPUT

Business Areas



Our Services



OUTCOME

Financial Capital

ROE **4.7%**

Dividends **¥53/annual**

Rating JCR **A (Stable)**
R&I **A- (Stable)**

Human Capital

Percentage of managerial positions filled by women **33.5%**

Ratio of employees in international departments **67.6%**

Intellectual Capital

Financial expertise, data accumulation

Improvement of customer experience with DX

Social Capital

Promoting financial inclusion initiatives

Strengthening cooperation with regions and local communities

*As of February 29, 2024

OUR VALUE

Financial Services Tailored to Life Cycles

We combine offline services under the AEON brand with online contact points to provide services that match individual customer needs.

Improving Access to Financial Services

We will improve access for more customers in Asian countries by democratizing financial services.

IMPACT

– Co-creation of Value with Stakeholders

Shareholders and Investors

- Return on profit created
- Achieving medium- to long-term growth and improving shareholder value

Customers

- Happiness with financial services
- Contribution to labor saving, energy saving, and automation

Employees

- Job satisfaction and fostering diverse values
- Advancement of an energetic workplace culture

Business Partners

- Support in quality enhancement through digitalization
- Building a consumer chain that is sustainable and highly competitive

Local Communities

- Coexistence and co-prosperity with local communities
- Creation of employment opportunities

Global Environment

- Contribution through reduced CO₂ emissions, provision of related loan products

A community-based global company that brings “finance closer to everyone”

Our Strengths and Achieving Our Aspiration

OUR STRENGTHS

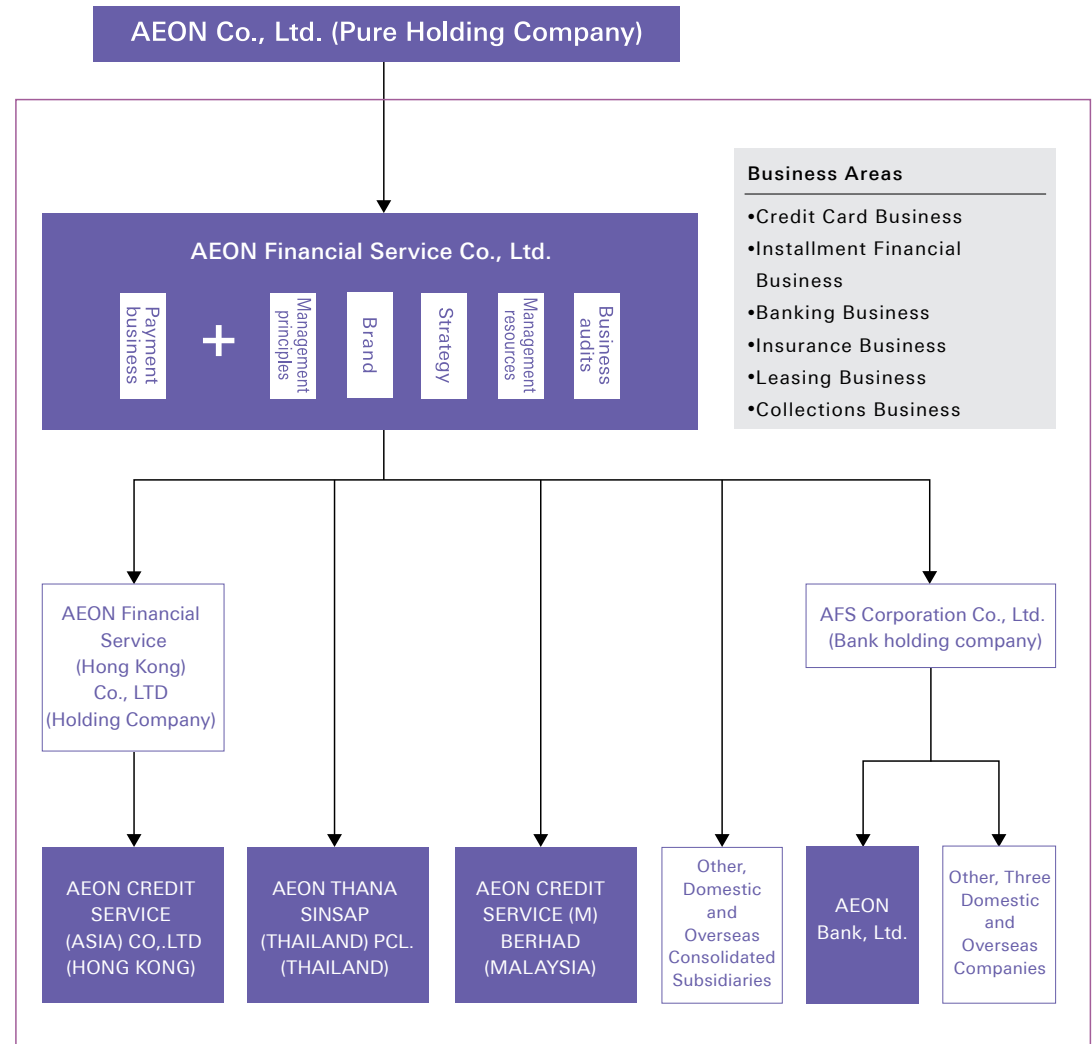
As a comprehensive financial services provider within the AEON Group, our role is to create infrastructure to link the AEON Living Zone through financial services. We are developing our business by leveraging, in addition to AEON brand strength and the network of stores across Asian countries, our wide-ranging financial expertise, such as for credit cards and banks, that we have accumulated since our founding.

We are continuing to grow and provide financial services unique to our company, leveraging our strength in "Retail & Finance" and "Real & Digital."



Operating Revenue	¥ 9,553.5 billion
Stores	17,887
Countries Served	14

*2 as of February 29, 2024

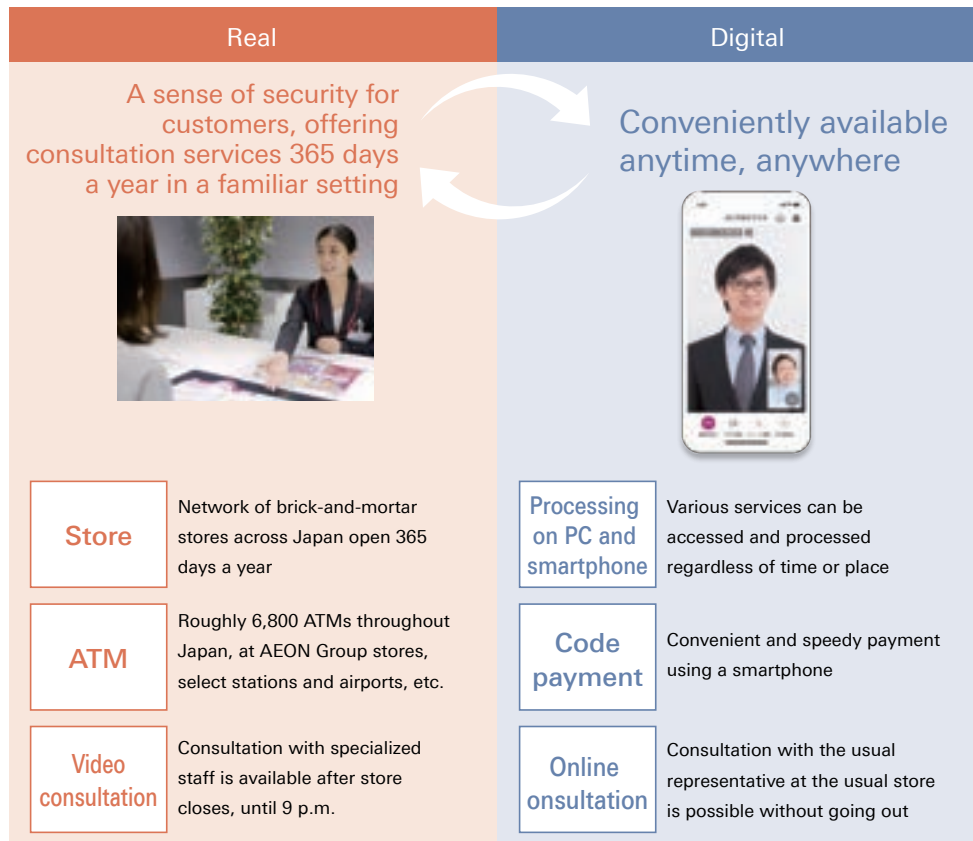




STRENGTH 01

Real & Digital

We have combined the strength of our brick-and-mortar (real) stores and ATMs located in AEON shopping centers, and other locations across Japan with our digital services platform, in order to provide services that are “safe, secure, convenient, and beneficial anytime, anywhere.”



STRENGTH 02

Provision of Comprehensive Financial Services Tailored to Life Stages

Our ability to closely tailor services to the life stages and diverse lifestyles of our customers and provide them with meticulous support represents a major strength for the Company as a comprehensive financial group with its origins in the retail industry. We will continue to create value unique to our company by linking a variety of products and services handled by the AEON Group with finance.



Our Strengths and Achieving Our Aspiration

STRENGTH 03

Active, Asia-focused Overseas Development

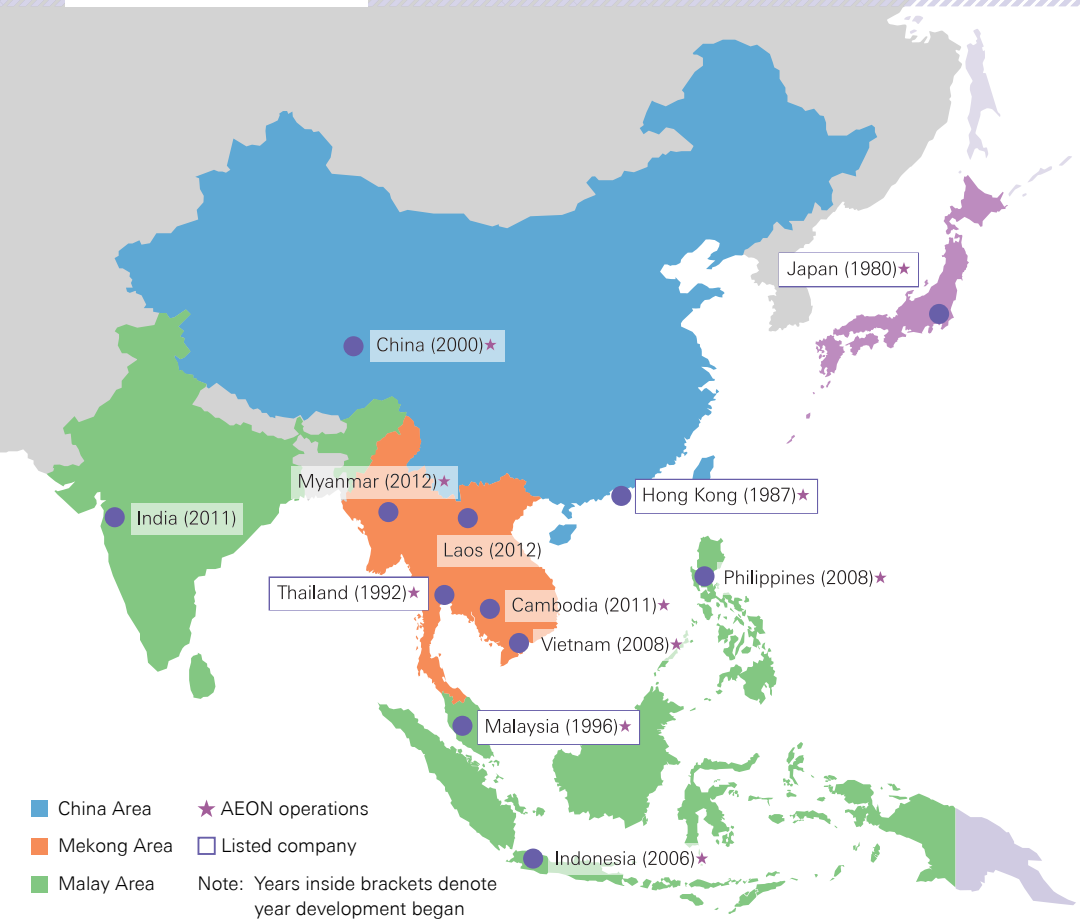
Since starting business overseas in 1987 in Hong Kong, we have positioned business expansion in Asia as a focused strategy and become listed on the local stock exchanges in Hong Kong, Thailand, and Malaysia. We have a localized customer base and network of affiliated merchants, and we provide financial services close to the customers of communities in each country.

With overseas expansion that is pioneering and business development rooted in the local areas, we are working to build AEON living zones for countries in Asia in the same way as in Japan, with AEON Group companies and key partners.

Relationships of trust built up over **37** years

Countries served **11**

Contributing to the resolution of local social issues by providing **financial services**



Business Area Overseas

	Domestic	Mekong Area					Malay Area				China Area	
	Japan	Thailand	Cambodia	Vietnam	Myanmar	Laos	Malaysia	Philippines	Indonesia	India	Hong Kong	China
AEON Group Stores	●	●	●	●	●		●	●	●		●	●
Installment Finance	●	●	●	●	●	●	●	●	●	●	●	●
Personal Loans	●	●	●	■	●		●	●		●	●	●
Credit Cards	●	●	●	■			●		●		●	●
Insurance Agencies	●	●		●			●			■	●	●
Electric Money (Prepaid)	●		●	■			●				■	
Collections Business	●	●										●
BNPL									●			
Digital Bank							●					

Products and services offered only in Japan: housing loans, small and short-term insurance, life insurance, and leases

* as of February 29, 2024

AEON Credit Service (Asia) Co., Ltd.



We will further expand the AEON Economic Zone by leveraging the strength derived from our membership base of more than a million people.

Managing Director

Wei Aiguo

With providing readily accessible benefits and making customers happy as the starting point, we have been offering benefits to customers by collaborating with AEON Stores (Hong Kong) and other affiliated merchants centered on the AEON Card since the 1990s. In addition to offering installment payment, immediate issuance of card, and various online services, we have been repeatedly improving services and adding functions in recent years such as linking cards to smartphone payments, expanding mobile payments, and issuing cards with cashback benefits.

In Hong Kong, a global financial center with a population of approx. 7.5 million people, the number of credit cards in circulation has reached saturation point. Under such circumstances, we steadily increased the number of card members through our network of AEON Group retail stores and affiliated merchants with broad acceptance among customers in Hong Kong, and the number of card members has exceeded 1 million. In addition to Hong Kong, we, working together with various government-led policies, have expanded the business to the Greater Bay Area including the city of Shenzhen and Guangdong Province.

Under such a favorable business environment, we will build the AEON Living Zone by realizing Our Purpose of bringing "finance closer to everyone" so as to further expand the support from customers and grow our business.

Based on Our Purpose, we will work tirelessly to offer convenient and readily accessible services to our customers to make their daily lives prosperous with peace of mind and smiles. We look forward to your continued support.

AEON Thana Sinsap (Thailand) PCL.



With DX of financial services, we aim to become a company that is most favored by the customers in Thailand.

Managing Director

Toshiya Shimakata

E-commerce rapidly expanded in Thailand during the COVID-19 pandemic and shared services and EV spread as well. In the financial field also, there have been changes that drive new consumption such as the widespread use of QR Code payment platform called Prompt Pay.

At the same time, aging population with dwindling birthrate has become a social issue also in Thailand, and this is expected to further accelerate the increase in number of foreign workers and the shift to digital markets in the retail and services industries. We believe that these changes will bring about new needs also in the financial industry.

After our establishment in 1992, we started off with installment sales and expanded our product line to include small loans and credit cards, offering financial services to a wide range of customers. In the past few years, we have been promoting DX of financial services leveraging fintech including issuance of NextGen Card, a digital-only credit card with no plastic cards, and this has been well received by young people and other new customers. Based on our belief that contribution to community is an important mission, we have also been actively engaging in social contribution activities such as tree planting and other environmental conservation efforts by working together with the AEON Group as well as making donations to schools for supporting younger generations. We aim to become a company that is most favored by the customers in Thailand as we embody Our Purpose by continuing to meet the needs of local customers and offer financial services that help them in their daily lives.

AEON Credit Service (M) Berhad



We offer financial solutions that deliver "happiness that is uniquely theirs" and "smiles" to customers.

Managing Director

Daisuke Maeda

In 1996, we started an installment payment business in Malaysia for electrical appliances, demand for which was increasing following economic development. We subsequently expanded the business to include installment payment for motorcycles, which were a daily necessity. We are striving to offer financial solutions, together with affiliated merchants, to customers who do not have easy access to general bank loans. In recent years, we have been offering point cards and credit cards to customers using AEON.

In Malaysia, we are currently witnessing the emergence of needs that go beyond existing financial services following rising income, shift to online services, diversification of interests and preferences, and rapid spread of cashless payment on the back of economic development and changing environment following the COVID-19 pandemic.

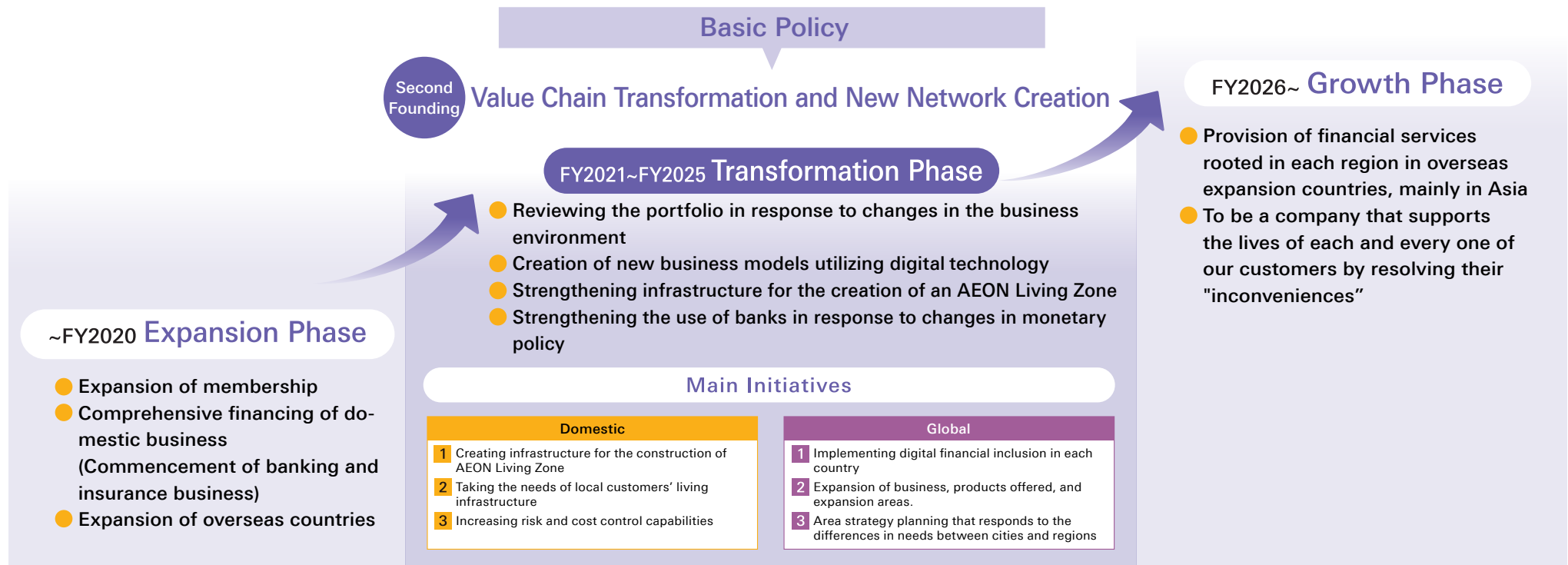
Against this backdrop, we completely digitalized the application process and introduced prompt screening for various loans utilizing AI, which has led to increasing popularity among customers. We have also obtained the permit for digital bank business, which was issued only to five companies in the country, and have established AEON Bank (M) Berhad. The bank, in addition to meeting a wide range of financial needs including deposits, will offer services unique to AEON in collaboration with AEON Group common points.

We will pursue the development of AEON Living Zone by working as one with the AEON Group so as to offer a lifestyle of the future to customers. We will work toward delivering "smiles" and "happiness that is uniquely theirs" to individual customers with our smartphone app AEON Wallet to realize Our Purpose, which is to bring "finance closer to everyone".

Overview of the Medium-Term Management Plan for FY2021–FY2025—Progress to Date

Our goal is to contribute to the construction of an AEON Living Zone that transcends the AFS Group's financial products and services, and customer base by connecting customers, local communities, business partners, affiliated merchants, and AEON Group companies with our financial services, including payment and point systems.

The environment surrounding the AFS Group has been changing rapidly, such as intensifying competition due to the entry of players from other industries, changes in customer needs resulting from rising living standards in remarkably growing Asian countries, and the advance of digitalization driven by the development of AI and information technology. Under such circumstances, we aim to create business models that will allow us to provide optimal services when customers need them by utilizing digital channels and data so as to remain a business operator that can offer financial services chosen by customers.



Medium-term Target Indicator

Aim to achieve and maintain **ROE of 10.0% or more** by strengthening profitability and increasing capital efficiency



Progress of Main Initiatives

Domestic

1 Creating infrastructure for the construction of AEON Living Zone

The AEON Group has set the creation of the AEON Living Zone as one of its growth strategies. Our role in this strategy is to create infrastructure that connects the AEON Living Zone with financial services.

In September 2023, AEON Wallet, a smartphone app, was updated as a comprehensive financial app, enabling the seamless use of a wide range of financial services. Further in May 2024, AEON Pay, a code payment system, was added to smartphone apps provided by AEON Group companies. This is an example of our efforts to create an environment that enables our customers to use our services seamlessly on a daily basis.

Domestic

2 Taking the needs of local customers' living infrastructure

The AFS Group is working to restructure touchpoints so as to smoothly provide necessary services from the customers' viewpoint. The AFS Group is creating an environment that can provide one-stop services anytime and anywhere, such as remote consultation via videophones and smartphone apps in addition to face-to-face services at stores by taking advantage of real and digital channels.

We are also strengthening collaboration with local communities, including through entering the community currency business and launching the "My Full" portal site for the hometown tax system.

Domestic

3 Increasing risk and cost control capabilities

The AFS Group continues to enhance its credit and receivables management using AI and information technology to provide safe and secure services. ACS Credit Management Co., Ltd. uses data analysis technology and AI-based scoring to produce extremely precise analyses and make effective use of data assets.

In addition, we are enhancing the security of payment services by means such as sending a notice of credit card use to customers and detecting card frauds using AI.

Global

1 Implementing digital financial inclusion in each country

In May 2024, we launched AEON Bank (M) Berhad, which provides the first Islamic digital banking services in Malaysia. The bank is committed to maximizing customer lifetime value (LTV) by introducing AI analysis and other cutting-edge technologies and providing appropriate services that match customers' changing financial needs according to changes in their income and life stages. It also provides an environment in which banking services are readily accessible to a wider range of users, including the unbanked class of customers who have found it difficult to access financial services.

Global

2 Expansion of business, products offered, and expansion areas.

In October 2023, AEON Financial Service decided to acquire an equity interest in Post and Telecommunication Finance Company Limited, which specializes in personal financing, to expand the AEON Living Zone in Vietnam together with AEON Group companies. We have been providing services centered on in-house installment sales of electrical appliances and other products in Vietnam since 2008. With the acquisition of this company, we will offer a wider variety of financial services that better serve customer needs.

Global

3 Area strategy planning that responds to the differences in needs between cities and regions

In Asian countries, we are working to build a credit management model tailored to customer attributes and product portfolios in each region. We segment portfolios, identify projected lifetime earnings and bad debt risk, and utilize this information in sales policies and screening criteria to develop area strategies, thereby maximizing profits and reducing bad debt expense.

Message from Finance and Accounting Representative

We aim to increase our ROE to 10.0% or above and PBR to 1.0x or above quickly by supporting efforts to transform business portfolios and strengthen revenue-generating capabilities on the financial front.



Director and Managing Executive Officer
General Manager of the Finance and Accounting Division

Tomoyuki Mitsufuji

Basic Policy on Financial and Capital Policy

Our basic financial and capital policy is to strike a balance between appropriately allocating resources to achieve Our Purpose and returning to our stakeholders while maintaining and improving financial health. It is no exaggeration to say that the financial inclusion vision represents our characteristic significance. Therefore, investing in making each customer's life more prosperous and maintaining a robust financial position to support the effort are cornerstones of our business operations.

In the fiscal year ended February 28, 2024 (fiscal 2023), we posted the highest-ever consolidated total assets of ¥6,945.5 billion, up ¥286.1 billion year on year. In Japan, deposits at AEON Bank, which stand at approximately ¥4.5 trillion, finance most of the operating assets won by the payment and banking businesses. Now that we are back in a world with interest rates, we are expected to demonstrate our competitive edge even more. At the same time, we appropriately allocate resources to invest in information technology to make our services more convenient and easier to use than our competitors, even by

a small margin, amid the ever-intensifying competition in the credit card industry. Outside Japan, we have been investing proactively in growing Asian countries, always aiming to achieve the best balance among enhancing services, generating revenues, and maintaining a robust financial position.

Overview of Fiscal 2023 Financial Results

On a consolidated basis, we recorded operating revenue of ¥485.6 billion (up 7.5% year on year), operating profit of ¥50.0 billion (down 14.9% year on year, with an operating margin of 10.3%), and profit attributable to owners of the parent of ¥20.8 billion (down 31.9% year on year). With an increase in revenue and a decline in profit, we significantly underperformed our pre-COVID profit level. In fiscal 2023, our Japan and overseas businesses worked to expand customer touchpoints that integrate physical and digital channels amid rapidly changing customers' lifestyles and consumption behavior after the COVID-19 pandemic. Measures like this successfully led to steady growth in payment volume and operating receivables balances, pushing up operating revenue. However, selling, general, and administrative expenses, such as sales promotion and personnel expenses increased in Japan. Overseas, bad debt-related expenses rose as governments scaled down the consumer protection measures, they introduced during the COVID-19 pandemic. Rising living expenses driven by runaway inflation also contributed to higher bad debt-related expenses. As a result, ROE declined to 4.7% and PBR to 0.6x. We see major challenges in earnings power and capital efficiency.

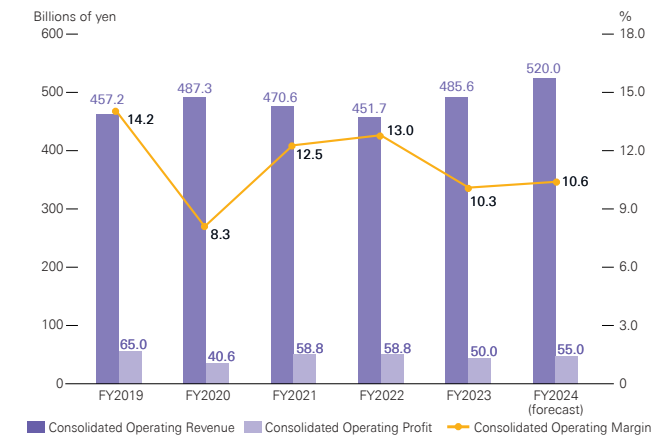
Outlook for Fiscal 2024 Financial Results

In fiscal 2024, we expect to post operating revenue of ¥520.0 billion (up 7.1% year on year), operating profit of ¥55.0 billion (up 9.8% year on year, with an operating margin of 10.6%), and profit attributable to owners of the parent of ¥21.0 billion

(up 0.5% year on year). We aim to return to a profit growth track by reaping the benefits of business structural reforms and measures implemented under the medium-term management plan.

Our Japan business has made revolving and installment payments and cash advance services more convenient through efforts to improve smartphone UI and UX since the previous year. This has led to higher transaction volumes. In addition, we have steadily increased operating receivables balances, a leading indicator of business performance. During fiscal 2024, we expect to recover over ¥100 billion in cash advances

Consolidated Operating Revenue/Operating Profit/Operating Margin



Consolidated Operating Revenue	FY2024 (forecast)	¥520.0 billion
Consolidated Operating Profit	FY2024 (forecast)	¥55.0 billion
Consolidated Operating Margin	FY2024 (forecast)	10.6%

and other operating receivables balances lost during the COVID-19 pandemic.

Our overseas business experienced a varied recovery in business conditions depending on the country. Malaysia (Malay Area) is seeing signs of recovery ahead of others, owing to efforts to improve customer convenience by leveraging digital technology.

In Malaysia, AEON Bank (M) Berhad, an operator of the new digital bank business, started its operations on May 26, 2024. In Vietnam, we expect to complete the acquisition of a finance business by the end of fiscal 2024. We will enhance customer convenience and drive earnings growth by setting up new businesses in addition to existing ones.

On the financial front, our major challenge is to control bad debt-related expenses, which surged by around ¥11.4 billion from the previous year overseas. We will refine the quality of credit extension and collection using digital and artificial intelligence technologies. In addition, we will enhance our

forward-looking initiatives through data analysis.

Impact of Changes in the Interest Environment in Japan and Overseas

In Japan, there is a concern that funding costs may increase because interest rates are rising after the Bank of Japan's monetary policy shift. However, we see this as a great opportunity that allows us to leverage our competitive edge of having AEON Bank's deposits. AEON Bank has reasonable levels of variable-rate loan receivables and securities with room for spread widening between procurement and investment. In addition, we expect that using deposits, a stable source of funding, will effectively limit the narrowing in procurement-investment spreads for shopping revolving credit and cash advance receivables in Japan, where maximum interest rates are set on these products.

In the last fiscal year, financial expenses increased by around ¥4.8 billion in overseas business, driven by higher

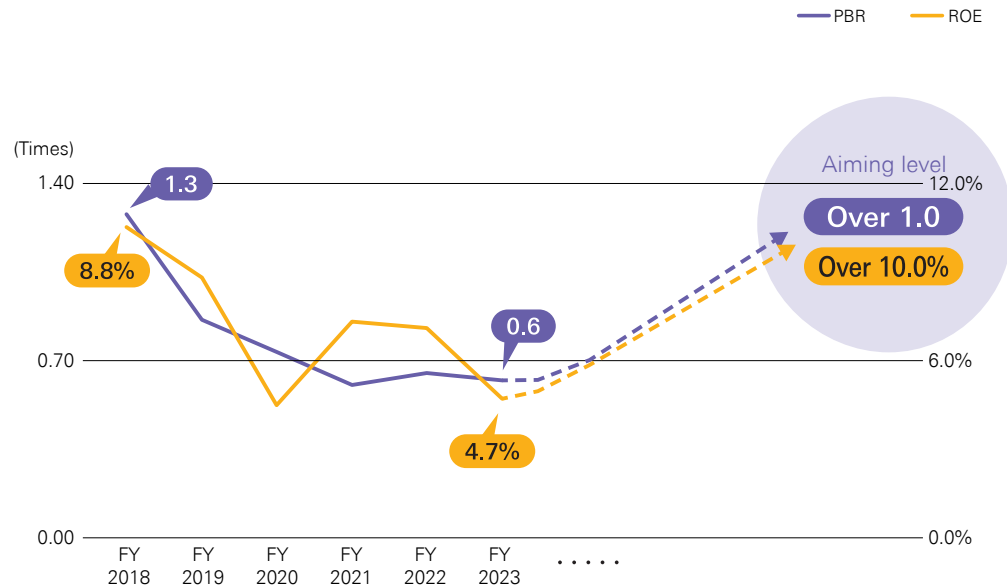
receivable balances and rising interest rates. Our latest outlook is that declines in US dollar interest rates will spread to the procurement interest rates of the countries where we operate. Our overseas group companies are properly managing their finances to benefit fully from this.

Raising ROE to 10%

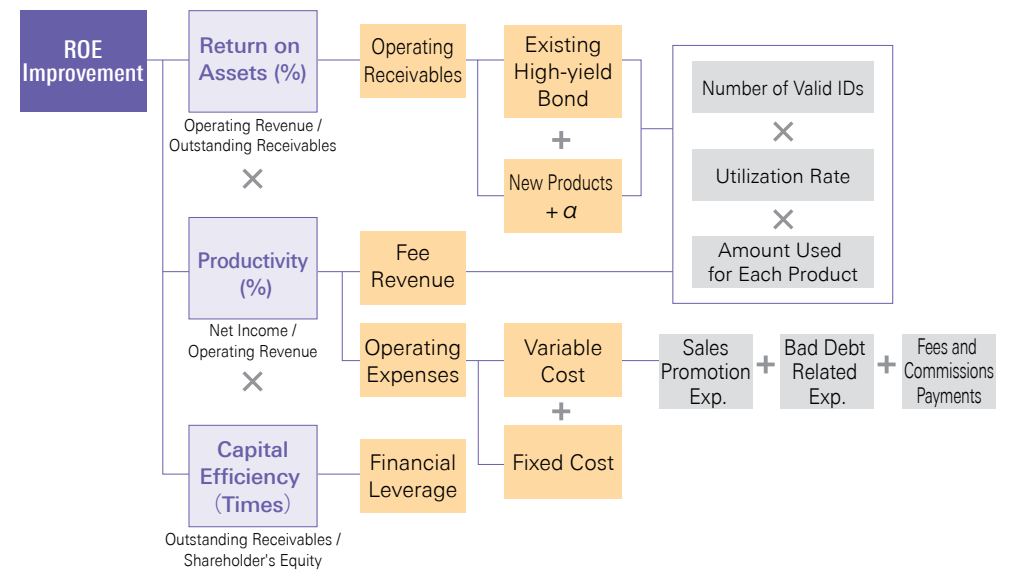
Raising ROE above the cost of shareholders' equity is our key management challenge. We are conscious of three indicators to increase ROE: return on assets, productivity, and capital efficiency. We can achieve a higher return on assets by building operating receivables balances, higher productivity by pursuing cost-benefit analysis and increasing fee revenues, and higher capital efficiency by proper risk-taking on balance sheets. Setting and managing targets appropriately for these indicators is the proper way to raise ROE.

The key to improving return on assets is to increase operating receivables balances, which are spread across small lots and

Recognition of current status and establishment of management indicators



Approach to ROE Improvement



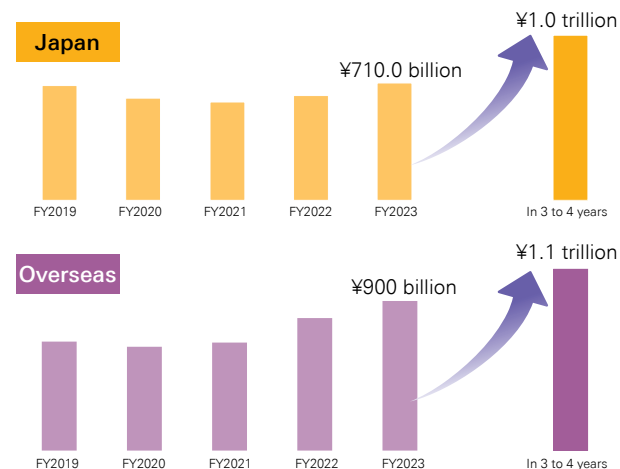
Message from Finance and Accounting Representative

are highly profitable. In Japan, we will increase operating receivables balances, such as revolving and installment credits, cash advances, and unsecured loans, from around ¥710 billion as of the end of February 2024 to around ¥1 trillion in the coming three to four years. Outside Japan, we will raise the balances from around ¥900 billion to around ¥1.1 trillion in the same timeframe.

To boost productivity, we will control bad debt-related expenses and reduce financial expenses (ratio), as described earlier. We will also continuously improve efficiency and convenience by more effectively using advertising and other expenses and utilizing information technology.

As for capital efficiency, financial leverage (total assets/shareholders' equity) stood at around 15 times against ¥450.5 billion in shareholders' equity for fiscal 2023. Our balance sheet is sufficiently creditworthy if we also consider that AEON Bank, which operates under strict capital adequacy regulations, is our group company. Given this, we can implement our policy of building operating receivables balances without problems.

Changes in Operating Receivables Balances



*Operating receivables balances in Japan are the total of cash advances on credit cards, revolving and installment credits, unsecured loans, and the like (excluding securitized receivables).

Toward Achieving Optimum Business Portfolios

We continuously review our business portfolios to improve profitability. In FY2023, we executed an absorption-type merger of AEON Credit Service Co., Ltd., our consolidated subsidiary, to streamline operations. We also made FeliCa Pocket Marketing Inc., a provider of community currencies and other solutions to local governments, our consolidated subsidiary. In Vietnam, we have decided to acquire Post and Telecommunication Finance Company Limited, a finance company offering loans to individual customers.

In March 2024, we completed the sale of AEON Product Finance Co., Ltd. (currently Orico Product Finance Co., Ltd.), an installment sales finance business for individual products, to Orient Corporation ("Orico"). The sale was intended to reduce external funding costs and optimize the allocation of human resources. We have concluded a business alliance agreement with Orico and are examining initiatives for value creation in wide-ranging business areas.

When considering business acquisitions or sales, we examine each case based on criteria such as reasonable returns on investment and the target company's valuation. Specifically, after considering the capital cost, we conduct due diligence, covering elements such as profitability in a specific timeframe and, in overseas cases, the relevant country risk and foreign exchange fluctuation risk. We do this because our business portfolio review emphasizes fiscal discipline in addition to the business mix of target companies.

Dividend Policy

We see shareholder returns as one of our most important management priorities. Our basic policy is to distribute appropriate profits to our shareholders while securing internal reserves for expanding business and enhancing productivity to make our company more competitive. Specifically, we target a payout ratio between 30% and 40% to pay dividends stably and continuously.

On the other hand, earnings per share (EPS) in fiscal 2023 were ¥96.80, a significant drop from the previous fiscal year. Despite this, we paid a dividend of ¥53 per share, the initial forecast, with the payout ratio topping 50%. This reflects our

policy of paying stable and continuous dividends and considers that specific actions to transform our business portfolios have started. For fiscal 2024, we forecast a dividend of ¥53 per share, the same level as the previous fiscal year, although the payout ratio will exceed the target range (compared to the initially forecasted profit). This is because the transformation of our business portfolio has gained traction since the last fiscal year, that our measures to strengthen future revenue-generating capabilities are bearing fruit, and that our policy remains to pay stable and continuous dividends.

Management's mission is to generate sufficient profits and distribute more profits in line with the basic policy. With a renewed and acute awareness of this mission, the management team is committed to improving profitability quickly.

Stakeholder Engagement

Corporate management must be able to share a growth strategy, execute it steadily, and deliver the results to win the support of various stakeholders.

We seek to gain the understanding of our shareholders and other stakeholders on the status and strategy of AEON Financial Service through active dialogue. At the same time, we will incorporate their expectations and views into management. Specifically, we hold briefing meetings with the participation of our management, including the President and CEO. We also have individual meetings with institutional investors and analysts in and outside Japan, as well as company briefings for individual investors to expand opportunities for dialogue.

We share the feedback from investors and analysts at board meetings and other occasions internally to recognize issues and discuss improvements. Such engagement would make management more transparent in the eyes of market participants and have a positive effect on our stock price, in addition to helping our management remain up to date.

We will use these engagement activities effectively to increase our corporate value steadily. This is our way of responding to the expectations of our shareholders and other stakeholders. We look forward to the continued support of our customers and partners.

Message from Payment Business Representative

We aim to expand customer touchpoints with our unique differentiation strategy against the backdrop of rising ratio of cashless payments and achieve double-digit operating margin early on.



Director and
Managing Executive Officer,
Representative of the Payment
Business

Kazuaki Arima

What are the roles of the Representative of the Payment Business?

Amid concerns over a decline in consumer population in Japan, the cashless payment ratio is expected to reach 80% in 2030. The Payment Business has an important role of putting us once again on a growth trajectory by riding the tailwind of increasing cashless payments.

In recent years, competitors, who are mainly online services, have grown significantly due to the movement restrictions that were in place during the pandemic. By contrast, our strength is in payments at brick-and-mortar stores, primarily of the AEON Group, but net sales at these stores declined during the pandemic and card shopping as well as revolving and installment payments suffered considerable damage as a result. Moreover, the outstanding operating receivables for card cashing declined to approx. 130.0 billion yen in two years between FY2020 and FY2021 due to a decline in funds demand following distribution of government subsidies and diversification of usage. During this period, we also made investments for system upgrade, which resulted in higher fixed costs and lower profitability.

We launched the AEON Pay code payment system in September 2021, later than other companies, but the number of affiliated merchants has now reached about 2 million. We plan to increase this to 10 million locations in 2030 by identifying candidate stores in each industry and adding them. We will also further expand our cashless payment transaction volume from the current approx. 10 trillion yen. It is my responsibility to raise profitability by improving convenience of payment through addition of affiliated merchants and increasing efficiency through digitalization of operations.

Where do you see business opportunities and what are the issues?

We have to further raise the cashless payment ratio, which is currently almost 40% at the AEON Group stores. Almost 80% of AEON Card holders use their cards also at stores that are not part of the AEON Group. We can expect operating revenue to rise by improving the convenience of AEON Card and increasing the number of customers who use it as their main card. We launched the My Full portal site for the hometown tax system in September 2023 and My Crowd Funding in March 2024 as we worked to strengthen cooperation with communities. Our own events held at AEON Malls, etc. have been popular, and an increasing number of local governments and businesses are cooperating with us.

On the other hand, a pressing issue for us is phishing scams and other card frauds. In November 2023, we established a security center that combines the functions of credit control and call center into one to strengthen countermeasures against the issue.

Please explain your differentiation strategy.

Our strength is the network of AEON Group's brick-and-mortar stores. The touchpoints spread across the country, where we can contact customers, are our unique differentiating factor.

In order to leverage this to the maximum extent, we will strengthen our cooperation with the AEON Group and work on raising the attractiveness by enhancing benefits and services that would persuade customers to use our payment services. In 2024, we started offering a 5% discount benefit on shopping at AEON Malls on the 20th and 30th of every month targeting AEON Gold Card holders. In addition to these offers on specific days, we have in place various benefits such as doubling of points when using AEON Cards at AEON Group stores. We aim to expand the use of AEON Cards by offering these unique benefits not found in other companies.

*Benefits, etc. may not be available at some stores.

Measures for improving profitability and ROE

Our proprietary differentiation strategy and the measures to improve convenience with the help of digital technology have borne fruit, and the number of cardholders increased compared with the previous year. Outstanding operating receivables are expected to return to the level before the pandemic within FY2024. I am also expecting to see the effects of the cost structure revision we are currently working on around 2025. Before the pandemic, we used to maintain an operating margin exceeding 10% in Japan, but it declined greatly following the pandemic. However, in addition to the recovery in outstanding operating receivables, we will strive to strengthen profitability by increasing the number of AEON Pay affiliated merchants, enhancing the touchpoints by improving convenience, and expanding the payment transaction volume in enhanced cooperation with the AEON Group and local communities. At the same time, we are expecting operating margin to return to about 10% in FY2025 as we firmly control various expenses. I believe we can achieve the medium-term target of 10.0% in ROE in a relatively short period once the profitability of the domestic business normalizes, and we aim to improve profitability early on.



Message from AEON Bank President

We will improve profitability by offering a wide range of financial services to meet customers' consultation needs in one-stop, as well as increasing touchpoints with customers.



President and
Representative Director ,
AEON Bank, Ltd.

Hiroaki Kobayashi

What are the roles of AEON Bank and its differentiating factors?

AEON Bank came into existence as a response to the voices of AEON customers who wanted to drop by at the bank while shopping. It is a bank that is convenient to customers, with which they can readily consult even on weekends, national holidays, or during the night. Since opening in 2007, we have widened our range of services from housing loans, insurance products, and investment trusts, to testamentary trusts as well as acting as an intermediary for tax affair consultations, developing an environment where we can offer financial products and consultations in a one-stop service. We play the role of expanding the services of the AEON Living Zone by responding to various needs for consultations regarding money and offering financial services close to customers' lives.

Our major differentiating factor is that we have both physical and online services for responding to financial consultation needs at all times, as in addition to our highly convenient brick-and-mortar branches inside AEON Group retail stores, we provide Internet banking and online remote consultation services.

Recently we are seeing regional and other banks closing down branches and reducing the number of ATMs. At the same time, there is high demand for face-to-face consultations such as for housing loans, as well as an overwhelming number of customers who wish to have bank branches and ATMs in their neighborhood. No other bank offers consultation services for 365 days a year including during the night, and I believe the trend of other banks reducing branches would create an environment where we can further demonstrate our strengths.

What is your view on interest rate rises in Japan?

The unprecedented monetary easing which lasted for more than 10 years has ended, and we are shifting into a world with interest rates. AEON Bank also raised interest on deposits and interest rates on housing and other loans in May 2024. Long-term interest rates were already rising, and the yield of long-term government bonds has started exceeding 1%. We manage funds that we receive from deposits from customers in credit cards, various loans, and securities. Rising interest rates are expected to have a positive impact as it expands the margin between interest rates on deposits and loans. Given the tailwind of rising interest rates, we will further increase deposits, while also using the profits generated from this to provide even more convenient services.

What are the business opportunities and what is your strategy going forward?

We will further demonstrate our strengths in physical branches and respond to customer needs by offering both the sense of security that face-to-face consultations provide, as well as the convenience of completing other procedures online. Unlike online banks and securities companies, which sustain themselves over the internet, having a physical branch incurs costs. However, we will enhance low-cost branch operations with a small number of staff by incorporating online consultations, even as we offer a full lineup of

products. In addition to retail finance for individual customers, we will also strengthen supply chain finance by targeting businesses supplying products to the AEON Group. We believe that we can create more opportunities for business expansion by combining the information held by the companies within the AEON Group with the financial data held by the AFS Group, and connecting it to the AEON Living Zone, including the AEON Group's business partners.

How do you plan to build your ideal product portfolio?

The current mainstay product of AEON Bank is housing loans. In housing loans, we have earned the support of our customers based on our strengths outside of interest rates, such as the AEON Select Club shopping discounts for those concluding loan agreements, which leverage the advantages of being part of the AEON Group. Going forward, we will enhance the offering of unsecured loans to individuals such as car loans and credit card loans, which are in high demand among customers visiting AEON stores. Digitalization of the procedures that are still being handled manually is indispensable for increasing unsecured loans. We will promote DX to improve productivity. Both unsecured loans and the aforementioned supply chain finance are expected to grow in scale and contribute to profits, and we will grow them into the next pillars of revenues.

In the asset formation business, we switched the offering of investment trusts to a financial instruments intermediary service. This enables us to respond to a wide range of asset management needs including equity, which we were unable to offer until now. At the same time, it eliminated burdens such as investment in systems, leading to improvement in profitability. In addition to the impact of the spread of COVID-19 on purchases and review of insurance, there are rising needs for insurance products as part of asset formation. We will strengthen our human resource development to nurture financial specialists who can respond to various consultations and boost man-hour productivity.



Message from Overseas Business Representative

Based on the concept of financial inclusion, we will search for further growth opportunities and aim to secure high profitability and to contribute to consolidated ROE.



Director and
Managing Executive Officer
General Manager,
Overseas Business Division

Mitsugu Tamai

What are the missions of the overseas business?

The overseas business accounted for about 40% of consolidated operating revenue and about 75% of operating profit in the fiscal year ended February 29, 2024. There still is a large room for growth in the overseas business given the improvements in standard of living mainly in Asia, and we can also expect market development utilizing new technologies. In addition to Hong Kong, Thailand, and Malaysia, where we have listed our shares on the local stock exchanges, the businesses in India, Indonesia, and Cambodia are also getting on the growth trajectory. Based on the idea of financial inclusion, the mission of the overseas business is to contribute to further profit growth and improvement in consolidated ROE while realizing synergies with the AEON Group companies.

What are the current issues and how do you plan to address them?

In Hong Kong, Thailand, and Malaysia, profitability worsened due to increases in bad debt expenses resulting from price rises and higher payment burdens of customers following the

discontinuation of support measures that the governments had in place during the COVID-19 pandemic. In particular, recovery in Thailand (Mekong Area) has been delayed, but the business in Malaysia has seen a recovery in profitability earlier than expected as initiatives implemented so far such as improvement in convenience through digitalization have been successful. You cannot avoid being affected by the local economy, but improving profitability requires improvement in screening accuracy and streamlining collection with respect to credit management in addition to acquisition of high-quality operating receivables. We aim to further improve productivity by raising accuracy and efficiency utilizing AI, DX, and other digital technology and applying the initiative laterally to other countries.

What are the measures you are focusing on in FY2024?

I have high hopes on the digital bank, which opened in Malaysia in May 2024. It aims to become profitable within five years from the opening, but we would definitely like to realize it earlier than that. Another important measure is rebuilding the Vietnam business, which has been a pending issue. We are expecting to receive local approval for making the finance company into a consolidated subsidiary within FY2024. After making it a consolidated subsidiary, we will strengthen PMI and aim to further expand business scope. These two countries have high growth potential, and we plan to continue investing management resources.

At the same time, we are discussing the distribution of management resources, and we plan to promote selection and concentration of the businesses.

What are your area-based strategies?

The starting point of our Group's overseas business is financial inclusion, which means offering opportunities to use financial services to everyone. The digital bank, which started operations

in Malaysia, also targets those who had not been able to receive the services of financial institutions till now. The central bank also has requested to make financial services readily available to everyone through apps and to support the daily lives of customers. We achieved significant growth in Malaysia in the installment finance business for motorcycles. We will aim to achieve further growth by offering products and developing a structure that would allow us to provide seamless financial services.

We enjoy high brand recognition in Hong Kong and have won the support of local customers, but the area has limited population, and there are many rival companies. Our plan is to maintain our business foundation while simultaneously strengthening our business.

There are only a limited number of AEON Group stores in Thailand, but we have achieved growth through alliances with prominent local businesses such as Big C Group and Thai Airways. With Thailand also struggling with declining birthrate and aging of society, we are considering the next growth strategy.

Where do future business opportunities lie?

When we search for growth opportunities in a country, its population is also an important factor. India became the most populous country in the world, and the high growth is expected to continue. We acquired a non-bank license in February 2013 and established a local subsidiary in Mumbai. We faced many difficulties till now, but finally we are expecting to turn profitable in the current fiscal year. We are reconsidering the growth strategy for another round of growth. We are also studying the markets in the countries neighboring India by exchanging opinions with retail businesses of the AEON Group. Malaysia and Vietnam are areas that the AEON Group is also focusing on. Finance and retail have high affinity, and we aim to continue maximizing synergies of being part of the AEON Group.