

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

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FY2022 Second Quarter IR Presentation Material

October 4, 2022



AEON Financial Service

Stock Listing: Tokyo Stock Exchange, Prime Market

Code No: 8570

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• Today, Tomoyuki Mitsufuji in charge of Group Corporate Management will brief you on the following:

First, the financial highlights of the second quarter;
second, the overview of our domestic businesses;
third, the overview of our global businesses;
fourth, our earnings and dividend forecasts.

Then CEO Kenji Fujita will discuss the fifth topic, our future directions.

1. Financial Highlights			
The highlights of the consolidated results			
<ul style="list-style-type: none"> Consolidated ordinary revenue Profit attributable to owners of parent set new record highs for the first half of the fiscal year 			
Consolidated	Domestic	Global	
Operating revenue (YoY) (compared to the 1Q of FY2019) ¥221.5_{bn} (93%) <small>[comparison with before the application of accounting standards for revenue recognition]</small> (100%)(101%)	(YoY) (compared to the 1Q of FY2019) ¥141.1_{bn} (84%) (94%) (98%)	(YoY) (compared to the 1Q of FY2019) ¥80.6_{bn} (116%) (107%)	
Operating profit ¥31.8_{bn} (96%) (128%)	¥10.4_{bn} (68%) (84%)	¥21.8_{bn} (120%) (164%)	
Ordinary profit ¥34.3_{bn} (103%)(135%)	<small>※Domestic and Global results include figures after elimination of set-offs in transactions between business segments.</small>		
Profit attributable to owners of parent ¥18.2_{bn} (100%)(151%) <small>※From this fiscal year, accounting standards for revenue recognition is applied.</small>	Performance progress rate (compared to full-year forecast)		
	Consolidated operating revenue 49.8%	Consolidated operating profit 53.1%~57.9%	Profit attributable to owners of parent 62.8%~67.4%
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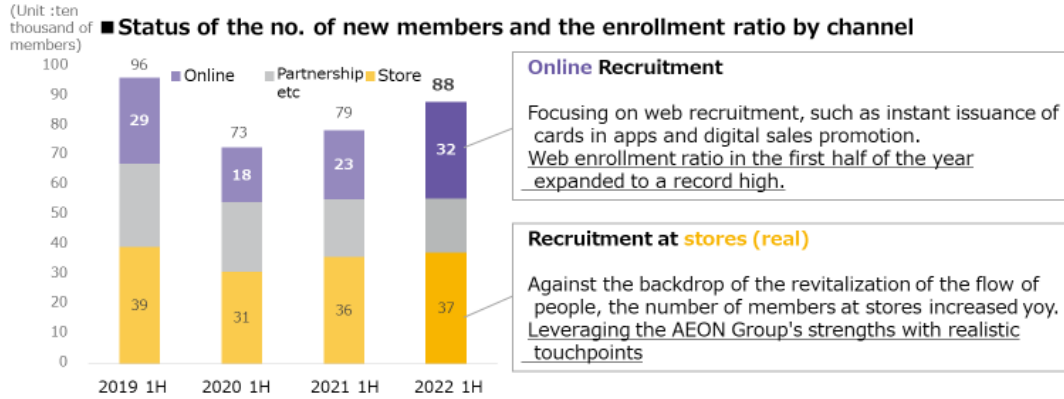
- I would like to start by discussing the consolidated results for the second quarter.
 - Operating revenue was 221.5 billion yen, down 7% year on year. Please note that the year-on-year change is 0% when the effect of applying the Accounting Standard for Revenue Recognition is excluded.
 - Operating profit was 31.8 billion yen, down 4% year on year, and up 28% from fiscal year 2019.
 - Ordinary profit was 34.3 billion yen, up 1% year on year, and up 35% from fiscal year 2019.
 - Profit attributable to owners of parent was 18.2 billion yen, the same as last year, and up 51 percent from fiscal year 2019.

These results show that we achieved record figures for our ordinary profit and profit attributable to owners of parent earned over the first half of a fiscal year. Please refer to the Appendix for the details of the effect of applying the Accounting Standard for Revenue Recognition.

- Our domestic businesses yielded results that were close enough to our plan as the volumes of shopping transactions with credit cards and the balance of receivables steadily grew.
- Our global businesses made more revenue and profit than the same period of the previous year and fiscal year 2019, owing to the top-line recovery and continuous productivity gains.

Expansion of the no. of AEON Card members in Domestic businesses

- Established an online membership acquisition process, with strong 1H new members of 880,000

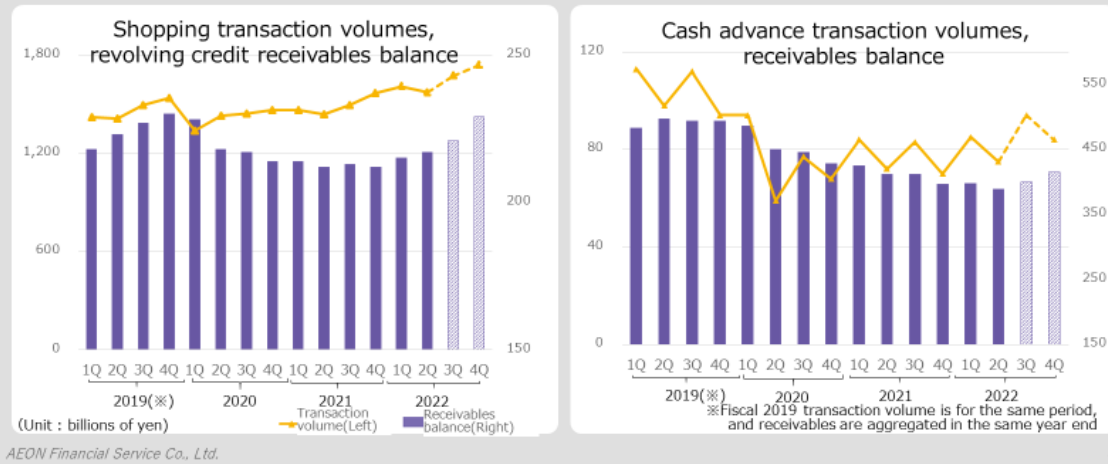


- This graph shows the number of newly acquired members of the AEON Card program sorted by acquisition channel in Japan.
- We established our process for acquiring members online, which adds to the strength that the AEON Group has developed at its real stores. Consequently, the membership is almost back at the pre-COVID level in 2019.
- The purple portions of the bars represent the number of members who signed up online. We focused on our online efforts to acquire new members, including instant issue of a card via the app and digital sales promotions, thereby winning 320,000 members, which surpassed the number for 2019 and was a record figure for memberships taken out online.
- The yellow portions of the bars represent the number of members who signed up at stores. With the AEON Group's strength built on touchpoints at real stores fully leveraged, the latest figure is nearly at the level in 2019.

2. Overview of Domestic Business

Domestic credit card receivables

- Shopping use recovers ahead of time as consumption revitalizes
Outstanding balance of revolving expands again after bottoming out at the end of the previous FY



- The left graph shows the volumes of shopping transactions and the balances of revolving credit receivables, and the right graph the volumes of cash advance transactions and the balances of receivables.
- With consumption picking up, the use of AEON credit cards for shopping continues to recover ahead of other usages. The volume of shopping transactions increased by 9.5% from the same period of the previous year. The balance of the revolving credit receivables evidently resumed its rising trend after hitting the bottom at the end of the last fiscal year.
- The volume of cash advance transactions was greater than last year, up 2.9% year on year. On the other hand, the balance of receivables was down from the first quarter partly due to seasonal factors. We plan to have it recover during or after the second half of the year by running sales promotions designed to meet the needs for funds and taking other relevant actions.

2. Overview of Domestic Business

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

- Credit card business covers negative cash advances by improved credit card and bad debt-related expenses

	Contents	YoY Change (Unit : billions of yen)	
Credit card business	<ul style="list-style-type: none"> ■ Card Shopping Recovery -Transaction Volume: 109%(YoY) / Revolving balance: +¥4.7bn (YoY), +¥5.0bn compared to the beginning of the FY ■ Bottoming out of the cash advance slump -Transaction Volume: 103%(YoY) / Balance: -¥22.5bn (YoY), -¥7.8bn compared to the beginning of the FY ■ Promote settlement of long-term delinquent loans and improve debt-related costs 	Credit card revenue	+4.5
		Increase in points and sales promotion exp.	▲2.4
		Credit card total	+2.1
		Cash advance revenue	▲2.4
		Reduction of doubtful debt-related expenses	+0.4
	Operating Profit	+0.1	
Insurance business	<ul style="list-style-type: none"> ■ AEON Allianz Life Insurance -Operating revenue, excluding existing contracts: +¥0.8bn, Operating exp. associated with full-scale biz development of +¥2.0bn 	Operating Profit	▲1.2
Other factors affecting changes from previous year	<ul style="list-style-type: none"> ■ Housing loan fees - Control the amount of execution while assessing the interest rate situation ■ Strengthening IT Investments- Next credit card system, investment in business efficiency, etc ■ Investing in People - Recruitment of DX human resources and promotion of employee education ■ Variable cost increase due to business expansion - Card issuance fee, international brand fee, etc. 	Operating Profit	▲0.6
			▲1.0
			▲1.1
			▲1.2
			Total

- Operating profit from the domestic businesses was down 5 billion yen from last year. I will provide a breakdown of the figures.

- In the credit card business, shopping transactions and the balance of revolving credit receivables recovered, with revenue from shopping transactions totaling 2.1 billion yen. On the other hand, cash advance revenue decreased 2.4 billion yen because the balance of receivables dropped partly due to seasonal factors, although the volume of transactions bounced back.

Revenue from shopping transactions and improved debt-related costs made up this decrease, and consequently, operating profit of the credit card business was up 0.1 billion yen compared to the previous year.

- In regard to the insurance business, AEON Allianz Life Insurance fully launched its business. Due to upfront investments, operating profit was down 1.2 billion yen.

- Moreover, as stated here, our future-oriented investments and other spending items decreased operating profit by 5 billion yen in total from the previous year.

While the figure remains negative on a year-over-year basis, the loss shrank by 1.3 billion yen from 6.3 billion yen recorded in the first quarter.

This progress is in line with our plan, and the effect of these investments should show itself soon.

Capturing Consumption Demand (Thailand)

- Conducted joint sales promotion with leading local retail groups such as large supermarkets and major EC sites in response to the recovery in consumption

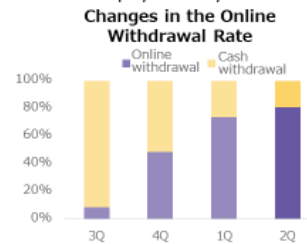
Promotion with leading retail groups in the real and online

- **A large supermarkets, Big-C**
1% ~ 3% cash back according to the usage amount (May 1 to June 30)
- **Major EC sites, Shopee, Lazada**
—15~17% discount according to use a fixed amount or more every Thursday (June 1 to August 31)
→Online shopping txn volume in the 1H of the FY was **136% compared to the previous year**



"Personal Loan" Completely Cardless

- Moving membership cards to completely cardless from June
- Increased online withdrawal rate using Thailand's electronic payment system "Prompt Pay" significantly reduces the no. of ATMs (as of end of August: 147 units / -257 units compared to the same month of the previous year)

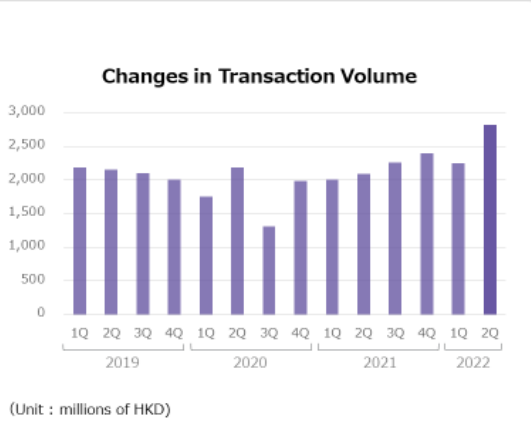


- This slide shows the measures that our global businesses have taken to meet consumption demand.
- In Thailand, as consumption recovered, we worked with a major supermarket named Big-C, and leading ecommerce websites such as Shopee and Lazada, to run enhanced sales promotions, which included cashback and discounts.
- Starting from June, personal loans no longer requires membership cards. This has made the service more convenient and led to changes in the cost structure, such as a dramatic reduction in the number of ATMs.

3. Overview of Global Business

Capturing Consumption Demand (Hong Kong)

- Total transaction volume is higher than in 2019 before the covid-19 pandemic
Further expand transaction volume by cultivating new customer segments



AEON Card WAKUWAKU issuance begins

- Targeting people in 20s and 40s with a high desire to consume, issued AEON Card with cashback benefits
- Increase the return rate by using it online, at restaurants, Japan, etc. Against the backdrop of the easing of travel restrictions and the ongoing depreciation of the yen, it will try to capture the growing demand for travel.



Online Spending 6% Cash Rebate	Japan Spending 3% Cash Rebate	Local Food & Beverage Spending 1% Cash Rebate
Other Spending 0.5% Cash Rebate	Birthday Privilege AEON Score Spending Privilege	Overseas Spending Extra 4% Cash Rebate
		2nd and 20th Anniversary Days 5% discount

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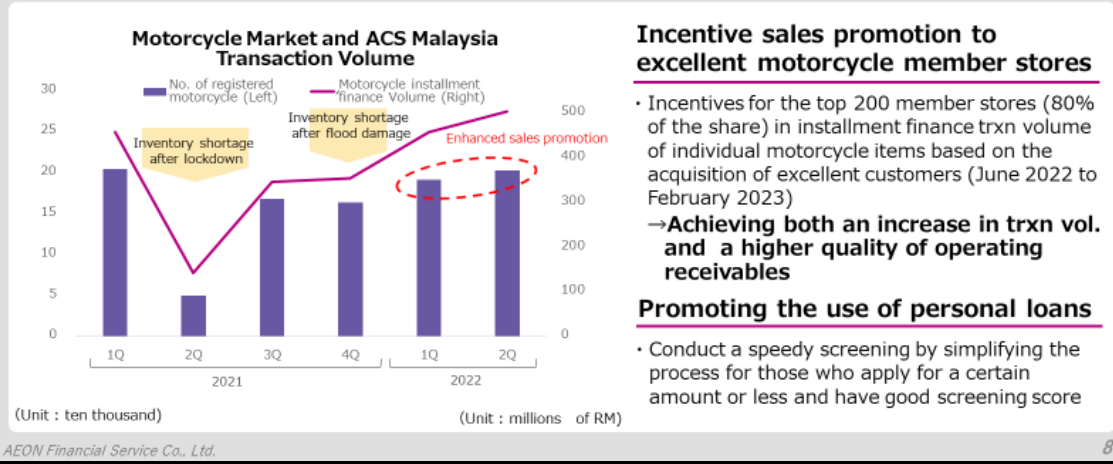
- In Hong Kong, credit card transactions and personal loans have been steadily growing, and the total volumes have surpassed the pre-COVID level in 2019.

- We launched AEON Card WAKUWAKU targeted at young adults.

The number of the Cards issued has been on a steady rise owing to cashback benefits, and to higher return rates for shopping online and for paying at restaurants with the Card that are offered to accommodate demand for post-COVID travel.

Capturing Consumption Demand (Malaysia)

- Promote installment finance of individual motorcycle items whose recovery has been delayed due to inventory shortages and the use of personal loans that expand demand for funds



Incentive sales promotion to excellent motorcycle member stores

- Incentives for the top 200 member stores (80% of the share) in installment finance txn volume of individual motorcycle items based on the acquisition of excellent customers (June 2022 to February 2023)

→ **Achieving both an increase in txn vol. and a higher quality of operating receivables**

Promoting the use of personal loans

- Conduct a speedy screening by simplifying the process for those who apply for a certain amount or less and have good screening score

• In Malaysia, the motorcycle market experienced inventory shortages because of lockdowns and floods. The shortages have been overcome.

• This recovery prompted us to work with the top 200 excellent member stores to run joint sales promotions that offered incentives according to how many customers they won. Consequently, the transaction volumes rose again, building up receivables of good quality.

• As for personal loans, we offer speed screening to customers who request a loan that is below a certain amount, provided that they have good screening scores, in order to make personal loans more accessible.

3. Overview of Global Business

Transaction volume and the status of outstanding receivables of Global business

- Strengthening sales promotion measures in major areas and expanding transaction volume
- Operating receivables balance exceeds the first half of 2019 before the covid-19 pandemic

(Unit : billions of yen)		China Area (Hong Kong)			Mekong Area (Thailand)			Malay Area			Global Business		
		YoY (Change)	Comparison with the 1H of 2019 (Change)	Comparison with the 1H of 2019 (Change)	YoY (Change)	Comparison with the 1H of 2019 (Change)	Comparison with the 1H of 2019 (Change)	YoY (Change)	Comparison with the 1H of 2019 (Change)	YoY (Change)	Comparison with the 1H of 2019 (Change)	Comparison with the 1H of 2019 (Change)	
Credit card	Transaction volume	78.4	142%	136%	129.3	157%	107%	25.5	132%	87%	233.3	148%	112%
	Outstanding Receivables	65.4	+19.9	+13.5	157.6	+37.8	+30.7	22.6	+2.5	+0.2	245.7	+60.3	+44.5
Installment finance	Transaction volume	-	-	-	7.1	90%	43%	50.6	177%	106%	57.7	158%	90%
	Outstanding Receivables	-	-	-	24.8	+1.1	+6.6	222.7	+44.8	+58.1	247.5	+45.9	+64.8
Personal loans	Transaction volume	11.1	194%	269%	46.7	135%	81%	21.5	198%	103%	79.4	155%	96%
	Outstanding Receivables	18.4	+7.4	+3.0	170.1	+22.8	+13.1	83.4	+19.7	+17.1	272.1	+49.9	+33.4
Total	Transaction volume	89.6	147%	145%	183.2	146%	94%	133.6	227%	137%	370.6	151%	104%
	Outstanding Receivables	83.9	+27.3	+16.6	352.6	+61.8	+50.5	328.8	+67.1	+75.5	765.4	+156.3	+142.8

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- This table lists transaction volumes and outstanding receivables sorted by service and by area, namely the China, Mekong, and Malay areas. All areas enjoy steady business expansions.
- Finance receivables in particular amounted to 765.4 billion yen, which surpassed the figure for the first half of fiscal year 2019.

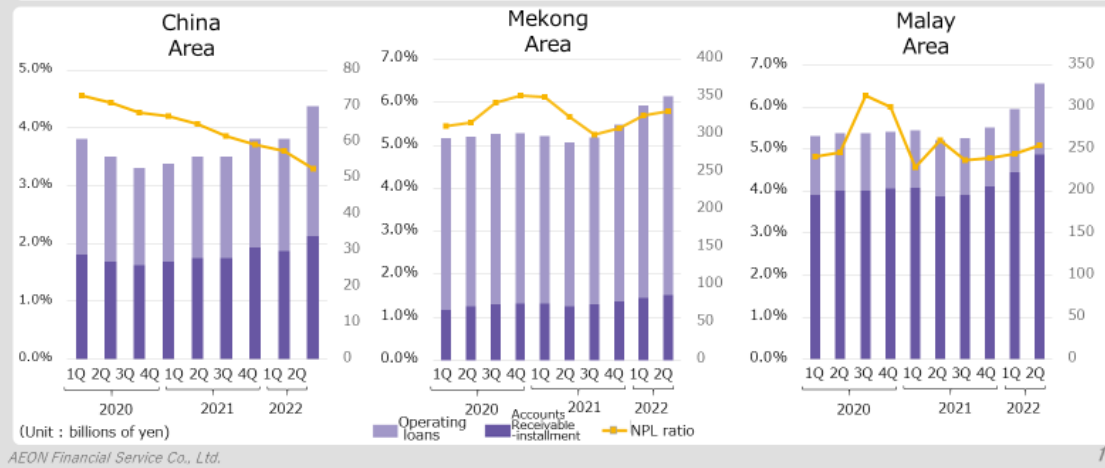
Even in local currency, with the effects of fluctuations in exchange rates excluded, the totals of these receivables were greater than those for the first half of 2019.

This has led us to conclude that the pandemic no longer affects us at all.

3. Overview of Global Business

Outstanding receivables and NPL ratio of the global business

- The NPL ratio in China Area continues to improve. In Mekong and Malay Areas, the NPL ratio increased in the 1H of the year due to economic recovery



- With this situation in mind, I will explain changes in outstanding receivables and nonperforming loan (NPL) ratios in each area.
- From left to right, these charts show figures in the China, Mekong, and Malay areas, respectively. All areas show accelerated growth of operating loans and installment finance receivables.
- In the China Area, our continued efforts to improve the quality of receivables have kept the NPL ratios stable at low levels.
- Government policies to protect debtors during the pandemic ended, including the relief measures for debtors and reduced minimum payment rates in Thailand in the Mekong Area, and the measures for pension withdrawals in Malaysia in the Malay Area. All this pushed up the NPL ratios in the first half of the fiscal year.
- During the second half of the year, we will implement more rigorous screening and collection measures based on the situations we are facing, thereby continuing to accumulate high-quality receivables.

4. Earnings and Dividend Forecasts

FY2022 earnings forecast, dividend forecast (unchanged)

- In view of uncertainties in the economic environment, such as interest rates and price rises, there is no change in earnings forecasts.

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

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- There were no changes to the figures for earnings and dividend forecasts that had been published in April.

Regarding the dividend forecast, we are planning an ordinary dividend of 50 yen per year, 4 yen up from 46 yen in the previous year.

- In addition to uncertainties of the economic climate, including interest rates, foreign exchange, and rising prices, we face challenges of upfront investments for further growth in Japan and of preparing for the risk of an increase in bad debts overseas. These issues might make our performance in the second half of the fiscal year look weaker than the first half. Yet we ensure that all planned measures will be implemented, so that we will achieve greater results than forecasts.

Kenji Fujita, President and CEO, AEON Financial Service Co., Ltd.

Future Directions

- It has been two years since I became the President. These years saw customers' lifestyles and our competitive environment change increasingly fast, and we worked to offer greater benefits and functions by integrating loyalty points programs and developing a new payment method in Japan.

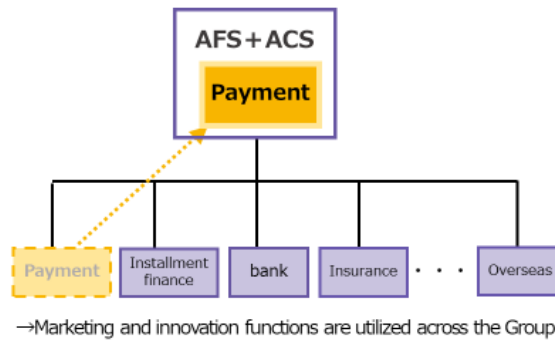
In overseas locations, we have been working to improve productivity using digital technologies.

- The recent inflation across the world is changing consumer behavior. In this briefing, I would like to discuss the direction we will be taking in order to adapt to the change. This includes how we should change, and what we should focus on to evolve into a company that enjoys customers' support more than any other businesses.

Restructuring of domestic businesses

- Shift to a system centered on the payment business in order to promote the consolidation of resources and the creation of customers

<Business Restructuring Chart>



Purpose of the restructuring

Maximizing Group Synergies
⇒Maximizing the lifetime value of customers

Evolve into a company that is most supported by customers to accelerate the growth of the payment business

+

Investing management resources in key divisions to Expand ID and member networks

- I will first discuss the restructuring of our domestic businesses.
 - The restructuring announced today is tentatively scheduled to take effect during the first half of fiscal year 2023. Yet we should aim to launch it as the next fiscal year begins.
 - AEON Financial Service is working to offer customers the greatest value possible.
- Our core business is to offer payment services, which are the biggest touchpoints with customers.
- This restructuring is to integrate AEON Financial Service and AEON Credit Service, which engages in the payments business and holds a customer database and functions of marketing and innovation, thereby allocating more resources to departments that have priority across the Group.
 - In doing so, we aim to accelerate the growth of our payments business. The data that the payments business has will also allow us to involve the banking and insurance businesses, so that we will create synergies needed to continue creating customers and maximize life-long value for them.

Future Directions– Domestic business

- Expand the no. of IDs and places to used, promote cross-selling, and accelerate the development of business infrastructure

Key Initiatives	Initiatives in the 2H	Target
Expanding the no. of IDs	Further expansion of the no. of IDs by improving convenience	AEON Card annual acquisition of more than 2 million
Expansion of the no. of member stores	Strengthening the system to expand the franchisee network	4 million locations by FY2025
Promotion of use	Campaigns that respond to changes in consumer demand	Product organization, integration, and attractiveness
Promotion of cross-selling	Mortgage × Expansion of AEON Card benefits	Gold card membership expansion
Development of business infrastructure	Renovation of the bank infrastructure system, construction of the next AEON Card system	Online Merges with Offline (hereafter “OMO”) promotion and system to support 50 million members

- This slide shows key initiatives and measures scheduled for the second half of the fiscal year and thereafter in order to advance our payments business that lies at the core of AEON Financial Service.
- To continue creating new customers, AEON Financial Service should diversify its channels for member acquisition and make its payment services more convenient.
- It is also vital to increase the places where our payment services are available.
- Currently, we acquire 1.6 million new users of our credit cards each year. We will boost this number to more than 2 million. We will also expand the network of the AEON cards so that 4 million stores will accept our credit cards, electronic money card, and WAON POINTS in fiscal year 2025.
- We will increase the numbers of IDs and member stores, while working to advance cross-selling and establish business infrastructure in order to achieve the growth of our domestic businesses.

5. Future Directions

Expansion of the no. of IDs and member networks

- Strengthening collaboration inside and outside the AEON Group expands the no. of common IDs for the AEON Group and the network of member stores

Strengthening recruitment of members

- Aim to acquire more than 2 million members a year by adding attractiveness through branding and expansion of the contents of benefits

"AEON Pay" function on AEON Wallet



Key features of the app

- View statement
- Manage point
- Receive coupons
- etc

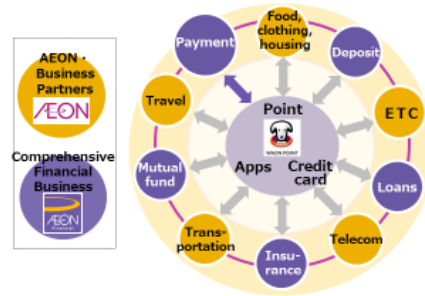
+ Code Payments



Expand the no. of common group IDs

Expansion of AEON Pay member network

FY2025 target: 4 million locations



• I will move on to our key measures.

• In regard to the expansion of the number of IDs, we acquired 880,000 members during the first half of the fiscal year, which indicates that our ability to win new members is growing. We aim to acquire more than 2 million members a year through stronger branding and better benefits and functions.

• As part of our efforts to offer better payment services, we add AEON Pay for barcode/QR code payment to the AEON Wallet app offered to AEON Card members on October 5.

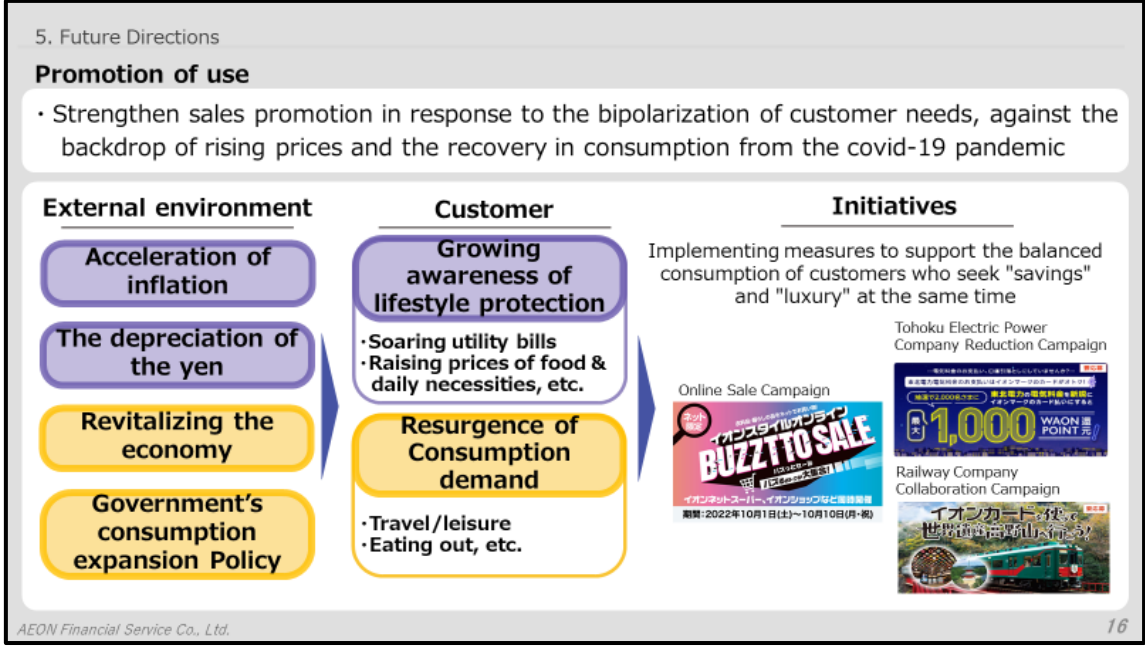
• Currently, 12 million customers are charged payments by AEON cards each month. 85% of AEON Card members have already switched to online statements, and so many of our customers use the AEON Wallet app to check their transactions.

The addition of AEON Pay to the app is meant to boost the number of IDs valid across the AEON Group.

• In connection with the expansion of the network of member stores, we were behind with our efforts to increase member stores outside the Group compared to our competitors because our priority was to leverage the foundation of the AEON Group.

From now onward, to develop member stores outside the AEON Group in addition to AEON Group stores, we should reallocate resources through the restructuring of our domestic businesses in order to strengthen our development structure for member stores.

- Our current member network consists of 900,000 stores, with members that accept the AEON Cards, WAON, and/or AEON Pay all combined. We aim to expand the member network to be among the biggest in the industry, with the target of 4 million stores in fiscal year 2025.



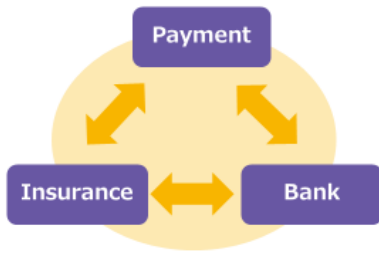
- We will promote the use of our services by aptly adapting to recent changes in the economic environment.
- While rising prices are driving customers to shop for daily necessities more consciously to maintain their standard of living, temporary consumer demand for travel, leisure, and events is recovering, as it was restrained during the COVID-19 pandemic.
- As I see it, all this indicates that a customer may adopt different consumption behavior on each day-to-day shopping occasion.
- AEON Financial Service has already at the ready its payment channels that consist of credit cards, electronic money card, and barcode/QR code payments. I believe that the second half of this fiscal year is the right time for investments to make the use of our payment services a regular part of consumers' shopping behavior during the next fiscal year.
- We will continue to increase registered member stores that customers often inquire about and to work even more closely with the AEON Group. We will also run sales promotions designed to meet customers' needs by launching more initiatives to meet demand for outings through ETC and collaborate with amusement parks such as USJ.

5. Future Directions

Promote cross-selling

- Expand housing loans usage benefits, 5% discount at AEON stores at any time from contract time to full payment

Using settlement as a hook, promote cross-selling of products and services such as banks and insurance



Expand benefits of AEON Select Club (from March 2023)

Discount applied until loan repayment

Annual Discount Limit : Unlimited



Expansion of housing loans txn vol.



Promoting the Use of AEON Cards

- We promote cross-selling of banking and insurance products and services mainly to members of the programs offered by our payment business.
- AEON Select Club offers a 5% discount to customers who have taken out a housing loan from AEON Bank when they pay with a Select Club Gold Card for their daily purchases at AEON stores. This benefit is immensely popular with the customers.
- We further expanded the benefits to offer an unlimited 5% discount on purchases at AEON stores throughout a housing loan repayment period.
- AEON Bank will not compete excessively on interest rate on housing loans. Instead of the interest rate, we will continue to promote cross-selling by leveraging our unrivaled strengths of AEON Group.
- Through these efforts, we should create a virtuous cycle that boosts the membership of AEON Cards and transaction volumes, building up successful examples of the cross-selling we promote.

5. Future Directions

DX Initiatives – Operational Reform (Domestic business)

- Promote OMO through the renewal of the system infrastructure, the strengthening of the organizational structure, and the education of human resources.

Initiatives to strengthen the OMO promotion system

- **Renewal of the system infrastructure**
Renewed AEON Bank's accounting system (completed in October). In response to new online services for OMO & expansion of txn vol., API connection enhancement & capacity expansion were implemented.
- **Strengthening the organizational structure**
Share the know-how of each company, through the DX Promotion Committee. Going forward, consolidate the R&D divisions of each Group company and accelerate the introduction of advanced technologies.
- **Strengthening DX education for employees**

Expansion of AEON Bank's "Online Consultation Service" functions



- Staff can check the screen operated by the customer together to improve the ease of understanding
- By strengthening the functions, it is possible to complete investment trusts, foreign currency deposits, and various loans up to the application procedure

- Next, I will discuss the initiatives for DX (digital transformation) we pursue to make the services we have presented so far will also be available online.
- AEON Bank plans to renew its computerized accounting system this month. This renewal involves a transition from the mainframe to an open environment, which will establish the foundation for the OMO model.
- The new system will allow us to further facilitate marketing and innovation. We will pursue better online services, API connection enhancement, and a capacity expansion in order to establish the OMO model.
- We have also been making organizational efforts to promote DX. Our companies in Japan are actively pursuing the use of AI and RPA to make their operations more precise and improve their productivity. We launched the DX Promotion Committee this quarter to enable them to share their know-how with each other so that the knowledge will be applied across the companies.
- We also focus our efforts on providing DX training for employees. For example, AEON Bank has created a digital education program for all employees.
- AEON Credit Service has been certified as a "DX business operator" for its efforts to promote DX, followed by ACS Credit Management, which became the first mortgage servicer that has received the certificate.

5. Future Directions

Future Directions– Global business

- Approaching new customer segments by promoting digital financial inclusion and expanding business domains and products


Key initiatives	Initiatives in each country		
Promoting digital financial inclusion	App enhancements (Malaysia)	Introduction of e-KYC (Thailand, Malaysia)	Opening a Digital Bank (Malaysia)
Expansion of business domains and products	Strengthening the insurance business and promoting the cross-selling of credit cards and insurance (Thailand, Malaysia)	Strengthening Nanofinance (Thailand)	Implementing BNPL (Indonesia)

- Now I will move on to discuss the future direction that our global businesses plan to take.
- These global businesses pursue digital financial inclusion. We are working to improve accessibility to financial services for greater customer satisfaction, ensure proper granting of credit through advanced screening, and make changes to our business models.
- To expand our business domain, we focus more on the insurance business in order to offer customers the greatest life-long value possible. We are also working on new customer creation through the development of products geared to people who have chosen to adopt a new way of working, including gig workers.

5. Future Directions

Future Directions– Global business–Digital Financial Inclusion – DX Promotion/e-KYC

- Incorporating financial functions into AEON's retail app in Malaysia
- Promote non-face-to-face applications through the introduction of e-KYC. Following the start of operations in Malaysia, it is scheduled to start in Thailand

<p>Grow customer base with app</p> <ul style="list-style-type: none"> • AEON Malaysia official app makes it possible to apply for financial products (Credit Cards, Personal Loans, Insurance) • Promoting cross-selling to retail customers 	<p>Simplification of application by e-KYC</p> <p>[Malaysia] Utilize e-KYC and external credit information scores to improve the speed and system of screening while making applications simpler.</p> <p>[Thailand] Aim to improve the speed of examination and go paperless by introducing e-KYC in the future.</p>
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<Digital Bank Schedule>

- Preparing for the start of business in October 2023

AEON Financial Service Co., Ltd. 20

- We enhanced the functionality of the app in order to promote digital financial inclusion.
- In Malaysia, we have been working with AEON retail stores. AEON Malaysia offers an app called iAEON, which has a feature that allows users to request ACS Malaysia's financial services.
- We believe that this feature will help increase occasions on which customers of AEON Malaysia's retail stores will turn naturally to our services.
- We shared this example in Malaysia across our companies to facilitate closer collaboration with the AEON Group in each country.
- We are also working to introduce e-KYC in each country in order to make the application process less complicated and reduce waiting time.
- e-KYC has already been introduced in Malaysia. During the second half of the fiscal year, we will combine e-KYC with external credit information to speed up screening, thereby smoothly offering our products to customers.
- We also plan to introduce e-KYC across Thailand to improve our operation as soon as it is approved by the country's central bank.
- We are preparing to open the digital bank we have been licensed to run in Malaysia. I will make a report on this matter again as we approach the launch.

5. Future Directions

– **Global business – Expansion of business domains and development of new products**

- Cultivating a new customer base by expanding the insurance business and introducing new services such as nanofinance and BNPL

Thailand: Cross-selling by expanding insurance sales

- Through insurance sales at **Big-C Group stores**, the number of in-store reception channels has been expanded from approximately 30 to 150 locations.
- In addition, Started selling insurance on the app (automobile, travel, cancer medical care)

Malaysia: Expansion of insurance business

- **Entered the insurance brokerage business** and expanded product lineup

Thailand: Acquisition of "nanofinance" license

- AI analyzes the sales and purchase history of sole proprietors using local delivery companies
- Providing loans to people who have not been able to approach them in the past

Indonesia: Expansion of BNPL services

- BNPL services can be deployed using QR Code Standard (QRIS), which is widely used in Indonesia
- Expand partners so that they can be used at major online shops, etc

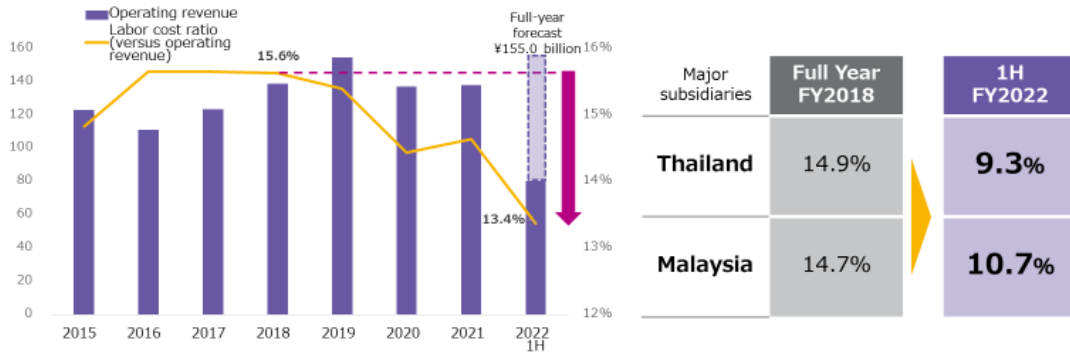
- The next topic is of our efforts to promote our insurance business to expand our business domain.
- In Thailand, we have begun to sell our insurance products at the Big-C Group stores. Now the products are available at 150 places. We also launched the sale of insurance products via the app in June as part of our efforts to increase our sales channels.
- In Malaysia, we are working to expand our product lines offered by Insurepro we acquired last year.
- In connection with new product development in Thailand, we have launched a new initiative. We use AI to analyze the history of the use of courier services by individual proprietors to ship products, so that we will have exact sales figures used for screening.
- In Indonesia, we plan to launch BNPL services that use QR codes adopted by many real and online member stores.
- We plan to find and create new customer segments through these initiatives.

5. Future Directions

Promotion of DX in Global Business

- In each country, through DX, the ratio of personnel expenses to operating revenue has improved significantly, mainly in Thailand and Malaysia

Status of productivity improvement in Global Business



- Our global businesses have adopted digital technologies over the last two years at a faster pace than ever, as the pandemic brought home to us how essential DX is.
- As the chart shows, these global businesses' labor cost ratio to operating revenue improved by two points from the pre-pandemic level, which indicates that the global businesses have a capacity for investments needed to continue adopting digital technologies.
- We will continue to improve productivity to move ahead with DX.

FY2022 earnings forecast, dividend forecast (unchanged)

• In view of uncertainties in the economic environment, such as interest rates and price rises, there is no change in earnings forecasts.

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

※1 Operating revenue is the number after the application of the accounting standard on revenue recognition.

- Finally, the earnings forecasts are as Mr. Mitsufuji explained earlier. I hope that we will achieve greater results than the forecasts for the second half of the fiscal year by working steadily on the initiatives discussed in the presentation.

Questions and Answers

■ Mr. Sato, analyst at Mizuho Securities

(1)

Q: Your performance has been going strong along the upper range, yet you left the earnings forecast unchanged. Why? Also, would you provide the reason why net profit has been progressing at higher rates than operating profit?

A: (Nasu Shigeto, Executive Officer and Group Corporate Management Division Head)

Ordinary profit was 2.5 billion yen more than operating profit. This is because a subsidiary had to move out of its office due to a need on the part of the owner of the building, and the cost of the relocation was included in selling, general and administrative expenses and the deposit received was recorded as non-operating revenue. The impact of the exchange rates was also included in non-operating revenue, which led net profit to progress at high rates.

(2)

Q: It has been determined recently that the interest rate on an interchange reimbursement fee (IRF) for international brands will be announced in late November. How much impact will it have on AEON Financial Service?

A: (Kenji Fujita, President and CEO)

I believe that businesses in credit card industry are working on their analyses of what impact an IRF will have once it is announced. We are also working with the Japan Consumer Credit Association to coordinate how disclosure will be done. AEON Financial Service does not expect any major impact.

■ Mr. Watanabe, analyst at Daiwa Securities

(1)

Q: In connection with the earnings forecast, did you leave it unchanged partly because you anticipate any cost that had been unexpected at the beginning of the fiscal year into the second half?

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

During the first half of the year, our overseas businesses did well, building up outstanding receivables. However, we may have more cases of payment delinquency and bad debts overseas than expected as the governments have scaled down their debtor protection programs and inflation is progressing.

Moreover, any sign of the yen's rise may cause profit to decline. We should stay alert to these two possibilities.

> As I understand it, you anticipate the possible adverse effect of the yen's rise against Asian currencies, rather than the positive effect of the yen's decline. Is this correct?

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

We have to consider the risk that the yen's surge would pose. At this moment, it is unclear whether the risk will arise. That said, I believe we should consider various factors and anticipate some risk we will face if the yen rises again.

(2)

Q: The payments business is at the core of the business restructuring. Would you tell us why? Also, what do you plan to change through the restructured business framework?

A: (Kenji Fujita, President and CEO)

Integrating overlapping functions that AEON Financial Service and AEON Credit Service have will allow us to advance our priority plans, namely the plans to expand the network of member stores and assign dedicated personnel to DX. In regard to DX, we also decided that we should launch our efforts as a Group-wide initiative. The new framework will also make it easier to send our employees to overseas locations, which constitute a large field where employees are trained for managerial positions and thus will have a positive effect on our talent portfolio.

■ Mr. Otsuka, analyst at J.P. Morgan

(1)

Q: The progress rates of profit attributable to owners of parent are over 60%, with the domestic rates being 45% to 49% and the global rates 57% to 62%. Now that the first half of the year ended, what view do you take on these progress rates compared to the planned ones?

A: (Nasu Shigeto, Executive Officer and Group Corporate Management Division Head)

The profits were about one billion yen more than projections in Japan and overseas each, and especially the exchange rates had an impact on the overseas results. In Japan, purchase transactions with AEON credit cards are picking up

again, whereas cash advance transactions have not reached the planned level, though the figures turned out to be positive because we controlled costs. We hope to attain top-line growth during the second half of the fiscal year.

> If profit begins to hover above projections owing to exchange rates and bad debts over the second half of the year, do you think you might increase investments in talent and spend more on sales activities?

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

We have a strong sense that we will achieve good profits overseas, yet we feel somewhat unsatisfied with how our domestic businesses are doing. We should aim to achieve the growth of cash advance transactions and further increase our membership and the volume of shopping transactions, thereby resuming our growth trajectory. We are aware that investing in talent to reach these goals is a significant challenge. We will first need to put revenue and profit on track so that we will be able to spend on education, training, hiring, and/or sales operations needed to allocate more than enough personnel to overseas businesses. Nevertheless, we intend to explore the possibility of active investments to facilitate our future growth.

> Even if you invest more than planned, would you say that the 50-yen dividend guidance at the beginning of the fiscal year might change if the bottom line will likely be greater than projections?

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

Our management always keeps the possibility in mind. At this moment, we are unable to say with certainty that the guidance will change. We will make an announcement when we publish our financial results for the third quarter and the full year.

■ Mr. Hara, analyst at SMBC Nikko Securities

(1)

Q: Transaction volumes of housing loans are somewhat low. Would you tell us again the full-year outlook for the securitization of receivables?

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

Corporate Management)

The transaction volumes look weaker than last year because we consciously planned not to join interest rate competition. We look to compete in areas other than that of interest rates through a revamp of Select Club and other actions, leveraging the AEON Group's strengths. With this in mind, we expect that the implementation plan for the securitization of receivables as well as the effect on revenue will be almost the same as last year.