**Results for the FY2022: Script and the QAs**

Date & Time: Tuesday, April 11, 2023, 17:00-18:15

Presenter: Kenji Fujita, President & CEO

Tomoyuki Mitsufuji, Director and Managing Executive Officer in charge of Group Corporate Management



# FY2022
# IR Presentation Material

April 11, 2023

AEON Financial Service

Stock Listing: Tokyo Stock Exchange, Prime Market

Code No: 8570

## Contents





・Today's explanation begins with Mr. Mitsufuji who is in charge of Group Corporate Management
First, full-year financial highlights
Second, earnings forecasts and dividend forecasts

Next, from President & CEO Fujita,
Third, Priority Initiatives to Improve Corporate Value

1 . Financial Highlights **Key points of the announcement**

**Highest profit ever in Global business, consolidated results increase in sales and profit, and achieved published figures.**
**Year-end dividend increased by 3 yen.**
**In Domestic business, continue to make upfront investments to expand our operations, start restructuring, and start business model reform.**

【Domestic business】
- Online cardholder acquisition has grown to the same level as in-store, and an efficient system has been established (1.81 million, +230,000 (YoY))
- Cashless payment transaction volume reached a record high for the second consecutive year (shopping ¥6.5 trillion, +9% (QoQ) / e-money ¥2.4 trillion, +4%(QoQ) )
- Shopping revolving, installment balance to the stage of increase (¥265.3 billion, +¥20.6 billion(YoY))
- Cash advances increased due to a review of credit in line with the recovery in demand for funds (+3% (QoQ) → +14% (QoQ) in the second half)
- In view of rising interest rates, the amount of securitization of receivables was

【Global business】
- Promoting digitalization in the midst of the pandemic and improving productivity. Accelerating business model reform and investment for new growth
- Expanded business mainly in Hong Kong and Malaysia, and Cambodia grew as the fourth pillar overseas (operating profit of ¥1.2 billion)



・I would like to start by discussing the key points of the consolidated results.

・Thanks to the record high profit in the Global business, we were able to increase both revenue and profit and achieved the published targets. As such, we plan to increase the year-end dividend by three yen per share.

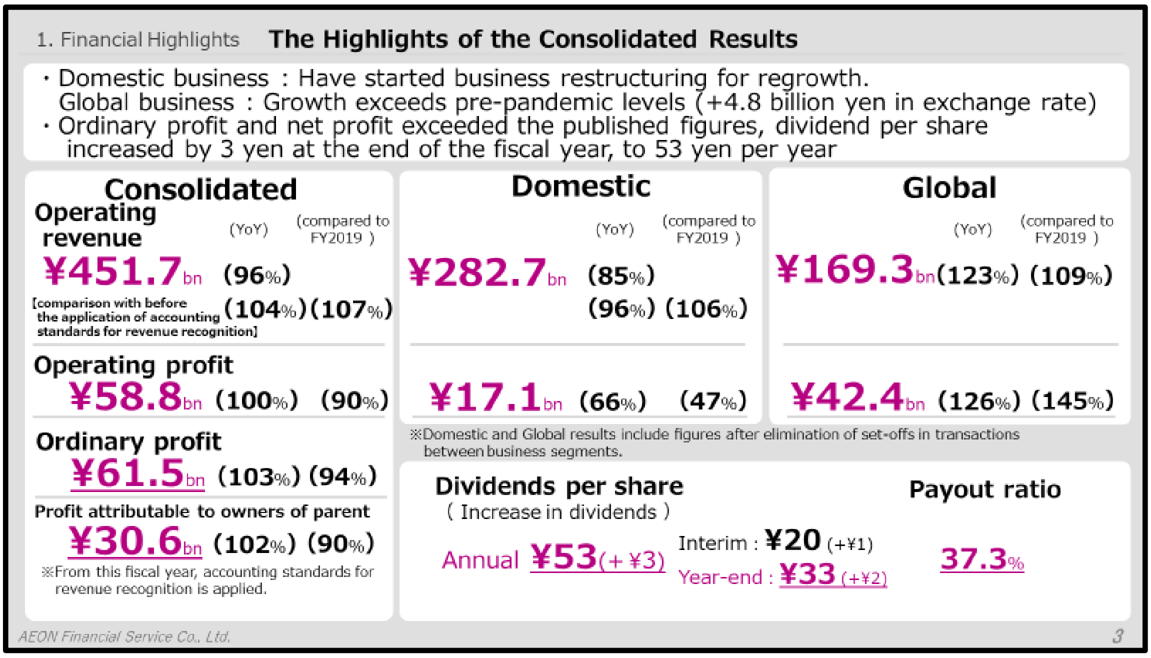
・We continued up-front investment for expansion of the business and started renovating the business model through business reorganization.

・Now, I would like to briefly discuss topics in the domestic businesses.
About the new card members, the number of those we won online was almost at the same level as the number won at the shop. As a result, we were able to win 1,810,000 new members, up by 230,000 from the previous fiscal year.
The credit card shopping transaction volume continued good, amounting to 6,500 billion yen, up 9% from the previous year and hitting a record high.
The balance of revolving credit and installment sales receivables increased by 20.6 billion yen from the previous fiscal year to 265.3 billion yen, showing that it is now in the growth stage.

The cash advance transaction volume increased 14% from a year earlier in the second half, compared to 3% in the first half, indicating that it is back on the rise. This is attributable to the revision to the credit policy in response to recovery in the demand for money.

We revised the amount of securitization in consideration of the recent situations regarding the interest rate, impacting revenue and profit.

・I would discuss topics in the Global business later, using other slides.




・Let me now discuss the consolidated results for the fiscal year.

Operating revenue was 451.7 billion yen, down 4% from a year earlier.

Excluding the effect of application of the accounting standard for recognition of revenues, however, operating revenue would have risen 4%.

Operating profit was 58.8 billion yen, almost unchanged from the previous year and down 10% from fiscal year 2019.

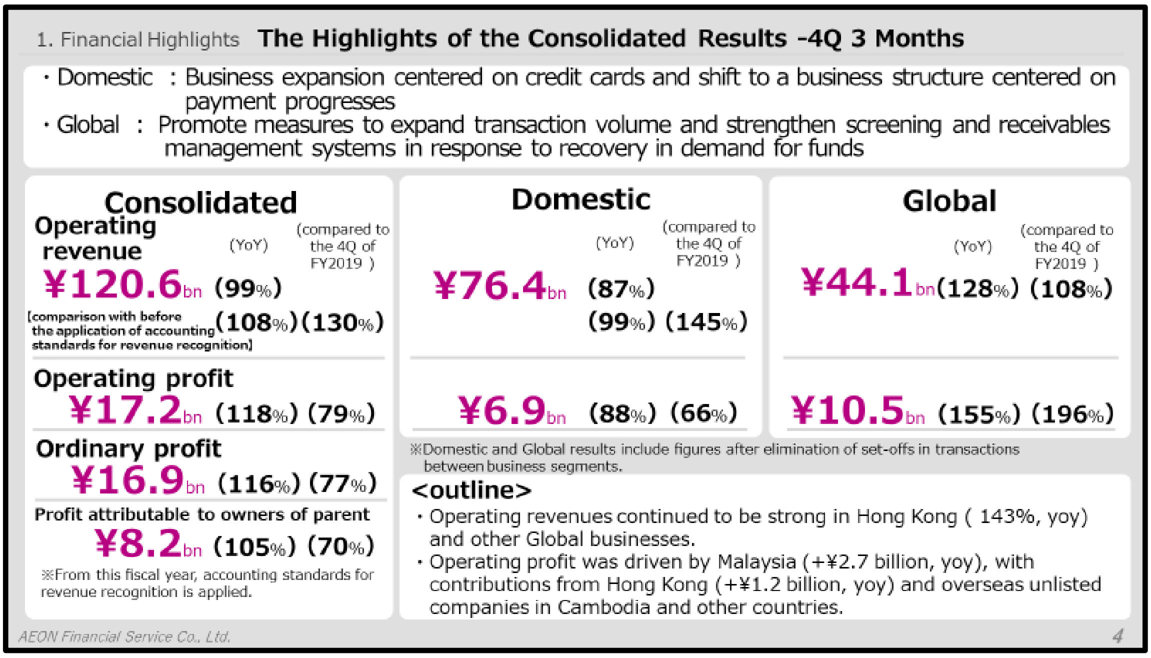
Ordinary profit was 61.5 billion, up 3% from the previous year and down 6% from fiscal year 2019.

Profit attributable to owners of parent was 30.6 billion yen, up 2% from the previous year and down 10% from fiscal year 2019.

As shown, we achieved increases in both revenue and profit.

(Please refer to the Appendix for the impact of application of the accounting standard for recognition of revenues.)

・We plan to increase the year-end dividend by three yen from the original plan to 33 yen per share, with the annual dividend totaling 53 yen per share.




・This slide shows the consolidated results for the three months over the fourth quarter.

Operating revenue was 120.6 billion yen, down 1% from a year earlier.

Excluding the effect of application of the accounting standard for recognition of revenues, however, operating revenue would have risen 8%.

Operating profit was 17.2 billion, up 18% year-on-year but down 21% from fiscal year 2019.

Ordinary profit was 16.9 billion yen, up 16% from the previous year but down 23% from fiscal year 2019.

Profit attributable to owners of parent was 8.2 billion, up 5% from the previous year but down 30% from fiscal year 2019.

As shown, we increased both revenue and profit on a quarterly basis, too.

・In the domestic businesses, businesses have been expanding steadily with a focus on the credit card business. We believe that the transformation of the business structure in the coming days will be the key to full-scale business recovery.

・In the Global business, we continue working on various measures to increase the transaction volume, and strengthening the credit screening and receivables management structure.

1. Financial Highlights **Breakdown of Operating Profit YoY**

・Credit card business continues to make upfront investments and promotes business expansion

| | Contents | YoY Change (Unit : billions of yen | |
|---|---|---|---|
| **Credit Card Business** | ■**Credit Card Shopping Recovery**<br>- Transaction volume : 109%(YoY) / Revolving balance: +¥32.6bn (YoY), (Average balance: +¥11.6 bn)<br>■**Cash advance transaction volume increased, balances recovered from the level at the end of the previous fiscal**<br>- Transaction volume : 108%(YoY) / Balance: ¥6.0bn (YoY), (Average balance: -¥10.4bn)<br>■**Increase in variable costs due to business expansion**<br>- Card issuance costs, international brand fees, etc.<br>■ **Decrease in the no. of interest repayment claims and promote settlement of long-term overdue loans** | Shopping Revenue<br>Increase in points and promotional expenses | +9.4<br>−7.3 |
| | | Total | +2.1 |
| | | Cash advance<br>fluctuations in business expansion<br>Decrease in bad debt-related expenses | −2.8<br>−4.9<br>3.6 |
| | | **Operating Profit** | **−2.0** |
| **Insurance Business** | ■**AEON Allianz Life Insurance**<br>-Operating expenses associated with business development (personnel exp., depreciation and amortization, sales promotion exp., etc.) +¥1.6bn | **Operating Profit** | **−1.5** |
| **Other** | ■**Increase in fee revenue** – E-money revenue, insurance agency revenue<br>■**Increase in interest on banking loans**<br>- Expansion of the balance of operating receivables such as housing loans<br>■**Decrease in interest dividends on investment securities**<br>- Decrease due to changes in the market environment<br>■**Decrease in securitization revenue** - Decrease due to the effects of rising interest rates<br>■**Consolidation of head office functions** – Relocation and consolidation of offices, etc.<br>■**Other expenses** – Other expenses for business expansion | **Operating Profit** | **+1.4**<br>**+1.4**<br>**−1.7**<br>**−4.3**<br>**−1.1**<br>**−0.9** |
| | | **Total** | **−8.9** |



・I will now discuss an overview of the domestic businesses. Operating profit for the fiscal year was down by 8.9 billion yen year-on-year.

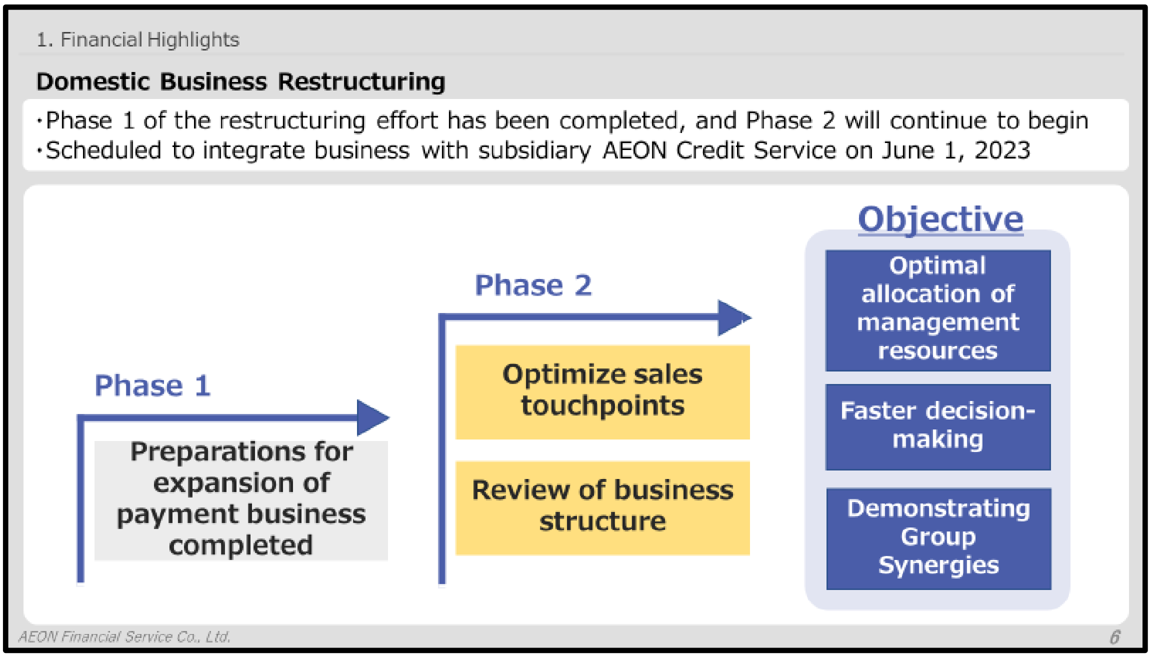
・In the credit card business, in addition to the credit card shopping transaction volume, the revolving receivables balance increased, and operating profit from the shopping business increased by 2.1 billion yen.

In the cash advance business, the transaction volume increased, and the receivables balance also recovered at the year-end to a level close to the previous fiscal year-end. However, because the average receivables balance during the fiscal year was below that of the previous fiscal year, the operating profit of the cash advance business decreased by 2.8 billion yen year-on-year.
In addition, the increase in the variable expenses accompanying expansion of the businesses was responsible for a decrease of 4.9 billion yen in operating profit. On the other hand, the decrease in the expenses related to bad debts was a positive factor, for an increase of 3.6 billion yen. Overall, operating profit in the cash advance business decreased by 2.0 billion yen year-on-year.

・Operating profit of the insurance business decreased by 1.5 billion yen due to increases in operating expenses accompanying the business expansion of AEON Allianz Life Insurance.

・As shown on the slide, the fee revenue increased while profit from securitization decreased due to the rising interest rates. Overall, operating profit in the domestic businesses decreased by 8.9 billion yen from a year earlier.

I will discuss domestic business restructuring as a means to recover domestic businesses.

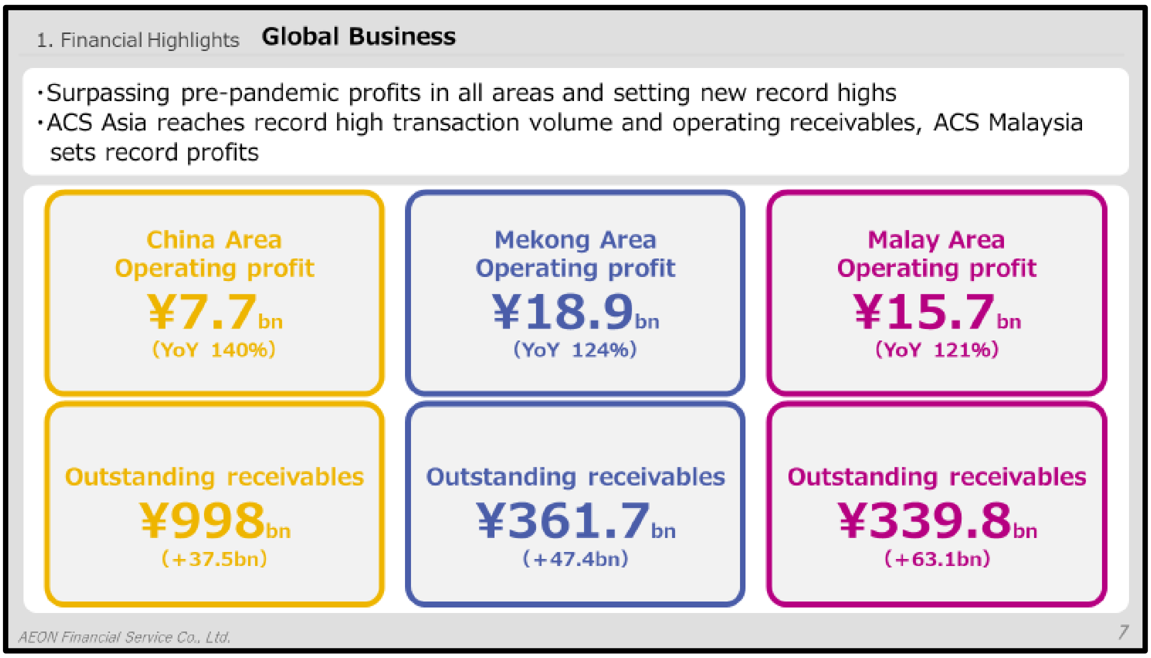



・There are three objectives in the domestic business restructuring: optimal allocation of management resources; faster decision-making; and group synergy; as shown on the right side of the slide.

・In Phase 1, we will integrate management with one of its subsidiaries, AEON Credit Service, effective June 1 this year. With this, we will have a business structure around the payment business.

・In Phase 2, we plan to optimize the sales touchpoints in order to offer easy-to-understand and user-friendly services to the customers. We will also review the organizational structure to enhance its strategy execution capabilities.

・We will announce the details once the concrete plan is finalized.



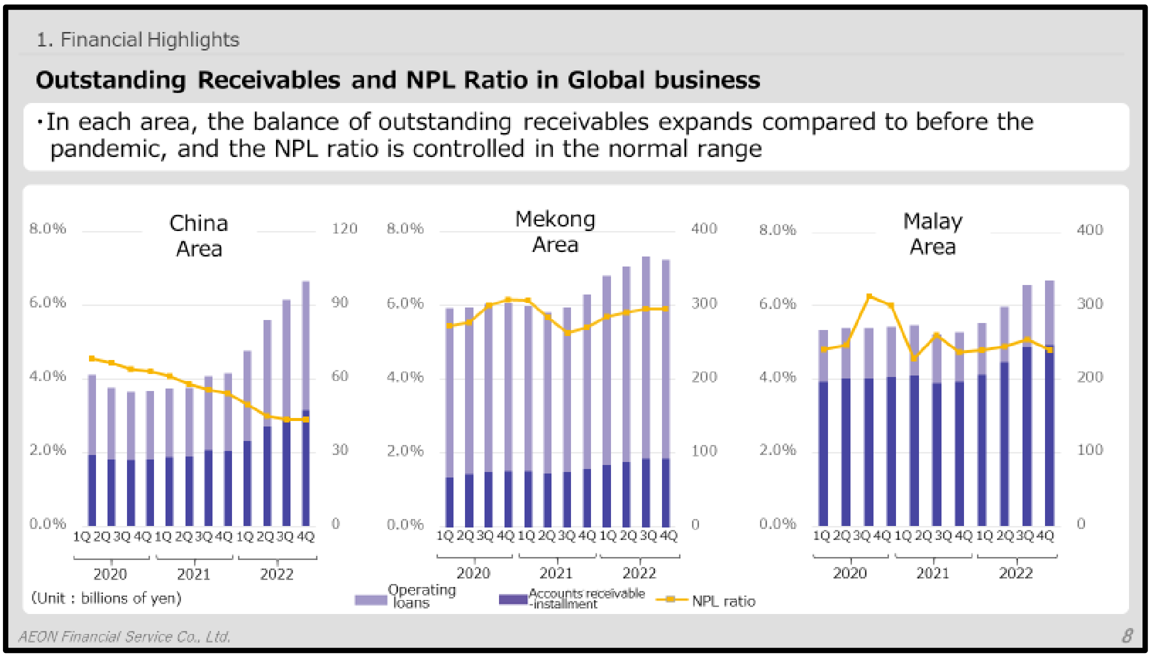

・I would now like to discuss the results of international businesses.

・The left column represents the China Area; the central, the Mekong Area; and the right, the Malay Area. The upper row shows operating profit, while the lower the balance of the receivables. In all the areas, operating profit exceeded the amount in the pre-COVID-19 years and hit record highs.

・In the China Area, both operating profit and receivables balance increased substantially because the Group won more credit card members with “AEON Card Wakuwaku,” targeting younger people. The sophistication of credit policy also helped.

・In the Mekong Area, while the Thai subsidiary held its 30th-anniversary event and sales promotion events jointly with major e-commerce operators, the Cambodian subsidiary started growing again. For these reasons, the Mekong Area business recorded the best performance in profit among all the segments.

・In the Malay Area, operating profit hit a record high thanks to the resumption of the “AEON Customer Appreciation Day,” which was suspended due to the COVID-19 pandemic, and joint campaigns with motorcycle manufacturers in response to recovery in the supply of motorcycles to the market.



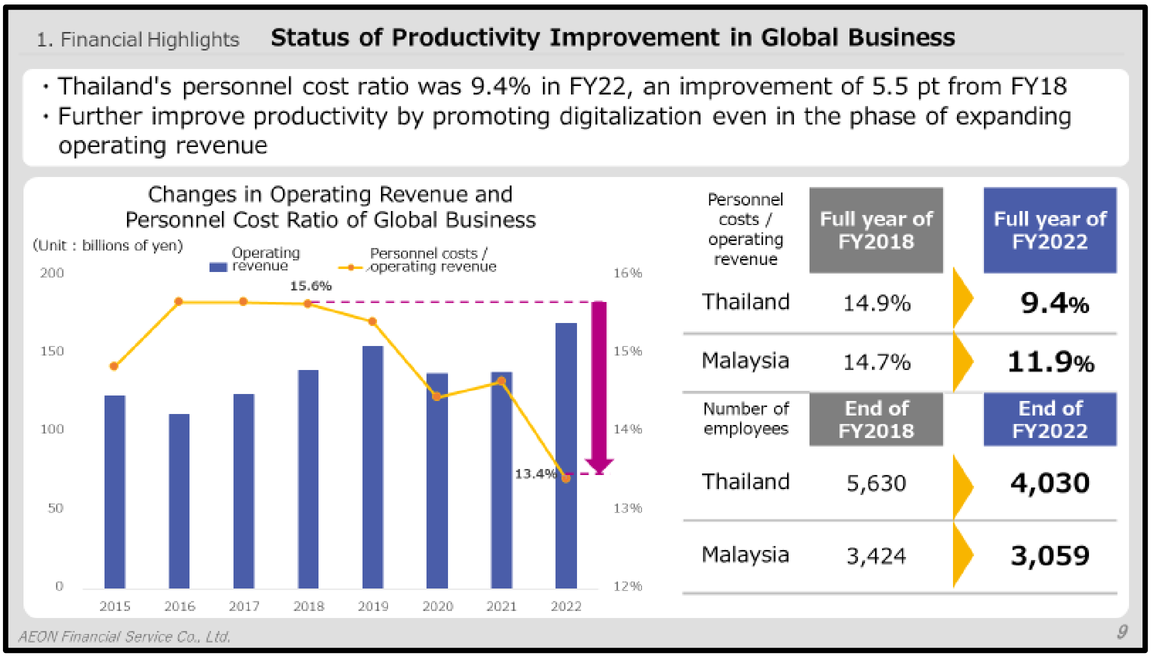

・The slide shows the outstanding receivables and nonperforming loan (NPL) ratios in China, Mekong and Malay Areas, from left to right.

・In the China Area, in line with the increase in the outstanding receivables, the Group worked to enhance the accuracy and speed of credit screening, and the NPL ratio remained at a low level stably.

・In the Mekong Area, due to concessions on repayment and a higher minimum payment rate in Thailand, the NPL ratio rose temporarily but has now been stabilizing finally in the fourth quarter.

・In the Malay Area, in addition to the successful enhancement of collection measures implemented since the third quarter, the Group worked to adjust the credit screening criteria appropriately, and the NPL ratio declined for the second quarter in a row.

・In all areas, the Group has been successfully increasing high-quality receivables and will continue seeking both expansion of the businesses and sophistication of the credit policy.



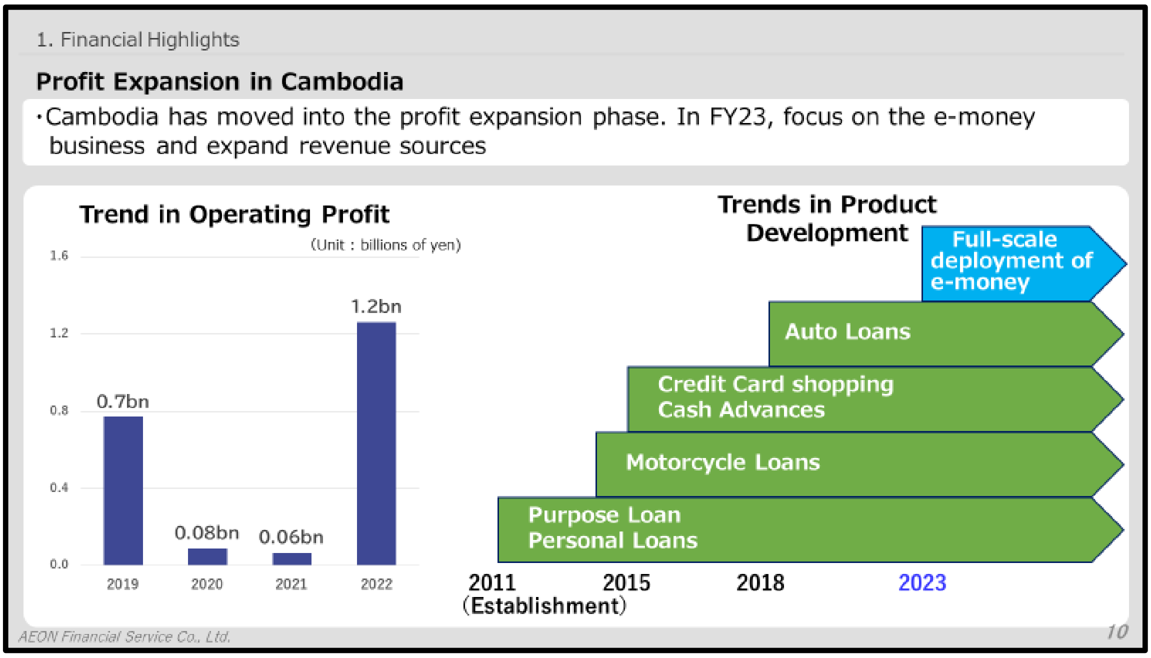

・I would now like to discuss the improved productivity of international businesses.

・The graph on the left side of the slide shows the operating revenue of the Global business in the blue bar and the personnel costs ratio in the yellow polygonal line.

・At each of the Group companies in international businesses, the Group promoted digitalization of the sales, credit screening and receivables collection processes, working to enhance productivity while seeking to expand the businesses. As a result, the ratio of personnel costs to operating revenue dropped from 15.6% in fiscal year 2018 to 13.4% in fiscal year 2022.

・As shown in the table on the right, the result is particularly noticeable in Thailand and Malaysia, both showing a good improvement in the ratio of personnel costs and the number of employees.

・The Group will continue working on measures to enhance productivity.

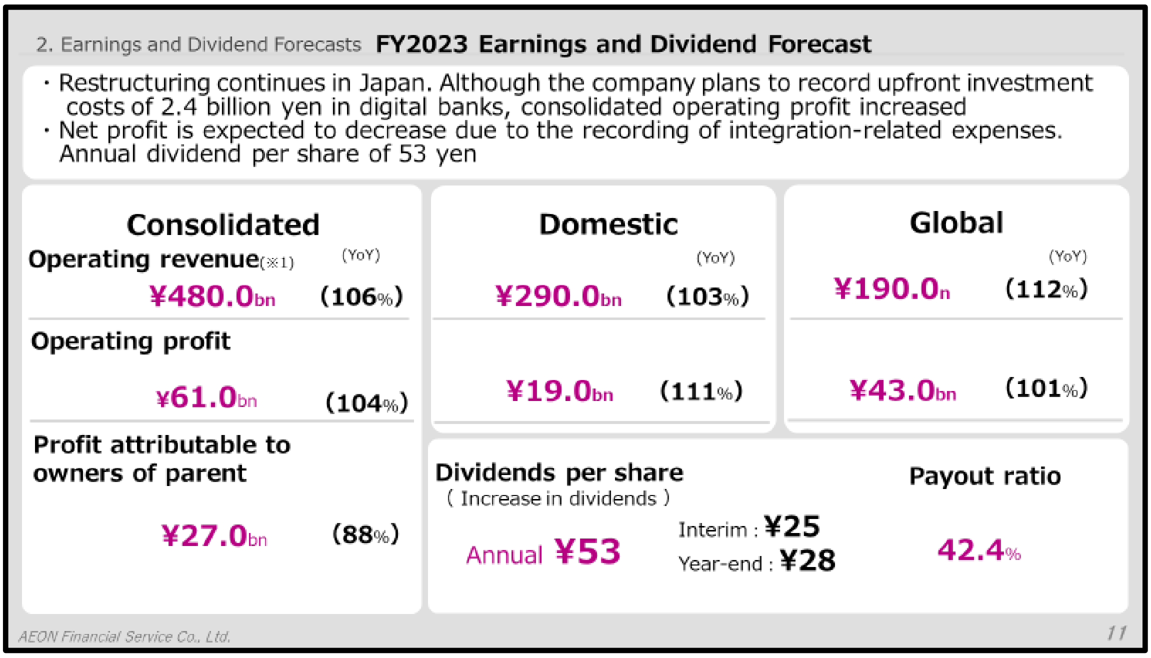



・The next topic is the current situation surrounding the subsidiary in Cambodia.

・In Cambodia, the impact of the COVID-19 pandemic was huge on the business environment. Due partly to the lockdown, operating profit decreased to below 0.1 billion yen at one time, but in fiscal year 2022, it recovered greatly to 1.2 billion yen, hitting a record high.

・In Cambodia, the Group utilized the specialty-bank license to provide a wide range of products, including purpose-specific loans, personal loans and credit card services, just like the listed subsidiaries in Thailand and Malaysia. In addition, in fiscal year 2023, the Group plans to deploy the e-money service on a full scale, building on the business expertise and customer database.

・By steadily building the business base, the Group plans to make the operations in Cambodia the fourth pillar of the Group’s international businesses, after Thailand, Malaysia and Hong Kong.




・Lastly, I would like to discuss business forecasts and expected dividends for fiscal year 2023.

・In the domestic businesses, we will continue business restructuring to expand businesses and enhance productivity. This will pave the way for restoration of the earnings power, leading to growth again.

・In the Global business, we will continue expanding businesses by the shift to online and digitalization of services and by sophisticating credit screening for enhanced accuracy. In addition, the Group will make an up-front investment in the digital bank business that the Group plans to start in Malaysia.
In addition, the Group will take these unlisted developing subsidiaries to the next stage of growth.

・With these measures, the forecasts for consolidated performance are as follows:
Operating revenue will be 480 billion yen, up 6% from fiscal year 2022;
Operating profit will be 61 billion yen, up 4%;
And profit attributable to owners of parent will be 27 billion yen, down 12%.
These are the targets we plan to achieve.

・The decline in net profit is mainly attributable to one-off expenses accompanying the domestic business restructuring, as discussed earlier today.
・The plan is to pay an annual dividend of 53 yen per share, unchanged from fiscal year 2022. As net profit is expected to decrease due to one-off expenses, the dividend payout ratio will be 42.4%. However, the average ratio for fiscal years

2022 and 23 remains below 40%.

・I would like to go into details of the calculation from operating profit and ordinary profit to net profit.

・In fiscal year 2022, when calculating ordinary revenue from operating profit, there were non-operating revenues such as foreign exchange gains and rent guarantee income following our office relocation as a tenant.

・In fiscal year 2023, one of the factors for the difference between operating profit or ordinary profit and net profit is an expected extraordinary loss of about 1.5 billion yen as expenses for management integration.

Another factor is an up-front investment of 2.4 billion yen for the digital bank business in Malaysia.

In the case of AEON Thana Sinsap or AEON Credit Service (Malaysia), our equity ownership is just over 50%, and about half the profit or loss is attributed to the minority shareholders. On the other hand, we currently own 100% of the digital bank.

Accordingly, an operating loss of 2.4 billion yen is fully reflected in our consolidated net profit. Compared to an assumed operating loss of 2.4 billion yen at AEON Thana Sinsap, the impact would be larger in proportion to the ownership ratio of 50%, or by 1.2 billion yen.

・In addition, according to the plan, profit from the domestic businesses is expected to increase by about 2 billion yen. However, the corporate tax rate in Japan is about 30%, which is higher than the tax rate of about 20% overseas. Larger domestic operating profit will thus have a larger impact.

This is thus more or less an opposite relationship with overseas, where part of the profit is flown out to the minority shareholders.

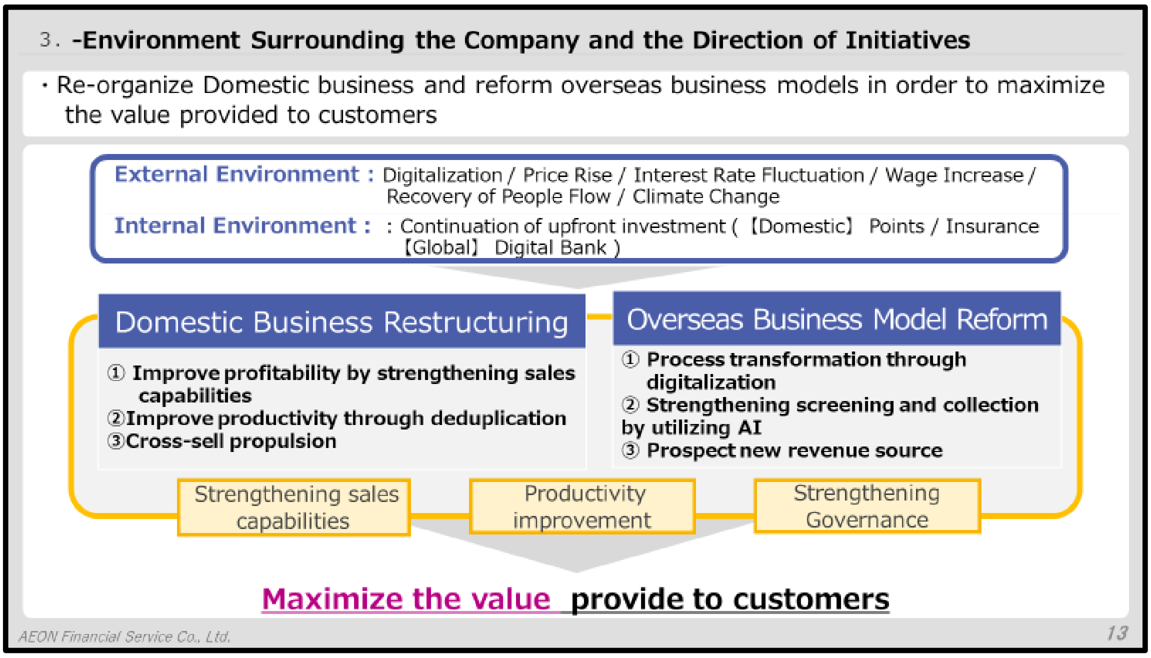
・Apart from these factors, we also expect an impairment loss of about 0.3 billion yen.

・These are the reasons why net profit for fiscal year 2023 will be 27 billion yen.

・We will continue and further upgrade management efforts to meet the expectations of various stakeholders.

## Priority Initiatives to Improve Corporate Value

・I am Kenji Fujita, and I would like to discuss key measures to enhance corporate value.




・Concerning the environment surrounding us, the overseas businesses are ahead in digitalization, and we will accelerate digitalization in Japan in the course of business restructuring.
We are currently seeing higher prices and wages, changes in interest rates, and economic recovery from the COVID-19 pandemic.
The pandemic also brought about changes in the lifestyle of customers.

・Customers in Japan, while wishing to pay attention to health and to quality of products, also try to control their spending for sundries. At the same time, they want to get full satisfaction on special occasions, even if it may cost some more. We believe that a customer, or a family, will have polarized consumption patterns.
We also believe that, with the rise in wages and people starting to go out again, funding needs will also start increasing.

・With regard to the customers overseas, in Southeast Asia, it is necessary to properly adjust acceleration and deceleration in consideration of the impact of inflation.
Having said that, funding needs are rising in the post-COVID-19 era, and we are seeing more and more opportunities.

・Overall, the current situation offers a great opportunity for us, and we believe it is time to continue investing for business expansion.

### ① Improve Profitability by Strengthening Sales Capabilities

・Increased profits by shifting to a business structure centered on payment

**1．Expansion of cashless payments centered on the AEON Group**

**Cashless payment amount**
**Average annual growth rate more than 20%**

**2．Profitable receivables expansion**

**Revolving credit & Installment payment + cash advance receivables**
**FY22: ¥710 bn ➡ FY25: Over ¥800 bn**

**3．Business Process Reform in Fee Business**

**Expansion of asset management business**

**Accumulated profits of more than ¥10 bn over the three years to FY25 through 1to3 initiatives**



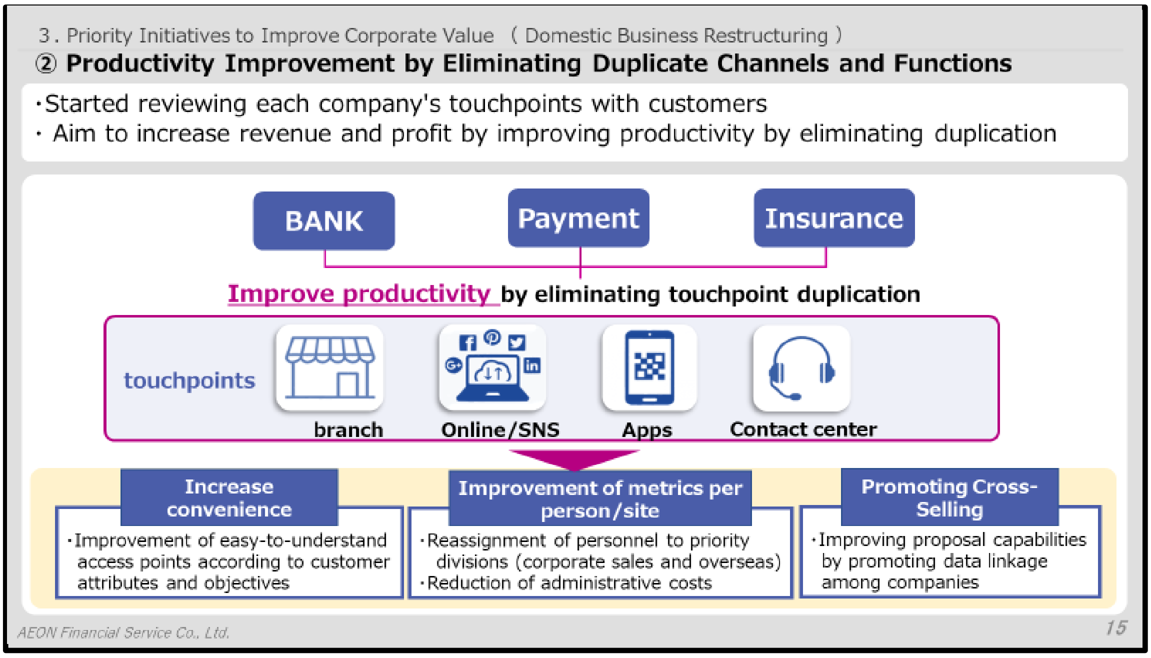
・I will now discuss the improvement of profitability of the domestic businesses.

・First, concerning cashless payments, we will focus on AEON Card and e-money while promoting diversification of payment channels, including code payment.
Concerning the polarization of consumption, we will deepen collaboration within AEON Group, which is our advantage, and pursue convenience and value-for-money for the customers to alleviate the burden on their daily household finances. This is the value that we provide to the customers.
By expanding the payment service focusing on transactions within the AEON Group, we seek to achieve an average annual growth of over 20% from fiscal year 2023 to 2025. Although the result for fiscal year 2022 was below 20%, the result for the second half was close to the level, and right now, the business is expanding at this level.

・Concerning the outstanding receivables of revolving credit card purchase transactions, installment sales and cash advances, we are in the stage of seeking a major increase accompanying rises in funding needs. In particular, concerning cash advances, we may have been too cautious and too strict, considering the COVID-19 pandemic. We have readjusted the policy, and right now, the outstanding receivables are growing at a rate of over 20% from a year earlier. We plan to increase the outstanding receivables by 90 billion yen between fiscal years 2023 and 2025 to reach 800 billion yen.

・In the fee business, as shown in the alliance with Monex, Inc., we will renovate the process to enhance productivity.

・With these measures, we plan to add profit of over 10 billion yen in fiscal year 2025.



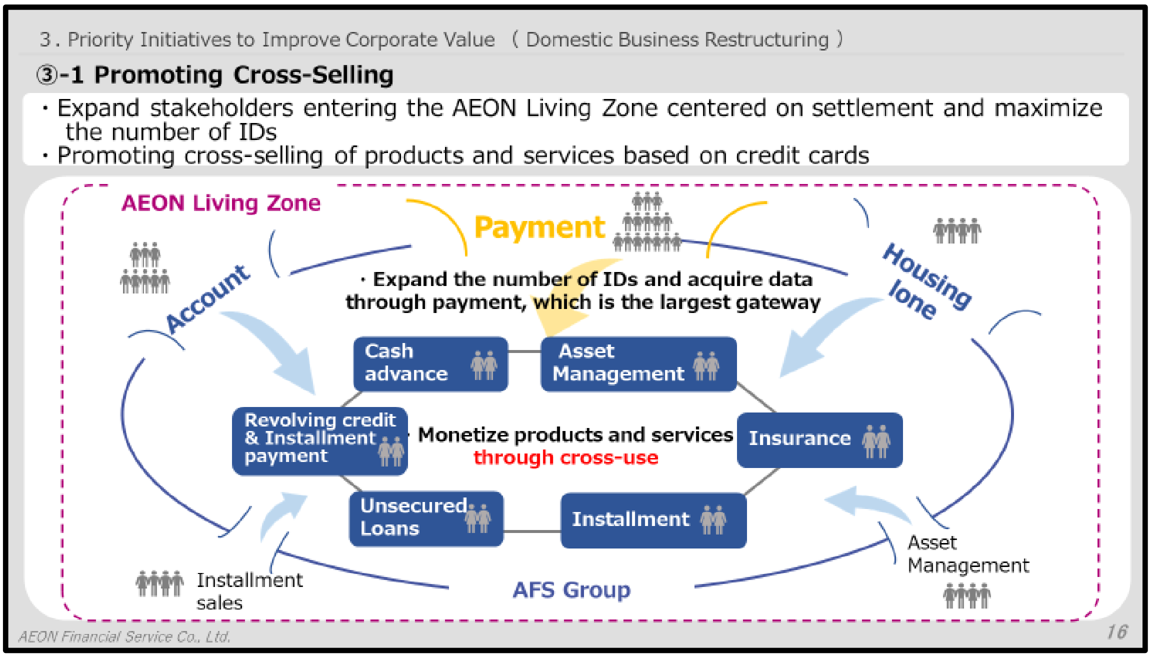

・The next topic is the restructuring of domestic businesses.

・Currently, each Group company has various touchpoints. There are many duplicated roles and functions, not only at the counter in the AEON stores but also on websites and applications. It is time to improve the situation from the viewpoint of usability for the customers and of investment.

・In fiscal year 2022, we transformed the organization with the payment business as the core. In fiscal year 2023, we will streamline the touchpoints that the Group companies own to rebuild the sales system into one that is easy for the customers to understand.

・It is still in the stage of trial calculation, but the Group has over 160 offices, mainly at the AEON Group stores, where sales are promoted daily. Of these, sixty-six offices have the functions of the AEON Card, banking and insurance businesses, and the personnel expenses of these offices alone amount to about 8 billion yen.

・It may be that not everything is redundant, but by eliminating the redundancies and allocating the spared resources to growth areas, including the payment and overseas businesses, we seek to enhance the sales capacity and improve productivity.

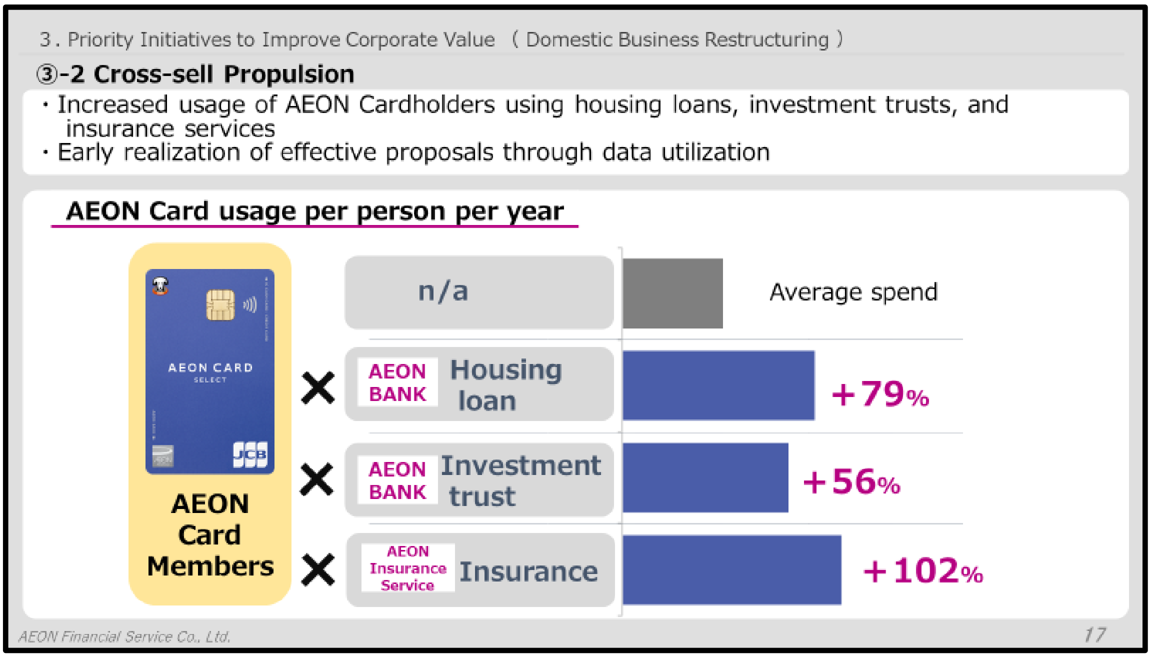



・Next, I would like to discuss the promotion of cross-sales.

・As one of the medium-term targets, we plan to increase the number of customer IDs with a focus on AEON Card and other settlement services and to provide the optimal products and services to the customers when needed based on the IDs.

・We have been promoting cross-sales to date, but the mechanisms were insufficient to navigate the customers from the AEON Card, our largest customer base, to other financial products, including advertisement and benefits.

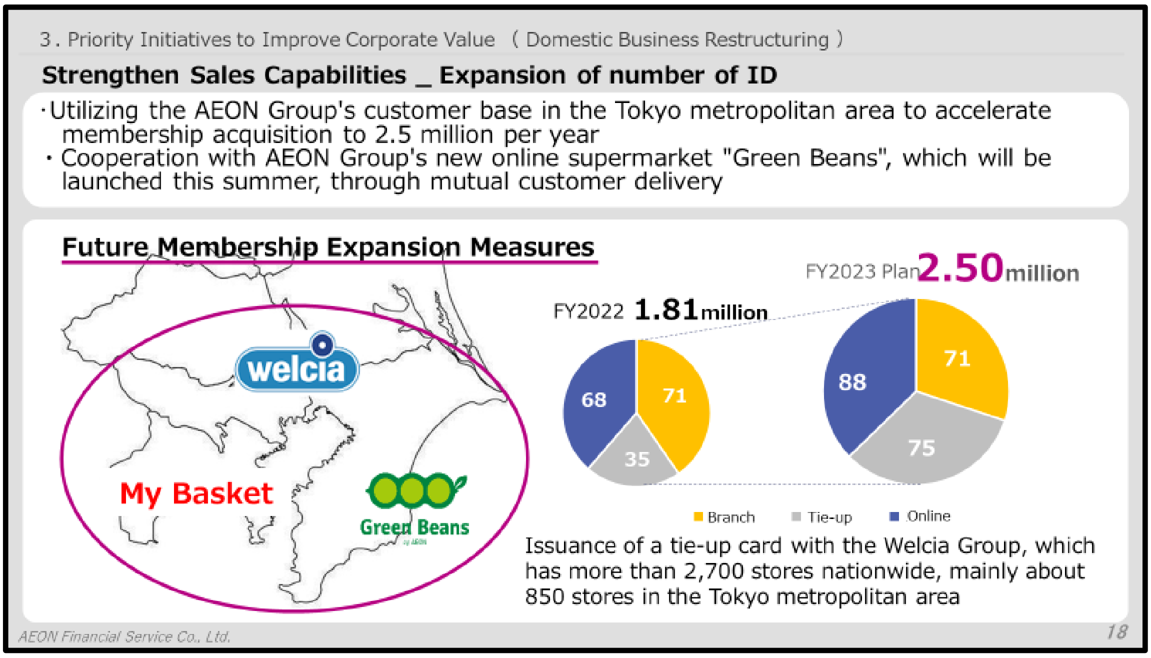
・As discussed in the previous slide, we will restructure the touchpoints to renovate the value chain for cross-sales expansion in the future.




・Let us now look at the effect of cross-sales.

・The slide shows the transaction amount with AEON Card by AEON Card members who are also using the Group's housing loan, investment trust and insurance services.
The average amount of credit card transactions jumps up thanks to cross-sales.

・The Group has already started discussions proactively beyond the corporate boundary to promote cross-sales, and plans to ensure proper management, including establishing KPIs such as the ratio of cross-usage of the cards.



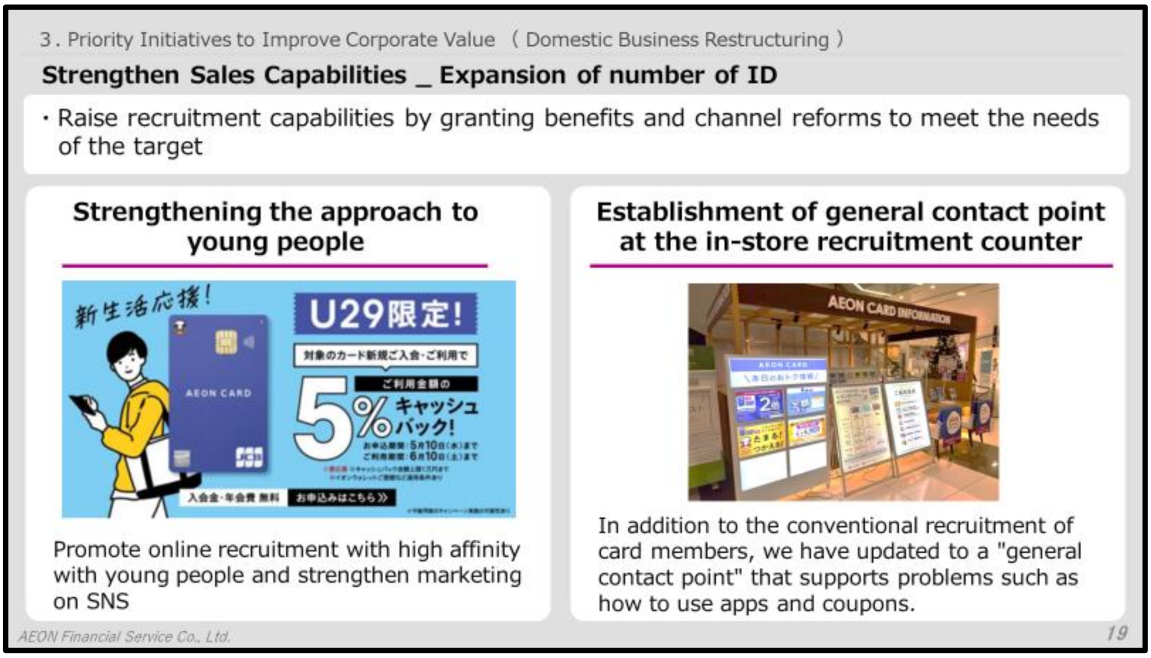

・I would like to discuss specific measures for strengthening the sales capacity.

・We plan to significantly increase the number of new members from 1.81 million in fiscal year 2022 to 2.5 million in fiscal year 2023, accelerating the increase of IDs.

・In fiscal 2023, we plan to start collaboration with Green Beans, an online supermarket of the AEON Group that is planned to start services this summer, in addition to issuance of a collaboration card with Welcia.

We will also enhance the functions of AEON Pay to promote use at My Basket, a supermarket of the AEON Group, where use of the code payment is a matter of course.

・With these measures, we plan to increase the number of IDs firmly, particularly in the Tokyo metropolitan area.



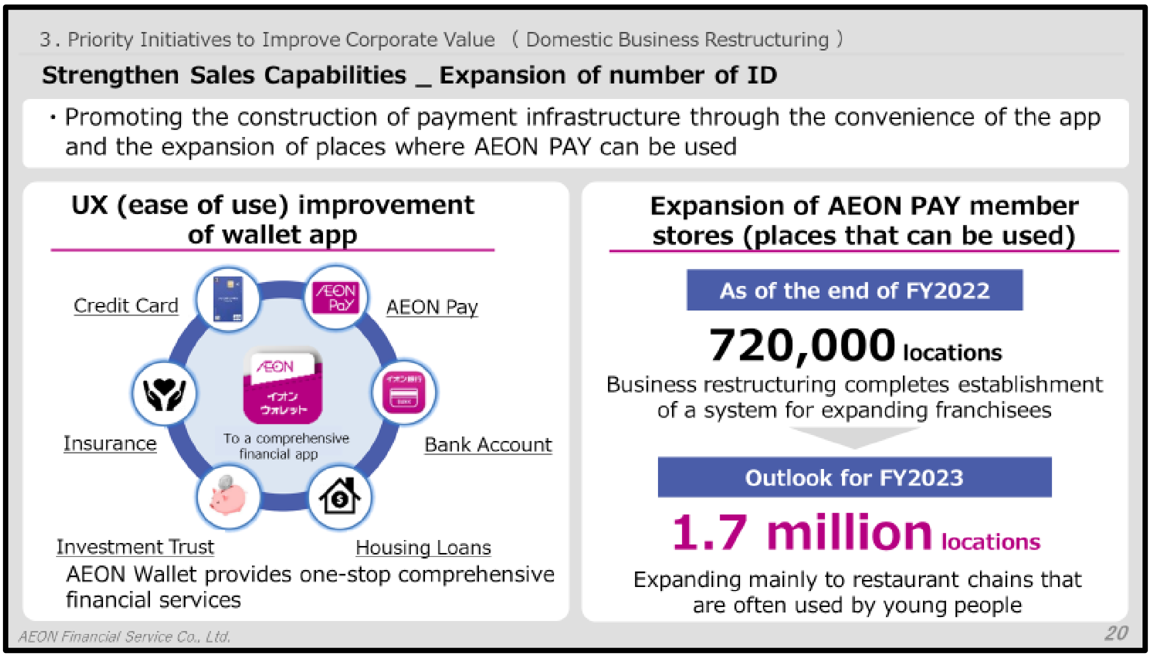

・The next topic is about the measures for membership expansion.

・Increasing the number of young members has long been a challenge for us. However, our past measures, such as renewing card designs, strengthening online member solicitation and implementing campaigns for people entering a new life stage, have penetrated the market, and the effects are now being seen.

・We will take measures such as awarding more benefits, including implementing a cashback campaign for members aged 29 years old or younger, and at the same time, enhance sales promotion through websites or social network services to increase young members.

・The photo on the right shows the card membership application counter at an AEON store. The counters had only been used to accept card applications. Now, they are being converted to a place where customers who use iAEON (AEON's integrated app) or visit AEON stores can receive consultation services to solve their issues.

・The counter is now a place for providing consultation on various issues, and as a result, the number of new card members is increasing, thus contributing to improved productivity.

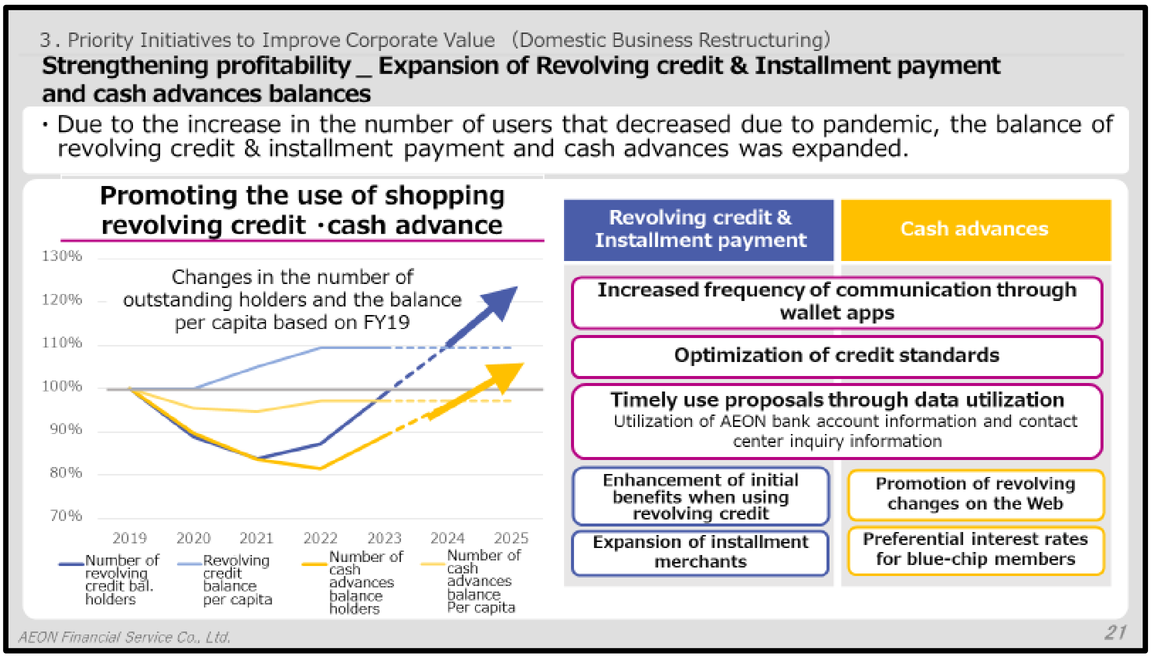



・These are the measures taken to enhance the infrastructure for the payment service.

・We are also reviewing the applications on the smartphone as they are getting more and more important as touchpoints. The application that has the largest number of members in the domestic businesses is the wallet application of AEON Card (AEON Wallet).

We are upgrading the application, centering on the wallet application, so that the customers can use various services, including banking and insurance services, seamlessly in one stop.

・In order to win more IDs, it is important to increase merchants who accept the payment method. In the eighteen months after the commencement of the service, the number of AEON Pay merchants reached 720,000, just in line with the original plan. In fiscal year 2023, we plan to add another one million stores, focusing on restaurant chains, for a total of about 1.7 million stores.




・The next topic is about credit card shopping revolving payment and cash advance transactions.

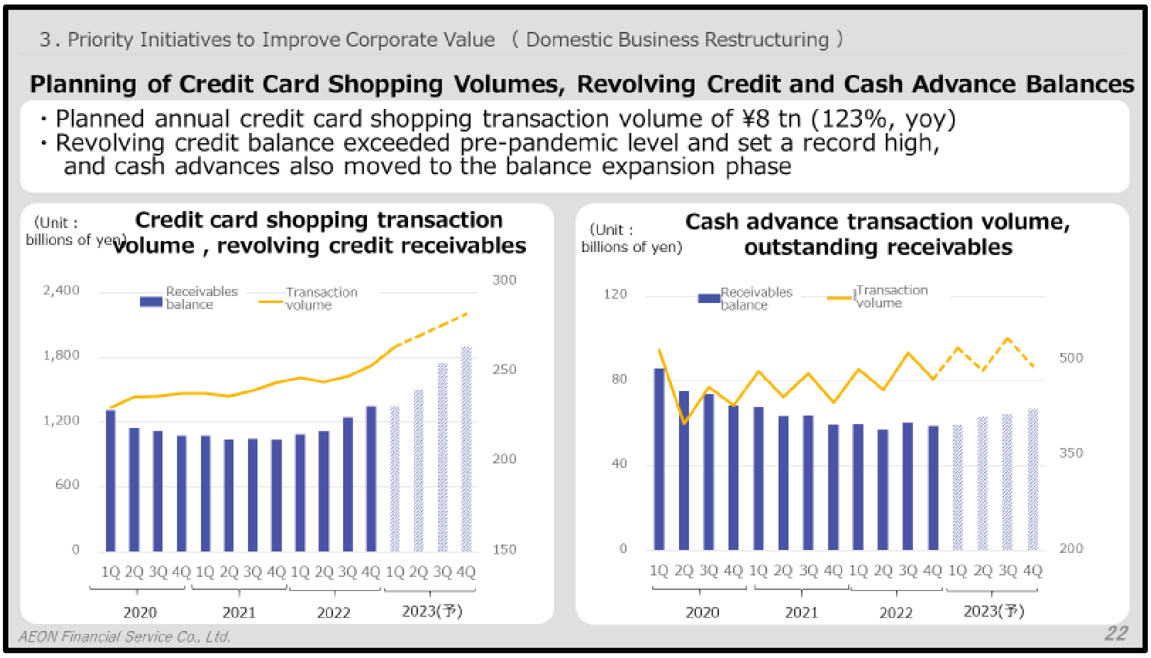
・The environment is such that the needs for funds are increasing, and both the credit card shopping revolving payment and cash advance transactions are already in the expansion phase.

・As the graph on the left side of the slide shows, the factor for the decrease in outstanding receivables during the COVID-19 pandemic was not the amount per user: it was the decrease in the number of users.

・From the past experience, we know that a certain percentage of credit card members will surely use the revolving payment and cash advance services. Accordingly, increasing the number of IDs is the largest factor for increasing the outstanding receivables.

・For the customers who stopped using the services due to the COVID-19 pandemic, we plan to communicate more frequently, such as transmitting messages when they access channels such as the application that they use very often, sending a notice when the credit screening criteria are optimized and making a timely proposal when they purchase an expensive product.

・In addition, we will also enhance the benefits it offers to the users and improve the usability to increase the number of users.




・With the measures explained in the previous slides for winning new card members and for promoting revolving payment and cash advance transactions, we seek to achieve eight trillion yen in credit card purchase transaction volume, up 23% from the previous fiscal year.

・We expect an increase of about 30 billion yen in the outstanding revolving credit receivables. We also expect that cash advance transaction volume will resume increasing in the second quarter.

## Strengthening Profitability _Promoting the Use of Housing Loans

・Unique benefits in collaboration with retailers plan to increase mortgage disbursement by 130% (yoy)

**Promotion of housing loan benefits [AEON Select Club]**


**Increased housing loan volume**

Attracting customers in the AEON Living Zone through incentives that leverage the synergies of the AEON Group

**FY2023 plan: Approximately ¥600 bn (130%, yoy)**

×

**Promoting the use of AEON Cards**

Cross-selling with housing loans improves AEON Card usage

**Amount spent by AEON Select Club members : +79% of regular member usage**



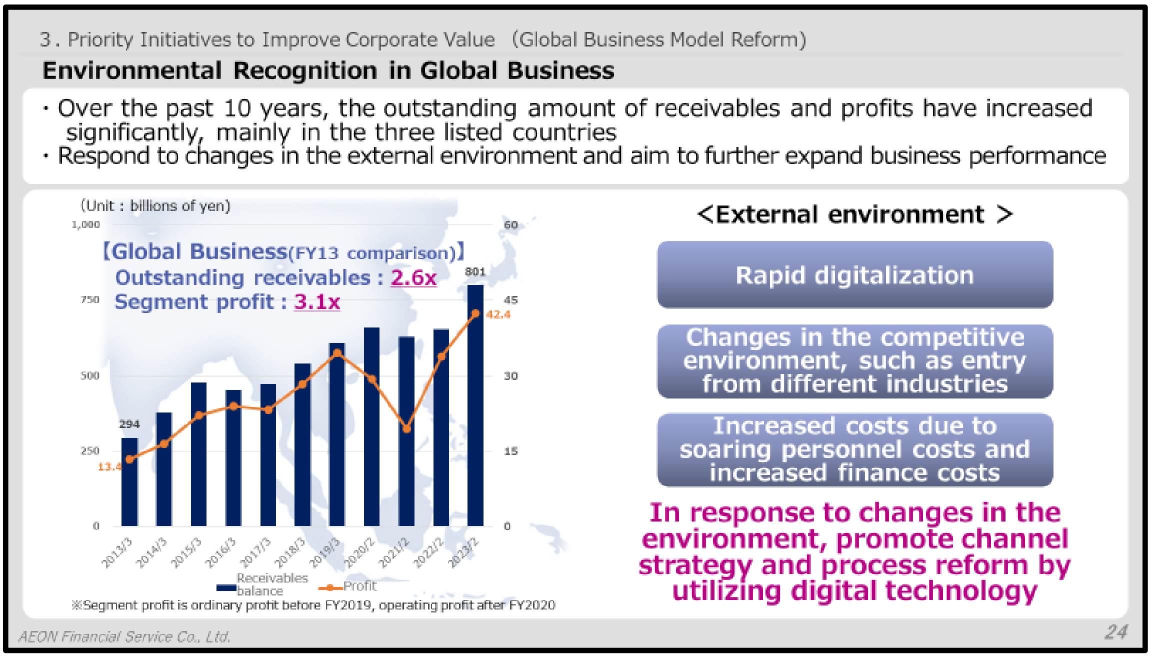
・The next topic is housing loans.

・The AEON Select Club benefit, which AEON Bank provides to the users of the Bank's housing loan, has been enhanced since March 2023.

・The Select Club benefit offers to the users a five percent discount on purchases at AEON Group stores every day, a very attractive benefit that no other housing loan providers can offer.

・As the housing prices are soaring, competition only in terms of the interest rate will weaken the financial base. We can differentiate from competitors through collaboration with retailers and expect an increase of 30% in fiscal year 2023.

・The users used to be able to enjoy the five-percent discount every day for five years from when the agreement was signed. Now, they can enjoy the benefit until they finish repaying the housing loan. The benefit is very attractive when converted into the interest rate, and this will be the main focus in our promotion.

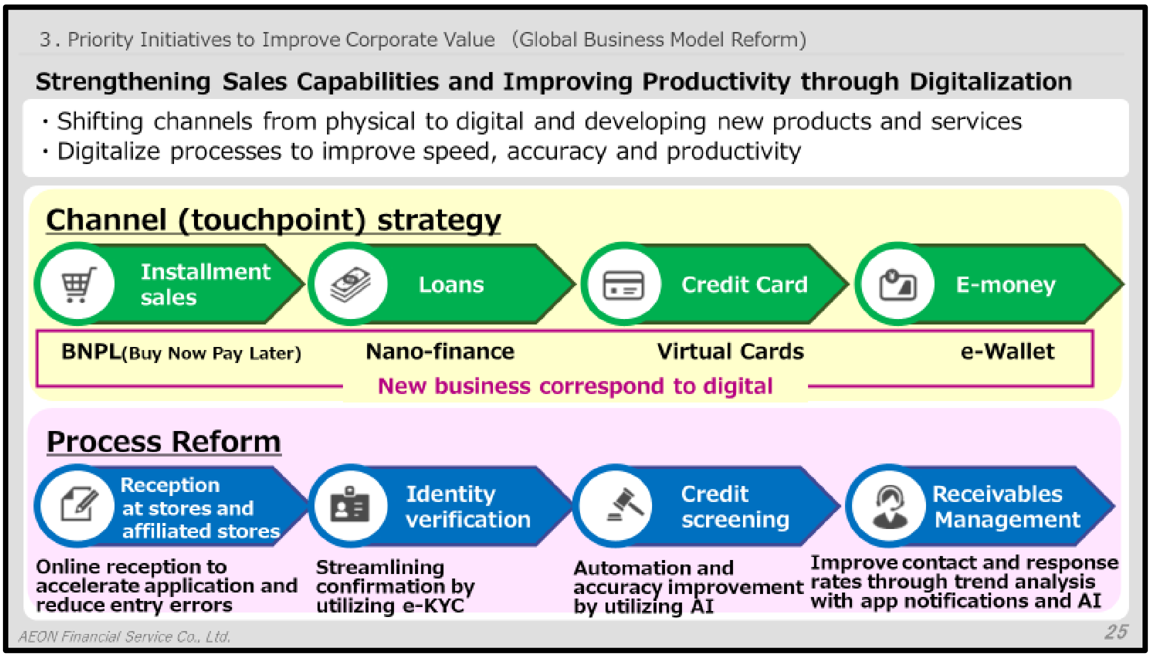



・Now, let us look at the Global businesses.

・Looking back at the Global business, the three listed subsidiaries in Hong Kong, Thailand and Malaysia have led the Global business. Over the past 10 years, the outstanding trade receivables grew 2.6 times, and the operating profit 3.1 times. All of them have overcome the effect of the COVID-19 pandemic, posting record highs.

・It is expected that they will continue growing fast. Naturally, it is essential to respond to changes in the external environment, and unlisted subsidiaries in other countries sticking with old-fashioned business models may lose in the competition in five or ten years.

・For this reason, the Group will promote digitalization, which proved successful in Thailand and Malaysia, in all the areas promptly. By promoting renovation of channels and processes, the Group plans to cultivate the competitiveness so that the subsidiaries will not lose to competitors.

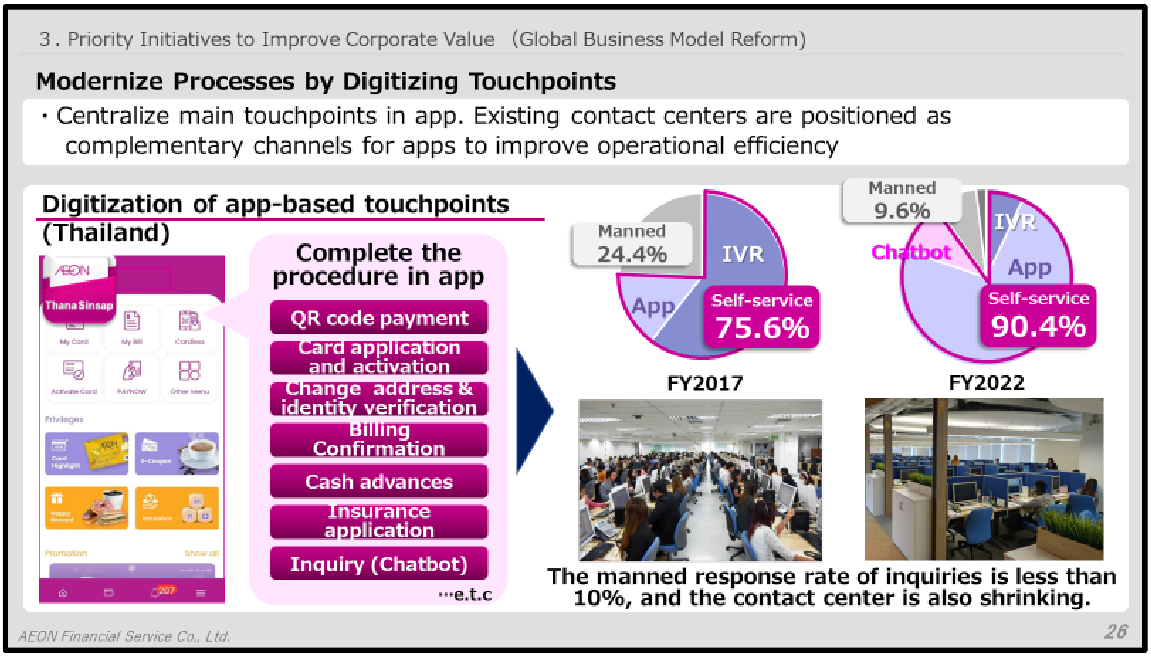



・Next, I would like to discuss how we plan to change channels and processes through digitalization.

・First, the touchpoints, which have mainly been real, are being shifted to applications. Against such a backdrop, we are launching new services such as BNPL (Buy Now, Pay Later) and nano-finance, which utilize the know-how we have developed, by changing the method of offering and improving access.

・By incorporating digital technologies into our operations, from processing membership applications to repayments, we have been able to improve the speed of offering and credit screening and automate the process, getting away from the labor-intensive business model and improving productivity.

・We plan to establish a new cycle of business creation early, incorporating the digital elements in our existing model of success to accelerate the growth of Global business.

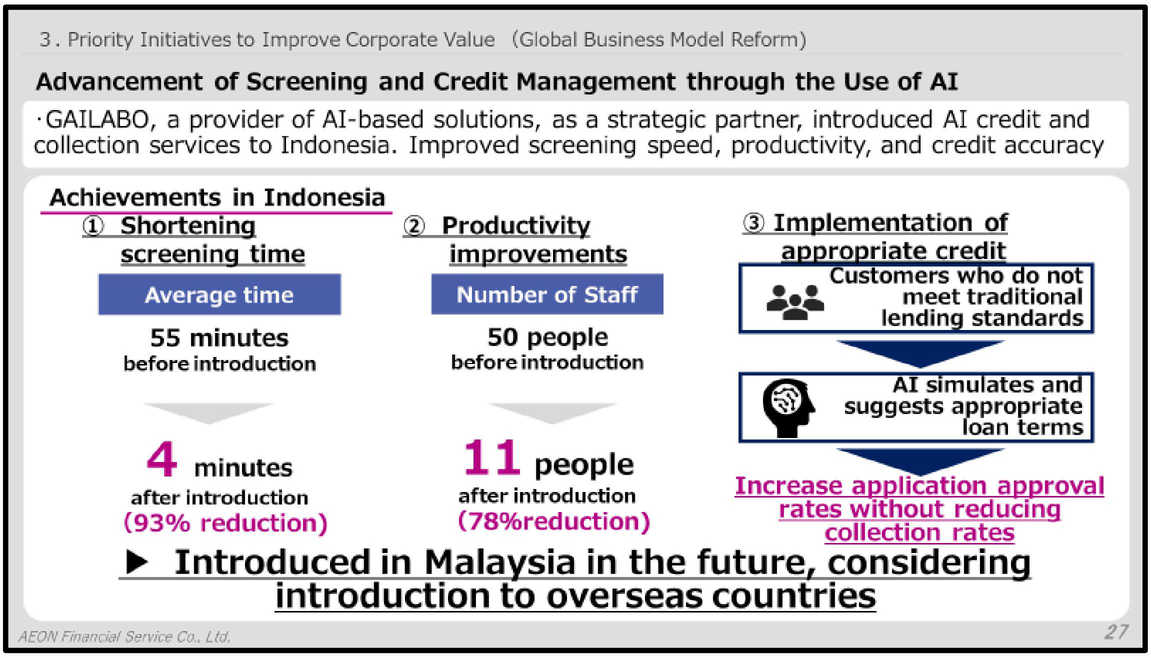



・Here are successful results of various measures.

・It is a case in Thailand. When the COVID-19 pandemic started, I was working as President of the Thai subsidiary. I took over the current position six months later, by the way. During the pandemic, the management environment overseas was harsher than in Japan, with activities completely restricted under the lockdown. The idea then was that, if the Group did not change the business model, it would not be able to survive. Accordingly, the Group accelerated digitalization in a dash.

・In Thailand, the touchpoints were already unified, which helped enhance the business efficiency drastically. As shown in the photo, there used to be a large number of employees in the contact center, but as the Group enhanced the app so that most processes could be completed on it, the Group was able to reduce the number of employees substantially at the center. Because it was no longer necessary to have many employees to respond to customer inquiries, the Group was also able to reduce the number of call centers and the rent expenses.

・The Group is in the stage of deploying successful measures globally. We believe that the productivity in the Global business will further improve.




・Now, I would like to discuss the enhancement of credit screening and receivables management with AI technologies, which, by the way, was one of the topics of Nikkei Newspaper today.

・The most important element in credit business is credit screening and receivables management.

This is an example in Indonesia, but one of the issues there was the speed and accuracy of credit screening. The Group used to allocate a lot of human resources to the process.

Accordingly, the Group tied up with GAILABO (Global AI Innovations Laboratory Co., Ltd.), a provider of AI solutions, to improve the process by utilizing AI technologies.

・The results have been in line with expectations, with improved speed, productivity and credit screening accuracy.

・The Group plans to introduce the technology in Malaysia and is studying use of the technologies in Hong Kong and the Philippines as well. The Group will continue enhancing credit screening and receivables management in these countries.

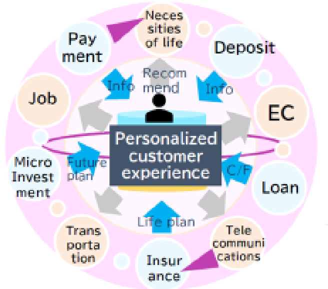
## Initiatives to Establish New Business Models

・In preparation for the opening of a digital bank scheduled for January, 2024, we will invite CEO Raja, who has experience in digital banking, from outside to establish a business foundation as soon as possible

### Preparation for the opening of a digital bank (Malaysia)

ACS DIGITAL BERHAD
CEO Raja Teh Maimunah

【Career】
After serving as CEO and MD of Malaysia Stock Exchange and local banks, became CEO of Digital Bank
Leveraging her experience in promoting digitalization and DX in the banking industry to lead the promotion of the digital banking business




Turn apps into touchpoints and leverage collected data
▶ Providing products and services tailored to individuals



・I would like to discuss the Group's measures for the digital bank.

・The Group is in the process of commencing operations in January 2024, and I would like to introduce Ms. Raja, who is assigned as CEO of the digital bank.
Ms. Raja has the experience of promoting Islamic finance and digitalization at a bank in Malaysia. She also has the experience of working at Bursa Malaysia. With these experiences and human networks, the Group believes that she is best qualified for the position.

・The digital bank will not have offices--the application plays the role of an office. Accordingly, the bank is currently working to develop a quite convenient application.

・In order to offer comprehensive financial services in Asia, a successful digital bank is indispensable, and the Group as a whole will continue focusing on the project.

3. Priority Initiatives to Improve Corporate Value (Promoting Sustainability)

## Human Capital Investment in Growth Areas (Establishment of AFS Academy)

- AFS Academy established in March 2023 as a human resource education and development organization
- Invest in medium- to long-term employee development that meets learning needs and expand financial literacy courses for external organizations

| | Type of course (target) | Contents |
|---|---|---|
| Within a Group | Elective Courses (Applicants) | In addition to acquiring knowledge on DX, innovation, finance, etc., provide courses on a wide range of themes such as diversity, self-understanding, and psychological safety |
| | Nominated Courses (Decided by each company) | Provide basic management courses, certified internal auditor qualification courses, etc. to improve management skills and develop specialized human resources |
| | Digital Library (Applicants) | Established as an opportunity to acquire a wide range of knowledge that meets individual needs. Users can read freely from the title list |
| Out of G | External Group Courses (Student) | Financial literacy course for high school and university students. In the future, plan to expand the target to junior high school students and working adults |

**・Realization of the human resource portfolio necessary to realize the strategy**
**・Maximization of individual value**

**・Acquisition of correct financial knowledge**
**・Fostering financial literacy**

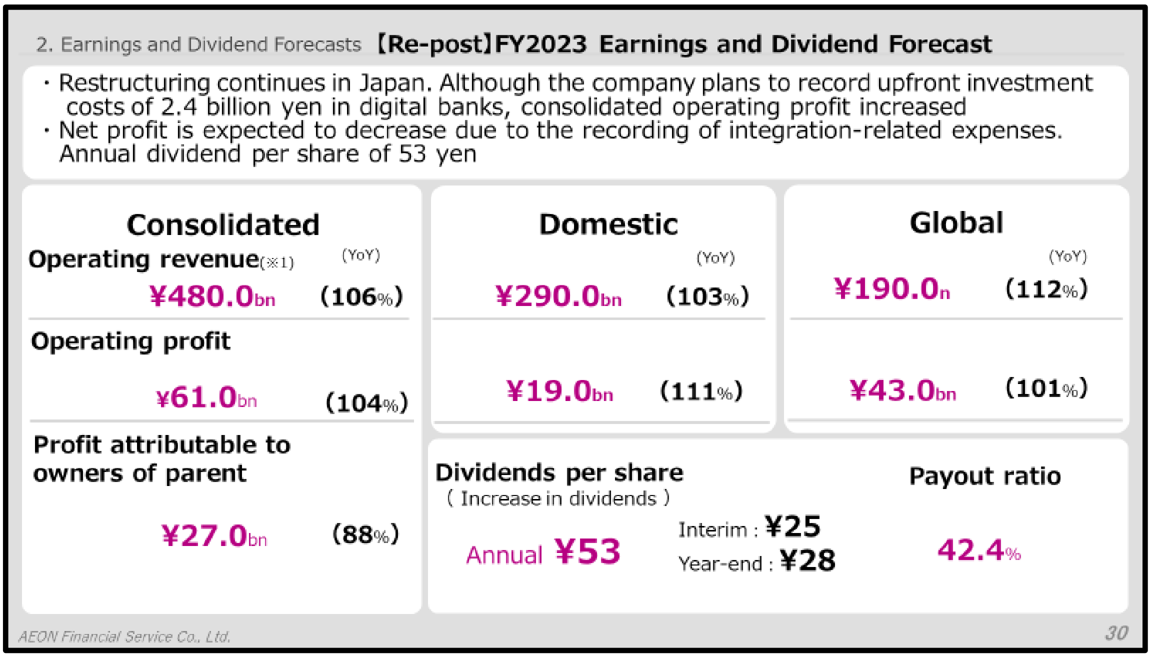


・This slide shows the Group's measures for maximizing the value of employees.

・The Group believes that the most important element in running a company is humans.
The AEON Group has the concept that "education is the best welfare," and, in order to meet the needs of employees for learning and to foster them on a medium- to long-term basis, the Group opened the AFS Academy as a place for educating and fostering human resources.

・The Academy also holds financial literacy lectures for external parties, responding to needs for learning inside and outside the Group.

・The Group will promote human resources management and proceed with measures for the realization of a sustainable society.




・Lastly, back to the business forecast for fiscal year 2023.

・One of the matters not incorporated into the Medium-term Management Plan was the COVID-19 pandemic, and it took time to recover from the impact. Also, the Group has now started investing in new projects, such as the insurance and digital bank businesses.

・The original plan was that fiscal year 2023 would be a year to recoup the up-front investments. However, the basic assumption for the current business forecast is that it will be a year to continue up-front investments.

・By steadily implementing the measures explained above, we plan make fiscal year 2023 a year to pave the way for rapid growth from fiscal year 2024 onwards. Your continued support would be much appreciated.

Thank you very much,

## Questions and Answers

■Mr. Sakamaki, Analyst, Nomura Securities

(1)

Q: May we understand that, under policy of the Company, the dividend amount is, in principle, based on net profit and that the dividend payout ratio of around 40% will continue in the future?

A: Tomoyuki Mitsufuji

Our basic policy is to keep the dividend payout ratio at around one third of the distributable profit. It is also an established policy to raise the ratio to around 40% in certain occasions. For the fiscal year 2023, because the profit is expected to decrease due to one-off factors, we plan to keep the amount of the annual dividend at 53 yen per share.

(2)

Q: Would you tell us about the likelihood of achieving the targets in the Medium-term Business Plan, such as current status of progress and probability of achieving the target operating profit of 100 billion yen?

A: Kenji Fujita

Against the target operating profit of 100 billion yen in fiscal year 2025, the profit for fiscal year 2022 was about in line with the planned progress. The issue is growth from the current level. Although there are negative factors of expanded investments in the digital bank and insurance businesses affecting the profit negatively by about 10 billion yen, fiscal year 2025 still will be a year for investment. In the meantime, the overseas businesses are growing organically faster than expected. The domestic businesses are yet to catch up with overseas operations. Accordingly, the plan is to make up for the negative impact of 10 billion yen not only with the organic growths but also with the business and portfolio restructuring.

■Ms. Tsujino, Analyst, Mitsubishi UFJ Morgan Stanley Securities

(1)

Q: Do you think that securitization income in fiscal year 2023 is likely to remain almost unchanged? The Company posted a large amount of securitization income in the fourth quarter, but please tell us about the current situation, whether it is easy to securitize the receivables.

A: Tomoyuki Mitsufuji

We expect that securitization income for fiscal year 2023 will be about the same level as in fiscal year 2022. In the previous fiscal year, because the interest rates shot up in the second half, we somewhat decreased the amount of securitization in consideration of the funding cost. Taking this fact into consideration, the amount of securitization may increase somewhat for the current fiscal year, but securitization income is expected to remain at a similar level.

(2)

Q: In Thailand, the NPL Ratio is somewhat lowering. Do you think the effect of having made the repayment amount back to the original level has already fully come out? Or do you think there will be more to come?

A: Tomoyuki Mitsufuji

We do not believe it is over yet. As the repayment amount increases, the Group still sees delays in repayment. The situation has been much more stable since the beginning of the year, though.

■Mr. Watanabe, Analyst, Daiwa Securities

(1)

Q: You told us that there is no change in the dividend policy. Do you think that there is a downward rigidity in the amount of dividend? Please also tell us what conditions, or how much profit, are required for raising the dividend from 53 yen per share.

A: Tomoyuki Mitsufuji

We maintain the policy of allocating one-third of distributable profit to dividends, another one-third to retained earnings, and the remaining one-third to investments. Particularly for the current and next fiscal years, we are considering raising the dividend payout ratio to 40% to answer the investor expectations. Net profit can be generated with sales efforts and a little bit of something, and we will examine the factors and situations at that time to determine whether to raise dividends or not. The first premise for us to raise dividends per share is, of course, the rise in net profit. We will make every business effort to achieve it.

(2)

Q: Please tell us what kind of revisions are made to the credit screening criteria for cash advances in Japan and how the revisions are affecting the cost of credit.

A: Kenji Fujita

When the COVID-19 pandemic started, we loosened the credit criteria to raise the cutoff point, some of which we recently lowered again. Concerning the credit cost outlook, it is rather stable at present, but, because the number of young customers is increasing that are more likely to go into default, it is possible that the cost goes up. We should focus on the long-term total return and will therefore watch the effect of the increase in the number of young customers.

■Mr. Hara, Analyst, Nikko Securities

(1)

Q: In the plan for the current fiscal year, operating revenue of the Global businesses is expected to increase substantially, by 12%, while operating profit to increase only slightly. Will you please tell us the reasons?

A: Tomoyuki Mitsufuji

The forecast conservatively incorporates the investment in the digital bank in Malaysia and cost of rising interest rates as risk factors. The nonperforming debts tend to increase in proportion to the outstanding amounts of receivables, which is also incorporated in the forecast.

(2)

Q: When will the Phase 2 of the domestic business restructure be completed? What will the investments be like until the Phase 2 is over? What synergies will there be, and what will be the enhancement of productivity in quantitative terms?

A: Yuro Kisaka, Director and Managing Executive Officer in charge of Group Corporate Planning

This June, we will be reorganized around the payment business. Taking this opportunity, we will optimize the sales touchpoints and review the business organization restructuring in the first half of the fiscal year. Concerning the optimization of the touchpoints, we will review what channels are most appropriate for the customers, such as the application, personnel at the stores, and call center. For example, the cost of redundant personnel at the stores alone amounts to about 8 billion yen, and we will cut some of such costs. We will promote insurance and banking services to the customers that we have won with the payment services, and this way will enhance the profitability.

■Mr. Okada, Analyst, UBS Securities

(1)

Q: Please tell us about the sales promotion expenses in the current fiscal year and thereafter.

A: Tomoyuki Mitsufuji

In order to continuously promote sales, the plan is to increase the expenses by about 10% in Japan.

(2)

Q: The cost for issuing the credit cards, system maintenance expenses, and investment in human resources were visible up until the third quarter. What will be the estimates of these expenses for the current fiscal year?

A: Tomoyuki Mitsufuji

The cost for issuing the credit cards is variable, in proportion to the number of transactions. As the number of transactions is increasing, the expense will also increase proportionately. Concerning major investments, we plan an IT-related investment of about 30 billion yen in Japan, including digital transformation. There are no factors that solely increase the digitalization expenses.

■Mr. Yaginuma, Analyst, BofA Securities

(1)

Q: Please tell us what characteristics each of the regions overseas has, and what the reasons for slower increases in revenue.

A: Tomoyuki Mitsufuji

Of the three companies, ACS Asia, AEON Credit Service (ASIA) in Hong Kong, has the highest growth in operating revenue. Malaysia, AEON Credit Service (M), is the second. The revenue decreased when there were not sufficient inventories of motorcycles, but with the recovery in the inventories, the performance has also been recovering. The last is Thailand. The subsidiary in Thailand, AEON Thana Sinsap (Thailand), has been growing reasonably, but, because the market is mature, the growth is rather limited. In terms of revenue and amount of transactions, Thai is the leader, followed by Malaysia and Asia. The slower growth in revenue is attributable to intensifying competition, and one of the factors is that the transaction volume is small at Asia that has the highest growth rate.

■Mr. Sato, Analyst, J.P. Morgan Securities

(1) Please tell us what actions you plan to take in response to the request from the Tokyo Stock Exchange for operations that take the capital cost into consideration.

A: Tomoyuki Mitsufuji

Our management is keenly aware that it is a very important management issue. It is not necessarily because of the TSE request, but the management would like to urgently study what actions to take, and to announce some plans in about half a year, if possible.