

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

# FY2023 Third Quarter IR Presentation Material

January 11, 2024



**AEON Financial Service**

Stock Listing: Tokyo Stock Exchange, Prime Market

Code No: 8570

## Contents

---

- 1 Financial Results Highlights
- 2 Earnings and Dividend Forecasts
- 3 Priority Measures
- Appendix

- In today's presentation, Director and Managing Executive Officer Mitsufuji will first explain the highlights of our third quarter financial results and then our earnings and dividend forecasts.

This will be followed by President and CEO Fujita's explanation of the third point, AEON Financial Services' priority measures.

# 1 Financial Results Highlights

- First, I will explain the highlights of our third quarter financial results.

## Summary of Financial Results

---

### (1) Despite the decline in sales and profits, business performance bottomed out

- Consolidated operating profit of ¥26.1 bn yen (YoY 63%), while transaction volume and operating receivables outstanding increased steadily
- Strengthening cost control in Japan by selecting and concentrating sales promotion measures  
Overseas expenses related to bad debts tend to peak out

### (2) Continue to review our business portfolio

- Promote the shift to optimal portfolio and B/S optimization based on the business environment and our Purpose
- Announced the transfer of its installment business.  
Concentrate resources on BtoC business centered on payments, which is the core area
- Expansion of growth areas, including M&A in Vietnam and preparations for the opening of a digital bank in Malaysia

### (3) Dividend

- There is no change in the dividend forecasts

- There are three key points in today's presentation on the latest financial highlights.
- First, our third-quarter financial results were difficult, with a consolidated operating profit of 26.1 billion yen, which represented 63% of our consolidated operating profit in the same quarter in the previous year. Despite this result, both our transaction volume and outstanding operating receivables continued growing steadily.
- With respect to expenses, we tried to strengthen our control over sales promotion expense as we had paid up-front expenditures to implement proactive measures to expand our domestic customer base in the first half of the fiscal year. In addition, there have recently been signs of improvement to our bad debt related expense overseas, which has been an ongoing concern, through the continuous efforts to improve credit assessment accuracy and enhance collections in each country. We therefore expect our bad debt related expense to reach its peak in the current period.
- Given the top-line revenue growth and the expected peaking of credit cost overseas, we believe that our business results have bottomed out in the third quarter and will take an upturn.
- The second point is a review of our business portfolio.  
We are currently reviewing our business portfolio within and outside Japan to improve our corporate value and are trying to implement *selection and*

*concentration* using various methods, including alliances with external partners and M&As.

As part of this strategy, we today announced the sale of AEON Product Finance Co., Ltd.

We also made progress in planting seeds for our further growth, including the launch of new business overseas.

- The third point is dividend. Although our financial results were difficult, we believe that we will be able to make an upturn as we have steadily expanded our businesses.
- Furthermore, the progress we make in reviewing our business portfolio for our future growth will result in a positive outcome. We will, therefore, pay the dividend we promised at the beginning of the current fiscal year as planned.

## The Highlights of the Consolidated Results

[Domestic] : Profit decreased due to an increase in bad debt related expenses, the accumulation of outstanding receivables and sales promotion expenses in the 1H to expand the customer base

[Global] : Topline expands steadily, but bad debt related expenses increased

(Unit : Bn JPY)

	Consolidated		Domestic		Global		FY2023 Forecast	
		YoY		YoY		YoY		Progress
Operating Revenue	355.7 bn	107 %	213.7 bn	103 %	143.3 bn	114 %	¥480.0 bn	74 %
Operating Profit	26.1 bn	63 %	▲0.5 bn	- %	26.4 bn	83 %	¥61.0 bn	43 %
Ordinary Profit	27.0 bn	61 %	-	-	-	-	¥61.0 bn	44 %
Profit attributable to owners of parent	8.8 bn	40 %	-	-	-	-	¥27.0 bn	33 %

※As a result of the domestic business integration, the results of AEON Financial Service Co., Ltd., which had been included in the adjustment amount, are included in the domestic segment.  
YoY is calculated by reorganizing the previous year's results into the changed segments.

5

- I will now explain the consolidated financial results for the third quarter.
  - Operating revenue was 355.7 billion yen, up 7% year on year
  - Operating profit was 26.1 billion yen, down 37% year on year
  - Ordinary profit was 27.0 billion yen, down 39% year on year
  - Profit attributable to owners of parent was 8.8 billion yen, down 40% year on year

This means that while our revenue increased, profits fell year on year.

- For domestic business, outstanding operating receivables continued to increase steadily, contributing to the increased revenue.  
Profits, however, shrank because an increase in bad debt related expense resulting from increased outstanding receivables and an increase in sales promotion expense in the first six months of the fiscal year preceded revenue growth.
- For global business, bad debt related expense is the main factor behind smaller profits. However, we expect bad debt related expense to reach its peak given the significant impact of extraordinary factors such as the government's debtor protection measures implemented in the previous fiscal year during the COVID-19 pandemic, our relentless efforts to upgrade credit risk control, and the anticipated moderate economic recovery and slowing of inflation.

## The Highlights of the Consolidated Results -3Q Fiscal Quarter

[Domestic] : The growth rate of operating revenue increased, but OP was negative due to an increase in expenses related to bad debts in line with increased outstanding receivables  
 [Global] : Despite increased revenue and profits in the China Area, profits declined in the Mekong Area due to delays in economic recovery in the macro environment

(Unit : Bn JPY)

	Consolidated		Domestic		Global	
	YoY		YoY		YoY	
Operating Revenue	118.2 bn	108 %	69.5 bn	106 %	49.1 bn	110 %
Operating Profit	5.8 bn	60 %	▲2.1 bn	- %	8.0 bn	80 %
Ordinary Profit	5.7 bn	57 %	-	-	-	-
Profit attributable to owners of parent	1.6 bn	39 %	-	-	-	-

AEON Financial Service Co., Ltd.

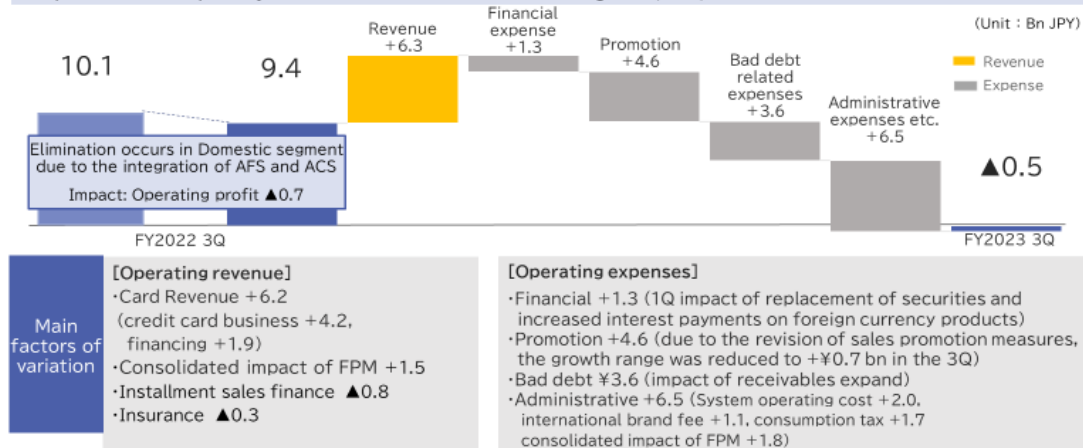
6

- Here are the consolidated financial results for the third quarter of the fiscal year ending February 2024 on a single quarter basis.
  - Operating revenue was 118.2 billion yen, up 8% year on year
  - Operating profit was 5.8 billion yen, down 40% year on year
  - Ordinary profit was 5.7 billion yen, down 43% year on year
  - Profit attributable to owners of parent was 1.6 billion yen, down 61% year on year
- For domestic business, the growth rate of operating revenue rose by 6 basis points compared with the second quarter, showing a successful increase in top-line revenue. In our international business, our results remained strong in the China area with increased revenue and profits. In addition, top-line revenue growth continued in the Malay area.
 

Our international business as a whole, however, posted smaller profits due to the impact of a larger bad debt related expense resulting from the delayed economic recovery in the Mekong area.

## [Domestic] Breakdown of Operating Profit

- With the revitalization of consumption, the use of credit card and cash advances has expanded. The effects of balance recovery also gradually contribute to revenues
- Although there was a partial deviation from the previous year, sales promotion exp. were suppressed in the 2H. Upfront cost temporarily occurred in FeliCa Pocket Marketing Inc. (FPM) due to the seasonal factors



- This slide shows the breakdown of year-on-year change in the operating profit of our domestic business.
- As shown in the left-hand side of the graph, the results for AEON Financial Service are reported under the domestic business segment from the second quarter due to the management integration with AEON Credit Service. Operating profit of 10.4 billion yen for the previous fiscal year was calculated by applying the same standard as the current fiscal year, resulting in a 0.7 billion yen decrease from the results announced last year.
- Operating revenue increased thanks to factors such as an increase in credit card revenue due to increased shopping and cash advance transaction volumes and the consolidation of FeliCa Pocket Marketing Inc. (FPM).
- However, expenses grew year on year due to an increase in bad debt related expense resulting from a greater balance of outstanding receivables, and a large sum of expenses used in the first half of the fiscal year to increase AEON Pay members and their use and especially to attract credit card members online.
- Sales promotion expenses rose about 700 million yen year on year for the third quarter on a quarter-alone basis due to the advance posting of media expense,

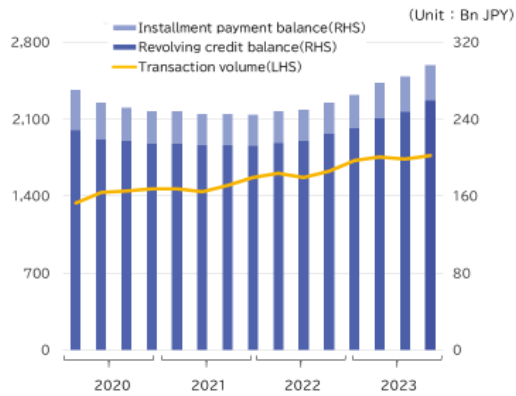


including TV commercials from December last year. However, targeted spending was made based on a review of online promotion methods and of project contents.

- FPM, which was consolidated in the current year, generates revenue mainly in March. As a result, their expenses were recorded for the 3Q results before they could have a positive impact on revenue.
- Consumption taxes rose 1.7 billion yen. This is a one-off factor, and we expect to recover approximately 1.0 billion yen out of this amount at term end.

## [Domestic] Shopping Transactions and Receivables

- Transaction volume was driven by travel and leisure as daily consumption recovered, but it was also affected by consumers refraining from buying
- Revolving balances continue to grow at double-digit rates YoY. The repayment simulation function also contributes to the increase in balance



### Credit Card Shopping Transaction Volume

- 3Q cumulative results: ¥5,257.1 bn (YoY 109%)
- While prices are rising, consumers are also refraining from buying
- The number of registered utility bills increased by 150,000 on YoY, and the unit price temporarily decreased due to the government's subsidy for electricity bills, etc.
- Increase the unit usage price for the increased number of Gold Card members

### Revolving and Installment Balance

- 3Q results: Revolving balance ¥258.8 bn (YoY 115% / YTD +¥28.0 bn)
- Installment balance ¥37.3 bn (YoY 114% / YTD +¥2.8 bn)
- Users of the "repayment simulation function" that allows users to see the expected payment amount after the revolving payment change in advance contribute to an increase in balance
- Improved visibility of revolving payment changes in the AEON Wallet app

AEON Financial Service Co., Ltd.

8

- I will now explain shopping transactions and receivables in our domestic business. On this graph, the yellow line shows the transaction volume, while the blue bars show the revolving credit balance.
- Shopping transaction volume increased by 9% year on year to 5,257.1 billion yen. The shopping transaction volume rose, driven by non-essential spending such as traveling and leisure, but there has also been a spread of the saving sentiment. For instance, consumers are showing a tendency to make fewer purchases while shopping and trying to cut down on their recurring monthly expenses, such as utilities and mobile phone charges, by reviewing their smartphone plans and receiving the government's subsidy for electricity and gas charges. This is reducing spending per person. Consumption thus continues to be polarized.
- However, the number of credit card members registering credit cards for the payment of their public utility charges rose by 150,000 year on year. This has contributed to establishing the position as the main credit card for daily use. A pause in the consumer awareness about inflation is likely to help increase the shopping transaction volume.
- The revolving credit balance was 258.8 billion yen, up 15% year on year or an increase of 28.0 billion yen from the beginning of the term.

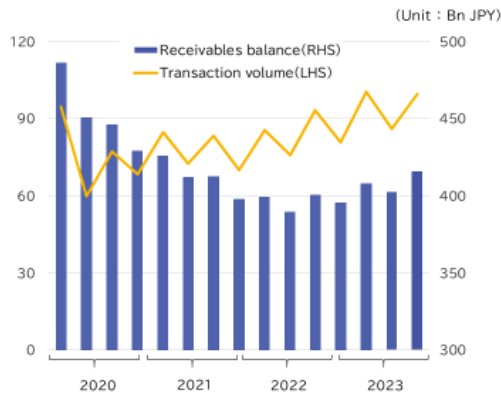
The installment credit balance was 37.3 billion yen, up 14% year on year, or an increase of 2.8 billion yen from the beginning of the term.

Both continued to make a two-digit year-on-year growth.

- The “repayment simulation function” introduced in the first quarter to show the estimated payment amount after switching to revolving payment and the renewal of AEON Wallet, a smartphone app, helped increase the credit balance by making it easier to understand how to switch to revolving payment.
- We will continue further improving the convenience of our services and strive to increase transaction volume.

## [Domestic] Cash advance transaction volume and receivables balance

- A continuous approach to meet the recovery of funding needs has been successful, and transaction volume has increased steadily
- The outstanding amount of receivables also turned positive from the same period of the previous year from FY231Q, and the growth rate of YoY increased



### Cash Advances Transaction Volume

- 3Q cumulative results: ¥285.9 bn (YoY 112%)
- Although the effects of the optimization of the credit line that had been tightened during the pandemic have come to an end, the recovery in personal fund demand and the approach to dormant members have been successful
- Net cash advances are expanding due to the appeal of the benefits of being able to make immediate transfers in addition to the debit account

### Cash Advances Balance

- 3Q results: ¥415.8 bn (YoY 104% / +¥20.5 bn)
- By changing the repayment method (from lump sum to revolving) online, both the amount of change and the number of people changed have more than doubled in YoY. Improved convenience contributes to a longer period of use by customers

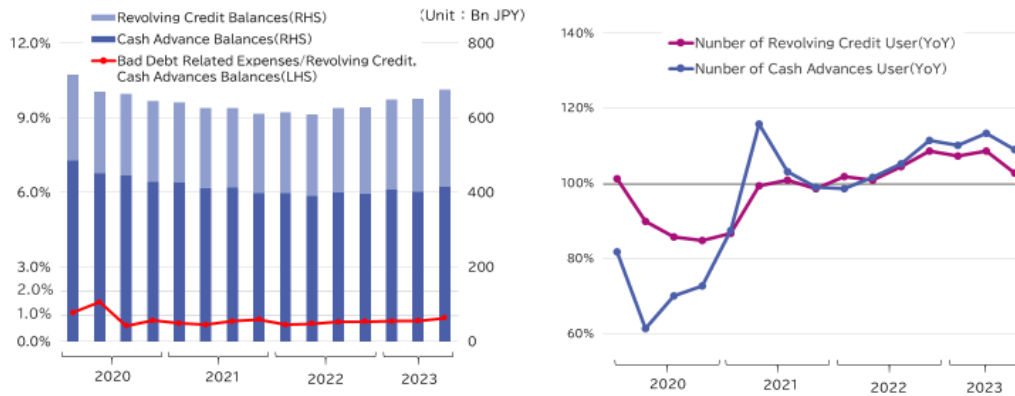
AEON Financial Service Co., Ltd.

9

- Next, I will explain cash advance transaction volume and outstanding balance of receivables. Cash advance transaction volume increased by 12% year on year to 285.9 billion yen.
- In addition to the recovery in funding demand of individuals, we continued promoting reaching out to idle members and approaching customers who have never used our cash advance service.
- In addition, the needs to use cash advance services through the internet are growing as our customers' lifestyles change. Our online cash advance transaction volume thus grew as we appealed the convenience of delivering funds instantly to customers' designated accounts 24 hours a day, seven days a week.
- The balance of cash advances was 415.8 billion yen, increasing 20.5 billion yen from the beginning of the year and maintaining its growth trend. The function to change the repayment method online to revolving payment helped stably increase operating receivables.
- With both transaction volume and outstanding balance exceeding their plans, we will strive to maintain their growth trend.

## [Domestic] Revolving Credit and Cash Advances, and Bad Debt Related Expenses

- The ratio of bad debt-related expenses to outstanding receivables remains low at less than 1%
- Although the rapid increase in the no. of users has come to an end, the YoY increase has been maintained, and the amount of outstanding receivables has also increased



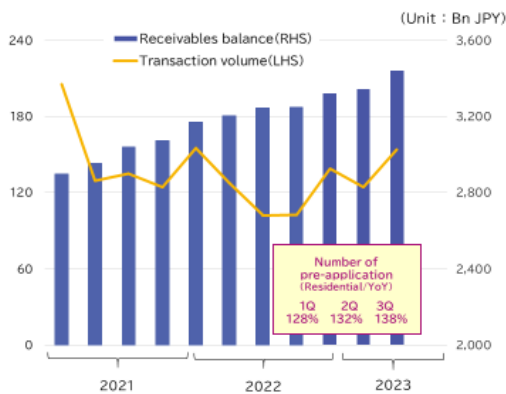
AEON Financial Service Co., Ltd.

10

- This slide shows the trends in the outstanding balance of revolving credit and cash advance receivables and the ratio of bad debt-related expenses.
- The graph on the left shows revolving credit receivables in light blue bars and cash advance receivables in dark blue bars, with the red line indicates the ratio of bad debt related expenses to the outstanding receivables. The red line has remained below 1%, showing a stable quality of receivables without any notable variation.
- The graph on the right shows the year-on-year growth in the number of revolving credit users and cash advance users with the red and blue lines, respectively. The numbers of people using our revolving shopping credit and cash advance services both have increased noticeably since the second half of last year. While year-on-year growth margins have eased off, they continued to exceed the previous year's levels. This shows that the outstanding receivables rose stably without excessively increasing the balance per person.

## [Domestic] Housing Loan Transaction and Receivables Balance

- Appealing for merits such as the expansion of AEON Select Club benefits has come to fruition, and the cumulative total of YoY transactions has also turned positive
- The number of pre-applications has been hovering over 130% in YoY, and we expect an increase in the number of property deliveries from the fourth quarter onwards



### Housing loan transaction volume

- > 3Q cumulative results: ¥417.2 bn (YoY 108%)
- > Due to the increase in new projects, the YoY of the no. of consultations increased even if the time from application to execution is prolonged
- > AEON Select Club (\*) also adds benefits for AEON Mobile (August) and the new online supermarket Green Beans (September). Appealing benefits other than interest rates with benefits that only AFS can do

### Housing loan balance (before securitization)

- > 3Q cumulative results: ¥ 3,525.2 bn (+¥205.0 bn)



Those who sign up for our housing loan receive a 5% discount on shopping at AEON Group

FY23: Expansion of benefits, such as the elimination of the upper limit on the amount of the discount period until the loan is paid off

AEON Financial Service Co., Ltd.

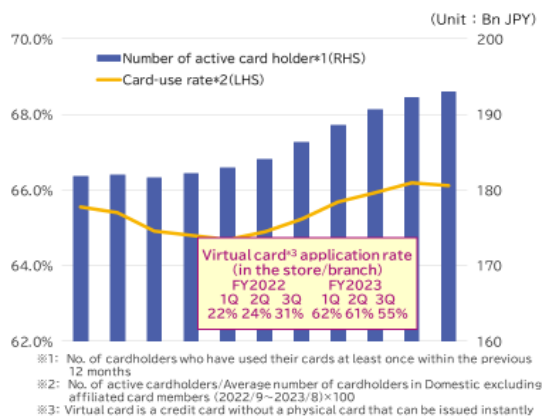
11

- I will explain the transaction volume and balance of receivables in our housing loan business.
- The transaction volume was 417.2 billion yen, up 8% year on year. We made up for the slower-than-expected performance in the first half of the fiscal year and recovered to the level above the previous year.
- With the recent changes in interest rate environment, demand for refinancing is decreasing. On the other hand, the execution of new transactions, which had required a long time after loan application until execution, helped grow the transaction volume.
- In addition, we revised the benefits under the AEON Select Club to offer discounts at AEON Group stores to housing loan customers. Due to this, the customer is able to receive a 5% discount of shopping at AEON Group stores until the housing loan is paid off. To help our customers visualize the advantages of these unique benefits we offer, we introduced a simulation function online and in branches. This enabled our customers to understand the unique added value which went beyond interest rates and led to the growth in the transaction volume.
- The year on year growth rate of the number of pre-applications kept over 30%.

We will further increase our housing loan transaction volume going forward.

## [Domestic] Status of ID Expansion

- Promote the efficiency of the cost of acquiring new members by reviewing campaigns for new members, etc.
- By improving initial operation and promoting the use of gold cards, we aim to improve the utilization rate and make them the main card



※1: No. of cardholders who have used their cards at least once within the previous 12 months  
 ※2: No. of active cardholders/Average number of cardholders in Domestic excluding affiliated card members (2022/9~2023/8)×100  
 ※3: Virtual card is a credit card without a physical card that can be issued instantly

AEON Financial Service Co., Ltd.

### Number of new members acquired

➢ 3Q cumulative number of new cardholders:  
1.24 million (YoY 91%)

➢ In the 2H of the FY, we will review our plans and other measures to reduce cost investment and improve efficiency by guiding people to our own website and collaborating with our partners

### Number of active members

➢ 3Q results: 19.3 million (YoY 104%)

➢ By promoting the registration of virtual cards at the time of in-store enrollment, customers can experience the benefits of our cards, and improve not only the initial operation but also the subsequent utilization rate

➢ Promote the use of gold cards with a high utilization rate as the main card

12

- This is the last slide from our domestic businesses. It shows the status of ID expansion.
- The graph on the left shows the number of active members in the blue bars and annual usage in the yellow line.
- We acquired 1.24 million new cardholders, which was down 9% year on year. We spent a large sum of expenses for online campaigns in spring. In the second half of the fiscal year, we appealed the benefits of our cards through a review of our campaigns and the adoption of various ideas to present sales promotion items, based on the business environment and cost-benefit performance analysis. These efforts to effectively acquire cardholders while keeping expenses down led to the successful control of acquisition cost.
- The number of active cardholders achieved 19.3 million, increasing by 4% year on year. To raise the ratio of active cardholders among new members, we continued initiatives to increase initial use through the promotion of virtual card, which could be used from the day new members joined and which would help them understand the benefits of our memberships such as discounts at AEON group stores.
- The number of members of AEON Pay, a bar code payment service, exceeded 9.5



million. We aim to improve card-use rate by promoting its use for small payment that credit cards are often not used or convenient payments, and to organize more profitable members into our eco system.

## Global Business by Segment 3Q Performance Highlights

- Cumulatively, operating revenue increased in all three areas. The China Area continued to increase sales and profits, reaching a record high in the 3Q

(Unit : Bn JPY)

3Q cumulative period	China area	YoY	Mekong area	YoY	Malay area	YoY
Operating revenue	22.1 bn	135 %	67.5 bn	105 %	53.6 bn	120 %
Operating profit	6.3 bn	126 %	10.1 bn	68 %	9.9 bn	84 %
<Reference> Bad debt related expenses	4.7 bn	201 %	24.5 bn	122 %	15.9 bn	146 %

(Unit : Bn JPY)

3Q accounting period	China area	YoY	Mekong area	YoY	Malay area	YoY
Operating revenue	7.8 bn	134 %	22.4 bn	98 %	18.7 bn	120 %
Operating profit	2.0 bn	128 %	3.3 bn	61 %	2.6 bn	89 %
<Reference> Bad debt related expenses	1.8 bn	204 %	7.9 bn	108 %	6.4 bn	133 %

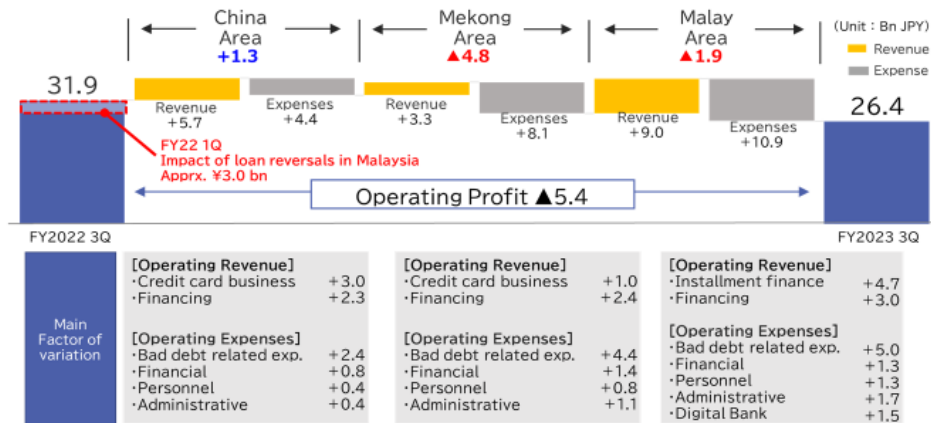
AEON Financial Service Co., Ltd.

13

- Now, we will move to global business. The operating revenue expanded for all three areas of China, Mekong, and Malay.
- In the China area, transaction volume steadily grew, especially in Hong Kong, at a pace exceeding an increase in bad debt related expense. As a result, revenue and profits continued to increase.  
In the Mekong and Malay areas, profits have declined due to a rise in bad debt related expense.

## [Global]3Q Operating Profit Breakdown

- The main reason for the decline in the previous FY was an increase in bad debt.
- The impact of temporary government policy in Malaysia for the FY2022 1Q resulted in a provision reversal for bad debts of approximately 3 billion yen.

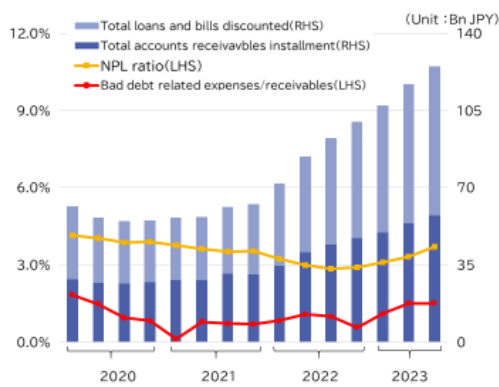


14

- This slide shows the breakdown of the year on year change in our operating profit of global business for the 3Q.
- The profit decreased by 5.4 billion yen year on year due to the impact of year on year increases in bad debt related expense by 4.4 billion yen in the Mekong area and by 5.0 billion yen in the Malay area.  
It should, however, be noted that there was an extraordinary factor impacting the result of the same period of the previous year: the Malaysian government implemented a pension withdrawal program in the previous 1Q, which resulted in an approximately 3.0 billion yen of the reversal of the loan loss reserve.
- While the recovery in Mekong area economic sentiments is likely to take some time, the Malay area achieved operating profit exceeding previous year, excluding the impact of the reversal of the loan loss reserve mentioned earlier.
- Currently, improvements in bad-debt related expenses are in progress through the improved credit assessment accuracy using technologies such as AI in each area and an enhancement to the collection structure using external resources. Bad-debt related expenses are thus expected to soon reach its peak, especially in the China and Malay areas.

## [Global] Operating Receivables and NPL of ACS Asia (HK)

- Steady expansion in both users and transaction volume by supporting smartphone payment services (UnionPay QR and NFC compatible)
- Receivables increased steadily by 135% YoY to maximize profits while taking appropriate risks



### External environment

- > CPI rises for 35 consecutive months (as of Nov. 2023)
- > GDP in Jul-Sep' 23 growth surpass Apr-Jun(+1.5%→+4.1%)

### Impact on bad debt-related expenses

Outstanding operating receivables YoY 135% YTD +¥25.1 bn

- > NPL ratio increased, mainly due to a sharp increase in trade receivables from the previous fiscal year

⇒ We use the bankruptcy prediction score to offer restructuring agreements to customers who are concerned about future bankruptcy to reduce the risk of sudden bankruptcy

As a result, we control the ratio of bad debt-related expenses to the balance of business receivables

AEON Financial Service Co., Ltd.

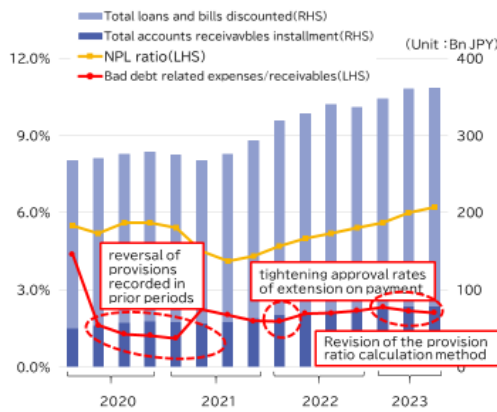
- I will explain the overseas trends in outstanding receivables and non-performing loans (NPL) ratio, starting with AEON Credit Service (Asia) in Hong Kong.
- The graph on the left shows installment receivables in light blue and operating loans receivables in dark blue bars, while the yellow and red lines show the NPL ratio and the ratio of bad debt-related expenses to the outstanding receivables, respectively.
- ACS Asia continued increasing operating revenue in line with the steady growth of operating receivables.
- By incorporating smartphone payment functions such as UnionPay QR into own mobile app, we improved the convenience of its services not only in the Hong Kong area but also in mainland China. And it helped ACS Asia capture the needs of tourists visiting China. Due to this, transaction volume has been steadily increasing. The steady increase in outstanding balance of receivables absorb an increase in bad debt related expense.
- From the 2Q, the number of cases where normal credit suddenly becomes unrecoverable has increased, resulting in the rise in the ratio of bad debt-related expenses to the outstanding balance of receivables. As a preventive measure

against sudden bankruptcy risk, we are contacting the customers to discuss loan restructuring contracts to control bad debt-related expenses.

- We expects the bad debt-related expense ratio to reach its peak in the 2H and will appropriately absorb risks and increase profits through the steady increase of its top-line revenue.

## [Global] Operating Receivables and NPL of AEON Thana Sinsap

- Promote digitalization, such as expanding the functions of smartphone apps and AI appraisals for collateral loans for automobiles
- Although the NPL ratio continue to rise, we reduce the ratio of bad debt-related expenses by improving credit accuracy



### External environment

- CPI fell for the first time in 25 months in Oct. (as of Nov. 2023)
- Although the new administration has set out policies to raise the minimum wage and reduce the household debt, it is expected that it will take time to improve the current burden of living expenses

### Impact on bad debt-related expenses

Outstanding operating receivables YoY106% YTD+¥24.6bn

- The unemployment rate continues to be high, especially among young people, and the NPL ratio is rising in the market as a whole
- Due to the revision of the provision ratio calculation method, the ratio of bad debt-related expenses decreased in QoQ

⇒ We aim to increase the outstanding amount of loans while balancing credit costs with continuing to increase the ratio of credit to middle-income earners with stable incomes, and

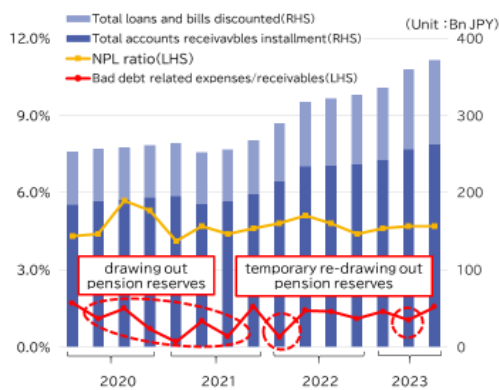
AEON Financial Service Co., Ltd.

16

- This slide shows the results at AEON Thana Sinsap in Thailand.
- In Thailand, inflation and unemployment rate among the young generation remain high, resulting in rising non-performing loans (NPL) ratios across the market, including our competitors.
- As Thana Sinsap tightened its credit screening based on the current situation, the growth in its balance of outstanding receivables paused. We are currently working on the expansion of the customer base so that we can immediately start to expand our sales operation when Thailand economy shows signs of recovery.
- Although the NPL ratio is rising, the ratio of bad debt-related expenses to outstanding receivables has decreased due to the revision of the calculation method for the provision rate.
- There are expectations for economic recovery with help from the new administration's policy such as debtor protection. However, it seems to take some time before the cost-of-living pressure for general consumers improves. We will provide appropriate credit to those with stable income while keeping the right balance with credit cost to increase the balance of outstanding receivables.

## [Global] Operating Receivables and NPL of ACS Malaysia

- Improved convenience, such as the provision of instant credit and the expansion of online support, continued to drive high growth in the top line
- Despite steady growth in receivables, NPL ratio remained stable



### External environment

- CPI rises for 34 consecutive months (as of Nov. 2023)
- GDP in Jul-Sep' 23 growth surpass Apr-Jun (+2.9% → +3.3%)

### Impact on bad debt-related expenses

#### Outstanding operating receivables YoY115% YTD+¥45.1bn

- The NPL ratio remained stable, and the QoQ bad debt related expense ratio also declined due to the expansion of normal loans and the renewal of the provision ratio

⇒ Average wages are currently rising, and screening accuracy has been improved by expanding the use of e-KYC and introducing biometric authentication to merchants. Lower credit costs while expanding personal loans and individual installments.

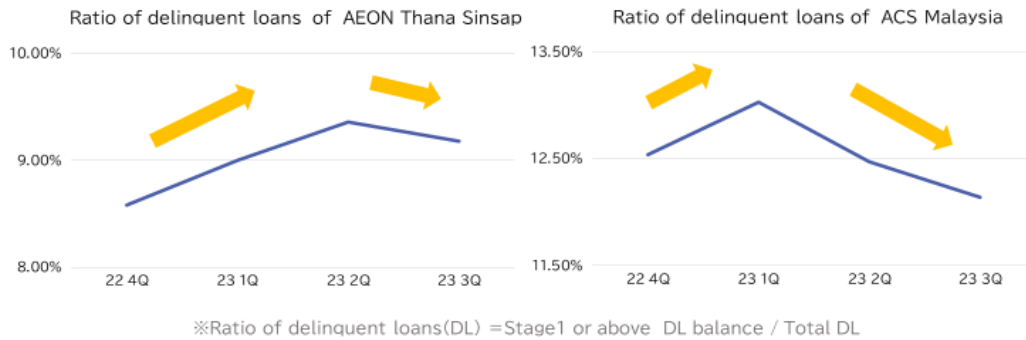
AEON Financial Service Co., Ltd.

17

- Next, I will explain the situation of ACS Malaysia.
- In Malaysia, ACS Malaysia is improving customer convenience through the digitalization of customer touchpoints for personal loans and installment finance such as motorcycle loans, which are its core business.  
For personal loans, ACS Malaysia's customers can now complete the entire process online, from loan application to drawdown, and no longer need to visit branches. Those living far from branches can now use our services, resulting in the growth of top-line revenue.
- In Malaysia, as a pension withdrawal program implemented under the government's initiative in 1Q of the previous year, the bad debt-related expense has significantly reduced. As a result, bad debt-related expense rose year on year. However, the steady increase in outstanding balance of receivables leading to a growth in revenue and the ongoing efforts to improve credit screening accuracy have led to the accumulation of normal credits.
- NPL ratios stays flat, and appropriate cost control is carried out.

## [Global] Ratio of delinquent loans (Thailand, Malaysia)

- The ratio of delinquent loans is on a downward trend, and we will continue to control receivables that serve as a reserve for long-term delinquent loans



AEON Financial Service Co., Ltd.

18

- Finally, this slide shows the situation of delinquent loans in Thailand and Malaysia.
- In Thailand, we need to continue to closely monitor the country's economic recovery. Thanks to the stricter credit screening and the implementation of collection measures, the ratio of delinquent loans seems to have peaked in the 2Q and started to show signs of decline in the 3Q.
- In Malaysia, the ratio of delinquent loans peaked in the 1Q and was declining. We were able to accumulate good-quality receivables without increasing delinquent loans.
- Bad debt related expenses continue to have a material impact on our global business results, however we are turning the corner through, for instance, the upgrading of credit and collection methods in each area.  
We will continue taking appropriate actions to control expenses and maximize revenue based on the current conditions.
- This concludes my presentation on our consolidated financial results for the 3Q of the fiscal year ending February 2024.



## 2 Earnings and Dividend Forecasts

- Before ending my presentation, I will explain our earnings and dividend forecasts.

## FY2023 earnings forecast, dividend forecast

- There is no change in the dividend forecasts

	Consolidated		Domestic		Global	
		YoY		YoY		YoY
Operating Revenue	¥480.0 bn	106 %	¥290.0 bn	103 %	¥190.0 bn	112 %
Operating Profit	¥61.0 bn	104 %	¥19.0 bn	111 %	¥43.0 bn	101 %
Ordinary Profit	¥61.0 bn	99 %	Dividend per share		Payout ratio	
Profit attributable to owners of parent	¥27.0 bn	88 %	Annual: ¥53	Interim: ¥25 Year-end: ¥28	42.4 %	

AEON Financial Service Co., Ltd.

20

- There is no change to the figures we released in April.
- In the domestic business, we are trying to accumulate highly profitable revolving shopping credit receivables and cash advance receivables while enhancing cost control.  
In addition, we will work on increasing revenue through the expansion of customer touchpoints and promotion of cross-selling to raise our earnings power centered on payment business.
- In the international business, there are signs that bad debt-related expense, whose control is our greatest challenge at present, is peaking in all countries.  
Going forward, we will promote measures to improve customer convenience and to increase revenue to grow our profits.
- Although our business results for the 3Q were difficult, we will try to turn things around on the back of the progress in profit improvement initiatives.  
With respect to the dividend proposed at the beginning of the fiscal year, we therefore plan to maintain the year-end dividend of 28 yen and the annual dividend of 53 yen.
- This concludes my explanation on our consolidated financial results for the 3Q of the fiscal year ending February 2024 and for our dividend forecast.

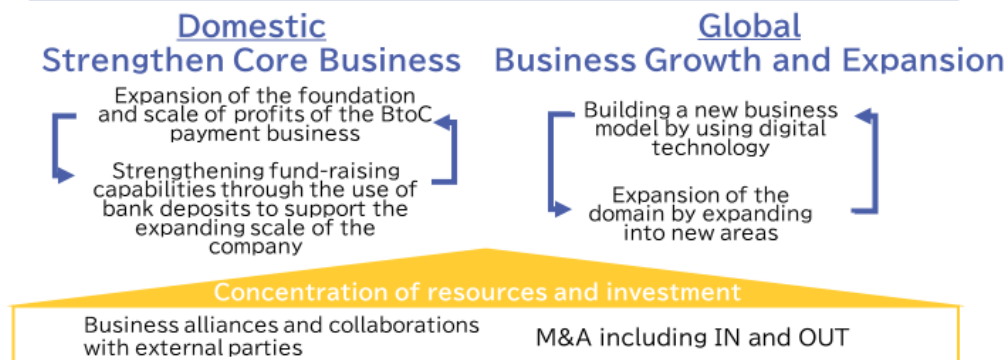
## 3 Priority Measures

- I am President and CEO Fujita. From now on, I will explain the business portfolio review we are currently conducting to improve our corporate value and the details of actions we are currently focusing on.

## Review our business portfolio

- Review our business portfolio through “selection and concentration” in view of changes of business environment
- Allocate resources to the domestic payments which is our core business and overseas which is a growth business

### ”Selection and Concentration” for the optimal business portfolio



AEON Financial Service Co., Ltd.

22

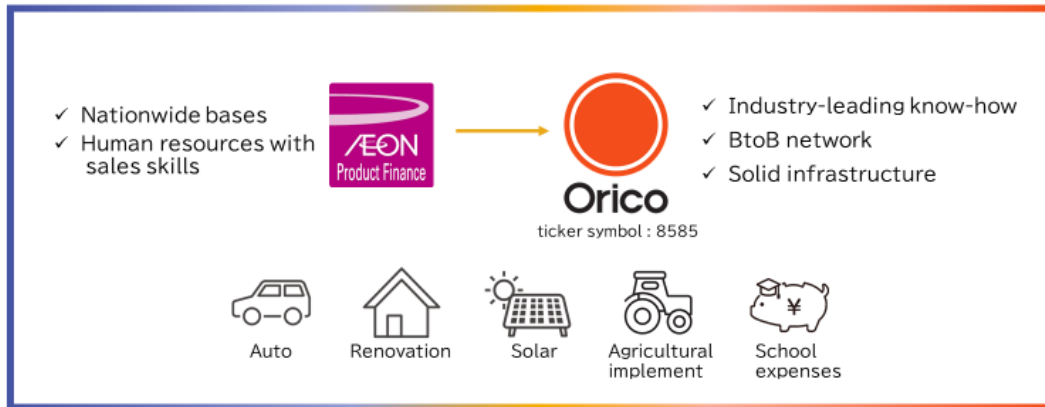
- We are currently reviewing our business portfolio to further raise our corporate value.
- As our business environment and customer needs change at an ever increasing speed, the AFS Group must challenge ourselves to speedily transform our business.  
Following the "Purpose" announced this year, we are reviewing our business portfolio through *concentration in core competence*, aiming to maximize our value proposition while considering the business environment.
- We will firstly enhance our infrastructure in the payment business, which is the core area in our domestic business, and expand our customer base and merchant network to pursue the *economies of scale*.  
At the same time, we'll showcase our competitive edge through lower interest rates and stable funding capabilities by leveraging AEON Bank deposits.
- Another area we will focus our resources on is the *global* business which has a high growth potential.  
We have so far expanded our financial services from installment credit for individual items to personal loans and credit cards. Currently, we are in the process of digitalizing them, and venturing into new business such as the Digital Bank in Malaysia. In addition, we will develop business in new areas for the further growth

of our global business.

- We will proactively use external resources and execute M&As in our business portfolio review.
- The business integration of AFS and AEON Credit Service executed in June last year was part of these efforts.
- We have been working on various initiatives toward a review of our business portfolio, including the consolidation of FeliCa Pocket Marketing in the domestic business, as well as the acquisition of a Vietnamese finance company and the launch of a digital bank in Malaysia in the global business.

## Review our business portfolio – APF’s Share Transfer-

- Decided that it would be optimal to transfer AEON Product Finance (APF) to Orient Corporation, which has strengths in BtoB, and make use of our know-how



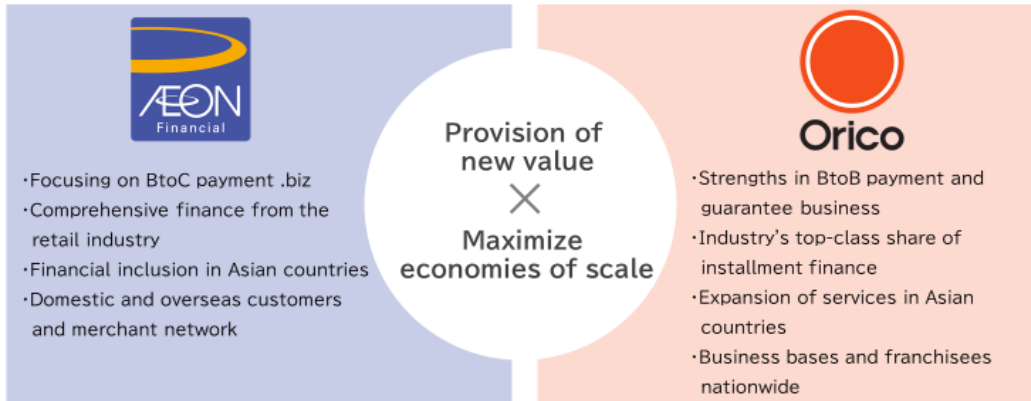
AEON Financial Service Co., Ltd.

23

- Today, we announced the transfer of shares of AEON Product Finance to Orient Corporation.
- The Japanese installment credit industry has been experiencing a slide into oligopoly, in addition to the increasing diversity of payment methods and loan types. In light of these changes, we continued to examine how we could gain competitive edge and maximize the value proposition to our stakeholders with respect to the installment credit business for individual items which is a B-to-B-to-C business.
- We concluded that, rather than continuing a B-to-B-to-C business ourselves, it would be more beneficial to develop an alliance by transferring the business to a leading company and to build a win-win relationship in the business areas where the two companies respectively have strengths.
- Orico has a wealth of know-how and its own merchant network. We thought that bringing Orico and AEON Product Finance together would enable us to establish a solid business foundation that could win the confidence and support of our customers and merchants. We also consider that building such a leading company in the industry is the best course of action for our employees.

## Considering collaboration with Orient Corporation

- Utilizing the management resources of both companies to maximize the value proposition in Japan and other Asian countries
- Consider collaboration in a wide range of businesses and fields, such as mutual customer referrals and joint utilization of management resources



AEON Financial Service Co., Ltd.

24

- We have begun discussing with Orico how to maximize our value proposition by utilizing and complementing the strengths of both companies not only through a transfer of shares but also through future alliances in various business areas.
- This new partnership is expected to expand our services and to raise efficiency in back-office sections, not only in Japan but also in other countries where the two companies operate. We believe that utilizing the customer bases and merchant networks of the two companies will enable us to deliver values more productively by taking advantage of the economy of scale.
- We will explain the details of our collaboration as soon as they are finalized.

# Strengthen Core Business

AEON Financial Service Co., Ltd.

25

- The growth of our core business is essential for us to strengthen our foothold and to develop our global business, which is a growth area, and future new businesses.
- We will fully utilize the low interest rate and stable funding capability of AEON Bank deposits, while further enhancing our advantage in providing financial services to individual customers, particularly in the payment business.

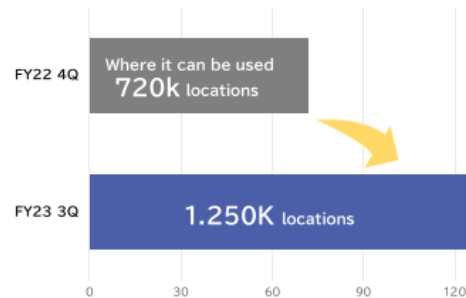


## [Domestic] Expanding AEON Pay touchpoints

- AEON Pay membership expanded to 9.5 million as of the end of November
- Use of small payments and companies outside the Group has also increased due to an increase in the number of places of use and the expansion of functions,



The number of members is steadily expanding and functions are gradually being expanded



Expansion of available locations other than the AEON Group

AEON Financial Service Co., Ltd.

26

- The first is the expansion of AEON Pay touch points.
- AEON Pay membership reached 9.5 million as of the end of November last year and is expected to reach 10 million by the end of this year. The locations where AEON Pay can be used have also increased by 530,000 year to date to 1.25 million, mainly in the sectors outside the AEON Group that have high needs for small payments.
- AEON Pay usage has increased in family restaurant chains, in addition to small payments for vending machines and so on, where credit card usage is low. It has also grown in restaurants and other food services near Group stores frequented by families such as AEON Malls. Campaign promotions are helping both the AEON Group and external merchants as they send customers to each other.
- Furthermore, AEON Pay is now available to those who do not have AEON cards. We are acquiring new customers with AEON Pay as the starting touchpoint.

[Domestic] Providing comprehensive financial apps and promoting cross-selling

- AEON Wallet app was renewed as a comprehensive financial app in Sep. 2023
- Improvements to the app's UI and UX have led to an increase in the number of applications for each service via the app



No. of applications via the app (before renewal)	
Housing Loan	3.7 <sub>x</sub>
Card Loans	4.3 <sub>x</sub>
Insurance	4.0 <sub>x</sub>

Comparison of 60 days before and after renewal

AEON Financial Service Co., Ltd.

27

- Next, I will talk about cross-selling.
- In September 2023, we renewed the AEON Wallet app, a digital touchpoint with customers. The purpose of the renewal was to establish its position as a touchpoint that could cater to the needs of each customers.  
The number of applications via the app before and after the renewal rose 3.7 times for housing loans, 4.3 times for card loans, and 4 times for insurance, making a significant contribution to cross-selling.
- Going forward, we will continue making efforts to build an app that can routinely deliver a seamless experience with good value for money from the collection of various financial services to increase the frequency of use, accumulate and analyze data, and create a cycle of offering even more convenient services based on such data.

[Domestic] Expansion of economic zones (strengthening regional cooperation)

- Collaboration with FeliCa Pocket Marketing, which was consolidated from the second quarter, on local government projects
- Taking advantage of the connections with both local governments, we will expand our business in collaboration with the local community

Hometown tax  
payment website  
※Opened in September 2023



"Maifuru" no. of  
local governments

214



+



The business of local CCY  
and local government apps



FeliCa Pocket Marketing  
No. of local government Projects

110

AEON Financial Service Co., Ltd.

28

- Next, I will discuss about strengthening regional cooperation to expand our economic zone.
- In the second quarter, we made FeliCa Pocket Marketing (FCP) our consolidated subsidiary. FCP provides community-based solutions such as local currencies or local points to local governments. We are working with FCP on municipal projects. FCP provided its services to 110 local government projects as of the end of last year and has established strong connections with local governments in each region.
- At AFS, we launched a hometown tax payment website, *Maifuru*, in September. Although it started in the 3Q, 214 local governments had joined the website.
- To offer community-based services such as participation in My Number points offered by local governments and local measures to stimulate consumption, we consider that the connections the two companies have with local governments will serve as big weapons.  
The two companies will utilize our respective connections with local governments and endeavor to maximize our value proposition to expand AEON's economic zones through regional cooperation.

## [Domestic] Strengthening the foundation of the credit card business

- Strengthening the system to eliminate customers "negative" aspects
- Expand revenue through attentive customer support and reduce costs by consolidating distributed operations



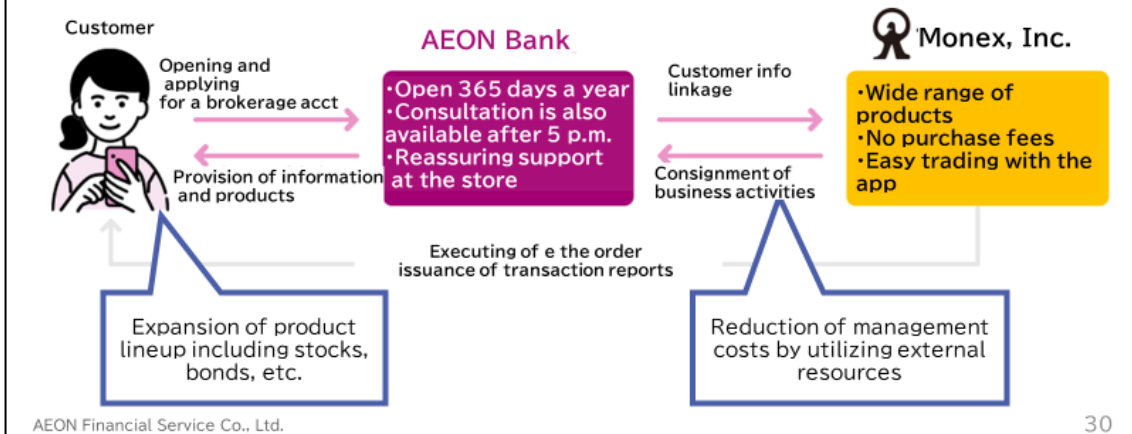
AEON Financial Service Co., Ltd.

29

- Next, I would like to discuss strengthening the foundation of our credit card business.
- To strengthen our structure to eliminate the negative customers' experience, we have restructured our centers based on their purposes instead of their business processes and have created a structure that enables each center to provide customer support from the start to the end.
- The Maintenance Center identifies customers whose registered information may not be updated and provides them with detailed individual notices so that we can offer credit and service information that is better suited to each customer.
- The Promotion Center makes outbound calls tailored to the individual situation of our customers. These include proposals to change credit limits depending on customers' usage status and proposals on various services.
- The Security Center handles all matters concerning fraudulent use of credit cards.
- Through these three centers, we endeavor to enhance our customer support to increase revenue and consolidate operations that are handled by separate sections to reduce costs.

[Domestic] Started providing partnership services with Monex, Inc.

- Beginning of business alliance with Monex, Inc. on 4<sup>th</sup> of Jan,2024
- Expand the lineup of products that we can provide to our customers with the start of the new NISA



- This is about the alliance with Monex, Inc.
- AEON Bank and Monex, Inc. began their tie-up business on January 4, 2024, based on a comprehensive business alliance in financial intermediary services formed between the two companies and announced in December 2022.
- As the interest in asset building among customers grows with the launch of new NISA, the alliance will enable customers to purchase various types of investment trusts, equities, and bonds, making it possible for the two companies to offer an asset building service that is more convenient and better tailored to the needs of customers, in addition to the benefits of AEON Bank's touchpoints that are accessible and offer direct consultation services 365 days a year.
- The alliance is also beneficial to AFS because it allows us to use external resources for system maintenance and for reducing management costs.
- We will continue to consider providing services that are beneficial to our customers, by utilizing internal and external resources.

# Business Growth and Expansion

AEON Financial Service Co., Ltd.

31

- I will explain our initiatives in the global business, a growth area.
- AFS has been operating in Asia for more than 30 years and currently have operations in 10 countries, excluding Japan. We expect significant growth in the future, led by Hong Kong, Thailand and Malaysia, where we are locally listed. As society rapidly changes, however, we will lose in competition if we are to continue old-fashioned initiatives. This also applies to the countries where our business has not been listed. Therefore, it is imperative that we promptly develop a new business model in each country and build competitive edges.
- To this end, we are working toward launching new businesses in each country and strengthening our resource allocation to the global business.

# | Global / Vietnam

- First, I will explain our initiatives in Vietnam.

## [Global/Vietnam] Acquisition of PTF

- Announced an agreement to acquire an equity stake in PTF (subsidiary) on October 20
- New financial services such as personal loans can be provided in the Vietnamese market

Company outline (FY2022)		
Name of company	Post and Telecommunication Finance Company Limited (PTF)	Up to now (Personal loans and credit cards cannot be provided)
Representatives	Nguyen Minh Thang, Chairman of the Member's Council	Installment business only Net yield <u>7-9%</u>
Date of establishment	1998	▼ In addition to the "Retail Business" license, the "Finance" license was acquired
Fixed capital	VND 1,550 bn (Approx. ¥9.4 bn)	
Listing status	Unlisted	
Business Description	Financial industry	From now on (Focusing on Vietnam as the fourth pillar of Global business)
Operating receivables balance	VND 4,572 bn (Approx. ¥27.4bn)	Provide credit card and personal loans Net yield <u>10~20%</u>

AEON Financial Service Co., Ltd.

33

- In October 2023, we released its decision to acquire a finance company in Vietnam.
- We entered the Vietnam market in 2008 and only acquired a license to operate retail business and kept waiting for approval to operate finance business while offering installment credit such as home appliances and motorbikes. This was because the Vietnamese government had been suspending the issuance of new licenses to finance businesses for a long time.
- Therefore, to offer financial services to our customers, we continued looking into various options, including the M&A and forming partnerships. This acquisition enables us to provide financial services such as credit cards and personal loans under their finance business license.
- The stock acquisition date is scheduled to be in the fiscal year 2024.



## [Global/Vietnam] Market size

- Vietnam's consumer credit market is expected to continue to grow in response to population and economic growth
- In particular, the number of credit cards issued, payment transaction volume, and loan balance have a high growth rate, making it a promising product

	2022	2027(forecast)	CAGR (2022→2027)	
Number of credit card (Unit: thousands cards)	14,082	29,712	20%	
Transaction volume of credit card (VD bn)	906,126	2,299,645	22%	
Loan Balance (VD bn)	Credit card	1,550,032	5,386,582	26%
	Personal loan	593,446	963,813	10%

Source: Euromonitor

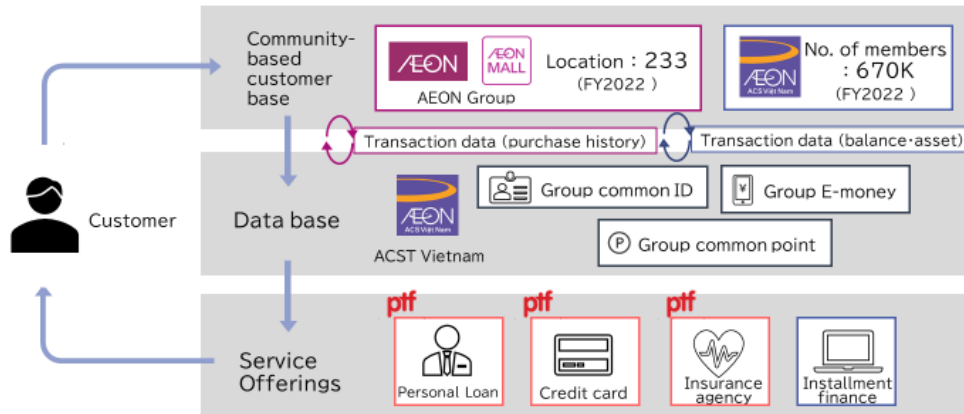
AEON Financial Service Co., Ltd.

34

- Vietnam has a young generation, a growing population, and a remarkably growing economy. Consumption activity is also expected to expand in the future. We therefore expect a further increase in funding needs and a rise in the needs for cashless payments.
- The number of credit cards issued, transaction volume, and cash advance balances are expected to grow at an average annual rate of 20%. In addition to personal loans, we will expand our business areas, such as credit cards, and grow them to become the fourth pillar of global business, following the three countries where it is listed.

## [Global/Vietnam] Business directionality

- Establishing a data infrastructure, expanding the AEON Living Zone, and promoting the use of financial services throughout Vietnam



AEON Financial Service Co., Ltd.

35

- The AEON Group also positions Vietnam as one of its priority countries based on the future economic growth. The Group already has over 200 stores in Vietnam, including shopping malls, GMS, food supermarkets, and convenience stores.
- As the AEON Group's network continues to expand, we will work on organizing our customers into members. Currently, ACS Trading Vietnam, which offers installment payment, is collecting new customer data through the operation of a Group-wide point system, and sharing such data with the entire AEON Group. This should help us provide optimal proposals to our customers.

# | Global / Malaysia

- Next, I will explain our new initiative in Malaysia, a Digital Bank, which will become our new business model.

## [Global/Malaysia]

- Obtained permission from central bank of Malaysia to start operations of digital bank
- Deposits, payments, loans, remittances, etc. are completed through the app. New Businesses Contribute to LTV Expansion and Financial Inclusion



※Images shown is for illustration purpose only



Members promoting digital bank

AEON Financial Service Co., Ltd.

37

- We obtained a business license from Malaysia's central bank for a Digital Bank, which has been preparing for the launch of its business.
- We will provide products and services based on the Islamic financial system, which is widely used in Malaysia. It will be the first Digital Bank in Malaysia using Islamic financial methods. The name will be changed to "AEON BANK Malaysia". After conducting internal tests, the service will begin with deposit service from around the spring of 2024.
- AEON Bank Malaysia will offer a new type of banking service: users will be able to complete all transaction processes for deposits, payments, loans, and so on, using the bank's smartphone app. Many of the bank's local staff members are in their 20s and creating services that reflect the fresh sensitivity of young digital natives.
- We aim to providing new value to customers and maximizing LTV through our services.

## [Global/Malaysia] Development of new business models

- The know-how accumulated through the digital bank will be horizontally deployed to each country, and it will be a starting point for future business model transformation for the entire Group



- Digital banking is a totally new banking service, as evidenced by its system infrastructure. Unlike traditional banks that create a huge information system from scratch and maintain it, digital banks will create their infrastructure by combining apps. This allows them to offer agile services at low cost.
- After establishing this business model in Malaysia, we will roll it out in other countries and regions by customizing and offering products and services that match the needs of each region.
- Offering various financial services using easily accessible apps in each country while keeping infrastructure cost low is essential for the future growth of the AFS Group. The entire AFS Group will work hard toward establishing this business model.

## Our Purpose



- Today, I explained a business portfolio review we are working on to the extent I can reveal at present. We are having various discussions to further improve our corporate value.
- Our business results for the 3Q has been challenging as we made upfront investments to create a strong basis as we went through *concentration in core competence* for growth.  
In both our domestic and international businesses, however, we are making progress in the steady growth of our business as seen in the expansion of our customer base and an increase in outstanding balance of operating receivables ,as well as in preparations for new businesses.
- We will face each of our customers and other stakeholders to bring "finance" closer to continue improving our corporate value.
- We will very much appreciate your continued support.

[Q&As]

■Mizuho Securities / Analyst Sakamaki

- (1) On the transfer of equities of AEON Product Finance, I understand that payment for the transfer you will receive is 25.0 billion yen. How do you plan to use the surplus capital created for the improvement of corporate value? Do you intend to allocate some funds to shareholder return?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

We will invest in new businesses and revenue streams, such as our recently announced acquisition in Vietnam.

In addition, we will be able to release funds raised and lent by AEON Financial Service to AEON Product Finance. Or, management resources can be released. We plan to allocate tangible and intangible resources to new revenue streams.

While we are not thinking about using these funds directly for shareholder return, it is a fact that profit that can be used for dividend will increase. We will consider shareholder return, striking the right balance between investment and dividend.

- (2) How should we consider additional earnings to achieve the earnings forecast in the 4Q?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

It is true that it is quite tough to achieve our earnings forecast. However, we are implementing various measures in the 4Q.

We will monitor the progress of these measures to determine if we can reach the desired outcome.

■SMBC Nikko Securities / Analyst Hara

- (1) Domestic business posted a large loss. It seems that the business is chronically posting losses. How are you going to improve it?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

The performance of domestic business is largely affected by declines in the balances of cash advance transactions and revolving credit receivables during the COVID-19 pandemic. Meanwhile, we managed to increase the balances by over 50 billion yen. We

therefore expect that we can make a full recovery next year if we can keep increasing the balances at the current pace.

We will also continue working on cost control. Sales promotion expense was noticeably high in the first half of the fiscal year; however, we could reduce it to a reasonable level by narrowing down online advertisements. Following the merger of AEON Financial Service and AEON Credit Service, the expenses incurred by the former AEON Financial Service were posted in the domestic segment. This has increased expenses of the domestic segment when compared with the previous year. We expect the situation to improve significantly in the next fiscal year on the back of the balance increase and cost control measures.

- (2) You said you expected that overseas credit costs will peak out, but do you have a specific idea of the timing and amount? Are there any leading indicators that are showing the likely outcome?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

According to the ratios of delinquent loans, the ratios began declining after peaking in around the autumn in both Thailand and Malaysia. The delinquent loans ratio in Hong Kong is at a manageable level compared with revenue. We expect the situation will improve further because there are expectations for inflation to settle down in the broad economic environment, and although the degree of improvement in the 4Q may still vary from area to area, we expect the delinquent loans ratio to start decreasing from the next fiscal year in Malaysia, Hong Kong, and Thailand, in this order.

■Daiwa Securities / Analyst Watanabe

- (1) What is the impact of the sale of AEON Product Finance on your business performance? Please tell us the level of business management fees, etc. that you have received so far. Could you also give us a sense of the scale of a gain on the sale?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

The business management fee we received was in the range of a few hundred million yen. Given that we can reduce fundraising costs after the sale and that AFS is currently unable to conduct proactive sales activities, we have decided that it would be better for APF to be with the best partner. From the perspective of the profit and loss incurred during the period, it is almost break even. The impact of the sale will be posted in the fiscal year



2024 because the share transfer will take place in March,

- (2) Is it correct to consider that you will provide an update on the medium-term business plan at the end of the term? Could the disclosure of KPIs be postponed due to a review of the business portfolio?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

We have been unable to make an announcement in the past as we have been unsure about how the seeds we planted would grow. We intend to provide some sort of report in April.

■SBI Securities / Analyst Otsuka

- (1) On the payment infrastructure that your company positions as the core business area in the domestic business, can you tell us what factors differentiate your company from your peers and what characteristics are unique to your company?

(Kenji Fujita, President and CEO)

Being a latecomer in QR payment in Japan, we have been able to solve its functional shortcomings. Our app has just started as a total financial app that connects banking and insurance. Although we have not gained definitive advantages at present, we will work on this in the future.

Our advantage over competitors in the core area of the business is the AEON Group's network of physical branches and touchpoints. We have yet to take advantage of our connections with local governments in each region, and we would like to do so in the future. After the recent earthquake, the AEON Group was able to send emergency supplies ahead of others. We believe that we can offer community-based payment services.

We will also strengthen the aspects where we have fallen behind our competitors. We are working on consolidation within the Group and consider that we will be able to deliver easy-to-understand payments to society.

■UBS Securities Japan / Analyst Okada

- (1) You said that your company would disclose measures to improve corporate value in around April. What kinds of KPIs do you expect to disclose? Please tell us where your discussions are currently at.

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

We are hoping to talk about ROE and PBR based on capital cost. We want to clarify how we allocate our capital while raising our capital adequacy ratio.

(2) It appears that you have fallen slightly short of achieving your target for the shopping credit transaction volume in the domestic business. I think the acquisition of new customers is on a recovery trend, but how do you plan to increase shopping volume in the future?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

Currently, we are in a difficult situation to achieve our target. Shopping credit transactions did not move as expected after the Golden Week holidays in May. To bounce back, we have focused our efforts on the Black Friday sales and year-end and New Year sales activities, but our feeling is that the situation is rather difficult.

(Kenji Fujita, President and CEO)

On the future increase of transaction volume, while the traditional method to increase it was to raise our credit card membership, one option could be to increase card use through an increase in the number of apps that can use AEON Pay within the Group.

■JPMorgan Securities Japan / Analyst Sato

(1) On the domestic business' expenses, what was the specific impact of the cost savings initiatives implemented in the third quarter? I understand that you need to consider more aggressive cost reduction measures. Do you have any cost reduction policy for areas other than sales promotion expense?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

We kept down the growth of our sales promotion expense in the third quarter to 700 million yen. Going forward, we will promote digital transformation and consolidate each center for the entire Group.

(2) With respect to the consolidated operating profit target of 100 billion yen under the medium-term vision, how far or close do you think your company is in achieving this, and how difficult is it to achieve this?

Is it correct to understand that the only reason you did not revise the plan this term was because it did not meet the disclosure standard, and the actual situation is that your

consolidated operating profit has swung downward?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

It is difficult to achieve the 100-billion yen target by the fiscal year 2025. We are considering reviewing this target, together with improvement to corporate value. I will not deny the possibility that our performance in the current period will be below our projection. We will make disclosures, if necessary, and when necessary.

■Nomura Securities / Analyst Sasaki

(1) Will your performance in the next fiscal year be strong considering an increase in the growth rate of top-line revenue, the accumulation of outstanding receivables, the peaking of credit cost, and the control of selling and general administrative expenses?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

We can expect the next fiscal year's figures to be better than the current fiscal year, thanks to factors such as increased outstanding operating receivables and credit cost control overseas. This will depend on the results of the current fiscal year, but we will work hard to make this happen.

(2) Are you considering selling any assets to achieve the guidance for the current fiscal year?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

We expect the level of sales gains, including gains from liquidation, as before. I cannot talk about details.

■Simplex / Analyst Honma

(1) What is your approach to business alliances? You have decided to sell AEON Product Finance completely, but personally, I think it was not necessary to sell all the equities. You also have companies listed overseas. How well can you control them?

(Tomoyuki Mitsufuji, Director, Managing Executive Officer, and General Manager of the Finance and Accounting Division)

Because Orico has strengths in B-to-B business and the AFS Group in B-to-C business, we want to form a good partnership with Orico's B-to-C business. There is nothing I can

say about capital now. We have a majority stake in our companies listed overseas and are controlling them well.

End of Document