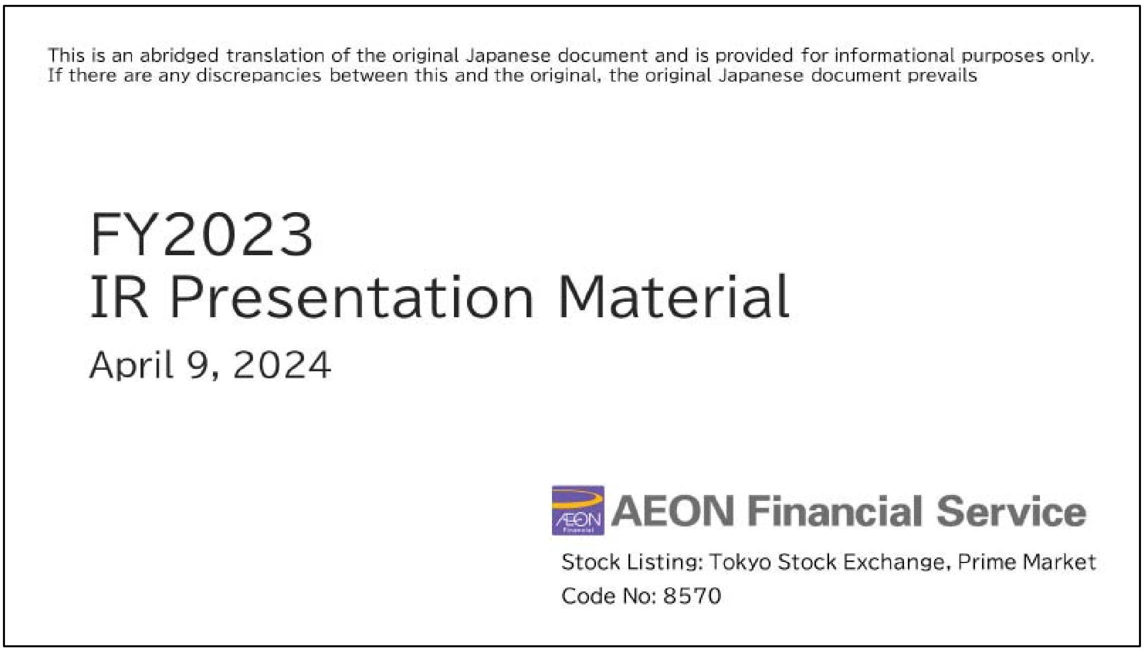
IR Presentation on FY2023 Financial Results: Script and Q&A

Time and Date: Thursday, April 9, 2024 PM 5:00-6:00

Presenters: Kenji Fujita, President and CEO

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



Contents

・In today’s presentation, Director and Managing Executive Officer Mitsufuji will first discuss the highlights of our financial results for the full year of fiscal 2023 and then the establishment of management indicators.

This will be followed by President and CEO Fujita’s explanation of AEON Financial Service’s initiatives to enhance corporate value, then our priority measures, and earnings and dividend forecast for fiscal 2024.

The Highlights of the Consolidated Results

- Achieved the planned figures for operating revenue due to steady growth in both the Domestic and the Global transaction volume and balance of receivables.
- Increase in bad debt-related expenses in the Global business. Productivity issues in the Domestic.

	Consolidated	YoY	Domestic	YoY	Global	YoY	FY2023 Forecast	Achieve
Operating Revenue	485.6 bn	107 %	293.9 bn	103 %	193.5 bn	114 %	480.0 bn	101 %
Operating Profit	50.0 bn	85 %	11.6 bn	72 %	38.2 bn	90 %	61.0 bn	82 %
Ordinary Profit	51.1 bn	83 %					61.0 bn	84 %
Profit attributable to owners of parent	20.8 bn	68 %					27.0 bn	77 %

Dividend per share	Payout ratio
Annual: ¥53 (Interim: ¥25, Year-end: ¥28)	54. 7 %

※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.

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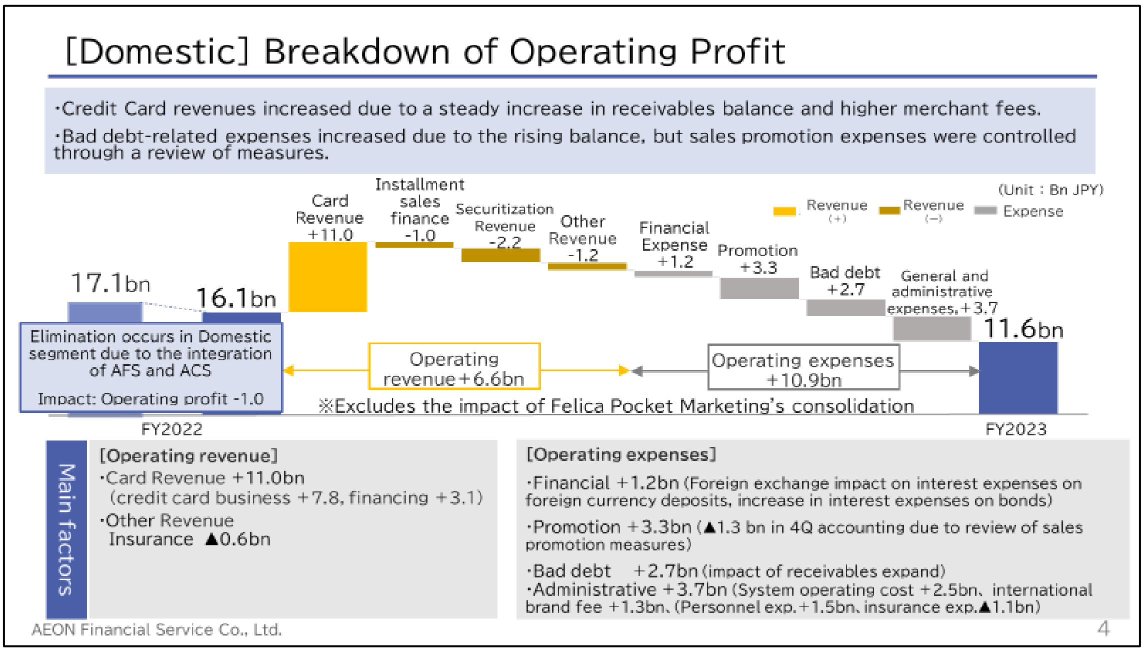
- The consolidated financial results for the full fiscal year ending February 2024 were as follows.
  - ○ Operating revenue was 485.6 billion yen, up 7% year on year.
  - ○ Operating profit was 50.0 billion yen, down 15% year on year.
  - ○ Ordinary profit was 51.1 billion yen, down 17% year on year.
  - ○ Profit attributable to owners of parent was 20.8 billion yen, down 32% year on year.

While our revenue increased, profits fell year on year.

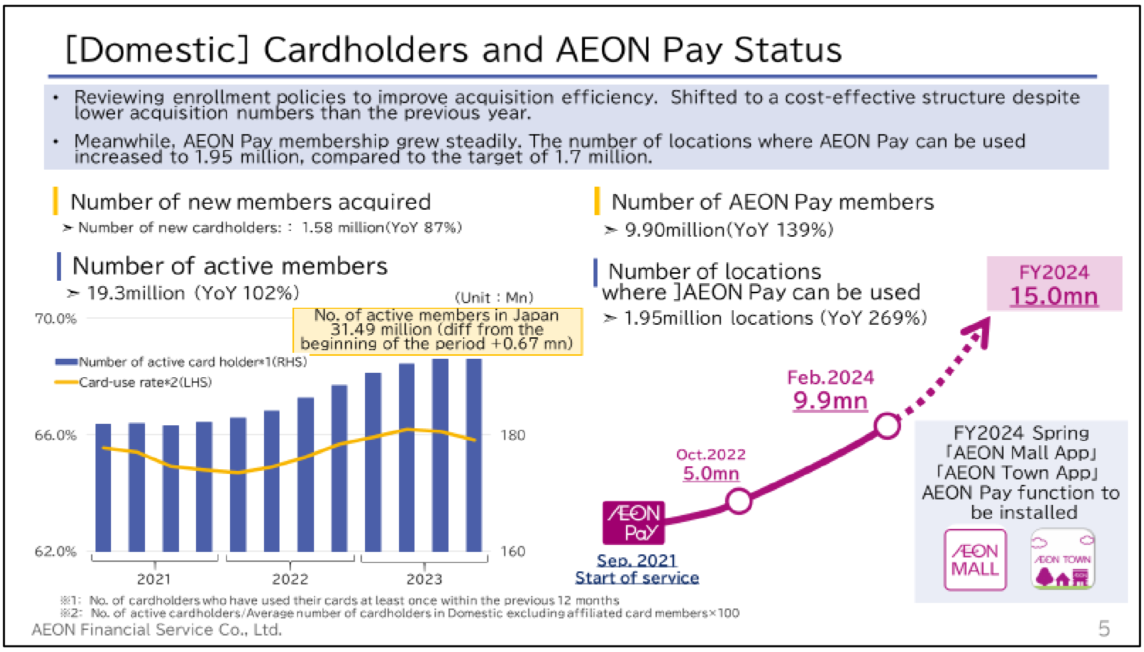
- In comparison to the financial targets announced at the beginning of the fiscal year, we achieved our target for operating revenue, but fell short of our profit targets.

- For both domestic and global business segments, the balance of operating receivables continued to increase steadily along with the growth in transaction volume. Despite this growth in revenue, profits declined year on year due to the impact of increasing bad debt related expenses in the global business and the termination of pandemic-related government programs implemented in the previous fiscal year.
- Improvement of productivity remained a challenge in the domestic business, as profits declined due to an increase in bad debt related expenses associated with growing outstanding receivables and an increase in sales promotion costs for the customer base expansion campaign implemented in the first half of the fiscal year.



- This slide shows the breakdown of year-on-year change in the operating profit of our domestic business.
- As shown on the left-hand side of the graph, the results for AEON Financial Service have been reported under the domestic segment since the second quarter due to the management integration between AEON Financial Service and AEON Credit Service.

  The operating profit of 16.1 billion yen for the previous fiscal year shown here was calculated by applying the same standards as the current fiscal year.
- As indicated in yellow bars, operating revenue increased thanks to factors such as an increase in merchant fees driven by the expansion of card shopping transaction volume and growth in credit card revenue due to an increase in the outstanding balance of revolving credit and cash advance receivables.
- However, expenses shown in gray bars grew year on year due to an increase in bad debt related expenses resulting from a greater balance of outstanding receivables and an increase in administrative expenses such as personnel costs.
- Sales promotion expenses rose from the previous year due to a large sum of expenses spent in the first half of the fiscal year to increase AEON Pay members and their use and especially to attract credit card members online. However, in the three months of the fourth quarter, sales promotion expenses were reduced by around 1.3 billion yen compared to last year, thanks to efforts made to limit promotion activities to highly cost-effective measures by reviewing online promotion methods and project contents.
- As a result, operating expenses increased by 10.9 billion yen, and full-year operating profit for domestic business declined year on year.



- First, let me explain about our progress in domestic ID expansion.
  We acquired 1.58 million new cardholders, down 13% year on year.
  The number of valid domestic members increased from the beginning of the term by 670 thousand to 31.49 million.

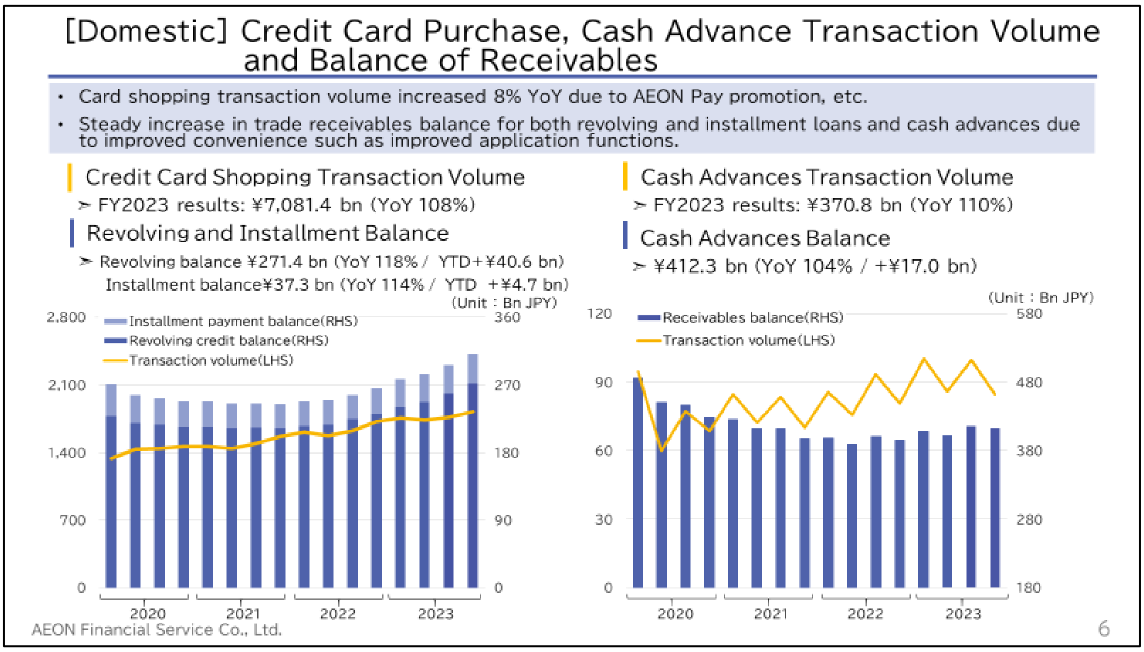
- We spent a large sum of expenses on online campaigns in spring. In the second half of the year, based on business analysis and cost-benefit performance analysis, we made efforts to effectively acquire cardholders while keeping expenses down. As a result, we were able to curb the cost per new cardholder by around 20%.

- The graph on the left shows the number of active members in the blue bars and changes in annual usage in the yellow line.
- The number of active users grew to 19.30 million, increasing by 2% year on year. We were able to increase active users by promoting the use of virtual cards and AEON Pay, even while new membership decreased.

- Membership of AEON Pay, a barcode payment service, reached 9.90 million. The locations where AEON Pay can be used have also increased to 1.95 million, exceeding the target of 1.70 million locations.
- AEON Pay function will be added to the AEON Mall App and AEON Town App in the spring of 2024. For fiscal 2024, we set an ambitious AEON Pay membership target of 15 million.
  We aim to improve usage by promoting AEON Pay for small amount transactions where credit cards are less commonly used and in situations where quick payments are preferred, to organize a

more profitable membership base within our eco-system.

- We will continue to build an environment to increase use through such efforts as launching AEON Pay functions in applications offered by other companies.



- I will now discuss the trends in the transaction volumes and outstanding receivables of shopping and cash advance transactions in our domestic business.

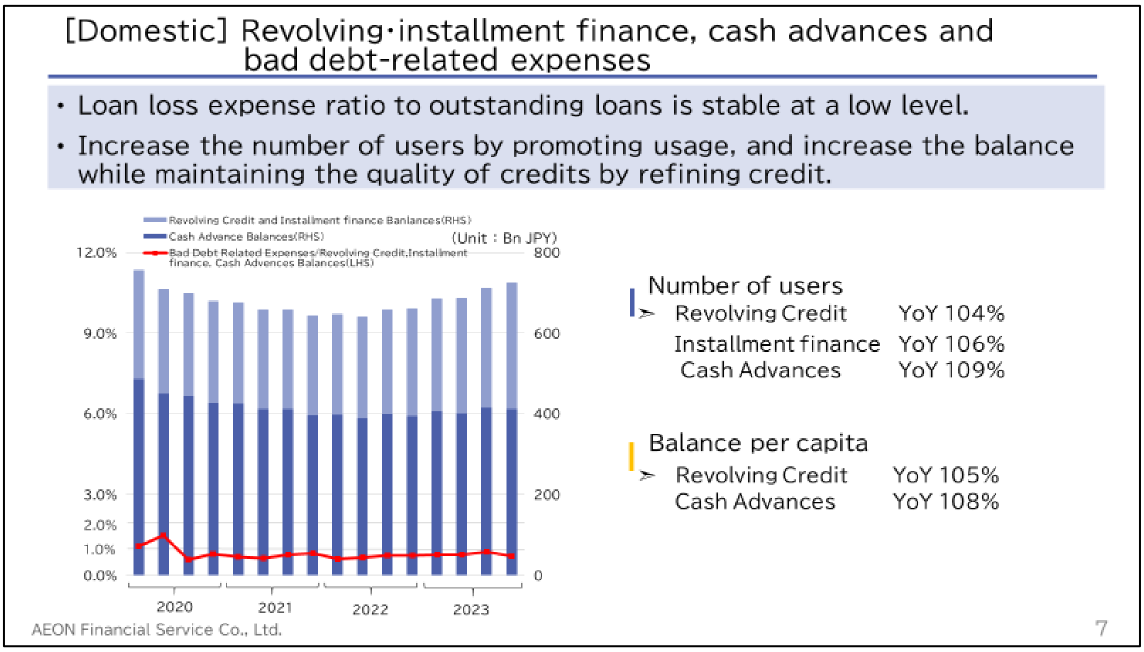
- The graphs show transaction volume in yellow lines and the balance of outstanding receivables in blue bars.

- Please look at the shopping transaction volumes on the left. Although some people were holding the line on spending due to rising commodity prices, and the amount of use per person decreased because of the government subsidy for electricity and gas charges, we saw a surge in non-essential spending such as traveling and leisure and an increase of small amount payments driven by the promotion of AEON Pay. As a result, the annual shopping transaction volume reached 7081.4 billion yen, an increase of 8% year on year.

- As for the balance of outstanding receivables, the revolving credit balance was 271.4 billion yen, representing an increase of 18% year on year or 40.6 billion yen from the beginning of the term. The installment credit balance was 39.2 billion yen, an increase of 14% year on year or 4.7 billion yen from the beginning of the term. Both categories achieved a double-digit year-on-year growth.

- As shown on the right side of the slide, cash advance business also increased, thanks to the recovery in funding demand of individuals in addition to our efforts to reach out to idle members and to emphasize the convenience of delivering funds instantly to the customers’ designated accounts 24 hours a day, seven days a week. As a result, transaction volume increased to 370.8 billion yen, up 10% year on year.

- The balance of cash advances also increased for the full year, after four straight years of decline since fiscal 2019, to 412.3 billion yen, up 4% year on year or an increase of 17.0 billion yen from the beginning of the term. This increase was driven by improved user convenience, such as the addition of an online function to change the repayment method to revolving payment.

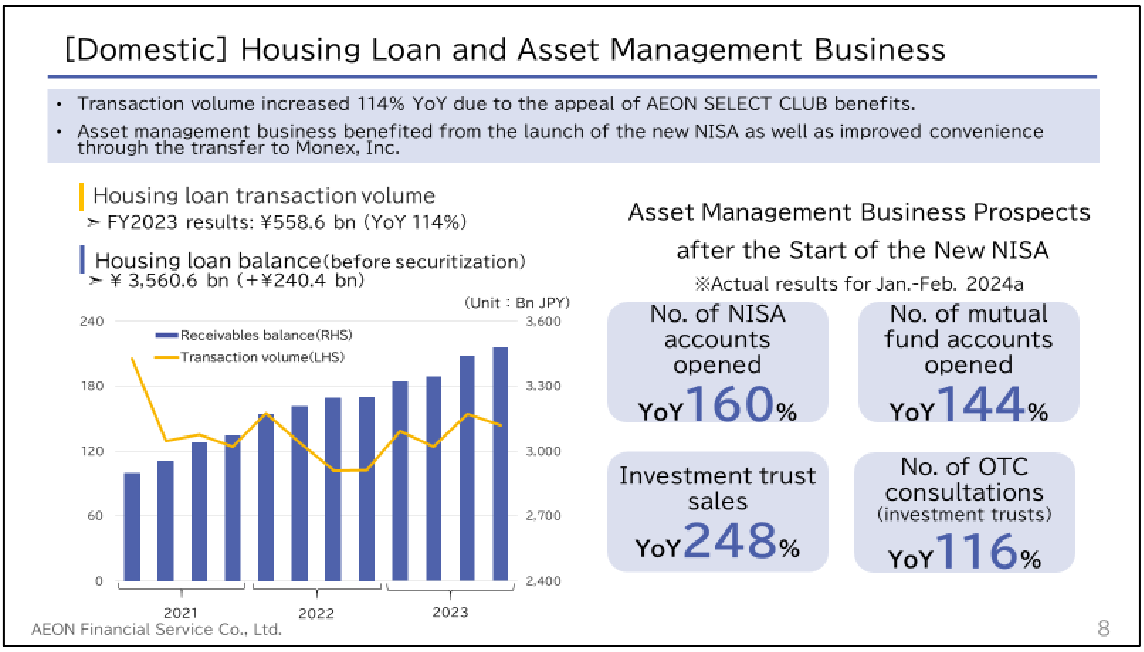


- This slide shows the trends in the outstanding balance of revolving credit, installment credit, and cash advances, as well as the ratio of bad debt related expenses.

- The graph shows revolving credit and installment credit receivables in light blue bars and cash advance receivables in dark blue bars, with the red line indicating the ratio of bad debt related expenses to the outstanding receivables.
- The red line remains below 1% and has shown a slight decline most recently.

- Year-on-year changes of the balance per user and the number of users are shown on the right. The number of users is steadily increasing due to promotion measures to increase users. In addition, by refining credit assessment processes, the ratio of bad debt related expenses to outstanding receivables has been maintained at a low level despite the increase in the balance per user.

- In addition to the increase in the number of users, the balance per user also indicates that there is room for expansion. We believe that we will be able to steadily increase the balance of operating receivables while carefully assessing their quality.



- I will next discuss the transaction volume and balance of receivables of our housing loan business and the status of our asset management business.
- The transaction volume was 558.6 billion yen, increasing 14% year on year. We were able to make up for the slower-than-expected performance in the first half of the fiscal year and accelerate growth to achieve double-digit growth for the full year.
- With the decline in demand for refinancing due to the recent changes in the interest rate environment, the facilitated execution of new loan transactions, which requires some time from application to execution, contributed to the growth of transaction volume.

- In addition, we extended the benefits of AEON Select Club until the loan is fully paid off. This means that customers with a housing loan can now enjoy discounts at AEON group stores for the entire duration of their loan, and we continue to promote these benefits. We think this led customers to understand the unique added value that only AEON can offer beyond just interest rates, thereby contributing to the increase in the transaction volume.

- AEON Bank and Monex, Inc. began their tie-up business in January 2024 in the field of asset management business.
- As the launch of new NISA triggered a growing interest in asset management, the alliance has enabled our customers to purchase various types of investment trusts, equities and bonds, adding to the benefits of AEON Bank’s touchpoints that are highly accessible to customers and offer direct consultation services 365 days a year. This has led to a significant increase in terms of both new accounts opened and sales of investment trusts.

- The number of consultations offered at AEON Bank offices increased by 16% during January and February. We are hoping to propose various services to customers who visit our offices to receive consultation on the purchase of trusts and other investment options.

Global Business by Segment 4Q Performance Highlights

- Cumulative operating revenue is the highest ever in all three areas.
- China Area continued to increase revenues and profits, achieving record profits.

(Unit：Bn JPY)

FY2023	China area	YoY	Mekong area	YoY	Malay area	YoY
Operating revenue	30.6 bn	136 %	89.9 bn	105 %	72.9 bn	120 %
Operating profit	8.7 bn	114 %	15.8 bn	84 %	13.5 bn	86 %
<Reference> Bad debt related expenses	6.8 bn	232 %	30.2 bn	108 %	20.3 bn	135 %

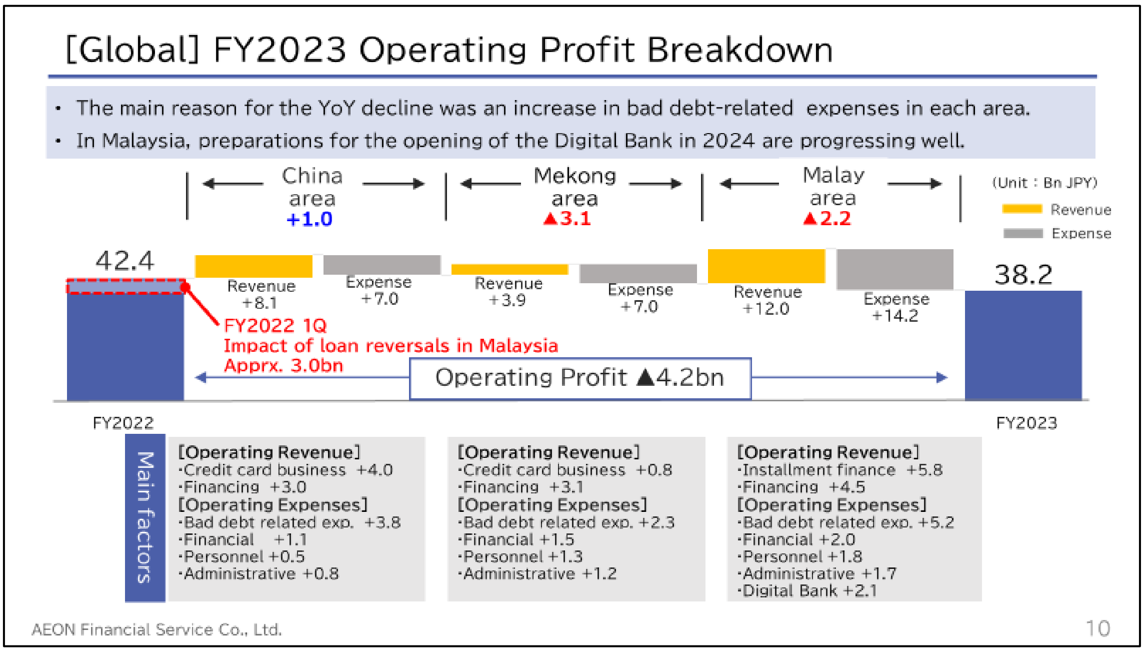
(Unit：Bn JPY)

4Q accounting period	China area	YoY	Mekong area	YoY	Malay area	YoY
Operating revenue	8.4 bn	139 %	22.4 bn	103 %	19.3 bn	119 %
Operating profit	2.4 bn	92 %	5.6 bn	143 %	3.5 bn	93 %
<Reference> Bad debt related expenses	2.0 bn	370 %	5.6 bn	72 %	4.3 bn	106 %

- From here, we will move on to global business.

- The operating revenue for the full year marked a record high for all three areas of China, Mekong, and Malay.

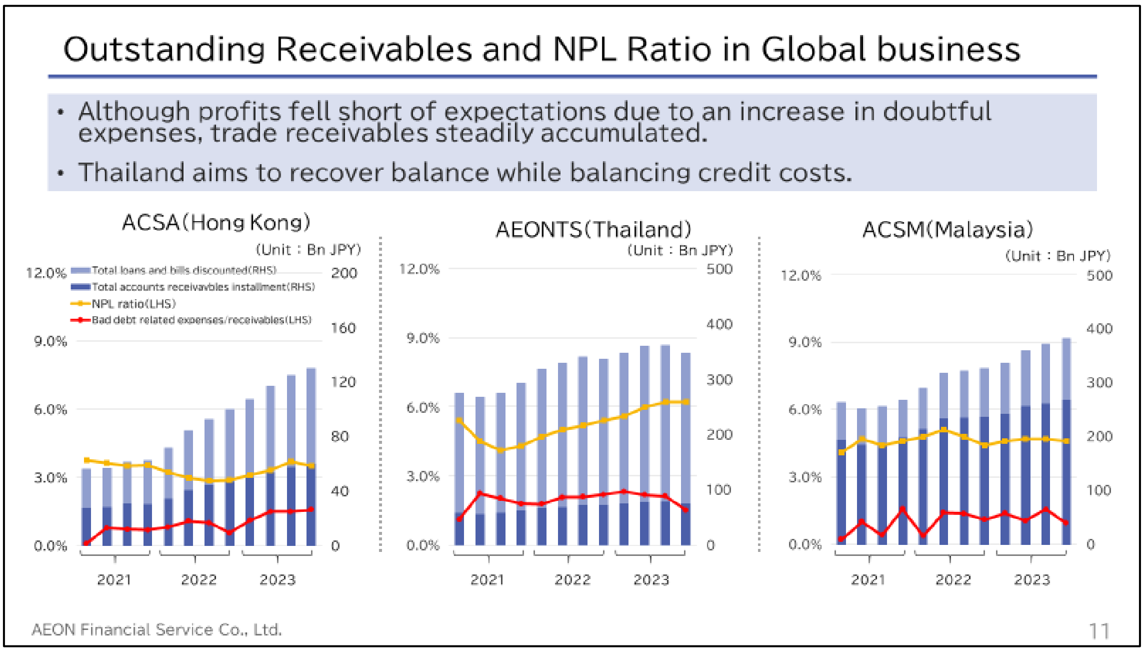
- Although profits declined in the Mekong and Malay areas due to an increase in bad debt related expenses, the China area achieved a record high profit driven by a steady expansion of transaction volume, mainly in Hong Kong.



- This slide shows the breakdown of the year-on-year change in the operating profit of the global business.

- Total profit of the global business decreased by 4.2 billion yen due to the impact of the year-on-year increase in bad debt related expenses by 3.8 billion yen in the China area, 2.3 billion yen in the Mekong area and 5.2 billion yen in the Malay area.

- It should, however, be noted that there was an extraordinary factor impacting the results in Malaysia: the Malaysian Government implemented a pension withdrawal program in the first quarter of fiscal 2022 to support debtors suffering from the pandemic, which resulted in a 3-billion-yen reversal of loan loss reserve in fiscal 2023. Excluding this reversal of loan loss reserve, the Malay area achieved an operating profit above the level of the previous year.



- I will explain the trends in the outstanding receivables and non-performing loan (NPL) ratio of our three overseas subsidiaries.
- The graphs show 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 outstanding receivables, respectively.

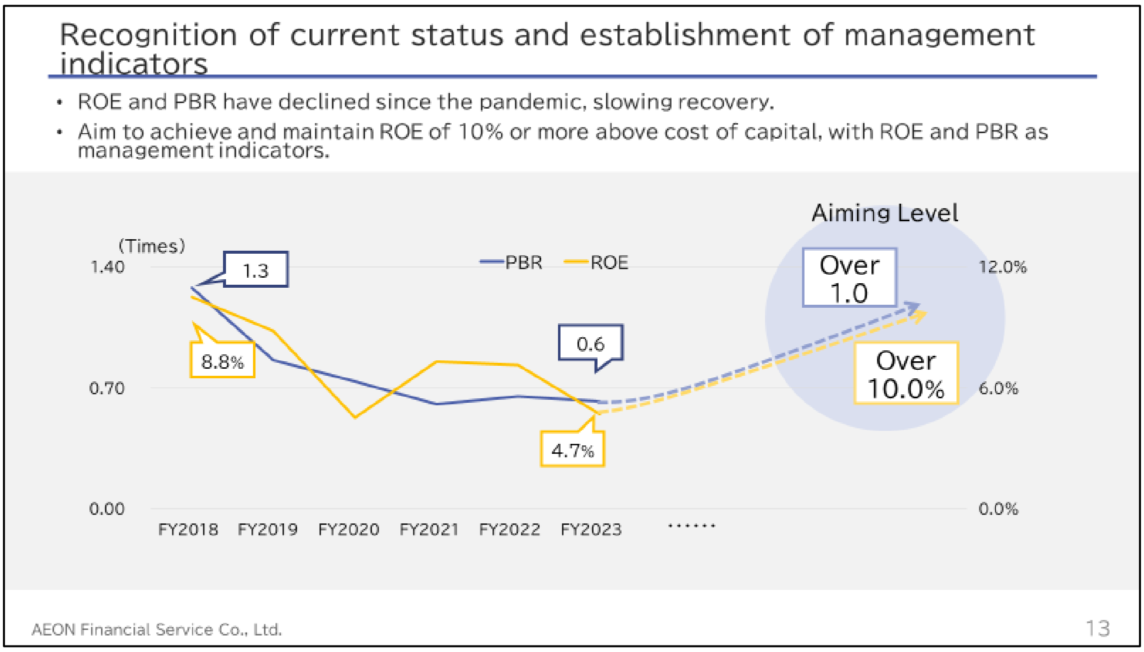
- At ACS Asia, the balance of receivables continues on an upward trend along with the steady growth of top-line revenue.
- While bad debt related expenses are increasing, the expense ratio has remained quite stable without showing any significant growth against the increasing balance of operating receivables.

- Next, let's look at the status of AEON Thana Sinsap. In Thailand, inflation and unemployment among the young generation remain high, resulting in rising non-performing loan (NPL) ratios across the market, including our competitors.
  In light of this situation, Thana Sinsap has tightened its credit screening for nearly a year, which has led to a decrease in its balance of outstanding receivables. The ratio of bad debt related expenses to outstanding receivables has decreased due to the revision of the method used to calculate the provision rate.
- While maintaining a balance between the economic climate and credit costs, we aim to recover the balance of outstanding receivables in Thailand by providing an appropriate level of credit to those with stable income.

- Finally, the status of ACS Malaysia. The government's pension withdrawal program implemented in the first quarter of fiscal 2022 in Malaysia led to a significant reduction in bad debt related expenses. This, in turn, resulted in a year-on-year increase in bad debt related expenses in the following fiscal year of 2023. However, the steady increase in the outstanding balance of operating receivables and growing revenue, as well as ongoing efforts to improve credit screening accuracy by introducing e-KYC and biometric authentication, have contributed to the accumulation of good loans.

- NPL ratio has remained stable, and appropriate cost control is in place.

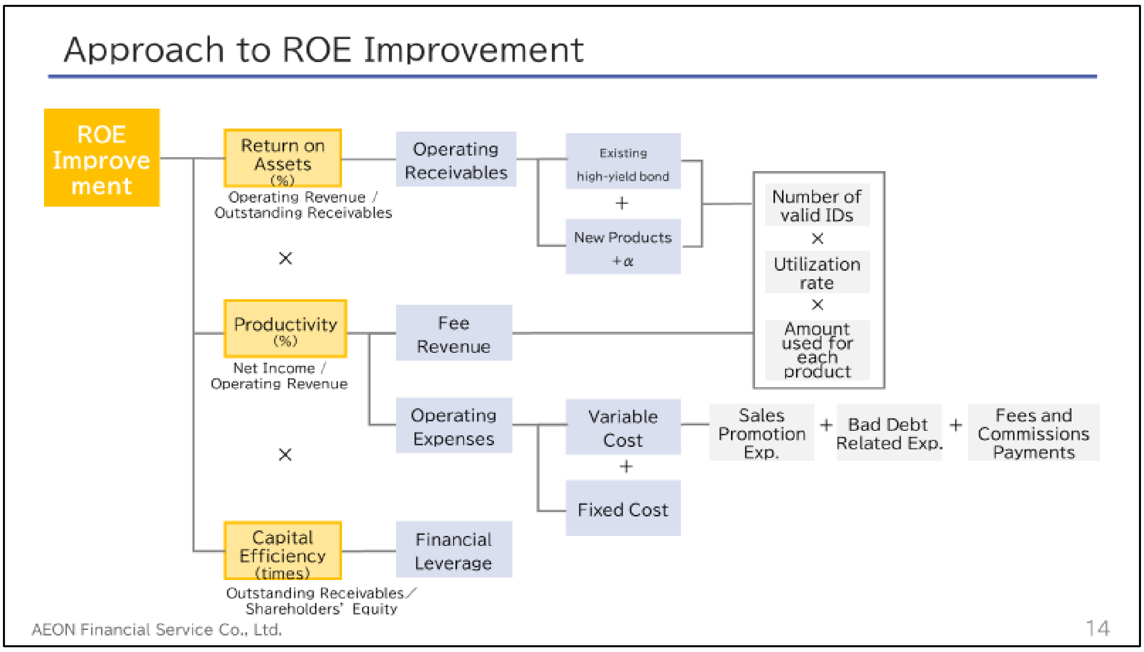
- From this slide on, I will discuss the management indicators we have established as our guidepost to the future of our business.



- First, about our current status: Our price price-to-book ratio (PBR) remained at a little over 1 up to fiscal 2018.

- However, with the restrictions on activities and downturn in consumption caused by the global spread of the COVID-19 pandemic, we saw a decline in our outstanding balance of high-yielding receivables such as cash advance, revolving credit, and unsecured loan receivables, which used to be important revenue sources, especially in our domestic business. This led to a decrease in our earning power.
- As a result, our return on equity (ROE) and price-to-earnings ratio (PER) have fallen below the level of recognized capital cost.

- To promote management with an enhanced awareness of capital cost, we have added ROE and PBR as our management indicators. We will aim to achieve and maintain an ROE of 10% or above as a medium-term target and maintain a PBR of 1 or more.

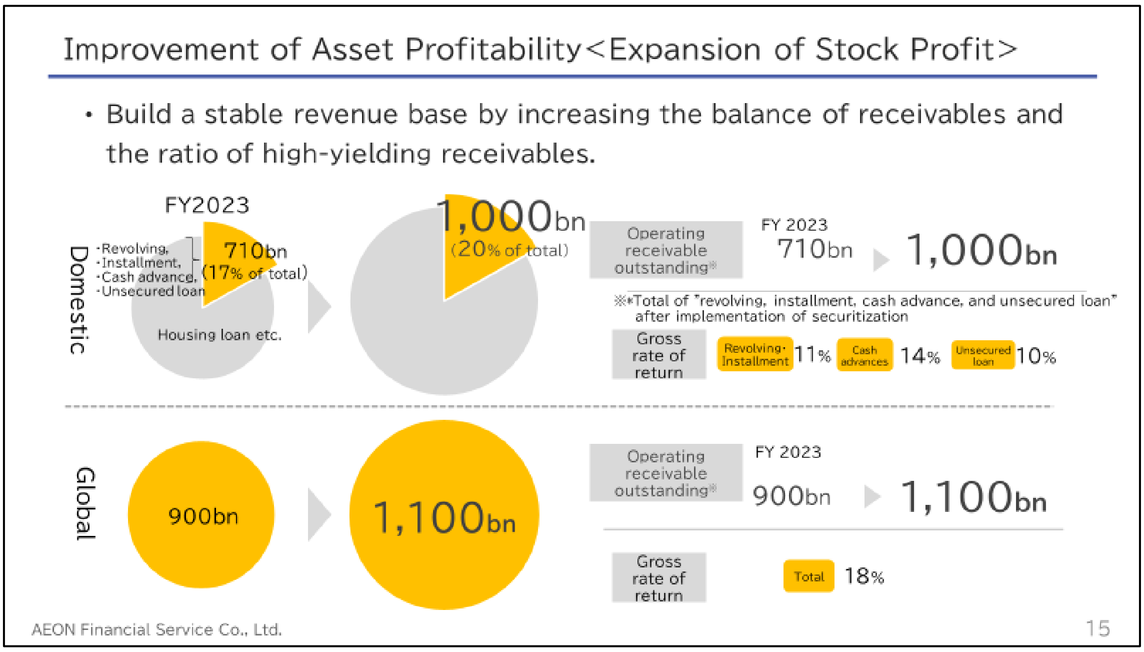


- This slide shows the concept of how we plan to improve our ROE.

- Some of the following terms are defined in a slightly different way compared to other business companies:
  - ○ "Return on assets" as represented by "operating revenue ÷ balance of receivables"
  - ○ "Productivity" as represented by "profit of the fiscal year ÷ operating revenue"
  - ○ "Capital efficiency" as represented by "balance of receivables ÷ shareholders' equity"

  We will keep these three indicators in mind when implementing various measures.

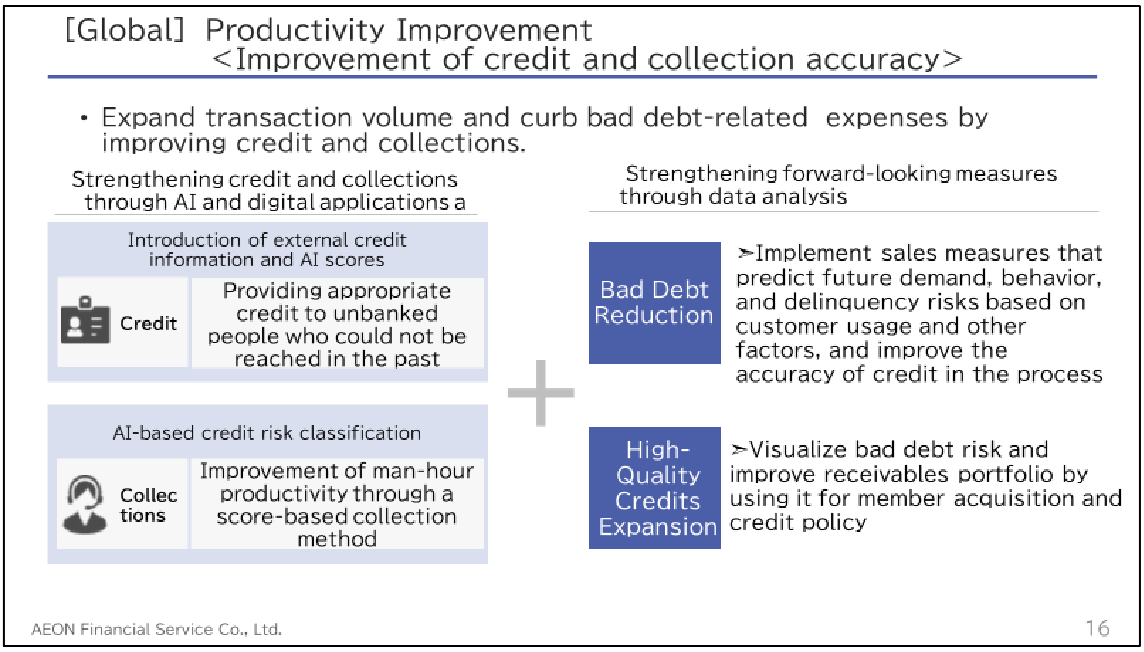
- The basic policy will be to build up the balance of operating receivables toward improving "return on assets" and to expand revenue from fees toward improving "productivity." Measures include increasing the number of cardholders, bank accounts, and digital IDs and boosting their utilization rates to raise the total amount paid by each customer through these services.



- First, we will build a stable recurring revenue base by increasing the overall balance of receivables and the share of high-yielding receivables, as a measure to improve our "return on assets."

- As a short-term target, we aim to increase the total balance of high-yielding receivables such as revolving credit, installment credit, cash advance, and unsecured loan receivables in the domestic business from 710.0 billion yen at the end of fiscal 2023 to 1 trillion yen, and increase their share from 17% to 20% in the overall balance of operating receivables (including housing loan and other receivables).

- High-yielding receivables account for a larger share in the global business compared to the domestic business. We, therefore, aim to increase the overall balance of operating receivables in the global business from 900.0 billion yen at the end of fiscal 2023 to 1.1 trillion yen.

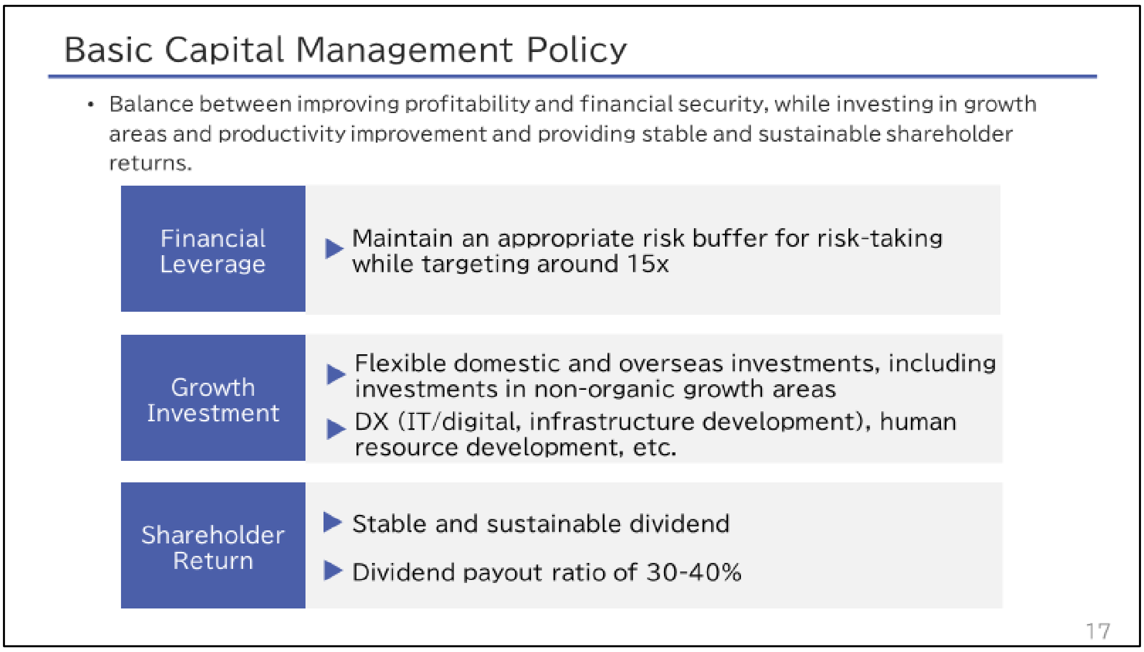


- Next, let's look into how we intend to advance the accuracy of credit screening and repayment collection in overseas markets, which are important factors in improving "productivity."

- Regarding credit screening, one measure is the introduction of the AI-based credit scoring service offered by Global AI Innovations Laboratory Co., Ltd. (GAILABO), already in use in Malaysia and Indonesia. The service offers multifaceted analysis using AI to conduct credit screening. This enables us to provide credit to customers whose credit could not be determined through conventional methods, thereby expanding our customer base and transaction volume and raising the efficiency of the screening process.

- We will also apply AI and digital technologies to our repayment collection processes to build a system for higher collection efficiency and to improve productivity.

- In addition, we will enhance forward-looking initiatives through data analysis.
- Such measures include reducing bad debt-related expenses and increasing high-quality receivables by predicting the customers' future behavior and delinquency risks using ECL calculation logic and reflecting such information in our sales and membership expansion policies.
- We will pursue balance sheet management through credit policies based on future prediction, sales measures that lead to the accumulation of high-quality receivables, and development of an efficient repayment collection system based on data analysis.



- The last point from me is our basic capital management policy.

- While striking a balance between profitability and financial security, we will invest in growth areas and productivity improvement to achieve stable and sustainable shareholder returns.

- Targeting a financial leverage of around 15 times, we will maintain an appropriate buffer to mitigate risks.

- We will continue to flexibly invest in growth areas, including non-organic growth areas like the M&A in Vietnam announced last year, and in parallel, also proceed with investments to raise productivity as represented by digital transformation and other information and digital technologies, infrastructure development, and human capital.

- As for shareholder returns, while targeting a dividend payout ratio of around 30-40%, we will prioritize maintaining stable and sustainable payment of dividends.

- Under the policies I have explained, we will carry out various measures as a company wide effort to recover and maintain an ROE of 10% and improve performance.

- That’s it from me. Thank you.

- I am Kenji Fujita, President and CEO.
- From here, I will discuss the future directions of AEON Financial Service and our initiatives to improve corporate value.

Ideal state

The Goal for 2030

A community-based global company that ”makes finance more closer”

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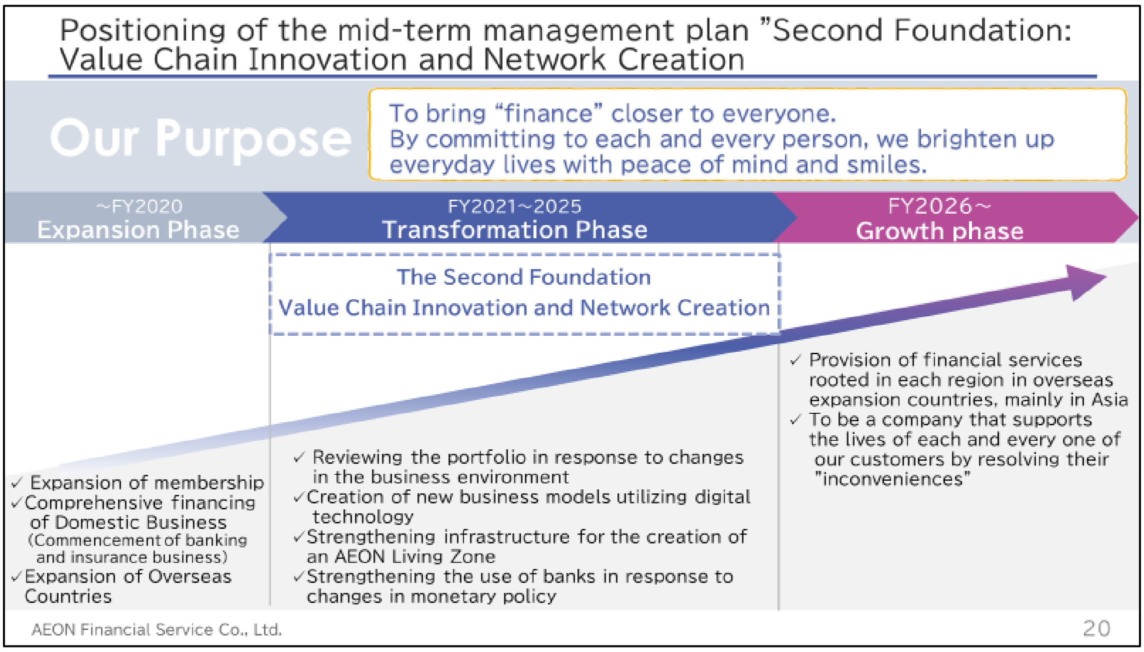
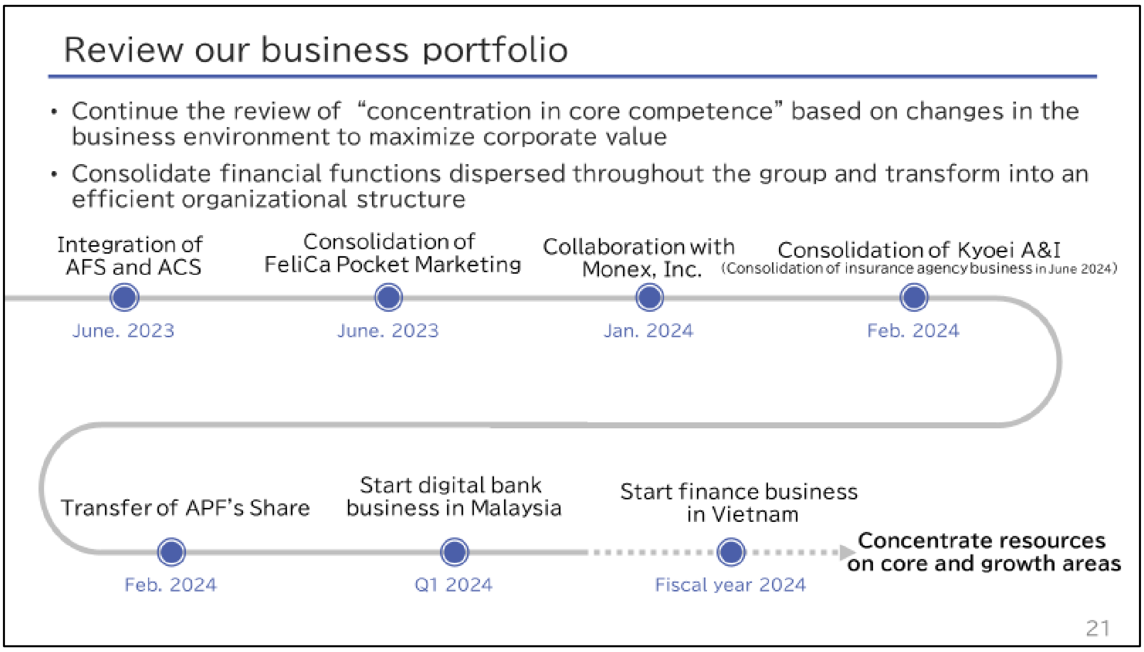
- As a company that stands closest to the daily lives of the local community in Japan and the Asian countries where we operate, we have offered financial services tailored from the perspective of the general consumer, which is the advantage of a financial services group born from a retailer.

- We have defined our vision for 2030 as “A community-based global company that brings finance closer to everyone” towards further enhancement of corporate value into the future. Our aim is to support the everyday lives of our customers through financial services.



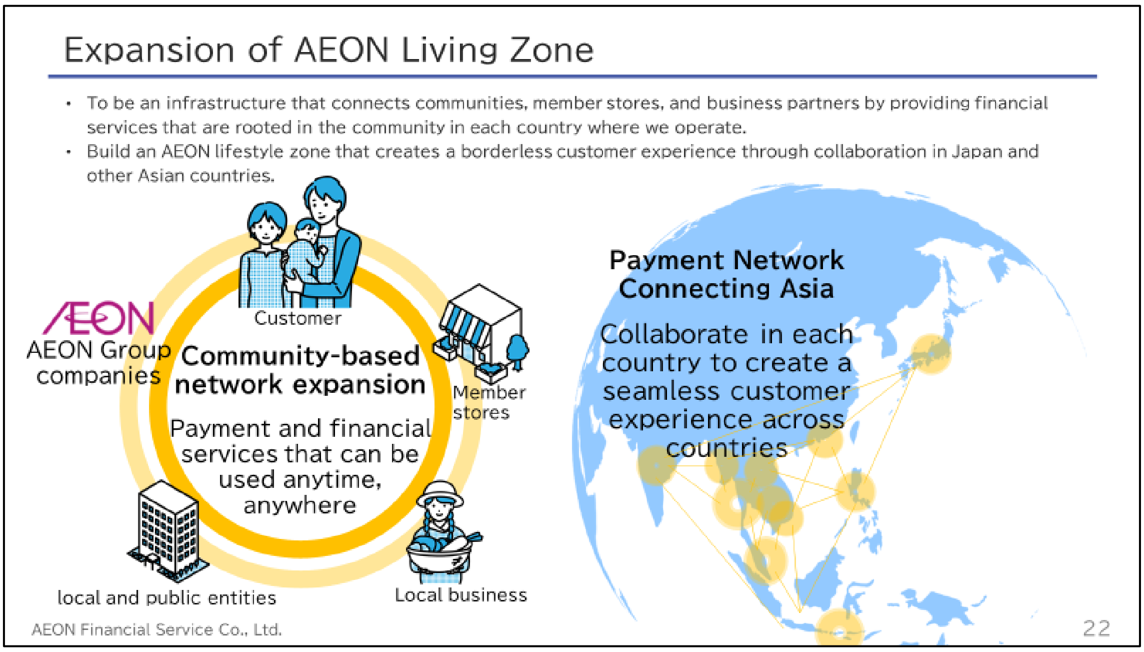
- The current Medium-Term Management Plan, which ends in fiscal 2025, embraces the basic vision of "The Second Founding: value chain transformation and new network creation," positioning the five-year term as the "transformation phase" to ensure corporate growth towards our "Vision for 2030."



- We are currently taking on the challenge of transformation. Taking the business environment into consideration, we are reviewing our business portfolio through selection and concentration to maximize customer value, and building a new business model utilizing digital technologies without persisting in the conventional methods.

- In fiscal 2023, we implemented various initiatives to restructure our portfolio. For example, in the domestic business, we consolidated FeliCa Pocket Marketing, a business that provides community-based solutions such as local currencies, and transferred the installment credit business; in overseas businesses, we acquired a Vietnamese finance company.

- We will continue to use external resources and employ various means, including M&As, to transform ourselves and build a stronger business foundation toward further enhancement of corporate value.

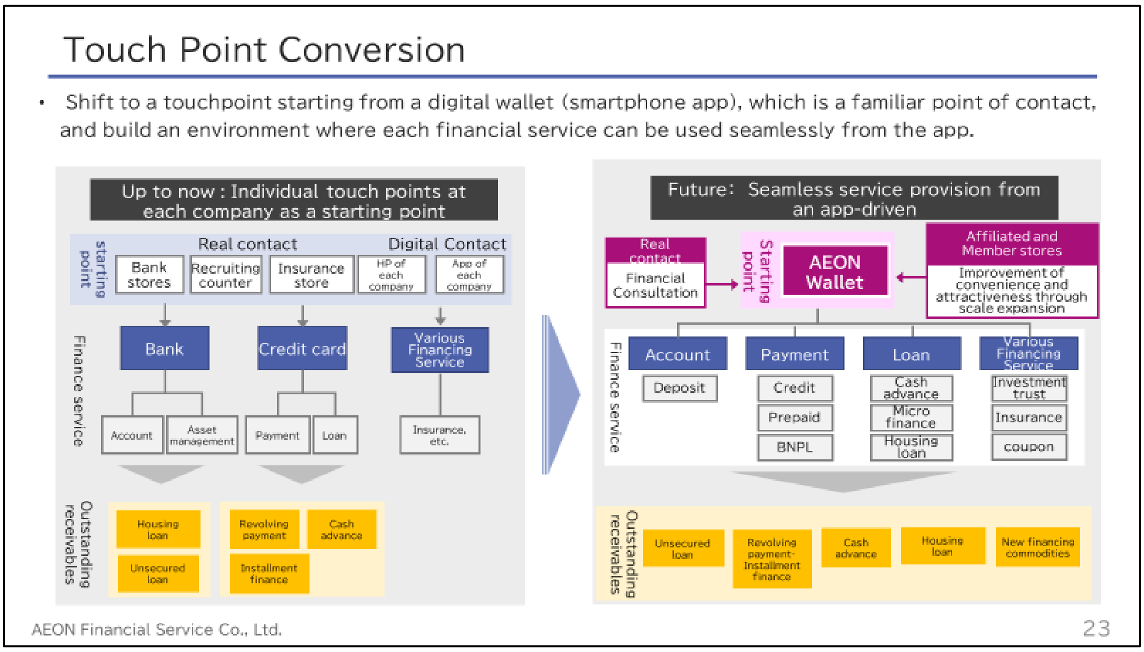


- AEON Financial Service operates in Japan and 10 other countries in Asia, and in each of the 11 countries, we serve as an infrastructure that connects customers, local communities, merchants, business partners, and AEON Group by providing financial services rooted in the community.

- We will continue to expand the AEON Living Zone by building an environment where everyone can access convenient and affordable payment and other financial services essential to everyday life anytime and anywhere.

- For example, we launched a new crowd-funding website in the domestic market to connect the financing needs of small and medium sized enterprises with customers who wish to encounter new products.
- We are also working to expand our network of partners and merchants, and further strengthen ties with local governments by supporting the *furusato nozei* (hometown tax) system.

- Going forward, building on our existing operations in Asia, we will build a collaborative network of payment services to create a borderless customer experience.



- As the first step to expanding the AEON Living Zone, we will transform our customer touchpoints by linking them together.

- We have set up various touchpoints, including brick-and-mortar shops, websites, applications, etc., as a point of access for consultation and application for each of our products or business lines, such as credit cards, banking, and insurance.
  While having multiple touchpoints constitutes an important advantage, it also has disadvantages: when a customer wants to access a different service, they need to apply through a new, separate touchpoint, creating a gap between services.
- To address this problem, last fiscal year, we renewed the AEON Wallet, our smartphone application, into an access point for comprehensive financial services.
- The aim is to utilize the smartphone, a very familiar tool for the customer, as an initial touchpoint. We are building an environment where customers will be able to access their bank account and various financial services, including payment, loan, and insurance, from one single application.

This will allow customers to casually use our services whenever they need without going through the trouble of accessing different touchpoints each time, contributing to the expansion of cross-selling.

- Meanwhile, brick-and-mortar shops will continue to be used for providing consultation and advice, which are services that customers often prefer to be delivered in person. It is our strong advantage to have such opportunities for face-to-face communication with customers, and we will make full use of them.

[Domestic] AEON Wallet App

- AEON Wallet App, which was redesigned in September 2023, won an international design award.

iF DESIGN AWARD 2024

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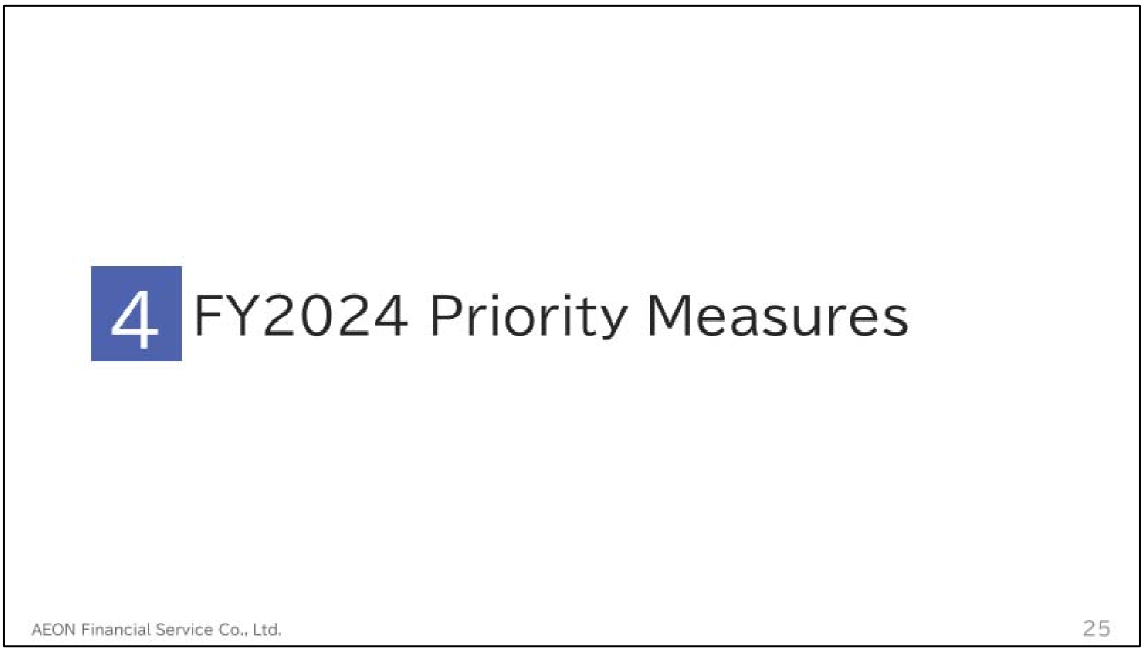
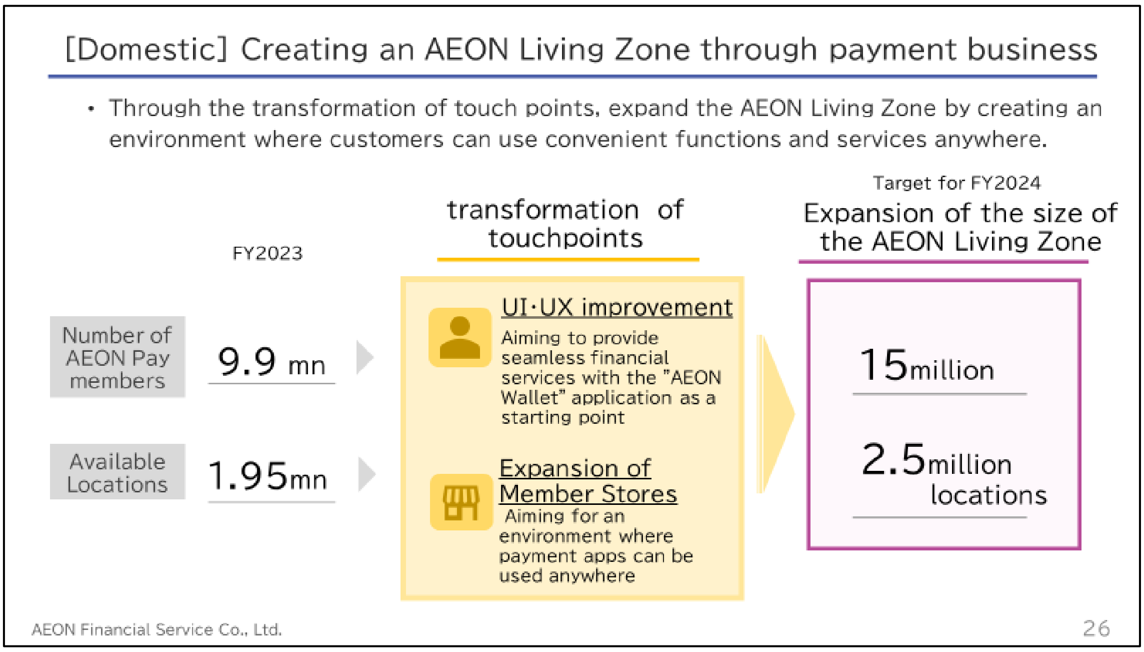
- This slide shows smartphone screenshots of AEON Wallet, which underwent a renewal to become a comprehensive access point for financial services in September last year. To accommodate ever-diversifying customer needs, the application has been renewed so that users can now navigate to different services through intuitive operation.

- AEON Wallet was selected for the service design category of the international “iF DESIGN AWARD 2024” in recognition of the advanced design featuring simple and comprehensible operability and an adaptable home screen that can be changed to the users’ preference.

- Going forward, we will continue to enhance functionality of the application as the initial touchpoint for our customers.

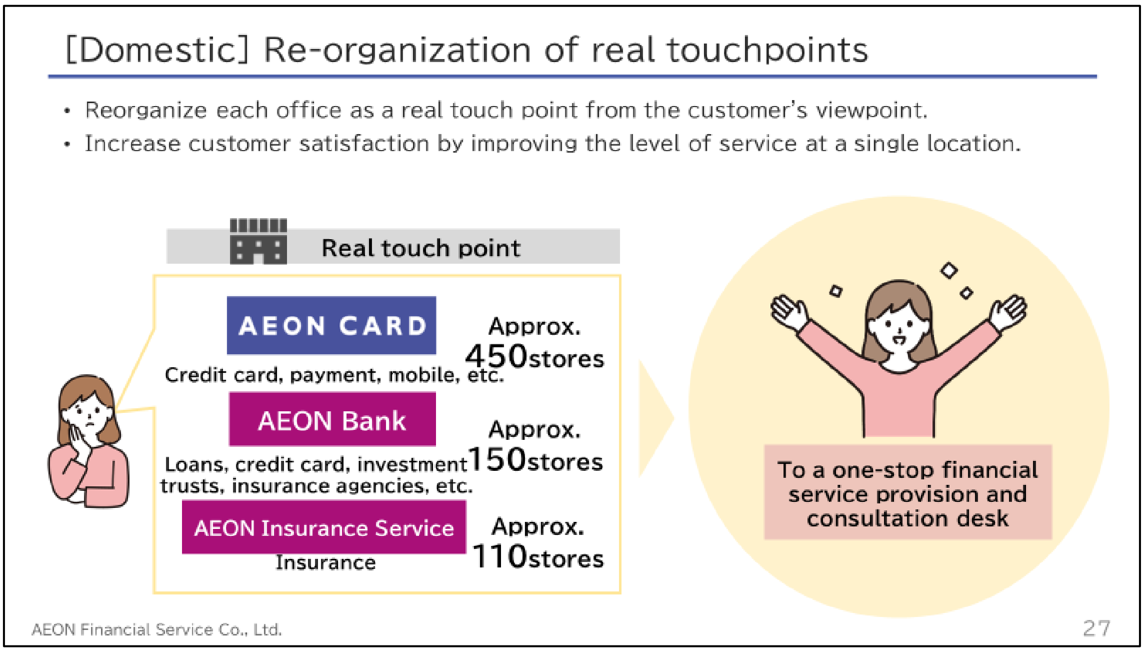


・ Now, let’s look into our priority measures for fiscal 2024 based on the policies I have just explained.



- In addition to creating a seamless customer experience through the touchpoint transformation I mentioned and the enhancement of the functions of AEON Wallet, we will further focus efforts on building an environment where users can use our services everywhere by expanding our merchant network.

- Towards expanding the AEON Living Zone by providing seamless services that start with AEON Wallet as the initial touchpoint and by building an environment where those services can be used everywhere, we will aim to expand AEON Pay membership from the current 9.9 million by 1.5 times to 15 million in fiscal 2024 and merchant outlets to 2.9 million locations.



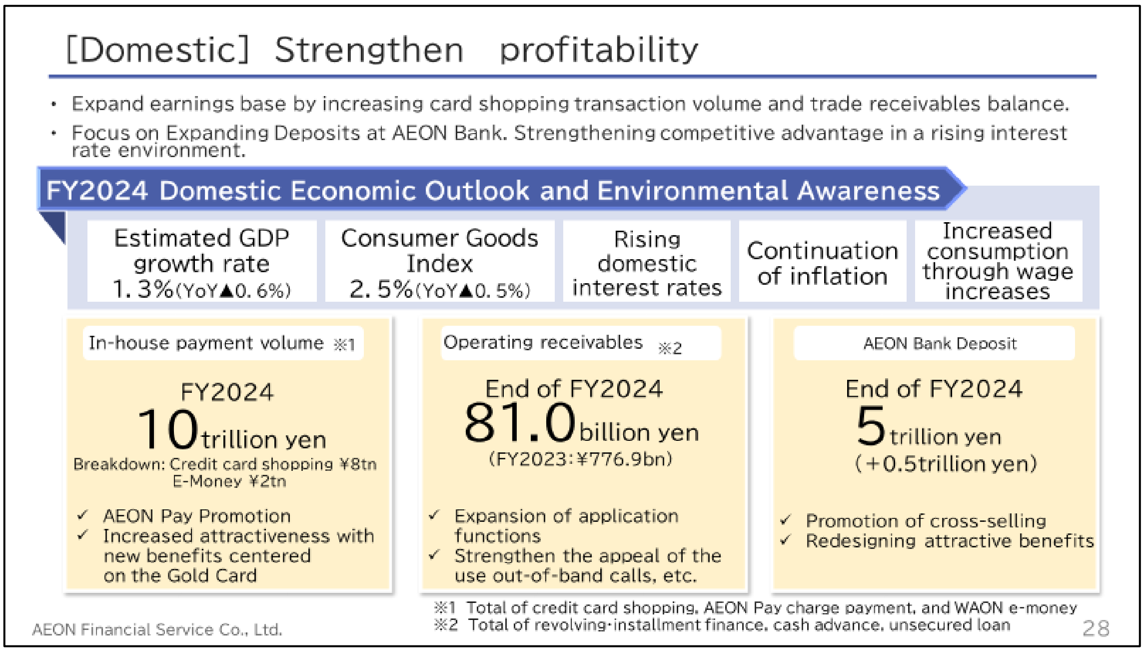
- Next, let's turn our eyes to physical touchpoints. We will reorganize our physical touchpoints from the customers' perspective to build a user-friendly environment where people can feel free to consult us.

- We believe that it is one of our strong advantages to have the opportunity to communicate with customers face to face and hear their voices in person through the network of AEON Group stores across Japan.
- However, with various physical touchpoints in one shopping center, including separate stores for credit card, banking, and insurance services, there is a gap between services even in the physical environment.

- We will improve the level of our services by creating a place where customers can consult our advisors about financial services and other various topics in a one-stop shop environment.

- In fiscal 2023, physical touchpoints integrating various services were introduced on a trial basis in some locations.

  In parallel to verification of the trial results, we will begin a wider rollout in fiscal 2024.

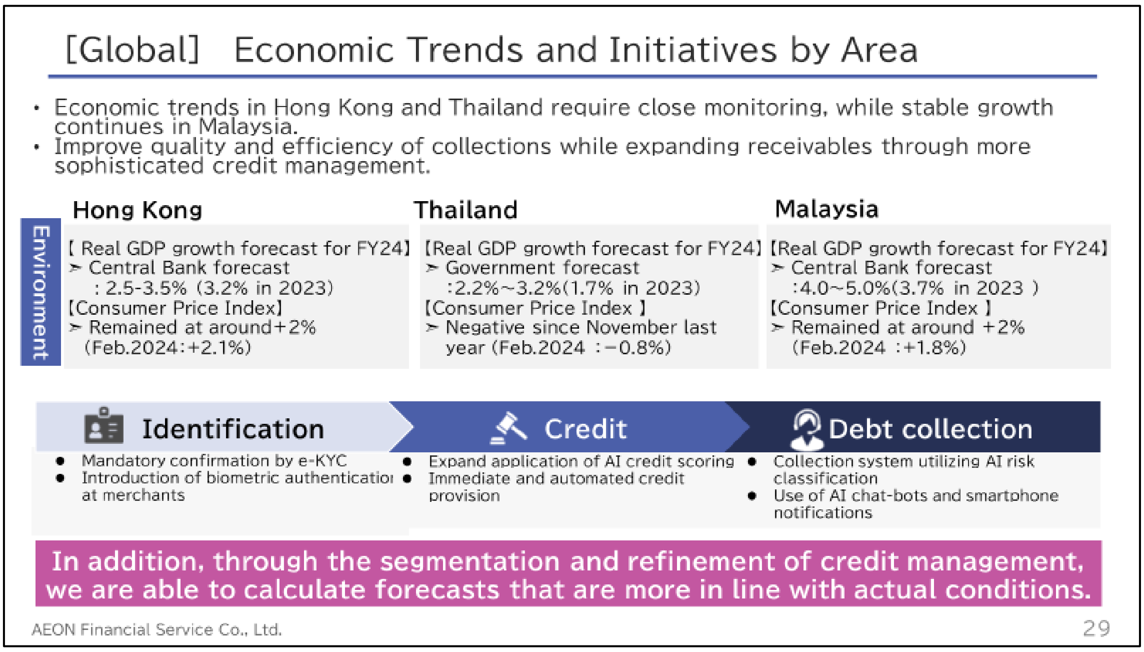


- As already explained, by steadily advancing our touchpoint transformation towards expanding the AEON Living Zone, we will enhance our customer base, increase opportunities for service use, expand the transaction volume of credit card shopping and other payment services, and boost the balance of operating receivables.

- In the payment business, we will increase the overall payment transaction volume, including card shopping and electronic money WAON, to 10 trillion yen by promoting AEON Pay and offering new benefits, such as the Gold Card special benefits launched this April.

- We will increase the outstanding balance of operating receivables to around 810 billion yen to expand our revenue base.

- With the rising interest rates, our capacity to obtain funding by leveraging the deposits of AEON Bank’s customers will prove to be a significant competitive advantage. We plan to expand customers’ total bank deposits to 5 trillion yen through the promotion of cross selling with credit cards and redesigning of new benefits.



- While the situation varies by country in the global market, Malaysia, in particular, is expected to sustain stable economic growth in terms of GDP growth and other indicators.

- On the other hand, Thailand continues to see a negative consumer price index, and in Hong Kong, the GDP growth is rather low. We need to keep a wary eye on the economic trends.

- The increase of bad debt related expenses in overseas markets affected our profits in fiscal 2023. We will drive ongoing efforts to improve credit screening accuracy and repayment collection efficiency through the utilization of AI and other digital technologies while carefully assessing the economic conditions in each market.

- In controlling bad debt related expenses, it is important not only to work on credit screening and repayment collection but also to enhance the quality of our portfolio of receivables by increasing high-quality receivables. We will therefore promote forward-looking initiatives by predicting the customers' future behavior based on customer usage data and reflecting such information in our membership expansion policies and sales measures.

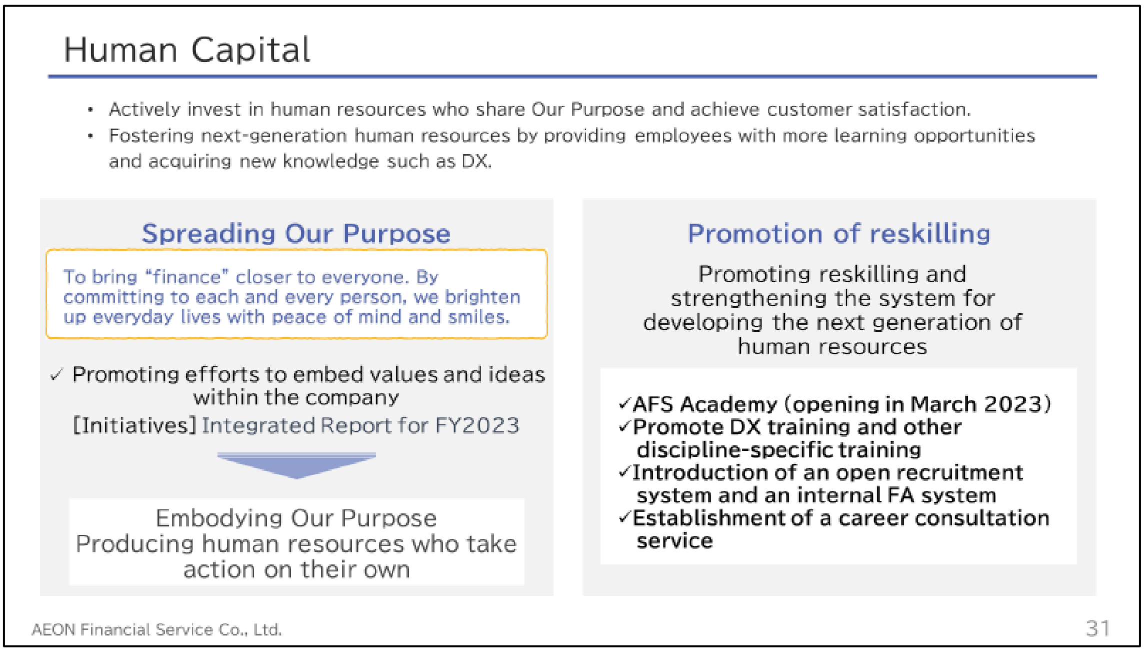
・ Next, I will explain the launch of a new digital bank in Malaysia, which we have been preparing for some time.

・ In the first quarter of fiscal 2024, we are launching Malaysia's first digital banking business based on Islamic financing. It will start by accepting personal deposits and issuing debit cards and gradually expand available services to include various types of loans.

・ AEON Bank (Malaysia) plans to expand its provision of financial services from individual customers to AEON Group companies and other corporate customers, including member merchants and suppliers.

・ This is an initiative to pioneer a new business model to expand the AEON Living Zone by connecting customers, AEON Group companies, member merchants and other business partners through financial services with a software application at the center. We will focus our efforts on this initiative with a view to horizontal rollout to other areas.

・ We plan to complete the M&A process of the Vietnamese finance company within fiscal 2024 to further grow our business and expand the AEON Living Zone in Asia.



- As our business and the surrounding environment continue to significantly change, we are working to foster human resources who share our aspirations and can flexibly respond to change.

- We aim to develop human resources who can not only execute operations in strict adherence to the procedures but also empathize with and embody Our Purpose and can act on their own initiative. To this end, we are regularly holding town hall meetings in Japan and other Asian countries to spread and instill Our Purpose.

- Towards the development of next generation human resources, we encourage employees to step forward to upskill themselves and advance their careers by offering more opportunities for reskilling and introducing an open recruitment and internal FA system.

AFS Academy

Organize seminers for employee

Electronic Library

AEON Financial Service Co., Ltd. 32

- To give an example, the AFS Academy established in 2023 offers a broad range of courses, an electronic library, and e-learning programs to deepen various knowledge, skills, and cultural understanding beyond business operation skills.

- In addition to invited lectures by leaders and intellectuals of various fields, there are many lectures offered by internal speakers not only on business operations but also on general culture, including hobbies and other areas of specialty.

- To enhance the digital skills of employees, we also provide digital transformation training to all employees to enhance their ability to plan and actively utilize digital technologies.

- We will continue to actively invest in human resources to help each employee raise the level of their respective knowledge, enhancing our collective knowledge as an organization by accumulating the personal knowledge of individual employees.

・ The last topic is the business forecast and dividends expected for fiscal 2024.

FY2024 earnings forecast, dividend forecast

- Strengthen the earnings base by increasing transaction volume and the balance of trade receivables, and work to improve productivity.
- Plans to Open Malaysia Digital Bank. Focus on building a new business model.

	Consolidated	YoY	Domestic	YoY	Global	YoY
Operating Revenue	520.0 bn	107 %	3,100 bn	105 %	2,100 bn	108 %
Operating Profit	55.0 bn	110 %	150 bn	129 %	410 bn	107 %
Ordinary Profit	55.0 bn	107 %	–	–	–	–
Profit attributable to owners of parent	21.0 bn	100 %	–	–	–	–

- We plan to put the domestic business back on the growth track through expansion of operations and improvement of productivity by increasing transaction volumes, accumulating the balance of high-yielding operating receivables, and transforming our customer touchpoints.
- In the overseas business, in addition to expanding operations by utilizing digital technologies and introducing forward-looking credit assessment, we will establish the foundation of new businesses, including the launch of a digital banking business in Malaysia and a finance business in Vietnam.

- Through these initiatives, we aim to achieve the following consolidated performance targets:
  ○ Operating revenue of 520 billion yen, up 7% from fiscal 2023
  ○ Operating profit of 55 billion yen, up 10% from fiscal 2023
  ○ Ordinary profit of 55 billion yen, up 7% from fiscal 2023
  ○ Profit attributable to owners of parent of 21 billion yen, same as fiscal 2023

- We position fiscal 2024 as a year to review our business portfolio and build new business models toward future growth. While the growth in net profit may seem limited, our policy is to maintain a stable and sustainable return to shareholders. We plan a dividend per share of 53 yen, which is the same as fiscal 2023.
- We will sincerely face each and every customer as well as other stakeholders and continue our management efforts to fulfill their expectations.

- We deeply appreciate your continued support. Thank you.

[Q&As]

■ JPMorgan Securities Japan / Analyst Sato

(1) Please tell us how you see your domestic operating expenses in relation to your performance forecast for fiscal 2024. Operating expenses have increased by around 12 billion yen compared to the previous fiscal year, but considering the transfer of APF, it seems to me that the increase in expenses is rather large. Could you tell us specifically which expense items increased? Regarding your approach to improving ROE on page 14, do you not currently see any room for reducing costs other than bad debt related expenses to improve productivity?

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

With regard to domestic operating profit, the balance of operating receivables increased by 60 to 70 billion yen in fiscal 2023, mainly due to the increase of cash advance and revolving credit, meaning that the baseline level for fiscal 2024 is already high. Along with the increase in the balance of receivables, the total amount of bad debt related expenses is expected to increase by a little less than 10%. Sales promotion expenses for fiscal 2024 are expected to increase year on year as we are planning to spend on the expansion of stock and brand enhancement. However, we will ensure that we spend on measures that are cost effective for expanding revenue. Personnel costs are expected to rise by around 6 to 7%.

Operating expenses of APF for fiscal 2023 were in the middle of 10 to 20 billion yen.

(2) How long do you expect it will take to achieve the ROE target?

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

We are aiming to achieve an ROE of 10% in a span of around four years. For the balance of receivables, we are aiming to achieve our target by the end of fiscal 2026.

■ Mizuho Securities / Analyst Sakamaki

(1) As for expanding the share of high-yielding stock, is it possible to secure sufficient return on assets by improving the mix of stocks in your portfolio?

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

I believe it is effective for increasing profit. Overseas stocks have a yield of around 15 to 20%, which means that revenue will increase by around 30 billion yen. With the interest rates expected to rise, we are also expecting an increase in return from housing loans, as a certain percentage of our housing loans have variable interest rates. In addition, I believe there will be chances for liquidation when the investors' sentiment calms down.

(2) What areas do you have in mind for investment in non-organic growth areas?

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

First of all, we will reduce loss-making businesses. As for areas in which we will expand investment, we see a big growth potential in the payment business, so we will pursue economy of scale when there is a chance to do so. In overseas markets, we will likely pursue M&A to acquire new licenses.

■ SMBC Nikko Securities / Analyst Hara

(1) According to the forecast for fiscal 2024, domestic operating profit is expected to increase by 29%. Then why is net profit not increasing? Can you give us the reason?

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

In relation to its sale, the extraordinary loss of APF is reported on our side based on the terms of the deal contract.

There is also a certain amount of outflow associated with earning profit overseas. In addition, we have more equity shares of loss-making companies than profit-making companies. A mixture of various factors is contributing to the situation.

(2) Please provide the background of the recently announced business partnership with Orico. What are the benefits of collaboration?

(Yuro Kisaka, Director and Managing Executive Officer, General Manager of the Corporate Planning Division)

Orico and AFS may seem like competitors from the outside, but we can complement each other's strengths. It is AFS's policy to propose and offer payment and other bank and insurance products/services. Meanwhile, Orico creates new value through the installment credit business with its network of 800,000 member merchants and 400,000 corporate clients. Our future growth lies in B-to-C businesses, while Orico's future growth lies in B-to-B businesses. The aim of the partnership is to leverage each other's strengths.

(3) In light of your partnership with Orico, to what extent have you completed your business portfolio review?

(Yuro Kisaka, Director and Managing Executive Officer, General Manager of the Corporate Planning Division)

I cannot say exactly right now, but we're still on the way. Our purpose is to start with payment services and then provide various financial products according to customer needs. Earlier, there was a question about future cost reduction. Reshuffling the business portfolio is also important from the viewpoint of reducing costs by integrating various services into a one-stop shop.

■ Daiwa Securities / Analyst Watanabe

(1) Please tell us the factors behind the increase and decrease in profit for the fiscal 2024 performance forecast.

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

Factors driving profit increase are the increased balance of operating receivables and the continued growth of receivables in overseas markets. We plan to continue to increase the balance of receivables. We do not expect to see as much liquidation as we did last year. Meanwhile, we will carefully consider whether to keep the balance of housing loans or liquidate them in light of the interest rate environment. Depreciation of the next credit card core system is included in the budget. We are currently discussing the period of depreciation and other conditions with our auditor. We expect it to be roughly in the middle between 10 to 100 billion yen, but the details including the release schedule have not been determined yet.

(2) You mentioned you are targeting a financial leverage of around 15 times. Is there a possibility of adjusting the level of shareholders' equity?

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

Our current capital adequacy ratio is around 6%. We intend to adjust the level mainly through dividend payments. Regarding room for increasing or decreasing leverage, some of our analysts say there will be some room left in debt capacity if the quality of the portfolio is maintained in the rating. We have currently set the target leverage at 15 times, but the level of shareholders' equity will be reconsidered according to the situation, considering various factors.

■ Goldman Sachs Japan / Analyst Kuroda

(1) You said earlier that you intend to increase the total balance of domestic revolving credit, installment credit, cash advance and unsecured loan to 1 trillion yen by the end of fiscal 2026. Does that mean we can expect an acceleration of growth toward fiscal 2025 to 2026?

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

The target I mentioned earlier of 1 trillion yen by the end of fiscal 2026 is based on conditions before liquidation of receivables. Our target for fiscal 2024 is 810 billion yen, so we will work to achieve this target. Based on conditions after liquidation of receivables, we expect to achieve the target by the end of fiscal 2027.

(2) Please tell us about any factors impacting your plans for fiscal 2024, such as rising Japanese interest rates and the depreciation of the yen.

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

I think housing loan interest rates will be raised at some point while observing the market. As for savings deposits, with an eye to attracting sticky fixed-period deposits, I assume revenue from interest rates will increase as an overall trend.

■ Citigroup Global Markets Japan / Analyst Niwa

(1) If the Group as a whole achieves ROE of 10%, how much of that will be from AEON Bank? The growth of housing loans seems sluggish. Do you really need to have a bank in your group? What discussions have you had on this point?

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

The amount of housing loans reported on the balance sheet differs depending on whether they are liquidated or unliquidated. Liquidation decisions will be made in a flexible manner based on the situation. We will raise the profit level by increasing the share of high-yielding receivables to around 20%.

(2) Could you comment on the level of operating profit and breakdown between domestic and overseas businesses when an ROE of 10% will be achieved?

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

The consolidated operating profit will be around 80 to 100 billion yen. We hope to achieve 100 billion yen in about 3 to 4 years, and an ROE of 10% will be an indicator for achieving that target. With the transfer of the installment credit business, various domestic operating receivables will be reported 100% on the balance sheet of AEON Bank. There is a competitive advantage from the viewpoint of obtaining funding. We are controlling so that the burden of the capital adequacy ratio will not become too heavy.

■ SBI Securities / Analyst Otsuka

(1) Please explain how the increase of AEON Pay users will lead to the expansion of the AEON Living Zone.

(Kenji Fujita, President and CEO)

AEON Pay itself is a type of code payment function with an underlying ID for each user. AEON

Group is promoting the adoption of common IDs, so obtaining an AEON Pay ID means obtaining a common ID for the entire AEON Group. Thus, expanding AEON Pay users translates into expanding the Living Zone.

We believe that the use of AEON Pay will lead to the use of credit cards and bank accounts, further increasing opportunities for monetization. Each of our group companies used to build its own customer base, but the ID unification is implemented through AEON Pay. We have already decided to add AEON Pay functions to the AEON Mall App and AEON Town App, thereby promoting ID unification throughout the Group.

It is also very important to promote ID collaboration to build the foundation for our ongoing Group-wide digital transformation. It will enable us to understand the purchase behavior trends of our customers throughout the Group. We are now working to build the Group's common data foundation, and data sharing will advance going forward.

(2) How do you plan to use AEON Pay to increase the balance of operating receivables? The investor relations material of AEON Co., Ltd. did not sound very enthusiastic about the Living Zone. Is it right to understand that it is a common management issue?

(Kenji Fujita, President and CEO)

Perhaps it may not be explicitly explained in our parent company's investor relations meetings, but it is designed to be at this level when the entire Group's value chain is broken down.

■Millennium Capital Management Asia Limited / Analyst Fujita

(1) I'd like to ask about the timeline of the Medium-Term Management Plan. You originally had an ambitious target of achieving 100 billion yen by fiscal 2025, which gave an aggressive impression. But as you have just mentioned, your operating profit target for fiscal 2024 is 55 billion yen, so I assume that you intend to consolidate a foothold over the next 2 to 3 years. If you are to achieve an ROE of 10％ in about four years, however, there seems to be a gap with the 50 to 60 billion yen operating profit. Could you outline the timeline you have in mind?

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

We do not intend to set a clear timeline for achieving the target of ROE 10%. It is true that the 100-billion-yen target for fiscal 2025 was a rather aggressive target. We do recognize that it may take 2 or 3 more years than the original plan to achieve the target. The management discussed this matter and concluded that, based on the way the company is currently seen, the level of operating profit is not the only important measure. Considering the level of our capital cost, we honestly want to achieve ROE of 10%. In the face of the reality that it will take 2 to 3 years longer to achieve the operating profit target of 100 billion yen set in the Medium-Term Management Plan, this is the rough timeline we have in mind for now. Amid the rapidly changing business environment, there are various factors that affect the timing of when we can achieve our targets, such as non-organic growth and withdrawal from unprofitable businesses. I won't explicitly specify until when we will achieve the targets. All I can say for now is that we want to achieve them within several years.

(2) So, your target was changed from an operating profit of 100 billion yen to an ROE of 10%, indicating your shift to a greater focus on efficiency, including non-organic growth. Is my understanding correct?

(Kenji Fujita, President and CEO)

Yes, your understanding is generally correct. If we persist on the 100-billion-yen target, we may miss valuable opportunities amid the rapidly changing environment. In fact, recent organic growth is two years behind our original plan. We are reviewing it to seize opportunities while keeping an eye on the balance with ROE.

(3) Some investors may think that setting an ROE target means reducing equity, but you are not considering the reduction of equity, are you? Instead, you will improve ROE through portfolio restructuring without changing the level of dividends. Is my understanding correct?

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

At present, our plan is based on the improvement of the portfolio mix and not buyback.

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