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FY2023 First Quarter IR Presentation Materials

July 11, 2023



AEON Financial Service

Stock Listing: Tokyo Stock Exchange, Prime Market

Code No: 8570

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Financial Results Highlights

Financial Results Highlights

(1) Increased transaction volume

Domestic: Revenues increased due to expansion of business, mainly credit cards.

Global : Operating revenue in all three areas reached a record high, with double-digit sales growth in global business

(2) Increase in the balance of trade receivables

Domestic: Cash advances bottomed out due to user expansion, and moving into expansion phase

Global : Receivables expand, mainly in China area

In Thailand and other countries, the increase in outstanding loans pauses due to stricter screening

(3) Increased bad debt-related expenses

Domestic : Expenses increased, but remained flat compared to outstanding operating receivables

Global : In addition to special factors in the same period of the previous year, the recovery rate declined due to an increase in the payment burden due to soaring prices

Merged with AEON Credit Service on June 1

We will continue to reorganize our domestic business to optimize the allocation of management resources, speed up decision-making, and maximize group synergies

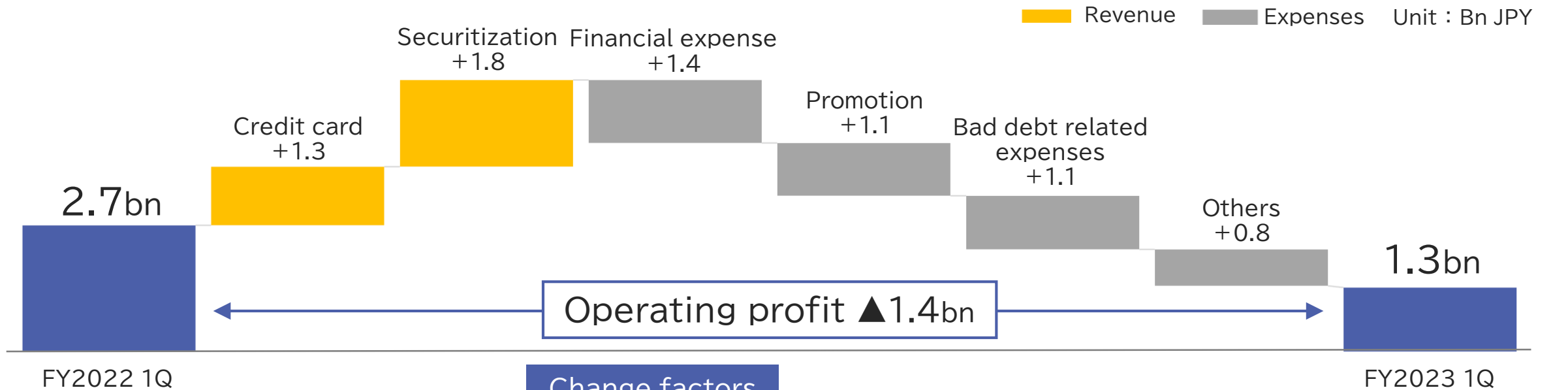
The Highlights of the Consolidated Results

- Both in the domestic and global business, operating revenue in increased year on year
- Operating profit decreased because of up bad debt expenses in both area

	Consolidated		Domestic		Global		FY2023 Forecast	Progress
		YoY		YoY		YoY		
Operating Revenue	¥116.6 bn	109 %	¥71.3 bn	105 %	¥45.3 bn	116 %	¥480.0 bn	24 %
Operating Profit	¥9.1 bn	60 %	¥1.3 bn	51 %	¥8.1 bn	63 %	¥61.0 bn	15 %
Ordinary Profit	¥9.5 bn	59 %	—	—	—	—	¥61.0 bn	16 %
Profit attributable to owners of parent	¥3.5 bn	45 %	—	—	—	—	¥27.0 bn	13 %

[Domestic] Breakdown of operating profit year-on-year

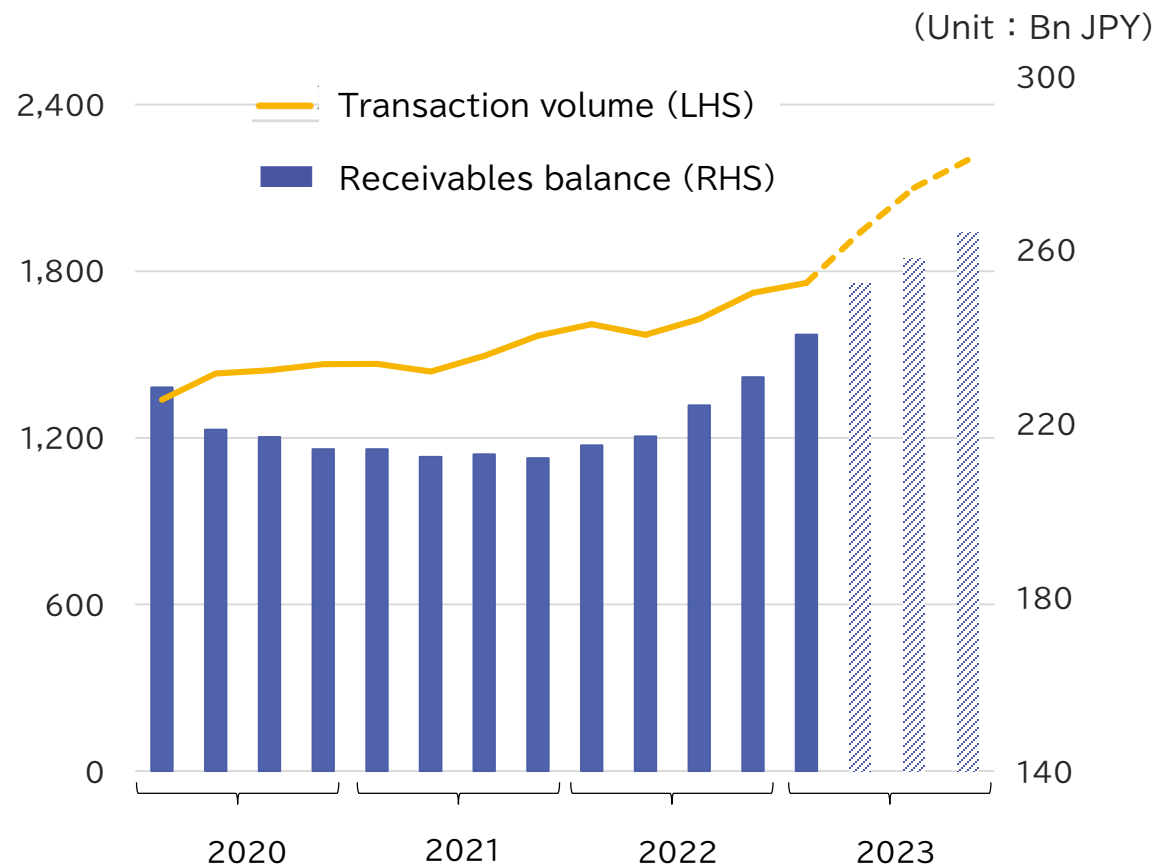
- Although business expanded mainly on credit cards, profit decreased due to the replacement of securities in the banking business, sales promotion to acquire customers, and an increase in bad debt-related expenses due to the expansion of the outstanding balance of receivables



Change factors	
<p>[Operating revenue]</p> <ul style="list-style-type: none"> •Credit card +1.3 (Credit cards+1.0 Cash advances+0.3) •Securitization +1.8 (No securitization the last 1Q) 	<p>[Operating expenses]</p> <ul style="list-style-type: none"> •Financial expenses +1.4 (cut loss+1.1, interest rate of foreign currency interest+0.3) •Promotion +1.1 (loyalty point costs+2.5, advertising▲1.4) •Bad debt related expenses +1.1 (up the number of revolving user) •Other +0.8 (system operation+0.6, card issuing+0.2)

[Domestic] Shopping transaction and revolving credit balance

- Number of users is steadily expanding even though more people are cutting down on their spending
- Revolving credit balance growth rate shows above the industry average



Shopping Transaction Volume

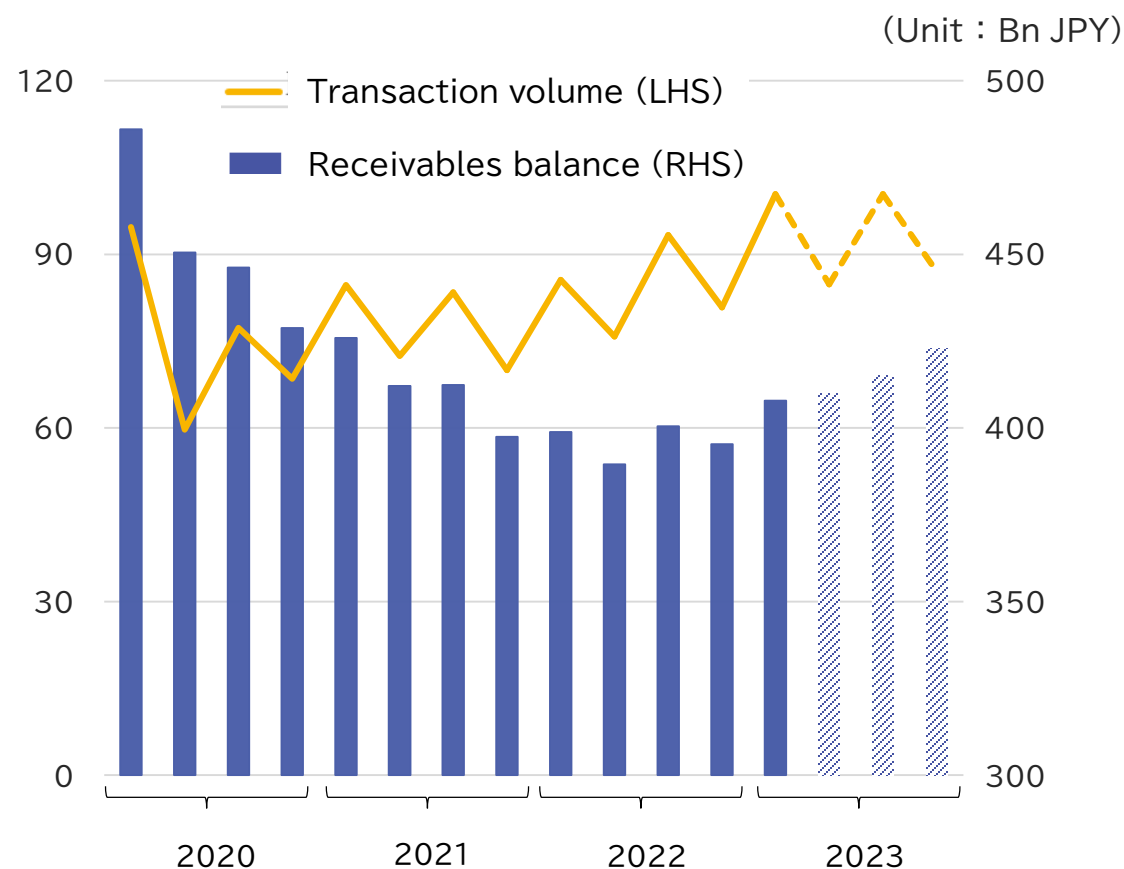
- 1Q Result: 1,757.2bn (YoY 109%)
- Even though there is a polarizing trend in recent consumer behavior, thanks to focusing payment registrations for public utilities and other services, users is increasing continuously.

Revolving Credit Balance

- 1Q Result: 240.6bn (YoY 112% / YTD +9.7bn)
- User is expanding due to introducing “repayment simulation feature” that allows customers to confirm the number of repayments and the total expected payment amount after changing to Revolving payment.

[Domestic] Cash advance transaction volume and receivables balance

- By approaching new and inactive cardholders, the number of users has increased by double digits, and the balance has also turned positive compared to the same period of the previous year



Cash Advances Transaction Volume

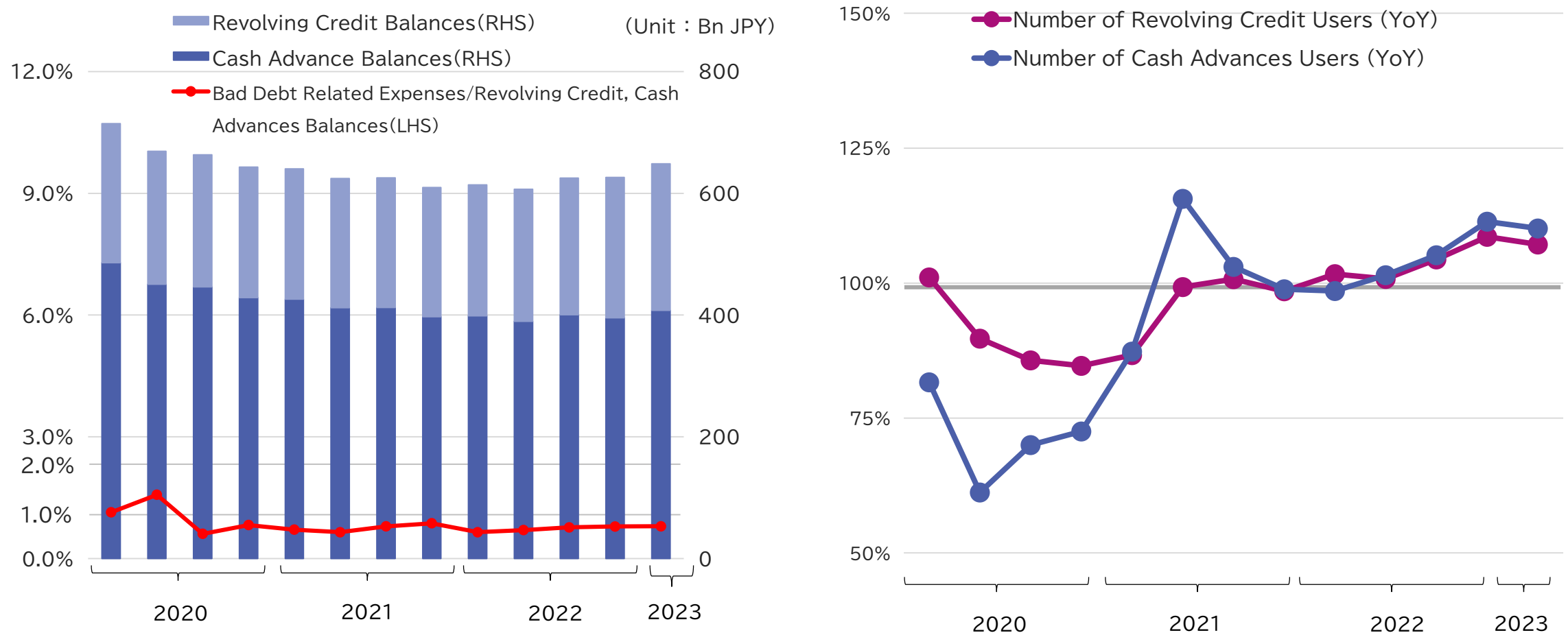
- 1Q Result:100.4bn (YoY 117%)
- In addition to the recovery of individual fund demand, during the Covid-19, optimizing credit lines and a reactive approach to inactive members were successful.

Cash Advances Balance

- 1Q Result:407.8bn (YoY 102% / YTD+12.5bn)
- In addition to the increase in transaction volume, we provide convenience to customers by offering the function of changing the cash advance repayment method online, and therefore, the balance has been shifted towards an expanding trend.

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

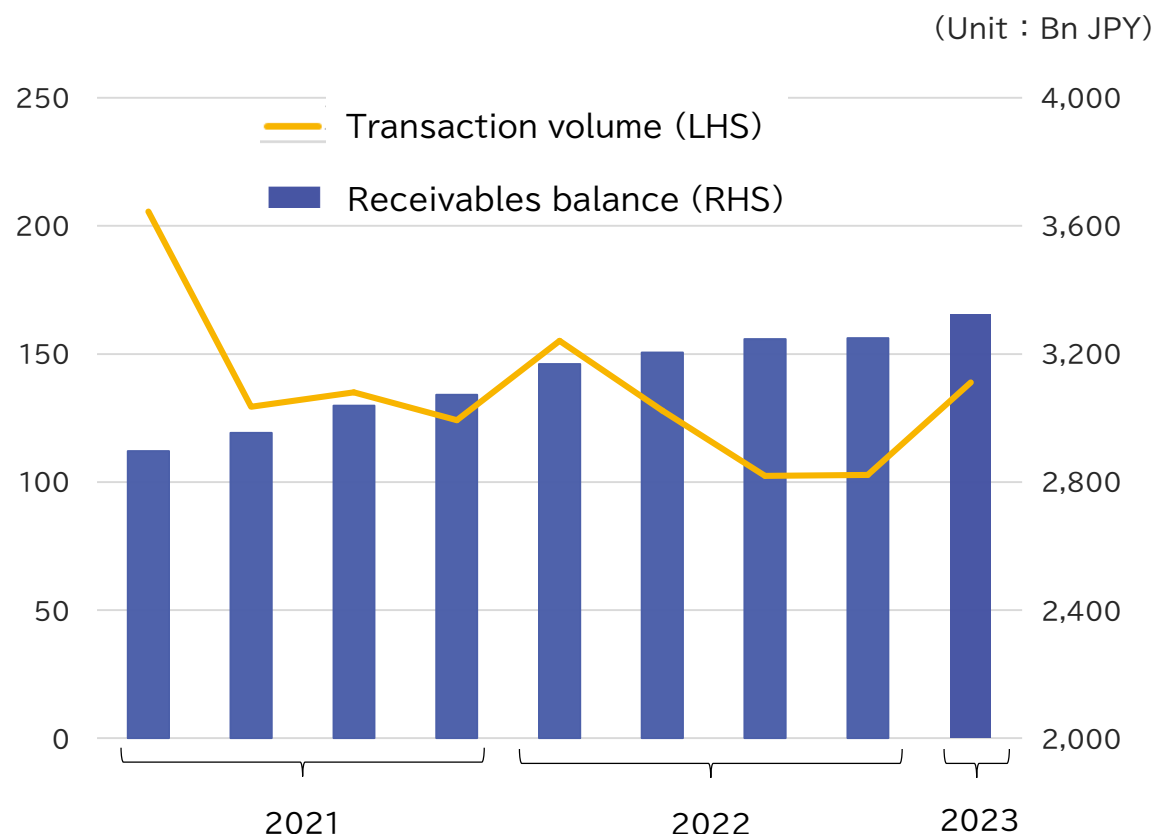
- The bad debt related expenses rate for receivable balance is staying below 1%
- With the increase users for revolving credit and cash advances, the receivable balance has also increased



※ Bad debt-related expenses excluding interest refund costs

[Domestic] Housing loan transaction and receivables balance

- Pre-application has increased due to a revision of benefits for mortgage borrowers



Housing loan transaction volume

- 1Q Result: 138.8bn (YoY 90%)
- With the changes in the interest rate environment, the number of refinancing has decreased, and due to the increase in new applications, the period from application to execution has been extended.

The pre-application have increased by over 20% due to a revision of benefits.

Housing loan balance (including securitization)

- 1Q Result: 3,393.2bn (YTD+73.0bn)
- The receivables balance has steadily accumulating despite the YoY decrease in transaction volume.

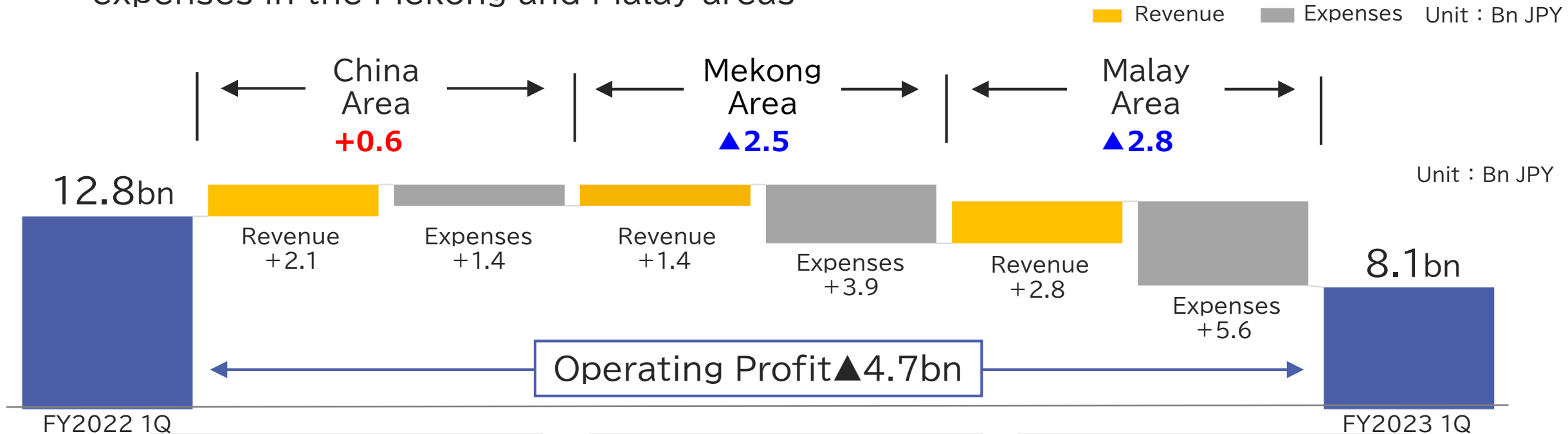
Highlights by segments of Global Business

- While operating revenue has increased in all three areas, the Mekong and Malay areas have decreased in operating profits due to the increase in bad debt related expenses
- In the China Area, operating profit has achieved a record-high in 1Q due to the successful capture of inbound tourist demand to Japan

	China Area	YoY	Mekong Area	YoY	Malay Area	YoY
Operating Revenue	¥6.7 bn	146 %	¥21.6 bn	107 %	¥16.9 bn	120 %
Operating Profit	¥2.1 bn	141 %	¥2.7 bn	52 %	¥3.2 bn	54 %
(Reference) Bad Debt Related Expenses	¥1.1 bn	203 %	¥8.5 bn	148 %	¥5.2 bn	407 %

[Global] Breakdown of operating profit year-on-year

- The main factor behind the decrease in OP YoY is the higher bad debt related expenses in the Mekong and Malay areas



Change factors	FY2022 1Q		FY2023 1Q	
	Revenue	Expenses	Revenue	Expenses
[Operating Revenue]				
• Credit card business	+1.2		+0.3	
• Loan	+0.7		+1.0	
[Operating Expenses]				
• Bad debt related expenses	+0.5		+2.7	
• Personnel expenses	+0.3		+0.3	

[Global] External environment for bad debt expenses

Soaring prices of commodities and energy is squeezed household budgets

- In Thailand, the consumer price index has risen for 23 consecutive months (as of July 2023), but the minimum wage has remained unchanged since October 2022
- In Malaysia, consumer sentiment deteriorated, as seen in the Consumer Confidence Index for January to March falling by 6.1 points from the previous quarter

End or reduction of government debtor protection measures

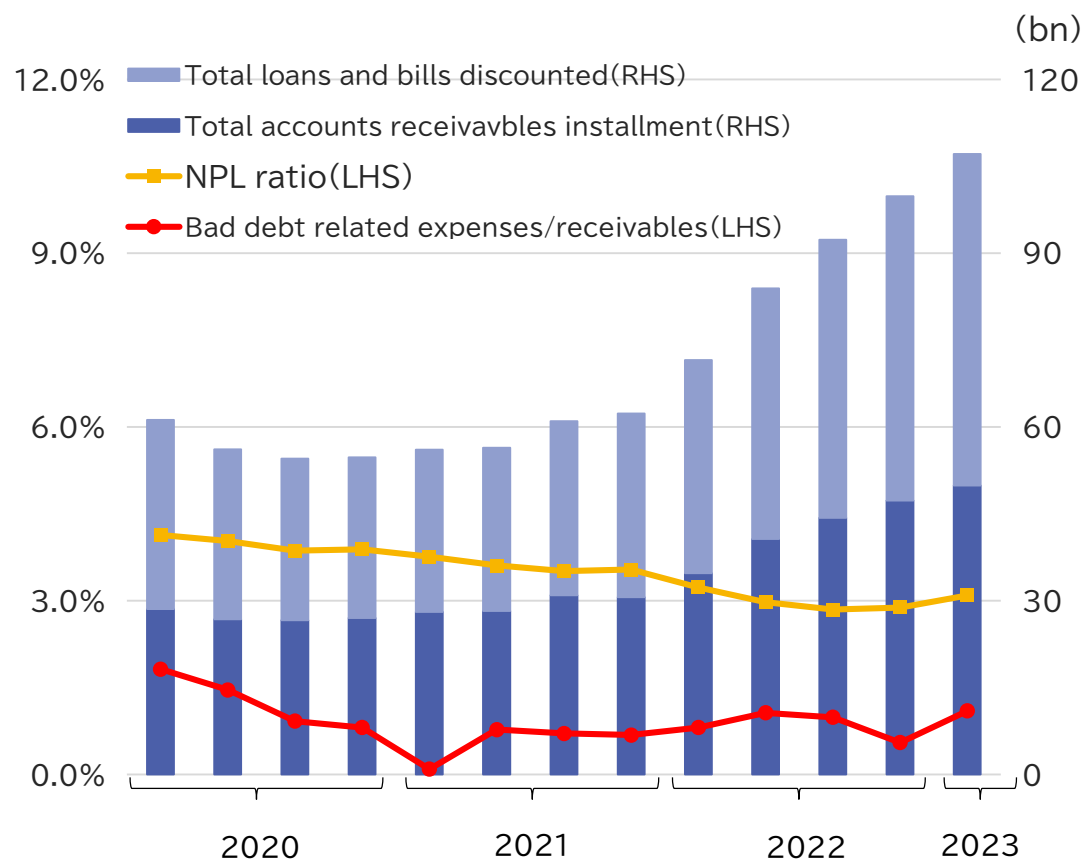
- Pension withdrawal program implemented in Malaysia in the same period of the previous year
- Reduction of grace measures for minimum payments in Thailand



**Increased payment burden of middle
and low-income earners**

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

- The receivables continue to expand
- Although the bad debt related expenses has increased, the NPL ratio and the ratio to the balance outstanding receivables are stable



Factors influenced Bad Debt Related Expenses

[Summary 2022 1Q]

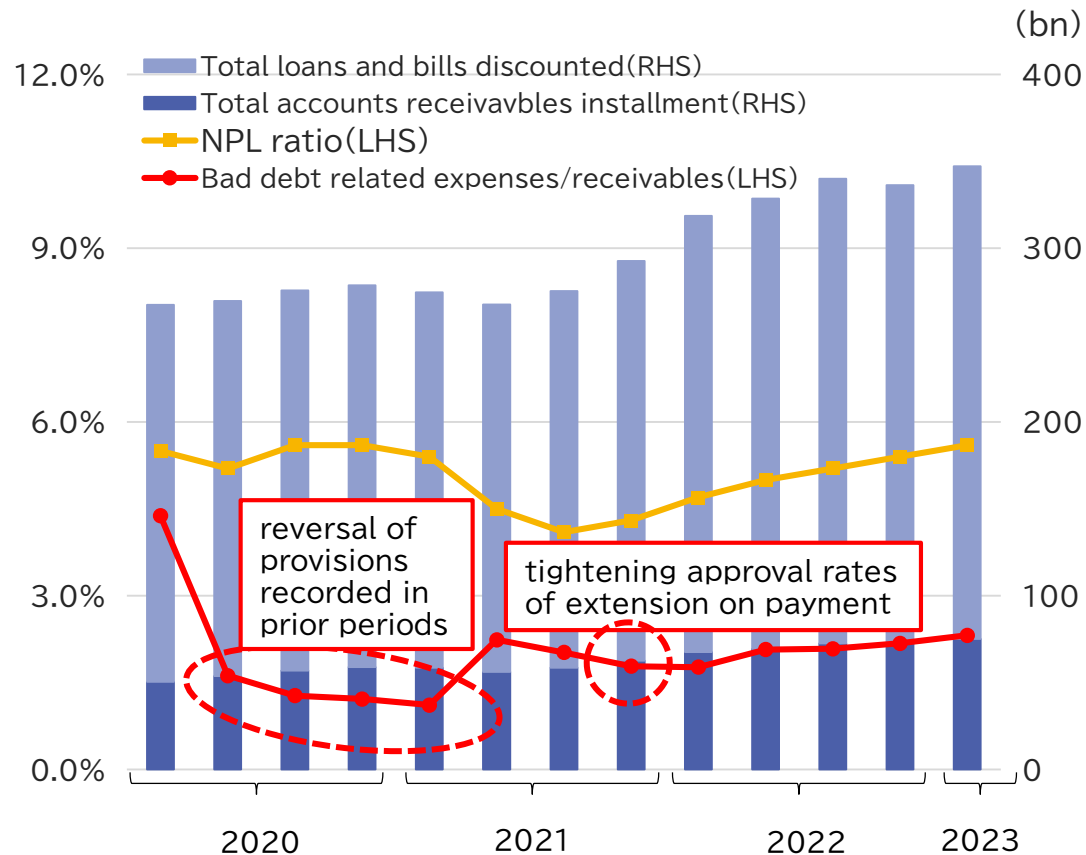
- ▷ The decrease in bad debts has resulted in keeping low expenses to the operating receivable.

[Summary 2023 1Q]

- ▷ Operating Receivables (YoY 150% YTD + 7.3bn)
- ▷ Due to the reassessment of ECL at the end of the previous fiscal year, bad debt related expenses have increased. However, the ratio of bad debt related expenses to operating receivables continues to remain low.

[Global] Operating Receivables and NPL of AEON Thana Sinsap (Thai)

- Due to the government's reduction in debtor protection measures, economic stagnation, and rising prices, the NPL ratio is showing an upward trend
- Due to stricter screening, the increase in receivables has slowed down



Factors influenced Bad Debt Related Expenses

[Summary 2022 1Q]

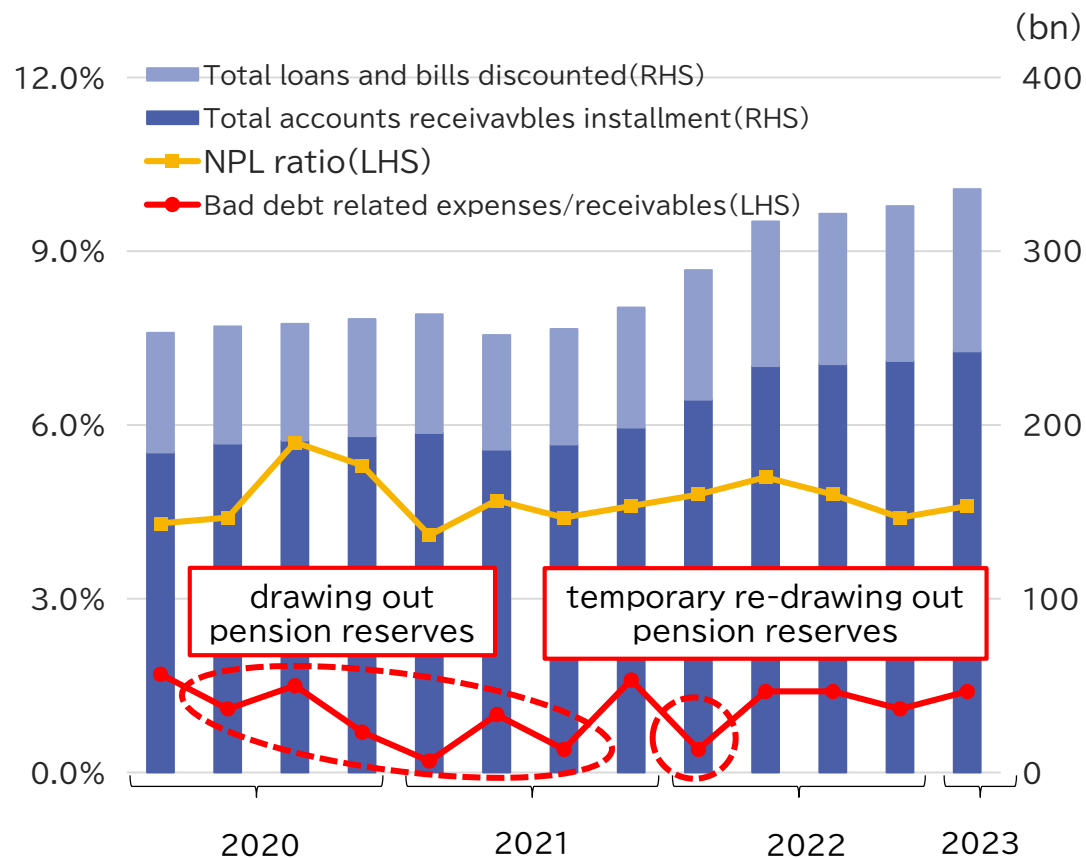
- ▷ Ordinary receivable has expanded
- ▷ Due to the release of additional reserves for deferred payment receivables, the ratio of bad debt related expenses to receivables remains unchanged

[Summary 2023 1Q]

- ▷ Operating Receivables (YoY 109% YTD +10.9bn)
- ▷ The NPL Ratio has increased due to a reduction in repayment deferrals following the government debtor protection policies, an increased repayment burden caused by rising prices, and a sharp increase in consumption during the Songkran holiday without movement restrictions for the first time in four years

[Global] Operating Receivables and NPL of ACS Malaysia

- Bad debt related expenses in the previous 1Q improved significantly due to special factors
- In the current period, bad debt related expenses to receivables are showing an increasing trend, controlled within a certain range



Factors influenced Bad Debt Related Expenses

[Summary 2022 1Q]

- ▷ Due to the special factors such as the temporary pension reserves withdrawals, expenses had significantly reduced

[Summary 2023 1Q]

- ▷ Operating Receivables (YoY +116% YTD +9.7bn)
- ▷ After the significant increase in consumption during the Hari Raya holiday, the collection rate worsened, resulting in an increase in bad debts
- ▷ Due to the elaborating ECL calculation, the reserve ratio for individual installment receivables has improved

2 Priority Measures

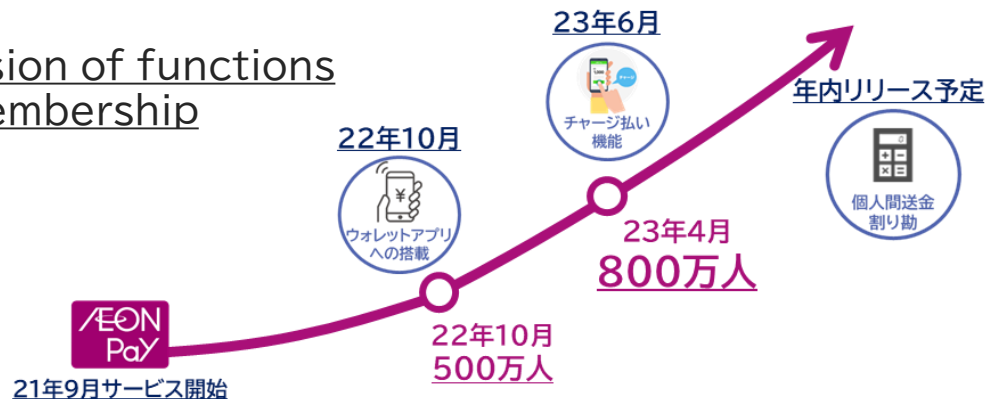
[Domestic] Expanding the number of IDs (AEON Pay)

- In the 1Q, acquired 470,000 cardholders (YoY 101%)
- AEON Pay members expanded to 8.36 million, cross-selling to various services by expanding functions

Expansion of AEON Pay membership

- From June 14, in addition to AEON Card payment, a charge payment function that can be obtained from bank accounts, etc
- Acquire new customers and approach various services through AEON Pay

Expansion of functions and membership



[Domestic] Expanding the number of IDs (cooperation with the AEON Group)

- Depending on customer attributes and stores visited, promote effective use of channels and recruitment systems

Promotion of affiliated cards with Welcia

- Starting with the Welcia Card, which launched its own benefits in June, promote the acquisition by strengthening alliances with our partners



Welcia members exceed 8 million

An advertisement for the Welcia Card. On the left is a blue and grey Welcia members card with the AEON logo and JCB logo. To the right, the text reads 'ウェルシアカード' (Welcia Card) and 'ウェルシアグループの対象店舗で WAON POINT がダブルでたまる!' (At Welcia Group's partner stores, WAON POINT is earned double!). Below this, it says '最大 2.5% ポイント還元' (Maximum 2.5% point redemption). A box below that shows 'カードご提示で 1%*' (1%* with card presentation) and 'クレジット払いで 1.5%' (1.5% with credit payment). At the bottom, it says '入会金・年会費 無料' (No application fee, no annual fee) and 'お申込みはこちら>>' (Apply here >>).

ウェルシアカード
ウェルシアグループの対象店舗で
WAON POINT がダブルでたまる!
最大 2.5% ポイント還元
カードご提示で 1%* + クレジット払いで 1.5%
*1 ウェルシアホールディングスによる特典提供
※適用条件あり ※一部対象外商品がございます
入会金・年会費 無料
お申込みはこちら>>

[Domestic] Expanding the number of IDs (cooperation with the AEON Group)

- Joint promotion of membership acquisition of AEON Group's new online supermarket "Green Beans", which began full-scale operation on July 10 in parts of Tokyo's 23 wards and Chiba City



Green Beans
by AEON

サービス案内
オンライン
マーケットへ

Green Beansで
おトクにお買い物するなら
イオンカード!



Green Beans
by AEON

イオンの新しいオンラインマーケット

イオンゴールドカードご利用で



10倍 基本の 半年間
配送料0円

※一部商品に対象外がございます ※適用条件あり

イオンマークのカードなら



3倍 基本の 3ヶ月間
配送料0円

※一部商品に対象外がございます ※適用条件あり

期間:2023年7月10日(月)~9月30日(土)

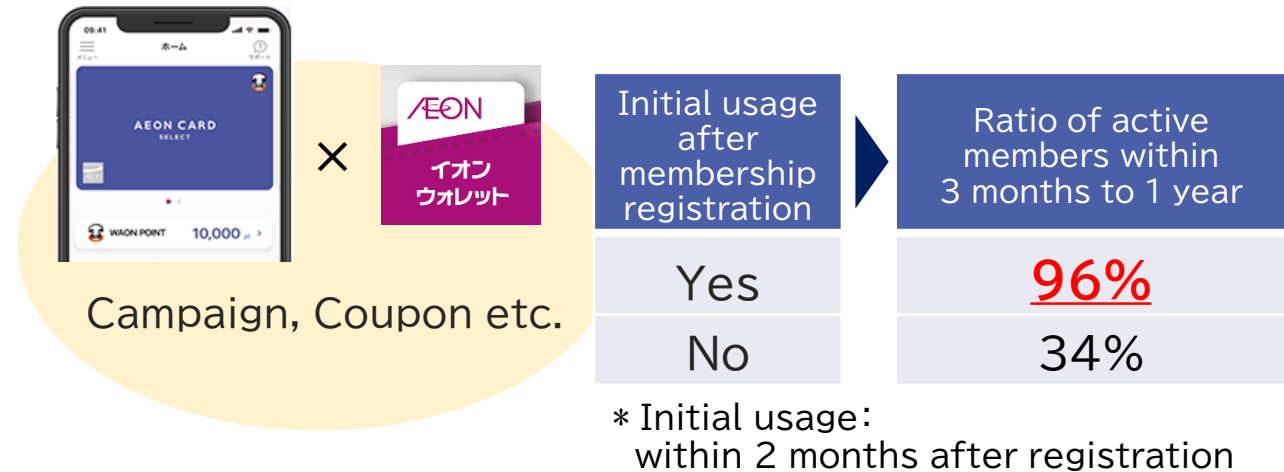


[Domestic] Increasing the transaction volumes of credit card business

- Improve the initial operation rate by promoting virtual cards that can be issued instantly online, promote gold card membership, and strengthen measures to connect card enrollment to use

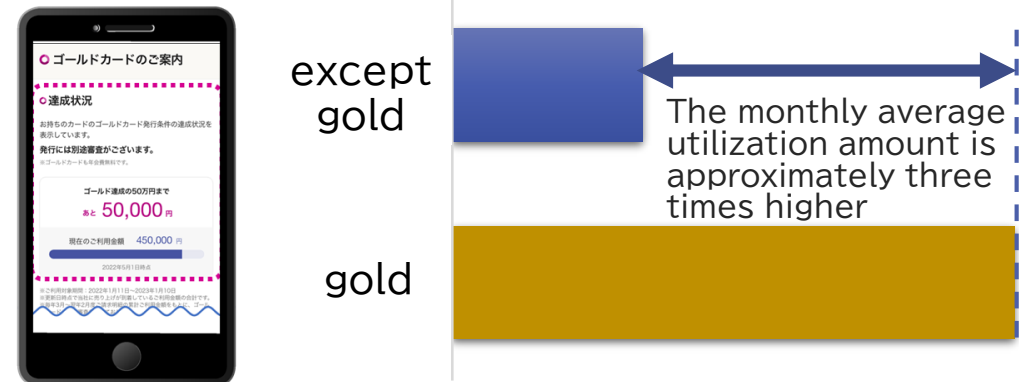
Initiatives to improve initial usage

- Customers who use the service in the early stages of enrollment have a high continuous usage rate and promote initial operation follow-up through the app
- The virtual card application rate at stores has increased to 70%
- Immediate use leads to the conversion to a main card



Promotion of gold card membership

- Announced the criteria for upgrading gold cards and added a function that allows customers to check the achievement status on the app
- Aim to become a high-quality customer with a high operation rate and usage amount



[Domestic] Increasing the transaction volumes of housing loans

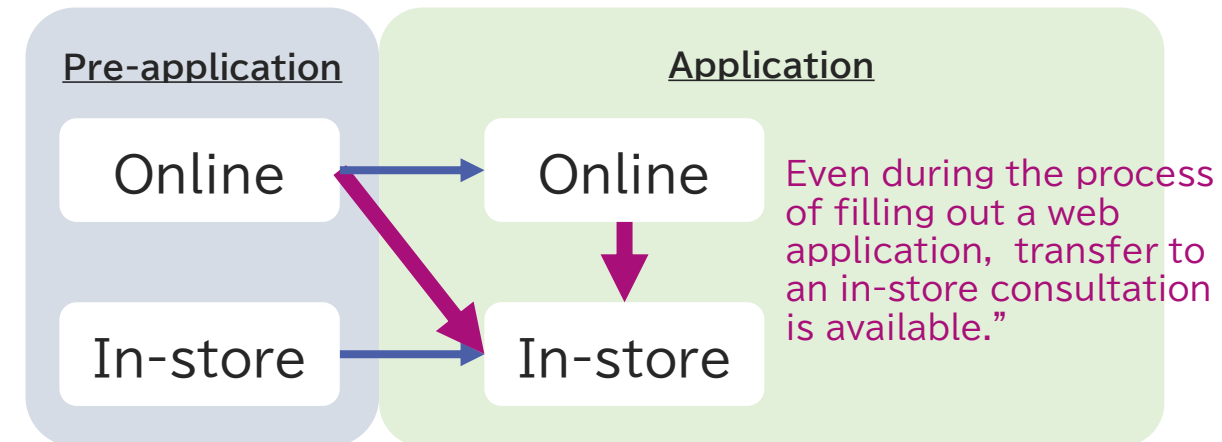
- Appealing to customers the strengths of AEON Bank, which combines online convenience with the peace of mind of physical stores, and the unique benefits of the AEON Group

The convenience of the online & the reassurance of the real store

- Continue to promote in-store consultations with a high execution rate by providing careful explanations and procedural support
- About 70% of customers who applied in advance on the web finally chose to contract at the store

Strengthen the appeal of Select Club benefits

- Introduced a simulation function to visualize the amount of shopping discounts due to benefits incidental to housing loans



discount simulation feature on the website is to be provided

[Global] Advancement of credit and collection methods

- Enhancing methods at each stage of transactions and strengthening control of bad debt costs

Application

Measures for online application

Thorough identity verification through e-KYC



Screening

Optimize credit decisions for those who lack external credit information

Improving credit accuracy by introducing AI credit scoring

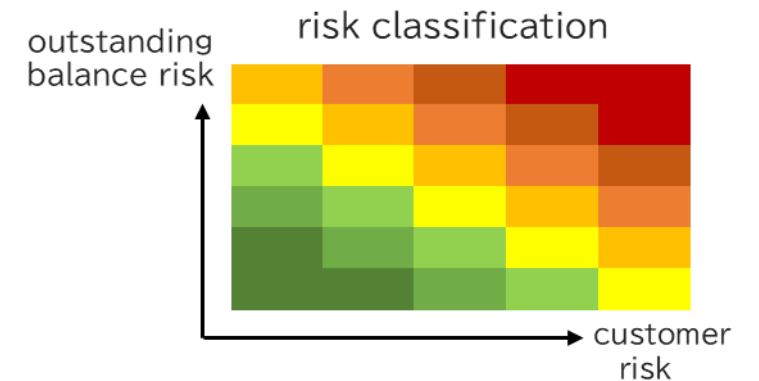


GAILABO
Global AI Innovations Laboratory

Debt collection

Establishment of a timely and appropriate system in response to credit risk

Refinement of risk classification using AI, etc.
Optimal resource allocation



[Global] Initiatives to increase revenues

- "Going online" and "capturing inbound demand" will lead to new revenue opportunities

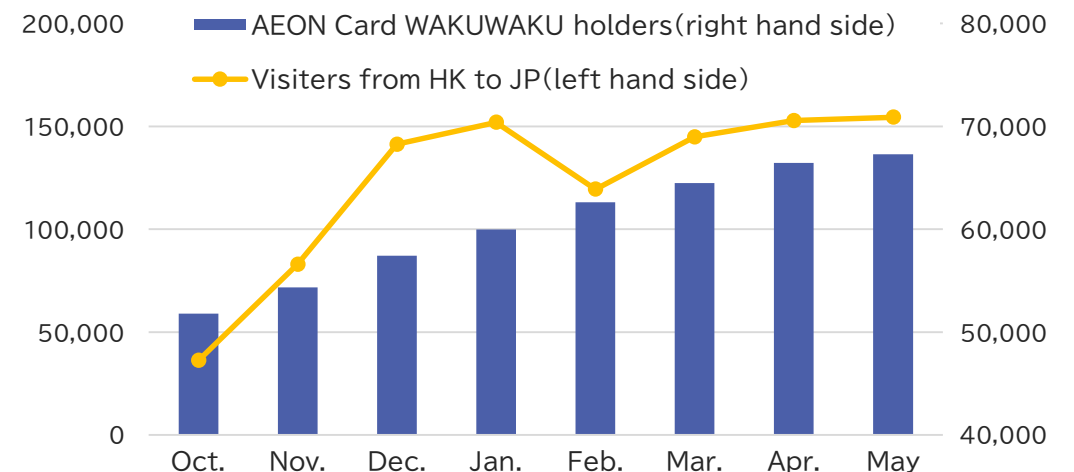
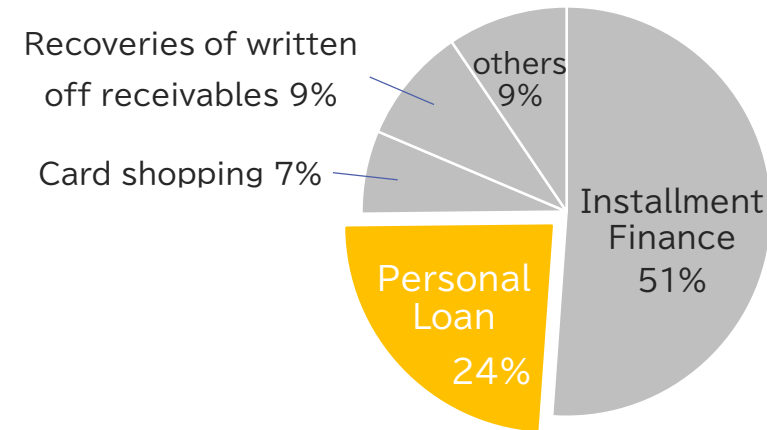
Application completely online (Malaysia)

- For personal loans, we plan to make them completely online from application to receipt
- In addition to its core business of bike clones, aims to expand personal loans

Strengthening inbound demand (Hong Kong and Thailand)

- HK: Continue to promote "AEON Card WAKUWAKU" with cashback benefits for visiting Japan
- Accounts for about 10% of credit card business transactions
- TH: Reinforcing sales promotion of the "J-Premier Platinum Card" with benefits for visiting Japan

ACSM 1Q Operating Revenue : ¥15.1bn



Purpose-formulation

- Formulate a common decision-making axis for the AFS Group to maximize the value provided to customers and enhance corporate value

Our Purpose



3

Earnings and Dividend Forecasts

FY2023 earnings forecast, dividend forecast (unchanged)

- There is no change in earnings and dividend forecasts

	Consolidated	YoY	Domestic		Global	
				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 %	



Appendix

Consolidated Balance Sheet

(Unit : billions of yen)	FY 2023			FY 2023	
	Results	YTD		Results	YTD
Cash and deposits	760.2	△ 8.2	Deposits	4,428.0	+3.0
Operating Loans	895.7	+5.0	Accounts payable-trade	294.1	+3.8
Loans and bills discounted for banking business	2,230.2	+6.9	Interest-bearing debt (excl. deposits)	1,260.1	+4.9
Accounts receivables-installment	1,885.9	+11.6	Other	250.9	△ 0.3
Allowance for doubtful accounts	△ 130.9	△ 0.3	Total liabilities	6,233.3	+11.5
Other	1,141.4	△ 2.7	Total net assets	549.3	+0.8
Total assets	6,782.6	+12.3	Total liabilities and net assets	6,782.6	+12.3

Results by Segment

(Unit : billions of yen)	Domestic Total ※1			Global Total ※1				Consol. Total ※2
		Retail	Solutions		China Area	Mekong Area	Malay Area	
Operating Revenue	71.3	42.8	44.7	45.3	6.7	21.6	16.9	116.6
YoY	105%	104%	107%	116%	146%	107%	120%	109%
Operating Profit	1.3	0.07	1.7	8.1	2.1	2.7	3.2	9.1
YoY	51%	25%	69%	63%	141%	52%	54%	60%
Operating Profit Ration	2.0%	0.2%	3.9%	25.0%	31.9%	12.5%	19.5%	7.9%
Change	▲2.1pt	▲0.6pt	▲2.1pt	▲15.0pt	▲1.0pt	▲13.2pt	▲24.1p	▲6.4pt

Reference: The impact on earnings due to securitization ¥1.8 bn (+1.8bn compared to the same period of the previous year)

※1 Total of Domestic and Global figures amounts after elimination of transactions between segments

※2 Include Holding company, Shared functions and elimination of Consolidated adjustments

Results by Area

(Unit : billions of yen)		Transaction volume	YoY	Operating receivables (Before securitization)	YTD
Domestic	Credit card	1,857.7	110%	1,688.7	+95.9
	Card shopping	1,757.2	109%	1,280.8	+83.3
	Cash advances	100.4	117%	407.8	+12.5
	Installment finance	51.3	102%	729.5	+6.4
	Housing loan	138.8	90%	3,393.2	+73.0
	Others	-	-	100.2	+1.0
	Total	-	-	6,814.1	+176.5
Global	Credit card	134.6	124%	278.6	+11.2
	Card shopping	99.5	128%	139.9	+4.1
	Cash advances	35.0	114%	138.6	+7.1
	Installment finance	34.8	130%	259.8	+6.1
	Personal loans	47.5	129%	291.3	+11.0
	Total	-	-	829.8	+28.4

1Q Performance of Three Overseas Listed Companies (Local currency)

		FY 2022	FY 2023	
		Results	Results	YoY
AEON CREDIT SERVICE (ASIA) HK\$' 000	Revenue	279,059	379,953	136%
	Profit before tax	98,234	117,458	119%
	Profit for the period	82,663	96,967	117%
AEON THANA SINSAP (THAILAND) BAHT' 000	Revenue	5,484,649	5,459,191	100%
	Profit before tax	1,449,645	804,849	56%
	Profit for the period	1,158,756	644,016	56%
AEON CREDIT SERVICE (M)Berhad RM' 000	Revenue	390,571	452,674	116%
	Profit before tax	215,535	131,914	61%
	Profit for the period	163,069	99,363	61%

1Q Performance of Three Overseas Listed Companies (Yen conversion)

(Unit : billions of yen)		FY 2022	FY 2023		Exchange rates
		Results	Results	YoY	
AEON CREDIT SERVICE (ASIA)	Operating Income	4.4	6.5	149%	<u>Exchange rates HKD 1</u> • FY2022 1Q : ¥15.80 • FY2023 1Q : ¥17.33
	Operating Profit	1.5	2.0	131%	
	Net Income	1.3	1.6	129%	
AEON THANA SINSAP (THAILAND)	Operating Income	20.1	21.5	107%	<u>Exchange rates THB 1</u> • FY2022 1Q : ¥3.68 • FY2023 1Q : ¥3.94
	Operating Profit	5.3	3.1	59%	
	Net Income	4.2	2.5	60%	
AEON CREDIT SERVICE (M)Berhad	Operating Income	11.2	13.7	122%	<u>Exchange rates MYR 1</u> • FY2022 Q1 : 28.90円 • FY2023 Q1 : 30.32円
	Operating Profit	6.2	4.0	64%	
	Net Income	4.7	3.0	64%	

Transaction Volume and Operating Receivables of Global Business

(Unit : billions of yen)		China Area		Mekong Area		Malay Area		Global Business	
			YoY (Change)		YoY (Change)		YoY (Change)		YoY (Change)
Credit card	Transaction volume	50.1	150%	70.1	112%	14.3	113%	134.6	124%
	Operating Receivables	82.5	+26.6	172.3	+22.4	23.7	+2.3	278.6	+51.3
Installment finance	Transaction volume	-	-	5.4	192%	29.3	123%	34.8	130%
	Operating Receivables	-	-	26.7	+3.5	233.1	+30.1	259.8	+33.7
Personal loans	Transaction volume	7.1	148%	24.9	108%	15.4	176%	47.5	129%
	Operating Receivables	24.6	+8.9	172.9	+5.7	93.7	+18.9	291.3	+33.6
Total	Transaction volume	57.3	150%	100.5	114%	59.0	131%	216.9	126%
	Operating Receivables	107.1	+35.6	372.0	+31.7	350.6	+51.4	829.8	+118.8

Allowance for Doubtful Accounts and Provision for Loss on Interest Repayment by Segments

[Allowance for Doubtful Accounts]

(Unit : billions of yen)	Domestic		Global Total				Consol. Total	
	Total	Retail		Solutions	China Area	Mekong Area		Malay Area
Allowance for doubtful accounts balance at beginning of period	57.1	3.8	53.7	69.4	3.3	40.7	25.3	127.4
Provision of allowance for doubtful accounts	5.1	▲ 0.3	5.4	14.9	1.1	8.5	5.2	20.1
Write-off of doubtful accounts (including transferred debt)	4.3	0	4.2	12.3	0.6	6.7	4.9	16.6
Allowance for doubtful accounts balance at end of period	57.9	3.4	54.9	72.0	3.8	42.5	25.6	130.9

(Subsidiaries in domestic)

AEON Credit Service(※after June 1, AEON Financial Service):37.1
 AEON Bank:3.4
 AEON Product Finance:8.4
 AEON Housing Loan Service:1.2

[Provision for Loss on Interest Repayment]

(Unit : billions of yen)	FY2022 1Q	FY2023 1Q
Beginning of period	6.4	4.8
Provision	-	-
Interest Repayment	0.7	0.8
End of period	5.6	3.9