

IR Presentation on 1Q FY2024 Financial Results: Script and Q&A

Time and Date: 17:00-18:00, Thursday, July 11, 2024

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of the Finance and Accounting Division

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FY2024 1Q IR Presentation Material

July 11, 2024



AEON Financial Service

Stock Listing: Tokyo Stock Exchange, Prime Market
Code No: 8570

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Financial summary

Results are improving as the effects of "selection and concentration" to enhance corporate value are being realized
Improved profitability and productivity of assets

- **Asset Profitability**

- High-yield trade receivables steadily expanded and contributed to earnings

- Domestic: ¥811.7bn(110%YoY/+¥34.6bn from the beginning of the FY)

- Global: ¥957.1bn(115%YoY/+¥51.5bn from the beginning of the FY)

- **Productivity**

- Consolidated operating profit grew to ¥15.2 bn (166%YoY) by controlling the increase in operating expenses (105%YoY) against the expansion of operating revenue (110%YoY)

- Domestic: Expansion of transaction volume mainly in settlement, recovery of bank profitability in response to changes in the interest rate environment
Substantial increase in profit due to improved cost efficiency in sales promotion expenses (-1.3 bn in YoY) and curbed loan-loss related expenses

- Global: Recovery in the Malay region ahead of others, driving the Global business
Although bad debt-related expenses remained at a high level, continued to strengthen credit and collection systems

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- I will explain the key points of our latest quarterly financial results.

Our latest quarterly financial results showed the impact of the reallocation of management resources we conducted based on the selection and concentration strategy in our business portfolio review for improving our corporate value.

Our efforts to raise asset profitability and productivity to improve ROE also began to produce positive results.

- First, I will talk about asset profitability.

The balance of operating receivables with high levels of return such as cash advances and loans grew both in the domestic and global business segments.

The balance of operating receivables in the domestic business segment stood at 811.7 billion yen (up 10% year on year), rising 34.6 billion from the beginning of the period.

The balance of operating receivables in the global business segment were 957.1 billion (up 15% year on year), growing 51.5 billion yen from the beginning of the period. The balance of operating receivables in both segments marked a two-digit year-on-year growth, contributing to an increase in our revenue.

- Next, let's look at productivity.

While our operating revenue rose 10% year on year, operating expenses grew only by 5%. This led to a significant growth in consolidated operating profit to 15.2 billion yen, representing a year-on-year increase of 66%.

- In the domestic business segment, transaction volume rose centered on settlement. Banking revenue also grew.

Meanwhile, the cost efficiency of sales promotion and other expenses improved, and bad debt related expenses were kept down. As a result, operating profit in the domestic business segment rose significantly from a year earlier.

- In the global business segment, the Malay area recovered ahead of others, driving the entire global business segment which posted an increase in profit.

Although bad debt related expenses remained high in all the countries where we operate due to factors such as the delayed economic recovery, we will continue strengthening our credit and collection structure to improve productivity.

The Highlights of the Consolidated Results

	Consolidated		Domestic※		Global		FY2024 Forecast	Rate of progress
	YoY		YoY		YoY			
Operating Revenue	110 %	¥127.9 bn	105 %	¥75.3 bn	117 %	¥53.1 bn	¥520.0 bn	25 %
Operating Profit	166 %	¥15.2 bn	753%	¥6.3 bn	107 %	¥8.7 bn	¥55.0 bn	28 %
Ordinary profit	167 %	¥15.9 bn	-	-	-	-	¥55.0 bn	29 %
Profit attributable to owners of parent	169 %	¥6.0 bn	-	-	-	-	¥21.0 bn	29 %

※As a result of the domestic business integration in June 2023, 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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• First, we will look at the consolidated financial results of the first quarter of the fiscal year ending February 28, 2025.

- Operating revenue was 127.9 billion yen, up 10% year on year.
- Operating profit was 15.2 billion yen, up 66% year on year.
- Ordinary profit was 15.9 billion yen, up 67% year on year.
- Profit attributable to owners of parent was 6.0 billion yen, up 69% year on year.

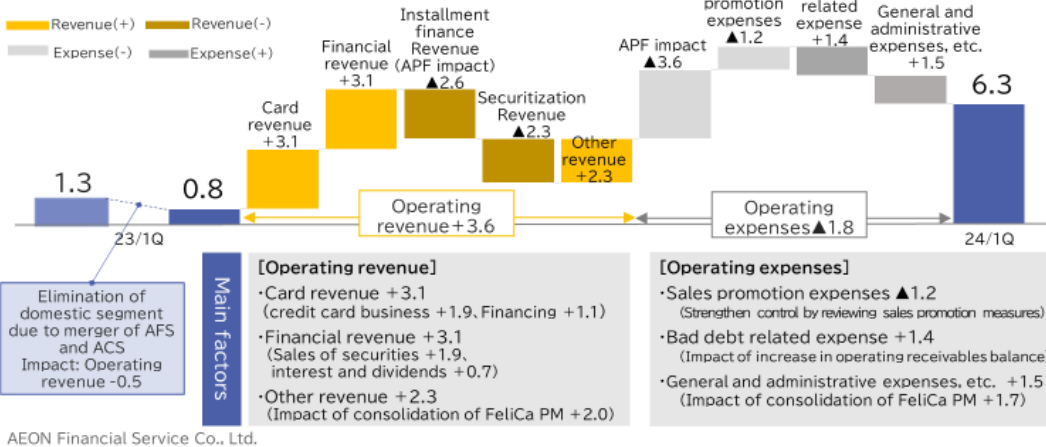
As shown above, both our revenue and profits grew.

• We posted a record high first-quarter consolidated operating revenue.

[Domestic] Breakdown of Operating Profit

- Increased due to continued growth in card revenues and financial income, despite the negative impact of the sale of a subsidiary
- Continued to control sales promotion expenses with emphasis on cost-effectiveness despite an increase in bad debt-related expenses due to a rise in the balance of receivables

(Unit : Bn JPY)



- This slide shows a breakdown of year-on-year changes in operating profit of the domestic business segment.
- As written on the left side of the graph, the business results of AEON Financial Service (AFS) were included in the domestic business segment from the second quarter of the previous fiscal year following our merger with AEON Credit Service (ACS).
An operating profit of 0.8 billion yen posted in the previous fiscal year was calculated after the reclassification of our accounts based on the same accounting principles applied this fiscal year.
- The yellow bars represent operating revenue. Due to the business assignment of AEON Product Finance in March, installment finance revenue fell 2.6 billion yen. This was, however, more than offset by an increase in merchant fees driven by an increase in card shopping transaction volume, an increase in card revenue due to increases in the outstanding balances of revolving credit and cash advance receivables, which are the business areas we have been focusing on, and an increase in financial revenue from securities investment. As a result, operating revenue rose 3.6 billion yen from the same quarter of the previous fiscal year.
- The gray bars represent operating expenses. While bad debt related expenses grew in line with an increase in outstanding receivables, expenses fell 3.6 billion yen due to the business assignment. Sales promotion expenses also shrank 1.2 billion yen thanks to the stronger cost control mainly in member recruitment. As a result, operating expenses slid 1.8 billion yen in total.
- As a result of the above, operating profit of the domestic business segment rose significantly by 5.4 billion yen.

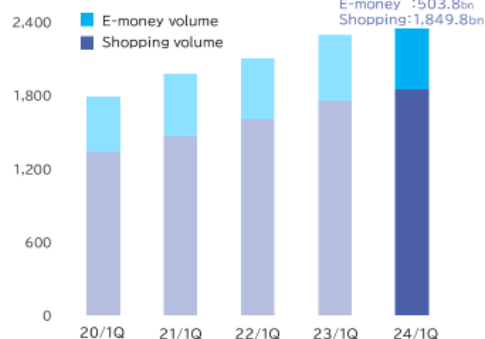
[Domestic] Credit card, e-money

Productivity
(Revenue growth)

- Credit card shopping transaction volume increased 105% YoY due to the launch of Gold Card exclusive benefits and promotion of AEON Pay usage
- Cash advance transaction volume increased by 102% YoY due to improved convenience of the application and strengthened appeal through outbound calls, etc.

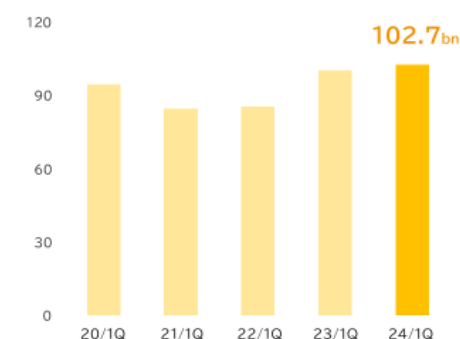
Settlement Transaction Volume

(Unit : Bn JPY)



Cash advance transaction volume

(Unit : Bn JPY)



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- From this slide, I will explain the status of our domestic business segment.
- The words in the box in the right upper corner show the applicable indicator or initiative among our approaches to improving ROE which we explained at the end of the period.
- First, the left graph shows our settlement transaction volume. Our settlement transaction volume, which combines e-money, WAON, and credit card shopping transaction volume, stood at 2,353.6 billion yen.
- The transaction volume of e-money, WAON, was 93% of the same figure a year earlier due to a reaction to the increased use in the last year to take advantage of “My Number Points” or “MyNa Points.”
- Credit card shopping volume grew due to inflation, but also was negatively impacted by consumers cutting their day-to-day spending.
- In this situation, shopping volume rose 5% year on year to 1,849.8 billion yen on the back of the launch of new benefits for Gold Card members and promotion measures for AEON Pay.
- As shown in the right graph, cash advance transaction volume also rose year on year to 102.7 billion yen thanks to the improved convenience of our app, AEON Wallet, and the continuous promotion activities through outbound calls to customers.

[Domestic] Expansion of Group synergies

Productivity
(Revenue growth)

- Launched Gold Member benefits at AEON MALL Increased incentives to visit AEON MALL, leading to an increase in both the number of customers and the amount of payment
- Continue to enhance group benefits to maximize group synergy

Start of new special offers at AEON MALL (from April 2024)



At AEON MALL Specialty Stores
Customer Appreciation Day
(20th and 30th of every month)

AEON MALL Customer Appreciation Day Credit Card Transactions

(Same day of the previous year,
same scale comparison)



NO. of users **+30%**

Transaction volume **+60%**

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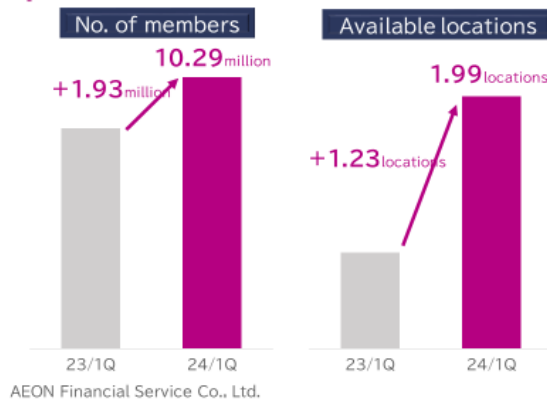
- To boost shopping transaction volume, we began “Customer Appreciation Day” in AEON mall specialty stores in April, offering Gold Card members 5% discounts on their purchases at specialty stores on the 20th and 30th each month. This is a new initiative aimed at increasing group synergy.
- On the four Customer Appreciation Days in April and May, the number of Gold Card members using their card at AEON Malls rose 30% compared with the same dates and the scope in the previous year. Settlement transaction volume also jumped 60%, showing a successful start to the campaign.
- This benefit provides customers with a motivation to visit AEON stores, and has proven to be a beneficial initiative for both AEON Malls and AFS. Going forward, the growing recognition of the benefit is expected to create a greater impact.
- To maximize synergy with AEON Group companies, we will continue enhancing initiatives such as the expansion of benefits.

[Domestic] AEON Pay

Productivity
(Revenue growth)

- AEON Pay has more than 10 million members, and the number of locations where AEON Pay can be used is steadily increasing.
- Advanced use of AEON Pay in everyday situations, and the inclusion of small-value payments has contributed to an increase in the amount of payments per capita

Number of members and available locations



AEON Pay members
Settlement amount
Vs. AEON Pay non-registered members

+17,000yen/month



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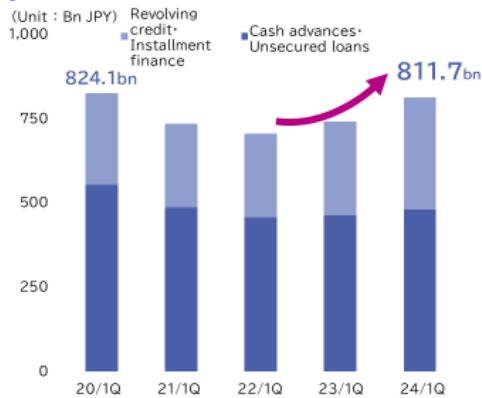
- I will now explain AEON Pay, our smartphone payment tool.
- The number of members surpassed 10 million at the end of May to reach 10.29 million. The number of locations accepting AEON Pay also increased by more than 1 million from the same quarter of the previous year to 1.99 million.
- AEON Pay is especially contributing to small-value payments for which credit card payments were previously not widely used. The higher frequency of its use has helped increase spending per person. As shown on the right side of the screen, there is a difference of 17,000 yen in the spending of customers who are AEON Pay members and customers who have not yet registered to use AEON Pay.
- We will continue promoting AEON Pay to facilitate more frequent use of our settlement options in the daily lives of our customers.

[Domestic] Operating receivables

Asset
Profitability
Improvement

- 110% YoY growth is expected to continue and recover to pre-Pandemic levels in 2H

Operating receivables



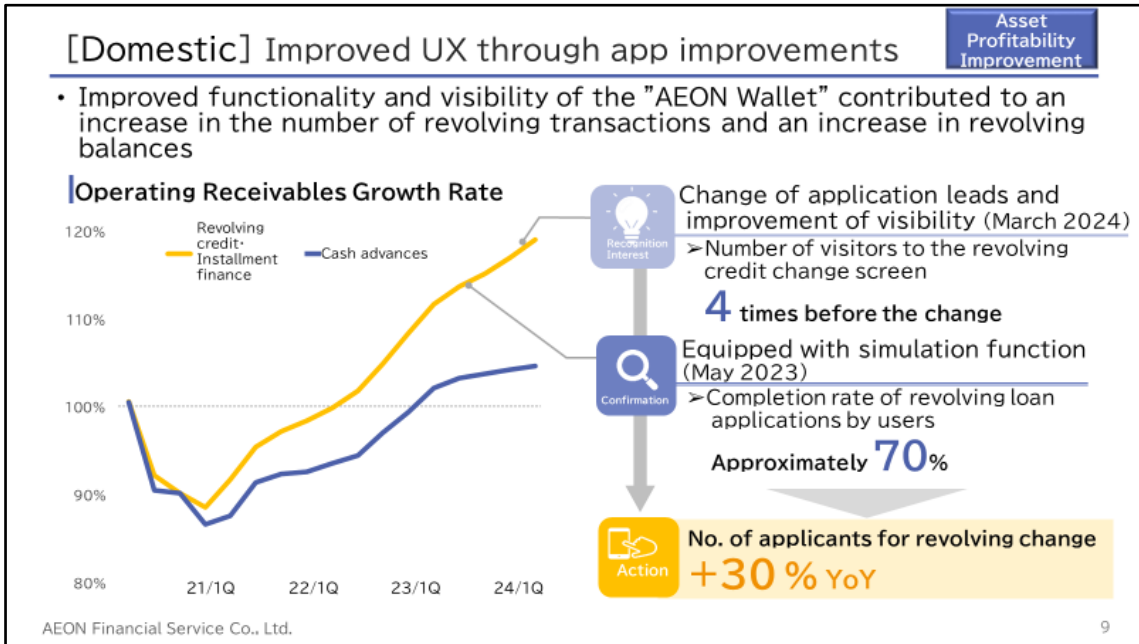
Breakdown

	YoY	Difference at beginning of FY
Revolving credit	120%	+17.5bn
Installment finance	113%	+2.0bn
Cash advances	105%	+14.8bn
Unsecured loans (Bank card loans, etc.)	98%	+0.2bn
Total	110%	+34.6bn

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- This slide shows changes in the balances of revolving credit, installment finance, cash advances, and unsecured loans.
- In the bar graph, the pale blue bars show the combined balance of revolving credit and installment finance, while the dark blue bars show the combined balance of cash advances and unsecured loans.
- At the end of the first quarter under review, the balance of operating receivables stood at 811.7 billion yen, up 10% year on year and an increase of 34.6 billion yen from the beginning of the period. It was close to the 824.1 billion yen recorded in the fiscal year 2020, a record balance for the end of the first quarter.



- This slide introduces the measures that have helped increase the balance of revolving credit, which showed an especially strong growth.
- On the left graph, the yellow line shows the year-on-year growth rate of revolving credit and installment finance, while the blue line shows the year-on-year growth rate of cash advances. Both balances grew year on year. The especially strong growth of the revolving credit and installment finance balance was helped by the improvement we had continued making to the user interface (UI) and user experience (UX) of the AEON Wallet app since the previous year.
- In May last year, we introduced a simulation function that would show new payment amounts after switching to revolving credit. This function gave peace of mind to customers, and approximately 70% of the customers who have used this function eventually switched to revolving credit.
- In March this year, we changed the app's user flow for the application of revolving credit to improve viewability. This increased by fourfold the number of PVs on changes to revolving credit.
- These efforts to improve recognition and create an environment to use our services with peace of mind led to a 30% year-on-year increase in the number of applications to switch to revolving credit and also led to an increase in the balance and better stickiness. Improving UI and UX could have a significant impact, even if the changes made appear small. We will continue improving convenience from customers' viewpoints.

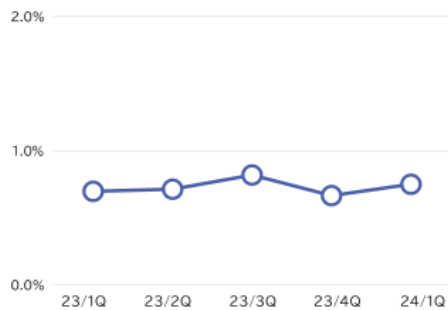
[Domestic] Control of bad debt-related expenses

Productivity
(Cost control)

- Ratio of bad debt-related expenses to operating receivables remains low

Quarterly Bad Debt Expense Ratio

*Ratio of bad debt-related expenses to the total balance of revolving, installment, cash advance, and unsecured loans



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Improved productivity in debt collection



Updating customer information

Promote registration information and maintenance of addresses, contacts, etc. on outbound calls



SMS-based guidance efficiency

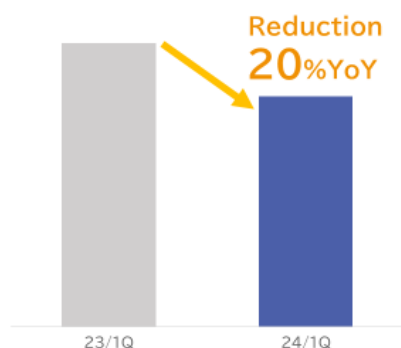
Send SMS confirming the procedure details after the call
Improved accuracy of information

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- Next, I will explain our efforts to control costs.
- Firstly, with respect to bad debt related expenses, although their amount rose year on year, their ratio to the total balance of receivables remained low as shown in the left graph.
- To strengthen our efforts to control bad debt related expenses, we are implementing efficient and low stress initiatives such as outbound calls to customers to update their registered information and sending SMS to confirm the details of debt collection after phone conversations.

- Improved acquisition efficiency by reviewing in-store-branch and online operations

Acquisition cost per member



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Increased productivity



Review of utilization channels

In addition to acquisition efficiency, increase the share of acquisition in channels with high post-enrollment continued usage and profitability



Strengthening Cooperation with the Group

Strengthen acquisition system in conjunction with retail planning and promotion of unique benefits at Welcia and other retailers

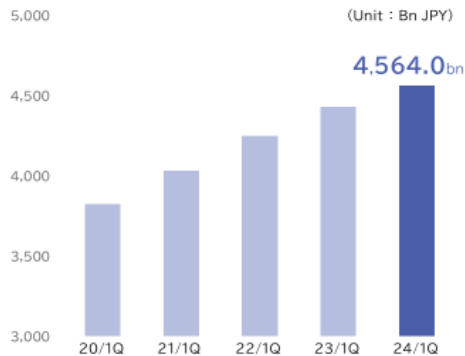
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- Next, I will explain improvement to card member acquisition efficiency.
- Sales promotion expenses rose last year due to a large expense spent to acquire card members via the internet in the first half of the previous fiscal year. From the second half of the previous fiscal year, we reviewed the methods used for our online recruitment drive and the details of our campaigns and began focusing on measures that have higher levels of cost efficiency. As a result, as shown in the left diagram, acquisition cost per member fell approximately by 20%.
- We are making additional efforts to improve productivity by, for instance, enhancing channels to acquire customers who have a higher likelihood of using our services in our online recruitment drive.
- For in-store recruitment, we are enhancing collaboration with the Group. For instance, we have improved the attractiveness of Welcia Card, which was launched last year, by introducing a new benefit to grant WAON POINTS equivalent to 10% of customers' spending on a Welcia Card on the 10th of each month. We are also improving our recruitment structure utilizing the campaigns of AEON Group companies.

[Domestic] Bank deposits

- Deposits up 103% YoY (+¥24.6bn from the beginning of the FY) due to time deposit campaigns, etc.
- Expansion of My Stage, a preferential system based on transaction status lead to further acquisition of deposits

AEON Bank Deposit Balance

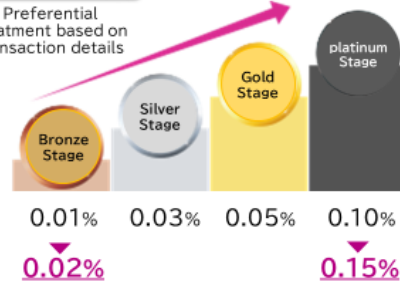


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Revised interest rates for Yen Savings Deposits (May 1, 2024)

AEON Bank My Stage

Preferential treatment based on transaction details



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- This slide explains deposits made to AEON Bank.
- Given the rising interest rates, we are working on increasing AEON Bank's deposit balance as the bank's fundraising ability using its deposits has a major competitive advantage.
- The deposit balance rose 3% year on year or 24.6 billion yen from the beginning of the period thanks to the term deposit campaign in spring and other factors.
- We revised interest rates for yen savings deposits effective May 1.
 AEON Bank has been offering higher interest rates on its yen savings deposits depending on the transaction status of its customers. The bank uses the My Stage scheme that provides additional benefits according to the transaction status such as the amount spent on customers' credit cards, the use of the bank's loans, or the opening of NISA accounts.
 In the May interest rate revision, the bank gave a larger rise to interest rates on the deposits of the Platinum Stage customers who transact with the bank most. This was designed to enhance the acquisition of deposits and to increase the number of customers who use the wide range of services we offer.

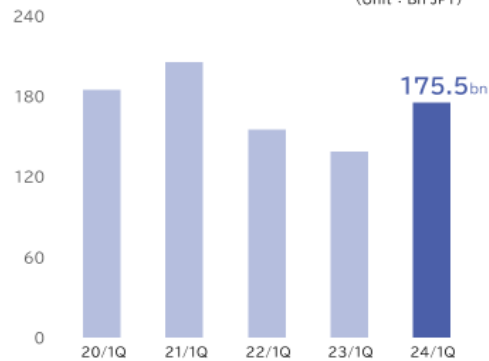
[Domestic] Housing Loan

Productivity
(Revenue growth)

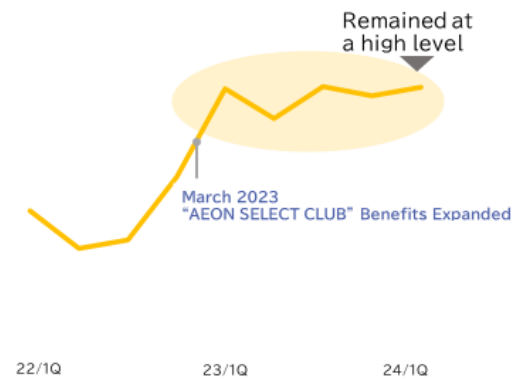
- Mortgage loan transaction volume increased 126% YoY due to the continued strengthening of the "AEON SELECT CLUB" advertising campaign
- The over-the-counter interest rate for existing variable-rate mortgages was raised by 0.10% from May 1, 2024

Housing Loan Volume

(Unit : Bn JPY)



No. of housing loan applications in advance



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- Next, I will explain the transaction volume of our housing loans.
- The transaction volume grew significantly by 26% year on year to 175.5 billion yen.
- The housing loan transaction volume was weak in the first half of the previous fiscal year. In response, in March last year, we expanded the benefits of the AEON Select Club, which always provided AEON Bank housing loan customers with discounts at AEON stores, to continue promoting this benefit.
- The right graph shows the change in the number of housing loan pre-applications in the last two years. The number of pre-applications is seen as an indicator of the subsequent transaction volume. It has remained high since March 2023 when the AEON Select Club benefits were expanded. We consider that this shows customers' support for our unique added value other than interest rates.
- AEON Bank raised the interest rates quoted at its branches for variable rate housing loans by 0.1% effective May this year. This is expected to increase the bank's earnings.

[Global] Performance Highlights by Segment

- Revenue and profit increased in Global business, driven by the Malay Area, despite an increase in bad debt-related expenses

	Global business		China Area		Mekong Area		Malay Area	
		YoY		YoY		YoY		YoY
Operating revenue	53.1 bn	117 %	8.6 bn	128 %	23.1 bn	107 %	21.4 bn	127 %
Operating profit	8.7 bn	107 %	1.9 bn	91 %	2.5 bn	96 %	4.2 bn	128 %
<Reference> Bad debt related expense	17.0 bn	114 %	2.3 bn	196 %	8.8 bn	104 %	5.9 bn	113 %

Average rate for the period

※Figures in () show the difference from the same period of the previous year.

HKD : ¥19.67(+¥2.34) THB : ¥4.21(+¥0.27) MYR : ¥32.48(+¥2.16)

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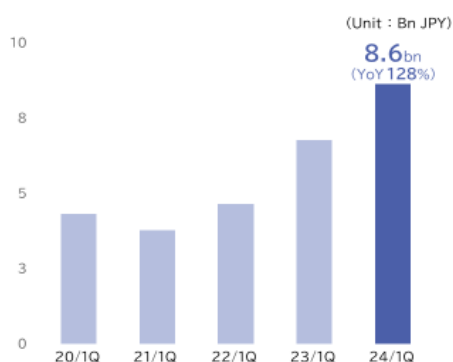
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- From here on, I will explain our global business segment.
- As you can see, operating revenue grew in all three areas, namely, the China area, Mekong area, and Malay area. However, operating profit shrank in the China area and Mekong area due to factors such as larger bad debt related expenses resulting from a delayed economic recovery.
- In the Malay area, both revenue and profit grew significantly. As a result, the entire global business segment posted higher revenue and profit with:
 - an operating revenue of 53.1 billion yen, up 17% year on year, and
 - an operating profit of 8.7 billion yen, up 7% year on year.

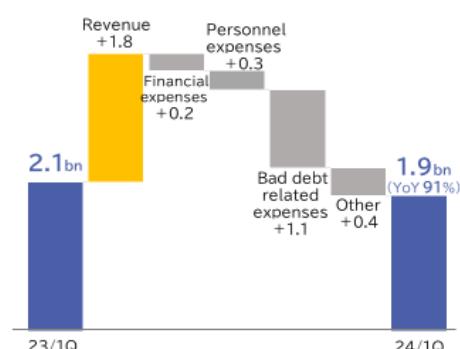
[Global] China Area Performance Highlights

- Revenues reached a record high due to an increase in the balance of receivables due to an increase in the use of cash advances and personal loan applications
- Continued increase in bad debts due to increase in the number of personal bankruptcies Strengthening of credit screening and credit development by utilizing bankruptcy prediction score

Operating revenue



Breakdown of operating profit difference from previous FY



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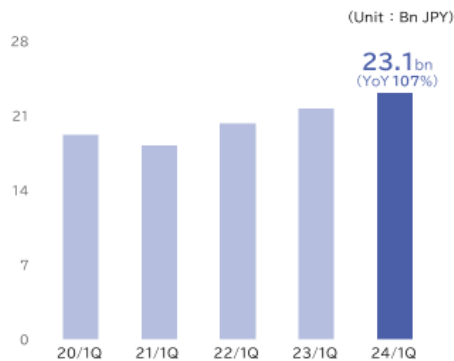
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- First, I will explain the China area.
- Operating revenue exceeded a record high posted in the previous fiscal year, reaching 8.6 billion yen, as credit card shopping volume rose thanks to a greater usage of smartphone payment options and also thanks to the credit card promotion campaigns targeting the needs of inbound tourists to Japan and tourists to China. The higher operating revenue was also attributable to an increase in the balance of receivables thanks to an increase in applications for cash advances and personal loans.
- However, the number of personal bankruptcies have been on the rise in Hong Kong since the second half of the last year due to factors such as the deterioration in the economy, inflation, and rising housing loan interest rates. Our bad debt related expenses have also been increasing. As a result, operating profit fell year on year to 1.9 billion yen.
- As the measures to address bad debts, we have tightened our credit screening with the introduction of bankruptcy prediction score. In addition, we are enhancing credit monitoring by, for instance, approaching borrowers with a loan restructuring suggestion at an early timing, to prevent the risk of unforeseen bankruptcies. We will continue controlling bad debt related expenses to again increase operating profit.

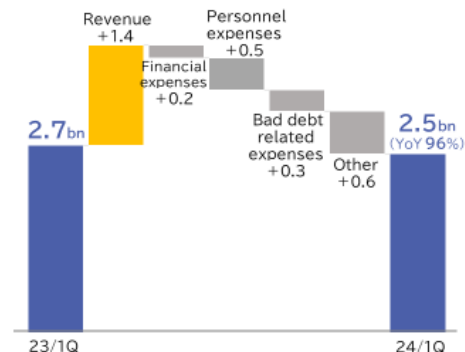
[Global] Mekong Area Performance Highlights

- Increased transaction volume for both cash advances and personal loans due to promotions targeting dormant members
- Bad debt related expenses remained high due to prolonged economic slowdown

Operating revenue



Breakdown of operating profit difference from previous FY



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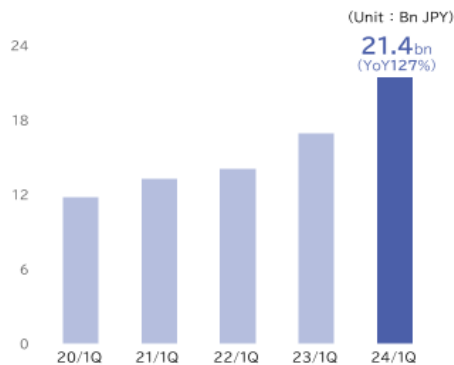
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- In the Mekong area, operating revenue denominated in the Japanese yen rose to 23.1 billion yen. Excluding the foreign exchange impact, however, operating revenue moved almost sideways from the previous year due to a fall in the balance of receivables following the stricter credit screening implemented in Thailand for about one and half years.
- Bad debt related expenses also remained high as economic stagnation was prolonged, resulting in a smaller operating profit at 2.5 billion yen.
- Transaction volume in Thailand grew through such measures as the strengthening of sales promotion targeting idle members and the launch of secured loans for automobiles. Furthermore, digital credit cards without physical cards launched this year are doing well especially among their target population, young people, both in terms of the application number and usage. The expansion of our business foundation has therefore been progressing.
- We expect that it will take some time before Thailand's economy recovers. We will aim to maximize our bottom line, cautiously monitoring the balance between our outstanding receivables and credit cost.

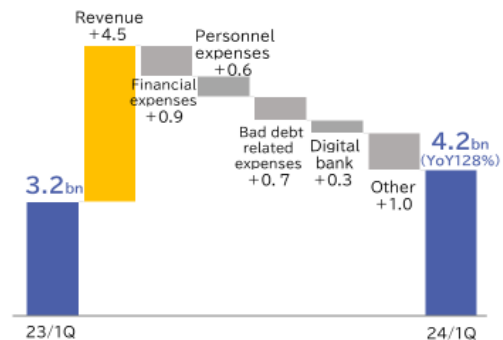
[Global] Malay Area Performance Highlights

- In addition to installment finance of individual products, the balance of personal loans increased due to improved convenience such as digital completion and shortened screening time
- Stable bad debt related expenses due to more precise credit screening using AI Score, etc.

Operating revenue



Breakdown of operating profit difference from previous FY



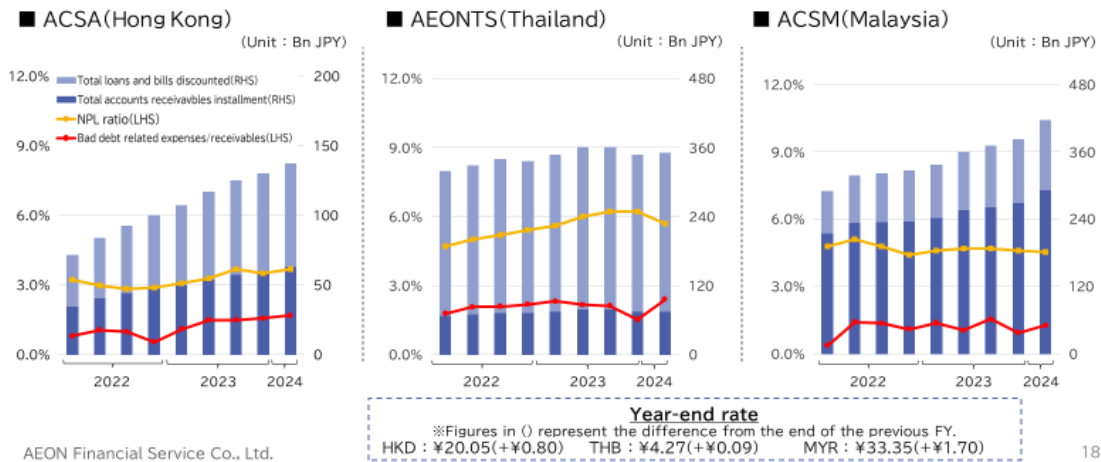
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- I will now explain the situation in the Malay area.
- In Malaysia, our finance for secondhand cars grew in addition to motorcycles that continued doing well in the area of installment finance of individual products. In addition, the user convenience of personal loans improved with the digitalization of procedures and shortening of screening time. As a result, operating revenue hit a record high at 21.4 billion yen, up 27% year on year.
- Operating profit also rose to 4.2 billion yen, up 28% year on year, as bad debt related expenses were stabilized following the upgrading of the credit and receivables collection structure and the cost of a digital bank opened in May was absorbed, combined with the impact of the large revenue as mentioned above.
- In the installment finance of individual products for which we have a solid base in Malaysia, the handling of secondhand cars is increasing, in addition to motorbikes. The transaction volume of personal loans is also remaining high thanks to digitalization.
Going forward, we will further grow our business that is rooted in local communities, together with our digital bank business.

[Global] Balance of Receivables and NPL of Listed Subsidiaries

- Malaysia: NPL ratio stable despite acceleration of credit balance accumulation
- Hong Kong and Thailand to optimize bottom line by finding balance between strengthening top line and credit management



• I will explain quarterly changes in the balances of receivables at three subsidiaries listed in overseas stock markets and the ratio of their non-performing loans (NPLs).

• In the graphs, the pale blue bars show total loans and bills discounted installment, the dark blue bars show total installment accounts receivables, the yellow line the NPL ratio, and the red line the ratio of bad debt related expenses to outstanding receivables.

• ACS Asia's outstanding receivables have continued growing. Although bad debt related expenses have also increased in line with an increase in outstanding receivables, the ratio of expenses to outstanding receivables has not risen significantly.

We will continue our efforts to increase outstanding receivables while achieving the right balance with credit cost.

• Next, please look at the graph in the middle, which shows the situation of AEON Thana Sinsap. In Thailand, the NPL ratio has remained high for the entire market. For Thana Sinsap, although outstanding receivables have been declining, bad debt related expenses have been rising due to bad debt write-offs staying at high levels and a reaction to the revision made to the calculation of the provision rate in the fourth quarter of the last fiscal year.

• As shown in the right graph, the accumulation of outstanding receivables has been accelerating in ACS Malaysia.

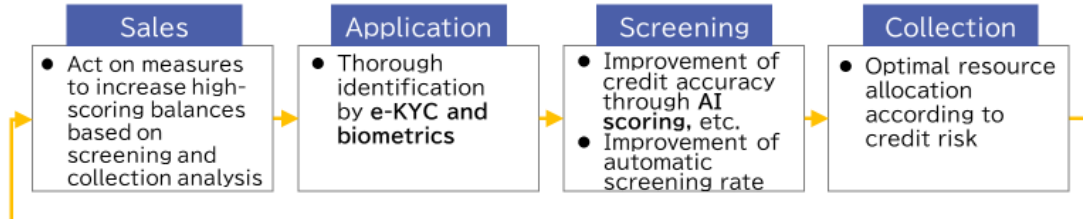
With respect to bad debt related expenses, the NPL ratio has been stable thanks to the past efforts, which helped control costs at appropriate levels relative to an increase in outstanding receivables.

[Global] Upgrading credit and collection systems

Productivity

- Improve credit and collection accuracy by utilizing AI technology and introducing new scoring models
- Strengthen the AFS Group as a whole by sharing and horizontally deploying technology and know-how in each country

Malaysia



Cycle of implementation of sales measures based on data analysis and sophistication of credit and collection systems using AI and digital technologies

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- In the countries where we operate our business, an increase in bad debt related expenses caused by a delayed economic recovery is placing pressure on profit. In response to this situation, we will continue improving credit precision and enhancing our collection structure.
- In Malaysia, we are practicing rigorous e-KYC at times of applications for the installment finance of individual items and personal loans to enhance customer identification. We have also introduced AI scoring for credit screening and collection to improve credit precision. Furthermore, we are promoting the appropriate allocation of collection resources.
We have also strengthened data analysis based on our past screening and collection data and fed back the results to sales measures to create a cycle for maintaining and improving the quality of our receivables portfolio.
- We share these good practices, technologies, and knowhow used in each country amongst the AFS Group and customize them to suit the conditions of each country to help strengthen the overall Group's structures.

[Global] Opening of Digital Bank (Malaysia)

- Opening Malaysia's First Digital Bank Using Islamic Financial Method on May 26
- Expanding as a center of digital services in the AEON Living Area



Bank deposit Debit card
Code payment Point card

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- Our digital bank in Malaysia finally opened on May 26.
- This is the first digital bank in Malaysia that adopts the Islamic finance method. The bank will start with services such as personal deposits and debit cards and then expand its service to include various loans.
- AEON Bank (Malaysia) plans to expand its financial services from retail customers to corporate customers including AEON Group companies, member stores, and suppliers. The bank will connect its customers, the AEON Group, business partners, and member stores through financial services mainly using apps, with the aim of promptly establishing a new business model for enlarging the AEON Living Zone.

[Global] Expanding digital touchpoints.

Productivity
(Revenue growth)

- Expansion of digital financial services centred on smartphones in various countries to improve convenience and expand new customer segments.

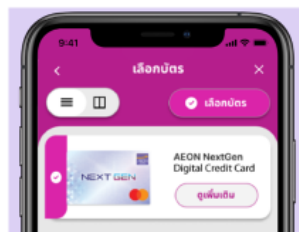
■ China area (ACSA)



Expansion of payment opportunities through UnionPay QR and NFC payment support for own app.

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■ Mekong area (AEONTS)



Launch new digital credit card 'Next Gen'

■ Malay area (Indonesia)



Provision of BNPL, where identity verification, contracting and payment are completed on the app.

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- In addition to the digital bank, the AFS Group has continuously been working on providing smartphone-based services in each country.
- Given that the use of financial services through smartphone has spread more widely in Asian countries than in Japan, we will enlarge our customer base by improving the convenience of our services using easy-to-access touchpoints and by offering new services.
- In Hong Kong where there are growing needs to visit China, Union Pay QR and NFC payment functions were included in the app of AEON Credit Service (Asia) last year. Furthermore, in January this year, AEON Thana Sinsap launched "Next Gen," a fully digitalized credit service without plastic cards.
- In Indonesia, we launched a BNPL service that would allow customers to complete all procedures within the app in the last fiscal year and have been successfully increasing the use of this service by local customers.
- Going forward, we will continue using digital touchpoints to increase transaction volume through the provision of services that meet the needs of local customers in each country.



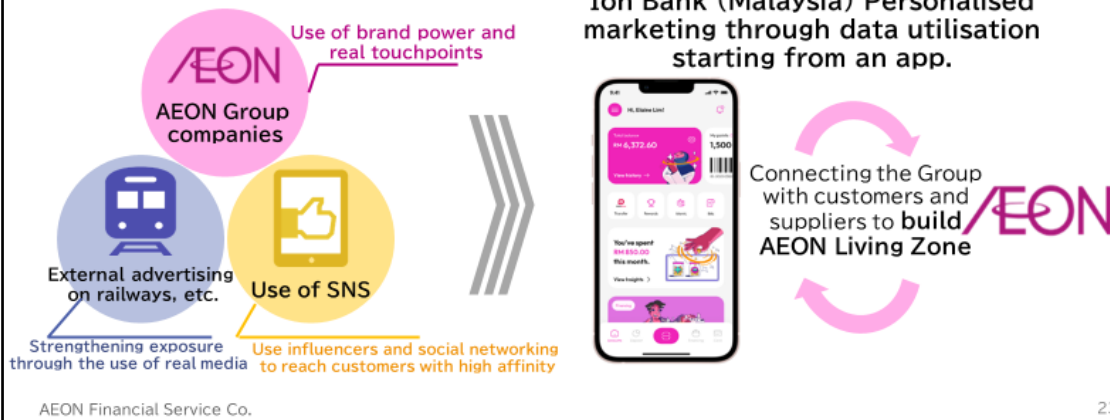
Priority Measures

- I will explain the priority measures we are working on in the fiscal year 2024.

[Global/Malaysia] Raising awareness of AEON BANK(M)

- Strengthen awareness throughout Malaysia by utilising AEON Group companies and external media (real and digital).
- Customer organisation to build an ionic living area starting from the digital bank.

Strengthening awareness using real and digital

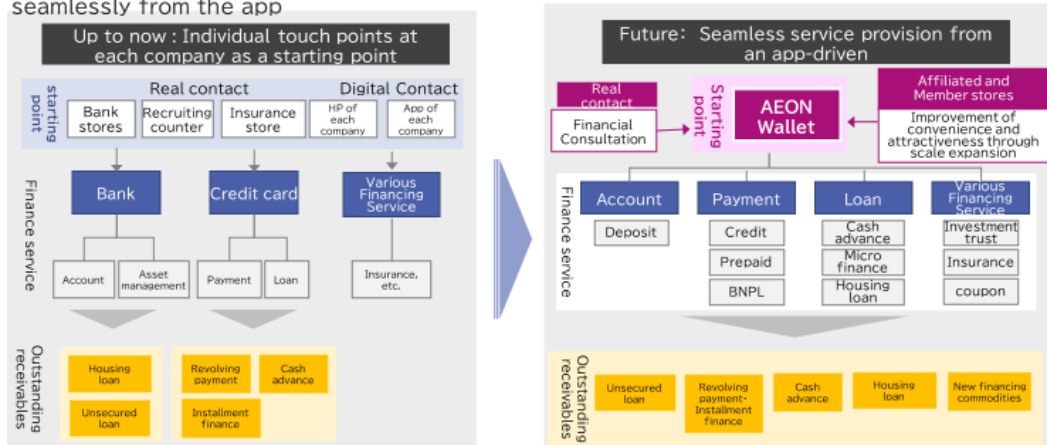


- To maximize the values we deliver to our customers in the business environment we operate in, we are reviewing our business portfolio and working on transformations including the building of a new business model utilizing digital capabilities.
- As explained earlier, AEON Bank (Malaysia) opened in May.
- To improve the recognition of the new service, we will enhance our sales promotion efforts utilizing both real and digital channels, taking advantage of the strengths of the AEON Group that has a network of real branches and the knowhow we have developed over long years. For instance, we will increase exposures using external advertisements and use social media for digital-savvy customers.
- Going forward, we will connect various stakeholders including our customers to the AEON Living Zone with AEON Bank (Malaysia) as a starting point.
- With respect to a finance company in Vietnam that we have decided to acquire, we plan to complete its acquisition before the end of the current period.

Touch Point Conversion

Repost: Announcement of FY2023 financial results

- Shift to a touchpoint starting from a digital wallet (smartphone app), which is a familiar point of contact, and build an environment where each financial service can be used seamlessly from the app



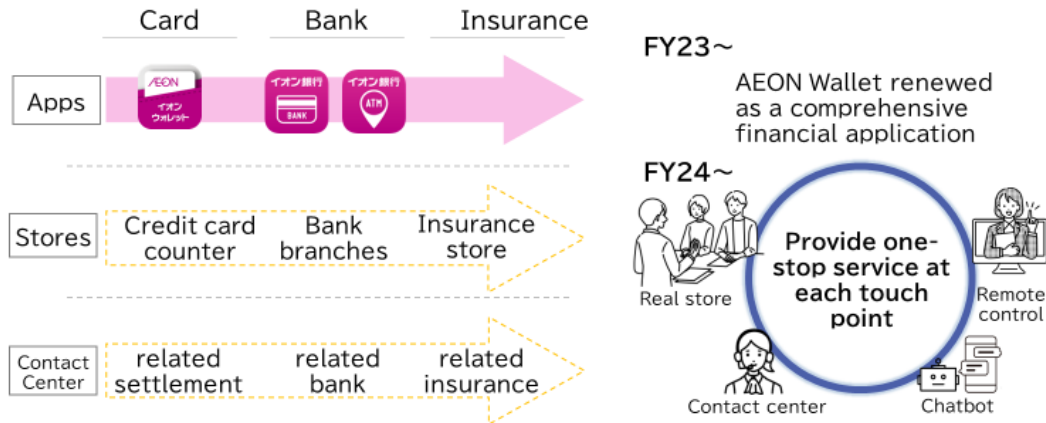
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- This slide explains the conversion of customer contact points and touchpoints to expand the AEON Living Zone as stated at the time of the release of full-year business results.
- In the past, we had multiple touchpoints including real branches and apps for each product such as credit card, banking, and insurance. Our customers thus needed to take separate procedures to use each of these services.

[Domestic] Transformation of touchpoints <Seamless customer experience>

- Reorganize into a one-stop financial services environment by eliminating the fragmentation of services



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- To solve this issue, we upgraded the AEON Wallet, our smartphone app, last fiscal year as a comprehensive financial services.
- This fiscal year, we will build an environment that provides one-stop touchpoints to offer services and various types of consultations from customers' viewpoints. We will create these touchpoints at real premises that have multiple sites in one shopping center such as credit card counters and banking and insurance branches, and for contact center functions that use telephones and chatbots, among other things, to work as customer contact points.

[Domestic] Conversion of touchpoints <Total financial application AEON Wallet>

- Awarded international design awards for advanced design, including screen selection according to use
- Improved UI and UX have improved cross-selling results for loans, etc.



No. of applications via app

Bank account	5.6x
Card loan	7.0x
Housing loan	2.6x

※Comparison with the same month of the previous year

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- This slide is about the AEON Wallet, a total finance app which we renewed in the last fiscal year.
- In converting customer touchpoints, we consider it important to create seamless customer experience starting with smartphones, which are familiar devices for our customers.
- AEON Wallet meets diversifying customer needs and allows all customers move to the services they require with intuitive operation.
Its advanced design, including the choices of home screen depending on customers' lifestyles, has received praises from international evaluation institutions successively.
- The renewed AEON Wallet provides better accessibility to various financial services. As a result, the number of bank account opening applications made via AEON Wallet increased more than fivefold and the number of card loan applications grew sevenfold in comparison to the pre-renewal numbers, making significant contribution to the cross-selling of our products and services.

[Domestic] Strengthening regional collaboration

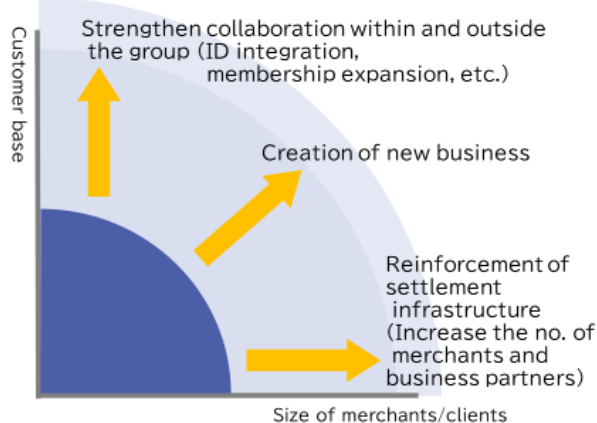
- FeliCa Pocket Marketing, which has extensive experience working with local governments, strengthens ties with local communities
- Participation in "TSUNAGU CORPORATION," a regional trading company in Saitama City, aiming to revitalize the local economy



- We aim to perform a role of infrastructure connecting our customers, communities, business partners including member stores, and the AEON Group, by offering settlement and other financial services that are indispensable to people's daily lives under close collaboration with local communities.
- FeliCa Pocket Marketing, which became our consolidated subsidiary last year, offers solutions for local governments such as local currencies and local reward points. The company has provided its services in more than 100 transactions nationwide and endeavors to strengthen its collaboration with local communities utilizing its wealth of experience and knowhow.
- As part of such efforts, FeliCa Pocket Marketing has decided to participate as a system developer and local currency value issuer in "Tsunagu Corporation," a regional trading company that provides apps for citizens for the purpose of revitalizing the local economy of Saitama City.

[Domestic] Reinforcement of System Infrastructure

- Cloud computing is being implemented to build a solid and highly agile (shorter development time, lower cost) system infrastructure to support scale expansion.
- The next credit card system will also be cloud computing. Reduce total cost by implementing at the same time.



Converted system infrastructure to cloud computing to achieve economies of scale

Simultaneous implementation of the next credit card system operation

FY2026

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- Next, I will explain our current efforts to enhance our IT systems and their infrastructure.
- To achieve further growth, we aim to take advantage of *economy of scale*. To this end, we will enlarge our customer base through the enhanced ID integration within the Group and with actors outside the Group, increase member stores through the strengthened settlement infrastructure, and work on new business creation and other initiatives, with the aim of accelerating the growth speed of our customer base and the number of member stores.
- We are promoting a shift to cloud computing as our system infrastructure to build a robust and highly flexible foundation to support this growth of scale.
- We have decided to adopt cloud computing as the infrastructure of our next-generation credit card system, which we had been preparing from before, at the same time, and plan to start operating the next-generation credit card system in the fiscal year 2026.
- Simultaneously adopting cloud computing for the next-generation system and converting system infrastructure to cloud computing will likely reduce the total investment amount including their running costs and transfer risks.



Earnings and Dividend Forecasts

- Lastly, I will explain our earnings and dividend forecasts.

FY2024 earnings forecast, dividend forecast

(Unit : JPY)

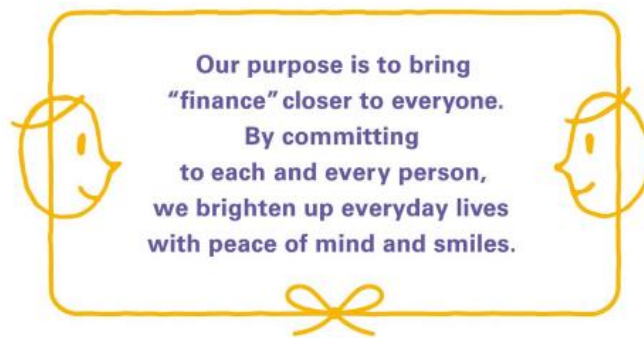
	Consolidated		Domestic		Global	
		YoY		YoY		YoY
Operating Revenue	520.0 bn	107 %	310.0 bn	105 %	210.0 bn	108 %
Operating Profit	55.0 bn	110 %	15.0 bn	129 %	41.0 bn	107 %
Ordinary Profit	55.0 bn	107 %	Dividend per share		Payout ratio	
Profit attributable to owners of parent	21.0 bn	100 %	Annual: 53	Interim: 25 Year-end: 28	54.5 %	

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- There is no change to the earnings forecast we released in April. This is because although a cost reduction initially factored in will remain following a review of the start of the operation of the next-generation credit card system, strategic investments scheduled in the next or subsequent periods have been moved forward to expand the earnings basis and to raise productivity.
- We believe that our first-quarter results show a smooth start to both the domestic and global business segments in terms of top-line and operating profit.
- In the domestic business segment, we have successfully accumulated receivables in revolving credit and cash advances, which offer high levels of profitability. We expect this growth trend to continue in the second and subsequent quarters. We will also continue implementing productivity improvement measures.
- In the global business segment, bad debt related expenses continue to increase. However, the Malay area has been recovering. We will aim to achieve recovery in the China and Mekong areas, while seeking the right balance between top-line revenue and credit cost.

Our Purpose



- I have so far explained our financial results for the first quarter of the fiscal year ending February 28, 2025.
- Through the business portfolio review we have been working on since the previous fiscal year, we aim to further improve our corporate value by enhancing infrastructure for our core business area of settlement and by concentrating resources and investments in the building of new businesses overseas that is our growth area.
- In the first quarter under review, the impact of resource re-allocation under this selection and concentration strategy started to materialize, leading to higher levels of asset profitability and productivity toward raising our ROE.
- We will keep making more efforts as management, and would greatly appreciate your continued understanding and support.

[Q&As]

■ Mizuho Securities / Analyst Sakamaki

- (1) On the enhancement of system infrastructure, how much do you expect the total investment amount in systems will increase due to a shift to cloud computing? In addition, what are you going to spend money on as strategic investments?

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

We expect the total amount to increase by about 10%. As for strategic investments, we plan to make investments in security enhancement and apps to improve UI and UX, among other things.

- (2) What is your view on the progress of sales promotion expenses against the annual budget and on future changes in the actual amount of expenses when you have achieved better efficiency?

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

The efficiency of sales promotion expenses was extremely poor in the first quarter of the previous fiscal year. This makes the amount of sales promotion expenses in the quarter under review appear low in comparison. Instead of comparing absolute amounts, however, we should consider efficiency. In this sense, our sales promotion expenses in the first quarter under review were within our expectation. We have been working with the intention of keeping sales promotion expenses at this level this fiscal year. While the actual amount will increase on a full-year basis, we will spend any increase in sales promotion expenses monitoring their impact.

■ SMBC Nikko Securities / Analyst Hara

- (1) The balance of operating receivables in the domestic business segment seems to have turned upward in comparison with the projection made at the beginning of the period. What are the reasons? What degree of upturn do you expect before the end of the period?

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

The balance exceeded 810 billion yen at the end of May. However, we expect the balance to fluctuate as it has strong seasonal characteristics. We are hopeful that the final balance will be above 810 billion yen. The reasons for the upturn are a strong growth of revolving credit and increases in the number of applications and amounts due to the improved UI & UX of our apps.

- (2) At the beginning of the term, did you expect to revise your interest rates in response to the official interest rate hikes? What degree of impact will the revisions to deposits and interest rates have on your business results?

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

We expected official interest rates to be raised. We have raised variable rates for our housing loans and slightly raised interest rates on deposits as well. In terms of profit, we expect the revised interest rates will have a positive impact.

■Goldman Sachs Japan / Analyst Kuroda

- (1) In the first quarter, you barely posted any gains on the liquidation of receivables. What is the outlook going forward?

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

In the first quarter, gains from the liquidation of receivables fell year on year. They appear to have fallen because last year's figure included the liquidation of receivables of AEON Product Finance. Our budget projects a slightly smaller amount for this fiscal year compared to last year. Our plan is to generate earnings by increasing operating receivables.

- (2) How do you assess the loan losses and business situations of your global business segment in comparison with internal plans? Do you think that the Malay area performed stronger than expected?

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

On loan loss projections in each Area, actual loan losses did not exceed our plans in the first quarter. While loan loss expenses were slightly higher than expected in some areas, they are only a little above our projections for the time being.

As for the expansion of businesses, while there are differences, the situation is especially satisfying in Malaysia. Meanwhile, the balance in Thailand has not been increasing on a local currency basis due to the gradual raise of minimum wages. We need to expand our businesses in Thailand a little more. We need to do this cautiously given the cost of loan losses. The situation in Hong Kong is as expected.

■SBI Securities / Analyst Otsuka

- (1) Can you tell us what you specifically did to improve acquisition efficiency? For instance, did you cut down on TV advertisements and raise the ratio of online advertising? Can you also tell us your plan about disclosing acquisition unit cost and LTV?

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

A major problem we had last year was the poor cost efficiency of online recruitment. This term, we have reduced advertisements from the viewpoint of their efficiency and refocused our efforts on in-store recruitment. TV commercials impact our in-store customer recruitment drive. We do not plan to disclose the actual amount of acquisition cost but will think about disclosing LTV.

- (2) I imagine that sales promotion expenses and sales are linked. Can you tell us the sustainability of efficiency?

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

At present, our customer acquisition numbers have not significantly fallen year on year, and we

expect that efficiency will improve. We will acquire customers by offering convenience and attraction. We want to maintain the current number by ensuring that customers who are likely to use our services keep using them.

■JP Morgan Securities / Analyst Wakabayashi

- (1) On liquidation gains, has investor demand for liquidated receivables declined following the interest rate rises? How should we see the risk of declining gains on sales from the previous period?

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

Although investor demand has not declined, their expectations are certainly rising due to the rising interest rates. While investors are getting used to the current levels of interest rates, demand for liquidated receivables exists if we can control costs at a reasonable level. In terms of liquidation gains, we project them to be smaller than the previous year due to higher procurement costs including a drop in the amount to be liquidated. Our plan for this year is to work on increasing receivables.

■Citigroup Global Markets Japan / Analyst Niwa

- (1) On group synergy, can you tell us if there is any difference between the actual impact of new Gold Card measures and your prior images? Can you also explain your evaluation of these measures? It does not appear that these measures have helped increase the transaction volume of the Group when looking at monthly figures. Can we expect that they will affect the overall transaction volume going forward?

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

The increase in Gold Card settlements following the introduction of the new benefits was as expected. The new benefits are yet to be fully recognized and accepted. We expect that they will help increase the overall settlement amount to a reasonable degree when they are more recognized.

- (2) What are the details of the gains on the sale of securities? Should we consider that these gains will not be posted in the second and subsequent quarters as they are one-off occurrences? Meanwhile, do you plan to post any valuation losses during this period?

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

The sale of investment trusts in response to the rises in share prices resulted in capital gains worth 1.9 billion yen. It is difficult to answer whether they are one-off events or not because they are related to the market. However, we do not expect to post them every quarter. On unrealized losses, they are mostly related to the bonds with no concern about issuer credit standing. Our approach to these bonds is somewhat close to *buy and hold*, so we do not plan to post them for the time being.

■Millennium Capital Management Asia Limited / Analyst Fujita

- (1) Comparing the figures on the structure of your domestic business segment stated in the supplemental materials and briefing materials, the accumulation of the balance of revolving credit helped increase sales, while SG&A expenses fell. Is this linked to the improvement in acquisition efficiency? I would like to hear your qualitative understanding of this.

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

Your understanding is correct. Our revenue in the domestic business sector stood at 105% of that of the same quarter of the previous year thanks to an increase in outstanding receivables including revolving credit and cash advances. Meanwhile, expenses fell, especially advertising expenses, to 97% of those of the same quarter of the previous year. This eight percentage point difference is the factor behind the larger profit. This is not a reflection of what we did in the first quarter only; it is rather the impact of our continuous efforts from the previous year. We believe that we will be able to maintain the expense-to-revenue ratio at this level.

- (2) I imagine that the increases in financial revenue and fees and commissions also helped increase revenue. Can you explain the reasons behind the increase in fees and commissions?

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

The consolidation of FeliCa Pocket Marketing in the second quarter of last year helped increase fees and commissions, making a net contribution of about 0.3 billion yen to our first-quarter profit. Meanwhile, their expenses are posted in SG&A expenses and not as fees and commissions payments.

■Morgan Stanley MUFG Securities / Analyst Watanabe

- (1) It appears that the sale of AEON Product Finance has a net positive impact of about 1.0 billion yen if you only look at the first quarter. Is this correct?

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

Revenue of AEON Product Finance is included in installment revenue as well as in fluctuations in revenue from liquidation. Please understand that this difference will not materialize every quarter. We see that the selling of the company had a break-even impact on profit. It has allowed us to release human resources and place them into settlement and IT systems.

- (2) Is it correct to understand that the release of human resources has helped improve the efficiency of overall operations?

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

Yes, that is correct. Going forward, we expect it to help increase our top-line revenue and raise our system efficiency.

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