

IR Presentation on FY2024 2Q Financial Results: Script and Q&A

Time and Date: 5:00–6:00 p.m., Tuesday, October 8, 2024

Presenters: Kenji Fujita, President and CEO

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

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FY2024 2Q IR Presentation Material

October 8, 2024



AEON Financial Service

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

Financial summary

Consolidated results show increased revenue and profit
The business portfolio has been reviewed, and management resources have been concentrated in areas with high growth potential

Business performance is continuing to improve

Consolidated operating income was ¥27.1 bn (YoY 134%), due to the increase in consolidated operating revenue (YoY 108%) and the control of cost increases (YoY 105%)

- > Domestic: In addition to settlement and banking revenues, fee revenues also increased. Cost efficiency continued to improve centered on sales promotion exp.
- > Global: Operating revenues in each area reached record highs. Excluding the costs of launching the Digital Bank, overall Global Biz revenues and profits increased

Increased high-yield operating receivables balance (※(after securitization) **has improved asset profitability**

Contribution to earnings from an increase in the ratio of high-yielding loans outstanding (Domestic: 17.1%/YoY +1.0pt)

- > Domestic: ¥764.0bn (YoY 113%/ +¥53.7bn from beginning of term)
- Global: ¥972.3bn (YoY 111%/ +¥66.6bn from beginning of term)

Progress in reviewing business portfolio

Implementation of business suspension, withdrawal and consolidation to concentrate management resources in growth areas

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- Let me start with a summary of the financial results. In the first half of the fiscal year ending February 28, 2025, both revenue and profit increased year on year on a consolidated basis. We have been making efforts to optimize the use of management resources by reviewing our business portfolio with the aim of enhancing corporate value. Our efforts have started to yield results.
- Our business performance is continuing to improve. While operating revenue grew by 8% year on year, the increase in operating expenses was controlled at 5%. It contributed to the growth of consolidated operating profit, which grew 34% year on year to stand at 27.1 billion yen.
- In the domestic business segment, in addition to an increase in payment business revenues, banking revenues and fee revenues also increased. Cost efficiency continued to improve, primarily in sales promotion expenses.
- In the global business segment, operating revenues in all areas reached record highs. Excluding the costs of launching the digital bank, revenue and profit of the overall global business segment also increased year on year.
- Asset profitability also increased as the balance of high-yielding operating receivables, such as cash advances and loans, steadily grew both in the domestic and global business segments. In the domestic business segment, in particular, the ratio of high-yielding receivables to total operating receivables increased by 1.0 percent point to 17.1%, which contributed to the earnings. The balance of high-yielding operating receivables after securitization in the domestic business segment increased by 13% year on year to 764.0 billion yen. Their

balance in the global business segment increased by 11% year on year to 972.3 billion yen. Both domestic and global business segments presented double-digit growth.

- Progress is being made in reviewing our business portfolio, and efforts are being made to concentrate management resources on growth areas. Mr. Kenji Fujita will give you explanation of the business portfolio review later.

The Highlights of the Consolidated Results

	Consolidated		Domestic		Global		FY2024 Forecast	Rate of progress
	YoY		YoY		YoY			
Operating Revenue	108 %	¥255.7 bn	103 %	¥148.4 bn	115 %	¥108.4 bn	¥520.0 bn	49 %
Operating Profit	134 %	¥27.1 bn	592%	¥9.4 bn	95 %	¥17.5 bn	¥55.0 bn	49 %
Ordinary profit	127 %	¥27.1 bn	-	-	-	-	¥55.0 bn	49 %
Profit attributable to owners of parent	141 %	¥10.2 bn	-	-	-	-	¥21.0 bn	49 %

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This slide highlights the key figures in the consolidated financial results for the first half.

- Operating revenue was 255.7 billion yen, up 8% year on year.
- Operating profit was 27.1 billion yen, up 34% year on year.
- Ordinary profit was 27.1 billion yen, up 27% year on year.
- Profit attributable to owners of parent was 10.2 billion yen, up 41% year on year.

As shown above, both revenue and profit grew year on year.

- Please note that consolidated operating revenue of 255.7 billion yen was a record high for the first half of a fiscal year.

The Highlights of the Consolidated Results 2Q Accounting Period (3 months)

	Consolidated		Domestic		Global	
		YoY		YoY		YoY
Operating Revenue	¥127.8 bn	106 %	¥73.1 bn	101 %	¥55.3 bn	113 %
Operating Profit	¥11.8 bn	107 %	¥3.1 bn	414%	¥8.8 bn	85 %
Ordinary profit	¥11.1 bn	95 %	—	—	—	—
Profit attributable to owners of parent	¥4.1 bn	114 %	—	—	—	—

Due to the domestic management integration implemented in June 2023, the results of AEON Financial Service Co., Ltd., which had been recorded as an adjustment amount, are now recorded in the domestic segment. Highlights of consolidated business results for the second quarter of the fiscal year ending February 2024 (3 months) are shown in the Appendix.

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Here are consolidated financial results for the three months ended August 31, 2024.

- Operating revenue was 127.8 billion yen, up 6% year on year.
- Operating profit was 11.8 billion yen, up 7% year on year.
- Ordinary profit was 11.1 billion yen, down 5% year on year.
- Profit attributable to owners of parent was 4.1 billion yen, up 14% year on year.

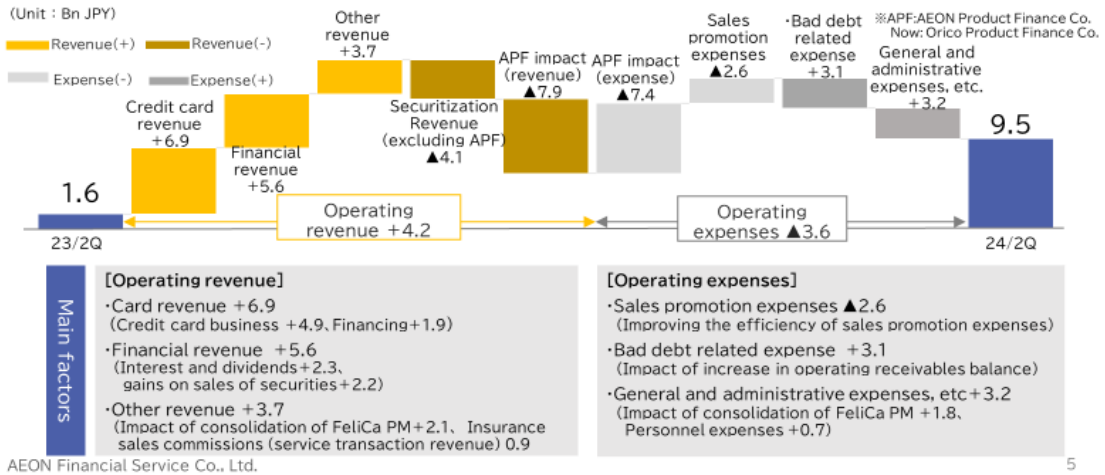
As shown above, both revenue and profit grew year on year, except for ordinary profit.

- The decline in ordinary profit is attributable to fluctuations in foreign exchange gains and losses under non-operating income and expenses.

Meanwhile, profit increased as 0.4 billion yen was recorded as management integration expenses under extraordinary losses in the three months ended August 31, 2023.

[Domestic] Breakdown of Operating Profit

- Steady growth in credit card revenue and the recording of financial income covered the decrease in gains on the securitization of receivables
- The implementation of measures that emphasize cost efficiency has curbed sales promotion expenses, and the increase in bad debt-related expenses is proportional to the increase in the balance



- This slide shows a breakdown of year-on-year changes in the operating profit of the domestic business segment.
- The yellow bars represent operating revenue. Due to the business transfer of AEON Product Finance in March, revenue fell 7.9 billion yen. However, credit card revenue increased 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 financial revenue from management of securities and loan receivables also increased. As a result, operating revenue rose 4.2 billion yen year on year.
- The gray bars represent operating expenses. While bad debt-related expenses increased as the balance of receivables grew, expenses fell 7.4 billion yen due to the business transfer. Sales promotion expenses also shrank 2.6 billion yen thanks to the stronger efforts to improve efficiency, particularly in member recruitment. As a result, operating expenses slid 3.6 billion yen in total.
- As a result of the above, operating profit of the domestic business segment rose significantly by 7.8 billion yen.

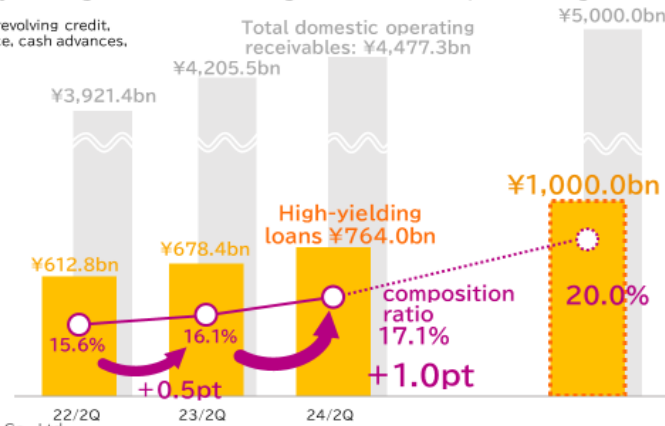
[Domestic] Building a foundation for stock income

Asset
Profitability
Improvement

- The ratio of high-yielding loans to the balance of domestic operating receivables has improved, and asset profitability has increased
- Compared to the same period last year, the accumulation has accelerated

Ratio of high-yielding loans and changes in balance (excluding securitization)

※High-yield loans: revolving credit,
installment finance, cash advances,
unsecured loans



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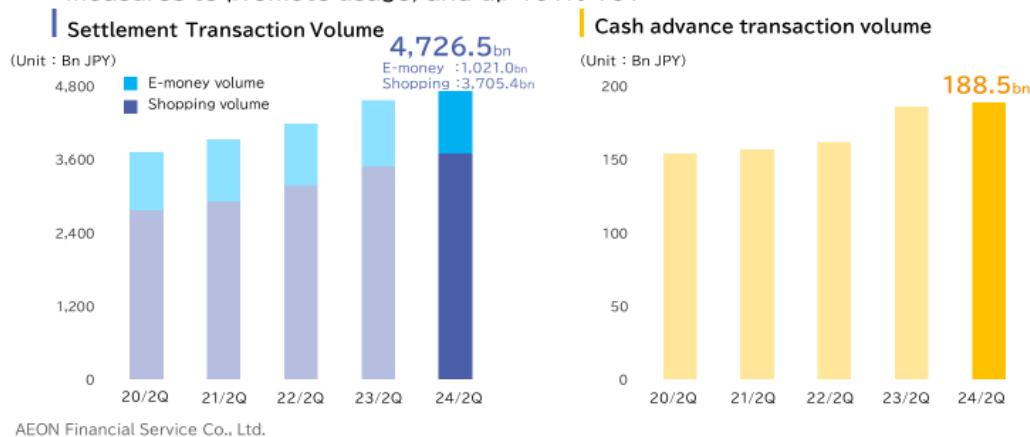
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- Now, I will explain the status of our domestic business segment.
- The icon in the upper right corner indicates which indicator or initiative the topic corresponds to, among our approaches to improving ROE, which we explained at the beginning of the fiscal year.
- First, let me explain the status of operating receivables, which are the foundation of stock income in the domestic business segment. The bar chart shows the balance of total operating receivables in the domestic business segment in gray, which includes the balance of high-yielding loans indicated in orange. The line graph presents the ratio of the high-yielding loans to the total.
- As a result of the steady accumulation of high-yielding loans, the ratio is rising. The speed of the accumulation also increased.
- We have been able to steadily solidify our revenue base to achieve the one trillion-yen target for the balance of high-yielding loans after securitization, which is necessary for increasing asset profitability required for us to reach the ROE target established at the beginning of the fiscal year.

[Domestic] Credit cards, E-money

Productivity
(Revenue growth)

- The shopping transaction volume increased 106% YoY, thanks to the penetration of benefits within the AEON Group and the promotion of AEON Pay usage
- The amount of cash advances exceeded the previous year due to continued measures to promote usage, and up 101% YoY



- First, the graph on the left shows our payment transaction volume. The total transaction volume of e-money, WAON, and credit card shopping stood at 4,726.5 billion yen.
- The transaction volume of e-money, WAON, was down 6% year on year due to a reaction to the increased use in the last year to take advantage of “My Number Points” or “MyNa Points.”
- Inflation had an upward pressure on credit card shopping transaction volume. Meanwhile, consumers also continued to cut back on their day-to-day spending due to their growing focus on saving.
- In this situation, primarily due to the effects of measures that I will discuss on the following pages, shopping transaction volume rose 6% year on year to 3,705.4 billion yen.
- The graph on the right shows our cash advance transaction volume. In the entire market, cash advance transaction volume showed a tendency to fall below last year’s level due to increases in bonuses as a result of raises in salaries and fixed-amount tax reductions, among other factors.
- However, our cash advance transaction volume rose year on year to 188.5 billion yen thanks to the improved convenience of our smartphone app, AEON Wallet, and the continued promotional activities through outbound calls to customers.

[Domestic] Expanding Group Synergy

Productivity
(Revenue growth)

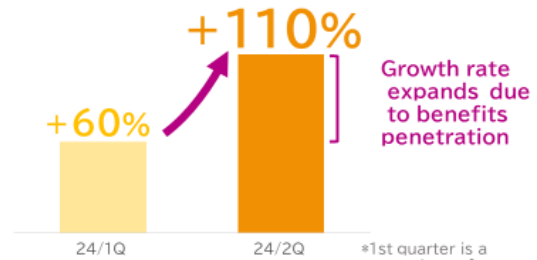
- The benefits for Gold members at AEON MALL which started in April, are becoming more widely known and the volume of transactions on Customer Thanks Day is increasing
- We will work to increase the attractiveness of group use and further expand group synergies

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

5% OFF at specialty stores in AEON MALL
on the 20th and 30th of every month



AEON MALL Customer Thanks Day Credit Card Transactions (Same day of the previous year, same scale comparison)



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*1st quarter is a comparison of April and May 8

- As for shopping transaction volume, as part of our new efforts to increase group synergy, we started to offer “Customer Thank You Day” benefits in AEON Mall specialty stores to Gold Card members in April.
- On Thank You Days at the AEON mall, transaction volume with Gold Cards jumped by 10% year on year. Due to the penetration of the benefits, the growth ratio increased significantly compared to the first quarter.
- We will continue to enhance the benefits for Gold Card members in an effort to convert them into loyal customers, who spend more frequently and larger sums of money.

[Domestic] AEON Pay

Productivity
(Revenue growth)

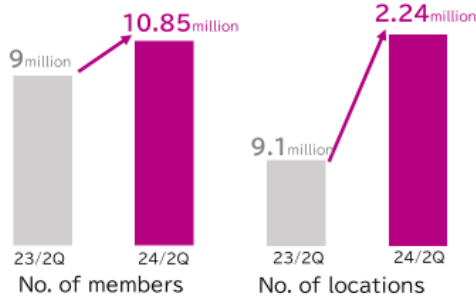
- The number of AEON Pay members and the number of places where it can be used are both increasing steadily
Progress is being made in developing the environment as a payment infrastructure
- The amount of money spent per person is increasing due to measures such as capturing small-sum payments and promoting group use

Number of members and available locations

Membership base + Payment infrastructure

AEON Pay members
Settlement amount

Vs. AEON Pay non-registered members



+5,500yen/month (23/2Q)

▶ + 17,500yen/month

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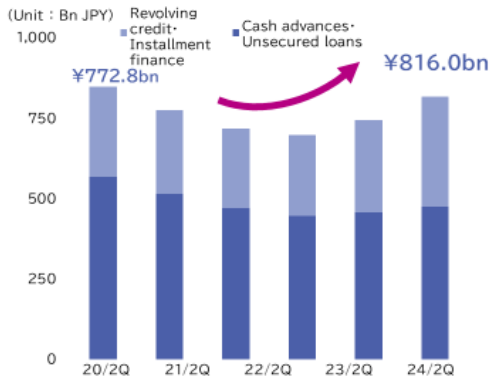
- Let me explain AEON Pay, our smartphone payment tool.
- The number of members as of August 31, 2024 was 10.85 million, an increase of approximately 20% compared to the figure as of August 31, 2023. The number of locations accepting AEON Pay also increased by more than 1 million from the figure as of August 31, 2023 to 2.24 million, reflecting steady progress in our effort to build the environment and grow it into a payment infrastructure.
- As shown on the right, the difference in the monthly spending between customers who are AEON Pay members and customers who have not yet registered to use AEON Pay increased from 5,500 yen in the six months ended August 31, 2023 to 17,500 yen in the six months ended August 31, 2024 due to its growing use for small-value payments, for which credit card payments were previously not widely used, and limited-time promotions rolled out by the Group that utilized AEON Pay.

[Domestic] Status of acquisition of high-yield loans

Asset
Profitability
Improvement

- Due to improvements in the UI/UX of the app, both revolving and installment loans and cash advances have been steadily increasing

Balance of high-yielding loans (including securitization)



Breakdown of increase/decrease

	YoY	Difference at beginning of term
Shopping Revolving	120%	+¥27.2bn
Installment finance	115%	+¥3.3bn
Cash advance	105%	+¥9.2bn
Unsecured loan (Bank card loans, etc.)	97%	▲¥0.8bn
Total	110%	+¥39.0bn

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- This slide shows the changes in the balance of high-yielding loans, including those securitized.
- The balance of high-yielding loans as of August 31, 2024 stood at 816.0 billion yen, up 10% compared to the figure as of August 31, 2023, remaining on a double-digit growth trend. Compared to the figure as of March 1, 2024, it grew 39.0 billion yen. Improvements in the app's user interface and user experience have contributed to the steady accumulation of balance.

[Domestic] Efforts to expand the balance of high-yielding loans

Asset
Profitability
Improvement

- In addition to continuous UI/UX improvements, we will strengthen our approach to members with high usage prediction scores using AI

| Strengthening targeting through the use of AI



Compared to conventional targeting sales promotions,
the utilization rate has doubled

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- Promotional efforts utilizing AI have also been effective in growing the balance of high-yielding loans.
- We utilized multifaceted data, including customer profiles, purchase information, and status of balance holdings, to score predicted future usage. This has enabled us to strengthen our approach to customers who are more likely to use our loans. As a result, our sales promotions have become twice as effective as our conventional targeting sales promotions.

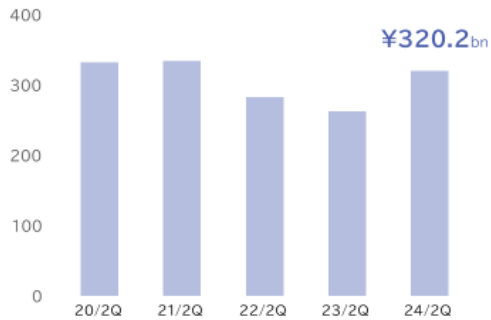
[Domestic] Housing Loan

Productivity
(Revenue growth)

- By promoting the benefits of the “AEON Select Club” loyalty program, which offers benefits other than interest rates, transaction volume up 122% YoY
- Interest rates were revised in May and October, and we expect to see an increase in earnings in the future

Housing loan volume

(Unit : Bn JPY)



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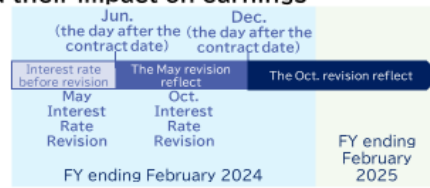
Financial and retail services collaboration



AEON Bank Housing Loan Benefits for Customers AEON Select Club

When you pay for the purchases at the AEON Group using Select Club Card will receive a 5% discount until the housing loan is paid off

Revision of housing loan interest rates and their impact on earnings



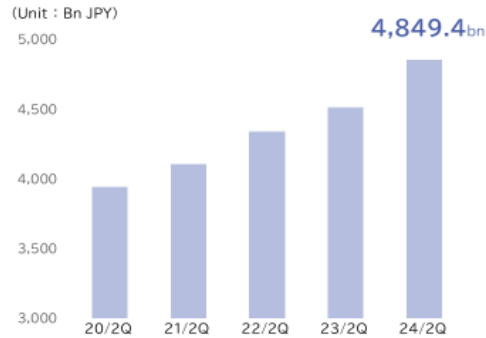
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- Next, let me explain the status of the transaction volume of our housing loans.
- The transaction volume grew significantly by 22% year on year to 320.2 billion yen.
- In March 2023, we expanded the benefits of the AEON Select Club, which offers AEON Bank housing loan customers discounts at AEON stores at any time. We have thus continued to promote our unique benefits other than interest rates.
- Please note that we revised housing loan interest rates, including floating rates, in May and October.

[Domestic] Bank Deposit

- Due to campaigns such as Term deposit campaigns, up 107% YoY, an increase of ¥310.1 bn from the beginning of the term
- Promoting the use of accounts as living accounts, such as for automatic debit card payments and salary transfers, to acquire deposits

AEON Bank Deposit balance



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Promoting the use of accounts as living accounts

Term Deposit

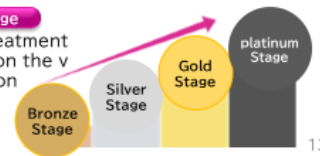
Provision of preferential interest rates when setting up direct deposit of salary and pension payments

Ordinary savings

Provision of interest rates for each stage of the transaction

AEON Bank MyStage

Preferential treatment system based on the transaction



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- This slide explains deposits made to AEON Bank.
- As interest rates rise, our ability to raise funds through bank deposits is a significant competitive advantage.
- The deposit balance rose 7% year on year. It increased 310.1 billion yen compared to the figure as of March 1, 2024.
- Amid competition among banks to attract deposits, we are working not only to win deposits, but also to promote the use of our accounts as accounts for daily life.
- We will strengthen the acquisition of sticky deposits through AEON Bank MyStage, a program that gives benefits to customers according to their transactions, such as setting up an automatic deduction for card usage, including higher interest rates on term deposits for customers who have set up direct deposit of salary and pension.

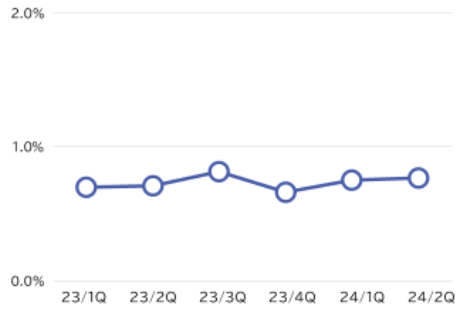
[Domestic] Cost Control

Productivity
(Cost control)

- The ratio of bad debt-related expenses to the balance of operating receivables remains low
- The efficiency of acquisition continues to improve due to a review of the operation of over-the-counter and internet recruitment

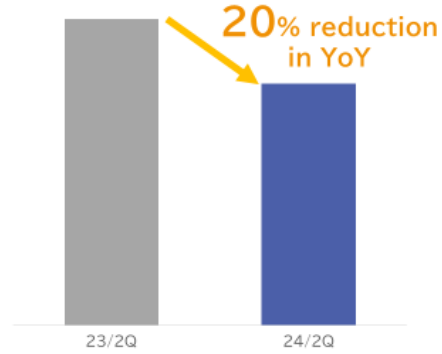
Quarterly Trends in Bad Debt Related Expense Ratio

*Ratio of bad debt expenses to the total balance of revolving, installment finance, cash advances, and unsecured loans



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Per-Member Acquisition Costs (Interim Term)



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- Next, let me talk about our efforts to control costs.
- As shown on the left, the ratio of bad debt-related expenses to the total balance of receivables remained low. It is attributable to our efficient and low-stress efforts, such as outbound calls to customers to update their registered information and sending SMS messages to confirm details of debt collection after phone conversations.
- The right-hand side of the slide shows improved efficiency in card member acquisition. We have strengthened our over-the-counter solicitation efforts by leveraging campaigns from AEON Group companies, reviewing our methods for online acquisition and the details of our campaigns, and continuing to focus on cost-effective measures. As a result, in the six months ended August 31, 2024, acquisition cost per member fell by approximately 20%.

[Global] Performance Highlights by Segment

- Interim operating revenue was the highest ever in all three areas.
Excluding the costs associated with the opening of the digital bank, profits increased.
- In the accounting period (3 months), the Mekong Area turned to increased profit

Interim period (6 months)	Global business		China Area		Mekong Area		Malay Area	
		YoY		YoY		YoY		YoY
Operating revenue	108.4 bn	115 %	17.2 bn	121 %	47.6 bn	106 %	43.5 bn	125 %
Operating profit	17.5 bn	95 %	3.9 bn	93 %	6.8 bn	99 %	6.7 bn	92 %
<Reference> Bad debt-related exp.	35.1 bn	121 %	4.6 bn	158 %	17.3 bn	105 %	13.1 bn	137 %
2Q accounting period (3 months)	Global business		China Area		Mekong Area		Malay Area	
		YoY		YoY		YoY		YoY
Operating revenue	55.3 bn	113 %	8.6 bn	116 %	24.5 bn	105 %	22.0 bn	123 %
Operating profit	8.8 bn	85 %	2.0 bn	96 %	4.2 bn	101 %	2.5 bn	63 %
<Reference> Bad debt-related exp.	18.0 bn	127 %	2.3 bn	133 %	8.5 bn	106 %	7.1 bn	166 %

Average exchange rate during the period

※Figures in () are the diff from the same period of the previous year
 HKD:¥19.63(7.3%weaker yen) THB:¥4.25(4.2% weaker yen) MYR:¥32.96(6.2% weaker yen)

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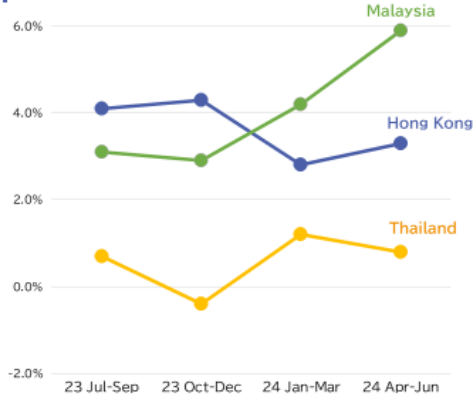
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- Now, I will explain our global business segment.
- Operating revenues for the six months ended August 31, 2024 were historical highs in all three areas.
- Operating profit also increased, excluding the impact of the increase in costs associated with the opening of the digital bank in Malaysia at the end of May.
- In the three months ended August 31, 2024, the year-on-year growth in the Mekong area turned positive.

[Global] Environment by area

- Malaysia is recovering ahead of other countries, with strong consumer spending
- On the other hand, Hong Kong continues to see a decline in domestic demand and a high number of personal bankruptcy applications. Thailand's GDP growth rate is also stagnant

Changes in real GDP growth rate



Malay Area(Malaysia)

- In addition to an increase in consumer spending, all major industries have shown positive growth, and the rate of growth has accelerated
- The unemployment rate has remained at its lowest post-pandemic (3.3%), and employment is stable

China Area(Hong Kong)

- Growth slowed due to factors such as a decrease in domestic demand as a result of increased consumption in China, where prices are low
- The number of personal bankruptcy applications, which increased from the 2H of last year, remained high

Mekong Area(Thailand)

- The slowdown in private consumption due to high prices is continuing. Although agricultural production and manufacturing exports are on a recovery trend, they are strongly affected by the Chinese economy
- From Sep., the government began distributing 10,000 baht payments as a government measure.

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※Source: Japan External Trade Organization (JETRO)

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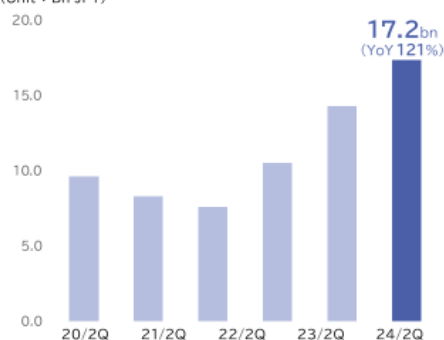
- Before discussing the financial results of our three overseas areas, let me explain the external environment in the key country in each area.
- Presented on the left are quarterly changes in real GDP growth rates.
- In Malaysia, real GDP growth is accelerating, driven by an increase in consumer spending and, more recently, positive growth across all major industries indicated by growth rates by industry. The unemployment rate has also remained at a low level. The economic environment has thus been favorable.
- Meanwhile, in Hong Kong in the China area, the currency appreciation has led to an increase in “northbound consumption,” which describes a phenomenon of consumers making purchases in China, in which prices are lower, primarily on the weekend. The subsequent decline in domestic demand, among other factors, has decreased growth rates. In addition, the number of personal bankruptcy filings announced by the Hong Kong government has remained high.
- In Thailand in the Mekong area, while private consumption has continued to slow due to rising prices, production in the agricultural sector and exports in manufacturing and other sectors are on a recovery trend. Meanwhile, as the Thai economy is significantly influenced by the Chinese economy, we need to keep a close watch. Distribution of a 10,000-baht handout per person also began in stages in September as part of consumer protection measures.

[Global] China Area Performance Highlights

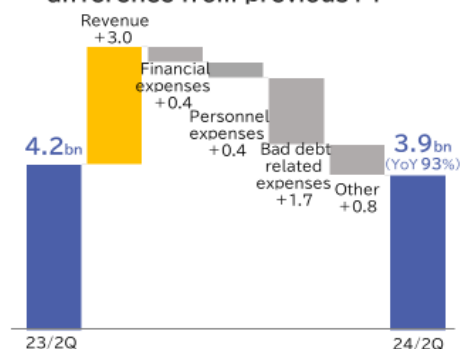
- The company's response to changes in the environment, such as capturing the demand of Hong Kong residents visiting mainland China to spend money, has been successful, and profits have reached a new record high
- Although bad debt-related expenses increased due to a revision of the allowance ratio, the effects of strengthening screening and ongoing credit monitoring through the use of scores are gradually becoming apparent

Operating revenue

(Unit : Bn JPY)



Breakdown of operating profit difference from previous FY



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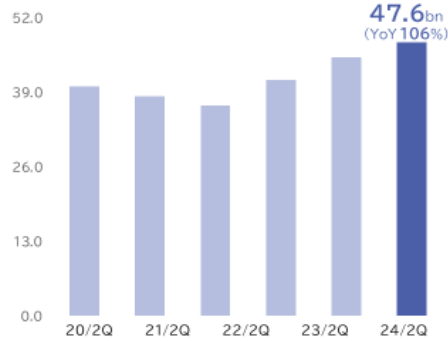
- First, I will explain the China area.
- Operating revenue reached a record high of 17.2 billion yen as measures we took to address changes in the environment proved successful, such as supporting UnionPay's QR payment in response to the increase in "northbound consumption."
- However, the number of personal bankruptcies has been on the rise throughout Hong Kong due to the deterioration in the economy and inflation in the second half of 2023 onward, among other factors. For the six months ended August 31, 2024, operating profit was 3.9 billion yen as bad debt-related expenses increased due to a review of expected credit losses in response to the rise in bankruptcies.
- Tightened credit screening with the introduction of bankruptcy prediction scores we have performed as part of our measures to address bad debts and enhanced credit monitoring by, for instance, proactively approaching borrowers with a loan restructuring suggestion are gradually taking effect. We will continue to control bad debt-related expenses to grow operating profit again.

[Global] Mekong Area Performance Highlights

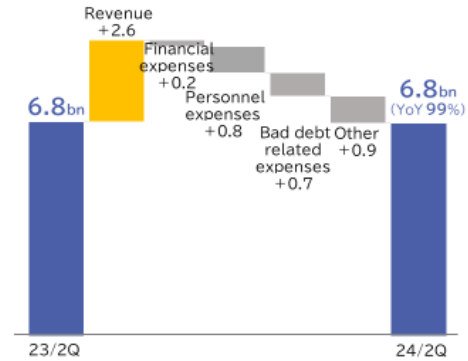
- Expansion of the member base and increase in transaction volume centered on credit card shopping
- Operating revenue increased, but operating income was almost the same as the previous year due to increases in personnel expenses and bad debt-related expenses

Operating revenue

(Unit : Bn JPY)



Breakdown of operating profit difference from previous FY



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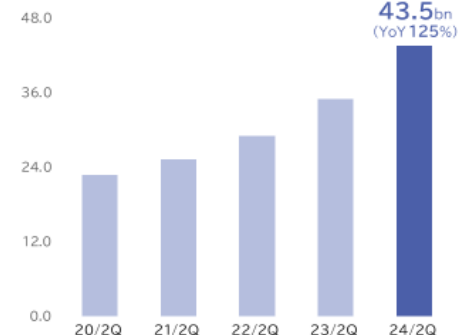
- In the Mekong area, amid prolonged weakness in the economic environment, increasing the balance of receivables is imperative. However, both card and personal loan memberships have grown, and transaction volumes have increased. As a result, operating revenue grew 6% year on year to 47.6 billion yen.
- Meanwhile, operating profit remained roughly the same year on year at 6.8 billion yen due to an increase in personnel expenses attributable to rises in salaries and an increase in bad debt-related expenses.
- We expect that it will take some more time for Thailand's economy to fully recover. We will aim to expand our membership base and maximize our bottom line, cautiously assessing the balance between receivables and credit cost.

[Global] Malay Area Performance Highlights

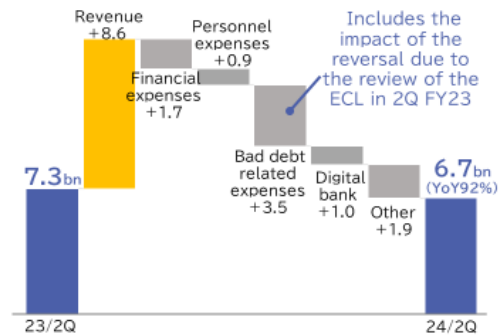
- The volume and balance of installment sales and personal loans have increased due to strengthened sales promotions with the AEON Group and merchant stores
- Bad debt-related expenses increased YoY due to a reversal in the same period of the previous year, but profits increased when excluding the increased costs of opening the Digital Bank

Operating revenue

(Unit : Bn JPY)



Breakdown of operating profit difference from previous FY



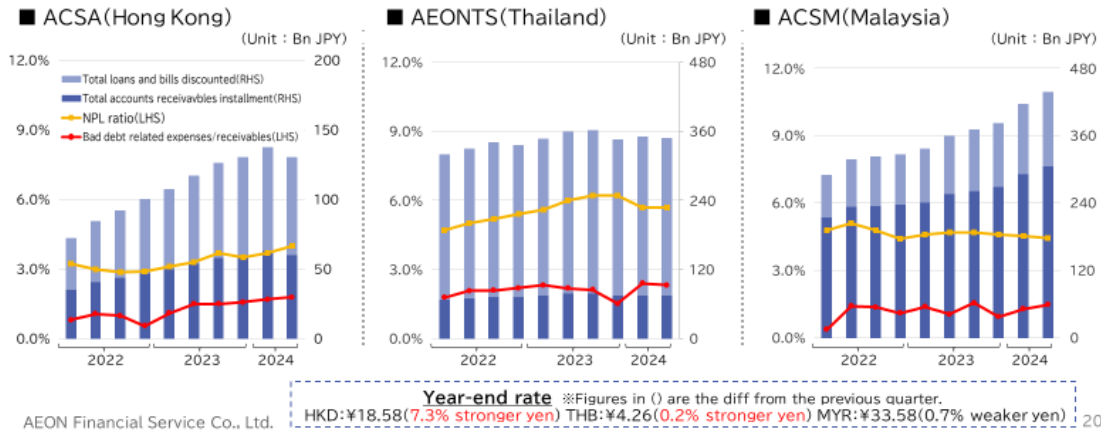
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- In Malaysia, financing through installment payment plans for individual products grew. Financing for motorcycles continued to grow, along with financing for used cars. In addition, digitalization of procedures and shortening of screening time increased the convenience of personal loans. As a result, operating revenue continued to grow significantly by 25% year on year to 43.5 billion yen.
- As for operating expenses, bad debt-related expenses rose year on year. The year-on-year difference is large primarily because we recognized a significant amount of reversal as a result of the review of expected credit losses in the six months ended August 31, 2023. The increase in bad debt-related expenses in the six months ended August 31, 2024 is not due to a deterioration in the quality of receivables but due to the accumulation of new operating receivables.
- As for the digital bank, which opened in May, costs increased approximately 1.0 billion yen year on year due primarily to costs related to opening campaigns.
- Business operations in the Malay area themselves are robust, and the business scope is also expanding in a positive way.
- We will further grow our business, which is rooted in local communities, together with our digital bank business.

[Global] Balance of Receivables and NPL of Listed Subsidiaries

- ACSA: Bad debt-related expenses increased due to a revision of the allowance rate. The yen-denominated balance of receivables decreased due to exchange rate fluctuations (but increased in Hong Kong dollars)
- ATS: Both bad debt-related expenses and the NPL ratio have entered a period of stability
- ACSM: Although bad debt-related expenses increased due to an increase in the balance of receivables, the NPL ratio decreased due to an increase in normal receivables



- I will explain quarterly changes in the balances of receivables and the ratio of non performing loans (NPLs) at three companies listed in overseas stock markets.
- At ACS Asia, both the NPL ratio and bad debt-related expenses have risen. The rise in the NPL ratio is attributable to an increase in restructuring agreements concluded to prevent sudden bankruptcies. As for bad debt-related expenses, the ratio of expenses to the balance of receivables has not risen significantly. We will continue our efforts to increase the balance of receivables while keeping the right balance with credit cost.
- Let me talk about the situation of AEON Thana Sinsap, which is shown in the middle.
- In Thailand, while the NPL ratio has remained high for the entire market, our NPL ratio has been stable.
- The ratio of bad debt-related expenses also declined slightly year on year. We will strive to expand operating revenue while keeping a close watch on economic trends and continuing to carefully balance the ratio of bad debt-related expenses to the increase in the balance of receivables.
- As shown in the graph on the right, the increase in the balance of receivables has been accelerating at ACS Malaysia. Continuous accumulation of high-quality receivables has made the NPL ratio continue to decline. With respect to bad debt-related expenses, costs have been controlled at appropriate levels relative to the increase of the balance of receivables.



Earnings and Dividend Forecasts

- I will explain our financial results and dividend forecasts.

FY2024 earnings forecast, dividend forecast

(Unit : JPY)

	Consolidated	YoY	Domestic		Global	
				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 %	

- There is no change to the financial results forecast we announced in April.
- In the domestic business segment, we have successfully accumulated receivables in revolving credit and cash advances, which offer high levels of profitability. We expect that the growth of the balance of receivables and the subsequent increase in revenue will continue from the second half onward.
- We will also continue implementing productivity improvement measures.
- In the global business segment, bad debt-related expenses have continued to increase. However, the business in the Malay area has remained robust. We will aim to achieve recovery in the China and Mekong areas, while seeking the right balance between top-line revenue and credit cost.
- This concludes the explanation of financial results for the six months ended August 31, 2024.



Priority Measures

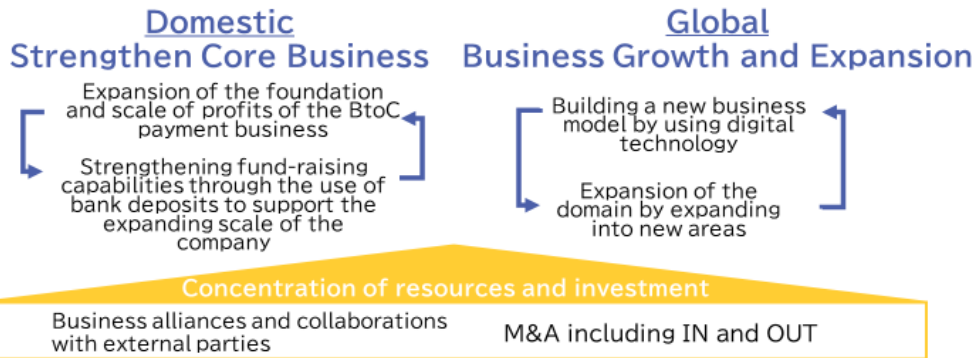
- I am Mr. Kenji Fujita, the President and CEO of the Company.
- Now, I will explain the priority measures we will be working on from the six months ending February 28, 2025 onward.

Review our business portfolio

Repost: Announcement of FY20233Q financial results

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

“Selection and Concentration” for the optimal business portfolio



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- We have reposted a slide that we showed and explained to you this January. We are currently reviewing our business portfolio to further raise our corporate value.
- In a rapidly changing business environment, it is time for us to rise to the challenge of transformation with a sense of urgency. In the domestic business segment, we will expand our customer base and merchant network for the payment business to pursue economies of scale.
- In addition, we will strengthen our expansion into new businesses and areas to further grow our global business, which has a high growth potential.
- We will proactively use external resources and execute M&As and other transactions in our business portfolio review.

Review our business portfolio

- Optimize management resources and investment through “selection and concentration” to strengthen development in growth areas

Optimizing management resources and investment

I Progress in reviewing the business portfolio

- Transfer of domestic installment sales finance business (AEON Product Finance)
- Suspension and withdrawal of finance business (installment finance and personal loans) in Myanmar and the Philippines

III Improving productivity by consolidating bases and functions

- Promote the integration and unification of stores in shopping centers and contact center functions

Strengthening development in growth areas

II New business, business development in new areas

- Opening of the Malaysia Digital Bank business, active expansion in growth markets such as the Vietnam finance business, and building the AEON sphere of life

IV Maximizing Group Synergy

- Expansion of our business base in the Chugoku, Shikoku and Hokkaido areas by utilizing the network of the AEON Group
- Improving the attractiveness of each company in the AEON Group

- To roll out our business in growth areas more robustly and with greater speed, we believe that selection and concentration will be essential, including divestitures of, exits from, and consolidations of some businesses for higher efficiency.
- Now, I will explain four of our efforts, which are presented in this slide.
- The first effort is making progress in reviewing the business portfolio. The second is rolling out new businesses and expanding into new areas. The third is improving productivity by consolidating bases and functions. The fourth is drawing on the large network of the AEON Group and maximizing Group synergy.

Progress in reviewing the business portfolio

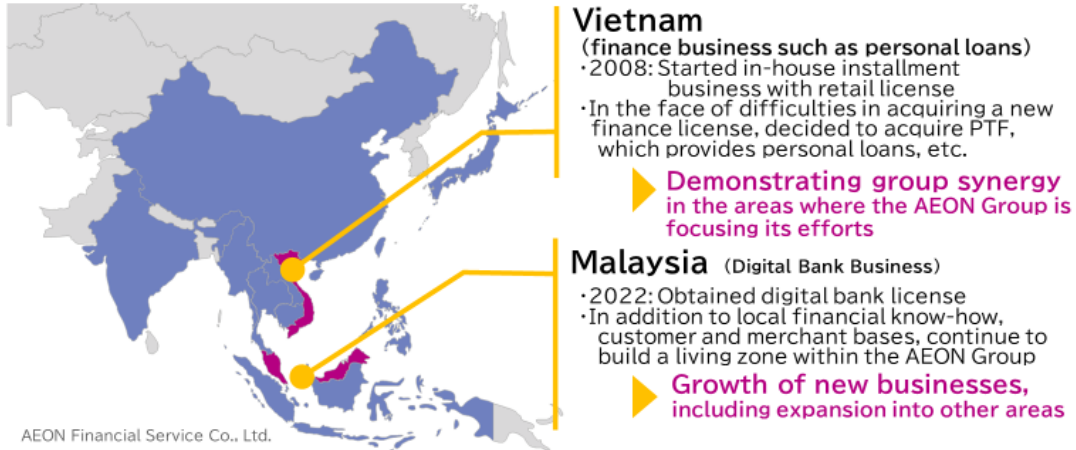
- Continue to review the portfolio in light of the competitiveness and future growth potential of each area and business
- Following the transfer of Domestic Installment finance, the decision was made to reorganize the finance business in Myanmar and the Philippines



- First, let me explain making progress in reviewing the business portfolio.
- In the previous fiscal year, we executed various strategies in the domestic business segment, including integrating with AEON CREDIT SERVICE, which was our subsidiary, making FeliCa Pocket Marketing a consolidated subsidiary, which provides local currencies and other solutions, and transferring AEON Product Finance, which is engaged in the installment credit business.
- In the global business segment, we have also decided to reorganize our financing businesses, including installment credit business and personal loan business in Myanmar and the Philippines, taking into account the future growth potential of our operating areas and businesses.
- In Myanmar, in which we began rolling out our services ahead of other companies in the Group in 2012, the unstable political and economic environment has made it difficult to continue our business activities. While we will keep our finance license, we will lay the business dormant until the environment stabilizes, and the business becomes likely to grow.
- In the Philippines, we have expanded our local merchant network. However, we examined our growth strategies for the entire global business and determined that it would be difficult to demonstrate a competitive advantage in the Philippines.
- We will continue to decisively carry out revisions to our business portfolio if they are determined to be necessary for us to increase corporate value.

Business development in new business and new areas

- Strengthening the organization to expand the digital banking business in Malaysia and the finance business in Vietnam
- progress is being made in developing an organization that will facilitate collaboration between existing and newly acquired businesses in Vietnam



- While we reorganize our businesses in Myanmar and the Philippines, we will appropriately shift our management resources, including human resources, to areas with high future growth potential to strengthen business development in new businesses and areas.
- As for the acquisition of a finance business in Vietnam, while we are going through procedures to get approval from the local authorities, we have organized a project team in advance to generate synergies with existing businesses and other Aeon Group companies in Vietnam and enable faster growth of the business.
- Vietnam has been positioned as a top-priority area for the AEON Group. We have strong collaborative relationships with various companies in this area, including retailers and developers. We will aim to build the AEON Living Zone not only by providing financial services but also by sharing customer information obtained at each Group company in the entire Group to offer better services.

[Malaysia] Digital Bank

- Further growth through the expansion of new businesses and areas of development through the use of digital technology

AEON Bank(Malaysia)

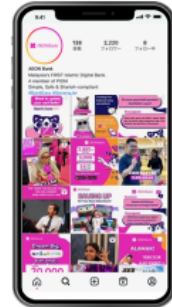
Improve brand recognition by holding events at AEON Group stores and using SNS and external advertising



Events at Group Stores



Strengthening advertising exposure at stations, on trains, on street signs, etc.



Utilization of SNS and influencers with many users

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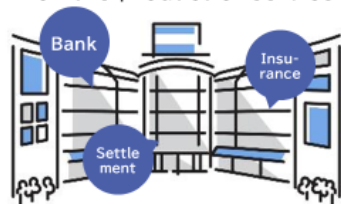
- In Malaysia, we opened a digital bank this May, which had been in preparation for some time.
- The digital bank will provide services not only to retail customers but also to corporate clients, including companies in the AEON Group, merchants, and suppliers, and take on a role in connecting customers, the AEON Group, merchants, and business partners through financial services, primarily via a smartphone app.
- To establish the business model early, we are currently making efforts to gain recognition and expand the customer base.
- As our services are offered digitally, we will strengthen sales promotions through social networking services, which are highly compatible with our services. In addition, we will utilize AEON Group stores, which are a unique network the competing banks do not have. By holding events at these stores, among other measures, we aim to secure patronage.

Improving productivity by consolidating bases and functions

- Consolidate contact centers and stores
- Provide one-stop financial services to improve customer satisfaction and productivity

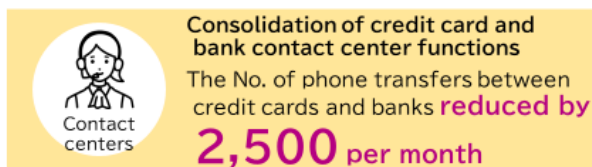
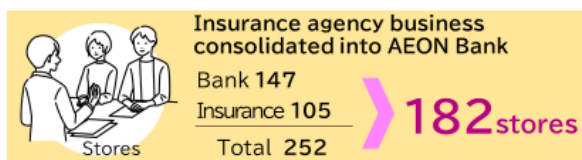
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Customers need to use different ones depending on the product or service



<Consolidating financial services such as settlements, banking, and insurance>

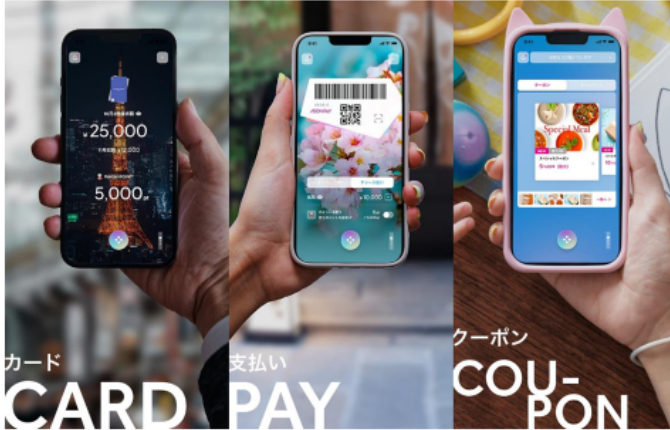
Providing one-stop service to customers through integration



- Next, let me explain improving productivity by consolidating bases and functions.
- We will further diversify our businesses as a provider of comprehensive financial services, including payment, banking, and insurance, and aim to offer convenient and valuable financial services in various aspects of our customers' lives.
- Meanwhile, as we have different stores and contact center functions for our products and services, customers need to use different consultation and inquiry points depending on the service. We will work to review each touchpoint to alleviate the burden on customers of having to use different touchpoints, which are points of contact with customers, so that they will be able to use our services seamlessly.
- First, as for the physical touchpoints, which are our strengths, we will consolidate our insurance agency business into AEON Bank in December to centralize bases that have been scattered in a single shopping center with the aim of increasing efficiency. By consolidating scattered touchpoints, we will respond to customer needs more pertinently.
- In addition, we integrated the contact center functions for our credit card and banking services in September. This integration has eliminated inconveniences caused by decentralized roles, such as call transfers.
- By consolidating our touchpoints, we will create an environment that enables us to assist customers with a variety of financial needs without barriers. It will lead to enhanced customer satisfaction and increased productivity through the development of employee skills.

Smartphone app: AEON Wallet

- Renewed as a comprehensive financial application last year
- Built to provide a seamless connection to credit card, bank, and insurance services at any time



AEON Financial Service Co., Ltd.

Highly regarded in design awards around the world

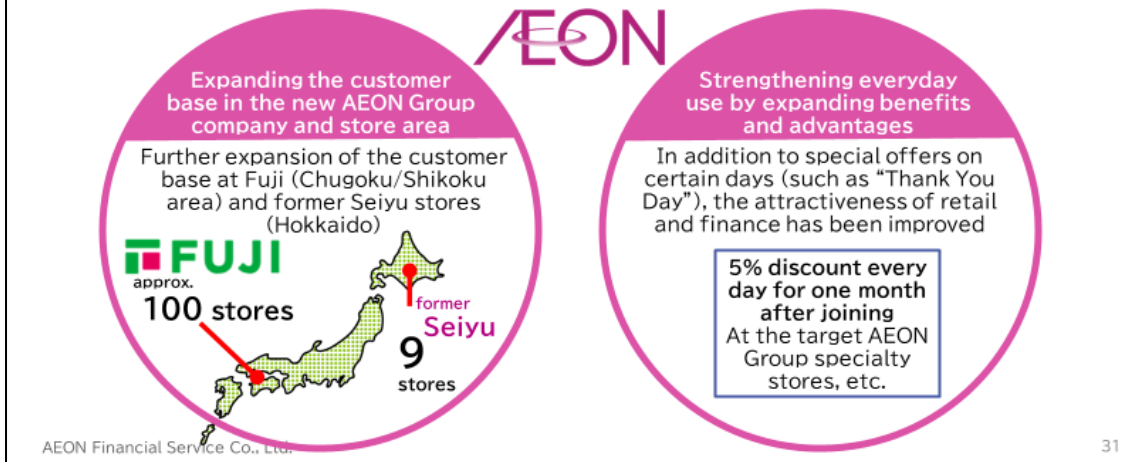


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- Smartphone apps are the most accessible and convenient touchpoints with customers. Last year, we renewed AEON Wallet as a comprehensive financial app.
- After the AEON Wallet renewal, which changed the displays and paths for various services, including credit card, banking, and insurance, the number of views of asset-building menus through the app has increased more than tenfold, while views of housing loan menus have increased twentyfold compared to the figures before the renewal, demonstrating significant effects.
- The app's cutting-edge design, exemplified by its intuitive usability and functionality with design options available to cater to various lifestyles, has been recognized by Germany's iF Design Award and the United States' International Design Excellence Awards, which are among the world's top three design awards.
- Recognition of the AEON Wallet is still not very high. However, we will evolve it into the most accessible touchpoint for customers so that they will be able to more seamlessly complete all financial service procedures and confirmations on a single app.

[Domestic] Maximizing Group Synergy

- Expand the customer base by providing a “financial infrastructure” that connects customers and business partners of the AEON Group
- Improve attractiveness by providing new benefits at each group company



- Let me explain maximizing group synergy aimed at further capitalizing on our competitive advantage and strengthening our growth foundation.
- We serve as an infrastructure that connects the AEON Group, customers, and merchants through financial services. The expansion of new AEON Group companies and stores presents an excellent opportunity to further strengthen our customer base.
- Stores of Fuji, which operates in the Chugoku and Shikoku areas, and former Seiyu stores in Hokkaido are loved and well-received by local customers. By starting member solicitation at these stores, we will see our member acquisition opportunities increase by more than 100 locations.
- In October, we also started a promotion in which new credit card members receive a 5% discount on purchases at AEON Mall specialty stores every day for one month of joining. In addition to benefits offered on specific days, such “Customer Thank You Days,” we are working to add new benefits and perks as a financial services provider rooted in a retail business.
- By generating group synergy, we will continue to increase more attractive benefits that only we can offer and strive to provide financial services for daily use that are tailored to support customers in their day-to-day lives.



Sustainability Initiatives

- Lastly, let me explain our sustainability efforts.

Listed the key issues in our materiality

- Setting key materiality indicators to achieve the “vision for 2030”
- We will work to deepen each initiative linked to our business activities



- We have decided that our vision for 2030 is to become a global company that is deeply rooted in local communities and brings finance closer to everyone. We aim to support our customers’ everyday lives through our financial services.
- To achieve this vision, we have newly established key materiality metrics. The entire Group is making various efforts in coordination with business activities.
- Details on the key metrics and efforts are available on our website and in our Integrated Reports. Today, I will talk about some of our efforts.

Materiality1 Pursuing happiness through innovative financial services

Initiatives

Contributing to the development of local communities through financial services

Key Indicators (2030)

- Promoting financial inclusion initiatives
- Collaboration with local communities and regions
- Disaster relief through financial services



Providing motorcycle financing to help people get the means of transportation to work in the city since the establishment of the company in Malaysia

Initiatives

Enriching the lives of customers, business partners, and employees through financial education

Key Indicators (2030)

Financial education:
500,000 cumulative participants
(Domestic: 350,000, Overseas: 150,000)



Implementation of financial experience events by the AEON 1% Club and AFS

- In pursuing happiness through innovative financial services, which is the first materiality, we are striving to enrich the lives and happiness of our customers by working to build a safe and secure infrastructure that allows everyone to access financial services for our customers in countries in which we roll out our services, and to increase financial literacy.
- Embracing the concept of financial inclusion, we are actively expanding into regions where financial services are not yet readily available, and working to create an environment in which everyone can conveniently access financial services.
- In Malaysia, there were many people who wanted to work in a city but did not have enough money to purchase a motorcycle, a means of transportation, and were unable to access loans from local banks. To address this social issue, since the time we started business in Malaysia, we have drawn on our unique credit assessment and collection expertise and promoted our motorcycle financing in collaboration with a local motorcycle association. We have thus worked to enhance mobility and create employment opportunities.
- We have also made many efforts to enhance financial literacy, including financial workshops to introduce children to finance from a young age and educational programs for students and working adults. In the fiscal year 2023, we provided financial courses to approximately 26,000 students.

Materiality2 Exerting diversity and the potential of our people

Initiatives

Respecting the diversity of employees and create a flexible and rewarding work environment

Key Indicators (2030)

Enhancing employee training



Career design support through actual work as an overseas trainee

Key Indicators (2030)

Improving employee engagement



Held a meeting to promote the spread of Our Purpose
In Malaysia, the people in charge of promoting the project from each overseas company gathered together

- In the effort of exerting diversity and the potential of our people, we aim to create an environment in which everyone can fully demonstrate their individual abilities and feel a sense of fulfillment at work by respecting the personality and diversity of employees.
- To this end, we are working to promote diversity, equity, and inclusion, increase educational and reskilling opportunities for talent development, and improve engagement so that all employees will share the same vision and develop into human resources capable of adapting to change.
- For example, to support employees in designing their careers, we offer an Overseas Trainee program. In this program, employees stay at an overseas local company for six months, immerse themselves in cultures and customs different from those of Japan, and engage in actual work activities.
- Currently, six young employees are participating in this program. They are actually working at local companies in Hong Kong and Malaysia alongside local employees on product development and other tasks. They are drawing a vivid and positive outlook for their future career.
- To improve engagement, we hold meetings not only in Japan but also overseas to promote the propagation of our purpose. These meetings aim to cultivate human resources who resonate with our purpose, embody it themselves, and take action.

Our Purpose



- We have explained financial results for the six months ended August 31, 2024.
- In reviewing our business portfolio, we are concentrating resources and investments on strengthening our payment infrastructure, which is the core area, and developing new businesses overseas, which is the growth area, and aim to further increase corporate value.
- Amid significant changes in the environment, we will embrace our purpose as a guiding principle and continue to review our portfolio more flexibly. At the same time, the entire company is coming together to make efforts to improve asset profitability and productivity with the aim of achieving the ROE target we have established.
- We will continue to work harder to strengthen our management. We ask for your continued understanding and support.

[Q&As]

■ Daiwa Securities / Analyst Watanabe

(1) The progress of profit in the second quarter appears to be slowing down. Could you tell me the factors that put upward pressure and downward pressure on profit relative to the projection made at the beginning of the fiscal year?

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

The progress rate of profit was 49%. One of the factors that put upward pressure on profit was financial revenue. Gain on sale of securities and an increase in interest income due to rising interest rates were large factors. The revisions to housing loan rates may not have a significant impact this fiscal year. However, they will contribute to increasing profit over the medium to long term.

The factor that put downward pressure on profit was the high level of bad debts, primarily in the global business segment. We need to continue paying close attention to them. In Thailand, the growth of the balance of operating receivables was stagnant. We think it is important to continue to balance the growth of operating receivables with bad debts.

(2) Could you tell me the benefits and costs associated with the business reorganization in Myanmar and the Philippines? Also, the ownership ratio in the local subsidiary in Hong Kong has increased to 56.6%. Could you tell me the background behind this?

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

The dormancy of the business in Myanmar will have no significant impact. In the Philippines, as we had incurred losses amounting to several hundred million yen, we anticipate that the withdrawal will positively contribute to future profitability. - Furthermore, with regard to human capital, the withdrawal will allow us to reallocate human resources to growth areas, which is a benefit.

The increase in the ownership ratio in ACS (ASIA) is a result of share transactions among shareholders and does not represent a significant change in the situation.

■ SMBC Nikko Securities / Analyst Hara

(1) What are the factors behind the decline in gain on securitization, excluding the impact of the transfer of the installment credit business in the domestic business segment?

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

One major factor is the rise in interest rates. As the expectations of investors have increased, the transaction volumes have slightly declined. As a result, the amount of securitization

itself has decreased. As we had estimated a smaller gain on securitization this fiscal year compared to the previous fiscal year, the decline itself had been expected.

(2) Your competitors have announced increases in their revolving credit fees. Could you share your intentions in this matter? Even if domestic interest rates continue to rise, is passing on costs through fee increases not an option?

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

We hear that other companies are increasing their fees. We have no plans to raise our revolving credit fees at this moment. Our culture leans more towards improving customer convenience. We cannot definitively rule out the option. However, unlike other companies, the source of our funds is primarily deposits. Therefore, we believe that the pace of increases in our fees would be more gradual than that of the rise in interest rates in the market. We think that we have stronger tolerance to increases in interest rates than our competitors.

■ Mizuho Securities / Analyst Sakamaki

(1) I would like to ask about your operating strategy. I feel that the progress in the acquisition of AEON Pay members has been slow. Could you summarize what is working well and what is not?

(Kenji Fujita, President and CEO)

We will strive to meet the annual targets for AEON Pay. We are a late entrant in the mobile payment sector. We have some disadvantages in that sense. However, we will move forward in collaboration with AEON Group companies.

(2) It may be that you did not have a clear timeline for achieving the ROE target at the financial results announcement in April. Could you provide an update on how quickly you expect to reach the target and how confident you feel about achieving it?

(Kenji Fujita, President and CEO)

We aim to achieve the ROE target as early as possible. Currently, the balance of high-yielding receivables in the domestic business segment is approximately 760.0 billion yen, and that in the global business segment is 970.0 billion yen. We believe that a total balance of high-yielding receivables exceeding 2,100.0 billion yen will enable us to reach the target. Meanwhile, we still need to continue reviewing our business portfolio. While there are some elements in our entire balance sheet strategy that we cannot share with you at this moment, we are discussing how to accumulate receivables and are currently making progress in it.

■ JP Morgan Securities / Analyst Sato

(1) You aim for a credit card shopping transaction volume of 8 trillion yen this fiscal year.

How do you assess your current situation? How do you view the decline in the number of active members in the domestic business segment compared to the previous quarter?

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

As for the concern you have just expressed that the growth in the shopping transaction volume may be slow, I had actually hoped that we could grow it a little more. In the second quarter, due to natural disasters in August, a month in which consumption typically increases, sales failed to grow, which had a somewhat large impact.

We have launched new campaigns, such as offering a 5% discount on purchases in the AEON Mall to new members during their first month of membership. Through these efforts, we aim to increase the transaction volume and number of active members. As for AEON Pay, the average transaction volume per user has steadily been increasing, and we aim to strengthen it.

(2) At the financial results briefing for the first quarter, I believe it was mentioned that if costs are saved due to the postponement of the start of operation of the next-generation credit card system, they would be allocated to other measures. Could you provide an update on where the saved costs will be allocated?

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

A significant portion is directed toward investment in system measures, including those in response to regulations related to fraud prevention. We believe that fraud prevention measures will help avoid incurring significant costs in the future. We recognize investment in them as a proactive expenditure.

■ SBI Securities / Analyst Otsuka

(1) The progress rate for operating revenue of the global business segment for the first half is around 43%. Is this in line with your plan?

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

It is true that operating revenue of the global business segment fell short of our expectation. We had hoped to see a little more growth in the Mekong area. While the increase in bad debts warrants caution, we have to make efforts to accumulate high-quality receivables as much as possible.

(2) Regarding your strategy of focusing on asset profitability to meet the ROE target, I understand that you will focus on existing high-yield receivables. However, we have yet to

see improvement in margins on an annual basis. I think that a contributing factor is the consistently high bad debt-related expenses. I would like to ask about that.

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

Increasing profit is the important point. We will continue to control expenses, of course, but we will see how to reorganize businesses that are not contributing to revenue and proceed with a portfolio review. How to increase profit is our important theme. The management team will continue to make efforts to achieve it.

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