

## IR Presentation on FY2024 3Q Financial Results: Script and Q&A

Time and Date: 5:00–6:00 p.m., Thursday, January 9, 2025

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# FY2024 3Q IR Presentation Material

January 9, 2025



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

AEON Financial Service Co., Ltd.

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Before we begin the presentation on our financial results, we would like to express our sincere apologies for any distress and concern caused to our stakeholders due to the business improvement order issued to AEON Bank, Ltd., our consolidated subsidiary, by the Financial Services Agency on December 26, 2024, regarding its framework for anti-money laundering and counter-terrorist financing.

We take this order seriously and regret the situation deeply. We will make a concerted effort across the entire company to improve the framework.

## Financial summary

### Domestic and overseas sales receivables are steadily increasing Revenue and profits are continuing to increase.

#### Business results are progressing favorably ※Excluding securitized receivables

Consolidated operating revenue is increasing steadily (YoY 109%), and consolidated operating profit is expanding to ¥37.9 bn (YoY 145%)

- Domestic: Absorption of the impact of the transfer of installment finance sales due to an increase in settlement and banking revenues. Continued improvement in cost efficiency, including sales promotion expenses
- Global: Record-high operating revenue in all 3 areas. Excluding the cost of opening the digital bank, overall the Global Business saw increased revenue and profit

#### Improvement in asset profitability: The balance of high-yield operating receivables (※) reached a record high

The ratio of high-yielding receivables continued to increase (Japan: 17.4% YoY +1.2pt), and the Global increased to 1 trillion yen

- Domestic: ¥794.3bn (YoY 111%/+¥84bn YTD), Global: ¥1,017bn (YoY 111%/+¥96bn YTD)

#### Extraordinary losses include compensation costs for credit card fraud

Although cases of credit card fraud using special methods have increased, measures are currently being taken to prevent further damage.

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- The first slide gives you a summary of our financial results.
- In the nine months ended November 30, 2024, both revenue and profit continued to increase year on year on a consolidated basis as the balance of operating receivables steadily grew both in the domestic and global business segments.
- Our consolidated business performance is continuing to improve. While operating revenue grew by 9% year on year, the increase in operating expenses was controlled at 6%. It contributed to the growth of consolidated operating profit, which grew by 45% year on year to stand at 37.9 billion yen.
- In the domestic business segment, in addition to an increase in payment business revenues, banking revenues also increased. Improvement in cost efficiency, primarily in sales promotion expenses, also contributed to the profit growth.
- In the global business segment, operating revenues in all three areas reached record highs. Excluding the increase in the cost of opening 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 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 1.2 percentage points year on year, which contributed to the growth of profit. The balance of high-yielding operating receivables after securitization was 794.3 billion yen in the domestic business segment and 1,001.7 billion yen in the global business segment, both hitting a record high.

- Meanwhile, we recorded customer compensation expenses of 2.8 billion yen in extraordinary losses as cases of unauthorized use of credit cards through specialized methods increased.

As for the unauthorized use of credit cards through these methods, we have now taken measures and been able to prevent further damage.

## The Highlights of the Consolidated Results

- All profits increased, despite the recording of compensation expenses (¥2.8 bn) for credit card fraud using special methods in extraordinary losses, due to the recovery of domestic operations

	Consolidated		Domestic		Global		FY2024 Forecast	Rate of progress
	YoY		YoY		YoY			
Operating Revenue	109 %	¥388.7 bn	106 %	¥226.4 bn	114 %	¥164.0 bn	¥520.0 bn	75 %
Operating Profit	145 %	¥37.9 bn	(+12.8) %	¥12.2 bn	96 %	¥25.3 bn	¥55.0 bn	69 %
Ordinary profit	144 %	¥38.9 bn	-	-	-	-	¥55.0 bn	71 %
Profit attributable to owners of parent	155 %	¥13.7 bn	-	-	-	-	¥21.0 bn	66 %

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- This slide highlights the key figures in our consolidated financial results for the nine months ended November 30, 2024.
  - Operating revenue was 388.7 billion yen, up 9% year on year.
  - Operating profit was 37.9 billion yen, up 45% year on year.
  - Ordinary profit was 38.9 billion yen, up 44% year on year.
  - Profit attributable to owners of parent was 13.7 billion yen, up 55% year on year.

As shown above, revenue and profits all grew year on year.

- In the previous fiscal year, we front-loaded spending in the domestic business segment. In the current fiscal year, the domestic business segment recovered as revenue grew and cost control took effect. As a result, all profits increased year on year despite the recording of compensation expenses of 2.8 billion yen in extraordinary losses for unauthorized use of credit cards through specialized methods, as explained earlier.

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

	Consolidated YoY		Domestic YoY		Global YoY	
Operating Revenue	¥132.9 bn	112 %	¥78.0 bn	112 %	¥55.5 bn	113 %
Operating Profit	¥10.7 bn	185 %	¥2.7 bn	- % (+4.9)	¥7.8 bn	98 %
Ordinary profit	¥11.8 bn	205 %	-	-	-	-
Profit attributable to owners of parent	¥3.5 bn	219 %	-	-	-	-

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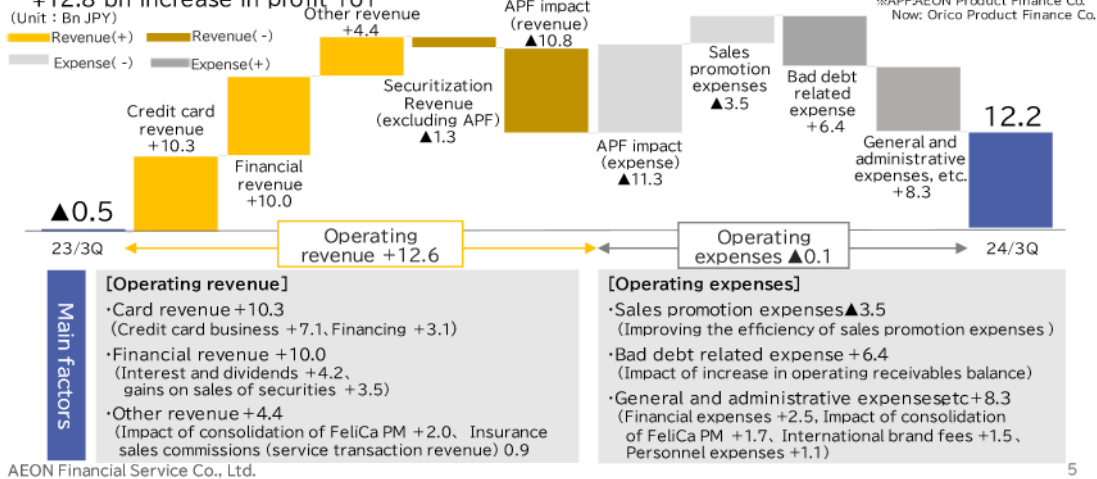
- Here are consolidated financial results for the three months ended November 30, 2024.

- Operating revenue was 132.9 billion yen, up 12% year on year.
- Operating profit was 10.7 billion yen, up 85% year on year.
- Ordinary profit was 11.8 billion yen, up 105% year on year.
- Profit attributable to owners of parent was 3.5 billion yen, up 119% year on year

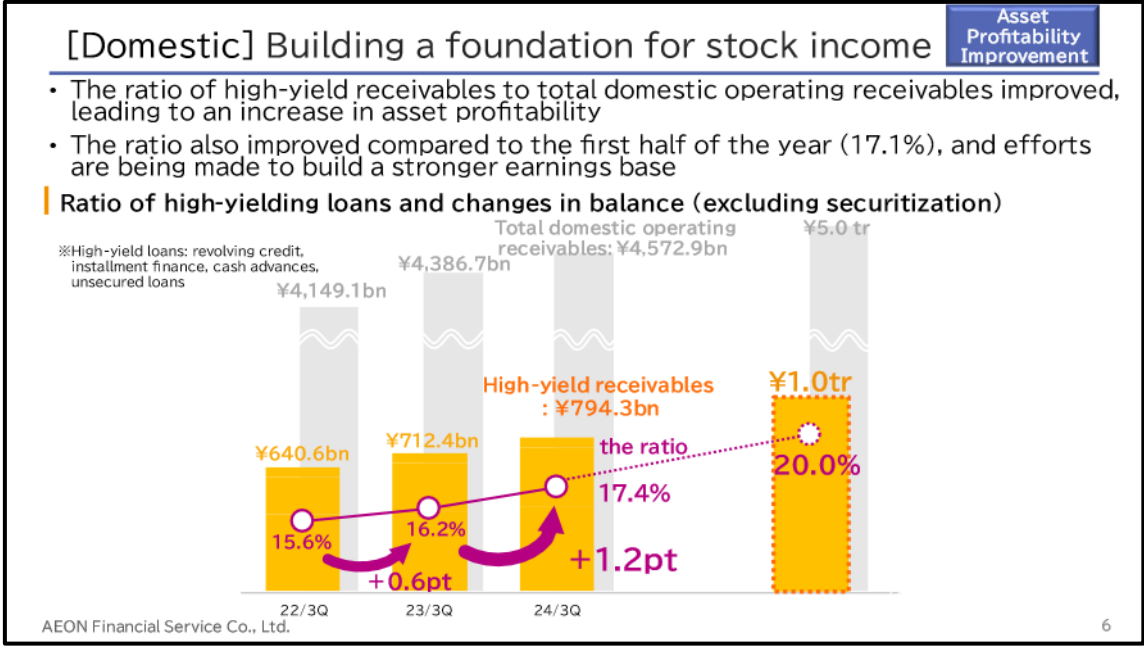
As shown above, revenue and profits all grew year on year for the three months ended November 30, 2024 as well.

## [Domestic] Breakdown of Operating Profit

- Due to steady growth in credit card revenue and the recording of financial revenue, operating revenue excluding the impact of APF increased by ¥23.5 bn
- Although bad debt-related expenses increased, continued cost management resulted in a ¥12.8 bn increase in profit YoY



- This slide shows a breakdown of the year-on-year change in operating profit of the domestic business segment.
- Yellow bars represent operating revenue. Due to the business transfer of AEON Product Finance, which is engaged in the installment finance business, revenue fell by 10.8 billion yen. However, credit card revenue grew 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 also an increase in financial revenue from the management of securities and loans receivables. As a result, operating revenue rose by 12.6 billion yen year on year.
- Operating revenue, excluding the impact of the business transfer of the subsidiary, increased by 23.5 billion yen year on year.
- The gray bars represent operating expenses. Expenses fell 11.3 billion yen due to the business transfer. Sales promotion expenses also shrank by 3.5 billion yen thanks to the stronger efforts to improve efficiency, particularly in member acquisition.
- Bad debt-related expenses grew by 6.4 billion yen. They include growth in line with the increase in the balance of operating receivables. They also include compensation expenses for damage caused by unauthorized use of credit cards through various methods, including phishing, which is increasing in Japan, except for the compensation expenses recorded in extraordinary losses for damage caused by unauthorized use of credit cards through specialized methods.
- As a result of the above, operating expenses declined 0.1 billion yen in total, and operating profit of the domestic business segment rose significantly to 12.2 billion yen.

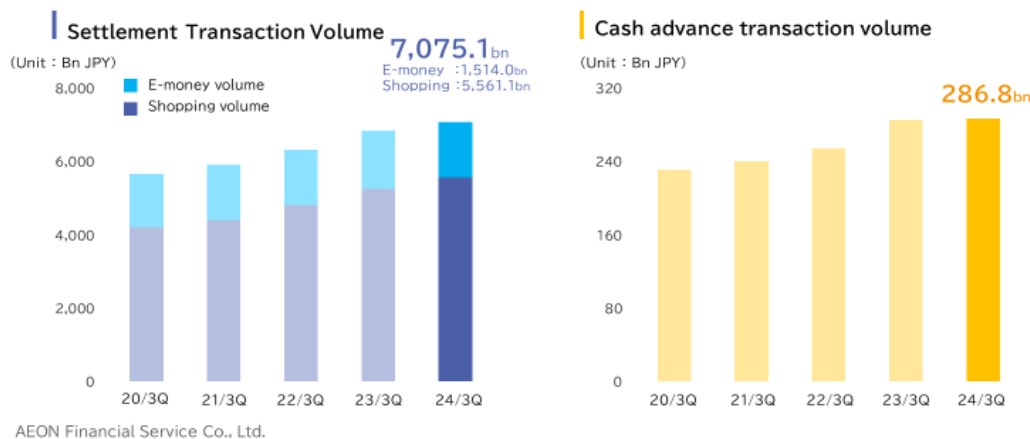


- Now, I will explain the status of our domestic business segment.
- The icon in the upper right corner indicates which indicator or initiative the topic corresponds to, among our approaches to improving ROE, which we explained at the beginning of the fiscal year.
- First, let me explain the status of 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.
- The ratio was 17.1% at the end of the first half and rose by 0.3 percentage point. We have been able to steadily solidify our 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)

- Shopping transaction volume was up 106% YoY, due to the popularity of Gold Appreciation Day and the promotion of AEON Pay
- Cash advance transaction volume was up on the previous year (100.3% YoY) despite a decline in the market transaction volume, due to improvements to the app, etc.



- First, the graph on the left shows our payment transaction volume, which is the total transaction volume of e-money, WAON, and credit card shopping. It stood at 7,075.1 billion yen.
- The transaction volume of e-money, WAON, was down 5% year on year. It was due to the increased use of WAON in the previous fiscal year attributable to the distribution of “My Number Points” or “MyNa Points” that took place in 2023.
- 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, we took various measures, including offering benefits for use in AEON Group stores and promoting the use of our smartphone payment tool, AEON Pay. As these measures took effect, shopping transaction volume rose by 6% year on year to 5,561.1 billion yen.
- The graph on the right shows our cash advance transaction volume. In the entire market, cash advance transaction volume remained below the previous fiscal year’s level due to increases in summer 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 286.8 billion yen thanks to the improved convenience of our smartphone app, AEON Wallet, and the continued promotional activities through outbound calls to customers.



## [ Domestic ] Status of members

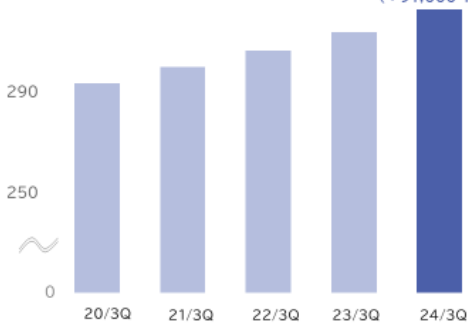
Productivity  
(Revenue growth)

- Expand customer base while focusing on acquisition efficiency through acquisition channel and operational reviews
- Total number of card members acquired was 1.19 million (YoY 96%), with growth in in-store acquisition

### No. of cardholders in Japan

(Unit: member)  
330

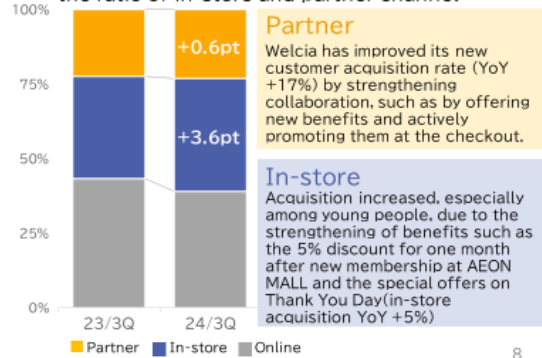
32.23million  
(+91,000 YoY)



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### Member Composition by Channel

> Focusing on acquisition efficiency, improving the ratio of in-store and partner channel



#### Partner

Welcia has improved its new customer acquisition rate (YoY +17%) by strengthening collaboration, such as by offering new benefits and actively promoting them at the checkout.

#### In-store

Acquisition increased, especially among young people, due to the strengthening of benefits such as the 5% discount for one month after new membership at AEON MALL and the special offers on Thank You Day (in-store acquisition YoY +5%)

Partner In-store Online

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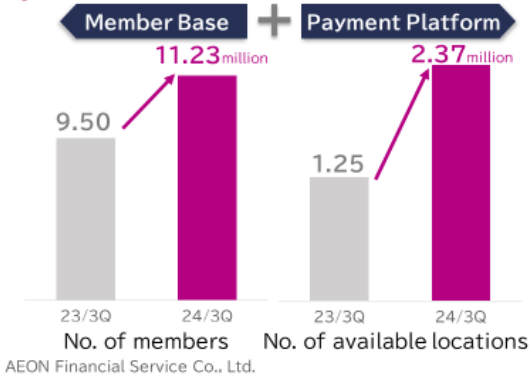
- I will explain the status of domestic cardholders.
- The graph on the left shows a trend in the number of cardholders in Japan. It was 32.23 million, a 0.91 million increase from the end of the previous corresponding period.
- The number of cardholders acquired during the nine months ended November 30, 2024 was 1.19 million. Card membership acquisition is on track with the plan we made at the start of the period.
- From the second half of the previous year, we have focused on acquisition efficiency and reviewed our acquisition channels. Based on the analysis of acquisition cost per member and card use patterns after enrollment, we have selected fewer websites for online advertising and decreased the ratio of acquisition through the online channel.
- Meanwhile, we have worked to strengthen member acquisition through in-store and partner channels, which tend to result in higher card-use rates after enrollment.
- As for in-store acquisition, new cardholders increased, primarily young members, due to the enhanced card benefits, including the program that gave 5% discount every day for one month after enrollment at AEON MALLs and other designated group stores and enhanced special offers on Thank You Day.
- As for acquisition through the partner channel, new cardholders increased by 17% year on year at Welcia stores as we strengthened our collaborative efforts, including a launch of new card benefits and card promotion by store employees at the checkout.

## [Domestic] AEON Pay

Productivity  
(Revenue growth)

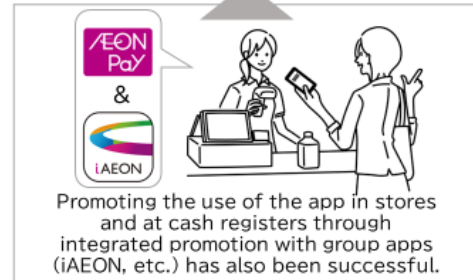
- The no. of available locations is expected to reach the initial target of 2.9 million locations
- By installing it in the group app, the aim is to make it more widely used as a payment function within the AEON Group

### No. of members and available locations



### Expanding use through collaboration with the AEON Group

Amount spent per member **YoY +25%**



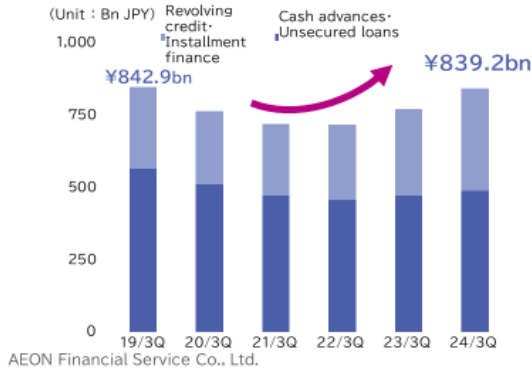
- Let me explain AEON Pay, our smartphone payment tool.
- The number of members as of November 30, 2024 was 11.23 million, an increase of approximately 20% compared to the figure as of November 30, 2023. Acceptance points of AEON Pay, which serve as a payment platform, also increased by more than 1 million from the figure as of November 30, 2023 to 2.37 million and is expected to reach the initial target of 2.9 million yen, reflecting steady progress in our effort to build the environment and grow it into a payment infrastructure.
- We are working to install AEON Pay as a payment feature on iAEON, a group app of the AEON Group, and other apps of AEON Group companies, including AEON MALLs. The installment of AEON Pay on these apps has helped us to promote the use of AEON-Pay-exclusive programs and strengthen our promotional efforts in collaboration with retail businesses, such as recommendations and suggestions by cashiers at retail stores.
- As a result of these efforts, card use grew for small-value payments, for which credit cards were previously not widely used. The monthly spending per AEON Pay member increased by 25% year on year, which contributed to the growth of the payment transaction volume.

## [Domestic] Status of acquisition of high-yield loans

Asset  
Profitability  
Improvement

- The balance of receivables has been steadily increasing due to improvements in the app UI/UX and personalized approaches based on AI
- The balance of revolving credit has been steadily increasing, and the target balance of receivables of ¥810.0 bn at the end of FY2024 will be achieved early

### Balance of high-yielding loans (including securitization)



### Breakdown of increase/decrease

	YoY	Difference at beginning of term
Shopping Revolving	120%	+¥39.1bn
Installment finance	113%	+¥2.7bn
Cash advance	104%	+¥20.8bn
Unsecured loan (Bank card loans, etc.)	97%	▲¥0.5bn
<b>Total</b>	<b>110%</b>	<b>+¥62.2bn</b>

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This slide shows the changes in the balance of high-yielding loans, including those securitized.

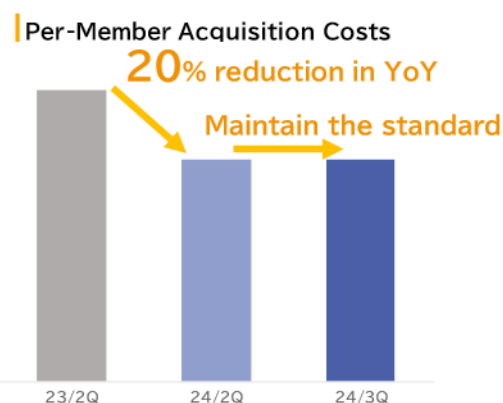
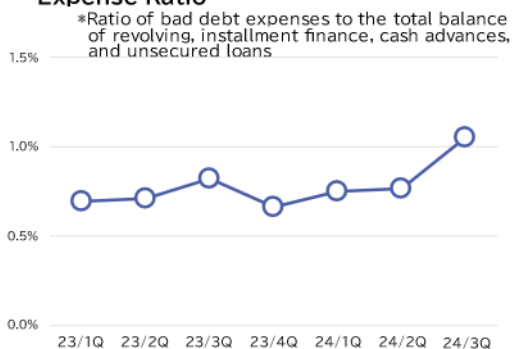
Improvements in the app's user interface and user experience have contributed to the steady accumulation of balance. The balance of high-yielding loans as of November 30, 2024 stood at 839.2 billion yen, up 10% compared to the figure as of November 30, 2023. We have achieved the 810.0 billion-yen target we set for February 28, 2025 earlier.

## [Domestic] Cost Control

Productivity  
(Cost control)

- The ratio of bad debt-related expenses, excluding the impact of unauthorized use, has remained below 1%, and is stable
- The cost per member has stabilized due to the review of investment from the second half of last year, and efficiency improvements continue

### Quarterly Trends in Bad Debt Related Expense Ratio



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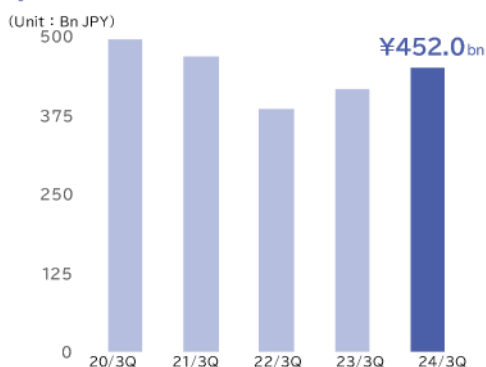
- Next, let me explain our efforts to control costs.
- As shown on the left, the ratio of bad debt-related expenses to the total balance of receivables topped 1% due to the compensation expenses for damage caused by unauthorized use of credit cards. However, the effective expense ratio to receivables, excluding the impact of the compensation expenses, remains at the same level as the ratio as of November 30, 2023.
- As for unauthorized use of credit cards, which is increasing in Japan, we have been making efforts to reinforce our security systems, such as the introduction of 24//7 detection and monitoring systems and authentication services.
- The right-hand side of the slide shows improved efficiency in card member acquisition. We have continued to focus on cost-effective measures, which I have mentioned earlier. In the six months ended August 31, 2024, acquisition cost per member fell by approximately 20% year on year. We continued efficient member acquisition in the nine months ended November 30, 2024 and maintained the acquisition cost at the same level.

## [Domestic] Housing Loan

Productivity  
(Revenue growth)

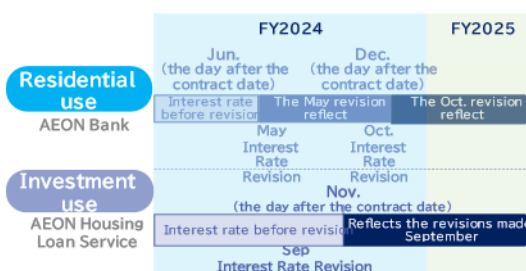
- By continuing to promote unique benefits other than interest rates in collaboration with retailers, transaction volume was 108% YoY
- Interest rates were revised in May and October for residential use and in September for investment use, and we expect future revenue growth

### Housing loan volume



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### Revision of housing loan interest rates and their impact on earnings



▶ The effect of the interest rate revision will increase from the 4<sup>th</sup> quarter to the next fiscal year

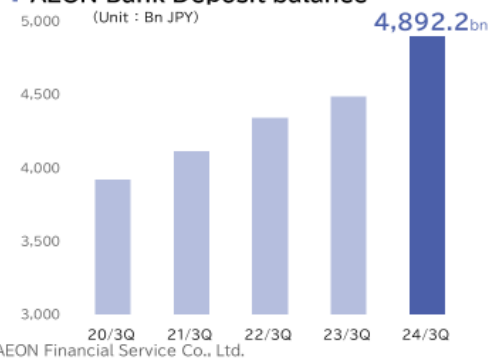
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- Next, let me explain the status of the transaction volume of our housing loans.
- The transaction volume grew significantly by 8% year on year to 452.0 billion yen.
- We expanded the benefits of the AEON Select Club, which offers AEON Bank housing 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 floating rates for housing loans. Rates for residential home loans of AEON Bank were revised in May and October 2024, and rates for investment apartment loans of AEON Housing Loan Service were revised in September 2024.
- Please understand that the effect of the revisions to the interest rates made this fiscal year will gradually expand from the fourth quarter onward, as there will be time lags between the revisions to housing loan interest rates and their contributions to the profit.

## [Domestic] Bank Deposit

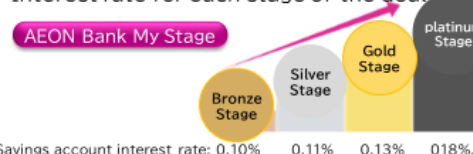
- Aiming to strengthen deposit acquisition through campaigns such as term deposit campaigns, increase of 109% YoY, increase of ¥352.8 bn from the beginning of the term
- Offering preferential interest rates based on transaction status, both the no. of accounts in the higher stages and the balance of deposits increased

### AEON Bank Deposit balance



### Promotion of deposit acquisition and cross-selling

Interest rate for each stage of the deal



### Expanding the share of higher stages

- Contributes to cross-selling for various transactions (monthly credit card usage, investment trusts, etc.)

No. of accounts at Gold Stage or above **YoY +61%**

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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 by 9% compared to the figure as of November 30, 2023. It increased 352.8 billion yen compared to the figure as of March 1, 2024.
- We are working to strengthen the acquisition of sticky deposits through AEON Bank MyStage, — a program that provides benefits to customers according to their transactions, such as monthly credit card spending and the balance of investment in investment trusts.
- The number of accounts in the Gold stage and above, which are higher-tier stages, increased by 61% compared to the figure as of November 30, 2023. It contributed to the growth of deposits and promotion of cross-selling.

## [Global] Performance Highlights by Segment

- Operating revenue was the highest ever in all three areas  
Excluding the of the digital bank in the Malay region, profits increased
- In the accounting period (3 months), profits in the Chinese Area turned around

Interim period (9 months)	Global business		China Area		Mekong Area		Malay Area	
		YoY		YoY		YoY		YoY
Operating revenue	164.0 bn	114 %	26.0 bn	117 %	71.5 bn	106 %	66.4 bn	124 %
Operating profit	25.3 bn	96 %	6.4 bn	101 %	10.2 bn	100 %	8.7 bn	88 %
<Reference> Bad debt-related exp.	53.4 bn	118 %	6.6 bn	139 %	25.4 bn	104 %	21.3 bn	133 %
3Q accounting period (3 months)	Global business		China Area		Mekong Area		Malay Area	
		YoY		YoY		YoY		YoY
Operating revenue	55.5 bn	113 %	8.7 bn	111 %	23.9 bn	107 %	22.9 bn	122 %
Operating profit	7.8 bn	98 %	2.4 bn	118 %	3.4 bn	103 %	1.9 bn	76 %
<Reference> Bad debt-related exp.	18.3 bn	113 %	2.0 bn	108 %	8.0 bn	101 %	8.2 bn	128 %

### Average exchange rate during the period

※Figures in ( ) are the diff from the same period of the previous year  
HKD: ¥19.49(7.3%weaker yen) THB :¥4.31(6.2% weaker yen) MYR :¥33.46(8.0% weaker yen)

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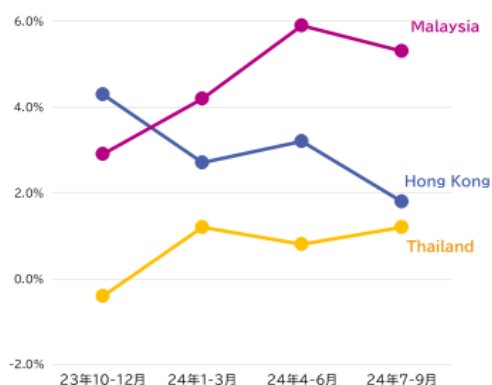
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- Now, I will explain our global business segment.
- Operating revenues for the nine months ended November 30, 2024 were historical highs in all three areas.
- Operating profit also increased, excluding the impact of the increase in costs associated 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 profit in the Mekong area turned positive. Now, in the three months ended November 30, 2024, the year-on-year growth in profit in the China area also turned positive.

## [Global] Environment by area

- In Malaysia, economic growth has remained high, and private consumption has been strong
- Meanwhile, in Hong Kong, domestic demand has continued to decline, and the number of personal bankruptcy filings has remained high, and in Thailand, GDP growth has also stagnated

### Changes in real GDP growth rate



※Source: Japan External Trade Organization (JETRO)

#### Malay Area(Malaysia)

- Although it was lower than the previous quarter, the government raised its annual growth forecast. Private consumption continued to be strong, and major industries also grew
- The unemployment rate hit a post-corona low (3.2%), and employment was stable.

#### China Area(Hong Kong)

- Growth has slowed due to factors such as a decrease in domestic demand as a result of increased consumption in China (consumption moving north) and the low cost of living there
- The upward trend in the number of personal bankruptcy applications remains unchanged

#### Mekong Area(Thailand)

- Growth in private consumption has slowed due to rising prices and stricter screening by financial institutions. Exports have recovered in both the agricultural and manufacturing sectors
- The minimum wage will be increased from Jan. and 10,000 baht will be distributed in cash to those aged 60 and over.(For those under 60, the distribution is scheduled from April to June 2025)

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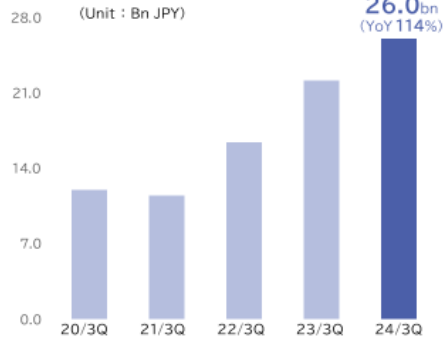
- Before discussing the financial results of our three overseas areas, let me explain the external environment in the key country in each area.
- Presented on the left are quarterly changes in real GDP growth rates.
- In Malaysia, private consumption increased, all major industries grew, and the government raised its annual GDP growth forecast. The unemployment rate hit a new post-pandemic low. The economic environment has thus remained 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 Mainland China, in which prices are lower, primarily on the weekend. The consequent decline in domestic demand, among other factors, has slowed down the GDP growth. In addition, the number of personal bankruptcy filings announced by the Hong Kong government has remained high.
- In Thailand in the Mekong area, while production in the agricultural sector and exports in manufacturing and other sectors are on a recovery trend, private consumption has continued to slow due to rising prices.
- Raises in minimum wages and distribution of a 10,000-baht handout per person have begun in stages as part of government programs. However, the distribution of the handouts to people under 60 has been postponed to spring or even later. The Thai economy is also significantly influenced by the Chinese economy. For those and other reasons, we think that we need to keep a close watch.



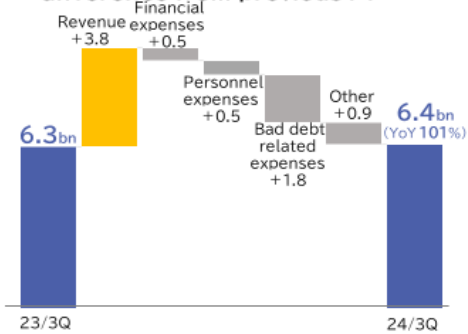
## [Global] China Area Performance Highlights

- Capturing consumer demand in the “Kitakami” area and other measures to respond to changes in the environment have been successful, and shopping transaction volume reached a record high in the third quarter
- By strengthening credit screening and credit monitoring through the use of scores, bad debt-related expenses were reduced compared to the previous quarter, and profits increased

### Operating revenue



### Breakdown of operating profit difference from previous FY



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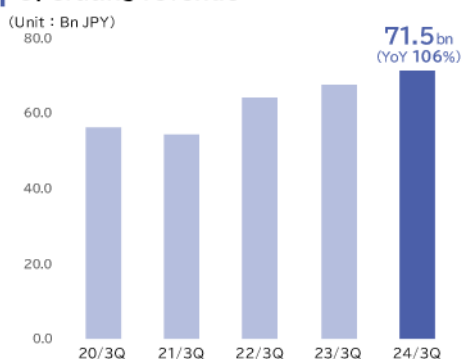
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- First, I will explain the China area.
- As for operating revenue, measures we took to address changes in the environment, including the increases in “northbound consumption” and the use of cross-border E-Commerce, proved successful, and the credit card shopping transaction volume for the three months ended November 30, 2024 hit a historical high. Due to the growth of the top line, operating revenue reached a record high of 26.0 billion yen.
- Meanwhile, the number of personal bankruptcies has remained on the rise throughout Hong Kong due to the deterioration in the economy and inflation from the second half of 2023 onward, among other factors.
- Under these circumstances, the enhanced credit monitoring by, for instance, introducing bankruptcy prediction scores and proactively approaching borrowers with a loan restructuring suggestion, gradually took effect and helped curb the increase in bad debt-related expenses. As a result, we were able to make the year-on-year growth in profit turn positive.
- We will continue to control bad debt-related expenses to grow operating profit again.

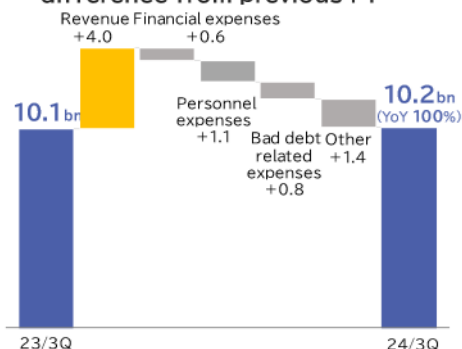
## [Global] Mekong Area Performance Highlights

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

### Operating revenue



### Breakdown of operating profit difference from previous FY



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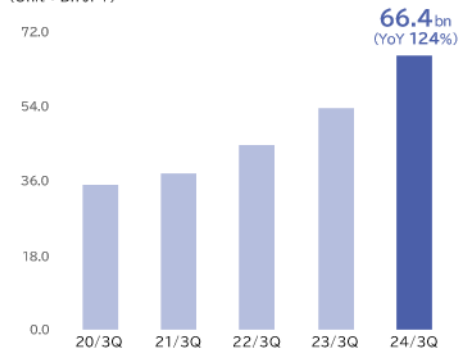
- In the Mekong area, amid prolonged weakness in the economic environment, increasing the balance of receivables is imperative. However, the growth in credit card membership and sales promotion of new loans for used cars increased transaction volumes. As a result, operating revenue grew by 6% year on year to 71.5 billion yen.
- Meanwhile, operating profit remained roughly the same year on year at 10.2 billion yen due to an increase in personnel expenses attributable to rises in salaries and an increase in bad debt-related expenses.
- While we expect that it will take some more time for the Thai economy to fully recover, we are making progress in our efforts to increase the balance of receivables again. We will work to expand our revenue base and maximize our bottom line while cautiously assessing the economic environment and the balance with credit costs.

## [Global] Malay Area Performance Highlights

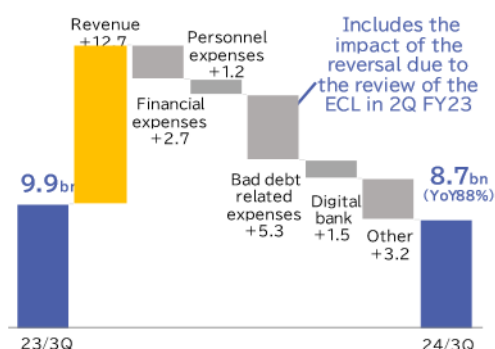
- In addition to the mainstay installment finance, the volume and balance of personal loans increased, and profits continued to grow by more than 20%
- Bad debt-related expenses increased due to the impact of the reversal of the previous fiscal year and the increase in the balance of personal loans. Excluding the increase in digital bank expenses, profits increased

### Operating revenue

(Unit : Bn JPY)



### Breakdown of operating profit difference from previous FY



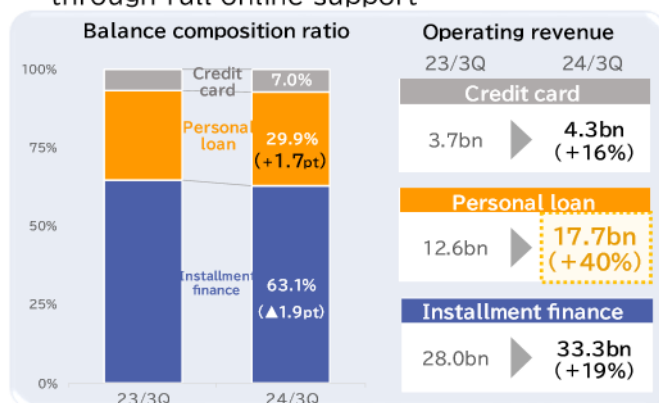
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- Let me move on to the Malay area.
- In Malaysia, installment finance revenue grew. Financing for motorcycles continued to grow, and financing for large-sized motorcycles and used cars also increased. In addition, personal loans and credit card revenue steadily grew. As a result, operating revenue continued to grow significantly by 24% year on year to 66.4 billion yen.
- As for operating expenses, bad debt-related expenses rose year on year. The year-on-year difference is large because we recognized a significant amount of reversal in the nine months ended November 30, 2023 as a result of a review of expected credit losses. It is also because new operating receivables rapidly accumulated in the nine months ended November 30, 2024. The quality of receivables has not deteriorated.
- As for the digital bank, which opened in May, costs increased approximately 1.5 billion yen year on year primarily due to strengthened sales promotion activities.
- Business operations in the Malay area themselves are robust. I will explain the breakdown of its business expansion in the next slide.

## [Global] Expansion of business in the Malay Area

- Increase the ratio of personal loan balances. Promote the construction of a credit portfolio that is resilient to changes in the economic environment
- Contribute to revenue growth by improving customer convenience, such as through full online support



### Initiatives to expand personal loans

August 2024  
Start of marketing using the new member system linked to payment history, etc.

July 2024  
Improvements to application flow

October 20 23  
Fully online individual loans

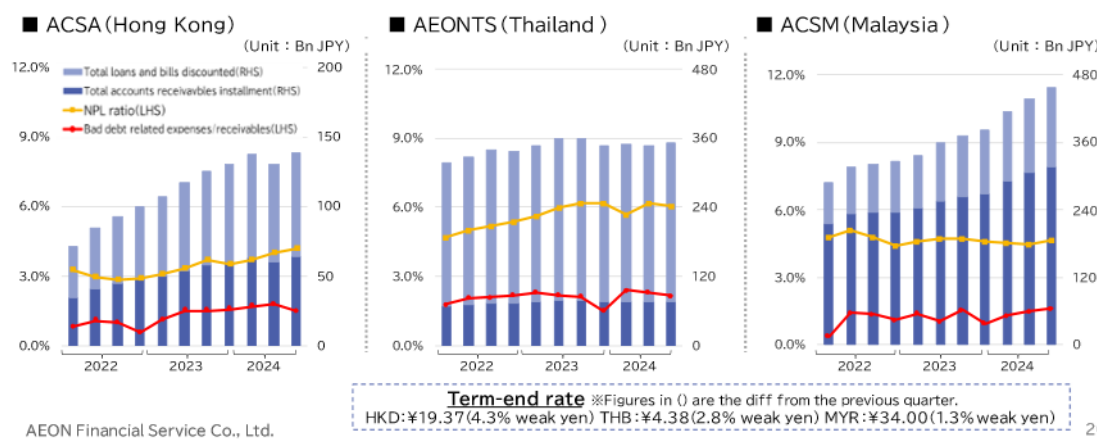
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- I will explain the direction in the expansion of our business in the Malay area.
- In Malaysia, we are working to increase the balances of personal loans and credit card receivables as a second and a third key revenue sources to installment finance, that is, product sales primarily of motorcycles.
- Even during the time of motorcycle supply shortages after the outbreak of the COVID-19 pandemic, we were able to continue growing revenue and profit. One of the significant factors behind it was the increase in personal loan revenue, and it was largely attributable to the fact that we had been building a portfolio of receivables that is resilient to changes in the economic and market environment.
- Since last October, customers have become able to complete personal loan procedures entirely online. Now, customers who live far away from our branches are also able to use our personal loans. It has enhanced convenience to our customers and driven the growth in the balance.
- In addition, in the current period, we launched a new member system that is linked to payment history, among other things, and started to pursue more personalized marketing strategies.
- As the balance have rapidly grown, expenses have also increased. However, based on a comprehensive evaluation, we believe that the business is performing well.

## [Global] Balance of Receivables and NPL of Listed Subsidiaries

ACSA: NPL ratio increased due to restructuring agreement, but bad debt expense ratio decreased  
 AEONTS: Bad debt expenses decreased due to reversal of provisions from the 2Q floods,  
 NPL ratio remained stable  
 ACSM: NPL ratio remained stable despite strong growth in outstanding loans



- 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, the NPL ratio has risen as we have proposed to customers the conclusion of restructuring agreements to prevent sudden bankruptcies. Bad debt-related expenses declined due to a review of expected credit loss. We will continue our efforts to increase the balances of receivables while keeping the right balance with credit costs.
- Let me talk about the situation of AEON Thana Sinsap.
- In Thailand, while the NPL ratio has still remained high for the entire market, our NPL ratio has currently remained stable.
- The ratio of bad debt-related expenses slightly declined due to the reversal of allowance for doubtful accounts associated with the flood that occurred in the second quarter. We will continue to strive to expand revenue while keeping a close watch on economic trends and carefully balancing the ratio of bad debt-related expenses with the increase in the balance of receivables.
- At ACS Malaysia, as I mentioned earlier, the increase in the balance of receivables has been accelerating.
- In addition, continuous accumulation of high-quality receivables has made the NPL ratio remain stable. With respect to bad debt-related expenses, costs have been controlled at appropriate levels relative to the increase in the balance of receivables.

# Sustainability Initiatives

## Promoting DE&I

Working to create a corporate environment where all employees can work in a way that is true to themselves and find fulfillment in their work, and we are promoting the diversification of decision-making levels as a priority issue.



- Established the DE&I Promotion Office to accelerate initiatives
- Implemented unconscious bias training, etc.
- Launched a cross-departmental women's network

## Improving external ESG evaluations

ACS Malaysia  
Winner of the "Sustainability & CSR Malaysia Hour 2024" Grand Prize (Financial Services Category)



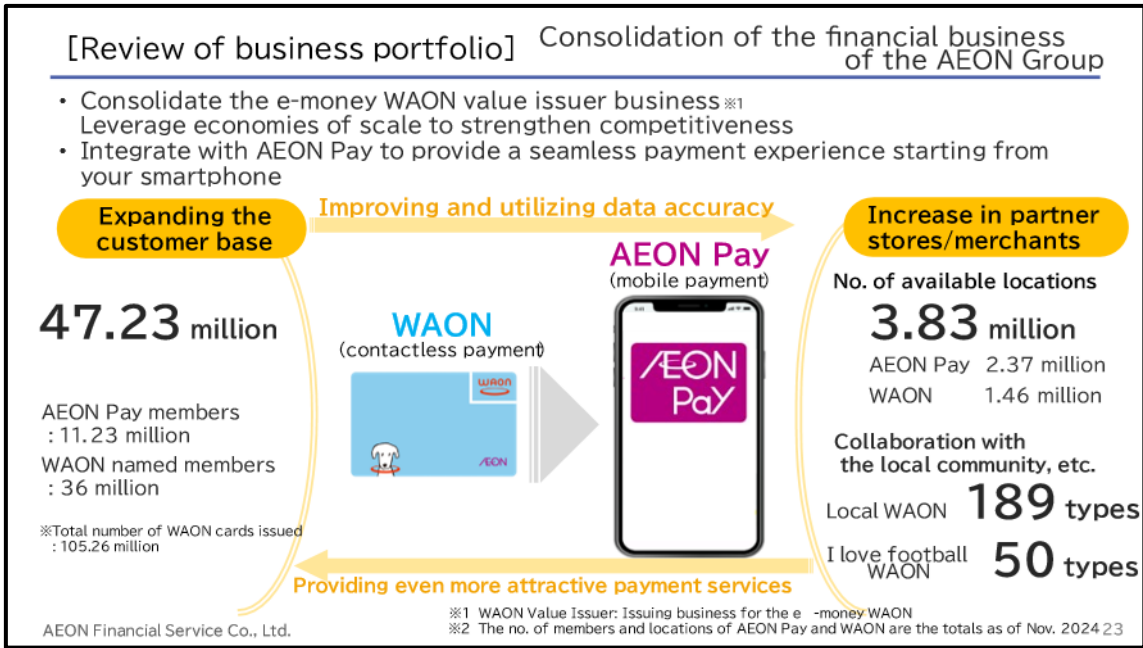
Received the "Best Company Award (Financial Services Category)" for contributing to socioeconomic change in Malaysia and for outstanding community engagement.

- Now, I will explain the status of our sustainability efforts.
- First, as priority issues, we are working to create a corporate environment where employees, who constitute a fundamental part of our business activities, can work in a way that they are true to themselves and find fulfillment in their work, and promote diversification of the decision-making body. In the nine months ended November 30, 2024, we newly established the DE&I Promotion Office.
- We are working to create an environment where everyone can work comfortably and lively through various efforts, including provision of a variety of training programs and the launch of an interdepartmental network.
- In addition, in Malaysia, our sustainability efforts rooted in local communities were recognized, and we were awarded a Grand Prize in a Financial Services Category.



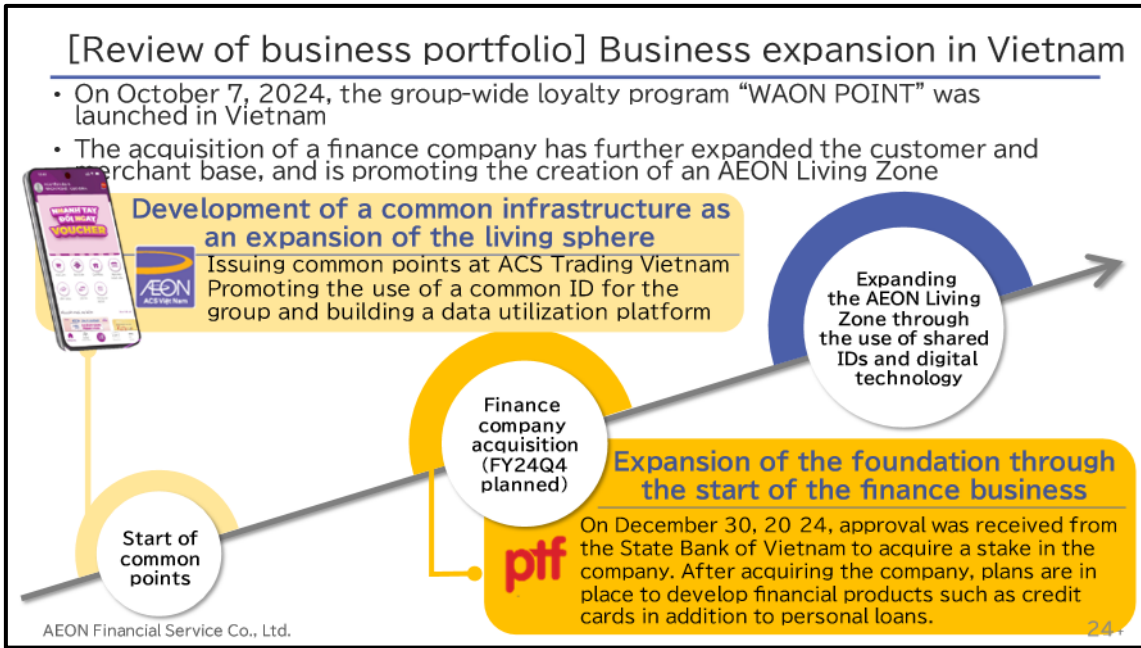
# Priority Measures

In the next few slides, I will explain the priority measures we are currently working on.



- We have been reviewing our business portfolio to further raise our corporate value. In the domestic business segment, we are strengthening our infrastructure and expanding our customer base and merchant network in the payment business, which is our core business domain, to pursue economies of scale.
- We consolidated finance-related businesses that were scattered across the AEON Group last October. With the aim of further increasing competitiveness, we have decided to acquire the e-money WAON Value Issuer business from AEON RETAIL.
- E-money WAON was launched in 2007 as an easy-to-use pre-paid payment method. As of now, the cumulative number of WAON cards issued topped 100 million. It is well-received by a large number of customers.
- In the future, we will integrate the contactless payment method WAON with the mobile payment method AEON Pay to build an environment in which customers can seamlessly use both payment methods.
- As a result, the number of members of both payment methods totals more than 47 million. We will aim to strengthen our marketing activities using customer data. Furthermore, by utilizing the network of 3.83 million partner stores and merchants and reinforcing WAON's collaboration with various local communities and groups, we will work to roll out even more appealing payment services.





- In the global business segment, in pursuit of a selection and concentration strategy based on the evaluation of growth potential of each area of operation and business, we have decided to restructure our finance businesses in Myanmar and the Philippines and are shifting toward high-growth domains.
- The AEON Group has positioned Vietnam as an area of focus and is actively opening Group’s retail stores there.
- At ACS Trading Vietnam, which had had its own installment finance business, launched the business of WAON POINT, the group-wide loyalty program.
- As for the acquisition of a finance company PTF, which we announced in 2023, we received approval for the acquisition of its shares from the local authorities last December. We plan to make it our wholly owned subsidiary and start personal loans and other finance businesses in the fourth quarter.
- With the point business and the finance business working closely together, we will share information about customers of each group company across the entire group to offer better services and work to create and expand the AEON Living Zone in Vietnam.

## [Domestic] Reorganizing real touch points

Productivity

- In collaboration with Monex Inc., respond to customer investment needs while reducing administrative operations
- Strengthen insurance products, which have high face-to-face consultation needs, and further improve productivity by integrating branches

Increased efficiency through the use of external resources

Partnership with Monex, Inc.



Expansion of product list

Conventionally, there were about 300 investment trust products

Reduction of administrative operations

including stocks, bonds, ETFs, etc. approx.

1,700 products

Reduce the time spent on in-store administrative operations by half

Reorganizing the role of stores to meet customer needs ·  
Further improving productivity

Improving productivity by providing "one-stop" services  
Consolidating bank and insurance branches



Consolidating bases within shopping centers

Conventionally, there were 147 bank branches and 105 insurance branches, for a total of 252 branches

Expansion of opportunities to serve customers

182 branches

Improving employee skills to increase labor productivity

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- Next, I will explain the reorganization of real touch points, which are the points of contact with customers.
- In January 2024, we started a collaborative business under a comprehensive business partnership agreement in the financial instruments intermediary business that was concluded between AEON Bank and Monex.
- The collaboration has enabled us to further diversify and enhance our product lineup to meet the asset-building needs of customers and reduce the time spent at AEON Bank branches on administrative operations related to investment trusts by half.
- We reallocated the time previously spent on administrative tasks to customer services, such as insurance advisory services, which often require face-to-face consultations. As a result, in-store insurance sales increased by 65% year on year.
- In addition, we consolidated our insurance agency business into AEON Bank at the end of last year to centralize bases that had been scattered in a single shopping center with the aim of increasing efficiency.
- By addressing customer needs at a single location with a one-stop approach, we will aim to enhance customer satisfaction. Furthermore, increased opportunities for employees to serve customers will help improve their skills and ultimately boost productivity.

## [Domestic] Maximizing Group Synergy

Productivity  
(profit growth)

- In the Chugoku and Shikoku area, 110,000 new customers were acquired through the issuance of a new co-branded card with Fuji
- In Hokkaido, the company is aiming to capture demand for payments at former Seiyu stores and acquire new members



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- This slide explains our efforts to generate group synergy to further capitalize on our competitive advantage.
- 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 for us to further strengthen our customer base.
- We started issuing a new co-branded card with Fuji, which operates in the Chugoku and Shikoku areas. We have already acquired 110,000 customers through application for a transition from the old EFCA credit card. We are also making steady progress in member acquisition at approximately 100 stores, which started in December.
- In addition, at former SEIYU stores in Hokkaido, even in areas in Sapporo with many AEON cardholders, AEON Pay usage promotion campaigns rolled out in collaboration with AEON Hokkaido played a key role in increasing our payment share of in-store sales and acquiring new members.

## [Global] Measures taken by various countries to improve productivity

Productivity

- As a measure to increase profits from the 4th quarter onwards, in addition to providing new products in each overseas area, Indonesia will work with new companies to advance credit operations using AI

### ■ China Area (ACSA)



Adding a virtual card function to our own app to improve convenience on EC

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### ■ Mekong Area (AEONTS)



The second installment of the fully digital credit card, the "PRiMO Digital Card" is being issued for young people

### ■ Malay Area (Indonesia)



Enhancing credit operations through AI scoring in collaboration with an AI tech company in Mongolia

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- We are strengthening our efforts to increase profit from the fourth quarter onward in each area we do business in the global business segment as well.
- Overseas, digitalization has progressed further than in Japan. There is a growing demand among customers for payment solutions that can be completed entirely on digital platforms centering on smartphones. In this context, the issuance of digital credit cards, which eliminates the time lag from enrollment to card delivery and enables immediate use for e-commerce and other purposes, has allowed us to grow our customer base, especially among the younger generation.
- In addition, in Indonesia, we are enhancing our credit operations through the use of AI scoring in collaboration with an AI tech company in Mongolia.
- We share examples from various countries of technologies and expertise in digitalization and AI utilization in the Group. We then tailor them to suit the circumstances of each country and utilize them in order to strengthen the Group's overall capabilities.



## Earnings and Dividend Forecasts

- As the final point, I will explain our financial result and dividend forecasts.

## FY2024 earnings forecast, dividend forecast

(Unit : JPY)

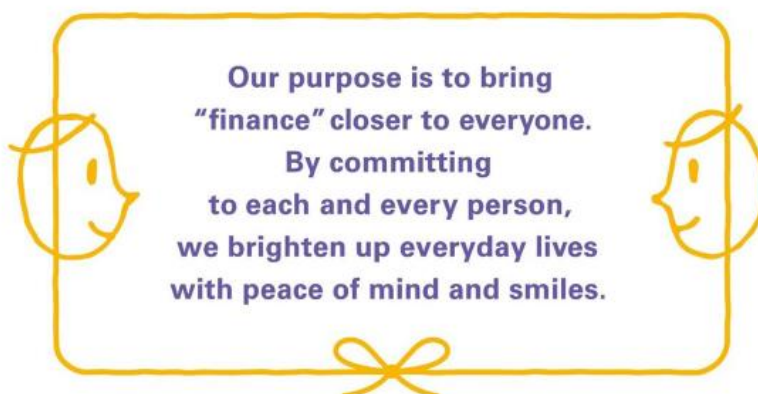
	Consolidated	YoY	Domestic		Global	
				YoY		YoY
Operating Revenue	520.0 bn	107 %	310.0 bn	105 %	210.0 bn	108 %
Operating Profit	55.0 bn	110 %	15.0 bn	129 %	41.0 bn	107 %
Ordinary Profit	55.0 bn	107 %	Dividend per share		Payout ratio	
Profit attributable to owners of parent	21.0 bn	100 %	Annual : 53	Interim: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

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- 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 in 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 costs.

## Our Purpose



- This concludes the explanation of our financial results for the nine months ended November 30, 2024.
- Amid significant changes in the environment, we will embrace our purpose as a guiding principle and continue to review our portfolio more flexibly both in the domestic and overseas business segments. 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.
- As I mentioned at the beginning of this session, AEON Bank, Ltd., our consolidated subsidiary received a business improvement order from the Financial Services Agency. We will submit our improvement plan pertaining to this order to the Financial Services Agency by January 31, 2025.
- In light of the recent situation, in which financial crimes have become increasingly diversified and sophisticated, all companies in our Group will work to further reinforce compliance and security structures.
- We will continue to work harder to strengthen our management. We ask for your continued understanding and support.

[Q&As]

■ JPMorgan Securities / Analyst Sato

- (1) I would like to ask about your risk management framework. Could you tell me what the total amount of compensation expenses was for the unauthorized use of credit cards you recognized in operating expenses for the nine months ended November 30, 2024? Should we expect additional expenses related to security measures and efforts to improve and strengthen AEON Bank's risk management framework?

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

We recorded 2.8 billion yen in extraordinary losses for compensation expenses for unauthorized use of credit cards through specialized methods. As for additional expenses, we need to carefully assess the amount of compensation first. We expect to recognize an adequate amount in the fourth quarter. We have been able to prevent further damage from unauthorized use of credit cards through the specialized methods.

The amount of compensation expenses recognized in operating expenses was included in bad debt-related expenses. I would like to refrain from disclosing the specific amount and appreciate your understanding. The portion of bad debt-related expenses that is attributable to inherent credit risks has not significantly changed year on year.

As for AEON Bank's risk management framework, we have established a special committee and steadily been making improvements. We do not expect improvements and other changes to the framework to have any direct impact on our financial results.

- (2) The shopping transaction volume fell short of the target of the initial plan, and merchant fees declined year on year. Do you recognize those as issues? Do you have specific measures planned to shore them up?

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

The balances of revolving credit and cash advance receivables, which are core drivers of our revenue, are growing rapidly. We are strengthening our efforts to grow their balances as our sources of revenue. It is difficult to deny that the merchant fee rate is on a downward trend, and we recognize the underperforming shopping transaction volume as an issue. We have formed alliances with various companies, including AEON Group companies, and taken other measures to grow membership. We think that our only option is to make continuous management efforts to make the transaction volume closer to eight trillion yen per annum.



■ Mizuho Securities / Analyst Sakamaki

- (1) I have a question about securitization. The nine-month figure declined year on year. Could you tell me about the factor behind the figure for the third quarter and the expected volume in the fourth quarter?

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

The actual volume in the third quarter was slightly lower than expected. We assume that investors might be somewhat cautious due to the rising interest rates. Meanwhile, we will take measures to achieve the figure we planned for the year in the fourth quarter.

- (2) I also have a question about card member acquisition. While the number of cardholders grew, the number of active cardholders continued to decline on a quarterly basis. How should we analyze the gap between the two trends?

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

The growth in the number of cardholders is partly due to the change to our policy for card renewal. To cardholders who have only one card of ours, we issue renewed cards, in principle, with the aim of growing the number of cardholders. Please understand that we issue renewed cards with the hope of encouraging inactive cardholders to use our cards again. As for the active cardholders, in recruiting new cardholders, we have reinforced our efforts to encourage in-store enrollment, which tend to result in higher usage rates. It is true that the usage rate may appear low. However, we believe that we are steadily strengthening our customer base as Fuji, former Seiyu stores in Hokkaido, and Welcia, among others, are joining forces with us.

■ Daiwa Securities / Analyst Watanabe

- (1) I have a question about the full-year profit plan. I assume that, at the beginning of the fiscal year, you did not expect to incur compensation expenses for unauthorized use of credit cards. Could you tell me about your approach to the profit plan?

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

As you pointed out, we need to conduct some more assessments of the impact of the compensation expenses for unauthorized use of credit cards. We will not revise our financial results forecast at this moment as we have additional measures prepared. The fact remains that careful assessment of the impact is necessary. Please understand that the measures to achieve the profit plan will include, but not limited to, securitization of receivables and reduction in costs.

- (2) I also have a question about the business alliance with Orient Corporation (Orico). We hear that Orico is pursuing alliances with other companies as well. Would they have any impact on you?

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

We entered into an alliance agreement with Orico in March 2024 and hold task force meetings together. We will issue corporate cards sometime early this year. We are also working to enable point exchanges. We believe that their alliances with other companies would have no impact on our alliance.

■ SMBC Nikko Securities / Analyst Hara

- (1) I have a question about unauthorized use of credit cards through specialized methods. It seems that cases other than yours have not received much of media coverage. Could you tell me the reasons why you have incurred so many cases?

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

We have no comment on the contents of the media coverage.

- (2) I also have a question about the business in Thailand. I see that credit card transaction volume grew. However, credit card receivables declined, and revenue seems to continue falling short of expectations. Could you tell me about the factors behind the lackluster revenue growth?

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

Credit card receivables declined. The fact is that short-term demand for funds rose, and the credit cards were not used in a way that there would be remaining balances. The increase in the transaction volume did not result in the increase in the outstanding balances. We assume that it is due to the economic sentiment and the financial situation of households in Thailand.

■ Goldman Sachs Japan / Analyst Kuroda

- (1) I have a question about unauthorized use of credit cards. What is the difference between expenses recorded in extraordinary losses and expenses recorded in operating expenses?

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

The expenses recorded in extraordinary losses are compensation expenses for unauthorized use through specialized methods. We cannot give out details, but they are of a temporary nature and unlikely to occur in the future. Meanwhile, we have recorded some expenses that are likely to occur in the operations of a credit card company in operating expenses.

- (2) How do you evaluate the performance of the installment finance business in Malaysia in the current period?

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

The installment finance receivables grew by 19% on a yen basis. Their ratio to the entire receivables declined as personal loans grew. We have been focused on growing personal loans as they are highly profitable. Installment finance for small-sized motorcycles slightly decreased due to the market environment. However, we have been regaining our share of the market for motorcycle sales in Malaysia, which was lost during the COVID-19 pandemic. We believe that the installment finance receivables are still continuing to grow.

■ SBI Securities / Analyst Otsuka

- (1) I have a question about unauthorized use of credit cards. The amount of unauthorized use of credit cards, according to the Japan Consumer Credit Association, was 39.2 billion yen in the period from January to September 2024, the largest portion of which was accounted for by losses from theft of credit card numbers. Is it that you have taken measures to prevent those?

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

The unauthorized use of credit cards that we believe is of temporary nature was practiced using highly specialized methods. It is true that the losses from theft of credit card numbers are large. Unfortunately, it is not possible to prevent them all. Regarding the methods that led to the recognition of extraordinary losses, we have implemented measures to ensure that unauthorized use of credit cards through these methods is highly unlikely to occur again. We also continue to reinforce our measures against unauthorized use of credit cards through more common methods.

- (2) Do you have specific medium-term plans to address increasingly sophisticated fraud for the next fiscal year and beyond? The amount of losses has increased significantly from pre-COVID levels. Is it all right to understand that you, as a management team of a credit card company, are addressing this situation as an important issue?

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

We are unable to disclose specific countermeasures. However, there is no change to our policy, which is to continue to do everything possible to prevent fraud with the assistance of various external specialists. We recognize it as an important management issue.