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FY2024 1Q IR Presentation Material

July 11, 2024



AEON Financial Service

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

Financial summary

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

● Asset Profitability

- High-yield trade receivables[※] steadily expanded and contributed to earnings
Domestic: ¥811.7bn(110%YoY/+¥34.6bn from the beginning of the FY)
Global: ¥957.1bn(115%YoY/+¥51.5bn from the beginning of the FY)

● Productivity

- Consolidated operating profit grew to ¥15.2 bn (166%YoY) by controlling the increase in operating expenses (105%YoY) against the expansion of operating revenue (110%YoY)
- Domestic: Expansion of transaction volume mainly in settlement, recovery of bank profitability in response to changes in the interest rate environment
Substantial increase in profit due to improved cost efficiency in sales promotion expenses (-1.3 bn in YoY) and curbed loan-loss related expenses
- Global: Recovery in the Malay region ahead of others, driving the Global business
Although bad debt-related expenses remained at a high level, continued to strengthen credit and collection systems

The Highlights of the Consolidated Results

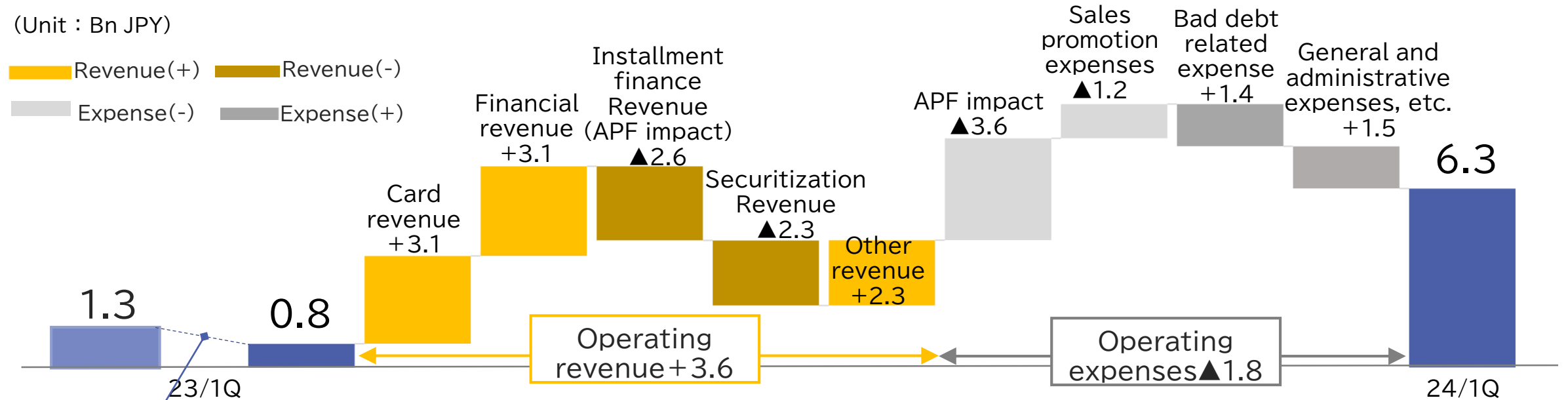
	Consolidated		Domestic※		Global		FY2024 Forecast	Rate of progress
		YoY		YoY		YoY		
Operating Revenue	¥127.9 bn	110 %	¥75.3 bn	105 %	¥53.1 bn	117 %	¥520.0 bn	25 %
Operating Profit	¥15.2 bn	166 %	¥6.3 bn	753%	¥8.7 bn	107 %	¥55.0 bn	28 %
Ordinary profit	¥15.9 bn	167 %	—	—	—	—	¥55.0 bn	29 %
Profit attributable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

※As a result of the domestic business integration in June 2023, the results of AEON Financial Service Co., Ltd., which had been included in the adjustment amount, are included in the domestic segment.
YoY is calculated by reorganizing the previous year's results into the changed segments.

[Domestic] Breakdown of Operating Profit

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

(Unit : Bn JPY)



Elimination of domestic segment due to merger of AFS and ACS
 Impact: Operating revenue -0.5

Main factors

[Operating revenue]

- Card revenue +3.1 (credit card business +1.9, Financing +1.1)
- Financial revenue +3.1 (Sales of securities +1.9, interest and dividends +0.7)
- Other revenue +2.3 (Impact of consolidation of FeliCa PM +2.0)

[Operating expenses]

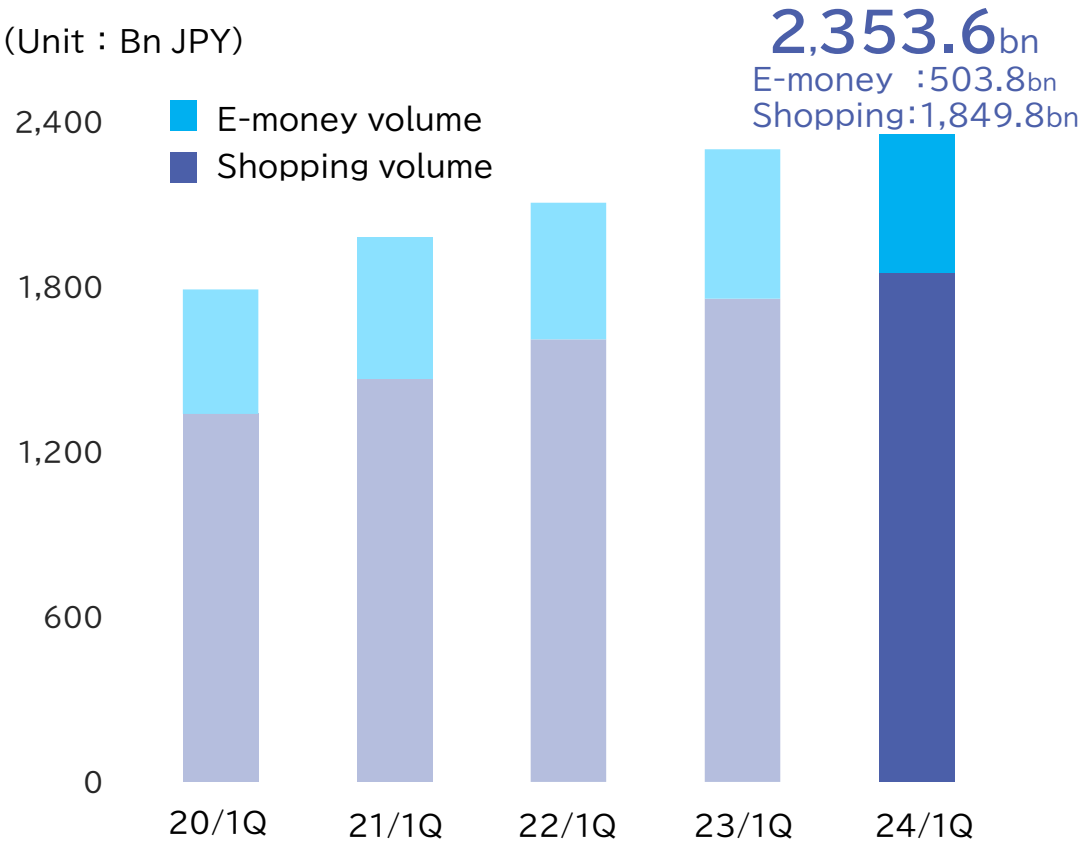
- Sales promotion expenses ▲1.2 (Strengthen control by reviewing sales promotion measures)
- Bad debt related expense +1.4 (Impact of increase in operating receivables balance)
- General and administrative expenses, etc. +1.5 (Impact of consolidation of FeliCa PM +1.7)

[Domestic] Credit card, e-money

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

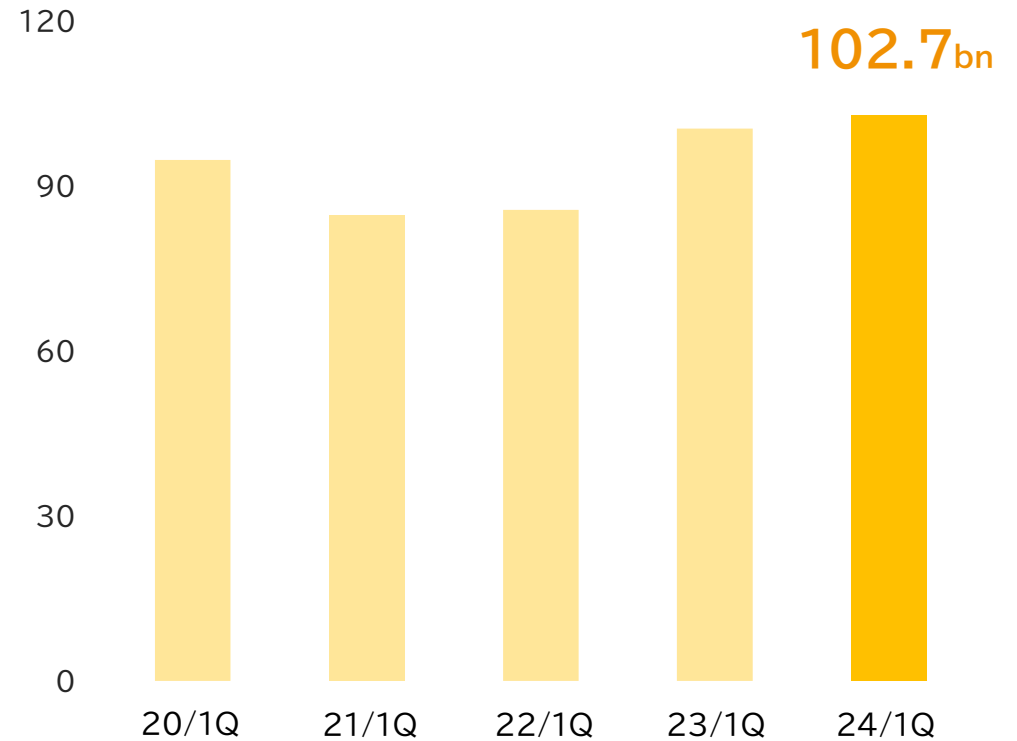
Settlement Transaction Volume

(Unit : Bn JPY)



Cash advance transaction volume

(Unit : Bn JPY)



[Domestic] Expansion of Group synergies

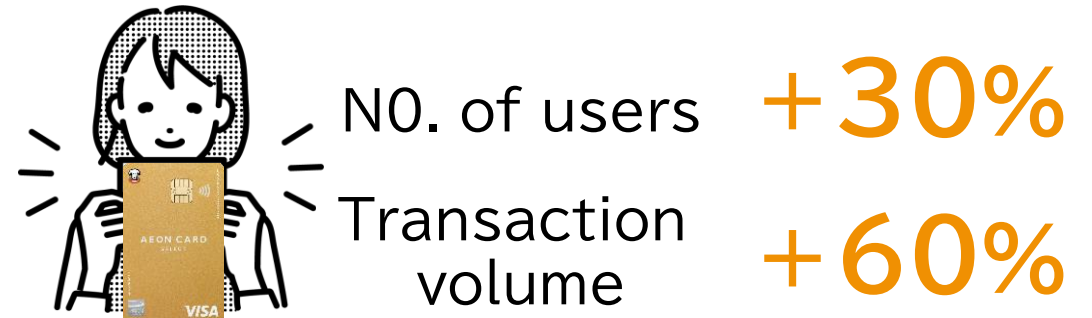
- Launched Gold Member benefits at AEON MALL Increased incentives to visit AEON MALL, leading to an increase in both the number of customers and the amount of payment
- Continue to enhance group benefits to maximize group synergy

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



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

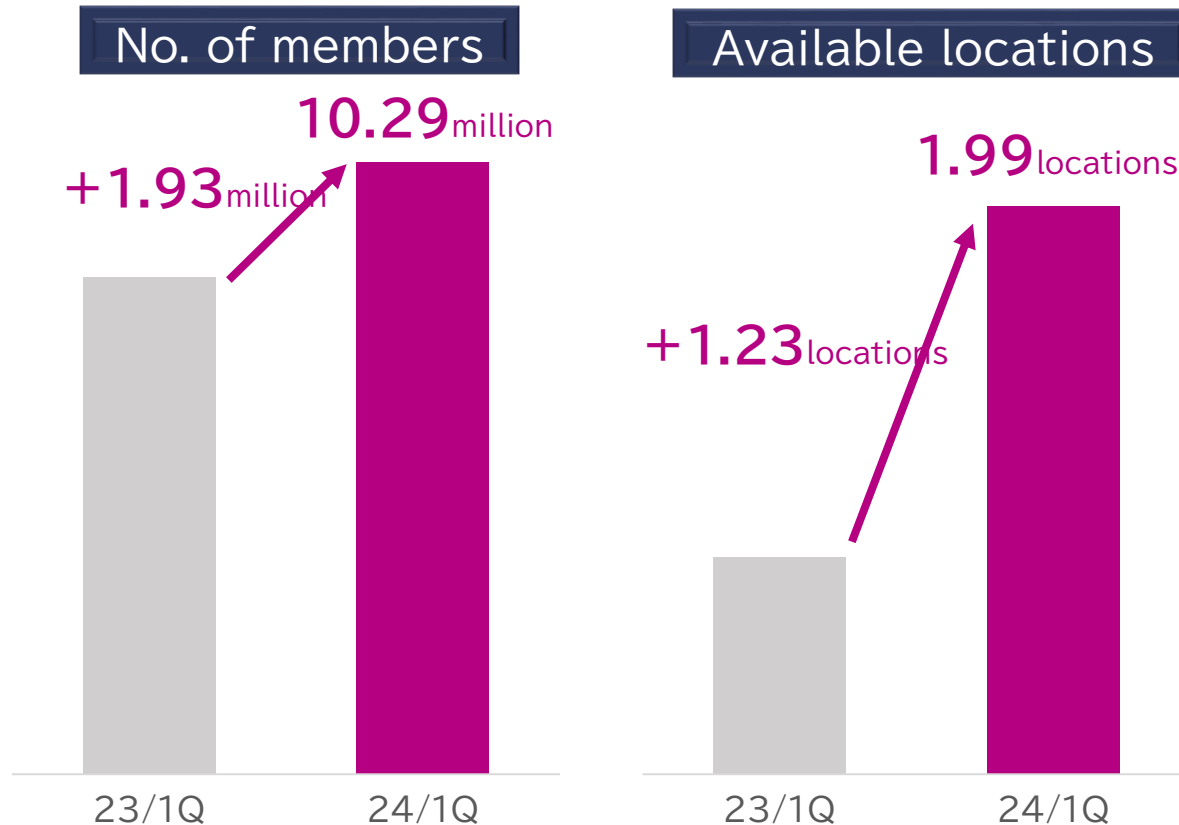
AEON MALL Customer Appreciation Day Credit Card Transactions (Same day of the previous year, same scale comparison)



[Domestic] AEON Pay

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

Number of members and available locations



AEON Pay members Settlement amount

Vs. AEON Pay non-registered members

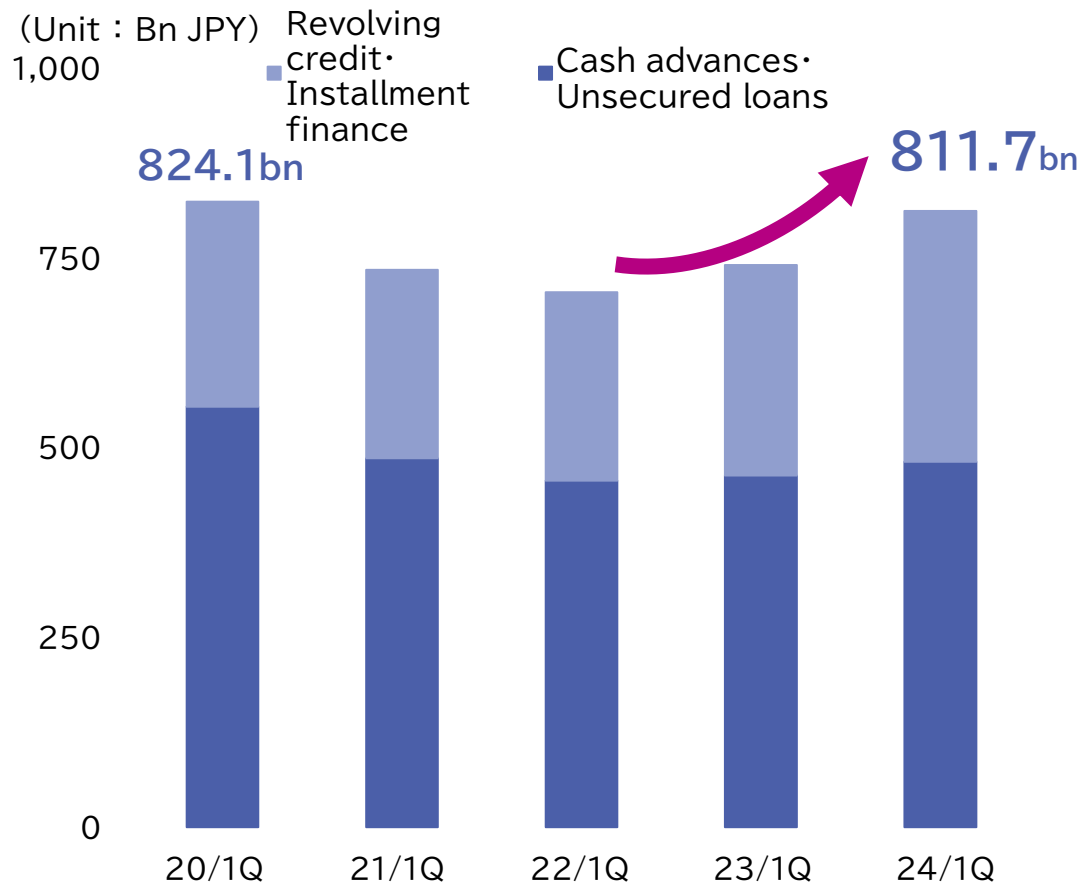
+17,000yen/month



[Domestic] Operating receivables

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

Operating receivables



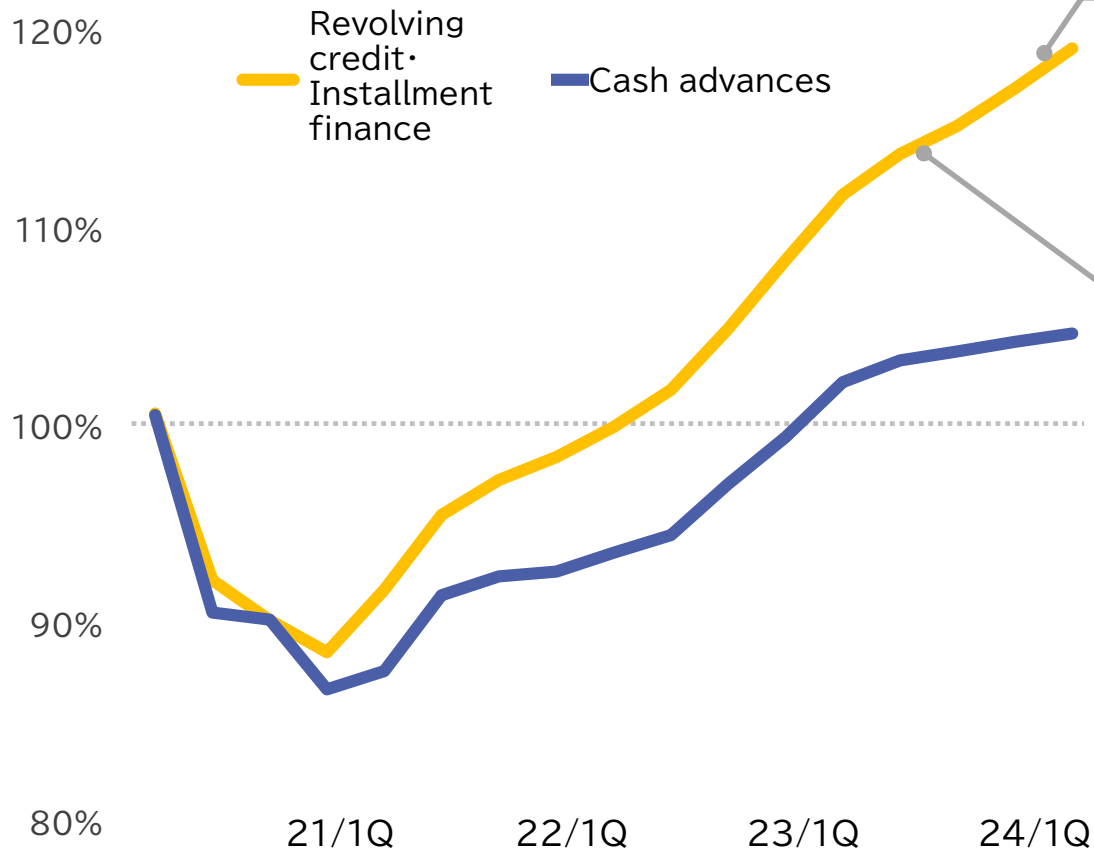
Breakdown

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

[Domestic] Improved UX through app improvements

- Improved functionality and visibility of the "AEON Wallet" contributed to an increase in the number of revolving transactions and an increase in revolving balances

Operating Receivables Growth Rate



Change of application leads and improvement of visibility (March 2024)

➤ Number of visitors to the revolving credit change screen

4 times before the change



Equipped with simulation function (May 2023)

➤ Completion rate of revolving loan applications by users

Approximately **70%**



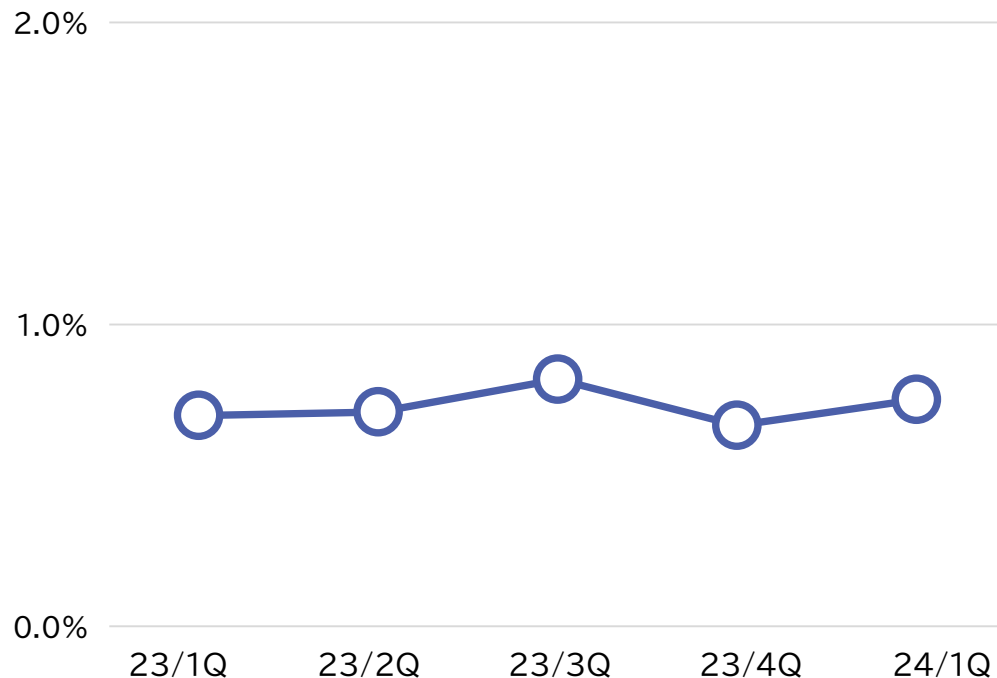
No. of applicants for revolving change

+30% YoY

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

Quarterly Bad Debt Expense Ratio

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



Improved productivity in debt collection



Updating customer information

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



SMS-based guidance efficiency

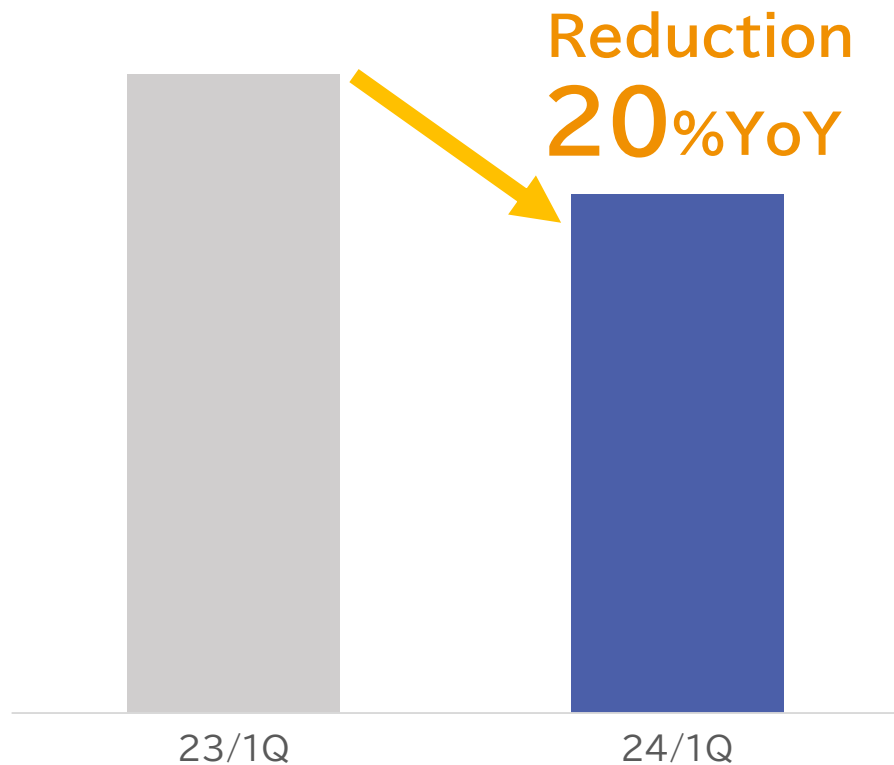
Send SMS confirming the procedure details after the call
Improved accuracy of information

[Domestic/Increased productivity] Improved acquisition efficiency

Productivity
(Cost control)

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

Acquisition cost per member



Increased productivity



Review of utilization channels

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



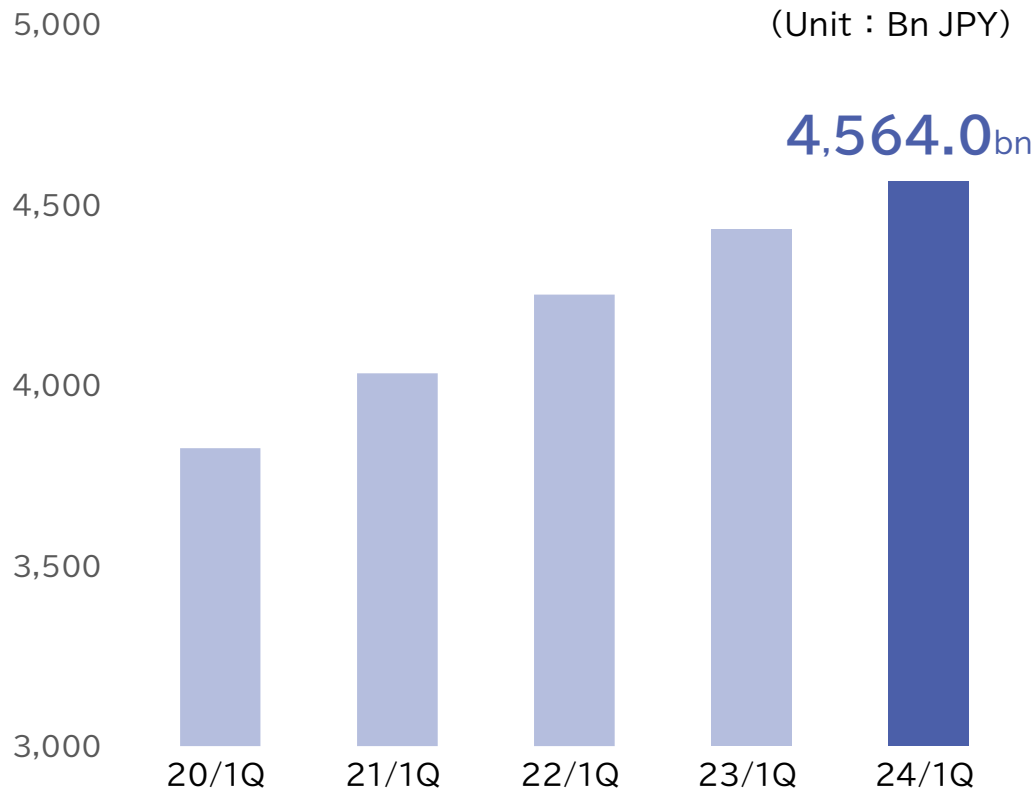
Strengthening Cooperation with the Group

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

[Domestic] Bank deposits

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

AEON Bank Deposit Balance

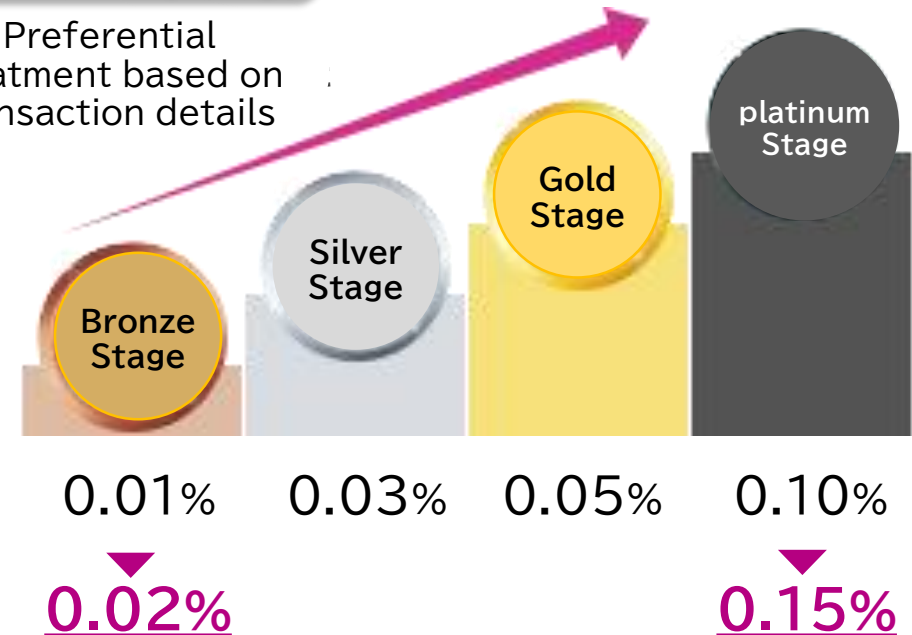


Revised interest rates for Yen Savings Deposits

(May 1, 2024)

AEON Bank My Stage

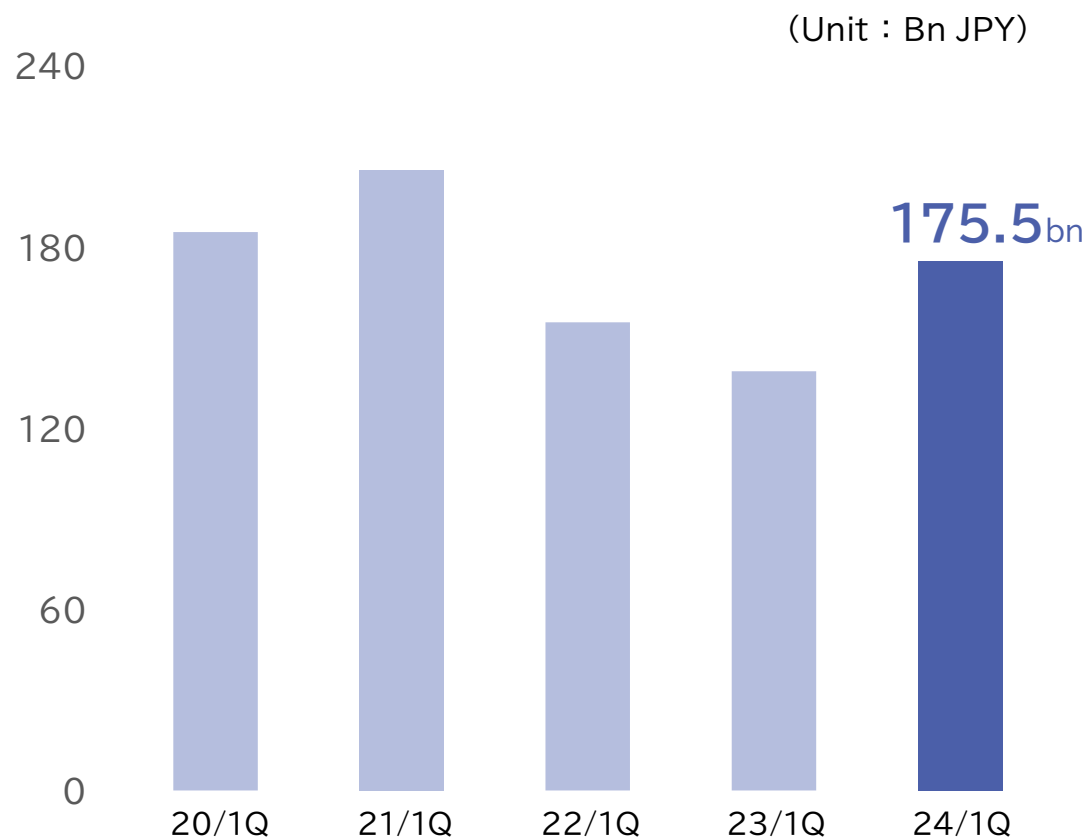
Preferential treatment based on transaction details



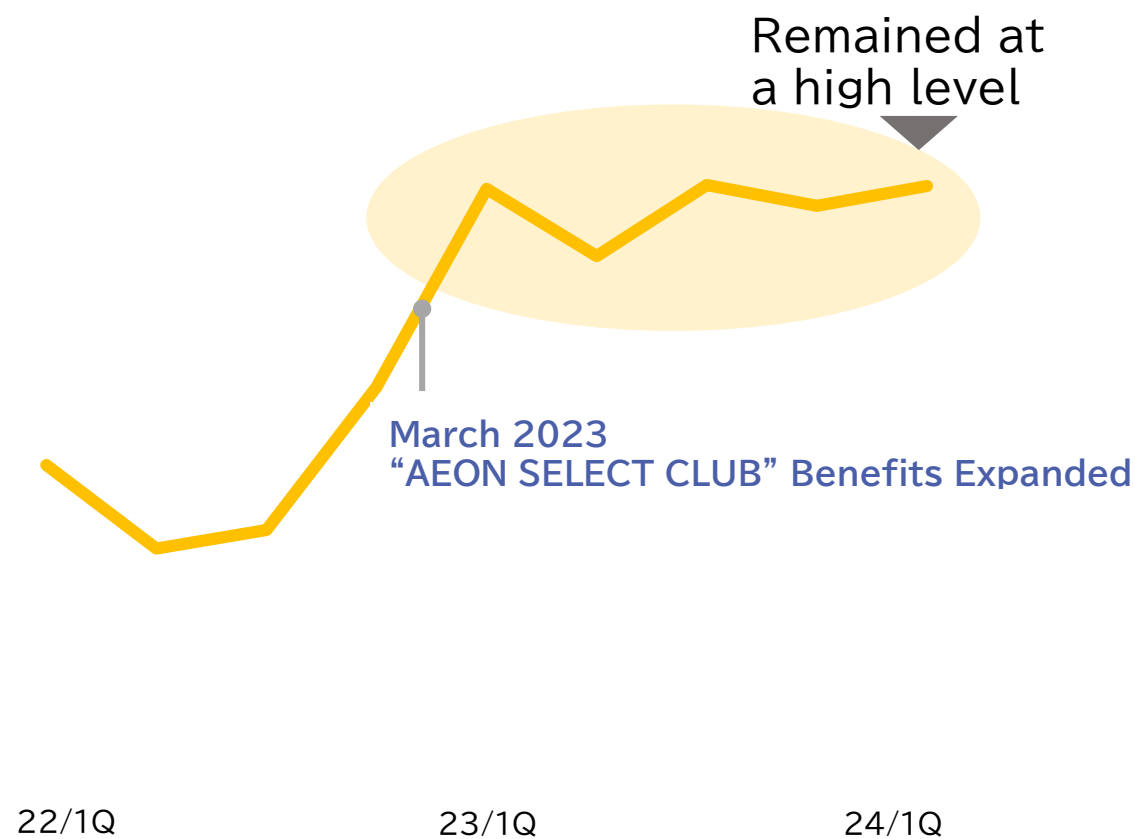
[Domestic] Housing Loan

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

Housing Loan Volume



No. of housing loan applications in advance



[Global] Performance Highlights by Segment

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

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

Average rate for the period

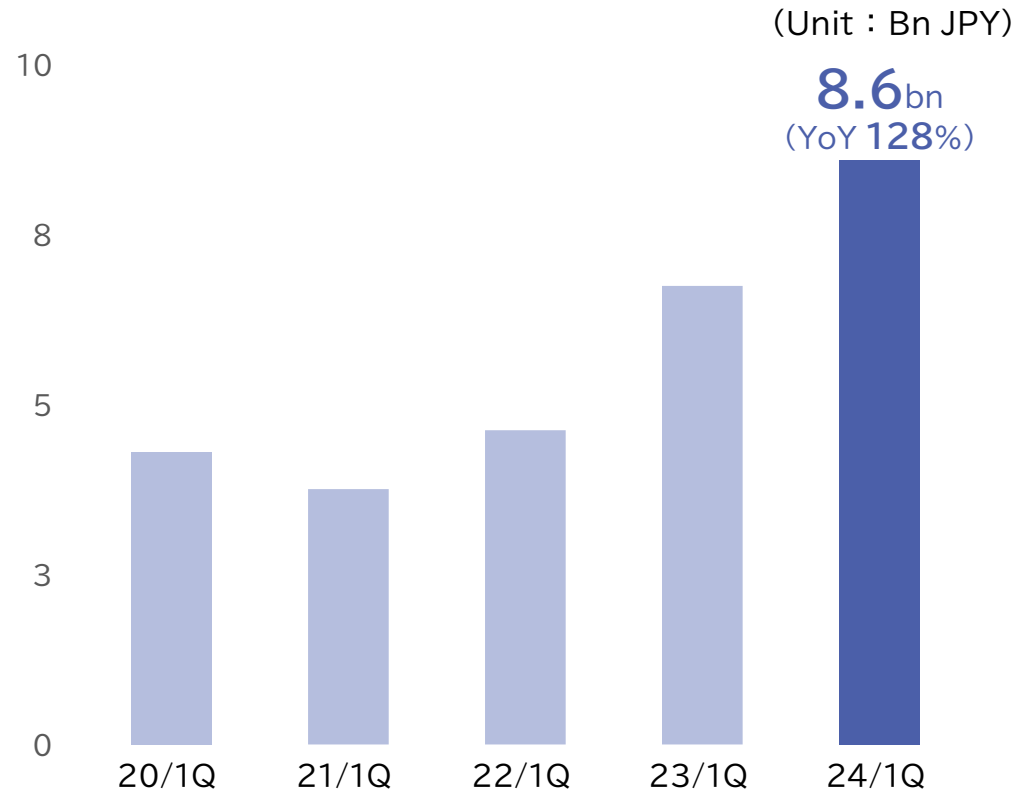
※Figures in () show the difference from the same period of the previous year.

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

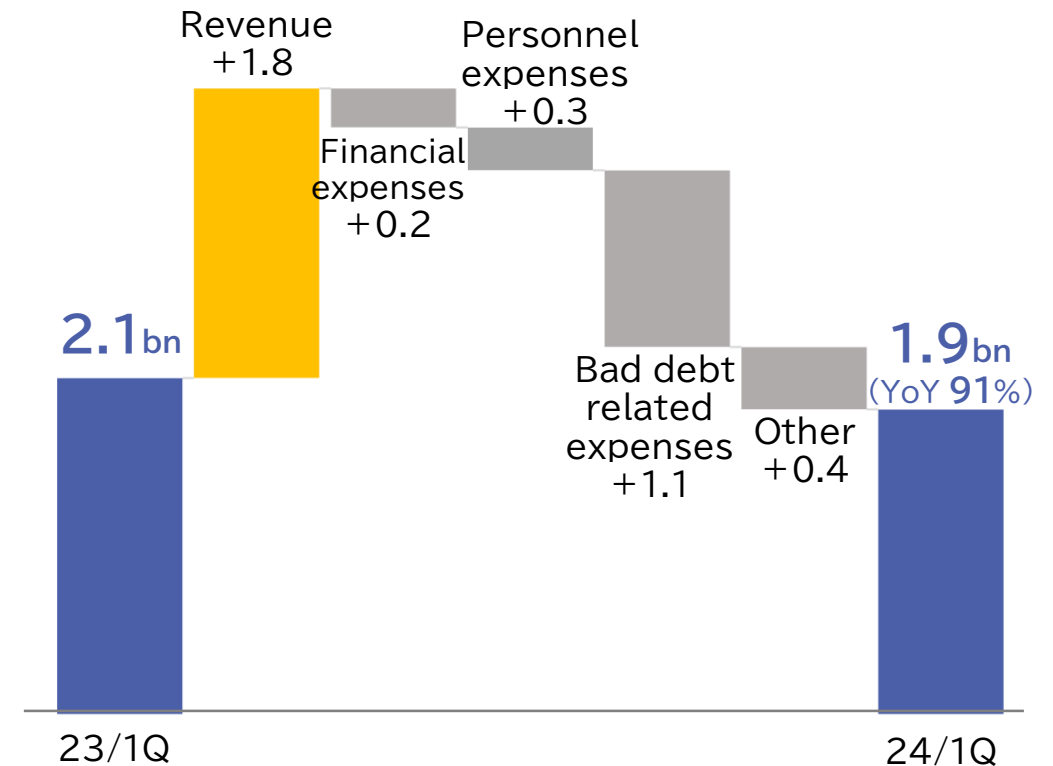
[Global] China Area Performance Highlights

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

Operating revenue



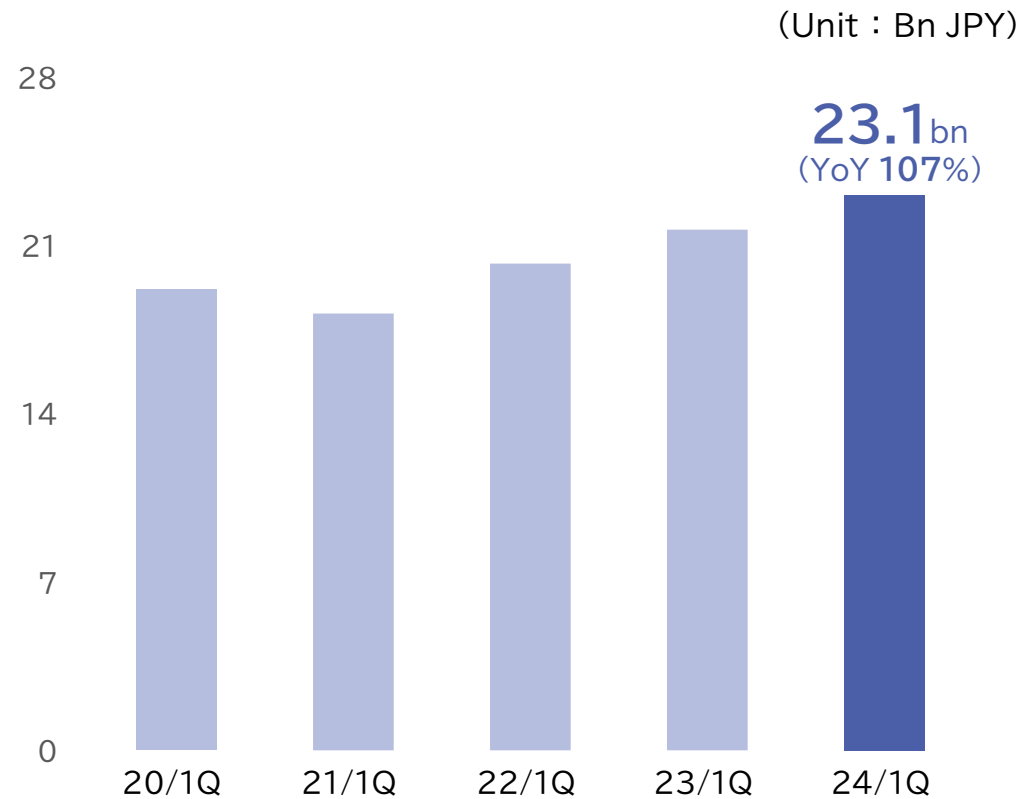
Breakdown of operating profit difference from previous FY



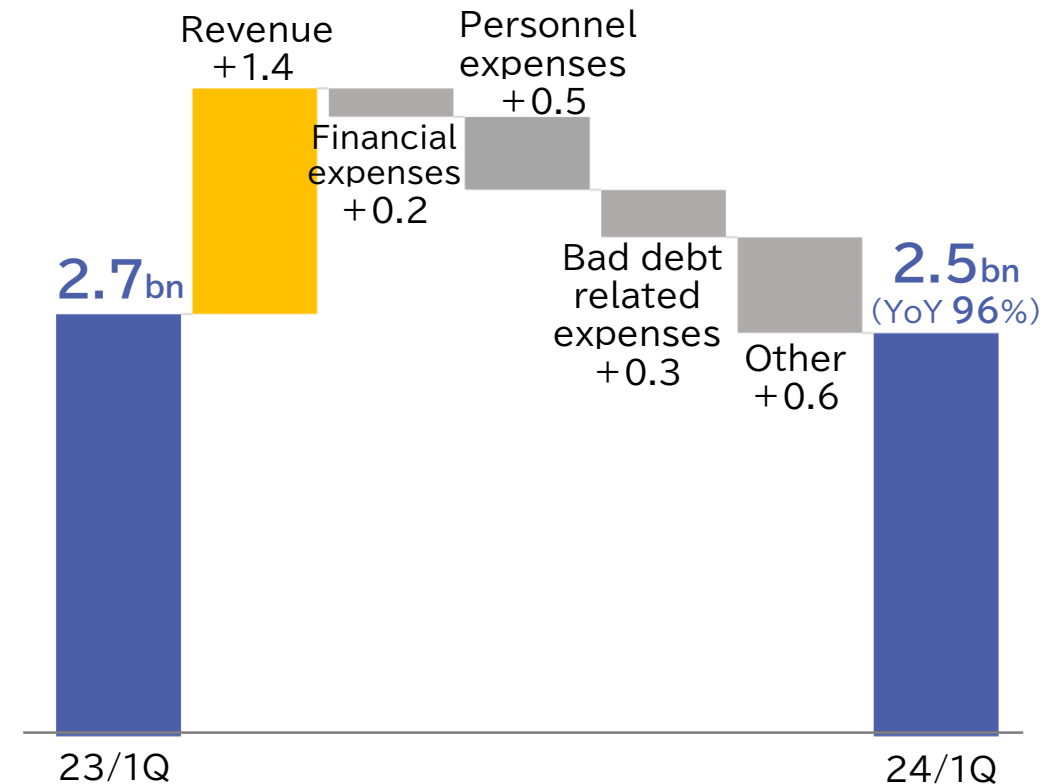
[Global] Mekong Area Performance Highlights

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

Operating revenue



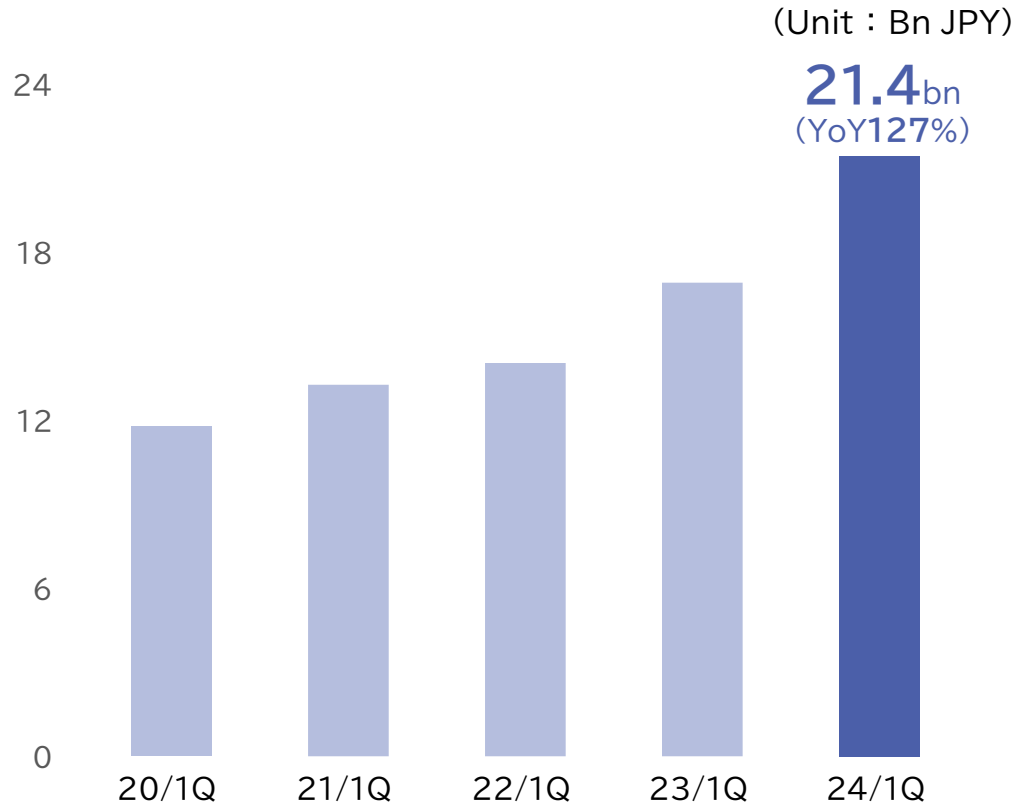
Breakdown of operating profit difference from previous FY



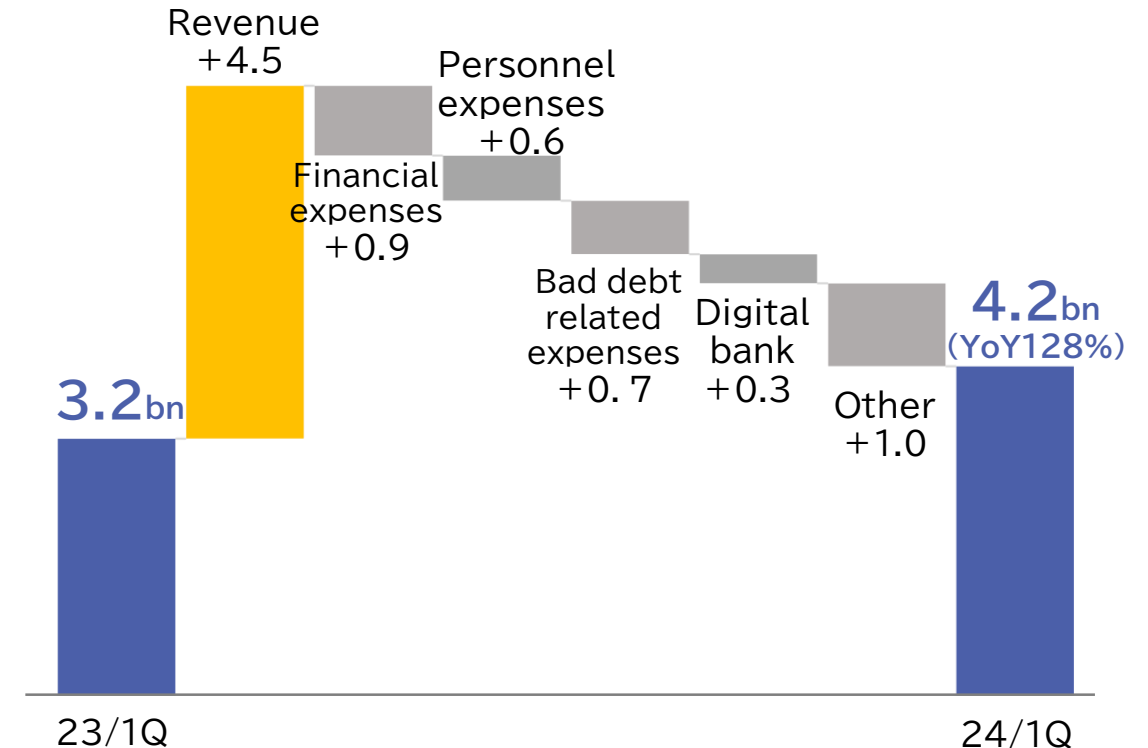
[Global] Malay Area Performance Highlights

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

Operating revenue



Breakdown of operating profit difference from previous FY

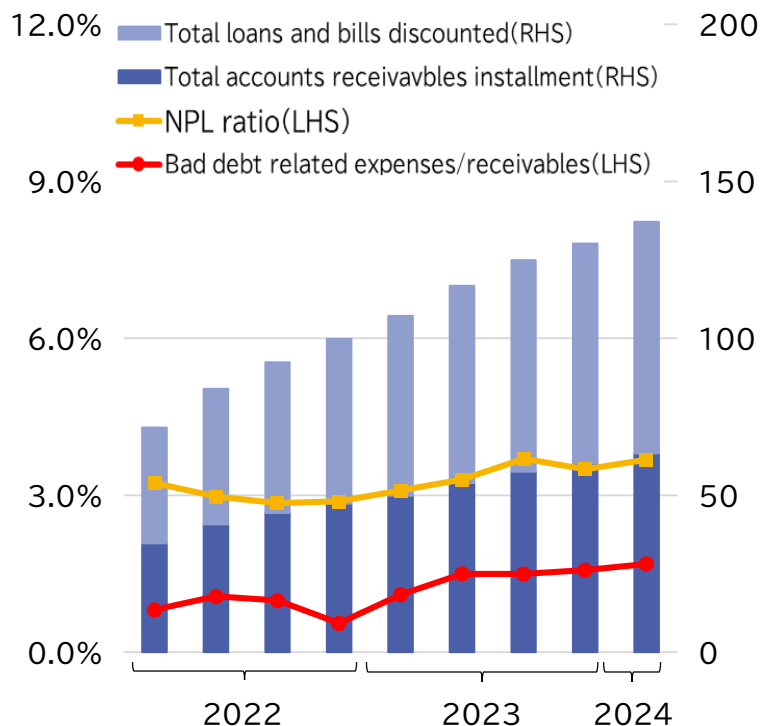


[Global] Balance of Receivables and NPL of Listed Subsidiaries

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

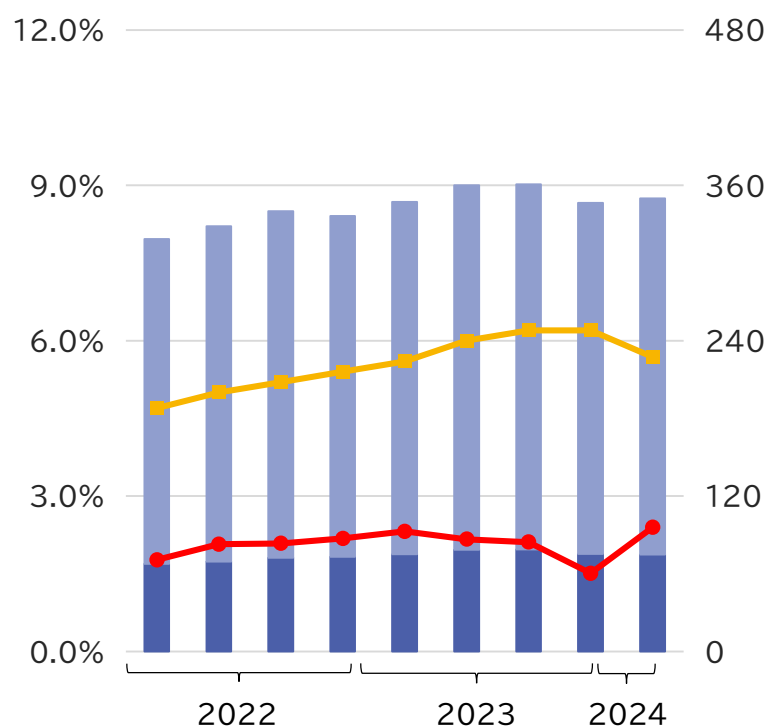
■ ACSA(Hong Kong)

(Unit : Bn JPY)



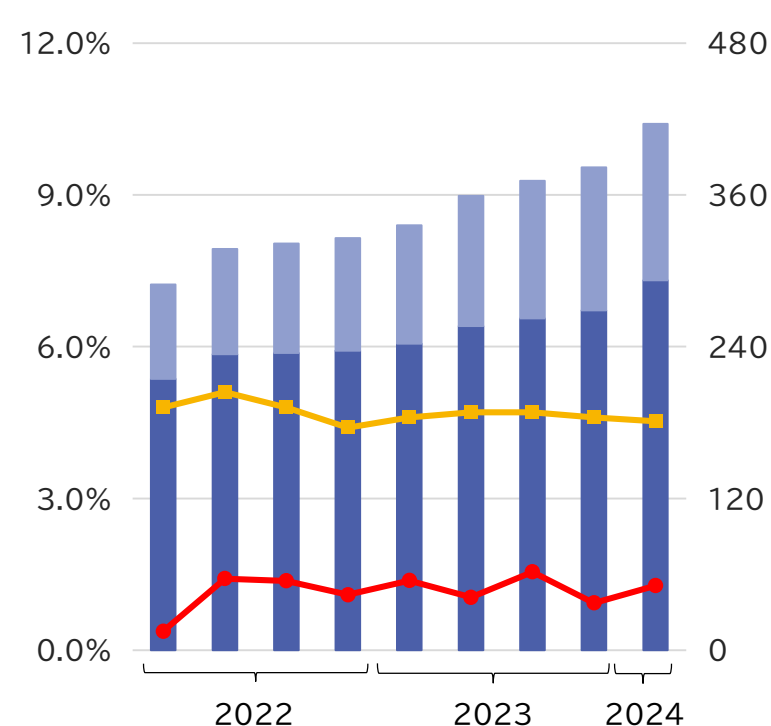
■ AEONTS(Thailand)

(Unit : Bn JPY)



■ ACSM(Malaysia)

(Unit : Bn JPY)

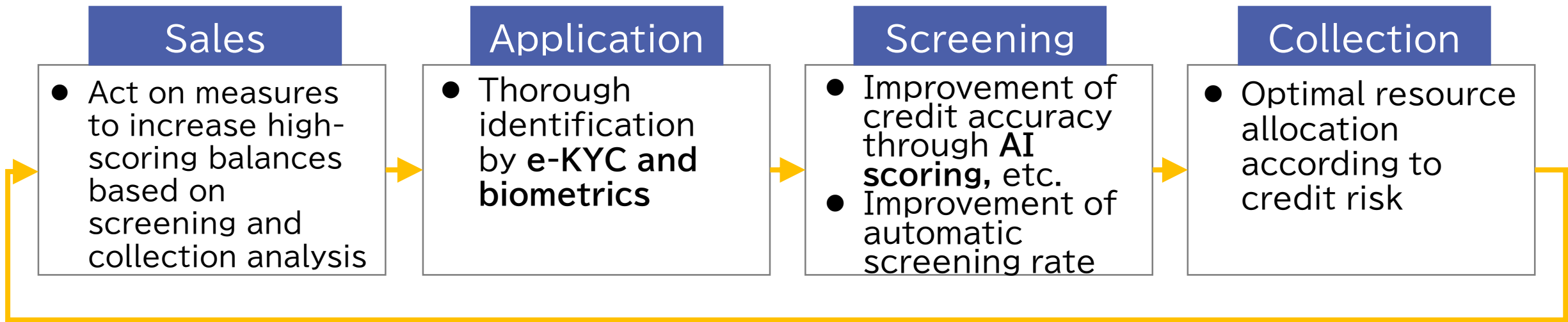


Year-end rate

※Figures in () represent the difference from the end of the previous FY.
 HKD : ¥20.05(+¥0.80) THB : ¥4.27(+¥0.09) MYR : ¥33.35(+¥1.70)

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

Malaysia



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

[Global] Opening of Digital Bank (Malaysia)

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

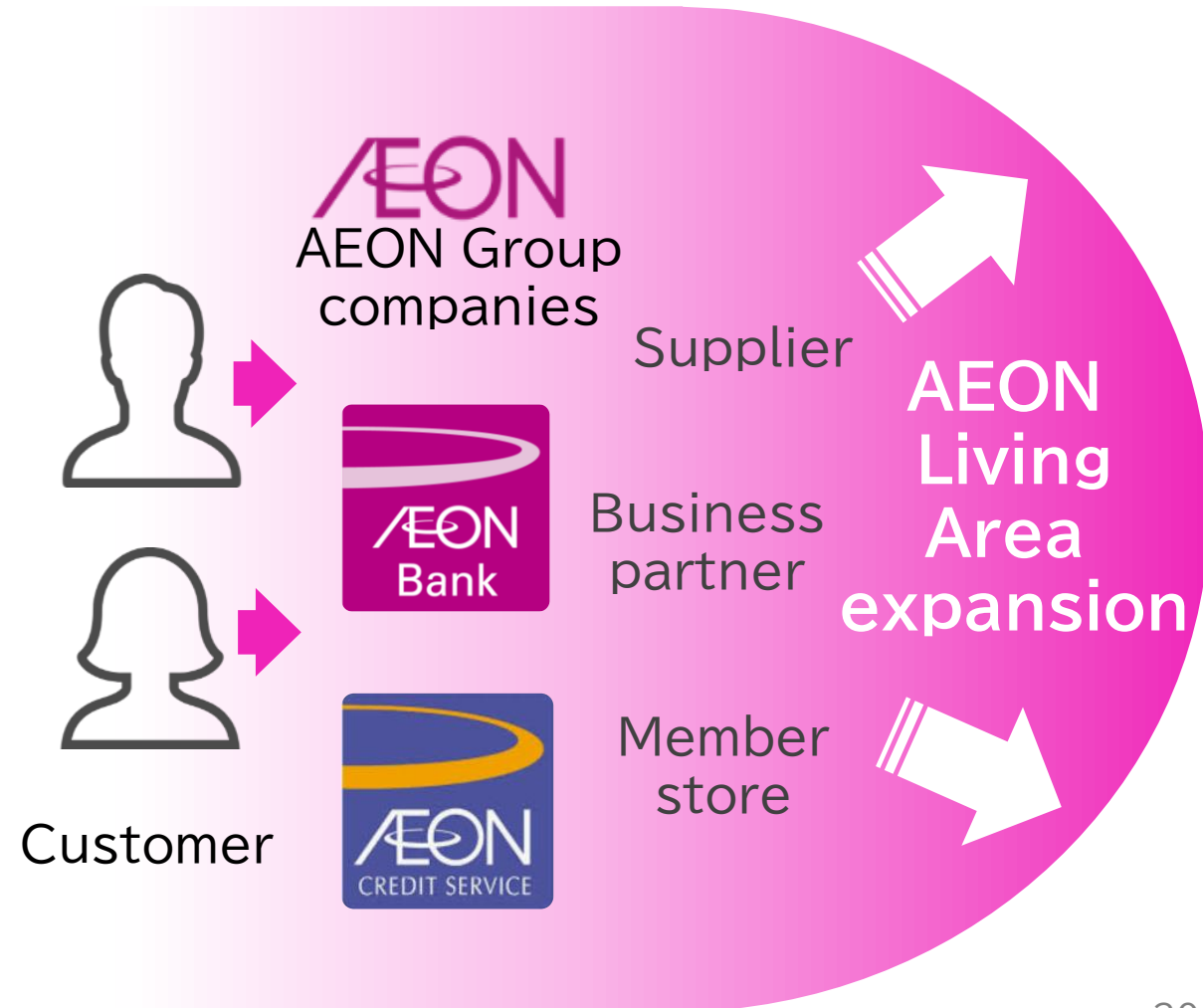


Bank deposit

Debit card

Code payment

Point card



[Global] Expanding digital touchpoints.

Productivity
(Revenue growth)

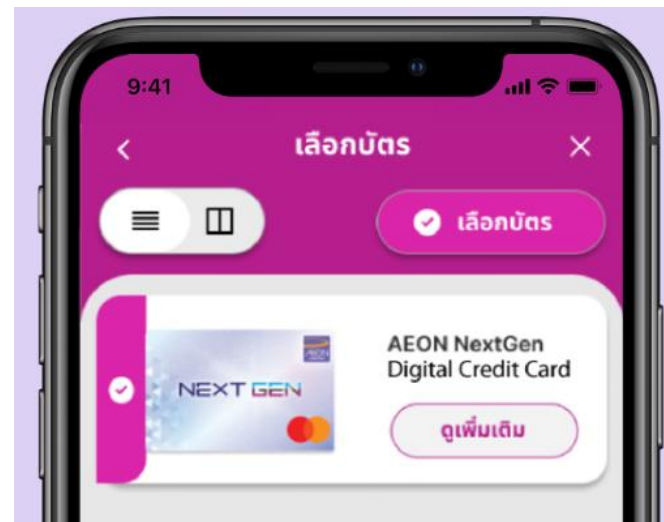
- Expansion of digital financial services centred on smartphones in various countries to improve convenience and expand new customer segments.

■ China area (ACSA)



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

■ Mekong area (AEONTS)

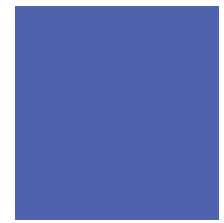


Launch new digital credit card 'Next Gen'

■ Malay area (Indonesia)



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

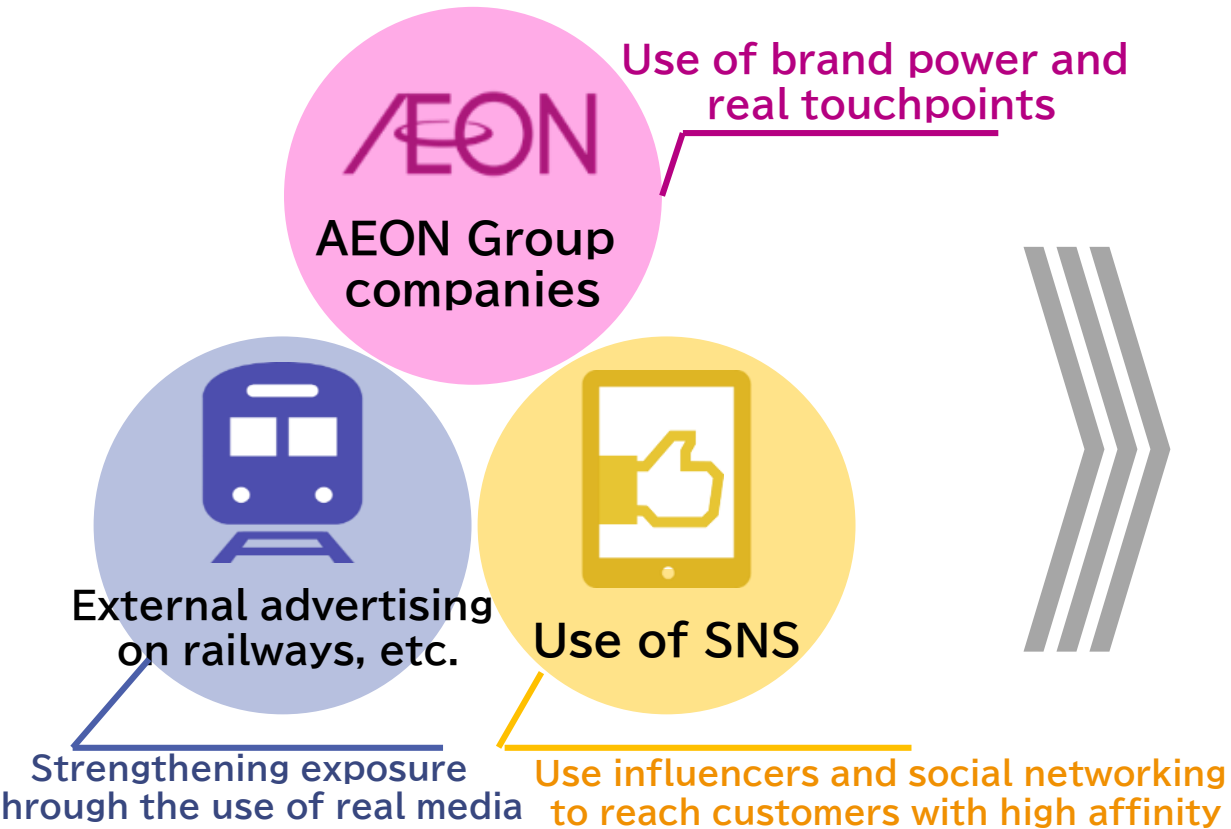


Priority Measures

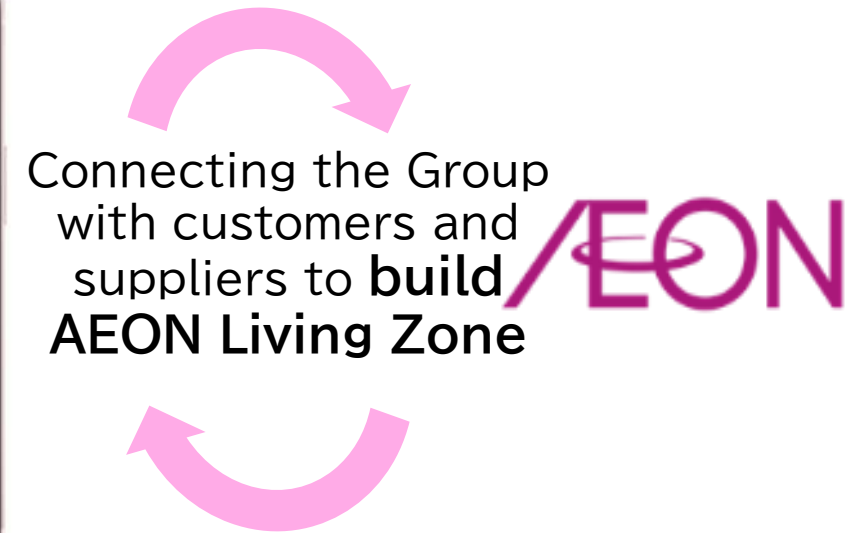
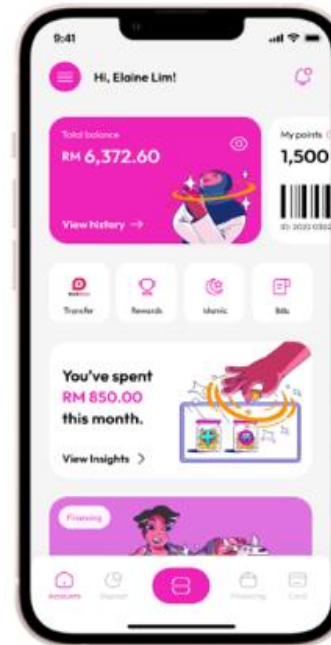
[Global/Malaysia] Raising awareness of AEON BANK(M)

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

Strengthening awareness using real and digital

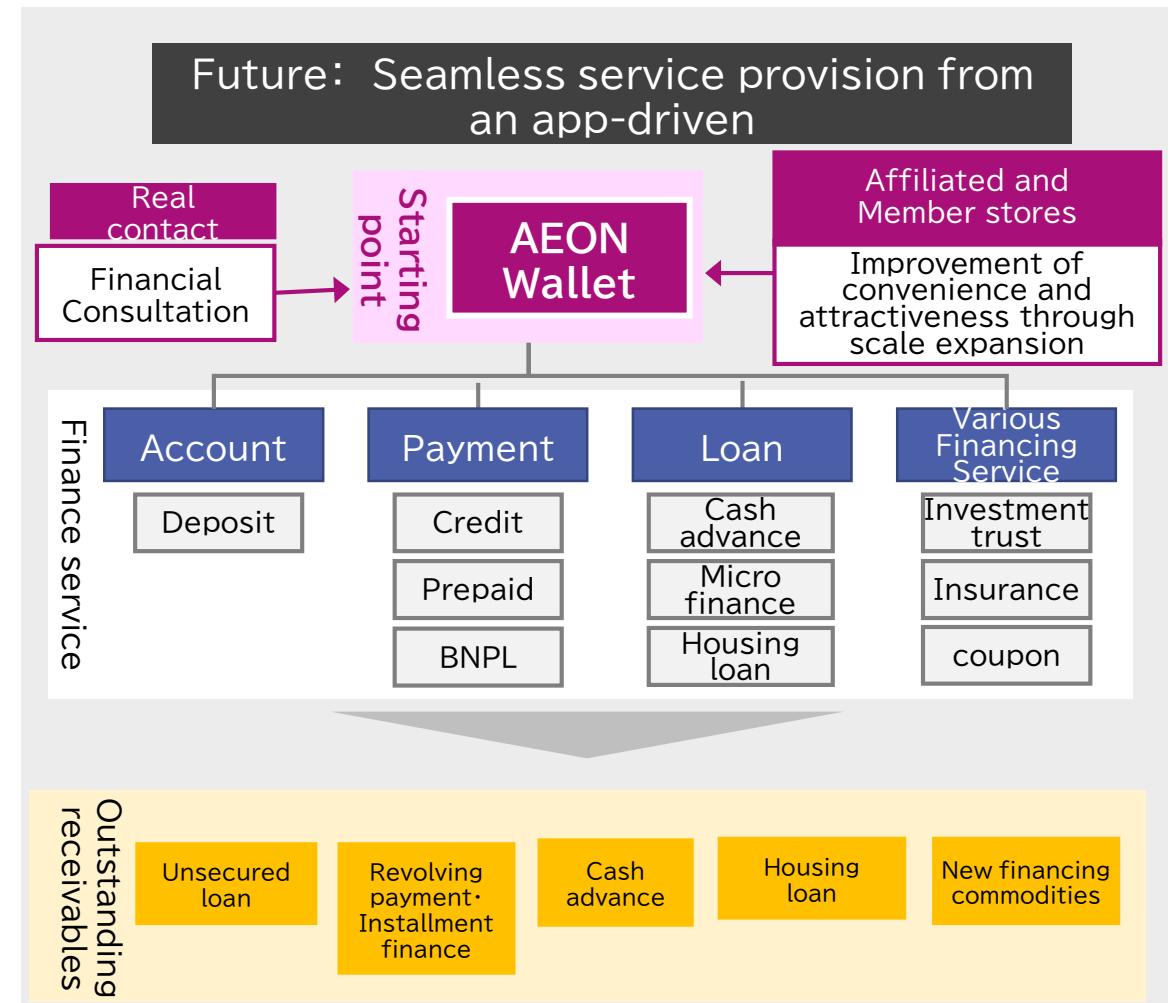
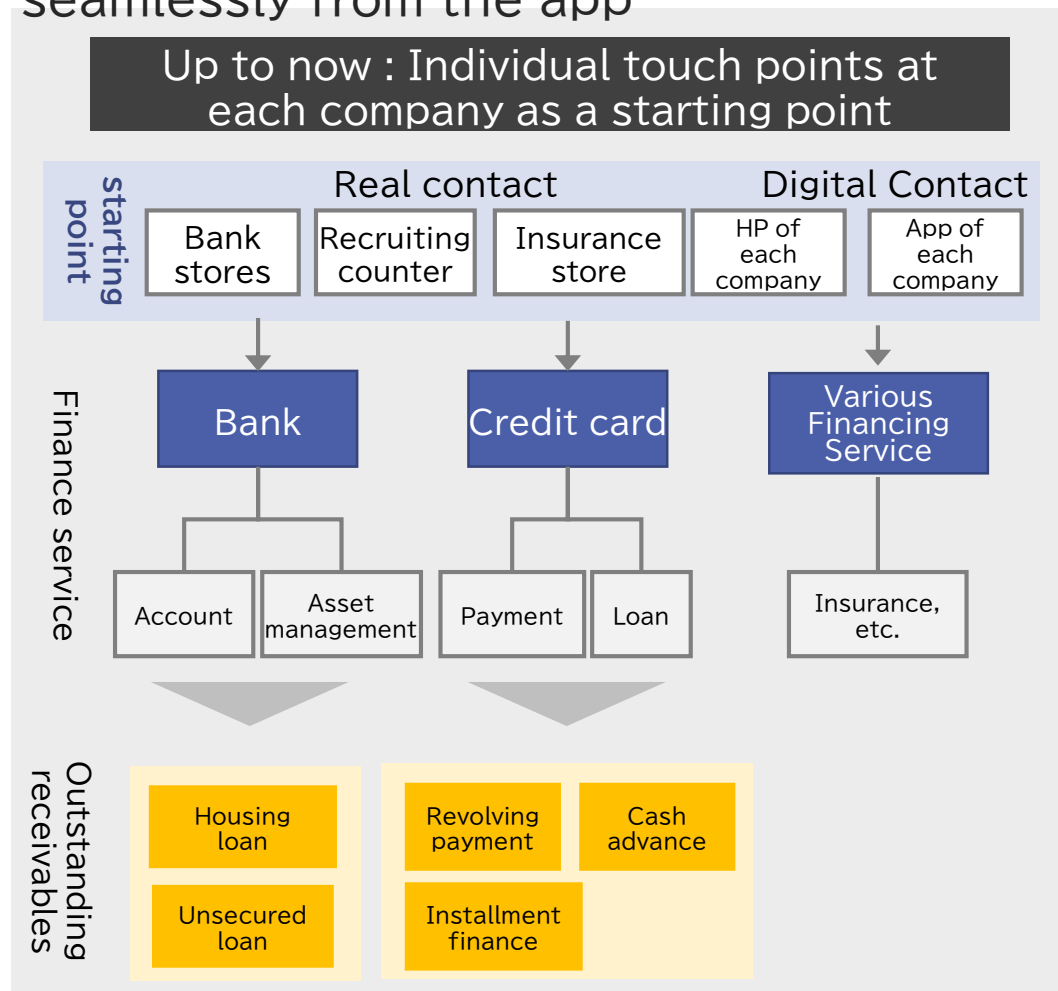


AEON Bank (Malaysia) Personalised marketing through data utilisation starting from an app.



Touch Point Conversion

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



[Domestic] Transformation of touchpoints <Seamless customer experience>

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

Card

Bank

Insurance



Stores

Credit card
counter

Bank
branches

Insurance
store

Contact
Center

related
settlement

related
bank

related
insurance

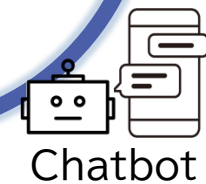
FY23~

AEON Wallet renewed
as a comprehensive
financial application

FY24~



Provide one-
stop service at
each touch
point



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

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



Awarded international design awards



iF Design Award (Germany)



A' Design Awards (Italy)

BRONZE Prize



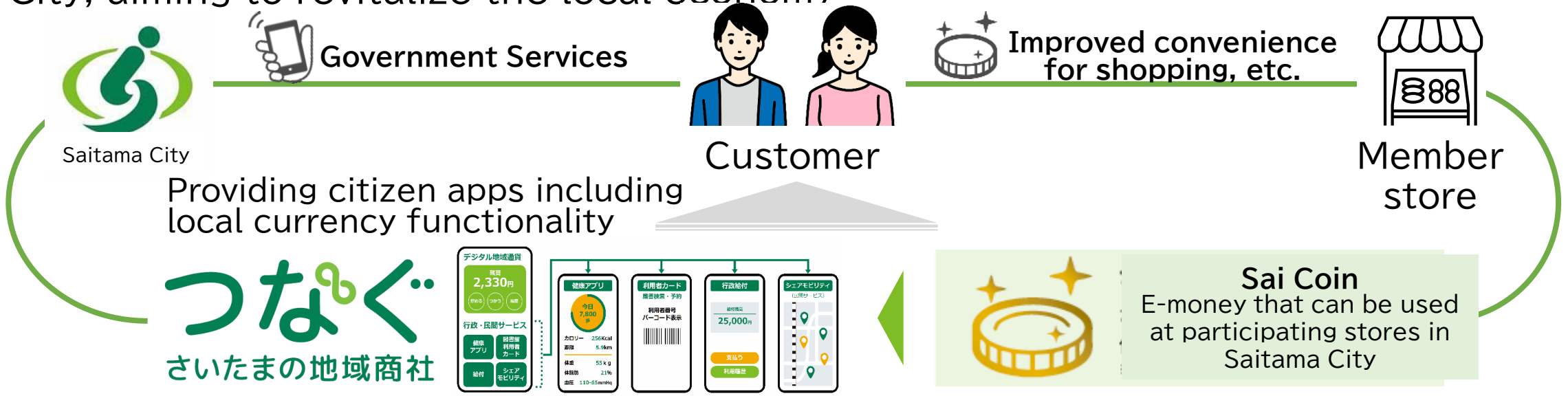
No. of applications via app

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

※Comparison with the same month of the previous year

[Domestic] Strengthening regional collaboration

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



Participation

Citizen Application System Development/Operation

FeliCa Pocket Marketing

Became a consolidated subsidiary in June 2023

Over 100 local currency and municipal applications provided nationwide

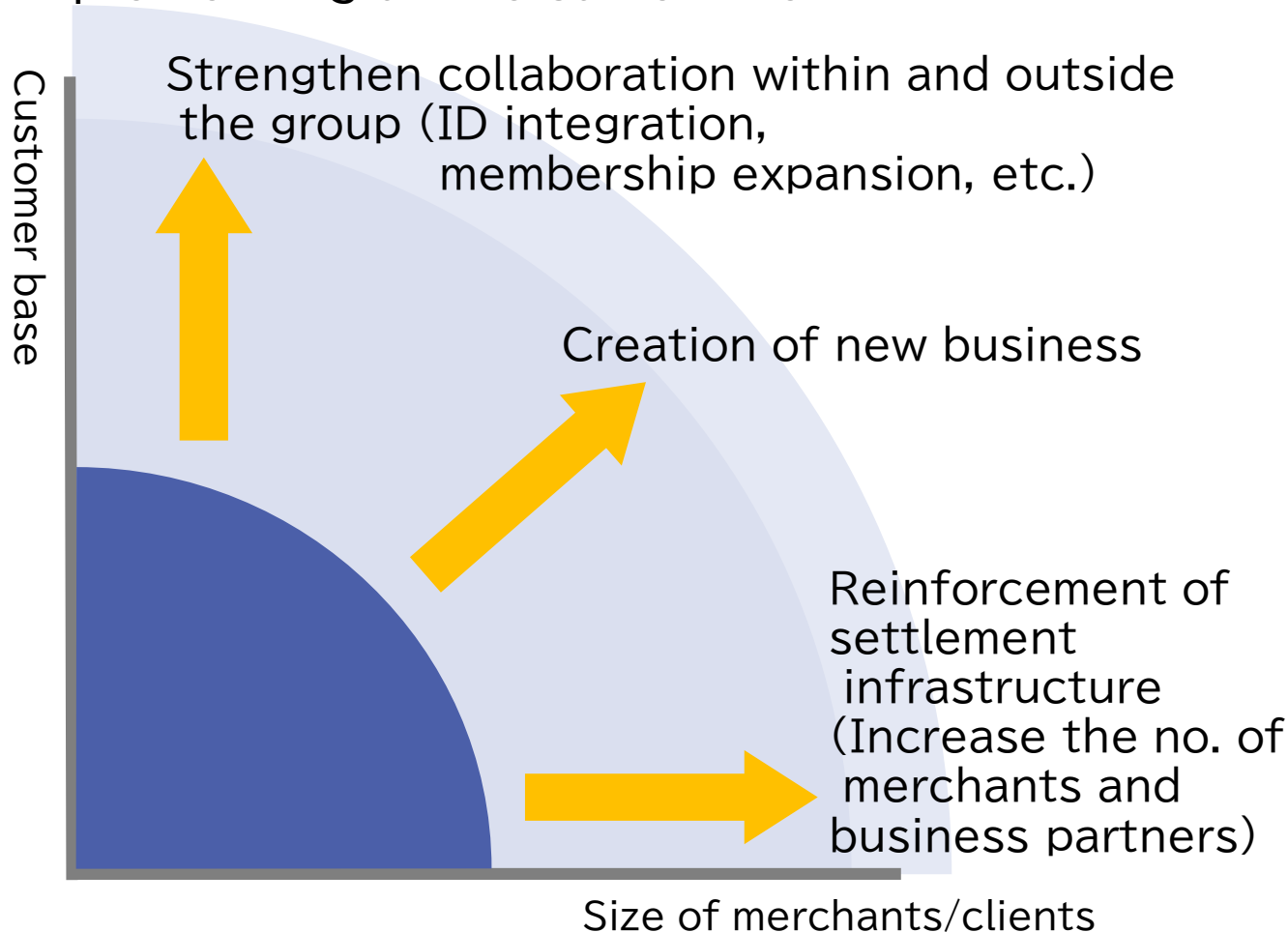
Local Currency Value Issuer

AEON Financial

Various settlement know-how cultivated over the years

[Domestic] Reinforcement of System Infrastructure

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



Converted system infrastructure to cloud computing to achieve economies of scale



Simultaneous implementation of the next credit card system operation

FY2026



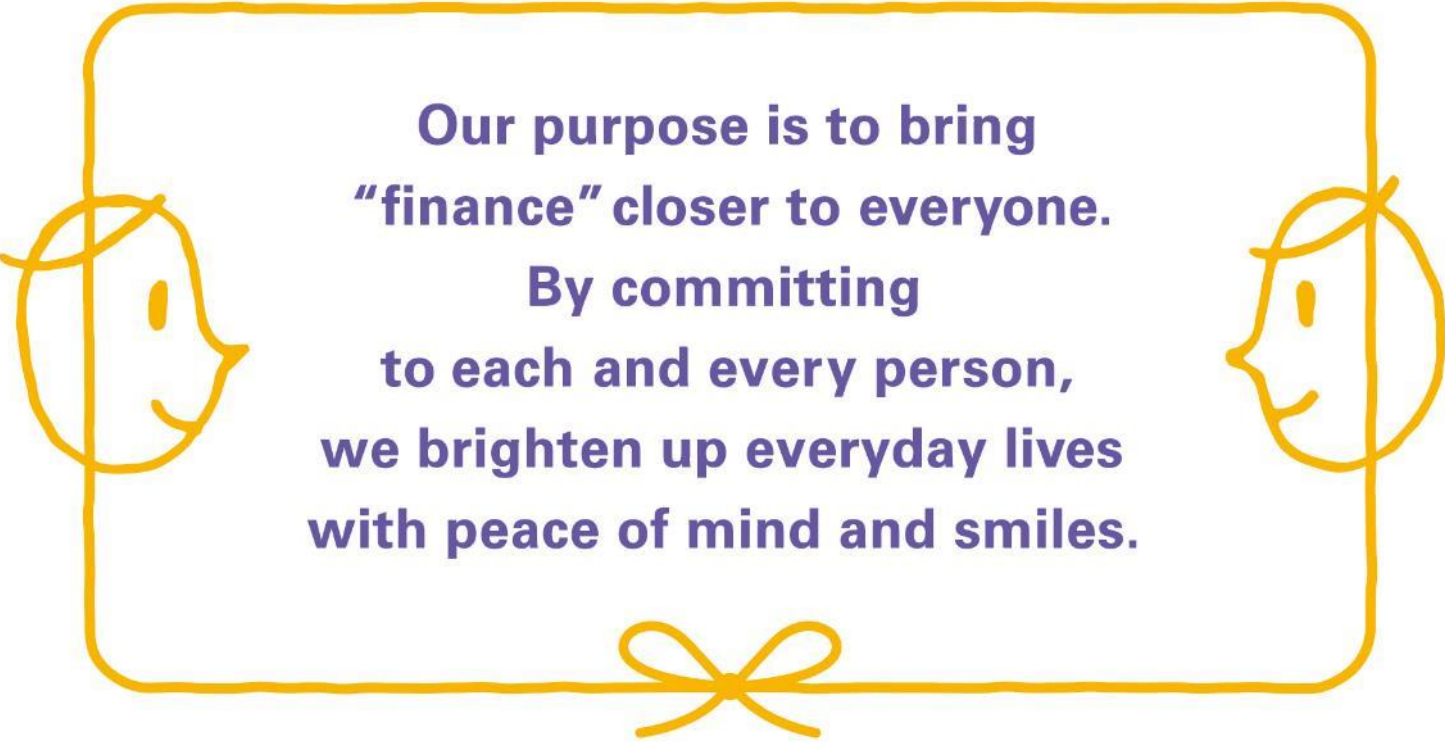
Earnings and Dividend Forecasts

FY2024 earnings forecast, dividend forecast

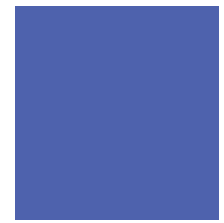
(Unit : JPY)

	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 %	

Our Purpose



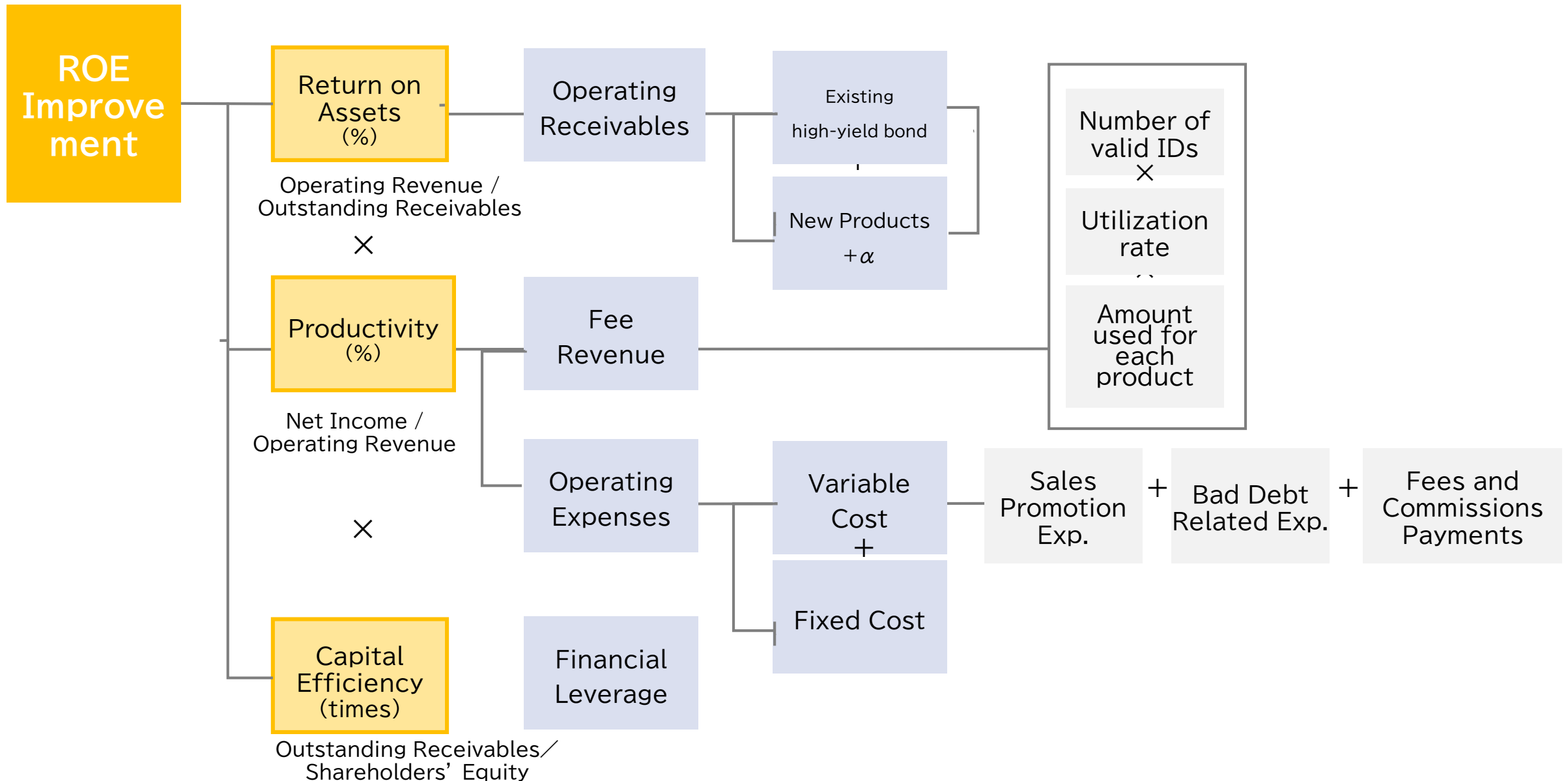
**Our purpose is to bring
“finance” closer to everyone.
By committing
to each and every person,
we brighten up everyday lives
with peace of mind and smiles.**



Appendix

Approach to ROE Improvement

Repost: Announcement of FY2023 financial results



Consolidated Balance Sheet

(Unit : Bn JPY)

	FY 2024			FY 2024	
	1Q Results	YTD		1Q Results	YTD
Cash and deposits	420.2	▲ 245.3	Deposits	4,568.0	+29.7
Operating Loans	964.5	+45.7	Accounts payable-trade	306.8	+38.3
Loans and bills discounted for banking business	2,639.4	+300.2	Interest-bearing debt (excl. deposits)	1,308.7	▲4.3
Accounts receivables-installment	1,727.4	▲116.0	Other	234.2	▲ 17.0
Allowance for doubtful accounts	▲ 114.0	+6.6	Total liabilities	6,417.8	+46.6
Other	1,360.7	+61.5	Total net assets	580.4	+6.1
Total assets	6,998.3	+52.7	Total liabilities and net assets	6,998.3	+52.7

Results by Segment

(Unit : Bn JPY)	Domestic			Global Total ※1	International			Consol. Total ※1
	Total ※1	Retail	Solutions		China Area	Mekong Area	Malay Area	
Operating Revenue	75.3	48.5	46.3	53.1	8.6	23.1	21.4	127.9
YoY ※2	106%	113%	103%	117%	128%	107%	127%	110%
Operating Profit	6.3	5.3	2.2	8.7	1.9	2.5	4.2	15.2
YoY ※2	453%	7028%	129%	107%	91%	96%	128%	166%
Operating Profit Ratio	8.4%	10.9%	4.9%	16.5%	22.7%	11.2%	19.7%	11.9%
Change ※2	+6.4pt	+10.7pt	+1.0pt	▲1.5pt	▲9.2pt	▲1.3pt	+0.2pt	+4.0pt

(Reference) The impact on revenue due to securitization ¥0.4bn (▲¥2.2bn compared to the same period of the previous FY) ※3

※1 Domestic and Global figures are after elimination of intersegment transactions in each business segment.

Consolidated figures include headquarters, functional companies, and consolidated eliminations.

※2 Figures for comparisons with the previous FY and differences from the previous FY are before the change of segments.

※3 The accounting method for securitization revenue has been partially changed from FY2023.

There was no impact on revenues under the previous method (▲¥1.8bn from the previous FY).

Results by Area

(Unit : Bn JPY)		Transaction volume	YoY	Operating receivables (Before securitization)	YTD
Domestic	Credit card	1,952.6	105%	1,811.2	+94.8
	credit card shopping	1,849.8	105%	1,384.1	+80.0
	(of which, revolving and installment)	-	-	330.3	+19.6
	cash advance	102.7	102%	427.1	+14.8
	Housing loan	175.5	126%	3,676.2	+115.6
	Other	-	-	1,265.8	+89.5
	Total	-	-	6,753.2	+299.9
Global	Credit card	172.4	128%	302.2	+6.3
	credit card shopping	126.0	127%	154.6	+3.4
	cash advance	46.4	132%	147.6	+3.0
	Installment finance	42.7	123%	316.5	+27.6
	Personal loans	57.0	120%	338.3	+17.5
	Other	-	-	0.1	+0.1
	Total	-	-	957.2	+51.6

Cumulative Results of Overseas Listed Companies (Local Currency)

		FY 2023	FY 2024	
		1Q Results	1Q Results	YoY
AEON CREDIT SERVICE (ASIA)	Revenue	379,953	426,547	112%
	Profit before tax	117,458	99,351	85%
HK\$' 000	Profit for the period	96,967	83,255	86%
AEON THANA SINSAP (THAILAND)	Revenue	5,459,191	5,507,210	101%
	Profit before tax	804,849	671,513	83%
BAHT' 000	Profit for the period	644,016	539,207	84%
AEON CREDIT SERVICE (M) Berhad	Revenue	452,674	522,259	115%
	Profit before tax	131,914	144,825	110%
RM' 000	Profit for the period	99,363	106,413	107%

Cumulative Results of Overseas Listed Companies (Yen conversion)

(Unit : Bn JPY)		FY 2023	FY 2024		Exchange rates
		1Q Results	1Q Results	YoY	
AEON CREDIT SERVICE (ASIA)	Revenue	6.5	8.3	127%	<u>(JPY / HKD)</u> • FY2023Q1 : ¥17.33 • FY2024Q1 : ¥19.67
	Profit before tax	2.0	1.9	96%	
	Profit for the period	1.6	1.6	97%	
AEON THANA SINSAP (THAILAND)	Revenue	21.5	23.1	108%	<u>(JPY / THB)</u> • FY2023Q1 : ¥3.94 • FY2024Q1 : ¥4.21
	Profit before tax	3.1	2.8	89%	
	Profit for the period	2.5	2.2	89%	
AEON CREDIT SERVICE (M)Berhad	Revenue	13.7	16.9	124%	<u>(JPY / MYR)</u> • FY2023Q1 : ¥30.32 • FY2024Q1 : ¥32.48
	Profit before tax	4.0	4.7	118%	
	Profit for the period	3.0	3.4	115%	

Transaction Volumes and Operating Receivables of Global Business

(Unit : Bn JPY)		China Area (Hong Kong)		Mekong Area (Thailand)		Malay Area		Global Business	
			YoY (Change)		YoY (Change)		YoY (Change)		YoY (Change)
Credit card	Transaction volume	64.4	129%	90.6	129%	17.3	121%	172.4	128%
	Operating Receivables	105.0	+22.4	168.0	▲4.3	29.2	+5.4	302.2	+23.6
Installment finance	Transaction volume	-	-	7.0	128%	35.7	122%	42.7	123%
	Operating Receivables	-	-	33.3	+6.5	283.2	+50.1	316.5	+56.6
Personal loans	Transaction volume	8.8	124%	31.6	127%	16.5	107%	57.0	120%
	Operating Receivables	32.0	+7.4	180.2	+7.2	126.0	+32.2	338.3	+46.9
Total	Transaction volume	73.3	128%	129.3	129%	69.6	118%	272.2	126%
	Operating Receivables	137.0	+29.9	381.5	+9.4	438.4	+87.8	957.1	+127.2

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

[Allowance for Doubtful Accounts]

(Unit : Bn JPY)	Domestic			Global Total				Consol. Total
	Total	Retail	Solutions		China Area	Mekong Area	Malay Area	
Opening balance of allowance for doubtful accounts	55.6	3.0	53.0	64.3	4.7	35.8	23.7	120.7
Bad debt related expenses (Allowance for doubtful accounts and losses)	6.0	▲0.3	6.3	17.0	2.3	8.8	5.9	23.1
Bad debt written-off (including transferred debt)	14.7	0.6	14.1	15.0	1.9	8.1	4.9	29.7
Ending balance of allowance for doubtful accounts	46.9	2.0	45.3	66.4	5.1	36.5	24.7	114.0

※Balance at end of period of Domestic Subsidiaries

<Retail> AEON Bank:2.0

<Solutions> AEON Financial Service:40.8
AEON Housing Loan Service:1.2

Including the impact of transfer of installment finance business ¥9.2 bn

[Provision for Loss on Interest Repayment]

	FY2023 1Q	FY2024 1Q
Beginning of period	4.8	2.5
Provision	-	-
Interest Repayment	0.8	0.4
End of period	3.9	2.0

Statements contained in this report with respect to the Company's management strategies, business policies and results forecasts are forward-looking statements about the future performance of the Company, which are based on the assumptions and beliefs in light of the information currently available. These forward-looking statements involve various uncertain factors including known and unknown risks such as economic trends, industry competition, market demand, exchange rates, tax and other systems that may cause the Company's actual results, performance or achievements to differ materially from the expectations expressed herein.



AEON Financial Service