FY2026 Second Quarter IR Presentation Manuscript/Q&A

Date and time : October 9, 2026（Friday） 17:00-18:00

Speakers : Tomoharu Fukayama, President and CEO

Shinichiro Nishimura, Managing Executive Officer, in charge of Corporate Planning and Overseas Business

Kazumasa Oshima, Executive Officer in charge of Finance and Accounting

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FY2026 2Q
IR Presentation Material

October 9, 2026

AEON Financial Service

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

- Thank you very much for taking the time to attend our second-quarter financial results briefing for the fiscal year ending February 2027.

- My name is Oshima, and I am an Executive Officer in charge of Finance and Accounting.

Agenda

1 FY2026 Interim Period Financial Results Overview

2 Domestic Business

3 Overseas Business

4 Key Initiatives

Appendix

- Today, we will proceed in line with the agenda outlined here.
- Afterwards, CEO Fukayama will proceed to explain about our key initiatives.

Consolidated Financial Highlights for the First Half of the FY2026

	Consolidated	YoY	Domestic	YoY	Overseas	YoY	FY26 Full Year Consolidated Forecast	Progress Rate
Operating revenue	311.2 bn	112 %	181.2 bn	110 %	131.0 bn	114 %	600.0 bn	52 %
Operating profit	25.2 bn	89 %	5.9 bn	63 %	19.1 bn	102 %	45.0 bn	56 %
Ordinary profit	25.9 bn	89 %	–	–	–	–	45.0 bn	58 %
Profit attributable to owners of parent	10.0 bn	115 %	–	–	–	–	15.0 bn	67 %

- I will now summarize the financial results of the first half of the current fiscal year.

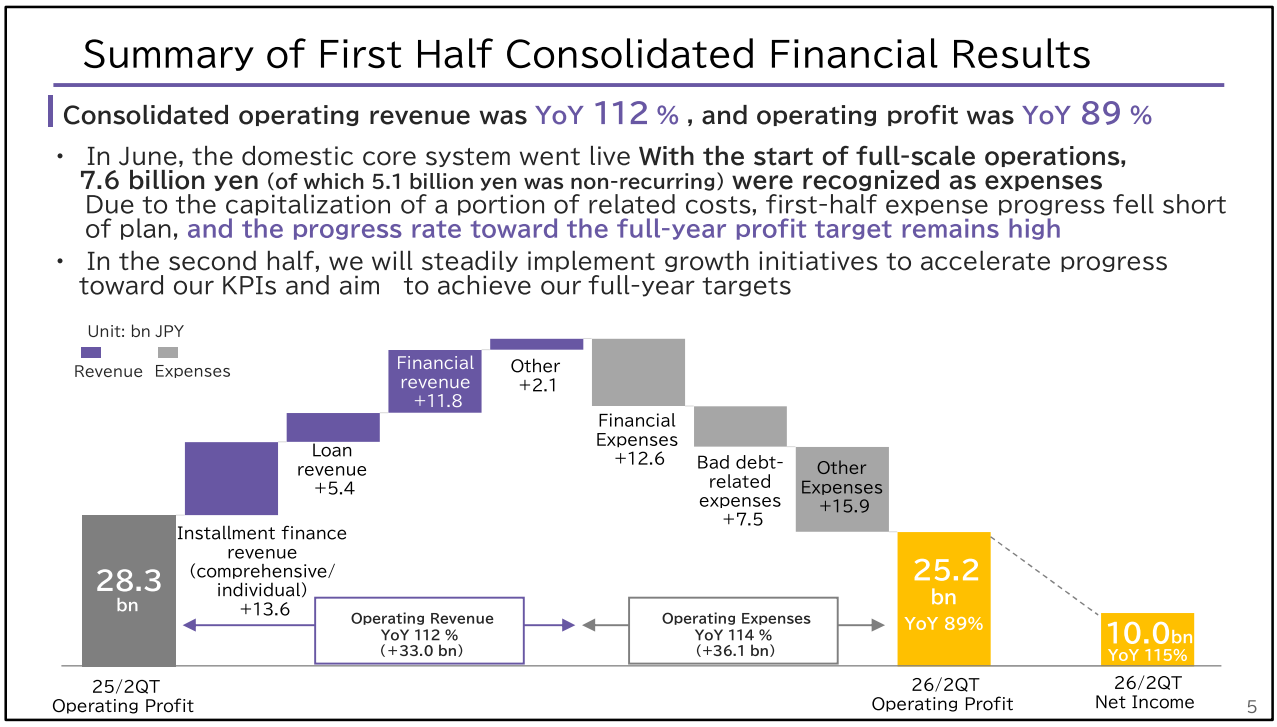
- Operating profit fell below the level of the same period last year due to increased costs associated with the full-scale launch of the domestic core system.
  Meanwhile, the progress rate against the full-year forecast of 45 billion yen was 56%, net profit attributable to owners of parent was 10 billion yen (115% of the figure for the same period last year), representing a progress rate of 67% against the full-year forecast.

FY2026 2nd Quarter (3 Months) Consolidated Financial Highlights

	Consolidated	YoY	Domestic	YoY	Overseas	YoY
Operating Revenue	157.3 bn	111 %	92.1 bn	109 %	65.6 bn	112 %
Operating profit	7.7 bn	50 %	0.03 bn	1 %	7.6 bn	82 %
Ordinary profit	8.4 bn	55 %	-	-	-	-
Profit attributable to owners of parent	1.0 bn	25 %	-	-	-	-

- I will now summarize the financial results of the 3 months of the second quarter.

- As planned, we began recording costs associated with our domestic core systems this quarter. Consequently, operating profit was 50% of the level seen in the same period last year. Therefore, the decline in profit for the second quarter reflects the cost burden that had been factored into our projections from the start of the fiscal year.



- This is the summary of our consolidated financial results for the first half of the fiscal year

- I will now explain the factors behind the increase in revenue and the decrease in profit. Consolidated operating revenue stood at 112% of the previous year's level. Growth was driven by credit card and financial revenues in the domestic market, as well as strong performance in Hong Kong and Malaysia overseas.

- Operating profit was 25.2 billion yen, representing 89% of the figure from the same period last year. We recorded expenses of 7.6 billion yen related to the domestic core system launched in June. Of this amount, 5.1 billion yen consisted of one-time costs associated with the system renewal.

- On the other hand, interim expenses came in below plan, partly due to a portion of related costs was capitalized. Consequently, our progress toward the full-year profit target remains at a high level. In the second half, we will steadily implement growth initiatives to accelerate progress on our KPIs. We aim to achieve our full-year plan by translating the growth foundation established during the first half of the fiscal year into revenue growth in the second half and beyond.

- Net profit for the first half of the fiscal year reached 10.0 billion yen, 115% of the previous year, reflecting the fact that the prior-year period included an extraordinary loss from the sale of shares in a subsidiary engaged in the primary insurance business.

Fiscal Year 2026 Earnings and Dividend Forecasts

(Unit: bn JPY)

	FY2025 Results	FY2026 Forecast			
	Consolidated	Consolidated	YoY	Domestic	Overseas
Operating Revenue	569.3	600.0	+30.7	355.0	245.0
Operating Profit	60.6	45.0	▲15.6	5.0	40.0
Operating Profit Margin	10.7%	7.5%	▲2.7pt	1.4%	16.3%
Ordinary Profit	60.6	45.0	▲15.6	–	–
Net Income	21.0	15.0	▲6.0	–	–
Dividend per share (Annual, yen)	53	53	±0	–	–
ROE	4.5%	3.2%	▲1.3pt	–	–

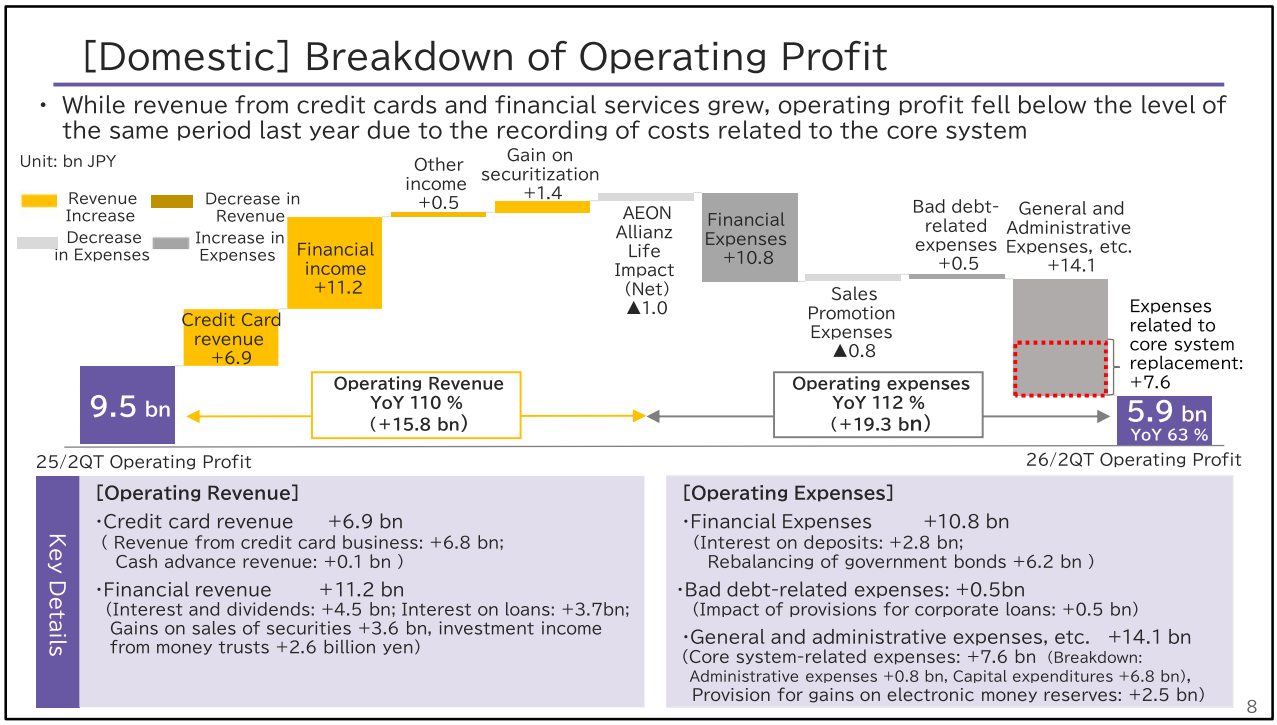
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- While our results for the first half of the fiscal year have exceeded the plan, in the second half of the fiscal year, we will implement measures to expand our customer base and achieve our KPI's with the focus being centered on AEON Pay. Rather than simply retaining the surplus generated in the first half as profit, our policy is to allocate these funds toward growth investments.

- There are no changes to our full-year earnings or dividend forecasts, and we aim to achieve our full-year plan by balancing growth investments with cost control.

Domestic Business

- Next, I will explain about our domestic business.



- This slide shows the year-on-year comparison of domestic operating profit.

- Operating revenue, represented by the yellow bars, reached 110% of the previous year's level. This growth was driven by increased card revenue which resulted from a rise in installment receivables and revised commission rates for revolving credit, as well as higher interest income from bank loans and increased returns on securities investments.

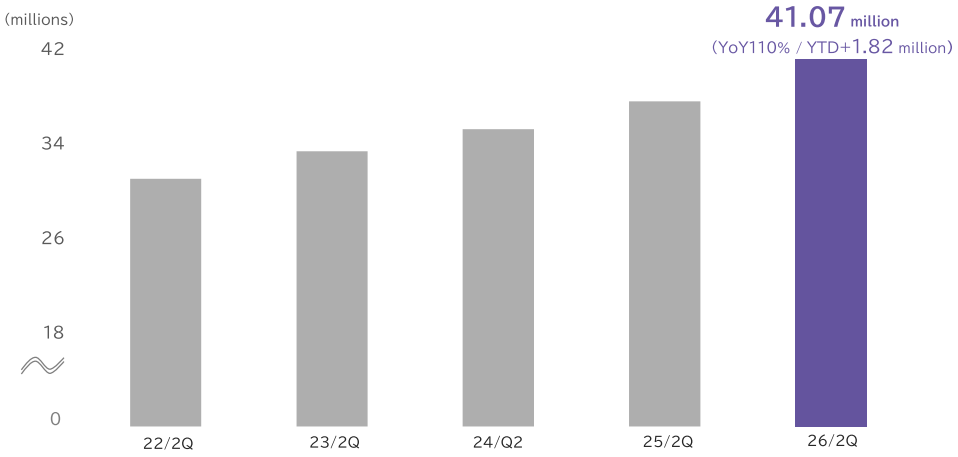
- Meanwhile, operating expenses, represented by the gray bars, rose to 112% of the previous year's level. Factors contributing to this increase included higher interest expenses on deposits at AEON Bank, increased financial costs due to the rebalancing of government bond holdings, and the booking of 7.6 billion yen in expenses related to core systems.

- Due to the concentration of costs associated with core systems during this period, domestic operating profit fell to 63% of the previous year's level, totaling 5.9 billion yen.

[Domestic] Customer Base <Active IDs>

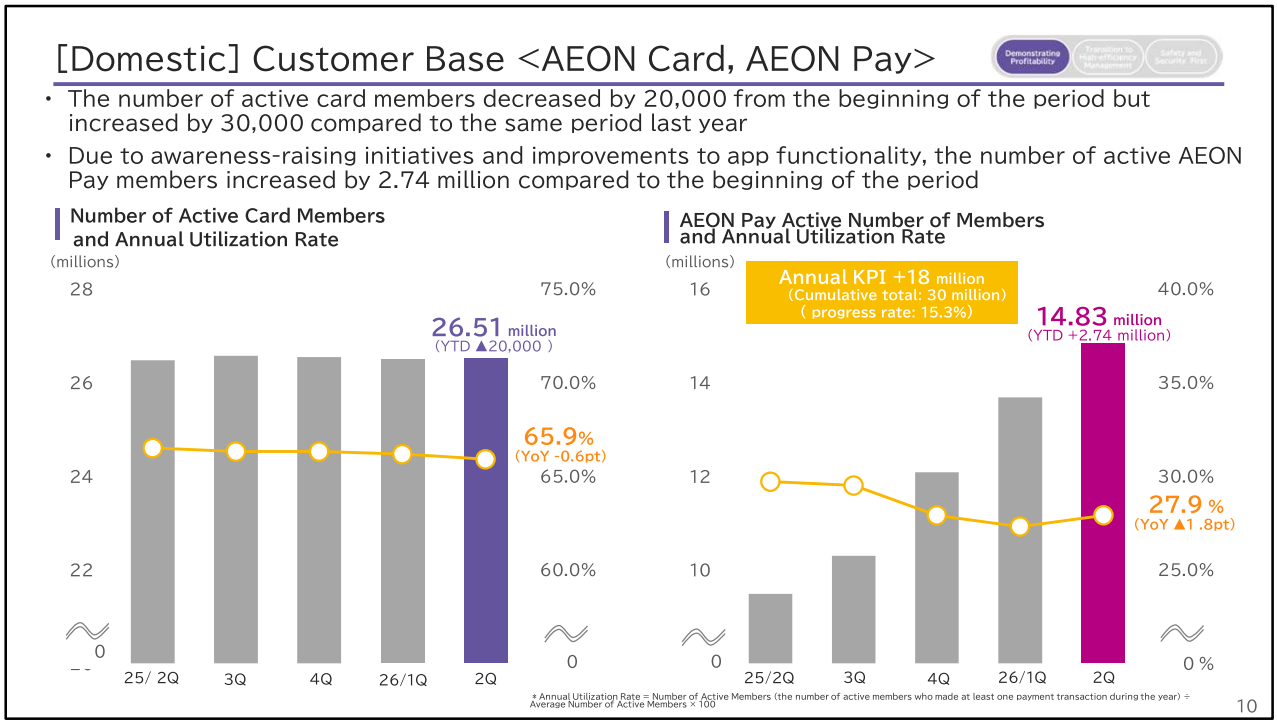
Demonstrating Profitability | Transition to High-efficiency Management | Safety and Security First

- Number of active IDs increased by 3.58 million YoY; growth in the number of members using prepaid charge payments (up 2.6 million year-over-year) drove growth



*Active IDs: Number of customers using services provided by our company, such as AEON Card, AEON Pay, and AEON Bank accounts
* Members with duplicate IDs are consolidated for counting method

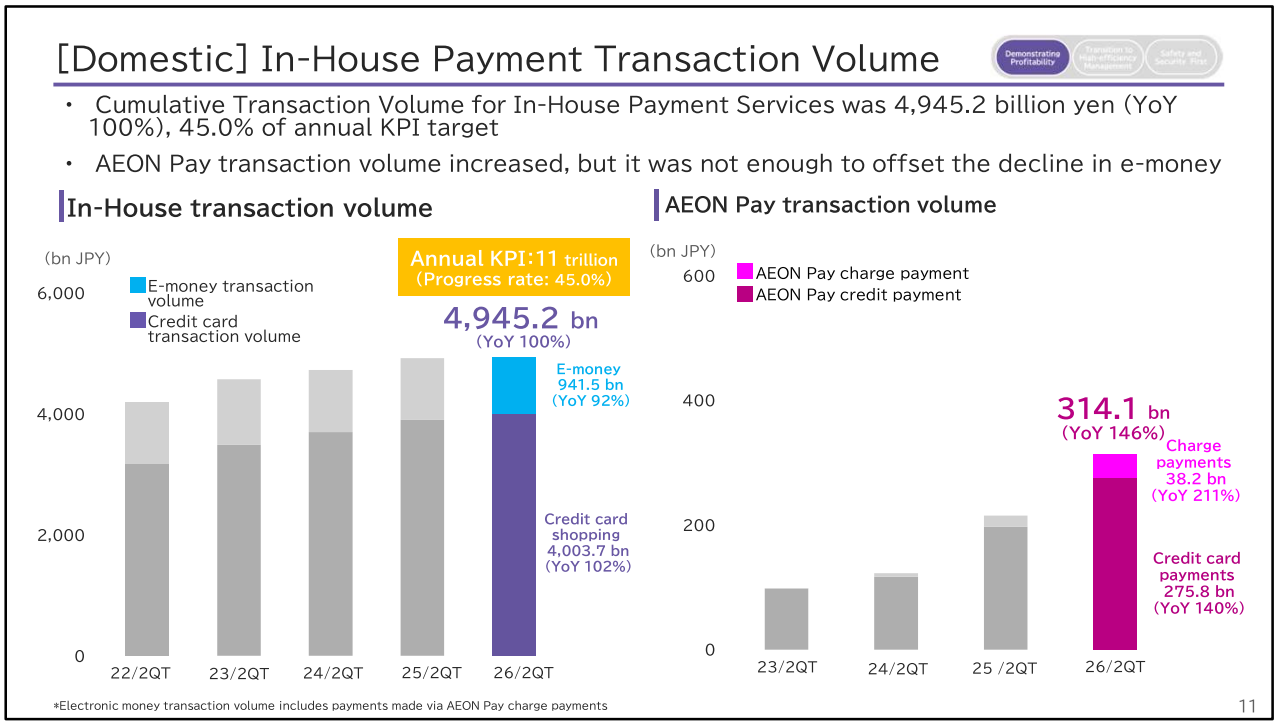
- Regarding our domestic customer base, the number of active IDs stands at 41.07 million, showing steady growth driven by an increase in members using the AEON Pay charge payment service.



- Now I will explain about our credit card and AEON Pay mobile payment service businesses.

- The number of active cardholders decreased by 20,000 from the beginning of the period, following a review of the criteria for card renewal.

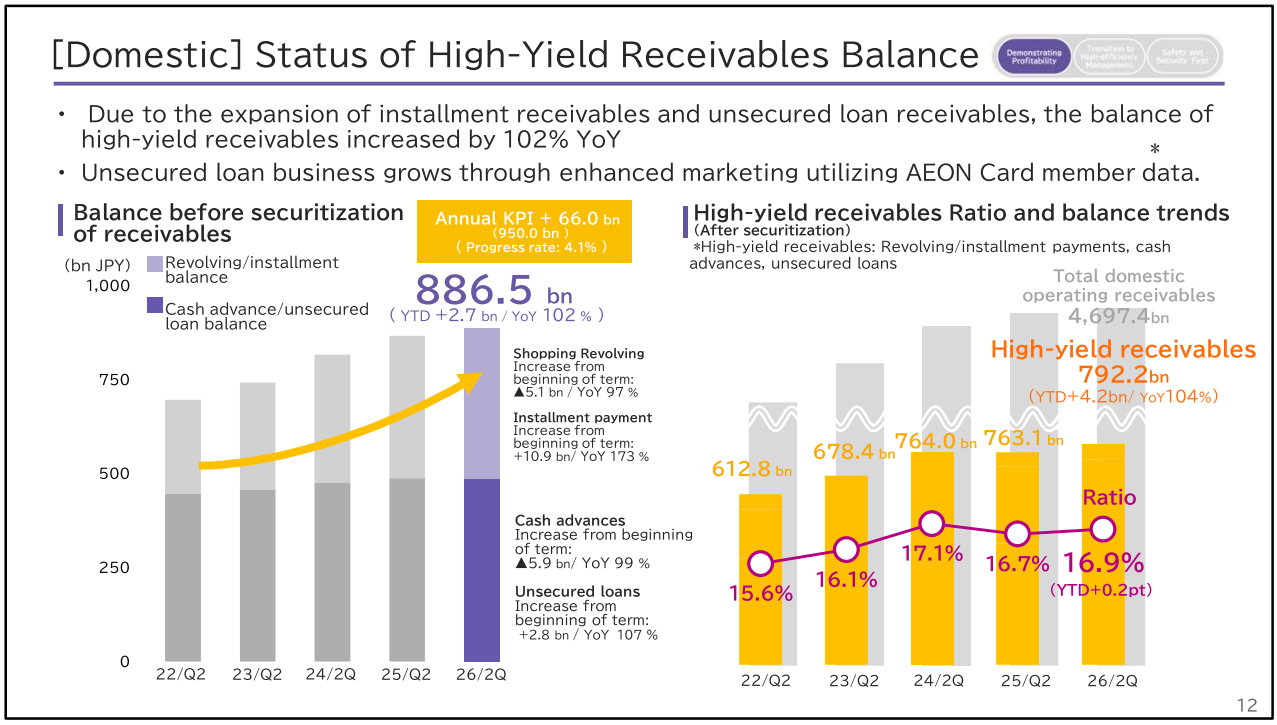
- Meanwhile, the number of AEON Pay members increased by 2.74 million from the start of the period.
  While progress toward our annual KPI stands at approximately 15%, we intend to accelerate our efforts in the second half of the fiscal year by integrating AEON Pay into AEON Group apps and intensifying our member acquisition initiatives.



- Here is the status of transaction volume.

- As shown on the left, our company's total transaction volume, which combines shopping transaction volume and E-money, amounted to 4 trillion 945.2 billion yen.

- As for AEON Pay's transaction volume shown on the right, we have achieved significant growth by reaching 146% of the figure from the same period last year, driven by an expanding membership base and promotional initiatives encouraging usage both within and outside the AEON Group.

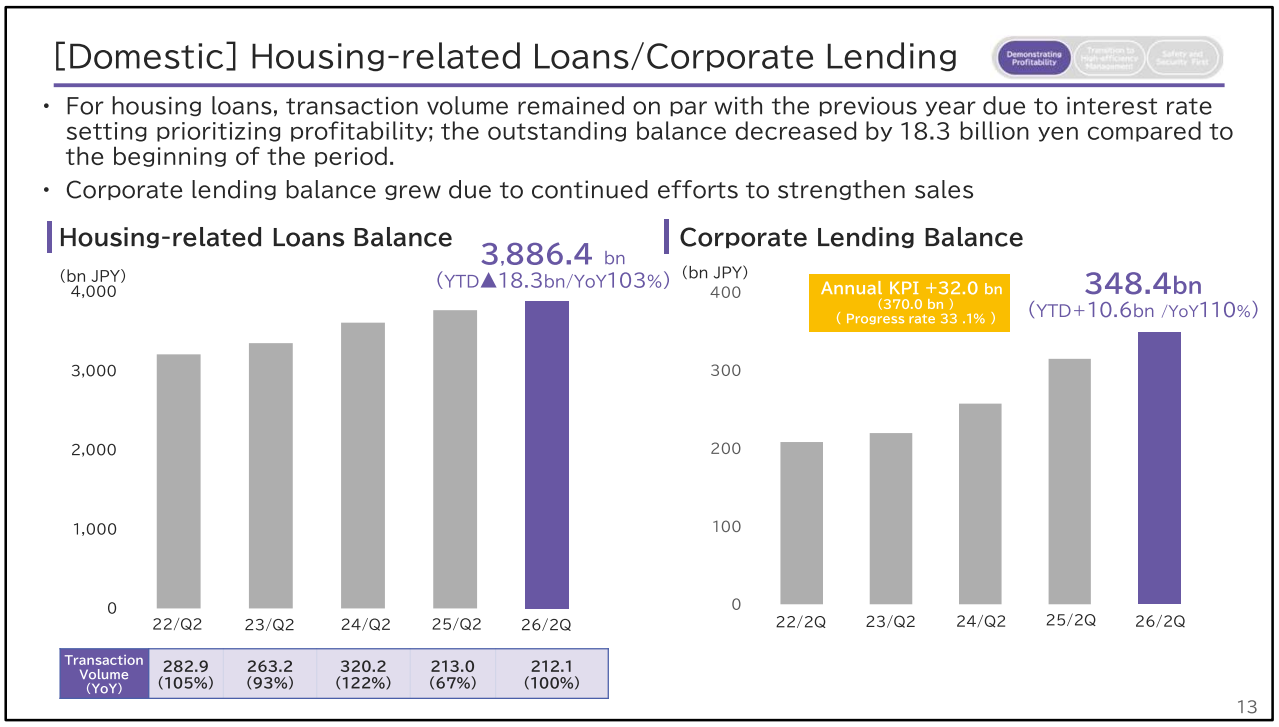


- This is regarding domestic high-yield receivables.

- The graph on the left shows the balance prior to the securitization of receivables.
  Driven by the launch of our “Pay in Installments Later” service during September of 2025, the balance of installment payments increased by 10.9 billion from the beginning of the term.
  Additionally, the balance of unsecured bank loans increased by 2.8 billion yen, driven by strengthened marketing efforts that leveraged cardholder data.

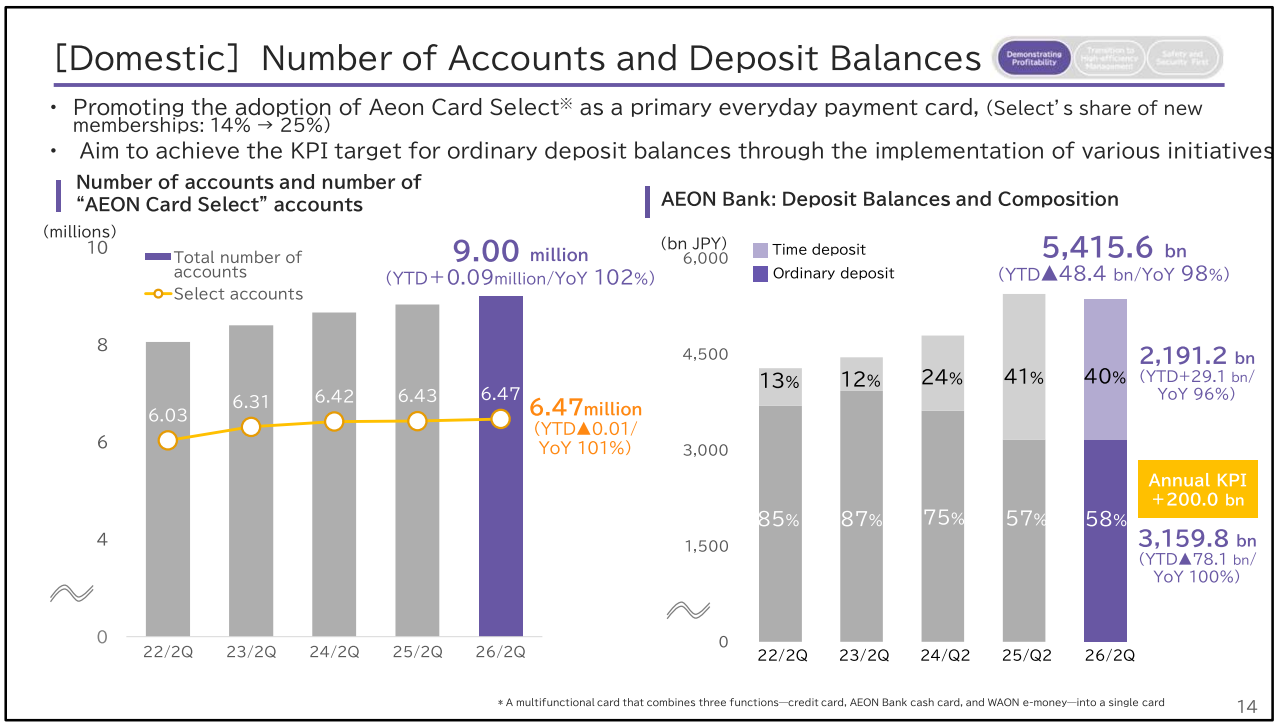
- The graph on the right shows the trend in the balance following securitization. The proportion of high-yield receivables in the total domestic receivables balance rose by 0.2 percentage points compared to the same period last year.

- We have also decided to raise the effective annual interest rate for installment payments starting in November of this year, as we aim to enhance profitability by simultaneously expanding outstanding balances and improving yields.



- The outstanding balance of housing-related loans stands at 3 trillion 886.4 billion yen, a decrease of 18.3 billion from the beginning of the period.
  Regarding AEON Bank's loans for condominium investments, interest rate competition has intensified. However rather than aggressively matching competitors, we have shifted our operational approach to prioritize maintaining lending spreads. While this shift resulted in a lower number of new loan originations compared to the previous year the total volume of housing loans, including those for residential mortgages, remained on par with the previous year's level.

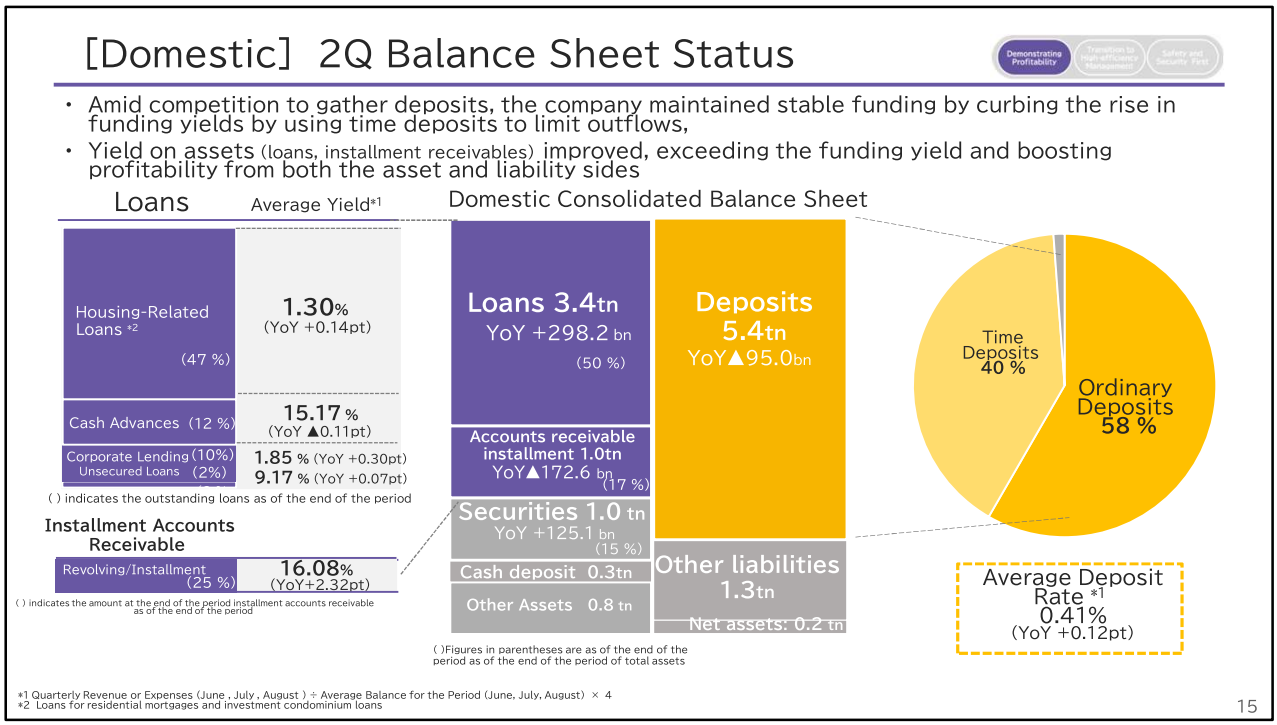
- The outstanding balance of corporate loans stood at ¥348.4 billion.
  Although the balance decreased compared to the previous quarter due to some large-scale repayments in the second quarter, we are making steady progress in securing new deals by strengthening our business foundation, and we aim to expand this business moving forward.



- This is regarding the number of accounts and deposit balances at AEON Bank.

- The number of accounts at AEON Bank has grown to 9 million. As part of our efforts to establish the bank as customers' primary account for daily financial needs, we have actively promoted the "AEON Card Select," resulting in an increase in the new enrollment rate from 14% to 25%.

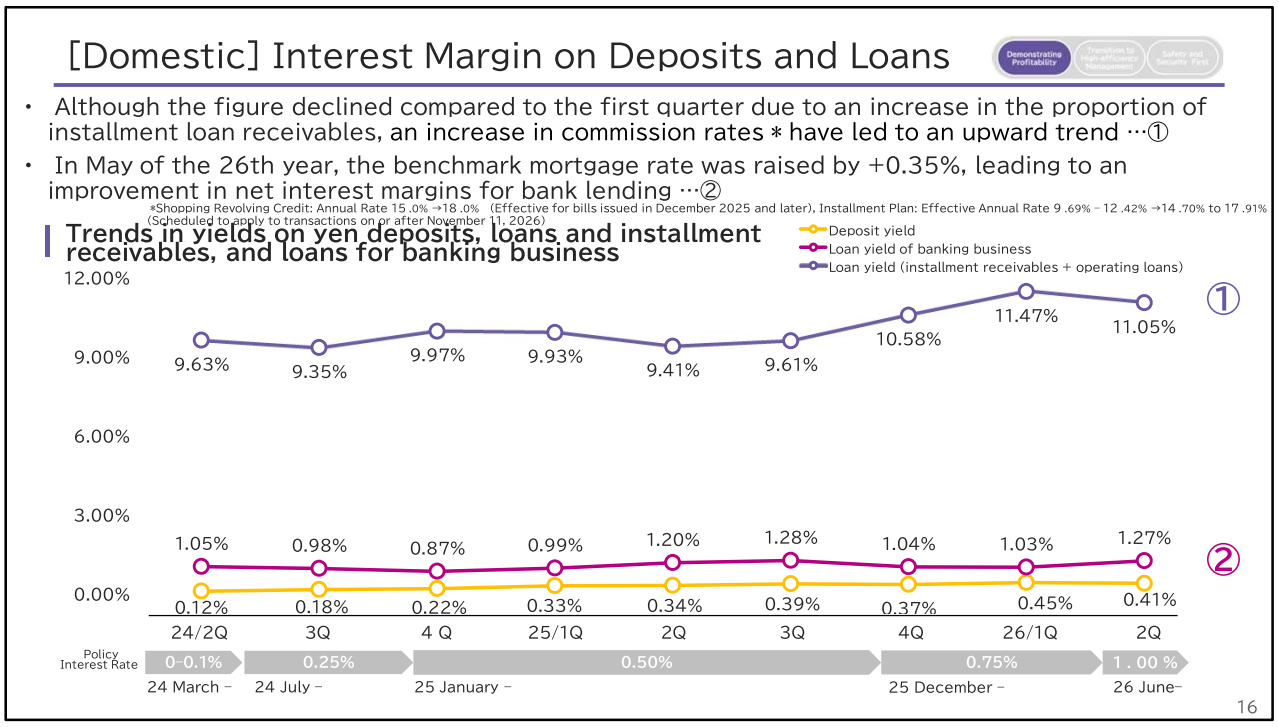
- Deposit balances stood at 5 trillion 415.6 billion yen. While this represents a decrease of 48.4 billion yen compared to the beginning of the period partly due to intense competition for deposits, we have successfully curbed capital outflows and maintained stable funding by encouraging a shift from ordinary deposits to time deposits amidst this competitive environment.



- This is regarding the domestic balance sheet.

- In recent years, the domestic interest rate environment has changed significantly, with the policy interest rate rising to 1.25% by September 2026.
  Amidst this environment, regarding funding, we have successfully curbed fund outflows partly by utilizing time deposits, and maintained the average deposit interest rate at a low level of 0.41%.

- As for the lending yields shown on the left, the quarterly trends of which I will explain on the next page, we are seeing improvements in yields across categories such as housing loans, corporate loans, and installment receivables.
  We are establishing a structure where the improvement in investment yields outpaces the rise in funding costs, thereby enhancing profitability across both our assets and liabilities.



- This chart shows the quarterly trends in yields on loans and receivables..

- The yield on "installment receivables and operating loans" (shown in purple) declined compared to the first quarter due to the composition of the outstanding balance. However, the impact of the revised revolving credit fee rates is expected to materialize over the medium to long term. We also revised the fee rates for installment payments starting in November, and the effects of this change will gradually become apparent.

- Regarding the "loan yield of banking business" (shown in red), the interest margin improved following the hike in benchmark rates for residential mortgages implemented on May 1.

- Furthermore, regarding the policy interest rate hikes in June and September of this year, we will gradually pass these on to mortgage interest rates, thereby leading to improved profitability.

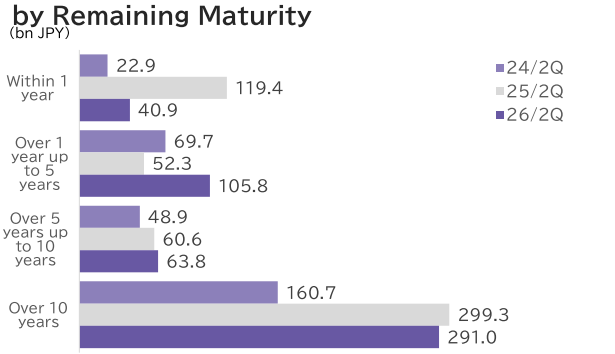
[Domestic] Yen-Denominated Bonds

- Proceeding with the rebalancing of government bonds to shorten the duration of yen-denominated bonds and improve yields

AEON Bank: Securities Portfolio

(bn JPY)	FY26/2Q	Composition Ratio	Change from FY25/2Q
Government Bonds	286.5	34.0%	▲63.7
Municipal Bonds	8.5	1.0%	7.7
Short-term corporate bonds	0.0	0.0%	▲26.9
Corporate Bonds	113.9	13.7%	45.0
Total Bonds	**409.0**	**49.0%**	**▲37.9**
Stocks	15.8	1.9%	10.9
Foreign Securities	148.2	17.8%	10.3
Other	261.4	31.3%	18.8
Total Other and Stocks, etc.	**425.4**	**51.0%**	**40.1**
Total (excluding held-to-maturity)	**834.5**	**100.0%**	**2.1**
Bonds Held to Maturity	235.1	—	133.0
Total Securities (including held-to-maturity securities)	**1,069.7**	—	135.1

Trends in Yen-Denominated Bond Balances by Remaining Maturity



Yields on Yen-Denominated Bonds

(%)	2024/2Q	2025/2Q	2026/2Q
Yield	0.76	1.38	2.16

* Excluding bonds held to maturity and purchased monetary claims
* Yields are calculated based on the balance as of the end of August 2026 and interest and dividends for the second-quarter accounting period (3 months)

- The table on the left shows AEON Bank's securities portfolio.

- The total balance of securities (excluding those held to maturity) stood at 834.5 billion yen, an increase of 2.1 billion yen year-on-year.
  While reducing holdings of Japanese government bonds, we increased our positions in corporate and local government bonds to enhance diversification and improve yields.

- The graph on the right illustrates the trend in the outstanding balance of yen-denominated bonds by remaining maturity.
  We have shortened the average remaining maturity of our yen-denominated bond portfolio by rebalancing our Japanese government bond holdings, utilizing interest rate hedges for a portion of Japanese government bonds with maturities exceeding 10 years.

- As a result, the yield on yen-denominated bonds improved from 0.76% in the first half of the fiscal year two years ago to 2.16% in the current interim period.

- We will continue to review our portfolio while closely monitoring the interest rate environment.

[Domestic] Progress on Cost Structure Reform

- Promoting optimal staffing, primarily at service centers, to reduce outsourcing costs
- Beginning a proof of concept (PoC) for the introduction of AI voice operators in the second half of the fiscal year to achieve further efficiency gains.

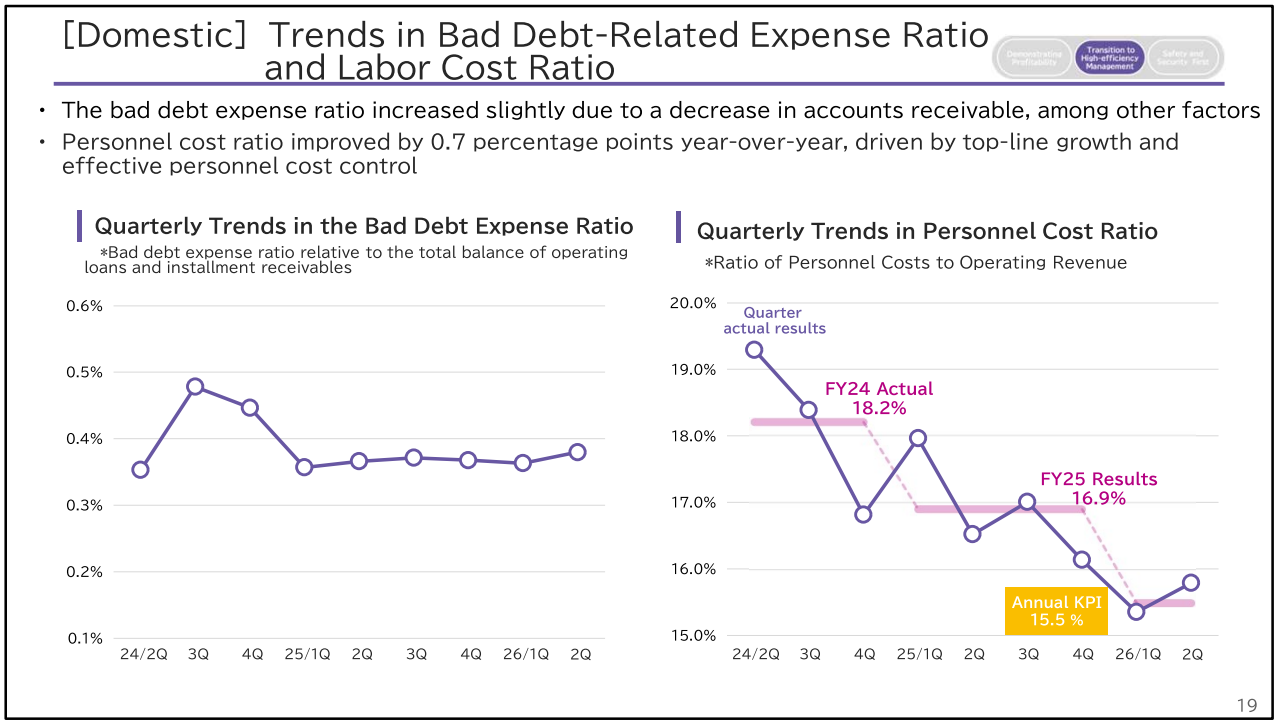
		FY2026 improvement goal	Progress	
Review of Products and Services	Revision of terms and conditions to meet customer needs, cost optimization , ATM reform, etc. (Discontinuation, operational review, etc.)	▲¥1.6 bn	▲¥0.57 bn	Optimization of credit card management Review of terms with partners, etc.
AI-centered productivity reforms	Utilization of AI operators and other technologies utilization of AI operators, and operational efficiency	▲¥1.1 bn	▲¥1.06 bn	Contact Center, in the Systems Department, Reduction of outsourcing costs, etc.
▶ Total		▲¥2.7 bn	▲¥1.63 bn	

*Cost savings are the difference from FY 2025

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- Regarding cost structure reform, we achieved savings of 1.6 billion yen during the first half of the fiscal year, against a full-year improvement target of 2.7 billion yen.
  In addition to reviewing our products and services, we are working to reduce outsourcing costs, particularly in areas such as contact centers and IT systems.

- We have begun a trial of AI voice operators in the second half of the fiscal year.



- The ratio of bad debt-related expenses rose slightly from the previous period, partly due to a decrease in the balance of accounts receivable. We will continue to manage this through the enhancement of our credit and collection processes.

- The personnel expense ratio stood at 15.8%, an improvement of 0.7 percentage points year-on-year. This was driven by top-line growth and the optimization of staffing and outsourcing. While the second quarter was affected by base salary increases implemented during that period, we aim to achieve our full-year KPI of 15.5%.

Overseas Business

- Now, I will explain about our overseas business.

[Overseas] Financial Highlights by Segment

- Operating revenue reached record highs in all three regions; the overseas business as a whole posted higher revenue and profits
- In the second fiscal quarter, the China area posted higher revenue and profit

Interim period (6 months)	Overseas Buiness	YoY	China Area	YoY	Mekong Area	YoY	Malay Area	YoY
Operating Revenue	131.0 bn	114 %	19.9 bn	116 %	51.6 bn	105 %	59.3 bn	123 %
Operating Profit	19.1 bn	102 %	6.3 bn	120 %	6.4 bn	82 %	6.3 bn	114 %
<Reference> Bad debt-related expenses	44.6 bn	118 %	4.3 bn	111 %	19.0 bn	115 %	21.3 bn	124 %
Second Quarter (3 months)	**Overseas Business**	**YoY**	**China Area**	**YoY**	**Mekong Area**	**YoY**	**Malaysia Area**	**YoY**
Operating Revenue	65.6 bn	112 %	10.1 bn	117 %	25.6 bn	103 %	29.8 bn	121 %
Operating Profit	7.6 bn	82 %	3.0 bn	108 %	2.3 bn	60 %	2.2 bn	85 %
<Reference> Bad debt-related expenses	24.2 bn	124 %	2.2 bn	120 %	10.5 bn	121 %	11.3 bn	128 %

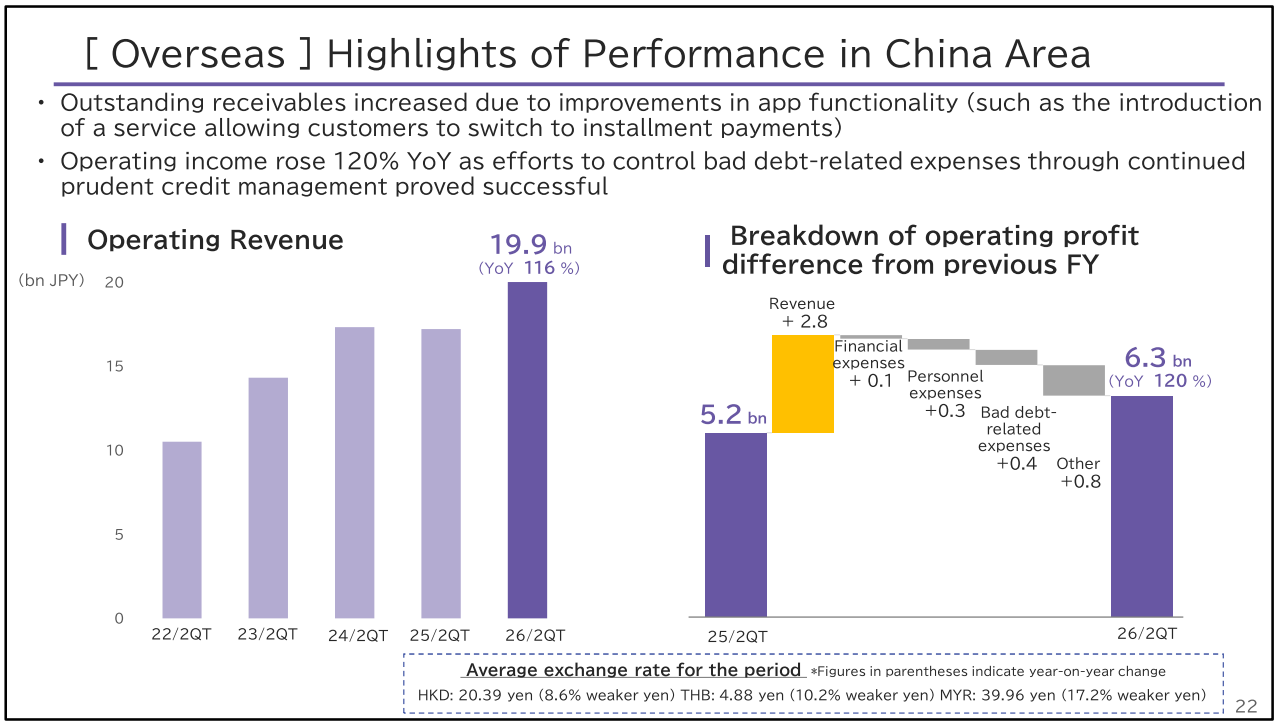
Average exchange rate for the period *Figures in parentheses indicate year-on-year change
HKD: 20.39 yen (8.6% weaker yen) THB: 4.88 yen (10.2% weaker yen) MYR: 39.96 yen (17.2% weaker yen)

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- Regarding our overseas operations, driven in part by the boost from the weak yen, operating revenue reached record highs across all regions. Overall, the overseas segment posted increases in both revenue and profit.

- For the three-month period of the second quarter, operating profit stood at 82% of the level seen in the same period last year. While the China area continued to see growth in both revenue and profit, the Mekong and Malay areas experienced increases in costs such as bad-debt related expenses.

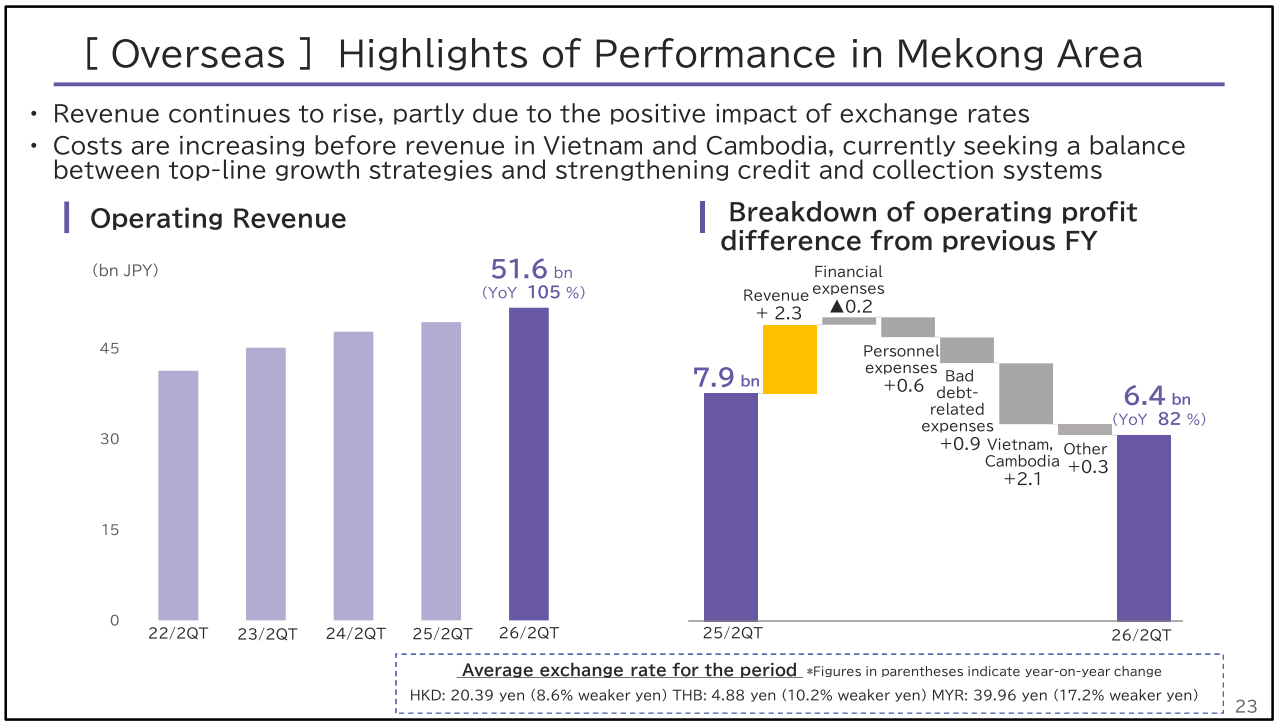
- Starting from the next page, I will explain the details of the profit and loss results for each area.



- First, about the China area.

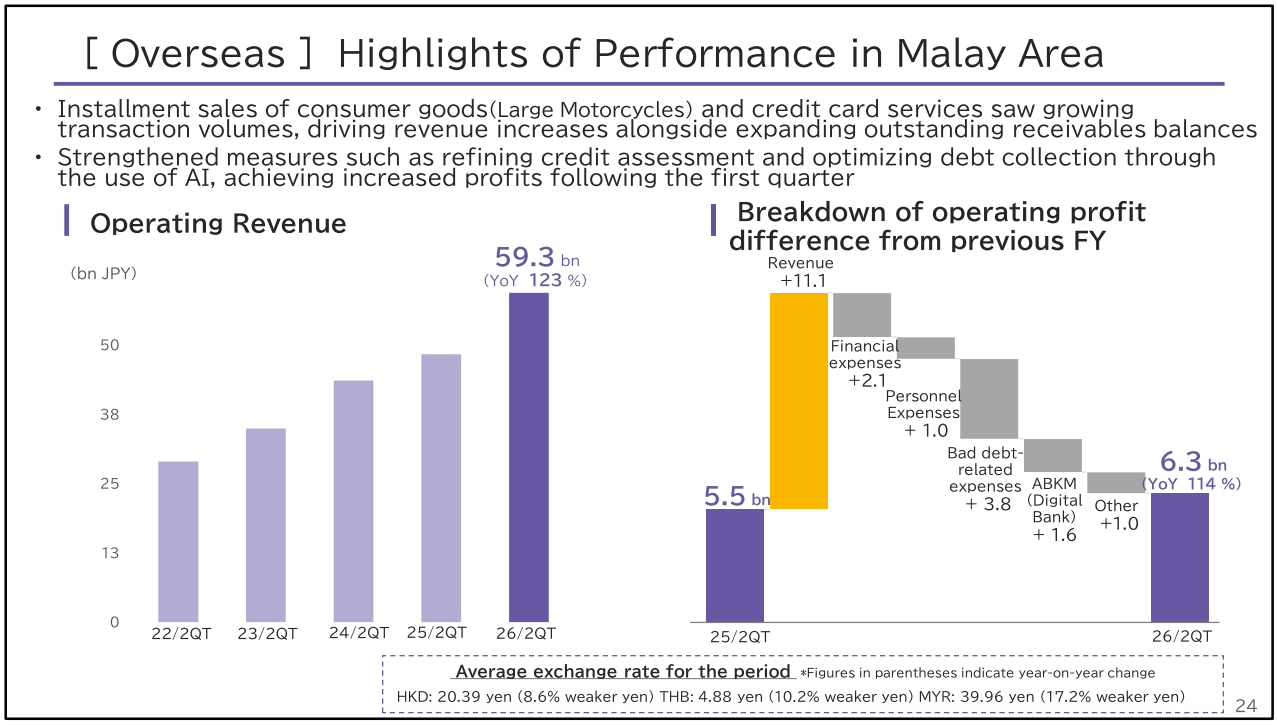
- Operating revenue stood at 19.9 billion yen (116% year-on-year), and operating profit was 6.3 billion yen (120% year-on-year), marking solid performance.
  The balance of outstanding receivables grew, driven by the expansion of unsecured loans and enhanced app convenience, such as the addition of features for installment payments.

- In addition, maintaining prudent credit management and effectively controlling bad debt-related expenses contributed to the increase in profit.



- In the Mekong area, operating revenue reached 51.6 billion yen (105% year-on-year) partly due to the positive impact of exchange rate fluctuations.

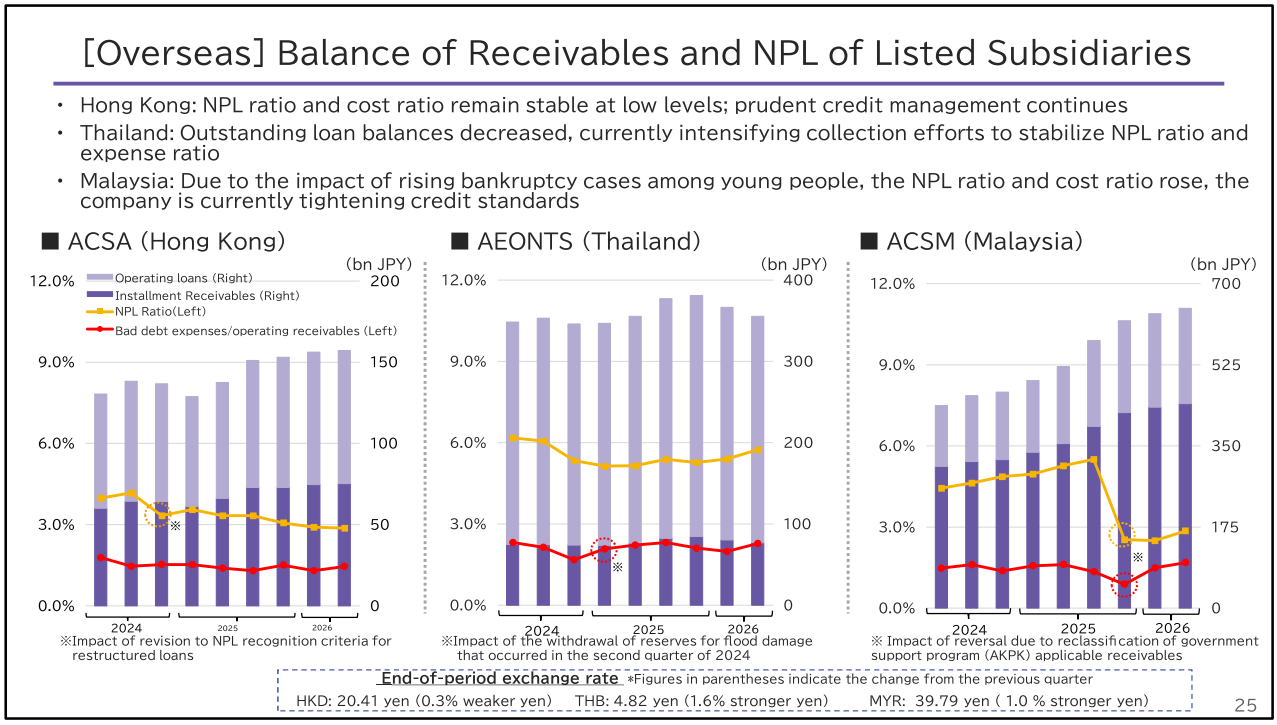
- Meanwhile, operating profit stood at 6.4 billion yen, 82% of the prior year.
  This result was primarily driven by an increase in bad-debt related expenses in Vietnam and Cambodia. While expanding our operational base in these countries, we are refining our credit assessment processes and strengthening collection efforts, aiming to strike a balance between top-line growth and asset quality.



- In the Malay area, operating revenue reached 59.3 billion yen (123% year-on-year), and operating profit stood at 6.3 billion yen (114% year-on-year).

- In Malaysia, the expansion of outstanding receivables drove revenue growth, fueled by increased transaction volumes in installment sales for large motorcycles and credit card usage.

- Meanwhile, in response to shifting credit risk profiles, particularly among younger demographics, we are tightening credit screening criteria and enhancing debt collection processes through the use of AI. We aim to improve the quality of our receivables while maintaining strong growth.

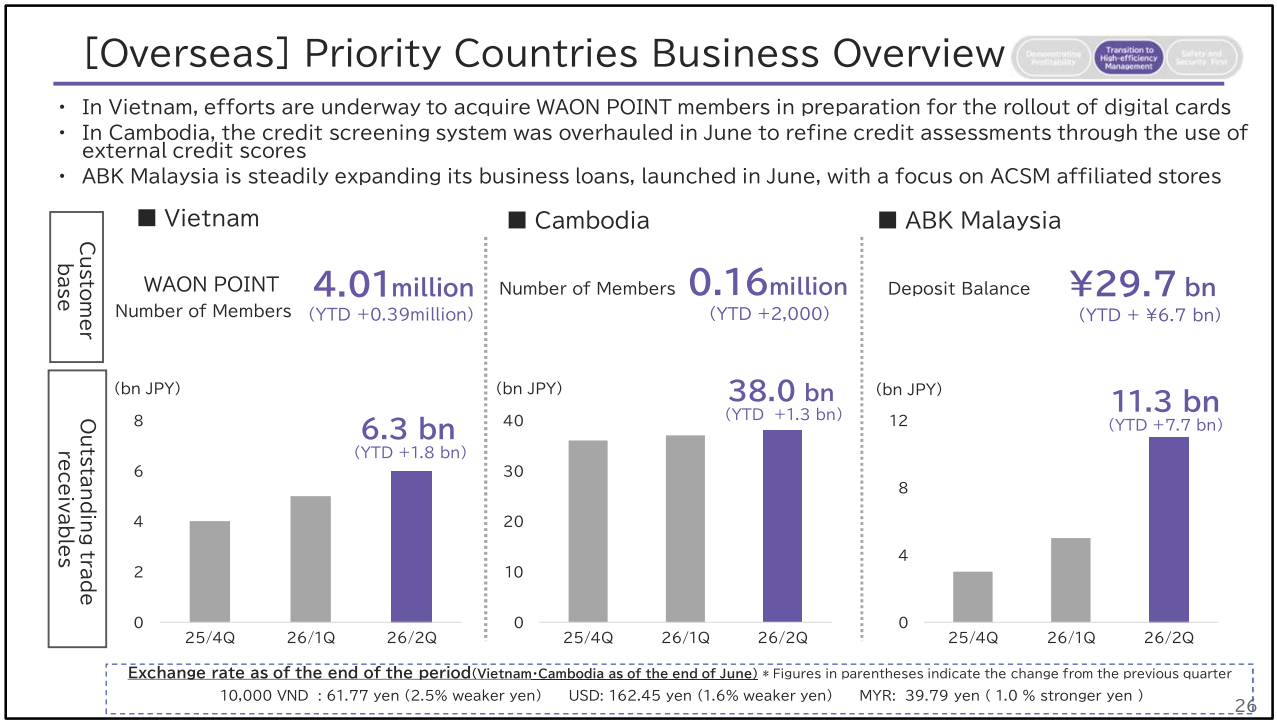


- This chart shows the quarterly trends in outstanding loan balances and non-performing loan (NPL) ratios for our three overseas listed subsidiaries.

- In Hong Kong, both the NPL ratio and the bad debt expenses ratio remain stable at low levels.

- In Thailand, we are continuing to tighten credit standards in response to local market conditions, resulting in a decline in outstanding receivables. Meanwhile, we are intensifying collection efforts to stabilize NPL and cost ratios.

- In Malaysia, while the outstanding receivables balance remains solid, NPL and cost ratios have risen, driven by factors such as an increase in bankruptcies among the younger demographic. We are reviewing our credit screening processes and strengthening collection measures to ensure rigorous control over bad-debt related expenses.



- Here is an overview of the operations in Vietnam, Cambodia, and the digital bank for Malaysia, which are the countries that have been designated as priority markets under our mid-term management plan.

- In Vietnam, the number of WAON point members is growing steadily, and we are working to strengthen our lending services by leveraging this member base.

- In Cambodia, we have revamped our credit screening system and are refining our credit assessment processes through the use of external scoring data.

- At AEON Bank Malaysia, we launched business lending services in June 2026 and are actively expanding our loan portfolio as a new area of growth.

- Moving forward, we will continue to steadily expand our customer base and grow our outstanding receivables balances in each of these countries.

KPI Progress for the Mid-Term Management Plan (FY2026–FY2030)

KPI's		Unit	2025 Result	FY 2026 KPI	2026 First Half Result	FY2026 Full-Year Progress Status	2030 Goal
Domestic	Number of Active AEON Pay ID	(1,000 persons)	12,080	+17,920 (Total: 30,000)	+2,740 (Total: 14,830)	15.3%	60,000
	Outstanding Balance of Current Deposit	(tn yen)	3.2	+0.2 (Total: 3.4)	▲0.05 (Total: 3.1)	—	5.6
	Transaction volume of cashless transactions	(tn yen)	9.8	11.0	4.9 (YoY +0.01)	45.0%	19.0
	Outstanding Account Receivables for individual customers (High-yield)(*1)	(bn yen)	883.8	+66.2 (Total: 950.0)	+2.7 (Total: +886.5)	4.1%	1,260.0
	Outstanding Account Receivables for corporate customers	(bn yen)	337.8	+32.2 (Total: 370.0)	+10.6 (Total: 348.4)	33.1%	530.0
	Personnel cost against operating revenue	(%)	16.9	15.5	15.8 (YoY ▲0.7pt)	—	12.0
Overseas	Outstanding trade receivables (※2)	(bn yen)	1,157.7	+132.3 (Total: 1,290.0)	+13.4 (Total: 1,171.2)	10.1%	1,750.0
	Outstanding trade receivables (※3)	(bn yen)	41.1	+17.9 (Total: 59.0)	+3.2 (Total: 44.3)	17.9%	200.0

*1 Before securitization *2 Total of three overseas listed subsidiaries and AEON Bank (Malaysia) *3 Total of subsidiaries in Vietnam and Cambodia

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- This is a list of the KPI progress status of the mid-term management plan.

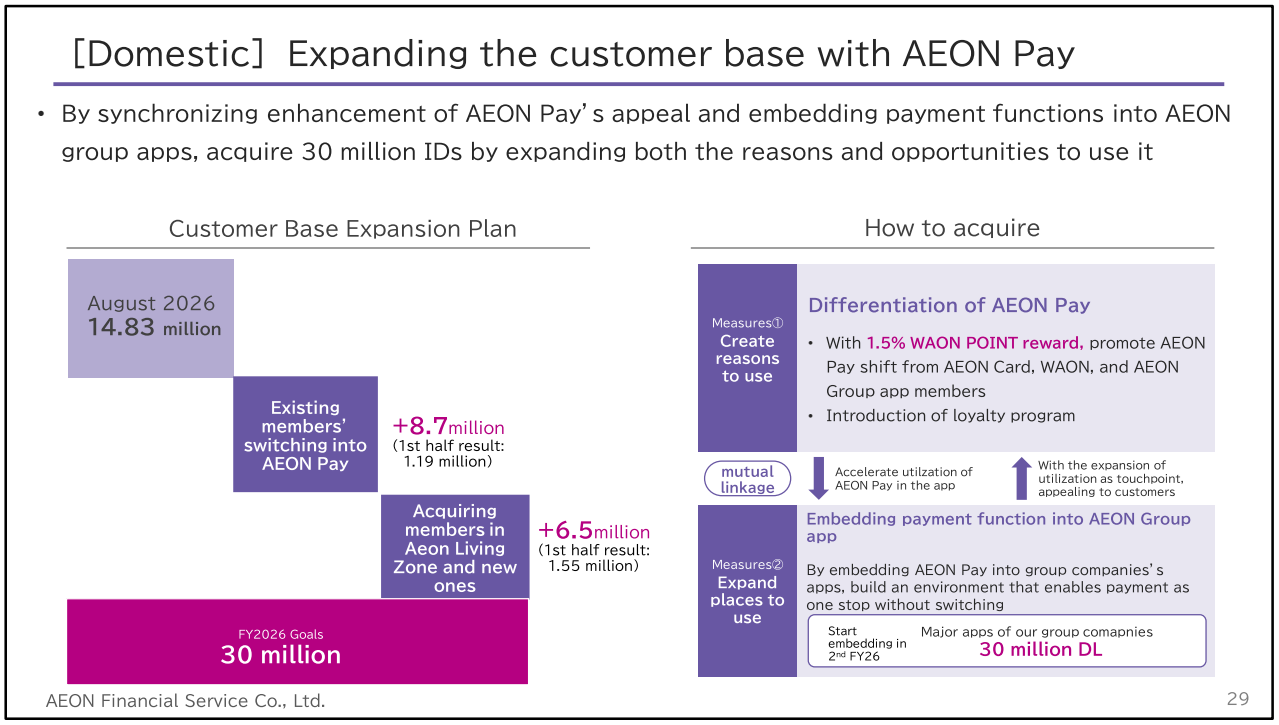
- While we have seen progress in areas such as corporate receivables and the personnel cost ratio against operating revenue, there are other metrics such as the number of active AEON Pay members and ordinary deposit balances that require accelerated growth during the second half of the fiscal year.
  In the second half of the fiscal year, we will focus on expanding our AEON Pay customer base, driving usage, and increasing the balance of high-yield receivables, aiming to achieve our targets for each KPI.

- We will outline our future policies and initiatives in the section dedicated to key implementation items.

- This concludes my overview of our interim financial results for the first half of the fiscal year.
  Thank you for listening.

Key Implementation Items

- I am the president Fukayama.
- I will now explain our key implementation items for the second half of the fiscal year, based on our mid-term management plan, as well as our approach to achieving medium-term growth.



- First, I will discuss our initiatives regarding AEON Pay, which serves as a key driver of our earnings growth.

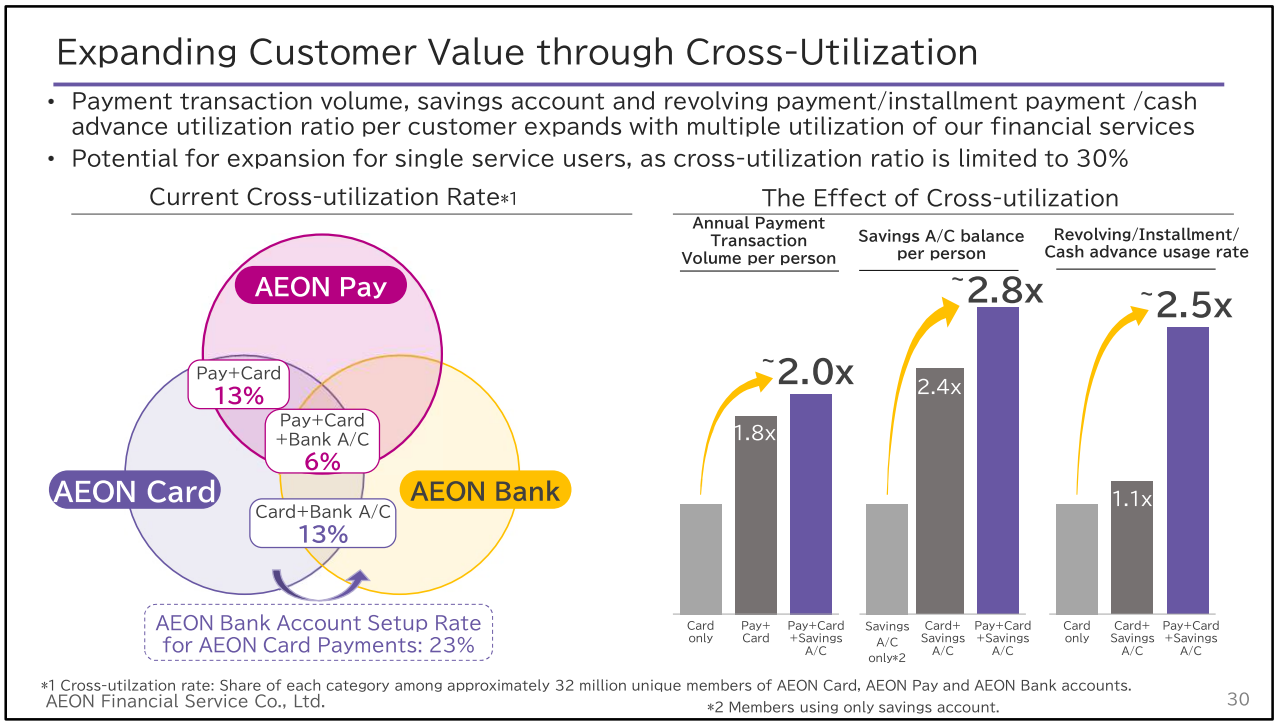
- We aim to create an environment where customers can naturally use AEON Pay during their everyday shopping experiences.

- To achieve this, we are advancing initiatives that link two key strategies: "creating reasons to use it" and "expanding the occasions for its use."

- Regarding "reasons to use it," we are enhancing the appeal of AEON Pay, such as through point reward systems, to encourage customers who already use AEON Cards or WAON to also adopt AEON Pay.

- As for "occasions for use," we are integrating AEON Pay functionality into the apps of various AEON Group companies, including AEON Mall, General Merchandise Stores (GMS), and specialty stores.
  We are expanding an environment that allows customers to complete the entire payment process within the apps they use daily, without needing to switch between different applications.
  We began integrating AEON Pay functionality into the AEON Mall app on October 6.

- By mutually linking these "reasons to use" and "occasions for use," we aim to encourage existing customers to adopt AEON Pay alongside their current payment methods and acquire new customers through Group apps, with the goal of reaching 30 million registered IDs by the end of fiscal year 2026.



- Next, I would like to discuss increasing value for our customers through the cross-utilization of our services.

- As a result of the various initiatives that we have implemented, customers who use multiple services (such as AEON Pay, the AEON Card, and AEON Bank accounts) show significantly higher annual transaction volumes, ordinary deposit balances, and usage rates for revolving credit, installment payments, and cash advances compared to those who use only a single service.

- However, customers currently using multiple services account for only about 30% of our total customer base, leaving significant room to encourage the remaining 70% to utilize a wider range of our services.

- Moving forward, we will focus on acquiring new customers with AEON Pay at the core of this effort while also considering the introduction of a loyalty program designed to foster cross-utilization among existing members.

- By encouraging customers to use AEON Pay in their daily lives and subsequently expand their usage to include the AEON Card and bank accounts based on their individual needs, we aim to deepen our relationships with each customer and ultimately increase customer lifetime value (LTV).

[Domestic] Promote cross-utilization & expand revenue by integration of customer touchpoints

- By shifting AEON Card counter to AEON Bank and utilizing TV consultation desks, develop light-weight yet full-line nation-wide dense financial service locations

Expanding service coverage through transfer of operations

	Card	Bank A/C	Loan	Insurance	Wealth Building
AEON Bank branches (*) 159 stores	●	●	●	●	●
AEON Card Counter 300 stores	●	●	–	–	–
AEON Card Counter + TV Consultation Desks	●	●	TV Window (Coming soon)	TV Window (Coming soon)	TV Window (Coming soon)

Transfer operations to AEON Bank + remote TV Window
Full-line services through lightweight locations

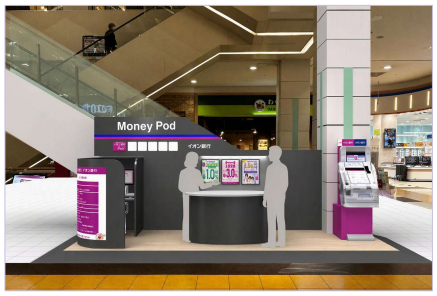


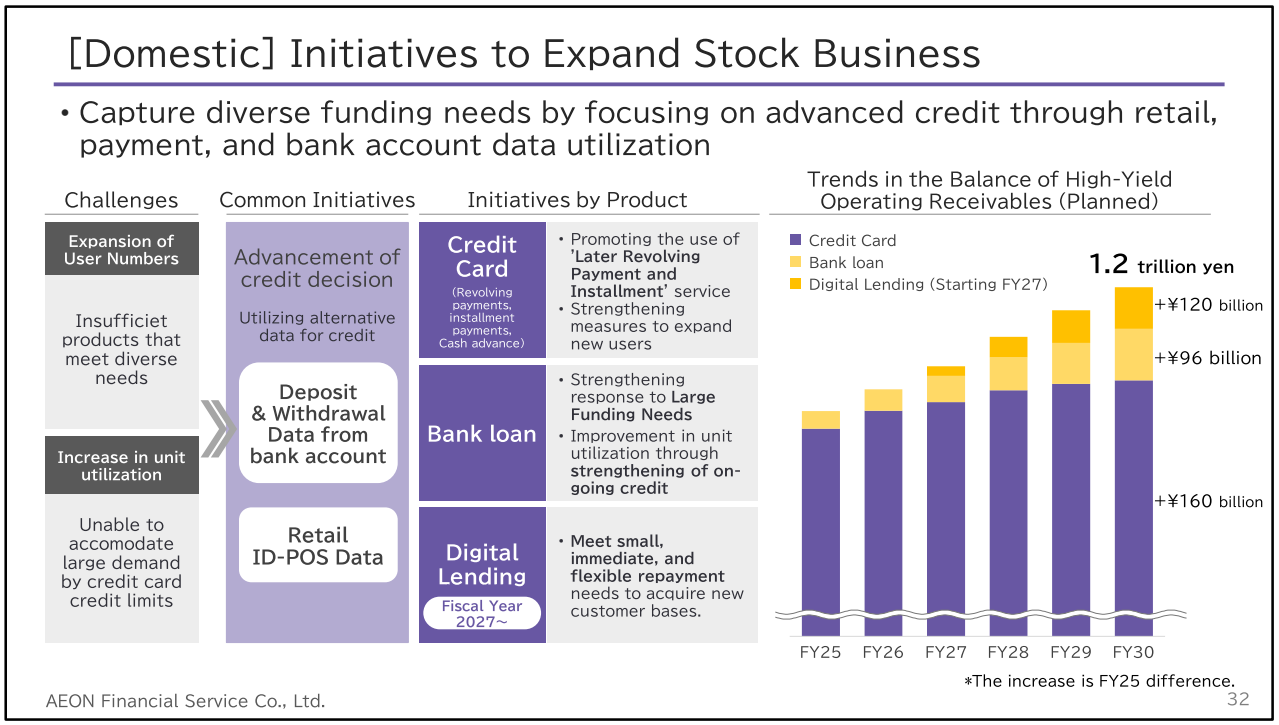
Image: AEON Card Counter + TV Consultation Desks

Leverage the nationwide counter network
Consider using it to provide full-line financial services

Expand the number of service locations to
Strengthen the deposit base and profitability

* Number of branches located within AEON stores

- Physical customer touchpoints are also crucial for driving cross-utilization.
- Currently, there are 300 AEON Card counters nationwide. However, the services offered there are limited to guidance regarding credit cards and bank accounts.
- In contrast, there are only 159 AEON Bank in-store branches capable of providing a full range of financial services, including loans, insurance, and asset management.
- Moving forward, we will transfer the operation of AEON Card counters to AEON Bank and integrate them with TV consultation desks that allow customers to consult remotely with bank staff. This will enable us to maintain a lean operational model while ensuring we can address inquiries that require specialized expertise.
- By leveraging our nationwide network of counters to expand the number of locations offering a full suite of financial services, we aim to strengthen our deposit base and enhance our overall profitability.



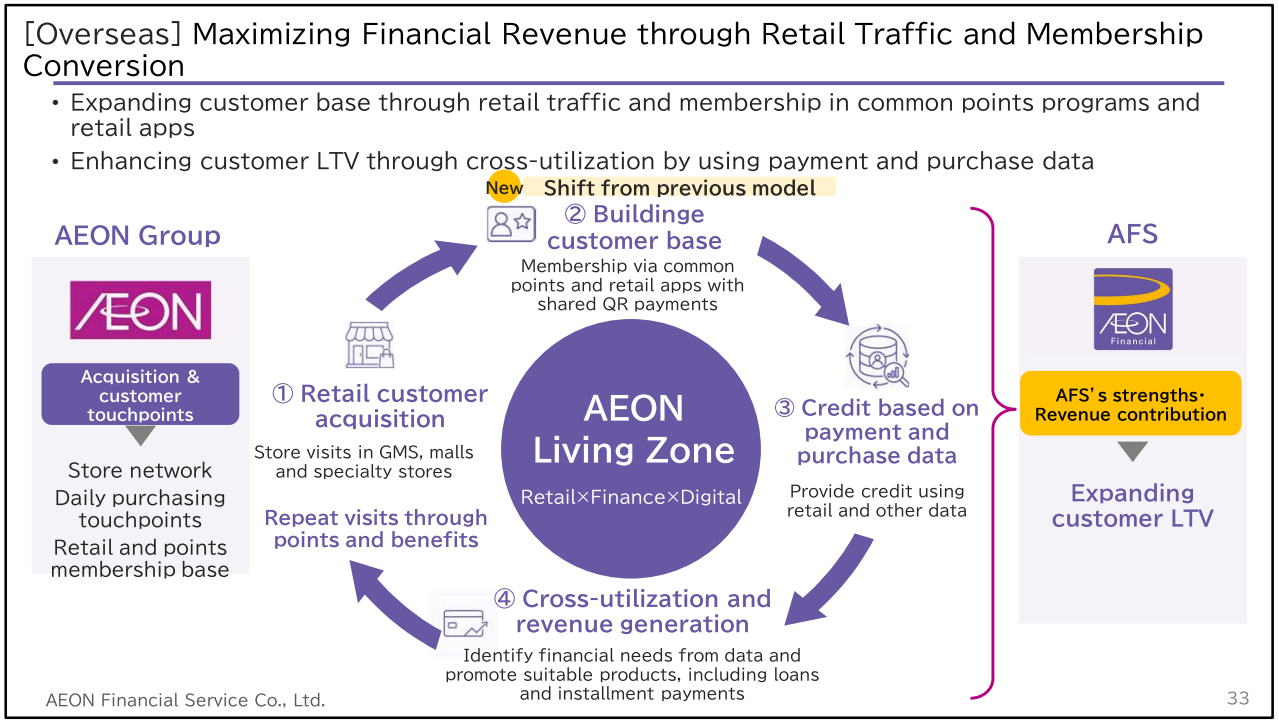
- I will now explain our initiatives to expand our stock business model, aimed at strengthening our earnings capacity.

- Our customers have a wide range of financial needs, spanning everything from planned expenditures to urgent, unexpected expenses.
  To address this diverse spectrum of needs, we are strengthening our bank loan offerings alongside our credit card business.
  Furthermore, we are launching a new digital lending service designed to meet the demand for smaller, immediately accessible loans.

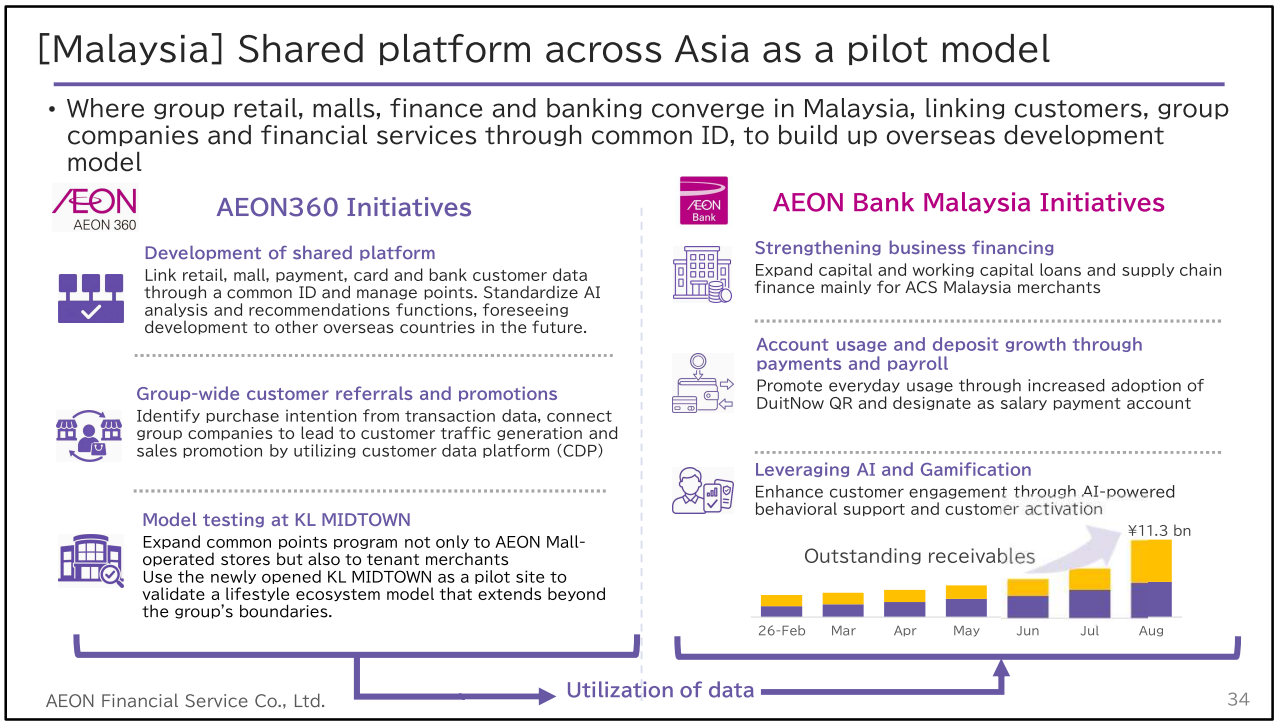
- For our credit card business, we aim to increase the number of active users by promoting features such as the option to convert existing charges into revolving or installment payments via our mobile app.
  For larger financial needs that exceed standard credit card limits, we offer bank loans with credit lines of up to approximately 8 million yen.
  Meanwhile, many customers including those using borrowing services for the first time, seek smaller, instant loans with flexible repayment options. We will cater to these needs through our new digital lending service, which is set to launch in the first half of the fiscal year of 2027.

- To effectively address such diverse customer needs, highly precise credit assessment is essential.
  By incorporating not only traditional demographic and profile data but also information such as bank account transaction history and retail purchase data, we can more accurately assess each customer's individual situation and make informed, appropriate credit decisions.

- Through these initiatives, we aim to grow our outstanding receivables balance by 96 billion yen in bank loans and 120 billion yen in digital lending from fiscal year 2025 by fiscal year 2030.



- Now I will discuss our key implementation items in our overseas business.
- In our key markets of Malaysia, Vietnam, and Cambodia, our shared objective is to establish a business model that integrates retail, finance, and digital technologies.
- Previously, we built our customer base by first conducting credit assessments for individuals wishing to purchase products via installment plans, eventually leading to the issuance of credit cards.
- However, this traditional model, which relies on initial contact with customers who specifically seek out financial services, has inherent limitations in terms of expanding our customer base. It has also failed to fully leverage the extensive customer touchpoints available across the AEON Group.
- Our new business model aims to capitalize on the AEON Group's strong ability to attract customers. By integrating loyalty points and convenient payment functions into our retail apps, we will engage casual users and establish regular, day-to-day touchpoints.
- Through the payment and purchase data gathered in this process, we can conduct more precise credit assessments. This, in turn, allows us to expand the use of financial services such as loans, installment plans, and credit cards tailored to individual customer needs, thereby driving profitability.
- By using loyalty points and special offers to encourage repeat visits to our retail stores, we create a self-sustaining cycle and a new growth model for our international operations.



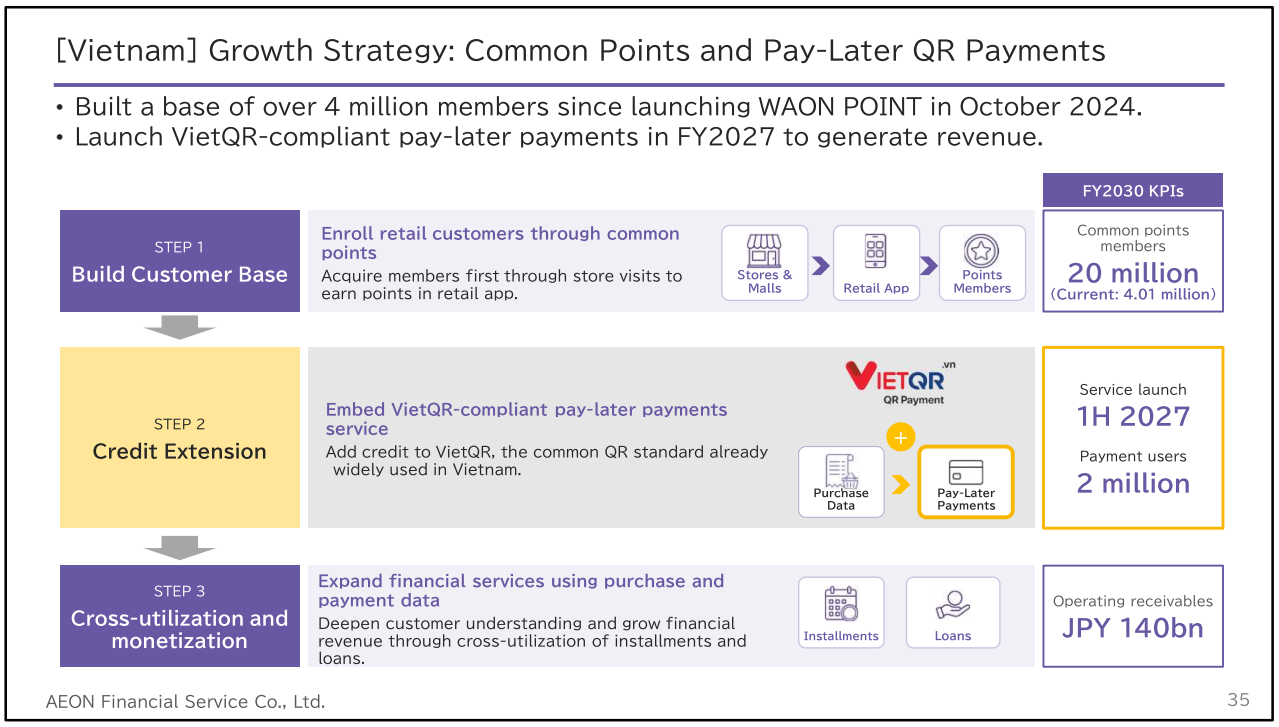
- Malaysia is where we are working to realize, ahead of other locations, the business model we envision for our overseas business.

- The AEON Group already has a presence in Malaysia through its retail, shopping mall, and various service operations, creating a foundation for an integrated living zone that combines retail, finance, and digital services.

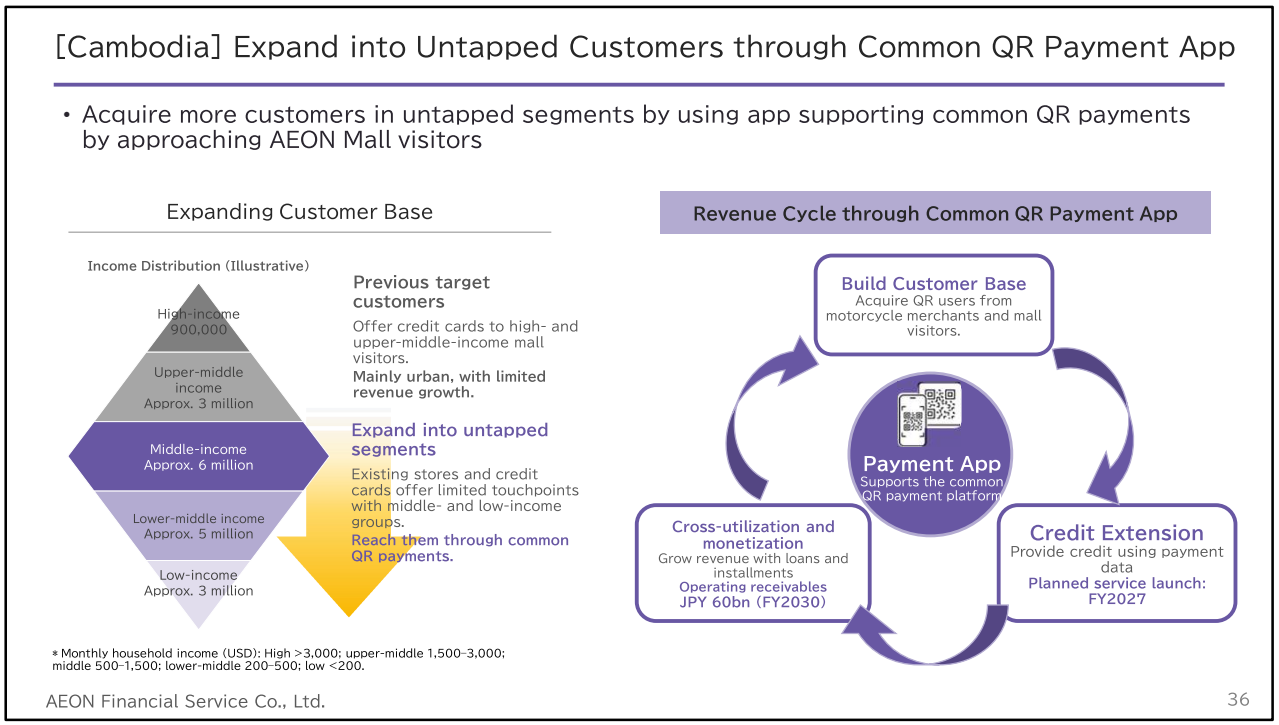
- Through AEON360, a platform company established last year, we are developing a shared infrastructure centered on a unified group ID. As part of this initiative, we plan to consolidate the management of our group-wide loyalty point system under AEON360 by the end of this year. We will extend this system not only to our own directly operated stores but also to tenants within our shopping malls, thereby building a living zone that transcends the boundaries of individual group entities.

- Furthermore, AEON Bank Malaysia, which launched in 2024, has seen steady growth, reaching approximately 490,000 accounts by the end of August. For corporate clients, primarily merchants affiliated with AEON Credit Service (Malaysia), we are expanding financing options to support needs such as capital investment and working capital. For individual customers, we are encouraging the use of local shared QR payment systems and promoting the setup of salary-deposit accounts to drive daily account usage and deposit growth. Additionally, we are integrating AI agents into our app to provide tailored suggestions and support for a wide range of needs extending well beyond financial services to transform the app into an essential, everyday touchpoint.

- By leveraging these frequent interactions to deepen our understanding of our customers, we can offer the most relevant financial products and services, ultimately enhancing customer engagement and driving profitability. Our goal is to establish this "retail × finance × digital" model in Malaysia and subsequently apply the insights gained to our other overseas operations.



- Now I will explain about the Vietnam business.
- In 2024, we launched a group-wide loyalty point program in Vietnam, encouraging customers who visit AEON Group stores to become members.
- In the roughly two years since its inception, we have built a membership base exceeding 4 million. We are currently promoting the cross-utilization of services such as loans among these members, and are already seeing positive results.
- Moving forward, as we expand our store footprint, we intend to further grow our loyalty membership base. Additionally, we plan to introduce a "buy now, pay later" (BNPL) service that is compatible with "VietQR“, a common QR-based payment standard widely adopted across Vietnam.
- In Vietnam, where the penetration of the credit card business remains limited, the development of credit-scoring models utilizing "alternative data" such as daily purchasing patterns is becoming increasingly important.
- By using our loyalty program as an entry point to build a customer base, and subsequently expanding into financial services such as BNPL and lending, we aim to reach the following targets by the end of fiscal year 2030: 20 million loyalty program members, 2 million active users of our payment services, and an outstanding balance of receivables totaling 140 billion yen.



- Next is about the Cambodia business.

- In the past we have provided financial services primarily to higher-income customers through credit cards.
  However, relying solely on credit cards has made it difficult to establish daily touchpoints with a broader customer base that includes those in the middle- and lower-income segments, thereby limiting our ability to significantly expand our customer base.

- In the roughly two years since its inception, we have built a membership base exceeding 4 million. We are currently promoting the cross-utilization of services such as loans among these members, and are already seeing positive results.

- Moving forward, we will integrate a common QR-based payment system compatible with the Bakong network into our proprietary app. This will allow us to offer payment services to a wider range of customers, including those who do not hold credit cards, through both the AEON Group and external merchant partners.
  Our strategy is to first encourage customers to use the Bakong-based payment system, then leverage the resulting member base to cross-sell products such as loans, installment plans, and credit cards, ultimately driving profitability.

- This concludes the overview of our initiatives in Malaysia, Vietnam, and Cambodia.

- While the specific growth models vary by country, the overarching business model remains the same: we leverage the AEON Group's ability to attract customers, using accessible services such as loyalty points, our app, and payment solutions as an entry point to build a customer base.
  We then utilize the purchasing and payment data generated from these interactions to conduct appropriate credit assessments, facilitating the adoption of further financial services and, in turn, generating revenue.

- By establishing this cycle in each country, we aim to solidify a growth model that integrates retail, finance, and digital services.

[Our Purpose]



- This concludes my explanation of the key implementation items we will prioritize from the second half of the fiscal year onwards.

- In the domestic market, we will leverage the AEON Group's customer base and infrastructure to expand "AEON Pay." By using payment services as a gateway, we will facilitate access to credit, thereby driving revenue growth.

- Overseas, we will build a customer base by tapping into the AEON Group's ability to attract customers. We will begin by offering services such as universal loyalty points and QR-based payments, and subsequently provide appropriate credit, thereby establishing a new business model.

- Both domestically and internationally, we will harness the unique customer touchpoints of the AEON Group to fuel our growth. By steadily executing each of these initiatives, we aim to expand our customer base and achieve sustainable revenue growth, ultimately reaching the targets set out in our mid-term management plan.

- Thank you for your time.

【Q&A】

■JP Morgan Securities Analyst Sato

Q 1 . Could you provide an overview of the current credit environment and the future outlook in Malaysia, Cambodia, and Thailand? Specifically, is the incidence of loan defaults worsening among the younger demographic and lower-income groups in Malaysia? Regarding Cambodia, what is the current situation? And for Thailand, could you explain the background behind the additional provisioning at AEON ASSET MANAGEMENT (THAILAND) CO., LTD.?

(Tomoharu Fukayama, President and CEO)

A 1 . In Malaysia, we are closely monitoring the rise in loan defaults. By product type, defaults are increasing for loans related to two-wheeled vehicles—such as small motorcycles—whereas the credit quality for large motorcycle loans remains sound. We are assessing the situation across different product categories and regions and rather than simply tightening credit excessively, we are focusing on strengthening debt collection efforts to minimize the emergence of non-performing loans (NPLs). In Cambodia, the economic environment is under pressure partly due to the return of migrant workers following conflicts near the Thai border, as well as the withdrawal of foreign capital, and an improvement in conditions is not currently in sight. Regarding our lending operations, not only have defaults risen, but we have also revised our provisioning criteria to more prudently account for future default risks, resulting in the recognition of additional provisions. As our customer base varies by product, we aim to curb the emergence of NPLs through the provision of appropriate credit.

(Kazumasa Oshima, Executive Officer in charge of Finance and Accounting)

A 2 . The additional provisions recorded by AEON ASSET MANAGEMENT (THAILAND) CO., LTD. in Thailand stem from a detailed review of our accounting standards. As several years have passed since the commencement of operations and a sufficient volume of historical data has been accumulated, we have refined our accounting policies and adopted a more conservative approach to provisioning. This does not reflect any significant deterioration in the business environment or the quality of our receivables.

■SMBC Nikko Securities Analyst Hara

Q 1 . Regarding the domestic business in the second quarter, what is the primary reason for the sluggish growth in shopping transaction volume and high-yield receivables, is it a lack of investment, the macroeconomic environment, or the competitive landscape? Furthermore, it was mentioned that the extra profit will be reinvested in the second half of the year, what specific initiatives will these funds be allocated toward?

（Tomoharu Fukayama, President and CEO）

A 1 . Adjusting for inflation, there has been virtually no real growth, and we view our shopping transaction volume as a weakness. We are currently in the midst of a product overhaul; our existing AEON Cards lack sufficient support for contactless payments, and intensifying competition, particularly from mobile carrier-affiliated issuers, has led to a decline in recurring payment transactions. We intend to push forward with our product reforms and implement new initiatives from the second half of the fiscal year onward to regain momentum.

Growth in high-yield receivables has also been sluggish. Stricter application screening and more conservative reviews of credit limits for existing customers have resulted in lackluster growth across both our existing and new customer bases. We have updated our credit-scoring model for new card applications, and approval rates have been gradually recovering since September. While we continue to conduct ongoing credit reviews to adjust existing limits, the credit ceiling for card-based cash advances is capped at 900,000 yen. Consequently, for customers with strong creditworthiness which is demonstrated by their repayment history, we are proposing a transition to bank loans with credit limits of up to 8 million yen, as part of our strategy to expand our outstanding receivables balance.

■Nomura Securities Analyst Sasaki

Q 1 . Regarding the capitalization of certain system-related costs shown on pages 4–5 of the presentation materials, could you please explain the rationale behind this and its financial impact? Additionally, what were the actual performance figures for the three-month second-quarter period?

（Shinichiro Nishimura, Managing Executive Officer in charge of Corporate Planning and Overseas Operations）

A 1 . Large-scale system overhauls entail migration costs, which are, in principle, expensed during the accounting period in which they are incurred. However, certain costs, such as those for testing to verify the accuracy of programs, were capitalized as intangible fixed assets, as these activities contribute to the development of a high-quality system. These will be expensed over time through depreciation. For the three-month second quarter, the impact includes one-time expenses of 5.1 billion yen, as well as approximately 2.0 billion yen in depreciation charges.

Q 2 . Is it correct to understand that the one-time cost of 5.1 billion yen was recorded during the three-month second quarter, and that no such costs will be incurred moving forward?

（Shinichiro Nishimura, Managing Executive Officer in charge of Corporate Planning and Overseas Operations）

A 2 . The 5.1 billion yen recorded this period represents a one-time cost associated with the system migration. While further maintenance costs may arise to ensure stable operations,

these will fall within the scope of routine maintenance. Additionally, approximately 2.0 billion yen in depreciation expenses was recorded for the second quarter. Therefore, the "underlying" operating profit for the three-month second-quarter period excluding the impact of the core system can be determined by adding back both the 5.1 billion yen in one-time costs and the approximately 2.0 billion yen in depreciation expenses.

■Mizuho Securities Analyst Sakamaki

Q 1 . Regarding the mid-term management plan KPIs on page 27 of the presentation materials, it appears that initiatives aimed at top-line growth are generally lagging. Can this be recovered through additional expenditure? Furthermore, how do you assess the progress or effectiveness of each of these initiatives?

(Tomoharu Fukayama, President and CEO)

A 1 . The number of active AEON Pay members has reached only 15% of the annual target for new member acquisition. We anticipate that the major promotional campaigns for usage and new sign-ups currently underway will begin to show results moving forward. Cross-utilization between AEON Card members and AEON Pay members has not progressed as expected, with some customers abandoning the transition due to a difficult-to-use user interface (UI). We plan to improve the UI/UX in the second half of the fiscal year to ensure that AEON Card members can use AEON Pay smoothly.

The balance of outstanding receivables for individual customers increased by only 2.7 billion yen during the first half of the fiscal year compared to the beginning of the period. While the balance typically declines during the summer bonus season due to seasonal factors, this year's figures have fallen short of our projections. Moving forward, we aim to grow balances, including those from revolving payments, by expanding bank loans, increasing the average transaction value through a review of credit limits, and encouraging AEON Card members to transition to AEON Pay.

Regarding the impact of cross-utilization, our presentation materials highlight that when users who previously relied solely on their credit cards begin using AEON Pay, it often leads to the use of cash advance services. While there is a declining demand for selecting installment payments at the point of sale, there is a growing need to change payment methods, such as switching to installment or revolving payments, via the app after the initial transaction. We have observed that when users who previously used only their credit cards adopt the app and are made aware that they can change their payment method (e.g., from a one-time lump-sum payment to installments or revolving payments) after the transaction, the utilization rate for installment payments, revolving payments, and cash advances increases by 2.5 times.

We recognize that progress against our KPIs is significantly behind schedule, and we intend to focus our efforts on addressing this.

■Morgan Stanley MUFG Securities Analyst Takemura

Q 1 . Regarding the full-year outlook, what factors should be considered when comparing the second-quarter results with the projected performance for the second half of the year? I understand the one-time system-related costs will not recur from the third quarter onwards, and that expenses are expected to rise due to factors such as an increase in the rewards rate for AEON Pay. Could you please highlight any other elements that should be noted?

（Kazumasa Oshima, Executive Officer in charge of Finance and Accounting）

A 1 . Regular depreciation expenses are projected to be in the range of 2.0 to 2.5 billion yen per quarter. To bolster KPIs that are currently lagging, the company plans to allocate an additional 4.0 to 4.5 billion yen toward sales promotion expenses. As part of this effort, a campaign launched on October 6 offers a 1,000-yen balance credit to new AEON Pay members. This is in addition to a 1.5% point-reward program, supplemented by a 10% point-reward initiative offered through group companies. These measures are intended to grow the AEON Pay membership base and expand the overall customer base.

While the company anticipates increased earnings from adjustments to mortgage interest rates, it also faces growing unrealized losses on government bond holdings due to rising interest rates. Consequently, the portfolio may be rebalanced as needed, which could result in the recognition of losses from the sale of these assets. Internationally, the company needs to manage credit loss costs in Malaysia and Cambodia, while identifying potential for earnings growth in Hong Kong. Strategies for the second half of the fiscal year will be tailored with varying priorities across different countries and business segments.