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Company name: AEON Financial Service Co., Ltd.
Representative: Shunsuke Shirakawa, Chairman and
President
(Security code: 8570, Tokyo
Stock Exchange, Prime Market)
Contact: Tomoyuki Mitsufuji, Director and Managing
Executive Officer
(Phone: 03-5281-2027)

Notice Regarding Recording of Extraordinary Losses, Revision of Forecasts of Consolidated Operating Results, and Differences between Expected Non-consolidated Operating Results and Actual Results for the Previous Fiscal Year

AEON Financial Service Co., Ltd. (hereinafter “the Company”) hereby announces that it is expected to record extraordinary losses due to damage occurring in the course of conducting business operations. In addition, the Company also announces the revision of forecasts of consolidated operating results for the fiscal year ended February 28, 2025, which were disclosed on April 9, 2024, and differences between expected non-consolidated operating results and actual results for the previous year are anticipated to occur.

1. Recording of extraordinary losses and the reason thereof

(1) Recording of bad debt related expenses in extraordinary losses (consolidated/non-consolidated)

For the fiscal year ended February 28, 2025 (March 1, 2024 to February 28, 2025), the Company is expected to record 9.9 billion yen of the handling amount that was considered as fraudulent use through illegal acts of third parties with regard to offline transactions which are conducted only under certain payment services/special conditions offered in domestic card shopping in relation to credit cards issued by the Group (hereinafter, “the handling amount considered as fraudulent use in certain offline transactions”) as bad debt related expenses in extraordinary losses.

As for the handling amount considered as fraudulent use in certain offline transactions which arose during this fiscal year, the Company has been making efforts to prevent further damage from occurring by working on various countermeasures.

Moreover, to prevent unauthorized usage of credit cards by phishing scams, etc. which has been increasing in the domestic market, the Company has so far established a security system through the introduction of personal identification service (3D Secure), anomaly detection monitoring to detect unauthorized use for 24 hours a day, every day, and other means. Regarding illegal acts that have become increasingly sophisticated in recent years, including cybercrimes, we will strive to safely provide services to customers by eliminating and preventing fraudulent use by reinforcing the fraud detection monitoring system through the setup of a specialized department, etc. and strengthening partnerships with companies in the industry and relevant organizations.

(2) Recording of extraordinary losses by recognizing impairment losses on shares of consolidated subsidiary (non-consolidated)

In non-consolidated financial results for the fiscal year ended February 28, 2025 (March 1, 2024 to February 28, 2025), the Company is expected to record a loss of 15.2 billion yen on valuation of shares of subsidiaries and associates, including a loss of 10.4 billion yen on valuation of shares of AEON Allianz Life Insurance Co., Ltd. based on the “Accounting Standard for Financial Instruments.”

Since the above-mentioned losses on valuation of shares of subsidiaries and associates is eliminated in the consolidated financial results, there is no impact on the consolidated operating results for the fiscal year ended February 28, 2025.

2. Forecasts of consolidated operating results

(1) Full-year consolidated operating results for the fiscal year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

| | Operating revenue (Millions of yen) | Operating profit (Millions of yen) | Ordinary profit (Millions of yen) | Profit attributable to owners of parent (Millions of yen) | Profit per share (Yen) |
|---|--|---------------------------------------|--------------------------------------|--|---------------------------|
| Previously announced forecasts (A) | 520,000 | 55,000 | 55,000 | 21,000 | 97.28 |
| Currently announced forecasts (B) | 533,100 | 61,300 | 62,400 | 18,700 | 86.62 |
| Increase (decrease) (B-A) | 13,100 | 6,300 | 7,400 | (2,300) | |
| Percentage of change (%) | 2.5 | 11.5 | 13.5 | (11.0) | |
| (Reference) Actual results for the previous fiscal year Full-year results for FY February 2024 | 485,608 | 50,088 | 51,174 | 20,896 | 96.81 |

(2) Background behind the revision of the operating results forecasts

The Company has revised the forecasts of the consolidated operating results for the fiscal year ended February 28, 2025 announced on April 9, 2024. No revisions have been made to the dividend forecast.

For the fiscal year ended February 28, 2025, consolidated operating revenue, consolidated operating profit and consolidated ordinary profit are expected to be higher than the previous forecasts due to steady revenue, mainly as a result of increases in the handling volume and balance of trade receivables for settlement and others in and outside of Japan, as well as continued efforts to strengthen control of expenses.

On the other hand, profit attributable to owners of the parent company is expected to be lower than the previous forecast due to the recording of extraordinary losses described in “1. Recording of extraordinary losses and the reason thereof.”

3. Expected non-consolidated operating results

(1) Differences between expected full-year non-consolidated operating results for the fiscal year ended February

28, 2025 and actual results for the previous year (March 1, 2024 to February 28, 2025)

| | Operating revenue (Millions of yen) | Operating profit (Millions of yen) | Ordinary profit (Millions of yen) | Profit (Millions of yen) | Profit per share (Yen) |
|---|--|---|---|--------------------------------|---------------------------|
| Actual results for the previous fiscal year (A) | 126,539 | 1,689 | 8,461 | 36,185 | 167.63 |
| Expected results for the current fiscal year (B) | 181,600 | 5,600 | 32,400 | 5,200 | 24.08 |
| Increase (decrease) (B- A) | 55,060 | 3,910 | 23,938 | (30,985) | |
| Percentage of change (%) | 43.5 | 231.5 | 282.9 | (85.6) | |

(2) Background behind the differences

As for expected non-consolidated operating results for the fiscal year ended February 28, 2025, operating revenue, operating profit and ordinary profit are expected to exceed the actual results for the previous fiscal year as a result of the absorption-type merger of AEON CREDIT SERVICE CO., LTD., which was a consolidated subsidiary of the Company, as of June 1, 2023, in the previous fiscal year (March 1, 2023 to February 29, 2024).

Profit is expected to be lower than the actual result for the previous fiscal year due to the recording of 30,618 million yen of extraordinary income in the previous fiscal year resulting from the absorption-type merger, as well as the recording of extraordinary losses stated in “1. Recording of extraordinary losses and the reason thereof” above in the fiscal year ended February 28, 2025.

(Note) The forecast figures provided above represent the outlook determined based on information that could be grasped at this moment, and actual operating results, etc. may be different due to various factors in the future.