



AEON CREDIT SERVICE (M) BERHAD

**(I) Proposed Joint Venture; and
(II) Proposed Bonus Issue**

Extraordinary General Meeting

Presented By



AmInvestment Bank

(Company No. 197501002220 (23742-V))
(A Participating Organization of Bursa Malaysia Securities Berhad)

16 October 2023

PROPOSED JOINT VENTURE AND PROPOSED BONUS ISSUE

Shareholders' approvals are sought for the following:-

1

Proposed Joint Venture

Proposed joint venture between AEON Credit Service (M) Berhad ("**AEON Credit**" or "**Company**") and AEON Financial Service Co., Ltd. ("**AFS**") to undertake the business of a digital Islamic bank.

The Proposed Joint Venture is deemed as a related party transaction in view of the interest of certain major shareholders and directors of AEON Credit.

Public Investment Bank Berhad has been appointed by AEON Credit as the Independent Adviser.

2

Proposed Bonus Issue

Proposed bonus issue of 255,307,690 new ordinary shares in AEON Credit ("**AEON Credit Shares**") ("**Bonus Shares**") on the basis of 1 Bonus Share for every 1 AEON Credit Share held by the Entitled Shareholders on an entitlement date to be determined later.

The Proposed Joint Venture and Proposed Bonus Issue are not inter-conditional

RATIONALE FOR THE PROPOSED JOINT VENTURE

1

A timely opportunity for AEON Credit to reach a wider pool of customers through ACS Digital Berhad (“**ACSD**”)

2

The Parties shall deploy their combined expertise in providing financial services and solutions to customers, especially from the underserved and unserved market segments

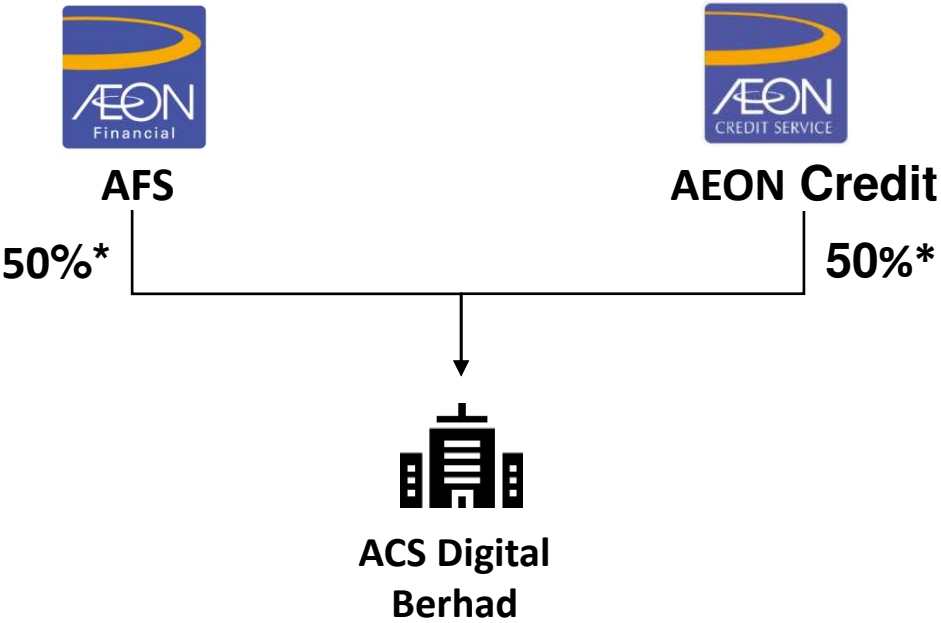
3

ACSD also intends to leverage on AEON Group’s retail network in Malaysia to elevate the banking experience of target segments by offering a broader range of financial services and products

4

Enable the Group as a whole including ACSD to have access to lower cost of funds via the deposits from the customers of ACSD

THE PROPOSED JOINT VENTURE



Initial Subscription

	No. of ACSD Shares	Value of contribution	Remarks
AEON Credit	175m	RM175m	Expected to be subscribed by 4Q 2023 after obtaining BNM and shareholders' approval
AFS	175m	RM175m	Full amount already subscribed by AFS
Total		RM350m	

Future subscription subsequent to ACSD commencing business

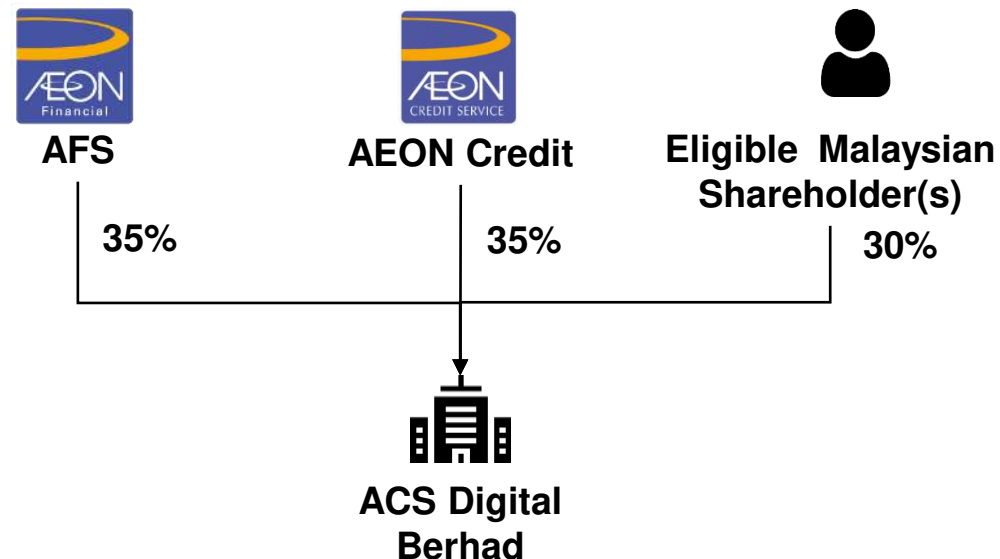
The Parties may subscribe for additional share capital of up to RM200 million in accordance with their respective proportions.

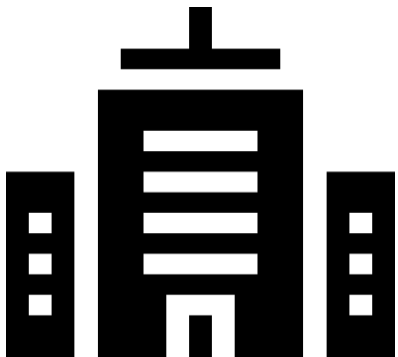
THE PROPOSED JOINT VENTURE (CONT'D)

Equity Condition

- By 7 April 2029 (i.e. within 5 years from the commencement of business and operation of the digital Islamic bank which is scheduled to take place not later than 8 April 2024), at least 30% of the shares in ACSD to be held by Malaysian shareholder(s), with priority given to Bumiputera shareholders (“**Eligible Malaysian Shareholders**”).
- The Parties intend to source the shareholder(s) from reputable Malaysian institutional shareholder(s) or corporate shareholder(s).

After compliance with the Equity Condition





ACS Digital Berhad

- The market launch of ACSD’s banking business is expected to take place in the **first quarter of 2024** (subject to the fulfilment of the conditions stipulated in the approval letter from Bank Negara Malaysia (“**BNM**”) and BNM’s satisfaction of the operational readiness review of ACSD to be conducted by BNM).
- The current status for the key areas are as follows:-

	Key Areas	Current Status
1.	Establishment of the board of directors of ACSD for the proposed digital bank*	In progress
2.	Appointment of key management personnel	Completed
3.	Staff recruitment and establishment of operational and control functions	In advanced stage of progress
4.	Technology development and procurement of software and services for banking operations*	In advanced stage of progress
5.	Operational readiness review*	In progress

Note: * subject to BNM approval, where applicable.

Additional financial commitment required

- 1 Undertaking from shareholders of ACSD for capital and liquidity support for operationalization of the business plan.
- 2 If Total Capital Ratio falls below the Internal capital Target, shareholders of ACSD to provide capital in an amount acceptable to BNM, proportionate to their shareholdings.
- 3 If exit plan events occur during foundational phase or ACSD fails to fulfil the requirements based on BNM's assessment at end foundational phase.

ACSD shall implement the exit plan measures which would include reimbursement of customer deposits, in an orderly and timely manner. ACSD must ensure sufficient capital and liquidity to implement the exit plan and as such ACSD may require additional funds from its shareholders.

EFFECTS OF THE PROPOSED JOINT VENTURE

Items	Proposed Joint Venture
Issued share capital and substantial shareholdings	<ul style="list-style-type: none">▪ No impact
Earnings and Earnings per Share (“EPS”)	<ul style="list-style-type: none">▪ ACSD will be an associated company of AEON Credit. Hence, AEON Credit will share the results of ACSD based on its shareholdings in ACSD▪ Based on FYE 28 February 2023, with the share of losses of ACSD and estimated expenses for the Proposed Joint Venture, the proforma EPS reduced from RM1.60 to RM1.56▪ Anticipated to contribute positively towards the earnings and EPS of AEON Credit in the future over the long term
Net Assets (“NA”), NA per share and Gearing	<ul style="list-style-type: none">▪ Save for the estimated expenses, no major effect on the net assets of AEON Credit▪ ACSD will be an associated company and as such any share of its results will have an impact on the future NA and the NA per share of AEON Credit

RATIONALE FOR THE PROPOSED BONUS ISSUE

1

To reward existing shareholders of AEON Credit for their continued support to the Company

2

Expected to enhance the marketability and trading liquidity of AEON Credit Shares on the Main Market of Bursa Securities

THE PROPOSED BONUS ISSUE

The salient terms of the Proposed Bonus Issue are as follows:-

Terms	Description
Entitlement Basis	<ul style="list-style-type: none">▪ 1 Bonus Share for every 1 existing AEON Credit Share
Capitalisation of Reserves	<ul style="list-style-type: none">▪ The Bonus Shares in respect of the Proposed Bonus Issue will be issued as fully paid, at no consideration and without capitalisation of the Company's reserves
Adjustment to Share Price	<ul style="list-style-type: none">▪ Assuming the basis of 1 Bonus Share for every 1 existing AEON Credit Share, based on the last traded price up to 30 August 2023, being the latest practicable date ("LPD"), the share price will be :<ul style="list-style-type: none">○ Pre Bonus : RM11.00○ Post Bonus : RM5.50





EFFECTS OF THE PROPOSED BONUS ISSUE

Items	Proposed Bonus Issue
Issued share capital and substantial shareholdings	<ul style="list-style-type: none">▪ Increase number of shares in issue. However, no change in the value of share capital▪ No effect on the percentage shareholdings of the substantial shareholders as the Bonus Shares will be allotted on a pro-rata basis to all shareholders
Earnings and EPS	<ul style="list-style-type: none">▪ Corresponding dilution in the Company's EPS as a result of the increase in the number of AEON Credit Shares in issue
NA, NA per share and Gearing	<ul style="list-style-type: none">▪ NA per Share will be diluted as a result of the increase in the number of AEON Credit Shares in issue

APPROVALS REQUIRED



Approvals required for the Proposed Joint Venture and the Proposed Bonus Issue

Completed		Remaining approvals required	
 BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	 BURSA MALAYSIA	 BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	 AEON CREDIT SERVICE
<u>29 April 2022</u>	<u>31 July 2023</u>	<u>Mid-October 2023</u>	<u>16 October 2023</u>
OBTAINED	OBTAINED	TO BE OBTAINED	TO BE OBTAINED AT THIS EGM
Approval of MOF for the grant of a licence to carry on digital Islamic banking business in Malaysia under the IFSA	Approval for the listing of and quotation for the Bonus Shares on Main Market	<ul style="list-style-type: none">Approval for the equity structure of ACSD to be held by AFS and AEON Credit in equal proportions of 50:50 respectively and for AEON Credit to acquire or hold material interest in ACSD	AEON Credit shareholders' approval

Barring unforeseen circumstances and subject to regulatory approvals, the Proposed Bonus Issue is expected to be completed in November 2023 and the Proposed Joint Venture in December 2023.

DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Directors) is of the opinion that the Proposed Joint Venture **IS IN THE BEST INTEREST** of AEON Credit



Accordingly, the Board (save for the Interested Directors) recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the **Proposed Joint Venture** at this EGM

The Board is of the opinion that the Proposed Bonus Issue **IS IN THE BEST INTEREST** of AEON Credit



Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the **Proposed Bonus Issue** at this EGM

This presentation is only a summary of the Proposed Joint Venture and the Proposed Bonus Issue. Shareholders are advised to read and carefully consider the contents of the Circular and the appendices (including the risk factors) contained in the Circular for further details and not to rely solely on this presentation in forming a decision on the Proposed Joint Venture and the Proposed Bonus Issue before voting by way of poll at this EGM. Unless stated otherwise, the defined terms herein will have the same meaning as the Circular.



AEON CREDIT SERVICE (M) BERHAD

INDEPENDENT ADVICE IN RELATION TO THE PROPOSED JOINT VENTURE

***Presentation to the Non-Interested Shareholders of
AEON Credit Service (M) Berhad***

16 October 2023



PUBLIC INVESTMENT BANK BERHAD

(Registration No. 197401002880 (20027-W))
A Participating Organisation Of Bursa Malaysia Securities Berhad
(Wholly-owned Subsidiary Of Public Bank Berhad)

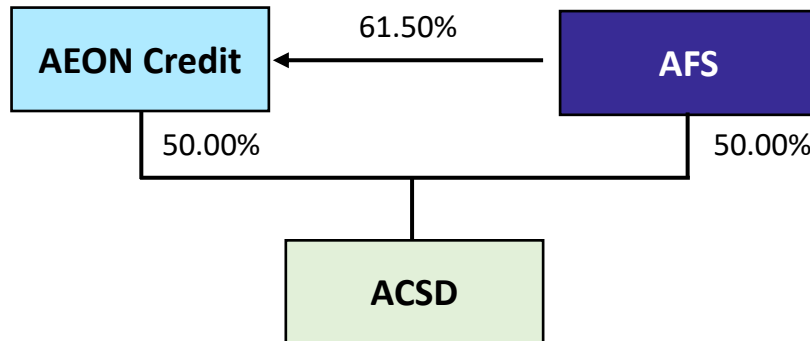
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INTRODUCTION OF THE PROPOSED JOINT VENTURE

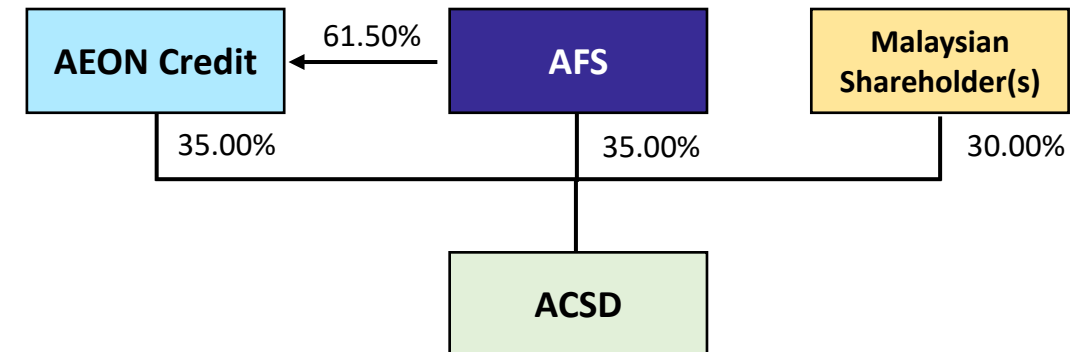
PROPOSED JOINT VENTURE

- Entails a joint venture between AEON Credit Service (M) Berhad (“**AEON Credit**”) and AEON Financial Service Co., Ltd. (“**AFS**”) (collectively, “**Parties**” or individually “**Party**”) to engage in digital Islamic banking business pursuant to the digital Islamic banking licence granted by the Minister of Finance, Malaysia (“**MOF**”).
- Pursuant to the shareholders’ agreement between the Parties (“**Shareholders’ Agreement**”), ACS Digital Berhad (“**ACSD**”) was incorporated as the joint venture company to undertake the digital Islamic banking business.

Before compliance with the equity condition*



After compliance with the equity condition*



Note:

- * Refers to condition imposed by MOF that at least 30% of the shares in ACSD are to be held by Malaysian(s), with priority given to Bumiputra Shareholders to be complied within a period of 5 years from the commence of business and operation of the digital Islamic bank (which is scheduled to take place not later than 8 April 2024).

Interested parties

- AFS
 - AEON CO., LTD.
 - Mr. Daisuke Maeda
 - Mr. Mitsugu Tamai
- Interested Shareholders
- Interested Directors

EVALUATION OF THE PROPOSED JOINT VENTURE

Rationale and benefits of the Proposed Joint Venture

Expansion of the Group's scope of offerings



- Expand the scope of offerings by including digital Islamic banking services.
- Further enhance the Group's earnings from the consumer financing business.
- Allow the Group to enter the digital banking services industry at the early stage and establish market presence.

Expansion of the Group's customer base



- Able to provide financial services and solutions with new business models to reach a wider pool of customers, especially the underserved and unserved market segment.
- Enable the Group to package its products and services to be more comprehensive to serve its existing and potential customers' requirements and needs.

Complementary to the Group's existing business operations



- Complement the Group's existing business operations.
- Able to gain exposure and market the Group's existing financial products to the future network to be established by ACSD.
- Allow the Group to have access to lower cost of funds through customers' deposits in ACSD.

We are of the opinion that the rationale for and benefits of the Proposed Joint Venture is reasonable and not detrimental to the interests of the non-interested shareholders of AEON Credit.

EVALUATION OF THE PROPOSED JOINT VENTURE (Cont'd)

Basis and justification of the subscription price

Basis and justification

Subscription price RM175.00 million

- Proposed share capital of ACSD shall be **RM350.00 million** based on the initial funding required and **comply with the share capital requirements** of the Licensing Framework for Digital Banks.
- Subscription price of **RM175.00 million** is based on a **pro rata basis** in accordance with the respective shareholdings of the Parties.

Total investment outlay RM275.00 million

- Eventual share capital of ACSD is estimated to be **up to RM550.00 million**.
- Maximum outlay by AEON Credit is estimated to be **RM275.00 million** based on a **pro rata basis**.
- Ensure that ACSD has a **reasonable level of share capital** and **sufficient funds** for its future operations.

Additional capital requirement

- Any additional capital which may be required by the digital Islamic bank will be provided by the Parties **proportionate to their respective direct equity interest** held in ACSD.
- Any issuance of ACSD shares will be on a **pro rata basis**, taking into consideration the **respective shareholders' shareholding** in ACSD.

We are of the opinion that the subscription price is fair and reasonable and not detrimental to the interests of the non-interested shareholders of AEON Credit as it is made on a pro rata basis in accordance with the respective shareholdings of the Parties.

EVALUATION OF THE PROPOSED JOINT VENTURE (Cont'd)

Other considerations

Salient terms of the Shareholders' Agreement



- The terms contained in the Shareholders' Agreement are **reasonable** and are common aspects of any transactions/arrangements and are **not detrimental** to the interests of the non-interested shareholders.

Risk factors



- The risk factors identified in relation to the Proposed Joint Venture include **diversion of financial resources, completion and commencement risk, dependency on technology, dependency on external technology and outsourced function service providers** and **economic and regulatory risk** in relation to the digital banking industry.
- Although measures may be taken by the Group to limit / mitigate the risks, no assurance can be given that one or a combination of the risks will not crystallise and give rise to **material and adverse impact on the financial position and business of the Group**.

Industry overview and prospects of ACSD



- We are of the opinion that the prospects of ACSD are expected to be **favourable** in view of the **positive outlook** of the Malaysian economy and the digital banking industry, coupled with the **strengths and capabilities of ACSD shareholders** namely, AEON Credit and AFS.

EVALUATION OF THE PROPOSED JOINT VENTURE *(Cont'd)*

Financial effects

The pro forma effects of the Proposed Joint Venture based on the audited consolidated financial statements as at 28 February 2023 are as follows:

Issued share capital and substantial shareholders' shareholdings



No effect as it does not involve any issuance of new shares in AEON Credit.



Net assets ("NA") per share



The pro forma NA per share of AEON Credit will **decrease** from RM9.11 to RM9.10 per AEON Credit share due to decrease in retained earnings as a result of the estimated expenses for the Proposed Joint Venture.



Gearing



No effect as it does not involve utilisation of bank borrowings.



Earnings per share ("EPS")



The pro forma EPS of AEON Credit is expected to **decrease** from 159.62 sen to 156.20 sen due to the operating losses of ACSD arising from pre-operating expenses of the digital Islamic Banking business.



We are of the opinion that the pro forma effects of the Proposed Joint Venture are not detrimental to the interests of the non-interested shareholders of AEON Credit as the Proposed Joint Venture is expected to contribute positively to the future earnings of the Group after the launch of the digital banking business.

CONCLUSION AND RECOMMENDATION

After taking into consideration our evaluation of the following:

- Rationale and benefits
- Basis and justification of the subscription price
- Salient terms of the Shareholders' Agreement
- Risk factors
- Industry overview and prospects of ACSD
- Financial effects



Conclusion

**Fair and reasonable and not detrimental to the
interests of the non-interested shareholders of
AEON Credit**



Recommendation

Vote in FAVOUR

THANK YOU



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AEON CREDIT SERVICE

EXTRAORDINARY GENERAL MEETING

16 OCTOBER 2023

**Presentation to Shareholders
by Chief Financial Officer**

BUSINESS OVERVIEW

More than 5.4 million members; Receiving 2 mil+ applications yearly

Easy Payment

Vehicle Financing



Personal Financing

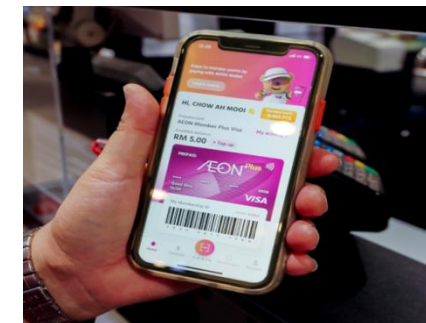


Objective Financing



Settlement

Credit Card, AMP & AEON Wallet



Insurance Broker

AEON Insurance Brokers

➤ 212k Credit Card members

➤ 2.5 mil AMP Card members

➤ 2.0 mil AEON Wallet sign ups



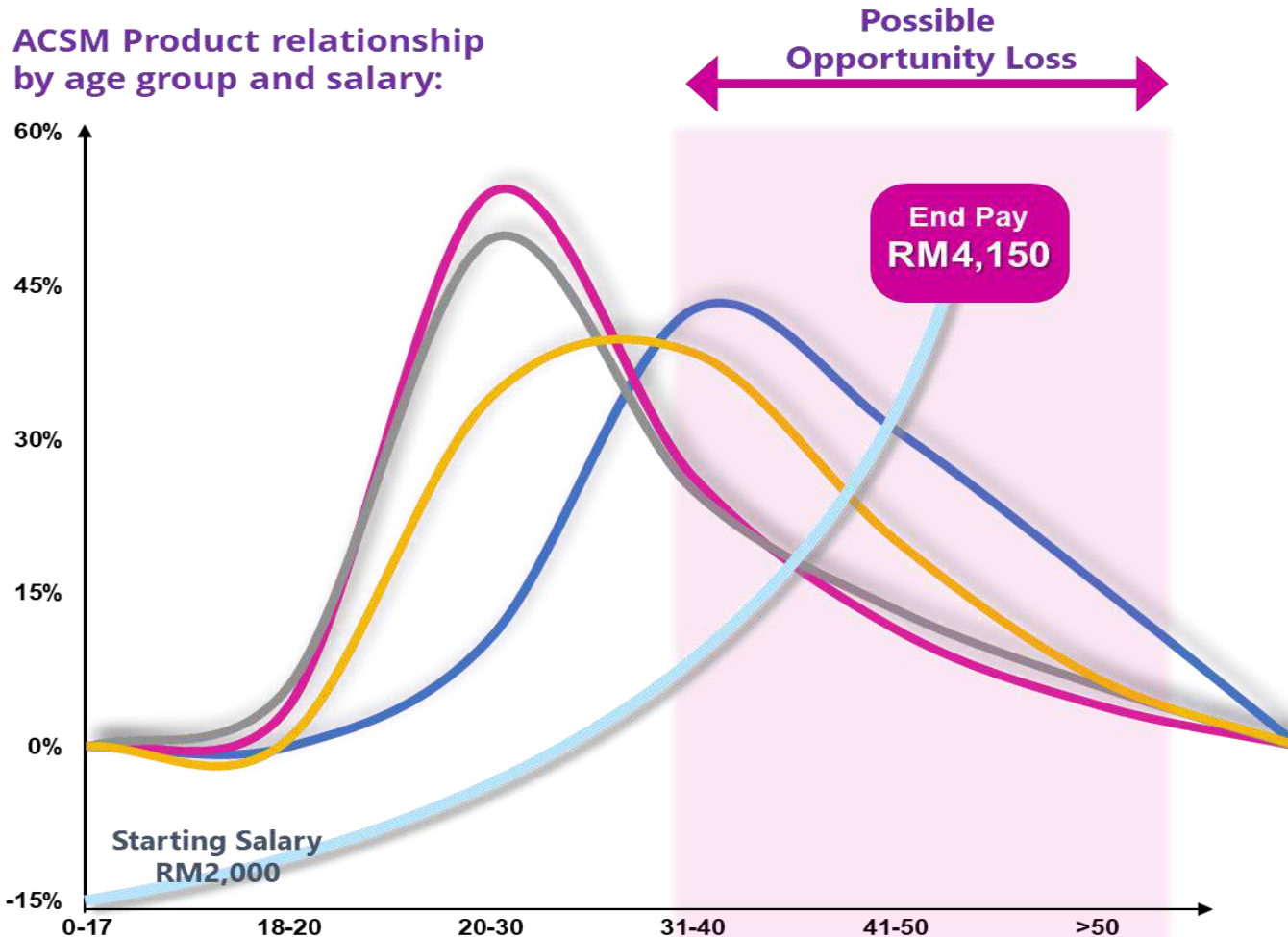
➤ 8.1k
Merchant outlets



➤ 2.7 mil
Express members

CUSTOMER JOURNEY

Improve customer stickiness by serving more comprehensive products/ services via Digital Bank



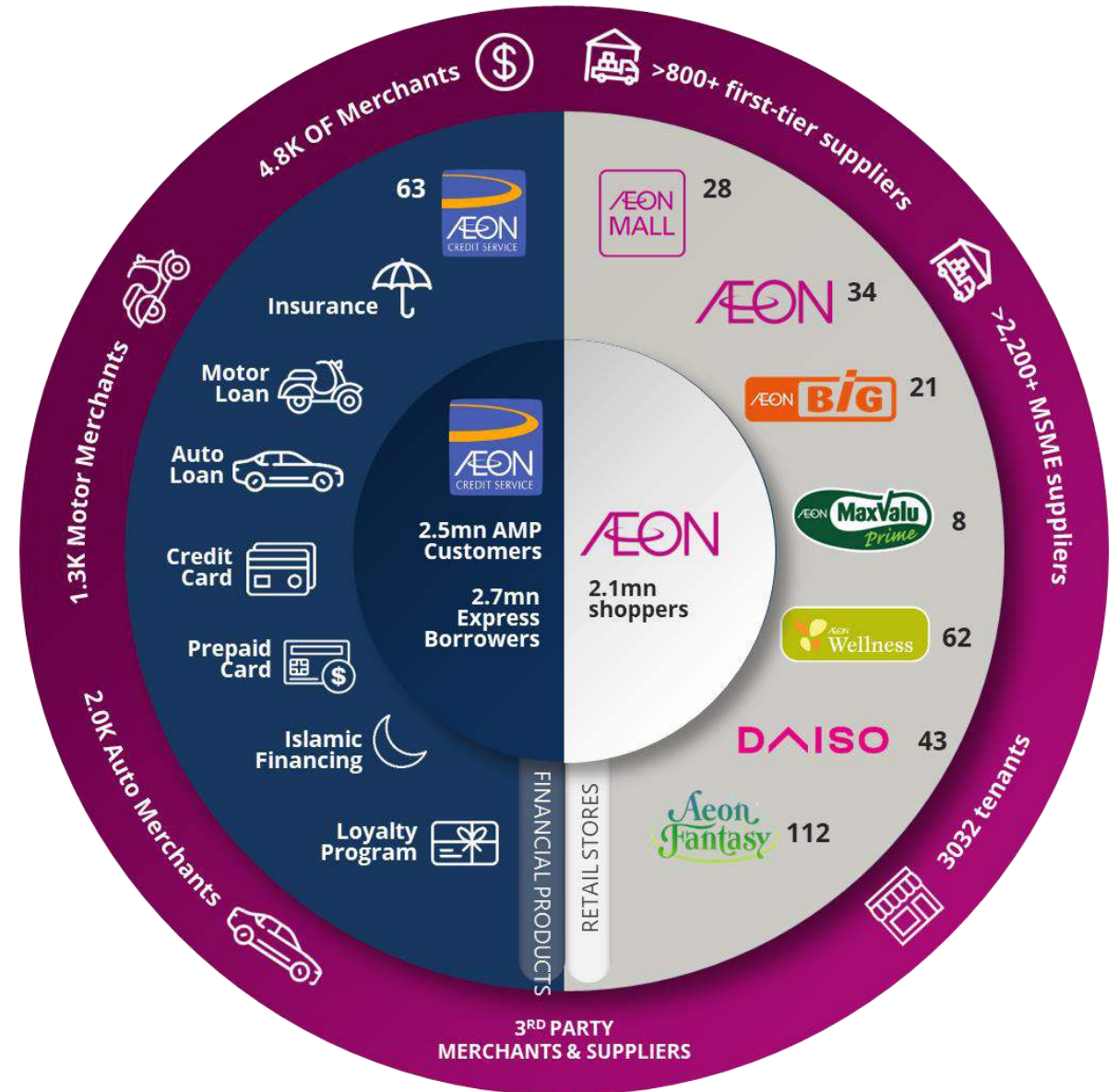
■ Credit Card
 ■ Objective Financing
 ■ Vehicle Financing
 ■ Personal Financing

- Based on existing customer profile, ACSM is capturing **customers between the age 21 to 35 years old** across all products
- However, ACSM is likely to lose its customers **after 35 years old** as they 'graduate' to commercial banks for their financial requirements
- Currently, millennials aged between **26 to 40 years old** account for **50% of Malaysian working population**
- 53% of online purchases** are done by millennials

JOINT VENTURE OPPORTUNITIES

AEON Credit X Digital Bank

1. Activating AEON Living Zone
2. Expanding Customer Lifetime Value (CLTV)
3. Enhancing Resources & Technology
4. Increasing Competitive Edge



ACTIVATING AEON LIVING ZONE

Membership expansion via cross selling within the AEON Ecosystem



- ☐ AEON Group of companies' loyalty customers
- ☐ AEON merchants and business partners
- ☐ Tenants and suppliers
- ☐ AEON Group employees
- ☐ Millennials, Gen Z and Gen Y and digital-savvy Gen X

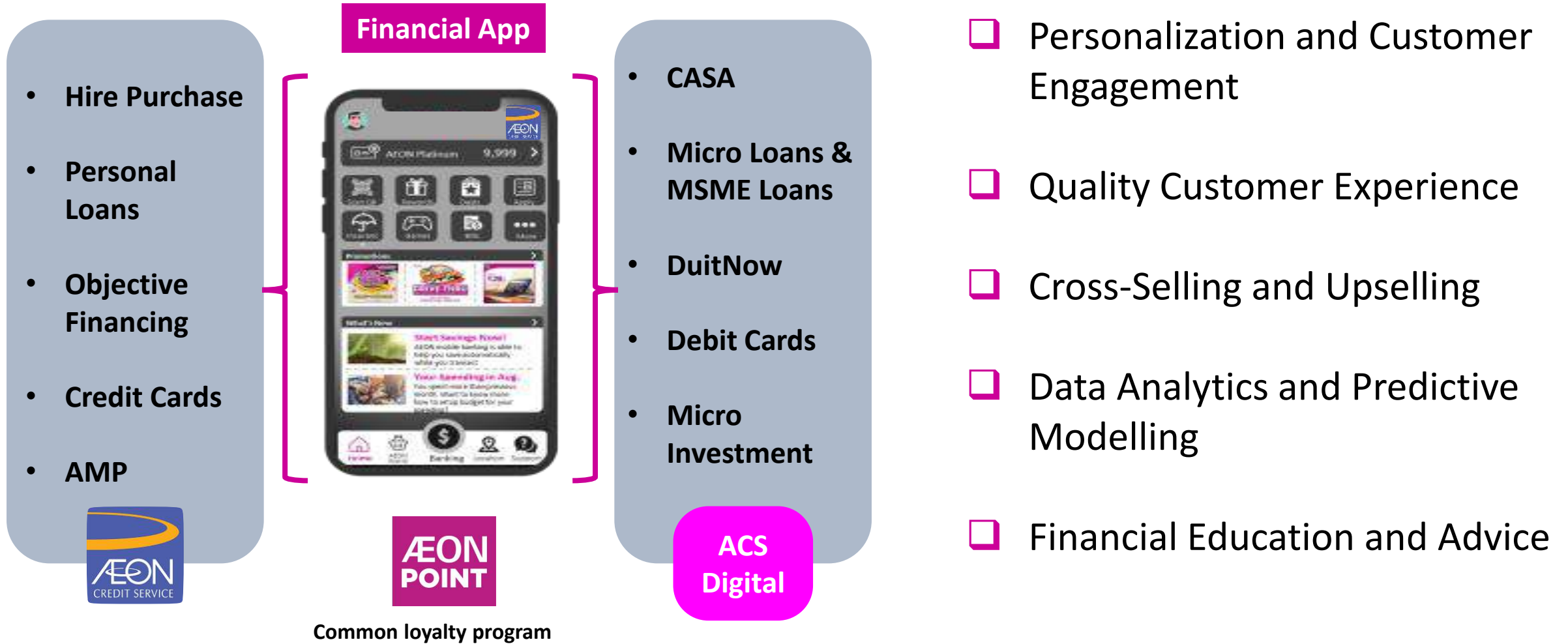
AEON Credit:

- Financial App
- Common Loyalty Program
- Marketplace & Cross Selling

**AEON
POINT**

EXPANDING CUSTOMER LIFETIME VALUE (CLTV)

Comprehensive financial solutions to our customers and business partners



ENHANCING RESOURCES & TECHNOLOGY

Deployment of combined expertise and new technology

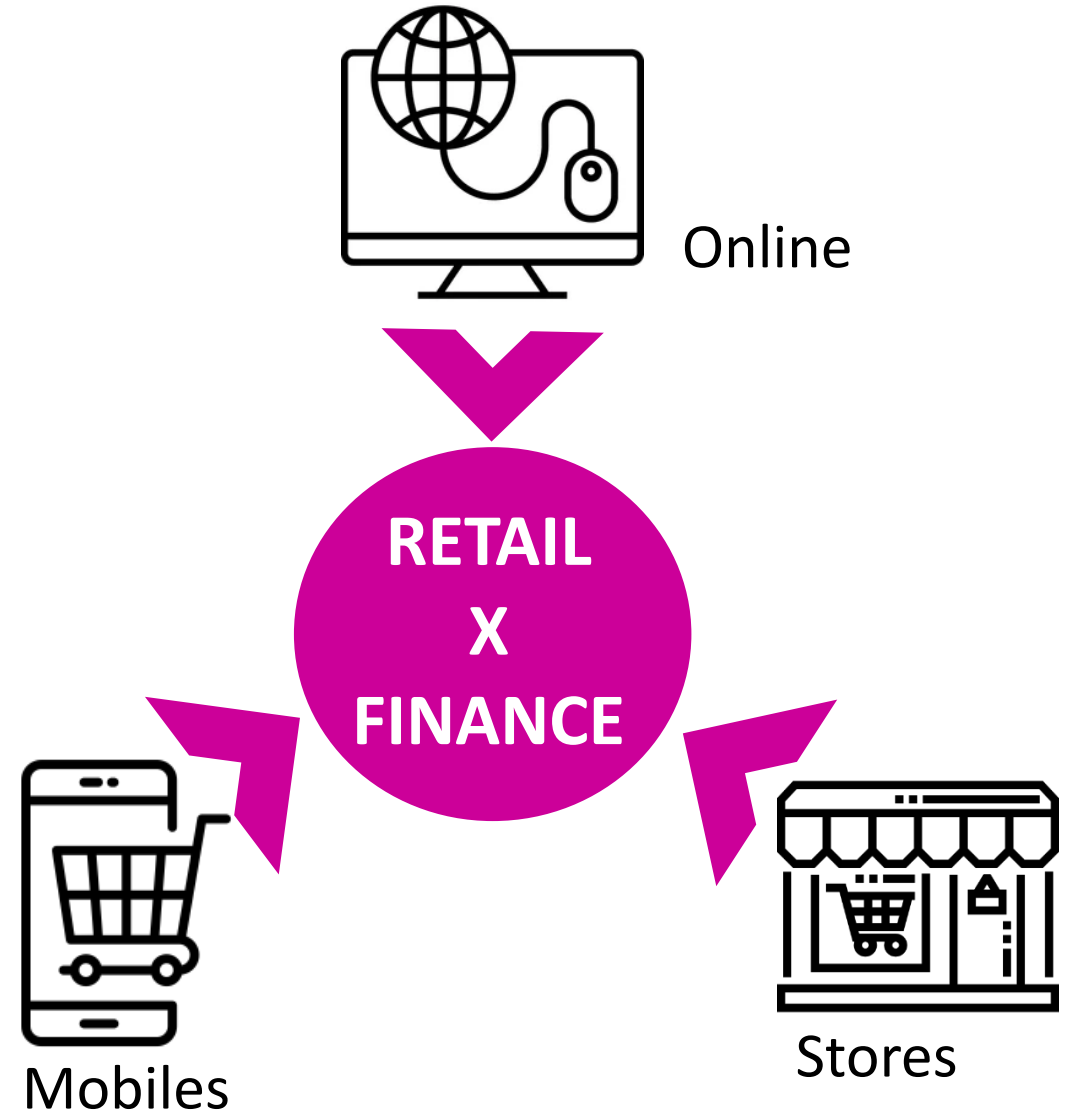
- ☐ Talent Diversity
- ☐ Embracing New Technology
- ☐ Cybersecurity and Cyber Resilience
- ☐ Partnership and Alliances
- ☐ Increase Revenue Stream



INCREASING COMPETITIVE EDGE

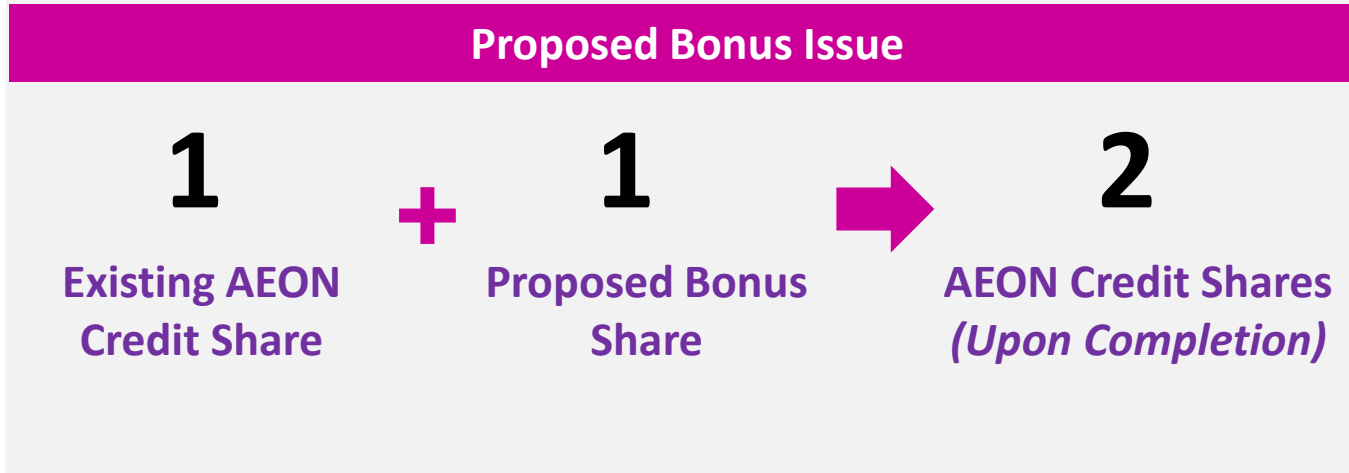
Digital transformation to elevate customer experience

- ❑ Enhancing Customer Experience
- ❑ Innovative Products and Services
- ❑ Cost Efficiency
- ❑ Data-Driven Insights
- ❑ One-Stop Center



PROPOSED BONUS ISSUE

1 Bonus Share for every 1 existing AEON Credit Share



Effect of the Proposed Bonus Issue

	Number of Shares	RM
Issued share capital	255,307,690	584,011,570
Proposed Bonus Issue	255,307,690	-
After the Proposed Bonus Issue	510,615,380	584,011,570

Rationale

- ❖ To improve the marketability and trading liquidity of the Company's shares
- ❖ To reward our shareholders for their loyalty and continuous support

Target Completion

- ❖ November 2023

AEON



AEON CREDIT SERVICE

Thank You