Corporate Governance Report

Last Update: May 21, 2021

AEON Financial Service Co., Ltd.
President and CEO
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Securities Code: 8570
https://www.aeonfinancial.co.jp/

The corporate governance of AEON Financial Service is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

(Our basic approach to corporate governance)

As a member of the Aeon Group, we share the Basic Principles of pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view at its core, and the Code of Conduct that everything we do, we do for our customers, and have set the following Management Philosophy and Basic Policies. Based on the above, we will seek sustained growth and enhancement of the Company's corporate value over the medium to long term and realize effective and best corporate governance to win the trust of our stakeholders.

[Management philosophy]
Support Customers' lifestyles and enable each individual to maximize future opportunities through effective use of credit.

[Basic management policies]

Our basic policies are to put customers first, provide financial services that are closely attuned to customers' lives, earn the trust of society and meet its expectations, and maintain a corporate culture that encourages our people to excel.

Our business strategies and medium-term management plan are established based on the above stated Basic Policies, and we implement appropriate business management for Group companies to achieve them. For overseas subsidiaries that hold important positions in terms of our growth strategy, we will build an effective governance system reflecting specific features of each country such as the economic environment, government, and laws and regulations.

We will ensure that the above stated Aeon Code of Conduct is widely enforced and complied with across all business activities of AFS Group companies including overseas subsidiaries and fulfill our social responsibility.

We believe that the essence of corporate governance comprises of respecting the rights of our shareholders, securing fairness and transparency of management, and increasing the vigor of management, and will endeavor to realize effective and best corporate governance with on-going reviews based on the following Basic policy.

(Basic policy of corporate governance)

(1) To promote appropriate business activities across the AFS Group in accordance with the Management Philosophy based on Aeon's Basic Principles and Code of Conduct, we will treat enhancement and improvement of corporate governance as one of the priority issues for management.

(2) We will aim to establish subsidiaries management framework that meets various financial regulations (the Banking Act and other relevant administrative laws and regulations, and administrative laws and regulations in the countries of the overseas subsidiaries, etc.), and strengthen corporate governance for the whole of the AFS Group including overseas subsidiaries with flexible operation and improvement of our internal control system led by the Internal Control Committee.

(3) Our Board of Directors endeavor to secure effective governance with oversight for proposal and promotion of management strategies and by engaging in appropriate business execution such as building a framework that enables appropriate risk-taking. In addition, we will appoint multiple independent outside directors to enhance the functions of the Board of Directors. We have elected the structure of a company with a Board of Corporate Auditors under the Japanese Companies Act and aim to effectively utilize the audit function of the Corporate Auditors as an independent body.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

We comply with all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1.4: Cross-Shareholdings (strategic shareholdings)]

(1) Policy on Strategic Shareholdings

Our basic policy is not to engage in strategic shareholdings except where it is considered to have significance based on comprehensive consideration of business and economic rationale such as maintenance of business partnership as a financial institution originating from retail business, and status of individual business transactions.

(2) Standard for Exercise of Voting Rights Concerning Strategic Shareholdings

When exercising voting rights for strategic shareholdings, we will carefully determine how to vote on each agenda by considering perspectives such as enhancement of the corporate value of the issuing company over the medium to long term and improving shareholder returns, and the issuing company's status of business.

[Principle 1.7: Related party transactions]

We have established the following framework to ensure that transactions with our directors or major shareholders do not harm the interests of the company or the common interests of our shareholders:

- With respect to transactions with the parent company Aeon Co., Ltd., and Aeon Group companies, we established and operate the "Detailed Rules on Management of AFS Group Transactions" to enforce the arms-length rules for transactions with related parties. In addition, significant transactions with the parent company, etc., requires approval of the Board of Directors.

- We expressly require an approval by the Board of Directors for competing transactions and conflicting interest transactions between AFS and our directors pursuant to the Companies Act, in principle. Furthermore, the strict procedure prohibits the director engaging in such transactions from taking part in the resolution as a special interested party.

- Transactions with directors, corporate auditors and major shareholders, etc., are confirmed periodically.

[Principle 2.6: Roles of corporate pension funds as asset owners]

We do not have fund-type or contract-type defined benefit corporate pension plan as assumed under the Corporate Governance Code. Some of our subsidiaries are members of the Aeon Corporate Pension Fund. The fund is operated in order to secure over the long term the total returns considered necessary, within an acceptable range of risk, for the purpose of reliably paying pension benefits and making lump-sum payments to beneficiaries into the future. In light of the pension fund's financial status, the policy asset mix is determined and periodically reviewed after listening to the opinions of outside experts. The fund has an Asset Management Committee, which selects investment products and monitors fund performance quarterly, and decisions are made by the Board of Representatives so as to maximize the interests of beneficiaries and appropriately manage conflicts of interest. AFS's subsidiaries have a representative in the Board of Representatives. Also, the Asset Management Committee includes the Chief Financial Officer and external experts.

[Principle 3-1 Full disclosure]

(1) We disclose our Management Philosophy, Basic Policies, and Medium-Term Strategy on our corporate website, etc.

- Management Philosophy and Basic Policies: https://www.aeonfinancial.co.jp/corp/philosophy

- Medium-Term Strategy: https://www.aeonfinancial.co.jp/en/ir/strategy/medium/

(2) Our basic views and basic policy on corporate governance are stated on the "Basic Views" section of this Report.

(3) The Board policies and procedures in determining the remuneration of the senior management and directors are as stated below:

- With respect to the remuneration of directors and corporate auditors, the Nomination and Compensation Committee references the Regulations on Remuneration of Directors and engages in discussions and exchanges opinions concerning the payment of remuneration (cash, stocks, etc.) and the appropriateness of the amount to be paid. In accordance with the internal rules, and within the limit of total remuneration for directors and corporate auditors as resolved by the General Meeting of Shareholders, the directors' remuneration is determined by the resolution of the Board of Directors, and the corporate auditors' remuneration are determined by the discussion at the Board of Corporate Auditors, taking into consideration the business performance and management of the Company, and the state of economy, etc.

- Details of the policies are stated in the "Matters Relating to Directors' Remuneration" section of this Report.

(4) Policies and procedures for appointment of senior management and nominations of candidates for Directors/Corporate Auditors by the Board of Directors are as stated below:

- Nomination of candidates for Directors are determined by the Board of Directors based on the discussion and exchange of opinions concerning the candidates for Representative Director and other Directors, skills development policy, development plan, and appropriateness of Director's remuneration by the Nomination and Compensation Committee.

- Directors are removed if they are deemed unfit to execute duties as a director where there are objective and reasonable grounds that they do not meet the following criteria:

  1. Understands management principles and management policy of the Company.

  2. Has extensive knowledge and experience necessary to deliberate agendas at the meetings of the Board of Directors, or has a track record and insight necessary to exercise management supervisory function.

  3. Has outstanding management sense and leadership.

  4. Has a personality and insight appropriate for a director.

  5. Maintains good physical and mental health.

  6. Has been nominated by an existing Director (in case of newly appointed Directors).

  7. Performance evaluation (in case of existing Directors).

- Nomination of candidates for Corporate Auditors are proposed by the President & CEO in accordance with the following criteria, and determined by the Board of Directors subject to discussion and consent by the Board of Corporate Auditors:

  1. Has appropriate experience/ability, and necessary knowledge regarding finance, accounting, and legal matters. One of the nominees for Corporate Auditors must have sufficient knowledge on finance and accounting.

  2. Does not have interests or transaction relationships that may affect management decisions for the Company.

  3. Capable of ensuring soundness and transparency of company management by performing audit from neutral and objective perspective.

  4. Capable of ensuring effectiveness of compliance and governance.

(5) Reasons for appointment of candidates for Directors and Corporate Auditors are disclosed in the Notice of the General Meeting of Shareholders.

[Principle 4-1-1 Roles of the Board of Directors]

We have established the "Rules on Board of Directors" and set forth the matters to be deliberated by the Board of Directors pursuant to laws and regulations as matters to be referred to the Board of Directors. In addition, the "Regulations on Division of Duties and Authorization" has been established to clarify the scope of execution by senior management, and have built a framework for on-going review corresponding to organizational change, etc.

[Principle 4.8: Effective use of Independent Directors]

- The maximum number of Directors stipulated in the Articles of Incorporation is fifteen. Of which, four or more must comprise of Outside Directors. At the General Meeting of Shareholders held on May 21, 2021, we appointed eight internal Directors and four Outside Directors, with Outside Directors comprising 33% of the Board of Directors. In addition, of the four Corporate Auditors, of which three are External Corporate Auditors (of which, one is a full-time Corporate Auditor).

- We mainly expect monitoring functions from independent Outside Directors and Corporate Auditors / Board of Corporate Auditors. Eight officers who maintain certain distance from business execution (four Outside Directors and four Corporate Auditors) are expected to have a monitoring function. Outside Directors comprise one-third of all the Directors, which is believed to be an appropriate composition. The composition of the Board of Directors will be reviewed as appropriate, corresponding to the business size and management environment, etc., with the basic premise of a Board structure that has the right balance of business management function and monitoring function.

[Principle 4.9: Independence standards of Outside Directors]

- Our "Independence Standards for Outside Directors" is stated in the "Matters Relating to Independent Directors," "Other Matters Relating to Independent Directors" section of this Report.

[Principle 4.11.1: View on the balance of knowledge, experience and skills, and diversity and size, of the board of directors as a whole]

- The Board of Directors comprises of twelve Directors and has maintained its effectiveness. The Board of Directors has deep knowledge concerning AFS Group business, along with knowledge, experience, and expertise on financial services, finance and accounting, View risk management, and regulatory compliance, presenting a balanced structure overall. The Board has appropriate balance of internal Directors who have detailed knowledge of AFS Group business, and independent Outside Directors who supervise senior management including the Directors from an independent and objective positioning.

- The Board of Directors emphasize diversity and includes one female Director and one female Corporate Auditor.

- Directors serve a one year term.

- The criterion for Directors is that they "share the views including the Basic Principles and Code of Conduct of the Company."

[Principle4.11.2: Information on directors and auditor who have concurrent posts]

- We disclose the significant concurrent posts of Directors and candidates for Directors annually on information disclosure documents such as the Business Report section of the Notice of the General Meeting of Shareholders.

[Principle4.11.3: Evaluation of the Board of Directors]

The "AFS Corporate Governance Guideline" sets forth that the effectiveness of the Board of Directors must be periodically evaluated from the perspective of the functions concerning establishment of appropriate management strategies and appropriate supervision of management, and that the deliberations by the Board of Directors shall be continuously improved based on these evaluations. The method of evaluation is by a survey of Directors and Corporate Auditors on the structure and operation, etc., of the Board of Directors. Summary of the evaluation of the effectiveness of the Board of Directors for FY2020 is provided below:

- The Board of Directors comprises of Directors with diverse knowledge and experience and is operated appropriately through provision of sufficient information on the agenda to be presented to the Board of Directors, and enhancement of support for Outside Officers.

- On the other hand, further enhancement of discussions about the medium-term business strategy for the whole of AFS Group, separation of execution and supervision by the Board of Directors, and succession planning, etc. are expected.

We will further enhance the effectiveness of the Board of Directors through on-going discussion on the expected matters.

[Principle4.14.2: Support for Directors]

- We offer education and training programs to Directors and Corporate Auditors, such as periodic compliance and governance education, and study groups inviting attorneys for significant regulatory changes, etc.

- In addition, we offer opportunities to independent Outside Directors to observe sales offices, etc., as part of the orientation program upon appointment. We continue to provide necessary information such as business related knowledge after the appointment.

[Principle5.1: Policies for dialogue with shareholders]

- We believe it is important to deepen the shareholders' understanding of AFS and our understanding of the shareholders' positions through constructive dialogue with shareholders and investors, and to work towards an appropriate response based on such dialogue.

- We appointed the Senior Executive Officer in charge of Corporate Planning for the AFS Group as the Corporate Disclosure Officer, and the AFS Group Corporate Planning Department is responsible for disclosure operations. In addition, the Disclosure Committee chaired by the Corporate Disclosure Officer has been established and is promoting multifaceted and comprehensive discussions by relevant business units, creating a framework for timely and appropriate information disclosure.

- As an initiative to promote mutual understanding between AFS and our shareholders/investors, we hold quarterly meetings on financial results, and actively respond to individual IR meetings.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Aeon Co., Ltd.	103,776,549	48.08
The Master Trust Bank of Japan, Ltd (Trust account)	10,493,000	4.86
Custody Bank of Japan, Ltd (Trust account)	5,989,500	2.77
Custody Bank of Japan, Ltd (Trust account 9)	5,180,500	2.40
State Street Bank and Trust Company 505223	4,620,689	2.14
State Street Bank and Trust Company 505103	3,176,970	1.47
Maxvalu Nishinihon Co., Ltd	2,646,705	1.22
JP Morgan Chase Bank 385632	2,546,644	1.17
Custody Bank of Japan, Ltd (Trust account 5)	1,915,000	0.88
JP Morgan Bank Luxembourg S.A. 380578	1,872,100	0.86

Controlling Shareholder (except for Parent Company)	—
Parent Company	Aeon Co., Ltd. （Tokyo Stock Exchange）（Stock code）8267

Supplementary Explanation

1. MFS Investment Management K.K. and its joint owners jointly submitted the Change Report on Large Shareholders dated April 21, 2020, stating that they own 15,422,000 shares (7.14%) as of April 15, 2020. However, as this cannot be confirmed on the shareholder register, it is not included in the above stated Major Shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange/First Section
Fiscal Year-End	February
Type of Business	Other Financial
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Aeon Co., Ltd., is our parent company holding 48.08% of the voting rights (as of February 28, 2021).

We have established the following framework to protect minority shareholders, ensuring that transactions with our officers or major shareholders do not harm the interests of the Company or the common interests of our shareholders:

- With respect to transactions with the parent company Aeon Co., Ltd., and Aeon Group companies, we established and operate the "Detailed Rules on Management of AFS Group Transactions" to enforce the arms-length rule for transactions with related parties. In addition, significant transactions with the parent company, etc., requires approval of the Board of Directors.

- We expressly require an approval by the Board of Directors for competing transactions and conflicting interest transactions between AFS and our directors pursuant to the Companies Act, in principle. Furthermore, the strict procedure prohibits the director engaging in such transactions to take part in the resolution as a special interested party.

- Transactions with directors, corporate auditors and major shareholders, etc., are confirmed periodically. The Board of Directors comprises of a total of twelve Directors including four independent Outside Directors who constitute more than one-third of all the Directors at present.

We will continue to maintain our framework for protection of minority shareholders and aim to further improve the framework.

5. Other Special Circumstances which may have Material Impact on Corporate Governance

We belong to a corporate group consisting of more than 300 companies led by Aeon Co., Ltd. (pure holding company, "Aeon" hereinafter). Aeon Group organically combines retail business including the general merchandise store Aeon, supermarkets, drugstores, and specialty stores; financial services business; shopping center development business; and service business, creating synergies with ever-lasting innovative spirit. We conduct Aeon Group's financial business as the parent company of domestic and overseas subsidiaries that operate credit card purchase contracts centering on credit card business, loan business, and lending business, etc. Whereas Aeon is responsible for preparation of overall strategies, optimal allocation of management resources, enforcement and control of the Management Philosophy and Basic Principles, and provision of shared services and functions for the Aeon Group, the subsidiaries including AFS aim to further improve customer satisfaction by enhancing our expertise and engaging in business operation that is closely aligned with local communities. Aeon has announced the "Aeon Decarbonization Vision 2050" for realization of the decarbonized society, having tackled the issue of global warming from early on and endeavoring to strengthen identification and assessment of risks and information disclosure under the TCFD.

AFS will cooperate with the Aeon Group in Japan and overseas to resolve environmental and social issues, while also promoting unique financial inclusion initiatives utilizing our financial framework. We apply our own management decision making to routine business operations and consult with or report to Aeon on significant issues on business management. We endeavor to achieve sustainable growth and development and improve our business performance in close cooperation with Aeon and Aeon Group companies while maintaining sufficient respect for mutual autonomy. At present, Aeon Group including Aeon holds 48.08% of our voting rights and has the rights of a major shareholder of AFS. To deepen cooperation with the Aeon Group and incorporate its broad management perspective, an Executive Officer of Aeon has been appointed as a Director of AFS. However, considering that the four independent Outside Directors comprise one third of the twelve Directors at present, we believe it does not hamper our independent management decision making.

We have overseas listed subsidiaries Aeon Credit Service (Asia) Co. Ltd. (Hong Kong), Aeon Thana Sinsap (Thailand) Public Co., Ltd. (Thailand), and Aeon Credit Service (M) Berhad (Malaysia), and we will aim to maximize the corporate value of AFS Group as a whole and to achieve sustainable growth and development,

while respecting their autonomy and independence. AFS Group endeavors to establish compliance and risk management framework and enhance corporate governance and aim to become a corporate group that provides safer, more comfortable, convenient and beneficial financial products and services from the customers' perspective. In addition, as a general financial services group originating from the retail industry, we will optimize and effectively use management resources including the financial know-how, system infrastructure and sales network developed in Japan and overseas, and further strengthen our management platform.

Aeon's "Policy on Governance of Listed Subsidiaries" is as stated below:

Aeon has, under the Basic Principles of pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view at its core, implemented since our foundation a decentralized Group management with emphasis on autonomy and independence of management of the Group companies, based on the belief that this will improve the corporate value of the whole Group.

As the parent company, Aeon implements various management measures to enhance synergies across the Group, as seen by quickly becoming a Company with a Nominating Committee, etc., in 2003 to improve the transparency of Group governance and the speed of business operation; and becoming a pure holding company in 2008 to enhance Group-based management that does not focus excessively on specific businesses. Group companies are listed where autonomous management aligned with the attributes of the region and the business operation is deemed to promote sustainable growth; and capital market disciplines are expected to improve the quality of management. From the perspective of protecting minority shareholders of listed subsidiaries, we request appointment of independent Outside Directors and establishment of Advisory Committee by independent officers.

As stated above, we believe that maximizing cooperation and synergies with Aeon Group companies will lead to benefits for the minority shareholders.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with *Kansayaku* Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	12 persons
Number of Outside Directors	4 persons
Number of Independent Directors	4 persons

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yoshimi Nakajima	From another company											
Kotaro Yamazawa	From another company											
Tatsuya Sakuma	Lawyer											
Takashi Nagasaka	CPA											

* Following symbols and letters indicate the Outside Director's relationship with the company:

○: Director presently falls or has recently fallen under the category;
△: Director fell under the category in the past;
●: A close relative of the director presently falls or has recently fallen under the category;
▲: A close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshimi Nakajima	○	Concurrently serving as an outside director for the following companies: - Yamaha Corporation - Japan Freight Railway Company - ULVAC Inc. - Sekisui House, Ltd.	She does not breach the criteria under the Securities Listing Regulations and maintains high degree of independence. She does not have special interest in AFS and possesses abundant overseas business experience and significant knowledge. The appointment is being made to receive opinions reflecting the broad perspectives leveraging on the acquired network, know-how, and knowledge on the business operation of AFS, and we do not believe the concurrent posts will create conflict of interest with general shareholders.

Kotaro Yamazawa	○	Concurrently serving as outside corporate auditor for the following companies: - Special Advisor of Glory Ltd. - Outside Director of WingArc1st Inc.	He does not breach the criteria under the Securities Listing Regulations and maintains high degree of independence. He does not have special interest in AFS and is being appointed to receive opinions reflecting the broad perspectives leveraging on his financial and accounting related knowledge and corporate governance knowledge acquired through working for the Bank of Japan and the stock exchange as well as by utilizing his wide network in the financial industry, and we do not believe the concurrent posts will create conflict of interest with general shareholders.
Tatsuya Sakuma	○	Concurrently serving as an attorney at the following law office: Aoyama TS Law Office	He does not breach the criteria under the Securities Listing Regulations and maintains high degree of independence. He does not have special interest in AFS and is being appointed to seek assistance in enhancing our internal control framework centering on compliance with his abundant experience and knowledge in the legal community acquired through significant past positions including the Director of the Special Investigation Department of the Tokyo District Public Prosecutors Office, and we do not believe the concurrent post will create conflict of interest with general shareholders.
Takashi Nagasaka	○	Concurrently serving the following posts: -Representative of Takashi Nagasaka CPA Office - Outside Director of Contec Co., Ltd. - Outside Auditor of Tokushu Tokai Paper Co., Ltd. - Outside Director of Park24 Co., Ltd.	He does not breach the criteria under the Securities Listing Regulations and maintains high degree of independence. He does not have special interest in AFS and is being appointed to receive advice on the promotion of strengthening corporate governance and improving corporate value with his abundant practical experience as an accounting expert being a certified public accountant, and we do not believe the concurrent posts will create conflict of interest with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

The Nomination and Compensation Committee is an advisory committee established by the Board of Directors as a body that engages in discussions/consultations regarding the candidates of Directors for the next fiscal year and the remuneration of Directors. The Committee serves the functions of both the nomination committee and remuneration committee and is expected to be held on at least annual basis, in principle. The members comprise of the Chairman of the Board, President & CEO, and Outside Directors, and is chaired by the President & CEO. For FY2020, meetings were held on April 8, 2020, and June 24, 2020, and discussions were held on the appointment of executive officers in conjunction with the change in the composition of Directors.

[*Kansayaku*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* Stipulated in Articles of Incorporation	4 persons
Number of *Kansayaku*	4 persons

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Board of Corporate Auditors holds meetings with our Accounting Auditor Deloitte Touche Tohmatsu LLC on periodic and as necessary basis, cooperates by exchanging opinions and information on the overview of the audit plan, matters relating to performance of duties by the Accounting Auditor, matters relating to the quarterly financial results, and results of the year-end audit, with sufficient time spent on each topic. The Internal Audit Department exchanges opinions and information with the Corporate Auditors and the Accounting Auditors on periodic and as necessary basis from the perspective of effectiveness and efficiency of audits.

Appointment of Outside *Kansayaku*	Appointed

Number of Outside *Kansayaku*	3 persons
Number of Independent *Kansayaku*	2 persons

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Junichi Suzuki	From another company													
Go Otani	From another company													
Yuko Yogo	From another company													

* Following symbols and letters indicate the External Corporate Auditor's relationship with the company:

○: Corporate Auditor presently falls or has recently fallen under the category;
△: Corporate Auditor fell under the category in the past;
●: A close relative of the Corporate Auditor presently falls or has recently fallen under the category;
▲: A close relative of the Corporate Auditor fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. *Kansayaku* of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of "f," "g," or "h") (the *kansayaku* himself/herself only)
k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
Junichi Suzuki		Concurrently serving the following posts: - Auditor of AEON Bank Ltd. - Auditor of AFS Corporate Co., Ltd.	He has abundant experience at overseas subsidiary of Aeon Group, and we believe he can provide supervision and effective advice on overall management and play the role to secure appropriateness of business operation for AFS. He does not have special interest in AFS.
Go Otani	○	Concurrently serving at the Institute of Corporate Governance, Japan.	He does not breach the criteria under the Securities Listing Regulations and maintains high degree of independence. He does not have special interest in AFS, and is being appointed based on superior personality, knowledge, and ethics, detailed knowledge on internal control and corporate governance, and abundant experience to play a role in securing appropriateness of business operations for AFS, and we do not believe the concurrent posts will create conflict of interest with general shareholders.
Yuko Yogo	○	-	She does not breach the criteria under the Securities Listing Regulations and maintains high degree of independence. She does not have special interest in AFS and is being appointed based on the experience as representative officer of a holding company, long experience at a foreign financial institution as internal control manager and head of HR, to receive opinions based on the deep knowledge and global perspectives as well as from social perspective to enhance our corporate governance, and we do not believe the concurrent posts will create conflict of interest with general shareholders.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*	6 persons

Matters relating to Independent Directors/*Kansayaku*

Criteria for independence of candidates for Outside Directors are as set forth below.

1.1 Is not a person belonging to the Company or a subsidiary of the Company in the capacity of executive director, vice president, corporate executive or other employee (hereinafter, collectively, "business executive") and was not a business executive at the Company or a subsidiary of the Company within the last 10 years prior to the appointment.

1.2 Is not a person who, at any time in the 10 years prior to the appointment, was a director, accounting advisor, or corporate auditor (excluding business executive) of the Company or a subsidiary of the Company who, during the 10 years prior to that appointment as director, accounting advisor, or corporate auditor was a business executive at the Company or a subsidiary of the Company.

2.1 Is not a person who has a business relationship with the Company or a major subsidiary of the Company (Note 1) whereby the Company or a major subsidiary of the Company is its major transacting counterparty (Note 2), or a person who is not currently or has not been in the last three years a business executive at such business partner that is an incorporated entity, etc. (Note 3).

2.2 Is not a person who has a business relationship with the Company or a major subsidiary of the Company who is a major transacting counterparty, or a person who is not currently or has not been in the last three years a business executive at such major transacting counterparty that is an incorporated entity, etc.

3. Is not a person who is a consultant, accounting expert or legal expert, etc. receiving a large sum (Note 4) of money or other financial asset other than the remuneration for Directors and Corporate Auditors from the Company.

4. Is not an employee, etc. of a consulting firm, accounting firm, legal firm, etc. that has the Company as a major transacting counterparty.

5. Is not a person who receives a donation, etc. of a large sum from the Company, or who is a business executive of an incorporated entity, etc. receiving such donation.

6. Is not a person who is a major shareholder of the Company or a business executive of an incorporated entity, etc. that is a major shareholder of the Company.

7. Is not a person falling under the following categories (excluding persons who are not important persons (Note 5)) or a close relative (Note 6) of such person:

   (a) Person falling under the above criteria 1 to 6.

   (b) Person who is a director, corporate auditor, corporate executive, and important employee, etc.

(Note 1) Major subsidiary: AFS Corporation Co., Ltd., AEON Bank, Ltd., AEON CREDIT SERVICE CO., LTD.

(Note 2) Major transacting counterparty: Judged by the criterion of at least 1% of consolidated net sales (ordinary income in the case of the Company) in the most recent business year.

(Note 3) Incorporated entity, etc.: Includes organizations other than incorporated entities.

(Note 4) Large sum: At least 10 million yen per year based on an average of the past three years.

(Note 5) Persons who are not important persons: An “important person” refers to a person with a position in the class of company officer or general manager, and in the case of persons belonging to an accounting firm or law firm, etc., it refers to a certified public accountant or lawyer, etc.

(Note 6) Close relative: Spouse or relative within the second degree of kinship

[Incentives]

Incentive Policies for Directors	Performance-based stock compensation plan/Stock option plan

Supplementary Explanation

AFS abolished the Officer’s Retirement Benefit System in May 2004, limiting the Director’s annual remuneration to within 300,000,000 yen, and newly introducing a share-compensation-type stock option of up to 100,000,000 yen and 20,000 shares per annum. The purpose was to share the stock price benefits and risks with shareholders, and to enhance motivation towards improving business performance and increasing corporate value. The program has been approved at the 26th Annual General Meeting of Shareholders. At the 34th Annual General Meeting of Shareholders held in June 2015, the Director’s annual remuneration was revised to within 550,000,000 yen. Of which, cash remuneration shall be within 400,000,000 yen per annum (of which, remuneration for Outside Directors shall be within 50,000,000 yen per annum) and the fair value of the share-compensation-type stock option shall be up to 150,000,000 yen per annum.

The person with authority to determine the amount and calculation method for AFS Officers’ remuneration for 2019 was the President & CEO Kenji Fujita, and the scope of his authority and discretion is as stated in the part related to the individual remuneration (cash) for each Director, based on the resolution of the Board of Directors held on May 27, 2020. Performance-linked compensation has been determined based on the performance of AFS and individual performance of each Officer, within the scope determined by the budget achievement ratio.

Achievement ratio for ordinary income is the main indicator related to performance-linked compensation, and the actual payment amount is determined reflecting extraordinary profit, changes in business environment during the fiscal year, and revision of the terms of internal transactions.

Recipients of Stock Options	Inside Directors

Supplementary Explanation

To secure independence, remuneration for Outside Directors and Corporate Auditors do not include performance-linked compensation and share-compensation-type stock options and is limited to fixed monthly compensation.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

Officers' remuneration for AFS Directors and Corporate Auditors for FY2020 is as stated below:

Total annual Directors' remuneration: 223,000,000 yen
Total annual Corporate Auditors' remuneration: 30,000,000 yen
Total: 253,000,000 yen
of which, outside Officers' remuneration: 79,000,000 yen

(Notes)

1. Above stated remuneration includes 27,000,000 yen of expenses for payment of bonuses to five Directors, and 9,000,000 yen expenses for allocation of share-compensation-type stock options (subscription rights) to six Directors.

2. As of the end of the fiscal year, there were twelve Directors and four Corporate Auditors. Of which, one Corporate Auditor is serving without compensation.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

- Director's remuneration is paid to promote strong motivation to execute management strategies and is linked with performance, with consideration to fairness and transparency.

- Director's remuneration comprises of base remuneration, performance-based remuneration, and share-compensation-type stock options. Base remuneration is paid on a monthly basis to the Directors. Performance-based remuneration is paid to the Directors after the close of the fiscal year based on the annual performance and is the sum of corporate performance-based remuneration and personal performance-based remuneration. Corporate performance-based remuneration is calculated by applying the consolidated financial performance-based conversion factor to the base amount. Personal performance-based remuneration is calculated by applying the personal performance evaluation based conversion factor to the base amount. Share-compensation-type stock options are granted to the Directors in the form of subscription rights after the close of the fiscal year based on annual performance.

[Supporting System for Outside Directors and/or *Kansayaku*]

- Support to Outside Directors is provided through the General Affairs Department, serving as the secretariat for the Board of Directors. It provides necessary support to enable the Outside Directors and

External Corporate Auditors to make appropriate decisions, including advanced distribution of materials and explanation of agenda ahead of the Board of Directors meetings.

・ A dedicated staff for assisting the Corporate Auditors' duties have been appointed.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
-	-	-	-	-	-

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0 person

Others

At present, AFS does not have consultants or advisors (sodanyaku, komon, etc.) who served as former President & CEO, etc. We may appoint a consultant (komon) for the purpose of receiving advice, etc., on management issues based on experience as senior management.

2.Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

<Board of Directors>

We are engaging in on-going enhancement of management monitoring and internal control functions by holding monthly meetings of Board of Directors chaired by the President & CEO.

Periodic meetings are held on a monthly basis, and extraordinary meetings are held as necessary. A total of eighteen meetings were held in FY2020, with 99% attendance by Outside Directors and 94% attendance by External Corporate Auditors.

<Management Policy Committee>

The Management Policy Committee is established as an advisory body for decision making on business execution by the President & CEO. Meetings are held on monthly basis, in principle, and where necessary.

<Internal Control Committee>

The Internal Control Committee discusses and reviews matters related to the establishment of internal control system in a comprehensive and expert manner promoting the appropriateness and efficiency of the business of the corporate group for which AFS is the parent, and aiming at sustainable growth and medium- to long-term increase in the corporate value of the AFS Group; providing necessary instruction and advice to relevant parties; resolve matters delegated by the Board of Directors; and to report and make proposals to the Board of Directors. Meetings are held on monthly basis, in principle, and where necessary.

<Board of Corporate Auditors>

AFS is a Company with a Board of Corporate Auditors, and the Board of Corporate Auditors comprises of a total of four (4) Corporate Auditors, i.e., three (3) External Corporate Auditors (of which two (2) are independent officers) and one (1) internal Corporate Auditor, one of whom has considerable knowledge on finance and accounting. Meetings are held on monthly basis, in principle, and as necessary. A total of seventeen meetings were held in FY2020, with 100% attendance by External Corporate Auditors and 93% attendance by internal Corporate Auditor.

<Status of Accounting Audit>

AFS has commissioned Deloitte Touche Tohmatsu LLC for accounting audit pursuant to the Companies Act and Financial Instruments and Exchange Act for AFS, and pursuant to the Companies Act, etc., for domestic subsidiaries. There is no special interest involved between AFS and domestic subsidiaries ("AFS, etc." hereinafter) and the engagement partner of Deloitte Touche Tohmatsu LLC, and the engagement partner will not be involved in the accounting audit of AFS, etc., beyond certain period. The name of certified accountant who was the engagement partner during the continuous audit period during the consolidated accounting period and the composition of assistants in the audit operation are as stated below:

- Continuous audit period
  24 years

  (Note) Due to the extreme difficulty of investigation, above stated period is the result of investigation for the period after listing of AFS, and the actual continuous audit period may exceed such period.

- Names of Certified Accountants who were engagement partners:
  Designated Limited Liability Partner, Engagement Partner: Yoshiki Okutsu, Kenji Ohta

  (Note) Number of years of continuous audit has been omitted, as it is within seven years for all parties.

- Composition of assistants for accounting audit
  Certified public accountants: 13 Other: 14

<Details of Audit Compensation>

The amount of compensation paid by AFS and domestic subsidiaries to Deloitte Touche Tohmatsu LLC is as state below.

- Details of Audit Fees
  Fees for audit certification: 423,000,000 yen (excluding tax)

<Summary of the limited liability agreement>

To enable recruitment of competent personnel, AFS enters into limited liability agreements with the Outside Directors and External Corporate Auditors that limit their liability for damages payable to AFS as stipulated in Article 427, paragraph 1 of the Companies Act to the higher of two million yen or the minimum liability amount prescribed by law and exempt the Outside Directors and External Corporate Auditors from liability for damages exceed the limit, where they acted in good faith and without gross negligence in performing their duties.

<Summary of Officers Liability Insurance>

AFS has purchased an officers liability insurance policy with all Directors (including Outside Directors) and Corporate Auditors (including External Corporate Auditors) as the insured ("D&O Insurance" hereinafter), covering damages, etc., incurred by the officers arising from performance of their duties (excluding liabilities falling under the indemnification clause of the insurance policy). AFS is liable for the full amount of the D&O Insurance premiums. Insurance period of the D&O Insurance is one year, which will be renewed subject to resolution of the Board of Directors prior to expiry.

3. Reasons for Adoption of Current Corporate Governance System

AFS has appointed a total of six independent officers as prescribed in the Tokyo Stock Exchange Securities Listing Regulations, comprising of four Outside Directors (of which, four are independent officers) and three External Corporate Auditors (of which, two are independent officers). Three of the four Corporate Auditors are Outside Corporate Auditors as prescribed in Article 2, paragraph 16 of the Companies Act, attending the Board of Directors meetings and other major meetings, and implementing initiatives to enhance corporate governance in cooperation with the Internal Audit Department. The current structure has been selected as it provides sufficient framework for objective and neutral management monitoring function from outside to operate. We will continue to implement improvements to further enhance our corporate governance.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	For 2021, the notice was dispatched fourteen (14) days before the date of the General Meeting of Shareholders.
Scheduling AGMs Avoiding the Peak Day	For 2021, the date of the General Meeting of Shareholders is May 21st.
Allowing Electronic Exercise of Voting Rights	Electronic voting is allowed. We inform the shareholders in the Notice of the General Meeting of Shareholders that their voting rights can be exercised using an electronic method, together with the website for voting.
Participation in Electronic Voting Platform	We are participating in the electronic voting platform.
Providing Convocation Notice in English	We provide convocation notices (narrow definition and reference documents) in English language.
Other	We use narrated business report video and PowerPoint presentation materials for easy to understand reporting at the General Meeting of Shareholders and livestream the event online.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	We have established a Disclosure Policy and published the Basic Policy, Information Disclosure Standards, Information Disclosure Methods, and IR Silent Period.
Regular Investor Briefings for Individual Investors	We hold regular briefings for individual investors to introduce AFS and provide explanation on our business performance.
Regular Investor Briefings for Analysts and Institutional Investors	We hold regular briefings hosted by the AFS Representative Director or the Officer in charge of Group Corporate Planning.
Regular Investor Briefings for Overseas Investors	We hold regular briefings for overseas investors.
Posting of IR Materials on Website	In addition to posting of various materials, we distribute audio recording of the IR meeting and disclose the contents of the question and answer session, etc., during the IR meeting. We also make monthly information disclosure. We have prepared an English version of the IR site, and post various financial materials and the annual report.
Establishment of Department and/or Manager in Charge of IR	AFS Group Corporate Planning Department is in charge of IR.
Other	Individual meetings with the President & CEO, Officer in charge of Group Corporate Planning, Officer in charge of Group Corporate Management, and Group Corporate Planning Department are held with domestic and overseas investors and securities analysts.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	We have established guidelines and criteria to ensure respect for customers and other stakeholders in accordance with the Aeon Code of Conduct.
Implementation of Environmental Activities, CSR Activities etc.	We are fully committed to fulfilling our mission as a good corporate citizen and engage in volunteer activities closely aligned with the local communities and global environmental activities. We also post our activity details on our website and the annual report, etc.
Development of Policies on Information Provision to Stakeholders	We prepare and distribute our integrated report, annual report and shareholder report and post them on our website.
Other	To promote diversity, we have opened the “Peace Farm,” a farm operated under an agricultural scheme to provide new workplace for people with various disabilities. In promoting female participation, overseas subsidiaries are making significant contribution, and the ratio of female senior management for all domestic and overseas AFS Group companies have reached around 30%. We will continue to promote awareness with focus on further career development for women.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

A. Framework to ensure that performance of duties by Directors and employees comply with laws, regulations, and the Articles of Incorporation

1. AFS Group's officers and employees shall comply with the Aeon Code of Conduct as the guideline for appropriate decision making and behavior aligned with social norms and corporate ethics. To notify matters that AFS Group's officers and employees should comply with, and to respond to the latest revisions of laws and regulations and the Articles of Incorporation, we will conduct periodic and timely compliance education for AFS Group officers and employees.

2. AFS Group Compliance Policy will be established to clarify our basic stance towards compliance, together with Compliance Regulations and Compliance Manual to notify laws and regulations to be complied with by officers and employees, specific points to note, and actions to take when a violation is discovered.

3. To develop and establish AFS Group's compliance framework, the Internal Control Committee shall conduct comprehensive and expert review and deliberation on compliance related matters concerning the AFG Group, provide necessary instructions to relevant parties, and make necessary reports and proposals to the Board of Directors.

4. Basic Policy for Responding to Anti-social Forces will be established, with AFG and subsidiaries to expressly state our firm position to eliminate and sever all ties with antisocial forces to our officers and employees pursuant to the Basic Policy, and stipulate the same in the Regulations Concerning Prevention of Damage from Anti-social Forces.

5. AFS and subsidiaries will establish regulations on management of customer information pursuant to our Privacy Policy, and thoroughly enforce protection of customer information.

6. As a method for employees to directly report information on suspicious acts under laws and regulations, etc., Aeon Code of Conduct Hotline as well as Whistleblower Hotline at AFS and each subsidiary will be established and notified to the officers and employees of the AFS Group. Contents of the reported matter shall be treated as confidential information under laws, regulations, and internal rules, and the whistleblower shall not be treated disadvantageously.

7. Internal Audit Division independent from other business execution divisions is established and will conduct audits from an independent and objective position in collaboration and cooperation with the AFG Corporate Auditors and Accounting Auditors and make periodic reports to the Board of Directors.

8. AFS shall establish the Regulations on Internal Control Concerning Financial Reporting, and to secure credibility for our consolidated financial reporting, establish a framework concerning the establishment, operation, and evaluation of internal control for AFS Group's financial reporting, and establish necessary structures for AFS and subsidiaries.

B. Framework for storage and management of information concerning execution of duties by the Directors

1. Records concerning the resolution by the Board of Directors and decision making by the Directors shall be prepared, managed, and stored in accordance with internal rules including the Rules concerning the Board of Directors, Regulations on Application for Authorization, and Regulations on Document Management. Directors and Corporate Auditors shall have regular access to view these documents, etc.

2. AFS and subsidiaries will establish regulations on management of customer information pursuant to our Privacy Policy, and thoroughly enforce protection of customer information.

C. Rules on management of risk of loss and other frameworks

1. Basic matters concerning the management of business related risks, etc., for the AFS Group shall be stipulated in the Risk Management Regulations. A risk management organization and structure independent from the revenue producing divisions will be established to manage the business risks for the AFS Group.

2. To promote management of AFS Group's business risks, the Internal Control Committee shall conduct comprehensive and expert review and deliberation on matters relating to the risk management for the AFG Group, provide necessary instructions to relevant parties, and make necessary reports and proposals to the Board of Directors.

3. Each subsidiary shall document the method of management concerning regulations such as the capital ratio under local laws and regulations, and secure appropriate capital and capital ratio.

4. Prepare a framework in advance to respond to the occurrence or likelihood of unexpected event that has significant impact on AFS Group's business operation, establish a Regulation on Business Crisis Response to quickly respond to an emergency, and maintain appropriate and effective measures and business continuity framework from normal times.

D. Framework to ensure effective performance of duties by Directors

1. Important matters concerning management of AFS and AFS Group shall be determined by the Board of Directors subject to deliberation by the Management Policy Committee and Internal Control Committee, from the perspective of business efficiency and effectiveness.

2. Authority for business execution based on the decision by the Board of Directors, etc., shall be delegated in accordance with the Organizational Regulations and Regulations on Division of Duties and Authorization for efficient execution by each Division. Subsidiaries shall establish standards concerning organization, division of duties and authorization in accordance with the AFS regulations.

3. To ensure efficient execution of business by the subsidiaries, establish common platforms for accounting and systems, etc., with AFS to provide appropriate support for finance, public relations, human resource management, and legal operations.

E. Framework to ensure appropriate business operation by the corporate group comprising of AFS, its parent company and subsidiaries

1. Subsidiaries and Affiliates Management Regulations shall be established for the purpose of smooth business operation and appropriate management for AFS subsidiaries and affiliates ("Subsidiaries" hereinafter) and to instruct and develop the Subsidiaries, and AFS shall manage and instruct the Subsidiaries to ensure they can achieve business purposes in accordance with the Regulations. AFS shall require the Subsidiaries to report their business performance, financial status and other important information to AFS in accordance with the Subsidiaries and Affiliates Management Regulations and business management agreements directly or indirectly executed with the Subsidiaries, and to implement important matters concerning business management and internal control subject to prior consultation with AFS, to ensure appropriate business operation by the Subsidiaries.

2. AFS shall establish an Audit Division that supervises the internal audit function of AFS Group. By monitoring the status of internal audit by AFS Group companies and conducting Group company audit as necessary, review the appropriateness and effectiveness of the internal control and internal audit frameworks.

3. Transactions with companies belonging to the Aeon Group comprising of the parent company AEON Co., Ltd., and its consolidated subsidiaries and equity-method subsidiaries may involve conflict of interest, and such transactions will require careful deliberation and decision making by the Board of Directors, etc., to ensure that such transactions, etc., is necessary and that the terms and conditions are not extremely inappropriate.

F. Framework to secure independence of the assistant to the Corporate Auditor and other matters to ensure effective audit by the Corporate Auditor
To ensure effectiveness of the audit by the Corporate Auditor, a designated staff to support the duties of the Corporate Auditor (Assistant) will be appointed in accordance with the Standards for Corporate Auditor's Audit.

G. Matters on securing the independence of the staff in the preceding item from the Directors and the effectiveness of instructions given to the staff
The Assistant shall perform duties strictly under the orders of the Corporate Auditor and shall not receive orders from Directors and other executive organizations, and matters related to the transfer, performance evaluations, and disciplinary actions, etc., of the Assistant shall require consent of the full-time Corporate Auditor.

H. Framework for reporting by Directors and employees to Corporate Auditors and framework for other reporting to Corporate Auditors

1. Directors and employees of AFS Group companies shall immediately report matters that may cause significant damage to AFS and AFS Group to the Corporate Auditors.

2. Corporate Auditors may request Directors and the Officer in charge of Compliance for a report on compliance related information as necessary.

3. Full-time Corporate Auditor may attend the Internal Control Committee and other important meetings, receive reports on the status of establishment and operation of risk management, compliance, and other internal control at the subsidiaries, and receive a report from the subsidiaries where necessary.

4. AFS prohibits disadvantageous treatment of officers and employees of AFS and subsidiaries who reported to the Corporate Auditor for the reason of such report, stipulate the same in AFS and subsidiaries' whistle-blower related regulations, and notify to officers and employees of AFS and subsidiaries.

I. Other frameworks to ensure effectiveness of audit by the Corporate Auditor

1. Full-time Corporate Auditor may attend important internal meetings and state necessary opinions at deliberation of the agendas and have constant access to important documents including the record of the meetings and authorization documents.

2. Internal Audit Division shall contribute to ensuring the effectiveness of the audit by making timely reports to the Full-time Corporate Auditor on the status of internal audit on AFS and subsidiaries and building a collaborative framework such as exchange of opinions and information.

3. AFS shall be liable for making advance payments of expenses arising from the performance of duties by the Corporate Auditors including where the Corporate Auditor requests employment of independent external expert for investigation, etc., and processing the expenses arising from performance of duties by the Corporate Auditors including repayment procedures unless the company proves that they are unnecessary for the performance of duties by the Corporate Auditor, allocate necessary budget, and designate a department for processing.

2. Basic Views on Eliminating Anti-Social Forces

AFS deems measures against anti-social forces by AFS Group as one of the important compliance items and have established the following Basic Policy from the perspective of preventing damages and firmly eliminating and severing all ties with anti-social forces and established a designated department to gather and manage information.

(1) AFS Group shall not have any ties with anti-social forces.

(2) AFS Group shall cooperate with external expert organizations including the police, the Center for Removal of Criminal Organizations, and attorneys to prevent damage from anti-social forces and take appropriate organizational measures.

(3) AFS Group shall not respond to any undue demands by anti-social forces and implement resolute legal measures.

(4) AFS Group shall not provide any funds or engage in secret deals with anti-social forces.

(5) AFS Group shall secure safety of officers and employees who respond to undue demands from anti-social forces. Major Group companies have established a department in charge of response and Officer in charge of prevention of undue demands, endeavor to establish frameworks including manuals and trainings, and have implemented measures against anti-social forces in cooperation with external expert organizations where necessary.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

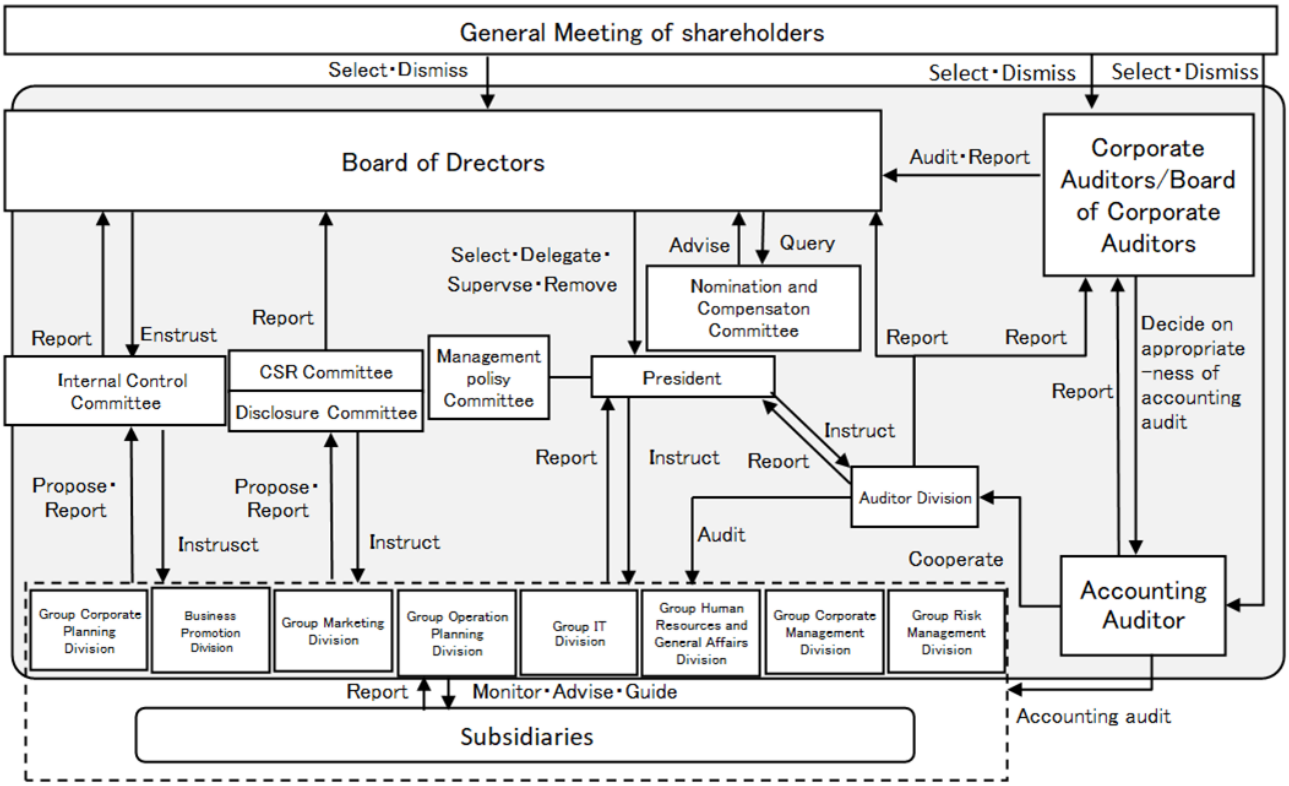
Supplementary Explanation

Not applicable. We will continue on-going review according to the circumstances.

2. Other Matters Concerning to Corporate Governance System

AFS has established a designated division for information disclosure, and endeavor to make timely and clear disclosure including with various information disclosure through news releases and financial data book, as well as through timely interviews and meetings with the media, investors, and securities analysts. We will continue our efforts to meet the trust from society and fulfill our corporate social responsibility, and to realize "customer first," "provide financial services that are closely attuned to customers' lives," "earn the trust of society and meet its expectations," and "maintain a corporate culture that encourages our people to excel," as a company that "supports customer's lifestyles and enable each individual to maximize future opportunities through effective use of credit."

Corporate Governance（As of May 21, 2021）



【Timely Disclosure System Diagram】

