# Corporate Governance Report

Last Update: May 27, 2024
AEON Financial Service Co., Ltd.
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https://www.aeonfinancial.co.jp/en/

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

The Group's approach to corporate governance is as follows.

(1) We will instill the basic philosophy of AEON Corporation, our parent company, into our company and our group.

[AEON Foundational Ideals]

Pursuing peace, respecting humans, and contributing to local communities, always with customers as our starting point.

AEON firmly believes that retailing is an industry to promote peace, humanity, and local communities. To remain a thriving corporate group that fulfills this mission, we are committed to continuous innovation, with customers as our starting point.

・AEON Foundational Ideals https://www.aeon.info/en/company/concept/

・AEON Group Vision Statement

Create a future lifestyle that leads to a smile for each and every person:

https://www.aeon.info/en/company/code_of_conduct/

(2) In order to realize and put Our Purpose into practice, we will respect the Independency and autonomy of our officers, employees, and Group companies, and thoroughly implement our basic management policy.

[Our Purpose]

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

[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.

(3)To return profits to shareholders, to promote the generation of mutual benefits with other stakeholders, and to promote social contribution, all officers and employees of the AFS Group shall strive to work in unison in accordance with the following:

(a) When making a decision, endeavor to make an optimal decision by: following proper procedures and complying with laws and regulations and other social norms; collecting sufficient information regarding the advantages, disadvantages and risks; and engaging in unfettered discussions from multilateral viewpoints to identify the gains and losses expected from the decided action. This applies to all parties involved in the decision, from the Board of Directors to the relevant departments.

(b) Pursue the improvement of operational efficiency and business innovation for the purpose of enriching the lives of our customers and strive for continuous growth by maximizing Group synergies.

(c) Develop employees who think and act autonomously and maximize their abilities by treating them fairly and providing them with appropriate opportunities to demonstrate their skills as well as by conducting fair performance evaluations.

(d) Strive for social contribution through business activities and sustainable business management.

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 strive to ensure that the above-stated Principles and Policies are 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.

**[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]**

We disclose based on 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., and AFS Group (the Company and its subsidiaries) requires prior advice from the Transaction Review Committee comprising of all independent outside directors, and approval of the Board of Directors based on the response from the Committee.

- 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.

[Supplementary Principle 2.4.1 : Ensuring diversity in the promotion to core human resources, etc.]

(1) Policies for ensuring diversity, policies for human resource development and internal environment development, and the status of implementation

We respect each employee's personality and promote creation of a structure where diverse human resources can participate to realize provision of services and products from the customers' perspective. Therefore, we accept diverse human resources regardless of gender, age, or nationality, etc., and actively provide opportunities to participate; and strive to create a corporate culture and

workplace that respects diversity of views and opinions and encourages vigorous discussions.
We engage in business in eleven countries including Japan and recognize that we should further promote diversity in Japan. For overseas, dispatch of human resources from Japan is limited, and we already have diversity in core human resources mainly comprising of local personnel. Going forward, we will promote global resource exchange.

(2) Goal for ratio of female managers

Based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life," women comprised 16.2% of all managers in the whole domestic group at the end of FY2023.

To promote women's active engagement, the Group has set a numerical target for increasing the ratio of women who will assume managerial positions including assistant managers in the future, and aims to achieve the goal of 50.0% female managers by FY2025. We strive to support career development through training for female managers, etc., expand flexible working styles, and improve the working environment to promote their active engagement.

(3) Goal for ratio of foreign nationals

Ratio of foreign nationals in Japan and ratio of dispatch from Japan to overseas is few percent for both. We have consistently endeavored to develop local resources and respected local management. To promote global cross-border resource exchange, we will continue to provide education programs for excellent employees from various countries (e.g., AFS Management Course, AFS Global Course) and implement appointment of management regardless of nationality.

(4) Goal for ratio of midcareer hires

We have not adhered strictly to regular recruitment practices and have instead hired employees with diverse backgrounds. As a result, we believe that there are various perspectives and values within the company.

[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. In addition, Aeon Corporate Pension 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. We 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 Purpose, Basic Policies, and Medium-Term Strategy on our corporate website, etc.

- Our Purpose: https://www.aeonfinancial.co.jp/en/purpose/
- 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 directors' remuneration, 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 principles and policies 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).

  The nomination of candidates for Corporate Auditors is proposed by the President & CEO in accordance with the following criteria. Following discussion and approval by the Board of Corporate Auditors, the proposal to appoint auditors for submission to the General Meeting of Shareholders is determined by the Board of Directors.

  8. 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.

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

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

11. 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.

[Supplementary Principle 3.1.3: Sustainability initiatives]

- We recognize that sustainable development of society is necessary for our business operation. We established the Sustainability Policy*1 in November 2021, and promote sustainability management together with our stakeholders to ensure that our Group business will be positioned as an essential social infrastructure in Japan and overseas.

  We identify the sustainability issues we should address as medium- and long-term key issues (materiality)*2 based on the analysis of the degree of their importance for both our stakeholders and the AFS Group. Some of the materiality for our business management include pursuing happiness through innovative financial services, exerting diversity and the potential of our people, establishing organizational resilience, and addressing climate change. Based on these we have set KPIs to be achieved by 2030 and will monitor their progress.

  Above all, with the aim of promoting human resources strategy toward building human resources and organizations that drive growth and facilitating investments in human capital and intellectual properties, we have established the AFS Academy as an in-house human resources education and development organization and have taken actions to cater to our employee needs for diverse ways of working.

In particular, we recognize that climate change will have significant effect on the lifestyles and health of customers and employees, as well as development of regional economy and community, and we are committed to supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that promotes information disclosure by companies on climate change*3in December 2021. Together with AEON, we began working toward the realization of a decarbonized society ahead of others, and endeavor to reduce greenhouse gas emissions through our business activities based on the analysis and understanding of risks and opportunities in our businesses.

We have established the Sustainability Committee chaired by the Executive Officer, General manager of Corporate Planning to promote our sustainability issues, and together with management strategies, and to engage in deliberation, decision-making, and monitoring of Group-based activities. The Committee reports regularly to the Board of Directors.

In addition, the Company annually makes reports on the progress on our initiatives through our Annual Report and on our website to ensure transparency and soundness of management through appropriate information disclosure, referencing the frameworks presented by the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (GRI).

*1 Sustainability Policy: https://www.aeonfinancial.co.jp/en/activity/policy/
*2 Materiality: https://www.aeonfinancial.co.jp/en/activity/materiality/
*3 Climate Change Initiatives: https://www.aeonfinancial.co.jp/en/activity/environment/climate/

[Principle 4-1-1: Scope of delegation to management]

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 "Organizational Regulations" 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 4.9: 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.

[Supplementary Principle 4.10.1 :Roles and authorities of the Nomination and Compensation Committee]

We have established the Nomination and Compensation Committee as an advisory body to the Board of Directors to ensure that the decisions on the nomination and compensation of directors are made according to objective, transparent, and independent procedures.
The Nomination and Compensation Committee comprises of three to seven members nominated from the directors by the Board, with outside directors comprising the majority. The chair of the Committee is elected by mutual election among members who are outside directors.
The Committee deliberates on matters related to appointment and dismissal of directors, corporate auditors, or executive officers; human resource development and other human resources related matters; and matters related to compensation and may submit its opinion to the Board of Directors.

[Supplementary Principle 4.11.1 :Approach on the diversity of the Board of Directors]

(1) Structure or the Board of Directors

- The Board shall be composed of appropriate number of directors with emphasis on flexibility and to enable prompt decision-making.

- The Board of Directors shall have individuals who meet the conditions stated below for independent outside directors compose at least one-third of the Board.

(2) Policy and procedures for appointment of directors

- We contribute to the various life stages and life styles of our customers, we appoint individuals that have high integrity (ethics and honesty) and management abilities; who share the basic philosophy of AEON Corporation and "Our Purpose" have abundant practical experience and expertise to play a leadership role in corporate management, global, financial, retail, legal, and accounting matters; and are capable of appropriate business management decision-making and supervision as directors, with consideration to diversity including age and gender.

- For outside directors, we emphasize independence, and appoint individuals who meet the requirements of an "independent directors/auditors" as defined by the Tokyo Stock Exchange, Inc., who have played a leadership role in relevant areas or have experience in policy decision-making level and can be expected to contribute to increase of our corporate value, with consideration to diversity including the balance of expertise, age, and gender.

- The Company has established the Nomination and Compensation Committee with the majority of its members comprising of independent outside directors and chaired by an independent outside director to serve as an advisory body to the Board of Directors. The Board of Directors shall determine the candidates for the Board with the result of deliberation by the Committee respected to the extent possible.

[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 Effectiveness of the Board of Directors]

We perform analysis and evaluation of the effectiveness of the Board of Directors to enhance corporate governance for the purpose of contributing to sustainable growth and improving corporate value.

We have recently analyzed and evaluated the effectiveness of our Board of Directors in FY2023 and have identified the issues we should address to further improve the Board's effectiveness. The following section shows an overview of our evaluation.

(1) Method of evaluation

In FY2023, we conducted a survey of all directors (12 in total) and all corporate auditors (four in total) on topics such as board composition and operation status. Major items in the survey are as follows:

Overall assessment of the Board of Directors; board composition; preparations for and operation of the Board; discussions at the Board; self-evaluation of their contribution to committees (the Nomination and Compensation Committee, and the Transaction Review Committee), Board of Corporate Auditors, and the Board of Directors; response to the issues identified in FY2022; gap analysis of the importance of agenda items and the time spent on their discussions (gap analysis using a ten-scale evaluation).

(2) Results

It was concluded that the Board of Directors was generally functioning appropriately, and that its effectiveness was improving as seen in the absence of any major problems regarding the current corporate governance structure or operation. It was appreciated that improvements and enhancements were found as a result of the efforts to enhance discussions about the company-wide direction by increasing debates for strategic discussions as a response to the challenges pointed out in FY2022. On the other hand, although efforts and initiatives to further enrich discussions are seen, they are still insufficient. We will recognize the issues identified in the evaluation and continue to further improve the effectiveness of the Board.

(3) Future key issues

The Board of Directors believes that its effectiveness is secured at present but will aim to improve the following points including the on-going issues from the previous fiscal year as key issues to further enhance the Board effectiveness.

・Deepening of discussions at the Board of Directors meetings:

The Board of Directors will improve strategic discussions from the medium- and long-term perspectives toward the improvement of the corporate value. To this end, we will endeavor to boost awareness for improving the corporate value by having discussions from various viewpoints on the execution side at the same time.

・Consideration of board composition for sustainable growth:

We will clarify the qualifications and insights needed for the Company's directors based on the roles that the Board of Directors should play. For the development of next-generation management, we will discuss how the Board of Directors should be involved from the viewpoint of supporting sustained

growth.

・Upgrading of the operation of the Board of Directors:

To improve medium- and long-term strategic discussions at the Board of Directors meetings, we are closely examining the agenda items of the Board and preparing its annual agenda. We will also improve the function of the Board's secretariat and aim to achieve efficient operation and exercise the oversight function through the preparation of easier-to-understand materials for the Board and appropriate information provision to outside directors.

[Principle4.14.2: Support for Directors]

- We offer education and training programs periodically to Directors and Corporate Auditors, such as corporate governance, management strategy, risk management, internal control, and compliance, for the purpose of equipping Directors and Audit & Supervisory Board Members with the knowledge necessary for their roles and responsibilities, and to study appropriate updates, 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 Managing Executive Officer in charge of Finance and Accounting Division and the Managing Executive Officer in charge of Corporate Planning Division the AFS Group as the Corporate Disclosure Officer, and the Investor Relations Department, Corporate Planning Department and Accounting 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.

- We report and share information obtained from shareholders and investors through IR activities to the Board of Directors as appropriate.

- Dialogue with shareholders and investors is held based on public information, we ensure its fairness, and strive to enforcing control of insider information.

- As an initiative to promote deeper mutual understanding between the Company and our shareholders/investors, we hold quarterly meetings on financial results, and regularly hold small meetings between investors and senior management, as well as briefings for individual investors. In addition, we actively accept individual interviews from domestic and overseas institutional investors. We also make information disclosure through our website and Annual Report.

[Responses toward the realization of management with an awareness of capital cost and stock price] [Disclosed in English]

・The Company understands its own capital cost, and has set ROE as an important indicator with regard to the achievement of profitability of capital exceeding capital cost. As the medium-term

goal toward sustainable growth, the Company aims to achieve and maintain 10.0% or more of ROE by enhancing earning capacity and increasing capital efficiency.

・To achieve the medium-term target, we are currently pushing forward structural reforms for optimal business portfolio and operate businesses with an awareness of indicators for “asset profitability,” “productivity,” and “capital efficiency.” In addition, while striking a balance between an increase in earning capacity and financial security, we will strive to make investments that contribute to growth areas and productivity enhancement, as well as to provide stable and sustained shareholder returns.

・For an overview of the initiatives, please refer to the full-year financial results presentation materials for the fiscal year ending February 2024 (P.12-24).

Japanese : FY2024 IR Presentation Material

Japanese with note : IR Presentation Material with notes

https://www.aeonfinancial.co.jp/ir/library/setsumei/

English : FY2024 IR Presentation Material

English with note : IR Presentation Material with notes

https://www.aeonfinancial.co.jp/en/ir/library/setsumei/

## 2. Capital Structure

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|---|---|
| Foreign Shareholding Ratio | From 10% to less than 20% |

**[Status of Major Shareholders]**

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|---|---|---|
| AEON Co., Ltd. | 104,051,749 | 48.20 |
| The Master Trust Bank of Japan, Ltd (Trust account) | 22,084,900 | 10.23 |
| Custody Bank of Japan, Ltd (Trust account) | 5,878,100 | 2.72 |
| Maxvalu Nishinihon Co., Ltd | 2,646,705 | 1.23 |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 2,557,200 | 1.18 |
| SMBC Nikko Securities Inc. | 2,414,900 | 1.12 |
| Japan Securities Finance Co., Ltd. | 2,399,900 | 1.11 |
| NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUT | 2,154,000 | 1.00 |
| J.P. MORGAN BANK LUXEMBOURG S.A. 381572 | 2,022,700 | 0.94 |
| HSBC BANK PLC A/C TTF AIFMD GENERAL OMNIBUS | 1,635,606 | 0.76 |

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

Supplementary Explanation

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## 3. Corporate Attributes

| | |
|---|---|
| Listed Stock Market and Market Section | Tokyo Stock Exchange, Prime Market |
| 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. (pure holding company, hereinafter "AEON") is our parent company, holding 50.00% of our voting rights (including indirect ownership by AEON Group companies as of February 29, 2024).

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., and AFS Group (the Company and its subsidiaries) will be referred in advice to the Transaction Review Committee comprising of all Independent Outside Directors, and approval by the Board of Directors will be required based on the response of the Committee.

- 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 operating holding company of domestic and overseas subsidiaries that operate credit card purchase contracts centering on credit card business, loan business, banking 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.

We 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 50.00% (as of February 29, 2024) 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, two Executive Officers of AEON have 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. In addition, significant transactions with the parent company, etc., and AFS Group (the Company and its subsidiaries) will be referred in advice to the Transaction Review Committee comprising only of Independent Outside Directors, and approval by the Board of Directors will be required based on the response of the Committee.

We have overseas listed subsidiaries AEON Credit Service (Asia) Co. Ltd. (Hong Kong), AEON THANA SINSAP(THAILAND)PCL. (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

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| subsidiaries, we request appointment of independent Outside Directors and establishment of Advisory Committee by independent officers.<br><br>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

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|---|---|
| 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 | Chairman |
| 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:<br><br>- Project Professor, Graduate School of Business Design<br>- Japan Freight Railway Company<br>- ULVAC Inc.<br>- 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 the following posts:<br><br>- Outside Director of WingArc1st Inc.<br>- Outside Director of HiJoJo Inc.<br>- Outside Director of SBI Global Asset Management 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 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 the following posts: | 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 |

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| | | -Attorney-at-law of Aoyama TS Law Office<br>- Outside Director of PowerX Inc.<br>-Outside Director of NPR-RIKEN CORPORATION | 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:<br><br>-Representative of Takashi Nagasaka CPA Office<br><br>- Outside Auditor of Tokushu Tokai Paper Co., Ltd.<br>- Outside Director and Independent Officer and Audit and Supervisory Committee Member 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. |

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|---|---|
| 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 | Outside Director | Outside 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 Outside Directors. Twelve meetings took place in FY2023 to discuss the matters related to the appointment and discharge of directors and executive officers and the matters related to their remuneration.

**[*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 also attends the meeting, sharing the audit results and exchanging opinions under a three-way audit system (i.e., audits by Corporate Auditors, audits by accounting auditors, and internal audits).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.

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| 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 |
| Maki Watanabe | From another company | | | △ | | | | | | | | | | |
| Yuko Yogo | From another company | | | | | | | | | | | | | |
| Yasuko Ono | 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 |
|---|---|---|---|
| Maki Watanabe | | ― | She has been appointed to important roles in AEON Co., Ltd. including General Manager of Consolidated Accounting Department as well as serving as Audit & Supervisory Board Member in multiple Group companies. She has been selected as a Corporate Auditor as she is expected to appropriately perform a role of ensuring the soundness and appropriateness of business management and decision making utilizing her extensive experience in the accounting section and as a corporate auditor. There is no special interest between her and AFS. |
| Yuko Yogo | ○ | Concurrently serving the following posts:<br><br>-Outside Director of HEALIOS K.K. | 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 |

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| | | | 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. |
| Yasuko Ono | ○ | ― | 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 experience in the financial industry, including experience as the president of an overseas company. She particularly excels in the global governance field and also has experience as corporate auditor. She is being appointed based on her abundant experience to play a role in securing appropriateness and adequacy of business operations for AFS, 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.

(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]**

| | |
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| 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 Directors' remuneration for 2023 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 31, 2023 Performance-linked compensation has been determined based on the performance of AFS and individual performance of each Director, within the scope determined by the budget achievement ratio. Furthermore, determining these remunerations requires prior advice from the Nomination and Compensation Committee.

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.

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| 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 FY2023 is as stated below:

Total annual Directors' remuneration: 222,000,000 yen
Total annual Corporate Auditors' remuneration: 30,000,000 yen
Total: 252,000,000 yen
of which, outside Officers' remuneration: 85,000,000 yen

(Notes)

1. Above stated remuneration includes 29,000,000 yen of expenses for payment of bonuses to five Directors, and 8,000,000 yen of expenses for the stock acquisition rights (stock compensation-type stock options) granted to six Directors.

2. As of the end of the fiscal year, there were twelve Directors and four Corporate Auditors. Of which, one Director and one Corporate Auditor are 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.

- Two dedicated staff members 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.) | — |

Others

—

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

(1) 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 seventeen meetings were held in FY2023, with 100% attendance by Outside Directors and 100% attendance by External Corporate Auditors.

(2) Management Policy Committee

The Management Policy Committee was established as a decision-making organ for the business execution of the Company and its Group. Meetings are held on monthly basis, in principle, and where necessary.

(3) 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 execution of the Company and its Group, 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.

(4) Nomination and Compensation Committee

The Nomination and Compensation Committee ensures that the nomination and compensation decisions for the Directors and senior management of each subsidiary of the Company and its Group are made with objective, transparent, and independent procedures; and is consulted by the Board of Directors to discusses and deliberates the candidates for the next director and the remuneration of directors. Meetings are held at least annually, in principle, and where necessary.

(5) Sustainability Committee

The Sustainability Committee comprehensively and expertly discusses and reviews matters regarding the sustainability of the Company and the Group, provides necessary guidance and advice to relevant parties, makes resolutions, and makes reporting and recommendations to the Board of Directors. Meetings are held on quarterly basis, in principle, and where necessary.

(6) Transaction Review Committee

The Transaction Review Committee deliberates on the appropriateness of significant transactions or acts that create conflict of interest between the controlling shareholder and minority shareholders of the company from the perspective of protection of minority shareholders' interest. Meetings are held as necessary.

(7) Disclosure Committee

The Disclosure Committee multidimensionally and comprehensively discusses and deliberates the disclosure materials for management-related information such as the Company's financial results and status of the operating business. Meetings are held on quarterly basis, in principle, and where necessary.

(8) DX Committee

The DX Committee develops DX strategies of the Company and the Group, and has technical and practical discussions to optimize individual companies' DX initiatives from the perspective of the group-wide DX. Meetings are held at least monthly, in principle, and where necessary.

(9) Customer Satisfaction Improvement Committee

The Committee checks opinions the Company's customers, member stores and employees, and examines and discusses matters related to the improvement of the Company's customer services from comprehensive and specialist viewpoints. Meetings are held at least monthly, in principle, and where necessary.

(10) 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. The Board of Corporate Auditors met 18 times in FY2023 with attendance rates of 100% for outside corporate auditors and 100 percent for corporate auditors.

<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
  27 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:

  Kensuke Yamasaki, Tetsuya Ito, Mikihiko Okabe

  (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: 31  Other: 47

<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: 510,000,000 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 2024, the notice was dispatched sixteen days before the date of the General Meeting of Shareholders. |
| Scheduling AGMs Avoiding the Peak Day | For 2024, the date of the General Meeting of Shareholders is May 24th. |
| 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. In addition, we have created pages for individual investors on our website to provide easy-to-understand communication including our history and business overview. |
| Regular Investor Briefings for Analysts and Institutional Investors | We hold financial results briefings each time we announce our financial results for our management to explain the business environment, financial results, financial forecast, and progress in management strategies, among other things. |
| Regular Investor Briefings for Overseas Investors | We regularly make an explanation to overseas investors about financial results, forecasts, and progress in management strategies by holding briefings for overseas investors and participating in conferences hosted by securities brokers, among other things. |
| Posting of IR Materials on Website | In addition to posting of various materials, we distribute audio recording and videos of the IR meeting and disclose the contents of the question and answer session, etc., during the IR meeting. We also make monthly information disclosures. We have prepared an English version of the IR site, and post various financial materials and the Integrated Report. |
| Establishment of Department and/or Manager in Charge of IR | Investor Relations Department is in charge of IR. |
| Other | Individual meetings with the President & CEO, Director and Investor Relations 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 | In accordance with the AEON Group's philosophy and policies, the Company stipulates its way of thinking and judgment standards for customers and other stakeholders. |
| Implementation of Environmental Activities, CSR Activities etc. | We are actively and continuously committed to fulfilling our mission as a good corporate citizen and engage in volunteer activities closely aligned with the communities and global environmental activities.<br><br>・Financial literacy education<br>The Group focuses on activities toward the realization of a sustainable society, particularly initiatives to improve financial literacy. While communicating the importance of acquiring knowledge on finance and increasing financial literacy to our customers, we continued offering on-site lessons and donation-based lectures on asset building and risks of financial transactions for young people such as high school students, and university students, to help improve their financial literacy.<br>In addition, we supported the “Waku Waku Cashless Experience” event hosted by Public Interest Incorporated Foundation AEON 1% Club* (“AEON 1% Club” hereinafter) to make the convenience of cashless payment widely known, and also held events to inspire children to think about the future of money at various AEON Malls. |

| | |
|---|---|
| | We will continue working to realize a cashless society where people can live in a "safe, comfortable, convenient and beneficial" way for a social infrastructure.<br>*1 AEON 1% Club Foundation<br>The major AEON Group companies donate 1% of their pre-tax profits, and the Foundation engages in projects with three main themes: Sound Development of the Next Generation, Promotion of Friendship with Foreign Countries, and Sustainable Development of Regional Communities. Six financial companies including the Company is participating from AFS Group.<br>https://aeon1p.or.jp/1p/<br><br>・Earthquake<br>We have been working as volunteers harvesting cotton crops in Iwaki City, Fukushima Prefecture since 2017 as a reconstruction support activity in the region that suffered from major salt damage to farmland due to the tsunami in the Great East Japan Earthquake. We resumed the activity, which had been suspended since 2020 due to the COVID-19 pandemic, with participation of our Group employees. We have been involved in other volunteer activities that reflect our Group employees' wish to contribute to the reconstruction effort of the Tohoku region. These include a charity to donate the sales proceeds of secondhand books and a charity activity to donate materials to make cleaning clothes.<br><br>・Disaster emergency support donations<br>The Company collected donations made by customers with a credit card, or using "AEON Pay" code payment system, in a cashless manner in the "Noto Peninsula Earthquake of 2024 Emergency Support Donations" raised by each AEON Group company. Approximately 1.1 billion yen, which consists of donations from our customers and contributions from AEON Co., Ltd. and AEON 1% Club, was offered by AEON Co., Ltd. to the relevant municipalities.<br>In addition, we also have raised cashless donations in the "Taiwan Eastern Offshore Earthquake Disaster Support Donations," and the donations have been used for recovery and reconstruction assistance through municipalities in the stricken region.<br><br>・AEON Heartful Volunteer<br>To achieve the AEON Foundational Ideals "Pursuing 'peace,' respecting 'humans,' and contributing to "local communities," always with customers as our starting point," we promote volunteer activities toward the resolution of regional social issues, using various resources obtained by AEON people through business management activities. In FY2023, the Group employees also actively took part in the ocean waste cleanup volunteer activities conducted throughout Japan as an environmental conservation effort.<br><br>・Participation in AEON Forest Program<br>We participate in tree planting activities in cooperation with AEON Environmental Foundation and AEON Co., Ltd., to promote tree-planting by employees, environmental education, and to promote and educate on AEON Hometown Forests Program.<br><br>Additionally, information on our activities is posted on our website and Annual Report.<br>https://www.aeonfinancial.co.jp/en/activity/ |

| | |
|---|---|
| Development of Policies on Information Provision to Stakeholders | We prepare and distribute our integrated report, and shareholder report and post them on our website. |
| Other | To promote diversity, we have established a department dedicated to DE&I, aiming to cultivate an internal environment where all employees can work with fulfillment and authenticity. Additionally, we have opened the “Peace Farm,” a farm operated under an agricultural scheme to provide new workplaces for people with various disabilities. Through tailored environmental adjustments and support catered to the characteristics of disabilities, we are working to expand employment opportunities for people with disabilities. |

## 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 base their appropriate decisions and actions on the "AEON Foundational Ideals" in line 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 Compliance 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

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.

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. Matters on independence of the staff who assists the duties of the Corporate Auditor and ensuring effectiveness of instructions to the staff

・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.

・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.

G. 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 the Board of Directors, the Management Policy Committee, 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.

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

1. Full-time Corporate Auditor may attend the Board of Directors, the Management Policy Committee, the Internal Control Committee and other important 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

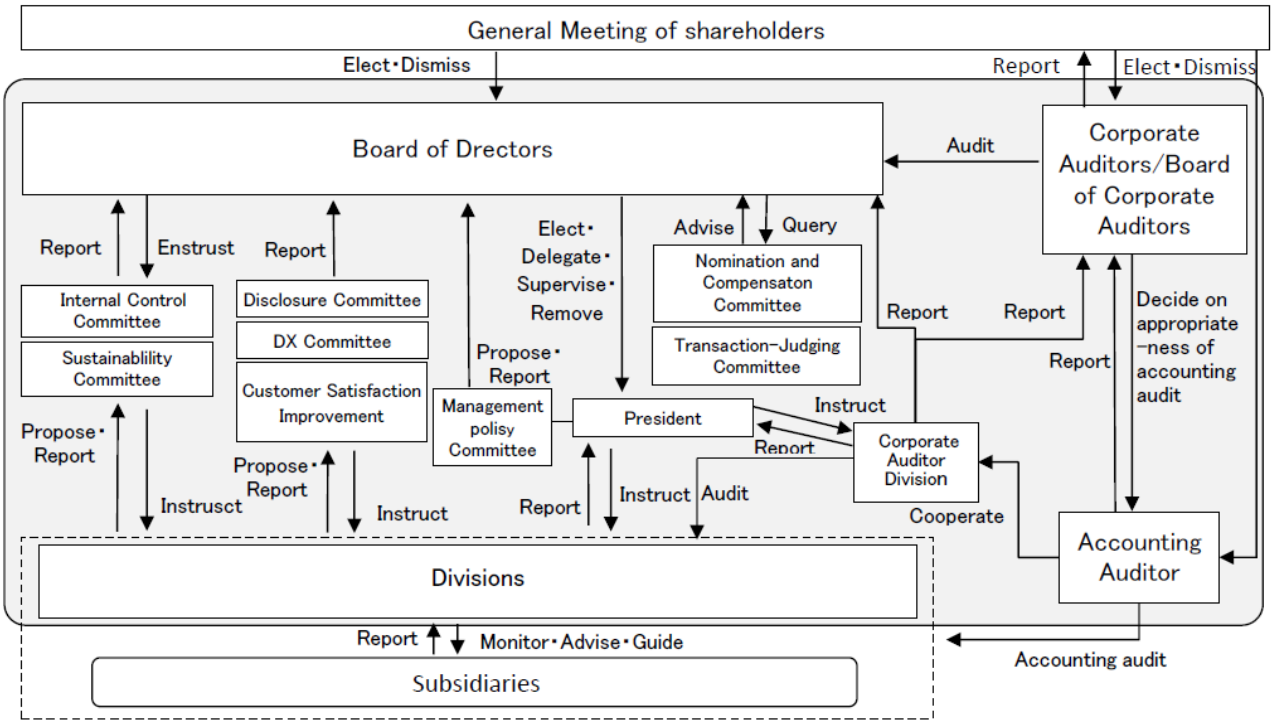
Not applicable. We will continue on-going review according to the circumstances.

### 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,”.

【Corporate Governance Structure】

Corporate Governance Structure of AFS (May 24, 2024)




【Timely Disclosure System Diagram】

