

Last Update: April 11, 2024

AIFUL CORPORATION

Chairman, President & CEO: Mitsuhide Fukuda

Contact: 03-4503-6050

Securities Code: 8515

<https://www.aiful.co.jp>

The corporate governance of AIFUL CORPORATION is described below.

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

### 1. Basic Views

(Basic Views on Corporate Governance)

The AIFUL Group understands that a key objective of corporate governance is to achieve corporate management with transparency, impartiality and efficiency by conducting corporate activities premised on compliance in accordance with our management philosophy of Earn the trust of society through corporate activity based in integrity to contribute to the development of the economy and society and thereby to gain the trust of society.

(Basic Policy on Corporate Governance)

In line with the basic views on corporate governance, AIFUL makes efforts to upgrade our corporate governance in accordance with the Basic Policy on Corporate Governance set out below in a bid to achieve continued growth and a medium- and long-term increase in corporate value through transparent, impartial, prompt and bold decision making.

- (1) We respect the rights of shareholders and ensure their equality.
- (2) We work on appropriate collaboration with all stakeholders including shareholders.
- (3) We appropriately disclose our financial, non-financial and other corporate information to ensure transparency.
- (4) Our Board of Directors recognize its fiduciary responsibility to shareholders and fulfill their roles and duties including making and keeping its function of supervising business execution effective.
- (5) We hold constructive dialogues with shareholders for the sake of achieving continued growth and a medium- and long-term increase in corporate value.

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

This information is based on the revised code as of June 2021.

[Supplementary Principle 4.1.2 Analysis of Midterm Business Strategy etc.]

The AIFUL Group has not announced a medium-term management plan because there was uncertainty about the outlook of interest repayment claims, which is a business risk of the consumer finance industry, and the impact of the spread of COVID-19.

However, AIFUL is set to publish our long-term business strategy and vision in addition to financial forecasts for individual business years in a bid to implement information disclosure aimed at ensuring that our business strategies, financial standing and other aspects are accurately understood by shareholders and investors.

We plan to disclose our medium-term management plan in May 2024.

[Supplementary Principle 4-10-1 Utilization of Voluntary Systems]

The Audit and Supervisory Committee (composed of a majority of independent outside directors) conducts thorough deliberations on director nomination (including succession plan) and compensation from the perspective of skills and diversity such as gender. We believe that the independence, objectivity, and accountability of the functions of the Board of Directors are sufficiently secured because opinions are submitted to us by the Committee and appropriate involvement and advice are provided regarding the nomination and remuneration of directors. As a result, we do not have an independent Nomination Committee or Compensation Committee, which consists primarily of independent outside directors.

Specific policies and procedures for nomination and remuneration are as follows.

The prescribed policy for electing/dismissing senior executives and nominating director candidates is to select persons who are capable of fairly and accurately conducting management and business administration for the Company's corporate group and who possess a wealth of experience, a high level of knowledge and expertise, strong ethics, and an excellent character. Regarding the procedures for nominating such candidates, the President and Representative Director, the officer in charge of personnel, etc. suggest candidates, and Audit Committee conducts full deliberations and presents its opinions, and the Board of Directors conducts deliberations while taking these opinions into account before making a decision.

As for the determination of compensation, a compensation table for each compensation rank, evaluation standard, and evaluation method are determined by the Board of Directors. The evaluation of each director is multifaceted, taking into account their achievements and capabilities in the execution of their duties, their character and popularity, and so on, and is considered and determined by the Personnel Committee, which comprises directors nominated by the President and Representative Director. Furthermore, the compensation rank applied and other aspects of treatment are determined appropriately in light of their evaluation, role, and job responsibilities and after adequate deliberations by the Personnel Committee and the Audit Committee.

[Principle 4-11 Preconditions for Ensuring the Effectiveness of the Board of Directors and Board of Corporate Auditors]

As of the date of this report, there were no women or foreign nationals among the 9 directors.

However, in addition to diversity in terms of career and age, the Company is making efforts to achieve diversity in the composition of the Board of Directors by hiring directors from outside the Company, such as former bankers, lawyers, government officials and academics, as well as promoting internal personnel with the required knowledge, experience and competence.

#### **[Disclosure Based on the Principles of the Corporate Governance Code] (Updated)**

[Principle 1.3 Basic capital policy]

The Company aims for a sustainable increase in shareholder value, and its basic capital policy is to maintain a level of shareholders' equity that is necessary and sufficient for risk tolerance for growth.

The Company considers ROA (return on assets) an important management index and aims to effectively use assets and capital. At the same time, the Company works to maintain a healthy financial base to provide stable financing for growth investment.

[Principle 1.4 Cross-Shareholdings]

(Policy Regarding Cross-Shareholdings)

AIFUL has a principle of implementing no cross-shareholdings except if it is deemed helpful for our medium- and long- term development from the perspective of maintaining and strengthening stable medium- and long-term business relationships with our business partners.

When the Company and the Company's consolidated subsidiaries hold shares of listed companies as cross holding, the Board of Directors of the Company specifically examines whether the purpose of cross holding of individual cross shareholding is appropriate and whether the benefits and risks associated with the cross holding is commensurate with the capital cost, and verifies the cross holding from the perspective of maintaining/reinforcing the relationship with business partners to confirm the validity of cross holding every year.

For shares of a company that the Company does not think will contribute to its medium to long-term growth, the Company makes a review such as a reduction in the size of the cross holding.

(Standards Regarding the Exercise of Voting Rights Associated with Cross-Shareholdings)

AIFUL makes decisions on whether or not to approve the exercise of voting rights in consideration of the financial standing and other factors of the company concerned with cross-shareholding from the perspective of the medium- and long-term increase in corporate value of the company mentioned above.

[Principle 1.7 Related Party Transactions]

AIFUL's Board of Directors has prescribed in the Board of Directors Regulations that any conflict of interest transactions and competitive transactions between AIFUL and any of its directors and transactions between related parties shall require the approval of the Board of Directors, and that the results of the transactions approved by the Board of Directors shall be reported on a regular basis to the Board of Directors. These provisions are made known to and observed by the directors, and monitoring is in place in accordance with the procedures mentioned above to ensure that AIFUL's interests and shareholders' common interests will not be impaired and that no such concern will emerge.

The Board of Directors Regulations prescribe that any director with special interests shall not participate in the decision-making process in deliberations of the Board of Directors.

[Supplementary Principle 2-4-1: Ensuring diversity in the promotion of core human resources]

(Approach to Ensuring Diversity in the Promotion of Core Human Resources)

In our Human Resources Principles, we set forth the following guidelines: "Human resources are the ultimate property," "The Company respects the personalities and individuality of its employees, and strives to provide jobs, treatment, and workplace environments in accordance with their abilities and aptitudes, to realize a workplace where employees can feel motivated, and stabilize and improve employees' life."

In addition to past initiatives, "reforming personnel and education systems with an eye on the future" and "improving the environment that leads to improved employee engagement" are set as priority measures, and efforts are being promoted to achieve them.

Based on the above guidelines and priority measures, we define managers who are core human resources as "human resources whose abilities, qualifications and personalities serve as models for other employees and who are recognized as having capacity of leadership". And we appoint people commensurate with the definition.

In addition, the status of the promotion of women, foreigners, and mid-career hires to management level positions and our human resource development policy are as follows.

(1) Promotion of Female Employees to Management Positions

We have set and disclosed an Action Plan to promote female employee's active participation in the workplace. The content of the plan is publicized, and we are actively working to expand the recruitment of female employees and promote them to management positions.

In terms of human resource development, the Company conducts Career Design Training for female permanent employees, which encourages the preparation of independent career plans through curriculums such as explaining the background on which women are expected to play an active role and the necessity of their active roles, and enabling them to define their own aspirations.

(2) Promotion of Foreign Employees to Management Positions

If there are qualified personnel, our policy is to appoint them to management positions. Although the absolute number of foreign permanent employees is small due to our business form and business area, our policy is to appoint them according to their abilities without being constrained by nationality.

(3) Promotion of Mid-Career Hires to Management Positions

Regardless of whether they are new graduates or mid-career hires, our policy is to appoint them to managerial positions according to their abilities.

The percentage of mid-career hires in management positions is approximately 41%, and we will continue to hire mid-career employees, mainly specialists, and appoint qualified employees to management positions.

(Voluntary measurable goals for ensuring diversity)

Employees seconded to affiliated companies are included in all figures below.

(1) Appointment of women to management positions

We aim to raise the ratio of female managers to 20% by March 2030.

(2) Appointment of foreign nationals to management positions

Based on our policy of appointing qualified personnel, we aim to ensure more diversity than we currently do.

(3) Appointment of mid-career hires to management positions

Based on our policy of appointing qualified personnel, we aim to ensure more diversity than we currently do.

[Principle 2-6 Function as an asset owner of corporate pension]

Since the Company adopts the defined contribution pension plan, this principle does not apply. The Company provides regular internal education on the plan and works on employees such as recommending the use of a matching contribution.

[Principle 3.1 Full Disclosure]

- (1) The Company's ideals (Corporate Philosophy) and management theme  
Corporate Philosophy: Corporate Philosophy is disclosed on its website.  
([https://www.aiful.co.jp/group/en/ir/policy/management\\_philosophy.html](https://www.aiful.co.jp/group/en/ir/policy/management_philosophy.html))  
Management Theme: the Company's vision and management theme are posted on our website.  
(<https://www.aiful.co.jp/group/en/ir/policy/vision.html>)  
Management Plan: Each fiscal year financial results are disclosed on its website.  
([https://www.aiful.co.jp/group/en/ir/finance/financial\\_report.html](https://www.aiful.co.jp/group/en/ir/finance/financial_report.html))
- (2) Basic views on and policies for corporate governance Please refer to "1.1. Basic views" in this report.
- (3) Board policies and procedures in determining the remuneration of the senior management and directors  
Please refer to "2.1. The disclosure of policies determining the amount of compensation or method of calculating compensation of directors" in this report.
- (4) Board policies and procedures in the dismissal/appointment of the senior management and the nomination of directors and audit candidates;  
Please refer to "2.2. Matters on Function of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in this report.
- (5) Explanation of individual selection and dismissal/appointment in selecting and dismissing management executives and appointing director/corporate auditor candidates  
When the Company proposes the selection/dismissal of directors at the General Meeting of Shareholders, the reasons for the selection/dismissal of the candidates concerned are stated in a "Notification of General Meeting of Shareholders."  
(<https://www.aiful.co.jp/group/en/ir/investor/stock/meeting.html>)

[Supplementary Principle 3-1-3: Disclosure of initiatives on sustainability]

Our initiatives on sustainability are posted on our website and information on investments in human capital and intellectual property is also disclosed.

(<https://www.aiful.co.jp/group/en/ir/csr/>)

In addition, we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and have disclosed climate-related risks and opportunities in the Annual Securities Report.

(<https://www.aiful.co.jp/group/ir/finance/securities.html> Japanese only)

[Supplementary Principle 4.1.1 Roles and Responsibilities of the Board (1)]

At AIFUL, the Board of Directors makes deliberations and decisions on matters that may not be delegated to any director or other personnel in accordance with the basic management policy, the basic policy on the internal control system, laws and ordinances and the Articles of Incorporation as well as on management plans, human resources policies, capital policies and the like to execute its significant duties specified in the Board of Directors Regulations. The Board of Director delegates the authority to execute operations in accordance with the policy resolved by the Board of Directors and to dispose of property whose value is below the predetermined amount to executive officers and other personnel to an appropriate extent, and oversees their implementation.

[Principle 4.9 Independence Standards for Independent Directors]

Please refer to "2.1. [Independent directors] Other Matters Regarding Independent Directors" in this report.

[Supplementary Principle 4.11.1 Views on Appropriate Balance Between Knowledge etc of the Board as a whole, and diversity and Appropriate Board Size]

AIFUL has created a list of each director's knowledge and experience aiming for continuous improvement of supervisory function that the Board of Directors should fulfill, and disclosed it as a skill matrix in the Notice of Convocation of the Annual General Meeting of Shareholders.

(<https://www.aiful.co.jp/group/en/ir/investor/stock/meeting.html>)

Regarding balance between knowledge, experience and ability of the Board as a whole, diversity and appropriate Board size, please refer to "2.2 Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions" in this report.

[Supplementary Principle 4.11.2 Status of Concurrent Positions of Directors and Audit & Supervisory Board Members]

AIFUL discloses information on prospective and existing directors who have material concurrent posts in the reference documents in the Notice of Convocation of the Annual General Meeting of Shareholders, business reports and other disclosure documents.

(<https://www.aiful.co.jp/group/en/ir/investor/stock/meeting.html>)

[Supplementary Principle 4.11.3 Analysis and evaluation of the effectiveness of the Board of Directors and disclosure of the results summary]

(Procedure for analyzing and evaluating the effectiveness of the entire Board of Directors)

AIFUL conducts analysis and evaluation of the effectiveness of the Board of Directors in order to improve the function of the Board of Directors and corporate value. For analysis and evaluation, a questionnaire is administered to directors who are members of the Board of Directors, with advice from an objective outside organization. Based on the results of the questionnaire, the Company asks for feedback from the Audit and Supervisory Committee, for which more than half the members are independent outside directors. The Board of Directors uses these results to evaluate the effectiveness of the entire board.

(Summary of the results of the analysis and evaluation of the effectiveness of the entire Board of Directors)

AIFUL has determined that the Board of Directors is effective overall as a result of the analysis of the questionnaire. The Company has confirmed that the operation, etc. of the Board of Directors is appropriate, as it did last year. Based on this evaluation, the Company will continue to make efforts to further improve the effectiveness of the Board of Directors by enhancing various discussions aimed at sustainable growth and the creation of corporate value.

[Supplementary Principle 4.14.2 Training Policies for Directors]

AIFUL gives its directors, including those who also serve as members of the Audit and Supervisory Committee, opportunities for acquiring information and knowledge requisite to the fulfillment of their managerial duties through training and testing sessions and others.

[Principle 5.1 Policies for Systems and Measures to Promote Constructive Dialogues with Shareholders]

(1) Appointment of management personnel or directors to undertake oversight

At AIFUL, the Operation Management Department has the primary responsibility for investor relations and the reception of communication with shareholders, and the executive officer in charge of the Operation Management Department takes control. Directors, including outside directors, also engage in dialogue corresponding to the request from shareholders.

(2) Measures for systematic linkage

To ensure proper communication with shareholders, the Operation Management Department regularly exchanges information with the General Affairs Department, the Management Planning Department, the Accounting Department, the Personnel Department, the Corporate Risk Management Department and others to establish a systematic collaboration structure.

(3) Actions for enriching means of dialogue other than personal interviews

For the purposes of ensuring that our businesses are more deeply understood by shareholders and investors, AIFUL works to continuously hold financial results briefings, to offer information on our corporate website, to provide explanations on business reports and others at General Meetings of Shareholders, to send shareholder newsletters and other documents to shareholders and other matters.

(4) Appropriate and effective measures for reporting shareholders' feedback to the management

AIFUL regularly reports shareholders' comments heard in dialogs to the management.

(5) Measures concerning management of insider information

To conduct these activities, AIFUL regularly organizes workshops and the equivalent on the handling of insider information and confidential information for Operation Management Department personnel engaging in dialogs with shareholders to ensure compliance with the related internal rules and appropriate dialogs with shareholders.

(Status of dialogue between management and shareholders in the most recent fiscal year)

Responders: President and Representative Director, Executive Officer in Charge of the Operation Management Department

Shareholders: Domestic and overseas institutional investors (fund managers, analysts, etc.)

Main themes of dialogue: Management strategy, etc.

[Supplementary Principles 5-2-1: Basic policy and status review to the business portfolio]

The current status and basic policy to the business portfolio are described in the financial results presentation materials.

(<https://www.aiful.co.jp/group/en/ir/finance/presentations.html>)

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Held (shares)	Percentage (%)
AMG Co., Ltd.	94,814,300	19.60
Mitsuhide Fukuda	62,155,200	12.85
The Master Trust Bank of Japan, Ltd. (trust account)	45,292,300	9.36
Marutaka Co., Ltd.	24,543,000	5.07
Custody Bank of Japan, Ltd. (trust account)	18,850,100	3.90
MSIP CLIENT SECURITIES	17,036,200	3.52
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	16,845,015	3.48
JP MORGAN CHASE BANK 385632	16,317,235	3.37
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	10,224,250	2.11
STATE STREET BANK WEST CLIENT-TREATY 505234	6,786,288	1.40

Controlling Shareholder (except for Parent Company)	-
Parent Company	Not applicable

Supplementary Explanation

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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Other Financing Business
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	Between ¥100 billion yen and less than ¥1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

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

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## 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 Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Appointment of Outside Directors	Applicable
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Hitoshi Shimura	From Other Company												
Haruichi Suzuki	Lawyer												
Shinichiro Maeda	Academic												

\* Categories for "Outside Director' Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when 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	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hitoshi Shimura	○	○	-	Mr. Hitoshi Shimura has significant knowledge regarding finance and accounting through many years of experience at the National Tax Agency and other various fields. Additionally, the Company has judged that he can provide advice from a fair and neutral standpoint to appropriately execute the duties of Outside Director who is an Audit and Supervisory Committee Member of the Company and requests his election. As he is deemed to have no potential conflict of interest with general shareholders in performing his duties as an outside director and never to impair independence, he has been designated as an independent officer.
Haruichi Suzuki	○	○	-	Mr. Haruichi Suzuki is expected to give advice from a fair and neutral standpoint based on his extensive knowledge and ample experience as a lawyer. He has been elected as an outside director as he was deemed to be appropriate for the post of outside director and member of the Audit and Supervisory Committee at AIFUL. As he is deemed to have no potential conflict of interest with general shareholders in performing his duties as an outside director and never to impair independence, he has been designated as an independent officer.
Shinichiro Maeda	○	○	-	As a university faculty member, he has extensive academic experience and achievements in financial business research in Japan and the U.S. and has broad knowledge in the financial field from a professional and global perspective. Although he has no direct experience of being involved in corporate management, he is nominated as a candidate for outside director as a member of the Audit and Supervisory Committee based on his ability to provide advice and guidance on the Company's management from a fair and neutral standpoint. As he is deemed to have no potential conflict of interest with general shareholders in performing his duties as an outside director and never to impair independence, he has been designated as an independent officer.

[Supervisory Committee]



### Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	4	2	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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#### Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

AIFUL has established the Audit and Supervisory Committee Office as a dedicated organization that provides assistance in the functions of the Audit and Supervisory Committee. To ensure its independence and effectiveness, internal rules stipulate that employees assigned to the Audit and Supervisory Committee Office shall not be subject to the commands and orders of any director other than those who are members of the Audit and Supervisory Committee in performing their duties, and that decisions on personnel appraisal, transfer and disciplinary actions concerning employees as assistants shall require the consent of the Audit and Supervisory Committee.

### Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Company has established an Internal Auditing Department to audit the appropriateness of the business processes of the Company and Group companies, and also makes efforts to ensure the appropriateness of business and identify risks by conducting regular internal audits of the offices of both the Company and Group companies. In principle, the Audit and Supervisory Committee meets with the department quarterly to receive reports on the plan, the implementation status and the results of internal audits. In addition to regular meetings, the Audit and Supervisory Committee closely collaborates with the department on issues, risks, and the status of improvements in an effort to ascertain the degree of the penetration into the management system and the workplace. In addition, the Accounting Auditor, the Internal Audit Department and the Audit and Supervisory Committee strive to strengthen the auditing system by holding a meeting on a semi-annual basis in principle for sharing audit information and exchanging opinions among the three parties.

In accordance with the auditing policy and plan it has determined, the Audit and Supervisory Committee attends Board of Directors meetings, Management Committee meeting, Compliance Committee meetings and other important meetings and verify the reports received from directors and executive officers to audit the execution of duties of directors, excluding those who are also members of the Audit and Supervisory Committee, including the improvement of the internal control system. It also has around five meetings with the accounting auditor per year to receive reports on the audit plan, the audit implementation status, and the results of the audit of internal control in association with financial reporting, and to exchange information and opinions as appropriate.

For bolstering the function of monitoring AIFUL and its group, the Audit and Supervisory Committee Office has been placed as an organization that engages exclusively in helping the Audit and Supervisory Committee in undertaking its work.

### [Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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### [Independent Directors]

Number of Independent Directors	3
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#### Matters relating to Independent Directors

AIFUL designates as independent officers all its outside directors that fulfill the requirements for independent officers.

(Standards for independence of independent directors)

AIFUL's standards for independent outside directors are prescribed as follows.

1. A person who falls under none of the items below and permanently and substantially has no potential conflict of interest for any other reasons shall be deemed to have sufficient independence from AIFUL.

(1) The person is an executive director, etc.\*1 at AIFUL or any of its subsidiaries (hereinafter collectively referred to as "the AIFUL Group"), or the person served as an executive director, etc. at the AIFUL Group during the period of ten years before assuming the post or, if the person used to be a non-executive director\*2 or a corporate auditor at any time within the ten-year period before assuming the post, during the period of ten years before assuming the post mentioned above.

(2) The person is currently a major shareholder\*3 of AIFUL, or if the major shareholder is a juridical person, is or was a director, corporate auditor, accounting advisor, executive officer, manager or other employee at the major shareholder, its parent company or any of its significant subsidiaries in the past five years.

(3) The person is currently a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a company of which AIFUL is a major shareholder\*3.

(4) A person for whom the Group is (or was) a major business partner\*4, or the parent company or any significant subsidiary thereof, or if that party is a company, a person who is (or was) an Executive Director, Executive Officer, manager, or other employee of that company

(5) A person who is (or was) a major business partner\*4 of the Company, or the parent company or any significant subsidiary thereof, or if that party is a company, a person who is (or was) an Executive Director, Executive Officer, manager, or other employee of that company

(6) The person is a director, limited to a person engaging in business execution, or another person such as an officer, member or employee engaging in business execution of any organization, e.g. a public interest incorporated foundation or association and a not-for-profit corporation, which receives donations or financial support exceeding a predetermined level\*5 from the AIFUL Group.

(7) The person is a director, corporate auditor, accounting advisor or executive officer of a company, its parent company or any of its subsidiaries that accepts a full-time or part-time director from the AIFUL Group.

(8) The person is a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a financial institution or any other large creditor that is indispensable to AIFUL in fund procurement and on which AIFUL is so dependent that it is irreplaceable (hereinafter "large creditor, etc."), or was, in the past three years, a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a large creditor, etc., or its parent company or any of its significant subsidiaries.

(9) The person is currently an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group, or was an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group in the past three years who actually did auditing work, excluding assisting involvement, for the AIFUL Group, irrespective of whether the person still works for or in or has already retired from any of the corporations mentioned above.

(10) The person is a lawyer, certified public accountant, tax accountant or other consultant who does not fall under item (9) above who (a) has received a monetary or other property benefit worth ten million yen or more per year on average over the past three years from the AIFUL Group in addition to the offer remuneration, or who (b) is a member, partner, associate or employee of a firm of which the AIFUL Group is a major business partner (which refers to a firm that receives a payment from the AIFUL Group that has made up at least two percent of its average consolidated total sales over the past three business years).

(11) The person is a close relative\*6 of the person that falls under any of items (1) to (10) above.

2. Even if he or she falls under any of the items in 1. above, a person deemed by AIFUL to be appropriate in terms of personality, views and suchlike as an independent director for AIFUL may be appointed as such on the condition that the person fulfills the requirements for outside directors under the Companies Act and that the grounds for regarding the person as appropriate as an independent director for AIFUL are explained externally.

\*1 An executive director, etc. refers to an executive director, executive officer, manager or other employee.

\*2 A non-executive director refers to any director who is not an executive director.

\*3 A major shareholder refers to a shareholder who holds at least ten percent of the voting rights.

\*4 A major business partner refers to a party receiving an amount that is two percent or more of its annual consolidated sales for its most recent business year from the AIFUL Group, either in the most recent business year or in the three business years before the most recent year (i.e. a party of which the AIFUL Group is a major business partner) or a party that paid an amount that is two percent or more of AIFUL's annual total

sales for its most recent business year either in the most recent business year or in the three business years before the most recent one (i.e. a party that is a major business partner of the AIFUL Group).

\*5 A predetermined level refers to either the average amount of ten million yen per year over the past three business years or the amount equivalent to thirty percent of the average annual total expenses of the organization in question, whichever is the larger.

\*6 A close relative refers to either a spouse or a relative within the second degree of consanguinity; provided, however, that item (1) in 1. applies to those that fall thereunder within the five most recent years.

#### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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#### Supplementary Explanation

A certain percentage of performance-linked compensation is paid as non-monetary compensation, etc. (restricted stock compensation) to enhance the linkage between performance and stock price.

Recipients of Stock Options	
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#### Supplementary Explanation

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#### [Director Remuneration]

Status of disclosure (Individual compensation for Directors)	Individual compensation for Directors is not disclosed
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#### Supplementary Explanation

Compensations for directors in fiscal year ended March 2023 are as follow.

-Six Directors (excluding Directors who are Audit and Supervisory committee member): 150 million yen (91 million yen for basic remuneration and 39 million yen for performance-linked remuneration)

-Four Directors who are Audit and Supervisory committee member: 40 million yen (only basic remuneration; including 25 million yen for three outside directors)

Notes:

- As of the end of the fiscal year under review, there were five Directors (excluding Directors who are Audit and Supervisory committee member) and four Directors who are Audit and Supervisory Committee member (including three Outside Directors). The above number of Directors paid includes one director who retired at the conclusion of the 45th Annual General Meeting of Shareholders held on June 21, 2022.
- Annual limits for compensations as of end of the fiscal year ended March 2023
  - Directors (excluding Directors who are Audit and Supervisory committee member): 500 million yen
  - Directors who are Audit and Supervisory committee member: 80 million yen
- In addition to the above, a total of 63 million yen was paid to the five directors who concurrently served as directors of Company's subsidiaries during the fiscal year under review.

Amount of compensation or methods of policy decisions	Applicable
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### 1. Policy

We have established a policy on determining the amount of remuneration, etc. for directors and corporate auditors and the method for calculating such remuneration. The policy is that the remuneration functions as compensation for fulfilling their roles based on the management philosophy of "Earn the trust of society through corporate activity based in integrity," as incentives for improving corporate performance and expanding corporate value over the medium to long term. Specifically, the compensation for directors (excluding directors who are Audit and Supervisory Committee members and outside directors) shall consist of basic remuneration as fixed remuneration and non-monetary remuneration (restricted stock remuneration), etc. as performance-linked remuneration, etc. The compensation for outside directors and directors who are Audit and Supervisory Committee members shall consist solely of basic remuneration from the viewpoint of their independence.

The Board of Directors and the Audit and Supervisory Committee have authority to decide the amount of remuneration for the Company's officers and the policy on the calculation method thereof. The Board of Directors and the Audit and Supervisory Committee review the system and standards of remuneration as necessary based on the business environment and the status of business performance, and the allocation to each person is determined according to the size of the role for each position, the nature of each person's administrative duties, and the scope of their responsibilities.

The compensation for directors (excluding directors who are Audit and Supervisory Committee members) was resolved at the 38th Annual General Meeting of Shareholders held on June 23, 2015 to be within 500 million yen per year (excluding the portion of salaries payable to directors who concurrently serve as employees). At the time of the resolution, the number of directors (excluding directors who are Audit and Supervisory Committee members) was eight. Within the above portion of the compensation, the Company resolved at the 45th Annual General Meeting of Shareholders held on June 21, 2022 that the total amount of monetary claims to be paid as restricted stock compensation to directors (excluding directors who are Audit and Supervisory Committee members, outside directors, and non-residents of Japan) shall be within 50 million yen per year (excluding the portion of salaries payable to directors who concurrently serve as employees) and the total number of shares of common stock newly issued or disposed of is not more than 333,000 shares per year. At the time of the resolution, the number of directors (excluding directors who are Audit and Supervisory Committee members, outside directors, and non-residents of Japan) was five.

In addition, the Company resolved at the 38th Annual General Meeting of Shareholders held on June 23, 2015 that the amount of remuneration for directors who are Audit and Supervisory Committee members is within 80 million yen per year. At the time of the resolution, the number of directors who are Audit and Supervisory Committee members was three.

### 2. Policy on Determination of the Amount of Remuneration, etc. for Individuals of Basic Remuneration (Monetary Remuneration)

The basic remuneration (fixed amount) of our directors (excluding directors who are Audit and Supervisory Committee members) is a monthly fixed remuneration, and a remuneration table is established for each remuneration rank.

In addition, a certain standard for determining compensation rank is established for each position, and basic compensation is an amount based on compensation rank. The remuneration system for Directors who are Audit and Supervisory Committee members does not vary depending on performance, etc. from the viewpoint of their independence, and only basic remuneration is paid.

### 3. Policy for Determining the Content and Amount or Method of Calculating the Amount of Non-Monetary Compensation as Performance-Linked Compensation

Performance-linked remuneration aims to increase motivation to raise stock prices and improve business performance, and increase corporate value. Performance-linked remuneration (variable amount) indicators are calculated based on an evaluation of each director and a company performance against the base amount of the remuneration rank, and these are paid at a certain time each year.

In order to reflect the performance of the divisions in charge by each director, the evaluation multiplier and the Company performance multiplier, which are based on the evaluation of each director, are grounded on the business environment, as well as management indicators such as operating asset, collection status, operating revenue, ordinary profit, and ROA for each business in which each director is responsible, as important indicators. Each director evaluates performance against the targets of the division in charge, and as described in 5, the determination of the amount of performance-linked remuneration is made after consulting with and

reporting to the Personnel Committee (established for the purpose of ensuring fairness and transparency in evaluation and appointed by the President and the Representative Director), which is the decision-making body for directors' remuneration.

In addition, performance-linked compensation is paid as non-monetary compensation, etc. (restricted stock compensation) to enhance the linkage between performance and stock price. Specifically, within the amount of compensation resolved at the annual general meeting of shareholders, the Company grants restricted stock to eligible directors by way of having them contribute in kind monetary claims as performance-linked compensation determined in accordance with the above process, and the transfer restriction period shall be set in advance by the Board of Directors for a period ranging from three years to thirty years.

The results of major management indicators for the fiscal year under review are as follows.

Operating revenue: 144,152 million yen  
Operating expenses: 120,427 million yen  
Operating profit: 23,724 million yen  
Ordinary profit: 24,428 million yen  
ROA: 2.4%

#### 4. Policy on Determination of Percentage of the Amount of Monetary Compensation, Performance-Linked Compensation (Non-Monetary Compensation, etc.) to the Amount of Individual Compensation, etc. for Directors

The compensation percentages of our directors are reviewed by the Personnel Committee based on compensation levels benchmarked to companies of the same size of business and related industries and types of business as we do. As described in 5, the President and Representative Director, who has been delegated, decides on the content of individual remuneration for directors in accordance with the content of the report issued by the Personnel Committee.

#### 5. Matters concerning determination of the contents of individual remuneration, etc. for directors

Mitsuhide Fukuda, President and Chief Executive Officer, is entrusted with the specific content of the individual remuneration of directors based on a resolution of the Board of Directors. The content of the authority is the evaluation and allocation of performance-linked remuneration based on the amount of basic remuneration for each director and the performance of each director's business in charge.

The reason for delegating these authorities to him is that he is judged to be qualified in grasping the performance of each director's business in charge and conducting evaluations linked to that business.

The Board of Directors consults with the Personnel Committee on the draft of the determination of the amount of performance-linked remuneration to ensure that such authority is properly exercised by the President and Representative Director, and gathers opinions from the Audit and Supervisory Committee.

The President and Representative Director, who has been delegated as mentioned above, must decide the specific content of remuneration in accordance with the results of such reports and the gathered opinions.

#### 6. Reasons for the Board of Directors determining that the contents of individual remuneration, etc. for Directors are in line with the decision-making policy

Regarding the remuneration, etc. of individual directors for the current fiscal year, the Board of Directors has judged that the method of determining the content of remuneration, etc. and the content of the determined remuneration, etc. are consistent with the decision-making policy decided by the Board of Directors, and that the results of the reports and gathering of opinions from the Personnel Committee and the Audit and Supervisory Committee are respected.

### **[Supporting System for Outside Directors]**

In accordance with the basic policy on the internal control system resolved by the Board of Directors, AIFUL has established the Audit and Supervisory Committee Office as an organization that assists with the operations of the Audit and Supervisory Committee. Its dedicated staff follow the instructions of directors who are also members of the Audit and Supervisory Committee to provide support for the operations of the Committee and to create an environment for communication and information exchange among the corporate auditors of separate group companies. AIFUL has a system under which the results of internal audits of each group companies carried out by the Internal Auditing Department are reported to the Audit and Supervisory Committee as appropriate, and under which opinion exchanges are conducted if necessary. In addition, it is prescribed that any director, executive officer or employee who discovers any material fact that has occurred

to AIFUL, any event possibly in violation of the statute, any event that may cause severe damage to AIFUL or the equivalent shall make notification of the fact or event to the Audit and Supervisory Committee. AIFUL makes sure that the materials for important meetings attended by directors who also serve as members of the Audit and Supervisory Committee, including Board of Directors meetings, are distributed in advance, that application documents, reports, requests for approval and other documents created by different organizations and submitted to the relevant organizations are accessible to directors additionally serving as members of the Audit and Supervisory Committees on the internal network, and that they seek explanations from directors, executive officers and employees.

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

(Overview of Current Corporate Governance System)

On June 23, 2015, the Company changed from a company with a board of company auditors to a company with an audit and supervisory committee. The purpose of this change was to enhance the supervisory function of the Board of Directors and corporate governance.

Audit and Supervisory Committee and Directors on the Committee

The Audit and Supervisory Committee consists of four directors who are Audit and Supervisory Committee members (including three outside directors). In addition to deciding audit policies and plans, the Audit and Supervisory Committee appropriately receives reports from the execution divisions on matters required for audits and examines them. In addition, the Audit and Supervisory Committee uses an internal control system to conduct audits of legality and appropriateness.

In principle, the committee holds a meeting monthly and extraordinary meeting that are held as necessary. The Audit and Supervisory Committee strives to enhance the management supervisory function by regularly listening to reports from the Internal Audit Division, the Internal Control Division and the accounting auditor and exchanging opinions with them. The Audit and Supervisory Committee also shares information with the auditors of affiliated companies to establish an auditing system for the corporate group.

Board of Directors and Directors

The Board of Directors consists of 9 directors (as of the date this report was submitted): 5 directors who are not members of the Audit and Supervisory Committee, and 4 directors who are members of the Audit and Supervisory Committee. It discusses and makes decisions on matters that cannot be delegated to directors or others under laws and regulations and the Articles of Incorporation, such as basic management policies and basic policies associated with the internal control system, and other important matters for execution of operations under the rules of the Board of Directors, including business plans, personnel policies, and capital policies. The Board of Directors delegates authority over the execution of operations in line with the policies on which the Board of Directors has made resolutions, and the disposal of property worth less than a specified amount to executive officers and others within an appropriate range in accordance with regulations for administrative authority and other rules. In addition to delegating this authority, it supervises the execution of operations. It generally holds semimonthly meetings and extraordinary meetings when necessary. The Company's Articles of Incorporation also stipulate that there be no more than fifteen directors (excluding directors on the Audit and Supervisory Committee) and no more than five directors on the Audit and Supervisory Committee.

Outside Directors

Three of the four directors on the Audit and Supervisory Committee are outside directors (as of the date the Corporate Governance Report was submitted). A structure is in place whereby outside directors can attend Compliance Committee meetings and other important meetings and committees to express their views.

Executive Officers

The Company introduced an executive officer system to speed up the decision-making process and the execution of duties, and to enhance the separation of supervisory and executive functions. The Board of Directors appoints executive officers and delegates tasks according to a division of duties and authority.

Management Committee

The Management Committee comprises all executive officers and founder. It conducts prior discussion on matters to be submitted to the Board of Directors and, discusses or makes resolutions on important matters in business execution. It also coordinates information and mutually checks issues and strategies based on policies resolved by the Board of Directors while striving to ensure that there are no discrepancies in decision-making. It holds meetings on a weekly basis, in general.

#### Compliance Committee

The Compliance Committee is placed as an advisory body under the direct control of the Board of Directors. The head of this committee is the executive officer in charge of the Corporate Risk Management department and approved by the Board of Directors, and it is composed of outside experts, directors also serving as members of the Audit and Supervisory Committee and executive officers of related organizations. Its objectives are to create a corporate culture in which compliance is emphasized, to establish corporate ethics and to promote compliance programs. It makes deliberations and recommendations regarding compliance related important matters and delivers reports to the Board of Directors as required. In principle, the committee meets four times a year, and extraordinary meetings are held as necessary.

#### Risk Management Committee

AIFUL has the Risk Management Committee under the direct control of the Board of Directors. Headed by the president and representative director, it is composed of all the directors. For the purposes of preventing risks and mitigating losses in the event of a crisis by constructing a reasonable risk management structure, it regularly receives risk status reports to enable it to be constantly aware of risks and continuously review the risk management system to submit reports to directors. In addition to quarterly meetings in general, it holds extraordinary meetings as necessary.

#### (Policy on Election/dismissal of Management Executives and Naming of Prospective Directors)

In appointing senior management and deciding on director candidates, the Company believes that it must choose from among a broad range of personnel both within and outside the Company in consideration of ensuring diversity in the composition and expertise of the Board of Directors as well as in the balance of knowledge, experience and capabilities of individuals in order to establish a long-term vision and improve medium- to long-term corporate value. Based on such beliefs, the Company has set its policy as follows.

- Human resources with extensive experience, deep insight, advanced technical capabilities, high ethical standards and excellent personalities who shall carry out the AIFUL Group's business management and operation fairly and accurately
- Prospective independent outside directors shall be those that fulfill AIFUL's independence standards, understand its management philosophy, and are fully aware of the duties of the independent outside directors to oversee AIFUL's directors and provide accurate and appropriate comments and advice with the use of their extensive experience, deep insight and high level of technical skills.

With regard to the appointment of executives, in accordance with this policy, reasons for the nomination of candidates and the brief history of each director are described in the Notice of Convocation of the General Meeting of Shareholders as the evidence of experience and skills of each appointed director. In addition, independent outside directors include persons with management experience at other companies.

Dismissal of the management executives shall be determined at the Board of Directors based on the Company's dismissal standard when executives have engaged in misconduct, illegal conduct, or an act of disloyalty.

#### (Process for Election/dismissal of Management Executives and Naming of Prospective Directors)

Management executives are elected/dismissed and prospective directors are named in the process described below.

- The nominating of prospective directors is determined at the Board of Directors, through discussions held by the Personnel Committee and by taking into consideration the thoughts of the Audit and Supervisory Committee (for which most members are independent outside directors), after the president and representative director and officers in charge of personnel affairs propose prospective directors.
- A decision on naming directors who are also members of the Audit and Supervisory Committee is made by the Board of Directors with the consent of the Audit and Supervisory Committee.
- A decision on a representative director is made by a resolution of the Board of Directors.
- A decision on titles of directors is made by a resolution of the Board of Directors in consideration of their performance, appraisal and other factors.
- Dismissal of a director shall be resolved based on the policy at the Board of Directors and determined at the General Meeting of Shareholders.

### 3. Reasons for Adoption of Current Corporate Governance System (Updated)

As we have an auditor system, we appoint three outside corporate auditors for a total of four corporate auditors. We ensure independent audits with a system whereby all corporate auditors attend Board of Directors meetings and other important meetings and committee meetings, including Compliance committee meetings, to express their opinions. We also ensure audits by having an Audit Office as the dedicated organization for supporting the duties of corporate auditors.

Furthermore, we separate management's supervisory functions and business execution functions by implementing an executive officer system and strengthen supervisory functions by establishing a Compliance Committee, which includes outside experts, and a Risk Management Committee, among others. We have adopted the current system to achieve corporate management that is transparent, fair, and efficient.

## 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	Due to the launch of the electronic offering system, information is disclosed on the web three weeks prior to the date of the General Meeting of Shareholders. General Meeting of Shareholders: June 27, 2023 WEB disclosure: June 2, 2023 Dispatch of Notice of Convocation: June 7, 2023
Fixing the date for the General Meeting of Shareholders by avoiding inconvenient days	The company has decided the date by avoiding the peak day so that as many shareholders as possible may attend the meeting.
Exercise of voting rights by the electromagnetic means	Exercising voting rights is available by a personal computer or a smartphone through website.
Scheduling of Stockholder Meetings to Avoid Peak Periods	We avoid the peak day so that more shareholders can participate.
Voting by Electromagnetic Method	The Company is able to exercise voting rights via the Internet environment via PCs, smart, etc.
Participation in electronic voting platform for institutional and other investors and other measures to enhance environment for institutional investors to execute their voting rights	An English translation (summarized version) has been prepared and posted on our website and the Tokyo Stock Exchange website at the same time as the Japanese convocation notice.
Other	To ensure that its businesses and financial standing are better understood, the company is creating an environment in which it is easier to receive questions and comments by, for example, visually presenting the matters to be reported at the General Meeting of Shareholders, and by holding company briefings for shareholders from the perspective of two-way communication.



## 2. IR Activities (Updated)

	Supplementary Explanations	Explanations made by the Representative
Regular Investor Briefings for Individual Investors	The company holds an informational meeting about the overview of the Group's business situation after the general meeting of shareholders.	Applicable
Regular Investor Briefings for Analysts and Institutional Investors	The company holds financial results briefings for analysts, institutional investors and financial institutions promptly after the announcement of financial results.	Applicable
Posting of IR Materials on Website	The company posts on its website Financial Results, Securities Report, Financial Results Data Book, Presentation Material used in the IR meeting for Institutional Investors, Monthly Data, Annual Report and the Convocation Notice of the General Meeting of shareholders etc, both in Japanese and English. Website related to IR URL ( <a href="https://www.aiful.co.jp/group/en/ir/">https://www.aiful.co.jp/group/en/ir/</a> )	
Establishment of Department and/or Manager in Charge of IR	I.R. section of Operation Management Department	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Based on its management philosophy of <i>Earn the trust of society through corporate activity based in integrity</i> , the AIFUL Group discloses its Basic Policy on IR activities on its website, which stipulates that it will strive to maintain and improve its corporate value and disclose information on its corporate activities in a prompt, accurate, and fair manner in order to meet the expectations of its stakeholders. Specifically, we shall promptly disclose accurate information, emphasize investor relations activities to promote an understanding of our corporate management and activities and endeavor to hold open General Meetings of Shareholders.
Implementation of Environmental Activities, CSR Activities etc.	AIFUL engages in social contribution activities through the protection of the environment and assistance activities in the event of disasters.
Development of Policies on Information Provision to Stakeholders	The Basic Policy on IR activities disclosed on the website stipulates the timely and appropriate disclosure of information. In accordance with this, AIFUL properly discloses its management information to stakeholders in order to ensure the effectiveness of the function of outsiders' checks on our management and to achieve managerial transparency and effective corporate governance. We endeavor to always make timely and plain disclosure through the publication of news releases, financial results summaries on the website, the disclosure of financial data, annual reports and other materials, briefings to mass media, investors and analysts in Japan and overseas and responses to inquiries from news-gathering bodies.

## **IV. Matters Related to the Internal Control System**

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

Under the management principle of *Earn the trust of society through corporate activity based in integrity*, the Company and its subsidiaries (the “AIFUL Group”) recognize that it is an important objective of corporate governance to become a company that is trusted by each stakeholder and society and to realize corporate management that features transparency, fairness and efficiency by contributing to the development of the economic society through corporate activities subject to compliance.

With the aim of steadily realizing the principle and objectives by taking into account all the circumstances surrounding the AIFUL Group, including the market environment, economic trends, the revision of related laws and regulations and other business environments, the Company establishes a basic policy for the development of an internal control system as follows.

Moreover, the Board of Directors shall review the basic policy in an appropriate manner in accordance with changes in the business environment and other factors, and shall make continual efforts to maintain and improve the effectiveness of the basic policy.

(1) Structure to ensure that the Company’s directors and employees and the directors and employees of the Company’s subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation

- With the aim of developing a corporate culture in which business activities are carried out in compliance with laws and regulations and the Articles of Incorporation and with a sense of ethics, by establishing management principles, action guidelines, internal rules and other regulations related to compliance, develop a structure in which the compliance status of each director and division and the appropriateness of the execution of duties are audited and supervised in an appropriate manner in accordance with the relevant internal rules and other regulations.
- The Compliance Committee has been established for the purposes of building a compliance structure and preventing the violation of laws and ordinances. The executive officer in charge of the Corporate Risk Management Department acts as its head, and its other members consist mainly of outside specialists. Its meetings are organized regularly in order to implement the necessary remedial measures and actions for raising awareness throughout the company. The Compliance Committee delivers reports on the circumstances to the Board of Directors as appropriate.
- By establishing a Group Compliance Committee, establish an integrated compliance structure (including lectures and training) with the common understanding of the AIFUL Group.
- To carry out internal audits on the practice status of compliance and the appropriateness of the operations of the AIFUL Group, develop a structure in which the results of internal audits are reported in an appropriate manner to the Board of Directors and the Audit and Supervisory Committee by establishing an internal auditing department. Moreover, the Company’s Internal Auditing Department shall carry out internal audits on companies in the AIFUL Group when necessary.
- Develop a structure where if the violation of laws and regulations, the Articles of Incorporation and internal rules or other important facts are identified, or if such a situation is potentially taking place, reports are immediately made to the Audit and Supervisory Committee and reports are also made to the Board of Directors without delay.
- Ensure the effectiveness of the whistle-blower system pursuant to the Whistle-Blower Protection Act by establishing various hotlines as a desk for supporting whistle-blowing and consulting in relation to the violation of laws and regulations and the Articles of Incorporation of the AIFUL Group and other activities, and by developing internal rules.
- To prevent damage from antisocial forces that impair the order and safety of society, develop a structure in which any relationship with antisocial forces is intercepted and unreasonable demands are rejected and dealt with in a firm manner.

(2) Structure related to the maintenance and management of information regarding the execution of duties of the Company’s directors

- Develop a structure in which documents related to the execution of duties of the directors and the related documents (including electromagnetic records) and other various information containing trade secrets and personal information are managed and maintained in the designated location for the designated maintenance period by establishing a range of internal rules related to security and management and maintenance, and by

limiting the persons who handle such documents and information in accordance with the classification of secrets and other matters.

- To ensure the appropriateness of the management and maintenance of various information, develop and obtain confidentiality pledges from the directors and employees on a regular basis, and develop a structure in which the Internal Auditing Department carries out monitoring on a regular basis.

(3) Rules and other structures related to the management of risks of losses for the Company and its subsidiaries

- To understand all the risks that threaten sustainable corporate development and establish a total risk management structure for the AIFUL Group, establish a Risk Management Committee as an organization under the direct control of the Board of Directors.

- Develop a structure in which the Risk Management Committee continually understands risks by regularly obtaining reports about risk information from each company in the AIFUL Group, and in which it carries out appropriate risk management with the cooperation of the related departments.

- Develop a structure in which measures at the time of the occurrence of emergency events are able to be taken promptly and appropriately by establishing measures in accordance with the types of risks, such as large-scale natural disasters and failures of core IT systems.

(4) Structure to ensure the efficient execution of duties of the directors of the Company, the directors of the Company's subsidiaries and other parties

- Finalize a medium-term management plan and a management plan for each fiscal year and confirm the progress of such plans at meetings of the Board of Directors on a regular basis (monthly, quarterly, semiannually and annually).

- To ensure the efficiency and appropriateness of the Board of Directors, stipulate internal rules related to the operation of the Board of Directors.

- Ensure the efficiency of the Directors in executing their duties by introducing an executive officer system and clarifying the scope of their responsibilities and decision-making procedures.

- Establish departments in charge of the management of the Company's subsidiaries, and develop a structure in which the relevant departments hold discussions about certain important matters, exchange information and carry out other matters with the Company's subsidiaries, which contributes to the appropriate and efficient management of the Company's subsidiaries and the AIFUL Group as a whole.

(5) Structure related to the matters of reports to the Company on the execution of duties of the directors, etc. of the Company's subsidiaries

- By holding meetings of the officers and managers of the AIFUL Group on a regular basis, seek to exchange information and share management plans and basic policies for important measures related to the overall AIFUL Group. The Company shall request that each subsidiary make reports to the Company on the situation of the execution of duties, the financial situation and other matters on a regular basis.

- By setting out internal rules that clarify the authority, responsibilities and other matters related to the decision making of each company in the AIFUL Group, develop a structure in which applications for approval and reports on the decision making of important management matters and other matters are made to the Company.

(6) Structure to ensure the appropriate operations of the corporate group comprised of the Company and its subsidiaries

- To ensure that the unified basic concept of corporate ethics is common knowledge in the AIFUL Group, stipulate and fully comply with the management principles and other codes of conduct related to compliance that are commonly shared in the AIFUL Group. Moreover, to carry out operational management that is unified throughout the AIFUL Group, establish internal rules that govern the group.

(7) Matters related to the directors and employees who are expected to support the duties of the audit and supervisory committee, matters related to the independence of the relevant directors and employees from other directors (excluding those directors who are members of the audit and supervisory committee), and matters related to ensuring the effectiveness of the instructions of the audit and supervisory committee with regard to the directors and employees

- Establish an Auditor's office as an organization as the exclusive body for supporting the duties of the audit and supervisory committee and, to ensure the independence and effectiveness of the office, stipulate provisions in the internal rules whereby, in carrying out their duties, the employees who belong to the audit and supervisory committee (the "Supporting Employees") shall not follow instructions or orders from the

directors (excluding those who are members of the audit and supervisory committee), and the agreement of the audit and supervisory committee shall be obtained when determining the personnel evaluations, personnel transfers and penalty measures of the Supporting Employees.

- To ensure the appropriate implementation of the duties of the audit and supervisory committee, develop a structure in which the Internal Auditing Department carries out supporting operations in accordance with requests made by the audit and supervisory committee.

(8) A structure in which the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries make reports to the Company's audit and supervisory committee, a structure in which other matters are reported to the Company's audit and supervisory committee, and a structure that ensures that persons who make reports to the Company's audit and supervisory committee do not receive disadvantageous treatment as a result of making such reports

- To seek to achieve close information sharing between the audit and supervisory committee and the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries, develop a structure in which the directors who are members of the Company's audit and supervisory committee are able to participate and express their views in the meetings of the Board of Directors and other various meetings and, when necessary, upon the receipt of requests for explanations, the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries are able to respond appropriately.

- Develop a structure in which, if the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries identify violations of the Articles of Incorporation and the internal rules and other important facts, or if they consider that there are possibilities of the occurrence of such violations or facts, they immediately report the matters to the Company's audit and supervisory committee, or the departments that receive such reports make reports to the Company's audit and supervisory committee.

- Develop a structure in which the situation of internal control and accounting standards related to financial reports, the situation of the activities of the Internal Auditing Department, the situation of the activities of auditors of the Company's subsidiaries and other matters are reported to the audit and supervisory committee where necessary.

- Develop a structure in which the Company's audit and supervisory committee is able to examine, where necessary, sanction requests, reports and other documents that are submitted by each department to the departments in charge.

- The directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries may report directly to the audit and supervisory committee, and the prohibition on treating parties disadvantageously on the grounds of making such reports shall be stated in the internal rules and other regulations.

(9) Structure to ensure that the Company's audit and supervisory committee effectively audits the procedures for advance payments or the reimbursement of expenses incurred in the execution of duties of the directors who are members of the audit and supervisory committee, expenses incurred in relation to the execution of other duties, matters related to policies on the disposal of debts and other matters

- Develop a structure in which the audit and supervisory committee receives reports and explanations on accounting audits from the accounting auditors, and the committee interviews the status of auditing where necessary.

- By ensuring the structure for cooperation between the Internal Auditing Department and the audit and supervisory committee, seek to establish an effective auditing structure to check and promptly identify unjust and unfair activities.

- Develop a structure in which the directors and employees respond promptly and appropriately in cases where the audit and supervisory committee requests explanation or reports regarding operations.

- The Company shall be responsible for expenses incurred by the audit and supervisory committee in executing its duties, such as the use of external specialists, including lawyers.

- If the audit and supervisory committee makes requests to the Company for advance payments for expenses and other matters in relation to the execution of its duties based on paragraph 4 of Article 399-2 of the Companies Act, the Company shall promptly pay the relevant expenses or debts, except in cases where the relevant expenses or debts are not necessary for the execution of the duties of the directors who are members of the audit and supervisory committee.

## 2. Basic Views on Eliminating Anti-Social Forces

In its 10-point Code of Conduct and Compliance Standards of Conduct, which have been formulated as action guidelines for achieving its management philosophy of *Earn the trust of society through corporate activity based in integrity*, the AIFUL Group prescribes that it shall never have any relationships with any anti-social forces. The specific provisions of the 10-point Code of Conduct and Compliance Standards of Conduct are formulated in our internal rules.

(1) Setup of a handling and controlling organization and a manager for deterrence of unreasonable claims  
The General Affairs Department is designated as the handling and controlling organization concerning the issues related to anti-social forces. Under the instruction of the executive officer in charge of the General Affairs Department, it works with other relevant organizations to carry out investigations and deal with the issues.

(2) Collaboration with outside specialist organizations  
AIFUL is able to consult with and closely notify police-related organizations, lawyers and equivalent professionals.

(3) Collection and management of information concerning anti-social forces  
AIFUL participates in training sessions, conferences and other events organized by outside bodies and joins some outside bodies for the purpose of collecting information. We established the Risk Management Committee as an organization for the prompt detection of internal risks to collect and centrally manage risk information.

(4) Creation of Action Manual  
AIFUL has created the Rules for prevention of damage by anti-social forces, Manual for Group Response to transactions with anti-social forces if such transactions are found and Action manual against anti-social forces as a response action that is obligatory in business. In addition, it has prepared different manuals for blocking relationships with anti-social forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning to Corporate Governance System (Updated)

- An overview of the Company's corporate structure related to timely disclosure of corporate information is as follow:

#### 1. Basic Approach on Timely Disclosure

Under its management philosophy of *Earn the trust of society through corporate activity based in integrity*, AIFUL makes the prompt and accurate disclosure of information on corporate activities in a bid to earn the support of customers, shareholders, investors and all other stakeholders.

#### 2. Corporate Structure Related to Timely Disclosure

For the purpose of realizing its management philosophy, AIFUL has instituted the information management rules, the rules for prevention of insider trading and other rules to build an internal system as described below, and works to collect and manage factual and financial information that has a significant impact on investment decisions and disclose them timely and appropriately.

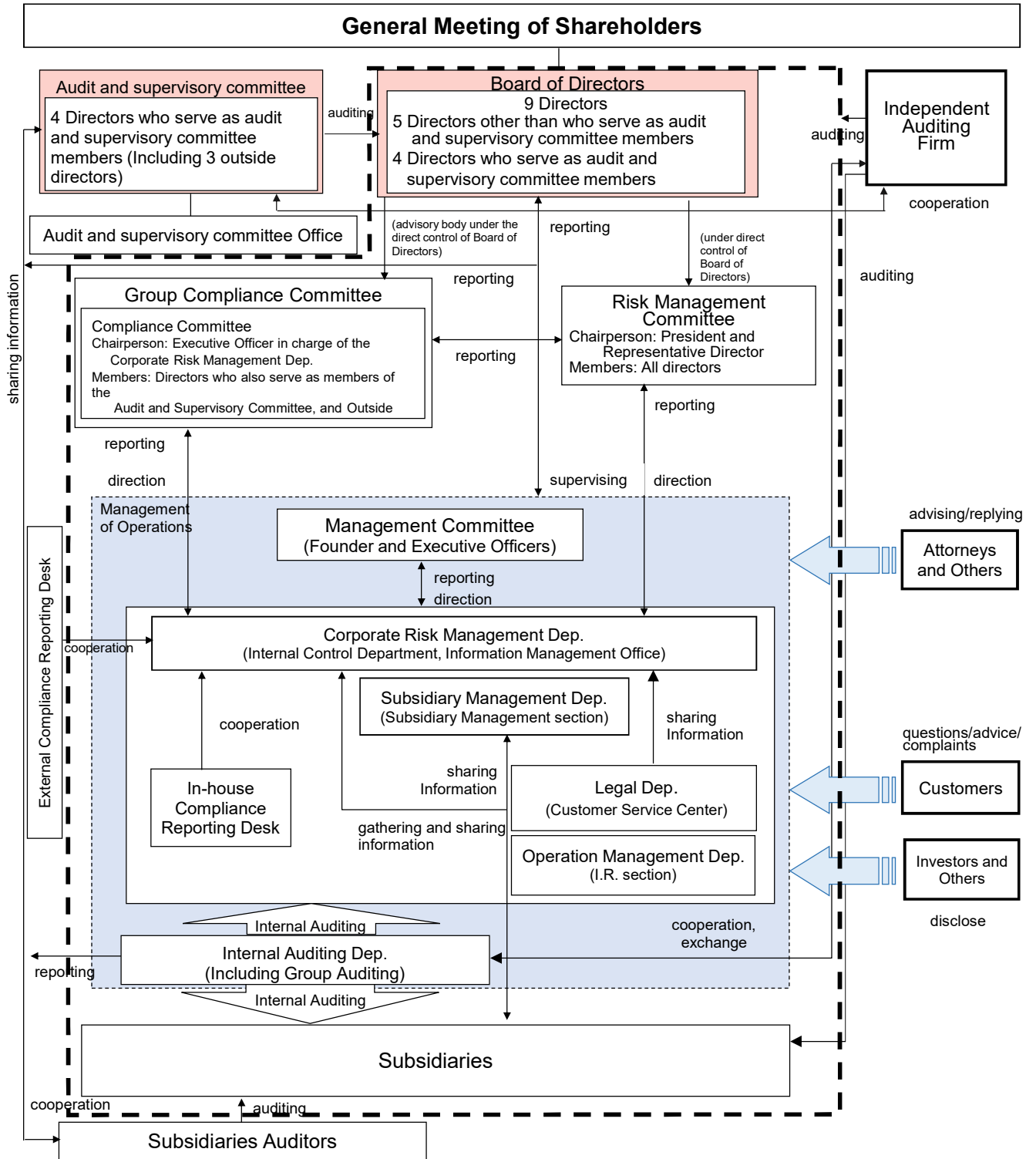
- In the wake of a disaster, AIFUL establishes a disaster response headquarters to gather information and constructs a system for timely and appropriate information disclosure in collaboration with the Information Management Office and the I.R. section of the Operation Management Department.

- AIFUL is able to create precise financial results information in accordance with the Tokyo Stock Exchange's Securities Listing Regulations after its Accounting Department collects information on financial results from different internal organizations and group companies.

- AIFUL refers and reports its information and the information of group companies collected in the method described above to the Board of Directors, which in principle holds two meetings per month and extraordinary meetings whenever necessary. Consisting of directors and executive officers, the Management Committee, which holds a meeting each week in principle, discusses and verifies the matters to be brought up for deliberations to the Board of Directors as well as issues and strategies on business execution in accordance with the management policy resolved by the Board of Directors.

Under the instruction of the executive officer in charge of the Legal Department as the information handling manager, the Legal Department makes a judgment on whether or not it is necessary to promptly make the timely disclosure of not only the disclosure information specified in the Tokyo Stock Exchange's Securities Listing Regulations but also information that is considered to have a significant impact on investment information, including facts about decisions made by the Board of Directors, after deliberations with the Information Management Office and separate relevant organizations.

- The I.R. section of the Operation Management Department serves as a chief organization to swiftly implement the timely disclosure of information for which timely disclosure is deemed necessary.



Schematic of Time Disclosure Framework

