

Japan Credit Rating Agency, Ltd. (JCR) announces its evaluation of Social Finance Framework as follows.

AIFUL GROUP

Social Finance Framework

Affirmation

Overall Evaluation

Social 1(F)

Socialness evaluation (Use of Proceeds)

s1(F)

Management, Operation and Transparency Evaluation

m1(F)

Issuer/Borrower

AIFUL GROUP
(AIFUL Corporation, AG BUSINESS SUPPORT CORPORATION, AG MEDICAL Corporation, AG Capital Co.,Ltd, AIRA & AIFUL Public Company Limited)

Subject

AIFUL GROUP
Social Finance Framework

Overview

AIFUL Corporation (hereinafter referred to as “AIFUL” or “the Company”) is one of the leading consumer finance companies and manages mainly a loan business as well as credit, guarantee and overseas businesses. Within the AIFUL Group, the domestic loan business in Japan is conducted by AIFUL, which offers unsecured loans to consumers as well as loans to business operators. In addition, AG BUSINESS SUPPORT is also engaged in the loan business for SMEs. In the credit card business, LIFE CARD Co., Ltd. issues credit cards with international brands including Mastercard, Visa, and JCB, and also provides acquiring services for Mastercard and Visa. In the credit guarantee business, both AIFUL and LIFE CARD offer guarantees to various financial institutions. As for the overseas businesses, AIRA & AIFUL Public Company Limited (AIRA & AIFUL) operates an unsecured consumer loan business in the Kingdom of Thailand, while PT REKSA FINANCE provides a used car auto loan business in the Republic of Indonesia. Other businesses include medical fee-secured loans offered by AG MEDICAL Corporation and venture capital business conducted by AG Capital Co.,Ltd.

The Company has not affiliated with any megabanks, has managed its own unique management and has diversified its businesses since the former president, Yoshitaka Fukuda founded its company in 1967. In July 2011, AIFUL reorganized its group; e.g., a new company, LIFE CARD took over the credit card business in its subsidiary, LIFE. Although its business temporarily slided down due in part to the impacts of revisions to the Money Lending Business Act, the trade receivables have steadily increased and the operations have also expanded since the year ended March 31, 2016.

AIFUL calls oneself an IT finance group and focuses on design, digital promotion and data analyses. The Company also emphasizes to diversify its business portfolio through diversifying its business and strengthening its overseas operations. The Company's long-term vision is "Transformation Towards an IT Company - Aiming to Become a Company that Lasts 100 Years," and its goal is to achieve ordinary profit of 100.0 billion yen and a balance of total receivables of 2 trillion yen or more. The "Medium-Term Management Plan 2024," which covers the period from FY2024 to FY2026, aims for ordinary profit of 42.0 billion yen, ROA of 2.5%, real ROE¹ of 11.4%, and total receivables of 1.5 trillion yen in the final year of the plan, FY2026.

This evaluation target is a social finance framework (hereinafter referred to as "the Framework") mapped out by AIFUL Group (AIFUL, AG BUSINESS SUPPORT, AG MEDICAL, AG Capital, AIRA & AIFUL), which specifies that funds raised through social bonds or social loans (social bonds and social loans are collectively referred to as "social finance") are to be used only for purposes with social benefits. JCR evaluates whether the Framework complies with Social Bond Principles², Social Loan Principles³, Social Bond Guidelines⁴ and SDGs. Although these are principles or guidelines and not regulations with legal backing, JCR evaluates the Company by referring to these principles and guidelines concerned as domestic and international uniform standards at this time. In addition, Social Bond Principles emphasize the alignment of the use of social bond funds and their social improvement effects (impact) with international sustainability goals and national policies. The mapping⁵ of the SDGs and social project categories developed by ICMA are used as a reference indicator in the evaluation.

JCR assigned an overall rating of "Social 1(F)" to the Framework of AIFUL on March 22, 2023. This review is conducted in conjunction with AIFUL's addition of group companies such as AG BUSINESS SUPPORT, AG MEDICAL, AG Capital, AIRA & AIFUL as fund raisers (issuers/borrowers).

The use of proceeds as AIFUL Group defined in the Framework is beneficial to SMEs who needs proceeds to grow/continue their businesses as support for SMEs, companies who need business

¹ According to AIFUL, "Real ROE" refers to the return on equity calculated based on "net profit attributable to owners of the parent," assuming an effective tax rate of 30%.

² International Capital Market Association(ICMA) "Social Bond Principles 2023"

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ Loan Market Association (LMA)、Asia Pacific Loan Market Association(APLMA)、Loan Syndications and Trading Association (LSTA) "Social Loan Principles 2023"

<https://www.lsta.org/content/social-loan-principles-slp/>

⁴ Social Bond Guideline established by the Financial Services Agency in October, 2021

<https://www.fsa.go.jp/news/r3/singi/20211026-2/01.pdf>

⁵ ICMA "Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals"

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/mapping-to-the-sustainable-development-goals/>

proceeds to maintain/continue medical/nursing care services as support for medical/ nursing care facilities and individuals who find it difficult to do financing in countries where financial services are immature as provision of financial services for individuals in emerging countries. JCR evaluates that these uses of proceeds continue to contribute to resolve social issues such as financial inclusion and are categorized as “access to essential services (finance)” in Social Bond Principles. JCR also evaluates that selection processes in projects, cash management systems and reporting are appropriately in place and are highly transparent as well. In addition, it stipulates that appropriate measures shall be taken in consideration of negative impacts on the environment and society when implementing an eligible project. Based on the aforementioned, JCR continues to evaluate the use of proceeds in the Framework as a project that provides social benefits.

As a result, JCR assigned “s1(F)” for “Social Evaluation (Use of Proceeds),” “m1(F)” for “Management/Operation/Transparency Evaluation” and “Social 1(F)” for “JCR Social Finance Evaluation” for the Framework based on JCR Social Finance Evaluation Methodologies. . The Framework fully meets the standards for items required by Social Bond Principles, Social Loan Principles and Social Bond Guidelines and is also consistent with specific measures for SDGs and the government’s SDGs goals.

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2. Selection Standards and Processes for Use of Proceeds
3. Management of Raised Funds
4. Reporting
5. Organization's Sustainability Initiatives

■ Review Results (Conclusion)

Review Items

This section describes items to be checked in the framework review. The review focuses on items that have changed since the previous evaluation.

1. Use of Proceeds

Whether the classification of eligible criteria for social finance and the use of proceeds remain social after the change.

2. Selection Standards and Processes for Use of Proceeds

Whether the process for social finance remains appropriate after the change.

3. Management of Raised Funds

Whether the proceeds financed through social finance are surely appropriated to social projects and whether a mechanism and internal system are in place to enable easy tracking and managing the appropriation status.

4. Reporting

Whether the reporting structure for social finance remains adequate after the change.

5. Organization's Sustainability Initiatives

Whether the issuer's management continues to place a high priority on sustainability in corporate strategy.

Review Contents





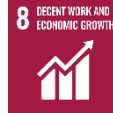


1. Use of Proceeds

The AIFUL Group has defined the use of proceeds in the Framework as follows. In the following, only the revised framework is excerpted and presented here.

The Framework for Use of Proceeds

Funds raised through social bonds and social loans will be used for new expenditures or refinancing with respect to qualified social projects as described below through group companies. If the funds are to be used for refinancing, the expenditure must be executed within three years prior to the date of issuance of the social bond or the date of execution of the social loan.

<Eligible Social Project>

Project Category	SBP Category	Eligible Social Project's Outline and Project	SDGs
Support for small and medium enterprise	Financing for SMEs and employment generation	Support for business funding for SMEs in need of funds for business growth and continuity <Project> ・ Business loans of AG BUSINESS SUPPORT, which provides business financing support to SMEs ・ AG Capital's growth-oriented funding support for medium-sized companies and startups 【Targets】 SMEs in need of funds for business growth and continuity	 
Support for medical and nursing care facilities	Access to essential services	Support for business funds for hospitals and nursing care facilities <Project> ・ AG MEDICAL's business funding support for healthcare and nursing care providers such as hospitals and nursing care facilities 【Targets】 People in need of medical and nursing care services or businesses in need of business financing to continue medical and nursing care services	 
Provision of financial services to Individuals in emerging countries	Access to essential services	Improvement of financial literacy by providing individuals with access to financial services in emerging economies with immature financial services <Project> ・ Provision of access to financial services for people in the Kingdom of Thailand by A&A (AIRA&AIFUL) 【Targets】 Individuals with difficulty in raising funds in countries with immature financial services	  

【JCR's Evaluation for the Framework】

In this framework update, no changes have been made with respect to the use of proceeds, although group companies such as AG BUSINESS SUPPORT, AG MEDICAL, AG Capital, AIRA & AIFUL have been added as fund raisers. In addition, no events have occurred since JCR's previous evaluation that would affect the evaluation related to the use of proceeds. Therefore, JCR evaluates that the use of proceeds in the Framework remains social.

2. Selection Standards and Processes for Use of Proceeds

AIFUL Group has made some changes to selection standards and processes for use of proceeds. The details of the changes are as follows (the parts in bold are the changes made this time).

The Framework for the process

【Process for evaluating and selecting projects】

Eligible projects are drafted by Finance Department **of AIFUL CORPORATION**, and after confirming the consistency with Basic Sustainability Policy and AIFUL Compliance Code of Conduct, the final decision will be made by Executive Officers and Directors (including President) in charge of promoting **our** sustainability.

When evaluating and selecting a specific eligible project, Finance Department **of AIFUL CORPORATION** selects it after confirming the consistency with Basic Sustainability Policy and the Code of Conduct and compliance with various laws and regulations and determining eligibility. Executive Officers and Directors (including President) in charge of promoting **our** sustainability will make the final decision.

The same project evaluation and selection process will be applied when raising funds at the Group.

【JCR's Evaluation for the Framework】

JCR evaluated the adequacy of the selection standards and the processes described in the Framework as appropriate at the time of the previous evaluation. The change is that AIFUL evaluates and selects projects not only when AIFUL raises funds, but also when the group companies raise funds. JCR evaluates that transparency continues to be ensured by the Framework and the evaluation report, as the selection standards and process will be disclosed.

3. Management of Raised Funds

AIFUL Group has made some changes to the management of raised funds. The changes are as follows (the parts in bold are the changes made this time).

The Framework for the management of raised funds

【Management of Raised Funds】

Funds raised by the Company and the Group will be allocated to eligible social projects through each group company, and each group company will manage the funds. In addition, Finance Department of AIFUL Corporation conducts monitoring on a regular basis (at least annually) to ensure that an equivalent or greater amount of funds raised in accordance with this framework are allocated to qualified social projects, as long as the balance of the raised funds remains available.

Our policy is to manage such funds as cash or cash equivalents until they are appropriated or if unused funds arise.

【JCR's Evaluation for the Framework】

JCR evaluated the adequacy of the management of raised funds described in the Framework as appropriate at the time of the previous evaluation. The change clearly states that not only when AIFUL raises funds, but also when group companies raise funds, the funds raised will be managed by each group company. JCR evaluates that the Framework remains appropriate, as it adequately defines the management of raised funds.

4. Reporting

AIFUL Group has made some changes to the reporting. The changes are as follows (the parts in bold are the changes made this time).

The Framework for the reporting

【Reporting】

< Funding Status Reporting >

As long as there is an outstanding balance of funds raised **by the Company and the Group** in accordance with this framework, the following benchmarks will be disclosed annually on our website.

■ Allocation amount for each business segment of qualified projects (including the ratio of new expenditure and refinancing)

■ Unallocated amount

■ Funding balance

The Company will disclose in a timely manner any significant changes in funding conditions after the raised funds have been allocated.

< Impact Reporting >

As long as there is an outstanding balance of funds raised in accordance with this framework, the following items related to social impact from qualified projects will be disclosed on our website on an annual basis to the extent that it is practicable to disclose:

Project category	Impact reporting items		
	Output	Outcome	Impact
Support for Small and Medium Enterprise	Number and amount of funding for each category of services provided	Approximate number of businesses and employees receiving funding support for each category of services provided	Supporting the growth of SMEs and startups from the perspective of financial inclusion and maintaining employment by improving the stability of management
Support for medical and nursing care facilities	Number and amount of funding for each category of applicable facility	Estimated number of beds or employees providing medical or nursing services that have received financial support for each category of applicable facility	Providing access to medical and nursing care services to those in need and maintaining and improving medical and nursing care services
Provision of financial services to individuals in emerging countries	Number and amount of funding for services provided	Number and amount of financial services provided to young people (in their 20s and 30s)	Improving financial literacy by providing individuals with access to financial services

[JCR's Evaluation for the Framework]

JCR evaluated the adequacy of the reporting described in the Framework as appropriate at the time of the previous evaluation. The change states that not only when AIFUL raises funds, but also when group companies raise funds, reporting will be conducted on AIFUL's website. JCR confirms that there is no change in the content of Funding Status Reporting and Impact Reporting, and continues to evaluate them as appropriate.

With regard to the reporting performance to date, JCR confirms that AIFUL has been properly implementing the reporting on its website in accordance with the Framework.

5. Organization's Sustainability Initiatives

In April 2021, AIFUL Group drew up VISION, MISSION and VALUE as shown in Chart 1 to crystallize its corporate philosophy, “Earn the trust of society through corporate activity based in integrity.” In VALUE with its key words, “sincerity,” “trust,” “effort” and “gratefulness,” AIFUL Group, as value to be provided to society, expressly states “We support consumption and economic activities of small business owners with our financial system” in which concepts of financial inclusion are incorporated.



Chart 1 : VISION/MISSION/VALUE of AIFUL Group⁶




In “Basic Sustainability Policy” formulated in December 2021, AIFUL Group sets “creating products that meet society’s expectations” as a social priority issue, and then sets forth “Products development to meet the diverse financial needs of customers” as one of the initiatives to resolve these issues. Measures that embody the aforementioned are to support SMEs, which are social eligible projects in the Framework, and to provide financial services for individuals in emerging countries. AIFUL also sets up “social contribution and coexisting with the local community” as a prioritized social issue in the

⁶ Source: The Framework

basic policy, and sets forth “loan secured by medical fee receivables” as one of its initiatives to resolve these issues. Measures related to the above are supporting for medical/nursing care facilities. In this way, promoting social eligible projects listed in the Framework will contribute to solve these social issues held out by AIFUL.

In AIFUL, mainly Corporate Planning/Finance Departments promote sustainability as a structure to promote sustainability-related initiatives under supervision of Executive Officers and Directors (including President and CEO) in charge of promoting sustainability. However, the Company has neither conference body nor departments specializing in sustainability, thus it is expected that the Company establishes them. JCR expects AIFUL to seek to enhance sustainability management further while having objectivities such as hearing the views of external academics with expert insight on social issues.

JCR evaluates that the management in AIFUL highly prioritizes social issues for its organizational initiatives.

Challenges	Initiatives	Relevant SDGs
Addressing Key Environmental Issues		
Realization of a carbon-free society	Management of energy consumption	
	"Cool Biz" and "Warm Biz" Activities	
	Endorsement of "COOL CHOICE"	
	Efforts to improve operational efficiency	
	Reducing the number of multifunction devices	
	Management of air conditioner operating hours	
	Promotion of stair use	
Promoting Resource Recycling	Waste separation and recycling	
	Eco-cap campaign	
	"Green Fund-raising" activities	
	Reuse of stationery among departments	
	Promotion of paper-saving campaigns	
	Introduction of paperless, online statements	






Addressing Key Social Issues		
Creating Products that Meet Society's Expectations	Product development to meet the diverse financial needs of customers	—
	Service quality improvement by collecting customer feedback and using it to enhance our services	
	Establish a comprehensive support system for customers	
	Provide products that complete non-face-to-face way	
	AIFUL-CSIRT (formation of an early warning and resolve team for cyber-attacks)	
Workplace and Work Environment	Establishment of the Human Resources Outline	
	Harassment hotline	
	Conduct an awareness and satisfaction survey through employee self-assessment surveys	
	Employee stock ownership plan	
	Expanding Human resource development system	
	Diverse support for personal development	
	Flextime system	
	Promoting health checkups and stress checkups	
	Purchase of emergency stockpiles of disaster	
	Introduction of Telework and Staggered working hours	
	Supervising working hours and paid leave acquisition	
	Barrier-Free Building	
	Hold emergency drills	
Promoting Diversity	Platinum Kurumin certification	
	Expand hiring female	
	Development and promotion of female employees	
	Retiree re-employment system	
	Employment of persons with disabilities	
Social Contribution and Coexisting with the Local Community	Sponsorship of Hackathon	
	Volunteer leave system	
	Blood donation activities	
	Neighborhood clean-up project	
	Installation of AEDs and hold life-saving seminars	
	Initiatives for donations associated with large-scale disasters	
	Social Contribution through Credit Cards	
	Charity Course (point donation system)	
	Loan secured by medical fees receivables	

Chart 2 : Basic Sustainability Policy in AIFUL Group ⁷

⁷ Source: AIFUL

Review Results(Conclusion)

Social 1(F)

JCR has confirmed that the contents of the Framework, including the changes, are expected to have a high social improvement effect in the social projects for which the funds are used. The Framework fully satisfies the standards for the items required in Social Bond Principles, Social Loan Principles and Social Bond Guidelines, and it is consistent with concrete measures toward SDGs targets and the government's SDGs goals.

		Management, Operation and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Social Evaluation	s1(F)	Social 1(F)	Social 2(F)	Social 3(F)	Social 4(F)	Social 5(F)
	s2(F)	Social 2(F)	Social 2(F)	Social 3(F)	Social 4(F)	Social 5(F)
	s3(F)	Social 3(F)	Social 3(F)	Social 4(F)	Social 5(F)	N/A
	s4(F)	Social 4(F)	Social 4(F)	Social 5(F)	N/A	N/A
	s5(F)	Social 5(F)	Social 5(F)	N/A	N/A	N/A

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Important Explanation on this Evaluation

1. Assumptions, Significance and Limitations of JCR Social Finance Framework Evaluation

JCR Social Finance Framework Evaluation, which is granted and assigned by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Social Framework, and expresses the overall opinion of JCR at this time regarding the appropriateness of Social Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of proceeds and other matters. Therefore, it is not intended to evaluate the effects of specific social contributions, management and operation systems, and transparency of individual bonds and borrowings to be implemented based on these policies. In the event that an individual bond or individual borrowing based on the Framework is subject to a social finance evaluation, a separate evaluation is required. In addition, JCR Social Framework Evaluation does not demonstrate social improvement effects of individual bonds or borrowings implemented under the Framework, and does not assume responsibility for social improvement effects. In principle, JCR does not directly measure social improvement effects of proceeds financed under Social Framework although JCR confirms items measured quantitatively and qualitatively by the issuer /borrower (hereinafter referred to as “fund raisers”) or a third party requested by the issuer. Social equity may be included in the scope of evaluation only when all the assets are social projects, such as investment corporations.

2. Methodologies used to perform this evaluation

The methodologies used in this evaluation are described in “JCR Social Finance Evaluation” on the “Sustainable Finance/ESGs” section of the JCR website (<https://www.jcr.co.jp/en/>.)

3. Relationship with Acts concerning Credit Rating Business

The act of granting and assigning an assessment of JCR Social Finance Framework is conducted by JCR as a related business and differs from the act related to the credit rating business.

4. Relationship with Credit Ratings

The evaluation is different from the Credit Rating and does not commit to provide a pre-determined credit rating or make available for inspection.

5. Third-Party Evaluation of JCR Social Finance Framework Evaluation

There are no capital or personnel relationships that may result in a conflict of interest between the evaluation parties and JCR.

■ Points to consider

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■ Glossary

JCR Social Finance Framework Evaluation: the extent to which the proceeds financed based on the Framework are appropriated for social projects as defined by JCR, and the degree to which the management, operation, and transparency of the use of proceeds are evaluated. Evaluations are performed on a 5-point scale, from top to bottom, using evaluation symbols of the Social 1 (F), Social 2 (F), Social 3 (F), Social 4 (F) and Social 5 (F.)

■ Status of registration as an external evaluator of sustainable finance or others

- Ministry of the Environment: Registered as an external reviewer of green finance
- ICMA (registered as an external observer of the International Capital Markets Association)
- UNEP FI: Positive Impact Financial Principles: Members of Working Group
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)

■ Status of registration as a credit rating agency, etc

- Credit Rating Agency: the Commissioner of Financial Services Agency (Credit Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR registered with the following four of the five credit rating classes of Nationally Recognized Statistical Rating Organization (“NRSRO”) as defined by the U.S. Securities and Exchange Commission: (1) financial institutions, broker/dealers, (2) insurance companies, (3) general business corporations and (4) government and local governments. In cases where disclosure is required based on Section 17g-7(a) of the Securities and Exchange Commission rules, such disclosure is attached to a news release posted on the JCR’s website (<https://www.jcr.co.jp/en/>.)

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