

AFS Corporate Governance Guidelines

AEON Financial Service Co., Ltd.

Chapter 1 General Provisions

Article 1

(Purposes)

These Guidelines set forth the basic mechanism and rules to ensure the optimal implementation of corporate governance within AEON Financial Service Co., Ltd. (hereinafter referred to as the “Company”) and its consolidated subsidiaries (hereinafter, the Company and its subsidiaries shall be collectively referred to as the “AFS Group”).

Article 2

(Basic principles of corporate governance of the AFS Group)

The basic principles of corporate governance of the AFS Group shall be as follows:

(1) The AFS Group shall adopt and be guided by the basic principles of AEON Co., Ltd., the parent company of the Company, (hereinafter referred to as the “AEON Basic Principles”). The AEON Basic Principles are: Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.

(2) The AFS Group shall pursue its basic management policy based on the management philosophy of the Company and shall respect the independence and autonomy of Group companies.

(Management Philosophy of the Company)

Support customers’ lifestyles and enable each individual to maximize future opportunities through effective use of credit

(Basic Management Policies of the Company)

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

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

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

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

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

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

Chapter 2 Corporate Governance System

Article 3

(Organization for corporate governance)

(1) To realize corporate governance in accordance with the basic principles stipulated in Article 2, the Board of Directors of the Company shall include several outside directors and the Board of Corporate Auditors of the Company shall consist of a majority of outside corporate auditors.

(2) The Company shall establish an Internal Control Committee that comprehensively and expertly discusses matters concerning the maintenance of the internal control system and makes reports and recommendations to the Board of Directors. The Company shall ensure the appropriateness of its businesses through the management undertaken by the Internal Control Committee and other systems for compliance, risk management, and internal audit.

Article 4

(Responsibilities of the Board of Directors)

The Board of Directors shall perform the following duties:

(1) To fulfill its fiduciary responsibility to shareholders, the Board of Directors shall increase the profitability and capital efficiency of the Company and pursue sustainable growth and enhancement of the corporate value of the AFS Group over the medium and long term.

(2) To fulfill the above-mentioned responsibility in accordance with the basic principles stipulated in Article 2, the Board of Directors shall establish a proper corporate governance system.

(3) To strengthen its business execution and supervisory functions, the Board of Directors shall include several outside directors with a diversity of experience, abilities and expertise.

(4) The Board of Directors shall make optimal decisions for the AFS Group by: following proper procedures and complying with laws and regulations and other social norms; collecting sufficient information necessary for its deliberation; and engaging in unfettered discussions from multilateral viewpoints by involving outside directors to identify the gains and losses expected from the decided action.

Article 5

(Responsibilities of corporate auditors and the Board of Corporate Auditors)

Corporate auditors and the Board of Corporate Auditors shall perform the following duties to ensure that the AFS Group pursues sound and sustainable growth, improves its corporate value over the medium and long term, and strives to become a superior company that responds to social confidence:

(1) Audit the directors' execution of duties as an independent organ mandated by shareholders; and

(2) Express opinions to directors and the Board of Directors as necessary.

Moreover, the Board of Corporate Auditors shall:

(3) Be comprised of a majority of outside corporate auditors with a diversity of experience, abilities and expertise and at least one corporate auditor must be a person who has proper knowledge in the area of finance and accounting to ensure the effectiveness of audits conducted by the Board of Corporate Auditors; and

(4) Appropriately appoint, remove, assess and reappoint as necessary an independent

accounting auditor who will play an important role in ensuring the reliability of the Company's financial reporting.

Article 6

(Selection of candidates to serve as officers and compensation policy)

(1) Selection of candidates for director

The Company shall establish criteria for selecting candidates for the position of director for whom the responsibilities stipulated in Article 4 can be entrusted (and independence criteria for selecting candidates for the position of outside director). Based on these criteria, the Company shall select candidates who have sufficient abilities and experience.

(2) Selection of candidate for corporate auditor

The Company shall establish criteria for selecting candidates for the position of corporate auditor for whom the responsibilities stipulated in Article 5 can be entrusted (and independence criteria for selecting candidates for the position of outside corporate auditor). Based on these criteria, the Company shall select candidates who have sufficient abilities and experience.

(3) Officers' compensation

Compensation for directors excluding outside directors shall consist of fixed compensation and performance-linked compensation in order to encourage them to fulfill the responsibilities stipulated in item (1) of Article 4.

To maintain their independence, compensation for outside directors, corporate auditors, and outside corporate auditors shall be fixed.

Article 7

(Development of a succession plan for CEO and other executive officers)

The Company shall clarify the qualities required of successors to the Company's President and Chief Executive Officer and other executive officer positions through consultation among the Chairman, the President and Chief Executive Officer, and all outside directors. The Company shall also develop environments that develop internal human resources and appropriately recruit human resources from outside the AFS Group in a timely fashion.

The Board of Directors shall properly monitor the implementation of the above-mentioned activities.

Article 8

(Development of managers; provision of information and support to executive officers)

(1) When identifying, developing and assigning future managers within the AFS Group, the Committee for the Development of Future Managers shall discuss the knowledge, insights, abilities, experience, aptitude and other attributes of the individuals concerned.

(2) The Company shall provide updates on compliance and corporate governance to directors, corporate auditors, and other officers of the AFS Group. If any significant revision is made to any applicable law or regulation, the Company shall organize information sessions and invite lawyers or other appropriate experts to give explanatory presentations.

(3) When a new outside director is appointed, the Company shall provide him/her with an opportunity to visit the AFS Group's offices as part of the initial orientation. During their terms of office, the Company shall provide outside directors with necessary information on the business of the AFS Group to support them in performing their duties.

Article 9

(Group compliance policy)

The Company shall establish a Group Compliance Policy in order to maintain a corporate culture that supports compliance with laws, social norms, and corporate ethics as well as fair

and sincere corporate activities within the AFS Group. In accordance with the Group Compliance Policy, the Company shall uphold the following: Strict Compliance with Laws and Regulations; Unshakable Trust from Society; Respect for Individuality of Officers and Employees; Proper Information Management; Customer First; and Exclusion of Antisocial Forces.

Article 10

(Whistle-blowing system)

To ensure thorough compliance within the AFS Group, the Company shall establish systems to take appropriate measures to promptly detect, correct and prevent acts of fraud and other improper acts, including a shared internal whistleblowing channel for all Group companies as well as external whistleblowing channels for responding to issues regarding violations of laws and internal rules.

Article 11

(System to monitor conflict-of-interest transactions)

The Company shall establish a system to monitor its transactions with directors that have a conflict of interest with the Company and/or competing transactions by directors, such as requiring the approval of the Board of Directors for such transactions.

Article 12

(Proper management of subsidiaries' businesses)

(1) To ensure that businesses within the AFS Group as a whole are managed in accordance with the basic principles of corporate governance stipulated in Article 2 and that the corporate value of the AFS Group is enhanced, the Company shall conclude a business management agreement with each of its subsidiary companies to ensure the adequacy of its business management. Under this Agreement, each subsidiary must report its important decisions to the Company to obtain prior approval before implementing such decisions.

(2) Each company in the AFS Group that has subsidiaries, including the Company, shall provide appropriate guidance and supervision for the management of such subsidiaries. In providing such guidance and supervision, it shall establish regulations prescribing its authority over its subsidiaries with the reason for the authority, and record the purpose and progress of individual guidance and supervision.

(3) Each subsidiary shall develop a management plan and other plans to actively work for the growth of its businesses and shall steadily carry out these plans.

Article 13

(Assessment of the effectiveness of the Board of Directors)

The Company shall periodically assess the Board of Directors from the viewpoint of the effectiveness of its functions concerning the development of appropriate management strategies and proper supervision of the management of businesses operated by the Company. Based on this assessment, the Board of Directors shall continuously improve its functions, including deliberation on important matters.

Chapter 3 Relationship with Stakeholders

Article 14

(Securing of shareholders' rights and fair treatment)

The Company shall treat shareholders fairly according to the types and number of shares held and strives to ensure that the rights of shareholders including voting rights at the general meeting of shareholders are substantially secured.

Article 15

(General meeting of shareholders)

Recognizing the importance of the general meeting of shareholders as an opportunity for constructive communication with shareholders, the Company shall strive to provide satisfactory explanations of the agenda items and the business report presented at the meeting and to carefully and comprehensively answer shareholder questions.

Article 16

(Policy on communication with shareholders)

To promote constructive communication with shareholders, the Company shall make the following efforts:

- (1) To increase the opportunities for communication with shareholders, such as holding meetings with individual shareholders and briefing meetings;
- (2) To listen to and share among directors and internal stakeholders opinions and other communications of shareholders, and to reflect them in the Company's corporate activities toward the goal of transparent management; and
- (3) To designate the director and department responsible for the overall management of shareholder communication to ensure timely disclosure of appropriate corporate information and promote communication with shareholders.

Article 17

(Policy on strategic shareholdings)

It is the basic policy of the Company not to undertake strategic shareholding, unless it is deemed reasonably necessary considering the comprehensive maintenance of the business relationship as a retail financial institution with business partners as well as the status of individual transactions and economic rationality.

Article 18

(Policy on disclosure and management of important information)

The AFS Group shall disclose important information in a timely, adequate and fair manner to build and maintain relationships of trust with all stakeholders.

The AFS Group shall develop regulations for the handling of important information to ensure its proper management.

Article 19

(Capital policy and shareholder return policy)

- (1) Considering risks it is exposed to in the changing external environment and other factors, the Company shall determine and maintain an appropriate level of capital.
- (2) Each group company in the AFS Group shall maintain an appropriate level of capital according to the nature of its business and shall strive to improve its capital efficiency.
- (3) The Company shall implement a stable and sustainable dividend policy in consideration of shareholder expectations for returns.
- (4) If it becomes necessary for the Company to raise funds, the Board of Directors shall comprehensively deliberate the purpose of use of the funds, capital profitability, and other factors and give sufficient explanations to shareholders before implementing the fund raising.

Article 20

(Sustainability)

Recognizing that our business cannot continue to grow without the sustainable development of society, the AFS Group shall work on environmental conservation activities and activities

contributing to the society. To develop the business of the AFS Group such that it is regarded as indispensable to society in and outside Japan, the Company shall provide essential financial services and respond to the trust and expectations of society.

Article 21

(Diversity and inclusion)

The AFS Group shall increase the vitality of individual Group companies by promoting workplace diversity and actively providing its employees with opportunities to demonstrate their abilities, regardless of nationality, sex, age, family situation, disability or other differences.

Chapter 4 Other Provisions

Article 22

(Compliance with the Corporate Governance Code)

In addition to the rules stipulated in the preceding Chapters, the Company shall endeavor to comply with the rules stipulated in the Corporate Governance Code.

Article 23

(Revision or abolition)

Revision or abolition of these Guidelines shall be decided by resolution of the Board of Directors. However, nominal changes, such as the changing of an organization's name, shall be determined by the approval of the President and Chief Executive Officer.

Supplementary Provisions

Article 1 These Guidelines are governed by the Corporate Planning Department.

Article 2 These Guidelines shall take effect on and be implemented from April 1, 2018.

Established on April 1, 2018

Amended on September 26, 2019