

# A Platform for Sustainable Growth

We want to contribute to the development of society through our business activities and CSR initiatives in order to realize a sustainable society. We will systematically improve our initiatives to grow sustainably with society into the future.

## Basic CSR Policy

As a member of the AEON Group, AEON Financial Service responds to the expectations of stakeholders in accordance with its management philosophy to “support customers’ lifestyles and enable each individual to maximize future opportunities through effective use of credit.” Our objective is to build our businesses to contribute to the development of a sustainable society.

We participate in AEON’s CSR activities to achieve

our objectives. We comply with laws and regulations, and inculcate compliance awareness throughout the operations and front-line business activities of Group companies, including overseas subsidiaries. We also fulfill our social responsibilities by being environmentally conscious, contributing to communities, and enhancing our corporate governance system.

## Initiatives to resolve social issues through our businesses



### Cambodia

**Providing an e-money service denominated in Cambodian riels**  
**Promoting cashless transactions with a QR code settlement app**

We support the circulation of Cambodia’s sovereign currency through our smartphone app with QR code settlement and remittance functions, which provides safe, secure and convenient cashless financial services.

## Environment and Social Contribution Activities ▶ Pages 36–37

### Management Base

Basic CSR Policy

Environmental Policy

CSR Committee

\* International goals for 2030 adopted by world leaders at the UN Sustainable Development Summit at the United Nations headquarters. Designed to create a sustainable society, the SDGs are 17 goals with 169 targets that provide the vision and delineate issues for the world in working together to address problems relating to poverty, climate change, energy and resources, urbanization, and inequality within and among countries/regions.



## Sustainable Growth for AEON Financial Service

We promote CSR activities that are aligned with international frameworks, including the United Nations' Sustainable Development Goals (SDGs),\* and from the perspective of creating shared value, use mechanisms unique to the financial industry to resolve social issues and reduce environmental impact through our businesses.

### Management that integrates CSR with businesses



#### Philippines

##### Operating an auto loan business using IoT Creating employment opportunities and stable livelihoods

Remote control of the vehicle engine using an IoT device is a form of credit guarantee that allows us to offer auto loans to low-income earners who were formerly ineligible. We started with loans for tricycles (three-wheeled taxis)—a familiar part of everyday life in the Philippines—and now also offer them for four-wheeled taxis.



#### Indonesia

##### Operating an auto loan business using IoT Contributing to society by leveraging our track record in the Philippines

Indonesia has the largest population among ASEAN nations and is experiencing rapid growth, including motorization. We are applying a similar approach to that in the Philippines to issue loans for four-wheeled taxis, enabling employment opportunities and stable livelihoods for more drivers.

#### Human Resource Strategy

- Health and Productivity Management
- Talent Development
- Talent Placement
- Diversity

#### Corporate Governance

#### Internal Control System

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# Human Resource Strategy

## Basic Policy

The Group supports a variety of work styles for its diverse talent, and has established a human resource policy that promotes health and productivity, talent development and diversity so that each employee can thrive as part of an organization of professionals.

## Health and Productivity Management

Recognizing that a working environment in which each employee can thrive is essential to improving customer and employee satisfaction, we actively share talent and exchange personnel among Group companies in order to promote Group-wide health and productivity. Exemplifying our approach, seven Group companies received certification under the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) in February 2019.

The Group mainly focuses on the following issues to promote health and productivity.

1. Ensuring all employees undergo health checkups and supporting follow-up checkups
2. Enhancing support for mental health (four types of care)

### Health and Productivity Management Recognition System for Large Enterprises



## Initiatives

### Establishment of Medical Support Centers

1. Appointment of corporate occupational health physicians and nurses
2. Centralized management, including administering a Group health checkup results database, identifying employees who have not received checkups and issuing reminders, and reviewing checkup results, working hour records, lifestyle questionnaires, and stress checks
3. Enhancements to consultation system  
Face-to-face consultation at support centers, consultation by e-mail
4. Hospital and doctor referrals
5. Health seminars



### Enhanced Support for Mental Health

1. Formulation and implementation of a mental health promotion plan
2. Enhanced preventive strategies  
(training for self-care and care by line managers)
3. Enhanced support for returning to work
4. Enhancements to consultation system  
Face-to-face consultation at support centers, consultation by e-mail



Self-care training

## Talent Placement

As an organization of comprehensive financial services professionals, we actively share talent and exchange personnel among Group companies. We facilitate intra-Group mobility with a common HR system (including recognition of qualifications, personnel evaluation, and compensation system) for key Group companies in Japan, and employment

infrastructure that ensures employees receive fair and equal treatment regardless of where they are working in the Group.

We will further promote optimal talent placement, exchange and development, to enhance our capabilities as an organization of comprehensive financial services professionals—one of our core strengths.

## Talent Development

We focus on talent development based on the AEON Group philosophy that “education is the greatest benefit.” AEON Financial Service leads executive compliance training and global human resource development, and confers various awards aimed at improving customer service, while Group companies in Japan lead executive training for managers and section managers. Overseas, AEON Credit Service (M) Berhad plays a key role in providing management training for executives in Asia.

### Compliance Training for Officers

AEON Financial Service sponsors training each year for all officers at domestic and overseas companies to foster high-level awareness of compliance, deepen understanding of various laws and regulations, and strengthen Group governance.

In fiscal 2018, we complemented AEON Group common compliance training with our own more practical program of training sessions in Japan and Thailand. A total of 124 employees attended.



Compliance training for officers

### Global Talent Development

We have established an overseas dispatch training system to develop executive management candidates at each Group company and thus meet strategic needs in expanding the Global Business. Over the course of about a year, practical training at domestic and overseas subsidiaries cultivates global sensibilities, an understanding of diversity, and a desire to take on challenges among young employees.

### AFS Customer Service Awards

With the goal of improving customer service satisfaction, the AFS Customer Service Awards bring together call center employees recognized for excellence in accordance with monitoring guidelines shared domestically and overseas, and employees recognized for excellence in accordance with the standards (for branches, etc.) of individual Group companies. By encouraging them to share best practices, we are working to improve the level of service Group-wide.



AFS Customer Service Awards ceremony

## Diversity

Our diversity initiatives include Peace Farm, an agricultural scheme that employs people with a broad range of disabilities. Furthermore, through the hire of people with disabilities as massage therapists and other positions, as of March 2019, the employment rate for people with disabilities was 2.32% at our eight companies in Japan, exceeding the statutory employment rate of 2.2%.

Our overseas subsidiaries are particularly advanced as workplaces where women can excel, and female representation in management at domestic and overseas companies is approximately 30%. We will continue to ensure

that women are able to excel by transforming attitudes with an emphasis on women’s career development.



Work at Peace Farm

# Environment and Social Contribution Activities

## ● Environmental Conservation

### Basic Approach

The pillars of our environmental initiatives are the formation of a low-carbon society, the preservation of biodiversity and the creation of a society that recycles resources. We will implement these initiatives by providing financial products and services that are closely linked to lifestyles and that offer security, convenience and value in customers' daily lives.

### Environmental Policy

1. We are reducing greenhouse gas emissions to form a low-carbon society.
2. We are fulfilling our social responsibilities as a financial institution that is central to economic activity by reducing the impact of our business activities on ecosystems and preserving biodiversity to realize a prosperous society that coexists with nature.
3. We are reducing waste and conserving resources to create a recycling-oriented society.
  - 1) Promote the three Rs (reduce, reuse, recycle) of resources.
  - 2) Select raw and other materials that have less environmental impact.
4. We comply with laws and regulations related to the environment and disclose this policy to all employees and all people supporting our business activities.
5. We recognize that cooperation with customers and other stakeholders is important for the development of a sustainable society, and we will cooperate appropriately.

## Environmental Conservation Initiatives

### ISO 14001 Certification

AEON Financial Service has established its own management structure for environmental activities. Major domestic subsidiary AEON Credit Service Co., Ltd. and the three listed subsidiaries overseas have acquired ISO 14001 certification and are working to reduce environmental impact. AEON Credit Service's initiatives include improving business process efficiency, formulating an annual plan for its education and training system, and implementing ISO education to raise environmental awareness among employees.

### Reducing Resource Use

We are making effective use of limited resources and reducing environmental impact to support a recycling-oriented society. We have reduced paper consumption through the introduction of the Web Statements service, which allows customers to access credit card statements online and via the AEON Wallet smartphone app. Other initiatives include making credit card applications, housing loan applications, and investment trust procedures paperless.

### Tree Planting

AEON Financial Service Group employees energetically participate in tree planting activities sponsored by the AEON Environmental Foundation. In Japan, employees have participated in tree planting activities in locations including Watari, Miyagi Prefecture in October 2018. Overseas, our team, which included business partners and was led by an AEON Financial Service director, participated in tree planting in Jakarta, Indonesia in September 2018.



Tree planting in Jakarta, Indonesia

## ● Social Contribution

### Financial Literacy Classes

AEON Financial Service, AEON Credit Service and AEON Bank regularly provide financial education to help high school and university students develop their knowledge of finance and economics so that they can lead a more prosperous life.

### Support for Recovery from the Great East Japan Earthquake

Since fiscal 2017, we have been participating in volunteer cotton harvesting as part of land rehabilitation in Iwaki, Fukushima Prefecture in cooperation with The People, an NPO. In fiscal 2018, our second year of participation, employees of Group companies and members of their families took part. AEON Financial Service and AEON Credit Service also made donations to The People, and AEON Financial Service sponsored the Cotton Summit event.

AEON Bank established a dedicated account for accepting donations in support of reconstruction after the Great East Japan Earthquake. Collected funds are used for activities to aid people in the affected areas. In addition, we sponsored the Concert for Great East Japan Earthquake Reconstruction: 150 Years in Memoriam Gioachino Antonio Rossini in the affected areas with the special cooperation of Vatican City.

### Community Contribution Overseas

Group companies overseas also contribute to the regions they serve, as close-knit members of their communities. We held a charity bowling event to support the Ramathibodi Foundation in Thailand, which is engaged in cancer treatment and hepatocyte and genetic research. We also donated essential supplies to facilities for seniors, and to elementary and junior high schools through the Thai Red Cross Society. In Malaysia, we raised funds for children with disabilities. In addition, we continue to provide scholarship support for students in Asian countries and international students (mainly from Asia) studying in Japan.

### Donations and Fundraising

AEON Financial Service, AEON Credit Service, AEON Bank and AEON Insurance Service donate 1% of their income before income taxes to the AEON 1% Club Foundation. The foundation collaborates with cooperating Group companies to support projects with three main themes: sound development of the next generation, promotion of friendship with foreign countries, and sustainable development of regional communities.

In addition, we continue to engage in numerous



Financial education



Volunteers harvesting cotton



Charity bowling event in Thailand

fundraising activities in collaboration with customers, with funds raised through the charity program “24 Hour Television: Love Saves the Earth” (Nippon Television Network), as well as from customer donations through their AEON Bank account or Tokimeki points earned on AEON Card payments. We also worked with The C.W. Nicol Afan Woodland Trust to sponsor the Forest and Children Fund, and with Japan for UNHCR to sponsor the UNHCR Refugee Welfare Fund.

# Our Management Team

## Directors



### Masaki Suzuki

#### Chairman

- 1978 Joined Ministry of Finance
- 2002 Director of Banks Division I of Supervisory Bureau of Financial Services Agency
- 2007 Deputy Vice Minister for Policy Planning and Co-ordination of Minister's Secretariat of Ministry of Finance
- 2014 Vice-Minister of the Environment of Ministry of the Environment
- 2015 Advisor of the Company
- 2015 Advisor of AEON Co., Ltd.
- 2015 Chairman and Representative Director of AEON Bank, Ltd.
- 2016 Chairman and Director of AEON Bank, Ltd. (current position)
- 2016 Director of AEON Credit Service Co., Ltd. (current position)
- 2016 Representative Director and Chairman of the Company
- 2017 Executive Officer in charge of General Finance Business of AEON Co., Ltd. (current position)
- 2019 Chairman of the Company (current position)
- 2019 Representative Director and Chairman of AFS Corporation Co., Ltd. (current position)



### Kenji Kawahara

#### President and CEO

- 1980 Joined The Dai-ichi Kangyo Bank, Limited (currently, Mizuho Bank, Ltd.)
- 2009 Joined AEON Co., Ltd.
- 2010 Director of AEON Mall Co., Ltd.
- 2011 Managing Director of AEON Mall Co., Ltd.
- 2012 Senior Managing Director of AEON Mall Co., Ltd.
- 2012 Representative Director and President of AEON Reit Management Co., Ltd.
- 2012 Executive Director of AEON REIT Investment Corporation
- 2016 Director of AEON Bank, Ltd. (current position)
- 2016 Director of AEON Credit Service Co., Ltd.
- 2016 Director of AEON Product Finance Co., Ltd. (current position)
- 2016 President and CEO of the Company
- 2016 Director and Chairman of AEON Financial Service (Hong Kong) Co., Ltd. (current position)
- 2018 Chairman and Director of AEON Credit Service Co., Ltd. (current position)
- 2018 President and CEO in charge of Risk Management & Compliance of the Company
- 2019 President and CEO of the Company (current position)



### Masao Mizuno

#### Director and Executive Vice President

- 1982 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
- 1984 Joined the Company
- 1992 President and Representative Director of AEON Thana Sinsap (Thailand) Plc.
- 2011 Director and Senior Managing Executive Officer of the Company
- 2011 Director and Chairman of AEON Credit Service (Asia) Co., Ltd.
- 2013 Director of the Company
- 2013 Representative Director and President and Executive Officer of AEON Credit Service Co., Ltd.
- 2014 Director and Executive Vice President in charge of Processing, Card Business of the Company
- 2014 Director of AEON Bank, Ltd.
- 2015 Director and Executive Vice President in charge of Credit, Processing, Overseas Business of the Company
- 2015 Representative Director and President of AEON Credit Service Co., Ltd.
- 2016 Director and Executive Vice President in charge of Overseas Business of the Company
- 2017 Director and Executive Vice President of the Company
- 2018 Director and Executive Vice President in charge of New Business Models of the Company
- 2019 Director and Executive Vice President in charge of New Business Development and Head of New Business Development Division of the Company (current position)



### Hideki Wakabayashi

#### Director and Senior Managing Executive Officer

- 1980 Joined Japan Housing Finance Co., Ltd.
- 1997 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
- 2007 Vice President of AEON Co., Ltd.
- 2007 Corporate Auditor (Outside) of the Company
- 2010 Managing Director of the Company
- 2011 Director and Managing Executive Officer of the Company
- 2013 Director and Senior Managing Executive Officer of AEON Credit Service Co., Ltd.
- 2014 Director of AEON Credit Service Co., Ltd.
- 2014 Chairman and Representative Director of AEON Thana Sinsap (Thailand) Plc. (current position)
- 2015 Senior Managing Director in charge of Corporate Management of the Company
- 2017 Senior Managing Director in charge of Corporate Management and Head of Corporate Management Division of the Company
- 2018 Director of AEON Insurance Service Co., Ltd. (current position)
- 2019 Director and Senior Managing Executive Officer in charge of Corporate Management and Head of Corporate Management Division of the Company (current position)



### Masaaki Mangetsu

#### Director and Managing Executive Officer

- 1981 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
- 2013 COO of GMS Business of AEON (China) Co., Ltd.
- 2014 Director and Executive Officer of AEON Credit Service Co., Ltd.
- 2015 Director of AEON Credit Service Co., Ltd.
- 2015 Director and Head of Marketing Division of the Company
- 2016 Managing Director in charge of Business Strategy of the Company
- 2017 Managing Director in charge of Global Business and Head of Global Business Division of the Company
- 2017 Director and Chairman of AEON Credit Service (Asia) Co., Ltd. (current position)
- 2019 Chairman of AEON Micro Finance (Shenzhen) Co., Ltd. (current position)
- 2019 Director of AEON Credit Service (Philippines) Inc. (current position)
- 2019 Director of AEON Credit Service (M) Berhad (current position)
- 2019 Director and Managing Executive Officer in charge of Overseas Business Strategy & Innovation Planning and Head of the Overseas Business Strategy Division and Head of Innovation Planning Division of the Company (current position)



### Yoshitaka Yamada

#### Director and Senior Executive Officer

- 1987 Joined the Company
- 2005 Director of the Company
- 2011 Vice President of the Company
- 2013 Director and Executive Officer of AEON Credit Service Co., Ltd.
- 2015 Director, Managing Executive Officer and Head of Corporate Management Division of AEON Credit Service Co., Ltd. (current position)
- 2017 Director of AEON Bank, Ltd. (current position)
- 2017 Director in charge of Human Resources & General Affairs, and Head of Human Resources & General Affairs Division of the Company
- 2019 Director and Senior Executive Officer in charge of Human Resources & General Affairs and Head of Human Resources & General Affairs Division of the Company (current position)



### Tomoyuki Mitsufuji

#### Director and Senior Executive Officer

- 1987 Joined The Sanwa Bank, Limited (currently, MUFG Bank, Ltd.)
- 1999 Vice President of Structured Finance Department of Sanwa International plc (London)
- 2005 Senior Vice President of Investment Banking Division and Head of Capital Market Department of Tokyo Branch of Lehman Brothers Japan Inc.
- 2006 Leader of Market Funds Group of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
- 2007 Executive Officer and Head of Market Funds Department of AEON Bank, Ltd.
- 2010 Director, Executive Officer and Head of Market Funds Department of AEON Bank, Ltd.
- 2014 Director, Managing Executive Officer in charge of Corporate Business Department, Corporate Planning Department and Asset Management Department of AEON Bank, Ltd.
- 2019 Director of AEON Bank, Ltd.
- 2019 Head of Risk Management & Compliance Division and Head of Risk Management Department of the Company
- 2019 Director and Senior Executive Officer in charge of Risk Management & Compliance and Head of Risk Management & Compliance Division of the Company (current position)



### Hiroyuki Watanabe

#### Director

- 1982 Joined Isejin Jusco Co., Ltd. (currently, AEON Co., Ltd.)
- 2006 Representative Director of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
- 2006 Director in charge of Human Resources, General Affairs and Public Relations of AEON Financial Project Co., Ltd.
- 2008 Director and Managing Executive Officer in charge of Human Resources and General Affairs of AEON Bank, Ltd.
- 2012 Director and Senior Managing Executive Officer of AEON Bank, Ltd. Director of the Company
- 2014 Representative Director, Senior Managing Executive Officer and Head of Sales Division of AEON Bank, Ltd.
- 2015 President and Representative Director of AEON Bank, Ltd.
- 2016 Director of AEON Credit Service Co., Ltd.
- 2017 Director and Executive Vice President of the Company
- 2018 Executive Officer, Human Resources and Administration, and Administration & Risk Management of AEON Co., Ltd. (current position)
- 2018 Director of AEON Bank, Ltd.
- 2018 Director of Zag Zag Co., Ltd. (current position)
- 2018 Director of the Company (current position)



**Junya Hakoda**  
Director (Outside)

- 1974 Joined Mitsubishi Rayon Co., Ltd. (currently, Mitsubishi Chemical Corporation)
- 1980 Joined Price Waterhouse Certified Public Accountants Office
- 1983 Joined Aoyama Audit Corporation
- 2006 Partner of PricewaterhouseCoopers Aarata
- 2008 Eminent Professor of Graduate School of Keio University
- 2012 Representative of Junya Hakoda Certified Accountant Office (current position)
- 2014 Corporate Auditor of Schroder Investment Management (Japan) Limited (current position)
- 2015 Outside Corporate Auditor of Yamaha Corporation  
Outside Director of the Company (current position)
- 2017 Outside Director of Yamaha Corporation



**Yoshimi Nakajima**  
Director (Outside)

- 1980 Joined The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
- 1997 Vice President of Personal Finance Division of Citibank, N.A.
- 2000 Senior General Manager in charge of Marketing and Sales of SG Online Branch of Societe Generale Securities Ltd.
- 2011 President of American Express International, Inc. (Singapore)
- 2014 Senior Vice President in charge of Acquisition & Marketing of Personal Business Department of American Express International, Inc. (Japan)  
President and Representative Director of American Express Japan Co., Ltd.
- 2017 Outside Director of Yamaha Corporation (current position)  
Outside Director of the Company (current position)
- 2018 Outside Director of Japan Freight Railway Company (current position)  
External Director of ULVAC, Inc. (current position)



**Kotaro Yamazawa**  
Director (Outside)

- 1980 Joined Bank of Japan
- 2006 Seconded to Osaka Securities Exchange Co., Ltd.
- 2010 Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
- 2013 Senior Executive Officer of Japan Exchange Group, Inc.  
Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
- 2014 Senior Managing Executive Officer of Japan Exchange Group, Inc.  
Director and Senior Managing Executive Officer of Osaka Securities Exchange Co., Ltd.
- 2015 Director and Vice President of Osaka Exchange, Inc.
- 2017 Advisor of Osaka Exchange, Inc.  
Corporate Auditor (Outside) of the Company  
Outside Director of Tokyo Commodity Exchange, Inc. (current position)  
Special Advisor of Glory Ltd. (current position)
- 2018 Outside Auditor of WingArc1st Inc. (current position)
- 2019 Outside Director of the Company (current position)



**Tatsuya Sakuma**  
Director (Outside)

- 1983 Public Prosecutor of Tokyo, Naha and Niigata District Public Prosecutors Offices, Criminal Affairs Bureau of the Ministry of Justice, and First Secretary of Embassy of Japan in the United States of America
- 1999 Chief of Investigations, Human Rights Bureau of the Ministry of Justice
- 2005 Deputy Head of Special Investigation Task Force of the Tokyo District Public Prosecutors Office
- 2008 Head of Special Investigation Task Force of the Tokyo District Public Prosecutors Office
- 2010 Chief Public Prosecutor of Otsu, Maebashi and Chiba District Public Prosecutors Offices, Director of United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders, and Director-General of the Research and Training Institute of the Minister of Justice (until 2019)
- 2019 Outside Director of bitFlyer, Inc. (current position)  
Outside Director of the Company (current position)

**Corporate Auditors**



**Junichi Suzuki**  
Corporate Auditor (Full-Time) (Outside)

- 1980 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
- 1998 General Manager of Administration Division of Siam-Jusco Co., Ltd. (currently, AEON (Thailand) Co., Ltd.)
- 2002 Director and General Manager of Administration Division of Siam-Jusco Co., Ltd.
- 2009 Director, Vice President and General Manager of Administration Division of Beijing AEON Co., Ltd.
- 2011 General Manager of Administration Division of AEON Stores (Hong Kong) Co., Ltd.
- 2012 Director and Vice President of AEON Stores (Hong Kong) Co., Ltd.
- 2015 Corporate Auditor (Full-Time) of AEON Mall Co., Ltd.
- 2018 Outside Audit & Supervisory Board Member (permanent) of AEON Bank, Ltd. (current position)  
Corporate Auditor (Full-Time) (Outside) of the Company (current position)
- 2019 Corporate Auditor of AFS Corporation Co., Ltd. (current position)



**Go Otani**  
Corporate Auditor (Outside)

- 1980 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently, Astellas Pharma Inc.)
- 1997 Acting Senior Vice President, Shaklee Business of Yamanouchi Pharmaceutical Co., Ltd.  
Outside Director of Shaklee Corporation (USA) of Yamanouchi Pharmaceutical Co., Ltd.
- 2001 Deputy Vice President in Charge of IR of Corporate Communications Department of Yamanouchi Pharmaceutical Co., Ltd.
- 2003 Vice President in charge of European Business of Europe and U.S. Department of Yamanouchi Pharmaceutical Co., Ltd.
- 2005 Seconded to European Headquarters (resided in the United Kingdom), General Manager of Internal Auditing Division of Astellas Pharma Inc.
- 2009 Vice President of Internal Auditing Department of Astellas Pharma Inc.
- 2013 Audit & Supervisory Board Member of Astellas Pharma Inc.
- 2016 Corporate Auditor (Outside) of the Company (current position)



**Takayuki Sakaki**  
Corporate Auditor

- 1998 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
- 2009 Director and Head of Finance & Accounting Department of Maxvalu Kanto Co., Ltd.
- 2012 Director of AEON Kyushu Co., Ltd.
- 2016 Director, Executive Officer, and Head of Corporate Strategy Division of AEON Kyushu Co., Ltd.  
President and Representative Director of AEON Store Kyushu Co., Ltd.
- 2017 Head of Finance Department of AEON Co., Ltd. (current position)  
Director of AEON Store Kyushu Co., Ltd.  
Corporate Auditor of AEON Bike Co., Ltd.  
Corporate Auditor of the Company (current position)
- 2019 Auditor of Bio c' Bon Japon Co., Ltd. (current position)



**Yuko Yogo**  
Corporate Auditor (Outside)

- 1982 Joined Tokyo Branch of Morgan Bank (currently JP Morgan)
- 1993 Vice President of Global Market Department of JPMorgan Securities
- 1996 Japan Office Country Manager of Enterprise Attraction Bureau of Scottish Development International
- 2002 Vice President, General Manager of Administration Division and Manager of Internal Control of Tokyo Branch of TD Securities
- 2008 Representative Executive Officer of FIL Holdings Limited
- 2016 Executive Officer and Head of Human Resources of FIL Investments (Japan) Limited
- 2019 Corporate Auditor (Outside) of the Company (current position)



# Corporate Governance

## Message from the Presiding Officer of the Board of Directors



**Kenji Kawahara**

President, CEO and  
Presiding Officer of the  
Board of Directors

## In Pursuit of Corporate Governance Unique to AEON Financial Service

### Building a more sophisticated corporate governance structure to accelerate management oversight and business execution

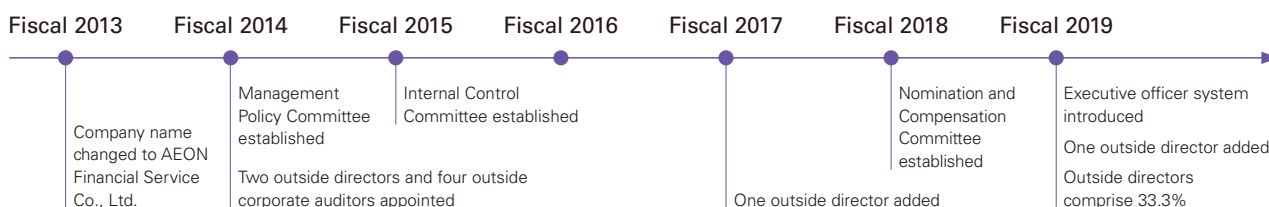
Since its stock listing in 1996, AEON Financial Service has continued to evolve its corporate governance structure to strengthen management and its ability to respond to the business environment. As measures to enhance the effectiveness of the Board of Directors, we strengthened management execution and supervisory functions by establishing the Management Policy Committee in fiscal 2014 and the Internal Control Committee in fiscal 2015. In fiscal 2018, we established the Nomination and Compensation Committee to further enhance management transparency.

In fiscal 2019, following our transition to a business company and subsequent reorganization, we reviewed the composition of the Board of Directors and introduced an executive officer system, targeting accelerated management and a more sophisticated corporate governance structure. The Board of Directors consists of six full-time directors, two part-time directors, and four outside directors who enhance management oversight while accommodating diverse perspectives. Four corporate auditors help ensure sound, appropriate management. The ten executive officers, including senior executive officers, ensure efficient business execution based on appropriate supervisory functions. We will continue to enhance the effectiveness of the Board of Directors, speed up the decision-making process, and further strengthen corporate governance.

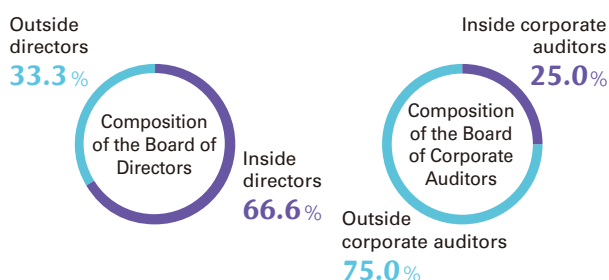
### Maximizing corporate value through AEON Group governance

AEON Co., Ltd. is the largest shareholder and also the largest customer of AEON Financial Service. In addition, AEON has a customer base that is indispensable to AEON Financial Service's various businesses, both in Japan and overseas. The AEON Group has traditionally emphasized entrepreneurship and by listing its subsidiaries, it aims to ensure management autonomy while also nurturing and developing executives capable of taking on responsibility for the future of the AEON Group as a whole. In other words, the AEON Group believes that listing creates a business environment in which both parent and subsidiary can benefit. In line with this philosophy, AEON Financial Service also has three listed overseas subsidiaries. Outside directors and outside corporate auditors ensure that stakeholder opinions are properly reflected at meetings of the Board of Directors, and that listed companies operate independently, rationally and efficiently.

### Corporate Governance Timeline



### Board Composition (As of July 1, 2019)



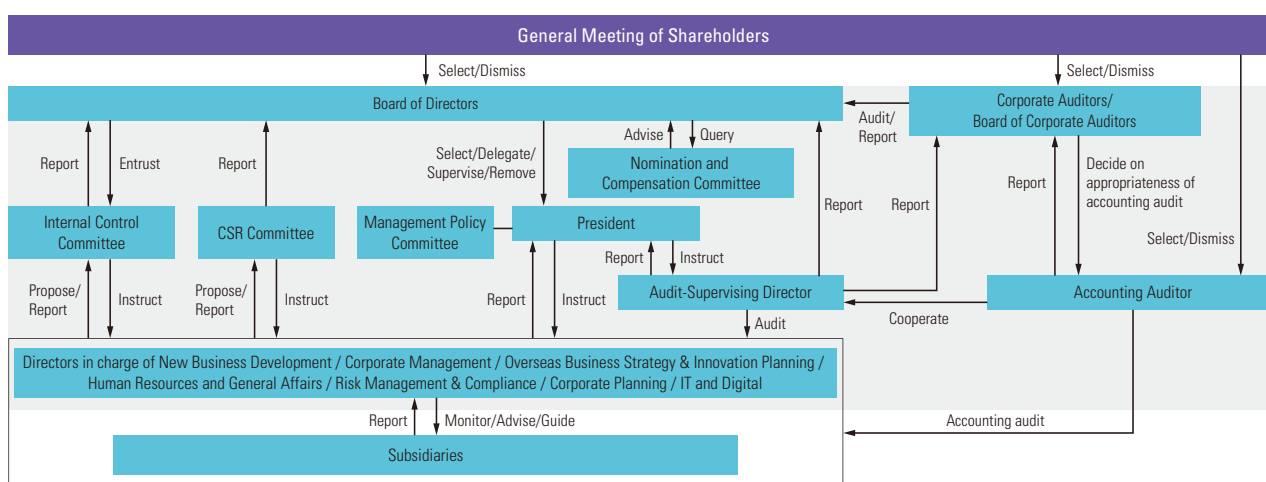
### Number of Meetings (Fiscal 2018)



## Basic Principles of Corporate Governance

1. We shall be guided by the AEON Basic Principles of “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core” of AEON Co., Ltd., the parent company of AEON Financial Service Co., Ltd., and ensure adherence throughout the Group.
2. Based on the spirit of our Management Philosophy, we shall implement our Basic Policies and respect the independence and autonomy of each Group company.
3. All executives and employees of the Group shall cooperate to implement the following based on shareholder returns, mutual benefit with stakeholders, and social contribution.
  - (i) At all levels of decision-making, from the Board of Directors to individual departments, we shall gather sufficient information on advantages, disadvantages and risks to conduct multilateral assessments through free and vigorous discussions, employing an appropriate process in order to make optimal decisions that comply with laws, regulations and other social norms.
  - (ii) We shall pursue continuous growth by pursuing efficient operations, innovative businesses and maximization of Group synergies, and thereby enrich the daily lives of our customers.
  - (iii) For employees, we shall develop talent capable of thinking and acting autonomously by providing fair treatment and evaluation, and appropriate opportunities for people to demonstrate and fulfill their potential.
  - (iv) We shall contribute to society through our businesses and implement sustainable management.

## Corporate Governance Structure (As of July 1, 2019)



## Our Basic Approach to Corporate Governance

AEON Financial Service Co., Ltd. (“the Company”) is a member of the AEON Group. The AEON Basic Principles, “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core,” guide us. The Company’s Basic Policies are “to put customers first, provide financial services that are closely attuned to customers’ lives, earn the trust of society and meet its expectations, and maintain a corporate culture that encourages our people to excel.”

The Company consistently develops, strengthens and enhances corporate governance to ensure transparent, fair, prompt and decisive decision-making with due consideration of the perspectives of all stakeholders in order to achieve sustainable growth and increased corporate value over the medium term.

## Corporate Governance Structure

The Company aims to further strengthen management control and corporate governance. To this end, it has established the Management Policy Committee and Internal Control Committee in addition to the Board of Directors. Furthermore, to ensure sound management, the Company is a company with a Board of Corporate Auditors. The Board of Corporate Auditors comprises four corporate auditors, three of whom are outside corporate auditors (two of whom qualify as independent officers). Moreover, the full-

time corporate auditor cooperates with the Company’s audit department and other parties to audit the execution of duties by directors on a day-to-day basis.

The Board of Directors comprises six full-time directors, two part-time directors and four outside directors who have extensive experience in fields such as legal affairs, accounting, and overseas management to reflect the realities of the Company’s business and to add diversity that enhances decision-making and management oversight. Four corporate auditors, three of whom are outside corporate auditors, also attend meetings of the Board of Directors. From the perspective of the effectiveness and efficiency of operations, the Board of Directors resolves important matters concerning the management of the Company and the Group pursuant to deliberation by the Management Policy Committee and the Internal Control Committee.

The Management Policy Committee is an advisory body that discusses management decision-making executed on the President and CEO’s authority. It consists of the President and CEO and full-time directors, and deliberates on business execution policies and individual action items at the Company and its subsidiaries.

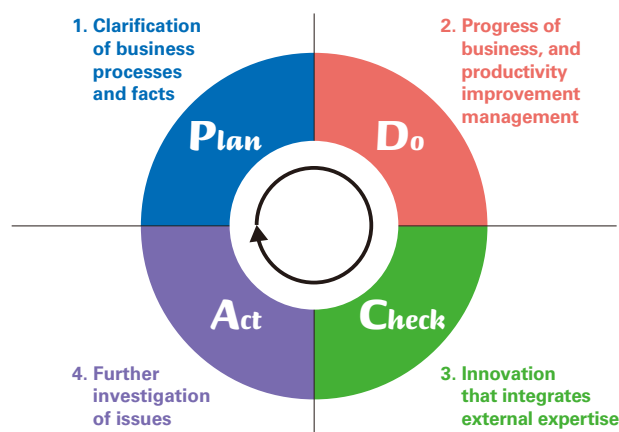
With the aim of realizing sustainable growth and increased corporate value for the Group over the medium and long term, the Internal Control Committee comprehensively and expertly discusses and makes decisions on matters regarding the development of the internal control system within the scope entrusted by the Board of Directors and then provides reports and opinions to the Board of Directors.

## Initiatives to Increase the Effectiveness of the Board of Directors

Participants of Board of Directors meetings are surveyed concerning issues such as management by the Board of Directors, composition of the Board of Directors, and communication with stakeholders. The results are analyzed and evaluated, and a PDCA cycle is applied to address the various issues identified.

This initiative has supported corporate governance reforms that include enhancing the operation of the Board of Directors in ways such as thoroughly explaining agenda items to participants prior to meetings and establishing the Nomination and Compensation Committee.

We will continue to enhance the functional effectiveness of the Board of Directors.



### Status of Outside Directors

Name	Independent Director	Supplementary Information: Concurrent Positions	Reasons for Appointment
Junya Hakoda	●	Corporate Auditor of Schroder Investment Management (Japan) Limited	Mr. Hakoda has practical experience as an expert certified public accountant and extensive insight into internal control. He has been selected as Outside Director so that the Company can receive his advice on strengthening internal control, which is a priority. Mr. Hakoda does not have any special interests in the Company.
Yoshimi Nakajima	●	Outside Director of Yamaha Corporation; Outside Director of Japan Freight Railway Company; External Director of ULVAC, Inc.	Ms. Nakajima has been selected as Outside Director in light of her extensive overseas business experience and sophisticated insight, as well as her ability to use the contact network, expertise and knowledge she has acquired, in addition to an intimate familiarity with diversity issues from a global standpoint, to provide opinions on the Company's management from various perspectives. Ms. Nakajima does not have any special interests in the Company.
Kotaro Yamazawa	●	Outside Director of Tokyo Commodity Exchange, Inc.; Special Advisor of Glory Ltd.; Outside Auditor of WingArc1st Inc.	Mr. Yamazawa has been selected as Outside Director in light of the opinions he can offer on the Company's management from various perspectives, his extensive personal network in the financial industry and the knowledge of finance, accounting and corporate governance gained during his tenure at the Bank of Japan and a stock exchange. Mr. Yamazawa does not have any special interests in the Company.
Tatsuya Sakuma	●	Outside Director of bitFlyer, Inc.	Mr. Sakuma has been selected as Outside Director to strengthen our internal control system with a focus on compliance by making use of the extensive legal experience and insight he has gained from positions of leadership including Head of Special Investigation Task Force of the Tokyo District Public Prosecutors Office. Mr. Sakuma does not have any special interests in the Company.

### Status of Outside Corporate Auditors

Name	Independent Auditor	Supplementary Information: Concurrent Positions	Reasons for Appointment
Go Otani	●	—	Mr. Otani has outstanding character, insight, and ethical standards, and is well-versed in internal control and corporate governance. Given his extensive experience, we believe he is able to contribute to the proper and appropriate management of the Company and has no conflict of interest with common shareholders. Mr. Otani does not have any special interests in the Company.
Junichi Suzuki	—	Corporate Auditor of AEON Bank, Ltd.; Corporate Auditor of AFS Corporation Co., Ltd.	Given Mr. Suzuki's extensive overseas experience, we believe his oversight and effective advice on overall management will contribute to the proper and appropriate management of the Company. Mr. Suzuki does not have any special interests in the Company.
Yuko Yogo	●	—	Ms. Yogo has been selected as an Outside Corporate Auditor to strengthen our corporate governance system in light of the opinions and suggestions she can offer, based on her experience as a representative executive officer of a holding company, her deep insights and global perspective obtained from her long tenure as a manager responsible for internal control and personnel management at foreign-capital-affiliated financial institutions, and her social perspective. Ms. Yogo does not have any special interests in the Company.

## Policies for Compensation Amount and Method of Calculation

### Officer Compensation (Fiscal 2018)

Classification	Total Compensation (millions of yen)	Total Compensation by Classification (millions of yen)				Number of Recipients
		Base Compensation	Stock Options	Performance-Linked Compensation	Retirement Benefits	
Directors (excluding outside directors)	341	224	29	87	—	11
Corporate Auditors (excluding outside corporate auditors)	—	—	—	—	—	—
Outside officers	65	65	—	—	—	7

Note: Number of recipients and total compensation includes compensation for one corporate auditor who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 20, 2018.

- The Company determines director compensation fairly and transparently to provide strong motivation for directors to properly execute management strategy, and links it to business performance.
- Director compensation consists of base compensation, performance-linked compensation, and equity-linked compensation in the form of stock options.
  - Base compensation is determined based on individual assessment within the standard amount for each position and paid monthly. Base compensation for directors who concurrently serve at and receive compensation as officers of affiliated companies is handled on an individual basis.
  - Performance-linked compensation is weighted at about 30% of total cash remuneration (base compensation plus performance-linked compensation), with the weight increasing according to responsibilities. The payment for performance-linked compensation will be 100% of the standard amount when the targets set at the beginning of the fiscal year are achieved, and ranges from 0% to 200% based on performance and individual evaluation for the relevant fiscal year.
  - Performance-linked compensation consists of compensation linked to Company results and compensation for individual performance. Compensation linked to Company results is determined by comprehensively considering performance and applying a coefficient to the standard compensation for each position based on the ratio of actual to target consolidated and/or Company results.
  - Compensation for individual performance is determined by applying a coefficient to the standard compensation for each position based on individual evaluation, the performance of the relevant business units, and the ratio of actual to target management goals achieved.
  - Equity-linked compensation in the form of stock options aims to align stock price, performance and compensation. Recipients share the benefits of stock price increases and the risk of stock price declines with shareholders. Stock acquisition rights are allocated as stock options that reflect business performance and serve to motivate and encourage recipients in consistently improving business performance and increasing corporate value. The number of stock acquisition rights allocated is determined by adjusting the standard number for each position according to performance in the relevant fiscal year.
- Outside directors receive only fixed compensation and are not subject to Company or individual performance evaluation.
- The 34th Ordinary General Meeting of Shareholders on June 24, 2015 resolved to limit compensation for directors to a total of ¥550 million per year. Monetary compensation is limited to ¥400 million per year (including ¥50 million for outside directors), and equity-linked compensation is limited to ¥150 million per year as determined by the fair market value of the stock options.
- The Board of Directors resolved at a June 20, 2018 meeting to give the President and CEO the authority to determine the policy and calculation method for compensation of Company officers, the scope of which includes monetary compensation for individual directors. Performance-linked compensation is determined in accordance with the ratio of actual to target Company and individual performance of the officer.

KPIs for performance-linked compensation are mainly based on the ratio of actual to targeted ordinary profit. Factors including non-recurring income, changes in the operating environment during the fiscal year, and revisions of intracompany transactions influence the actual amount of performance-linked compensation.

The Company has selected ordinary profit as the main KPI because it best reflects normal business performance.

### Remuneration Type for Each Position of Director

Position	Composition of Officer Compensation			Total
	Base Compensation	Performance-Linked Compensation		
		Performance-Linked Compensation	Equity-Linked Compensation in the Form of Stock Options for Medium-to-Long-Term Incentive	
Director with Additional Title	100%–50%	0%–35%	0%–15%	
Director	100%–56%	0%–37%	0%–7%	100%
Outside Director	100%	0%	0%	

Note: This table shows the extent to which performance-linked compensation paid may increase or decrease based on changes in performance, as a percentage of the total annual amount of officer compensation set at a reference value of 100%. Calculated based on actual payments.





## Dialogue with Stakeholders

The Company engages in responsible dialogue with shareholders and investors, mainly through top management and the investor relations department. We will continue to improve corporate value through responsible dialogue.

### Status of Investor Relations Activities

Investor Relations Activities	Details	Explanation by Representative Directors	Actions (Fiscal 2018 Actual)
Preparation and publication of a disclosure policy	We prepare a disclosure policy and publicize basic policies, standards of information disclosure, methods of information disclosure, and announcements of the IR quiet period.	—	—
Company briefings for individual investors	We hold company briefing sessions for individual investors to showcase the Company and explain its performance.	No	Briefings: 1 Number of participants: 115
Periodic briefings for analysts and institutional investors	Representative directors or the director in charge of corporate management periodically conduct briefings.	Yes	Dialogue counterparties: 151 companies
Periodic briefings for foreign investors	We publish English annual reports and an English version of the IR website. We translate various reporting materials into English and regularly hold meetings with overseas investors.	Yes	Dialogue counterparties: 31 companies
Availability of investor relations materials on the corporate website	We publish various materials, including audio versions of results briefings. We also publish monthly information.	—	Earnings release reports: Quarterly Other investor relations materials: As needed
Establishment of a department/person in charge of investor relations	Responsibility for disclosure has been transferred from the Investor Relations Office to the Corporate Planning Department.	—	—
Others	The President and CEO, director in charge of corporate management, and person in charge of investor relations conduct meetings with individual domestic and overseas investors and securities analysts.	Yes	Meetings: 156

### External Recognition of AEON Financial Service (As of June 30, 2019)

IR Website	Awards and Accreditations	
Nikko Investor Relations Co., Ltd.		2018 All Japanese Listed Companies' Website Ranking Overall ranking: Best Sites (Sector ranking: Other Financing Business; 3rd place, Excellent Site)
Daiwa Investor Relations Co., Ltd.		2018 Internet IR Awards Excellence Award
Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K.		Gomez IR Site Ranking 2018 Excellent Company: Bronze Award
Index	Awards and Accreditations	
MSCI Japan ESG Select Leaders Index*		Selected for inclusion for three consecutive years (ESG rating: AA / AAA-B)
SNAM Sustainability Index		Selected for inclusion for eight consecutive years
JPX-Nikkei Index 400		Selected for inclusion for six consecutive years
Other	Awards and Accreditations	
Nikkei Smart Work		Overall assessment: 3.5 stars
HDI Benchmark/Assessment		3 Stars Quality Service (highest rating)

\* The MSCI Japan ESG Select Leaders Index is a free float-adjusted market capitalization weighted index designed to represent the performance of companies that have high Environmental, Social and Governance (ESG) performance from within its parent index, the MSCI Japan IMI Top 700 Index, and targets coverage of 50% of the parent index.

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### Investor Relations Information Disclosure

Materials	Japanese	English
Announcement of results	●	●
Timely disclosure materials	●	●
Materials for individual investors	●	—
Shareholder and stock information	●	—
Performance and financial graphs and data	●	●

### Credit Rating Information (As of June 30, 2019)

Rating Agency	Long-Term	Short-Term
Japan Credit Rating Agency, Ltd. (JCR)	A (Stable)	J-1
Rating and Investment Information, Inc. (R&I)	A- (Stable)	a-1