

Helping Customers Lead Richer Lives through Financial Services

Yuro Kisaka

Director and Managing Executive Officer in charge of the Group Corporate Planning Division, Business Promotion Division, and Insurance Business



Daring to Launch a Credit Business in Asia

In 1987, AFS launched its global business in Hong Kong, later expanding into Thailand and Malaysia. Today, the Company operates in 11 countries and regions, including Japan. Our local subsidiaries in Hong Kong, Thailand, and Malaysia are listed companies with the patronage of many customers in each respective area. These subsidiaries have developed alongside the locals, serving as companies that support people's lives. We are also expanding business driven by a customer-first philosophy, working with local retail companies and the AEON Group retail business in each country to meet customer needs.

In recent times, governments of Asian countries have highlighted financial inclusion as an important national policy. Financial inclusion involves helping all people gain access to basic financial services, including those who have previously been denied this access due to poverty, discrimination, or other reasons, and have been thrust into financial instability as a result. I believe that when one looks back on the 35 years of work we have done in our overseas countries of operation, we have been working toward financial inclusion this whole time.

When the Company made its first foray into overseas business in Hong Kong, the starting salary for university graduates was roughly ¥40,000, whereas the cost of a Japanese-made television was ¥200,000. Despite the prohibitive price, people would come to the stores to look at the TVs as if they could buy them. Understanding that a credit business could help bridge the gap between income and desire was what led to the launch of this business in Asia.

Carrying Out Financial Inclusion Initiatives in Malaysia

We started business in Malaysia in 1997 by providing installment financing for home appliances and furniture. With the delays in establishing public transportation infrastructure in the country, there was also a growing concern among local customers in regard to acquiring a means of mobility. However, young people with unstable sources of income and high credit risk were unable to receive the financial services needed to acquire this mobility.

To ease their concerns, we began providing loans for motorcycles, the most practical form of transportation. Since then, we have been working to provide financial services that support our customers' daily lives. Now, our services in Malaysia have grown to the point that about 30% of new motorcycle registrations have been to customers who have used our services to make their purchase.



When customers move to the next stage of their lives, whether it is related to work, marriage, the birth of a child, or otherwise, it becomes necessary to upgrade from a motorcycle to a car. In addition, they have a new need for different payment methods, such as credit cards for high-priced shopping and e-money for shopping in small amounts. On top of this, they will need insurance products to secure their family's future. In short, customer needs are constantly changing. We have worked with local retailers to expand our lineup of financial services to meet these changing needs and lifestyles. Now, about 40% of customers in their 30s choose AFS when seeking their first financial services. We also provide access to e-money that takes advantage of mobile and digital technology and point systems that are integrated with retail shopping. These efforts increase convenience for customers while extending the range of our financial services and are a step further toward financial inclusion.

To ring in our 25th year of business in Malaysia, we are making active efforts to promote sustainability at our overseas bases. When the 927 companies listed on the Bursa Malaysia stock exchange were rated for their ESG initiatives for fiscal 2020, AEON Credit Service (M) Berhad was one of the top 200 companies selected for its active commitment. This comes in addition to positive evaluations from external parties.

Promoting Sustainability

Similar to our business in Malaysia, in Japan the Company has been evaluated highly for its work to resolve social issues through its business in Japan and the business carried out at its three listed subsidiaries overseas. Accordingly, the Company is one of the top 700 companies listed on the Japanese stock market by market capitalization and has been included in the MSCI Japan Select Leaders Index, which recognizes high ESG performance, for the fifth consecutive year.

That being said, I believe that if we can work as an entire Group, we can conduct new activities to resolve a variety of social issues and achieve growth that is even more sustainable than before. Therefore, as part of structural reforms, in September 2021 we established the Group Sustainability Division as a means to promote sustainability as a Groupwide effort. In addition, the CSR Committee was renamed the Sustainability Committee in order to emphasize its focus on enhancing sustainability efforts. The committee will discuss and look into the Group's sustainability policies, strategies, and issues in a comprehensive and expert manner.

Going forward, we will keep up our work in Asian countries of operation to conduct business that is in tune with the needs of local customers and achieve financial inclusion. At the same time, we will make vigorous efforts toward sustainability rooted in our Group companies in Japan and our three listed subsidiaries overseas.

Japan: MSCI Japan ESG Select Leaders Index

Included for the fifth consecutive year
(ESG rating: A/AAA-B)

Malaysia: FTSE4Good Bursa Malaysia Index

The FTSE4Good Bursa Malaysia Index comprises the top 200 companies based on their ESG rating out of the 927 companies listed on Bursa Malaysia, Malaysia's stock exchange. AEON Credit Service (M) Berhad has been included in this index, with high praise from the market.

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX



FTSE4Good

FTSE4Good Bursa Malaysia Index

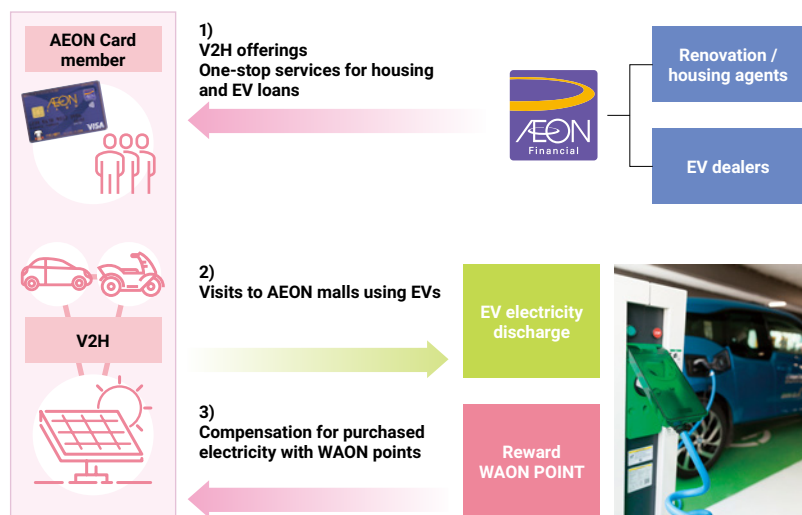
Decarbonization Initiatives

In 2018, AEON Co., Ltd. formulated Aeon Decarbonization Vision 2050. Based on this vision, the AEON Group is working to reduce the total greenhouse gas emissions from its stores to zero through energy conservation and the use of energy procured through renewable means. It has adopted a three-pronged approach, with efforts focused on stores, products and logistics, and working hand in hand with customers. As a member of the AEON Group, a corporate group rooted in enriching the lives of its customers, each and every one of us at AEON Financial Service is thinking and working alongside our customers to find ways to achieve this lofty goal through our day-to-day activities.

Support for Our Customers' Shift to a Carbon-Free Lifestyle

Thanks to alliances with housing-related companies and car dealerships, in September 2021 AEON Product Finance Co., Ltd. and AEON Bank, Ltd. began offering services targeting AEON Card cardholders in select areas who are considering installing vehicle-to-home (V2H) systems. With these services, such cardholders can apply to borrow funds for the construction of or renovations for zero-emissions housing and the purchase of electric vehicles (EV) at the same time. Financial services such as these will bring us closer to the goal of a carbon-neutral society.

Promotion of sustainability as an AEON Group



Environmentally Friendly Materials for AEON Card Select Cards

To aid in the realization of a carbon-neutral society, AEON Bank, Ltd. has embarked upon a new initiative regarding its AEON Card Select cards, switching to a new card that utilizes recycled PVC plastic, an environmentally friendly material. The materials used in these new cards come from waste or intermediary materials recovered from processors who handle PVC products. After recovery, these materials are crushed and processed. This shift will reduce the CO₂ emissions generated from the manufacturing process. Assuming a CO₂ reduction effect of up to 8.3 grams per card, this initiative can be expected to have a five-year reduction effect of 58.1 tons.*¹ To put this in perspective, a forest area approximately 1.4 times the size of the Tokyo Dome would be required to absorb the same amount of CO₂.*² Our intention is to implement this shift to environmentally friendly materials with other newly issued AEON cards over time as one of our efforts to become carbon-free through business activities.

*¹ Estimated number of cards based on annual issuance results × Five-year period
 *² Reference: Japan's Forestry Agency website



Promoting Web-Based Statements (Environmental Declaration)

The Company has made web-based statements a basic service that allows users to check their transaction history on their smartphone using the AEON WALLETT app. Thanks to this service, we have been able to reduce CO₂ emissions by 500 grams* per envelope.

* Based on the Ministry of the Environment's "Examples of Calculation Methods for Reducing the Effects of CO₂ for Eco-Action Point Model Projects."

Environmental and Social Contributions

Tree Planting

AEON Credit Service Co., Ltd. participated in the Kimitsu AEON Forest Project* held in Chiba Prefecture, organized by the AEON Environmental Foundation and AEON Co., Ltd. In April 2021, the AEON Card Forest was established as part of the Kimitsu AEON Forest, at which we conduct forest cultivation activities throughout the year.



* At the Kimitsu AEON Forest, academic experts have established planting zones to ensure the forest can be experienced in a variety of ways. Over the next five years, 17 species of trees native to Chiba Prefecture—totaling 6,000 trees—will be planted, centered on the AEON Satoyama environmental conservation zone. This effort will cultivate the forest in a way that shows respect for the natural vegetation of the area. We also intend to create opportunities for elementary school students, junior high school students, and local volunteers to get in close with the forest and learn about the environment.

Monetary Support for COVID-19 Vaccinations and Donations to Healthcare Professionals

Together with AEON Co., Ltd., AEON Mall Co., Ltd., AEON Delight Co., Ltd., and the AEON 1% Club Foundation, AFS has provided monetary support to the governments in ASEAN countries (Malaysia, Vietnam, Indonesia, Thailand, and Cambodia) to encourage COVID-19 vaccinations. In total, ¥350 million has been provided toward this effort, with AFS contributing ¥60 million. This money will be used by each government to support their respective vaccination efforts.

In addition, AEON Thana Sinsap (Thailand) Plc., our local subsidiary in Thailand, is working through the AEON Thailand Foundation to support the country's medical care system by providing hospitals and medical staff with oxygen therapy equipment, personal protection equipment, and other supplies. In Malaysia, AEON Credit Service (M) Berhad has also donated relief supplies such as food and drinking water to hospitals, which have proven useful for medical treatment.



Support for Recovery from the Great East Japan Earthquake

As a member of the AEON Group, we participate in Project Aeon Joining Hands, which was launched by AEON Co., Ltd. as a united effort between labor and management to support long-term reconstruction after the Great East Japan Earthquake. AEON Group companies have engaged in a variety of activities to assist in the recovery of disaster-stricken areas, including tree planting and volunteer dispatches. Since 2011, AEON Credit Service Co., Ltd. has held the 100 Santas! event with the cooperation of the NPO Tono Magokoro Net with the intention of bringing smiles to the faces of children affected by the earthquake by offering presents.

The AFS Group will continue to provide support to the reconstruction efforts in Tohoku in the future through donation and volunteer activities.

For more information on our efforts to support Tohoku's recovery, please refer to the following link:
<https://www.aeonfinancial.co.jp/activity/reconstruction/>
 (Japanese only)



Donations and Fundraising for the AEON 1% Club Foundation

AEON Financial Service Co., Ltd., AEON Credit Service Co., Ltd., AEON Insurance Service Co., Ltd., and AEON Bank, Ltd. 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: the sound development of the next generation, the promotion of friendship with foreign countries, and the sustainable development of regional communities.

Financial Literacy

AEON Financial Service engages in activities for realizing a sustainable society, based on the Sustainable Development Goals (SDGs) and other factors, with a focus on financial literacy. AEON Credit Service Co., Ltd. is continuously nurturing responsible credit cardholders through financial education on credit cards and other topics aimed at high school and university students.

AEON Bank, Ltd. began offering financial literacy lectures to university students in 2018, and in fiscal 2020, 93 lectures were conducted (primarily online) at 12 universities, with a total of 7,985 students attending. From fiscal 2021, the secretariat for financial literacy education was moved to AFS. This change will unite the AFS Group further and promote further contributions to society.

Human Resources Initiatives

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

To remain in constant pursuit of customer satisfaction and ensure sustainable business growth, the AEON Financial Service Group promotes health and productivity management, believing that it is important that each and every employee be full of vitality and of sound body and mind.

Establishment of Medical Support Centers

We promote health and productivity management in pursuit of the following two goals.

- 1) Enhance preventative and support measures based on health checkup results
- 2) Achieve our mental health promotion plan* to maintain and improve mental health

* Formulated in accordance with the "Guidelines for Improving and Maintaining Workers' Minds and Bodies" released by the Ministry of Health, Labour and Welfare

In 2019, we appointed corporate occupational health physicians and nurses at medical support centers to ensure these goals are fulfilled, and in 2021 we established a center in the Makuhari area of Chiba City.

Certified as an Outstanding Health & Productivity Management Organization

AEON Financial Service Co., Ltd., along with AEON Credit Service Co., Ltd., AEON Bank, Ltd., AEON Insurance Service Co., Ltd., ACS Credit Management Co., Ltd., and AEON Product Finance Co., Ltd. received certification under the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program in the large enterprise category. Meanwhile, AEON S.S. Insurance Co., Ltd., ACS Leasing Co., Ltd., and AEON Housing Loan Service Co., Ltd. received the same certification in the small and medium-sized enterprise category. ACS Credit Management Co., Ltd. was also recognized as a White 500 organization for 2021, ranking it in the top 500 companies out of the 2,523 that applied for certification.



Implementation of Morale Surveys

Every year, the AFS Group conducts annual morale surveys targeting every employee as a measure to improve working environments. The survey takes the form of a five-stage questionnaire regarding the Company's policies and their spread, communication, and other matters. Employees answer questions related to their satisfaction with their workplace environment and survey results and improvement measures are then shared internally.

Award System

- The AEON Financial Service Award
This award, which is aimed at management at successful companies in Japan and overseas, recognizes initiatives that lead to the future development of the Group.
- The AEON Financial Service Award for Excellent Employees
This award was created as a means to improve customer satisfaction and is given to winners of competitions held by contact center divisions at Group companies in Japan and overseas, as well as to outstanding employees who are selected according to AFS's common guidelines and the evaluation criteria at each Group company. Descriptions of the recipients' efforts are shared with the goal of increasing the level of service throughout the Group.

Promotion of a Variety of Work Styles

We have established a variety of choices in regard to work location, work hours, and prescribed duties, with five employee categories based on employees' differences: global employees, regional employees, area employees, local employees, and flex employees. Each employee category is essentially a choice of work style, and we evaluate and promote employees fairly according to their individual work.

We had previously worked to establish a remote working environment, so when the COVID-19 outbreak began, we were able to mount a rapid response. It is now possible for employees to work more flexibly, thanks to our efforts to establish remote working rules and to distribute equipment that enables our remote work system.

Talent Placement and Development

AEON Financial Service is committed to the placement and development of talent that embody the “Customer-First” philosophy of the AEON Basic Principles from a financial standpoint. Specifically, since March 2021, we have implemented training under a new curriculum categorized into four themes. The goal of this training is to develop a large number of talent that can help us work as a comprehensive financial service to improve the lifestyles of customers in countries and regions where we do business and to do so with a global perspective in a way that is unbound by conventional frameworks.

Courses categorized under management personnel development are aimed at young managers who have been selected to serve as the next generation of leaders. Their training will provide them with opportunities to learn about AEON’s history and what comprises its DNA under its principle-based education, which includes equipping participants with specialized knowledge on management from a global perspective. In fiscal 2021, 40 participants selected from AFS Group companies underwent this training.

In fiscal 2021, courses under the umbrella of specialized employee development will focus on developing digital transformation (DX) literacy, with the goal of cultivating talent that can generate proposals for a common definition of DX and of improving operational efficiency using mathematics, science, and artificial intelligence.

Training under the thorough implementation of principles and the code of conduct are intended to instill the mindset that comprises AEON’s management base—a mindset based on the aforementioned “Customer-First” philosophy.

For our risk management, internal control, and harassment training, we conducted training in line with recent changes in corporate conditions, with a view toward establishing a new management base and creating a positive working environment.

Examples of Training Courses

<p>Management Personnel Development</p> <p>AFS Overseas Management Course AFS Management Course AFS Global Course</p> <p>Specialized Employee Development</p> <p>AFS DX Specialist Training Course AFS Financial and Accounting Specialist Training Course</p>	<p>Thorough Implementation of Principles and the Code of Conduct</p> <p>AFS AEON Officer and Manager Training AFS Code of Conduct Training (for supervisors and general staff) AFS Code of Conduct Training for Leaders</p> <p>Risk Management, Internal Control, and Harassment Training</p> <p>AFS Risk Management and Compliance Training AFS Internal Control Training AFS Harassment Training</p>
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Diversity

To better provide products and services that match our customers’ perspectives, we are working to create a system in which every individual is respected and a wide variety of personnel can flourish. To this end, we are working to build a corporate culture and workplace environment where a diverse range of human resources have the chance to make active contributions to the Company and are encouraged to engage in free and open discussion. In that spirit, we accept people with diverse manners of thinking and opinions, regardless of their gender, age, and nationality and regardless of any mental or physical handicap.

Ratio of Female Employees at the Group (As of February, 2021)

	Number of men in managerial positions	Number of women in managerial positions	Percentage of managerial positions filled by women
Domestic	788	119	13.1
Global	477	425	47.1
Total	1,265	544	30.1

Employment Rate for People with Disabilities (As of June 1, 2021)

2.40%*

* Total across seven Group companies (legal requirement is 2.3%).

Our Management Team

(As of September 1, 2021)

Directors

Masaki Suzuki

Representative Director and Chairman



1978 Joined Ministry of Finance
2002 Appointed Director of Banks Division I of Supervisory Bureau of Financial Services Agency
2007 Appointed Deputy Vice Minister for Policy Planning and Coordination of Minister's Secretariat of Ministry of Finance
2014 Appointed Vice-Minister of the Environment of the Ministry of the Environment
2015 Appointed Advisor of the Company
Appointed Advisor of AEON Co., Ltd.
Appointed Chairman and Representative Director of AEON Bank, Ltd.
2016 Appointed Representative Director and Chairman of the Company
Appointed Chairman and Director of AEON Bank, Ltd. (current position)
Appointed Director of AEON Credit Service Co., Ltd. (current position)
2017 Appointed Executive Officer in charge of General Finance Business of AEON Co., Ltd. president and CEO
2019 Appointed Representative Director and Chairman of AFS Corporation Co., Ltd.
Appointed Chairman of the Company
2020 Appointed Director of AFS Corporation Co., Ltd.
Appointed Representative Director and Chairman of the Company (current position)
2021 Appointed Chairman of the Company (current position)

Reasons for Appointment

Masaki Suzuki has accumulated professional knowledge and experience through a career that includes key positions at the Ministry of Finance and the Ministry of the Environment. This has enabled him to contribute toward strengthening the efficacy of the decision-making and supervisory functions of the Board of Directors.

Committees

- Board of Directors
- Management Policy Committee
- Internal Control Committee
- Sustainability Committee
- Nomination and Compensation Committee

Number of Shares Held

21,670 shares

Kenji Fujita

President and CEO



1992 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
1997 Jaya Jusco Stores Sdn. Bhd. (currently, AEON Co. (M) Bhd.)
2004 Appointed Head of Managing Director Office and Deputy Division Head of SC Development of AEON Co. (M) Bhd.
2005 Appointed Division Head of SC Business Development of AEON Co. (M) Bhd.
2007 Talent Development Department of AEON Co., Ltd.
2009 Appointed Head of Corporate Management Division of AEON Stores (Hong Kong) Co., Ltd.
2010 Appointed Director and Head of Corporate Management Division of AEON Stores (Hong Kong) Co., Ltd.
2011 Executive Office of AEON Co., Ltd.
2012 Appointed Head of Asia Business Division of AEON Credit Service Co., Ltd.
2012 Appointed Director of AEON Credit Holdings (Hong Kong) Co., Ltd. (currently, AEON Financial Service (Hong Kong) Co., Ltd.)
2013 Appointed Director of AEON Credit Service (M) Berhad
2014 Appointed Managing Director of AEON Credit Service (M) Berhad
2019 Appointed Chairman and Representative Director of ACS Servicing (Thailand) Co., Ltd.
Appointed Managing Director of AEON Thana Sinsap (Thailand) Pcl.
Appointed Chairman and Representative Director of AEON Specialized Bank (Cambodia) Plc. (current position)
2020 Appointed Director of AEON Credit Service Co., Ltd. (current position)
Appointed President and CEO of the Company (current position)

Reasons for Appointment

Kenji Fujita has approximately 20 years of experience working overseas, during which he has successively held key positions, and has abundant management experience, particularly overseas, serving as president of our locally listed subsidiaries in Malaysia and Thailand. Mr. Fujita will continue to utilize his wealth of experience to help increase sustainable corporate value for the Group.

Committees

- Board of Directors
- Management Policy Committee
- Internal Control Committee
- Sustainability Committee
- Nomination and Compensation Committee
- Disclosure Committee

Number of Shares Held

1,765 shares

Masaaki Mangetsu

Director and Managing Executive Officer



1981 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
2013 Appointed COO of GMS Business of AEON (China) Co., Ltd.
2014 Appointed Director of AEON Marketing Co., Ltd.
2015 Appointed Head of Marketing Division of the Company
Appointed Director of AEON Credit Service Co., Ltd.
2016 Appointed Director in charge of Business Strategy and Head of Overseas Business Division of the Company
2017 Appointed Managing Director in charge of Global Business and Head of Global Business Division of the Company
Appointed Director and Chairman of AEON Credit Service (Asia) Co., Ltd.
2019 Appointed Chairman of AEON Micro Finance (Shenzhen) Co., Ltd.
Appointed Director and Managing Executive Officer in charge of Global Business Strategy and Head of Global Business Strategy Division of the Company
Appointed Director of AEON Credit Service (Philippines) Inc.
Appointed Director of AEON Credit Service (M) Berhad
Appointed Director and Managing Executive Officer in charge of Overseas Business Strategy and Innovation Planning and Head of the Overseas Business Strategy Division and Head of Innovation Planning Division of the Company
2020 Appointed Director and Managing Executive Officer in charge of Overseas Business Strategy and Operation Planning and Head of the Overseas Business Strategy Division and Head of Operation Planning Division
2021 Appointed Director and Managing Executive Officer in charge of Group Marketing and Group Operation Planning (current position)

Reasons for Appointment

Masaaki Mangetsu has broad experience in the business marketing departments at our operating companies and has insight, experience, and a proven track record relating to marketing strategy. Mr. Mangetsu will continue to utilize this experience to help formulate and promote future growth strategies for the Group.

Committees

- Board of Directors
- Management Policy Committee
- Internal Control Committee
- Sustainability Committee

Number of Shares Held

6,742 shares

Mitsugu Tamai

Director and Managing Executive Officer



1999 Joined the Company
2006 Appointed Director, General Manager of Finance Management Department of the Company
2007 Appointed Director and Head of Finance Division of the Company
2010 Appointed Director, General Manager of Affiliate Management Division of the Company
2011 Appointed Vice President, General Manager of Administration Department, Affiliate Management Division of the Company
2012 Appointed Aide to the Group Control and Accounting Officer of AEON Co., Ltd.
Appointed General Manager of Administration Division of AEON MALL Co., Ltd.
2013 Appointed General Manager of ASEAN Division of AEON MALL Co., Ltd.
Appointed Director and General Manager of ASEAN Division of AEON MALL Co., Ltd.
2019 Appointed Managing Director, General Manager of ASEAN Division, and General Manager of Digital Promotion Department of AEON MALL Co., Ltd.
2021 Appointed Director of AEON MALL Co., Ltd.
Appointed Managing Executive Officer in charge of Overseas Business of the Company
Appointed Director and Managing Executive Officer in charge of Overseas Business of the Company (current position)

Reasons for Appointment

Mitsugu Tamai has served as a director at major companies of the AEON Group and possesses a wealth of experience in corporate administration departments and overseas operations. He also possesses abundant knowledge relating to corporate management and finance and accounting, which he will use to provide leadership, particularly over governance for subsidiaries, management of overseas subsidiaries, and active overseas expansion.

Committees

- Board of Directors
- Management Policy Committee
- Internal Control Committee
- Sustainability Committee

Number of Shares Held

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Yuro Kisaka

Director and Managing Executive Officer



1997 Joined the Company
 2003 Appointed General Manager of Sales Promotion Department, Sales Division of AEON Credit Service (Asia) Co., Ltd.
 2006 Appointed Deputy General Manager of Business Promotion Division of AEON Credit Service (Asia) Co., Ltd.
 2007 Appointed Head of Credit Card Business Administrative Department of AEON CREDIT SERVICE (M) BERHAD
 2011 Appointed Head of Credit Card Business Administrative Department, Head of New Business Development Department of AEON CREDIT SERVICE (M) BERHAD
 2012 Appointed General Manager of Myanmar Representative Office of the Company Appointed Representative Director and President of AEON MICROFINANCE (MYANMAR) COMPANY LIMITED
 2019 Appointed Representative Director and President of AEON CREDIT SERVICE (M) BERHAD
 2021 Appointed Director and Managing Executive Officer in charge of Group Corporate Planning and Insurance business of the Company. (current position)

Reasons for Appointment

Yuro Kisaka has abundant knowledge and experience relating to the Company's business, with approximately 17 years of experience working overseas during which he worked on the establishment of new companies and served as president of a local subsidiary in Malaysia. Mr. Yuro will utilize his experience in establishing overseas subsidiaries and his experience as a president of a listed company to contribute to the Company's business strategy proposals.

Committees

- Board of Directors
- Management Policy Committee
- Internal Control Committee
- Sustainability Committee
- Disclosure Committee

Number of Shares Held

78 shares

Tomoyuki Mitsufuji

Director and Senior Executive Officer



1987 Joined The Sanwa Bank, Limited (currently, MUFG Bank, Ltd.)
 1999 Appointed Vice President of Structured Finance Department of Sanwa International plc (London)
 2005 Appointed Senior Vice President of Investment Banking Division and Head of Capital Market Department of Tokyo Branch of Lehman Brothers Japan Inc.
 2006 Appointed Leader of Market Funds Group of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
 2007 Appointed Executive Officer and Head of Market Funds Department of AEON Bank, Ltd.
 2010 Appointed Director, Executive Officer, and Head of Market Funds Department of AEON Bank, Ltd.
 2014 Appointed Director, Managing Executive Officer in charge of Corporate Business Department, Corporate Planning Department, and Asset Management Department of AEON Bank, Ltd.
 2019 Appointed Director of AEON Bank, Ltd. Appointed Head of Risk Management & Compliance Division and Head of Risk Management Department of the Company Appointed Director and Senior Executive Officer in charge of Risk Management & Compliance and Head of Risk Management & Compliance Division of the Company (current position) Appointed President Commissioner of PT. AEON Credit Service Indonesia (current position)
 2021 Appointed Director and Senior Executive Officer in charge of Group Risk Management Appointed Director and Senior Executive Officer in charge of Group Corporate Management and Group Risk Management (current position)

Reasons for Appointment

Tomoyuki Mitsufuji has successively held key positions in the Group's banking business since its establishment. These include positions in its market departments, handling front office operations for its corporate businesses and other entities, and handling credit screening and bank operations. He possesses abundant insight in the area of risk management as well as broad knowledge relating to the banking business. Mr. Mitsufuji also provides leadership in his role as the person in charge of governance for Group subsidiaries.

Committees

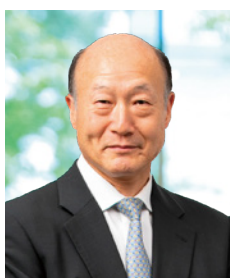
- Board of Directors
- Management Policy Committee
- Internal Control Committee
- Sustainability Committee
- Disclosure Committee

Number of Shares Held

1,900 shares

Shinya Wako

Director



1980 Joined The Dai-Ichi Kangyo Bank, Limited (currently, Mizuho Bank, Ltd.)
 2007 Appointed Executive Officer, General Manager of Global Structured Finance Division of Mizuho Corporate Bank, Ltd. (currently, Mizuho Bank, Ltd.)
 2008 Appointed Managing Executive Officer, Head of Europe, Middle East and Africa of Mizuho Corporate Bank, Ltd.
 2010 Appointed Managing Executive Officer, Head of the Americas of Mizuho Corporate Bank, Ltd.
 2013 Appointed Managing Executive Officer, Head of the Americas of Mizuho Bank, Ltd.
 2014 Appointed Senior Managing Executive Officer, Group CFO of AEON Co., Ltd.
 2015 Appointed Executive Officer, Chief Financial Officer, Senior Chief Officer of International Business of AEON Co., Ltd.
 2016 Appointed Deputy President and Executive Officer, Senior Chief Officer of Management Strategy, Senior Chief Officer of International Business, Chief Officer of E-money Business of AEON Co., Ltd.
 2017 Appointed Executive Vice President and Executive Officer, Chief Officer of Management Strategy of AEON Co., Ltd.
 2020 Appointed Representative Director and President of the AFS Corporation Co., Ltd. (current position)
 2021 Appointed Director of the Company. (current position)

Reasons for Appointment

Shinya Wako has a wealth of management experience in both the finance industry and the retail industry, having overseas management experience at a financial institution and having served in important positions at AEON Co., Ltd. Mr. Wako serves as a leader in enhancing governance throughout the Group, primarily as president of a bank holding company that is the Company's subsidiary and based on his efforts regarding the governance of subsidiaries.

Committees

- Board of Directors
- Management Policy Committee
- Internal Control Committee
- Sustainability Committee

Number of Shares Held

760 shares

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.) Appointed Director in charge of Human Resources, General Affairs and Public Relations of AEON Financial Project Co., Ltd.
 2008 Appointed Director, Managing Executive Officer in charge of Human Resources & General Affairs of AEON Bank, Ltd.
 2012 Appointed Director, Senior Managing Executive Officer, and Head of Corporate Management Division of AEON Bank, Ltd. Appointed Director of the Company
 2014 Appointed Director of the Company (current position) Appointed Representative Director and Senior Managing Executive Officer, Head of Sales Division of AEON Bank, Ltd.
 2015 Appointed President and Representative Director of AEON Bank, Ltd.
 2016 Appointed Director of AEON Credit Service Co., Ltd.
 2017 Appointed Director and Executive Vice President of the Company
 2018 Appointed Executive Officer of AEON Co., Ltd. (current position) Appointed Director of the Company (current position) Appointed Director of AEON Bank, Ltd. Appointed Director of ZAG ZAG Co., Ltd. (current position)
 2019 Appointed Director of AEON Integrated Business Service Co., Ltd. (current position)
 2020 Appointed Director of Abilities Jusco Co., Ltd. (current position)

Reasons for Appointment

Hiroyuki Watanabe has been a head of the human resource departments of multiple operating companies for many years. He has successively held key positions at AEON Bank, Ltd., a Company subsidiary, since its start-up and served as its president from 2015 to 2018, giving him abundant knowledge and experience in the Company's business.

Committees

- Board of Directors

Number of Shares Held

9,511 shares

Directors

Yoshimi Nakajima

Director
(Outside)



1980 Joined The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
1997 Joined Citibank, N.A.
Appointed Vice President of Personal Finance Division of Citibank, N.A.
2000 Appointed Senior General Manager in charge of Marketing and Sales of SG Online Branch of Societe Generale Securities Ltd.
2011 Appointed President of American Express International, Inc. (Singapore)
2014 Appointed Senior Vice President in charge of Acquisition & Marketing of Personal Business Department of American Express International, Inc. (Japan)
Appointed President and Representative Director of American Express Japan Co., Ltd. (current position)
2017 Appointed Outside Director of the Company (current position)
2018 Appointed Outside Director of Japan Freight Railway Company (current position)
Appointed External Director of ULVAC, Inc. (current position)
2021 Appointed Outside Director of Sekisui House, Ltd. (current position)

(Significant concurrent positions)
Outside Director of Japan Freight Railway Company
External Director of ULVAC, Inc.
Outside Director of Sekisui House, Ltd.

Reasons for Appointment

Yoshimi Nakajima has deep insight into global perspectives and diversity, abundant experience in corporate management, and experience as a company president overseas. The Company, which encompasses a large number of overseas subsidiaries as a comprehensive financial business group, expects that she will be able to provide opinions and suggestions from various standpoints and perspectives by utilizing her personal network, know-how, and insight cultivated to date and has therefore determined that she is an essential part of the Board of Directors.

Committees

- Board of Directors
- Nomination and Compensation Committee

Number of Shares Held

—

Kotaro Yamazawa

Director
(Outside)



1980 Joined Bank of Japan
2006 Seconded to Osaka Securities Exchange Co., Ltd.
2010 Appointed Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
2013 Appointed Senior Executive Officer of Japan Exchange Group, Inc. and Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
2014 Appointed Senior Managing Executive Officer of Japan Exchange Group, Inc. and Director and Senior Managing Executive Officer of Osaka Securities Exchange Co., Ltd.
2015 Appointed Director and Vice President of Osaka Exchange, Inc.
2017 Appointed Advisor of Osaka Exchange, Inc.
Appointed Corporate Auditor (External) of the Company
Appointed Outside Director of Tokyo Commodity Exchange, Inc.
Appointed Special Advisor of Glory Ltd. (current position)
2018 Appointed Outside Auditor of WingArc1st Inc.
2019 Appointed Outside Director of the Company (current position)
Appointed Outside Director of WingArc 1st Inc. (current position)
2020 Appointed Outside Director of HiJoJo Partners Inc. (current position)

(Significant concurrent positions)
Special Advisor of Glory Ltd.
Outside Director of WingArc1st Inc.
Outside Director of HiJoJo Partners Inc.

Reasons for Appointment

Kotaro Yamazawa has finance and accounting-related knowledge cultivated through his service at the Bank of Japan and several stock exchanges, in addition to having a high level of insight into corporate governance. The Company has determined that he is capable of utilizing his extensive personal network in the financial industry to realize sustained enhancement of corporate value and is therefore an essential part of the Board of Directors.

Committees

- Board of Directors
- Nomination and Compensation Committee

Number of Shares Held

—

Tatsuya Sakuma

Director
(Outside)



1983 Worked as public prosecutor of Tokyo, Naha, and Niigata District Public Prosecutors Offices of Criminal Affairs Bureau of the Ministry of Justice, and as First Secretary of Embassy of Japan in the United States of America
1999 Appointed as Chief of Investigations, Human Rights Bureau of the Ministry of Justice
2003 Appointed as Chief of Public Security Division, Criminal Affairs Bureau of the Ministry of Justice
2004 Appointed as Chief of Criminal Affairs Division, Criminal Affairs Bureau of the Ministry of Justice
2005 Appointed Deputy Head of special investigation task force of the Tokyo District Public Prosecutors Office
2007 Appointed Head of General Affairs Department of the Tokyo District Public Prosecutors Office
2008 Appointed Head of special investigation task force of the Tokyo District Public Prosecutors Office
2010 Appointed Chief Public Prosecutor of Otsu, Maebashi, and Chiba District Public Prosecutors Offices, Director of United Nations Asia and Far East Institute and Director-General of the Research and Training Institute of the Minister of Justice (retired in 2019)
2019 Appointed Outside Director of bitFlyer, Inc.
Appointed Outside Director of the Company (current position)
Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association)

(Significant concurrent positions)
Attorney-at-law of Aoyama TS Law Office

Reasons for Appointment

Tatsuya Sakuma has ample experience and insight relating to the legal profession gained from occupying successive key positions such as head of the special investigation task force of the Tokyo District Public Prosecutors Office. The Company has determined that he is capable of providing assistance in strengthening its internal control system, centering on compliance, and is therefore an essential part of the Board of Directors.

Committees

- Board of Directors
- Nomination and Compensation Committee

Number of Shares Held

—

Takashi Nagasaka

Director
(Outside)



1979 Joined Chuo Audit Corporation
1981 Registered as a certified public accountant
1990 Appointed Partner of Chuo Audit Corporation
1998 Appointed Senior Partner of Chuo Audit Corporation
2005 Appointed Head of Audit Division of ChuoAoyama Audit Corporation
2007 Appointed Managing Director of Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC)
2010 Appointed Senior Partner of Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC)
2019 Appointed Representative of Takashi Nagasaka CPA Office (current position)
Appointed Outside Director of Contec Co., Ltd. (current position)
Appointed Outside Auditor of Tokushu Tokai Paper Co., Ltd. (current position)
2020 Appointed Outside Director of Park24 Co., Ltd. (current position)
Appointed Outside Director of the Company (current position)

(Significant concurrent positions)
Representative of Takashi Nagasaka CPA Office
Outside Director of Contec Co., Ltd.
Outside Auditor of Tokushu Tokai Paper Co., Ltd.
Outside Director of Park24 Co., Ltd.

Reasons for Appointment

Takashi Nagasaka has practical experience as an accounting expert, accumulated through his career as a certified public accountant, in addition to extensive knowledge related to internal control. Accordingly, the Company hopes to seek his advice on strengthening corporate governance and enhancing corporate value and has subsequently determined that he is an essential part of the Board of Directors.

Committees

- Board of Directors
- Nomination and Compensation Committee

Number of Shares Held

—

Auditors

Junichi Suzuki

**Corporate Auditor
(Outside)**



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

(Significant concurrent positions)

Auditor of AEON Bank, Ltd.
 Auditor of AFS Corporation Co., Ltd.

Reasons for Appointment

Given Junichi Suzuki's extensive experience at overseas subsidiaries of the AEON Group, the Company expects him to play a role in the proper and appropriate management of the Company and provide oversight and effective advice regarding management as a whole. Therefore, the Company has determined that he is an essential part of the Board of Directors.

Committees

• Board of Corporate Auditors

Number of Shares Held

—

Go Otani

**Corporate Auditor
(Outside)**



1980 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
 1997 Appointed Acting Senior Vice President, Shaklee Business of Yamanouchi Pharmaceutical Co., Ltd.
 Appointed Outside Director of Shaklee Corporation (USA) of Yamanouchi Pharmaceutical Co., Ltd.
 2001 Appointed Deputy Vice President in Charge of IR of Corporate Communications Department of Yamanouchi Pharmaceutical Co., Ltd.
 2003 Appointed 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 Appointed Vice President of Internal Auditing Department of Astellas Pharma Inc.
 2013 Appointed Audit & Supervisory Board Member of Astellas Pharma Inc.
 2016 Appointed Corporate Auditor (External) of the Company (current position)

Reasons for Appointment

Go Otani is well versed in internal control systems and corporate governance. Based on his abundant experience, the Company has determined that he will ensure the validity and appropriateness of the Company's management and is therefore an essential part of the Board of Directors.

Committees

• Board of Corporate Auditors

Number of Shares Held

—

Yuko Yogo

**Corporate Auditor
(Outside)**



1982 Joined Tokyo Branch of Morgan Bank (currently JPMorgan)
 1993 Appointed Vice President of Global Market Department of JPMorgan Securities
 1996 Appointed Japan Office Country Manager of Enterprise Attraction Bureau of Scottish Development International
 2002 Appointed Vice President, General Manager of Administration Division and Manager of Internal Control of Tokyo Branch of TD Securities
 2005 Appointed Head of Human Resources of ABN AMRO Securities
 2008 Appointed Head of Human Resources of FIL Investments (Japan) Limited Appointed Representative Executive Officer of FIL Holdings Limited (from 2008 to 2016)
 2016 Appointed Executive Officer and Head of Human Resources of FIL Investments (Japan) Limited
 2019 Appointed Auditor (External) of the Company (current position)

Reasons for Appointment

Yuko Yogo possesses experience as a representative executive officer of a holdings company, coupled with experience from her long tenure as a manager of internal control at a foreign financial institution and as a head of human resources. The Company expects that she will utilize her deep insight and global and social perspective to help enhance corporate governance and has determined that she is an essential part of the Board of Corporate Auditors.

Committee

• Board of Corporate Auditors

Number of Shares Held

—

Takeshi Miyazaki

Corporate Auditor



1993 Joined Jusco Co., Ltd. (currently, AEON Co., Ltd.)
 2001 Secretary Office of Jusco Co., Ltd.
 2009 My Basket Division of AEON Retail Co., Ltd.
 2012 Appointed Head of Sales Department of My Basket Co., Ltd.
 2013 Appointed Director and Head of Support Administration Department of My Basket Co., Ltd.
 2015 Appointed Director and Head of Sales and Support Administrative Department of My Basket Co., Ltd.
 2016 Appointed Director and Head of Human Resource Development Department of My Basket Co., Ltd.
 2017 Appointed President and Representative Director of A-Colle Co., Ltd.
 2018 Appointed President and Representative Director of AEON Co., Ltd.
 2019 Appointed PT of Discount Stores Business of AEON Co., Ltd.
 2020 Appointed in charge of Finance & Accounting and Head of Finance Department of AEON Co., Ltd. (current position)
 Appointed Auditor of the Company (current position)

(Significant concurrent positions)

In charge of Finance & Accounting and Head of Finance Department of AEON Co., Ltd.

Reasons for Appointment

Takeshi Miyazaki has successively served as a director of various subsidiaries of the AEON Group. With his abundant insight and experience in corporate management, and due to his being in charge of finance & accounting at AEON Co., Ltd., the Company has determined that he will ensure the soundness and appropriateness of the Company's management and is therefore an essential part of the Board of Corporate Auditors.

Committee

• Board of Corporate Auditors

Number of Shares Held

—

Promoting Initiatives That Are More Oriented toward the Future, the Customer, and Lifetime Values

Yoshimi Nakajima

Outside Director

Chair of the Nomination and Compensation Committee

For AFS to improve its corporate value, it needs to provide products and services that address customer needs, and to achieve its goal of providing financial stability to people in Asia, its most important management resource, out of people, objects, and money, is people. To help improve these people, as well as the organization, I accepted the position of chair of the Nomination and Compensation Committee.

With such rapid changes taking place in society, AFS has found itself in an environment that is very different than the one it initially achieved growth in. Added to this is the fact that companies from a variety of other industries are entering finance, meaning that industry lines are becoming blurred as well. I am working with AFS to help it be a financial group with day-to-day applications and a close relationship with its customers. We want the AFS to be its customers' top consulting partner in times of trouble. One of the distinguishing characteristics of finance is the mission to support and be an intrinsic part of people's lives. Once a relationship is built with a customer, the mission for a financial company is to provide support for customers according to their life stages. It needs to put forth products and services that best suit customers as a close part of their lives. This means not only addressing their new needs but also uncovering potential needs that are not immediately obvious. I would like to work with AFS in its effort to satisfy these customers and their families, as well as all people involved with the Company, such as shareholders, business connections, affiliated stores, and employers so that they will accept us as partners.

To that end, an organization must always be evolving and must be made up of human resources with a strong sense of individuality. The Group's greatest strength has been its aggressive expansion in Asian countries with markedly rapid growth, an effort it embarked on from an early stage. This willingness to take on new challenges is really the AEON Group's DNA put into practice. I expect the Company to expand its business further as it continues to take on more challenges going forward. I would like to help mold AFS into an organization where each and every employee is equipped with this active mindset, and is therefore capable of aggressively taking on these new challenges. There are many people among the Group's human resources who can act after thinking things out and also have the drive to continue studying. When people who embrace new challenges are lauded, this sets a precedent for the organization, which becomes a message that draws in human resources who want to achieve more. I believe that when an organization, its human resources, and the systems that utilize these human resources are well-matched, you can create a challenge-seeking organizational culture.

An outside director's role is to serve as an external set of eyes, propose new initiatives, and introduce advanced case studies that transcend the industry, while also assessing the ability of company members to communicate and lead. I will also give advice that draws from my global management experience, in addition to my financial management experience, which includes experience in banking, securities, credit card, and insurance businesses.

Due to the effects of COVID-19, consumer values are changing at an accelerating rate, and AFS is undergoing major changes as well. Amid these changes, I would like the Company to take lessons from its prior successes, but at the same time I would like it to place value on human resources who can engage in free thinking to embark on new undertakings, unbound by the past. AFS would do well to promote initiatives that will help employees be more oriented toward the future, the customer, and lifetime values, and take care to respect diversity, be it in the form of different cultures, manners of thinking, or otherwise, as these actions will lead to positive results.

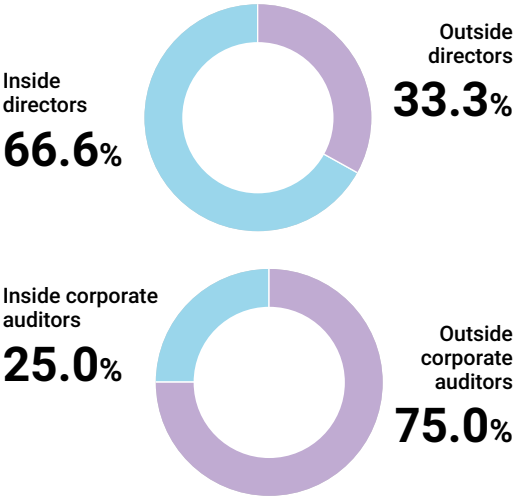


Corporate Governance

CORPORATE GOVERNANCE CHART (As of June 1, 2021)

Organizational Structure	A Company with a Board of Corporate Auditors
Number of Directors	12
Number of Outside Directors	4
Number of Corporate Auditors	4
Number of Outside Corporate Auditors	3
Term Served by Directors	1 year
Adopted an Executive Officer System	Yes
Accounting Auditor	Deloitte Touche Tohmatsu LLC

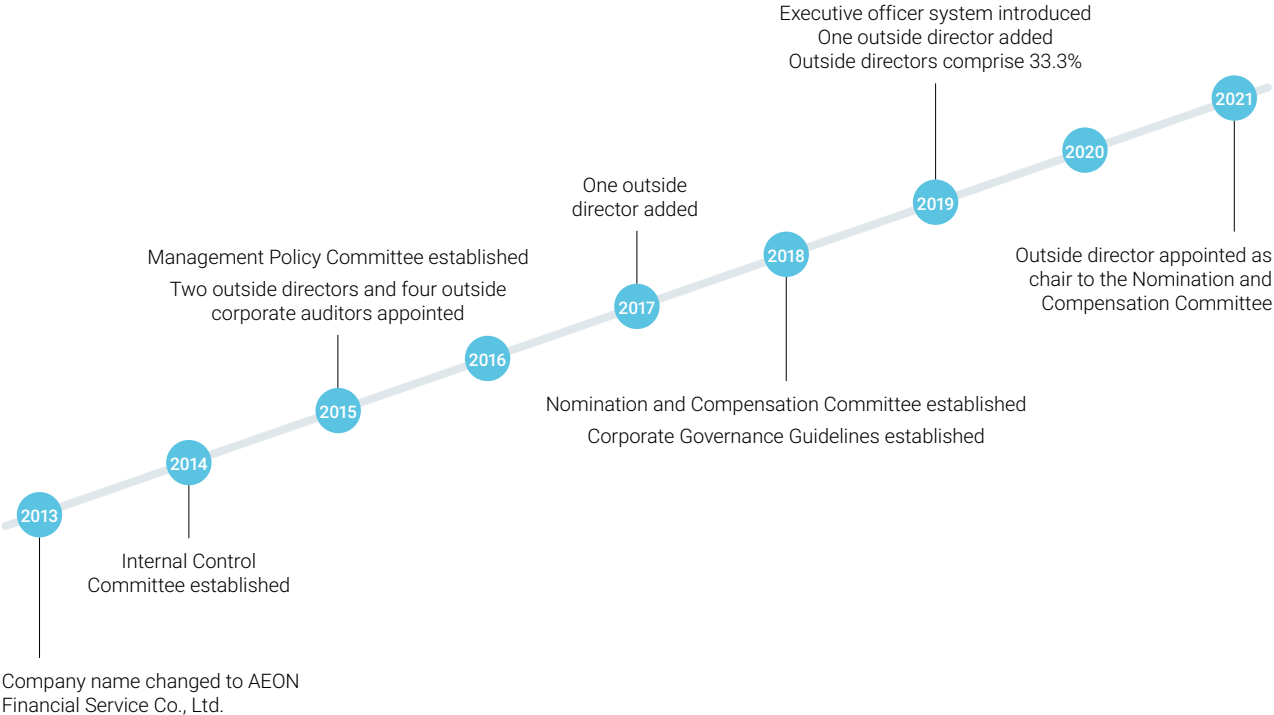
Board Composition



NUMBER OF MEETINGS OF THE MANAGEMENT POLICY COMMITTEE, BOARD OF DIRECTORS, AND BOARD OF CORPORATE AUDITORS (Fiscal 2020)

Management Policy Committee	29	Board of Directors	18	Board of Corporate Auditors	17
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CORPORATE GOVERNANCE TIMELINE



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 business, 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.

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 its management control and corporate governance. To this end, it has established the Management Policy Committee, Internal Control Committee, the Sustainability Committee, the Nomination and Compensation Committee, and the Disclosure Committee, in addition to the Board of Directors. The Management Policy Committee is an advisory body that discusses management decision-making executed on the president and CEO's authority. With the aim of realizing sustainable growth and increasing 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 an internal control system within the scope entrusted by the Board of Directors and provides reports and opinions to the Board of Directors. The committee consists of the president and CEO as the presiding officer within the scope entrusted by the Board of Directors. The internal control system is ready to be operated and improved flexibly and, by conducting thorough consideration and deliberation of individual themes, provide

necessary guidance and advice to the relevant parties, make resolutions on matters entrusted by the Board of Directors, and provide reports and opinions to the Board of Directors. The Sustainability Committee was established for governance from a social perspective, to determine strategies and policies for sustainability as a company, to indicate its Sustainability stance externally, and to guide each division of the Company and the Group companies with regard to sustainability. The committee comprehensively and expertly discusses and reviews matters regarding sustainability, provides necessary guidance and advice to relevant parties, and reports to the Board of Directors.

The Nomination and Compensation Committee, consulted by the Board of Directors, discusses and deliberates prospective director candidates and the compensation of directors.

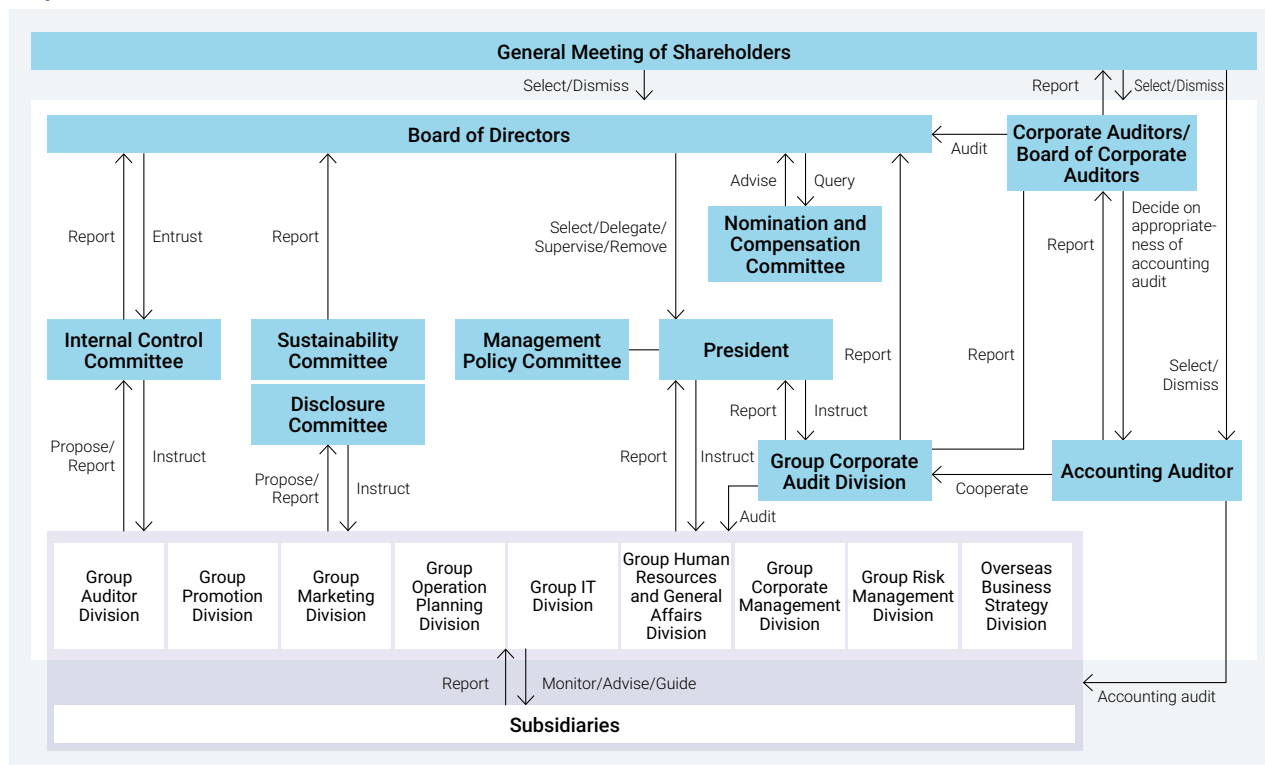
The Disclosure Committee multidimensionally and comprehensively discusses and deliberates disclosure materials to explain the Company's financial results and the status of the operating business.

The Board of Directors consists of an appropriate number of people in order to emphasize mobility and enable prompt decision-making. Important matters related to the management of the Company and the Group are decided by the Board of Directors after deliberation by the Management Policy Committee and the Internal Control Committee from

the viewpoint of the effectiveness and efficiency of the business.

In addition, the Company is a company with the Board of Corporate Auditors, and the Board of Corporate Auditors consists of three outside corporate auditors (including two independent directors) and one corporate auditor.

Corporate Governance (As of October 26, 2021)



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, the 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.

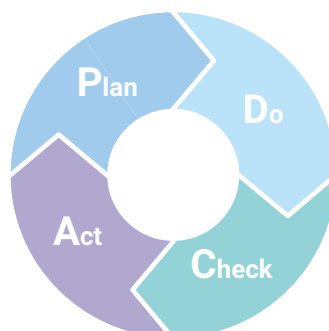
Directors in ways such as thoroughly explaining agenda items to participants prior to meetings and establishing the Nomination and Compensation Committee.

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

This initiative has supported corporate governance reforms that include enhancing the operation of the Board of

1 Clarification of business processes and facts

4 Further investigation of issues



2 Progress of business and productivity improvement management

3 Innovation that integrates external expertise

POLICIES FOR COMPENSATION AMOUNT AND METHOD OF CALCULATION

Officer Compensation (Fiscal 2020)

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)	174	137	9	27	—	10
Corporate Auditors (Excluding Outside Corporate Auditors)	—	—	—	—	—	—
Outside Officers	79	79	—	—	—	8

Note:

- The above table includes compensation for three directors (including one outside director) who retired at the conclusion of the 39th Ordinary General Meeting of Shareholders.
- 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 is 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 compensation (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 a given fiscal year are achieved and ranges from 0% to 200% based on performance and individual assessment 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 or Company results. Compensation for individual performance is determined by applying a coefficient to the standard compensation of 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 evaluations.
- The 34th Ordinary General Meeting of Shareholders held 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 May 27, 2020 meeting to give the president and CEO the authority to determine the policy and calculation method for the 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.

Remuneration Type for Each Position of Director

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.

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 Incentives	
Director with Additional Title	100%–50%	0%–35%	0%–15%	100%
Director	100%–56%	0–37%	0%–7%	
Outside Director	100%	0%	0%	

Note: This table shows the extent to which performance-linked compensation 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.

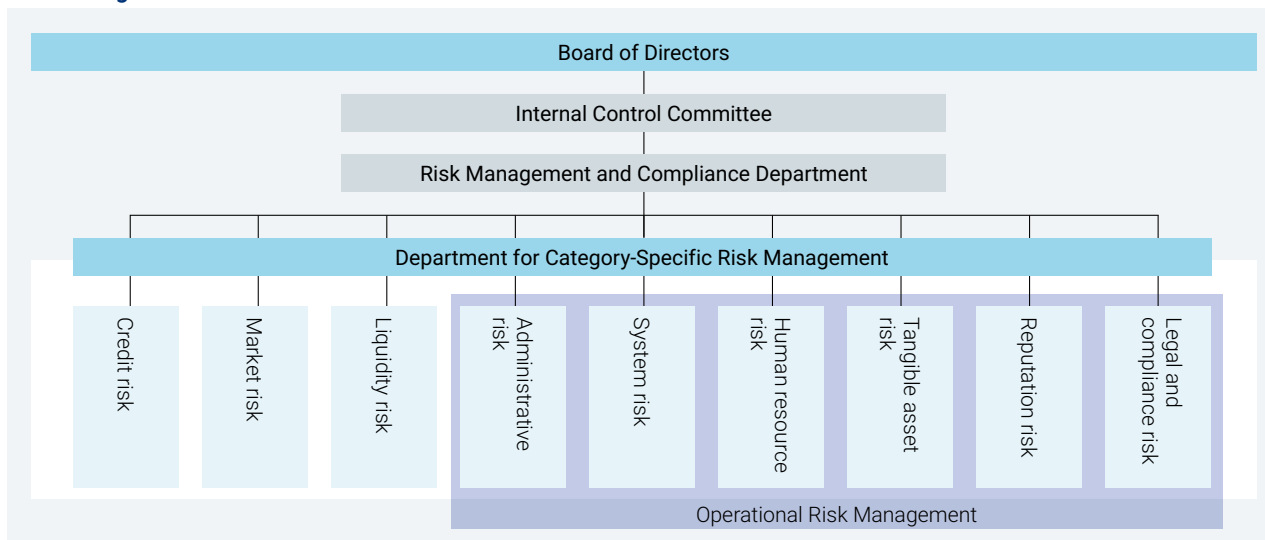
RISK MANAGEMENT

The Company employs a comprehensive approach in promoting risk management, working to evaluate the risks facing the Group in each risk category in the most consistent manner possible. This approach leads to a reliable and steady increase in corporate value.

As a structure to promote said risk management, the Company has established the Group Risk Management Division to oversee the risk management of the Group. The Internal Control Committee comprehensively studies and deliberates on matters relating to overall risk management in the Group and refers important matters to the Board of Directors. In addition, we have established subcommittees related to internal control and conduct concrete examinations regarding operational issues that focus on monitoring and risk control within the Group. These examinations entail understanding problems, analyzing the root causes of said

problems, and planning countermeasures. The examination results are then proposed and reported to the Internal Control Committee. The role of the Board of Directors with respect to risk management is to regularly receive reports on the status of risk management, perform monitoring of risk management, and deliberate and decide on important fundamental matters relating thereto. The Group categorizes risks that occur in the course of operations into a number of categories: credit risk, market risk, liquidity risk, and operational risk. Risks are managed according to their specific characteristics. In particular, we are working to create a regularly updated system to identify, analyze, and evaluate changes in external conditions, including the COVID-19 pandemic, which has been ongoing since the beginning of 2020, and changing political situations in countries that the Group is expanding into.

Risk Management Structure



Note: The Group classifies operational risk management into six categories. Departments manage risks relevant to them, while the Group Risk Management Division works to understand and manage risks on a comprehensive level.

Business Risks

When assessing the Group's business risks, the Company makes a comprehensive judgment on whether a risk is a priority risk or not after evaluating the possibility of said risk materializing and the impact it will have on management.

The items listed on page 48 have been highlighted as high priority risks.

These risks are considered to have a relatively high possibility of affecting the Group's performance and financial standing based on the Company's risk assessment.

Other risks that could affect business operations include physical damage to our sales offices and communication systems from natural disasters caused by climate change and an increase in abnormal weather. Such events could also have an adverse effect on customers' daily lives and household budgets, resulting in an increase in Group credit-related expenses. AEON Co., Ltd., the parent company of AFS, has established Aeon Decarbonization Vision 2050, aiming to realize a carbon-neutral society, and has been working to

Please refer to our corporate website for a list of major risks.
<https://www.aeonfinancial.co.jp/en/ir/strategy/risk/>

tackle the problem of global warming—something that bears a major impact on the earth's environment—at an early stage. They have been working to expand initiatives to understand and assess risks and disclose information in line with the recommendations put forth by the TCFD. As a member of the

AEON Group, AFS is working to reduce CO₂ emissions by promoting paperless operations. These efforts include using tablets for explaining products and for application procedures and introducing digital signage at stores, in addition to moving AEON Card usage details online.

High Priority Risks

Type of Risk	Description	Countermeasures
System Risk	<p>▣ Risks related to major IT projects</p> <p>The AFS Group is committed to gaining a competitive edge and differentiating itself from other companies through a variety of efforts, including the advancement of the DX-related initiatives highlighted in its medium-term management plan, by improving core systems, and providing new products and services. In fiscal 2020, the Group made capital investments, including investments in IT and systems of approximately ¥34.0 billion in the Domestic Business and ¥5.0 billion in the Global Business, with software assets reaching a value of ¥100.0 billion. Changes in the progress of important IT projects for Group companies can push back release dates, result in products with inadequate functions, lower the quality of programs and other deliverables, or cause these projects to go over budget. If any of these risks materialize, they can have a significant impact on the Group.</p>	<p>Building a core system is an advanced technological endeavor, as the system needs to be highly reliable in avoiding shutdowns and well-guarded against any malfunctions while also being able to process large volumes of a wide variety of transactions. Moreover, in the unlikely event that a malfunction does occur, functions need to be in place to ensure recovery. Therefore, the Company moves forward with projects utilizing an integrated development framework, while conducting multilevel monitoring of development planning, development processes, and quality. This is in addition to working with vendors to conduct mutual checks to increase design quality and ensure testing is as comprehensive as possible. Furthermore, care is taken to confirm for all foreseeable scenarios before migrating to a new system, and the development progress of important systems is reported to the Board of Directors on a monthly basis.</p>
System Risk	<p>▣ Interruption or malfunction of system services (IT service quality risks)</p> <p>Human error in the development and operation of IT systems, installation of defective software, hardware failures, earthquakes, tsunamis, political instability, and terrorist activity may impact the power and communication capabilities of IT assets and infrastructure. This may lead to the interruption or suspension of IT services, delayed or inaccurate processing, and information leaks. If any of these external risks materialize, they can have a significant impact on the Group.</p>	<p>To minimize the impact of natural disasters and system failures, the Company has placed office centers and core system servers for its domestic banking and credit businesses across several locations built on solid ground that is unlikely to be affected by tsunamis and other disasters. In addition, local storage of data for domestic companies, including personal information, is limited to locations in Japan. As a countermeasure to COVID-19, the Company has also developed a remote working system to ensure business services can continue even while employees are unable to work on location.</p>
System Risk	<p>▣ Risks related to external attacks (cyberattacks)</p> <p>Hacking or viruses transmitted from external network communications or email could lead to a suspension of IT services and data leaks or corruption. If any of these risks materialize, they can have a significant impact on the Group.</p>	<p>In addition to technical measures to combat cyberattacks, computer security incident response teams (CSIRTs) have been set up at major Group companies to respond to cyber incidents from the operational side. Furthermore, employees participate in training to prepare for a variety of accidents and hindrances, conducted in collaboration with Group companies or industry organizations. Moreover, the Company conducts regular information sharing and training for its employees to protect against phishing and business email compromise (BEC) scams.</p>
Administrative Risk	<p>▣ Fraud from external sources (damage from unauthorized access, etc., through phishing sites and other means)</p> <p>The AFS Group provides financial services that include opening bank accounts and issuing credit cards. However, false emails pretending to be from AEON Bank could lead customers to fake websites where they might give up account numbers, IDs, passwords, and other personal information. This opens customers up to the risk of fraudulent withdrawals, credit card phishing scams, and other forms of financial fraud. The damages caused by such incidents could lead to a loss of trust in the Group.</p>	<p>The Group monitors for phishing sites and unauthorized access to ensure that customers can partake in its financial services safely and securely. At the same time, the Group strives to alert customers when there is a chance of their account being compromised and will make every attempt to minimize damage if such an event occurs.</p>
Administrative Risk	<p>▣ Personal information leaks</p> <p>The Group has in its possession information about individuals who are business partners and is a business operator that handles personal information as stipulated by the Act on the Protection of Personal Information.</p> <p>If safety management measures or management of outsourced companies as stipulated by law are not sufficiently put in place and information is used for unauthorized purposes, such events may be treated as a violation of the law, and the Group may be subject to guidance, recommendations, orders, and penalties from a competent authority as a result. In particular, if a large amount of customer data is leaked or corrupted as a result of external unauthorized access or internal fraud, compensation for damages, loss of trust in the Group, and other negative impacts could affect the Group's performance.</p>	<p>The Group has taken measures to ensure information safety management from a variety of perspectives. Organizational measures include the assignment of a person responsible for the safety management of personal information for each department of the Group that handles such information, person-based measures that include information safety management education and training for all employees, physical measures to secure all business locations and systems, and technical measures to ensure the authority to access such information is properly managed.</p> <p>Furthermore, the Group also implements strict management and supervisory measures when outsourcing personal information.</p>

Business Continuity Management

As a member of the AEON Group, we have created a manual on business continuity management in preparation for natural disasters, such as earthquakes, floods and typhoons, system troubles, pandemics, fires, and other various risks, and distribute this manual to employees.

In March 2020, we acquired ISO 22301 certification, the international standard for business continuity management systems (BCMS). Efforts to ensure business continuity in the event of a large-scale disaster are critical to the management of financial companies. Since the Company's business involves payment infrastructure, there is high demand from the local community and other stakeholders for a quick recovery of services in the event of an emergency. Therefore,

we are making various efforts to maintain and improve our disaster response and business continuity capabilities. These efforts fulfill the BCMS standards put forth under ISO 22301, with certification applicable to AEON Financial Service Co., Ltd., AEON Credit Service Co., Ltd., and AEON Bank, Ltd. in the part of the business.

To prepare for the various risks facing the Company, we continue to conduct prevention drills for large-scale natural disasters together with AEON Co., Ltd. twice a year. At the same time, the AFS Group conducts its own disaster prevention drills as a comprehensive financial business in addition to employee education and other efforts.

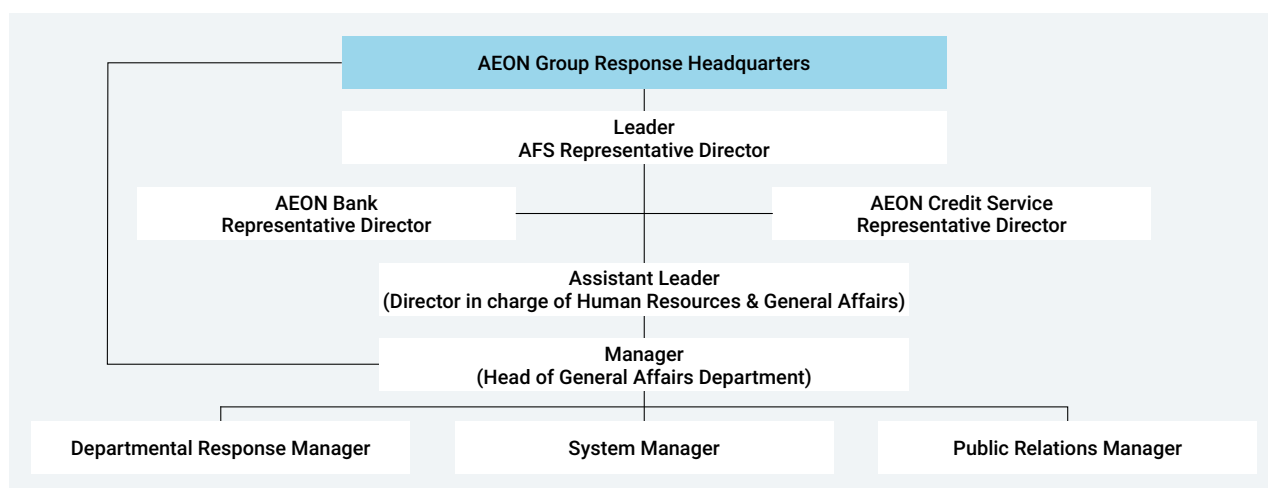
Business Continuity Policy

The Group has a business continuity management system defined by AEON Co., Ltd. and a business continuity management system defined by AFS. We aim to continue the business of each AEON Financial Service company, such as its payment infrastructure.

1. We give top priority to ensuring the safety and security of our customers, employees, and their families.
2. In the event of a disaster, we will work to grasp the damage of the situation and implement countermeasures and work to restore operations as soon as possible.
3. We will aim for the early restoration of payment and ATM functions that are particularly important as social infrastructure.

Emergency Response Headquarters System

In the event of an emergency, the Group will set up a task force headed by the president and CEO and will work closely with related sections of the AEON Group to make appropriate and timely responses.



COMPLIANCE SYSTEM

The AEON Code of Conduct has been established to provide guidance for appropriate judgments and actions in line with the social norms and corporate ethics upheld by the AEON Group. The Group, meanwhile, has established the AFS (AEON Financial Service) Group Policies on Compliance. All officers

and employees of the Group comply with these guidelines, which represent common value standards.

The Group has also formulated the Compliance Regulations and Compliance Manual to thoroughly inform all officers and employees about the laws and regulations that they must

comply with, specific red flags to watch out for, and how to respond should they discover any compliance violations. In addition, the Group holds compliance training at regular intervals and whenever necessary.

The Company, meanwhile, has established the Group Legal Compliance Department as an entity charged with overseeing the compliance of the Group. It monitors compliance for respective Group companies and provides guidance and advice when necessary.

The Internal Control Committee monitors compliance within the Group and examines compliance-related policies, regulations, and case-by-case responses to compliance-related issues.

The Board of Directors receives reports and opinions relating to compliance in the Group from the Internal Control Committee and makes decisions on important compliance-related matters.

The Group has also formulated its Basic Policy for Handling Anti-Social Forces. This policy clearly informs officers and employees that relationships with anti-social forces are strictly forbidden. In addition, the Company and each Group company compile and analyze data about anti-social forces collected from both inside and outside the Group and report the status of management to the Company. The Company monitors the management status of all Group companies regarding the exclusion of anti-social forces in addition to providing instructions and guidance when necessary.

Due to strong domestic and international demand, we have positioned money laundering and terrorist financing as important issues for management, in addition to measures aimed at preventing corruption among foreign public servants.

To promote a proactive response in this regard, we are working to develop and operate management systems at each Group company based on our AFS Group Compliance Policy.

WHISTLEBLOWING SYSTEM

Each Group company has a contact point for consultation to ensure the promotion of compliance and the integrity of the compliance system of the Group. In addition, all officers and employees are informed about the AEON Code of Conduct "110" hotline and the outside hotline for consultation. These hotlines are aimed at providing individuals an option to report problems ranging from legal violations, to violations of the Code of Conduct, to day-to-day work issues when there are difficulties correcting these problems at the workplace in question. When a violation is reported, efforts are made to investigate

the facts and implement appropriate actions and improvements while protecting the individual reporting the infraction. On June 1, 2020, businesses in Japan became legally obligated to prevent power harassment in the workplace. Therefore, we are committed to continuing our efforts to utilize these consultation systems to accept and investigate reports, take corrective action, and make improvements. Furthermore, we have also set up a dedicated contact point for reporting officer misconduct at each Group company, further strengthening corporate governance for the AEON Group.

AEON Bank Receives Whistleblowing System Certification

In order to detect and correct instances of fraud or rule violations at an early stage, AEON Bank has adopted the theme of "clear internal reporting" and is working to build an environment where the consultation process is both easy and has a low barrier. In November 2019, AEON Bank registered for the Whistleblowing Compliance Management System certification (a self-declaration of conformity) under the jurisdiction of the Japanese Consumer Affairs Agency, an action aimed at increasing the effectiveness of its whistleblowing system.



Whistleblowing
Compliance
Management
System

INTERNAL AUDITS

Based on the recognition that building an internal audit system is critical for developing an appropriate risk management structure, the Company has formulated an Internal Audit Basic Policy for the Group, which aims to ensure the effectiveness of internal audits. The Group Auditor Section of the Company conducts internal audits of each division of the Company as well as supervises the Group's internal audit function. Specifically, the division verifies the appropriateness and effectiveness of each Group company's internal management

and internal audit structure by monitoring the status of internal audits and conducting direct audits as necessary. The division provides necessary opinions and guidance based on the results of these reviews. In addition, from the standpoint of ensuring the efficiency and effectiveness of audits, the Group Auditor Section exchanges opinions and information with the corporate auditors and accounting auditor regularly as well as on an as-needed basis.