

We will continue to contribute to the resolution of social issues by thinking independently about how we can enrich the lives of our stakeholders, while taking up the challenge of innovation through autonomous action.



Yuro Kisaka

Director and
Managing Executive Officer
General Manager of the
Corporate Planning Division

Sustainability Management Guided by Our Purpose

The AEON Basic Principles are “pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.” All of the business activities for AEON Financial Service align with these principles. Our overriding priority is to maintain our role as a company dedicated to making the greatest possible contribution to our customers and local communities, while also continuing to innovate.

In accordance with the AEON Basic Principles, in November 2021 we identified social issues with the potential to have a medium- to long-term impact on the AFS Group’s business activities, as well as the key issues (materiality) that we need to address in order to contribute to the resolution of those issues. We also adopted the AFS Sustainability Policy, which defines how our Group sets out the principles by which it will proactively promote sustainability activities together with local communities, customers, and business partners, and incorporates sustainability perspectives in all business decision-making. The Group stipulates that its policy is to practice long-term value creation in harmony with the natural environment and social systems.

We have appointed senior executives responsible for policy execution in Group companies to the Sustainability Committee, which discusses Group sustainability strategy and policy. We also have further strengthened our sustainability organization, which is led by the Strategy and Sustainability Department. We have listed the key issues in our materiality

that need to be addressed, and we are currently discussing principal actions relating to our material priorities in preparation for the establishment of specific KPIs.

In 2023, we announced Our Purpose, which defines the aspirations of the AFS Group and its reasons for existence. Individual employees will contribute to the resolution of social issues by thinking independently about what we can do to enrich the lives of our stakeholders, including our customers, and by acting autonomously and continuously taking up the challenges of innovation.

Financial Inclusion Initiatives

As a company that supports customer’s lifestyles, the AEON Group has close ties with consumers. We support lifestyles by providing the value that consumers need in their lives.

The AFS Group began to expand into overseas markets in 1987 with the establishment of a presence in Hong Kong. We have used that presence to identify customer needs that we can address flexibly through the provision of the financial services that help our customers lead richer lives. We have earned strong support from customers in markets that include Hong Kong, Thailand, and Malaysia by continuously working with local employees and local governments to put down roots in each region. It is clear from a review of the history of our overseas activities that we have made real contributions to financial inclusion.

We will continue these efforts to make basic financial services accessible to everyone, while actively pursuing sustainability initiatives in Japan and other countries.

To Our Stakeholders

Our goal as a corporate group is to be a leader in contribution to customers and communities. We will achieve that through our ongoing commitment to innovation. To guide these efforts, we have created Our Purpose, in which we pledge “to bring ‘finance’ closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles.” We all need to think and act independently in accordance with Our Purpose.

We will continue to work closely with our customers to provide financial services that match their lifestyle needs. As a corporate group dedicated to growth in partnership with its customers, I would like to take this opportunity to thank all of you for your continuing support.

Priority Categorization of Materiality*

*AEON Financial Service is committed to solving social issues through business activities and contributing to peace by creating a sustainable society where everyone can live a fulfilling and happy life. To achieve this goal, we have identified key issues that impact business in the medium to long term.

		Contributing to peace through the creation of a sustainable society	Initiatives
Human Rights	<p>Pursuing happiness through innovative financial services</p> <p>We are committed to seeking to enrich the lives and happiness of our customers by providing safe, secure, and innovative financial services, and by building an infrastructure that enables access to financial services for everyone, and by promoting financial literacy.</p>	<ul style="list-style-type: none"> • Customer Responsibility • Financial Inclusion and Financial Education • Technological Innovation • Sustainable Finance • Contribution to Local Communities 	<p>Providing a safe, secure, and accessible financial infrastructure</p> <p>Enriching the lives of customers, business partners, and employees through financial education</p> <p>Promoting DX to improve customer experience</p> <p>Managing and procuring funds in consideration of social and environmental changes</p> <p>Contributing to the development of local communities through financial services</p>
	<p>Exerting diversity and the potential of our people</p> <p>We are committed to achieving our goals as a team by respecting the humanity and diversity of our employees, and by creating a work environment where everyone feels fulfilled and where individual abilities are maximized.</p>	<ul style="list-style-type: none"> • Diversity & Inclusion • Securing and Maintaining Human Resources/Human Resources Development • Labour Practice • Occupational Health and Safety 	<p>Respecting the diversity of employees and create a flexible and rewarding work environment</p>
	<p>Establishing organizational resilience</p> <p>We are committed to developing highly ethical and disciplined human resources, and enabling quick and flexible decision-making by transferring authority to frontline operations. We are also committed to evolving our governance structure and building a strong corporate culture through the supervisory function exercised by the Board of Directors, risk management throughout the value chain, and business management enhancement.</p>	<ul style="list-style-type: none"> • Corporate Ethics and Compliance • Information Security • Corporate Governance • Risk Management • Business Model Resilience • Supply Chain Management • Stakeholder Engagement 	<p>Building a governance structure that improves stakeholder trust</p>
	<p>Addressing climate change</p> <p>We aim to solve global issues by working toward decarbonization together with our customers and local communities through products and services that the Group provides, transforming our business model, and effectively using resources in our business activities.</p>	<ul style="list-style-type: none"> • Response to Climate Change • Effective Use of Resources 	<p>Provide financial services that contribute to a decarbonized society</p>

DX

In light of the changes in an environment in which customer needs and behavior patterns have undergone radical modifications, the Group is further accelerating the Group-wide digital transformation (DX) on which it has been working for some time. In addition to improving customer convenience by enhancing our smartphone apps and online services, we are focusing on improving service sophistication and streamlining operations by utilizing AI and other technologies.

DX Strategy: Use the Unique Capabilities of the AEON Group to Provide Safe, Secure, Convenient, and Beneficial Customer Experiences

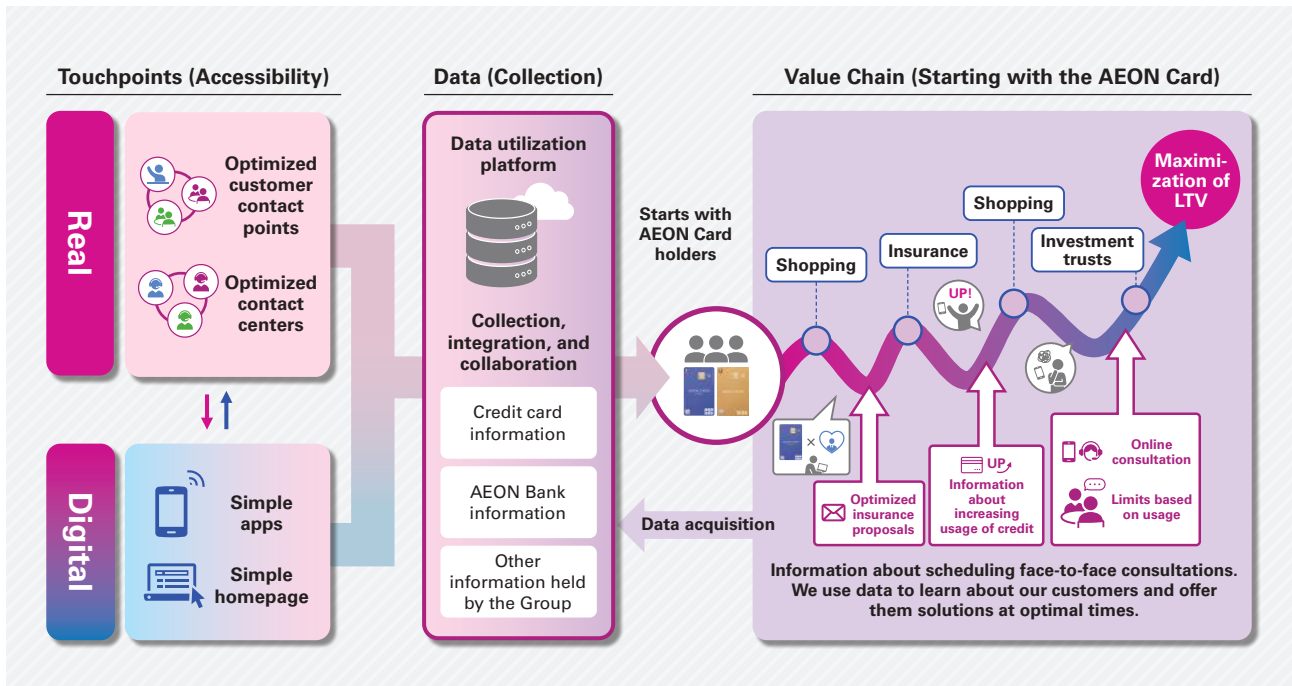
We have positioned our current medium-term management plan as the path to our “second founding.” Based on the core visions of the plan, which are “value chain transformation and new network creation,” we will transition from a business model centered on the real-world contact points that give AEON an advantage in Japanese and overseas markets, to an “online merges with offline” (OMO) value chain structure that also incorporates digital contact points. In Japan, we are helping to construct the AEON Living Zone, which provides seamless access to the products, services, and lifestyle products of the AEON Group, by enabling consumers to access payment functions and financial services digitally through the AEON Wallet app. In Asian markets, we are working toward digital financial inclusion by offering digital solutions tailored to digital maturity levels in each country.

We are using DX to transform our business model from three perspectives: customers, business, and from the viewpoint of our employees, including work style reform. In addition to the convergence of physical and digital contact points, we will also make optimal use of the Group’s resources of data and know-how. The purpose of the AFS Group is to bring finance closer to everyone by using the unique capabilities of the AEON Group to provide safe, secure, convenient, and beneficial customer experiences. We will continue our efforts to provide peace of mind and brighten the lives of every individual customer.

• Toward Business Model Transformation

We are determined to provide timely responses to the needs of individual AEON Group customers through the timely provision of optimized services that match their lifestyle, interests, and preferences. We will continue to maximize the life-time value (LTV) of the AFS Group by providing high-value customer experiences.

Business Model Transformation



Using Digital Technology to Enhance Payment Services

In September 2021, AEON launched iAEON, an all-in-one app intended to be a common point of contact for the entire AEON Group. Users of this app can access AEON Pay, a code payment system available at AEON Pay affiliated merchants throughout Japan, by registering their credit or debit cards with an AEON mark. In October 2022, we added AEON Pay functionality to AEON Wallet.

In June 2023, we also began to provide a new charge payment function through the AEON Pay system, allowing customers who do not have an AEON Card to use the service by linking it to an eligible bank account. In September of the same year, we further enhanced the usability and clarity of the AEON Wallet app by adopting a simpler and more intuitive design. In addition, individual users can select and customize a homepage according to the functions they want to use. We will continue to enhance the convenience and the functionality of AEON Wallet as a comprehensive financial app capable of providing even more customers with access to a wide range of financial services.

Three clickable home screens



Credit card usage

AEON Pay

Information on various deals

Strengthening Online Channels

AEON Bank, Ltd. aims to create an environment in which customers can easily access its financial services at any time and from any location. To achieve this goal, it is developing online channels that work in conjunction with their real-world counterparts. In addition to face-to-face meetings in branches, customers will be able to interact online with store staff through an online consultation service that allows them to seek advice, and complete and process applications via computers or smartphones. This service will enable customers to obtain services flexibly and in ways that match their changing lifestyles.

In July 2023, we updated the AEON Bank Passbook app by adding capabilities that have turned it into an integrated customer communication tool. In addition to the introduction of various new features, including messaging, we also enabled the app to connect to online consultation services.



Video consultation/processing desk

Progress toward Digitalization in Overseas Markets

By combining AI technology with external credit information, we have reduced screening times and enhanced our ability to provide customers with smooth access to our services in each country. These improvements to customer convenience include the introduction of electronic know your customer (e-KYC) technology to reduce complicated tasks at the time of application and shorten waiting times.

• Indonesia

In July 2021, our local subsidiary in Indonesia, PT. AEON CREDIT SERVICE INDONESIA (“ACSI”), began using AI-based credit scoring and collection scoring services developed by Global AI Innovations Laboratory (“GAILABO”). ACSI took this step to alleviate the difficulty of carrying out credit screening in an environment where a substantial number of people have no external credit information, forcing it to use an individualized screening model. By using its own data to digitalize the process, ACSI has dramatically reduced the average screening time from 55 minutes to just four minutes, thereby significantly improving customer convenience.

In October 2023, ACSI also launched QRIS PayLater, a new buy now, pay later (BNPL) payment service. We are constantly working to provide convenient financial services to local customers by further evolving our use of digital technologies. Innovations include linkage with the AEON FAST smartphone app, which offers an installment payment service for individual items.

BNPL App Logo and
Promotional Materials

Toward Resolution of Social Issues

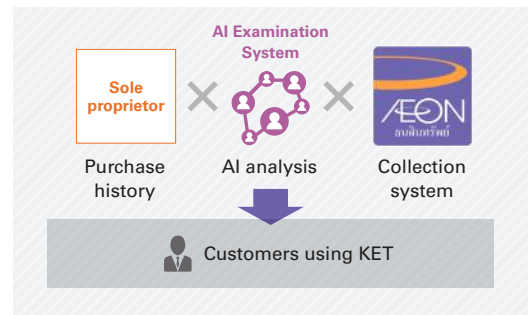
Through its business of providing financial services, the AFS Group will clarify the social issues faced by its customers in each country and region and address them from a long-term perspective.

Support for Business Activities

In Malaysia, AEON CREDIT SERVICE (M) BERHAD has issued membership cards that provide access to e-money and account functions for small business owners. This service is provided in partnership with a small business association with a membership consisting of 1.8 million operators of street food stalls and other small businesses. Members can use the card to make cashless transactions at partner stores that can be settled into a full account and purchase ingredients from AEON Group retailers at wholesale prices. The cards can also be used to pay social insurance charges and receive subsidy payments. Through this service, AEON CREDIT SERVICE (M) BERHAD is helping small business operators to stay in business.

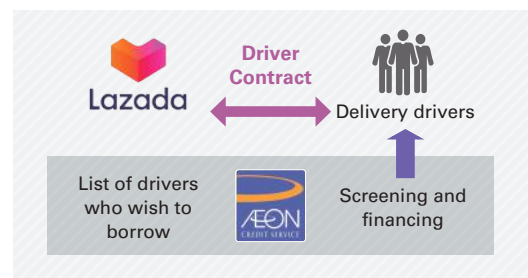


In Thailand, Rabbit Cash Company Limited, a new company established by local subsidiary AEON THANA SINSAP (THAILAND) PCL. as a joint venture with a local company in April 2021, obtained its nano finance license in May 2022. Nano finance is a microfinance loan product introduced by the Thai government to protect consumers and sole proprietors from unofficial high-interest loans. By utilizing AI to analyze sales and purchase history and judge credit risk, it has now become possible to provide small loans to customers whose creditworthiness was difficult to measure using conventional screening methods. With this license, Rabbit Cash is preparing to fully develop its loan business utilizing its digital platform and will continuously support the business expansion of its sole proprietorship customers in Thailand.



Creation of Employment Opportunities

In the Philippines, local subsidiary AEON CREDIT SERVICE (PHILIPPINES) INC. has partnered with Singapore-based e-commerce company LAZADA to create employment opportunities through loans for LAZADA's delivery drivers who wish to receive them.



Responses to Social Issues

To deal with the inheritance issues that are arising with the advent of an aging society in Japan, the Company, through a business alliance between AEON Bank Co., Ltd. and Yamada Escrow and Trust Co., Ltd., provides an inheritance-related consultation referral service (for testamentary trusts and inheritance arrangements) through referrals to the Company's inheritance specialists.

Leveraging the friendly atmosphere that facilitates consultations and the easy access provided to its branches that are AEON Bank's strengths, we will work to resolve our customers' issues.



Consultation at an AEON Bank branch

Aeon Heartful Volunteers

As a member of the AEON Group, we are participating in the Aeon Heartful Volunteers program to assist in solving the environmental and social issues that each region is facing. We are promoting ongoing volunteer activities that are deeply rooted in local communities in partnership with our local stakeholders.



Aeon Heartful Volunteers

Basic Concept	The AEON Basic Principles are to pursue peace, respect humanity, and contribute to local communities, always from the customer's point of view. AEON people put these principles into practice by utilizing various resources gained through business activities in voluntary initiatives that contribute to the resolution of local social issues.
Goals	In 2001, AEON designated the 11th day of each month as "AEON Day" and began pursuing clean and green activities that embody the AEON Basic Principles. Our employees are also involved in a wide range of ongoing voluntary activities, including Project AEON Joining Hands, an initiative to support recovery efforts after the Great East Japan Earthquake in 2011.

The knowledge and experience that our employees have gained from these activities and recovery initiatives after the Great East Japan Earthquake are now being applied to the activities of the Aeon Heartful Volunteers. We will continue to pursue initiatives that contribute to the solution of local social issues in our business areas throughout Japan.

• Marine Litter Cleanup Volunteers

The Marine Litter Cleanup Volunteer program, under which coasts and rivers are cleaned up, was established to help resolve the global marine pollution problem. The volunteers carry out beach cleaning projects in collaboration with AEON Group companies and local communities throughout Japan.



Cleanup activities overseas

• Ongoing Support for Recovery after the Great East Japan Earthquake

The AEON Group has continually supported long-term recovery efforts following the Great East Japan Earthquake in 2011 in a variety of initiatives including tree planting activities, the dispatching of volunteers, and continual fundraising activities.

• Cotton Harvesting by Volunteers

Since 2017, AEON Group volunteers have been working with The People, a specified NPO, to cultivate and harvest cotton on farmland around Iwaki City in Fukushima Prefecture. Farmers in the area have found it difficult to produce rice because of the soil damage due to the tsunami and have started to grow cotton, which is more resistant to salt contamination. The aim is to regenerate agriculture in the region and create local employment through the commercialization of cotton under the Fukushima Organic Cotton Project.



Cotton harvesting by volunteers

• The Online "Minamisanriku YES Workshop"

Despite the increased difficulty of travel to disaster-affected areas due to social changes caused by the COVID-19 pandemic, we are still maintaining lines of communication with people living in the impacted regions. Since 2020, we have been holding online craft workshops in which employees can participate from their homes.

The instructors for these workshops are provided by the Minamisanriku YES Workshop in the community of Minamisanriku in Miyagi Prefecture, which specializes in using the bounties of nature as raw materials to drive new cycles of creating, learning, and connecting. The program also provides opportunities for people to learn about forest cultivation and disaster prevention efforts in Minamisanriku by crafting items from local resources via an online woodworking experience based on the use of timber from forest thinning operations.



Pen holders made during a workshop

 Please refer to our corporate website for Social Contribution Activities.

<https://www.aeonfinancial.co.jp/en/activity/community/>

Improving Financial Literacy

The AFS Group is helping to build a sustainable society through various initiatives based on the Sustainable Development Goals (SDGs) and other programs. For example, our awareness of the importance of learning about finance and contracts from a young age has led us to focus on initiatives to improve the financial literacy of high school and university students since 2018. We will continue to contribute to the creation of social infrastructure in the form of a cashless society in which people can enjoy that is safe, secure, convenient, and has economic benefits.

➡ Providing Financial Lectures

AEON Bank Co., Ltd. has been providing financial literacy lectures for university students to proactively provide opportunities for fair and high-quality financial education and

Complementary Financial Lectures

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of universities	25	12	11	11
Total number of lectures	116	93	84	75
Total number of participants	5,344	7,985	6,145	7,934



lifelong learning. From fiscal 2021, the secretariat was moved to AFS to provide a wider range of financial education opportunities to promote comprehensive financial literacy education. The administrative office for these activities was transferred to the AFS Academy following its establishment in March 2023. Our goal is to expand the scope of our financial literacy courses, which are already offered free of charge to high school and university students, to include junior high school students and working-age adults.

➡ Nationwide Financial Education Program

We run educational programs about money-related topics, such as credit cards, with the aim of helping young people to become responsible cardholders in the future. Since fiscal 2021, we have been implementing this initiative in each region, mainly at our branch offices throughout Japan. The number of offers from educational institutions is increasing against the background of global changes, such as the encouragement of cashless payments and the lowering of the age of majority and thus we are strengthening our efforts on an ongoing basis.

➡ Activities with AEON 1% Club Foundation

The seven companies—AEON Financial Service Co., Ltd.; AEON Bank Co., Ltd.; AEON Housing Loan Service Co., Ltd.; AEON Insurance Service Co., Ltd.; ACS Credit Management Co., Ltd.; AEON Product Finance Co., Ltd.; and ACS Leasing Co., 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 main themes: the sound development of the next generation, the promotion of friendship with foreign countries, and the sustainable development of regional communities.

• Exciting Cashless Experience Events

AFS contributes to the healthy development of future generations of citizens by supporting interactive events that encourage young people to think about the future of money. For example, we participate in Exciting Cashless Experience events run by the AEON 1% Club. Designed for children aged from preschool to junior high school, these events provide participants with opportunities to experience the convenience and other advantages offered by cashless payment systems through a range of content, including quizzes on the history of money, what cashless living is like today and in the past, and experiences focused on the convenience and benefits of cashless payments.



Exciting Cashless Experience events



The AEON 1% Club was established in 1990 as a vehicle for the fulfillment of our social responsibilities through concrete actions based on the AEON Basic Principles. Funded by 1% of profits generated when consumers use AEON Group goods and services, the program is focused on environmental and social contribution activities.

➡ See here for more information on AEON 1% Club.

<https://aeon1p.or.jp/1p/>



Yoshimi Nakajima

Director (Outside)
Chair, Nomination and
Compensation Committee

Takeshi Inagaki

Executive Officer
General Manager of Human Resources
and General Affairs Division

Naohiro Arai

Principal of the AFS Academy



AFS Academy Roundtable

Commitment to Human Capital, the Establishment of the AFS Academy

AEON Financial Service has inherited the AEON Group tradition of human resource policies designed to nurture people. One example of this approach was the establishment of the AFS Academy in March 2023. The mission of this educational and human resource development institution is to provide people with learning opportunities.

We asked an outside director who has been closely involved in our human capital management, the General Manager of our Human Resources and General Affairs Division, and the Principal of the AFS Academy to participate in a roundtable discussion about our basic human capital management philosophy and the role of the AFS Academy.

Underlying Commitment to Prioritizing People

Inagaki: Kojima Chizuko, the founder of the AEON Group, wrote a book for her employees. This book, titled *Ashiato* has become a bible not just for me, but for everyone involved in HR and management throughout the AEON Group. It clearly acknowledges that people drive corporate development and introduces “respecting humanity,” which also appears in AEON’s Basic Principles. This tradition of investing actively in human resources as invisible assets has been part of AEON’s culture since the 1970s. The reason for the management team’s emphasis on human resource development becomes apparent

if we look at it from the perspective of the AEON Group. The AEON Group would not have become a major business group with an operating revenue of over ¥9 trillion if it had not trained the many management personnel it needs to manage over 300 Group companies.

Arai: I moved to the AEON Group from another bank in 2006 to become a member of the founding management team for the AEON Bank. My impression was the AEON Group was far more focused on human resource development than my previous employer. An example of this is the importance placed on developing management. When I attended a seminar run by AEON Co., Ltd., I found that the content was designed to

contribute directly to the improvement of management skills. The range of training programs available is impressive both in terms of quantity and quality. I think that they were prioritizing investment in human resources long before “human capital” became a buzzword. Another feature of AEON’s approach to developing management is their commitment to passing on their corporate DNA, including their history and basic philosophy, to future generations. I have been profoundly impressed by AEON’s powerful drive to innovate. Behind that is a culture that welcomes challenges and tolerates failure.

Inagaki: Looking back on my own experiences, my strongest impression is about the way that people are praised for



AFS Academy Roundtable



Human resources have always been a foundational management priority for AEON Financial Service Group. We have entered a phase of transformation in which we will take up the challenge of continuous transformation as we work to become a company that exceeds our customers' expectations.

Yoshimi Nakajima

producing results after taking on challenges, rather than being blamed for any failures. That is especially true for people working on the front lines. One of the great things about AEON is that when a plan goes wrong, those taking part can always count on the support of those around them, including their boss, colleagues, and employees in other divisions. AEON recognizes the importance of continually taking up new challenges. One of the biggest obstacles to that, is the fear of failure. AEON personnel, whether management or regular employees, have been able to take on challenges continuously because they know they will be safe even if a plan is not successful. In today's business environment, competition is no longer one-dimensional, and we need the courage to make decisions when the outlook is uncertain. That requires the ability to think and make decisions autonomously. To become autonomous, we need to change ourselves, but that is not possible unless we are ready to learn by ourselves. It is becoming increasingly important for a company to provide a learning environment in which support will be provided to any individual who is even slightly motivated to learn. The ability of individual employees to act autonomously is vital from a management perspective and should be given the highest priority in human resource policies.

Nakajima: A company is not sustainable unless it can achieve growth and survive in the marketplace, and growth ultimately depends on human resources. We have always made human resources the core focus of our management policies. In recent years, the business environment

and the structure of business have been rapidly transformed by major changes. We need to preserve what is good, but I feel that we are now in a phase of transformation that will determine our future survival as a company. Players are moving into the financial business from a wide range of industries, with the result that competition is no longer limited to within the sector. Even international borders are disappearing. Different countries have different financial systems and laws. I think that we are already past the phase of expanding operations into new business areas and regions based on an understanding of those differences. Human resources are a key driver for maintaining our business advantage. People need to experience all kinds of things in different environments, and to keep learning. They need to continue taking up new challenges. Rather than doing the same things as other companies, I believe that AEON Financial Service has entered a phase of transformation in which we are evolving our traditional approach of management focused on our employees toward management policies that enable employees to grow.

Inagaki: We disclosed Our Purpose this year and I saw this as a sign that people have become aware of the need to be a company that can attract diverse individuals. The message is that we need to turn diversity into an advantage. However, in order to accept diversity, individuals must, as Ms. Nakajima commented, continually improve their skills. People have all kinds of ambitions and some want to improve their expertise, while others their management skills. The

important thing is for the Company to provide individuals who want to improve with opportunities to take up new challenges and with a good learning environment.

The AFS Academy – Turning Personal Growth into a Competitiveness Driver

Arai: President Fujita appeared to have been thinking about the concept for the AFS Academy for some time before he gave me the task of turning it into a reality. My first thought was about the influx of players from other industries into the financial business, which has resulted in the emergence of powerful rivals, and a relative decline in our presence in the industry. To break out of this situation and enhance our corporate value, we need to innovate. When we consider the ingredients needed for innovation, the first is ideas. Ideas occur when we combine different types of knowledge, so we cannot gain different types of knowledge if all the people in our organization have similar backgrounds. We need to recruit people with different types of knowledge, including people from other industries. In that way, we can create an organization with diversity. The same applies to individual employees. If individuals can accumulate diverse knowledge, they will be able to generate ideas by combining that knowledge. Innovation occurs when we refine those ideas and turn them into businesses that produce income. From a management perspective, I concluded that we needed to foster intrapersonal diversity by creating the AFS Academy for our employees as a place where they can

build the foundations for innovation. Given the increasing mobility of human resources today, one of our aims was to make AEON Financial Service more attractive by providing an environment in which people can learn freely, and to use that enhanced attractiveness to increase the diversity of our human resources. Financial literacy lectures for students have long been a priority for AEON Financial Service. By incorporating this function into the AFS Academy, we can also contribute to sustainability. Our three core themes when we established the AFS Academy were innovation, the enhancement of our presence in the human resources market, and the promotion of sustainability. We currently offer programs covering a wide range of topics that are not necessarily linked directly to our business activities. In Japan, we invite leading experts from various fields to present lectures. We also offer courses with relatively small class sizes for those wishing to enhance their general education. Our programs are open to all employees of domestic companies in the AEON Financial Service Group. In principle, participation is voluntary, and those wishing to study must submit applications as individuals.

Inagaki: Many individual employees have areas they want to study in. As someone involved in human resources management, I regret that we did not pay sufficient attention to the interests of these individuals. However, the AFS Academy provides all employees with a wide range of study options and opportunities, enabling them to study subjects that interest them whenever they want. By providing people with

opportunities to learn based on their personal goals, we in the human resources management area can focus on training and development in response to the needs of business divisions. I believe that this will result in the creation of an extremely positive environment in which these two types of learning will produce synergistic benefits.

Nakajima: I believe that the AFS Academy will play an important role as a forum where people from different divisions who have seldom had opportunities to work together can interact in a stimulating environment. I anticipate that Mr. Arai and his colleagues will continue to design this space based on feedback from various sources. I hope that it will evolve into a free environment in which people can share new business ideas, refine concepts, and create presentations about ideas that justify speaking to the president directly. Psychological safety is assured, since these activities are outside of the personnel evaluation system. Employees can place themselves in a different environment by moving away from their usual workplaces to participate in AFS Academy activities. I hope that people will take this opportunity to experience diversity and inclusion in a place where they can enjoy the experience of taking on new challenges. I believe that all directors have high expectations toward this initiative.

Arai: I agree. Many people have told me that they are extremely happy to have opportunities to meet a wide range of people from either within or outside of the company, and to obtain advice. I also want to turn the AFS Academy into a space where we can build the foundations for

workplace environments in which people can enjoy their work. Ideally, the academy will function like a real research institute by allowing its staff, who plan and administer courses, to carry out research in fields that interest them and also become instructors themselves. In addition, I feel that future management personnel cannot develop their sense of judgment solely through work. They also need to acquire a deep grounding in general education. In that sense, I would like the AFS Academy to take up the challenge of providing a liberal arts education. A good grasp of liberal arts is essential not just for management, but for anyone involved in business. I aim to help people in the AEON Financial Service Group to acquire a liberal arts education so that we can lay the foundation for the transformation of our businesses and operations.

Inagaki: There is another task I would like the AFS Academy to tackle. AEON Financial Service has many people who bring an excellent range of experience to their work. For example, there are people who have worked overseas for two decades or more and run multiple businesses successfully, as well as people with historic achievements in external negotiations. Unfortunately, these people have few opportunities to talk about their experiences. As a company that helped to popularize credit cards in Japan and has successfully developed businesses in overseas markets, AEON Financial Service has considerable resources of tacit knowledge. I believe we could significantly enhance our value by turning this tacit knowledge into some form of content, including stories about projects that went wrong, that can be shared by many

Innovation is vital to the enhancement of corporate value. We will build the AFS Academy into an attractive learning environment where people can acquire the knowledge needed to drive innovation.

Naohiro Arai





AFS Academy Roundtable

We are strongly committed to the transformation of our approach to human resources management. We will further enhance our human capital through a transformation process that encompasses the entire Company.

Takeshi Inagaki

people, thereby transforming it into institutional knowledge.

Arai: That's true. We should make greater use of people with extensive experience as in-house lecturers. The AEON Group has many legendary people and we could pass on the AEON Group's DNA by having these people present lectures in which they teach our younger employees about their experiences of starting new businesses, including businesses that were unsuccessful.

Improving Corporate Value through the Enhancement of Human Capital

Inagaki: People go through a variety of life events. Some have to care for children, others for aging family members. I believe we need to think about our commitment to our human capital, and to act as quickly as possible to collect and store data about employees' interests and life events with a certain level of accuracy. Over the next couple of years, I'd like to build a database of this type of quantitative personnel data as a resource for the Human Resources and General Affairs Division. As Kozima Tizuko wrote in *Ashiato*, we need to go back to human resource management based on concern for human beings. The other day I had an opportunity to talk with a much admired older colleague in the AEON Group. I was very impressed when he told me that he had always tried to learn about the interests and concerns of as many people as possible. He said that he had always approached his work from the viewpoint that you cannot transfer people to new positions unless you know what interests and concerns them. We

take responsibility for a portion of our employees' lives in the sense that we transfer or train them. As people involved in human resources management, we need to bring that level of commitment to our work. In addition to bringing back that commitment, I think that we should also build infrastructure for human resources management that allows us to reflect the human capital data in our decisions. We also need to take a multifaceted approach to achieving diversity and training people capable of acting autonomously. These are tasks that cannot be carried out by human resources management alone. We have to transform our entire management system, including work styles and the ways that meetings are held. I want us to take decisive action to transform the Company by transforming our approach to human resources management. From a practical viewpoint, however, there are qualitative and quantitative issues. The first step is to ensure that we can determine the current situation as the basis for achieving the qualitative and quantitative transformation sought by management. The most important question is what tools are available to drive qualitative change and quantitative expansion.

Nakajima: I believe that human resources policies and the AFS Academy should be approached collaboratively rather than as separate processes. The direction in which AEON Financial Service needs to move is indicated in our long- and short-term management strategies, which are based on Our Purpose. We have many tools that we can use to achieve this, including our human resources, technologies, and systems, as well as our wisdom and curiosity. As Mr. Inagaki said, we also need

to understand our current situation. However, we will achieve nothing unless we act on that understanding. As we move toward our vision and aspirations for the future, each of us has a role to perform, through which we help to drive our progress while also achieving personal growth. Management may have major expectations toward this process, but rather than simply expecting change, we need to take action ourselves. Ideally this process will generate a sense of engagement as employees achieve growth through human resources policies and AFS Academy programs, leading to the development of environments in which people can enjoy their work and feel happy to be working for AEON Financial Service. We often hear the keyword, "human capital." The most important key to raising awareness of this concept is commitment. The AFS Academy represents one of our commitments as a company. I want everyone to enjoy the full benefits of this new space. If everyone, including participants in our programs, works to develop the AFS Academy as their own asset, we will be able to maximize the value of our human capital and contribute to the enhancement of our corporate value.

Arai: To achieve those things, we first need employees to take a greater interest in the academy and participate more in the courses. Once employees take the first step toward engagement with the academy, they will gain an ongoing interest and begin to enjoy participation in its programs. Now, our focus is to create mechanisms that will encourage people to take that first step.



AFS Academy

In March 2023, we established the AFS Academy as a human resource training and development institution. Its mission is to provide learning opportunities for people within and outside the Group.

Our management challenges as a company, including the need to adapt to the rapid spread of digital technology, are paralleled by the challenges faced by individual employees, who need to adapt to a changing social environment by modifying their mindsets and work styles as well as acquire new knowledge through reskilling.

We believe “the greatest form of welfare is education.” That saying is reflected in our active investment in human resources, including the provision of learning opportunities. Through the AFS Academy and its extensive range of courses, we have further expanded our commitment to human capital management by responding to the educational needs of our employees and enabling them to develop over the medium to long term.

The AFS Group is also helping to achieve the Sustainable Development Goals (SDGs) and other targets through its efforts to realize a sustainable society, including our ongoing efforts to improve financial literacy among high school and university students. Going forward, the AFS Group will further expand its efforts to contribute to the realization of a sustainable society through SDG-related initiatives. For example, we aim to make AFS Academy courses available to external organizations.

Overview of AFS Academy Courses

	Themes and Overview		Purpose
1 Employees (Approx. 4,000 employees plan to take courses in 2023. Courses are free for all employees of AFS Group companies in Japan)	(1) Lecture topics	<ul style="list-style-type: none"> • Human resource management • Psychological safety • Digital transformation • Career development, etc. 	The acquisition of a wide array of knowledge and general education through lectures presented by prominent figures and experts in various fields
	(2) Courses	<ul style="list-style-type: none"> • Innovation and management fundamentals • Digital transformation • Introduction to financial accounting • Diversity • Self-understanding and psychological safety • Support for the acquisition of the Certified Internal Auditor (CIA) qualification, IT passport, etc. 	Development of specialized human resources through the acquisition and development of fundamental management skills, especially innovation and leadership, as well as knowledge that is not directly related to work, and the cultivation of a commitment to independent learning
	(3) Digital library	We have established a digital lending library for e-books	Building a broader knowledge base
2 External Learners (Approx. 8,000 students from 12 universities plan to take courses in 2023. Courses are available free of charge, primarily for high school and university students)	Our financial literacy and career development courses enable external students to acquire basic financial knowledge and learn about approaches to career development		Encouraging sustainability by enabling people to acquire a wide range of financial knowledge

AFS Academy Comments from Staff



Chihiro Fujinami

AEON Financial Service Co., Ltd.

My decision to apply for a position in the AFS Academy was prompted by my ambition to foster bonds among AFS Group employees through education, and to provide opportunities for many of our customers to learn more about finance. I also wanted to achieve personal growth by contributing to financial education for external students, as well as training for AFS Group employees.

I am currently an instructor for financial literacy classes for university students. Some aspects of the work—such as negotiations with universities and answering students’ questions after classes—can be challenging. Even so, I am very happy to have a job that I had been dreaming of doing for a long time, and am able to make full use of the knowledge and experience that I have gathered during my time working in a bank branch.

In the future, I would like to develop and teach courses not only for university students, but also for intermediate and high school students as well as working people.

AFS Academy Comments from Learners



Isaku Fukudome

FeliCa Pocket Marketing Inc.

When I heard about the establishment of the AFS Academy, I thought it was an opportunity too good to miss. I immediately applied for a course on new business development. In addition to that course, which involved weekly lessons held over a three-month period, I also applied to use the e-learning system. I feel that I was able to pursue my studies efficiently by focusing mainly on the course while using e-learning to supplement my studies.

Because the AFS Group is made up of various companies, Group employees handle a diverse range of work. The course gave me an opportunity to interact with people working in different companies and different areas. I also became aware of the benefits of having a unified educational system available across the entire Group. I look forward to taking other courses so that I can continue to expand my knowledge and meet other students.

As its basic human resource philosophy, the AEON Group shares “abolition of nationality, age, gender, and employee classification, and human resources based on ability and performance.” Under this basic principle, to continue to create and provide new value as a corporate group that is constantly innovating, the Group is also accepting of diverse human resources and promoting “diversity management” that draws on various values.

Promotion of Diversity

(1) Percentage of managerial positions filled by women

By the end of fiscal 2022, the percentage of managerial positions (assistant manager or higher) in the AFS Group (domestic and overseas) that were filled by women was 34.2%. The target is 50% in fiscal 2025. We are promoting career development support—through, for example, managerial position training for women—the expansion and upgrading of flexible working arrangements, efforts to fostering improvements in workplace environments, and the empowerment of women.

(2) Ratio of foreign nationals

At the end of fiscal 2022, the ratio of non-Japanese employees within the Group was 1.5%.

In contrast, the ratio of local employees in its overseas companies was 99.6% (the ratio of expatriates, including Japanese, was 0.4%).

Since its founding, each company has been working to develop local management personnel and promoting the putting in place of management systems with local staff. In addition to the common manager education courses implemented by the entire AEON Group, as part of the financial business AFS Group continuously conducts training programs (AFS Management Course, AFS Global Course) to develop management candidates from various countries while localizing management.

(3) Ratio of mid-career hires

Mid-career hires account for a high level of about 80% of managerial positions (directors, divisional heads) within the Group. In addition to regular hiring, we have maintained a tradition of hiring people from a variety of backgrounds and are working to foster an organizational culture that respects diverse values.

(4) Employment ratio of people with disabilities

The ratio of people employed by the Group in Japan who have disabilities stands at 2.5%.

AFS is operating farms, and thus we have created work environments, such as growing vegetables and cultivating Phalaenopsis orchids, in which people with disabilities can work with enthusiasm.

Initiatives toward Realization of Well-being

(1) Health and productivity management

In fiscal 2016, the AEON Group adopted the Health Management Declaration as the basis for its efforts to ensure the physical and mental health of the Group’s employees and their families and cultivate human resources capable of achieving continual personal growth through careers spanning many years.

Initiatives implemented by the AFS Group under the Health Management Declaration are listed on the right.

The AEON Group provides health support for its employees and their families and works with its employees to build health and happiness in local communities.

[Behavioral guidelines]

- We are working to prevent health issues through health checkups and subsequent follow-up processes.
- We strive to improve employee mental health through four types of care (self-care, care provided by line managers, care by in-house industrial physicians, and care using resources from outside the Company).
- We comply with the conduct guidelines set down in the Declaration to Eliminate Unpaid Overtime and Long Working Hours and the Declaration on the Elimination of Harassment as part of our efforts to develop an organizational culture that offers psychological security and safety while fostering energized workplaces.
- We are helping to improve the health of customers and local communities through our products and services.

Thanks to these efforts, the Company and eight domestic Group companies (AEON Bank, Ltd.; AEON Insurance Service Co., Ltd.; ACS Credit Management Co., Ltd.; AEON Housing Loan Service Co., Ltd.; AEON Product Finance Co., Ltd.; AEON S.S. Insurance Co., Ltd.; ACS Leasing Co., Ltd.; and AEON Allianz Life Insurance Co., Ltd.) have been designated as Outstanding Health and Productivity Management Organizations for 2023. ACS Credit Management Co., Ltd. was also recognized as a White 500 organization for 2023, having been selected as one of the top 500 companies in the large enterprise category.

List of Domestic Companies Designated as Outstanding Health and Productivity Management Organizations

Included for five consecutive years	Included for four consecutive years	Included for two consecutive years	Included for fourth time
<ul style="list-style-type: none"> • ACS Credit Management Co., Ltd. • AEON Financial Service Co., Ltd. • AEON Housing Loan Service Co., Ltd. • AEON Insurance Service Co., Ltd. • ACS Leasing Co., Ltd. 	<ul style="list-style-type: none"> • AEON Bank, Ltd. • AEON S.S. Insurance Co., Ltd. 	<ul style="list-style-type: none"> • AEON Allianz Life Insurance Co., Ltd. 	<ul style="list-style-type: none"> • AEON Product Finance Co., Ltd.



(2) Health management initiatives at AFS

① Promotion of Health Management, Enhancement of Preventative Measures

We carry out annual group health checkups at each of our business sites with the aim of achieving 100% participation by employees. In addition, we took action in fiscal 2020 to reduce the rate of smoking by instituting Group-wide bans on smoking during working hours, smoking on company premises, and smoking less than 45 minutes before starting work. All Group employees are also registered users of the Pep Up health portal site operated by the AEON Health Insurance Society. Our aim is to encourage employees to review their lifestyle habits and improve their health literacy by visualizing their own health status.

② Promoting the Four Types of Care (Mental Health)

Mental health support measures in the workplace include training on self-care and line care with the cooperation of supervising industrial physicians. We also ask all AFS employees to undergo stress checks. The results of our organizational diagnostics are shared with the Safety and Health Committee and workplace organizations, while knowledge obtained from external advisers is used in the implementation of measures to solve issues at individual workplaces.

In addition to regular distribution of health-related information by industrial physicians and occupational health nurses, the health support centers set up in Tokyo and Chiba provide consultations on, for example, employee health, medical care, and mental health. Conducting online interviews for bases all over Japan and for expatriates assigned overseas, the centers are working to manage the health of Group employees.

③ Improvement of Working Environments

We are helping our employees achieve a healthy work-life balance through initiatives that include the official adoption of consecutive holidays, and the systematic provision of up to 15 days of annual paid leave. In addition, internal bodies, such as the Operational Risk and Compliance Subcommittee, monitor employee working hours, paid leave utilization rates, and other factors in order to identify and assess occupational health and safety risks.

④ Health Promotion and Health Management Activities for Customers and Local Communities

Our ROUTY healthcare app is an important part of our initiatives to contribute to health and happiness in local communities, which is one of the goals in the Health Management Declaration.



ROUTY healthcare app

(3) Promotion of a variety of work styles

By allowing employees to choose from a variety of work styles that meet their needs, such as the balancing of work with childcare or nursing care, we are working to create environments in which employees can fully demonstrate their abilities.

① Flextime system (no core time setting)

② Promotion of remote working that utilizes telework

In April 2022, the retirement age was raised from 60 to 65. In accordance with the Group's basic human resource philosophy, there is no retirement age.

Human Resource Development

In terms of AEON human resource activities, there is a saying that has been passed down from generation to generation—“The greatest form of welfare is education”—and Group companies actively invest in education, such as in the provision of learning opportunities. We encourage our employees to work hard and request that they continue to strive toward their goals.

(1) Recruitment

While providing opportunities for our employees to demonstrate their abilities, such as participation in new projects and training, we respect the challenges they face. We also aim to constantly inject vitality and freshness into the organization by conducting personnel transfers based on employees’ free will and sense of self-responsibility.

Recruitment List

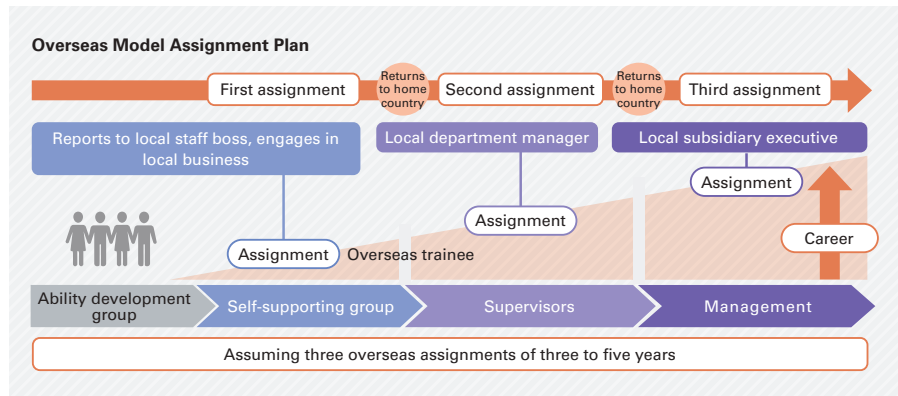
[Organizational strengthening, projects]

- Overseas management dispatches, overseas management personnel development course
- DX Promotion Department
- Ideathons

[Training]

- Domestic graduate school (MBA course) dispatches
- Job-specific courses (digital technology, human resources, finance and accounting, business audits)

Overseas Management Personnel Development Course



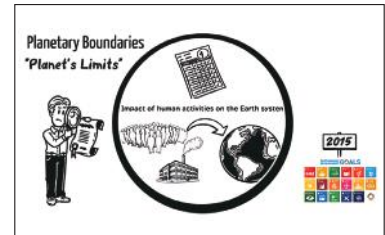
(2) Main training programs

① Governance Strengthening

- Risk management training
- Internal control training
- Harassment training
- Sustainability training

② Director and Auditor Training

For the Company’s directors and auditors to properly fulfill the roles and responsibilities expected of them as people who play a part in the Company’s important governing institutions, we conduct executive training sessions for them every month (once a month, a total of 12 times a year) for the purpose of having them acquire the necessary knowledge.



Sustainability training video

③ DX Training

With the aim of responding to changes in the business environment and improving the IT literacy of the entire organization, we are conducting DX literacy training sessions targeting all employees for them to learn basic knowledge about digital technology and how to utilize data.

Fiscal 2022 Education Program

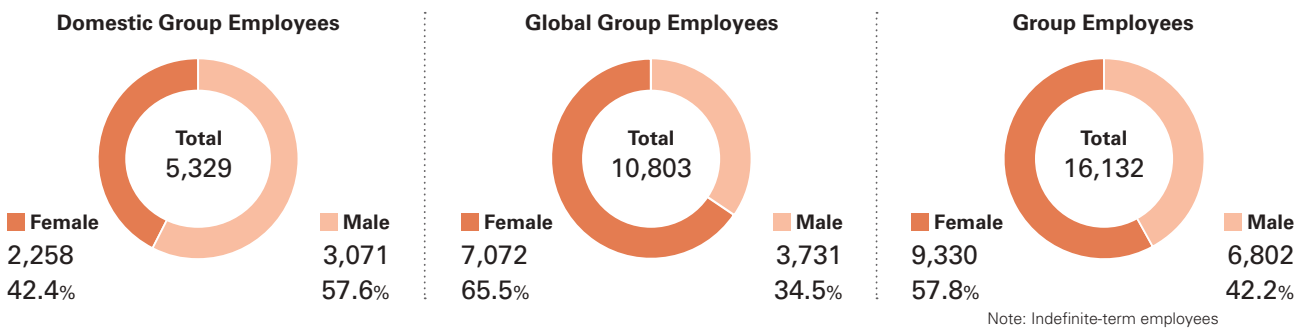
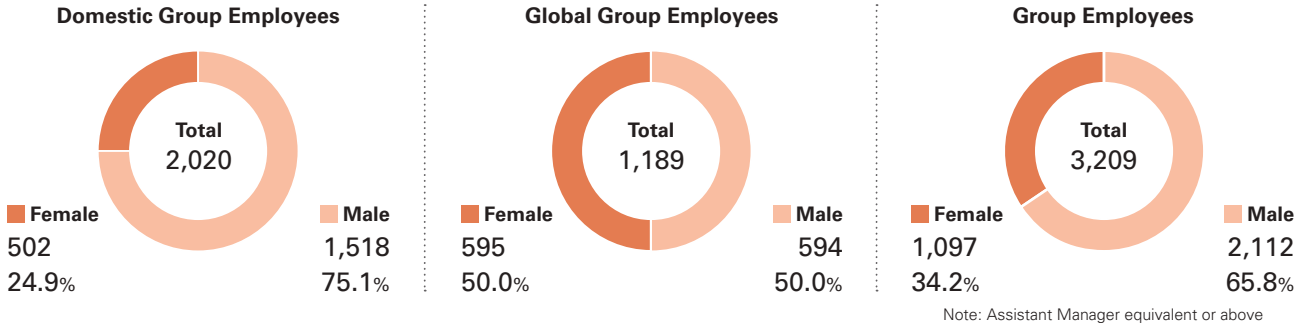
Management Personnel	Professional Personnel	Philosophy/Human Rights/Governance	On Appointment/Career Support	Well-being
<ul style="list-style-type: none"> • Director and auditor training • Overseas management personnel development course • AFS Management Course • AFS Global Course • Training for newly appointed directors • Management executive training • Domestic graduate school (MBA course) dispatches 	<ul style="list-style-type: none"> • DX training • Finance and accounting personnel development course • Management planning training school • Job-specific courses (digital technology, human resources, finance and accounting) 	<ul style="list-style-type: none"> • Code of conduct training • Harassment training • Risk management training • Internal control training • Diversity promotion training • Sustainability training • Temporary director/Audit & Supervisory • Board member training • Board of Directors’ secretariat training • Finance and accounting manager training • Training about sexual minorities • Training about people with disabilities 	<ul style="list-style-type: none"> • Training for promotion • Digital technology and IT training • Training for prospective recruits and new employees • Follow-up training for employees during their first three years • CDP training (at ages 30 and 40) • Management and supervisory training • New center director training 	<ul style="list-style-type: none"> • Health management training • Training on women’s health issues

Note: Including AEON Group common programs

(3) AFS Academy

In March 2023, we opened the AFS Academy, an in-house educational institution dedicated to the development of skills needed by all employees of the AFS Group. We are encouraging voluntary learning activities by employees by providing online video learning resources and a digital library, as well as support for obtaining official qualifications, and seminars presented by outside instructors.

[▶ P.30 AFS Academy](#)

**Human Resource-related Data****Number of Employees/Employee Ratio (Fiscal 2022)****Number of Managers/Manager Ratio (Fiscal 2022)****Total Number of New Hires
(Fiscal 2022)****Domestic Group Companies**

	Male	Female	Total
Regular recruitment	62	43	105 (Joined April 1, 2023)
Other than regular recruitment	182	107	289 (Joined from March 1, 2022 to the end of February 2023)

**Average Age/Average Length of Service
(as of February 28, 2023)****Domestic Group Companies**

	Male	Female	Total
Average age	41.8	40.1	41.1
Average length of service	8.8 Years	7.0 Years	8.1 Years

**Employment Rate of Persons with Disabilities
(as of June 1, 2023)**

2.50%

Note: Total of six domestic group companies (AFS Corporation Co., Ltd.; AEON Housing Loan Service Co., Ltd.; ACS Leasing Co., Ltd.; and AEON S.S. Insurance Co., Ltd. are not subject to the statutory employment rate because they have fewer than 43.5 regular employees.)

**Training Cost/Training Time
(Fiscal 2022)****Domestic Group Companies**

Training cost per person	¥32,906
Training time per person	23.7 Hours

Note: Including directors

Our Management Team (As of October 1, 2023)

Directors



Shunsuke Shirakawa
Chairman

1986 Joined Ministry of Finance
 2001 Appointed Secretary to the Minister for Financial Services
 2008 Appointed Director for Fiscal Investment and Loan Appropriation of Financial Bureau of Ministry of Finance
 2010 Appointed Director of Insurance Business Division of Supervisory Bureau of Financial Services Agency
 2011 Appointed Director of Evaluation Division of Inspection Bureau of Financial Services Agency
 2013 Appointed Deputy Director-General of the Planning and Coordination Bureau of Financial Services Agency
 2016 Appointed Deputy Director-General of the Planning and Coordination Bureau of Financial Services Agency
 2019 Appointed Deputy Commissioner for Policy Coordination of Policy Bureau of Financial Services Agency
 2021 Appointed Director General of Kanto Local Finance Bureau of Ministry of Finance

Appointed Advisor of the Company
 2023 Appointed Chairman and Director of AEON Bank, Ltd. (current position)
 Appointed Chairman of the Company (current position)
 Appointed Director of AFS Corporation Co., Ltd. (current position)
 Appointed Director of ACS Digital Berhad (current position)



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.
 Appointed Head of Asia Business Division of the Company.
 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

Appointed Chairman and Representative Director of ACS Servicing (Thailand) Co., Ltd.
 2019 Appointed Managing Director of AEON THANA SINSAP (THAILAND) PCL.
 Appointed Chairman and Representative Director of AEON SPECIALIZED BANK (CAMBODIA) PLC.
 Appointed Director of AEON CREDIT SERVICE CO., LTD.
 2020 Appointed President and CEO of the Company (current position)
 Appointed Director of AEON THANA SINSAP (THAILAND) PCL.
 2022 Appointed Representative Director and President of AEON CREDIT SERVICE CO., LTD.
 Appointed Director of AEON BANK CO., LTD. (current position)



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
 Appointed Aide to the Group Control and Accounting Officer of AEON Co., Ltd.
 2012 Appointed General Manager of Administration Division of AEON MALL Co., Ltd.
 Appointed General Manager of ASEAN Division of AEON MALL Co., Ltd.
 2013 Appointed Director and General Manager of ASEAN Division of AEON MALL Co., Ltd.
 Appointed Managing Director, General Manager of ASEAN Division, and General Manager of Digital Promotion Department of AEON MALL Co., Ltd.
 2019

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
 2021 Appointed Chairman and Representative Director of AEON THANA SINSAP (THAILAND) PCL. (current position)
 Appointed Director of AEON CREDIT SERVICE (M) BERHAD (current position)
 2022 Appointed Chairman of Investors' Association of ACS Trading Vietnam Co., Ltd. (current position)
 2023 Appointed Director and Managing Executive Officer, General Manager of the Overseas Business Division of the Company. (current position)



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
 Appointed Head of Credit Card Business Administrative Department, Head of New Business Development Department of AEON CREDIT SERVICE (M) BERHAD
 2011 Appointed General Manager of Myanmar Representative Office of the Company
 2012 Appointed Representative Director and President of AEON MICROFINANCE (MYANMAR) COMPANY LIMITED
 2019 Appointed Representative Director and President of AEON CREDIT SERVICE (M) BERHAD

Appointed Director and Managing Executive Officer in charge of Group Corporate Planning of the Company.
 Appointed Director and Managing Executive Officer in charge of the Group Corporate Planning Division, Business Promotion Division, and Insurance Business of the Company.
 2021 Appointed Director of AEON Insurance Service Co., Ltd.
 Appointed Director of AEON Allianz Life Insurance Co., Ltd.
 Appointed Director and Managing Executive Officer in charge of the Group Corporate Planning Division of the Company.
 2022 Appointed Director of AEON Product Finance Co., Ltd.
 2023 Appointed Director and Managing Executive Officer, General Manager of the Corporate Planning Division of the Company. (current position)



Tomoyuki Mitsufuji

Director and
Managing Executive Officer

1987 Joined The Sanwa Bank, Limited (currently, MUFG Bank, Ltd.)
1994 Appointed Deputy Head of Capital Market Department of The Sanwa Bank, Limited
1998 Appointed Manager of Planning Department of The Sanwa Bank, Limited
1999 Appointed Vice President of Structured Finance Department of Sanwa International plc (London)
2001 Appointed Manager of 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.
2012 Appointed Director, Executive Officer and Head of Asset Management 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.
2015 Appointed Director, Managing Executive Officer in charge of CSR, Credit, Operation Reforms and Business Reforms of AEON Bank, Ltd.
Appointed Director, Managing Executive Officer in charge of Credit, Operation Reforms and Risk Compliance of AEON Bank, Ltd.

2016 Appointed Director, Managing Executive Officer in charge of Credit, Operation Reforms and Business Reforms of AEON Bank, Ltd.
2017 Appointed Director, Managing Executive Officer in charge of Business Promotion of AEON Bank, Ltd.
Appointed Director of AEON Bank, Ltd.
Appointed Head of Risk Management & Compliance Division and Head of Risk Management Department of the Company
2019 Appointed Director and Senior Executive Officer in charge of Risk Management & Compliance and Head of Risk Management & Compliance Division of the Company
Appointed Chairman of the Commissaris of PT. AEON CREDIT SERVICE INDONESIA
Appointed Director and Senior Executive Officer in charge of Group Risk Management
2021 Appointed Director and Senior Executive Officer in charge of Group Corporate Management and Group Risk Management
Appointed Director and Chairman of AEON Credit Service (Asia) Co., Ltd. (current position)
Appointed Director and Senior Executive Officer in charge of Group Corporate Management
2022 Appointed Director and Managing Executive Officer in charge of Group Corporate Management
2023 Appointed Director and Managing Executive Officer, General Manager of the Finance and Accounting Division of the Company. (current position)



Kazuaki Arima

Director and
Managing Executive Officer

1995 Joined the Company
2004 Appointed Head of Kyushu and Okinawa Business Department of the Company
2006 Appointed Head of Kyushu and Shikoku Branch of the Company
2008 Appointed Head of Metropolitan Branch of the Company
2011 Appointed General Manager of Development Department of AEON MALL Co., Ltd.
2012 Appointed General Manager of New Business Development Department of AEON MALL Co., Ltd.
Appointed Executive Officer and Head of Internet Business Department of AEON CREDIT SERVICE CO., LTD.
2013 Appointed Executive Officer and Head of Sales Planning Department of AEON CREDIT SERVICE CO., LTD.
Appointed Executive Officer and General Manager of Sales Planning Department of AEON CREDIT SERVICE CO., LTD.
2014 Appointed Executive Officer and General Manager of Marketing Department of AEON CREDIT SERVICE CO., LTD., and Head of Marketing Department of the Company

2015 Appointed General Manager of Business Promotion Department of AEON CREDIT SERVICE CO., LTD.
2016 Appointed General Leader of Four Shift System Promotion Team of AEON Co., Ltd.
2017 Appointed Project Leader of Alliance Promotion Team of AEON Co., Ltd.
2018 Appointed President and CEO of AEON ENTERTAINMENT CO., LTD.
Appointed Managing Executive Officer and in charge of Corporate Sales of AEON CREDIT SERVICE CO., LTD.
2022 Appointed Director of AEON MARKETING CO., LTD.
Appointed Director, Managing Executive Officer and in charge of Corporate Sales of AEON CREDIT SERVICE CO., LTD.
Appointed Director, Managing Executive Officer, in charge of Retail Sales and Corporate Sales and Head of Sales Planning Division of AEON CREDIT SERVICE CO., LTD.
2023 Appointed Director, Managing Executive Officer of the Company
Appointed Director, Managing Executive Officer, Representative of the Payment Business of the Company (current position)



Toshiya Shimakata

Director and
Managing Executive Officer

2000 Joined the Company
2006 Appointed Head of Public Relations Department of the Company
2008 Appointed Head of President Office of the Company
2010 Appointed Director and Head of Sales Division of AEON Credit Service (Asia) Co., Ltd.
2012 Appointed Chief Executive Officer of AEON MICRO FINANCE (TIANJIN) CO., LTD.
2013 Appointed Chief Executive Officer of AEON Credit Guarantee (China) Co., Ltd.
2015 Appointed President and CEO of ACS Trading Vietnam Co., Ltd.
Appointed Head of Sales Planning Department of AEON CREDIT SERVICE CO., LTD.
2016 Appointed General Manager of Credit Examination & Credit Management Department of AEON CREDIT SERVICE CO., LTD.
Appointed Executive Officer, General Manager of Credit Control Department and Head of Risk Management Department of AEON CREDIT SERVICE CO., LTD.
2017

Appointed Executive Officer, Deputy Head of Credit Control Division and Head of Credit Management Planning Department of AEON CREDIT SERVICE CO., LTD.
2018 Appointed Outside Director of Japan Credit Information Reference Center Corp.
2019 Appointed Director, Executive Officer and Head of Credit Control Division of AEON CREDIT SERVICE CO., LTD.
2021 Appointed Director, Managing Executive Officer and Head of Corporate Management Division of AEON CREDIT SERVICE CO., LTD.
2022 Appointed Director, Managing Executive Officer, Head of Corporate Management Division and General Manager of Legal & Risk Management Department of AEON CREDIT SERVICE CO., LTD.
Appointed Director, Managing Executive Officer of the Company
2023 Appointed Director of AEON Product Finance Co., Ltd. (current position)
Appointed Director, Managing Executive Officer, General Manager of the Corporate Management Division of the Company. (current position)



Hiroyuki Watanabe

Director

1982 Joined Isejin JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
Representative Director of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
2006 Appointed Director in charge of Human Resources, General Affairs and Public Relation of AEON Financial Project Co., Ltd.
2008 Appointed Director, Managing Executive Officer in charge of Human Resources and General Affairs of AEON Bank, Ltd.
Appointed Director, Senior Managing Executive Officer and Head of Corporate Management Division of AEON Bank, Ltd.
2012 Appointed Director of the Company
2013 Appointed Director in charge of Human Resources, General Affairs and Legal & Compliance of the Company
Appointed Director of the Company (current position)
2014 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
Appointed Executive Officer of AEON Co., Ltd.
Appointed Director of the Company (current position)
2018 Appointed Director of AEON Bank, Ltd.
Appointed Director of ZAG ZAG Co., Ltd. (current position)
2020 Appointed Director of Abilities JUSCO Co., Ltd.
2021 Appointed Director of AEON DELIGHT CO., LTD. (current position)
Appointed Executive Vice President in charge of Human Resources and Administration, and Supervisor of Risk Management of AEON Co., Ltd. (current position)
2022 Appointed Outside Director of Inageya Co., Ltd. (current position)

Our Management Team

Directors



Yoshimi Nakajima

Director (Outside)

- 1980 Joined The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
 - 1982 Joined AVON Product Co., LTD., Tokyo Japan
 - 1990 Joined Disney Home Video Japan Co., Ltd.
 - 1992 Joined Dentsu Wunderman Direct Co., Ltd.
 - 1995 Joined Mary Kay Cosmetics 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.
 - 2002 Appointed Vice President in charge of Global Traveler's Check & Prepaid Card Service of American Express International, Inc. (Japan)
 - 2003 Appointed Vice President and Marketing Supervisor of Personal Business Department of American Express International, Inc. (Japan)
 - 2011 Appointed President of American Express International, Inc. (Singapore)
 - Appointed Senior Vice President in charge of Acquisition & Marketing of Personal Business Department of American Express International, Inc. (Japan)
 - 2014 Appointed President and Representative Director of American Express Japan Co., Ltd. (concurrent position)
 - 2016 Appointed Senior Vice President in charge of Acquisition & Marketing of Personal Business Department of American Express International, Inc. (Japan) and President and Representative Director of American Express Japan Co., Ltd.
 - 2017 Appointed Outside Director of the Company (current position)
Outside Director of Yamaha Corporation (current position)
 - Appointed Outside Director of Japan Freight Railway Company (current position)
 - 2018 Appointed Outside 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
Outside Director of ULVAC, Inc.
Outside Director of Sekisui House, Ltd.



Kotaro Yamazawa

Director (Outside)

- 1980 Joined Bank of Japan
Appointed Deputy Representative of
 - 1988 Hong Kong Representative Office of Bank of Japan
Appointed Manager of Banking Division of Osaka Branch of Bank of Japan
 - 2000 Appointed Manager of Personnel Division of Personnel Department of Bank of Japan
 - 2004 Appointed Head of Hakodate Branch of Bank of Japan
 - 2006 Seconded to Osaka Securities Exchange Co., Ltd.
 - 2010 Appointed Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
 - Appointed Senior Executive Officer of Japan Exchange Group, Inc. and Director and Senior Executive Officer of Osaka Securities Exchange Co., Ltd.
 - 2013 Appointed Senior Managing Executive Officer of Japan Exchange Group, Inc. and Director and Senior Managing Executive Officer of Osaka Securities Exchange Co., Ltd.
 - 2014 Appointed Director and Vice President of Osaka Exchange, Inc.
 - 2015 Appointed Director and Vice President of Osaka Exchange, Inc.
 - Appointed Advisor of Osaka Exchange, Inc.
 - 2017 Appointed Corporate Auditor (External) of the Company
Appointed Outside Director of Tokyo Commodity Exchange, Inc.
Appointed Special Advisor of GLORY LTD.
 - 2018 Appointed Outside Auditor of WingArc1st Inc.
 - 2019 Appointed Outside Director of the Company (current position)
Appointed Outside Director of WingArc1st Inc. (current position)
 - 2020 Appointed Outside Director of HiJoJo Partners Inc. (current position)
 - 2021 Appointed Corporate Auditor (Full-Time) of AGRIMEDIA Co., Ltd.
 - 2022 Appointed Outside Director of MORNINGSTAR JAPAN Inc. (currently, SBI Global Asset Management Co., Ltd.) (current position)
- (Significant concurrent positions)
Outside Director of WingArc1st Inc.
Outside Director of HiJoJo Partners Inc.
Outside Director of Morningstar Japan K.K.
Corporate Auditor (Full-Time) of AGRIMEDIA Co., Ltd.



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 from the position
 - 2019 Appointed Outside Director of bitFlyer, Inc.
Appointed Outside Director of the Company (current position)
Registered as an attorney-at-law (Da-ichi Tokyo Bar Association)
 - 2022 Appointed Outside Director of PowerX, Inc. (current position)
 - 2018 Appointed Outside Director of Riken Corporation (current position)
- (Significant concurrent positions)
Attorney-at-law of Aoyama TS Law Office
Outside Director of PowerX, Inc.
Outside Director of Riken Corporation



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)
Appointed Representative of Takashi Nagasaka CPA Office (current position)
 - 2019 Appointed Outside Director of Contec Co., Ltd.
Appointed Outside Auditor of Tokushu Tokai Paper Co., Ltd.
 - 2020 Appointed Outside Director of PARK24 CO., LTD.
Appointed Outside Director of the Company (current position)
 - Appointed Outside Director of Tokushu Tokai Paper Co., Ltd. (current position)
 - 2022 Appointed Outside Director and Independent Officer and Audit and Supervisory Committee Member of PARK24 CO., LTD. (current position)
Corporate Auditor (Full-Time) (External)
- (Significant concurrent positions)
Representative of Takashi Nagasaka CPA Office
Outside Director of Tokushu Tokai Paper Co., Ltd.
Outside Director of PARK24 CO., LTD.

Auditors

**Maki Watanabe**

Corporate Auditor (External)

- 1988 Joined JUSCO Co., Ltd. (currently, AEON Co., Ltd.)
- 1992 Served in Hyogo Accounting Section of JUSCO Co., Ltd.
- 1993 Served in Budget Section of Accounting Department of JUSCO Co., Ltd.
- 2010 Appointed General Manager of Accounting Department of AEON Co., Ltd.
- 2013 Appointed Audit & Supervisory Board Member of AEON Hokkaido Corporation
- 2013 Appointed General Manager of Consolidated Accounting Department of AEON Co., Ltd.
- 2013 Appointed Audit & Supervisory Board Member of Mega Sports Co., LTD
- 2017 Appointed Part-Time Audit & Supervisory Board Member of AEON MALL Co., Ltd.
- 2018 Appointed Full-Time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of AEON MALL Co., Ltd. (current position)
- 2018 Appointed Corporate Auditor (Full-Time) of the Company (current position)
- 2018 Appointed Auditor of AEON Bank, Ltd. (current position)
- 2023 Appointed Auditor of AFS Corporation Co.,Ltd. (current position)

**Go Otani**Corporate Auditor (External)
Independent Director

- 1980 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
- 1980 Appointed Acting Senior Vice President, Shaklee Business of Yamanouchi Pharmaceutical Co., Ltd.
- 1997 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 Headquarter (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 Corporate Auditor (External) of the Company (current position)

**Yuko Yogo**Corporate Auditor (External)
Independent Director

- 1982 Joined Tokyo Branch of Morgan Bank (currently JP Morgan)
- 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
- 2005 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)

**Takafumi Fujimoto**

Corporate Auditor

- 1987 Joined National Police Agency
- 2011 Appointed Chief of Kagawa Prefectural Police Headquarters
- 2014 Appointed Director of Community Safety Bureau of Tokyo Metropolitan Police Department
- 2015 Appointed Director of Personnel Division of Commissioner-General's Secretariat of National Police Agency
- 2017 Appointed Administrative Inspector General of Commissioner-General's Secretariat of National Police Agency
- 2018 Appointed Director-General for Policy Coordination of Commissioner-General's Secretariat of National Police Agency
- 2020 Appointed Chief of Osaka Prefectural Police Headquarters
- 2021 Appointed Director-General of the Criminal Affairs Bureau of National Police Agency
- 2021 Appointed Advisor of AEON Co., Ltd. (current position)
- 2022 Appointed Auditor of The Dai-ri, Inc. Appointed Corporate Auditor of AEON CREDIT SERVICE CO., LTD.
- 2022 Appointed Corporate Auditor of the Company (current position)
- 2023 Appointed Auditor of AEON Retail Co.,Ltd. (current position)
- 2023 Appointed Auditor of AEON DELIGHT CO., LTD. (current position)

Executive Officers

Managing Executive Officer
Insurance Business Representative**Tatsuya Saito**Executive Officer
New Credit Card System Development
Project Team General Manager**Kazuo Nakayama**Executive Officer
Business Promotion Team General Manager**Shinichiro Nishimura**Executive Officer
Group Corporate Management Team
General Manager**Shozo Hamano**Executive Officer
Marketing and Innovation Division
General Manager**Toshiyuki Masuda**Executive Officer
Human Resources and General Affairs Division
General Manager**Takeshi Inagaki**Executive Officer
Corporate Audit Division General Manager**Kunihiro Wakida**Executive Officer
System Division General Manager**Hirofumi Mitsuishi**Executive Officer
Retail Sales Division General Manager**Tsuyoshi Narisawa**Executive Officer
Payment Business Team General Manager**Satoru Araki**Executive Officer
Processing Division General Manager**Nobuyuki Kimura**Executive Officer
Corporate Sales Division General Manager**Hiroshi Honda**Executive Officer
Sales Planning Division General Manager**Soichiro Hashimoto**Executive Officer
Customer Service Division General Manager**Kyoko Uchiyama**Executive Officer
Credit Management Division General Manager**Shigeki Yamada**

Corporate Governance

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.

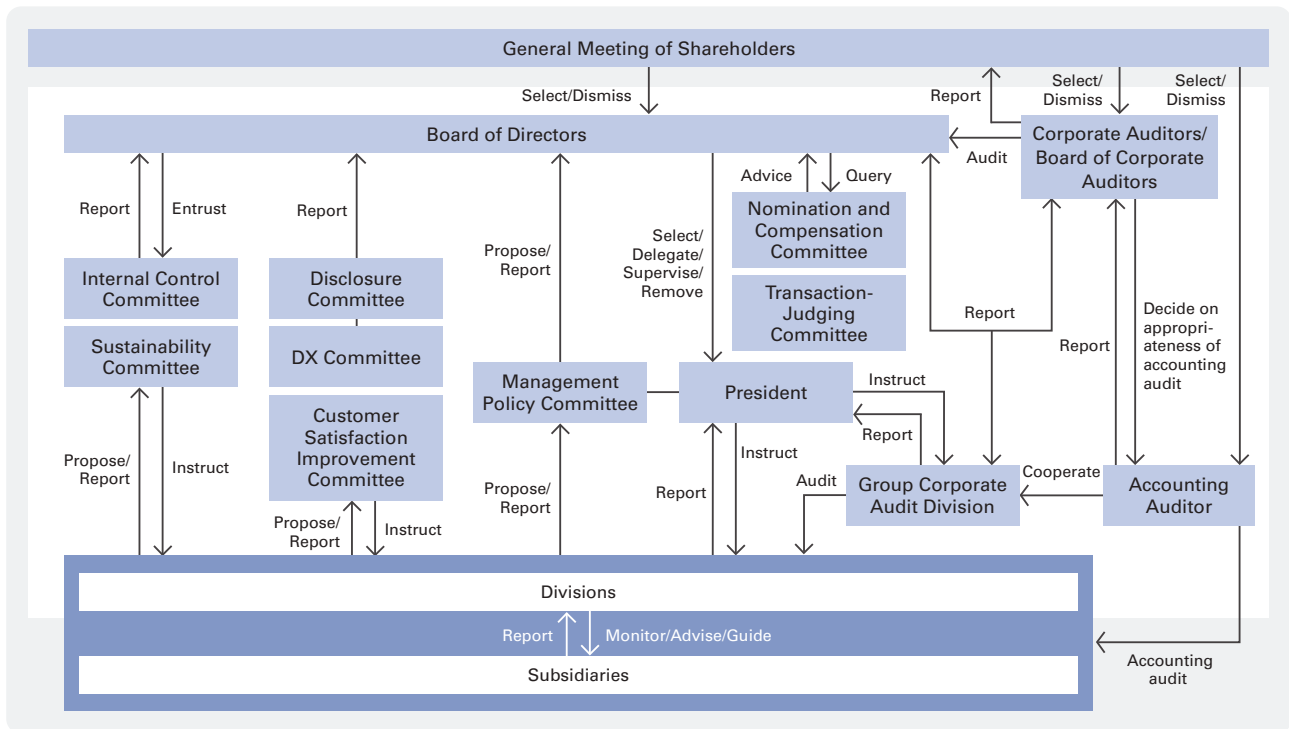
➔ Please refer to our corporate website for the Corporate Governance Guideline.

<https://www.aeonfinancial.co.jp/en/activity/governance/guideline/>

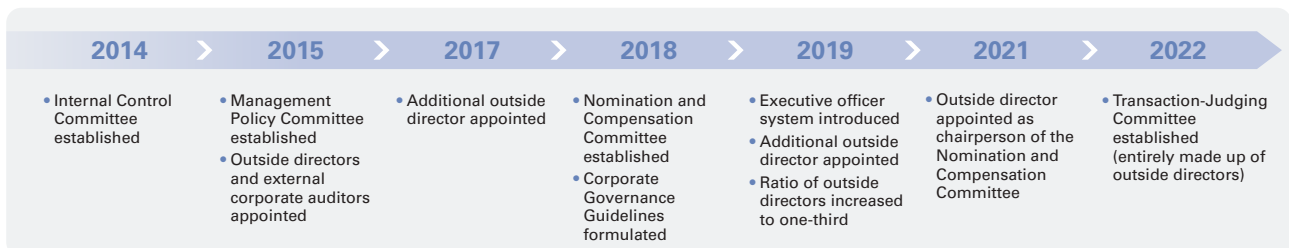
Corporate Governance Structure

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, the Disclosure Committee and Customer Satisfaction Improvement Committee, in addition to the Board of Directors.

Corporate Governance (As of September 30, 2023)








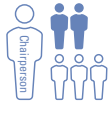




Evolution of Corporate Governance



Overview of Organization and Members

 Directors and Auditors
  Directors (Outside) and Auditors (External)

Name	Board of Directors	Management Policy Committee*	Internal Control Committee*	Sustainability Committee*	Board of Corporate Auditors
Members (Director/Auditors)	 8 internal members + 4 outside members Chairperson President and CEO	 7 internal members Chairperson President and CEO	 5 internal members Chairperson Director/Managing Executive Officer (In charge of Corporate Management)	 7 internal members Chairperson Director/Managing Executive Officer (In charge of Corporate Planning)	 1 internal members + 3 outside members Chairperson Corporate Auditor (External)
Overview	<ul style="list-style-type: none"> Engages in ongoing enhancement of management monitoring and internal control functions. Has the number of members required to allow timely decision-making with a focus on flexibility. Meetings held on a monthly basis, in principle. 	<ul style="list-style-type: none"> Established as the decision-making organ for the business operations of AEON Financial Service and its Group companies. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Ensures that the business operations of AEON Financial Service and its Group companies are executed appropriately and efficiently by engaging in specialized and general discussions and deliberations about matters relating to the development of the internal control system, by conducting comprehensive and expert review and deliberation to those concerned, providing necessary instructions, and by making necessary reports and proposals. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Engages in specialized and general discussions and deliberations about matters relating to the sustainability strategies and policies of AEON Financial Service and its Group companies, conducts comprehensive and expert review and deliberation to those concerned, provides necessary instructions, and makes necessary reports and proposals. Meetings held every six months as necessary. 	<ul style="list-style-type: none"> The Company is structured as a company with a Board of Corporate Auditors. The four-member board consists of three outside members (including two that qualify as independent officers) and one corporate member. One member has considerable knowledge on finance and accounting. Meetings held on a monthly basis as necessary.
Fiscal 2022 meetings held	18	31	12	2	19

Name	Nomination and Compensation Committee	Transaction-Judging Committee	Disclosure Committee	DX Committee*	Customer Satisfaction Improvement Committee*
Members (Director/Auditors)	 2 internal members + 4 outside members Chairperson Corporate Director (Outside)	 4 outside members Chairperson Corporate Director (Outside)	 5 internal members Chairperson Director/Managing Executive Officer (In charge of Finance and Accounting)	 5 internal members Chairperson Executive Officer (In charge of Marketing and Innovation)	 1 internal members Chairperson Executive Officer (In charge of Customer Satisfaction Improvement)
Overview	<ul style="list-style-type: none"> Ensures that the nomination and compensation decisions for directors and senior management of each subsidiary of the Company and its Group companies are made with objective, transparent, and independent procedures. The committee is also consulted by the Board of Directors to discuss and deliberate the candidates for the next director and the compensation of directors. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Deliberates on the appropriateness of significant transactions or acts that create a conflict of interest between the controlling shareholder and minority shareholders of the Company from the perspective of protection of the minority shareholders' interests. Meetings held as necessary. 	<ul style="list-style-type: none"> Engages in multi-faceted and comprehensive deliberations and discussions about important management-related information, such as disclosure data concerning the business performance and business operations of the AFS Group. Meetings held at least four times per year as necessary. 	<ul style="list-style-type: none"> Formulates digital transformation (DX) strategies for AFS and the AFS Group and works to optimize DX initiatives by individual Group companies from a Group-wide perspective. Meetings held on a monthly basis as necessary. 	<ul style="list-style-type: none"> Examines feedback from customers, affiliated merchants, and employees and engages in comprehensive and specialized deliberations and discussions about matters relating to the enhancement of the Company's customer services.
Fiscal 2022 meetings held	14	5	10	3	*Will be established in fiscal 2023

*Besides the directors above, executive officers and general managers of related departments also attend the committees.

Corporate Governance



Approach to Director Diversity

The Company selects directors who can contribute to the various life stages and lifestyles of its customers. Candidates must possess both high integrity (ethics and honesty) and management skills and also share the AEON philosophy. In addition, they must have a wealth of practical experience and special expertise to fulfill a leadership role in corporate management, global finance, retailing, law, accounting, or other areas. Consideration is given to ensuring diversity by age and gender of those entrusted with proper decision-making and supervision at the corporate level.

From the viewpoint of emphasizing independence, outside directors fulfill the independent director/auditor requirements of the Tokyo Stock Exchange. They are selected in consideration of gender and diversity and achieving a balance among specialized fields. The ones selected include those who have served in a leadership role in individual fields and those who have experience at the policy decision level and who can be expected to contribute to enhancement of the Company's corporate value.

The Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors, chaired by an independent outside director, and one in which independent outside directors compose a majority of the members. When selecting candidates for director, which has been designated as a matter decided by the Board of Directors, the highest value is accorded to a record of results in a deliberative committee.

Criteria for independence of candidates for outside directors are as set forth below.

[Criteria applied to all directors]

- 1.1 Is not a person belonging to the Company or a subsidiary of the Company in the capacity of executive director, vice president, corporate executive, or other employee (hereinafter, collectively, "business executive") and was not a business executive at the Company or a subsidiary of the Company within the last 10 years prior to the appointment.
- 1.2 Is not a person who, at any time in the 10 years prior to the appointment, was a director, accounting advisor, or corporate auditor (excluding business executive) of the Company or a subsidiary of the Company who, during the 10 years prior to that appointment as director, accounting advisor, or corporate auditor was a business executive at the Company or a subsidiary of the Company.
- 2.1 Is not a person who has a business relationship with the Company or a major subsidiary of the Company (Note 1) whereby the Company or a major subsidiary of the Company is its major transacting counterparty (Note 2), or a person who is not currently or has not been in the last three years a business executive at such business partner that is an incorporated entity, etc. (Note 3).
- 2.2 Is not a person who has a business relationship with the Company or a major subsidiary of the Company who is a major transacting counterparty, or a person who is not currently or has not been in the last three years a business executive at such major transacting counterparty that is an incorporated entity, etc.

[Criteria applied to outside directors]

3. Is not a person who is a consultant, accounting expert or legal expert, etc., receiving a large sum (Note 4) of money or other financial asset other than the remuneration for directors and corporate auditors from the Company.
4. Is not an employee, etc., of a consulting firm, accounting firm, legal firm, etc., that has the Company as a major transacting counterparty.
5. Is not a person who receives a donation, etc., of a large sum from the Company, or who is a business executive of an incorporated entity, etc., receiving such donation.
6. Is not a person who is a major shareholder of the Company or a business executive of an incorporated entity, etc., that is a major shareholder of the Company.
7. Is not a person falling under the following categories (excluding persons who are not important persons (Note 5)) or a close relative.

(Note 6) of such person:

(a) Person falling under the above criteria 1 to 6.

(b) Person who is a director, corporate auditor, corporate executive, and important employee, etc.

(Note 1) Major subsidiary: AFS Corporation Co., Ltd.; AEON Bank, Ltd.; AEON CREDIT SERVICE CO., LTD.

(Note 2) Major transacting counterparty: Judged by the criterion of at least 1% of consolidated net sales (ordinary income in the case of the Company) in the most recent business year.

(Note 3) Incorporated entity, etc.: Includes organizations other than incorporated entities.

(Note 4) Large sum: At least ¥10 million per year based on an average of the past three years.

(Note 5) Persons who are not important persons: An "important person" refers to a person with a position in the class of company officer or general manager, and in the case of persons belonging to an accounting firm or law firm, etc., it refers to a certified public accountant or lawyer, etc.

(Note 6) Close relative: Spouse or relative within the second degree of kinship.



Support Systems for Directors

The Company regularly conducts director training in corporate governance, management strategy, risk management, internal controls, and compliance. The purpose is to foster the devotion of attendees to acquiring the necessary expertise for a corporate auditor and its roles and responsibilities, as well as updating this expertise as appropriate.

Also, as one part of their orientation upon assuming office, independent outside directors are provided the opportunity to observe operations sites and other facilities. After assuming office, they continue to be supplied with necessary information such as expertise related to the business.



Outside Directors: Reasons for Appointment

Outside Director	Reasons for Appointment	Attendance at Board of Directors Meetings During FY2022
Yoshimi Nakajima	After working at major marketing posts in places such as foreign financial institutions operating in Japan, Ms. Nakajima became President of American Express International in Singapore and also in Japan, where she worked on corporate strategy. She now serves as a special lecturer at the Graduate School of Project Design. Ms. Nakajima has a wealth of experience and a proven track record in corporate management of financial businesses, both in Japan and overseas. She also has excellent insights into marketing, digital transformation, corporate governance, and diversity and inclusion. Because she brings a diversity of perspectives from which she can express opinions and offer advice on domestic and overseas business, the Company has judged her to be an indispensable talent for the Board of Directors. She also serves as chair of the Nomination and Compensation Committee.	100% 18/18
Kotaro Yamazawa	After joining the Bank of Japan, Mr. Yamazawa became a director of the Osaka Securities Exchange (now the Osaka Exchange). He became a Senior Managing Executive Officer of the Japan Exchange Group (JPX) and then served as Vice President of the Osaka Exchange. Mr. Yamazawa has a wealth of experience and a proven track record in corporate management of financial business. He also has excellent insights into financial accounting and corporate governance. Because he can express sound opinions and offer advice centering on business strategy for sustainable growth with a focus on medium- to long-term growth markets and industry structure, while assimilating a wide range of views, the Company has judged him to be an indispensable talent for the Board of Directors.	100% 18/18
Tatsuya Sakuma	Following his appointment as public prosecutor, Mr. Sakuma served as a general director of the Tokyo District Public Prosecutors Office and Chief of Special Investigations. He then headed the United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders, followed in succession by service at two major positions, Chief Public Prosecutor of the Chiba District Public Prosecutors Office, and Director-General of the Research and Training Institute of the Minister of Justice. He is now actively involved as a practicing attorney and brings to his directorship a wealth of experience and excellent insights spanning his long tenure in the legal profession. Because he can express sound opinions and offer advice from an independent and objective basis, centered on internal controls and risk management, the Company has judged him to be an indispensable talent for the Board of Directors. He also serves as chair of the Transaction-Judging Committee.	100% 18/18
Takashi Nagasaka	As a certified public accountant, Mr. Nagasaka has served in succession as an audit manager at ChuoAoyama Audit Corporation and a Managing Director, then Senior Partner, of Shinnihon Audit Corporation (now Ernst & Young Shinnihon LLC). He now serves as Representative of Takashi Nagasaka CPA Office. Mr. Nagasaka has a wealth of experience and excellent insights, focused on financial audits and internal controls, from exercising responsibility at auditing firms across a broad span of industries including retail, financial, and companies operating overseas. Because he can express sound opinions and offer advice on an independent and objective basis, centered on transactions with controlling shareholders and assurance of propriety, the Company has judged him to be an indispensable talent for the Board of Directors.	100% 18/18

Corporate Auditor (External)	Reasons for Appointment	Attendance at Board of Directors Meetings During FY2022
Maki Watanabe	After joining JUSCO Co., Ltd. (now AEON Co., Ltd.), Ms. Watanabe held a variety of posts, including head for the Consolidated Accounting Division. She also served as corporate auditor of various Group companies. She has extensive experience in accounting and as a corporate auditor and can be expected to fulfill the role of corporate auditor by ensuring the soundness and appropriateness of management and decision-making. For these reasons, she is seen as a person who can play an essential role in enhancing the structure and functions of the Company's Board of Corporate Auditors.	—
Go Otani	Mr. Otani joined Yamanouchi Pharmaceutical Co. Ltd. (now Astellas Pharma Inc.), where he successfully carried out a series of major positions including Outside Director of US subsidiary Shaklee Corporation. After serving as a Deputy Vice President in Charge of IR, he was seconded to Astellas Pharma Europe Ltd. (UK), a supervisory company in Europe, where he was General Manager of the Internal Auditing Division. He was later appointed Vice President of the Auditing Department at Astellas Pharma Co., Ltd. (Japan) and now serves as a full-time corporate auditor of the Company. Mr. Otani has broad expertise in a variety of fields conferred by a wealth of worksite experience in Japan and overseas. This has given him excellent insights into domains such as corporate governance, risk management, and internal controls. Because he can contribute to ensuring the adequacy and appropriateness of the Company's management, the Company has judged him to be an indispensable talent for enhancing the functions of the Board of Corporate Auditors.	100% 19/19
Yuko Yogo	After joining Morgan Bank (now J.P. Morgan), Ms. Yogo was engaged in banking, securities, and asset management at foreign financial institutions operating in Japan, starting with J.P. Morgan Securities. Since 2008, she has served as representative executive officer at Fidelity Holdings Inc. and executive officer responsible for the Human Resources Department at Fidelity Investments (Japan) Limited and Fidelity Brokerage Services Japan LLC. Has a wealth of experience and proven track record as an internal supervisory manager and person responsible for human resources at foreign financial institutions operating in Japan. Also possesses excellent insights into company culture, human resources development, and diversity and inclusion. In addition to her deep insights and global perspective, she can contribute to the strengthening of corporate governance by offering advice from a social perspective. Because of this, the Company has judged her to be an indispensable talent who can enhance the functions of the Board of Corporate Auditors.	95% 18/19

Messages from Outside Directors

Questions for Outside Directors

We asked the four outside directors about their assessment of and expectations toward the AFS Group's reform program, and their views on related issues, including governance.



Yoshimi Nakajima
Chair, Nomination and
Compensation Committee

A.1 The AFS Group is using advanced information technology to stay ahead of escalating competition, including an influx of companies from other industries. Major reforms are inevitable in this environment. To build a future for the Group as an organization that meets the needs of society and individuals, top management will need to act resolutely to implement reforms, including changes to the organizational culture. Maintaining high governance standards is not an easy task for an organization with so many subsidiaries. I have been very impressed by the commitment shown by both management and employees in Japan and overseas. However, it will take time to make up for the delayed investment in human resources needed to carry out these tasks, and management will need to speed up its efforts in this area.

A.2 The key to achieving future sustainable growth will be the ability to anticipate customer needs and provide well-timed responses to those needs. While the AFS Group has a strong customer base, I feel that they have not always focused sufficiently on the challenge of maximizing the value of the customer base and the policies needed for that achievement. There is ample scope to achieve growth through fine-tuned initiatives, such as developing marketing ideas, and actualizing customer needs. Another priority will be the effective utilization of human resources. The keys to growth are the development of a business portfolio that is in tune with short- and long-term strategies, reskilling based on that portfolio, and the use of DX, IT, and other technologies to achieve high operational efficiency.

A.3 I believe that the role of outside directors is not to oppose the executive organization, but rather to help them to enhance their effectiveness. The enhancement of corporate value requires a cycle that begins with repeated discussions based on the diverse experience of the outside directors, followed by final decisions by the executive organization, and evaluation of those decisions. My impression is that the AFS Group is achieving improvement thanks to continuing efforts over many years.



Kotaro Yamazawa

A.1 The AFS Group's greatest advantage is its focus on the customer's perspective as Japan's first financial group with roots in the retail sector. The most important characteristic of the AFS Group's governance is parent-subsidary listings. However, proper care is taken in the administration of this strategy to ensure that the interests of minority shareholders are not compromised, including the establishment of a Transaction Judging Committee. The Company is implementing major reforms, including the expansion of the Nomination and Compensation Committee. I believe that the enhancement of Group governance will remain a major priority.

A.2 As part of its "second founding," AFS aims to establish a business model that will improve customer convenience while increasing earnings. One growth area is our overseas business. New business initiatives include the establishment of a digital bank in Malaysia. A medium-term priority will be the development of a fourth pillar alongside the three companies that have already been listed. I believe that in order to pursue this strategy, management will need to foster a culture of pursuing Group synergies. They will also need to build their talent pool, both by training people internally, and also by recruiting externally.

A.3 I believe that my mission as an outside director is to oversee business strategy formulation and executive actions, to make decisions about officer nominations and compensation, and to protect the interests of minority shareholders. I also place great importance on the improvement of profit ratios to ensure the Company achieves a PBR of 1.0, as required by the Tokyo Stock Exchange. Other extremely important priorities are the enhancement of capital efficiency, and contribution to the solution of social issues through business activities that are based on medium- to long-term perspectives and align with the AFS Group's "Our Purpose." As an outside director, I want to help AFS to realize its potential by using my experience and knowledge to address these priorities and provide guidance for the formulation of important management strategies.

- Q.1** How would you assess the current position of AFS, and what issues do you see in relation to governance?
- Q.2** What do you see as AFS Group's priorities in terms of achieving sustainable growth?
- Q.3** What are your thoughts concerning the role and mission of outside directors?



Tatsuya Sakuma
Chair, Transaction-Judging
Committee



Takashi Nagasaka

A.1 Since its founding as AEON Credit Service, the AFS Group has expanded its earnings through enterprising initiatives, including the development of retail-based financial services, early expansion into overseas markets, and the establishment of new types of banks. However, there are gaps in the Group's governance systems, in part due to the complex role of AFS as an intermediate holding company. This situation has at times led to misconduct. My perception is that management has been addressing these issues in recent years, primarily through efforts to improve governance.

A.2 As reflected in management's decision to call the current medium-term management plan the Company's "second founding," AFS needs to work proactively to take up new challenges and initiatives that match the AFS Group's "Our Purpose," while also taking steps to improve its governance. In my opinion, priority should be given to the restoration and evolution of the Group's founding culture, including its enterprising spirit and respect for risk-taking.

A.3 Contribution to the improvement of governance is an obvious part of our work as outside directors, but I also think that we need to encourage the AFS Group to take appropriate risks so that it can raise its corporate value by achieving further growth in line with its Purpose.

A.1 AFS can take pride in the broad scope of its activities in Japan and overseas, and in its role as a provider of diverse products and services to which it adds value as the integrated finance company in the AEON Group. I also feel that the AFS Group is achieving diversity and inclusion, as evidenced by its diverse and highly skilled human resources. However, many subsidiaries find it difficult to integrate the strengths of their diverse workforces, and in some cases, they are not making full use of their strengths. The key is to achieve overall optimization by bringing together the strengths of individuals.

A.2 The Company's profits have been on a downward trend for the past two to three years. Even taking into account the impact of the COVID-19 pandemic, I believe that this trend is indicative of a slowdown in the latent growth rate. The fact that the price-book value ratio (PBR) remains below 1.0 can be seen as a signal that the market feels doubtful about the Company's long-term growth potential. Management's first priority should be to restore this growth potential and improve ROE, while also engaging in repeated dialogue to give shareholders and investors a deeper understanding about the Company's growth strategies.

A.3 The most important mission of an outside director is management oversight. I am determined to maintain broad medium- to long-term perspectives without being influenced by internal pressures, and to focus on management strategies that will deliver sustainable growth. AFS's outside directors actively provide diverse input to management and take action from perspectives that are independent from the executive organization. We need to consider a wide range of factors and work to improve corporate value from the viewpoint of shareholders and investors.

Corporate Governance

 Relationship with AEON Co., Ltd., Ensuring Equal Shareholder Rights

As the parent company, AEON Co., Ltd. holds 49.9% of voting rights. However, the business operations of AFS have been consistently based on independent decision-making as a listed subsidiary. By applying its unique insights as a comprehensive financial services provider with roots in the retail sector, AFS has worked to maximize the value it provides to all stakeholders, including minority shareholders.

In fiscal 2022, AFS established the Transaction-Judging Committee, which is made up exclusively of outside directors. Any transaction with the parent company that could conflict with the interests of minority shareholders is submitted in advance to this committee, which is tasked with ensuring that proper consideration has been given to the interests of minority shareholders by examining the appropriateness of such transactions.

The Transaction-Judging Committee met five times in fiscal 2022.

 Decision Guidelines for Compensation Amounts and Method of Calculation

Officer Compensation (Fiscal 2022)

Classification	Number of Recipients	Total Compensation (Millions of Yen)		
		Base Compensation	Performance-linked Compensation	Non-monetary Compensation, etc.
Directors (Outside Directors)	10 (4)	172 (53)	55 (—)	13 (—)
Corporate Auditor (Corporate Auditor (External))	4 (4)	29 (29)	—	—
Total (Total of Outside Directors)	14 (8)	201 (82)	55 (—)	13 (—)

*1 Based on the status at the adjournment of the 41st Ordinary General Meeting of Shareholders held on May 23, 2022, one retired director is included in the table above.

*2 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 (the 41st Ordinary General Meeting of Shareholders, held on May 23, 2022, resolved to limit compensation for outside directors to ¥100 million) and equity-linked compensation is limited to ¥150 million per year as determined by the fair market value of the stock options.

The number of directors at the conclusion of the 34th Ordinary General Meeting of Shareholders was 10 (with four outside directors), and the number of directors at the conclusion of the 41st Ordinary General Meeting of Shareholders was 12 (with four outside directors).

*3 The amount of compensation includes expenses related to the payment to five directors of ¥55.7 million for performance-linked compensation.

Non-monetary compensation includes expenses related to the allocation of stock options (stock acquisition rights) of ¥13.399 million for six directors.

*4 The 13th Ordinary General Meeting of Shareholders, held on May 18, 1994, resolved to limit compensation for corporate auditors to ¥50 million per year. The number of corporate auditors at the conclusion of the Ordinary Meeting of Shareholders was three (with three external auditors).

*5 At the end of the corresponding fiscal year (February 28, 2021), there were currently 12 directors and four corporate auditors. Among these officers, two directors and one corporate auditor are paid no compensation.

In order to ensure that decisions on appointment and compensation for directors and the core management team are carried out with procedures having objectivity, transparency, and independence, the Company established the Nomination and Compensation Committee (“the Committee”).

A majority of the Committee is comprised of outside directors, and the chair is selected from the members who are outside directors by mutual choice of those members. Based on the findings of the Committee, the Board of Directors decides upon the directors and core management team and their compensation, among other matters.

<Details on activities of the Nomination and Compensation Committee>

- May 2023: Amount of performance-linked compensation paid and number of shares of stock granted as compensation to full-time directors and executive officers for fiscal 2022
- May 2023: Director compensation following new elections (in fiscal 2023) (stipulated amounts of base compensation and performance-linked compensation, stipulated number of shares for stock compensation)

<Details on activities regarding compensation decisions for the Board of Directors>

- May 2023: Amount of performance-linked compensation paid and number of shares of stock granted as compensation to full-time directors and executive officers for fiscal 2022
- May 2023: Director compensation following new elections (in fiscal 2023) (stipulated amounts of base compensation and performance-linked compensation, stipulated number of shares for stock compensation)

*Performance compensation and stock compensation mean the amounts paid for Company and individual performance (indicating achievement status of operating income) when targets are met and the stipulated values for number of shares granted, which is set in advance as the stipulated number of shares, are determined after the close of the fiscal year when Company and individual performance is evaluated and the payment amounts and size of share grants are decided upon.

*Equity-linked compensation means the granting of subscription rights to shares as equity-linked compensation in the form of stock options.



Utilizing the Evaluation of Director Effectiveness

• Evaluation of Director effectiveness

In order to strengthen corporate governance to facilitate improvement in sustainable growth and medium- to long-term corporate value, the Company has analyzed and evaluated Board of Directors effectiveness. It is carrying out initiatives that apply the PDCA cycle on each issue identified as a result of this work.

In fiscal 2022, we commissioned an independent organization to carry out a survey of the effectiveness of the Board of Directors. All 12 directors and all four corporate auditors participated in a questionnaire survey about the composition, administration, and other aspects of the Board of Directors. They also underwent individual interviews lasting approximately one hour.

The results indicated that there had been improvements since fiscal 2021, that there were no major issues concerning the current corporate and governance structures, and that the Board of Directors was generally functioning appropriately and was improving its effectiveness. Issues identified through this assessment will be the focus of continuing efforts to enhance the effectiveness of the Board of Directors.

Questionnaire Items

- Overall assessment of the Board of Directors
- Composition of the Board of Directors
- Preparations for Board meetings
- Administration of Board meetings
- Board deliberations
- Nomination and Compensation Committee
- Board of Corporate Auditors
- Each director's contributions to Board meetings
- Action on issues identified in fiscal 2021
- Analysis of gaps between the importance of motions and the time spent on deliberations (analysis of gaps based on 10 levels)

[Highly appreciated points on the effectiveness of the Board of Directors]

The following points were highly appreciated with the recognized improvements and enhancements.

- Having more robust discussions on the Board based on the viewpoint of achieving an optimal result for the entire Company
- Promoting mutual understanding among directors through off-site meetings
- Contribution made by the secretariat of the Board of Directors for preparations and other matters

[Issues identified as challenges regarding the Board's effectiveness]

- The following points were identified as the challenges that would require continued improvements

Sharing of an understanding of roles to be played by the Board of Directors.

The Board will share each director's understanding of the oversight function of the Board by having discussions from various viewpoints on the roles that the Board of Directors should perform to increase the Company's corporate value. At the same time, the execution side will clarify what roles they expect the Board of Directors to play to improve strategic discussions from the medium- and long-term perspectives.

- Review of Board composition and development of future top management

We will have discussions including discussions on board composition based on the roles that the Board of Directors should play, clarifying the qualifications and insights needed for the Company's directors. For the development of next-generation management, we will discuss how the Board of Directors should be involved from the viewpoint of supporting sustainable growth.

- Upgrading of the operation of the Board of Directors

To improve medium- and long-term strategic discussions at the Board of Directors meetings, we are closely examining the agenda items of the Board and preparing its annual agenda. We will also improve the function of the Board's secretariat and aim to achieve efficient operation and exercise the oversight function through the preparation of easier-to-understand materials for the Board and appropriate information provision to outside directors.

• Future key issues

We believe the effectiveness of the Board of Directors is secured at present but will aim to improve the following points including the on-going issues from the previous fiscal year as key issues to further enhance the Board effectiveness.

- Sharing of the Board's roles and deepening of discussions to improve corporate value (e.g., medium- and long-term visions and directions, reconfirmation of what the Company aspires to be, examination of expectations placed by capital markets)
- Review of Board composition and development of future top management
- Sorting out agenda to improve medium- and long-term strategic discussions at the Board
- Further upgrading of the secretariat's functions including improving the information provision system to directors

Risk Management

Risk Management

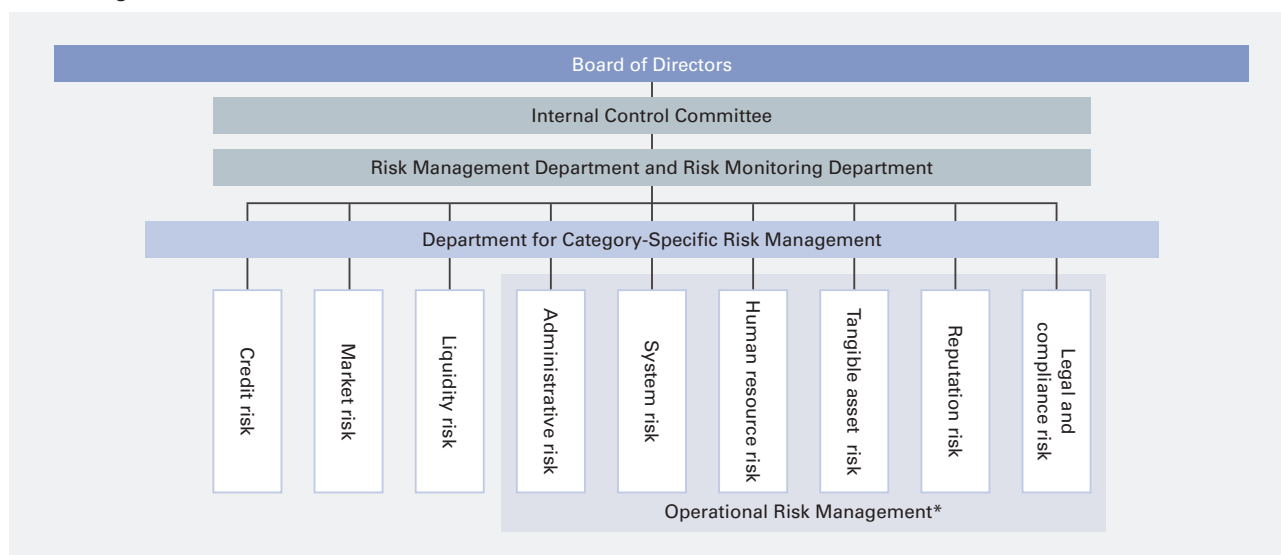
The Company employs a comprehensive approach in promoting risk management, working to evaluate the risks facing the Group in each risk category in the most consistent manner possible. This approach leads to a reliable and steady increase in corporate value.

As a structure to promote said risk management, the Company has established the Risk Management Department and the Risk Monitoring Department to oversee the risk management of the Company and the Group. The Internal Control Committee comprehensively studies and deliberates on matters relating to overall risk management in the Company and the Group and refers important matters to the Board of Directors. In addition, we have established subcommittees for each area under the Committee and conduct concrete examinations regarding operational issues that focus on monitoring and risk control. 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.

Risk Management Structure



*The Group classifies operational risk management into six categories. Departments manage risks relevant to them, while the Risk Management Department 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. We will draw up risk management action plans to guide the management of each type of risk in each fiscal year. After deliberations by the Internal Control Committee, these plans will be submitted to the Board of Directors for review and adoption. The Internal Control Committee and the Board of Directors will monitor progress on the execution of these plans on a monthly basis and deliberate on any actions required. The items listed on the Security Report and website have been highlighted as high priority risks and 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.

 Please refer to our corporate website for a list of major risks.

<https://www.aeonfinancial.co.jp/en/ir/strategy/risk/>

Compliance System

The officers and employees of the Group comply with the guidance for appropriate judgments and actions in line with the social norms and corporate ethics upheld by the AEON Group and the AEON Financial Service (AFS) Group Policies on Compliance, 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 Legal and Compliance Department as an entity charged with overseeing the compliance of the Group. It monitors compliance for respective Company and the 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.

For each company of the AFS Group, monitory guidance and support in the case of administrative penalties and guidance from a supervisory agency is carried out through this system.

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

The AFS Group has established whistleblowing contact points in all Group companies and made employees aware of internal and external whistleblowing systems, such as the AEON Compliance Hotline and the AEON Financial Service Compliance Hotline. 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. The system has been mandatory for operating companies especially in Japan since June 1, 2020, and includes measures to prevent power harassment in the workplace. In addition, in accordance with the amendments to the Whistleblower Protection Act that took effect in June 2022, the Company intends to handle cases on a global basis and, similar to what was done previously, utilize the same whistleblowing systems where whistleblowing can be received, and have cases examined and responded to, with improvements made.

Internal Audit

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.

Response to Climate Change (Initiatives Based on TCFD Recommendations)

From an early stage, the AEON Group has addressed the issue of climate change, which is having a major impact on the global environment and human society. We have adopted the Aeon Decarbonization Vision, by which we aim to have reduced to zero the total amount of CO₂ emitted at our stores by 2040. In November 2021, the Company announced its endorsement of the recommendations put forth by the Task Force on Climate-related Financial Disclosures (TCFD) and is clarifying its policies for addressing climate change to promote management that contributes to the building of a sustainable society.

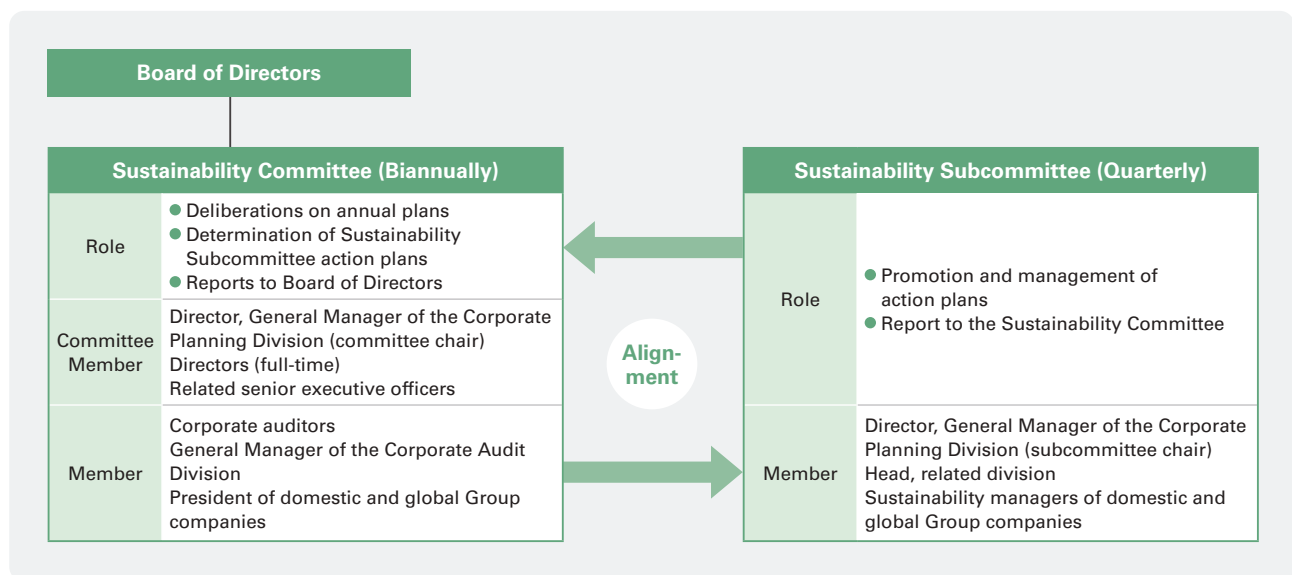


Governance

With the aim of increasing the Company’s corporate value, the Board of Directors is committed to prompt and appropriate decision-making. Important matters related to sustainability, such as the formulation and revision of the AFS Sustainability Policy and the formulation of medium- to long-term and annual action plans, are matters to be resolved by the Board of Directors after deliberations by the Sustainability Committee.

The Board of Directors provides necessary guidance and advice to relevant parties on important matters related to sustainability. In addition, the Sustainability Committee executes matters entrusted to it by the Board of Directors in cooperation with the Sustainability Subcommittee and reports them to the Board of Directors.

Sustainability Execution Framework



Strategy

The Group pursues sustainability management with the aim of realizing a sustainable society in which everyone can live a content and happy life and contribute to peace. In November 2021, we identified material issues that affect our business over the medium to long term. By systematically classifying these into four areas: “pursuing happiness through innovative financial services,” “exerting diversity and the potential of our people,” “establishing organizational resilience,” and “addressing climate change,” we set indicators and create a roadmap to specifically take action on them. In particular, recognizing that “addressing climate change” has a significant impact on the lives and health of our customers, local economies, and social development, we will strive to ensure resilience through governance, strategy, and setting targets to build a decarbonized society.

First, as part of managing climate change-related risks, we conducted scenario analysis of climate change-related risks and opportunities based on two scenarios, the 1.5°C scenario and the 4°C scenario, with the aim of assessing the impact of climate change on the Group’s businesses. Specifically, medium- to long-term risk items stemming from climate change were organized into transition risks, physical risks and opportunities. Then, the impact of each item on the Group was assessed and those identified to have a significant impact were designated as “serious risk/opportunity items.” Each item was then organized in a short-, medium-, and long-term framework according to the time horizon in which it is expected to have an impact.

Significant Climate Change-related Risks/Opportunities and Their Impact Levels for the Group Identified by Scenario

Classification Level 1	Classification Level 2	Classification Level 3	Impact	Time Horizon	1.5°C Scenario	4°C Scenario
Transition Risks	Policy and regulation	Introduction of carbon tax	Tax increases due to carbon tax	Short to long term	Large	Medium
	Market	Rising renewable energy prices	Increased energy costs due to renewable energy procurement	Short to long term	Large	Medium
Physical Risks	Acute	Severe natural disasters such as cyclones and floods	Damage to infrastructure, facilities, and equipment increased costs, increased debt collection risk in business operation regions, increased insurance premiums, and reduced availability of insurance products	Medium to long term	Medium	Large
	Chronic	Average temperature rise, sea level rise			Medium	Large
Opportunities	Energy	Introduction of carbon tax	Reduction of impact of carbon tax introduction by GHG emission reduction (e.g., issuing AEON Cards using recycled PVC materials, office relocation to energy-efficient buildings)	Short to long term	Large	Medium
	Products and services	Increased demand for products related to climate change	Increased revenues from new product development and sales (e.g., home loans for decarbonized housing (ZEH) and car loans for electric vehicles (EVs))	Medium to long term	Large	Medium

Risk Management

Assessing a variety of risks, including climate change, by risk category, the AFS Group is promoting the increased sophistication of its risk management with the aim of maintaining the soundness of its management through appropriate controls while comparing and contrasting its management capabilities. Under these circumstances, we are putting in place a series of risk management processes, consisting of risk identification and evaluation, control evaluation, and risk assessment. In terms of climate change risk management, we are utilizing multiple future prediction scenarios, such as the 1.5°C scenario and the 4°C scenario, and conducting analyses of each, while identifying and assessing the climate change-related risks and opportunities affecting the Group. To reflect the identified risk and opportunity items in the Group's business plans, we are assessing the scale and scope of any potential impact on business divisions through discussions in the Sustainability Subcommittee, under the direction and supervision of the Sustainability Committee.

Metrics and Targets

The Group measures and ascertains greenhouse gas (GHG) emissions in order to assess and manage climate change-related risks and opportunities. Going forward, we will set targets and indicators to reduce the environmental impact associated with our business activities in order to contribute to the reduction of GHG emissions worldwide.

① Major Climate-related Indicators in the Group

Indicators	Fiscal 2020 Results	Fiscal 2021 Results	Fiscal 2022 Results	YoY Change	
GHG emissions across the Group (Scope 1, 2)	15,828 tons	15,741 tons	13,155 tons	(2,586) tons	
Ratio of hybrid vehicles as % of cars owned by the company	49.29% ^{*1}	43.90% ^{*1}	53.34%	9.44%	
Credit card statement/Web statement ratio	Domestic	79.00%	83.97%	85.12%	1.15%
	Global	—	—	64.69%	—
	Total	—	—	78.48%	—

*1 The data for fiscal 2020 and 2021 have been updated to reflect more detailed survey processes.

The Group calculates GHG emissions in accordance with the GHG protocol methodology.
The following Group companies are included in the aggregation:
AEON Financial Service Co., Ltd.
AEON Bank, Ltd.
ACS Credit Management Co., Ltd.
ACS Leasing Co., Ltd.
AEON Housing Loan Service Co., Ltd.
AEON Insurance Service Co., Ltd.
AEON Product Finance Co., Ltd.
AEON Allianz Life Insurance Co., Ltd.
AEON CREDIT SERVICE (ASIA) CO., LTD.
AEON THANA SINSAP (THAILAND) PCL.
AEON CREDIT SERVICE (M) BERHAD

② Greenhouse Gas (GHG) Emissions by the Group

(Scope 1, 2)

Indicators	Fiscal 2020 Results	Fiscal 2021 Results	Fiscal 2022 Results	YoY Change
Scope 1 (Direct emissions from fuel consumption)	2,598 tons	3,332 tons	2,641 tons	(691) tons
Scope 2 (Indirect emissions from electricity use)	13,230 tons	12,409 tons	10,515 tons	(1,895) tons
Scope 1 and Scope 2 Total	15,828 tons	15,741 tons	13,155 tons	(2,586) tons

(Scope 3)

Indicators	Fiscal 2020 Results	Fiscal 2021 Results	Fiscal 2022 Results	YoY Change	
Emissions resulting from credit card paper statements	Domestic	15,695 tons	12,037 tons	11,421 tons	(616) tons
	Global	—	—	13,043 tons	—
	Total	—	—	24,464 tons	—
Emissions pertaining to printer use (upstream and downstream)	400 tons	287 tons	328 tons	41 tons	
Emissions relating to data center operations and maintenance*2	4,703 tons	4,794 tons	4,534 tons	(261) tons	

*2 The following two companies are included in the aggregation.
AEON Financial Service Co., Ltd.
AEON Bank, Ltd.

Decarbonization Initiatives

Globally, the Paris Agreement came into force in 2016, and in 2021, the 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Glasgow Climate Pact, which seeks efforts to limit the increase in global average temperature to within 1.5°C above pre-industrial levels. Having declared its intention to realize a decarbonized society and for Japan to be carbon neutral in 2050, the Japanese government is promoting a raft of measures centered on enhancing renewable energy.

As a member of the AEON Group, we have adopted the Aeon Decarbonization Vision and are aiming to have reduced the total amount of CO₂, etc., emitted from our stores to zero by 2040.

Efforts to Reduce Environmental Impact

- Provision of eco-friendly services
- Use of Environmentally Responsible Materials in Credit Cards

AEON Cards issued by AFS are made from PET-G, a chlorine-free material that will not emit chlorine gases (dioxins) when burned. When completely incinerated, the material breaks down into water and carbon dioxide.

- Promotion of Web-Based AEON Card Statements (Environmental Declaration)

Since 2019, AEON Credit Service Co., Ltd. has been making statements available on the web, a basic service that allows users to check their transaction histories on their smartphones using the AEON WALLET app. Thanks to this service, the company has been able to reduce CO₂ emissions by 500 grams* per unsent envelope.

*Calculated based on the Ministry of the Environment's "Example of calculation method of carbon dioxide reduction effect of eco-action point"



CO₂
Reduction
Effect

⇒

A reduction of approximately 500 grams of CO₂ is equivalent to the reduction effect from the following resources.

- Around 12 steel cans
- Around seven PET bottles
- Around three milk cartons
- Around 62 food trays

*Source: Challenge 25 Library of Global Warming-related Materials

- AEON Bank Passbook App

Having not issued paper passbooks since the start of its operations in 2007, AEON Bank, Ltd. now enables its customers to easily and conveniently check their deposit balances and deposit/withdrawal details via the AEON Bank Passbook App.



- AEON Card Magnetic Restoration Service at ATMs

We have introduced a service that enables magnetic defects in AEON Cards to be rectified at AEON Bank ATMs. Not only improving convenience, this service is also leading to a reduction in the environmental impact caused by exchanges of the documents involved in the reissuing of cards.

- Promoting Paperless Operations in Thailand

By having promoted digitalization in countries outside of Japan in which we operate, we are advancing app-based cardless and paperless operations. Previously, local subsidiary AEON THANA SINSAP (THAILAND) PCL. issued plastic member cards. However, having stopped issuing cards and paper, the company has transitioned to a completely cardless business by means of an app in May of the same year.



• Participation in AEON Forest Creation Activities

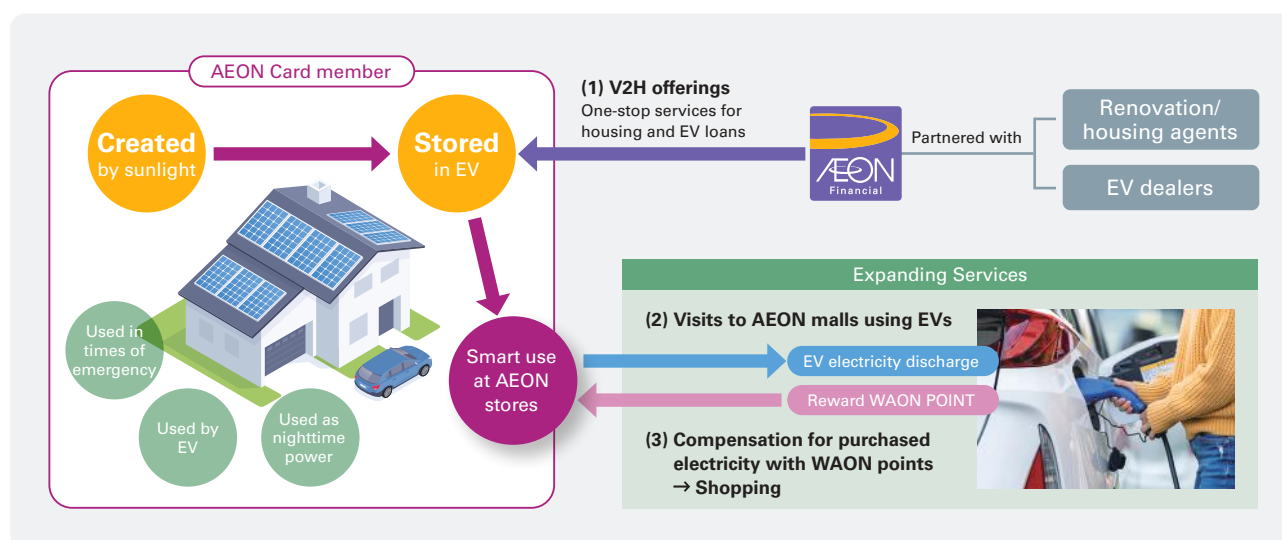
Since 2021, AFS has been participating in AEON Forest Creation Activities in cooperation with the AEON Environmental Foundation. Initiatives include tree planting by employees, environmental education, and efforts to raise awareness about forests and *satoyama* (ecosystems in traditional Japanese villages). Employees and their families regularly visit sites in Kimitsu City, Chiba Prefecture and the Watari-cho community in Miyagi Prefecture to carry out voluntary forest development activities, including supplementary planting and grass clearing. We also participate actively in tree-planting programs in Japan and overseas in partnership with local communities.



Tree planting

➡ Loan Products for Promotion of Clean Energy

Having collaborated with a housing manufacturer since November 2021, AEON Product Finance Co., Ltd. has begun to offer a product that enables customers to apply to buy a decarbonized zero-energy home (ZEH) and an electric vehicle (EV) under one packaged loan. This product was developed with the aim of spreading the decarbonized lifestyle to households by popularizing new freestanding homes equipped with Vehicle-2-Home (V2H) systems, which can be electrically self-sufficient by using solar panels and V2H-compatible EVs. Not only enabling savings on household electricity bills, V2H also represents a win-win relationship for both customer lifestyles, such as the ability to secure a power source even in the event of an outage, and for the global environment, while providing major added impetus toward the realization of a decarbonized society.



➡ Procurement of Funds through Sustainability-linked Loans

In November 2022, our Hong Kong-based subsidiary, AEON Credit Service (Asia) Co., Ltd. ("ACSA"), procured funds through a sustainability-linked loan. The loan agreement stipulates sustainability targets for ACSA, including the reduction of electricity consumption and paper consumption, and the provision of financial support to students.

In January 2023, our Malaysian subsidiary, AEON CREDIT SERVICE (M) BERHAD ("ACSM"), also obtained a sustainability-linked loan. ACSM made a commitment to pursue sustainability and will continue to reduce CO₂ emissions and strengthen corporate governance. It will also provide increased finance for e-bikes. Financial inclusion initiatives will include the provision of financial services to small businesses, and the implementation of ESG education programs in schools.

The AFS Group will continue to contribute to the realization of a sustainable society by addressing social issues through its business activities in various countries, while also working to improve its corporate value.