



October 15, 2013  
For immediate release

Registered Company Name: AEON Financial Service Co., Ltd.

President and CEO: Kazuhide Kamitani

Stock Listing: Tokyo Stock Exchange, First Section

(Code No.: 8570)

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Director, Senior Managing Executive Officer

### **Notice Regarding Measures to Prevent Recurrence, etc.**

As announced in the news release from AEON Financial Service Co., Ltd. dated October 4, 2013 titled “Notice Regarding Receipt of an Investigative Report from the Third Party Committee,” the Company received a “Report on Misconduct at Taiwan Subsidiaries” (hereinafter, Investigative Report) from the Third Party Committee, and has since established a Recurrence Prevention Committee to set about considering measures to prevent recurrence, etc.

We are hereby notifying you that a decision on measures to prevent recurrence was reached (as outlined below) at an extraordinary meeting of the Board of Directors of the Company held today, following on from consideration by the Recurrence Prevention Committee.

Furthermore, in addition to the dismissal of persons involved in this matter, we hereby notify you that measures will be implemented to clarify our administrative responsibility, such as through salary cuts for board members, etc.

#### **1. Measures to prevent recurrence**

Having received a proposal from the Third Party Committee, we have recognized the need to aim to become an aggressively honest company, returning to the roots of our management philosophy and code of conduct, with a renewed corporate culture in which subordinates can speak freely to their superiors while maintaining our order as an organization. Going forwards in our position as a bank holding company, there is an urgent need to establish a governance system and generate awareness of compliance. For that reason, too, we will proceed to establish as a matter of urgency a system facilitating appropriate management and supervision (in human, systematic and physical terms) of domestic and overseas subsidiaries, with management taking the initiative in setting a fine example of thinking and acting independently, as well as communicating extensively with their subordinates, producing a corporate culture that will be trusted by society.

Approximately 80 items have been decided on as measures to prevent recurrence, and these are summarized below.

##### **(1) Generating corporate culture with emphasis on compliance**

We are aiming to further replenish compliance systems at our overseas subsidiaries by servicing internal rules and training systems at overseas subsidiaries in accordance with our compliance guidelines and regulations, as well as by deploying Compliance Officers at three of our main overseas companies (local AFS subsidiaries in Hong Kong, Thailand and Malaysia). In addition, we will strengthen our monitoring system by reviewing our system for reporting to the Compliance Committee and Risk Management Committee, etc., and will carry out ongoing guidance and improvement activities for the compliance systems in place at overseas subsidiaries.

As part of our maintenance of reporting systems at overseas subsidiaries, we will aim to establish familiarity with existing internal reporting systems in the relevant local languages, establish contacts for external reporting, such as law offices, and make further enhancements by introducing a report system for tip-offs (facilitating reports of important tip-offs to our Legal & Compliance Division, etc.).

(2) Strengthening governance of subsidiaries

At the extraordinary meeting of the Board of Directors of the Company held on September 13, 2013, a resolution was passed to establish a new Management Audit Department under which will be established a separate Audit Department and an Inspection Department. Additionally, the Recurrence Prevention Committee (whose establishment was voted for at an extraordinary meeting of the Board of Directors of the Company held on October 4, 2013) is now managing and supervising the implementation of measures to prevent recurrence.

In terms of organizational structure, a Business Management Department will be established under the Board Directors in charge of business management, and the Heads of the Business Management Department will be deployed at three of our main overseas companies.

Furthermore, we will also aim to strengthen the supervisory functions of Meetings of Board Directors and Auditors, etc. by dispatching part-time Board Directors to our overseas subsidiaries from the Company and the three main overseas companies, etc.

(3) Review of accounting system

As well as strengthening the accounting controls of overseas subsidiaries from our three main overseas companies, we will also establish new regular meetings between the Business Management Departments and System Divisions of the Company and those of each overseas subsidiary. Also, in addition to servicing our regulatory environment in relation to credit status management, etc. and uniform standards for quoted items such as loan loss reserves and accrued revenue, we will proceed with the introduction of a global accounting system in order to manage overseas subsidiaries' accounting information under one system.

(4) Review of HR/organizational structure

As for the overseas HR system, a maximum of one overseas position (at the same business) continuing for a maximum of 5 years will be established as a general rule for workers dispatched from Japan. We will also promote exchanges of management-level personnel between countries with the aim of cultivating global personnel. Furthermore, the Company's personnel will be expanded together with strengthening of support systems for maintenance of organizational structure at our subsidiaries.

(5) Review of system structure

We will maintain a system whereby system supervisors (or equivalent personnel) conversant in the area of system administration will be deployed at our three main overseas companies, reporting back to the Company on a quarterly basis, complemented by revision and replenishment of reporting and approval systems used when developing large-scale systems or revising important systems, etc. We will also take measures such as separating IDs for system developers and managers, improving control of credit management system logs, and constructing a system for credit management data backup.

## **2. Dismissal of persons involved and clarification of administrative responsibility**

(1) Dismissal of persons involved

As announced in the news release dated September 25, 2013 titled "Criminal Complaints Filed against Former CEO and Directors of the Company's Consolidated Subsidiaries (Local Subsidiaries in Taiwan)," a total of three individuals who previously worked as General Managers and Board Members at two local subsidiaries in Taiwan were disciplinarily dismissed as of September 24, 2013, and criminal complaints were filed at the Taiwan Ministry of Justice, Investigation Bureau on September 25, 2013.

Aside from this action, a total of 11 persons involved with this matter at the two local subsidiaries in Taiwan were dismissed with official reprimands through to reasoned reprimands, based on the Investigative Report and results of our own investigations.

(2) Clarification of administrative responsibility

We sincerely apologize for having caused significant trouble and concern to all of our customers,

shareholders, and other interested parties, and in order to clarify our administrative responsibility we will implement the following measures such as salary reductions, etc. for our Board Directors based on the Investigative Report and results of our own investigations.

President and CEO: Kazuhide Kamitani	:	30% salary reduction for 6 months
Former President and CEO: Yoshiki Mori (in office from May 1994 to May 2008)	:	Same as above
Total of 7 other current and former board members of our company	:	Ranging from official reprimands to 20% salary reduction for 3 months

Note that Yoshiki Mori will be dealt with by AEON Co., Ltd.

We again sincerely apologize for causing significant trouble and concern to all of our customers, shareholders, and other interested parties.

All executives and employees of the Company Group will work together to strive to be thorough in carrying out measures to prevent recurrence and restore confidence. We ask for your continued understanding and support.

End.