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Convocation Notice

Securities Code: 8572
June 2, 2022

To Shareholders with Voting Rights

Masataka Kinoshita
President & CEO
ACOM CO., LTD.
1-1, Marunouchi 2-chome,
Chiyoda-ku, Tokyo, Japan

CONVOCAION NOTICE FOR THE 45TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to inform you that the 45th Ordinary General Meeting of Shareholders of the Company will be held as described below.

To prevent the spread of the COVID-19 infectious disease, we kindly ask you to exercise your voting rights in writing (by mail) or via the Internet, etc. insofar as possible, after a careful review of the Reference Documents for the General Meeting of Shareholders presented hereunder.

- 1. Date and Time:** Friday, June 24, 2022, at 10:00 a.m. (Reception scheduled to open at 9:30 a.m.)
2. Place: MY PLAZA HALL, 4th floor, Meiji Yasuda Seimei Building (Marunouchi MY PLAZA), located at 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

Live Steaming of General Meeting of Shareholders

We will live stream this General Meeting of Shareholders via the Internet and will accept questions on this General Meeting of Shareholders in advance of the meeting. For more details, please refer to the enclosed Guidance on Live Streaming of General Meeting of Shareholders.

3. Agenda of the Meeting:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements, and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 45th fiscal year (from April 1, 2021, to March 31, 2022)
 2. Non-consolidated Financial Statements for the 45th fiscal year (from April 1, 2021, to March 31, 2022)

Matters to be resolved:

<Proposals by the Company>

Proposal No. 1: Dividends from Surplus

Proposal No. 2: Partial Amendments to the Articles of Incorporation

Proposal No. 3: Election of Six Directors (Excluding Those Serving as Audit and Supervisory Committee Members)

<Proposal by Shareholder>

Proposal No. 4: Partial Amendments to the Article of Incorporation (Number, etc. of Directors)

4. Internet-based disclosure on the Company's website:

- (1) In accordance with relevant laws and regulations, and the provisions of Article 15 of the Articles of Incorporation of the Company, the Company has posted the following information on its website on the Internet, and so these notes have not been included in the documents attached to this convocation notice. Therefore, the documents attached to this convocation notice are part of the documents audited by the Audit and Supervisory Committee and Accounting Auditor in preparing the Audit Report.
 - Notes to the Consolidated Financial Statements
 - Notes to the Non-consolidated Financial Statements
- (2) If there is any amendment to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements, such amendment will be posted on the Company's website on the Internet.

The Company's website (Japanese): https://www.acom.co.jp/corp/ir/stock/shareholders_meeting/

*Please access the following for information in English: https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/

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- If you exercise your voting rights by proxy, you may only delegate your voting rights to a proxy who is a shareholder holding voting rights in the Company. In such cases, only one proxy is allowed.
 - If you are attending the General Meeting of Shareholders, please submit the enclosed voting rights exercise form at the reception desk. For the purpose of saving resources, we kindly ask you to bring this convocation notice with you.

We make it our practice to refrain from providing gifts to shareholders attending the meeting. We appreciate your understanding.

Reference Documents for General Meeting of Shareholders

<Proposals by the Company>

Proposal No. 1: Dividends from Surplus

We position returns of profit to shareholders as one of our management issues, and, as our basic policy, aim for enhanced return to shareholders through stable and continuous profit distribution, taking the business environment surrounding the Company, shareholders' equity and our own business performance into consideration.

The Company proposes to pay a year-end dividend for the 45th fiscal year as follows.

Matters concerning the year-end dividend

- (1) Type of dividend property
Cash
- (2) Matters concerning the distribution of dividend property and the total amount to be distributed
4 yen per share (common stock) Total amount: 6,266,456,192 yen
- (3) Effective date of dividends from surplus
June 27, 2022

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

- (1) For creating an employee-friendly working environment, the head office, provided in Article 3 (Location) of the current Articles of Incorporation, shall be changed from Chiyoda-ku, Tokyo to Minato-ku, Tokyo. This change shall come into effect on the date of relocation of the head office to be determined at a Board of Directors meeting to be held no later than the end of October 2022, and shall be prescribed in the supplementary provisions. The supplementary provision thereof shall be deleted after the lapse of the date of relocation of the head office.
- (2) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will be enforced on September 1, 2022. In line with such enforcement, the system for electronic provision of materials for general meetings of shareholders will be introduced. Accordingly, the Company shall amend its Articles of Incorporation as follows.
- (A) It will be obligated to provide in the Articles of Incorporation that information contained in the reference materials, etc. for general meetings of shareholders shall be provided electronically. Therefore, the proposed Article 15 (Measures for Electronic Provision, Etc.), Paragraph 1 shall be established.
- (B) Among the matters to be provided electronically regarding information contained in the reference materials, etc. for general meetings of shareholders, in order to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it to the scope provided for in the ordinances of the Ministry of Justice, the proposed Article 15 (Measures for Electronic Provision, Etc.), Paragraph 2 shall be established.
- (C) With the introduction of the system for electronic provision of materials for general meetings of shareholders, the provisions of Article 15 (Disclosure of Reference Materials, etc. for General Meetings of shareholders via Internet) of the current Articles of Incorporation will become unnecessary and will therefore be deleted.
- (D) Supplementary provisions related to the effect of the provisions above to be established and deleted shall be established. These supplementary provisions shall be deleted after the specified date.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Location) Article 3 The Company shall have its head office in <u>Chiyoda-ku</u>, Tokyo.</p> <p><u>(Disclosure of Reference Materials, etc. for General Meetings of shareholders via Internet)</u></p> <p><u>Article 15 The Company may, at the time of convocation of a general meeting of shareholders, deem to have provided shareholders with information with respect to matters which shall be stated or indicated in the reference materials for a general meeting of shareholders, business reports, financial statements and consolidated financial statements by disclosing those by way of the Internet as provided for in the ordinances of the Ministry of Justice.</u></p>	<p>(Location) Article 3 The Company shall have its head office in <u>Minato-ku</u>, Tokyo.</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Newly established)</p> <p>Supplementary Provisions (Transitional Measure Regarding Limitation of Liabilities of Company Auditors) The Company may, by a resolution of the Board of Directors, exempt Company Auditors (including ex-Company Auditors) failing to perform their duties assigned prior to partial amendment to the Articles of Incorporation which was resolved at the 40th Ordinary General Meeting of Shareholders taking effect, from their liabilities for damage pursuant to Article 426, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations.</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p><u>(Measures for Electronic Provision, Etc.)</u> <u>Article 15</u> The Company shall, at the time of <u>convocation of a general meeting of shareholders, provide information contained in the reference materials, etc. for a general meeting of shareholders electronically.</u></p> <p><u>2. Among the matters to be provided electronically, the Company is not required to state all or part of the matters provided for in the ordinances of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p> <p>Supplementary Provisions (Transitional Measure Regarding Limitation of Liabilities of Company Auditors) <u>Article 1</u> The Company may, by a resolution of the Board of Directors, exempt Company Auditors (including ex-Company Auditors) failing to perform their duties assigned prior to partial amendment to the Articles of Incorporation which was resolved at the 40th Ordinary General Meeting of Shareholders taking effect, from their liabilities for damage pursuant to Article 426, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations.</p> <p><u>(Transitional Measures for Location)</u> <u>Article 2</u> Amendments to Article 3 (Location) of the Articles of Incorporation shall come into on the date of relocation of the head office to be determined at the Board of Directors meeting to be held no later than the end of October 2022. The provision of this Article shall be deleted after the effective date.</p> <p><u>(Transitional Measures for Electronic Provision of Materials for General Meetings of Shareholders)</u> <u>Article 3</u> The deletion of Article 15 (Disclosure of Reference Materials, etc. for General Meetings of shareholders via Internet) and the establishment of Article 15 (Measures for Electronic Provision, Etc.) of the Articles of Incorporation shall come into effect on September 1, 2022.</p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 15 (Disclosure of Reference Materials, etc. for General Meetings of shareholders via Internet) of the Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date within six months from September 1, 2022.</u></p> <p><u>3. The provisions of this article shall be deleted after the lapse of six months from September 1, 2022 or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal No. 3: Election of Six Directors (Excluding Those Serving as Audit and Supervisory Committee Members)

All six Directors (excluding those serving as Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal) will complete their terms of office at the conclusion of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes that six Directors be elected.

We have received an opinion from the Audit and Supervisory Committee to the effect that there were no matters of concern with respect to this proposal.

Candidates for Directors are as follows.

List of candidates for Directors:

No.	Name	Current position and assignment at the Company and significant concurrent positions	Remarks
1	Shigeyoshi Kinoshita	Chairman	Reappointed
2	Hiroshi Naruse	Deputy Chairman In charge of Compliance Dept. and Internal Audit Dept.	Reappointed
3	Masataka Kinoshita	President and Chief Executive Officer	Reappointed
4	Tomomi Uchida	Senior Managing Director and Senior Executive Managing Officer Head of Credit Supervision Division In charge of General Affairs Dept., Credit Supervision Dept. I, Credit Supervision Dept. II and Compliance for Credit Supervision Office	Reappointed
5	Takashi Kiribuchi	Senior Managing Director and Senior Executive Managing Officer Head of System Development & Administration Division In charge of Corporate Planning Dept., System Development Dept., System Operation Dept., System Planning Office and System Management Office	Reappointed
6	Masakazu Osawa	Director (Significant concurrent positions) Managing Corporate Executive and Group Head, Digital Service Business Group & Group CDTO of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative), Managing Executive Officer and Unit Head, Digital Service Unit, CDTO of MUFG Bank, Ltd. Representative Director and Chief Executive Officer (CEO) of Global Open Network, Inc. Representative Director and Chairman of Global Open Network Japan, Inc.	Reappointed

(Reference)

The skill matrix of candidates for Directors is as follows:

Name	Corporate Management and Planning	Business Management	Execution of Duties	System and Digital	Finance and Accounting	Law, Compliance, and Risk Management
Shigeyoshi Kinoshita	○	○	○			
Hiroshi Naruse	○			○		○
Masataka Kinoshita	○		○	○		
Tomomi Uchida		○	○			○
Takashi Kiribuchi	○			○	○	
Masakazu Osawa	○	○		○		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
1	<p style="text-align: center;"><u>Reappointed</u> Shigeyoshi Kinoshita (April 14, 1949)</p> <p>Cumulative years of service as Director of the Company: 39 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2022: Attendance at 13 out of 13 meetings (100%)</p> <p>Number of shares of the Company held: 10,507,260 shares</p>	<p>April 1973 Joined Marubeni Corporation April 1978 Joined Japan Consumer Finance Co., Ltd. February 1983 Director and Chief General Manager, General Affairs Dept. of the Company May 1984 Director and Chief General Manager, Accounting Dept. of the Company August 1986 Managing Director of the Company June 1988 Managing Director and Head of Business Promotion Division of the Company October 1991 Representative and Senior Managing Director of the Company October 1992 Representative and Senior Managing Director and Head of the Loan Sales Division of the Company October 1996 Representative Director and Deputy President of the Company June 2000 Representative Director and President of the Company June 2003 President and Chief Executive Officer of the Company June 2010 Chairman, President and Chief Executive Officer of the Company June 2021 Chairman of the Company (to present)</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>As Director, Mr. Shigeyoshi Kinoshita has an excellent track record of serving as the driving force of the Company and the Group for a number of years, backed by his wealth of experience and sophisticated insight into general management as Representative Director of the Company. It is believed he will contribute further to the growth and development of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
2	<p style="text-align: center;">Reappointed</p> <p style="text-align: center;">Hiroshi Naruse (December 4, 1958)</p> <p>Cumulative years of service as Director of the Company: 1 year</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2022: Attendance at 9 out of 9 meetings (100%)</p> <p>*The Board of Directors meetings held before Mr. Naruse's assumption of office as Director on June 23, 2021 are not counted.</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1981 June 2008</p> <p>Joined The Mitsubishi Trust and Banking Corporation Executive Officer, Assistant Director and General Manager, Trust Assets Planning Division of Mitsubishi UFJ Trust and Banking Corporation (MUTB) Director and President of Mitsubishi UFJ Global Custody S.A.</p> <p>May 2010</p> <p>Executive Officer and General Manager, System Planning Division of MUTB</p> <p>June 2010</p> <p>Executive Officer of Mitsubishi UFJ Financial Group, Inc.</p> <p>April 2011</p> <p>Representative Director and President of Mitsubishi UFJ Trust Systems Co., Ltd.</p> <p>June 2011</p> <p>Managing Director of MUTB</p> <p>June 2013</p> <p>Senior Managing Director of MUTB Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2014</p> <p>Representative Director and President of MU Trust Apple Planning Company, Ltd.</p> <p>June 2016</p> <p>Director, Deputy President and Executive Officer of MUTB</p> <p>May 2018</p> <p>Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc.</p> <p>April 2019</p> <p>Representative Director, President of The Master Trust Bank of Japan, Ltd.</p> <p>April 2021</p> <p>Advisor to The Master Trust Bank of Japan, Ltd. (to present)</p> <p>June 2021 (Assignment)</p> <p>Deputy Chairman of the Company (to present) In charge of Compliance Dept. and Internal Audit Dept.</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Hiroshi Naruse has extensive insight and an excellent track record as a corporate manager, gained through his career as Executive Officer and Corporate Executive at Mitsubishi UFJ Financial Group, Inc. and as General Manager, Executive Officer and Director at The Mitsubishi UFJ Trust and Banking Corporation. Since assuming the position of Director, he has used his insight and track record to contribute to strengthened function of the Board of Directors of the Company. He is expected to fully play a role further in conducting highly effective supervision of the management of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
3	<p style="text-align: center;"><u>Reappointed</u></p> <p style="text-align: center;">Masataka Kinoshita (September 19, 1977)</p> <p>Cumulative years of service as Director of the Company: 7 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2022: Attendance at 13 out of 13 meetings (100%)</p> <p>Number of shares of the Company held: 12,203,120 shares</p>	<p>April 2003 Joined ABeam Consulting Ltd.</p> <p>September 2005 Joined the Company</p> <p>October 2009 General Manager, Credit Supervision Division of the Company</p> <p>January 2010 General Manager, Corporate Planning Dept. of the Company</p> <p>April 2010 General Manager, Guarantee Business Dept. of the Company</p> <p>April 2012 General Manager, Business Promotion Dept. of the Company</p> <p>April 2013 Chief General Manager, Business Planning Dept. of the Company</p> <p>April 2014 Executive Officer and Chief General Manager, Business Planning Dept. of the Company</p> <p>June 2014 Executive Managing Officer, Deputy Head of Credit Business Promotion Division and Chief General Manager, Business Planning Dept. of the Company</p> <p>April 2015 Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company</p> <p>June 2015 Managing Director of the Company</p> <p>Executive Managing Officer and Head of Credit Business Promotion Division of the Company</p> <p>June 2016 Executive Managing Officer of the Company</p> <p>June 2017 Deputy President of the Company</p> <p>June 2017 Deputy Chief Executive Officer of the Company</p> <p>June 2021 President of the Company (to present)</p> <p>June 2021 Chief Executive Officer of the Company (to present)</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Masataka Kinoshita has served as General Manager of the loan business division and the guarantee business division as well as Executive Officer of the Company, and has the wealth of knowledge and track record necessary to promote operations accurately and efficiently. Since assuming the position of Director, he has used that knowledge and experience in leading the Company and the Group as President, thereby fulfilling his role and responsibilities. He is expected to contribute further to the growth and development of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
4	<p style="text-align: center;"><u>Reappointed</u> Tomomi Uchida (December 27, 1961)</p> <p>Cumulative years of service as Director of the Company: 3 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2022: Attendance at 13 out of 13 meetings (100%)</p> <p>Number of shares of the Company held: 3,000 shares</p>	<p>October 1982 Joined the Company April 2003 General Manager, Business Promotion Dept. III of the Company October 2005 General Manager, Business Promotion Dept. II of the Company April 2007 Chief General Manager, Credit Business Management Dept. of the Company December 2007 Chief General Manager, Marketing Dept. of the Company October 2008 Head of East Japan Branch of the Company April 2011 Chief General Manager, Business Promotion Dept. of the Company April 2013 Executive Officer and Chief General Manager, Business Promotion Dept. of the Company June 2015 Executive Managing Officer, Deputy Head of Credit Business Promotion Division, and Chief General Manager, Business Promotion Dept. of the Company April 2016 Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company June 2016 Executive Managing Officer and Head of Credit Business Promotion Division of the Company June 2018 Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. I of the Company October 2018 Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. II of the Company June 2019 Managing Director of the Company April 2020 Executive Managing Officer, Head of Credit Supervision Division of the Company June 2021 Senior Managing Director of the Company (to present) June 2021 Senior Executive Managing Officer and Head of Credit Supervision Division of the Company (to present)</p> <p>(Assignment) Head of Credit Supervision Division In charge of General Affairs Dept., Credit Supervision Dept. I, Credit Supervision Dept. II and Compliance for Credit Supervision Office</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Tomomi Uchida has a wealth of knowledge and a strong track record related to promoting the loan business, the Company's major business, gained through his career as General Manager of the Loan Business divisions and Credit Supervision divisions, as well as an Executive Officer of the Company. Since assuming the position of Director, he has used that knowledge and record of performance to perform his role and responsibilities as Senior Managing Director. He is expected to contribute to promoting the Company's and the Group's strategies for further growth. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
5	<p style="text-align: center;"><u>Reappointed</u> Takashi Kiribuchi (October 25, 1961)</p> <p>Cumulative years of service as Director of the Company: 2 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2022: Attendance at 13 out of 13 meetings (100%)</p> <p>Number of shares of the Company held: 16,300 shares</p>	<p>March 1982 Joined the Company April 2004 General Manager, System Dept. of the Company July 2005 General Manager, Public Relations Dept. of the Company October 2005 Chief General Manager, Public Relations Dept. of the Company April 2011 Chief General Manager, Treasury Dept. of the Company April 2015 Executive Officer and Chief General Manager, Treasury Dept. of the Company June 2017 Executive Officer and Chief General Manager, Corporate Planning Dept. of the Company June 2020 Managing Director of the Company June 2020 Executive Managing Officer and Chief General Manager, System Development & Administration Division of the Company April 2021 Executive Managing Officer, Head of System Development & Administration Division June 2021 Senior Managing Director of the Company (to present) June 2021 Senior Executive Managing Officer and Head of System Development & Administration Division of the Company (to present)</p> <p>(Assignment) Head of System Development & Administration Division In charge of Corporate Planning Dept., System Development Dept., System Operation Dept., System Planning Office and System Management Office</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Takashi Kiribuchi has served as General Manager of the Accounting, System, Public Relations, Investor Relations and Corporate Planning divisions as well as Executive Officer, and has a wealth of experience with, and extensive insight into, corporate divisions. Since assuming the position of Director, he has used his wealth of experience and sophisticated insight to perform his role and responsibilities as Senior Managing Director. He is expected to contribute to the implementation of strategies towards further business growth and enhanced business performance of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
6	<p style="text-align: center;"><u>Reappointed</u> Masakazu Osawa (June 20, 1968)</p> <p>Cumulative years of service as Director of the Company: 1 year</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2022: Attendance at 9 out of 9 meetings (100%)</p> <p>*The Board of Directors meetings held before Mr. Osawa's assumption of office as Director on June 23, 2021 are not counted.</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1991 May 2015</p> <p>Joined The Mitsubishi Bank, Ltd. General Manager, Europe Planning Division, Europe Headquarters of The Bank of Tokyo-Mitsubishi UFJ, Ltd. General Manager, Europe Control Division of Mitsubishi UFJ Financial Group, Inc.</p> <p>May 2017</p> <p>General Manager, Management Planning Division (in charge of special mission) of The Bank of Tokyo-Mitsubishi UFJ, Ltd. General Manager, Management Planning Division (in charge of special mission) of Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2017</p> <p>Executive Officer and General Manager, Management Planning Division (in charge of special mission) of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Executive Officer and General Manager, Management Planning Division (in charge of special mission) of Mitsubishi UFJ Financial Group, Inc.</p> <p>November 2017</p> <p>Executive Officer, General Manager, Management Planning Division and Co-General Manager, Digital Planning Division (in charge of special mission) of Mitsubishi UFJ Financial Group, Inc. Executive Officer, General Manager, Management Planning Division and Co-General Manager, Digital Planning Division (in charge of special mission) of Mitsubishi UFJ Financial Group, Inc.</p> <p>May 2018</p> <p>Executive Officer, General Manager, Digital Planning Division, Co-General Manager, Management Planning Division (in charge of special mission) and Co-General Manager, Financial Planning Division (in charge of special mission) of MUFG Bank, Ltd. Executive Officer, General Manager, Digital Planning Division, Co-General Manager, Management Planning Division (in charge of special mission) and Co-General Manager, Financial Planning Division (in charge of special mission) of Mitsubishi UFJ Financial Group, Inc.</p> <p>April 2020</p> <p>Managing Executive Officer and General Manager, Digital Planning Division of MUFG Bank, Ltd. Managing Corporate Executive and General Manager, Digital Planning Division of Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2020</p> <p>Member of the Board of Directors, Managing Executive Officer and Co-General Manager, Digital Planning Division of MUFG Bank, Ltd.</p> <p>April 2021</p> <p>Member of the Board of Directors (representative), Managing Executive Officer and Unit Head, Digital Service Unit, CDTO of MUFG Bank, Ltd. (to present) Managing Corporate Executive and Group Head, Digital Service Business Group & Group CDTO of Mitsubishi UFJ Financial Group, Inc. (to present)</p> <p>June 2021 (Significant concurrent positions)</p> <p>Managing Corporate Executive and Group Head, Digital Service Business Group & Group CDTO of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative), Managing Executive Officer and Unit Head, Digital Service Unit, CDTO of MUFG Bank, Ltd. Representative Director and Chief Executive Officer (CEO) of Global Open Network, Inc. Representative Director and Chairman of Global Open Network Japan, Inc.</p>
<p>(Reason for nomination as a candidate for Director) Mr. Masakazu Osawa has a wealth of knowledge and experience, gained through his career as General Manager, Executive Officer and Corporate Executive at Mitsubishi UFJ Financial Group, Inc. and as General</p>		

Manager, Executive Officer and Member of the Board of Directors at MUFG Bank, Ltd. Since assuming the position of Director, he has used his knowledge and experience to contribute to supervision of the management of the Company and the Group. He is expected to fully play a role further in conducting highly effective supervision of the management of the Company and the Group. Therefore, the Company proposes his election as a Director.

- Notes:
1. Mr. Masakazu Osawa is a Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. and a Member of the Board of Directors and a Managing Executive Officer of MUFG Bank, Ltd., both of which are in competition with the Company. There is no conflict of interest between the Company and any of the other candidates.
 2. Mr. Masakazu Osawa is a Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc., which is the Company's parent company, and a Member of the Board of Directors and a Managing Executive Officer of MUFG Bank, Ltd., which is a subsidiary of the Company's parent company.
 3. The Company has entered into a limited liability agreement with Mr. Masakazu Osawa that limits his liability for damage under Article 423, Paragraph 1 of the Companies Act, based on the provisions of Article 427, Paragraph 1 of the Act upon his appointment. The liability for damage under that agreement is limited to the minimum amount stipulated in relevant laws and regulations. If the reelection of Mr. Masakazu Osawa is approved, the Company will continue this agreement with him.
 4. The Company has entered into a Director and Officer (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover any legal damages and litigation expenses to be borne by the insured parties.
It is provided, however, that the insurance policy includes measures that do not impair the appropriateness of the execution of duties by Directors and Officers, by offering no coverage for liability incurred by any Directors or Officers themselves who have committed extortion, bribery or other criminal offenses or intentional illegal acts.
The candidates are covered by this insurance policy. In addition, the Company plans to renew it under the same terms and conditions at the time of renewal.
 5. Mr. Hiroshi Naruse was an executive officer of Mitsubishi UFJ Financial Group, Inc., which is the Company's parent company, and The Master Trust Bank of Japan, Ltd., which is a subsidiary of the Company's parent company, within the past ten years. His position and assignment both currently and over a period of the past ten years at each company are as stated in the above "Career summary, position, assignment and significant concurrent positions" column.

<Proposal by Shareholder>

Proposal No. 4 has been proposed by a shareholder.

The number of voting rights held by the proposing shareholder is 9,212 (representing 0.05% of the total voting rights).

The details of and reasons for the shareholder proposal is presented as they are in the original.

Proposal No. 4: Partial Amendments to the Article of Incorporation (Number, etc. of Directors)

(1) Details of the Proposal

To amend Article 18 of the Articles of Incorporation of the Company as shown below.

* Amended parts are underlined.

Article 18 (Number, etc.)

The Company shall have not more than ten (10) Directors (excluding those serving as Audit and Supervisory Committee Members).

2. The Company shall have not more than five (5) Directors serving as Audit and Supervisory Committee Members.

3. The Company shall have at least one male Director and one female Director.

(2) Reasons for the Proposal

Currently, the Company's Board of Directors consists solely of male Directors. In view of enhancing corporate governance and competitiveness, it is generally believed to be desirable that a board of directors is composed of directors with diverse backgrounds and makes discussions from a broader perspective. Based on the same view, the notifier, as an institutional investor, has come to make the above proposal, believing that the participation of a female director, in addition to male directors, in the management decision-making process at the Board of Directors meetings will better contribute to long-term benefits of customers.

(3) Opinions of the Company's Board of Directors

The Board of Directors of the Company opposes this Proposal.

The Board of Directors intends to nominate as a candidate for Director any person who satisfies the policy for nominating a candidate for Director and is equipped with skills required for Directors of the Company regardless of gender or nationality.

In addition, the Articles of Incorporation are basic rules for operating the Company, and we believe that it is inappropriate to set a provision that limits qualifications of candidates from the gender standpoint, and therefore the provision as proposed above should not be prescribed in the Articles of Incorporation.

Please also be informed that the Company proactively takes measures to ensure diversity, such as recruiting and promoting women and mid-career professionals and developing human resources.

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(Appendix to the Convocation Notice for the 45th Ordinary General Meeting of Shareholders)

Business Report

(April 1, 2021 - March 31, 2022)

1. Overview of Consolidated Business Activities

(1) Developments and Results of Business Activities

During the fiscal year ended March 31, 2022, Japan sustained social and economic activities while putting in place preventive measures against the COVID-19 pandemic. In fact, the Japanese economy showed a sign of picking up as the difficult situation somewhat eased as seen in the gradual lifting of the measures to prevent the spread of the novel corona virus and other related priority measures. Meanwhile, the economic conditions overseas remained harsh due in part to the impact of limitations in activities, although the situation varied from country to country. Moreover, the economic outlook was uncertain for reasons such as Russia's aggression in Ukraine and a subsequent surge in raw materials prices.

The nonbank business sector also showed a sign of recovery as a range of measures taken by the government helped improve consumer sentiment, although the market has been contracting as a result of the prolonged stagnation of consumer spending amid the pandemic. Although requests for interest repayment have been trending downward, we need to closely monitor future trends as requests for interest repayment are susceptible to the impacts of changes in external environments.

In such an environment, the Company Group focused on key themes set out in its Mid-term Management Plan, which covers the period up to the fiscal year ended March 31, 2022, under the mid-term management policy of "with expeditious reactions to environmental changes, ACOM will strive for sustainable growth and increasing corporate value, while creating services which exceed customers' expectations."

Consolidated operating revenue for the fiscal year ended March 31, 2022 decreased to 262,155 million yen (down 1.6% year-on-year). This is mainly attributable to: a decrease in accounts receivable - operating loans amid the spread of COVID-19 infection which led to decreased interest on operating loans.

Operating expenses, on the other hand, increased to 227,376 million yen (up 35.8% year-on-year) primarily because requests for interest repayment did not decrease as expected and some additions were made to provision for loss on interest repayment. As a result, operating profit decreased to 34,779 million yen (down 64.8% year-on-year), and ordinary profit decreased to 35,441 million yen (down 64.6% year-on-year). Profit attributable to owners of parent amounted to 55,678 million yen (down 29.4% year-on-year) since income taxes – deferred increased in a manner positive to profit following the change in the classification of companies in relation to the recoverability of deferred tax assets.

Details of main financial service businesses by segment are as follows:

1) Loan and credit card business

In the domestic loan and credit card business, we made efforts to strengthen our ability to attract new customers, improve product/service functions, and maintain the soundness of loan portfolio.

As a measure to strengthen our ability to attract new customers, we refreshed the content of our advertisements, primarily TV commercials. Also, to improve product/service functions, we have worked on measures to boost customer convenience, including the launch of cardless credit contracts.

In addition to these operating activities, we have endeavored to raise the accuracy of credit screenings, maintain the soundness of our loan portfolio, and improve the customer-reception quality of our employees by enhancing the development of human resources through training on credit control and customer reception.

In the domestic loan business, accounts receivable - operating loans for the fiscal year ended March 31, 2022 decreased to 783,155 million yen (down 0.1% year-to-date on-year), as the demand for funds and additional borrowing by customers declined due to the impacts of the COVID-19 outbreak, including voluntary restraints on economic activities. In the domestic credit card business, accounts receivable - installment increased to 87,962 million yen (up 11.6% year-to-date on-year) driven by positive factors such as the growing demand for cashless settlement and a subsequent increase in transaction volume.

As a result, during the fiscal year ended March 31, 2022, the business segment's operating revenue was 142,302 million yen (down 1.5% year-on-year) mainly due to a decrease in interest on operating loans. In addition, the business segment recorded operating loss of 8,879 million yen (compared to operating profit of 52,725 million yen for the prior fiscal year) due to an increase in operating expenses mainly by additions made to provision for loss on interest repayment and an increase in bad debts expenses.

2) Guarantee business

In the guarantee business, we worked to deepen communication with existing partners, continued appropriate screening, and provided a range of supports to these partners in their operating activities, thereby further strengthening our partnerships.

Specifically, to further strengthen collaborative relationships with the existing partners, we reinforced our partners' ability to attract new customers through joint advertisements, continued appropriate screening, provided the results of our analyses about loan portfolio and the effect of advertisements, and provided them with various supports with a view to improving their business results and stabilizing their growth.

As a result, the total balance of guaranteed receivables in the guarantee operation of the Company and MU Credit Guarantee Co., LTD. at the end of the current fiscal year was 1,173,059 million yen (up 0.3% year-to-date on-year).

The business segment's operating revenue was 62,861 million yen (down 2.2% year-on-year) primarily due to a decrease in revenue from credit guarantee, whereas operating profit was 23,991 million yen (down 4.2% year-on-year) due to an increase in operating expenses led caused by an increase in bad debt expenses, etc.

3) Overseas financial business

In the overseas financial business, we carried out business operations in the pursuit of expanding the scale of relevant businesses.

EASY BUY Public Company Limited ("EASY BUY"), which engages in the loan business in the Kingdom of Thailand, actively conducted marketing activities of the Umay+ brand with the aim of enhancing the brand image and gathering and acquiring new customers, thereby building the top-brand position in the country. In this business segment, we have also worked to strengthen our ability to serve customers by making use of mobile apps for a number of purposes such as the issuance of virtual cards and the electromagnetic delivery of receipts.

ACOM CONSUMER FINANCE CORPORATION, which engages in loan business in the Republic of the Philippines and launched a full-fledged business in July 2018, has proactively promoted marketing activities. The company also has been making efforts to attract more new customers, such as strengthening web-based marketing and accepting applications via mobile apps.

ACOM (M) SDN. BHD., a company newly established in Malaysia, has been striving to obtain a license so it can start business earlier. We have also worked on necessary surveys in other Asian countries to explore the feasibility of business development in these countries.

Accounts receivable - operating loans at EASY BUY as of March 31, 2022 amounted to 190,207 million yen (down 1.1% year-on-year) for reasons such as limited operating activities in the wake of the COVID-19 outbreak and a negative impact of foreign exchange fluctuations.

As a result, operating revenue for the current fiscal year amounted to 51,239 million yen (down 1.7% year-on-year) mainly due to a decrease in accounts receivable - operating loans at EASY BUY, and the lowered maximum interest rate and a subsequent drop in interest on operating loans in the Kingdom of Thailand. Operating profit amounted to 18,347 million yen (down 7.7% year-on-year) as operating expenses increased in line with an increase in bad debts expenses.

4) Loan servicing business

In the loan servicing business, IR Loan Servicing, Inc. has endeavored to strengthen its business structure and increase profitability. With respect to the strengthening of its structure, IR Loan Servicing, Inc. has been working to reinforce our human resources base through training programs and other measures, and to improve and stabilize our system environment,.

As a result, the business segment's operating revenue amounted to 5,662 million yen (up 2.9% year-on-year), mainly owing to an increase in the amount of proceeds from purchased receivables. Operating profit increased to 1,641 million yen (up 210.8% year-on-year) as operating expenses decreased for reasons such as a decrease in bad debts expenses.

(2) Capital Investment

During the fiscal year under review, there was no notable capital investment to report.

(3) Financing

- 1) The Company has issued the Domestic Unsecured Straight Bonds and Commercial Papers for purposes such as repayment of a part of long-term borrowings as follows:

September 2021	81st Domestic Unsecured Straight Bond	10.0 billion yen
February 2022	Commercial Paper	20.0 billion yen
March 2022	Commercial Paper	5.0 billion yen

- 2) EASY BUY Public Company Limited, the Company's consolidated subsidiary, has issued bonds payable for the purpose of appropriation for repayment of borrowings, funds for redemption of bonds payable, and working capital as follows:

April 2021	2.0 billion Thai baht
October 2021	1.5 billion Thai baht

(Note) The fiscal year end for EASY BUY Public Company Limited is December 31.

- 3) ACOM (M) SDN. BHD., the Company's consolidated subsidiary, raised funds amounting to 1,999,999 Malaysian ringgit by carrying out a capital increase through shareholder allotment in November 2021.

(Note) The fiscal year end for ACOM (M) SDN. BHD. is December 31.

(4) Issues to be Addressed

There is risk of further economic downturn within and outside Japan, due to the impact from the spread of COVID-19 infection. The Company Group will place top priority on COVID-19 response measures, such as ensuring the safety of customers and employees, and strive to collect information regarding the spread of COVID-19 infection while providing customers with flexible and courteous support for repayment, etc.

In developing the three-year mid-term management plan beginning from the fiscal year ending March 31, 2023, we reviewed our vision and have set forth a mid-term management policy of making clearer our commitment to each of our stakeholders and making efforts to achieve the vision. Further, we will focus on what we should address in order to expand the scope of each business, as well as seek to enhance corporate value.

For the fiscal year ending March 31, 2025, the final year of the new mid-term management plan, the Company has set targets, in the domestic market, of 908.0984.2 billion yen in the balance of the loan and credit card business, and 1,197.9319.4 billion yen in the balance of the guarantee business, totaling 2,106.0303.6 billion yen; and in overseas markets, targets of 56.257.3 billion Thai baht in the balance of the loan business for EASY BUY Public Company Limited in the Kingdom of Thailand, and 3.1,528 million billion Philippine pesos in the balance of the loan business for ACOM CONSUMER FINANCE CORPORATION in the Republic of the Philippines. For the fiscal year ending March 31, 2025, the Company forecasts consolidated operating revenue of 268.4 billion yen, consolidated ordinary profit of 88.2 billion yen, and profit attributable to owners of parent of 62.8 billion yen. The Group as a whole aims to achieve a total balance of the businesses amounting to 2.5 trillion yen.

Targets and other forward-looking statements are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute a promise by the Company that the anticipated results will be achieved. In particular, the actual results may differ significantly due mainly to the impacts of changes in external environments including a re-spread of COVID-19 infection.

In the mid-term management plan, the Company will continue working to expand business and address the following issues.

- Loan and credit card business

In the loan and credit card business, the Company will appropriately and speedily grasp the rapidly evolving digital landscape, and will focus on expanding transactions with existing customers, strengthening its ability to attract new customers, and recovering earlier its business operations which have been contracting in the wake of the COVID-19 pandemic. In addition, we newly established GeNiE Inc. in alliance with a partner that has end users, with the aim of entering the Credit-as-a-Service type embedded finance business domain to expand our business operations. Through this newly established consolidated subsidiary, we will deliver new experiences to the customers using the partner's services by providing them with financial services. Moreover, the Company is committed to increasing its brand strength through a range of activities, including "Challenge What You Want to Start," a new project aimed at creating a society where everyone in Japan can try something new, launched in November 2021, as well as other activities contributing to society. The Company will also make efforts to accurately meet demands of new customers' demands, which are emerging from the evolution of ICT, and deliver high-quality customer experience.

- Guarantee business

In the guarantee business, we will expand the scope of our business operations by realizing guarantee partnerships with non-financial companies that serve customers in need of credit card loans and newly entering into alliance in the guarantee business with financial institutions, and will also further deepen collaboration with existing partners through in-depth communication with them. To meet the increasingly complex demands of each and every financial institution, the Group will make the best use of its expertise gained from its loan and credit card business to enhance and improve service functions, while working to ensure appropriate screening and responding to the customers' need for sound financing.

- Overseas financial business

In the overseas financial business, we will strive to expand business and maintain the soundness of the loan portfolio at EASY BUY Public Company Limited in the Kingdom of Thailand, while concentrating our efforts on making ACOM CONSUMER FINANCE CORPORATION in the Republic of the Philippines the second pillar of profit in the overseas financial business.

In addition, we will make efforts to start business operations earlier in Malaysia, where we established ACOM (M) SDN. BHD.

We will also steadily pursue research and analysis activities aimed at realization of starting operations in other Asian countries with a view to expanding our overseas finance business.

(5) Changes in Assets and Income of the Company

(Millions of yen, unless otherwise stated)

Item	42nd fiscal year ended March 31, 2019	43rd fiscal year ended March 31, 2020	44th fiscal year ended March 31, 2021	45th fiscal year ended March 31, 2022
Operating revenue	277,069	279,510	266,316	262,155
Ordinary profit	58,205	75,104	100,014	35,441
Profit attributable to owners of parent	37,781	59,600	78,864	55,678
Basic earnings per share (yen)	24.12	38.04	50.34	35.54
Total assets	1,301,908	1,282,389	1,219,109	1,263,296
Net assets	381,501	442,496	515,128	563,963
Net assets per share (yen)	227.35	265.11	310.02	339.51
Accounts receivable - operating loans at fiscal year-end	1,000,428	1,041,711	977,152	975,282
Accounts receivable - installment at fiscal year-end	63,740	75,726	79,423	88,640
Shareholders' equity ratio (%)	27.36 [14.17]	32.39 [16.51]	39.84 [20.33]	42.10 [21.83]

- (Notes) 1. Basic earnings per share is calculated based on the average number of shares issued during each fiscal year excluding treasury shares. Net assets per share are calculated based on the total number of shares issued as of the end of each fiscal year excluding treasury shares.
2. The numbers in brackets in the lower row of "Shareholders' equity ratio" indicate the shareholders' equity ratios based on total assets including the total balance of guaranteed receivables.

(6) Principal Parent Company and Subsidiaries (as of March 31, 2022)

1) Relationship with the parent company

Company Name	Number of shares held (Thousands)	Parent company's percentage of voting rights held (%)	Remarks
Mitsubishi UFJ Financial Group, Inc.	629,689 (40,966)	40.19 (2.61)	Conclusion of business management agreement Conclusion of business and capital alliance agreement

(Notes) 1. The numbers in parentheses in the "Number of shares held" and "Parent company's percentage of voting rights held" represent the included number of shares indirectly held and the percentage of voting rights indirectly held, respectively.

2. With regard to the Company's principal financial and business policies, the Company agreed with Mitsubishi UFJ Financial Group, Inc., the parent company, that important decisions on business plans and business strategies are to require prior approval.

2) Principal subsidiaries

Subsidiaries with capital exceeding 100 million yen are as follows:

Company name	Capital	The Company's percentage of voting rights holding (%)	Main business
MU Credit Guarantee Co., LTD.	300 (Millions of yen)	100.00	Guarantee business
IR Loan Servicing, Inc.	520 (Millions of yen)	100.00	Loan servicing business (Servicing business)
EASY BUY Public Company Limited	6.0 (Billions of Thai baht)	71.00	Unsecured loan business and installment loan business (installment sales finance business)
ACOM CONSUMER FINANCE CORPORATION	1.5 (Billions of Philippine pesos)	80.00	Unsecured loan business

(7) Principal Businesses (as of March 31, 2022)

The principal businesses of the Group include loan and credit card business, guarantee business, overseas financial business, and loan servicing business.

(8) Principal Offices (as of March 31, 2022)

1) Principal offices of the Company

Head office: 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo

Business outlets

Loan business outlets	834
Staffed outlets	4
Unstaffed outlets	830
Automatic contract machine outlets	834 locations (852)

(Note) The followings following are the numbers of automated teller machines:

ATMs	50,656
Proprietary	857
Tie-up	49,799

2) Principal offices of the subsidiaries

Name	Location	Name	Location
MU Credit Guarantee Co., LTD.	Chiyoda-ku, Tokyo	EASY BUY Public Company Limited	Bangkok, Kingdom of Thailand
IR Loan Servicing, Inc.	Chiyoda-ku, Tokyo	ACOM CONSUMER FINANCE CORPORATION	Pasig, Republic of the Philippines
		ACOM (M) SDN. BHD.	Kuala Lumpur, Malaysia

(Note) The Company established ACOM (M) SDN. BHD. on July 23, 2021 with the aim of providing money lending service in Malaysia.

(9) Employees (as of March 31, 2022)

1) Number of employees of the consolidated group

Category	Number of employees
Loan and credit card business	1,460 (70)
Guarantee business	243 (11)
Overseas financial business	2,994 (4)
Loan servicing business	129 (8)
Company-wide (common)	491 (20)
Total	5,317 (113)

(Notes) 1. The number of employees represents the number of employees at work (excluding the number of employees transferred from the Group companies to non-Group companies and including the number of employees transferred to the Group companies from non-Group companies) and does not include the number of fixed-term employees.

2. The figures in parentheses in “Number of employees” are the annual average number of fixed-term employees. (If the number of temporary employees of fixed-term employees is counted as 1 person per 8 work hours a day, the annual average number of fixed-term employees will be 108.)

3. The number of employees in the “Company-wide (common)” is the number of employees belonging to the administration departments of the Head Office and thus do not fall into any business segment.

2) Employees of the Company

Category	Number of employees	Year-on-year increase (decrease)	Average age	Average length of service
Male	1,255	(8)	43 years and 5 months	18 years and 10 months
Female	856	7	36 years and 10 months	9 years and 5 months
Total	2,111	(1)	40 years and 9 months	15 years and 0 months

(Note) The number of employees represents the number of employees at work (excluding the number of employees transferred out of the Company and including the number of employees transferred to the Company), and does not include the number of fixed-term employees.

(10) Major Creditors (as of March 31, 2022)

The major creditors and amounts borrowed are as follows.

Creditor	Amount borrowed (Millions of yen)
MUFG Bank, Ltd.	193,312
Shinsei Bank, Limited	34,400
Aozora Bank, Ltd.	27,800
Shinkin Central Bank	22,825
Bank of Ayudhya Public Company Limited	17,661

2. Matters concerning Shares of the Company (as of March 31, 2022)

(1) Shares

Total number of shares authorized to be issued	Total number of shares issued	Number of shareholders
5,321,974,000	1,566,614,098	16,095

(Note) The total number of shares issued decreased by 29,668,702 as a result of the cancellation of treasury shares on June 3, 2021, based on the resolution at the Board of Directors meeting held on May 20, 2021.

(2) Major Shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Percentage of ownership (%)
Mitsubishi UFJ Financial Group, Inc.	588,723	37.57
Maruito Shokusan Co., Ltd.	273,467	17.45
Maruito Co., Ltd.	125,533	8.01
The Master Trust Bank of Japan, Ltd. (Trust account)	106,843	6.81
Foundation of Kinoshita Memorial Enterprise	92,192	5.88
Maruito Shoten Co., Ltd.	38,733	2.47
Mitsubishi UFJ Trust and Banking Corporation	31,572	2.01
Custody Bank of Japan, Ltd. (Trust account 4)	27,496	1.75
Custody Bank of Japan, Ltd. (Trust account)	16,704	1.06
Masataka Kinoshita	12,203	0.77

(Notes) 1. For the number of shares held, the amount is rounded down to the nearest thousand.
2. The percentage of ownership is calculated excluding treasury shares (50 shares).

3. Matters concerning the Stock Acquisition Rights, etc.

(1) Stock acquisition rights held by the Directors of the Company and issued in consideration of their execution of duties as of the end of this fiscal year

Not applicable.

(2) Stock acquisition rights issued to employees, etc. in consideration of their execution of duties during this fiscal year

Not applicable.

4. Matters concerning Directors and Audit & Supervisory Committee Members of the Company

(1) Directors (as of March 31, 2022)

Position	Name	Responsibility within the Company and significant concurrent positions
Chairman	Shigeyoshi Kinoshita	
Deputy Chairman	Hiroshi Naruse	In charge of Compliance Department and Internal Audit Department
President & CEO	Masataka Kinoshita	Chief Executive Officer
Senior Managing Director	Tomomi Uchida	Senior Executive Managing Officer (Head of Credit Supervision Division; In charge of General Affairs Department, Credit Supervision Department I, Credit Supervision Department II, and Compliance for Credit Supervision Office)
Senior Managing Director	Takashi Kiribuchi	Senior Executive Managing Officer (Head of System Development & Administration Division; In charge of Corporate Planning Department, System Development Department, System Operation Department, System Planning Office, and System Management Office)
Director	Masakazu Osawa	Managing Corporate Executive and Group Head, Digital Service Business Group & Group CDTO of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors, Managing Executive Officer and Unit Head, Digital Service Unit, CDTO of MUFG Bank, Ltd. (Representative of the Board of Directors) Representative Director and Chief Executive Officer (CEO) of Global Open Network, Inc. Representative Director and Chairman of Global Open Network Japan, Inc.
Director, Full-time Member of the Audit & Supervisory Committee	Masahide Ishikawa	
Director, Full-time Member of the Audit & Supervisory Committee	Kazuo Fukumoto	
Director, Member of the Audit & Supervisory Committee	Takuji Akiyama	Representative of Takuji Akiyama CPA Office Outside Auditor of Astena Holdings Co., Ltd.

- (Notes)
1. Audit & Supervisory Committee Members Masahide Ishikawa and Takuji Akiyama are Outside Directors, and have been designated and registered as independent directors with the Tokyo Stock Exchange in accordance with its regulations.
 2. Audit & Supervisory Committee Member Kazuo Fukumoto has considerable knowledge regarding finance and accounting gained from his experience in accounting divisions of the Company over many years, while Audit & Supervisory Committee Member Takuji Akiyama has considerable knowledge regarding finance and accounting gained through a wealth of experience as a certified public accountant.
 3. The Company has elected two Audit & Supervisory Committee Members as Full-time Members of the Committee in order to strengthen the effective auditing function, etc. by regularly supervising and verifying the status of the establishment and operation of the internal control system while enhancing the development of the environment for information collection and audits.

4. Executive Officers who do not hold concurrent positions as Directors (as of March 31, 2022)

Position	Name	Responsibility within the Company and significant concurrent positions
Executive Managing Officer	Masaru Kuroda	In charge of Overseas Business Management Department Vice in charge of Compliance Department
Executive Managing Officer	Michihito Onodera	In charge of Guarantee Business Department
Executive Managing Officer	Tomoo Shikanoya	In charge of Finance Department, Treasury Department and Public Relations & CSR Department Chief General Manager of Public Relations & CSR Department
Executive Managing Officer	Masashi Yoshiba	In charge of Human Resources Department and Business Process Management Department
Executive Managing Officer	Yuji Kinoshita	Head of Credit Business Promotion Division In charge of Business Planning Department, Business Promotion Department, East Japan Business Promotion Department, West Japan Business Promotion Department, and Compliance for Credit Business Promotion Office
Executive Managing Officer	Masatoshi Nabeoka	In charge of Corporate Risk Management Department Chief General Manager of Corporate Risk Management Department
Executive Officer	Masayuki Sone	Chief General Manager of West Japan Business Promotion Department
Executive Officer	Akihiro Kiyooka	Credit Supervision Division (Special mission)
Executive Officer	Hidehiko Shibata	Chief General Manager of East Japan Business Promotion Department
Executive Officer	Masahiko Machida	Chief General Manager of Internal Audit Department
Executive Officer	Hitoshi Yokohama	Guarantee Business Department (Special mission)
Executive Officer	Takeo Noda	Overseas Business Management Department (Special mission)

5. Change in Executive Officer during the fiscal year under review

Name	Position before change	Position after change	Date of change
Yasuhide Doi	Executive Officer	—	May 31, 2021
Shigeyoshi Kinoshita	Chief Executive Officer	—	June 23, 2021
Masataka Kinoshita	Deputy Chief Executive Officer	Chief Executive Officer	June 23, 2021
Tomomi Uchida	Executive Managing Officer	Senior Executive Managing Officer	June 23, 2021
Takashi Kiribuchi	Executive Managing Officer	Senior Executive Managing Officer	June 23, 2021
Makoto Kondo	Executive Managing Officer	—	June 23, 2021
Yasuhiro Kamura	Executive Managing Officer	—	June 23, 2021
Masashi Yoshiba	Executive Officer	Executive Managing Officer	June 23, 2021
Yuji Kinoshita	Executive Officer	Executive Managing Officer	June 23, 2021
Masatoshi Nabeoka	Executive Officer	Executive Managing Officer	June 23, 2021

6. Change in Executive Officer after the fiscal year under review

Name	Position before change	Position after change	Date of change
Tai Wakikawa	—	Executive Officer	April 1, 2022
Akifumi Kinoshita	—	Executive Officer	April 1, 2022

Kazuki Morishita	—	Executive Officer	April 1, 2022
Osamu Morimoto	—	Executive Officer	April 1, 2022

(2) Directors Who Retired during the Fiscal Year under Review

Name	Date of retirement	Reason for retirement	Position, responsibility within the Company and significant concurrent positions at the time of retirement
Kaoru Wachi	June 23, 2021	Expiration of term	Deputy Chairman In charge of Compliance Department and Internal Audit Department
Naoki Hori	June 23, 2021	Expiration of term	Director Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative) and Deputy President of MUFG Bank, Ltd.
Tatsuya Ito	June 23, 2021	Expiration of term	Director, Full-time Member of the Audit & Supervisory Committee (Outside)

(3) Compensation to Directors for the Fiscal Year under Review

1) Policy concerning the Decision on the Details of Individual Compensation to Directors

The Board of Directors determined a policy concerning the decision on the details of individual compensation payable to Directors (excluding Directors serving as Audit & Supervisory Committee Members). In summary, with regard to compensation payable to Directors (excluding Directors serving as Audit & Supervisory Committee Members), the Company has established a compensation system sufficient to function as an incentive to seek sustainably increasing corporate value, by setting the compensation levels at companies that have the same business scale as the Company or that belong to the relevant business types and business categories as benchmarks. Compensation to each Director is to be payable in cash. Compensation to full-time Directors (excluding Directors serving as Audit & Supervisory Committee Members) consists of basic compensation and performance-linked compensation, while compensation to part-time Directors consists of basic compensation only. Basic compensation is fixed compensation to be paid once monthly, and performance-linked compensation is variable compensation to be paid once yearly according to business results.

The Company determines the amount of basic compensation payable to Directors (excluding Directors serving as Audit & Supervisory Committee Members) at the Board of Directors after the Appointment and Remuneration Committee deliberates and proposes the respective amounts to be paid according to the positions and other factors, in consideration of the compensation levels at other companies, the business results of the Company, the levels of employees' salaries and other factors. The Company determines the amount of performance-linked compensation payable to Directors (excluding Directors serving as Audit & Supervisory Committee Members) at the Board of Directors after the Appointment and Remuneration Committee calculates basic distribution funds with "Profit attributable to owners of parent" as an indicator and thereupon deliberates and proposes the respective amounts to be paid according to the positions, individual evaluations and other factors.

The target percentage of performance-linked compensation out of total compensation is approximately twenty percent (if the amount of performance-linked compensation is a standard one). An indicator ("Profit attributable to owners of parent") of performance-linked compensation payable to full-time Directors (excluding Directors serving as Audit & Supervisory Committee Members) is selected because the Company has first established an objective and transparent compensation system for full-time Directors (excluding Directors serving as Audit & Supervisory Committee Members) linked to business results for a single fiscal year in consideration of the fact that the Company had consecutively paid no dividend until an interim dividend for the fiscal year ended March 2018. With regard to the method used for determining the amount of performance-linked compensation, the Company determines the range of profit as a standard for the basic distribution funds at the Appointment and Remuneration Committee in consideration of special factors such as future increases in the tax burden and extraordinary income and losses out of profit. Then, the Company determines the amount of performance-linked compensation by multiplying the basic distribution funds by a rate according to the percentage of distribution per position and an individual Director's evaluation at the Board of Directors.

Changes in profit attributable to owners of parent including the fiscal year under review are stated at 1.

(5) Changes in Assets and Income of the Company.

Other details of the compensation payable to Directors are deliberated and proposed by the Appointment and Remuneration Committee and thereupon determined by the Board of Directors.

The amount of compensation payable to Audit & Supervisory Committee Members is determined through consultation among Audit & Supervisory Committee Members in consideration of their duties and responsibilities.

2) Resolutions at a General Meeting of Shareholders on Compensation to Directors

At the 40th Ordinary General Meeting of Shareholders held on June 22, 2017, it was resolved that compensation payable to Directors (excluding Directors serving as Audit & Supervisory Committee Members) per year shall be no more than 400 million yen (excluding the portion of employee's salary payable to Directors who concurrently serve as employees). The number of Directors (excluding Directors serving as Audit & Supervisory Committee Members) as of the conclusion of the above Ordinary General Meeting of Shareholders was six. In addition, at the same Ordinary General Meeting of Shareholders, it was resolved that compensation payable to Directors serving as Audit & Supervisory Committee Members per year shall be no more than 100 million. The number of Directors serving as Audit & Supervisory Committee Members as of the conclusion of the above Ordinary General Meeting of Shareholders was four.

3) Reasons Why the Board of Directors Deemed that the Details of Individual Compensation Payable to Directors were in line with the Policy

The details of the individual compensation payable to each Director for the fiscal year under review were deliberated and proposed by the Appointment and Remuneration Committee within the compensation limit approved at the general meeting of shareholders based on the Director's position, evaluation, and other factors, and were thereupon determined by the Board of Directors in due consideration of the contents of the proposal. Therefore, the Board of Director deemed that the details were in line with the policy.

(4) Total Amount of Compensation to Directors

Category	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)			Number of eligible Directors
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors (excluding those serving as Audit & Supervisory Committee Members)	182	150	32	—	8
Directors serving as Audit & Supervisory Committee Members (of which Outside Directors)	52 (32)	52 (32)	— (—)	— (—)	4 (3)
Total (of which Outside Directors)	235 (32)	203 (32)	32 (—)	— (—)	12 (3)

(Note) The above table includes two Directors (excluding a Director serving as an Audit & Supervisory Committee Member) who retired at the close of the 44th Ordinary General Meeting of Shareholders held on June 23, 2021, due to the expiration of his/her term of office, and one Director serving as an Audit & Supervisory Committee Member.

(5) Summary of Limited Liability Agreement

Based on the provisions in Paragraph 1, Article 427 of the Companies Act, the Company has concluded a limited liability agreement under Paragraph 1, Article 423 of the Companies Act with each Director (excluding those with authority on business execution, etc.). In addition, liability for damage under such agreement will be limited to the minimum amount stipulated in the law.

(6) Summary of Details of Directors and Officers (D&O) Liability Insurance

The Company has entered into a Director and Officer (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3 of the Companies Act to cover legal damages and litigation expenses to be borne by the insured parties.

It is provided, however, that the insurance policy takes measures so as not to impair the appropriateness of the execution of duties by Directors and Officers, by offering no coverage for liability incurred by Directors and Officers themselves who have committed bribery or other criminal offenses or intentional illegal acts.

The insured parties of the insurance policy are Directors (excluding Directors serving as Audit & Supervisory Committee Members) of the Company, Audit & Supervisory Committee Members and Executive Officers of the Company, including persons who have already retired from the above offices and Directors and Officers who have been newly elected during the term of the policy. In addition, the Company bears the entire premium for all the insured parties.

(7) Matters concerning Outside Directors

- 1) Significant concurrent positions in other companies and relationship between the Company and these companies.

Director, Audit & Supervisory Committee Member Takuji Akiyama is Representative of Takuji Akiyama CPA Office, and Outside Auditor of Astena Holdings Co., Ltd. There is no conflict of interest between the Company and any of these two organizations.

2) Major activities of Outside Directors during the fiscal year under review

Name	Position	Summary of attendance, comments made and duties carried out concerning roles expected of Outside Directors
Masahide Ishikawa	Director, Audit & Supervisory Committee Member	<p>He attended all 13 Board of Directors meetings and all 14 Audit & Supervisory Committee meetings held during the fiscal year under review and actively offered opinions and advice and posed questions from an independent standpoint, drawing on his wealth of experience and knowledge, as well as his experience gained through his past career as corporate executive. He periodically had dialogues with Representative Directors, Directors, and Executive Officers who concurrently serve as Directors to hear from them about the execution status of duties concerning primary issues, etc. and strived to improve audit environment and raise awareness of audit. In addition, he maintained close cooperation with accounting auditors and the internal audit department, etc. by periodically holding briefing sessions with them. Furthermore, with respect to duties carried out concerning roles expected of Outside Directors, he attended the Appointment and Remuneration Committee meetings, the Compliance Committee meetings, and the Risk Committee meetings as a member, and supervised the management from an independent viewpoint when selecting the top management, deliberating on evaluation and compensation, and reporting to the Board of Directors through monitoring. Moreover, he monitored the deliberation meetings held in connection with the preparation of the new mid-term management plan, with the next fiscal year as the first year, and provided advice with a view to promoting sustainable growth of the Company and enhancing its corporate value from the medium- to long-term perspective.</p>
Takuji Akiyama	Director, Audit & Supervisory Committee Member	<p>Since assuming the position of Director, Audit & Supervisory Committee Member on June 23, 2021 (elected at the 44th Ordinary General Meeting of Shareholders), he attended all 9 Board of Directors meetings and all 10 Audit & Supervisory Committee meetings held during the fiscal year under review. Based on his advanced expertise and abundant experience gained in the audit of finance and accounting through his career as a certified public accountant, he actively offered opinions and advice and posed questions from an independent standpoint. He periodically had dialogues with Representative Directors, etc. to hear from them about the execution status of duties concerning primary issues, etc. and strived to improve audit environment and raise awareness of audit. In addition, he maintained close cooperation with accounting auditors and the internal audit department, etc. by periodically holding briefing sessions with them. Furthermore, with respect to</p>

Name	Position	Summary of attendance, comments made and duties carried out concerning roles expected of Outside Directors
		<p>duties carried out concerning roles expected of Outside Directors, he attended the Appointment and Remuneration Committee meetings and the Risk Committee meetings as a member, and supervised the management from an independent viewpoint when selecting the top management, deliberating on evaluation and compensation, and reporting to the Board of Directors through monitoring. Moreover, he monitored the deliberation meetings held in connection with the preparation of the new mid-term management plan, with the next fiscal year as the first year, and provided advice with a view to promoting sustainable growth of the Company and enhancing its corporate value from the medium- to long-term perspective.</p>

5. Accounting Auditor

(1) Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of Compensation to Accounting Auditor for the Fiscal Year under Review

1) Compensation to the accounting auditor for the fiscal year under review	122,000 thousand yen
2) Total amount of monetary and other financial benefits payable to the accounting auditor by the Company and its consolidated subsidiaries	145,700 thousand yen

- (Notes)
1. The audit agreement entered into by the Company and the accounting auditor does not clearly distinguish the amount of compensation for audits prescribed in the Companies Act and those prescribed in the Financial Instruments and Exchange Act, and practically it cannot be distinguished. Therefore, 1) above shows the total amount of such compensation.
 2. The Audit & Supervisory Committee agreed to the amount of compensation to the accounting auditor, as it decided that such amount was reasonable based on the examination thereof, following the analysis and evaluation on the results of accounting audit carried out in the prior fiscal year by the accounting auditor, as well as the verification of the audit plan for the current fiscal year and the basis for calculating the estimated compensation, etc.
 3. Among the Company's principal subsidiaries, EASY BUY Public Company Limited and ACOM CONSUMER FINANCE CORPORATION have been subject to statutory audit by accounting auditors other than the Company's accounting auditor.
 4. The Company entrusts the accounting auditor with the preparation of a comfort letter, which is a service outside the scope of services stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Act, and pays the accounting auditor for performing such service.

(3) Policy on Determination of Dismissal or Non-Reappointment of the Accounting Auditor

In case the Audit & Supervisory Committee determines that the accounting auditor falls under the provisions specified in each item, Paragraph 1, Article 340 of the Companies Act, the Audit & Supervisory Committee shall dismiss the accounting auditor conditional upon its unanimous approval.

In cases that the Audit & Supervisory Committee determines that dismissal or non-reappointment of the accounting auditor is appropriate mainly including the fact that the accounting auditor has difficulty in execution of duties, the Audit & Supervisory Committee shall decide the contents of proposal for the General Meeting of Shareholders to dismiss or not to reappoint the accounting auditor.

6. The Company's System and Policy

System to Ensure the Appropriateness of Business Activities and Overview of the Status of Operation of the System

[System to Ensure the Appropriateness of Business Activities]

The Company resolved, at the Board of Directors meeting held on March 19, 2021, a partial amendment to the basic policy for the development of the system to ensure the appropriateness of business activities of the Company and its subsidiaries ("Basic Policy of Establishing ACOM Group's Internal Control System"), to be effectuated on April 1, 2021. The following are stated based on the contents after amendment.

- 1) System to ensure that execution of duties by the Directors and employees of the Company and its subsidiaries complies with laws, regulations and the Articles of Incorporation of the Company
 - (a) The Company regards compliance as the highest priority in the corporate management, and establishes the ACOM Group Code of Ethics and Code of Conduct, while developing the rules for compliance and various internal rules and making employees fully aware of them.
 - (b) The Company and its subsidiaries establish a committee on compliance, etc., officers responsible for compliance, and departments with across-the-board responsibilities for compliance.
 - (c) The Company and its subsidiaries formulate compliance plans and manage its progress.
 - (d) The Company and its subsidiaries establish contact points for reporting and inquiries concerning the act of violations or possible violations of compliance.
 - (e) In accordance with the ACOM Group Code of Ethics and the Group's basic policy with respect to antisocial forces, the Company and its subsidiaries develop a system to prevent relations with antisocial forces and ensure appropriate business operations.
 - (f) The Company and its subsidiaries closely monitor the possibility that financial services provided by the Company and its subsidiaries may be used for financial crimes such as money laundering and terrorist financing, and strive to detect and prevent financial crimes.
 - (g) In accordance with the Group's basic policy for the internal control over financial reporting, the Company develops a system to ensure the accuracy and reliability of financial reporting. The Company also establishes a system to disclose financial information by setting up a Financial Information Disclosure Committee.
 - (h) The Company establishes an internal audit department and ensures its independence and specialties. It also develops an internal audit system, in accordance with the rules on internal audit, to ensure the soundness and appropriateness of businesses. Additionally, the Company's internal audit department implements audits on its subsidiaries or supports their audits in order to contribute to development of the internal control system of its subsidiaries.
- 2) System concerning storage and management of information on the execution of duties by Directors of the Company
 - (a) In accordance with the rules for confidential information management and related rules, the Company establishes procedures for managing documents related to the execution of duties by the Directors (including electromagnetic records), stores and manages such information in an appropriate manner, ensuring that such documents are available for inspection by directors when necessary.
 - (b) In order to maintain the appropriateness of information storage and management, the Company appoints personnel responsible for information security management, determines the roles of respective organizations, officers and employees, and stores and manages information in a systematic manner. The Company regularly verifies the status of information storage and management.
- 3) Rules concerning loss risk management and other systems of the Company and its subsidiaries
 - (a) The Company and its subsidiaries establish systems for proper and efficient risk management in accordance with the rules for risk management.
 - (b) In order to manage risks in an integrated manner, the Company and its subsidiaries establish a committee on risk management, etc., officers responsible for risk management, and departments with across-the-board responsibilities for risk management.
 - (c) The Company and its subsidiaries establish systems to minimize economic losses and loss of credibility and to continue or swiftly resume business operations in cases where risks that may have significant internal or external impacts arise.

- 4) System to ensure efficient execution of duties by the Directors of the Company and its subsidiaries
 - (a) The Company formulates the Group's management policies and management plans and carries out business management based on appropriate methods.
 - (b) The Board of Directors delegates decision making concerning the execution of business operations other than matters to be resolved by the Board of Directors to President. The Company establishes the Executive Officers' Meeting chaired by President to conduct deliberations and make decisions on delegated matters.
 - (c) The Company and its subsidiaries, based on internal rules, etc., determine the division of duties by each organization and the criteria of decision making for each position so as to make decisions more quickly and execute duties more efficiently.

- 5) System to ensure the propriety of business carried out by the group consisting of the Company, parent company and subsidiaries
 - (a) While maintaining independence as a publicly-traded company, the Company coordinates with the parent company in accordance with the rules for consultation and reporting with the parent company. The Company also establishes the Group's business management systems in accordance with the parent company's policy for its group management so as to contribute to the appropriate business operations of both of the groups.
 - (b) The Company establishes departments for managing its subsidiaries, and manages subsidiaries in accordance with the rules for management of subsidiaries, etc. The Company's subsidiaries report important matters with business operations and management to the Company's Executive Officers' Meeting.

- 6) System concerning employees to assist the Audit & Supervisory Committee of the Company in execution of their duties
 - (a) The Company will establish the Administration for Audit & Supervisory Committee to assist the Audit & Supervisory Committee in execution of their duties, and assigns employees to assist the Audit & Supervisory Committee.
 - (b) The number of employees to assist the Audit & Supervisory Committee and their required qualifications will be decided after discussion with the Audit & Supervisory Committee.
 - (c) Employees to assist the Audit & Supervisory Committee will be exclusively in charge of work that assists the Audit & Supervisory Committee, and will not be subject to instructions and orders from Directors (excluding those serving as Audit & Supervisory Committee Members) and other operational organizations.
 - (d) Assignment, transfer, evaluation, and disciplinary action of employees to assist the Audit & Supervisory Committee will be decided after discussion with the Audit & Supervisory Committee.

- 7) System for reporting to the Audit & Supervisory Committee

The Company reports to the Audit & Supervisory Committee the following matters concerning the Company and its subsidiaries. The person who reports to the Audit & Supervisory Committee shall not be treated unfavorably due to the reporting.

 - (i) Matters which may significantly damage the Company
 - (ii) Any material violation of laws and regulations, etc.
 - (iii) Implementation Status and results of internal audits
 - (iv) Status of whistleblowing and details of the reporting
 - (v) Other matters the Audit & Supervisory Committee ask to be reported

- 8) Other systems to ensure that audits are effectively implemented by the Audit & Supervisory Committee of the Company
 - (a) The Company ensures a system that allows Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to: attend the Executive Officers' Meeting and other important meetings and committees; and have access to the important documents concerning the execution of duties, such as statutory documents.
 - (b) President will have regular meetings with Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to exchange opinions on issues with which the Company should deal, issues concerning the execution of duties, and primary issues on audits. President will also take actions regarding the matters that the Audit & Supervisory Committee deems necessary to be addressed.

- (c) Directors (excluding those serving as Audit & Supervisory Committee Members) and employees will esteem the rules of the Audit & Supervisory Committee and other rules, including audit policies, and cooperate with the Audit & Supervisory Committee for inspection and consultation requests.
- (d) The internal audit department will establish a cooperation system for exchanging information with the Audit & Supervisory Committee in order to contribute to ensuring the effectiveness of audits.
- (e) When the internal audit department recognizes an act in violation of laws and regulations or an act that may correspond to a violation of laws and regulations (whether or not they breach internal rules) in which any Directors (excluding those serving as Audit & Supervisory Committee Members) are suspected to be involved, the internal audit department will report the said facts to the Audit & Supervisory Committee before reporting them to the Directors (excluding those serving as Audit & Supervisory Committee Members).
- (f) The Audit & Supervisory Committee will prepare budgets for expenses necessary for the execution of their duties and present them to the Company. Expenses incurred over the budget, in an urgent or temporary manner, may be requested for reimbursement afterwards.

[Overview of the Status of Operation of the System to Ensure the Appropriateness of Business Activities]

Overview of the status of operation based on the basic policy for the development of the system to ensure the appropriateness of business activities (“Basic Policy of Establishing ACOM Group’s Internal Control System?”) for the fiscal year under review is as follows.

- 1) System to ensure that execution of duties by the Directors and employees of the Company and its subsidiaries complies with laws, regulations, and the Articles of Incorporation of the Company
 - * The Company has formulated the ACOM Group Code of Ethics and Code of Conduct and distributed them via its in-house network and other media to all officers and employees. In addition, to raise awareness of the ACOM Group Code of Ethics and Code of Conduct, the Company has issued messages regarding compliance through its top management, Executive Officers who concurrently serve as Directors, etc.
 - * The Company and its subsidiaries have appointed officers responsible for compliance and established departments with across-the-board responsibilities for compliance, and striven to promote compliance through compliance training, etc.
 - * The Company has arranged quarterly reports to the Board of Directors on the progress of the basic compliance plan.
 - * The Compliance Committee holds six meetings a year, in principle, carrying out deliberation on the important matters concerning the development and operation of the compliance system, matters concerning the formulation of the basic compliance plan, etc.
 - * The Company and its subsidiaries have established contact points for reporting and consultations concerning the act of violations or possible violations of compliance.
 - * The Company and its subsidiaries work on management and other activities in relation to the prevention of transactions involving antisocial forces, as well as the prevention of financial crimes including money laundering and terrorist financing, in accordance with the ACOM Group Code of Ethics and other related provisions.
 - * The Financial Information Disclosure Committee holds two meetings each quarter, in principle, conducting prior deliberation of the matters to be discussed at the Board of Directors, on issues such as the financial information subject to disclosure.
 - * The Company has established an internal audit department and ensured its independence and specialties. It has also developed an internal audit system in accordance with the rules on internal audit to ensure the soundness and appropriateness of businesses. Additionally, the Company’s internal audit department has implemented or supported the audits of its subsidiaries in order to contribute to development of the internal control system of its subsidiaries, and has reported quarterly to the Board of Directors on the results of audits including audits on its subsidiaries.

- 2) System concerning storage and management of information on the execution of duties by Directors of the Company
 - * The Company makes amendments to the rules, etc. concerning information management, such as the “Information Security Management Rules” and the “Information Management Rules,” and reviews the framework for storage and management of information as appropriate.
 - * The Company has appointed personnel responsible for information security management, and regularly verifies the roles of respective organizations, officers and employees involved in information security, as well as the status of storage and management of information.

- 3) Rules concerning loss risk management and other systems of the Company and its subsidiaries
 - * The Company and its subsidiaries have appointed officers responsible for risk management and established departments with across-the-board responsibilities for risk management.
 - * The Company makes amendments to the rules, etc. concerning business continuity and reviews the framework for business continuity and prompt restoration of business operations as appropriate. In addition, to raise awareness of its policy on business continuity and to ensure the effectiveness of its business continuity framework, the Company holds training sessions to practice its business continuity plan.
 - * The Risk Committee is held once a quarter, in principle, deliberating on matters concerning the development of the risk management system in general, important matters concerning risk management, and issues concerning the preparation of a basic risk management plan, etc.
 - * The Risk Management Report Meeting is held once a quarter, in principle, reporting on the status of risk management and matters concerning risk management.

- 4) System to ensure efficient execution of duties by the Directors of the Company and its subsidiaries
 - * The Board of Directors makes resolutions on the Group's management policies and management plans. The progress of the management plans is reported to the Board of Directors on a quarterly basis.
 - * The Executive Officers' Meeting and the IT Strategy Meeting are held three times a month, in principle, to deliberate and decide on matters delegated from the Board of Directors, and conduct prior deliberation on the matters to be discussed at the Board of Directors.
 - * The Company and its subsidiaries amend internal rules pertaining to the decision-making criteria as necessary so as to make decisions more quickly and execute duties more efficiently.

- 5) System to ensure the propriety of business carried out by the group consisting of the Company, parent company and subsidiaries
 - * The Company coordinates with the parent company in accordance with the rules for consultation and reporting with the parent company. The Company also establishes the Group's business management systems in accordance with the parent company's policy for its group management so as to contribute to the appropriate business operations of both of the groups.
 - * The Company manages subsidiaries based on the "Affiliates Management Rules."
 - * Each subsidiary of the Company reports on the status of various aspects of operation including budgetary control, main qualitative management data and the progress of credit business measures to the business report meeting on a monthly basis and to the Executive Officers' Meeting on a quarterly basis.

- 6) System concerning employees to assist the Audit & Supervisory Committee of the Company in execution of their duties
 - * The Company has established the Administration for Audit & Supervisory Committee to assist the Audit & Supervisory Committee in execution of their duties, and assigned three dedicated employees to assist the Audit & Supervisory Committee, who are not subject to instructions and orders from Directors (excluding those serving as Audit & Supervisory Committee Members) and other operational organizations.

- 7) System for reporting to the Audit & Supervisory Committee
 - * Status of the execution of Directors' duties, status of internal audits, etc., are reported to the Audit & Supervisory Committee on a regular basis, while matters which are deemed likely to significantly damage the Company and any like cases are reported to the Audit & Supervisory Committee without delay when such matters occur.
 - * The Company has stipulated that the person who reports to the Audit & Supervisory Committee shall not be treated unfavorably due to the reporting.

- 8) Other systems to ensure that audits are effectively implemented by the Audit & Supervisory Committee of the Company
 - * The rules of meetings and the rules of committees, etc. stipulate the authority of Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to attend meetings, and Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee attend the Executive Officers' Meeting, the IT Strategy Meeting, the Compliance Committee, the Financial Information Disclosure Committee, the Risk Committee and other meetings.
 - * The "Rules for Ensuring the Effectiveness of Audits by the Audit & Supervisory Committee" stipulates the authority of Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to access statutory documents and other important documents concerning the execution of duties.
 - * Directors (excluding those serving as Audit & Supervisory Committee Members) have regular meetings with Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to exchange opinions on issues which the Company should address, issues concerning the execution of duties, and primary issues on audits.
 - * The internal audit department maintains cooperation with the Audit & Supervisory Committee by regularly reporting the results of internal audit and the status of correction of defects found as a result of the internal audit while discussing in advance the internal audit plan.

- * The Company has stipulated that when the internal audit department recognizes an act in violation of laws and regulations or act that may correspond to a violation of laws and regulations in which any Directors (excluding those serving as Audit & Supervisory Committee Members) are suspected to be involved, the internal audit department will report the said facts to the Audit & Supervisory Committee before reporting them to the Directors (excluding those serving as Audit & Supervisory Committee Members).

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Consolidated Financial Statements

(April 1, 2021–March 31, 2022)

Consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	1,153,999	Current liabilities	230,355
Cash and deposits	74,242	Accounts payable - trade	797
Accounts receivable - operating loans	975,282	Short-term borrowings	15,284
Accounts receivable - installment	88,640	Commercial papers	24,999
Purchased receivables	7,988	Current portion of long-term borrowings	94,429
Other	85,479	Current portion of bonds payable	58,720
Allowance for doubtful accounts	(77,632)	Lease obligations	170
Non-current assets	109,296	Income taxes payable	13,648
Property, plant and equipment	12,590	Provision for loss on guarantees	8,873
Buildings and structures	3,451	Asset retirement obligations	611
Vehicles	0	Deferred installment income	25
Equipment	7,589	Other	12,794
Land	1,351	Non-current liabilities	468,978
Lease assets	197	Bonds payable	119,010
Intangible assets	7,152	Long-term borrowings	257,899
Software	5,856	Lease obligations	75
Goodwill	1,252	Provision for loss on interest repayment	86,200
Other	43	Retirement benefit liability	784
Investments and other assets	89,553	Asset retirement obligations	4,779
Investment securities	1,238	Other	230
Retirement benefit asset	5,986	Total liabilities	699,333
Deferred tax assets	73,961		
Guarantee deposits	5,133	(Net assets)	
Other	3,970	Shareholders' equity	526,857
Allowance for doubtful accounts	(737)	Share capital	63,832
		Capital surplus	69,861
		Retained earnings	393,163
		Treasury shares	(0)
		Accumulated other comprehensive income	5,023
		Valuation difference on available-for-sale securities	0
		Foreign currency translation adjustment	4,306
		Remeasurements of defined benefit plans	716
		Non-controlling interests	32,082
		Total net assets	563,963
Total assets	1,263,296	Total liabilities and net assets	1,263,296

Consolidated Statement of Income

(April 1, 2021–March 31, 2022)

(Millions of yen)

Description	Amount	
Operating revenue		262,155
Interest on operating loans	163,272	
Revenue from credit card business	10,853	
Revenue from installment sales finance business	62	
Revenue from credit guarantee	53,658	
Proceeds from purchased receivables	4,411	
Other financial revenue	104	
Other operating revenue	29,792	
Operating expenses		227,376
Financial expenses	5,165	
Cost of purchased receivables	1,649	
Other operating expenses	220,561	
Operating profit		34,779
Non-operating income		700
Interest income	1	
Dividend income	13	
Share of profit of entities accounted for using equity method	31	
Rental income from buildings	179	
Subsidy income	363	
Other	109	
Non-operating expenses		38
Interest expenses	7	
Foreign exchange losses	17	
Other	13	
Ordinary profit		35,411,441
Extraordinary income		25
Gain on sales of non-current assets	25	
Extraordinary losses		1,740
Loss on sales of non-current assets	53	
Loss on retirement of non-current assets	164	
Impairment loss	1,520	
Other	2	
Profit before income taxes		33,726
Income taxes-current	18,233	
Income taxes-deferred	(44,317)	(26,084)
Profit		59,810
Profit attributable to non-controlling interests		4,132
Profit attributable to owners of parent		55,678

Consolidated Statement of Changes in Net Assets

(April 1, 2021–March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	63,832	73,549	362,991	(19,794)	480,578
Changes of items during the period					
Dividends of surplus			(9,399)		(9,399)
Profit attributable to owners of parent			55,678		55,678
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares		(3,687)	(16,106)	19,794	–
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(3,687)	30,172	19,794	46,278
Ending balance	63,832	69,861	393,163	(0)	526,857

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	0	4,444	661	5,105	29,443	515,128
Changes of items during the period						
Dividends of surplus						(9,399)
Profit attributable to owners of parent						55,678
Purchase of treasury shares						(0)
Cancellation of treasury shares						–
Net changes of items other than shareholders' equity	0	(137)	55	(81)	2,638	2,556
Total changes of items during the period	0	(137)	55	(81)	2,638	48,835
Ending balance	0	4,306	716	5,023	32,082	563,963

Notes to the Consolidated Financial Statements

(From April 1, 2021 to March 31, 2022)

1. Notes to Significant Matters Providing the Basis for the Preparation of Consolidated Financial Statements

(1) Matters concerning the scope of consolidation

Number of consolidated subsidiaries: 5

Names of principal consolidated subsidiaries are referred to in “(6) Principal Parent Company and Subsidiaries of 1. Overview of Consolidated Business Activities,” therefore they are omitted here.

ACOM (M) SDN. BHD., which was established in Malaysia on July 23, 2021, has been included in the scope of consolidation starting from the fiscal year under review.

(2) Matters concerning application of the equity method

Number of equity-method-affiliate: 1

Name of the equity-method-affiliate: MU Communications Co., Ltd.

(3) Matters concerning accounting policies

1) Evaluation standards and methods for significant assets

(a) Marketable securities

Other marketable securities

Securities other than shares, etc. that do not have a market price	Stated at fair value (Unrealized gains or losses are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving average method)
--------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Shares, etc. that do not have a market price	Stated at cost by the moving-average method The investments in limited investment partnerships and other similar partnerships (those deemed as “securities” according to the Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported, using the equity method, based on the latest financial statements available as at the closing dates stipulated by the respective partnership contracts.
----------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(b) Derivative transactions, etc.

Derivatives	Fair value method
-------------	-------------------

(c) Inventories

Supplies	Mainly at cost, based on the first-in first-out method
----------	--------------------------------------------------------

2) Depreciation and amortization methods for significant depreciable assets

(a) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries	Declining balance method
--------------------------------------------------------	--------------------------

Overseas consolidated subsidiaries	Straight-line method
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(b) Intangible assets (excluding lease assets)

Software for internal use	Amortized by the straight-line method over their estimated useful lives (5 years) in the Company.
---------------------------	---------------------------------------------------------------------------------------------------

Other intangible assets	Straight-line method
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(c) Lease assets

Lease assets concerning transfer ownership finance lease transactions	Depreciated by the same depreciation method applied to non-current assets owned by the Company
-----------------------------------------------------------------------	------------------------------------------------------------------------------------------------

Lease assets concerning non-transfer ownership finance lease transactions	Depreciated by the straight-line method, defining the lease term of respective assets as their useful lives, with residual value equaling zero
---------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------

(d) Long-term prepaid expenses

Depreciated by the equal installment method

(e) Deferred assets

Bond issuance cost	These costs are fully charged to income when they are paid.
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3) Accounting standards for the translation of foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated monetary claims and obligations are translated into Japanese yen, using the spot exchange rates on the closing date of consolidated accounting and the resulting translation gains and losses are recognized as income and expenses.

Assets and liabilities and income and expenses of overseas subsidiaries are translated into Japanese yen at the spot exchange rates on the account closing date and average exchange rates, respectively. The resulting translation gains and losses are recorded as foreign currency translation adjustments and non-controlling interests under the net assets section.

4) Accounting standards for significant allowances and provisions

Allowance for doubtful accounts

To provide for potential loss on consumer loans and other loans, the Company and its consolidated subsidiaries make an allowance for the expected amount of irrecoverable loans. Allowances for ordinary bad debts are computed, based on the historical rate of default. For specific debts where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis.

Provision for loss on guarantees

To provide for loss on guarantees, the Company and its consolidated subsidiaries make an allowance for potential losses at the end of the fiscal year.

Provision for loss on interest repayment

To prepare for potential loss on interest repayment in the future, the Company estimates and provides a reasonable amount of provision for loss on interest repayment, in consideration of the past actual results and the latest interest repayment situations.

5) Accounting standards for significant revenue and expenses

Interest on operating loans

Interest is recorded on an accrual basis.

Accrued interest on operating loans is recorded, using the interest rate stipulated in the Interest Rate Restriction Act or the contracted interest rate of the Company, whichever the lower.

Revenue from credit card business

Fees from customers

Recorded by the credit balance method

Fees from member stores

Recorded as fees at the time of transaction

Revenue from credit guarantee

Recorded by the credit balance method

(Note) Details of each recording method are as follows:

Credit balance method

Fees to be recorded as revenue is calculated pursuant to the prescribed rates applicable to the relevant credit balance.

Fees and commissions

Revenue from contracts with customers is recognized in the consolidated statement of income based on the progress toward satisfaction of performance obligations identified in accordance with the substance of the transaction for each contract.

Fees and commissions mainly include fees for ATM usage and fees from MasterCard member stores. Fees for ATM usage are recognized as revenue at the time that the customers use ATMs at financial institutions in alliance and other partners. Fees from MasterCard member stores are recognized as revenue at the time that the customers pay by their credit cards at the stores (at the time of sale-on-credit transaction).

6) Significant hedge accounting method

(a) Hedge accounting method

The Company adopts the deferred hedge accounting. However, exceptional accounting treatments are applied to certain interest-rate swaps which meet specific conditions and designation transactions are applied to those that conform to the requirements of designated currency swap.

(b) Hedging instruments and hedging items

Interest rate-related items

Hedging instruments

Hedging items

Interest-rate swap agreements

Borrowings with variable interest rates and bonds payable with variable interest rates

Currency-related items

Hedging instruments

Hedging items

Currency swap agreements

Foreign-currency-denominated borrowings

(c) Hedging policy

The Company and its subsidiaries enter into derivatives contracts to hedge against various risks. These contracts include the following: Interest-rate swaps to hedge against the risk of fluctuations in interest rates relating to borrowings with variable interest rates and bonds payable with variable interest rates for the purpose of protecting cash flows. Currency swap contracts to hedge against the risk of fluctuations in exchange rates relating to borrowings and interest on loans relating to foreign-currency-denominated borrowings for the purpose of protecting cash flows.

(d) Method for evaluating hedging effectiveness

With regard to interest rate-related hedging, important requirements concerning hedging instruments and hedging items are closely matched with each other. Also, the Company can assume that fluctuations in interest rates and cash flows are fully offset by the fluctuations in hedging instruments on an ongoing basis since the implementation of hedging contracts. Therefore, the judgment of hedging effectiveness is omitted. On currency-related hedging, currency swap contracts are entered into on the same conditions as hedging items, thus the Company can assume that fluctuations in exchange rates or cash flows are fully offset by the fluctuations of hedge instruments. Therefore, the judgment of hedging effectiveness is omitted.

7) Method and period for amortization of goodwill

Goodwill is amortized by the equal installments method over a period of 15 years. However, those with insignificant value are fully amortized in the fiscal year in which they were incurred.

8) Other significant matters for the preparation of consolidated financial statements

(a) Accounting method for retirement benefits

Retirement benefit liability is recorded at the amount obtained by subtracting pension assets from retirement benefit obligations based on their projected amounts at the end of the current fiscal year, in order to provide for employees' retirement benefits. If the projected amount of pension assets exceeds the projected amount of retirement benefit obligations, the excess amount is recorded as retirement benefit asset.

Past service costs are charged to expenses, using the straight-line method, over the determined years (5 years) that are not longer than average remaining service years of the employees at the time of occurrence. Actuarial differences are amortized evenly using the straight-line method over the determined years (5 years) that are not longer than the average remaining service years of employees at the time of occurrence in each fiscal year, beginning from the fiscal year following the time of occurrence.

Actuarial differences and unrecognized past service costs are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under the net assets section, after adjustments for tax effect.

(b) Accounting method for consumption tax

Transactions subject to consumption tax are recorded at the amount exclusive of consumption tax. However, consumption tax and other taxes imposed on non tax-deductible assets are recorded as an expense for the fiscal year they were incurred.

(c) Adoption of consolidated taxation system

The Company and its domestic consolidated subsidiaries adopt the consolidated taxation system.

(d) Adoption of tax effect accounting relating to a transition from the consolidation taxation system to the group tax sharing system

The Company and its domestic consolidated subsidiaries will transition from the consolidation taxation system to the group tax sharing system in the next fiscal year. As for the transition to the group tax

sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020)” as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, the Company and its domestic consolidated subsidiaries have not applied the provision of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018),” in accordance with the treatment under Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39; March 31, 2020).” The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

In addition, from the beginning of the next fiscal year, the Company and its domestic consolidated subsidiaries plan to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42; August 12, 2021),” which prescribes the accounting treatment and disclosure of income taxes (including local income taxes) and tax effect accounting in applying the group tax sharing system.

2. Notes to revenue recognition

(1) Disaggregation of revenue

The Group is engaged in the loan and credit card business, the guarantee business, the overseas financial business, the loan servicing business, and other businesses. The fees and commissions from each business (revenue from contracts with customers that are subject to the “Accounting Standard for Revenue Recognition (ASBJ statement No. 29)”) are as follows:

(Millions of yen)					
Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Others	Total
3,242	2,469	487	7	-	6,206

(2) Useful information in understanding revenue

Useful information in understanding revenue from contracts with customers is as presented in “1. Notes to Significant Matters Providing the Basis for the Preparation of Consolidated Financial Statements, 5) Accounting standards for significant revenue and expenses.”

3. Notes to changes in presentation

< Consolidated Balance Sheet >

“Supplies” was listed separately under current assets in the prior fiscal year. As its quantitative materiality became insignificant, “Supplies” has been included in “Other.”

“Supplies” in the fiscal year under review was 53 million yen.

“Telephone subscription right” was listed separately under non-current assets in the prior fiscal year. As its quantitative materiality became insignificant, “Telephone subscription right” has been included in “Other.”

“Telephone subscription right” in the fiscal year under review was 37 million yen.

< Consolidated Statement of Income >

“Loss on cancellation of insurance policies” was listed separately under non-operating expenses in the prior fiscal year. As its quantitative materiality became insignificant, “Loss on cancellation of insurance policies” has been included in “Other.”

“Loss on cancellation of insurance policies” in the fiscal year under review was 1 million yen.

< Applying of accounting standard for revenue recognition, etc. >

The “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020),” etc. have been adopted from the beginning of the fiscal year under review. The adoption has no impact on the consolidated financial statements. “Notes to revenue recognition” are presented in the consolidated financial statements.

< Applying of accounting standard for fair value measurement, etc. >

The “Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019; hereinafter ‘Fair Value Measurement Standard’),” etc. have been adopted from the beginning of the fiscal year under review. The adoption has no impact on the consolidated financial statements. The new accounting policies stipulated by the Fair Value Measurement Standard, etc. will be prospectively applied in accordance with

the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).” In addition, “Notes to financial instruments” will provide notes on fair value information by level within the fair value hierarchy.

3. Notes to revenue recognition

(1) Disaggregation of revenue

The Group is engaged in the loan and credit card business, the guarantee business, the overseas financial business, the loan servicing business, and other businesses. The fees and commissions from each business (revenue from contracts with customers that is subject to the “Accounting Standard for Revenue Recognition (ASBJ statement No. 29)” and revenues from financial instruments transactions (revenues other than revenue from contracts with customers) are as follows:

(Millions of yen)

	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Others	Total
Operating revenue from external customers	142,296	62,861	51,262	5,662	71	262,155
Revenues from financial instruments transactions	139,053	60,392	50,775	5,655	71	255,948
Fees and commissions	3,242	2,469	487	7	—	6,206

(2) Information useful in understanding revenue

Information useful in understanding revenue from contracts with customers is as presented in “1. Notes to Significant Matters Providing the Basis for the Preparation of Consolidated Financial Statements, (3) Matters concerning accounting policies, 5) Accounting standards for significant revenue and expenses.”

4. Notes to accounting estimates

(1) Provision for loss on interest repayment

1) Amount recorded on the consolidated financial statements for the fiscal year under review

In the loan business of the Company, the interest rates charged on some loan products in which customers entered into contracts before June 17, 2007 exceed the interest rate ceilings specified in the Interest Rate Restriction Act. In case our customers request forgiveness of the loan amount or reimbursement of excess interest paid, demanding to fulfill obligations based on these maximum interest rates, the Company may accept to write off such loan or reimburse payments in response. To provide for requests for such reimbursement, the Company provides necessary amounts of provision for loss on interest repayment estimated in consideration of the past actual results and the latest interest repayment situations.

Provision for loss on interest repayment recorded on the consolidated financial statements for the fiscal year under review was 86,200 million yen. Additional provision for loss on interest repayment was 58,923 million yen.

Provision for loss on interest repayment is calculated mainly in accordance with predetermined internal regulations and is determined based on deliberations at the Executive Officers’ Meeting. Although uncertainty remains about estimates and major assumptions when calculating provision for loss on interest repayment, the Company makes the best possible estimates ensuring objectivity and reasonableness based on effective internal control. With respect to the above estimates, the Company evaluates the status of disparity between the estimates and actual results each quarter and accordingly reviews the need for additional provision, reversal, etc.

2) Information conducive to the understanding of the details of accounting estimates

(a) Methods used for the calculation of an amount recorded on the consolidated financial statements for the fiscal year under review

To prepare for potential loss on interest repayment in the future, the Company makes a forecast in

consideration of the past actual results and the latest interest repayment situations and estimates a reasonable amount of requests for interest repayment. When estimating the amount, the Company primarily supposes the future estimated figures of the number of requests for interest repayment and the average unit price of requests for interest repayment from their respective past actual results. Then, the Company calculates an estimated amount of requests for interest repayment over a certain period in the future. When projecting the future estimated figures of the number of requests for interest repayment, figures that are especially uncertain, the Company groups the future estimated figures per law firm and shiho-shoshi lawyer's office according to the trends in the requests for interest repayment. Then, the Company calculates the estimated number of requests for interest repayment in the future for each group based on the past actual rates of requests for interest repayment as calculated from past actual results as well as the latest environmental analysis and the latest trend of requests for interest repayment.

- (b) Major assumptions used for the calculation of an amount recorded on the consolidated financial statements for the fiscal year under review

Major assumptions are the future estimated figures of the number of requests for interest repayment (the estimated number of requests for interest repayment in the future per law firm or shiho-shoshi lawyer's office) and the average unit price of requests for interest repayment.

- (c) Impact on the consolidated financial statements for the next fiscal year

The major assumptions, which are the future estimated figures of the number of requests for interest repayment and the average unit price of requests for interest repayment per law firm or shiho-shoshi lawyer's office, are calculated based on the past actual rates of requests for interest repayment as calculated from past actual results as well as the latest environmental analysis and the latest trend of requests for interest repayment. Given the uncertainty of such estimates, provision for loss on interest repayment for the next fiscal year may increase or decrease.

(2) Allowance for doubtful accounts

- 1) Amount recorded on the consolidated financial statements for the fiscal year under review

For accounts receivable - operating loans, accounts receivable - installment and right to reimbursement, which constitute the majority of total assets of the Company Group, an allowance for doubtful accounts is provided for all or part of the outstanding balance of loans, based on the types and conditions at the end of the consolidated fiscal year under review.

Allowance for doubtful accounts recorded on the consolidated financial statements for the fiscal year under review was 78,370 million yen.

Allowance for doubtful accounts is calculated mainly in accordance with predetermined internal regulations, and the Company makes the best possible estimates ensuring objectivity and reasonableness based on effective internal control. In the case of an event not stipulated in the internal regulations and other rules, the Company will respond to the event based on deliberations at the Executive Officers' Meeting and other meetings.

- 2) Information conducive to the understanding of the details of accounting estimates

- (a) Methods used for the calculation of an amount recorded on the consolidated financial statements for the fiscal year under review

Unsecured loans receivable and installments receivable with which the Company deals are classified into "general receivables" and "specific receivables" with the aim of preventive attachment. Right to reimbursement belongs to "specific receivables" only.

- i) General receivables

Unsecured loans receivable are calculated mainly using the historical rate of annual defaults according to classifications based on a credit risk management model, and installments receivable are calculated using the historical rate of annual defaults.

- ii) Bad debts under the Head Office control

Receivables on which the Company has concluded out-of-court settlement agreement are calculated using the historical rate of defaults over their average remaining periods and receivables other than the above are estimated in the total amount net of that based on the collected percentage.

*If "general receivables" and "special receivables" are recorded in duplicate with provision for loss on interest repayment, the relevant amount is reduced from the allowance for doubtful accounts.

- (b) Major assumptions used for the calculation of an amount recorded on the consolidated financial statements for the fiscal year under review

With respect to the credit risk management model stated in the methods used for calculation as above, the Company comprehensively evaluates the attributes of receivables in correlation with the write-off of bad debts, the details of transactions, etc., and converts the probability of the future occurrence of write-

off of bad debts to customers into a numerical value using a statistical method. Therefore, the classification based on the said value is a major assumption.

(c) Impact on the consolidated financial statements for the next fiscal year

The Company continuously reviews and revises classifications based on a credit risk management model, a major assumption. If the above classification needs to be revised because of changes in the external management environment due to future uncertainties and other factors, it may have an impact on the amount of allowance for doubtful accounts to be recognized in the consolidated financial statements for the next fiscal year and thereafter.

(3) Deferred tax assets

1) Amount recorded on the consolidated financial statements for the fiscal year under review

The Group records deferred tax assets in the amount deemed recoverable for deductible temporary differences and retained tax losses.

Deferred tax assets recorded on the consolidated financial statements for the fiscal year under review were 73,961 million yen.

Deferred tax assets are calculated mainly in accordance with predetermined internal regulations, and the Company makes the best possible estimates ensuring objectivity and reasonableness based on effective internal control. In the case of an event not stipulated in the internal regulations and other rules, the Company will respond to the event based on deliberations at the Executive Officers' Meeting and other meetings.

2) Information conducive to the understanding of the details of accounting estimates

(a) Methods used for the calculation of an amount recorded on the consolidated financial statements for the fiscal year under review

The Group records deferred tax assets in the amount deemed recoverable for deductible temporary differences and retained tax losses. The recoverability is determined by scheduling temporary differences, etc. against the future taxable income before additions and subtractions of temporary differences, etc. (including retained tax losses and credits) which is estimated primarily based on the projected profits in the three-year mid-term management plan beginning from the next fiscal year, considering external factors such as the business environment, the Group's operating results, and the achievement level of past mid-term management plans.

The reversal of deductible temporary differences is estimated for provision for loss on interest repayment by forecasting a reasonable amount of requests for interest repayment in consideration of the past actual results and the latest interest repayment situations; and for allowance for doubtful accounts and provision for loss on guarantees by considering the historical rate of default and other factors.

(b) Major assumptions used for the calculation of an amount recorded on the consolidated financial statements for the fiscal year under review

Taxable income is calculated based on the profits of the mid-term management plan, incorporating key assumptions such as plans for outstanding balances of accounts receivable - operating loans and accounts receivable - installment in the loan and credit card business, guarantee obligations in the guarantee business, and accounts receivable - operating loans in the overseas financial business, which have been developed assuming that the COVID-19 infection will gradually subside from April 2022 onwards.

The Group supposes that the impact of the COVID-19 infection may have a certain impact on the Group's operating results mainly due to the sluggish economy and consumer spending. Although a full-fledged recovery of the economy and other conditions is not expected immediately, the Group has forecast revenues and expenses, such as operating revenues and bad debt-related expenses for each business in the mid-term management plan, based on the expectation that consumer spending will gradually recover from April 2022 onwards mainly thanks to the effects of various policies.

(c) Impact on the consolidated financial statements for the next fiscal year

The amount of deferred tax assets to be recorded on the consolidated financial statements for the next fiscal year may be affected by uncertain future changes in the business environment, an increase in requests for interest repayment, the spread of COVID-19 infection, and other unforeseen reasons.

(Additional Information)

In prior years, the Company incurred significant tax losses or experienced the expiration of retained tax losses. Therefore, in accordance with ASBJ Guidance No. 26 "Implementation Guidance on Recoverability of Deferred Tax Assets," the Company has been classified as Entity Category 4.

Accordingly, the Company has recorded deferred tax assets deemed recoverable for the next fiscal year

by scheduling temporary differences, etc. against the future taxable income before additions and subtractions of temporary differences, etc. Then, at the end of the fiscal year under review, as the Company was able to reasonably estimate taxable income before additions and subtractions of temporary differences, etc. to be generated for the three years from the next fiscal year, which is the period of the Group's mid-term management plan, the Company has been classified as Entity Category 3. Accordingly, the Company has determined the recoverability of deferred tax assets based on the results of scheduling of temporary differences for that period.

5. Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment	30,796 million yen
(2) Guaranteed liabilities	(Millions of yen)
Outstanding guarantee obligation in the guarantee business	1,173,059
Provision for loss on guarantees	8,873
Net	1,164,186

6. Notes to Consolidated Statement of Changes in Net Assets

(1) Class and total number of shares issued as of the end of the current fiscal year	
Common stock	1,566,614,098 shares

(2) Matters concerning dividends from surplus

1) Dividends paid

At the Ordinary General Meeting of Shareholders held on June 23, 2021, the resolution was adopted as follows.

Type of stock	Common stock
Total amount of dividends	4,699 million yen
Capital of dividends	Retained earnings
Dividends per share	3 yen
Record date	March 31, 2021
Effective date	June 24, 2021

At the Board of Directors meeting held on November 9, 2021, the resolution was adopted as follows.

Type of stock	Common stock
Total amount of dividends	4,699 million yen
Capital of dividends	Retained earnings
Dividends per share	3 yen
Record date	September 30, 2021
Effective date	December 6, 2021

2) Dividends whose record date fell in the current fiscal year, but whose effective date comes after March 31, 2022

At the Ordinary General Meeting of Shareholders to be held on June 24, 2022, the resolution is scheduled as follows.

Type of stock	Common stock
Total amount of dividends	6,266 million yen
Capital of dividends	Retained earnings
Dividends per share	4 yen
Record date	March 31, 2022
Effective date	June 27, 2022

(3) Class and number of shares to be issued upon the exercise of the stock acquisition rights as of the end of the current fiscal year

Not applicable.

7. Notes to financial instruments

(1) Matters concerning the financial instruments

1) The Group's policy for financial instruments

The Group conducts financial service businesses. These include loan business, credit card business, guarantee business and loan servicing business. To finance the operation of these businesses, the Group raises funds through indirect financing, i.e. borrowings from financial institutions, as well as direct financing, such as issuing bonds, etc., in light of the market situation and balance between variable interest rates and fixed interest rates. The Group conducts derivative transactions primarily for the purpose of hedging against the risk of fluctuations in interest rates and exchange rates associated with these financing operations, and does not have a policy to conduct speculative trading.

2) Details of financial instruments and associated risks

Major financial assets held by the Group are accounts receivable - operating loans and accounts receivable - installment; these assets are exposed to credit risk resulting from customers' default of payments. In addition, the Group holds shares, investments in partnership, etc. on a portfolio investment basis. These assets are exposed to the risk of market price fluctuations and some are open to the risks of issuer's credit. Financial liabilities including borrowings, bonds and commercial papers are exposed to liquidity risk, giving some indication of the possibility that the Group may not be able to make payment at the due date as a result of a change in the Group's credit standings or the market environment. Likewise, liabilities with variable interest rates have a certain degree of interest-rate risk, but the Group mitigates this risk through interest rate swap transactions. On the other hand, foreign-currency-denominated liabilities are exposed to the risk of fluctuations in foreign currency exchange rates, which is averted with the help of currency swap agreements.

Derivative transactions include interest rate swap agreements for the purpose of hedging against the risk of fluctuations in interest rates associated with borrowings, etc.; and currency swap agreements that aim to hedge against the risk of fluctuations in exchange rates concerning foreign-currency-denominated borrowings and foreign-currency-denominated bonds payable. For details of hedging instruments, hedging items, hedging policy and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to aforementioned "1. Notes to Significant Matters Providing the Basis for the Preparation of Consolidated Financial Statements, (3) Matters concerning accounting policies, 6) Significant hedge accounting method."

3) Risk management system for financial instruments

(a) Credit risk management

According to internal rules, the Company incorporates and operates a structure to cope with individual transaction-based credit administration, credit information management, a credit rating system, a self-assessment system, problem loans and to regularly monitor its credit portfolios. The credit management and credit business promotion divisions separately conduct individual transaction-based screening and credit management, designed to facilitate a mutual surveillance function. In addition, the Company holds a regular management meeting to report and discuss important matters on credit risk management and operations. Separately it has a system under which the internal audit department reviews the appropriateness of the Company's credit business operations, ensuring that the Company engages in a proper credit business. Consolidated subsidiaries also have similar management systems in place.

(b) Market risk management

The Company and some of its consolidated subsidiaries utilize interest rate swap agreements to mitigate the risk of fluctuations in interest payments on their financial liabilities such as borrowings. Also, they basically enter into currency swap agreements to hedge against the risk of fluctuations in exchange rate related to their foreign-currency-denominated liabilities.

The Group conducts derivative transactions primarily with the aim of optimizing financing costs and adjustment of the fixed/variable interest rates proportion. It does not have a policy of conducting derivatives trading for speculative purposes. Further, execution and administration of derivatives transactions are conducted in accordance with the Company's internal rules that stipulate the trading authority, trading limits, etc., under the basic policy approved at meetings of management.

Consolidated subsidiaries also have similar market risk management systems in place.

In addition, all the accounts receivable – operating loans, which are the Group's principal financial assets, are fixed interest rates, and large part of borrowings and bonds, which are the Group's principal financial liabilities, are also fixed interest rates, therefore they have low sensitivity to fluctuations in interest rates. That is why the Group does not conduct a quantitative analysis on the market risk.

With regards to the items of which fair values are determined using the market interest rate, if the interest rate as of March 31, 2022, had been 1 basis point (0.01%) lower, the fair value of their net amount (asset side)-relevant financial assets after deduction of financial liabilities-would increase by 2 million yen on

the condition that all risk variables other than interest rate are constant. To the contrary, if the interest rate had been higher by 1 basis point (0.01%), the net amount would decrease by 47 million yen.

(c) Management of liquidity risk associated with financing activities

The Company manages the liquidity risk by reviewing its financing plan on a timely basis according to past financing results, changes in market conditions or interest rate situations, etc., based on the financing plan approved at meetings of management. Also for that purpose, it maintains a certain amount of liquidity at all times, secures commitment lines, seeking diversity and appropriate balance of financing methods in light of the market environment. Consolidated subsidiaries also have similar financing systems in place.

4) Supplementary explanations on fair value of financial instruments

The fair value of financial instruments is calculated based on certain assumptions, and the value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in “(2) Matters concerning the fair value of financial instruments” does not represent the market risk of the derivative transactions.

(2) Matters concerning the fair value of financial instruments

The book value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2022, as well as the differences between these values are described below. “Deposits,” “short-term borrowings,” and “commercial papers” are omitted, because they comprise cash and short-term instruments whose book value approximates their fair value.

(Millions of yen)

	Book value	Fair value	Difference
1) Accounts receivable - operating loans	975,282		
Allowance for doubtful accounts	(44,322)		
Provision for loss on interest repayment (Amount of voluntary waiver of repayments)	(9,500)		
	921,460	1,215,480	294,020
2) Accounts receivable - installment	88,640		
Allowance for doubtful accounts	(4,656)		
Deferred installment income	(25)		
	83,958	104,654	20,695
3) Purchased receivables	7,988		
Allowance for doubtful accounts	(2,062)		
	5,925	5,925	–
4) Marketable securities and investment securities			
(a) Other securities	0	0	–
Total assets	1,011,344	1,326,060	314,716
1) Current portion of bonds payable and bonds payable	177,730	177,870	140
2) Current portion of long-term borrowings and long-term borrowings	352,328	351,060	(1,267)
Total liabilities	530,058	528,931	(1,126)
Derivative transaction (*)	(42)	(42)	–

(*) Receivables and payables incurred by derivative transactions are presented in net. Net payables are presented in brackets “[].”

(Note) Shares, etc. that do not have a market price are not included in “4) Marketable securities and investment securities.” The book values of these financial instruments are as follows:

(Millions of yen)

Item	Book value
1) Unlisted shares	1,238
2) Investments in investment partnerships	0
Total	1,238

(3) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

1) Financial instruments measured at fair value

(Millions of yen)

Type	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other securities				
Stocks	0	–	–	0
Total assets	0	–	–	0
Derivative transaction				
Interest-related derivatives	–	42	–	42
Total liabilities	–	42	–	42

2) Financial instruments other than those measured at fair value

(Millions of yen)

Type	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable - operating loans	–	–	1,215,480	1,215,480
Accounts receivable - installment	–	–	104,654	104,654
Purchased receivables	–	–	5,925	5,925
Total assets	–	–	1,326,060	1,326,060
Current portion of bonds payable and bonds payable	–	177,870	–	177,870
Current portion of long-term borrowings and long-term borrowings	–	351,060	–	351,060
Total liabilities	–	528,931	–	528,931

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Marketable securities and investment securities

As listed shares are valued using quoted prices and traded in active markets, their fair value is classified as Level 1.

Notes to securities are as follows.

(a) Other securities

The acquisition costs of other securities, their book value on the consolidated balance sheet and differences by type are as follows.

(Millions of yen)			
Type	Book Value	Acquisition cost	Difference
Acquisition cost not greater than book value on the consolidated balance sheet			
(a) Stocks	0	0	0
(b) Bonds			
Government/municipal	-	-	-
Corporate	-	-	-
Other	-	-	-
(c) Other	-	-	-
Subtotal	0	0	0
Acquisition cost greater than book value on the consolidated balance sheet			
(a) Stocks	-	-	-
(b) Bonds			
Government/municipal	-	-	-
Corporate	-	-	-
Other	-	-	-
(c) Other	-	-	-
Subtotal	-	-	-
Total	0	0	0

(b) Impaired securities that were written off to their fair values

No securities were written off to their fair values during the fiscal year under review.

Derivative transactions

The fair value of derivative transactions is measured using the discounted cash flow method based on observable inputs, such as interest rates, and is classified as Level 2.

Notes to derivative transactions are as follows.

1) Derivative transactions not subject to the application of hedge accounting

With regard to derivative transactions which are not subject to the application of hedge accounting, the contract amount or equivalent of the principal amount prescribed by the contract, fair value, and unrealized gain or loss as of the closing date of consolidated accounting according to transaction type of investments are as follows:

(a) Interest-related derivatives

(Millions of yen)					
Category	Transaction type	Contract amount	Amount of more than 1 year-period contracts	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Interest rate swap agreements Fixed interest payments and floating interest receivables	4,802	4,116	(42)	(42)

2) Derivative transactions subject to the application of hedge accounting

With regard to derivative transactions which are subject to the application of hedge accounting, the contract

amount or equivalent of the principal amount prescribed by the contract as of the closing date of consolidated accounting according to hedge accounting methods are as follows:

(a) Interest-related derivatives

(Millions of yen)

Hedge accounting method	Transaction type	Major hedging items	Contract amount	Amount of more than 1 year-period contracts	Fair value
Interest rate swap agreements subject to the application of exceptional accounting treatments	Interest rate swap agreements Fixed interest payments and floating interest receivables	Long-term borrowings and bonds payable	9,560	3,415	(Note)

(Note) Interest rate swap agreements subject to the application of exceptional treatments are recognized together with hedging items (i.e. long-term borrowings and bonds payable), therefore, their fair values are included in the fair value of the relevant long-term borrowings, etc.

Accounts receivable - operating loans and accounts receivable - installment

Accounts receivable - operating loans and accounts receivable - installment are stated at their present values, which are calculated by discounting expected future cash flows of the potentially recoverable principal and interest by the current market interest rate. These exclude secured loans and accounts receivable - installment, which are stated at adjusted book value; the expected amount of loan losses on these assets are calculated based on the expected recoverable amount of their collateral securities, hence their fair values approximate their balance sheet values at the closing date, less the current expected amount of loan losses. These fair values are classified as Level 3. Meanwhile, accounts receivable - operating loans and the assets related to the installment sales finance business at certain consolidated subsidiaries are stated at adjusted book value, as their average remaining periods are roughly one year and their fair values approximate their balance sheet values net of an allowance for doubtful accounts. These fair values are also classified as Level 3.

Purchased receivables

These are stated at adjusted book value. The expected amount of loan losses on these assets are calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral securities or guarantees; hence their fair values approximate their balance sheet values at the closing date, less the current expected amount of loan losses. These fair values are classified as Level 3.

Current portion of bonds payable and bonds payable

Bonds with fair value are stated at market price. Bonds without market price and privately offered bonds are stated at the present value which is calculated by discounting the sum of principal and interest (the sum of exchanged principal and interest through swaps, in the case of bonds subject to the exceptional accounting treatments of interest rate swaps and the designation transactions of currency swaps) by the discount rate (i.e. the current market interest rate in consideration of credit risk). These fair values are classified as Level 2.

Current portion of long-term borrowings and long-term borrowings

Long-term borrowings with fixed interest rates are stated at the present value which is calculated by discounting the sum of principal and interest (the sum of exchanged principal and interest through swaps, in the case of borrowings subject to the exceptional accounting treatments of interest rate swaps and the designation transactions of currency swaps) by the discount rate (i.e. the current market interest rate in consideration of credit risk). Those with variable interest rates are stated at their book value, which approximates their fair value because they reflect market interest rates in the short term and the credit conditions of the Company and its subsidiaries have not changed significantly since they were executed. These fair values are classified as Level 2.

8. Notes to Per Share Information

(1) Net assets per share	339.51 yen
(2) Basic earnings per share	35.54 yen

9. Notes to Significant Subsequent Events

The Company and Crezit Holdings, Inc. (hereinafter, “Crezit”) made an agreement on March 18, 2022, regarding implementation of “Credit as a Service Platform (CaaS PF) *” into the Company’s newly established subsidiary and creation of new business. The new subsidiary was established on April 1, 2022 as a wholly owned subsidiary of the Company.

* A platform that provides the system infrastructure and operations required to build financial services.

(1) Overview of the business alliance

1) Implementation of CaaS PF to the newly established subsidiary

By implementing a CaaS PF, we will achieve all types of businesses for a rapid and efficient entry into the consumer credit business by promptly building a system infrastructure from utilizing speedy and flexible system infrastructure Crezit possesses.

2) Creation of “Credit as a Service” by the newly established subsidiary

The newly established subsidiary of the Company will be the bearer of financial services and, while using the CaaS PF provided by Crezit, will partner with companies that have end users to provide new experiences of financial services to customers who use the services of those companies.

(2) Establishment of the subsidiary

Under the above business alliance agreement, the subsidiary was established on April 1, 2022.

(3) Overview of the newly established company

1) Company Name	GeNiE Inc.
2) Business Outline	Embedded finance
3) Date of establishment	April 1, 2022
4) Capital stock (including legal capital surplus)	500 million yen
5) Composition of shareholders	100% by ACOM CO., LTD.

10. Other

The figures less than one million yen are rounded down to the nearest one million yen.

Non-consolidated Financial Statements

(April 1, 2021–March 31, 2022)

Non-consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	956,664	Current liabilities	192,551
Cash and deposits	69,334	Accounts payable - trade	784
Accounts receivable - operating loans	783,155	Short-term borrowings	5,000
Accounts receivable - installment	87,962	Commercial papers	24,999
Prepaid expenses	1,154	Current portion of long-term borrowings	86,540
Accrued income	13,552	Current portion of bonds payable	45,000
Right to reimbursement	54,519	Lease obligations	168
Other	3,585	Accounts payable - other	1,991
Allowance for doubtful accounts	(56,600)	Accrued expenses	7,772
Non-current assets	123,849	Income taxes payable	11,087
Property, plant and equipment	11,705	Deposits received	290
Buildings	2,452	Provision for loss on guarantees	8,010
Structures	508	Asset retirement obligations	611
Equipment	7,201	Other	293
Land	1,351	Non-current liabilities	426,431
Lease assets	192	Bonds payable	95,000
Intangible assets	6,928	Long-term borrowings	240,461
Software	5,637	Lease obligations	71
Goodwill	1,252	Provision for loss on interest repayment	86,200
Other	38	Asset retirement obligations	4,545
Investments and other assets	105,215	Other	153
Investment securities	818	Total liabilities	618,982
Shares of subsidiaries and affiliates	16,209		
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,288	(Net assets)	
Long-term prepaid expenses	1,656	Shareholders' equity	461,531
Deferred tax assets	75,717	Share capital	63,832
Guarantee deposits	4,726	Capital surplus	72,322
Prepaid pension costs	4,750	Legal capital surplus	72,322
Other	747	Retained earnings	325,375
Allowance for doubtful accounts	(700)	Legal retained earnings	4,320
		Other retained earnings	321,055
		General reserve	80,000
		Retained earnings brought forward	241,055
		Treasury shares	(0)
		Valuation and translation adjustments	0
		Valuation difference on available-for-sale securities	0
		Total net assets	461,531
Total assets	1,080,514	Total liabilities and net assets	1,080,514

Non-consolidated Statement of Income

(April 1, 2021 - March 31, 2022)

(Millions of yen)

Description	Amount	
Operating revenue		194,670
Interest on operating loans	117,003	
Revenue from credit card business	10,853	
Revenue from credit guarantee	43,579	
Other financial revenue	71	
Other operating revenue	23,162	
Operating expenses		183,009
Financial expenses	3,254	
Other operating expenses	179,755	
Operating profit		11,660
Non-operating income		6,337
Interest income	2	
Dividend income	5,736	
Other	599	
Non-operating expenses		36
Interest expenses	7	
Foreign exchange losses	16	
Other	12	
Ordinary profit		17,962
Extraordinary income		24
Gain on sales of non-current assets	24	
Extraordinary losses		1,732
Loss on sales of non-current assets	53	
Loss on retirement of non-current assets	156	
Impairment loss	1,520	
Other	2	
Profit before income taxes		16,254
Income taxes-current	12,929	
Income taxes-deferred	(44,757)	(31,828)
Profit		48,082

Non-consolidated Statement of Changes in Net Assets

(April 1, 2021–March 31, 2022)

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Beginning balance	63,832	72,322	3,687	76,010	4,320	80,000	218,478	302,798	(19,794)	422,847
Changes of items during the period										
Dividends of surplus							(9,399)	(9,399)		(9,399)
Profit							48,082	48,082		48,082
Purchase of treasury shares									(0)	(0)
Cancellation of treasury shares			(3,687)	(3,687)			(16,106)	(16,106)	19,794	–
Net changes of items other than shareholders' equity										
Total changes of items during the period	–	–	(3,687)	(3,687)	–	–	22,577	22,577	19,794	38,683
Ending balance	63,832	72,322	–	72,322	4,320	80,000	241,055	325,375	(0)	461,531

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Beginning balance	0	0	422,847
Changes of items during the period			
Dividends of surplus			(9,399)
Profit			48,082
Purchase of treasury shares			(0)
Cancellation of treasury shares			–
Net changes of items other than shareholders' equity	0	0	0
Total changes of items during the period	0	0	38,683
Ending balance	0	0	461,531

Notes to Non-consolidated Financial Statements

1. Notes to Matters concerning Significant Accounting Policies

(1) Evaluation standards and methods for assets

1) Evaluation standards and methods for marketable securities

Shares of subsidiaries and affiliates	Stated at cost by the moving-average method
Other marketable securities	
Securities other than shares, etc. that do not have a market price	Stated at fair value (Unrealized gains or losses are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving average method)
Shares, etc. that do not have a market price	Stated at cost by the moving-average method The investments in limited investment partnerships and other similar partnerships (those deemed as “securities” according to the Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported, using the equity method, based on the latest financial statements available as at the closing dates stipulated by the respective partnership contracts.

2) Evaluation standards and methods for derivatives

Swap transactions	Derivatives	Fair value method
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3) Evaluation standards and methods for inventories

Supplies	Mainly at cost, based on the first-in first-out method
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(2) Depreciation and amortization methods for non-current assets

Property, plant and equipment (excluding lease assets)	Declining balance method
Intangible assets (excluding lease assets)	
Software for internal use	Amortized by the straight-line method over their estimated useful lives (5 years) in the Company
Goodwill	Amortized by the equal installments method over a period of 15 years
Other intangible assets	Straight-line method
Lease assets	
Transfer ownership finance lease transactions	Depreciated by the same depreciation method applied to non-current assets owned by the Company
Non-transfer ownership finance lease transactions	Depreciated by the straight-line method, defining the lease term of respective assets as their useful lives, with residual value equaling zero
Long-term prepaid expenses	Depreciated by the equal installment method

(3) Accounting method for deferred assets

Bond issuance cost	These costs are fully charged to expenses when they are paid.
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(4) Accounting standards for allowances and provisions

Allowance for doubtful accounts	To provide for potential loss on accounts receivable - operating loans and other receivables, the Company makes an allowance for the expected amount of irrecoverable loans. Allowances for ordinary bad debts are computed, based on the historical rate of default. For specific debts where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis.
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Provision for loss on guarantees	To provide for loss on guarantees, the Company makes an allowance for potential losses at the end of the fiscal year.
Provision for retirement benefits	To provide for employees' retirement benefits, the amount obtained by subtracting pension assets from retirement benefit obligations is recorded, based on their projected amounts as of the end of this fiscal year. If the projected amount of pension assets exceeds the projected amount of retirement benefit obligations after addition or deduction of unrecognized past service liabilities and unrecognized actuarial differences, the excess amount is recorded as prepaid pension costs. Past service costs are charged to expenses, using the straight-line method, over the determined years (5 years) that are not longer than average remaining service years of the employees at the time of occurrence. Actuarial differences are amortized evenly using the straight-line method over the determined years (5 years) that are not longer than the average remaining service years of employees at the time of occurrence in each fiscal year, beginning from the fiscal year following the time of occurrence.
Provision for loss on interest repayment	To prepare for potential loss on interest repayment in the future, the Company estimates and provides a reasonable amount of provision for loss on interest repayment, in consideration of the past actual results and the latest interest repayment situations.
 (5) Accounting standards for revenue and expenses	
Interest on operating loans	Interest is recorded on an accrual basis. Accrued interest on operating loans is recorded, using the interest rate stipulated in the Interest Rate Restriction Act or the contracted interest rate of the Company, whichever the lower.
Revenue from credit card business	
Fees from customers	Recorded by the credit balance method
Fees from member stores	Recorded as fees at the time of transaction
Revenue from credit guarantee	Recorded by the credit balance method
(Note) Details of each recording method are as follows:	
Credit balance method	Fees to be recorded as revenue is calculated pursuant to the prescribed rates applicable to the relevant credit balance.
Fees and commissions	Revenue from contracts with customers is recognized in the non-consolidated statement of income based on the progress toward satisfaction of performance obligations identified in accordance with the substance of the transaction for each contract. Fees and commissions mainly include fees for ATM usage and fees from MasterCard member stores. Fees for ATM usage are recognized as revenue at the time that the customers use ATMs at financial institutions in alliance and other partners. Fees from MasterCard member stores are recognized as revenue at the time that the customers pay by their credit cards at the stores (at the time of sale-on-credit transaction).
 (6) Hedge accounting method	
1) Hedge accounting method	

The Company adopts the deferred hedge accounting. However, exceptional accounting treatments are applied to certain interest-rate swaps which meet specific conditions.

2) Hedging instruments and hedging items

Hedging instruments
Hedging items

Interest-rate swap agreements
Borrowings with variable interest rates and bonds payable with variable interest rates

3) Hedging policy

The Company enters into derivatives contracts to hedge against various risks. These contracts include the following: Interest-rate swaps to hedge against the risk of fluctuations in interest rates relating to borrowings with variable interest rates and bonds payable with variable interest rates for the purpose of protecting cash flows.

4) Method for evaluating hedging effectiveness

Important requirements concerning hedging instruments and hedging items are closely matched with each other. Also, the Company can assume that fluctuations in interest rates and cash flows are fully offset by the fluctuations in hedging instruments on an ongoing basis since the implementation of hedging contracts. Therefore, the judgment of hedging effectiveness is omitted.

(7) Other significant matters providing the basis for the preparation of financial statements

1) Accounting method for consumption tax

Transactions subject to consumption tax are recorded at the amount exclusive of consumption tax. However, consumption tax and other taxes imposed on non tax-deductible assets are recorded as an expense for the fiscal year they were incurred.

2) Adoption of consolidated taxation system

The Company adopts the consolidated taxation system.

3) Adoption of tax effect accounting relating to a transition from the consolidation taxation system to the group tax sharing system

The Company will transition from the consolidation taxation system to the group tax sharing system in the next fiscal year. As for the transition to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020)” as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, the Company has not applied the provision of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018),” in accordance with the treatment under Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39; March 31, 2020).” The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

In addition, from the beginning of the next fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42; August 12, 2021),” which prescribes the accounting treatment and disclosure of income taxes (including local income taxes) and tax effect accounting in applying the group tax sharing system.

2. Notes to revenue recognition

(1) Useful information in understanding revenue

Useful information in understanding revenue from contracts with customers is as presented in “1. Notes to Matters concerning Significant Accounting Policies, (5) Accounting standards for revenue and expenses.”

3. Notes to changes in presentation

< Non-consolidated Balance Sheet >

“Supplies” was listed separately under current assets in the prior fiscal year. As its quantitative materiality became insignificant, “Supplies” has been included in “Other.”

“Supplies” in the fiscal year under review was 44 million yen.

“Telephone subscription right” was listed separately under non-current assets in the prior fiscal year. As its quantitative materiality became insignificant, “Telephone subscription right” has been included in “Other.”

“Telephone subscription right” in the fiscal year under review was 36 million yen.

<Non-consolidated Statement of Income>

“Loss on cancellation of insurance policies” was listed separately under non-operating expenses in the prior fiscal year. As its quantitative materiality became insignificant, “Loss on cancellation of insurance policies” has been included in “Other.”

“Loss on cancellation of insurance policies” in the fiscal year under review was 1 million yen.

<Applying of accounting standard for revenue recognition, etc.>

The “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020),” etc. have been adopted from the beginning of the fiscal year under review. The adoption has no impact on the non-consolidated financial statements. “Notes to revenue recognition” are presented in the non-consolidated financial statements.

43. Additional Information

<Applying of accounting standard for fair value measurement, etc.>

The “Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019),” etc. have been adopted from the beginning of the fiscal year under review. The adoption has no impact on the non-consolidated financial statements.

4. Notes to revenue recognition

(1) Useful information in understanding revenue

Useful information in understanding revenue from contracts with customers is as presented in “1. Notes to Matters concerning Significant Accounting Policies, (5) Accounting standards for revenue and expenses.”

5. Notes to accounting estimates

(1) Provision for loss on interest repayment

1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

In the loan business of the Company, the interest rates charged on some loan products in which customers entered into contracts before June 17, 2007 exceed the interest rate ceilings specified in the Interest Rate Restriction Act. In case our customers request forgiveness of the loan amount or reimbursement of excess interest paid, demanding to fulfill obligations based on these maximum interest rates, the Company may accept to write off such loan or reimburse payments in response. To provide for requests for such reimbursement, the Company provides necessary amounts of provision for loss on interest repayment estimated in consideration of the past actual results and the latest interest repayment situations.

Provision for loss on interest repayment recorded on the non-consolidated financial statements for the fiscal year under review was 86,200 million yen. Additional provision for loss on interest repayment was 58,923 million yen.

Provision for loss on interest repayment is calculated mainly in accordance with predetermined internal regulations and is determined based on deliberations at the Executive Officers' Meeting. Although uncertainty remains about estimates and major assumptions when calculating provision for loss on interest repayment, the Company makes the best possible estimates ensuring objectivity and reasonableness based on effective internal control. With respect to the above estimates, the Company evaluates the status of disparity between the estimates and actual results each quarter and accordingly reviews the need for additional provision, reversal, etc.

2) Information conducive to the understanding of the details of accounting estimates

Details are described in "4. Notes to accounting estimates" of the Notes to the Consolidated Financial Statements.

(2) Allowance for doubtful accounts

1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

For accounts receivable - operating loans, accounts receivable - installment and right to reimbursement, which constitute the majority of total assets of the Company, an allowance for doubtful accounts is provided for all or part of the outstanding balance of loans, based on the types and conditions at the end of the fiscal year under review.

Allowance for doubtful accounts recorded on the non-consolidated financial statements for the fiscal year under review was 57,300 million yen.

Allowance for doubtful accounts is calculated mainly in accordance with predetermined internal regulations, and the Company makes the best possible estimates ensuring objectivity and reasonableness based on effective internal control. In the case of an event not stipulated in the internal regulations and other rules, the Company will respond to the event based on deliberations at the Executive Officers' Meeting and other meetings.

2) Information conducive to the understanding of the details of accounting estimates

Details are described in "4. Notes to accounting estimates" of the Notes to the Consolidated Financial Statements.

(3) Deferred tax assets

1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

The Company records deferred tax assets in the amount deemed recoverable for deductible temporary differences and retained tax losses.

Deferred tax assets recorded on the non-consolidated financial statements for the fiscal year under review were 75,717 million yen.

Deferred tax assets are calculated mainly in accordance with predetermined internal regulations, and the Company makes the best possible estimates ensuring objectivity and reasonableness based on effective internal control. In the case of an event not stipulated in the internal regulations and other rules, the Company will respond to the event based on deliberations at the Executive Officers' Meeting and other meetings.

2) Information conducive to the understanding of the details of accounting estimates

Details are described in "4. Notes to accounting estimates" of the Notes to the Consolidated Financial Statements.

5. Additional Information

<Applying of accounting standard for fair value measurement, etc.>

The “Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019),” etc. have been adopted from the beginning of the fiscal year under review. The adoption has no impact on the non-consolidated financial statements.

6. Notes to Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 27,999 million yen

(2) Guaranteed liabilities (Millions of yen)

Outstanding guarantee obligation to loans payable of subsidiaries and affiliates 474

Outstanding guarantee obligation in the guarantee business 1,012,303

Provision for loss on guarantees 8,010

Net 1,004,293

(3) Monetary claims and liabilities to subsidiaries and affiliates (Millions of yen)

Short-term monetary claims 1,172

Short-term monetary liabilities 5

7. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and affiliates (Millions of yen)

Operating transactions

Operating revenue 73

Operating expenses 371

Transactions other than operating transactions 5,726

8. Notes to Non-consolidated Statement of Changes in Net Assets

Class and number of shares of treasury stock as of March 31, 2022

Common stock 50 shares

9. Notes to tax effect accounting

Breakdown of major factors that caused deferred tax assets and liabilities (Millions of yen)

Deferred tax assets	
Bad debts expenses	19,938
Allowance for doubtful accounts	17,545
Provision for loss on guarantees	2,452
Provision for loss on interest repayment	26,394
Accrued bonuses	475
Unrecognized accrued interest	721
Software	6,807
Asset retirement obligations	1,489
Deferred assets	190
Deferred consumption taxes	655
Loss on valuation of securities	132
Loss on valuation of shares of subsidiaries and affiliates	139
Enterprise tax payable	724
Impairment loss	1,446
Dividends on shares	3,493
Retained loss	11,426
Other	<u>522</u>
Deferred tax assets (subtotal)	94,557
Valuation allowance	<u>(17,385)</u>
Total deferred tax assets	77,172
Deferred tax liabilities	
Prepaid pension costs	<u>1,454</u>
Total deferred tax liabilities	<u>1,454</u>
Net deferred tax assets	<u><u>75,717</u></u>

10. Notes to Transactions between Related Parties
Fellow subsidiaries, etc. of the Company

(Millions of yen)

Type	Name	Location	Paid-in Capital	Business outline	Ratio of voting rights holding (held)
Subsidiaries of the parent company	MUFG Bank, Ltd.	Chiyoda-ku, Tokyo	1,711,958	Banking business	–

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiaries of the parent company	MUFG Bank, Ltd.	Borrowing	Borrowing of the capital	Borrowing 42,999	Short-term borrowings	5,000
					Commercial papers	4,999
				Repayment 31,626	Current portion of long-term borrowings	43,480
					Long-term borrowings	144,832
			Payment of interest	986	Accrued expenses	1
			Guarantee of liabilities	Receiving of guarantee fees for unsecured loans provided by the Company	17,229	Accrued income
		Outstanding guarantee obligation	543,229	–	–	

(Note) Terms and conditions of the transaction and its policies

- Interest rates of the borrowing from MUFG Bank, Ltd. are the money market rates.
- Guarantee commission rates on the debt guarantees for consumer loan by MUFG Bank, Ltd. is determined after negotiation by taking the market of guarantee commission into consideration. In the event that consumer loan debtors of MUFG Bank, Ltd. are deemed to have difficulty in performing debt payments, in accordance with the agreement with MUFG Bank, Ltd., the Company performs subrogation. Terms and conditions of this subrogation performance are determined through mutual consultation by both parties.

11. Notes to Per Share Information

(1) Net assets per share	294.60 yen
(2) Basic earnings per share	30.69 yen

12. Notes to Significant Subsequent Events

The Company and Crezit Holdings, Inc. (hereinafter, “Crezit”) made an agreement on March 18, 2022, regarding implementation of “Credit as a Service Platform (CaaS PF) *” into the Company’s newly established subsidiary and creation of new business. The new subsidiary was established on April 1, 2022 as a wholly owned subsidiary of the Company.

* A platform that provides the system infrastructure and operations required to build financial services.

Details are described in “9. Notes to Significant Subsequent Events” of the Notes to the Consolidated Financial Statements.

13. Other

Figures less than one million yen are rounded down to the nearest one million yen.