

# Strengthening Corporate Governance

## Message from an Outside Director



### Ensuring Sustainable Growth in the Correct Manner

**Toshihiko Yamashita**  
Outside Director  
Full-time Member of the Audit and Supervisory Committee

I was appointed as outside director and member of the Audit and Supervisory Committee at the General Meeting of Shareholders in June 2023. As a full-time member of staff, with the help of others I have promptly taken part in various in-house meetings, checked up on the operations of each in-house department, and conducted inspections of our domestic offices.

I worked at a life insurance company group for more than 40 years. During this period, I spent the majority of my time in asset-management-related operations at an asset management company within the group, and in overseas business operations at an overseas group subsidiary. For seven years from 2012 onward, as the head of asset management I closely followed trends in the global and Japanese economy, as well as at investment target companies. This was around the same time that Japan introduced its own Stewardship Code and Corporate Governance Code, and so I also monitored Japanese companies’ response to these new measures.

Companies are living things, and so when there are drastic changes in social and economic environments, as well as new frameworks for the private sector, decisions by the boards of directors and executive leadership teams can significantly alter the direction of the Company. During periods like this, while seeing the rapid rise and fall of portfolio companies and investment candidates, I have also looked at company management and governance from my unique perspective as a part-time director and member of the Audit and Supervisory Committee.

ACOM transitioned to a company with an Audit and Supervisory Committee in 2017. Since then, in addition to adopting a new governance framework, the Company has continued to extend its operations into new fields, enter new markets overseas, and increase its partnerships. As a result, my expectations for the future of the Company have

grown. However, this impression is based on my short time in office—my role will be to use my approach as an outside director to ensure the Company’s success.

Since taking on my role, I have seen how we have maintained a high standard of governance since becoming part of the MUFG Group, based on the foundation the Company developed throughout its history. On this basis, the Company’s business operations are backed up with a sense of security, and I believe we can anticipate proper growth.

In other areas, in-house communication is vibrant across age groups, and this is helping to ensure to quick and bold decisions. Moreover, mechanisms are in place to promote constant improvement of the governance that supports these decisions.

The Company’s transfer to a new head office in December last year will help further promote operational efficiency.

As a full-time director and member of the Audit and Supervisory Committee, I believe my job is to ensure the steady formulation of sustainable growth plans and to see that that they are correctly implemented. Further, to enable the Company to continue satisfying and earning the trust of its stakeholders, I will also need to take an overarching view and identify risks that could impede our growth and communicate them in-house. Understanding that there is no one right answer for how we should be and what methods we should use, I will maintain an appropriate distance from business execution and make objective decisions in line with changing circumstances.

With an eye on enhancing the effectiveness of the Board of Directors, I will do everything I can as a full-time outside director and member of the Audit and Supervisory Committee to contribute to the creation of an attractive, appealing organization.

## Corporate Governance

### Basic Approach

The ACOM Group, guided by its lifelong “Circle of Trust” spirit, maintains an ongoing corporate commitment to respecting other people, putting customers first, and conducting creative and innovative management. Based on this commitment, we are seeking to deepen mutual trust between our stakeholders and ourselves and thus progress in partnership with society.

In order to meet the expectations of stakeholders and build stronger trust, we will strengthen corporate governance as a key management priority. To this end, we will take steps to enhance the soundness, transparency, and efficiency of our operations and achieve sustained increases in our shareholder value.

We recognize that effective internal control systems are essential to creating an appropriate corporate governance framework. Based on this recognition, we are encouraging all members of our organization to join forces in building internal control systems and assuring their effectiveness, under the leadership of the management. At the same time, we are

constantly evaluating, verifying, and improving the effectiveness of internal control systems already in place.

### Overview of Current Corporate Governance Structure

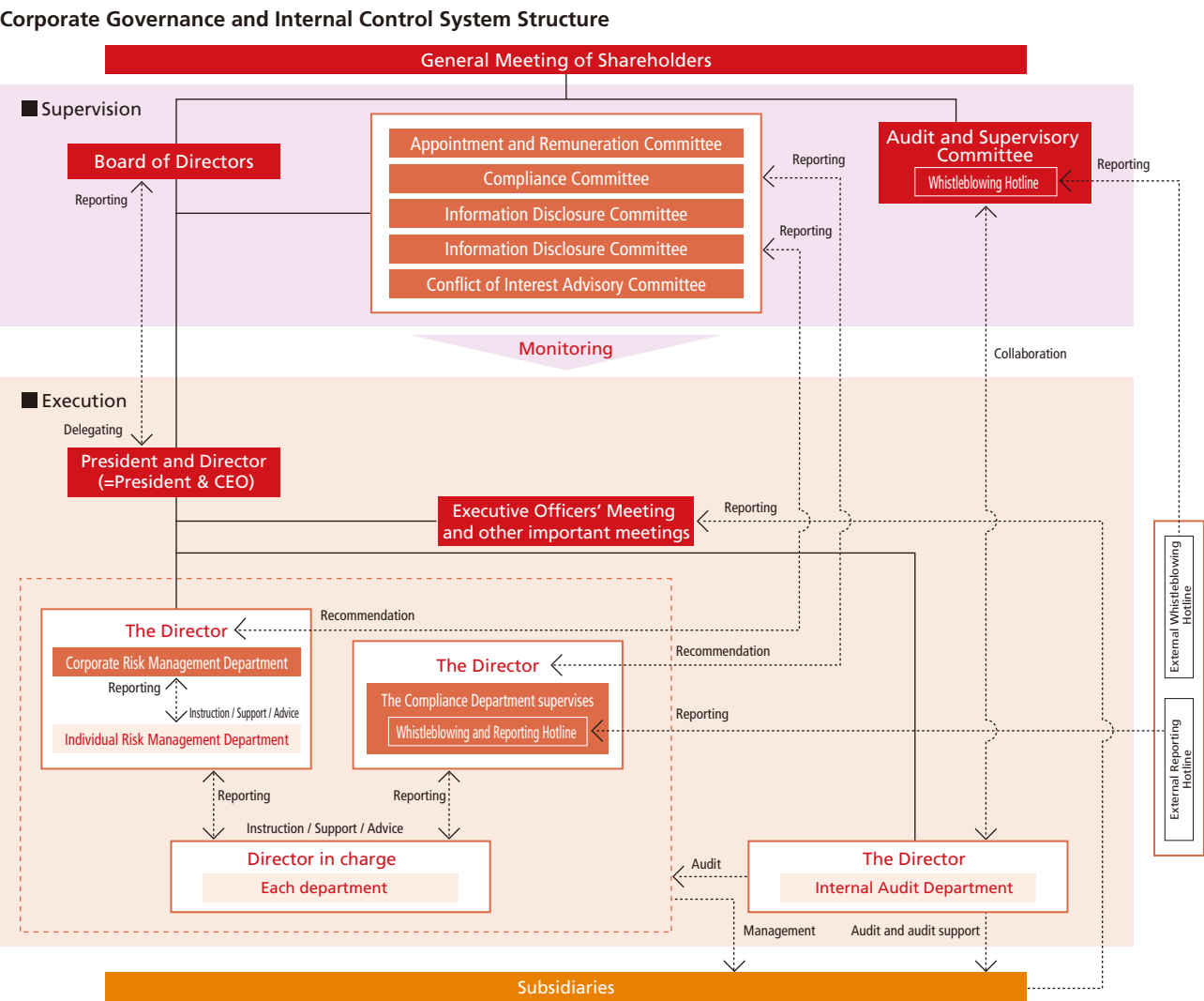
The Company has an Audit and Supervisory Committee and aims to enable swift decision-making and enhance the Board of Directors’ supervisory functions by significantly delegating decision-making on material business executions to Directors from the Board of Directors. The Board of Directors, in turn, performs thorough monitoring and other measures on delegated matters.

The Company aims to improve the transparency and objectivity of its management by having an Audit and Supervisory Committee, composed mainly of Outside Directors, conduct audit and supervisory functions.

The organization established by the Company is as follows.

### The Board of Directors

The Board of Directors of the Company consists of nine members: President & CEO Masataka Kinoshita, who chairs the Board; Shigeyoshi Kinoshita, Hiroshi Naruse, Takashi Kiribuchi, Tomomi Uchida, Tadashi Yamamoto; and Members of the Audit and



Supervisory Committee Toshihiko Yamashita (Outside Director), Kazuo Fukumoto, and Takuji Akiyama (Outside Director).

The Board deliberates on and decides important business management matters, such as management strategies and business planning, and basic policies for building corporate governance and internal control systems, while ensuring objective and rational judgment. Furthermore, the Board delegates decision-making on matters related to the execution of business operations other than matters to be resolved at the Board of Directors to the President and Director, and monitors and supervises the execution of duties by thorough monitoring and other measures on delegated matters.

It meets once every quarter in principle, and more as deemed necessary.

In the fiscal year ended March 2023, the main topics for discussion by the Board of Directors were as follows:

Management Strategies

- Medium-term Management Plan and single-year management plan
- Interim and year-end dividends

Business Management

- Basic policy on the creation of an internal control system
- Sophistication of information disclosure

Accounting and Financial Affairs

- Settlement of accounts, accounting documents, and financial statements
- Business reports

Personnel

- Selection of Directors’ positions
- Directors’ basic and performance-based remuneration

Analysis of effectiveness, evaluation and results of the Board overall

The Company distributes surveys regarding the effectiveness of the Board to all Directors every year. It then conducts analysis and evaluation on effectiveness of the Board based on the results of surveys.

This year too, through abovementioned analysis and evaluation, the Company confirmed that the Board fulfills each and all of its functions in formulation of management strategies and targets, settling management challenges, and supervision of risk management and executives. Thus, the Company concluded that its current Board functions properly and its effectiveness is ensured.

Moreover, the Company believes that a certain level of progress has been made with issues identified in the previous year, namely the improvement of the visibility of meeting materials, which were digitized in January 2022, and the further invigoration of discussions at the Board of Director meetings.

Moreover, the Company recognizes that a greater amount of useful information is required for more thorough, vibrant discussions among the Board of Directors, and so will move forward with efforts to resolve this issue.

While the Company will operate the Board of Directors in manners as described below, the Company will sustain periodic analysis and evaluation on the effectiveness of the Board and continue its efforts to ensure enhanced effectiveness of the Board.

- (1) The Board will decide material business management matters, such as management strategies and business plans, while ensuring objective and rational judgment, and

will also determine basic policies for building corporate governance and internal control systems. The Board will monitor and supervise the execution of duties.

- (2) Material subjects will be exhaustively selected as agenda items based on regulations for matters to be resolved by the Board, provided in the rules of the Board of Directors. The Board will discuss such selected material in a timely and appropriate manner.
- (3) The Company will distribute materials to be used at the Board prior to the meeting to make it efficient and vigorous. Prior explanations will be given when deemed necessary.
- (4) The Board will receive periodic reports on business management, etc., and supervise business execution.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three members: Toshihiko Yamashita (Outside Director), who chairs the Committee; Kazuo Fukumoto, and Takuji Akiyama (Outside Director).

It meets regularly to receive reports concerning important audit related matters, hold discussions, and pass resolutions.

The Audit and Supervisory Committee engages in discussions regarding the key audit items as specified below, and formulates the relevant audit plans.

- Development and operation of Group governance structure
- Promotion of risk management structure and qualitative improvement measures
- Qualitative improvement measures for internal audits and level of establishment
- Operation of whistleblowing system
- Response to legal violations, whistleblowing, unforeseen circumstances, and issues identified through internal audits
- Response to loss on interest repayments and allowance for doubtful accounts

Based on its audit plans, etc., Members of the Audit and Supervisory Committee are mainly engaged in the following activities:

- Attendance at Board of Director meetings, committee meetings, and management-related meetings
- Exchange of opinions with Representative Directors, Directors, and Executive Officers
- Inspection of important approval documents, etc.
- Examination of operations and assets at head office, business sites, and subsidiaries based on audit plans
- Exchange of opinions with Representative Directors and Full-time Auditors at main subsidiaries
- Collaboration with Accounting Auditors, receipt of accounting audit reports, and exchange of opinions
- Collaboration with Internal Audit Department, receipt of internal audit reports, and exchange of opinions

In addition to holding discussions with Deloitte Touche Tohmatsu regarding the main audit concerns, the Company receives reports on audit implementation and seeks explanations as necessary.

Committees

Appointment and Remuneration Committee

The Appointment and Remuneration Committee consists of six

members: President & CEO Masataka Kinoshita, who chairs the Committee; Representative Directors Shigeyoshi Kinoshita and Hiroshi Naruse; and Members of the Audit and Supervisory Committee Toshihiko Yamashita (Outside Director), Kazuo Fukumoto, and Takuji Akiyama (Outside Director).

The Appointment and Remuneration Committee reviews and proposes the appointment of candidates and remuneration for Directors (excluding Directors serving as Members of the Audit and Supervisory Committee) for resolution at the Board of Directors Meeting. The Committee also checks the status of training for both management and candidates for management and provides an overview of the same to the Board of Directors.

The Appointment and Remuneration Committee meets three times a year, in principle, and more as deemed necessary.

In the fiscal year ended March 2023, the main topics for discussion by the Appointment and Remuneration Committee were as follows:

- Director evaluations
- Director candidates and Representative Director candidates at subsidiaries
- Selection of Directors’ positions
- Directors’ basic and performance-based remuneration
- Development of management team and management candidates

Compliance Committee

The Compliance Committee consists of five members: experts from outside the Company Michelle Tan, who chairs the Committee, and Yasunari Takaura; Outside Director Toshihiko Yamashita (Member of the Audit and Supervisory Committee); and Representative Directors Hiroshi Naruse and Masataka Kinoshita. The Committee discusses and, as necessary, makes recommendations to the Board of Directors about the following compliance related matters.

- Items relating to formulation, revision or abolishment of the ACOM Group Code of Ethics and Code of Conduct
- Important items related to establishment and operation of compliance systems
- Items relating to formulation of basic plans
- Items relating to the correction of major compliance violations, actions for improvement and recurrence prevention measures
- Important items related to other compliance issue

The Compliance Committee meets four times a year, in principle, and more as deemed necessary.

Information Disclosure Committee

The Information Disclosure Committee consists of seven members: Deputy Chairman Hiroshi Naruse, who chairs the Committee; Director Takashi Kiribuchi; Member of the Audit and Supervisory Committee Kazuo Fukumoto; and Executive Officers who concurrently serve as Directors in charge of the relevant departments—Tomomi Uchida, Masaru Kuroda, Masatoshi Nabeoka, and Kazuki Morishita.

To ensure accurate, timely and appropriate information disclosure, the Committee deliberates on matters such as statutory disclosure materials based on the Companies Act and Financial Instruments and Exchange Act, timely disclosure materials based on the Securities Listing Regulations, and matters related to the development of information disclosure systems.

The Information Disclosure Committee meets twice every quarter, in principle, and more as deemed necessary.

\*As of July 1, 2022, the Company has renamed the Financial Information Disclosure Committee the Information Disclosure Committee.

Corporate Risk Committee

The Corporate Risk Committee consists of seven members: Deputy Chairman Hiroshi Naruse, who chairs the Committee; Representative Directors Shigeyoshi Kinoshita and Masataka Kinoshita; Members of the Audit and Supervisory Committee Toshihiko Yamashita (Outside Director), Kazuo Fukumoto, and Takuji Akiyama (Outside Director); and an Executive Officer who concurrently serves as Director in charge of the Corporate Risk Management Department, Masatoshi Nabeoka.

The Corporate Risk Committee discusses important items related to risk management and makes proposals and reports to the Board of Directors as deemed necessary. The Committee also monitors the status of risk management and other matters and reports the results to the Board of Directors.

The Corporate Risk Committee meets once every quarter, in principle, and more as deemed necessary.

Conflict of Interest Advisory Committee

The Conflict of Interest Advisory Committee consists of three independent members: Toshihiko Yamashita (Independent Outside Director); Takuji Akiyama (Independent Outside Director); and Hitoshi Shimbo, a lawyer from Nozomi Sogo Attorneys at Law. The Committee deliberates on material transactions, etc., where the controlling shareholders interest conflicts with minority shareholders from the perspective of protecting the interests of minority shareholders and makes recommendations to the Board of Directors, etc.

The Conflict of Interest Advisory Committee meets in principle, each time when there is a material transaction, etc., where controlling shareholders interest conflicts with the minority shareholders interest.

Executive Officers’ Meeting and other important meetings

The Executive Officers’ Meeting and other important meetings consist of eleven members: President & CEO Masataka Kinoshita, who chairs the Committee; Representative Directors Shigeyoshi Kinoshita and Hiroshi Naruse; and Executive Officers who serve concurrently as Directors Takashi Kiribuchi, Tomomi Uchida, Masaru Kuroda, Michihito Onodera, Masashi Yoshiba, Yuji Kinoshita, Masatoshi Nabeoka, and Kazuki Morishita.

In the presence of Members of the Audit and Supervisory Committee, the Executive Officers’ Meeting and other important meetings discuss and make decisions related to the execution of important business operations delegated by the Board of Directors to the President and Director, and deliberate on management policies and management plans in advance for resolution at the Board of Directors in accordance with basic policies determined by the Board of Directors.

The Executive Officers’ Meeting and other important meetings assemble three times a month, in principle, and more as deemed necessary.

Remuneration of Officers

Decision policies relating to the specifics of remuneration for individual Directors (excluding those who are Audit and Supervisory Committee Members) are decided by the Board of Directors. Generally speaking, the benchmark for

remuneration of Directors (excluding those who are Audit and Supervisory Committee Members) is the remuneration level at companies with the same business scale as the Company, and belonging to a related industry type or category, and the remuneration system is structured to adequately function as an incentive for continually improving corporate value. Remuneration for individual Directors is provided only monetarily. Remuneration for Representative Directors and Directors who serve concurrently as Executive Officers consists of basic remuneration, performance-based remuneration, and stock-based remuneration, while remuneration for other Directors consists only of basic remuneration. Basic remuneration is fixed remuneration paid every month, performance-based remuneration is variable remuneration paid once a year based on performance, and stock-based remuneration is variable remuneration paid upon retirement based on stock prices.

Regarding basic compensation for Directors (excluding those who are Audit and Supervisory Committee Members), the Appointment and Remuneration Committee reviews and proposes an amount suited to the Director’s position, taking into account levels at other companies, performance at the Company, employee salary levels, and so on, and then a decision is made by the Board of Directors. For performance-based remuneration, the basic funds for distribution are calculated using as an index the net income attributable to owners of the parent. The Appointment and Remuneration Committee reviews and proposes an amount suited to the Director’s position and personal evaluation, etc., and a decision is made by the Board of Directors. For stock-based remuneration, virtual stock is awarded annually and multiplied by the stock price after three years. In line with management conditions, the Appointment and Remuneration Committee discusses and proposes the amount of virtual stock, and the final decision is made by the Board of Directors.

The guideline for variable remuneration (performance-based and stock-based remuneration) as a percentage of total remuneration is roughly 25% (when performance-based remuneration is the standard amount). Regarding the method of determining the amount of performance-based remuneration, the range of net income for the year which serves as the standard for basic funds for distribution is determined by the Appointment and Remuneration Committee while taking into account special factors such as net income for the year and extraordinary income or loss, and

then the amount is determined by the Board of Directors by multiplying by a multiplier commensurate with the position specific distribution ratio and personal evaluation of the Director with the basic funds for distribution.

Also, a target for the performance-based remuneration index has not been set for the fiscal year ended March 2023, but in terms of track record, in the past there have been basic funds for distribution of 35 million yen for a range of 50–60 billion yen net income for the year serving as a basis.

Other specifics relating to remuneration of Directors are reviewed and proposed by the Appointment and Remuneration Committee, and decided by the Board of Directors. Also, the amounts of remuneration for Audit and Supervisory Committee Members are determined through discussion by the Audit and Supervisory Committee Members, taking into account the duties and responsibilities of Audit and Supervisory Committee Members.

The maximum limit on remuneration of Directors (excluding those who are Audit and Supervisory Committee Members) was resolved to be 400 million yen (not including salary for the employee portion) per year at the 40th General Meeting of Shareholders held on June 22, 2017, and the number of Directors (excluding those who were Audit and Supervisory Committee Members) at the conclusion of said General Meeting of Shareholders was six. Also, at that same General Meeting of Shareholders, the maximum limit on remuneration for Directors who are Audit and Supervisory Committee Members was resolved to be 100 million yen per year, and the number of Directors who were Audit and Supervisory Committee Members at the time of said General Meeting of Shareholders was four.

In deciding the individual remuneration for Directors for the fiscal year ended March 2023, the Appointment and Remuneration Committee conducts reviews and makes proposals based on factors such as the position and evaluation of the Director, within the scope of the remuneration limit approved at the General Meeting of Shareholders. A decision is then made by the Board of Directors while respecting the specifics of that proposal, and it is determined that the specifics follow the decision policy.

As of June 23, 2023, the number of Directors was six (excluding Directors who were also Audit and Supervisory Committee Members), and the number of Directors who were also Audit and Supervisory Committee Members was three.

Total amounts of remuneration of Directors

Category	Total amount of remuneration (million yen)	Total amount of remuneration by type (million yen)			Number of applicable officers
		Basic remuneration	Performance-based remuneration	Non-monetary remuneration, etc.	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	184	152	31	—	6
Directors and Members of the Audit and Supervisory Committee (of which are outside directors)	51 (31)	51 (31)	— (—)	— (—)	3 (2)
Total (of which are outside directors)	236 (31)	204 (31)	31 (—)	— (—)	9 (2)

Skills Matrix

At ACOM, to ensure that the Board of Directors can effectively fulfill its roles and responsibilities, we have outlined the Policy of the Composition of the Board of Directors as below.

The Policy of the Composition of the Board of Directors

• A balance of expertise, experience, and ability  
In line with our management strategies, we have identified the skills required of the Board of Directors as below, and will ensure an appropriate balance of these skills in the

composition of the Board of Directors.

To speed up decision-making processes and to ensure effective mutual supervision of Director duties, currently the Board of Directors comprises nine individuals, of which two are Independent Outside Directors. Further, to ensure diverse perspectives within the Board of Directors, we appoint Directors who have developed a wealth of experience, outstanding insight, and advanced expertise either in-house or at other companies.

Name	Position	Age	Corporate Management and Planning	Business Management	Execution of Business	System and Digital	Finance and Accounting	Law, Compliance, and Risk Management	Member committees and attendance		
									Board of Directors	Appointment and Remuneration Committee	Audit and Supervisory Committee
Shigeyoshi Kinoshita	Chairman	74	●	●			●		12/12 (100%)	5/5 (100%)	
Hiroshi Naruse	Deputy Chairman	64	●			●		●	12/12 (100%)	5/5 (100%)	
Masataka Kinoshita	President & CEO	45	●		●	●			12/12 (100%)	5/5 (100%)	
Takashi Kiribuchi	Director and Deputy President	61	●			●	●		12/12 (100%)		
Tomomi Uchida	Senior Managing Director	61		●	●			●	12/12 (100%)		
Tadashi Yamamoto	Director	54	●	●				●	—		
Toshihiko Yamashita	Director, Member of the Audit and Supervisory Committee <div>Independent</div> <div>Outside</div>	67	●				●	●	—	—	—
Kazuo Fukumoto	Director, Member of the Audit and Supervisory Committee	65		●	●		●		12/12 (100%)	5/5 (100%)	16/16 (100%)
Takuji Akiyama	Director, Member of the Audit and Supervisory Committee <div>Independent</div> <div>Outside</div>	65		●			● Certified public accountant	●	12/12 (100%)	5/5 (100%)	16/16 (100%)

\*1 The above is a list of up to three major skills marked that each director possesses. It does not represent all the skills that each director possesses.

\*2 The age shown above is as of the 46th Ordinary General Meeting of Shareholders (June 23, 2023)

Skill	Definition
Corporate management and management planning	Either in-house (includes subsidiaries) or at another company, the individual has experience as a director or in the formulation and implementation of management strategies, and boasts a high level of relevant insight.
Business management	The individual has experience in corporate governance or personnel management, and boasts a high level of relevant insight.
Execution of business	The individual has experience in one of our core businesses—namely the Loan and Credit Card Business, the Guarantee Business, or the Overseas Financial Business—and boasts a high level of relevant insight.
System and digital expertise	The individual has experience with our system- and digital-related projects, and boasts a high level of relevant insight.
Finance and accounting	The individual has experience in financial affairs and accounting and boasts a high level of relevant insight, or the individual is a certified public accountant and is well-versed in accounting with a high level of expertise.
Law, compliance, and risk management	The individual has experience in corporate legal affairs, compliance, and risk management, and boasts a high level of relevant insight, or the individual is a qualified lawyer and is well-versed in law with a high level of expertise.

\* In principle, Directors who are Members of the Audit and Supervisory Committee will also have a wealth of knowledge in financial affairs and accounting, while Independent Outside Directors will have experience in management at other companies.

○ Diversity

The Board of Directors shall comprise a diverse range of individuals in terms of gender, international experience, professional experience, and age, for example.

○ Scale

To speed up decision-making processes and to ensure effective mutual supervision of Director duties, the scale of the Board of Directors shall be relative to the range and size of the Company’s businesses.



Outside Director Support Structure

When hosting Board of Director Meetings, in principle, meeting materials are distributed to Directors by the day before the meeting, and explanations of the materials are provided in advance.

Moreover, to support the duties of Outside Directors who are Members of the Audit and Supervisory Committee, we have established the Administration for Audit and Supervisory Committee which comprises employees who assist the Outside Directors in their duties. The employees who assist the Audit and Supervisory Committee work exclusively in that role and do not take orders from other Directors (excluding Directors who are Members of the Audit and Supervisory Committee) or other business execution organizations.

Internal Audits

The Internal Audit Department comprises 19 auditors who, among others, inspect and evaluate the level of compliance with laws and regulations and the internal control practices of business execution departments. The Department also proposes ways to improve on any issues. Moreover, in addition to assessing conformity with various rules, the Department also conducts risk approach audits to assess whether the risk management structures in place at various organizations are based on an accurate understanding of the relevant risks. The results of these audits are regularly reported to the Representative Directors, the Board of Directors, and the Audit and Supervisory Committee.

The Department is also developing a robust Group audit structure through direct audits of subsidiaries and support for subsidiaries’ internal audit departments.

Multistakeholder Policy

Understanding the growing importance of co-creating value with diverse stakeholders, including customers, alliance partners, employees, shareholders, investors, communities, and business partners, we are engaged in multi-stakeholder collaboration based on our vision, which is to meet the expectations of all our stakeholders. Moreover, it is important that the earnings and achievements generated as a result of

collaborative value creation and improved productivity are shared with our multiple stakeholders, as doing so can maintain momentum in wage increases and promote sustainable economic development. Recognizing the importance of giving back to our employees and looking after our business partners, we are engaged in the following initiatives.

Giving back to employees	<p>At ACOM, our aim is to contribute to the realization of more enjoyable, affluent personal lives and improved lifestyle cultures through creative, innovative management. In addition to continuing to strengthen our existing businesses, such as the Loan and Credit Card Business, we will work to expand our business areas by creating new businesses and services, forming new guarantee partnerships, and further expanding overseas. At the same time, through the development of employees’ abilities and skills, and the creation of in-house environments where diverse personnel can thrive, we will work to achieve both sustainable growth and improved productivity, and maximize added value. Based on the resulting earnings and achievements, and in line with the principles of wage administration, we will aim to improve working conditions through wage increases commensurate with company conditions. In other areas, we will continue to give back to our employees through proactive investment in our workforce to improve engagement and productivity. Our ultimate aim is to make good on our promise to employees as part of our vision: Make our employees and their families happier tomorrow than today.</p> <p>➡ Promotion of diversity based on the spirit of human dignity P.23</p>
Consideration for our business partners	<p>At ACOM, we continue to act in line with the Declaration of Partnership Building.</p> <ul style="list-style-type: none"><li>• <b>Date of declaration</b> March 15, 2023</li><li>• <b>Declaration of Partnership Building website (Japanese only)</b> <a href="https://www.biz-partnership.jp/declaration/24906-11-00-tokyo.pdf">https://www.biz-partnership.jp/declaration/24906-11-00-tokyo.pdf</a></li></ul>
Other stakeholder initiatives	<p>We are also engaged in the following activities for our other stakeholders.</p> <ul style="list-style-type: none"><li>• <b>Customers</b> Respond to the customer’s desires of “what they want” and “the services they would like to get” with speed and always putting the customer first in Japan and overseas.</li><li>• <b>Alliance partners</b> Contribute to the enhancement of corporate value of our alliance partners by providing our accumulated know-how.</li><li>• <b>Shareholders &amp; investors</b> Achieve stable and continuous returns through sustained growth in corporate value.</li><li>• <b>Society</b> Contribute to the realization of a sustainable society through corporate activities.</li></ul> <p>➡ Vision P.01</p>

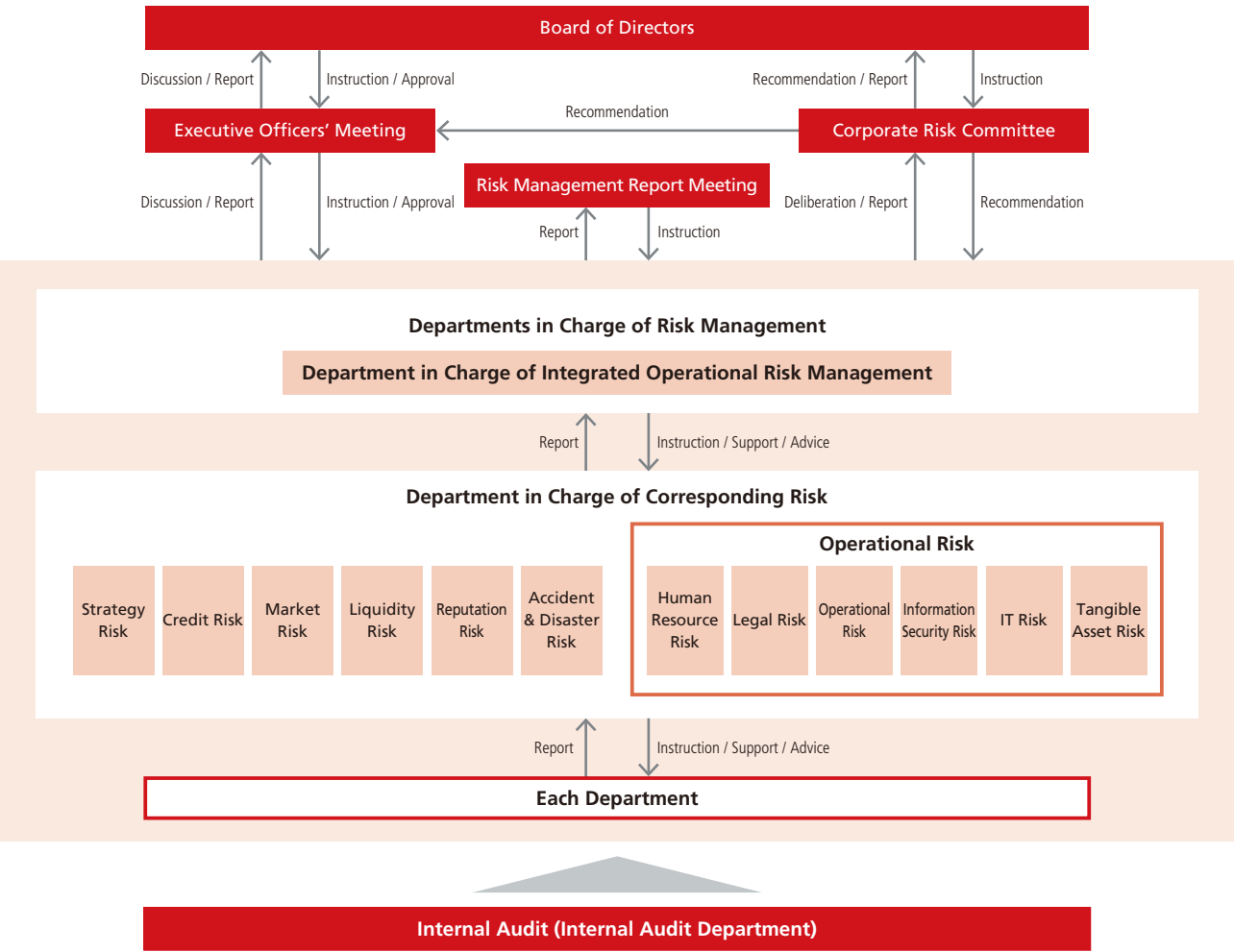
Risk Management

Risk Management System

The risks to be managed are becoming more complex and diverse as the management environment around us changes. In this context, we are aware that one of our most vital management tasks is to build and reinforce a risk management system to fully recognize risks and make sure that management soundness is maintained, together with stable profitability and growth potential. Our departments and sections in charge identify, evaluate, and control all the risks

that are identified in the Risk Management Regulations as requiring management. Also, our Corporate Risk Management Department provides integrated management of risks. Risk management activities in business execution are discussed and reported at Risk Management Report Meetings. The Corporate Risk Committee examines important matters concerning risk, monitors the risk management situation, and reports results and advice to the Board of Directors.

Risk Management System Structure



We determine the severity of a risk scenario based on its probability and potential impact on our operations. Risks which are perceived by management to have the potential to exert a major impact on our business in our management environment, now and in the future, are picked as top risks. For these, we assess the elevation of risk levels, warning signs,

and the like, and devise appropriate countermeasures to suppress or otherwise respond to risks. We have constructed a system to respond swiftly when a risk emerges. In each term, the Corporate Risk Committee examines top risks, ahead of a resolution in the Executive Officers’ Meeting.

Top Risks

Risk event	Risk scenario
Decline in business earnings	・Declining earnings in the Loan and Credit Card Business, the Guarantee Business, or the Overseas Financial Business ・Loss of competitive advantage due to the inability to provide customers with IT services that meet their needs
Increase in credit expenses	Increase in expenses relating to doubtful accounts in the Loan and Credit Card Business, the Guarantee Business, or the Overseas Financial Business
IT risks	・The occurrence of situations which can impact business continuity due to delays in the planning and development of key system projects ・Customer information leakage and customer service stoppage due to cyber-attack ・The occurrence of situations which have major impacts on customer transactions, due to system failures
Situations which have impacts due to external factors	The occurrence of situations which have major impacts on the conduct of business, such as infectious diseases, natural disasters, and terrorism
Increase in interest repayments	Transfers to the provision for loss on interest repayment due to higher than anticipated interest repayments
Conduct risks	Situations which have major impacts on stakeholders, from perspectives such as consumer protection and maintaining the soundness of markets
Procurement of funds	Deterioration in financing due to rising market interest rates, worsening of financial situation due to decline in results, rating downgrades, etc.
Personnel shortages	Loss of competitive advantage due to personnel shortages

Based on analysis of top risks among the business and other risks to the ACOM Group, the following are the main matters which appear to have potential for major impact on the judgments of investors.

This section includes forward-looking matters, but unless indicated otherwise, such matters are as determined on the date of submission of securities report (June 23, 2023).

(1) Decline in business earnings

The Group defines the Loan and Credit Card Business, the Guarantee Business, and the Overseas Financial Business as our three core businesses. We are working on various measures to stably and sustainably increase their business earnings. In the fiscal year ended March 2023, our operating revenue was 273.7 billion yen (4.4% year-on-year increase). Within that figure, the breakdown is 145.1 billion yen from the Loan and Credit Card Business (2.0% year-on-year increase), 66.2 billion yen from the Guarantee Business (5.4% year-on-year increase), and 56.5 billion yen from the Overseas Financial Business (10.3% year-on-year increase). The three core businesses account for 97.9% of consolidated operating revenue.

The earnings reduction risks in each business field are as follows:

① Loan and Credit Card Business

Loan and Credit Card Business earnings vary with an increase or decrease in the number of customer accounts and the average loan balance per customer account, contracted interest rates received from customers, and other factors. As such, there is potential for our business performance to be influenced by various external factors related to them.

Further, the inability to provide customers with IT services that meet their needs, and the ensuing loss of our competitive advantage, could influence our business performance.

Examples of external factors include judicial rulings and

changes in legal frameworks concerning the consumer finance industry, an intensifying environment of competition with competitors, new companies entering the market, and contraction in personal consumption due to large-scale accidents, disasters, spread of infectious disease, and the like.

As the Loan and Credit Card Business accounts for 53.0% of total operating revenue, a drop in revenue from the business could have a significant impact on overall performance. We are therefore working to acquire new customers and improve the functionality of our products and services.

To ensure appropriate risk control, we also have a system in place to regularly manage and analyze trends relative to initial plans in interest on operating loans, and report them and the relevant countermeasures to the Risk Management Report Meeting and Corporate Risk Committee.

② Guarantee Business

Guarantee Business earnings vary with an increase or decrease in the number of guarantee accounts and average loan balance per guarantee account, guarantee fees received from partners, and other factors. As such, there is potential for our business performance and that of MU Credit Guarantee Co., LTD. to be influenced by various external factors related to them.

Examples of external factors include judicial rulings and changes in legal frameworks concerning banks and other financial institutions, and contraction in personal consumption due to large-scale accidents, disasters, spread of infectious disease, and the like.

As the Guarantee Business accounts for 24.2% of total operating revenue, a drop in revenue from the business could have a large impact on overall performance. As such, alongside MU Credit Guarantee Co., LTD., we are working to strengthen our partnerships in the Guarantee

Business while continuing to conduct proper reviews. At the same time, we are providing partners with the results of analyses of credit details and the effects of advertising, as well as offering them various support to improve their performance and promote stable growth.

To ensure appropriate risk control, we also have a system in place to regularly manage and analyze trends relative to initial plans in Guarantee Business earnings, and report them and the relevant countermeasures to the Risk Management Report Meeting and Corporate Risk Committee.

③ Overseas Financial Business

Overseas Financial Business earnings vary with an increase or decrease in the number of customer accounts and average loan balance per customer account, contracted interest rates received from customers, and other factors. As such, there is potential for the business performance of EASY BUY Public Company Limited in Thailand and ACOM CONSUMER FINANCE CORPORATION in the Philippines to be influenced by various external factors related to them.

Examples of external factors include cross-national conflict, impact from the resulting economic sanctions, judicial rulings and changes in legal frameworks in the nations where we conduct business, an intensifying environment of competition with competitors, contraction in personal consumption due to large-scale accidents, disasters, and spread of infectious disease, exchange rate fluctuations, and the like.

As the Overseas Financial Business accounts for 20.6% of total operating revenue, a drop in revenue from the business could have a large impact on overall performance. As such, EASY BUY and ACF are working to acquire new customers and improve the functionality of their products and services.

To ensure appropriate risk control, we also have a system in place to regularly manage and analyze trends relative to initial plans in the operating revenue of EASY BUY (the largest consolidated subsidiary in the Overseas Financial Business), and report them and the relevant countermeasures to the Risk Management Report Meeting and Corporate Risk Committee.

(2) Increase in credit expenses

Concerning the interest on accounts receivable-operating loans, accounts receivable-installment, and reimbursement receivables, which account for the majority of total assets, the Group books doubtful account expenses (the total value of funds placed in the allowance for doubtful accounts and the allowance for guarantee losses), but there is the risk of increases in repayment delays due to a drop in customer creditworthiness caused by future changes in economic conditions, market environments, and social structures, as well as revisions in legislation. As a result, there is potential for increases in doubtful account expenses and other impacts on the Group's results.

We therefore regularly monitor the creditworthiness of customers to maintain the soundness of our loan portfolio.

(3) Situations in which the Company's business performance is materially affected by external factors

① COVID-19

While the COVID-19 pandemic is drawing to a close, in the event of resurgence, the following descriptions may affect the Group's business results.

- Reductions in the operating hours of automatic contract machines and some operations based on reviews of operating days and operating hours at call centers, etc.; as well as decreases in the balances of the Loan and Credit Card Business, the Guarantee Business and the Overseas Financial Business, as well as operating revenue, attributable to the decline in the demand for funds mainly associated with voluntary restrictions in customer activities outside of the home.
- Increased provision for bad debts caused by a deteriorated loan portfolio mainly attributable to decreased customer income.

② Accidents and disasters, etc.

In areas where our business bases are concentrated, such as the Tokyo metropolitan area, natural disasters including earthquakes and wind and flood damage, as well as conflicts or terrorist attacks, could cause damage to our facilities and equipment or physical harm to our customers or employees. This in turn could have a negative impact on the performance and business continuity of the ACOM Group.

We have prepared a business continuity plan for unforeseen circumstances like the above, and we have also built backup systems for call centers and other operations.

Meanwhile, to ensure we can respond properly in the event of a disaster, we regularly host training programs and drills to confirm the effectiveness of our response. In doing so, we are creating and reinforcing the necessary systems to ensure the continuation of important operations.

(4) IT risks

The ACOM Group utilizes a large-scale computer system. Using the systems and communication networks in place at each of our business locations, as well as those of our customers and other external partners, we strive to process, store, and handle personal and other information in the appropriate manner.

However, we may not be able to completely prevent system shutdowns, malfunctions, unauthorized use, falsification or leakage of electronic data, or the suspension of support services by telecommunications and computer system companies in the event of delays in the planning and development of important system projects, system faults, cyber-attacks, unauthorized access, computer viruses, disasters, or other external events.

Events like this could obstruct the provision of customer services and Group operations, lead to a loss of confidence in the Group, and in turn have a negative impact on our performance.

To ensure stable system operations, we regularly monitor the planning, development, and operation of our systems, and strive to prevent system failures and other issues in advance. At the same time, we have systems and procedures in place to redistribute resources and counter unexpected events, while we also provide training and implement other measures.

(5) Increase in interest repayments

In the Company's loan business, there are cases where the lending interest rate for loan products whose contracts were concluded prior to June 17, 2007 exceeded the maximum interest rate in the Interest Rate Restriction Act.

The portion in excess of the maximum interest rate in the Interest Rate Restriction Act has been rendered void, but under the Interest Rate Restriction Act before the amended Money Lending Business Act came into full effect on June 18, 2010, the interpretation was that the debtor could not demand reimbursement of that portion if the debtor had voluntarily paid said excess portion, and also in Article 13 of Supplementary Provisions of the Money Lending Business Act prior to fully coming into effect, meeting certain requirements could be regarded as valid settlement of interest claims.

However, a Supreme Court ruling was handed down on January 13, 2006 that, in cases where a contract provision was added stipulating that the benefit of time is lost when reimbursement of agreed interest is delayed, payment of the excess portion in the Interest Rate Restriction Act is compulsory, and thus the "deemed repayment requirement" requiring voluntariness has not been met. For this reason, multiple lawsuits have been brought against companies engaged in consumer finance business demanding reimbursement of payments, and multiple decisions have been handed down recognizing this sort of claim.

In case our customers request a reduction in the loan amount or reimbursement of excess interest paid, the Company may agree to write off such loans or reimburse payments. Also, although loan write-offs and payment reimbursements due to this situation (referred to hereinafter as "loss on interest repayments") have steadily declined, we will continue to monitor the situation in areas such as the number of requests for interest repayment. Future potential for loss on interest repayments, further booking of the provision for loss on interest repayments, and court rulings from lawsuits demanding refunds of interest paid that put the Company and other money lenders at a clear disadvantage, could have an impact on the Company's business performance.

In the more than ten years since the peak year ended March 2011, loss on interest repayment has continued to fall every year. In light of this, we believe that there is only a limited possibility that loss on interest repayment will rapidly increase in the future. That said, we will continue to carefully monitor trends as it is easily influenced by changes in the external environment.

To ensure appropriate risk control, at the end of each quarter, we set a reference value for loss on interest repayment in advance, and have a system in place to manage and report the deviation between actual results and the reference value.

(6) Conduct risks

Inappropriate behavior by executives or employees, or any other

behavior that deviates from social norms, could lead to a loss of trust from customers or the consumer finance market, and in turn have a negative impact on our performance.

The Group has enacted the ACOM Group Code of Ethics and Code of Conduct, which stipulates the "Basic Values and Policies" which we should be aware of in practicing compliance, and the "Standards of Behavior" which we should adhere to in practice. We strive, through training, etc. of personnel, to foster a culture of practicing correct behavior.

We devise preventive measures for the prevention and discovery of legal violations and fraud, as well as working on consumer education activities, stricter credit administration, transaction monitoring, and other measures for customer protection and other purposes.

(7) Procurement of funds

Funds necessary for the Group's operating activities and repayment of liabilities are procured indirectly through borrowing from financial institutions, etc., and directly through funds from capital markets, such as by the issuance of company bonds.

However, there is the possibility that our main existing lenders could change their policies on lending to the Group, due to financial group reorganization or other factors. There is the further possibility that the capital market could become unusable as a dependable funding procurement source in the future.

Furthermore, if the environment surrounding fund procurement worsens due to sudden rises in market interest rates, worsening of our performance, change in our credit rating, or other factors, our finance expenses could increase, and the amount of funds we are able to procure be restricted, potentially impacting the Group's results.

And so, while maintaining a certain amount of liquidity, we ensure appropriate risk control by fixing financing interest rates, maintaining long- and short-term financing ratios, leveling loan repayments, and diversifying our financing methods.

(8) Personnel shortages

The inability to secure sufficient personnel due to external factors such as a dwindling working population and the increasing fluidity of personnel could have a negative impact on the sustainable growth of the ACOM Group.

We are focused on securing personnel who can respect diverse abilities, ideas, and values and embody our corporate philosophy.

Specifically, in addition to activities to recruit outstanding, promising new graduates and mid-career hires, based on our personnel development policy we are also working to develop our existing personnel by enhancing our training systems, including selective training programs and programs to develop digital personnel.

Further, we are also aiming to improve job satisfaction and working environments by raising base salaries, introducing systems for secondary and concurrent jobs, enhancing employee benefits, promoting understanding of our vision, and supporting self-development efforts.

Compliance

Compliance Activities

ACOM regards compliance as one of its most important management issues. The creation of "ACOM's Ethical Code for Business" (currently the ACOM Group Code of Ethics and Code of Conduct) in 1998, established the Company as a forerunner in the industry and it has continued to focus on building and maintaining a robust compliance system.

Compliance System

The Compliance Department supervises compliance throughout the Company. It is also in charge of the following: developing, reviewing, and following up on implementation plans relating to compliance with relevant laws and regulations; establishing, updating, and disseminating our Compliance Handbook which summarizes laws and regulations employees must abide by; raising awareness by conducting various training courses; and responding to reports of information and enquiries made to the Ethics Hotline by executives and employee.

Additionally, Compliance Offices established within the Credit Business Promotion Division and the Credit Supervision Division collaborate with the Compliance Department in implementing a compliance system that allows for more on-site, task-focused compliance.

Furthermore, our Compliance Committee, which consists mainly of experts from outside the Company, operates according to a framework for deliberation of matters important for establishing and strengthening compliance. In this way, the Committee strives to ensure that the compliance system is effective.

As outlined above, ACOM is engaged in a continuous

challenge to strengthen the structure of its corporate culture of compliance, as well as improve every employee's awareness.

Ethics Hotline (Whistleblowing)

ACOM has established an Ethics Hotline as a contact point for executives and employees to report information regarding compliance violations or possible violation. The Ethics Hotline aims to prevent scandals and minimize the impact and damage caused by them through early detection of internal problems regarding compliance and appropriate corrective measures. The Ethics Hotline strictly prohibits acts of retaliation, as well as searching for and identifying anyone who has reported information or made an enquiry to the Hotline. Any information received is managed with strict security. We are working to improve the usefulness and reliability of the entire whistleblowing system, including the Ethics Hotline, so that it is easier for executives and employees to use.

Action to Strengthen Financial Crime Countermeasures

There are demands for financial institutions to adopt even more sophisticated countermeasures against money laundering and terrorist financing amid the increasing threat of organized crime, terrorism, etc., in the international community.

In order to respond to the current situation, ACOM established a new Financial Crime Prevention Office in April 2019 that aims to construct a system to prevent our products and services from being used for illegal activities involving money laundering or financing of terrorists.



Michelle Tan

Chair of the Compliance Committee  
(Outside Committee Member)

Michelle Tan was born in Australia and came to Japan in 1985. After working as a professor at Tezukayama University, Tan took on her current roles as chairman of the Osaka Consumers' Co-operative Union and chairman of the Japan Consumer Network. Tan specializes in consumer policy and consumer protection.

Message from the Chair of the Compliance Committee

The Medium-term Management Plan that began in 2022 is now in its second year. One of the key themes of the plan is to foster a compliance culture—that is, to ensure that behavior in line with the ACOM Group Code of Ethics and Code of Conduct is the norm.

During the previous fiscal year, one of my main areas of focus was monitoring ACOM's response to lowering of the legal age of adulthood in Japan. As an outside committee member, from a consumer protection standpoint I looked at whether the current generation of youth had an accurate understanding of our products, and whether we were educating them on ways to avoid financial fraud, and offered the relevant advice.

This fiscal year, my focus will be on further enhancing communication based on the spirit of human dignity, and the development of compliance-oriented personnel. ACOM has for many years engaged in compliance-focused management, and each and every executive and employee has been essential to its implementation. I believe that we can continue to meet the expectations of society and our customers if each one of us can think about what is correct and act accordingly.

I will continue to pour every effort into improving the corporate value of the ACOM Group through Compliance Committee activities.