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AIFUL CORPORATION

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<https://www.aiful.co.jp>

The corporate governance of AIFUL CORPORATION is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

(Basic Views on Corporate Governance)

The AIFUL Group understands that a key objective of corporate governance is to achieve corporate management with transparency, impartiality and efficiency by conducting corporate activities premised on compliance in accordance with our management philosophy of Earn the trust of society through corporate activity based in integrity to contribute to the development of the economy and society and thereby to gain the trust of society.

(Basic Policy on Corporate Governance)

In line with the basic views on corporate governance, AIFUL will undertake enhancements to upgrade our corporate governance in accordance with the Basic Policy on Corporate Governance set out below in a bid to achieve continued growth and a medium- and long-term increase in corporate value through transparent, impartial, prompt and bold decision making.

- (1) We will respect the rights of shareholders and ensure their equality.
- (2) We will work on appropriate collaboration with all stakeholders including shareholders.
- (3) We will appropriately disclose our financial, non-financial and other corporate information to ensure transparency.
- (4) Our Board of Directors will recognize its fiduciary responsibility to shareholders and fulfill their roles and duties including making and keeping its function of supervising business execution effective.
- (5) We will hold constructive dialogues with shareholders for the sake of achieving continued growth and a medium- and long-term increase in corporate value.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] (Updated)

[Supplementary Principle 4.1.2 Analysis of Midterm Business Strategy etc,]

In addition to promptly and flexibly making optimal judgments amid drastic changes in managerial circumstances, AIFUL is set to publish our long-term business strategy and vision in addition to financial forecasts for individual business years in a bid to implement information disclosure aimed at ensuring that our business strategies, financial standing and other aspects are accurately understood by shareholders and investors.

[Supplementary principle 4.10.1 Utilization of a voluntary mechanism]

The Audit Committee (of which the majority of members are independent outside directors) conducts full deliberations concerning the nomination, compensation, etc. of directors. Because the opinions of the Committee are presented to the Company, and appropriate involvement with and advice concerning the

nomination, compensation, etc. of directors is present, we believe that the independence/objectivity and accountability of the functions of the Board of Directors has been secured. For these reasons, we have not established independent advisory committees such as a nomination committee or compensation committee, which would chiefly comprise independent outside directors.

Specific policies and procedures concerning nomination and compensation are as follows:

The prescribed policy for electing/dismissing senior executives and nominating director candidates is to select persons who are capable of fairly and accurately conducting management and business administration for the Company's corporate group and who possess a wealth of experience, a high level of knowledge and expertise, strong ethics, and an excellent character. Regarding the procedures for nominating such candidates, the President and Representative Director, the officer in charge of personnel, etc. suggest candidates, and Audit Committee conducts full deliberations and presents its opinions, and the Board of Directors conducts deliberations while taking these opinions into account before making a decision.

As for the determination of compensation, a compensation table for each compensation rank, evaluation standard, and evaluation method are determined by the Board of Directors. The evaluation of each director is multifaceted, taking into account their achievements and capabilities in the execution of their duties, their character and popularity, and so on, and is considered and determined by the Personnel Committee, which comprises directors nominated by the President and Representative Director. Furthermore, the compensation rank applied and other aspects of treatment are determined appropriately in light of their evaluation, role, and job responsibilities and after adequate deliberations by the Personnel Committee and the Audit Committee.

[Principle 4-11 Prerequisite for ensuring the effectiveness of the Board of Directors/Board of Corporate Auditors]

As of the date of submission of this report, there are no women or foreign nationals among the 11 directors of the Company. However, the Company is making efforts to achieve diversity in the composition of the Board of Directors by hiring directors from outside the Company, such as former bankers, lawyers and government officials, as well as promoting internal personnel with the required knowledge, experience and competence.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1.3 Basic capital policy]

The Company aims for a sustainable increase in shareholder value, and its basic capital policy is to maintain a level of shareholders' equity that is necessary and sufficient for risk tolerance for growth.

The Company considers ROA (return on assets) an important management index, and aims to effectively use assets and capital. At the same time, the Company will work to maintain a healthy financial base to provide stable financing for growth investment.

[Principle 1.4 Cross-Shareholdings]

(Policy Regarding Cross-Shareholdings)

AIFUL has a principle of implementing no cross-shareholdings except if it is deemed helpful for our medium- and long- term development from the perspective of maintaining and strengthening stable medium- and long-term business relationships with our business partners.

When the Company and the Company's consolidated subsidiaries hold shares of listed companies as cross holding, the Board of Directors of the Company specifically examines whether the purpose of cross holding of individual cross shareholding is appropriate and whether the benefits and risks associated with the cross holding is commensurate with the capital cost, and verifies the cross holding from the perspective of maintaining/reinforcing the relationship with business partners to confirm the validity of cross holding every year.

For shares of a company that the Company does not think will contribute to its medium to long-term growth, the Company will make a review such as a reduction in the size of the cross holding.

(Standards Regarding the Exercise of Voting Rights Associated with Cross-Shareholdings)

AIFUL will make decisions on whether or not to approve the exercise of voting rights in consideration of the financial standing and other factors of the company concerned with cross-shareholding from the perspective of the medium- and long-term increase in corporate value of the company mentioned above.

[Principle 1.7 Related Party Transactions]

AIFUL's Board of Directors has prescribed in the Board of Directors Regulations that any conflict of interest transactions and competitive transactions between AIFUL and any of its directors and transactions between related parties shall require the approval of the Board of Directors, and that the results of the transactions approved by the Board of Directors shall be reported on a regular basis to the Board of Directors. These provisions are made known to and observed by the directors, and monitoring is in place in accordance with the procedures mentioned above to ensure that AIFUL's interests and shareholders' common interests will not be impaired and that no such concern will emerge.

The Board of Directors Regulations prescribe that any director with special interests shall not participate in the decision-making process in deliberations of the Board of Directors.

[Principle 2-6 Function as an asset owner of corporate pension]

Since the Company adopts the defined contribution pension plan, this principle does not apply. The Company provides regular internal education on the plan and works on employees such as recommending the use of a matching contribution.

[Principle 3.1 Full Disclosure]

(1) The Company's ideals (Corporate Philosophy), management strategies and management plans

Corporate Philosophy: Corporate Philosophy is disclosed on its website.

(https://www.ir-aiful.com/japanese/corporate02_01.html)

Management Strategies: The Company set and disclosed its long-term vision on its website.

(<https://www.ir-aiful.com/japanese/data02.html>)

Management Plan: Each fiscal year financial results are disclosed on its website.

(<https://www.ir-aiful.com/japanese/finance01.html>)

(2) Basic views on and policies for corporate governance

Please refer to "1.1. Basic views" in this report.

(3) Board policies and procedures in determining the remuneration of the senior management and directors

Please refer to "2.1. The disclosure of policies determining the amount of compensation or method of calculating compensation of directors" in this report.

(4) Board policies and procedures in the dismissal/appointment of the senior management and the nomination of directors and audit candidates;

Please refer to "2.2. Matters on Function of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" in this report.

(5) Explanation of individual selection and dismissal/appointment in selecting and dismissing management executives and appointing director/corporate auditor candidates

When the Company proposes the selection/dismissal of directors at the General Meeting of Shareholders, the reasons for the selection/dismissal of the candidates concerned are stated in a "Notification of General Meeting of Shareholders."

(<https://www.ir-aiful.com/japanese/shareholder05.html>)

[Supplementary Principle 4.1.1 Roles and Responsibilities of the Board (1)]

At AIFUL, the Board of Directors makes deliberations and decisions on matters that may not be delegated to any director or other personnel in accordance with the basic management policy, the basic policy on the internal control system, laws and ordinances and the Articles of Incorporation as well as on management plans, human resources policies, capital policies and the like to execute its significant duties specified in the Board of Directors Regulations. The Board of Director delegates the authority to execute operations in accordance with the policy resolved by the Board of Directors and to dispose of property whose value is below the predetermined amount to executive officers and other personnel to an appropriate extent, and oversees their implementation.

[Principle 4.9 Independence Standards for Independent Directors]

Please refer to "2.1. [Independent directors] Other Matters Regarding Independent Directors" in this report.

[Supplementary Principle 4.11.1 Views on Appropriate Balance Between Knowledge etc of the Board as a whole, and diversity and Appropriate Board Size]

Please refer to "2.2 Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions" in this report.

[Supplementary Principle 4.11.2 Status of Concurrent Positions of Directors and Audit & Supervisory Board Members]

AIFUL discloses information on prospective and existing directors who have material concurrent posts in the reference documents in convocation notices for Annual General Meetings of Shareholders, business reports and other disclosure documents.

(<https://www.ir-aiful.com/japanese/shareholder05.html>)

[Supplementary Principle 4.11.3 Analysis and evaluation of the effectiveness of the Board of Directors and disclosure of the results summary]

(Procedure for analyzing and evaluating the effectiveness of the entire Board of Directors)

To analyze and evaluate the effectiveness, etc. of the entire Board of Directors, the Company asks the directors and others involved with the board to complete a questionnaire, which includes questions about the composition and management of the Board of Directors and about outside officers. Also, the Company separately requests the independent outsider directors to complete a questionnaire about an evaluation, etc. of the Board of Directors from the independent perspective. Based on the results of the survey, it asks for feedback from the Audit and Supervisory Committee, for which more than half the members are independent outside directors. The Board of Directors uses these results to analyze and evaluate the effectiveness, etc. of the entire board.

(Summary of the results of the analysis and evaluation of the effectiveness of the entire Board of Directors)

Considering the balance and diverse range of the board members' knowledge and experience and the Group's business, the Company has determined that the composition of the Board of Directors is appropriate. The Company has confirmed that the management of the Board of Directors, including the frequency of meetings and the time spent deliberating each item, is adequate. The Company has also confirmed that the meetings of the Board of Directors hold candid discussions, and that the advice and thoughts of the members of the Audit and Supervisory Committee are reflected in deliberations appropriately.

The Company has thus determined that the Board of Directors is effective overall, and that there are no urgent issues which need to be addressed. Going forward the Company will make an effort on further improvement of its effectiveness.

[Supplementary Principle 4.14.2 Training Policies for Directors]

AIFUL gives its directors, including those who also serve as members of the Audit and Supervisory Committee, opportunities for acquiring information and knowledge requisite to the fulfillment of their managerial duties through training and testing sessions and others.

[Principle 5.1 Policies for Systems and Measures to Promote Constructive Dialogues with Shareholders]

(1) Appointment of management personnel or directors to undertake oversight

At AIFUL, the Finance Department has the primary responsibility for investor relations and the reception of communication with shareholders, and the executive officer in charge of the Finance Department takes control.

(2) Measures for systematic linkage

To ensure proper communication with shareholders, the Finance Department regularly exchanges information with the General Affairs Department, the Management Planning Department, the Accounting Department, the Personnel Department, the Corporate Risk Management Department and others to establish a systematic collaboration structure.

(3) Actions for enriching means of dialogue other than personal interviews

For the purposes of ensuring that our businesses are more deeply understood by shareholders and investors, AIFUL will work to continuously hold financial results briefings, to offer information on our corporate website, to provide explanations on business reports and others at General Meetings of Shareholders, to send shareholder newsletters and other documents to shareholders and other matters.

(4) Appropriate and effective measures for reporting shareholders' feedback to the management

AIFUL will regularly report shareholders' comments heard in dialogs to the management.

(5) Measures concerning management of insider information

To conduct these activities, AIFUL regularly organizes workshops and the equivalent on the handling of insider information and confidential information for Finance Department personnel engaging in dialogs with shareholders to ensure compliance with the related internal rules and appropriate dialogs with shareholders.

2. Capital Structure (Updated)

Foreign Shareholding Ratio	From 10% to less than 20%
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[Status of Major Shareholders] (Updated)

Name / Company Name	Number of Shares Held (shares)	Percentage (%)
AMG Co., Ltd.	94,814,300	19.60
Mitsuhide Fukuda	62,155,200	12.84
Marutaka Co., Ltd.	24,543,000	5.07
The Master Trust Bank of Japan, Ltd. (trust account)	12,201,600	2.52
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	6,637,066	1.37
STATE STREET BANK AND TRUST COMPANY 505325	6,326,200	1.30
Japan Trustee Services Bank, Ltd. (trust account)	6,272,900	1.29
BANK JULIUS BAER AND CO. LTD. SINGAPORE CLIENTS	6,119,400	1.26
Japan Trustee Services Bank, Ltd. (trust account 5)	6,112,600	1.26
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	6,005,706	1.24

Controlling Shareholder (except for Parent Company)	-
Parent Company	Not applicable

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Other Financing Business
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	Between ¥100 billion yen and less than ¥1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors (Updated)	11
Appointment of Outside Directors	Applicable
Number of Outside Directors	2
Number of Outside Directors Designated as Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Satoru Toda	From Other Company												
Haruichi Suzuki	Lawyer												

* Categories for "Outside Director' Relationship with the Company"

- * "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- * "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Satoru Toda	○	○	-	Mr. Satoru Toda has significant knowledge regarding finance and accounting through many years of experience at the National Tax Agency. Additionally, the Company has judged that he can utilize his experience and insight as Auditor of Tokyo Metro Co., Ltd to appropriately execute the duties of Outside Director who is an Audit and Supervisory Committee Member of the Company, and requests his election. As he is deemed to have no potential conflict of interest with general shareholders in performing his duties as an outside director and never to impair independence, he has been designated as an independent officer.
Haruichi Suzuki	○	○	-	Mr. Haruichi Suzuki is expected to give advice from a fair and neutral standpoint based on his extensive knowledge and ample experience as a lawyer. He has been elected as an outside director as he was deemed to be appropriate for the post of outside director and member of the Audit and Supervisory Committee at AIFUL. As he is deemed to have no potential conflict of interest with general shareholders in performing his duties as an outside director and never to impair independence, he has been designated as an independent officer.

[Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	3	2	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee(Updated)	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

AIFUL has established the Audit and Supervisory Committee Office as a dedicated organization that provides assistance in the functions of the Audit and Supervisory Committee. To ensure its independence and effectiveness, internal rules stipulate that employees assigned to the Audit and Supervisory Committee Office shall not be subject to the commands and orders of any director other than those who are members of the Audit and Supervisory Committee in performing their duties, and that decisions on personnel appraisal, transfer and disciplinary actions concerning employees as assistants shall require the consent of the Audit and Supervisory Committee.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments
(Updated)

The Company has established an Internal Auditing Department (consisting of 15 staff members as of the date of submission of this report) to audit the appropriateness of the business processes of the Company and Group companies, and also makes efforts to ensure the appropriateness of business and identify risks by conducting regular internal audits of the offices of both the Company and Group companies. The department meets with the Audit and Supervisory Committee on a quarterly basis, in principle, to report on the plans, implementation and results of internal audits. In addition to such regular meetings, the department closely collaborates with the committee in terms of issues, risks and improvements in an effort to understand the situation pertaining to the control system and the degree to which it is implemented at the actual sites of business.

In accordance with the auditing policy and plan it has determined, the Audit and Supervisory Committee will attend Board of Directors meetings, Management Committee meeting, Compliance Committee meetings and other important meetings, verify the reports received from directors and executive officers, conduct on-site surveys at outlets to audit the execution of duties of directors, excluding those who are also members of the Audit and Supervisory Committee, including the improvement of the internal control system. It also has around six meetings with the accounting auditor per year to receive reports on the audit plan, the audit implementation status, and the results of the audit of internal control in association with financial reporting, and to exchange information and opinions as appropriate.

For bolstering the function of monitoring AIFUL and its group, the Audit and Supervisory Committee Office has been placed as an organization that engages exclusively in helping the Audit and Supervisory Committee in undertaking its work. As of the date of submission of this report, the office has one employee as assistants.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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[Independent Directors]

Number of Independent Directors	2
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Matters relating to Independent Directors

AIFUL designates as independent officers all its outside directors that fulfill the requirements for independent officers.

(Standards for independence of independent directors)

AIFUL's standards for independent outside directors are prescribed as follows.

1. A person who falls under none of the items below and permanently and substantially has no potential conflict of interest for any other reasons shall be deemed to have sufficient independence from AIFUL.

(1) The person is an executive director, etc.*1 at AIFUL or any of its subsidiaries (hereinafter collectively referred to as "the AIFUL Group"), or the person served as an executive director, etc. at the AIFUL Group during the period of ten years before assuming the post or, if the person used to be a non-executive director*2 or a corporate auditor at any time within the ten-year period before assuming the post, during the period of ten years before assuming the post mentioned above.

(2) The person is currently a major shareholder*3 of AIFUL, or if the major shareholder is a juridical person, is or was a director, corporate auditor, accounting advisor, executive officer, manager or other employee at the major shareholder, its parent company or any of its significant subsidiaries in the past five years.

(3) The person is currently a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a company of which AIFUL is a major shareholder*3.

(4) The person is or was an executive director, executive officer, manager or other employee of a party of which the AIFUL Group is or was a major business partner*4, of its parent company, or of any of its significant subsidiaries, whether or not it is a company.

(5) The person is or was an executive director, executive officer, manager or other employee of a party that is a major business partner*4 of AIFUL, its parent company or any of its significant subsidiaries, whether or not it is a company.

(6) The person is a director, limited to a person engaging in business execution, or another person such as an officer, member or employee engaging in business execution of any organization, e.g. a public interest incorporated foundation or association and a not-for-profit corporation, which receives donations or financial support exceeding a predetermined level*5 from the AIFUL Group.

(7) The person is a director, corporate auditor, accounting advisor or executive officer of a company, its parent company or any of its subsidiaries that accepts a full-time or part-time director from the AIFUL Group.

(8) The person is a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a financial institution or any other large creditor that is indispensable to AIFUL in fund procurement and on which AIFUL is so dependent that it is irreplaceable (hereinafter “large creditor, etc.”), or was, in the past three years, a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a large creditor, etc., or its parent company or any of its significant subsidiaries.

(9) The person is currently an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group, or was an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group in the past three years who actually did auditing work, excluding assisting involvement, for the AIFUL Group, irrespective of whether the person still works for or in or has already retired from any of the corporations mentioned above.

(10) The person is a lawyer, certified public accountant, tax accountant or other consultant who does not fall under item (9) above who (a) has received a monetary or other property benefit worth ten million yen or more per year on average over the past three years from the AIFUL Group in addition to the offer remuneration, or who (b) is a member, partner, associate or employee of a firm of which the AIFUL Group is a major business partner (which refers to a firm that receives a payment from the AIFUL Group that has made up at least two percent of its average consolidated total sales over the past three business years).

(11) The person is a close relative*6 of the person that falls under any of items (1) to (10) above.

2. Even if he or she falls under any of the items in 1. above, a person deemed by AIFUL to be appropriate in terms of personality, views and suchlike as an independent director for AIFUL may be appointed as such on the condition that the person fulfills the requirements for outside directors under the Companies Act and that the grounds for regarding the person as appropriate as an independent director for AIFUL are explained externally.

*1 An executive director, etc. refers to an executive director, executive officer, manager or other employee.

*2 A non-executive director refers to any director who is not an executive director.

*3 A major shareholder refers to a shareholder who holds at least ten percent of the voting rights.

*4 A major business partner refers to a party receiving an amount that is two percent or more of its annual consolidated sales for its most recent business year from the AIFUL Group, either in the most recent business year or in the three business years before the most recent year (i.e. a party of which the AIFUL Group is a major business partner) or a party that paid an amount that is two percent or more of AIFUL’s annual total sales for its most recent business year either in the most recent business year or in the three business years before the most recent one (i.e. a party that is a major business partner of the AIFUL Group).

*5 A predetermined level refers to either the average amount of ten million yen per year over the past three business years or the amount equivalent to thirty percent of the average annual total expenses of the organization in question, whichever is the larger.

*6 A close relative refers to either a spouse or a relative within the second degree of consanguinity; provided, however, that item (1) in 1. applies to those that fall thereunder within the five most recent years.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

AIFUL pays a fixed proportion of remuneration in the form of stock options and offers them to its officers’ shareholding association. The shares purchased must be retained during the term of office. The level of linkage between remuneration and the share price is increased to boost the motivation to heighten the share price as well as the financial results, and thereby to increase the corporate value.

Recipients of Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Status of disclosure (Individual compensation for Directors)	Individual compensation for Directors is not disclosed
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Supplementary Explanation (Updated)

Compensations for directors in fiscal year ended March 2019 are as follow.

-Seven Directors (excluding Directors who are Audit and Supervisory committee member): 145 million yen,
-Four Directors who are Audit and Supervisory committee member: 27 million yen (including 16 million yen for two outside directors)

Notes:

1. As of the end of the fiscal year ended March 2020, there were seven Directors (excluding Directors who are Audit and Supervisory committee member) and three Directors who are Audit and Supervisory committee member (including two Outside Directors).
2. Annual limits for compensations as of end of the fiscal year ended March 2020
-Directors (excluding Directors who are Audit and Supervisory committee member): 500 million yen
-Directors who are Audit and Supervisory committee member: 80 million yen
3. In addition to the above, a total of 50 million yen was paid to the six directors (including Audit and Supervisory committee members) who concurrently served as directors and corporate auditors of Company's subsidiaries during the fiscal year under review.

Amount of compensation or methods of policy decisions (Updated)	Applicable
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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(Policy on determining remuneration amount)

AIFUL has a policy of ensuring that remuneration for directors will act not merely as compensation for the fulfillment of their duties but also effectively as an incentive for medium- and long-term improvement in corporate financial results and corporate value on the basis of our management philosophy of Earn the trust of society through corporate activity based in integrity.

(Remuneration system)

In accordance with the policy mentioned above, AIFUL has adopted the remuneration system described below.

- The remuneration for directors, excluding those who are also members of the Audit and Supervisory Committee, consists of the fixed amount of base remuneration and a variable amount of performance-linked remuneration. Remuneration tables have been formulated for the individual remuneration ranks. The amount of base remuneration is based on the remuneration rank, whereas the performance-linked remuneration is calculated by multiplying the standard amount for the remuneration rank by the factor based on the appraisal of the specific director and the factor based on the corporate financial results. A predetermined percentage of the remuneration is contributed to the officers' shareholding association in the form of stock options. AIFUL requires directors to retain the treasury shares they obtain in order to heighten the linkage between the remuneration and the share price. This is intended to boost their motivation to increase the share price and the financial results, as well as to expand the corporate value.

- The remuneration for directors who are also members of the Audit and Supervisory Committee consists solely of the base remuneration, without variation depending on the business performance and other factors, in consideration of their independence.
- AIFUL will revise the remuneration system and the remuneration standards as appropriate in view of the business circumstances, financial results and other factors.

(Remuneration determining process)

The remuneration for directors, except those who are also members of the Audit and Supervisory Committee, is determined through the process described below.

- The Board of Directors formulates the tables for the different remuneration ranks, appraisal standards and appraisal procedures and methods.
- The appraisal gives consideration to the results of and capacity regarding the individual directors' performance of their duties as well as a multi-faceted evaluation of personality and popularity (such as reputations among their subordinates), and the Human Resource Committee* makes decisions. It strives to ensure impartiality and transparency in carrying out this process.
- The Board of Directors sets the corporate business results factor each fiscal year.
- Compensation for directors who are members of the Audit and Supervisory Committee shall properly reflect the applicable compensation ranks and other conditions based on their evaluations, roles, and responsibilities. It shall be determined through discussions held by the Personnel Committee, and by taking into consideration the thoughts of the Audit and Supervisory Committee (for which most members are independent outside directors). The procedure for determining compensation is as follows:

The remuneration for directors who are also members of the Audit and Supervisory Committee is determined through the process described below.

- The Audit and Supervisory Committee formulates the tables for the different remuneration ranks, appraisal standards and appraisal procedures and methods.
- The appraisal results for each director who is also a member of the Audit and Supervisory Committee are determined through deliberations among the members of the Audit and Supervisory Committee.

* The Personnel Committee has been established to guarantee the fairness and transparency of evaluations and consists of directors nominated by the President and Representative Director.

[Supporting System for Outside Directors] (Updated)

In accordance with the basic policy on the internal control system resolved by the Board of Directors, AIFUL has established the Audit and Supervisory Committee Office as an organization that assists with the operations of the Audit and Supervisory Committee. Its dedicated staff, consisting of one employee assisting director who is also members of the Audit and Supervisory Committee, follow the instructions of directors who are also members of the Audit and Supervisory Committee to provide support for the operations of the Committee and to create an environment for communication and information exchange among the corporate auditors of separate group companies. AIFUL has a system under which the results of internal audits of each group companies carried out by the Internal Auditing Department are reported to the Audit and Supervisory Committee as appropriate, and under which opinion exchanges are conducted if necessary. In addition, it is prescribed that any director, executive officer or employee who discovers any material fact that has occurred to AIFUL, any event possibly in violation of the statute, any event that may cause severe damage to AIFUL or the equivalent shall make notification of the fact or event to the Audit and Supervisory Committee.

AIFUL makes sure that the materials for important meetings attended by directors who also serve as members of the Audit and Supervisory Committee, including Board of Directors meetings, are distributed in advance, that application documents, reports, requests for approval and other documents created by different organizations and submitted to the relevant organizations are accessible to directors additionally serving as members of the Audit and Supervisory Committees on the internal network, and that they seek explanations from directors, executive officers and employees.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)

(Overview of Current Corporate Governance System)

On June 23, 2015, the Company changed from a company with a board of company auditors to a company with an audit and supervisory committee. The purpose of this change was to enhance the supervisory function of the Board of Directors and corporate governance.

Audit and Supervisory Committee and Directors on the Committee

The Audit and Supervisory Committee consists of three directors (including two who are outside directors). The committee determines items such as the audit policy and plan, and discusses and decides on important audit matters based on the reports it receives. In addition to these duties, the committee also audits for legitimacy and appropriateness through the use of the internal control system. A meeting will generally be held every month, with extraordinary meetings held when necessary. Directors who serve as Audit and Supervisory Committee members strive to enhance their management supervisory functions by collaborating with internal auditing departments, internal control departments and the independent auditing firm. They also share information with the auditors of affiliated companies as part of the business audit system of the entire Group. To improve audit functions, the Group will establish an Audit and Supervisory Committee Office (Audit Office) as the exclusive body for supporting the duties of directors who are on the Audit and Supervisory Committee. The Group will also take the necessary steps to secure independence, such as by requiring that the Audit Office does not follow any directives or orders from directors (other than directors on the Audit and Supervisory Committee) when carrying out its duties.

Board of Directors and Directors

The Board of Directors consists of eleven directors (as of the date this report was submitted): eight directors who are not members of the Audit and Supervisory Committee, and three directors who are members of the Audit and Supervisory Committee. It discusses and makes decisions on matters that cannot be delegated to directors or others under laws and regulations and the Articles of Incorporation, such as basic management policies and basic policies associated with the internal control system, and other important matters for execution of operations under the rules of the Board of Directors, including business plans, personnel policies, and capital policies. The Board of Directors delegates authority over the execution of operations in line with the policies on which the Board of Directors has made resolutions, and the disposal of property worth less than a specified amount to executive officers and others within an appropriate range in accordance with regulations for administrative authority and other rules. In addition to delegating this authority, it supervises the execution of operations. It generally holds semimonthly meetings and extraordinary meetings when necessary. The Company's Articles of Incorporation also stipulate that there be no more than fifteen directors (excluding directors on the Audit and Supervisory Committee) and no more than five directors on the Audit and Supervisory Committee.

Outside Directors

Two of the three directors on the Audit and Supervisory Committee are outside directors (as of the date the Corporate Governance Report was submitted). A structure is in place whereby outside directors can attend management meetings and other important meetings and committees to express their views.

Executive Officers

The Company introduced an executive officer system in June 2007 to speed up the decision-making process and the execution of duties, and to enhance the separation of supervisory and executive functions. The Board of Directors appoints executive officers and delegates tasks according to a division of duties and authority.

Management Committee

The Management Committee comprises all directors and executive officers. It strives to promote the sharing of information and mutual verification of matters to be submitted to the Board of Directors, and issues and strategies, among others, based on the policies agreed upon at Board of Directors' meetings, so that disagreements do not arise regarding decisions or the execution of duties. It holds meetings on a weekly basis, in general.

Compliance Committee

The Compliance Committee is placed as an advisory body under the direct control of the Board of Directors. The head of this committee is the executive officer in charge of the Corporate Risk Management department and approved by the Board of Directors, and it is composed of outside experts, directors also serving as members of the Audit and Supervisory Committee and executive officers of related organizations. Its objectives

are to create a corporate culture in which compliance is emphasized, to establish corporate ethics and to promote compliance programs. It makes deliberations and recommendations regarding compliance related important matters and delivers reports to the Board of Directors as required. In addition to six times a year meetings in general, it holds extraordinary meetings as necessary.

Risk Management Committee

AIFUL has the Risk Management Committee under the direct control of the Board of Directors. Headed by the president and representative director, it is composed of all the directors. For the purposes of preventing risks and mitigating losses in the event of a crisis by constructing a reasonable risk management structure, it regularly receives risk status reports to enable it to be constantly aware of risks and continuously review the risk management system to submit reports to directors. In addition to quarterly meetings in general, it holds extraordinary meetings as necessary.

(Policy on Election/dismissal of Management Executives and Naming of Prospective Directors)

In appointing senior management and deciding on director candidates, the Company believes that it must choose from among a broad range of personnel both within and outside the Company in consideration of ensuring diversity in the composition and expertise of the Board of Directors as well as in the balance of knowledge, experience and capabilities of individuals in order to establish a long-term vision and improve medium- to long-term corporate value. Based on such beliefs, the Company has set its policy as follows.

- Human resources with extensive experience, deep insight, advanced technical capabilities, high ethical standards and excellent personalities who shall carry out the AIFUL Group's business management and operation fairly and accurately
- Prospective independent outside directors shall be those that fulfill AIFUL's independence standards, understand its management philosophy, and are fully aware of the duties of the independent outside directors to oversee AIFUL's directors and provide accurate and appropriate comments and advice with the use of their extensive experience, deep insight and high level of technical skills.

Dismissal of the management executives shall be determined at the Board of Directors based on the Company's dismissal standard when executives have engaged in misconduct, illegal conduct, or an act of disloyalty.

(Process for Election/dismissal of Management Executives and Naming of Prospective Directors)

Management executives are elected/dismissed and prospective directors are named in the process described below.

- The nominating of prospective directors is determined at the Board of Directors, through discussions held by the Personnel Committee and by taking into consideration the thoughts of the Audit and Supervisory Committee (for which most members are independent outside directors), after the president and representative director and officers in charge of personnel affairs propose prospective directors.
- A decision on naming directors who are also members of the Audit and Supervisory Committee is made by the Board of Directors with the consent of the Audit and Supervisory Committee.
- A decision on a representative director is made by a resolution of the Board of Directors.
- A decision on titles of directors is made by a resolution of the Board of Directors in consideration of their performance, appraisal and other factors.
- Dismissal of a director shall be resolved based on the policy at the Board of Directors and determined at the General Meeting of Shareholders.

3. Reasons for Adoption of Current Corporate Governance System

As we have an auditor system, we appoint two outside corporate auditors for a total of three corporate auditors. We ensure independent audits with a system whereby all corporate auditors attend Board of Directors meetings and other important meetings and committee meetings, including Management Committee meetings, to express their opinions. We also ensure audits by having an Audit Office as the dedicated organization for supporting the duties of corporate auditors.

Furthermore, we separate management's supervisory functions and business execution functions by implementing an executive officer system and strengthen supervisory functions by establishing a Compliance Committee, which includes outside experts, and a Risk Management Committee, among others.

We have adopted the current system to achieve corporate management that is transparent, fair, and efficient.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

(Updated)

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Convocation Notice for a General Meeting of Shareholders is sent three weeks before the day when general meeting of shareholders is held. In fiscal year ended March 2020, the company sent such a notification on June 1, and the General Meeting of Shareholders was held on June 23. In addition, the notice was also disclosed on the Tokyo Stock Exchange's website and the company's website before the dispatch, on May 29.
Fixing the date for the General Meeting of Shareholders by avoiding inconvenient days	The company has decided the date by avoiding the peak day so that as many shareholders as possible may attend the meeting.
Exercise of voting rights by the electromagnetic means	Exercising voting rights is available by a personal computer or a mobile phone through website.
Participation in electronic voting platform for institutional and other investors and other measures to enhance environment for institutional investors to execute their voting rights	The company has participated in "Electronic Voting Platform for Institutional Investor" managed by ICJ Corporation.
Other	To ensure that its businesses and financial standing are better understood, the company is creating an environment in which it is easier to receive questions and comments by, for example, visually presenting the matters to be reported at the General Meeting of Shareholders, and by holding company briefings for shareholders from the perspective of two-way communication.

2. IR Activities

	Supplementary Explanations	Explanations made by the Representative
Regular Investor Briefings for Individual Investors	The company hold an informational meeting about the overview of the Group's business situation after the general meeting of shareholders.	Applicable
Regular Investor Briefings for Analysts and Institutional Investors	The company hold a financial results briefings for analysts, institutional investors and financial institutions promptly after the announcement of financial results.	Applicable
Posting of IR Materials on Website	The company posts on its website Financial Results, Securities Report, Financial Results Data Book, Presentation Material used in the IR meeting for Institutional Investors, Monthly Data, Annual Report and the Convocation Notice of the General Meeting of shareholders etc, both in Japanese and English. Website related to IR URL(https://www.ir-aiiful.com)	
Establishment of Department and/or Manager in Charge of IR	P.R. and I.R section of Financial Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The AIFUL Group provides for respect for the positions of stakeholders in its 10-point Code of Conduct and Compliance Standards of Conduct, which have been formulated as action guidelines for achieving its management philosophy of <i>Earn the trust of society through corporate activity based in integrity</i> . Specifically, we shall promptly disclose accurate information, emphasize investor relations activities to promote an understanding of our corporate management and activities and endeavor to hold open General Meetings of Shareholders.
Implementation of Environmental Activities, CSR Activities etc.	AIFUL engages in social contribution activities through the protection of the environment and assistance activities in the event of disasters.
Development of Policies on Information Provision to Stakeholders	Formulated as action guidelines for achieving AIFUL's management philosophy of <i>Earn the trust of society through corporate activity based in integrity</i> , the 10-point Code of Conduct stipulates specific guidelines such as respect for comments from insiders and outsiders and swiftness and accuracy in information disclosure. In accordance with this, AIFUL properly discloses its management information to stakeholders in order to ensure the effectiveness of the function of outsiders' checks on our management and to achieve managerial transparency and effective corporate governance. We endeavor to always make timely and plain disclosure through the publication of news releases, financial results summaries on the website, the disclosure of financial data, annual reports and other materials, briefings to mass media, investors and analysis in Japan and overseas and responses to inquiries from news-gathering bodies.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Under the management principle of *Earn the trust of society through corporate activity based in integrity*, the Company and its subsidiaries (the "AIFUL Group") recognize that it is an important objective of corporate governance to become a company that is trusted by each stakeholder and society and to realize corporate management that features transparency, fairness and efficiency by contributing to the development of the economic society through corporate activities subject to compliance.

With the aim of steadily realizing the principle and objectives by taking into account all the circumstances surrounding the AIFUL Group, including the market environment, economic trends, the revision of related laws and regulations and other business environments, the Company establishes a basic policy for the development of an internal control system as follows.

Moreover, the Board of Directors shall review the basic policy in an appropriate manner in accordance with changes in the business environment and other factors, and shall make continual efforts to maintain and improve the effectiveness of the basic policy.

(1) Structure to ensure that the Company's directors and employees and the directors and employees of the Company's subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation

- With the aim of developing a corporate culture in which business activities are carried out in compliance with laws and regulations and the Articles of Incorporation and with a sense of ethics, by establishing management principles, action guidelines, internal rules and other regulations related to compliance, develop a structure in which the compliance status of each director and division and the appropriateness of the execution of duties are audited and supervised in an appropriate manner in accordance with the relevant internal rules and other regulations.

- The Compliance Committee has been established for the purposes of building a compliance structure and preventing the violation of laws and ordinances. The executive officer in charge of the Corporate Risk

Management Department acts as its head, and its other members consist mainly of outside specialists. Its meetings are organized regularly in order to implement the necessary remedial measures and actions for raising awareness throughout the company. The Compliance Committee delivers reports on the circumstances to the Board of Directors as appropriate.

- By establishing a Group Compliance Committee, establish an integrated compliance structure (including lectures and training) with the common understanding of the AIFUL Group.
- To carry out internal audits on the practice status of compliance and the appropriateness of the operations of the AIFUL Group, develop a structure in which the results of internal audits are reported in an appropriate manner to the Board of Directors and the Audit and Supervisory Committee by establishing an internal auditing department. Moreover, the Company's Internal Auditing Department shall carry out internal audits on companies in the AIFUL Group when necessary.
- Develop a structure where if the violation of laws and regulations, the Articles of Incorporation and internal rules or other important facts are identified, or if such a situation is potentially taking place, reports are immediately made to the Audit and Supervisory Committee and reports are also made to the Board of Directors without delay.
- Ensure the effectiveness of the whistle-blower system pursuant to the Whistle-Blower Protection Act by establishing various hotlines as a desk for supporting whistle-blowing and consulting in relation to the violation of laws and regulations and the Articles of Incorporation of the AIFUL Group and other activities, and by developing internal rules.
- To prevent damage from antisocial forces that impair the order and safety of society, develop a structure in which any relationship with antisocial forces is intercepted and unreasonable demands are rejected and dealt with in a firm manner.

(2) Structure related to the maintenance and management of information regarding the execution of duties of the Company's directors

- Develop a structure in which documents related to the execution of duties of the directors and the related documents (including electromagnetic records) and other various information containing trade secrets and personal information are managed and maintained in the designated location for the designated maintenance period by establishing a range of internal rules related to security and management and maintenance, and by limiting the persons who handle such documents and information in accordance with the classification of secrets and other matters.
- To ensure the appropriateness of the management and maintenance of various information, develop and obtain confidentiality pledges from the directors and employees on a regular basis, and develop a structure in which the Internal Auditing Department carries out monitoring on a regular basis.

(3) Rules and other structures related to the management of risks of losses for the Company and its subsidiaries

- To understand all the risks that threaten sustainable corporate development and establish a total risk management structure for the AIFUL Group, establish a Risk Management Committee as an organization under the direct control of the Board of Directors.
- Develop a structure in which the Risk Management Committee continually understands risks by regularly obtaining reports about risk information from each company in the AIFUL Group, and in which it carries out appropriate risk management with the cooperation of the related departments.
- Develop a structure in which measures at the time of the occurrence of emergency events are able to be taken promptly and appropriately by establishing measures in accordance with the types of risks, such as large-scale natural disasters and failures of core IT systems.

(4) Structure to ensure the efficient execution of duties of the directors of the Company, the directors of the Company's subsidiaries and other parties

- Finalize a medium-term management plan and a management plan for each fiscal year and confirm the progress of such plans at meetings of the Board of Directors on a regular basis (monthly, quarterly, semiannually and annually).
- To ensure the efficiency and appropriateness of the Board of Directors, stipulate internal rules related to the operation of the Board of Directors.
- Ensure the efficiency of the Directors in executing their duties by introducing an executive officer system and clarifying the scope of their responsibilities and decision-making procedures.
- Establish departments in charge of the management of the Company's subsidiaries, and develop a structure in which the relevant departments hold discussions about certain important matters, exchange information

and carry out other matters with the Company's subsidiaries, which will contribute to the appropriate and efficient management of the Company's subsidiaries and the AIFUL Group as a whole.

(5) Structure related to the matters of reports to the Company on the execution of duties of the directors, etc. of the Company's subsidiaries

- By holding meetings of the officers and managers of the AIFUL Group on a regular basis, seek to exchange information and share management plans and basic policies for important measures related to the overall AIFUL Group. The Company shall request that each subsidiary make reports to the Company on the situation of the execution of duties, the financial situation and other matters on a regular basis.
- By setting out internal rules that clarify the authority, responsibilities and other matters related to the decision making of each company in the AIFUL Group, develop a structure in which applications for approval and reports on the decision making of important management matters and other matters are made to the Company.

(6) Structure to ensure the appropriate operations of the corporate group comprised of the Company and its subsidiaries

- To ensure that the unified basic concept of corporate ethics is common knowledge in the AIFUL Group, stipulate and fully comply with the management principles and other codes of conduct related to compliance that are commonly shared in the AIFUL Group. Moreover, to carry out operational management that is unified throughout the AIFUL Group, establish internal rules that govern the group.

(7) Matters related to the directors and employees who are expected to support the duties of the audit and supervisory committee, matters related to the independence of the relevant directors and employees from other directors (excluding those directors who are members of the audit and supervisory committee), and matters related to ensuring the effectiveness of the instructions of the audit and supervisory committee with regard to the directors and employees

- Establish an Auditor's office as an organization as the exclusive body for supporting the duties of the audit and supervisory committee and, to ensure the independence and effectiveness of the office, stipulate provisions in the internal rules whereby, in carrying out their duties, the employees who belong to the audit and supervisory committee (the "Supporting Employees") shall not follow instructions or orders from the directors (excluding those who are members of the audit and supervisory committee), and the agreement of the audit and supervisory committee shall be obtained when determining the personnel evaluations, personnel transfers and penalty measures of the Supporting Employees.
- To ensure the appropriate implementation of the duties of the audit and supervisory committee, develop a structure in which the Internal Auditing Department carries out supporting operations in accordance with requests made by the audit and supervisory committee.

(8) A structure in which the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries make reports to the Company's audit and supervisory committee, a structure in which other matters are reported to the Company's audit and supervisory committee, and a structure that ensures that persons who make reports to the Company's audit and supervisory committee do not receive disadvantageous treatment as a result of making such reports

- To seek to achieve close information sharing between the audit and supervisory committee and the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries, develop a structure in which the directors who are members of the Company's audit and supervisory committee are able to participate and express their views in the meetings of the Board of Directors and other various meetings and, when necessary, upon the receipt of requests for explanations, the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries are able to respond appropriately.
- Develop a structure in which, if the directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries identify violations of the Articles of Incorporation and the internal rules and other important facts, or if they consider that there are possibilities of the occurrence of such violations or facts, they immediately report the matters to the Company's audit and supervisory committee, or the departments that receive such reports make reports to the Company's audit and supervisory committee.
- Develop a structure in which the situation of internal control and accounting standards related to financial reports, the situation of the activities of the Internal Auditing Department, the situation of the activities of

auditors of the Company's subsidiaries and other matters are reported to the audit and supervisory committee where necessary.

- Develop a structure in which the Company's audit and supervisory committee is able to examine, where necessary, sanction requests, reports and other documents that are submitted by each department to the departments in charge.

- The directors (excluding those who are members of the audit and supervisory committee) and employees of the Company and the directors, employees and auditors of the Company's subsidiaries may report directly to the audit and supervisory committee, and the prohibition on treating parties disadvantageously on the grounds of making such reports shall be stated in the internal rules and other regulations.

(9) Structure to ensure that the Company's audit and supervisory committee effectively audits the procedures for advance payments or the reimbursement of expenses incurred in the execution of duties of the directors who are members of the audit and supervisory committee, expenses incurred in relation to the execution of other duties, matters related to policies on the disposal of debts and other matters

- Develop a structure in which the audit and supervisory committee receives reports and explanations on accounting audits from the accounting auditors, and the committee interviews the status of auditing where necessary.

- By ensuring the structure for cooperation between the Internal Auditing Department and the audit and supervisory committee, seek to establish an effective auditing structure to check and promptly identify unjust and unfair activities.

- Develop a structure in which the directors and employees respond promptly and appropriately in cases where the audit and supervisory committee requests explanation or reports regarding operations.

- The Company shall be responsible for expenses incurred by the audit and supervisory committee in executing its duties, such as the use of external specialists, including lawyers.

- If the audit and supervisory committee makes requests to the Company for advance payments for expenses and other matters in relation to the execution of its duties based on paragraph 4 of Article 399-2 of the Companies Act, the Company shall promptly pay the relevant expenses or debts, except in cases where the relevant expenses or debts are not necessary for the execution of the duties of the directors who are members of the audit and supervisory committee.

2. Basic Views on Eliminating Anti-Social Forces

In its 10-point Code of Conduct and Compliance Standards of Conduct, which have been formulated as action guidelines for achieving its management philosophy of *Earn the trust of society through corporate activity based in integrity*, the AIFUL Group prescribes that it shall never have any relationships with any anti-social forces. The specific provisions of the 10-point Code of Conduct and Compliance Standards of Conduct are formulated in our internal rules.

(1) Setup of a handling and controlling organization and a manager for deterrence of unreasonable claims
The General Affairs Department is designated as the handling and controlling organization concerning the issues related to anti-social forces. Under the instruction of the officer in charge of the General Affairs Department, it works with other relevant organizations to carry out investigations and deal with the issues.

(2) Collaboration with outside specialist organizations

AIFUL is able to consult with and closely notify police-related organizations, lawyers and equivalent professionals.

(3) Collection and management of information concerning anti-social forces

AIFUL participates in training sessions, conferences and other events organized by outside bodies and joins some outside bodies for the purpose of collecting information. We established the Risk Management Committee as an organization for the prompt detection of internal risks to collect and centrally manage risk information.

(4) Creation of Action Manual

AIFUL has created the rules for prevention of damage by anti-social forces and action manual against anti-social forces as a response action that is obligatory in business. In addition, it has prepared different manuals for blocking relationships with anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

- An overview of the Company's corporate structure related to timely disclosure of corporate information is as follow:

1. Basic Approach on Timely Disclosure

Under its management philosophy of *Earn the trust of society through corporate activity based in integrity*, AIFUL makes the prompt and accurate disclosure of information on corporate activities in a bid to earn the support of customers, shareholders, investors and all other stakeholders.

2. Corporate Structure Related to Timely Disclosure

For the purpose of realizing its management philosophy, AIFUL has instituted the information management rules, the rules for prevention of insider trading and other rules to build an internal system as described below, and works to collect and manage factual and financial information that has a significant impact on investment decisions and disclose them timely and appropriately.

- In the wake of a disaster, AIFUL establishes a disaster response headquarters to gather information and constructs a system for timely and appropriate information disclosure in collaboration with the Information Management Office and the P.R and I.R section of the Finance Department.

- AIFUL is able to create precise financial results information in accordance with the Tokyo Stock Exchange's Securities Listing Regulations after its Accounting Department collects information on financial results from different internal organizations and group companies.

- AIFUL refers and reports its information and the information of group companies collected in the method described above to the Board of Directors, which in principle holds two meetings per month and extraordinary meetings whenever necessary. Consisting of directors and executive officers, the Management Committee, which holds a meeting each week in principle, discusses and verifies the matters to be brought up for deliberations to the Board of Directors as well as issues and strategies on business execution in accordance with the management policy resolved by the Board of Directors.

Under the instruction of the executive officer in charge of the General Affairs Department as the information handling manager, the General Affairs Department makes a judgment on whether or not it is necessary to promptly make the timely disclosure of not only the disclosure information specified in the Tokyo Stock Exchange's Securities Listing Regulations but also information that is considered to have a significant impact on investment information, including facts about decisions made by the Board of Directors, after deliberations with the Information Management Office and separate relevant organizations.

- The P.R and I.R section of the Finance Department serves as a chief organization to swiftly implement the timely disclosure of information for which timely disclosure is deemed necessary.

General Meeting of Shareholders

