

June 26, 2023

Notice of Disposal of Treasury Shares as Restricted Stock Compensation

AIFUL CORPORATION (President and CEO: Mitsuhide Fukuda; hereinafter, “the Company”) hereby announces that it has resolved to dispose of treasury shares (hereinafter referred to as the "Disposal of Treasury Shares" or the “Disposal”) at the Board of Directors meeting held today. The details are as follows.

1. Outline of the Disposal

Disposal date	July 18, 2023
Class and number of shares to be disposed	134,314 shares of Common stock of the Company
Disposal price	¥340 per share
Total value of shares to be disposed	¥45,666,760
Allottees and number thereof, number of shares to be disposed	Directors of the Company (excluding directors serving as Audit and Supervisory Committee members and outside directors): 5 persons 55,299 shares Executive Officers who do not concurrently serve as directors of the Company: 10 persons 67,201 shares Executive officers who do not concurrently serve as directors of the Company’s subsidiaries: 2 persons 11,814 shares
Others	The Company has submitted a Notice of Securities under the Financial Instruments and Exchange Act regarding the disposal of treasury shares.

2. Purposes and Reasons of the Disposal

The Company resolved to introduce a restricted stock compensation plan (the "Plan") as a new compensation system at the Board of Directors meeting held on April 18, 2022 to provide the Company directors (excluding directors serving as Audit and Supervisory Committee members and outside directors; hereinafter referred to as "Eligible Directors"), executive officers who do not concurrently serve as directors of the Company, directors of the Company’s subsidiaries, and executive officers who do not concurrently serve as directors of the Company’s subsidiaries (hereinafter collectively referred to as "Eligible Directors etc.") with an incentive to continuously improve the corporate value of the Company and to promote further value sharing with shareholders. In addition, at the 45th Annual General Meeting of Shareholders held on June 21, 2022, it was approved that the total amount of monetary claims to be paid to the Eligible Directors under the Plan as compensation for grant of restricted stock (hereinafter referred to as the “Restricted Stock Compensation”) shall be not more than 50 million yen per annum, and that the total number of shares of common stock newly issued or disposed of by the Company shall be not more than 333 thousand shares per annum and the transfer restriction period for restricted shares shall be the period specified by the Board of Directors, which is a period between three to thirty years.

The outline of the Plan is as follows.

【Outline of the Plan】

The Eligible Directors etc. shall pay all monetary claims to be paid to them by the Company under the Plan as Property contributed in kind, and shall, in return, receive the Company's common shares to be issued or disposed. The amount to be paid per share will be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the resolution of each Board of Directors meeting (if no transactions are consummated on the same day, the closing price on the most recent trading day prior to that date is applied) to the extent that such amount is not particularly favorable for the Eligible Directors etc. who subscribe the common stock.

In addition, the issuance or disposition of the Company's common shares by the Plan is contingent upon the conclusion of a Restricted Stock Allotment Agreement between the Company and the Eligible Directors etc., which includes (1) prohibition of transfer of the Shares to a third party, creation of a security interest, or any other disposition of the Shares for a certain period and (2) acquisition of the Shares by the Company without consideration in the event of certain circumstances, etc.

After consulting with and reporting to the Personnel Committee, the Company decided to grant 45,666,760 in total monetary claims (hereinafter referred to as "Monetary Claims") and 134,314 shares of common stock of the Company to the Eligible Directors etc. for the purpose of further motivating them in consideration of the purposes of the Plan, our current business results, the responsibilities of the Eligible Directors etc., and various circumstances. In addition, in order to realize the purpose of introducing the Plan, which is to share shareholder value over the medium to long term, the transfer restriction period is set at three years for this time.

With the Disposal of Treasury Shares, 17 Eligible Directors etc., the planned allottees of shares, shall pay in all of Monetary Claims, which are claims against the Company or the Company's subsidiaries, in the form of Property contributed in kind for acquisition of the restricted shares, and shall receive the Company's common shares (hereinafter referred to as "Allotted Shares") pursuant to the Plan. An outline of the Share Allotment Agreement with Restriction on Transfer (hereinafter referred to as the "Allotment Agreement") concluded between The Company and the Eligible Directors etc. upon the Disposal of Treasury Shares is as follows (3. Outline of Allotment Agreement).

3. Outline of Allotment Agreement

(1) Transfer restriction period

July 18, 2023 - July 18, 2026

(2) Conditions for releasing transfer restriction

On the condition that the Eligible Directors etc. maintained the positions of directors of the Company or the Company's subsidiaries, executive officers who do not concurrently serve as directors, advisors or any other equivalent position during the transfer restriction period, the Company shall release transfer restriction for all of the allotted shares at the expiration of the transfer restriction period.

(3) Treatment in cases where the Eligible Directors etc. retires from their position due to expiration of the term of office, reaching retirement age, or other due cause

(i) Time of release

In the event that the Eligible Directors etc. resign or retire from the position of directors of the Company or the Company's subsidiaries, executive officers who do not concurrently serve as directors, or any other equivalent position during the transfer restriction period due to the expiry of term of office, attainment of retirement age, or other justifiable reason (including resignation or retirement by death), the transfer restrictions shall be lifted at the time immediately after the resignation or retirement.

(ii) Number of shares subject to release

The number of shares shall be calculated by multiplying the number of months from the month including the Disposal

date to the month including the date of resignation or retirement of the Eligible Directors, etc. divided by 12 (if such number exceeds 1, the number shall be 1) by the number of the Allotted Shares held at the time of such resignation or retirement as set forth in paragraph (i) (provided, however, fractional shares less than one unit (shares less than 100 shares) will be dropped from the number of shares obtained by the calculation).

(4) Take-back without cost by the Company

The Company shall automatically take back all the allotted shares without cost immediately after expiration of the transfer restriction period or at the time of release of the transfer restriction as set forth in paragraph (3), if transfer restriction on the allotted shares in question is still to be released.

(5) Treatment during reorganization, etc.

If, during the transfer restriction period, matters relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization are approved at the General Meeting of Shareholders (or in the case where the approval at the General Meeting of Shareholders is not required, in relation to the reorganization in question, a meeting of its Board of Directors), based on the resolution of the Board of Directors, the number of shares that is reasonably calculated by multiplying the number of months from the month including the Disposal date to the month including the approval day of the reorganization divided by 12 (if such number exceeds 1, the number shall be 1) by the number of the Allotted Shares held at the relevant time shall be released prior to the date the reorganization becomes effective.

(6) Control of stocks

To ensure compliance with the transfer restriction during the transfer restriction period, the allotted shares shall be managed in a dedicated account at Nomura Securities Co., Ltd., opened by the Eligible Directors etc. The Company will execute a memorandum regarding the control of the dedicated accounts of the Eligible Directors etc., with Nomura Securities Co., Ltd., in order to secure the effectiveness of the transfer restriction pertaining to the allotted stocks. In addition, the Company shall separately obtain consent from the Eligible Directors etc., on the contents of the transfer restriction etc.

4. Basis of Calculation and Specific Details for the Payment Amount

The Disposal of Treasury Shares to the Eligible Directors etc., shall be funded by monetary claims which the Company provided as the Restricted Stock Compensation in accordance with the Plan. To eliminate arbitrariness in the disposal price, the closing price for the common shares of the Company on the Prime Section of the Tokyo Stock Exchange on June 26, 2023 (the business day prior to the day of resolution at the meeting of the Board of Directors) of ¥340 is used as the disposal price. As this is the market price the day prior to the day of resolution of the Board of Directors, we believe it is valid and does not represent a particularly favorable price.