

Corporate Governance

Basic Approach

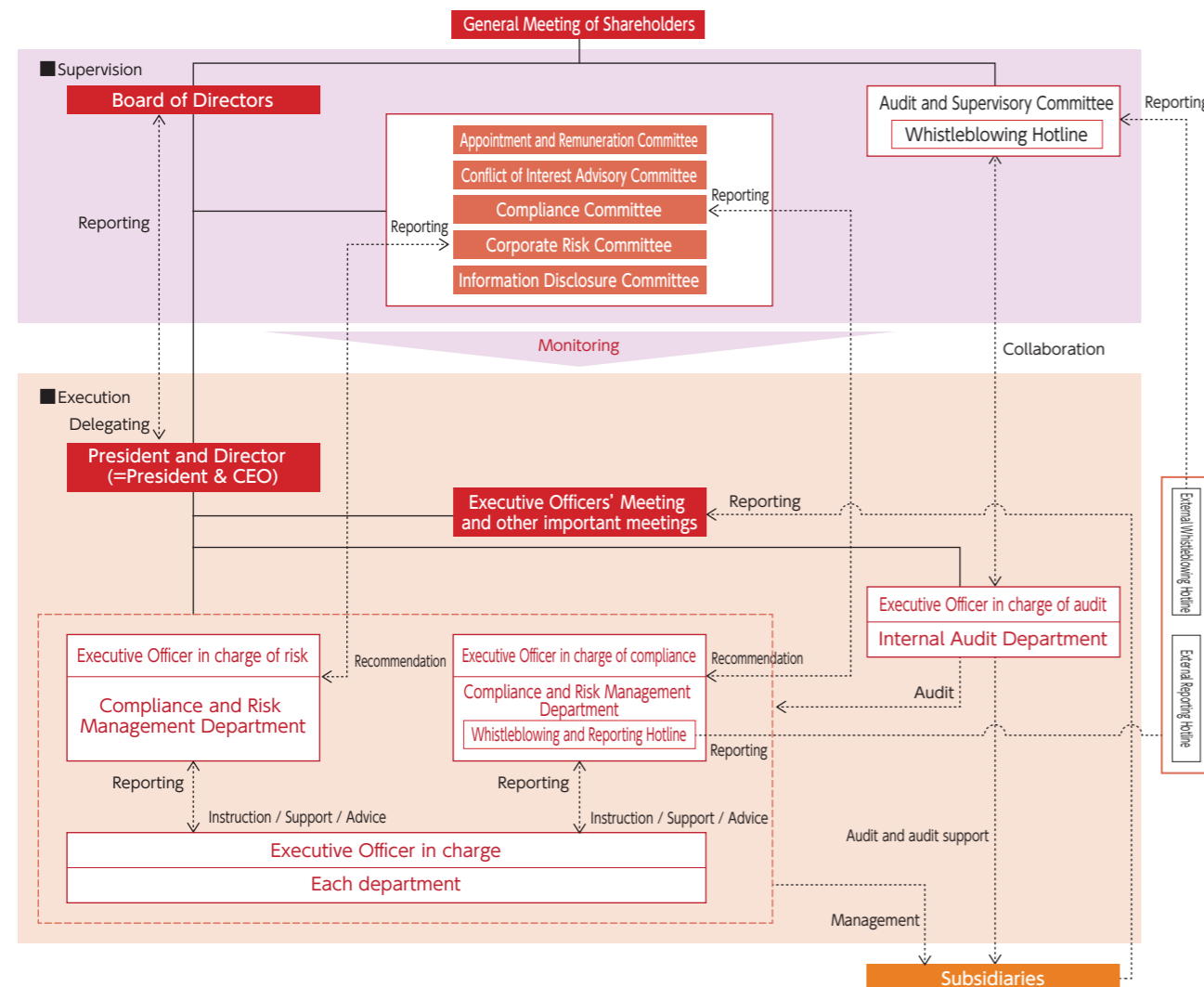
ACOM Group, guided by its founding spirit—the Circle of Trust, maintains an ongoing corporate philosophy, the spirit of human dignity, customers first, and creative and innovative management. Based on this commitment, we are seeking to deepen mutual trust between our stakeholders and ourselves and thus 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.

Corporate Governance Structure (As of June 28, 2024)



The Board of Directors



Chair Masataka Kinoshita, President & CEO
Meeting frequency At least once every three months, in principle
Number of meetings in FY2023 12

Role

- ✓ 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.
- ✓ 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.

Main topics considered in FY2023

- [Management strategies]**
 - ✓ Single-year management plan
 - ✓ Revision of full-year business performance forecasts
 - ✓ Interim and year-end dividends
- [Business management]**
 - ✓ Basic policy on the creation of an internal control system
 - ✓ Sophistication of risk management system
- [Accounting and financial affairs]**
 - ✓ Financial statements
 - ✓ Business reports
- [Personnel]**
 - ✓ Selection of Directors' positions
 - ✓ Directors' basic and performance-based remuneration as well as stock-based remuneration

Audit and Supervisory Committee



Chair Toshihiko Yamashita, Director and Audit and Supervisory Committee Member (Outside Director)
Number of meetings in FY2023 15

Role

- ✓ Receives reports concerning important audit related matters, hold discussions, and pass resolutions

Key audit items

- ✓ Operation of Group governance structure
- ✓ Promotion of risk management structure and qualitative improvement measures
- ✓ Qualitative improvement measures for internal audits
- ✓ Response to legal violations, whistleblowing, unforeseen circumstances, and issues identified through internal audits
- ✓ Qualitative improvement measures for information disclosure
- ✓ Adequacy of loss on interest repayments and allowance for doubtful accounts

Key activities of Audit and Supervisory Committee Members

- ✓ 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

Committees

Appointment and Remuneration Committee



Chair Masataka Kinoshita, President & CEO
Meeting frequency 3 times per year, in principle
Number of meetings in FY2023 6

Role

- ✓ 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
- ✓ Checks the status of training for both management and management candidates, and provides the overview to the Board of Directors

Main topics considered in FY2023

- ✓ Director evaluations
- ✓ Director candidates and Representative Director candidates at subsidiaries
- ✓ Selection of Directors' positions
- ✓ Directors' basic and performance-based remuneration as well as stock-based remuneration
- ✓ Development of management team and management candidates

Legend ● Internal ● Outside ● Outside (female) ● Outside expert ● Non-Director

Conflict of Interest Advisory Committee

Chair Toshihiko Yamashita, Director and Audit and Supervisory Committee Member (Outside Director)
Number of meetings in FY2023 0

Role
 ✓ Deliberates on material transactions, etc., where the interest of controlling shareholders conflicts with the interest of minority shareholders from the perspective of protecting the interests of minority shareholders, and makes recommendations to the Board of Directors, etc.

No meetings were held in the fiscal year ended March 2024 due to the fact that there were no material transactions, etc., where the interest of controlling shareholders conflicted with the interest of minority shareholders.

Compliance Committee

Chair Michelle Tan, Director (Outside Director)
Meeting frequency 4 times per year, in principle
Number of meetings in FY2023 4

Role
 ✓ Deliberates on compliance-related matters, and makes recommendations to the Board of Directors as necessary

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

Corporate Risk Committee

Chair Hiroshi Naruse, Deputy Chairman
Meeting frequency Once every quarter, in principle
Number of meetings in FY2023 5

Role
 ✓ Discusses important items related to risk management and makes proposals and reports to the Board of Directors as deemed necessary
 ✓ Monitors the status of risk management and other matters and reports the results to the Board of Directors

Information Disclosure Committee

Chair Hiroshi Naruse, Deputy Chairman
Meeting frequency Twice every quarter, in principle
Number of meetings in FY2023 9

Role
 ✓ 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.

Executive Officers' Meeting and other important meetings

Chair Masataka Kinoshita, President & CEO
Meeting frequency Three times a month, in principle

* Audit and Supervisory Committee Members are permitted to attend the Executive Officers' Meeting and other important meetings, where they may express their opinions.

Role
 ✓ In accordance with basic policies determined by the Board of Directors, discusses and makes decisions related to the execution of important business operations delegated by the Board of Directors to the President and Director
 ✓ Deliberates on management policies and management plans in advance for resolution at the Board of Directors

Director Appointment Process

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.

In appointing Directors, in light of the management strategy and based on the Policy of the Composition of the Board of Directors, the Appointment and Remuneration Committee selects candidates, and resolutions are passed by the Board of Directors.

Candidates are appointed from among those who meet the following policies.

- In order to raise the effectiveness of management supervision, possess ample corporate management experience, a high level of knowledge, and advanced expertise.
- Be well-respected, of excellent character, and have high ethical standards.
- Be in good physical and mental health and able to perform their duties without any problems.
- Have never violated laws, regulations, or compliance standards (including harassment) or caused significant loss to the Company or any company or organization to which they have previously belonged.
- Have no ties to anti-social forces.

Policy of the Composition of the Board of Directors

● Balance of expertise, experience, and ability

The skills that our Directors should possess in particular are set out below, and we have established an appropriate balance of these skills overall.

Skill	Definition
Corporate Management and 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	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 be comprised of a diverse range of individuals in terms of gender, international experience, professional background, and age, etc.

● 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 business.

Skills Matrix*1

Name	Position	Age*2	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	75	●	●			●		12/12 (100%)	6/6 (100%)	
Hiroshi Naruse	Deputy Chairman	65	●			●		●	12/12 (100%)	6/6 (100%)	
Masataka Kinoshita	President & CEO	46	●		●	●			12/12 (100%)	6/6 (100%)	
Takashi Kiribuchi	Director and Deputy President	62	●			●	●		12/12 (100%)		
Tomomi Uchida	Senior Managing Director	62		●	●			●	12/12 (100%)		
Tadashi Yamamoto*3	Director	55	●	●				●	7/8 (87.5%)		
Michelle Tan*4	Director Independent Outside	62	●					●	—	—	—
Toshihiko Yamashita*3	Director, Member of the Audit and Supervisory Committee Independent Outside	68	●				●	●	8/8 (100%)	3/3 (100%)	11/11 (100%)
Akihiro Kiyooka*4	Director, Member of the Audit and Supervisory Committee	56	●				●	●	—	—	—
Takuji Akiyama	Director, Member of the Audit and Supervisory Committee Independent Outside	66		●			(Certified public accountant)	●	12/12 (100%)	6/6 (100%)	15/15 (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 47th Ordinary General Meeting of Shareholders (June 21, 2024).

*3 Took office as director effective June 23, 2023.

*4 Took office as director effective June 21, 2024.

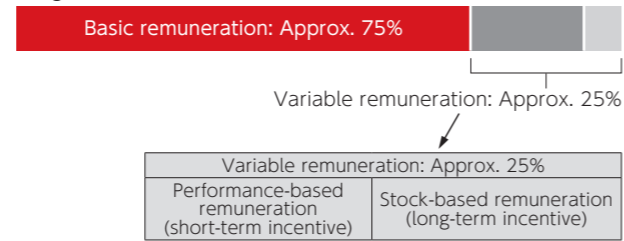
Remuneration of Officers

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. 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 and personal evaluation, etc., and a decision is made by the Board of Directors. For performance-based remuneration, the basic funds for distribution are calculated using profit attributable to owners of the parent as an index for comprehensively measuring the management performance, and then 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 three years later. 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 and stock-based remuneration are the standard amount). Regarding the method of determining the amount of performance-based remuneration, the range of profit attributable to owners of the parent 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 extraordinary income or losses and other special factors, 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. Regarding the method of determining the amount of stock-based remuneration, the Appointment and Compensation Committee determines the number of virtual shares calculated based on the base amount set for each Director who concurrently serves as a Representative Director or an Executive Officer each year, and the Board of Directors decides on the allotment of those shares. The virtual shares are converted into points by multiplying them by the stock price three years later, and the points accumulated during the term of office are converted into a monetary amount and paid at the time of retirement.

Image



Also, a target for the performance-based remuneration index has not been set for the fiscal year ended March 2024, 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 profit attributable to owners of the parent 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 stock-based remuneration system (phantom stock) is intended to provide an incentive that will encourage management to demonstrate a healthy entrepreneurial spirit toward the Company's sustainable growth and improvement of its medium- to long-term corporate value, as well as to further promote value sharing with shareholders. The plan was decided upon at the Board of Directors meeting held on January 31, 2023, and began operation in June 2023.

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. As of March 31, 2024, 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.

In deciding the individual remuneration for Directors for the fiscal year ended March 2024, 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.

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
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration, etc.	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	197	154	31	11	7
Audit and Supervisory Committee Members (excluding Outside Directors)	20	20	—	—	1
Outside officers	32	32	—	—	3
Total	250	207	31	11	11

Training for Officers

We hold study sessions for officers in order to improve the skills of Directors and Executive Officers who are Director candidates and to improve the effectiveness of the Board of Directors. In the fiscal year ended March 2024, we held study sessions for officers on the following topics.

- ✓ Interest rates/monetary policy (once)
- ✓ Accounting standards (once)
- ✓ Cost of capital (once)
- ✓ DX (twice)
- ✓ Generative AI (twice)
- ✓ Marketing (once)
- ✓ Personnel strategy / human capital (twice)

Evaluation of Effectiveness of Board of Directors

The Company distributes a questionnaire regarding the effectiveness of the Board of Directors to all Directors every year, and conducts analysis and evaluation on effectiveness of the Board of Directors based on the responses to the questionnaire. The Company addresses any issues identified based on responses to the questionnaire, and works to increase the effectiveness of the Board of Directors.

Effectiveness Evaluation Process

1. Self-evaluation	Each Director responds to questionnaire
2. Overall evaluation	Board of Directors holds discussions about results of responses to questionnaire and issues identified
3. Disclosure of evaluation results	Disclose evaluation methodology and evaluation results in Corporate Governance Report

Evaluation Results

The Company conducted the analysis and evaluation of the effectiveness of the Board of Directors this fiscal year. Consequently, the Company assessed that the Board of Directors fulfills each and all of its functions, including the formulation of management strategies and targets, resolving management challenges, supervising risk management and business executives. Thus, the Company concluded that the current Board of Directors functions sufficiently and is effective.

In addition, the Company finds that a certain amount of progress has been made in expanding useful information to deepen and revitalize discussions at the Board of Directors meetings, which was recognized as an issue in the previous year. However, the Company recognizes that it is necessary to continue to enhance the content of reports to strengthen the supervisory function and to enhance discussions to fulfill the functions of the Board of Directors.

Going forward, the Company operates the Board of Directors as described below, while the Company will regularly analyze and evaluate the effectiveness of the Board of Directors, and continue efforts to ensure enhanced effectiveness of the Board of Directors.

- (1) The Board of Directors will deliberate on and decide material business management matters, such as management strategies and business plans, while ensuring objective and rational decisions, and will also determine basic policies for corporate governance and building internal control systems, as it monitors and supervises the execution of business.
- (2) Material matters will be exhaustively selected as agenda items based on regulations for matters to be resolved at the Board of Directors meeting, as stipulated in the rules of the Board of Directors. The Board of Directors will discuss such selected material in timely and appropriate manner.
- (3) The Company will distribute materials to be used at Board of Directors meetings prior to the meeting, in order to ensure smooth and lively discussions. Explanations on the content will be provided in advance when deemed necessary.
- (4) The Board of Directors will receive periodic reports on the status of management, etc., and monitor the execution of business.

IR Activities

We strive to have constructive dialogue with shareholders in order to contribute to the sustainable growth of the Company and the improvement of our medium- to long-term corporate value. Overseen by the Executive Officer in charge of the Finance Department, the Public & Investor Relations Office of the Finance Department cooperates daily with related departments to engage in dialogue with domestic and overseas investors through interim and fiscal year-end financial results briefings, domestic conferences, overseas IR roadshows, and individual interviews. Investor concerns and opinions obtained through dialogue are fed back to the Board of Directors and used to improve future corporate management and information disclosure.

Status of IR Implementation in FY2023

Number of Dialogue with shareholders / investors	181
Number of briefings for institutional investors	6 (including for overseas investors)
Number of briefings for individual investors	3

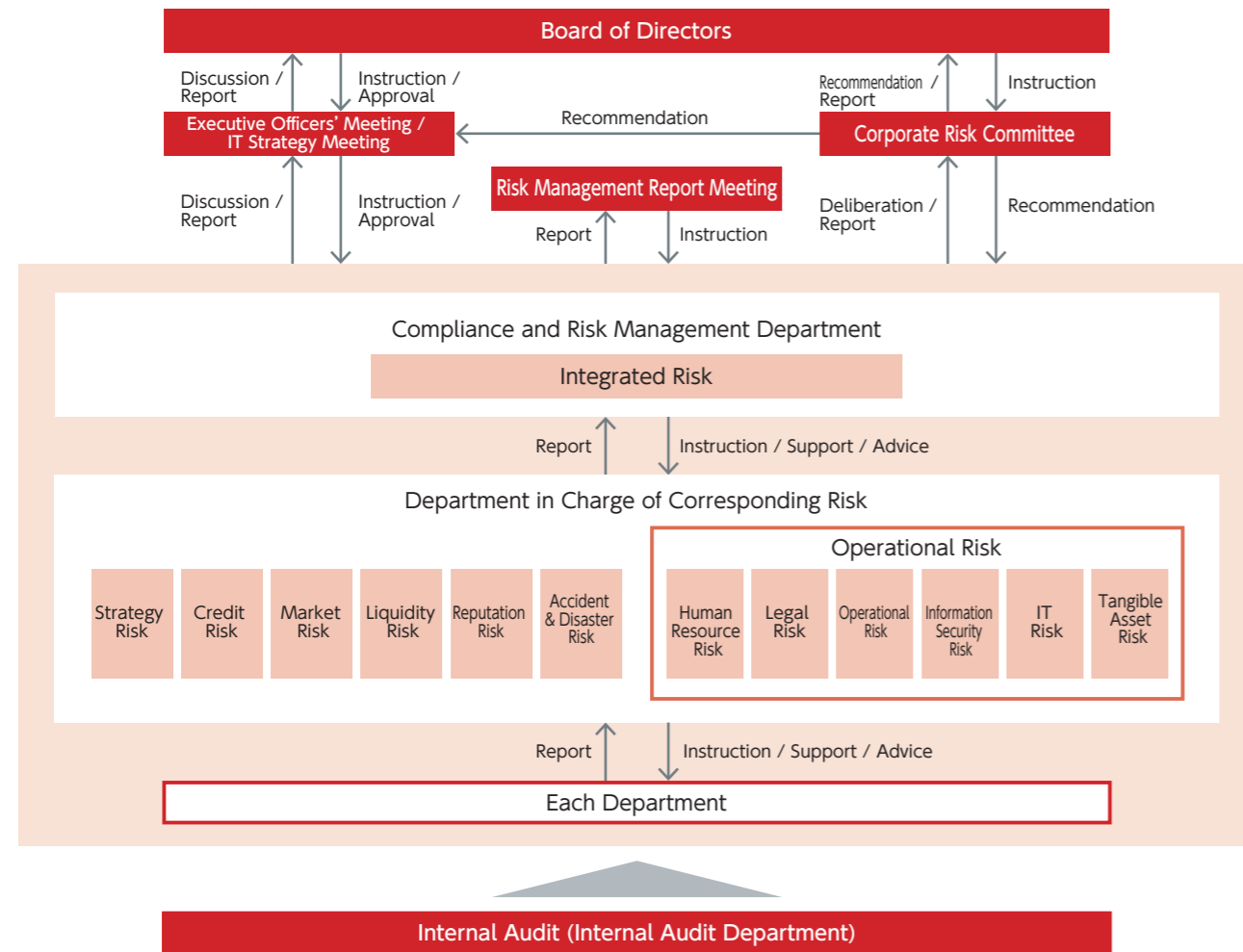


Risk Management

Risk Management System

The risks to be managed are becoming more complex and diverse as the management environment surrounding the Company 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 Compliance and 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]



Current Management Environment and Top Risks

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.

[Examples of Our Business Environment]

- Entry and ascendance of entities from other sectors
- Increasingly sophisticated cyberattacks
- Rise in market interest rates

[Top Risks]

Risk event	Risk scenario	Risk countermeasure (Example)
Decline in business earnings	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Improvement of product and service functions • Regularly manage and analyze business revenue compared to the plan, and make reports, including on the countermeasures, to the Risk Management Report Meeting and Corporate Risk Committee, etc.
Increase in credit expenses	<ul style="list-style-type: none"> • Increase in expenses relating to doubtful accounts in the Loan and Credit Card Business, the Guarantee Business, or the Overseas Financial Business 	<ul style="list-style-type: none"> • Implement regular monitoring of customers' creditworthiness
Situations which have impacts due to external factors	<ul style="list-style-type: none"> • The occurrence of situations which have major impacts on the conduct of business, such as infectious diseases, natural disasters, and terrorism 	<ul style="list-style-type: none"> • Establish a business continuity plan, and build a backup system, such as for call centers and mission critical systems • Secure the appropriate number of disaster stockpiles, and regularly implement training and drills, etc.
IT risks	<ul style="list-style-type: none"> • 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 cyberattack • The occurrence of situations which have major impacts on customer transactions, due to system failures 	<ul style="list-style-type: none"> • Monitor in terms of system planning, development, and operation • Reallocate resources, establish systems and procedures in preparation for unforeseen situations, and address drills, etc.
Increase in interest repayments	<ul style="list-style-type: none"> • Transfers to the provision for loss on interest repayment due to higher than anticipated interest repayments 	<ul style="list-style-type: none"> • Regarding loss on interest repayment, establish reference values for each quarter ahead of time, and manage as well as report on the gap between the actual loss on interest repayment and the reference values
Conduct risks	<ul style="list-style-type: none"> • Situations which have major impacts on stakeholders, from perspectives such as consumer protection and maintaining the soundness of markets 	<ul style="list-style-type: none"> • Consumer awareness-raising activities for the purpose of customer protection, etc., stricter credit administration, and transaction monitoring
Procurement of funds	<ul style="list-style-type: none"> • Deterioration in financing due to rising market interest rates, worsening of financial situation due to decline in results, rating downgrades, etc. 	<ul style="list-style-type: none"> • After securing a certain amount of on-hand liquidity, fix financing interest rates, maintain long- and short-term financing ratios, level loan repayments, and diversify our financing methods
Personnel shortages	<ul style="list-style-type: none"> • Loss of competitive advantage due to personnel shortages 	<ul style="list-style-type: none"> • Various personnel systems such as raising base salaries and introducing secondary and concurrent jobs, and enhanced employee benefits • Efforts to spread an understanding of the vision, and improve training systems such as selective training and digital talent development programs • Securing talented and promising personnel through new graduate and mid-career recruitment activities

For details, please refer to the securities report.
<https://pdf.irpocket.com/C8572/EyBn/gMC0/tBZL.pdf>

Compliance Activities

The Company regards compliance as one of its most important management issues. The creation of "ACOM's Ethical Code for Business" (currently 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 and Risk Management Department supervises compliance throughout the Company. The Compliance and Risk Management Department is in charge of the following: developing, reviewing, and following up on implementation plans related 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 inquiries made to the Ethics Hotline by executives and employees.

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, The Company 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)

The Company 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 inquiry 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, The Company 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.

Message from the Chair of the Compliance Committee

Michelle Tan, Director (Outside Director)

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 Japan Consumer Network and Director of the Ethical Business Research Institute. She became a Director at ACOM on June 21, 2024. Tan specializes in consumer policy and consumer protection.



The fiscal year ending March 2025 will be the final year of the Medium-term Management Plan. In the Medium-term Management Plan, the Company has promoted various activities with the key theme of fostering a compliance culture—that is, to ensure that behavior in line with ACOM Group Code of Ethics and Code of Conduct is the norm. The fiscal year ending March 2025 will be a year in which the achievements of this will be tested.

In the fiscal year ended March 2024, we focused on integrity training to develop compliance-oriented personnel who always do the right thing, harassment prevention training to realize a harassment-free workplace with good communication, and activities to prevent consumers from falling victim to financial crimes to protect consumers from crimes such as financial fraud. The Committee has improved the quality of these activities by fully understanding the

situation, such as by conducting detailed hearings on these activities, and providing appropriate advice and recommendations.

In the fiscal year ending March 2025, we will steadily carry out these activities and realize a harassment-free workplace and prevent any corporate misconduct by nurturing compliance-oriented personnel. In addition, preventing people from becoming a victim of financial crimes is the social responsibility of the entire consumer finance industry. As a leader in the industry, we will steadfastly fulfill this responsibility.

The Compliance Committee will continue to provide even more effective and useful advice and recommendations from the perspective of laws, business ethics, and consumers, and work to foster a compliance culture.

Using an Advanced Governance System to Continue to Support Society in the Future with Consumer Finance Services



Hiroshi Naruse
Deputy Chairman

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

What impressions do you have of ACOM Group's business?

Naruse: It is easy to think of commercial banks, trust banks, securities firms, and insurance companies as companies that fulfill financial functions, but what is not widely known is that adding consumer finance companies to this group actually brings together the financial functions in society in an effective way. ACOM Group's vision for customers is to respond to the customer's desire of "what they want" and "the services they would like to get" with speed and always putting the customers first in Japan and overseas." I think it is extremely important for us as a consumer finance company to understand this as our role and strive to realize it.

Also, thanks to the effect of TV commercials and other exposure, ACOM has good name recognition, but the fact that ACOM Group is an important player in consumer finance is surprisingly not well known. In fact, it seems that in Japan, the very function of consumer finance is not well understood. The next action that ACOM Group, which already has a high level of name recognition, should take is to ensure that a wide range of stakeholders correctly understand that ACOM Group is an important player in the consumer finance function that is indispensable to Japan.

Yamashita: It has been one year since I took office as an Outside Director of ACOM. As Deputy Chairman Naruse just spoke about, until a year ago, I knew the name ACOM, but I did not fully understand what kind of

business consumer finance companies specifically engage in. Of course, now I recognize that ACOM is an indispensable presence in driving the Japanese economy, providing necessary financial services quickly to people who need funds based on advanced screening capabilities. Through my experience over the past year, I feel that ACOM is worthy of being a leading company in the industry and that ACOM Group's corporate culture cultivated over its long history is wonderful. In the field of personal finance, the frequent occurrence of financial fraud has become a serious societal issue in recent years. However, at ACOM, the corporate philosophy of putting the customers first is ingrained in each employee who works with customers on the front lines, and I learned that it is not uncommon for them to notice the possibility of financial fraud in conversations with customers as a matter of course, and to prevent fraud victimization before it occurs by providing appropriate advice. Of course, the Company also recognizes and commends employees who take such actions, but even though it is a financial company, ACOM does not simply meet the financial needs of customers, but always prioritizes what is best for the customer. This has led to a corporate culture that values the idea of not lending money to people if it is not in their best interest based on ACOM Group Code of Ethics and Code of Conduct, and I found this to be a

very positive thing.

What are the distinctive characteristics of ACOM Group's corporate governance system?

Yamashita: Seven years ago, ACOM transitioned to a company with an Audit and Supervisory Committee from a company with a board of corporate auditors, and with the earnest efforts that have been made since then, I believe that a robust governance system has already been established. In addition, various measures have been undertaken with an awareness of the Corporate Governance Code, which is soft law. I am both a Director and an Audit and Supervisory Committee Member, and I believe that the Audit and Supervisory Committee, as well as other committees, are being run very appropriately. However, I am a little concerned about the balance between "defense" and "offense" with respect to governance. The Company is very conscious of so-called "defensive governance," but I think it is important to think more about striking a balance between the two in order to convince stakeholders of the future growth that is unique to ACOM Group.

Internally, we often discuss Group governance, including overseas subsidiaries, but I am not too worried about this. I believe that ACOM Group's excellent business operations and corporate culture, including the corporate philosophy, which have been cultivated up until now, apply worldwide by carefully translating them into local terms and applying them to overseas markets.

Naruse: Looking at the overall trends in society, companies are being asked to strengthen the supervisory function of the board of directors and to separate supervision and execution. Amid this trend, it seems necessary to explain ACOM's governance system,

in which the Company President & CEO, who is the head of execution, serves as Chairman of the Board of Directors, to people outside the Company. Personally, I think that the fact that the President & CEO of ACOM Group, who knows the various historical circumstances, has supervisory authority as Chairman of the Board of Directors, actually leads to fulfilling the governance function at a high level. It is generally believed that companies should adopt a Western-style monitoring model where the supervisory function strongly influences the executive function, but in the case of ACOM Group, as with many other Japanese companies, I believe it is appropriate for the executive function to influence the supervisory function. If ACOM Group were to be influenced by societal trends and force itself to shift to a Western-style governance system, I believe that it may actually become more difficult for the supervisory function to work properly.

I serve as the Chair of the Information Disclosure Committee and the Risk Committee, and both of these committees comprise members with a wide range of expertise, so we always have very lively discussions. There is also a very high level of compliance awareness, and in 2007 we established a Compliance Committee made up of experts from outside the Company. I believe that one of the distinctive features of ACOM Group's governance system is its deeply-rooted philosophy of engaging in thorough discussions rather than just ending meetings with a pre-established harmony.

How do you assess the effectiveness of the Board of Directors?

Yamashita: I feel that it has always been easy to speak up and share one's opinion at Board of Directors



meetings. President and Chairman of the Board, Masataka Kinoshita, is always trying to find ways to encourage Directors to speak up during the decision-making process. ACOM Group's Code of Conduct states that all members of the Group should listen to all opinions without interrupting others, and this is strictly adhered to as a golden rule in all meetings, including the Executive Officers' Meeting. The Board of Directors Meeting is no exception, and I believe that the fact that each Director's opinions are communicated without interruption leads to high-quality discussions. Generally speaking, at Japanese companies' board meetings there is a tendency for directors on the executive side to press the accelerator hard on business-related agenda items. If such a situation arises, my role as Outside Director is to appropriately reflect the opinions of minority shareholders and other stakeholders into the Board of Directors meeting from a position independent

from the Company's senior management team and controlling shareholders, and to be conscious of taking a somewhat detached perspective on things and, if necessary, make statements that serve to restrain the Company from simply thrusting forward unidirectionally.

The effectiveness of the Board of Directors' Meeting is monitored each year by having Directors respond to a questionnaire. I myself make various suggestions without any bias, and I believe that my suggestions are carefully considered and improvements are being made.

Furthermore, ACOM Group is making progress in its digital transformation (DX) efforts, with an increase in transactions being made via smartphones. Many of the people making these transactions are young people. It is important for the Board of Directors to hear the honest opinions of these young people, and I believe that creating a system whereby such information can be continuously delivered directly to the Board of Directors will lead to deeper discussions.

Naruse: As Chairman of the Board of Directors, President & CEO Masataka Kinoshita has demonstrated his abilities in both facilitation and communication, and he leads the Board of Directors with very strong leadership. I believe that his skills have increased the effectiveness of the Board of Directors and contributed to improving corporate value. As Director Yamashita mentioned, it is clear that is working hard to encourage all Directors to speak up.

It is important for the Board of Directors to possess



diversity. Precisely because we live in an age of increasing uncertainty, it is essential that each Director looks at an issue from various angles, drawing on their own knowledge and experience, speaks out from their own position, and evaluates individual matters only after a variety of opinions have been expressed. Directors should aim to make comments that will provide fresh insight to those who are making proposals, for example by expressing their own concerns or proposing alternative options. From June 2024, we will have a female Director who is a foreign national on the Board, and I am pleased to see the growing diversity of the Board of Directors.

What kinds of role should play as ACOM looks to the future?

Yamashita: With Japan's economic growth slowing, I sometimes worry about what Japan will be like 30 years from now. At the very least, it is unlikely that the economic boom experienced during the bubble era will be repeated. I think that going forward, Japan needs to become a country that can realize growth firmly within Japan, rather than relying on growth overseas. When the yen was appreciating, there was a lot of movement to relocate production bases overseas, but if the yen is weak like it currently is, we may see an era in which the economy can once again be driven domestically and achieve growth. If such an era arrives, I believe that ACOM Group, a financial company that supports personal consumption and finance, will also enjoy significant business opportunities.

I feel that there is a lot that ACOM Group can do as an extension of current business. I hope that you will think about how ACOM Group, and how you yourself, can contribute to Japan's future, Japan's economic growth, and the enrichment of people's lives, and envision a bright future.

Naruse: I agree. The consumer finance function that ACOM Group fulfills can be described as a lubricant for Japan's growth and its economy. I believe that the function of driving the economy through consumption

will become increasingly important going forward. Based on our corporate philosophy, we have been playing a role in contributing to the realization of enjoyable and fulfilling personal lives and the improvement of lifestyle and culture, and this will not change in the future.

ACOM Group has established a subsidiary, GeNiE Inc., and is entering the new field of embedded finance. In addition, as digitalization progresses, we are actively making upfront investments to develop various services.

We are not just developing businesses for the future. As the leader in the industry, we are also focusing on financial education and working to increase the presence of the entire financial industry. In addition, we are also engaged in wonderful cultural activities that are not directly related to our business activities, such as the "Challenge What You Want to Start," which shines a light on and supports people who are trying to start something new.

The coming era will bring about a society that we cannot even imagine today, and we may encounter new business opportunities. I would like to see ACOM Group continue to provide consumer-oriented services and products with its innovative management and development capabilities, and continue to support society even amid changing times.