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Convocation Notice

Securities Code: 8572

June 1, 2023

To Shareholders with Voting Rights

Masataka Kinoshita
President & CEO
ACOM CO., LTD.
9-1, Higashi Shinbashi 1-chome,
Minato-ku, Tokyo, Japan

CONVOCAION NOTICE FOR THE 46TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to inform you that the 46th Ordinary General Meeting of Shareholders of the Company will be held as described below.

In convening this General Meeting of Shareholders, the Company provides information contained in the reference documents, etc. for the general meeting of shareholders electronically (matters to be provided electronically), which is posted on the Company's website on the Internet. Please access the Company's website below to confirm the available information.

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

In addition to the Company's website, the matters to be provided electronically have been posted on the website of the Tokyo Stock Exchange (TSE) and can be viewed by accessing the TSE website (TSE Listed Company Search) below, entering and searching the issue name (ACOM) or securities code (8572), and selecting "Basic information" and then "Documents for public inspection/PR information."

TSE website (TSE Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the General Meeting, you may exercise your voting rights via the Internet or in writing, so we kindly ask you to exercise your voting rights by 5:00 p.m. on Thursday, June 22, 2023, Japan time after a careful review of the Reference Documents for the General Meeting of Shareholders.

- 1. Date and Time:** Friday, June 23, 2023, at 10:00 a.m. (Reception scheduled to open at 9:30 a.m.)
- 2. Place:** 15th floor, Tokyo Shiodome Building, located at 9-1, Higashi Shimbashi 1-chome, Minato-ku, Tokyo, Japan

* Please note that the venue for this year's meeting is different from that of last year. See the Meeting Venue Guide Map attached at the end of this document to confirm the location.

Live Steaming of General Meeting of Shareholders

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

3. Agenda of the Meeting:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements, and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 46th fiscal year (from April 1, 2022, to March 31, 2023)
 2. Non-consolidated Financial Statements for the 46th fiscal year (from April 1, 2022, to March 31, 2023)

Matters to be resolved:

- Proposal No. 1:** Dividends from Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Six Directors (Excluding Those Serving as Audit and Supervisory Committee Members)
- Proposal No. 4:** Election of Three Directors Serving as Audit and Supervisory Committee Members
- Proposal No. 5:** Election of One Substitute Director Serving as an Audit and Supervisory Committee Member

Reference Documents for General Meeting of Shareholders

Proposal No. 1: Dividends from Surplus

We position returns of profit to shareholders as one of our management issues, and our basic policy is to “increase shareholder returns based on high profitability and appropriate capital adequacy.”

The Company proposes to pay a year-end dividend for the 46th fiscal year as follows.

Matters concerning the year-end dividend

- (1) Type of dividend property
Cash
- (2) Matters concerning the distribution of dividend property and the total amount to be distributed
5 yen per share (common stock) Total amount: 7,833,070,240 yen
- (3) Effective date of dividends from surplus
June 26, 2023

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

1. Reasons for amendments

Based on the current situation surrounding the business of the subsidiaries of the Company, the provisions of Article 2 (Purpose) of the current Articles of Incorporation shall be partially amended.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following businesses:</p> <p style="text-align: center;">(Newly established)</p> <p style="text-align: center;">(Newly established)</p> <p><u>14.</u> (Omitted)</p>	<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following businesses:</p> <p><u>14. Business relating to prepaid payment instruments and funds transfer services under the Payment Services Act;</u></p> <p><u>15. Other financial auxiliaries; and</u></p> <p><u>16.</u> (As per current)</p>

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

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

Accordingly, the Company proposes that six Directors be elected.

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

Candidates for Directors are as follows.

List of candidates for Directors:

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

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
1	<p>Reappointed</p> <p>Shigeyoshi Kinoshita (April 14, 1949)</p> <p>Cumulative years of service as Director of the Company: 40 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2023: Attendance at</p>	<p>April 1973 Joined Marubeni Corporation</p> <p>April 1978 Joined Japan Consumer Finance Co., Ltd.</p> <p>December 1980 Joined the Company</p> <p>February 1983 Director and Chief General Manager, General Affairs Dept. of the Company</p> <p>May 1984 Director and Chief General Manager, Accounting Dept. of the Company</p> <p>August 1986 Managing Director of the Company</p> <p>June 1988 Managing Director and Head of Business Promotion Division of the Company</p> <p>October 1991 Representative and Senior Managing Director of the Company</p> <p>October 1992 Representative and Senior Managing Director and Head</p>

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
	<p>12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 5,507,260 shares</p>	<p>October 1996 of the Loan Sales Division of the Company Representative Director and Deputy President of the Company</p> <p>June 2000 Representative Director and President of the Company</p> <p>June 2003 President and Chief Executive Officer of the Company</p> <p>June 2010 Chairman, President and Chief Executive Officer of the Company</p> <p>June 2021 Chairman of the Company (to present)</p>
	<p>(Reason for nomination as a candidate for Director)</p> <p>As Director, Mr. Shigeyoshi Kinoshita has an excellent track record of serving as the driving force of the Company and the Group for a number of years, backed by his wealth of experience and sophisticated insight into general management as Representative Director of the Company. It is believed he will contribute further to the growth and development of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>	

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
2	<p style="text-align: center;"><u>Reappointed</u> Hiroshi Naruse (December 4, 1958)</p> <p>Cumulative years of service as Director of the Company: 2 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2023: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1981 June 2008</p> <p>Joined The Mitsubishi Trust and Banking Corporation Executive Officer, Assistant Director and General Manager, Trust Assets Planning Division of Mitsubishi UFJ Trust and Banking Corporation (MUTB) Director and President of Mitsubishi UFJ Global Custody S.A.</p> <p>May 2010</p> <p>Executive Officer and General Manager, System Planning Division of MUTB</p> <p>June 2010</p> <p>Executive Officer of Mitsubishi UFJ Financial Group, Inc.</p> <p>April 2011</p> <p>Representative Director and President of Mitsubishi UFJ Trust Systems Co., Ltd.</p> <p>June 2011</p> <p>Managing Director of MUTB</p> <p>June 2013</p> <p>Senior Managing Director of MUTB Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2014</p> <p>Representative Director and President of MU Trust Apple Planning Company, Ltd.</p> <p>June 2016</p> <p>Director, Deputy President and Executive Officer of MUTB</p> <p>May 2018</p> <p>Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc.</p> <p>April 2019</p> <p>Representative Director, President of The Master Trust Bank of Japan, Ltd.</p> <p>April 2021</p> <p>Advisor to The Master Trust Bank of Japan, Ltd.</p> <p>June 2021</p> <p>Deputy Chairman of the Company (to present) (Assignment) In charge of Compliance Dept. and Internal Audit Dept.</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Hiroshi Naruse has extensive insight and an excellent track record as a corporate manager, gained through his career as Executive Officer and Corporate Executive at Mitsubishi UFJ Financial Group, Inc. and as General Manager, Executive Officer and Director at The Mitsubishi UFJ Trust and Banking Corporation. Since assuming the position of Director, he has used his insight and track record to contribute to strengthened function of the Board of Directors of the Company. He is expected to fully play a role further in conducting highly effective supervision of the management of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
3	<p style="text-align: center;"><u>Reappointed</u></p> <p style="text-align: center;">Masataka Kinoshita (September 19, 1977)</p> <p>Cumulative years of service as Director of the Company: 8 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2023: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 12,203,120 shares</p>	<p>April 2003 Joined ABeam Consulting Ltd.</p> <p>September 2005 Joined the Company</p> <p>October 2009 General Manager, Credit Supervision Division of the Company</p> <p>January 2010 General Manager, Corporate Planning Dept. of the Company</p> <p>April 2010 General Manager, Guarantee Business Dept. of the Company</p> <p>April 2012 General Manager, Business Promotion Dept. of the Company</p> <p>April 2013 Chief General Manager, Business Planning Dept. of the Company</p> <p>April 2014 Executive Officer and Chief General Manager, Business Planning Dept. of the Company</p> <p>June 2014 Executive Managing Officer, Deputy Head of Credit Business Promotion Division and Chief General Manager, Business Planning Dept. of the Company</p> <p>April 2015 Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company</p> <p>June 2015 Managing Director of the Company Executive Managing Officer and Head of Credit Business Promotion Division of the Company</p> <p>June 2016 Executive Managing Officer of the Company</p> <p>June 2017 Deputy President of the Company</p> <p>June 2017 Deputy Chief Executive Officer of the Company</p> <p>June 2021 President of the Company (to present)</p> <p>June 2021 Chief Executive Officer of the Company (to present)</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Masataka Kinoshita has served as General Manager, Executive Officer, and Officer in charge of the loan business, guarantee business, business planning, human resources, system, corporate planning and other divisions of the Company, and has the wealth of knowledge and track. Since assuming the position of Director, he has used that knowledge and experience in leading the Company and the Group as President, thereby fulfilling his role and responsibilities. He is expected to contribute further to the growth and development of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
4	<p style="text-align: center;"><u>Reappointed</u> Tomomi Uchida (December 27, 1961)</p> <p>Cumulative years of service as Director of the Company: 4 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2023: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 3,000 shares</p>	<p>October 1982 Joined the Company</p> <p>April 2003 General Manager, Business Promotion Dept. III of the Company</p> <p>October 2005 General Manager, Business Promotion Dept. II of the Company</p> <p>April 2007 Chief General Manager, Credit Business Management Dept. of the Company</p> <p>December 2007 Chief General Manager, Marketing Dept. of the Company</p> <p>October 2008 Head of East Japan Branch of the Company</p> <p>April 2011 Chief General Manager, Business Promotion Dept. of the Company</p> <p>April 2013 Executive Officer and Chief General Manager, Business Promotion Dept. of the Company</p> <p>June 2015 Executive Managing Officer, Deputy Head of Credit Business Promotion Division, and Chief General Manager, Business Promotion Dept. of the Company</p> <p>April 2016 Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company</p> <p>June 2016 Executive Managing Officer and Head of Credit Business Promotion Division of the Company</p> <p>June 2018 Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. I of the Company</p> <p>October 2018 Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. II of the Company</p> <p>June 2019 Managing Director of the Company</p> <p>April 2020 Executive Managing Officer, Head of Credit Supervision Division of the Company</p> <p>June 2021 Senior Managing Director of the Company (to present)</p> <p>June 2021 Senior Executive Managing Officer and Head of Credit Supervision Division of the Company (to present)</p> <p>May 2022 Director of GeNiE Inc. (to present)</p> <p>(Assignment) Head of Credit Supervision Division In charge of General Affairs Dept., Credit Supervision Dept. I, Credit Supervision Dept. II and Compliance for Credit Supervision Office (Significant concurrent positions) Director of GeNiE Inc.</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Tomomi Uchida has a wealth of knowledge and a strong track record related to promoting the loan business, the Company's major business, gained through his career as General Manager of the Loan Business divisions and Credit Supervision divisions, as well as an Executive Officer of the Company. Since assuming the position of Director, he has used that knowledge and record of performance to perform his role and responsibilities as Senior Managing Director. He is expected to contribute to further business growth and enhanced business performance of the Company and the Group. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
5	<p style="text-align: center;"><u>Reappointed</u> Takashi Kiribuchi (October 25, 1961)</p> <p>Cumulative years of service as Director of the Company: 3 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2023: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 16,300 shares</p>	<p>March 1982 Joined the Company April 2004 General Manager, System Dept. of the Company July 2005 General Manager, Public Relations Dept. of the Company October 2005 Chief General Manager, Public Relations Dept. of the Company April 2011 Chief General Manager, Treasury Dept. of the Company April 2015 Executive Officer and Chief General Manager, Treasury Dept. of the Company June 2017 Executive Officer and Chief General Manager, Corporate Planning Dept. of the Company June 2020 Managing Director of the Company June 2020 Executive Managing Officer and Chief General Manager, System Development & Administration Division of the Company April 2021 Executive Managing Officer, Head of System Development & Administration Division of the Company June 2021 Senior Managing Director of the Company (to present) June 2021 Senior Executive Managing Officer and Head of System Development & Administration Division of the Company (to present)</p> <p>(Assignment) Head of System Development & Administration Division In charge of Corporate Planning Dept., System Development Dept., System Operation Dept., System Planning Office and System Management Office</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Takashi Kiribuchi has served as General Manager of the Accounting, System, Public Relations, Investor Relations and Corporate Planning divisions as well as Executive Officer, and has a wealth of experience with, and extensive insight into, corporate divisions. Since assuming the position of Director, he has used his wealth of experience and sophisticated insight to perform his role and responsibilities as Senior Managing Director. He is expected to contribute to promoting the Company's and the Group's strategies for further growth. Therefore, the Company proposes his election as a Director.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
6	<p style="text-align: center;"><u>Newly appointed</u> Tadashi Yamamoto (May 23, 1969)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1992 May 2017 April 2018 May 2018 June 2018 April 2021 April 2022 June 2022 April 2023</p> <p>Joined The Bank of Tokyo, Ltd. Deputy General Manager, East Asia Planning Division, East Asia Headquarters of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Deputy General Manager, East Asia Planning Division, East Asia Headquarters of MUFG Bank, Ltd. General Manager, Credit Policy & Planning Division of MUFG Bank, Ltd. General Manager, Credit Policy & Planning Division of Mitsubishi UFJ Financial Group Inc. Executive Officer, General Manager, Credit Policy & Planning Division of MUFG Bank, Ltd. Executive Officer, General Manager, Credit Policy & Planning Division of Mitsubishi UFJ Financial Group, Inc. Executive Officer, General Manager, Corporate Planning Division of MUFG Bank, Ltd. Executive Officer, General Manager, Corporate Planning Division of Mitsubishi UFJ Financial Group Inc. Managing Executive Officer & CSO (in charge of Corporate Planning Division excluding Financial Resources Management, Global Business, and Office of Chairman of Japanese Bankers Association) & in charge of CPM and Corporate Administration Division, of MUFG Bank, Ltd. Managing Executive Officer & Group Deputy CSO of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors, Managing Executive Officer & CSO (in charge of Corporate Planning Division excluding Financial Resources Management, Global Business, and Office of Chairman of Japanese Bankers Association) & in charge of CPM and Corporate Administration Division, of MUFG Bank, Ltd. Member of the Board of Directors, Managing Executive Officer, Unit Head, and CDTO (CEO), Digital Service Unit (in charge of Digital Service Planning Division) of MUFG Bank, Ltd. (to present) Managing Corporate Executive, Group Head and CDTO, Digital Service Business Group of Mitsubishi UFJ Financial Group, Inc. (to present)</p> <p>(Significant concurrent positions) Managing Corporate Executive, Group Head and CDTO, Digital Service Business Group of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors, Managing Executive Officer, Unit Head, and CDTO (CEO), Digital Service Unit (in charge of Digital Service Planning Division) of MUFG Bank, Ltd. Director of Biz Forward, Inc.</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Tadashi Yamamoto has a wealth of knowledge and experience, gained through his career as General Manager, Executive Officer and Corporate Executive at Mitsubishi UFJ Financial Group, Inc. and as General Manager, Executive Officer and Member of the Board of Directors at MUFG Bank, Ltd. After his assumption of the position of Director, he is expected to fully play a role in conducting supervision of the management of the Company based on his knowledge and experience. Therefore, the Company proposes his election as a Director.</p>		

- Notes: 1. Mr. Tadashi Yamamoto is a Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. and a Member of the Board of Directors and a Managing Executive Officer of MUFG Bank, Ltd., both of which are in competition with the Company. There is no conflict of interest between the Company and any of the other candidates.
2. Mr. Tadashi Yamamoto is a Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc., which is the Company's parent company, and a Member of the Board of Directors and a Managing Executive Officer of MUFG Bank, Ltd., which is a subsidiary of the Company's parent company.
3. If Mr. Tadashi Yamamoto is elected, the Company plans to enter into a limited liability agreement with him that limits his liability for damage under Article 423, Paragraph 1 of the Companies Act, based on the provisions of Article 427, Paragraph 1 of the Act. The liability for damage under that agreement is limited to the minimum amount stipulated in relevant laws and regulations.

4. The Company has entered into a Director and Officer (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover any legal damages and litigation expenses to be borne by the insured parties.
It is provided, however, that the insurance policy includes measures that do not impair the appropriateness of the execution of duties by Directors and Officers, by offering no coverage for liability incurred by any Directors or Officers themselves who have committed extortion, bribery or other criminal offenses or intentional illegal acts.
The candidates are covered by this insurance policy. In addition, the Company plans to renew it under the same terms and conditions at the time of renewal.
5. Mr. Hiroshi Naruse was an executive officer of Mitsubishi UFJ Financial Group, Inc., which is the Company's parent company, and The Master Trust Bank of Japan, Ltd., which is a subsidiary of the Company's parent company, within the past ten years. His position and assignment both currently and over a period of the past ten years at each company are as stated in the above "Career summary, position, assignment and significant concurrent positions" column.

Proposal No. 4: Election of Three Directors Serving as Audit and Supervisory Committee Members

All three Directors serving as Audit and Supervisory Committee Members will complete their terms of office at the conclusion of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes that three Directors serving as Audit and Supervisory Committee Members be elected.

The consent of the Audit and Supervisory Committee has been obtained with respect to this proposal.

Candidates for Directors serving as Audit and Supervisory Committee Members are as follows.

List of candidates for Directors:

No.	Name	Current position at the Company and significant concurrent positions	Remarks
1	Kazuo Fukumoto	Director Full-time Member of the Audit and Supervisory Committee	Reappointed
2	Takuji Akiyama	Director Member of the Audit and Supervisory Committee (Significant concurrent positions) Representative of Takuji Akiyama CPA Office Outside Auditor of Astena Holdings Co., Ltd.	Reappointed Outside Director Independent Director
3	Toshihiko Yamashita	(Significant concurrent positions) Executive Advisor of Meiji Yasuda Life Insurance Company	Newly appointed Outside Director Independent Director

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
1	<p><u>Reappointed</u> Kazuo Fukumoto (February 27, 1958)</p> <p>Cumulative years of service as Director of the Company (cumulative years of service as a Director serving as an Audit and Supervisory Committee Member): 10 years (6 years)</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2023: Attendance at 12 out of 12 meetings (100%)</p> <p>Record of attendance at the Audit and Supervisory Committee meetings in the fiscal year ended March 31, 2023: Attendance at 16 out of 16 meetings (100%)</p> <p>Number of shares of the Company held: 10,000 shares</p>	<p>March 1980 April 2002 June 2003 October 2005 April 2007 June 2012 June 2013 June 2015 June 2017</p> <p>Joined the Company General Manager, Corporate Management Dept. of the Company Chief General Manager, Corporate Management Dept. of the Company Executive Officer and Chief General Manager, Corporate Management Dept. of the Company Executive Officer and Chief General Manager, Corporate Planning Dept. of the Company Executive Managing Officer and Head of Credit Business Promotion Division of the Company Managing Director of the Company Executive Managing Officer of the Company Director, Full-time Member of the Audit and Supervisory Committee of the Company (to present)</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Kazuo Fukumoto has a wealth of experience and excellent insight from serving as General Manager of the Corporate Planning, Management, and Accounting divisions as well as Executive Officer of the Company over many years. Since assuming the position of Director, he has been in charge of the Accounting divisions, has demonstrated considerable knowledge of finance and accounting, and has expressed opinions and made recommendations at various in-house meetings and on other occasions. Based on that knowledge and experience, he is expected to be instrumental to the further reinforcement of the supervisory function within the Company in the future as well. Therefore, the Company proposes his election as a Director serving as an Audit and Supervisory Committee Member.</p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
2	<p style="text-align: center;"> Reappointed Outside Director Independent Director </p> <p style="text-align: center;"> Takuji Akiyama (February 17, 1958) </p> <p> Cumulative years of service as Director serving as Audit and Supervisory Committee Member of the Company: 2 years </p> <p> Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2023: Attendance at 12 out of 12 meetings (100%) </p> <p> Record of attendance at the Audit and Supervisory Committee meetings in the fiscal year ended March 31, 2023: Attendance at 16 out of 16 meetings (100%) </p> <p> Number of shares of the Company held: 0 shares </p>	<p> March 1982 Joined Tohmatsu & Aoki Audit Corporation (currently Deloitte Touche Tohmatsu LLC) April 1986 Registered as a certified public accountant August 2018 Retired from Deloitte Touche Tohmatsu LLC September 2018 Representative of Takuji Akiyama CPA Office (to present) February 2019 Outside Auditor of IWAKI & CO., LTD. (currently Astena Holdings Co., Ltd.) (to present) June 2021 Director, Member of the Audit and Supervisory Committee of the Company (to present) </p> <p> (Assignment) Representative of Takuji Akiyama CPA Office Outside Auditor of Astena Holdings Co., Ltd. </p>
<p> (Reason for nomination as a candidate for Outside Director and a summary of expected roles) Mr. Takuji Akiyama is expected to supervise and audit the management of the Company from a neutral and objective viewpoint based on his advanced expertise and abundant experience gained in finance and accounting audits through his career as a certified public accountant over many years. Therefore, the Company proposes his election as an Outside Director serving as an Audit and Supervisory Committee Member. Although he has not been directly involved in corporate management other than as an outside company auditor, it is anticipated that he will perform his duties as an Outside Director appropriately for the aforementioned reasons. Upon his election, he is expected to play the role as an Outside Director to provide advice on management policies and improvements to be made from a standpoint of accelerating sustainable growth and striving towards enhancement of medium- to long-term corporate value based on his insight, and to supervise the management from an independent viewpoint through the appointment and dismissal of its members and other important decision-making at the Board of Directors meetings. </p>		

No.	Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
3	<p style="text-align: center;"> Newly appointed Outside Director Independent Director </p> <p>Toshihiko Yamashita (December 25, 1955)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1979 Joined Meiji Life Insurance Company January 2004 President of Meiji Yasuda America Incorporated April 2006 General Manager, Real Estate Investment Department of Meiji Yasuda Life Insurance Company April 2008 General Manager, Investment Planning & Research Department of Meiji Yasuda Life Insurance Company April 2008 Director (Non-executive) of Meiji Dresdner Asset Management Co., Ltd. July 2010 Executive Officer, General Manager, Investment Planning & Research Department of Meiji Yasuda Life Insurance Company April 2012 Executive Officer of Meiji Yasuda Life Insurance Company July 2012 Managing Executive Officer, Chief Executive, Investment Division of Meiji Yasuda Life Insurance Company April 2014 Senior Managing Executive Officer, Chief Executive, Investment Division of Meiji Yasuda Life Insurance Company June 2014 Auditor (part-time) of The Yamaguchi Bank, Ltd. June 2015 Director, Audit and Supervisory Committee Member (part-time) of The Yamaguchi Bank, Ltd. April 2016 Deputy President, Chief Executive, Investment Division of Meiji Yasuda Life Insurance Company July 2016 Director, Deputy President, Chief Executive, Investment Division of Meiji Yasuda Life Insurance Company June 2018 Audit & Supervisory Board Member (part-time) of Nippon Kayaku Co., Ltd. April 2019 Director of Meiji Yasuda Life Insurance Company July 2019 Representative Director and Chairman of the Board of Meiji Yasuda Asset Management Company Ltd. April 2023 Executive Advisor of Meiji Yasuda Life Insurance Company (to present)</p> <p>(Significant concurrent positions) Executive Advisor of Meiji Yasuda Life Insurance Company</p>
<p>(Reason for nomination as a candidate for Outside Director and a summary of expected roles) Mr. Toshihiko Yamashita has a wealth of knowledge and experience acquired in the finance industry over many years and accomplishments as a corporate manager. He also has achievements as Auditor, Director and Audit and Supervisory Committee Member outside of the Company. Accordingly, he is expected to supervise and provide appropriate advice for the management of the Company from an external viewpoint based on his knowledge and experience. Therefore, the Company proposes his election as an Outside Director serving as an Audit and Supervisory Committee Member. Upon his election, he is expected to play the role as an Outside Director to provide advice on management policies and improvements to be made from a standpoint of accelerating sustainable growth and striving towards enhancement of medium- to long-term corporate value based on his insight, and to supervise the management from an independent viewpoint through the appointment and dismissal of its members and other important decision-making at the Board of Directors meetings.</p>		

- Notes: 1. There is no conflict of interest between the Company and any of the candidates.
2. Mr. Takuji Akiyama and Mr. Toshihiko Yamashita are candidates for Outside Directors.
3. The Company has entered into limited liability agreements with Mr. Kazuo Fukumoto and Mr. Takuji Akiyama that limit their liability for damage under Article 423, Paragraph 1 of the Companies Act, based on the provisions of Article 427, Paragraph 1 of the Act. The liability for damage under those agreements is limited to the minimum amount stipulated in relevant laws and regulations, and similar agreements with them are scheduled to be executed upon their respective appointments. The Company will enter into the same agreement with Mr. Toshihiko Yamashita upon his appointment.

4. The Company has reported to the Tokyo Stock Exchange that Mr. Takuji Akiyama is an independent director subject to the rules of the exchange, and the Company plans to continue to designate him as an independent director upon his reappointment. The Company also plans to designate Mr. Toshihiko Yamashita as an independent director upon his appointment.
5. The Company has entered into a Director and Officer (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover any legal damages and litigation expenses to be borne by the insured parties.
- It is provided, however, that the insurance policy includes measures that do not impair the appropriateness of the execution of duties by Directors and Officers, by offering no coverage for liability incurred by any Directors or Officers themselves who have committed extortion, bribery or other criminal offenses or intentional illegal acts.
- The candidates are covered by this insurance policy. In addition, the Company plans to renew it under the same terms and conditions at the time of renewal.

(Reference)

The skill matrix of candidates for Directors is as follows:

Name	Corporate Management and Planning	Business Management	Execution of Duties	System and Digital	Finance and Accounting	Law, Compliance, and Risk Management
Shigeyoshi Kinoshita	○	○			○	
Hiroshi Naruse	○			○		○
Masataka Kinoshita	○		○	○		
Tomomi Uchida		○	○			○
Takashi Kiribuchi	○			○	○	
Tadashi Yamamoto	○	○				○
Kazuo Fukumoto		○	○		○	
Takuji Akiyama		○			○	○
Toshihiko Yamashita	○				○	○

(Note) The table above does not list all skills possessed by each candidate for Director, but the three most significant.

Proposal No. 5: Election of One Substitute Director Serving as an Audit and Supervisory Committee Member

In preparation for the contingency that the number of Directors serving as Audit and Supervisory Committee Members falls below the required number stipulated in relevant laws and regulations, the Company proposes that one Substitute Director serving as an Audit and Supervisory Committee Member be elected.

The consent of the Audit and Supervisory Committee has been obtained with respect to this proposal.

The candidate for the Substitute Director serving as an Audit and Supervisory Committee Member is as follows.

Name (date of birth) and other remarks	Career summary, position, assignment and significant concurrent positions
<p>Hitoshi Shimbo (July 10, 1952)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1983 Appointed Prosecutor of Tokyo District Public Prosecutors Office</p> <p>April 1990 Assistant Judge of Tokyo District Court</p> <p>April 1993 Prosecutor of Tokyo District Public Prosecutors Office</p> <p>June 1995 Registered as an attorney-at-law (Daini Tokyo Bar Association) (to present)</p> <p>June 1995 Joined Nozomi Sogo Attorneys at Law (to present)</p> <p>March 2009 Outside Company Auditor of EMCOM Holdings Co., Ltd.</p> <p>April 2012 Managing Director of Kanto Federation of Bar Associations</p> <p>April 2012 Vice President of Daini Tokyo Bar Association</p> <p>April 2012 Managing Director of Japan Federation of Bar Associations</p> <p>April 2013 Mediator of Nuclear Damage Compensation Dispute Resolution Centre (to present)</p> <p>June 2015 Outside Director of the Company</p> <p>(Significant concurrent position) Attorney-at-law Nozomi Sogo Attorneys at Law</p>
<p>(Reason for nomination as a candidate for Substitute Outside Director and a summary of expected roles)</p> <p>Mr. Hitoshi Shimbo, as a legal professional, has abundant knowledge of corporate legal affairs as well as advanced expertise and a wealth of practical experience developed over many years, and accordingly is qualified to engage in the further reinforcement of the supervisory function within the Company. Therefore, the Company proposes his election as Substitute Outside Director serving as an Audit and Supervisory Committee Member.</p> <p>Although he has not been directly involved in corporate management other than as an outside director or company auditor, it is anticipated that he will perform his duties as an Outside Director appropriately for the aforementioned reasons.</p> <p>Upon his election and assumption of office as an Outside Director, he is expected to play the role of providing advice on management policies and improvements to be made from a standpoint of accelerating sustainable growth and striving towards enhancement of medium- to long-term corporate value based on his insight, and to supervise the management from an independent viewpoint through the appointment and dismissal of its members and other important decision-making at the Board of Directors meetings.</p>	

- Notes: 1. There is no conflict of interest between the Company and the candidate.
2. Mr. Hitoshi Shimbo is a candidate for Substitute Outside Director serving as an Audit and Supervisory Committee Member.
3. The Company intends to appoint Mr. Hitoshi Shimbo as an independent director upon his appointment as an Outside Director serving as an Audit and Supervisory Committee Member.
4. If Mr. Hitoshi Shimbo assumes the position of Outside Director serving as an Audit and Supervisory Committee Member, the Company will enter into a limited liability agreement with him that limits his liability for damage under Article 423, Paragraph 1 of the Companies Act, based on the provisions of Article 427, Paragraph 1 of the Act. The liability for damage under the agreement is limited to the minimum amount stipulated in relevant laws and regulations.
5. The Company has entered into a Director and Officer (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover any legal damages and litigation expenses to be borne by the insured parties.
- It is provided, however, that the insurance policy includes measures that do not impair the appropriateness of the execution of duties by Directors and Officers, by offering no coverage for

liability incurred by any Directors or Officers themselves who have committed extortion, bribery or other criminal offenses or intentional illegal acts.

The candidate will be covered by this insurance policy if he assumes the position of Outside Director serving as an Audit and Supervisory Committee Member. The Company plans to renew it under the same terms and conditions at the time of renewal.

6. Mr. Hitoshi Shimbo has previously served as a non-executive officer (outside director) of the Company.

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(Appendix to the Convocation Notice for the 46th Ordinary General Meeting of Shareholders)

Business Report

(April 1, 2022 - March 31, 2023)

1. Overview of Consolidated Business Activities

(1) Developments and Results of Business Activities

During the fiscal year ended March 31, 2023, Japanese socio-economic activities are returning to normal with measures against the spread of COVID-19 infection and various economic policies, resulting in economic conditions showing signs of recovery. However, we must closely observe the impacts of rising prices on consumer spending mainly due to the strained international situation and surging resource prices worldwide. Overseas, while the situation varies from country to country, economic conditions in the Kingdom of Thailand showed signs of recovery thanks to an increase in consumer spending because of a calm down in the situation surrounding the COVID-19 pandemic, including the state of emergency being lifted in October 2022. In the Republic of the Philippines, although the situation is similar, the increase in consumer spending slowed down due to higher inflation.

In the nonbank business sector in Japan, while the demand for funds showed a sign of recovery, we must closely observe future trends in areas such as the Japanese economy. Although requests for interest repayment continue to be on a decreasing trend, future trends need to be closely monitored on an ongoing basis, as requests for interest repayment are susceptible to the impacts of changes in the external environment.

In such an environment, the Company Group identifies our commitment to each of our stakeholders as our vision in the mid-term management plan beginning from the fiscal year ended March 31, 2023, and has set forth a mid-term management policy of making efforts to achieve the vision during the three-year period. We will respond to the changes in the external environment, including the COVID-19 pandemic, and continue to promote marketing activities in line with the vision and the mid-term policy.

Consolidated operating revenue for the fiscal year ended March 31, 2023 increased to 273,793 million yen (up 4.4% year-on-year). This is mainly attributable to: an increase in accounts receivable - operating loans and foreign exchange impacts on the depreciation of the yen, which led to an increase in interest on operating loans. Operating expenses decreased to 186,506 million yen (down 18.0% year on-year) primarily because additions made to provision for loss on interest repayment (58,923 million yen) in the previous fiscal year disappeared. As a result, operating profit increased to 87,287 million yen (up 151.0% year-on-year), and ordinary profit increased to 87,485 million yen (up 146.8% year-on-year). Profit attributable to owners of parent amounted to 54,926 million yen (down 1.4% year-on-year) primarily due to an increase of income taxes - deferred.

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

1) Loan and credit card business

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

As a measure to strengthen our ability to attract new customers, we have worked on new measures utilizing social media and other measures.

Also, to improve product/service functions, we have worked on measures to boost customer convenience, including the start of accepting Apple Pay[®] *1 and Google Pay[™] *2 payments with the MasterCard[®] issued by the Company.

In addition to these marketing activities, we have endeavored to maintain the soundness of our loan portfolio and improve the customer-reception quality and other forms of customer service of our employees by reinforcing the development of human resources through training for credit control, and customer reception including the improvement of the accuracy of credit screenings.

GeNiE Inc., which is a Company's subsidiary in Japan, has postponed the start of its embedded finance business mainly due to a delay in system development.

In the domestic loan business, accounts receivable - operating loans at the end of the fiscal year ended March 31, 2023 increased to 810,958 million yen (up 3.6% year-on-year), amid a sign of recovery in consumer spending. In the credit card business, accounts receivable - installment increased to 103,575 million yen (up 17.7% year-on-year) driven due to an increase in transaction volume.

As a result, the operating revenue for the current fiscal year was 145,174 million yen (up 2.0% year-on-year) mainly due to an increase in accounts receivable - installment which led to an increase in revenue from credit card business. In addition, the business segment recorded operating profit of 40,686 million yen (compared to operating loss of 8,879 million yen for the prior fiscal year) due to a decrease in operating expenses primarily because additions made to provision for loss on interest repayment (58,923 million yen) in the previous fiscal year disappeared.

*1 Apple Pay[®] is a trademark of Apple Inc.

*2 Google Pay[™] is a trademark of Google LLC.

2) Guarantee business

In the guarantee business, we worked to deepen communication with existing partners and continued appropriate screening.

Specifically, we have worked on reinforcing our partners' abilities to attract new customers through joint advertisements in which multiple partners use common advertisement materials and on providing support for a variety of sales measures and improvement of business efficiency, etc. through temporary transfer of personnel for technical guidance.

Furthermore, we have strived to develop new partners including non-financial companies, such as the execution of the business alliance agreement with LINE Credit Corporation in March 2023.

In the guarantee business, the total balance of guaranteed receivables in the guarantee operation of the Company and MU Credit Guarantee Co., LTD. at the end of the current fiscal year was 1,212,883 million yen (up 3.4% year-on-year) due to a sign of recovery in consumer spending.

The business segment's operating revenue for the current fiscal year was 66,278 million yen (up 5.4% year-on-year) mainly due to an increase in the balance of guaranteed receivables and higher guarantee commission rates which led to an increase in guarantee commissions received, and operating profit increased to 25,643 million yen (up 6.9% year-on-year).

3) Overseas financial business

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

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

ACOM CONSUMER FINANCE CORPORATION (“ACF”), which engages in the loan business in the Republic of the Philippines, has been making efforts to attract more new customers by strengthening web-based marketing and working on improving the quality of loans.

ACOM (M) SDN. BHD., a company established in Malaysia, has been making preparations, such as system construction, for the start of its business in the fiscal year 2023. We have also promoted necessary surveys in other Asian countries to explore the feasibility of business development.

In the overseas financial business, accounts receivable - operating loans generated by EASY BUY was 215,315 million yen (up 13.2% year-on-year) and those generated by ACF was 3,437 million yen (up 80.9% year-on-year) for reasons such as foreign exchange impact on the depreciation of the yen and a sign of recovery in consumer spending.

The business segment’s operating revenue for the current fiscal year was 56,537 million yen (up 10.3% year-on-year) due to an increase in interest on operating loans and foreign exchange impact on the depreciation of the yen, and operating profit increased to 19,681 million yen (up 7.3% year-on-year).

4) Loan servicing business

In the loan servicing business, amid a shrinking servicer market, the Company Group has focused on strengthening relations with existing partners and have worked to enhance the business capability and collection ability, such as in the improvement of the collection method.

As a result, while the business segment’s operating revenue amounted to 5,680 million yen (up 0.3% year-on-year) mainly owing to an increase in the amount of proceeds from purchased receivables, operating profit decreased to 1,050 million yen (down 36.0% year-on-year) as operating expenses increased for reasons such as an increase in bad debts expenses.

(2) Capital Investment

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

In the fiscal year under review, in connection with the relocation of the head office, some business assets (equipment) are treated as idle assets because their future use is not determined, and their book value was reduced to recoverable value. Accordingly, an impairment loss of 3,523 million yen was recorded.

(3) Financing

- 1) The Company has raised funds for the purpose of appropriation for working capital, repayment of borrowings, and funds for redemption of bonds as follows:

(Millions of yen)

	At the end of the fiscal year ended March 31, 2023	At the end of the fiscal year ended March 31, 2022	Increase (Decrease)		
				Borrowing/ issuance	Repayment/ redemption
CP *	34,998	24,999	9,998	245,000	(235,000)
Bonds	95,000	140,000	(45,000)	—	(45,000)
Borrowings	375,179	332,001	43,178	228,200	(185,022)
Total	505,177	497,000	8,176	473,200	(465,022)

* Commercial Paper

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

April 2022 0.7 billion Thai baht

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

- 3) ACOM CONSUMER FINANCE CORPORATION, the Company’s consolidated subsidiary, has borrowed money for the purpose of appropriation for working capital and repayment of borrowings as follows:

Fiscal year ended December 31, 2022 1.05 billion Philippine pesos

(Note) The fiscal year end for ACOM CONSUMER FINANCE CORPORATION is December 31.

(4) Major Creditors (as of March 31, 2023)

The major creditors and amounts borrowed are as follows.

Creditor	Amount borrowed (Millions of yen)
MUFG Bank, Ltd.	200,543
SBI Shinsei Bank, Limited	45,600
Aozora Bank, Ltd.	29,300
Shinkin Central Bank	29,200
Sumitomo Mitsui Banking Corporation	20,270
Bank of Ayudhya Public Company Limited	17,648

(5) Issues to be Addressed

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

We have adopted our Basic Policies on Sustainability, aiming to reconcile solutions to social issues with enhancing corporate value. We have selected five materialities (key areas) in which we can solve the issues that we are uniquely suited to solve, and contribute to progress in society, in the course of our corporate activities. They are based on the corporate philosophy that embodies the universal values we must give the highest priority, and on the expectations of our stakeholders for our action on social issues.

During the fiscal year under review, we established the Sustainability Promotion Office as a sub-organization of the Corporate Planning Department, to promote management that contributes to the realization of a sustainable society, promoted efforts based on materialities and proactively strived to disclose information on the Company's website.

In order to fulfill the social responsibility and mission expected of the Company and become a company that grows together with society, the Company aims to enhance corporate value.

For the fiscal year ending March 31, 2025, the final year of the mid-term management plan, the Company has set targets, in the domestic market, of 984.2 billion yen in the balance of the loan and credit card business, and 1,319.4 billion yen in the balance of the guarantee business, totaling 2,303.6 billion yen; and in overseas markets, targets of 57.3 billion Thai baht in the balance of the loan business for EASY BUY Public Company Limited in the Kingdom of Thailand, and 3.1 billion Philippine pesos in the balance of the loan business for ACOM CONSUMER FINANCE CORPORATION in the Republic of the Philippines. The Group as a whole aims to achieve a total balance of the businesses amounting to 2.5 trillion yen.

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

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

- Loan and credit card business

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

- Guarantee business

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

- Overseas financial business

In the overseas financial business, we will strive to expand business and maintain the soundness of the loan portfolio at EASY BUY Public Company Limited in the Kingdom of Thailand, while concentrating our efforts on making ACOM CONSUMER FINANCE CORPORATION in the Republic of the Philippines the second pillar of profit in the overseas financial business. In addition, we will make efforts to start business operations earlier in Malaysia, where we established ACOM (M) SDN. BHD.

We will also steadily pursue research and analysis activities aimed at realization of starting operations

in other Asian countries with a view to expanding our overseas finance business.

(6) Changes in Assets and Income of the Company

(Millions of yen, unless otherwise stated)

Item	43rd fiscal year ended March 31, 2020	44th fiscal year ended March 31, 2021	45th fiscal year ended March 31, 2022	46th fiscal year ended March 31, 2023
Operating revenue	279,510	266,316	262,155	273,793
Ordinary profit	75,104	100,014	35,441	87,485
Profit attributable to owners of parent	59,600	78,864	55,678	54,926
Basic earnings per share (yen)	38.04	50.34	35.54	35.06
Total assets	1,282,389	1,219,109	1,263,296	1,297,316
Net assets	442,496	515,128	563,963	619,837
Net assets per share (yen)	265.11	310.02	339.51	370.92
Accounts receivable - operating loans at fiscal year-end	1,041,711	977,152	975,282	1,029,728
Accounts receivable - installment at fiscal year-end	75,726	79,423	88,640	104,295
Shareholders' equity ratio (%)	32.39 [16.51]	39.84 [20.33]	42.10 [21.83]	44.79 [23.15]

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

(7) Principal Parent Company and Subsidiaries (as of March 31, 2023)

1) Relationship with the parent company

Company Name	Number of shares held (Thousands)	Parent company's percentage of voting rights held (%)	Remarks
Mitsubishi UFJ Financial Group, Inc.	629,624 (40,900)	40.19 (2.61)	Conclusion of business management agreement Conclusion of business and capital alliance agreement

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

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

2) Principal subsidiaries

Company name	Capital	The Company's percentage of voting rights holding (%)	Main business
MU Credit Guarantee Co., LTD.	300 (Millions of yen)	100.00	Guarantee business
IR Loan Servicing, Inc.	520 (Millions of yen)	100.00	Loan servicing business (Servicing business)
GeNiE Inc.	250 (Millions of yen)	100.00	Embedded finance business
EASY BUY Public Company Limited	6.0 (Billions of Thai baht)	71.00	Unsecured loan business and installment loan business (installment sales finance business)
ACOM CONSUMER FINANCE CORPORATION	1.5 (Billions of Philippine pesos)	80.00	Unsecured loan business
ACOM (M) SDN. BHD.	15 (Millions of Malaysian ringgit)	100.00	Unsecured loan business

(Notes) 1. On April 1, 2022, the Company established GeNiE Inc. which engages in the embedded finance business.

2. The Company has increased the capital of ACOM (M) SDN. BHD. by 13 million Malaysian ringgit in February 2023.

(8) Principal Businesses (as of March 31, 2023)

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

(9) Principal Offices (as of March 31, 2023)

1) Principal offices of the Company

Head office: 9-1, Higashi Shinbashi 1-chome, Minato-ku, Tokyo

Business outlets

Loan business outlets	754
Staffed outlets	1
Unstaffed outlets	753
Automatic contract machine outlets	754 locations (769)

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

ATMs	50,146
Proprietary	772
Tie-up	49,374

2) Principal offices of the subsidiaries

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

(Note) On April 1, 2022, the Company established GeNiE Inc. which engages in the embedded finance business.

(10) Employees (as of March 31, 2023)

1) Number of employees of the consolidated group

Category	Number of employees
Loan and credit card business	1,432 (75)
Guarantee business	264 (22)
Overseas financial business	3,055 (2)
Loan servicing business	121 (8)
Company-wide (common)	461 (15)
Total	5,333 (122)

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

2. The figures in parentheses in “Number of employees” are the annual average number of fixed-term employees. (If the number of temporary employees of fixed-term employees is counted as 1 person per 8 work hours a day, the annual average number of fixed-term employees will be 117.)

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

2) Employees of the Company

Category	Number of employees	Year-on-year increase (decrease)	Average age	Average length of service
Male	1,229	(26)	43 years and 7 months	18 years and 11 months
Female	842	(14)	37 years and 7 months	10 years and 2 months
Total	2,071	(40)	41 years and 1 month	15 years and 4 months

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

2. Matters concerning Shares of the Company (as of March 31, 2023)

(1) Shares

Total number of shares authorized to be issued	Total number of shares issued	Number of shareholders
5,321,974,000	1,566,614,098	16,571

(2) Major Shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Percentage of ownership (%)
Mitsubishi UFJ Financial Group, Inc.	588,723	37.57
Maruito Shokusan Co., Ltd.	273,467	17.45
Maruito Co., Ltd.	125,533	8.01
The Master Trust Bank of Japan, Ltd. (Trust account)	100,569	6.41
Foundation of Kinoshita Memorial Enterprise	92,192	5.88
Maruito Shoten Co., Ltd.	38,733	2.47
Mitsubishi UFJ Trust and Banking Corporation	31,572	2.01
Custody Bank of Japan, Ltd. (Trust account 4)	27,337	1.74
Custody Bank of Japan, Ltd. (Trust account)	14,973	0.95
Aroa Shokusan LLC	14,000	0.89

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

3. Matters concerning the Stock Acquisition Rights, etc.

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

Not applicable.

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

Not applicable.

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

(1) Directors (as of March 31, 2023)

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

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

4. Executive Officers who do not hold concurrent positions as Directors (as of March 31, 2023)

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

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

Name	Position before change	Position after change	Date of change
Tai Wakikawa	—	Executive Officer	April 1, 2022
Akifumi Kinoshita	—	Executive Officer	April 1, 2022
Kazuki Morishita	—	Executive Officer	April 1, 2022
Osamu Morimoto	—	Executive Officer	April 1, 2022
Masayuki Sone	Executive Officer	—	December 31, 2022

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

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

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

The Company determines the amount of basic compensation payable to Directors (excluding Directors serving as Audit and Supervisory Committee Members) at the Board of Directors after the Appointment and Remuneration Committee deliberates and proposes the respective amounts to be paid according to the positions and other factors, in consideration of the compensation levels at other companies, the business results of the Company, the levels of employees' salaries and other factors. The Company determines the amount of performance-linked compensation payable to Directors (excluding Directors serving as Audit and Supervisory Committee Members) at the Board of Directors after the Appointment and Remuneration Committee calculates basic distribution funds with "Profit attributable to owners of parent" as an indicator and thereupon deliberates and proposes the respective amounts to be paid according to the positions, individual evaluations and other factors. The amount of stock price-linked compensation is calculated by multiplying the number of phantom stocks which are granted every year by the stock price three years late and the Company determines as to the grant of phantom stocks at the Board of Directors after the Appointment and Remuneration Committee deliberates and proposes such grant in consideration of its business condition, etc.

The target percentage of variable compensation (performance-linked compensation and stock price-linked compensation) out of total compensation is approximately twenty-five percent (if the amount of performance-linked compensation and stock price-linked compensation is a standard one). With regard to the method used for determining the amount of performance-linked compensation, the Company determines the range of profit as a standard for the basic distribution funds at the Appointment and Remuneration Committee in consideration of special factors such as extraordinary income and losses out of profit. Then, the Company determines the amount of performance-linked compensation by multiplying the basic distribution funds by a rate according to the percentage of distribution per position and an individual Director's evaluation at the Board of Directors.

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

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

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

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

The stock price-linked compensation system (phantom stocks) has been decided, at the Board of Directors meeting held on January 31, 2023, to be introduced and is scheduled to start in June 2023.

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

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

As of March 31, 2023, the number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) was six and the number of Directors serving as Audit and Supervisory Committee Members was three.

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

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

(3) Total Amount of Compensation to Directors

Category	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)			Number of eligible Directors
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors (excluding those serving as Audit and Supervisory Committee Members)	184	152	31	—	6
Directors serving as Audit and Supervisory Committee Members (of which Outside Directors)	51 (31)	51 (31)	— (—)	— (—)	3 (2)
Total (of which Outside Directors)	236 (31)	204 (31)	31 (—)	— (—)	9 (2)

(4) Summary of Limited Liability Agreement

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

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

The Company has entered into a Director and Officer (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages and litigation expenses to be borne by the insured parties.

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

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

(6) Matters concerning Outside Directors

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

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

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

Name	Position	Summary of attendance, comments made and duties carried out concerning roles expected of Outside Directors
Masahide Ishikawa	Director, Full-time Audit and Supervisory Committee Member	<p>He attended all 12 Board of Directors meetings and all 16 Audit and Supervisory Committee meetings held during the fiscal year under review and actively offered opinions and advice and posed questions from an independent standpoint, drawing on his wealth of experience and knowledge, as well as his experience gained through his past career as corporate executive. He periodically had dialogues with Representative Directors, Directors, and Executive Officers who concurrently serve as Directors to hear from them about the execution status of duties concerning primary issues, etc. and strived to improve audit environment and raise awareness of audit. In addition, he maintained close cooperation with accounting auditors and the internal audit department, etc. by periodically holding briefing sessions with them. Furthermore, with respect to duties carried out concerning roles expected of Outside Directors, he attended the Appointment and Remuneration Committee meetings, the Compliance Committee meetings, and the Risk Committee meetings as a member, and supervised the management from an independent viewpoint when selecting the top management, deliberating on evaluation and compensation, and reporting to the Board of Directors through monitoring. Moreover, he monitored the progress of the mid-term management plan and provided advice with a view to promoting sustainable growth of the Company and enhancing its corporate value from the medium- to long-term perspective.</p>

Name	Position	Summary of attendance, comments made and duties carried out concerning roles expected of Outside Directors
Takuji Akiyama	Director, Audit and Supervisory Committee Member	<p>He attended all 12 Board of Directors meetings and all 16 Audit and Supervisory Committee meetings held during the fiscal year under review. Based on his advanced expertise and abundant experience gained in the audit of finance and accounting through his career as a certified public accountant, he actively offered opinions and advice and posed questions from an independent standpoint. He periodically had dialogues with Representative Directors, etc. to hear from them about the execution status of duties concerning primary issues, etc. and strived to improve audit environment and raise awareness of audit. In addition, he maintained close cooperation with accounting auditors and the internal audit department, etc. by periodically holding briefing sessions with them. Furthermore, with respect to duties carried out concerning roles expected of Outside Directors, he attended the Appointment and Remuneration Committee meetings and the Risk Committee meetings as a member, and supervised the management from an independent viewpoint when selecting the top management, deliberating on evaluation and compensation, and reporting to the Board of Directors through monitoring. Moreover, he monitored the progress of the mid-term management plan and provided advice with a view to promoting sustainable growth of the Company and enhancing its corporate value from the medium- to long-term perspective.</p>

5. Accounting Auditor

(1) Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

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

1) Compensation to the accounting auditor for the fiscal year under review	119,000 thousand yen
2) Total amount of monetary and other financial benefits payable to the accounting auditor by the Company and its consolidated subsidiaries	141,500 thousand yen

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

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

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

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

6. The Company's System and Policy

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

[System to Ensure the Appropriateness of Business Activities]

The Company resolved, at the Board of Directors meeting held on June 20, 2022, a partial amendment to the basic policy for the development of the system to ensure the appropriateness of business activities of the Company and its subsidiaries ("Basic Policy of Establishing ACOM Group's Internal Control System"), to be effectuated on July 1, 2022. The following are stated based on the contents after amendment.

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

significant internal or external impacts arise.

- 4) System to ensure efficient execution of duties by the Directors of the Company and its subsidiaries
 - (a) The Company formulates the Group's management policies and management plans and carries out business management based on appropriate methods.
 - (b) The Board of Directors delegates decision making concerning the execution of business operations other than matters to be resolved by the Board of Directors to President. The Company establishes the Executive Officers' Meeting, etc. chaired by President to conduct deliberations and make decisions on delegated matters.
 - (c) The Company and its subsidiaries, based on internal rules, etc., determine the division of duties by each organization and the criteria of decision making for each position so as to make decisions more quickly and execute duties more efficiently.
- 5) System to ensure the propriety of business carried out by the group consisting of the Company, parent company and subsidiaries
 - (a) While maintaining independence as a publicly-traded company, the Company coordinates with the parent company in accordance with the rules for consultation and reporting with the parent company. The Company also establishes the Group's business management systems in accordance with the parent company's policy for its group management so as to contribute to the appropriate business operations of both of the groups.
 - (b) The Company establishes departments for managing its subsidiaries, and manages subsidiaries in accordance with the rules for management of subsidiaries, etc. The Company's subsidiaries report important matters with business operations and management to the Company's Executive Officers' Meeting.
 - (c) Considering that transaction between Mitsubishi UFJ Financial Group, Inc. which is the Company's parent company, and any of its subsidiaries, etc. may cause conflict of interests between a controlling shareholder and minority shareholders, the Company establishes a committee that deliberates on material transactions, etc. where the controlling shareholders' interest conflicts with minority shareholders and makes recommendations to the Board of Directors.
- 6) System concerning employees to assist the Audit and Supervisory Committee of the Company in execution of their duties
 - (a) The Company will establish the Administration for Audit and Supervisory Committee to assist the Audit and Supervisory Committee in execution of their duties, and assigns employees to assist the Audit and Supervisory Committee.
 - (b) The number of employees to assist the Audit and Supervisory Committee and their required qualifications will be decided after discussion with the Audit and Supervisory Committee.
 - (c) Employees to assist the Audit and Supervisory Committee will be exclusively in charge of work that assists the Audit and Supervisory Committee, and will not be subject to instructions and orders from Directors (excluding those serving as Audit and Supervisory Committee Members) and other operational organizations.
 - (d) Assignment, transfer, evaluation, and disciplinary action of employees to assist the Audit and Supervisory Committee will be decided after discussion with the Audit and Supervisory Committee.
- 7) System for reporting to the Audit and Supervisory Committee
The Company reports to the Audit and Supervisory Committee the following matters concerning the Company and its subsidiaries. The person who reports to the Audit and Supervisory Committee shall not be treated unfavorably due to the reporting.
 - (i) Matters which may significantly damage the Company
 - (ii) Any material violation of laws and regulations, etc.
 - (iii) Implementation Status and results of internal audits
 - (iv) Status of whistleblowing and details of the reporting
 - (v) Other matters the Audit and Supervisory Committee ask to be reported
- 8) Other systems to ensure that audits are effectively implemented by the Audit and Supervisory Committee of the Company
 - (a) The Company ensures a system that allows Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to: attend the Executive Officers' Meeting and other important

- meetings and committees; and have access to the important documents concerning the execution of duties, such as statutory documents.
- (b) President will have regular meetings with Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to exchange opinions on issues with which the Company should deal, issues concerning the execution of duties, and primary issues on audits. President will also take actions regarding the matters that the Audit and Supervisory Committee deems necessary to be addressed.
 - (c) Directors (excluding those serving as Audit and Supervisory Committee Members) and employees will esteem the rules of the Audit and Supervisory Committee and other rules, including audit policies, and cooperate with the Audit and Supervisory Committee for inspection and consultation requests.
 - (d) The internal audit department will establish a cooperation system for exchanging information with the Audit and Supervisory Committee in order to contribute to ensuring the effectiveness of audits.
 - (e) When the internal audit department recognizes an act in violation of laws and regulations or an act that may correspond to a violation of laws and regulations (whether or not they breach internal rules) in which any Directors (excluding those serving as Audit and Supervisory Committee Members) are suspected to be involved, the internal audit department will report the said facts to the Audit and Supervisory Committee before reporting them to the Directors (excluding those serving as Audit and Supervisory Committee Members).
 - (f) The Audit and Supervisory Committee will prepare budgets for expenses necessary for the execution of their duties and present them to the Company. Expenses incurred over the budget, in an urgent or temporary manner, may be requested for reimbursement afterwards.

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

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

- 1) System to ensure that execution of duties by the Directors and employees of the Company and its subsidiaries complies with laws, regulations, and the Articles of Incorporation of the Company
 - * The Company has formulated the ACOM Group Code of Ethics and Code of Conduct and distributed them via its in-house network and other media to all officers and employees. In addition, to raise awareness of the ACOM Group Code of Ethics and Code of Conduct, the Company has issued messages regarding compliance through its top management, Executive Officers who concurrently serve as Directors, etc.
 - * The Company and its subsidiaries have appointed officers responsible for compliance and established departments with across-the-board responsibilities for compliance, and striven to promote compliance through compliance training, etc.
 - * The Company has arranged quarterly reports to the Board of Directors on the progress of the basic compliance plan.
 - * The Compliance Committee holds six meetings a year, in principle, carrying out deliberation on the important matters concerning the development and operation of the compliance system, matters concerning the formulation of the basic compliance plan, etc.
 - * The Company and its subsidiaries have established contact points for reporting and consultations concerning the act of violations or possible violations of compliance.
 - * The Company and its subsidiaries work on management and other activities in relation to the prevention of transactions involving antisocial forces, as well as the prevention of financial crimes including money laundering and terrorist financing, in accordance with the ACOM Group Code of Ethics and other related provisions.
 - * The Information Disclosure Committee holds two meetings each quarter, in principle, making resolutions on the information subject to disclosure.
 - * The Company has established an internal audit department and ensured its independence and specialties. It has also developed an internal audit system in accordance with the rules on internal audit to ensure the soundness and appropriateness of businesses. Additionally, the Company’s internal audit department has implemented or supported the audits of its subsidiaries in order to contribute to development of the internal control system of its subsidiaries, and has reported quarterly to the Board of Directors on the results of audits including audits on its subsidiaries.
- 2) System concerning storage and management of information on the execution of duties by Directors of the Company
 - * The Company makes amendments to the rules, etc. concerning information management, such as the “Information Security Management Rules” and the “Information Management Rules,” and reviews the framework for storage and management of information as appropriate.
 - * The Company has appointed personnel responsible for information security management, and regularly verifies the roles of respective organizations, officers and employees involved in information security, as well as the status of storage and management of information.
- 3) Rules concerning loss risk management and other systems of the Company and its subsidiaries
 - * The Company and its subsidiaries have appointed officers responsible for risk management and established departments with across-the-board responsibilities for risk management.
 - * The Company makes amendments to the rules, etc. concerning business continuity and reviews the framework for business continuity and prompt restoration of business operations as appropriate. In addition, to raise awareness of its policy on business continuity and to ensure the effectiveness of its business continuity framework, the Company holds training sessions to practice its business continuity plan.
 - * The Risk Committee is held once a quarter, in principle, deliberating on matters concerning the development of the risk management system in general, important matters concerning risk management, and issues concerning the preparation of a basic risk management plan, etc.
 - * The Risk Management Report Meeting is held once a quarter, in principle, reporting on the status of risk management and matters concerning risk management.

- 4) System to ensure efficient execution of duties by the Directors of the Company and its subsidiaries
 - * The Board of Directors makes resolutions on the Group's management policies and management plans. The progress of the management plans is reported to the Board of Directors on a quarterly basis.
 - * The Executive Officers' Meeting and the IT Strategy Meeting are held three times a month, in principle, to deliberate and decide on matters delegated from the Board of Directors, and conduct prior deliberation on the matters to be discussed at the Board of Directors.
 - * The Company and its subsidiaries amend internal rules pertaining to the decision-making criteria as necessary so as to make decisions more quickly and execute duties more efficiently.
- 5) System to ensure the propriety of business carried out by the group consisting of the Company, parent company and subsidiaries
 - * The Company coordinates with the parent company in accordance with the rules for consultation and reporting with the parent company. The Company also establishes the Group's business management systems in accordance with the parent company's policy for its group management so as to contribute to the appropriate business operations of both of the groups.
 - * The Company manages subsidiaries based on the "Affiliates Management Rules."
 - * Each subsidiary of the Company reports on the status of various aspects of operation including budgetary control, main qualitative management data and the progress of credit business measures to the business report meeting on a monthly basis and to the Executive Officers' Meeting on a quarterly basis.
 - * The Company establishes the Conflict of Interest Advisory Committee from the perspective of protecting the interests of minority shareholders and makes recommendations to the Board of Directors.
- 6) System concerning employees to assist the Audit and Supervisory Committee of the Company in execution of their duties
 - * The Company has established the Administration for Audit and Supervisory Committee to assist the Audit and Supervisory Committee in execution of their duties, and assigned three dedicated employees to assist the Audit and Supervisory Committee, who are not subject to instructions and orders from Directors (excluding those serving as Audit and Supervisory Committee Members) and other operational organizations.
- 7) System for reporting to the Audit and Supervisory Committee
 - * Status of the execution of Directors' duties, status of internal audits, etc., are reported to the Audit and Supervisory Committee on a regular basis, while matters which are deemed likely to significantly damage the Company and any like cases are reported to the Audit and Supervisory Committee without delay when such matters occur.
 - * The Company has stipulated that the person who reports to the Audit and Supervisory Committee shall not be treated unfavorably due to the reporting.
- 8) Other systems to ensure that audits are effectively implemented by the Audit and Supervisory Committee of the Company
 - * The rules of meetings and the rules of committees, etc. stipulate the authority of Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to attend meetings, and Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee attend the Executive Officers' Meeting, the IT Strategy Meeting, the Compliance Committee, the Information Disclosure Committee, the Risk Committee and other meetings.
 - * The "Rules for Ensuring the Effectiveness of Audits by the Audit and Supervisory Committee" stipulates the authority of Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to access statutory documents and other important documents concerning the execution of duties.
 - * Directors (excluding those serving as Audit and Supervisory Committee Members) have regular meetings with Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to exchange opinions on issues which the Company should address, issues concerning the execution of duties, and primary issues on audits.
 - * The internal audit department maintains cooperation with the Audit and Supervisory Committee by regularly reporting the results of internal audit and the status of correction of defects found as a result

of the internal audit while discussing in advance the internal audit plan.

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

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Consolidated Financial Statements

(April 1, 2022–March 31, 2023)

Consolidated Balance Sheet

(As of March 31, 2023)

(Millions of yen)			
Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	1,205,491	Current liabilities	222,491
Cash and deposits	57,666	Accounts payable - trade	344
Accounts receivable - operating loans	1,029,728	Short-term borrowings	18,528
Accounts receivable - installment	104,295	Commercial papers	34,998
Purchased receivables	7,630	Current portion of long-term borrowings	104,381
Other	89,590	Current portion of bonds payable	32,600
Allowance for doubtful accounts	(83,418)	Lease obligations	117
Non-current assets	91,824	Income taxes payable	6,644
Property, plant and equipment	7,556	Provision for loss on guarantees	9,612
Buildings and structures	3,168	Asset retirement obligations	709
Vehicles	0	Deferred installment income	26
Equipment	4,272	Other	14,527
Lease assets	115	Non-current liabilities	454,987
Intangible assets	7,606	Bonds payable	91,660
Software	6,829	Long-term borrowings	298,857
Goodwill	734	Lease obligations	25
Other	43	Provision for loss on interest repayment	57,723
Investments and other assets	76,661	Retirement benefit liability	789
Investment securities	1,396	Asset retirement obligations	5,653
Retirement benefit asset	5,906	Other	277
Deferred tax assets	61,637	Total liabilities	677,478
Guarantee deposits	4,572		
Other	3,817	(Net assets)	
Allowance for doubtful accounts	(667)	Shareholders' equity	567,683
		Share capital	63,832
		Capital surplus	69,861
		Retained earnings	433,990
		Treasury shares	(0)
		Accumulated other comprehensive income	13,403
		Valuation difference on available-for-sale securities	0
		Foreign currency translation adjustment	12,943
		Remeasurements of defined benefit plans	459
		Non-controlling interests	38,750
		Total net assets	619,837
Total assets	1,297,316	Total liabilities and net assets	1,263,296

Consolidated Statement of Income

(April 1, 2022–March 31, 2023)

(Millions of yen)

Description	Amount	
Operating revenue		273,793
Interest on operating loans	168,872	
Revenue from credit card business	12,377	
Revenue from installment sales finance business	66	
Revenue from credit guarantee	56,646	
Proceeds from purchased receivables	4,633	
Other financial revenue	131	
Other operating revenue	31,067	
Operating expenses		186,506
Financial expenses	4,012	
Cost of purchased receivables	1,657	
Other operating expenses	180,836	
Operating profit		87,287
Non-operating income		342
Interest income	1	
Dividend income	25	
Share of profit of entities accounted for using equity method	24	
Rental income from buildings	185	
Other	105	
Non-operating expenses		144
Interest expenses	1	
Foreign exchange losses	130	
Other	12	
Ordinary profit		87,485
Extraordinary income		1,117
Gain on sale of non-current assets	1,117	
Extraordinary losses		3,799
Loss on sale of non-current assets	67	
Loss on retirement of non-current assets	205	
Impairment loss	3,523	
Other	3	
Profit before income taxes		84,803
Income taxes-current	12,482	
Income taxes-deferred	12,845	25,327
Profit		59,476
Profit attributable to non-controlling interests		4,549
Profit attributable to owners of parent		54,926

Consolidated Statement of Changes in Net Assets

(April 1, 2022–March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	63,832	69,861	393,163	(0)	526,857
Changes of items during the period					
Dividends of surplus			(14,099)		(14,099)
Profit attributable to owners of parent			54,926		54,926
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	40,826	–	40,826
Ending balance	63,832	69,861	433,990	(0)	567,683

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	0	4,306	716	5,023	32,082	563,963
Changes of items during the period						
Dividends of surplus						(14,099)
Profit attributable to owners of parent						54,926
Net changes of items other than shareholders' equity	0	8,636	(256)	8,379	6,668	15,048
Total changes of items during the period	0	8,636	(256)	8,379	6,668	55,874
Ending balance	0	12,943	459	13,403	38,750	619,837

Notes to the Consolidated Financial Statements

(From April 1, 2022 to March 31, 2023)

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

(1) Matters concerning the scope of consolidation

Number of consolidated subsidiaries: 6

Names of principal consolidated subsidiaries are referred to in “(7) Principal Parent Company and Subsidiaries of 1. Overview of Consolidated Business Activities,” therefore they are omitted here.

GeNiE Inc., which was newly established, has been included in the scope of consolidation starting from the fiscal year under review.

(2) Matters concerning application of the equity method

Number of equity-method-affiliate: 1

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

(3) Matters concerning accounting policies

1) Evaluation standards and methods for significant assets

(a) Marketable securities

Other marketable securities

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

Derivatives	Fair value method
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2) Depreciation and amortization methods for significant depreciable assets

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

The Company and its domestic consolidated subsidiaries	Declining balance method
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Overseas consolidated subsidiaries	Straight-line method
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(b) Intangible assets (excluding lease assets)

Software for internal use	Amortized by the straight-line method over their estimated useful lives (5-10 years) in the Company.
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Other intangible assets	Straight-line method
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(c) Lease assets

Lease assets concerning transfer ownership finance lease transactions	Depreciated by the same depreciation method applied to non-current assets owned by the Company
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Lease assets concerning non-transfer ownership finance lease transactions	Depreciated by the straight-line method, defining the lease term of respective assets as their useful lives, with residual value equaling zero
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(d) Long-term prepaid expenses	Depreciated by the equal installment method
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(e) Deferred assets

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

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

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

4) Accounting standards for significant allowances and provisions

Allowance for doubtful accounts

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

Provision for loss on guarantees

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

Provision for loss on interest repayment

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

5) Accounting standards for significant revenue and expenses

(a) Revenues from financial instruments transactions

Interest on operating loans

Interest is recorded on an accrual basis.

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

Revenue from credit card business

Fees from customers

Recorded by the credit balance method

Under the credit balance method, fees to be recorded as revenue is calculated pursuant to the prescribed rates applicable to the relevant credit balance.

Revenue from credit guarantee

Recorded by the credit balance method

(b) Fees and commissions

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

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

6) Significant hedge accounting method

(a) Hedge accounting method

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

(b) Hedging instruments and hedging items

Interest rate-related items

Hedging instruments

Hedging items

Interest-rate swap agreements

Borrowings with variable interest rates

(c) Hedging policy

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

(d) Method for evaluating hedging effectiveness

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

7) Method and period for amortization of goodwill

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

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

(a) Accounting method for retirement benefits

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

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

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

(b) Accounting method for consumption tax and other taxes imposed on non tax-deductible assets

Consumption tax and other taxes imposed on non tax-deductible assets are recorded as an expense for the fiscal year they were incurred.

(c) Adoption of the group tax sharing system

The Company and its domestic consolidated subsidiaries have applied the group tax sharing system.

2. Additional information

<Accounting treatment of income taxes (including local income taxes) and tax effect accounting>

The Company and its domestic consolidated subsidiaries have applied the tax sharing system from the fiscal year under review. The Company and its domestic consolidated subsidiaries carry out the accounting treatment and disclosure of income taxes (including local income taxes) and tax effect accounting in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42; August 12, 2021).

3. Notes to revenue recognition

(1) Disaggregation of revenue

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

(Millions of yen)

	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Others	Total
Operating revenue from external customers	145,170	66,278	56,533	5,680	130	273,793
Revenues from financial instruments transactions	141,718	63,856	55,964	5,674	130	267,344
Fees and commissions	3,451	2,422	568	6	—	6,449

(2) Information useful in understanding revenue

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

4. Notes to accounting estimates

(1) Provision for loss on interest repayment

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

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

Provision for loss on interest repayment recorded on the consolidated financial statements for the fiscal year under review was 57,723 million yen.

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

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

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

To prepare for potential loss on interest repayment in the future, the Company makes a forecast in consideration of the past actual results and the latest interest repayment situations and estimates a reasonable amount of requests for interest repayment. When estimating the amount, the Company primarily supposes the future estimated figures of the number of requests for interest repayment and the average unit price of requests for interest repayment from their respective past actual results. Then, the Company calculates an estimated amount of requests for interest repayment over a certain period in the future. When projecting the future estimated figures of the number of requests for interest repayment,

figures that are especially uncertain, the Company groups the future estimated figures per law firm and shiho-shoshi lawyer's office according to the trends in the requests for interest repayment. Then, the Company calculates the estimated number of requests for interest repayment in the future for each group based on the past actual rates of requests for interest repayment as calculated from past actual results as well as the latest environmental analysis and the latest trend of requests for interest repayment.

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

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

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

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

(2) Allowance for doubtful accounts

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

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

Allowance for doubtful accounts recorded on the consolidated financial statements for the fiscal year under review was 84,086 million yen.

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

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

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

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

- i) General allowance

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

- ii) Specific allowance

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

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

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

With respect to the credit risk management model stated in the methods used for calculation as above, the Company comprehensively evaluates the attributes of receivables in correlation with the write-off of bad debts, the details of transactions, etc., and converts the probability of the future occurrence of write-off of bad debts to customers into a numerical value using a statistical method. Therefore, the classification based on the said value is a major assumption.

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

The Company continuously reviews and revises classifications based on a credit risk management model, a major assumption. If the above classification needs to be revised because of changes in the external management environment due to future uncertainties and other factors, it may have an impact on the

amount of allowance for doubtful accounts to be recognized in the consolidated financial statements for the next fiscal year and thereafter.

(3) Deferred tax assets

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

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

Deferred tax assets recorded on the consolidated financial statements for the fiscal year under review were 61,637 million yen.

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

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

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

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

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

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

Taxable income is calculated based on the profits, etc. of the mid-term management plan, incorporating key assumptions such as plans for outstanding balances of accounts receivable - operating loans and accounts receivable - installment in the loan and credit card business, guarantee obligations in the guarantee business, and accounts receivable - operating loans in the overseas financial business.

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

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

5. Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 27,309 million yen

(2) Guaranteed liabilities	(Millions of yen)
Outstanding guarantee obligation in the guarantee business	1,212,883
Provision for loss on guarantees	9,612
Net	1,203,270

6. Notes to Consolidated Statement of Changes in Net Assets

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

(2) Matters concerning dividends from surplus

1) Dividends paid

At the Ordinary General Meeting of Shareholders held on June 24, 2022, the resolution was adopted as follows.

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

At the Board of Directors meeting held on November 8, 2022, the resolution was adopted as follows.

Type of stock	Common stock
Total amount of dividends	7,833 million yen
Capital of dividends	Retained earnings
Dividends per share	5 yen
Record date	September 30, 2022
Effective date	December 5, 2022

- 2) Dividends whose record date fell in the current fiscal year, but whose effective date comes after March 31, 2023

At the Ordinary General Meeting of Shareholders to be held on June 23, 2023, the resolution is scheduled as follows.

Type of stock	Common stock
Total amount of dividends	7,833 million yen
Capital of dividends	Retained earnings
Dividends per share	5 yen
Record date	March 31, 2023
Effective date	June 26, 2023

- (3) Class and number of shares to be issued upon the exercise of the stock acquisition rights as of the end of the current fiscal year
Not applicable.

7. Notes to financial instruments

(1) Matters concerning the financial instruments

1) The Group's policy for financial instruments

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

2) Details of financial instruments and associated risks

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

through interest rate swap transactions.

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

3) Risk management system for financial instruments

(a) Credit risk management

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

(b) Market risk management

The Company and some of its consolidated subsidiaries utilize interest rate swap agreements to mitigate the risk of fluctuations in interest payments on their borrowings.

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

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

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

With regards to the items of which fair values are determined using the market interest rate, if the interest rate as of March 31, 2023, had been 1 basis point (0.01%) lower, the fair value of their net amount (asset side) -relevant financial assets after deduction of financial liabilities- would increase by 69 million yen on the condition that all risk variables other than interest rate are constant. To the contrary, if the interest rate had been higher by 1 basis point (0.01%), the net amount would decrease by 69 million yen.

(c) Management of liquidity risk associated with financing activities

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

4) Supplementary explanations on fair value of financial instruments

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

(2) Matters concerning the fair value of financial instruments

The book value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2023, as well as the differences between these values are described below. “Deposits,” “short-term borrowings,” and “commercial papers” are omitted, because they comprise cash and short-term instruments whose book value approximates their fair value.

(Millions of yen)

	Book value	Fair value	Difference
1) Accounts receivable - operating loans	1,029,728		
Allowance for doubtful accounts	(48,707)		
Provision for loss on interest repayment (Amount of voluntary waiver of repayments)	(6,194)		
	974,825	1,240,158	265,332
2) Accounts receivable - installment	104,295		
Allowance for doubtful accounts	(5,768)		
Deferred installment income	(26)		
	98,500	121,676	23,175
3) Purchased receivables	7,630		
Allowance for doubtful accounts	(2,025)		
	5,605	5,605	–
4) Marketable securities and investment securities			
(a) Other securities	0	0	–
Total assets	1,078,931	1,367,440	288,508
1) Current portion of bonds payable and bonds payable	124,260	124,032	(227)
2) Current portion of long-term borrowings and long-term borrowings	403,238	400,397	(2,840)
Total liabilities	527,498	524,430	(3,067)
Derivative transaction (*)	(64)	(64)	–

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

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

(Millions of yen)

Item	Book value
1) Unlisted shares	1,395
2) Investments in investment partnerships	0
Total	1,396

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

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

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

Level 2 fair value: Fair value measured using inputs other than Level 1 inputs, out of observable inputs for fair value measurement.

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

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

1) Financial instruments measured at fair value

(Millions of yen)

Type	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other securities				
Stocks	0	–	–	0
Total assets	0	–	–	0
Derivative transaction				
Interest-related derivatives	–	64	–	64
Total liabilities	–	64	–	64

2) Financial instruments other than those measured at fair value

(Millions of yen)

Type	Fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable - operating loans	–	–	1,240,158	1,240,158
Accounts receivable - installment	–	–	121,676	121,676
Purchased receivables	–	–	5,605	5,605
Total assets	–	–	1,367,440	1,367,440
Current portion of bonds payable and bonds payable	–	124,032	–	124,032
Current portion of long-term borrowings and long-term borrowings	–	400,397	–	400,397
Total liabilities	–	524,430	–	524,430

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

Marketable securities and investment securities

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

Notes to securities are as follows.

(a) Other securities

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

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

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

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

Derivative transactions

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

Notes to derivative transactions are as follows.

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

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

(a) Interest-related derivatives

(Millions of yen)					
Category	Transaction type	Contract amount	Amount of more than 1 year-period contracts	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Interest rate swap agreements Fixed interest payments and floating interest receivables	9,120	7,904	(64)	(64)

2) Derivative transactions subject to the application of hedge accounting

With regard to derivative transactions which are subject to the application of hedge accounting, the contract amount or equivalent of the principal amount prescribed by the contract as of the closing date of consolidated accounting according to hedge accounting methods are as follows:

(a) Interest-related derivatives

(Millions of yen)

Hedge accounting method	Transaction type	Major hedging items	Contract amount	Amount of more than 1 year-period contracts	Fair value
Interest rate swap agreements subject to the application of exceptional accounting treatments	Interest rate swap agreements Fixed interest payments and floating interest receivables	Long-term borrowings	4,600	4,600	(Note)

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

Accounts receivable - operating loans and accounts receivable - installment

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

Purchased receivables

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

Current portion of bonds payable and bonds payable

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

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

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

8. Notes to Per Share Information

- (1) Net assets per share 370.92 yen
- (2) Basic earnings per share 35.06 yen

9. Notes to Significant Subsequent Events

The Company resolved, at the Executive Officers' Meeting held on February 27, 2023, on the termination of the business alliance agreement regarding implementation of "Credit as a Service Platform ("CaaS PF") ** and creation of new business executed with Crezit Holdings, Inc. ("Crezit") on March 18, 2022 and agreed with Crezit to terminate such business alliance agreement, effective on April 20, 2023.

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

(1) Reasons for termination

GeNiE Inc., which is the Company's subsidiary established on April 1, 2022, based on the aforementioned agreement, jointly with Crezit, prepared for the commencement of financial services through the CaaS PF of Crezit; however, both of them recognized that it was difficult to continue the business alliance agreement due to the difference in the direction towards the achievement of their visions, and for this reason, we have reached an agreement to terminate.

2) Other

The impact of the termination of the business alliance agreement on the Consolidated Financial Statements for the next fiscal year onward is minor.

10. Other

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

Non-consolidated Financial Statements

(April 1, 2022–March 31, 2023)

Non-consolidated Balance Sheet

(As of March 31, 2023)

(Millions of yen)

Description (Assets)	Amount	Description (Liabilities)	Amount
Current assets	982,519	Current liabilities	175,290
Cash and deposits	52,957	Accounts payable - trade	334
Accounts receivable - operating loans	810,958	Commercial papers	34,998
Accounts receivable - installment	103,575	Current portion of long-term borrowings	89,926
Prepaid expenses	1,091	Current portion of bonds payable	25,000
Accrued income	14,420	Lease obligations	115
Right to reimbursement	57,192	Accounts payable - other	1,759
Other	3,373	Accrued expenses	9,570
Allowance for doubtful accounts	(61,050)	Income taxes payable	3,622
Non-current assets	107,736	Deposits received	321
Property, plant and equipment	6,773	Provision for loss on guarantees	8,670
Buildings	2,240	Asset retirement obligations	709
Structures	486	Other	262
Equipment	3,935	Non-current liabilities	418,549
Lease assets	111	Bonds payable	70,000
Intangible assets	7,338	Long-term borrowings	285,253
Software	6,566	Lease obligations	23
Goodwill	734	Provision for loss on interest repayment	57,723
Other	38	Asset retirement obligations	5,393
Investments and other assets	93,623	Other	154
Investment securities	951	Total liabilities	593,839
Shares of subsidiaries and associates	15,916		
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,122	(Net assets)	
Long-term prepaid expenses	1,637	Shareholders' equity	496,416
Deferred tax assets	64,656	Share capital	63,832
Guarantee deposits	4,041	Capital surplus	72,322
Prepaid pension costs	5,165	Legal capital surplus	72,322
Other	782	Retained earnings	360,261
Allowance for doubtful accounts	(650)	Legal retained earnings	4,320
		Other retained earnings	355,941
		General reserve	80,000
		Retained earnings brought forward	275,941
		Treasury shares	(0)
		Valuation and translation adjustments	0
		Valuation difference on available-for-sale securities	0
		Total net assets	496,416
Total assets	1,090,256	Total liabilities and net assets	1,090,256

Non-consolidated Statement of Income

(April 1, 2022 - March 31, 2023)

(Millions of yen)

Description	Amount	
Operating revenue		200,679
Interest on operating loans	117,875	
Revenue from credit card business	12,377	
Revenue from credit guarantee	46,285	
Other financial revenue	130	
Other operating revenue	24,011	
Operating expenses		137,852
Financial expenses	2,581	
Other operating expenses	135,271	
Operating profit		62,826
Non-operating income		7,733
Interest income	1	
Dividend income	7,444	
Other	288	
Non-operating expenses		143
Interest expenses	1	
Foreign exchange losses	132	
Other	9	
Ordinary profit		70,417
Extraordinary income		1,115
Gain on sale of non-current assets	1,115	
Extraordinary losses		4,975
Loss on sale of non-current assets	67	
Loss on retirement of non-current assets	191	
Impairment loss	3,523	
Loss on valuation of shares of subsidiaries and associates	1,190	
Other	3	
Profit before income taxes		66,557
Income taxes-current	6,511	
Income taxes-deferred	11,061	17,572
Profit		48,985

Non-consolidated Statement of Changes in Net Assets

(April 1, 2022–March 31, 2023)

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	Total retained earnings		
Beginning balance	63,832	72,322	—	72,322	4,320	80,000	241,055	325,375	(0)	461,531
Changes of items during the period										
Dividends of surplus							(14,099)	(14,099)		(14,099)
Profit							48,985	48,985		48,985
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	34,885	34,885	—	34,885
Ending balance	63,832	72,322	—	72,322	4,320	80,000	275,941	360,261	(0)	496,416

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Beginning balance	0	0	461,531
Changes of items during the period			
Dividends of surplus			(14,099)
Profit			48,985
Net changes of items other than shareholders' equity	0	0	0
Total changes of items during the period	0	0	34,885
Ending balance	0	0	496,416

Notes to Non-consolidated Financial Statements

1. Notes to Matters concerning Significant Accounting Policies

(1) Evaluation standards and methods for assets

1) Evaluation standards and methods for marketable securities

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

2) Evaluation standards and methods for derivatives

Derivatives	Fair value method
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(2) Depreciation and amortization methods for non-current assets

Property, plant and equipment (excluding lease assets)	Declining balance method
Intangible assets (excluding lease assets)	
Software for internal use	Amortized by the straight-line method over their estimated useful lives (5-10 years) in the Company
Goodwill	Amortized by the equal installments method over a period of 15 years
Other intangible assets	Straight-line method
Lease assets	
Transfer ownership finance lease transactions	Depreciated by the same depreciation method applied to non-current assets owned by the Company
Non-transfer ownership finance lease transactions	Depreciated by the straight-line method, defining the lease term of respective assets as their useful lives, with residual value equaling zero
Long-term prepaid expenses	Depreciated by the equal installment method

(3) Accounting standards for allowances and provisions

Allowance for doubtful accounts	To provide for potential loss on accounts receivable - operating loans and other receivables, the Company makes an allowance for the expected amount of irrecoverable loans. Allowances for ordinary bad debts are computed, based on the historical rate of default. For specific debts where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis.
Provision for loss on guarantees	To provide for loss on guarantees, the Company makes an allowance for potential losses at the end of the fiscal year.
Provision for retirement benefits	To provide for employees’ retirement benefits, the amount obtained by subtracting pension assets from retirement benefit obligations is recorded, based on their projected amounts as of the end of this fiscal year.

If the projected amount of pension assets exceeds the projected amount of retirement benefit obligations after addition or deduction of unrecognized past service liabilities and unrecognized actuarial differences, the excess amount is recorded as prepaid pension costs.

Past service costs are charged to expenses, using the straight-line method, over the determined years (5 years) that are not longer than average remaining service years of the employees at the time of occurrence.

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

Provision for loss on interest repayment

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

(4) Accounting standards for revenue and expenses

1) Revenues from financial instruments transactions

Interest on operating loans

Interest is recorded on an accrual basis.

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

Revenue from credit card business

Fees from customers

Recorded by the credit balance method

Under the credit balance method, fees to be recorded as revenue is calculated pursuant to the prescribed rates applicable to the relevant credit balance.

Revenue from credit guarantee

Recorded by the credit balance method

2) Fees and commissions

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

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

(5) Hedge accounting method

1) Hedge accounting method

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

2) Hedging instruments and hedging items

Hedging instruments

Interest-rate swap agreements

Hedging items

Borrowings with variable interest

3) Hedging policy

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

4) Method for evaluating hedging effectiveness

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

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

1) Accounting method for consumption tax and other taxes imposed on non tax-deductible assets

Consumption tax and other taxes imposed on non tax-deductible assets are recorded as an expense for the fiscal year they were incurred.

2) Adoption of the group tax sharing system

The Company has applied the group tax sharing system.

2. Additional information

<Accounting treatment of income taxes (including local income taxes) and tax effect accounting>

The Company has applied the tax sharing system from the fiscal year under review. The Company carries out the accounting treatment and disclosure of income taxes (including local income taxes) and tax effect accounting in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42; August 12, 2021).

3. Notes to revenue recognition

(1) Useful information in understanding revenue

Useful information in understanding revenue from contracts with customers is as presented in “1. Notes to Matters concerning Significant Accounting Policies, (4) Accounting standards for revenue and expenses.”

4. Notes to accounting estimates

(1) Provision for loss on interest repayment

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

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

Provision for loss on interest repayment recorded on the non-consolidated financial statements for the fiscal year under review was 57,723 million yen.

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

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

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

(2) Allowance for doubtful accounts

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

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

Allowance for doubtful accounts recorded on the non-consolidated financial statements for the fiscal year under review was 61,700 million yen.

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

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

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

(3) Deferred tax assets

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

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

Deferred tax assets recorded on the non-consolidated financial statements for the fiscal year under review were 64,656 million yen.

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

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

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

5. Notes to Non-consolidated Balance Sheet	
(1) Accumulated depreciation of property, plant and equipment	24,319 million yen
(2) Guaranteed liabilities	(Millions of yen)
Outstanding guarantee obligation to loans payable of subsidiaries and affiliates	2,223
Outstanding guarantee obligation in the guarantee business	1,044,499
Provision for loss on guarantees	8,670
Net	<u>1,035,829</u>
(3) Monetary claims and liabilities to subsidiaries and affiliates	(Millions of yen)
Short-term monetary claims	1,223
Short-term monetary liabilities	32
6. Notes to Non-consolidated Statement of Income	
Transactions with subsidiaries and affiliates	(Millions of yen)
Operating transactions	
Operating revenue	90
Operating expenses	361
Transactions other than operating transactions	7,428
7. Notes to Non-consolidated Statement of Changes in Net Assets	
Class and number of shares of treasury stock as of March 31, 2023	
Common stock	50 shares

8. Notes to tax effect accounting

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

Deferred tax assets	
Bad debts expenses	21,191
Allowance for doubtful accounts	18,892
Provision for loss on guarantees	2,654
Provision for loss on interest repayment	17,674
Accrued bonuses	489
Unrecognized accrued interest	727
Software	6,867
Asset retirement obligations	1,733
Deferred assets	168
Deferred consumption taxes	669
Loss on valuation of securities	132
Loss on valuation of shares of subsidiaries and associates	503
Enterprise tax payable	331
Impairment loss	2,213
Dividends on shares	3,493
Retained loss	4,267
Other	<u>522</u>
Deferred tax assets (subtotal)	82,566
Valuation allowance	<u>(16,328)</u>
Total deferred tax assets	66,238
Deferred tax liabilities	
Prepaid pension costs	<u>1,581</u>
Total deferred tax liabilities	<u>1,581</u>
Net deferred tax assets	<u><u>64,656</u></u>

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

(Millions of yen)

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

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiaries of the parent company	MUFG Bank, Ltd.	Borrowing	Borrowing of the capital	Borrowing 261,991	Commercial papers	19,999
				Repayment 240,729	Current portion of long-term borrowings	53,156
					Long-term borrowings	146,427
			Payment of interest	737	Accrued expenses	14
		Guarantee of liabilities	Receiving of guarantee fees for unsecured loans provided by the Company	17,819	Accrued income	4,572
	Outstanding guarantee obligation	541,560	–	–		

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

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

10. Notes to Per Share Information

(1) Net assets per share	316.87 yen
(2) Basic earnings per share	31.27 yen

11. Notes to Significant Subsequent Events

The Company resolved, at the Executive Officers' Meeting held on February 27, 2023, on the termination of the business alliance agreement regarding implementation of "Credit as a Service Platform*" and creation of new business executed with Crezit Holdings, Inc. on March 18, 2022 and agreed with Crezit to terminate such business alliance agreement, effective on April 20, 2023.

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

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

12. Other

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