

04 Management Foundation Supporting Value Creation

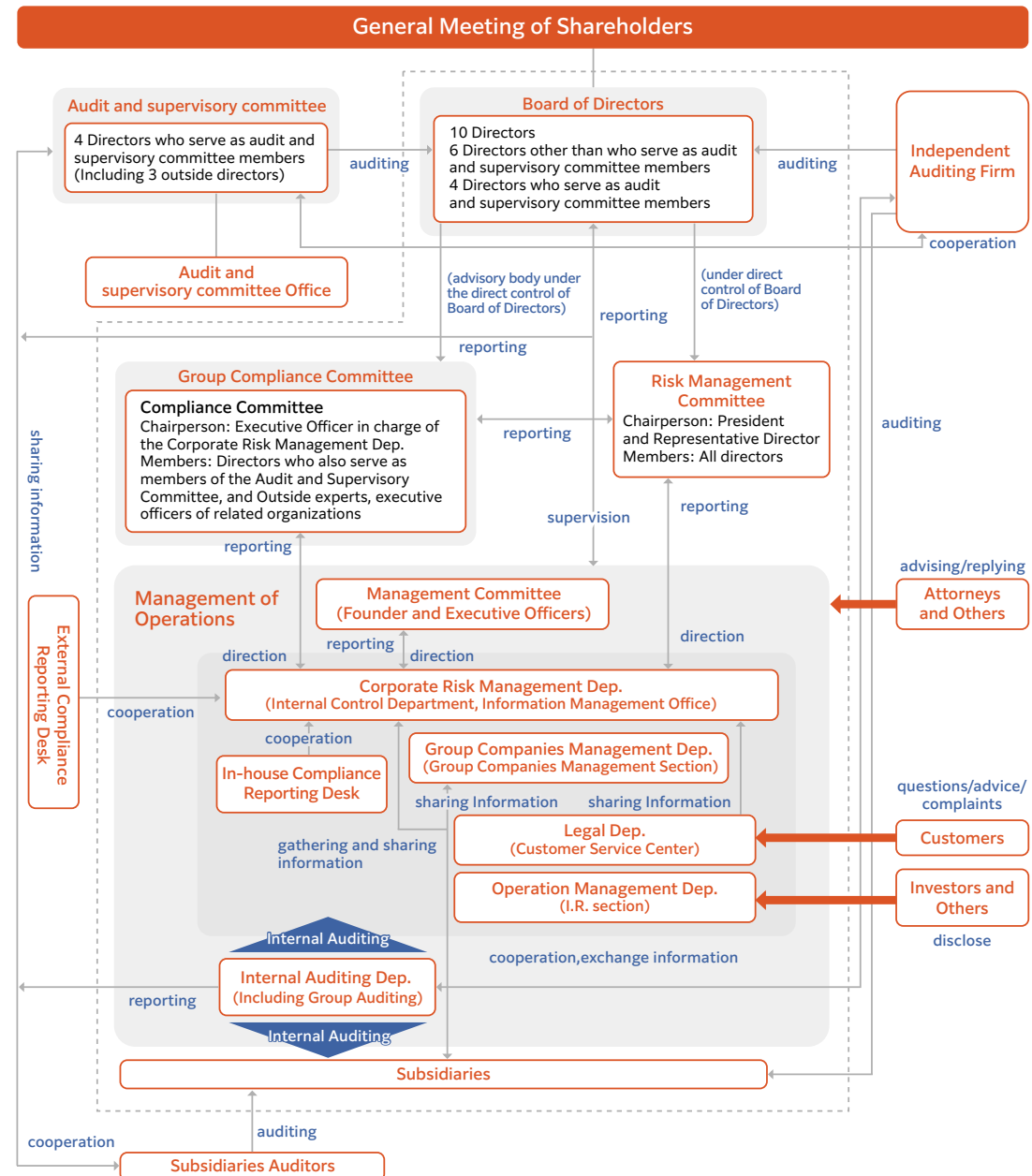
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Corporate Governance

Basic Views and Basic Policy on Corporate Governance

The AIFUL Group understands that a key objective of corporate governance is to achieve corporate management with transparency, impartiality and efficiency by conducting corporate activities premised on compliance in accordance with our management philosophy of Earn the trust of society through corporate activity based in integrity to contribute to the development of the economy and society and thereby to gain the trust of society. In line with the basic views on corporate governance, AIFUL will undertake enhancement to upgrade our corporate governance in accordance with the Basic Policy on Corporate Governance set out below in a bid to achieve continued growth and a medium- and long-term increase in corporate value through transparent, impartial, prompt and bold decision making.

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



Corporate Governance

In order to strengthen the supervisory function of the Board of Directors and to enhance corporate governance, we have made the change from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. This change went into effect on June 23, 2015.

● The Audit and Supervisory Committee and directors belonging to the committee

The Audit and Supervisory Committee consists of four directors (including three directors who are outside members).

It determines items such as the audit policy and plan, and discusses and decides on important audit matters based on the reports it receives. In addition to these performing these duties, it also audits legitimacy and appropriateness through the use of the internal control system. A meeting will generally be held every month, with extraordinary meetings held when necessary.

The directors who are members of the Audit and Supervisory Committee will cooperate with the Internal Auditing Department and the accounting auditors to enhance management's supervisory functions. They will also share information with the auditors of affiliated companies in an effort to strengthen the auditing structure for the operations of the entire Group.

To improve these audit functions, the Group will establish an Auditor's office as the exclusive organization for supporting the duties of directors who belong to the Audit and Supervisory Committee. It will also take the necessary steps to secure independence, such as by requiring that the Auditor's office does not follow any directions or orders from directors (other than directors belonging to the Audit and Supervisory Committee) when carrying out their duties.

● Board of Directors and Directors

The Board of Directors consists of ten directors in total, with six directors (directors who are not on the Audit and Supervisory Committee) and four directors who are on the Audit and Supervisory Committee. It deliberates and decides on matters that cannot be delegated to directors pursuant to the provisions of laws, regulations, and the Articles of Incorporation, as well as important matters such as management strategies, and monitors these matters regularly.

It generally holds semimonthly meetings and extraordinary meetings when necessary. The Company's Articles of Incorporation also stipulate that there be no more than fifteen directors (excluding directors on the Audit and Supervisory Committee) and no more than five directors on the Audit and Supervisory Committee.

Major skills and experiences that each director possesses

Name	Position and title	Gender	Skills / Experience							
			Corporate Management	Legal Risk Management	Finance Accounting	Global	Human Resource Development	Credit Marketing	IT Digital DX	Diversity
Mitsuhide Fukuda	President and Representative Director	Male	○		○	○	○	○	○	○
Yoshitaka Fukuda	Chairman and Representative Director	Male	○		○		○	○		
Keiji Masui	Representative Director, Vice President Executive Officer	Male	○		○			○		
Masayuki Sato	Director and Vice Chairman Executive Officer	Male	○		○	○	○	○	○	
Akira Kamiyo	Director and Vice President Executive Officer	Male	○	○	○		○	○	○	○
Ryoko Kitazawa	Outside Director	Female	○		○	○				○
Hitoshi Shimura	Outside Director, Audit and Supervisory Committee member	Male		○	○	○				○
Takaya Tsutsumi	Director and Audit and Supervisory Committee Member	Male	○						○	
Haruichi Suzuki	Outside Director, Audit and Supervisory Committee member	Male		○						○
Shinichiro Maeda	Outside Director, Audit and Supervisory Committee member	Male		○	○	○				○

(note) 1. The column "Corporate Management" explains that a Director possesses experience of Executive Director for one year or more in the Company or other companies.

2. The columns other than "Corporate Management" explains that a Director possesses experience for one year or more of Senior General Manager in the applied business area at the Company or other companies.

Skill item	Explanation	Skill item	Explanation
Corporate Management	A person who has been appointed Executive Director or has work experience that requires specialized knowledge of corporate management at the Company (including subsidiaries) and other companies, and is recognized as having insight / experience in Corporate Management.	Human Resource Development	A person who has expertise in personnel and labor and is recognized as having insight / experience on the appropriate allocation of employees, who are management resources, human resources development, diversity, working style, etc.
Legal Risk Management	A person who is highly specialized in law and risk management. Or a person who is qualified as an attorney and is recognized as having insight / experience in law and compliance.	Credit Screening, Marketing	A person who has specialized knowledge and experience in "Credit screening," the essence of finance, and is recognized as having insight / experience that will contribute to the maximization of profit by marketing based on data analysis.
Finance, Accounting	A person who has expertise in finance and accounting. Or a person who is qualified as a certified public tax accountant or having experience as an analyst and is recognized as having insight / experience in finance and accounting.	IT, Digital, DX	A person who has specialized knowledge in the IT digital field, DX, and information systems, and is recognized as having insight / experience that will contribute to the maximization of profit by reforming new service provisions and business structures.
Global	A person who has experience developing overseas businesses, has experience as an officer of an overseas subsidiary, or has experienced overseas assignment, and is recognized as having management insight / experience in a global environment.	Diversity	A person who is recognized as having insight / experience that contributes to the innovation of the AIFUL Group through various backgrounds that are not bound by common sense and experience in the Company such as academic knowledge (as an attorney or a doctoral degree, etc.), important posts of government offices, gender, internationality, etc.

● Outside Directors

One out of six directors (excluding those who are members of the audit and supervisory committee) and three out of four directors on the Audit and Supervisory Committee are outside directors (as of July 1, 2025). A structure is in place whereby outside directors can attend Compliance Committee meetings and other important meetings and committees to express their views.

● Executive Officers

The Company introduced an executive officer system to speed up the decision-making process and the performance of duties, and enhance the separation of supervisory and executive functions. The Board of Directors appoints executive officers and delegates its business by establishing the division of duties and authority.

● Management Committee

The Management Committee comprises all executive officers and founder (as of the date the Securities Report was submitted).

It conducts prior discussion on matters to be submitted to the Board of Directors and, discusses or makes resolutions on important matters in business execution.

It also coordinates information and mutually checks issues and strategies based on policies resolved by the Board of Directors while striving to ensure that there are no discrepancies in decision-making. It holds meetings on a weekly basis, in general.

● Compliance Committee

The Compliance Committee is placed as an advisory body under the direct control of the Board of Directors. The head of this committee is the executive officer in charge of the Corporate Risk Management Department, and it is composed of outside experts, directors also serving as members of the Audit and Supervisory Committee and executive officers of related organizations. Its objectives are to create a corporate culture in which compliance is emphasized, to establish corporate ethics and to promote compliance programs. It makes deliberations and recommendations regarding compliance related important matters and delivers reports to the Board of Directors as required.

In addition to meetings held four times a year in general, it holds extraordinary meetings as necessary (as of the date the Securities Report was submitted).

● Risk Management Committee

AIFUL has the Risk Management Committee under the direct control of the Board of Directors.

Headed by the President, Representative Director and Chief Executive Officer, it is composed of all the directors. For the purposes of preventing risks and mitigating losses in the event of a crisis by constructing a reasonable risk management structure, it regularly receives risk status reports to enable it to be constantly aware of risks and continuously review the risk management system to submit reports to the Board of Directors. In addition to quarterly meetings in general, it holds extraordinary meetings as necessary.

Reasons for the current structure

As we have an auditor system, we appoint three outside corporate auditors for our four corporate auditors. We have ensured independent audits by developing a system where all corporate auditors attend Board of Directors meetings and other important meetings and committee meetings, including Management Committee meetings, to express their opinions. We have also ensured audits by establishing an Auditor's office as the exclusive organization for supporting the duties of corporate auditors.

Further, we separate management's supervisory functions and business execution functions by implementing an executive officer system and strengthening supervisory functions by establishing a Compliance Committee including outside experts and a Risk Management Committee, etc. We have adopted our current system to achieve corporate management that is transparent, fair, and efficient.

Remunerations for executives

The Company has a policy for determining the amount of remuneration, etc., for directors and corporate auditors and the method for calculating such amount, based on its management philosophy of "Earn the trust of society through corporate activity based in integrity," which is intended to function as compensation for the fulfillment of their roles and as an incentive to improve corporate performance and increase corporate value over the medium to long term. The Company's policy is to make the compensation function effectively as compensation for the fulfillment of their roles and as an incentive to improve the Company's performance and increase its corporate value over the medium to long term.

The Board of Directors and the Audit and Supervisory Committee have authority to decide the amount of remuneration for the Company's officers and the policy on the calculation method thereof. The Board of Directors and the Audit and Supervisory Committee review the system and standards of remuneration as necessary based on the business environment and the status of business performance, and the allocation to each person is determined according to the size of the role for each position, the nature of each person's administrative duties, and the scope of their responsibilities.

The date of resolution of the General Meeting of Shareholders on remuneration, etc. for our officers is June 23, 2015. The contents of the resolution are as follows: the amount of remuneration for directors (excluding Audit and Supervisory Committee members) is within 500 million yen per annum, and the amount of remuneration for directors who are Audit and Supervisory Committee members is within 80 million yen per annum. The Company resolved at the 45th General Meeting of Shareholders held on June 21, 2022, that the total amount of monetary claims to be paid to Directors (excluding directors serving on the Audit and Supervisory Committee and outside directors and non-residents of Japan) as compensation in the form of restricted stock compensation shall be not more than 50 million yen per annum (excluding salaries for employees of the Board of Directors concurrently serving as employees) and the total number of shares of common stock newly issued or disposed of by the Company shall be not more than 333 thousand shares per annum.

In addition, the Company resolved at the 38th Annual General Meeting of Shareholders held on June 23, 2015 that the amount of remuneration for directors who are Audit and Supervisory Committee members is within 80 million yen per year.

Compliance structure

The Compliance Committee is held 4 times, and compiles a compliance program, engages in awareness-raising, management and validation activities, and reports on the status of operations to the Board of Directors as necessary.

The Group Compliance Committee is also held 4 times, producing progress reports as well as sharing information.

The Internal Auditing Department performs audits of each division of the Group, reports the results to the Board of Directors and Audit and Supervisory Committee and makes proposals on improvement measures as necessary.

The Company has formulated reporting rules in the event of discovery, etc. of violations of laws and regulations, the Articles of Incorporation and internal rules and other major issues. It has also established an internal whistle-blowing system, drawn up and publicized rules that prohibit actions prejudicial to the interests of whistle-blowers, and has taken measures for prevention and early detection of incidents.

The Company has formulated and made public basic policy relating to exclusion of antisocial forces, as well as carried out prior review and post-event verification of business partners including customers.

The Company conducts monitoring to detect suspicious transactions in order to prevent the use of financial services provided by the AIFUL Group for financial crimes such as money laundering and financing of terrorism.

Approaches to antisocial forces

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

- (1) Setup of a handling and controlling organization and a manager for deterrence of unreasonable claims The General Affairs Department is designated as the handling and controlling organization concerning the issues related to anti-social forces. Under the instruction of the executive officer in charge of the General Affairs Department, it works with other relevant organizations to carry out investigations and deal with the issues.
- (2) Collaboration with outside specialist organizations AIFUL is able to consult with and closely notify police-related organizations, lawyers and equivalent professionals.
- (3) Collection and management of information concerning anti-social forces AIFUL participates in training sessions, conferences and other events organized by outside bodies and joins some outside bodies for the purpose of collecting information. We established the Risk Management Committee as an organization for the prompt detection of internal risks to collect and centrally manage risk information.
- (4) Creation of Action Manual AIFUL has created the Rules for prevention of damage by anti-social forces, Manual for Group Response to transactions with anti-social forces if such transactions are found and Action manual against anti-social forces as a response action that is obligatory in business. In addition, it has prepared different manuals for blocking relationships with anti-social forces.

Directors / Executive Officers of AIFUL CORPORATION

President and Representative
Director Chief Executive Officer

Mitsuhide Fukuda

Chairperson of Risk Management
Committee, In charge of Internal
Auditing Department

● Chairman and Representative
Director of LIFECARD Co., Ltd.

Chairman and Representative
Director

Yoshitaka Fukuda

● Director of
LIFECARD Co., Ltd.

Representative Director
Vice President Executive Officer

Keiji Masui

Senior General Manager of
Guarantee Business Division and
Corporate Sales Division

● President and Representative
Director of LIFECARD Co., Ltd.
● Chairman and Representative
Director of BitCash Inc.

Director/Vice Chairman
Executive Officer

Masayuki Sato

Senior General Manager of
Loan Business Division and
Credit Management Division,
In charge of Group Data
Analytics Department 1

● Director, Executive Officer
of LIFECARD Co., Ltd.

Director / Vice President
Executive Officer

Akira Kamiyo

Chairperson of Compliance
Committee, Senior General Manager
of Management Planning Division,
In charge of Personnel Department,
Group Communications Department,
Legal Department, Corporate Risk
Management Department and
Credit Assessment Department

● Director, Executive Officer of LIFECARD Co., Ltd.

Director (Outside)

Ryoko Kitazawa

Director, Audit and Supervisory Committee Members

Director (Outside)

Hitoshi Shimura

Director

Takaya Tsutsumi

Director (Outside)

Haruichi Suzuki

Director (Outside)

Shinichiro Maeda

Executive Officers of Group Companies

Senior Managing Executive Officer of AIFUL

Fumihiko Hirose

Senior General Manager of Finance
Division

Managing Executive Officer of AIFUL

Shinichiro Okuyama

In charge of Group Data Analytics
Department 2, Responsible for
Group Data Analytics Department 1

Managing Executive Officer of AIFUL

Kazuhiko Tsuda

In charge of Accounting Department

Managing Executive Officer of AIFUL

Atsushi Suda

Assistant Senior General Manager
of Corporate Sales Division,
In charge of General Affairs Department

Managing Executive Officer of AIFUL

Takayuki Nakata

Senior General Manager of
Group Systems Division

Managing Executive Officer of AIFUL

Akitaka Domoto

Responsible for Corporate Strategy
Department and Group Companies
Management Department

Managing Executive Officer of AIFUL

Toshiaki Ando

Assistant Senior General Manager
of Guarantee Business Division,
Responsible for the Operation
Management Department and
Credit Assessment Department

Managing Executive Officer of AIFUL

Yuji Fukuda

● President and Representative
Director of AG BUSINESS SUPPORT
CORPORATION
● President and Representative
Director of AG MEDICAL
CORPORATION
● President and Representative
Director of AG Capital Co., Ltd.

Managing Executive Officer of AIFUL

Ikuko Yamauchi

Assistant Senior General Manager of
Finance Division, Counsel of Accounting
Department, Responsible for Group
Communications Department

Managing Executive Officer of AIFUL

Hiroshi Azuma

Assistant Senior General
Manager of Loan Business
Division

Managing Executive Officer of AIFUL

Yasuhiko Hashimoto

● COO of PT REKSA FINANCE

Managing Executive Officer of AIFUL

Junichi Niizuma

Responsible for Internal
Auditing Department,
Legal Department and
Corporate Risk Management
Department

Managing Executive Officer of AIFUL

Etsushi Yamada

Assistant Senior General Manager
of Credit Management Division
● President and Representative
Director of AG Loan Services
Corporation

Executive Officer of AIFUL

Yoshihiro Fujii

Responsible for Personnel
Department

● President and Representative
Director of AG Payment Service
CO., LTD

Executive Officer of AIFUL

Ichiro Yamaguchi

Assistant Senior General Manager
of Group Systems Division

Executive Officer of AIFUL

Jun Mitsuishi

Responsible for Management
Planning Department,
General Manager of Management
Planning Department

Executive Officer of AIFUL

Yuki Okano

● Executive Officer of
LIFECARD Co., Ltd.

Executive Officer of AIFUL

Kotaro Matsuura

● President and Representative
Director of BitCash Inc.

Director, Senior Managing Executive Officer
of LIFECARD Co., Ltd.

Yasuo Hanashita

Managing Executive Officer of
LIFECARD Co., Ltd.

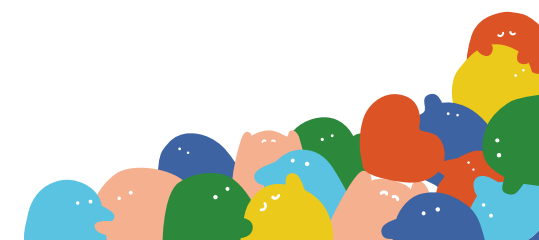
Hisashi Shimojo

Executive Officer of LIFECARD Co., Ltd.

Atsuki Inagaki

CEO of AIRA & AIFUL Public Company
Limited

Kimihiro Omori



Risk Factor

The company's risk management structure

AIFUL established the Risk Management Committee under the direct control of the Board of Directors in April 2007. The Company has established systems to prevent the rise of risks in advance and during emergencies to control and handle risks arising in each department and risks threatening corporate activities across the organization.

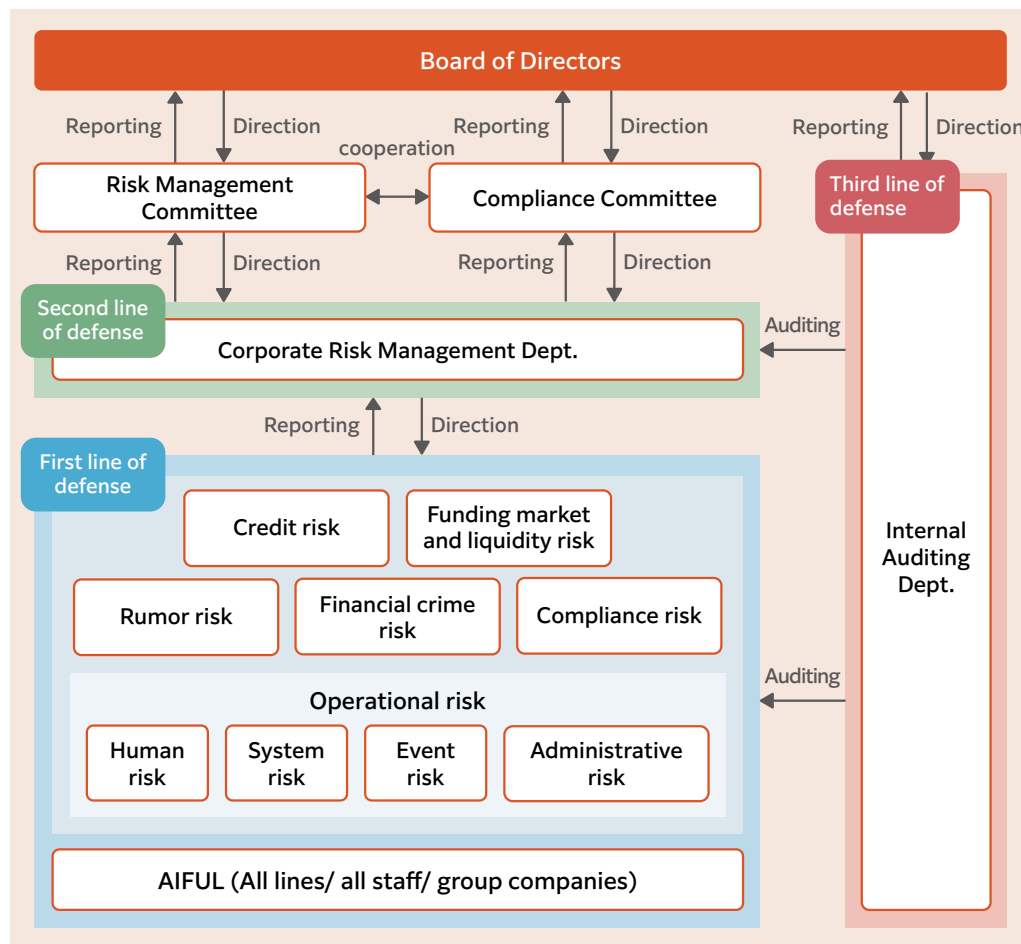
Specifically, we estimate and assess risks based on risk information collected continuously from departments and discuss measures to avoid and mitigate risks based on the Risk Management Rules. The Corporate Risk Management Dept. manages all the risk information reported by departments.

The Risk Management Committee regularly identifies risks, examines and instructs measures to avoid and mitigate risks, and takes the lead and gives instructions in the case of a crisis. The committee formulates a policy or method when it deems necessary in collecting risk information or taking measures or actions for a crisis, and obtains approval at the Board of Directors.

It also shares risk information related to the Compliance Committee with the Compliance Committee as necessary.

However, despite these actions, the Group's financial position and business performance may be affected by the change of management environment including the strengthening or relaxing of legal regulations, the situation of our competitors, and economic fluctuations, which may forcibly lead to the review of the Group's strategy.

[Structure diagram]



First line of defense

Departments executing businesses have roles of managing risks, following risk prevention policies, formulating a risk management plan as necessary, identifying and assessing risks in business execution, determining whether to avoid or take risks, and promptly controlling risks when they surface.

Second line of defense

The Corporate Risk Management Dept. has roles of supervising the first line of defense by category, as well as verifying, instructing, and supporting risk control conducted by departments managing risks by category in the first line of defense, and building a risk governance system for the entire Group as the department managing risks comprehensively.

Third line of defense

The Internal Auditing Dept. has a role of verifying the effectiveness and appropriateness of the systems and processes from a standpoint independent of the first and second lines of defense.

Top Risks

The Company has selected risks that the management recognized may have a significant impact on the business as top risks for FY2025/3 and beyond, based on the probability of a risk scenario and its impact on the business. The top risks will be discussed and determined every fiscal year at the Risk Management Committee. For the top risks, we will assess the heightening of risks and their signs and take necessary measures to control them.

	Risk event	Risk scenario	Our Group's Measures	Opportunities
①	Risk related to violation of laws and regulations and inappropriate actions by an employee(s)	Risk of undermining the trust of stakeholders when an employee(s) does not take appropriate actions in accordance with laws and regulations, social norms, business/market practices, and a customer perspective (this is so-called "misconduct").	● Set up the Group Compliance Committee with the goals of sharing the unified corporate ethics of the entire Group and establishing a compliance system for the whole Group ● Enhance organizations and systems as an internal control function and address operational risks with these systems ● Carry out inspections and ongoing improvements by implementing three lines (Each business execution department, Risk Management Department, Internal Audit Department) of defense	● Reform the compliance system and long-term organizational strengthening corporate culture ● Improve brand value by restoring trust
②	Risk of reduced competitiveness	Risk of reduced competitiveness in the market which occurs when the Company cannot appropriately respond to changing customers' expectations.	● Conduct activities to proactively gather market trends and customers' voices ● Enhance convenience utilizing digital technology by strengthening measures for improving UI/UX ● Diversify its business portfolio through business diversification and business expansion to overseas	● Develop products and services that capture new needs ● Create new services and markets through technological innovation
③	Risk of increase in credit cost	Risk of an increase in customers who have difficulty paying loans due to financial difficulties caused by worsening economic conditions.	● Build a system to instantly identify any signs, including periodic surveys of regular investigation of customers' creditability to maintain the soundness of receivables	● Reduce bad debt risk ● Improve profit structure through better quality of loan portfolio
④	Risk of rising interest rates	Risk of the rise of funding rate due to the fluctuating market environment, affecting the Company's business performance.	● Mitigate the risk of fluctuating interest rates by fixing the funding rate and diversifying procurement means based on the interest rate outlook and costs ● Manage the risk of interest rates with ALM (Asset Liability Management)	● Shift to a funding model that utilizes retained earnings and equity capital ● Shift to management that emphasizes capital efficiency indicators (ROIC, etc.)
⑤	Risk of funding liquidity	Risk of having difficulty procuring funds due to the market environment, a decrease in the Company's creditability.	● Manage funding liquidity with ALM ● Manage and report the financial covenants or early redemption clauses ● Diversify procurement, devise new procurement methods, and undertake measures to boost its rating	● Improve cash flow and reform financial structure ● Diversify procurement methods
⑥	Risk of cyber-attacks and system failures	Risk of having an impact of human error, natural disasters, and cyber-attacks and others similar events from outside the Group on the business.	● Strengthen its infrastructure such as duplicating core systems and establishing back-up systems ● Establish a system for information linkage inside and outside the industry based on in-house CSIRT, eliminate computer viruses, monitor the possibility of cyber-threats from outside the Group, implement measures to diagnose vulnerabilities from multiple aspects ● Reduce damage by implementing concrete measures such as the adoption of two-step authentication, holding regular in-house training etc.	● Evolution of Resilient IT Infrastructure ● Promote employee awareness of system risks
⑦	Risk of an impact of human resource shortage on the business plan	Risk of failure to secure personnel and human resources, making it impossible to execute the business plan and project.	● Recruit employees and provide ongoing training for employees to secure and develop a diverse workforce to ensure continued recruitment and retention of talented personnel ● Implement measures to optimize recruitment, placement, and evaluation through active use of a talent management system ● Carry out effective human resource development through clarification of requirements for organizations and positions ● Make continuous improvement of internal loyalty to enhance employee satisfaction.	● Acquire diverse and highly skilled human resources from outside ● Promote organizational renewal

Eleven-Year Summary (2015/3-2019/3)

For the Year (Millions of yen)	2015/3	2016/3	2017/3	2018/3	2019/3
Operating revenue	86,352	87,708	91,450	115,389	115,328
Operating expenses	125,914	81,032	84,440	112,897	112,297
Financial expenses	8,606	7,780	8,030	7,560	7,949
Provision for doubtful account	2,234	16,126	20,744	20,497	30,628
Personnel expenses	13,417	13,761	14,270	15,680	16,540
Interest repayment related expenses	-	2,897	-	12,384	11,501
Operating profit (loss)	(39,562)	6,676	7,009	2,492	3,031
Ordinary profit (loss)	(36,498)	6,860	7,399	2,823	4,110
Profit (loss) before income taxes	(35,853)	6,860	7,399	3,527	3,420
Profit (loss)	(36,499)	7,044	7,276	2,945	8,183
Profit (loss) attributable to owners of parent	(36,499)	7,044	7,276	3,958	9,346

At Year-End (Millions of yen)	2015/3	2016/3	2017/3	2018/3	2019/3
Loans outstanding	350,017	376,224	412,649	472,018	521,823
Non-performing loans*	70,418	66,158	66,401	71,515	79,294
Total assets	560,323	567,514	616,651	682,645	760,587
Allowance for doubtful accounts	79,708	72,643	70,172	66,959	70,469
Total liabilities	462,848	463,263	505,002	563,238	632,570
Interest-bearing debt	226,955	249,059	300,222	365,836	418,708
Net assets	97,475	104,250	111,649	119,407	128,016

Per Share Data (yen)	2015/3	2016/3	2017/3	2018/3	2019/3
Total number of shares issued	483,506,536	483,794,536	484,619,136	484,620,136	484,620,136
Basic profit (loss) (EPS)	(75.74)	14.59	15.05	8.18	19.32
Net assets (BPS)	200.45	214.16	228.94	236.13	256.45

Ratios (%)	2015/3	2016/3	2017/3	2018/3	2019/3
Equity ratio	17.3	18.2	18.0	16.7	16.3
ROE	(31.8)	7.0	6.8	3.5	7.8
ROA	(6.4)	1.2	1.2	0.4	0.6

*As the "Notes on Non-Performing Loans" in the "Cabinet Office Order on Account Management of specified finance companies" was revised on March 31, 2022, the classification is presented based on the classification after the revision of the said Cabinet Office Order from 2021/3.

Eleven-Year Summary (2020/3-2025/3)

For the Year (Millions of yen)	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3
Operating revenue	127,038	127,481	132,097	144,152	163,109	189,054
Operating expenses	125,358	109,950	120,855	120,427	142,045	163,751
Financial expenses	7,522	7,248	7,041	7,068	7,246	9,512
Provision for doubtful account	35,277	38,818	27,918	36,004	52,546	56,904
Personnel expenses	16,853	16,902	16,704	17,386	19,095	21,697
Interest repayment related expenses	16,927	-	19,929	-	-	-
Operating profit (loss)	1,679	17,530	11,242	23,724	21,064	25,302
Ordinary profit (loss)	1,716	19,305	12,265	24,428	22,067	26,817
Profit (loss) before income taxes	1,569	18,149	12,265	23,959	21,493	24,240
Profit (loss)	300	17,794	13,037	22,946	21,502	22,089
Profit (loss) attributable to owners of parent	1,390	184,375	12,334	22,343	21,818	22,516

At Year-End (Millions of yen)	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3
Loans outstanding	573,080	553,389	582,349	648,760	738,676	815,259
Non-performing loans*	86,422	87,393	97,121	104,904	120,627	125,910
Total assets	860,507	863,354	935,642	1,070,485	1,266,374	1,448,451
Allowance for doubtful accounts	72,294	77,830	78,246	79,623	92,601	102,675
Total liabilities	731,576	715,662	779,116	890,892	1,064,962	1,227,054
Interest-bearing debt	475,893	457,639	480,401	561,236	664,905	789,617
Net assets	128,931	147,692	156,526	179,593	201,412	221,396

Per Share Data (yen)	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3
Total number of shares issued	484,620,136	484,620,136	484,620,136	484,620,136	484,620,136	484,620,136
Basic profit (loss) (EPS)	2.88	38.12	25.50	46.19	45.10	46.91
Net assets (BPS)	260.53	300.92	318.17	364.01	409.04	455.12

Ratios (%)	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3
Equity ratio	14.6	16.9	16.4	16.4	15.6	15.0
ROE	1.1	13.6	8.2	13.5	11.7	10.8
ROA	0.2	2.2	1.4	2.4	1.9	2.0

*As the "Notes on Non-Performing Loans" in the "Cabinet Office Order on Account Management of specified finance companies" was revised on March 31, 2022, the classification is presented based on the classification after the revision of the said Cabinet Office Order from 2021/3.

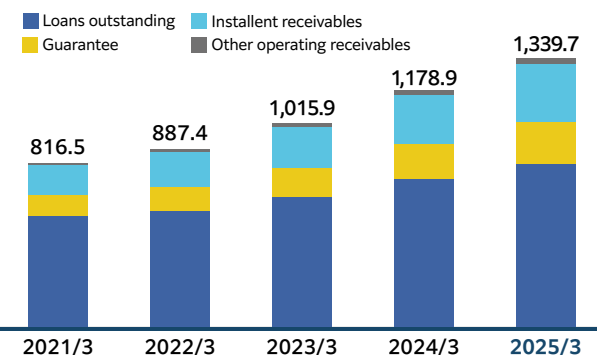
Consolidated Business Data

TOTAL RECEIVABLE OUTSTANDING

(Millions of yen)

	2021/3	2022/3	2023/3	2024/3	2025/3
Total receivable outstanding	816,579	887,407	1,015,910	1,178,983	1,339,705
Loans outstanding	553,389	582,349	648,760	738,676	815,259
Unsecured	481,687	505,255	550,647	614,131	666,528
Small business	53,421	58,810	72,133	89,145	102,257
Secured	18,281	18,282	25,979	35,399	45,794
Installment receivables	108,714	116,780	142,899	173,790	203,332
Guarantee	145,725	172,697	204,078	241,562	291,858
Other operating receivables	8,749	15,579	20,171	24,953	29,254

TOTAL RECEIVABLE OUTSTANDING (billions of yen)

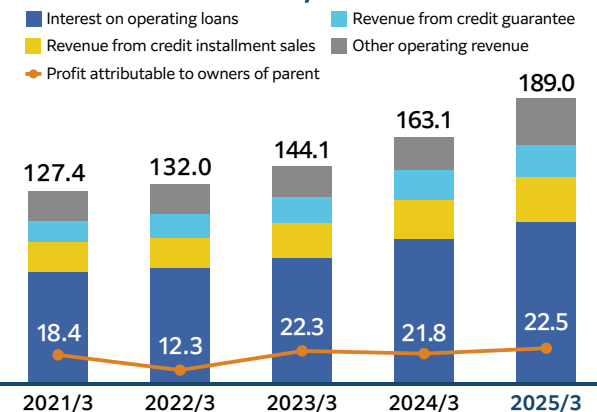


OPERATING REVENUE/PROFIT

(Millions of yen)

	2021/3	2022/3	2023/3	2024/3	2025/3
Operating revenue	127,481	132,097	144,152	163,109	189,054
Interest on operating loans	74,041	76,332	83,230	95,400	106,590
Unsecured	68,242	70,842	76,143	85,722	94,515
Small business	3,965	3,865	5,137	7,055	8,668
Secured	1,834	1,624	1,949	2,622	3,406
Revenue from installment sales	19,387	20,099	23,158	26,290	30,145
Revenue from credit guarantee	14,524	15,730	17,030	19,408	21,526
Other operating revenue	19,528	19,934	20,732	22,010	30,791
Operating expense	109,950	120,855	120,427	142,045	163,751
Operating profit	17,530	11,242	23,724	21,064	25,302
Profit attributable to owners of parent	18,437	12,334	22,343	21,818	22,516

OPERATING REVENUE/PROFIT (billions of yen)



NUMBER OF CUSTOMER ACCOUNTS (Thousands)

	2021/3	2022/3	2023/3	2024/3	2025/3
Number of customer accounts	1,425	1,464	1,625	1,716	1,795
Unsecured	1,387	1,425	1,582	1,666	1,739
Small business	33	35	40	46	52
Secured	3	3	3	3	4
Credit card holders	5,382	5,240	5,141	5,051	5,035
Number of customer accounts of Installment credit sales	26	42	81	130	173

AVERAGE FUNDING COST (%)

	2021/3	2022/3	2023/3	2024/3	2025/3
Average funding cost	1.38	1.22	1.11	1.10	1.42
Indirect	1.54	1.39	1.27	1.20	1.57
Direct	1.13	0.95	0.81	0.86	1.11
Share of indirect	59.6	62.0	66.2	68.4	66.7
Share of direct	40.4	38.0	33.8	31.6	33.3

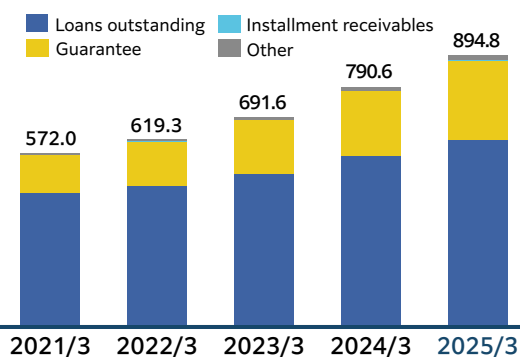
AIFUL CORPORATION Business Data

TOTAL RECEIVABLE OUTSTANDING

(Millions of yen)

	2021/3	2022/3	2023/3	2024/3	2025/3
Total receivable outstanding	572,070	619,388	691,689	790,608	894,844
Loans outstanding	438,300	461,884	502,874	562,913	614,222
Unsecured	425,848	449,747	490,096	548,554	597,976
Small business	7,638	8,635	10,275	12,522	14,860
Secured	4,813	3,501	2,502	1,836	1,385
Guarantee	125,984	148,475	177,303	213,333	263,788
Installment receivables	268	226	185	162	140
Other	7,517	8,802	11,326	14,198	16,693

TOTAL RECEIVABLE OUTSTANDING (billions of yen)

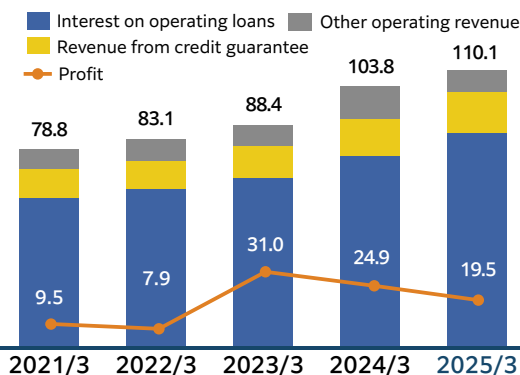


OPERATING REVENUE/PROFIT

(Millions of yen)

	2021/3	2022/3	2023/3	2024/3	2025/3
Operating revenue	78,826	83,117	88,449	103,867	110,158
Interest on operating loans	59,732	63,071	67,596	76,323	85,603
Unsecured	58,559	61,872	66,274	74,753	83,736
Small business	697	809	1,040	1,359	1,265
Secured	475	388	281	210	146
Revenue from credit guarantee	11,136	11,447	12,447	14,397	16,198
Other operating revenue	7,957	8,598	8,406	13,146	8,356
Operating profit	10,473	4,757	19,127	24,339	20,391
Profit	9,583	7,912	31,028	24,998	19,562

OPERATING REVENUE/PROFIT (billions of yen)



NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2021/3	2022/3	2023/3	2024/3	2025/3
Number of loan accounts	933	980	1,115	1,256	1,348
Unsecured	922	968	1,103	1,243	1,335
Small business	8	9	10	11	12
Secured	2	2	1	1	0

AVERAGE YIELD (%)

	2021/3	2022/3	2023/3	2024/3	2025/3
Average yield	14.3	14.4	14.3	14.5	14.6
Unsecured	14.4	14.5	14.3	14.5	14.6
Small business	12.8	13.4	13.4	13.3	13.4
Secured	8.1	9.4	9.4	9.7	9.1

NEW ACCOUNTS

	2021/3	2022/3	2023/3	2024/3	2025/3
New accounts (Operating loans)	161,186	210,104	301,262	338,783	325,676
Unsecured	161,111	210,014	301,183	338,657	325,528

AMOUNT OF WRITE-OFFS/ RATIO OF WRITE-OFFS

	2021/3	2022/3	2023/3	2024/3	2025/3
Amount of write-offs (Millions of yen)	22,457	20,521	21,795	24,696	1.42
Ratio of write-offs (%)	3.9	3.3	3.2	3.1	3.2

Non-financial Data

Human resource

	2022/3	2023/3	2024/3	2025/3
Number of employees (including non-consolidated)	3,969	4,409	4,982	5,003
Number of employees (consolidated only)	3,148	3,275	3,716	4,043
Number of foreign employees (including non-consolidated)	892	928	993	1,034
Number of employees with disabilities ※1	23	19	25	25
Rate of female employees taking childcare leave ※1(%)	74	100	100	100
Rate of male employees taking childcare leave ※1(%)	106.7	63.6	96.7	175.0
Rate of annual paid leaves taken ※2(%)	73.4	77.8	74.3	68.2
Employees' average years of service ※2	15.4	15.1	12.7	12.5
Average age ※2	40.1	39.9	38.5	38.46
Number of in-house engineers (including non-consolidated)	30	110	247	327
Number of in-house data analysts, data scientists (including non-consolidated)	30	39	63	68
Number of in-house designers (including non-consolidated)	12	15	19	23

Environment・Society・Governance

	2022/3	2023/3	2024/3	2025/3
Inside directors	6	6	6	6
Outside directors	3	3	3	3
Ratio of outside directors	33.30%	33.30%	33.30%	33.30%
Number of Board of Directors Meetings	43	42	39	31
Number of IR Briefings (Financial Results Briefings / Individual Shareholder Briefings)	3	3	3	4
Number of compliance study sessions	4	4	4	4
Amount of donation through credit card (Yen)	11,920,000	5,920,000	4,870,000	9,460,000
Total (t-CO2) ※3	6,767	6,545	5,798	5,672
Scope1 Direct CO2 emissions (t-CO2)	791	691	684	610
Scope2 Indirect CO2 emissions (t-CO2)	5,975	5,854	5,114	5,061

Customer base・brands

	2022/3	2023/3	2024/3	2025/3
App evaluation iOS (AIFUL)	4.6	4.6	4.6	4.6
App evaluation Android (AIFUL)	4.5	4.6	4.3	4.7
Incoming call rate per account (AIFUL) (HP, application renovation, and QA enhancement)	16%	16%	14%	11%
Number of data analysis	133	168	239	294
Number of in-house design products ※4	-	756	948	990

※1 Employee of the AIFUL

※2 AIFUL only

※3 Effective from the FY ended March 2023, the calculation method has been revised to improve the accuracy of acquired data.

※4 The number of in-house designers began being tallied starting with the FY ended March 2023.

Financial Report by the Management Team

① Consolidated business results

During the consolidated fiscal year under review, Japanese economy showed a gradual recovery as restrictions on activities due to COVID-19 have been lifted and socio-economic activities have normalized. However, the outlook remains uncertain due to factors such as rising interest rates resulting from changes in the Bank of Japan's monetary easing policy, fluctuations in foreign exchange rates, and rising prices against the backdrop of soaring energy and raw material prices.

In the non-bank industry surrounding the AIFUL Group, the number of new contracts and the balance of operating loans outstanding business have continued to increase against a backdrop of brisk capital needs. Although the status of interest repayment claims is susceptible to changes in the external environment and certain considerations are necessary, the number of claims is steadily decreasing.

Under these circumstances, AIFUL Group has aimed to grow the balance of operating loans and the top line by enhancing UI/UX from a customer's perspective as well as by investing in advertising with an emphasis on efficiency. In addition, we will continue to invest in IT human resources to promote DX and in-house production in order to optimize costs and raise the profit level.

In the consolidated fiscal year under review, AIFUL Group's operating revenue amounted to 189,054 million yen (up 15.9 % year on year). The principal components were 106,590 million yen in interest on loans receivable (up 11.7 % year on year), 22,891 million yen in revenue from the credit card business (up 5.9 % year on year) and 21,526 million yen in revenue from the credit guarantee business (up 10.9 % year on year).

Operating expenses increased 15.3 % year on year to 163,751 million yen. This was mainly due to financial expenses of 9,512 million yen (up 31.3% year on year), advertising expenses of 18,557 million yen (up 4.3% year on year) and provision for doubtful accounts of 56,904 million yen (up 8.3 % year on year).

In addition, due to an increase in the number of consolidated subsidiaries, operating revenue increased by 4,728 million yen in insurance premiums and 3,127 million yen in fee income, and operating expenses increased by 3,582 million yen in insurance claims.

As a result, AIFUL Group's operating profit for the fiscal year under review was 25,302 million yen (up 20.1% year on year), and ordinary profit was 26,817 million yen (up 21.5% year on year). Profit attributable to owners of the parent was 22,516 million yen (up 3.2% year on year) as a result of posting impairment loss of 1,582 million yen due to review of system development policy, bad debt write offs of 498 million yen incurred as a result of phishing scams and provision of allowance for doubtful accounts of 366 million yen for loans to subsidiaries.

② By business

● Unsecured loan

The market for unsecured loans to individuals has continued to expand on the back of solid demand for funds, and the market stood at 9.9 trillion yen, up 4.3% year on year, as of December 2024. Of this, financial institutions accounted for 5.5 trillion yen, up 3.5% year on year, and the total of companies specializing in consumer finance and credit card companies for 4.4 trillion yen, up 5.4% year on year.

In the loan business, in addition to effective and efficient advertising strategies on TV commercials and web advertising, the Company has been implementing initiatives to improve UI/UX and customer satisfaction, such as speedily upgrading official sites, smartphone apps, and application forms through in-house production in the digital field.

The AIFUL Group's balance of unsecured loans was 666,528 million yen, up 8.5% year on year, and AIFUL's non-consolidated one was 597,976 million yen, up 9.0% year on year.

● Small business loan

In the small business loan market for small- and medium-sized companies, the number of corporate bankruptcies has increased due to labor shortages and higher costs for raw materials, supplies, energy, etc. However, since the resumption of economic activity after Corona, demand for funds has continued to recover.

As a result, the balance for small business loans was 102,257 million yen, an increase of 14.7% year on year. Of this, AG Business Support accounted for 85,358 million yen, up 13.8% year on year, and AIFUL's non-consolidated balance was 14,860 million yen, up 18.7% year on year.

Financial Report by the Management Team

● Credit card

In the credit card market, domestic transaction volume of credit card increased 11.1% year on year to 101 trillion yen in fiscal 2024 due to the recovery of consumer expenditure, the increase in cashless payments, and spread of corporate cards, indicating that the market will continue to expand in the future.

In the credit business, LIFE CARD has worked to acquire new members and increase active cardholders by issuing new tie-up cards, adding app functions to meet customer needs, expansion of courtesy service and developing new acquisition sales channels.

As a result, the transaction volume for the consolidated fiscal year under review was 771,942 million yen (up 4.1 % year on year), and the balance of installment receivables for credit card business at the end of the fiscal year under review was 115,491 million yen (up 3.4% year on year).

● Credit guarantee

In the credit guarantee business, AIFUL has leveraged its credit screening know-how for individuals and small- and medium-sized enterprises as well as its unique strengths as an independent entity to increase the credit guarantee balance by promoting the diversification of credit guarantee products and increasing the number of guarantee partners.

As a result, the balance of credit guarantees at the end of the fiscal year under review was 291,858 million yen (up 20.8% year on year), of which AIFUL's credit guarantee balance was 263,788 million yen (up 23.7 % year on year) and LIFE CARD's credit guarantee balance was 28,926 million yen (down 2.2 % year on year).

③ Overview of balance sheet

Assets at the end of the consolidated fiscal year under review increased by 182,076 million yen from the end of the previous fiscal year to 1,448,451 million yen (up 14.4% from the end of the previous fiscal year). This was primarily due to an increase of 76,536 million yen in operating loans, an increase of 29,546 million yen in installment receivables and an increase of 9,707 million yen of goodwill.

Liabilities increased by 162,092 million yen to 1,227,054 million yen (up 15.2% from the end of the previous fiscal year). This was primarily due to an increase related to fund procurement through borrowings from financial institutions.

Net assets increased by 19,984 million yen to 221,396 million yen (up 9.9% from the end of the previous fiscal year). The increase was mainly attributable to an increase in retained earnings.

④ Overview of cash flows

Cash and cash equivalents ("funds") increased 3,993 million yen or 7.7%, compared with the end of the previous fiscal year, to 55,928 million yen. The situation of each category of cash flow for the current fiscal year and the contributing factors are as follows.

● Cash flows from operating activities

Net cash used for operating activities amounted to 82,874 million yen, an increase of 11.7% compared with the previous fiscal year. This was mainly due to a decline in funds reflecting an increase in operating loans and installment receivables.

● Cash flows from investing activities

Net cash used for investing activities amounted to 35,099 million yen, an increase of 175.0% compared with the previous fiscal year. This was mainly due to purchases of property, plant and equipment and purchases of shares of subsidiaries resulting in a change in scope of consolidation.

● Cash flows from financing activities

Net cash provided by financing activities amounted to 119,822 million yen an increase of 18.7%, compared with the previous fiscal year. This was mainly due to borrowings exceeding repayments.

⑤ Fund procurement trends

The AIFUL Group, which conducts mainly financial business, procures funds required for business expansion from outside the Group. The Group adjusts for market conditions and the balance between long- and short-term borrowings and procures funds both indirectly from financial institutions and directly through corporate bonds in order to build a safe and robust procurement platform.

At the end of fiscal 2024, the balance of loans, including off-balance sheet borrowings, was 834,482 million yen, a rise of 17.6% year on year. The balance of loans via indirect procurement stood at 556,580 million yen. This accounted for 66.7% of total borrowings. The interest rate on indirect financing was 1.57%, up 0.37 points year on year.

The balance of loans via direct procurement, accounting for 33.3% of total borrowings, was 277,902 million yen. This breaks down to 174 million yen in commercial papers, 110,000 million yen in regular corporate bonds and securitization of 150,502 million yen. The interest rate on direct financing was 1.11%, up 0.25 points year on year, and the funding interest rate which includes interest rates on direct and indirect financing was 1.42%, up 0.32 points year on year. At the end of fiscal 2024, short-term borrowings amounted to 111,382 million yen, and long-term borrowings stood at 723,099 million yen.

Financial Report by the Management Team

⑥ Non-performing loan

According to the judicial statistics of the Supreme Court, it still stays at a low level compared to the early 2000s, when bankruptcy due to multiple debts became an issue.

In fiscal 2024, the Group's total non-performing loans stood at 125,910 million yen, a rise of 4.4% year on year. Of this, the amount of non-performing loans on unsecured loans, a mainstay product, was 100,540 million yen, an increase of 4.8% year on year and the amount of non-performing loans, consisting mainly of real estate-secured loans and other than unsecured loans, totaled 25,369 million yen, an increase of 2.7% year on year. Meanwhile, restructured loans with a high share of non-performing unsecured loans stood at 56,127 million yen, a rise of 2.6% year on year. However, we think that the collectability of restructured loans is high, and that they are not directly related to bad debt.

Status of four categories of non-performing loans (Millions of yen)

2024/3	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured loans		
Loans in legal bankruptcy	660	12,854	582	14,098
Doubtful loans	28,519	8,807	9,865	47,192
Loans 3 months more in arrears	10,913	464	-	11,377
Restructured loans	55,820	2,587	6,725	65,133
Performing loans	513,496	89,544	261,966	865,007
Total	609,410	114,258	279,140	1,002,809

2025/3	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured loans		
Loans in legal bankruptcy	841	11,142	733	12,716
Doubtful loans	32,728	10,492	11,934	55,156
Loans 3 months more in arrears	10,843	324	-	11,167
Restructured loans	56,127	3,410	7,435	66,972
Performing loans	566,277	106,648	310,467	983,393
Total	666,818	132,017	330,570	1,129,406

⑦ Write-offs

In fiscal 2024, the amount of write-offs, including debt waived in tandem with interest repayment claims, totaled 45,852 million yen, an increase of 25.4%, in comparison with a year earlier.

Write-off debt waived in tandem with interest repayment claims was 367 million yen, a decline of 38.5% year on year, indicating a declining trend. Other ordinary bad debts were 45,485 million yen (up 26.4% year on year), and the write-off ratio excluding debt forgiveness arising from interest repayment claims accounted for 3.5% of total operating receivables (up 0.4 percentage points year on year), which indicates that the write-off ratio remains stable and low.

Accordingly, provisions to the allowance for doubtful accounts in fiscal 2025 totaled 56,904 million yen, an increase of 8.3%, in contrast with the previous fiscal year. At the end of fiscal 2025, the balance for the allowance for doubtful accounts came to 102,675 million yen (including 1,196 million yen in allowance for debt waived in tandem with interest repayment claims).

⑧ Dividend policy

The return of profits to shareholders is a management priority for the AIFUL Group. The Group's basic policy calls for stable retained earnings and the return of profits in line with business results, while aiming to maximize shareholder value through medium- to long-term profit growth.

We have decided to pay year-end dividend of 1 yen/share in fiscal 2024. For the next fiscal year, we plan to pay an annual dividend of 12.00 yen per share (6.00 yen per share at the end of the second quarter, 6.00 yen per share at the end of the fiscal year).

Internal reserves are to be utilized flexibly and efficiently for M&A promotion with a view to generating future profits and for stable and continuous shareholder returns in accordance with the medium-term management plan for the fiscal year ended March 2025 through the fiscal year ending March 2027 with targets of an "equity ratio of 15% or more" and "total return ratio of approximately 20%"

	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3	2026/3 (Forecast)
Full Year(yen)	-	1	1	1	1	1	12
Interim	-	0	0	0	0	0	6
Year-end	-	1	1	1	1	1	6
Stock Buy-back (yen)	-	-	-	-	1.9billion	-	-
Total Payout ratio(%)	-	2.6	3.9	2.2	2.1	11.0	24.1

Consolidated Balance Sheets

Assets (Millions of yen)

	2024/3	2025/3
Current assets		
Cash and deposits	56,917	60,608
Operating loans	709,137	785,674
Accounts receivables - installment	167,753	197,300
Operational investment securities	2,989	3,361
Customers' liabilities for acceptances and guarantees	256,096	303,943
Other operating receivables	16,573	19,376
Purchased receivables	8,380	9,877
Accrued receivables	23,570	18,090
Other	28,181	28,723
Allowance for doubtful accounts	(79,021)	(90,017)
Total current assets	1,190,579	1,336,938
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,730	26,667
Accumulated depreciation	(18,156)	(17,881)
Buildings and structures, net	5,574	8,786
Machinery, equipment and vehicles	451	546
Accumulated depreciation	(315)	(332)
Machinery, equipment and vehicles, net	136	214
Furniture and fixtures	5,729	4,773
Accumulated depreciation	(4,786)	(3,908)
Furniture and fixtures, net	942	865
Land	8,816	23,962
Leased assets	4,564	4,657
Accumulated depreciation	(3,946)	(4,434)
Leased assets, net	618	223
Construction in progress	1,003	102
Total property, plant and equipment	17,092	34,154
Intangible assets		
Software	6,728	7,890
Software in progress	7,448	9,456
Goodwill	-	9,707
Customer-related assets	-	2,283
Other	173	164
Total intangible assets	14,349	29,502
Investment and other assets		
Investment securities	12,086	8,247
Claims provable in bankruptcy	15,131	13,924
Deferred tax assets	20,212	24,535
Lease and guarantee deposits	3,979	1,830
Other	6,522	11,975
Allowance for doubtful accounts	(13,579)	(12,657)
Total investments and other assets	44,353	47,855
Total non-current assets	75,794	111,512
Total non-current assets	1,266,374	1,448,451

Liabilities (Millions of yen)

	2024/3	2025/3
Current liabilities		
Notes & accounts payable-trade	68,069	60,961
Acceptances and guarantees	256,096	303,943
Short-term borrowings	101,627	84,894
Short-term loans payable to subsidiaries and associates	959	488
Commercial papers	-	17,400
Current portion of bonds	30,000	15,000
Current portion of long-term borrowings	233,660	252,042
Income taxes payable	3,871	4,171
Allowance for bonuses	1,671	1,858
Provision for share-based remuneration	58	70
Deferred installment income	12,854	18,332
Other	38,728	30,306
Total current liabilities	747,598	789,470
Non-current liabilities		
Bonds payable	50,000	95,000
Long-term borrowings	248,657	324,792
Deferred tax liabilities	107	343
Provision for loss on interest repayment	11,760	8,772
Policy reserves and others	-	1,868
Other	6,838	6,808
Total non-current liabilities	317,364	437,584
Total liabilities	1,064,962	1,227,054

Net Assets (Millions of yen)

	2024/3	2025/3
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	14,017	14,017
Retained earnings	90,345	112,319
Treasury shares	(2,655)	(4,541)
Total shareholders' equity	195,735	215,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,283	813
Foreign currency translation adjustment	890	1,285
Total accumulated other comprehensive income	2,174	2,098
Non-controlling interests	3,502	3,473
Total net assets	201,412	221,396
Total liabilities and net assets	1,266,374	1,448,451

Consolidated Statements of Income

(Millions of yen)	2024/3	2025/3
Operating revenue		
Interest on loans receivable	95,400	106,590
Revenue from credit card business	21,625	22,891
Revenue from installment sales	4,665	7,253
Revenue from credit guarantee	19,408	21,526
Other financial revenue	8	29
Insurance premiums	-	4,728
Commission income	2,942	6,966
Other operating revenue		
Collection from purchased receivable	1,341	1,865
Recoveries of written off claims	7,428	6,707
Other	10,290	10,495
Total other operating revenue	19,060	19,068
Total operating revenue	163,109	189,054
Operating expenses		
Financial expenses		
Interest expenses	5,984	7,534
Interest on bonds	568	853
Other	692	1,124
Total financial expenses	7,246	9,512
Cost of sales		
Other	332	355
Total cost of sales	332	355
Insurance claims and others	-	3,582
Other operating expenses		
Advertising expenses	17,788	18,557
Commissions	19,499	24,371
Provision of allowance for doubtful accounts	52,546	56,904
Employees' salaries, allowances and bonuses	13,673	15,609
Provision for bonuses	1,567	1,741
Retirement benefit expenses	520	519
Welfare expenses	2,945	3,329
Other	25,925	29,268
Total other operating expenses	134,466	150,300
Total operating expenses	142,045	163,751
Operating profit	21,064	25,302

(Millions of yen)	2024/3	2025/3
Non-operating income		
Interest on loans receivable	83	64
Share of profit of entities accounted for using equity method	63	31
Foreign exchange gains	551	1,208
Other	342	259
Total non-operating income	1,041	1,563
Non-operating expenses		
Provision for doubtful accounts	-	2
Loss on liquidation of subsidiaries	-	20
Other	37	26
Total non-operating expenses	37	49
Ordinary profit	22,067	26,817
Extraordinary income		
Gain on the sale of fixed assets	79	-
Total extraordinary income	79	-
Extraordinary losses		
Bad debt write offs	-	498
Impairment loss	-	1,582
Loss on valuation of investment securities	47	-
Loss on valuation of stocks of subsidiaries and affiliates	420	119
Provision for doubtful accounts	186	366
Other	-	10
Total extraordinary losses	653	2,576
Profit before income taxes	21,493	24,240
Income taxes – current	5,007	5,989
Income taxes – deferred	(5,016)	(3,838)
Total income taxes	(8)	2,151
Profit	21,502	22,089
Profit (loss) attributable to non-controlling interests	(316)	(427)
Profit attributable to owners of parent	21,818	22,516

Consolidated Statements of Comprehensive Income (Millions of yen)	2024/3	2025/3
Profit	21,502	22,089
Other Comprehensive income		
Valuation difference on available-for-sale securities	160	(470)
Foreign currency translation adjustment	594	793
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	754	323
Comprehensive income	22,256	22,412
Comprehensive income attributable to		
Owners of parent	22,274	22,441
Non-controlling interests	(18)	(28)

Consolidated Statements of Change in Shareholders' Equity

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total share-holders' equity
Balance at April 1, 2023	94,028	14,017	69,419	(3,110)	174,354
Changes during the period					
Dividends of surplus			(483)		(483)
Profit attributable to owners of parent			21,818		21,818
Purchase of treasury shares				(0)	(0)
Transfer from retained earnings to capital surplus		409	(409)		-
Restricted stock compensation		(409)		455	45
Net changes in accounts other than shareholders' equity	-	-	-	-	-
Total change during fiscal year	-	-	20,925	455	21,380
Balance at March 31, 2024	94,028	14,017	90,345	(2,655)	195,735

For the fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total share-holders' equity
Balance at April 1, 2024	94,028	14,017	90,345	(2,655)	195,735
Changes during the period					
Dividends of surplus			(483)		(483)
Profit attributable to owners of parent			22,516		22,516
Purchase of treasury shares				(2,000)	(2,000)
Transfer from retained earnings to capital surplus		58	(58)		-
Restricted stock compensation		(58)		114	56
Net changes in accounts other than shareholders' equity	-	-	-	-	-
Total change during fiscal year	-	-	21,974	(1,885)	20,088
Balance at March 31, 2025	94,028	14,017	112,319	(4,541)	215,824

(Millions of yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total		
Balance at April 1, 2023	1,123	595	1,718	3,520	179,593
Changes during the period					
Dividends of surplus					(483)
Profit attributable to owners of parent					21,818
Purchase of treasury stock					(0)
Transfer from retained earnings to capital surplus					-
Restricted stock compensation					45
Net changes in accounts other than shareholders' equity	160	295	456	(18)	437
Total change during fiscal year	160	295	456	(18)	21,818
Balance at March 31, 2024	1,283	890	2,174	3,502	201,412

(Millions of yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total		
Balance at April 1, 2024	1,283	890	2,174	3,502	201,412
Changes during the period					
Dividends of surplus					(483)
Profit attributable to owners of parent					22,516
Purchase of treasury stock					(2,000)
Transfer from retained earnings to capital surplus					-
Restricted stock compensation					56
Net changes in accounts other than shareholders' equity	(470)	394	(75)	(28)	(104)
Total change during fiscal year	(470)	394	(75)	(28)	19,984
Balance at March 31, 2025	813	1,285	2,098	3,473	221,396

Consolidated Statements of Cash Flows

Cash flows from operating activities

(Millions of yen)

	FY ended March 31, 2024 (Apr. 1 2023 to Mar. 31 2024)	FY ended March 31, 2025 (Apr. 1 2024 to Mar. 31 2025)
Profit before income taxes	21,493	24,240
Depreciation	3,913	4,347
Impairment loss	-	1,582
Amortization of goodwill	-	775
Increase (decrease) in policy reserves and others	-	(184)
Increase (decrease) in allowance for doubtful accounts	12,424	9,042
Increase (decrease) in provision for bonuses	112	161
Increase (decrease) in provision for directors' bonuses	(44)	-
Increase (decrease) in provision for share-based remuneration	7	12
Increase (decrease) in allowance for loss on interest repayment	(5,623)	(2,988)
Interest and dividend income	(146)	(98)
Decrease (increase) in foreign exchange gains	(551)	(1,142)
Loss on valuation of shares of subsidiaries and associates	420	119
Loss (gain) on valuation of investment securities	47	-
Share of loss (profit) of entities accounted for using equity method	(63)	(31)
Loss (gain) on sale of fixed assets	(79)	-
Loss on liquidation of subsidiaries	-	20
Decrease (increase) in operating loans receivable	(92,280)	(72,152)
Decrease (increase) in accounts receivable – installment	(31,194)	(29,546)
Decrease (increase) in other operating receivables	(3,387)	(2,803)
Decrease (increase) in purchased receivable	(1,394)	(1,497)
Decrease (increase) in accrued receivables	(9,291)	9,217
Decrease (increase) in deposits	10,157	(10,056)
Decrease (increase) in claims provable in bankruptcy	3,035	1,207
Decrease (increase) in business guarantee deposits, etc.	(41)	2,610
Decrease (increase) in other current assets	(8,036)	(560)
Increase (decrease) in other current liabilities	29,117	(8,024)
Other	147	(1,840)
Subtotal	(71,260)	(77,588)
Interest and dividend income	167	118
Income taxes refund	54	84
Income taxes paid	(3,169)	(5,489)
Cash flow from operating activities	(74,208)	(82,874)

Cash flows from investing activities

(Millions of yen)

	FY ended March 31, 2024 (Apr. 1 2023 to Mar. 31 2024)	FY ended March 31, 2025 (Apr. 1 2024 to Mar. 31 2025)
Payments into time deposits	(4,949)	(4,646)
Proceeds from withdrawal of time deposits	5,332	4,949
Purchase of property, plant and equipment	(2,296)	(18,189)
Proceeds from sales of property, plant and equipment	175	-
Purchase of intangible assets	(7,806)	(7,048)
Purchase of investment securities	(1,302)	(1,504)
Proceeds from liquidation of subsidiaries	-	1,242
Payments of long-term loans receivable	(2,354)	(2,627)
Proceeds from collection of long-term loans receivable	137	210
Purchase of shares of subsidiaries resulting in a change in scope of consolidation	-	(6,759)
Other	301	(726)
Cash flows from investing activities	(12,762)	(35,099)

Cash flows from financing activities

(Millions of yen)

	FY ended March 31, 2024 (Apr. 1 2023 to Mar. 31 2024)	FY ended March 31, 2025 (Apr. 1 2024 to Mar. 31 2025)
Proceeds from short-term borrowings	1,635,716	2,284,179
Repayments of short-term borrowings	(1,605,238)	(2,303,074)
Proceeds from issuance of commercial papers	184,400	273,200
Redemption of commercial papers	(196,400)	(255,800)
Proceeds from long-term loans payable	259,187	365,698
Repayments of long-term loans payable	(210,131)	(271,428)
Proceeds from issuance of bonds	35,000	60,000
Redemption of bonds	-	(30,000)
Cash dividends paid	(483)	(483)
Purchase of treasury stock	-	(2,000)
Other	(1,119)	(468)
Cash flows from financing activities	100,929	119,822
Effect of exchange rate changes on cash and cash equivalents	89	60
Net increase (decrease) in cash and cash equivalents	14,048	1,907
Cash and cash equivalents at beginning of period	37,885	51,934
Increase in cash and cash equivalents from newly consolidated subsidiaries	-	2,086
Cash and cash equivalents at end of period	51,934	55,928

Notes to Consolidated Financial Statements

Significant items forming the basis for the preparation of consolidated financial statements

1. Matters concerning the scope of consolidation

① Number of consolidated subsidiaries: 9

Names of consolidated subsidiaries

LIFECARD Co., Ltd., AG Business Support Corporation, AG Loan Services Corporation, AG Payment Service CO., LTD., AIRA & AIFUL Public Company Limited, and four other companies.

FPC Co., Ltd., a non-consolidated subsidiary to which the equity method was applied until the previous fiscal year, became a consolidated subsidiary from the beginning of the current fiscal year due to an increase in its materiality. In addition, in the current fiscal year, the Company acquired shares of BitCash Inc. on June 28, 2024, making it a consolidated subsidiary, and the deemed acquisition date was June 30, 2024.

② Name, etc., of non-consolidated subsidiaries

- AG Partners Corporation
- AG Smile Leaseback Corporation
- and thirteen other companies

(Reason for exclusion from the scope of consolidation)

Each of the non-consolidated subsidiaries are small in scale and the total assets, operating revenue, profit or loss (corresponding to equity) and retained earnings (corresponding to equity) of those companies in aggregate have an insignificant impact on the consolidated financial statements.

Therefore, they have been excluded from the scope of consolidation.

2. Matters concerning application of the equity method

① Number of non-consolidated subsidiaries and affiliated companies accounted for using the equity method: 1

Name of company: Anshin Guarantor Service Co., Ltd.

② Name of major non-consolidated subsidiaries or affiliated companies not accounted for using the equity method AG Partners Co., Ltd., AG Smile Leaseback Corporation and thirteen other companies (Reason for not applying the equity method)

Each of the non-consolidated subsidiaries or affiliated companies not accounted for using the equity method are small in scale and the profit or loss (corresponding to equity), retained earnings (corresponding to equity), etc. of those companies in aggregate have an insignificant impact on the consolidated financial statements.

Therefore, they have been excluded from the scope of application of the equity method. There are no affiliated companies to which the equity method does not apply.

3. Matters concerning the fiscal year, etc., of consolidated subsidiaries

Of the consolidated subsidiaries, the closing date of AIRA & AIFUL Public Company Limited is December 31. In preparing the consolidated financial statements, the financial statements as of the above date were used and the necessary adjustments for consolidation were made for important transactions occurring between said date and the consolidated closing date.

4. Matters concerning accounting policies

① Valuation standards and valuation method for significant assets

(i) Securities Held-to-maturity securities Amortized cost method (straight line method) Available-for-sale securities

*Items other than shares with no market value Stated at fair value by the market value method, based on market price, etc., as of the consolidated closing date. (All differences in valuation are fully included in the net asset method, and sales costs are calculated by the moving average method.)

*Shares with no market value Stated at cost determined by the moving average method.

The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under paragraph 2, Article 2 of the Financial Instruments and Exchanges Act, is calculated based on the most recent financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.

Notes to Consolidated Financial Statements

2 Depreciation method of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The Company and its consolidated subsidiaries adopt the declining balance method.

However, buildings (excluding attached facilities) acquired on or after April 1, 1998 are depreciated using the straight-line method at consolidated subsidiaries.

The useful life of major assets is as follows:

Buildings and structures: 2 to 62 years

Machinery, equipment and vehicles: 2 to 17 years

Furniture and fixtures: 2 to 20 years

(ii) Intangible assets (excluding leased assets)

Straight-line method Software for internal use is amortized based on the period of internal use (five years).

(iii) Leased assets

Leased assets pertaining to finance lease transactions involving the transfer of ownership Depreciated by the same method applied to non-current assets owned by the Company.

Leased assets pertaining to finance lease transactions not involving the transfer of ownership Depreciated over the lease period by the straight-line method, assuming the residual value is zero.

Overseas consolidated subsidiaries, which prepare financial statements based on the International Financial Reporting Standards, have adopted the International Financial Reporting Standard 16 "Lease" (hereinafter referred to as "IFRS 16") from the consolidated fiscal year under review, as described in (Changes in accounting policies). Due to this adoption, the lessees book all leases on their balance sheets as assets and liabilities.

Right-of-use assets booked as assets are depreciated using the straight-line method.

3 Booking of major allowances

(i) Allowance for doubtful accounts

To provide for losses on operating loans caused by bad debt, an amount deemed necessary based on historical losses is booked as an allowance for ordinary receivables, and an estimated uncollectible amount in consideration of individual collectability is booked for doubtful receivables and other certain receivables.

(ii) Allowance for bonuses

To provide for the payment of bonuses to employees, the portion of the estimated amount of future bonus payment as attributable to the consolidated fiscal year under review is booked as a provision.

(iii) Allowance for bonuses for executives

To provide for the payment of bonuses to directors, the portion of the estimated amount of future bonus payment as attributable to the consolidated fiscal year under review is booked as a provision.

(iv) Allowance for share-based remuneration

To provide for the issuance of shares for directors and others (excluding directors who belong to the audit and supervisory committee as well as outside directors and directors who do not reside in Japan) in relation to the transfer-restricted stock compensation system, estimated expenses as attributable to the end of the consolidated fiscal year under review is booked as a provision.

(v) Provision for loss on interest repayment

To provide for the future occurrence of interest repayment, an estimated amount of repayments that is reasonably estimated based on repayment history and recent repayment situations is booked as a provision.

4 Booking of significant revenues and expenses

(i) Interest on operating loans

Interest on operating loans is booked on an accrual basis. For accruals of interest pertaining to operating loans, the lower interest rate under the Interest Rate Restriction Act or the contract interest rate is booked.

(ii) Booking of revenues pertaining to installment sales

Principles and procedures for accounting adopted when the Add-on type customer commissions are collectively booked under deferred installment income in a lump sum at the time of contract and booked as revenue at each billing period.

The revenue of departments is allocated using the 78 method.

For declining balance method or revolving method customer commissions, revenue is booked at each billing period. The revenue of departments is allocated by using the declining balance method.

Notes to Consolidated Financial Statements

(iii) Revenue from credit guarantee

The residual debt method is used to record revenue.

(iv) Revenue arising from contracts with customers

Based on the following 5-step process of revenue, our corporate group recognizes revenue as the revenue arising from contracts with customers, such as member store commissions, revenues related to its own point system, and annual card membership fees when the performance obligations are satisfied or as the amount allocated to the satisfied performance obligations as it works on fulfilling its obligations.

Step 1: Identify contracts with customers

Step 2: Identify performance obligations in the contract

Step 3: Calculate transaction prices

Step 4: Allocate the transaction prices to the performance obligations in the contract

Step 5: Recognize revenue when performance obligations are satisfied or as the Company works on satisfying them

Information about performance obligations for revenue arising from contracts with customers is as follows.

(a) Performance obligation satisfied at a certain point in time

(Revenue from credit card holders)

Regarding member store commissions related to credit cards, revenue is recognized as credit card revenue at the time of a card member's shopping transaction when the performance obligation to provide payment services is satisfied. As for revenues related to its own point system, the cost equivalent to the Company's points granted according to a card member's credit card usage amount is deducted from the member store commissions, deferred as contract liabilities, and recognized as credit card revenue when the points are used and the performance obligation is satisfied.

(Revenue from electronic payment service using electronic money)

Revenue from prepaid payment instruments for third party business is revenue from settlement fees. Our performance obligation in exchange for the settlement fees is to settle the amount of payment based on membership agreements concluded with member stores.

As the performance obligation is satisfied at the time when the payment is settled using the prepaid payment instruments, member store commissions are recognized as revenue (commission income).

(b) Performance obligations satisfied over a certain period

Regarding annual card membership fees, in order to satisfy performance obligations according to the contract period of annual membership fees, revenue is recognized as other operating revenue according to the contract period in which the performance obligation is satisfied.

The above revenue is recorded based on the contract with a customer and the promised amount of compensation does not include an estimate of variable compensation or a financing component.

(v) Accounting for interest on borrowings

With respect to interest on borrowings, the portion corresponding to financing receivables is accounted for as operating expenses (financial expenses).

5. Translation of significant assets or liabilities denominated in a foreign currency into Japanese yen

Monetary assets and liabilities in a foreign currency are translated into Japanese yen based on the spot exchange rate in the foreign exchange market on the consolidated closing date, and foreign exchange gains and losses from the translations are recognized in the income statement. The assets and liabilities of overseas subsidiaries, etc. are translated into Japanese yen based on the spot exchange rate in the foreign exchange market on the consolidated closing date, while their revenues and expenses are translated into Japanese yen based on the average exchange rate during the fiscal year and the foreign exchange gains and losses from the translations are shown as foreign currency translation adjustment and non-controlling interests under net assets.

6. Significant hedge accounting method

● Method of hedge accounting

The special accounting is adopted for interest rate cap transactions since they meet the requirements of special accounting

● Hedging instrument and hedged item

Hedging instrument: Interest rate cap transaction
Hedged item: Borrowings with variable interest rates

● Hedging policy

For interest rate cap transactions, the interest rate fluctuation risks pertaining to the hedged item are hedged based on the Company's management rules.

● Method of evaluating hedge effectiveness

The effectiveness of interest rate cap transactions, which are subject to special accounting, is not evaluated.

7. Funds referred to in the consolidated statements of cash flows

Funds referred to in the consolidated statements of cash flows consist of cash on hand, demand deposits and short-term, highly liquid investments that mature within three months of the acquisition date and are exposed to limited price fluctuation risks.

8. Accounting for non-deductible consumption taxes, etc. pertaining to assets

Non-deductible consumption taxes, etc. pertaining to assets are booked as "other" under "investments and other assets" and amortized equally over five years.

9. Principles and procedures for accounting adopted when the provisions of relevant accounting standards, etc. are not clear

● Standards for posting assets and liabilities for important debt guarantee

The Company's debt guarantee for non-consolidated subsidiaries' loans from financial institutions and debt guarantee for subordinated beneficiary rights backed by mortgage loans are described as a contingent liability. The balance of debt guarantee for tasks for other debt guarantee is indicated as "Guarantee" in the section of current assets and also as "Acceptances and guarantees" in the section of current liabilities in the consolidated balance sheets.

10. Goodwill amortization method and amortization period

The amount is amortized in equal amounts over the period within 15 years. However, if the amount of goodwill is immaterial, it is treated as an expense in the consolidated fiscal year in which the goodwill arises.

11. Policy reserve accumulation method

Policy reserves, which account for the majority of policy reserves and others, are reserves based on Article 116 of the Insurance Business Act and are calculated in accordance with Article 211-46, Paragraph 1 of the Regulation for Enforcement of the Insurance Business Act.

12. Application of the group tax sharing system

The group tax sharing system is applied.

Critical Accounting Estimates

1. Allowance for doubtful accounts

- ① Amount recorded in the financial statements for the current fiscal year

(Millions of yen)	As of March 31, 2024	As of March 31, 2025
Allowance for doubtful accounts	92,601	102,675

- ② Information on the significant accounting estimates for the identified items

● Calculation method

Business loans, installment receivables, acceptances and guarantees, and other operating receivables are classified into performing loans, monitored loans, and bankruptcy and reorganization receivables according to a credit risk based on a debtor's payment status, etc.

(i) Performing loans

Estimated loan losses are calculated using the actual loan loss ratio for each loan type, such as consumer and business, over the average transaction period.

(ii) Monitored loans

Receivables with payment delays exceeding a certain period are classified according to borrowers' delinquency period and other factors for each loan type, such as consumer and business, and the estimated amount of bad debt is calculated using the actual rate of bad debt in the calculation period, such as the average remaining period in each category, and the actual rate of bad debt in classification matching the liability state of debtors (such as intervention by a lawyer).

(iii) Claims in bankruptcy

The estimated amount of bad debts is the balance obtained by subtracting the estimated amount of collection (including the estimated amount of collateral to be disposed of) for each individual claim from the balance of the claim.

● Key assumptions

Changes in economic conditions at the end of the fiscal year may have a direct or indirect impact on debtors. In order to reflect these changes in the evaluation of operating loans, installment receivables, credit guarantee, and other operating receivables, the Company makes judgments regarding the necessity of adjustments to the actual loan loss ratio.

● Impact on the financial statements for the following year

An allowance for doubtful accounts is provided based on various factors, including historical experience and available information.

However, future changes in uncertain economic conditions may have a direct or indirect impact on a borrower, and the allowance for doubtful accounts may increase or decrease if the judgment of the actual bad debt ratio changes depending on the collection conditions and other factors.

2. Allowance for loss on interest repayment

- ① Amount recorded in the financial statements for the current fiscal year

(Millions of yen)	As of March 31, 2024	As of March 31, 2025
Allowance for loss on interest repayment	11,760	8,772

- ② Information on the content of significant accounting estimates for identified items

There are some interest payments received under the Capital Contribution Act prior to the amendment of 2010 in loan agreements and other agreements offered or previously offered by our group, for users have the right to claim interest repayment.

As a result, our group conforms to "the Industry Audit Practice Committee Report No. 37 Application of Auditing for Provision of Allowance for Losses for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies" and sets aside allowance for loss on interest repayment in order to prepare for interest repayment claims.

● Calculation method

Amounts expected to be refunded in the future are estimated by taking into account multiple factors, as well as the number of claims for refund (hereinafter referred to as "the number of claims") for interest paid in excess of the maximum amount specified in the Interest Rate Restriction Act (hereinafter referred to as "Excess Interest"), the amount of excess interest repayment per case (hereinafter referred to as "the unit price of refund"), and other factors.

Critical Accounting Estimates

- Key assumptions

Future transitions in the number of claims for repayment of excess interest and the amount of excess interest repayment per case are predicted based on the business environment, such as trends at the most recent law firms and judicial book firms, and changes in the Group's negotiation policy.

- Impact on the consolidated financial statements for the following year

The allowance for loss on interest repayment may increase or decrease if the number of claims and the unit price of refund significantly deviate from the estimates, because the Company considers the status of recent refunds and other factors based on past returns.

3. Valuation of goodwill

① Amount recorded in the fiscal year under review

(Millions of yen)	As of March 31, 2024	As of March 31, 2025
FPC Co., Ltd.	-	2,874
BitCash Inc.	-	6,833

② Information on the significant accounting estimates for the identified items

- Calculation method

The Group checks on the status of achievement of the business plan anticipated at the time of acquisition of each target company in order to determine whether there is damage to excess earnings potential, and assesses goodwill for impairment when an indication of impairment has occurred, such as marked deterioration in the business environment. Regarding an asset or an asset group indicating impairment, we compare a total undiscounted future cash flow expected to be generated from the asset or asset group to their book value and judge whether an impairment loss should be recognized. Goodwill is amortized regularly over the period during which the effect of goodwill shall apply.

- Key assumptions used in the calculation of estimates

The estimates have been prepared by the best estimate and judgment based on information available at the time of use.

- Impact on the consolidated financial statements for the following year

When estimates become necessary due to changes in the business environment and other impacts in the future, such estimates may have a major impact on the consolidated financial statements in and after the following fiscal year.

(Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes)

Effective from the beginning of the fiscal year under review, the Company has applied "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022").

As a result, the Company has changed the classification of income taxes to be charged on other comprehensive income and the treatment of tax effects related to the sale of shares of subsidiaries when the corporate group tax system is applied.

In addition, with regard to revisions related to the classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment in Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022).

There are no impacts on the consolidated financial statements for the fiscal year under review.

(Unapplied accounting standards, etc.)

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)

- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Statement No. 33, September 13, 2024)

Other related amendments to ASBJ Statement, ASBJ Guidance, Practical Solution and Transfer Guidance.

(1) Outline

The standards set forth treatment whereby lessees record assets and liabilities for all leases, etc. consistent with international accounting standards.

(2) Scheduled application date

The standards will be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of the application of said accounting standards, etc.

The extent of the impact of the application of the "Accounting Standard for Leases," etc. on the consolidated financial statements is currently under evaluation.

Critical Accounting Estimates

(Changes in Presentation Method)

(Consolidated Balance Sheets)

"Accrued receivables," included in "Other" under "Current assets" in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year due to an increase in its monetary materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 51,752 million yen presented as "Other" under "Current assets" in the consolidated financial statements for the previous fiscal year has been reclassified as "Accrued receivables" of 23,570 million yen and "Other" of 28,181 million yen.

"Provision for directors' bonuses," presented separately in the previous consolidated fiscal year, is included in "Other" under "Current liabilities" from the current consolidated fiscal year due to a decrease in its monetary materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 1 million yen presented as "Provision for directors' bonuses" and 38,727 million yen presented as "Other" under "Current liabilities" in the consolidated financial statements for the previous fiscal year has been reclassified as "Other" of 38,728 million yen.

(Consolidated Statements of Income)

"Commission income," included in "Other" under "Operating revenue" in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year due to an increase in its monetary materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 13,232 million yen presented as "Other" under "Operating revenue" in the consolidated financial statements for the previous fiscal year has been reclassified as "Commission income" of 2,942 million yen, "Other" of 10,290 million yen and "Other operating revenue" of 19,060 million yen.

"Contributions paid" and "Settlement" under "Non-operating Expenses," which were separately presented in the previous consolidated fiscal year, are included in "Other" under "Non-operating Expenses" from the current consolidated fiscal year due to a decrease in its monetary materiality. To reflect this change in presentation, the consolidated statements of income for the previous fiscal year have been reclassified.

As a result, "Contributions paid" of 4 million yen, "Settlement" of 17 million yen, and "Other" of 15 million yen, which were included in "Non-operating expenses" in the consolidated statement of income for the previous fiscal year, have been reclassified as "Other" of 37 million yen in "Non-operating expense."

(Consolidated Statements of Cash Flows)

"Decrease (increase) in accrued receivables," included in "Decrease (increase) in other current assets" under "Cash flows from operating activities" in the previous fiscal year, is presented separately from the fiscal year under review due to an increase in its materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, negative 17,328 million yen presented in "Decrease (increase) in other current assets" under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified into negative 9,291 million yen in "Decrease (increase) in accrued receivables" and negative 8,036 million yen in "Decrease (increase) in other current assets."

"Decrease (increase) in deposits," included in "Decrease (increase) in other current liabilities" under "Cash flows from operating activities" in the previous fiscal year, is presented separately from the fiscal year under review due to an increase in its materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 39,274 million yen presented in "Decrease (increase) in other current liabilities" under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified into 10,157 million yen in "Decrease (increase) in deposits" and 29,117 million yen in "Decrease (increase) in other current liabilities."

Notes to Consolidated Balance Sheets

1. Assets pledged as collateral and corresponding liabilities

(Millions of yen)		(Millions of yen)	
Assets pledged as collateral	As of March 31, 2024	Assets pledged as collateral	As of March 31, 2025
Cash and deposit	4,949	Cash and deposit	4,646
Operating loans	370,060	Operating loans	406,827
Accounts receivable-installment	48,496	Accounts receivable-installment	56,814
Total	423,506	Total	468,288

(Millions of yen)		(Millions of yen)	
Corresponding liabilities	As of March 31, 2024	Corresponding liabilities	As of March 31, 2025
Short-term borrowings	83,140	Short-term borrowings	52,590
Current portion of long-term borrowings	120,933	Current portion of long-term borrowings	129,667
Long-term borrowings	140,840	Long-term borrowings	194,286
Total	344,914	Total	376,543

(i) The amounts above at the end of the fiscal year ended March 31, 2024 include amounts pertaining to the securitization of receivables (operating loans of ¥180,301 million, Short-term Loans Payable of ¥10,000 million, current portion of long-term borrowings of ¥33,235 million and long-term borrowings of ¥55,933 million)

(ii) The amount for some of the operating loans and installment receivables are amounts at the time of registration of the transfer of receivables.

(i) The amounts above at the end of the fiscal year ended March 31, 2025 include amounts pertaining to the securitization of receivables (operating loans of ¥201,116 million, current portion of long-term borrowings of ¥22,528 million and long-term borrowings of ¥83,108 million)

(ii) The amount for some of the operating loans and installment receivables are amounts at the time of registration of the transfer of receivables.

2. Unsecured personal loans included in operating loans

(Millions of yen)	
As of March 31, 2024	As of March 31, 2025
608,233	664,782

3. Shares and other securities issued by non-consolidated subsidiaries and affiliated companies

(Millions of yen)		
	As of March 31, 2024	As of March 31, 2025
Investment securities (shares)	8,076	5,347
Investment securities (other securities)	1,519	-

4. Accounts receivables - installment

(Millions of yen)		
	As of March 31, 2024	As of March 31, 2025
Credit card business	105,785	109,545
Installment sales finance business	61,968	87,754
Total	167,753	197,300

5. Deferred installment income

(Millions of yen)				
As of March 31, 2024	Balance at April 1, 2023	Receipts during FY	Actual balance during FY	Balance at March 31, 2024
Credit card shopping	562	1,519	1,321	759
Installment sales finance	6,532	12,958	7,396	12,094
Total	7,094	14,477	8,718	12,854

(Millions of yen)				
As of March 31, 2025	Balance at April 1, 2024	Receipts during FY	Actual balance during FY	Balance at March 31, 2025
Credit card shopping	759	1,608	1,444	924
Installment sales finance	12,094	17,629	12,315	17,408
Total	12,854	19,237	13,759	18,332

Notes to Consolidated Balance Sheets

6. Securitization of claims removed from the balance sheets

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
Operating loans	29,539	29,585
Accounts receivable installment	6,036	6,032

7. Contingent liability

Guarantee obligation

- The Company guarantees loans payable from financial institutions for the Company's non-consolidated subsidiary, PT REKSA FINANCE.

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
PT REKSA FINANCE	3,569	5,426

- The Company guarantees subordinated beneficiary interests backed by mortgage loans.

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
One financial institution	-	42,497

8. Non-performing loans

The status of non-performing loans (NPL) is as follows:

As of March 31, 2024	(Millions of yen)			
	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured		
Loans in legal bankruptcy	660	12,854	582	14,098
Doubtful loans	28,519	8,807	9,865	47,192
Loans 3 months or more in arrears	10,913	464	-	11,377
Restructured Loans	55,820	2,587	6,725	65,133
Performing loans	513,496	89,544	261,966	865,007
Total	609,410	114,258	279,140	1,002,809

As of March 31, 2025	Operating loans and claims in bankruptcy		(Millions of yen)	
	Unsecured loans	Other than unsecured	Other	Total
Loans in legal bankruptcy	841	11,142	733	12,716
Doubtful loans	33,378	10,523	11,970	55,871
Loans 3 months or more in arrears	10,843	324	-	11,167
Restructured Loans	56,127	3,410	7,435	66,972
Performing loans	565,628	106,618	310,431	982,678
Total	666,818	132,017	330,570	1,129,406

The loan categories in the table above are as follows:

(Loans in legal bankruptcy)

Claims provable in bankruptcy and similar claims mean the claims that fall under either of Article 96, Paragraph 1, Item 3 (a) to (e) and Item 4 of the Order for the Enforcement of the Corporation Tax Act (Cabinet Order No. 97, 1965). Any amounts deemed necessary to cover possible losses on an individual account basis of the claims provable in bankruptcy and similar claims are posted in the allowances for doubtful accounts.

(Doubtful loans)

Doubtful loans mean the claims with a high possibility that it will be impossible to collect principal and interest in accordance with contracts due to the worsening of the repayment status, and do not fall under claims provable in bankruptcy and similar claims.

(Loans three months or more in arrears)

Loans three months or more in arrears are loans for which payments of principal or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payments. Claims provable in bankruptcy and similar claims and risky claims are excluded from loans three months or more in arrears.

(Restructured loans)

Restructured loans are loans for which creditors have granted concessions (e.g., reduction of the stated interest rate, long-term installments, or other concessive measures) to debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors, and which receive regular payments. Claims provable in bankruptcy and similar claims, doubtful claims and loans three months or more in arrears are excluded.

(Performing loans)

Performing loans are the claims without any problem with the repayment status that do not fall under any of the above-mentioned claims

Notes to Consolidated Balance Sheets

9. Loan commitments related to operating loans

(Fiscal year ended March 31, 2024)

Of operating loans including off-balance sheet loans resulting from securitization, ¥632,554 million is loans under revolving credit agreements. Under these agreements, customers may get additional loans up to a specified maximum amount that does not exceed the amount requested by them.

Outstanding loan commitments under revolving credit agreements were ¥812,491 million.

The Group reviews the agreements and takes steps to preserve credit even after concluding the agreements if it considers that taking steps is necessary due to changes in customers' credit standing and other reasons.

Outstanding loan commitments include commitments to customers who do not have any outstanding loan commitments or who have not requested any loans after concluding a credit agreement. Many revolving credit agreements expire with no loans being provided. Therefore, outstanding loan commitments themselves do not necessarily affect the Group's future cash flows.

(Fiscal year ended March 31, 2025)

Of operating loans including off-balance sheet loans resulting from securitization, ¥695,384 million is loans under revolving credit agreements. Under these agreements, customers may get additional loans up to a specified maximum amount that does not exceed the amount requested by them.

Outstanding loan commitments under revolving credit agreements were ¥841,706 million.

The Group reviews the agreements and takes steps to preserve credit even after concluding the agreements if it considers that taking steps is necessary due to changes in customers' credit standing and other reasons. Outstanding loan commitments include commitments to customers who do not have any outstanding loan commitments or who have not requested any loans after concluding a credit agreement. Many revolving credit agreements expire with no loans being provided. Therefore, outstanding loan commitments themselves do not necessarily affect the Group's future cash flows.

10. Of the allowances for doubtful accounts, the estimated interest repayment amounts expected to have priority in being appropriated to operating loans are as follows:

(Millions of yen)	
As of March 31, 2024	As of March 31, 2025
1,564	1,196

11. Of others, the amount of contract liabilities are as follows:

(Millions of yen)	
As of March 31, 2024	As of March 31, 2025
3,558	3,553

Consolidated Statements of Income

1. Revenue arising from contracts with customers

Regarding operating revenue, revenue arising from contracts with customers and other revenues are not separately posted. Revenue arising from contracts with customers is posted in “1. Information on breakdown of revenue arising from contracts with customers of Notes to Consolidated Financial Statements (Notes on regarding revenue recognition)” in the consolidated financial statements.

2. The details of the gain on sale of fixed assets are as follows:

(Millions of yen)	FY ended March 31, 2024 (Apr. 1 2023 to Mar. 31 2024)	FY ended March 31, 2025 (Apr. 1 2024 to Mar. 31 2025)
Buildings and structures	61	-
Land	17	-
Total	79	-

3. Bad debt write offs

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

The amount of loss incurred as a result of phishing scams that occurred in the Company is recognized as extraordinary losses.

4. Impairment loss

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)			
Location	Use	Category	Impairment loss
Head office of AIFUL CORPORATION	Financial business assets	Software in progress	1,582

The Group considers each operating company in the financial business as the smallest unit for grouping.

With regard to the above financial business assets, a decision was made to review the development policy for the system development that had been underway for some services. As a result, the book value of the software in progress related to the system development was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

The recoverable amount of the asset was calculated by setting the value in use at zero.

5. Loss on valuation of stocks of subsidiaries and affiliates and provision for doubtful accounts

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

As a result of reviewing the valuation of the stocks held by the Company and the future collectability of the receivables considering the financial position and operating results of AG Crowdfunding Co., LTD. and AG Partners Corporation, non-consolidated subsidiaries of the Company, loss on valuation of stocks of subsidiaries and affiliates and provision for doubtful accounts were recorded as extraordinary losses.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

As a result of reviewing the valuation of the stocks held by the Company and the future collectability of the receivables considering the financial position and operating results of AG Crowdfunding Co., LTD., AG Funding Co., LTD., AG Partners Corporation and AG Smile Leaseback Corporation, non-consolidated subsidiaries of the Company, loss on valuation of stocks of subsidiaries and affiliates and provision for doubtful accounts were recorded as extraordinary losses.

Consolidated Statements of Comprehensive Income

1. Comprehensive income

- ① Amounts of reclassification adjustment and tax effect pertaining to other comprehensive income

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
Valuation difference on available-for-sale securities		
Amount during the period	275	(564)
Reclassification adjustment	(66)	-
Before tax effect adjustment	209	(564)
Tax effect	(49)	94
Valuation difference on available-for-sale securities	160	(470)
Foreign currency translation adjustment		
Amount during the period	594	793
Share of other comprehensive income of entities accounted for using equity method		
Amount during the period	0	(0)
Total other comprehensive income	754	323

2. Change in shareholders' equity

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

- ① Matters regarding class and total number of shares issued and class and number of treasury shares

	(Millions of yen)			
	Number of shares at beginning of FY	Number of shares increased during FY	Number of shares decreased during FY	Number of shares at end of FY
Shares issued				
Common stock	484,620,136	-	-	484,620,136
Total	484,620,136	-	-	484,620,136
Treasury shares				
Common stock	917,614	16	134,314	783,316
Total	917,614	16	134,314	783,316

(Outline of the reason for the change)

- The increase in the number of common shares of treasury stock is due to the purchase of odd-lot shares.
- The decrease in the number of common shares of treasury stock is due to the disposal of treasury stock by way of restricted stock compensation on July 18, 2023, based on the resolution of the Board of Directors meeting held on June 26, 2023.

- ② Matters regarding dividends

- Dividends paid

Resolution	Share type	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
Apr. 24, 2023	Common share	483	1.00	Mar. 31, 2023	Jun. 8, 2023

- Among the dividends whose record dates are in the consolidated fiscal year under review, the dividend whose effective date is in the following consolidated fiscal year is as follows:

Resolution	Share type	Dividend resource	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
May. 10, 2024	Common share	Retained earnings	483	1.00	Mar. 31, 2024	Jun. 6, 2024

Consolidated Statements of Comprehensive Income

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

1 Matters regarding class and total number of shares issued and class and number of treasury shares

	Number of shares at beginning of FY	Number of shares increased during FY	Number of shares decreased during FY	Number of shares at end of FY
Shares issued				
Common stock	484,620,136	-	-	484,620,136
Total	484,620,136	-	-	484,620,136
Treasury shares				
Common stock	783,316	5,152,482	145,894	5,789,904
Total	783,316	5,152,482	145,894	5,789,904

(Outline of the reason for the change)

- The number of shares of treasury stock increased by 5,151,200 shares due to acquisition by resolution of the Board of Directors, 368 shares due to purchase of odd-lot shares, and 914 shares due to free transfer of restricted stock compensation.
- The decrease in the number of common shares of treasury stock is due to the disposal of treasury stock by way of restricted stock compensation on July 29, 2024, in accordance with the resolution of the Board of Directors meeting held on July 8, 2024

2 Matters regarding dividends

● Dividends paid

Resolution	Share type	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
May. 10, 2024	Common share	483	1.00	Mar. 31, 2024	Jun. 6, 2024

- Among the dividends whose record dates are in the consolidated fiscal year under review, the dividend whose effective date is in the following consolidated fiscal year is as follows:

Resolution	Share type	Dividend resource	Total dividend amount (millions of yen)	Dividend per share (yen)	Record date	Effective date
May. 9, 2025	Common share	Retained earnings	478	1.00	Mar. 31, 2025	Jun. 5, 2025

Consolidated Statements of Cash Flows • Notes on Financial Instruments

1. Consolidated statements of cash flows

- ① Relationship between the balance of cash and cash equivalents at the end of the consolidated fiscal year and the amounts of account titles shown on the consolidated balance sheets

	FY ended March 31, 2024 (Apr. 1, 2023 to Mar. 31, 2024)	FY ended March 31, 2025 (Apr. 1, 2024 to Mar. 31, 2025)
Cash and deposits		
Time deposit with maturity period of more than three months	56,917 (4,982)	60,608 (4,679)
Cash and cash equivalents	51,934	55,928

- ② Major breakdown of assets and liabilities of the company newly consolidated as a result of stock acquisition

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

The following is a breakdown of the assets and liabilities of BitCash Inc. at the time of its consolidation as a result of the acquisition of its shares, and the relationship between the acquisition cost of BitCash Inc. shares and the expenditures (net) for the acquisition of BitCash Inc.

	(Millions of yen)
Current Assets	6,324
Noncurrent Assets	1,562
Goodwill	7,387
Customer related assets	2,469
Current Liabilities	(7,788)
Deferred Tax Liabilities	(755)
Stock acquisition price	9,200
Cash and cash equivalents	(2,440)
Difference: Expenditures for acquisition	6,759

2. Notes on financial instruments

- ① Matters regarding the situation of financial instruments

- Policy on financial instruments

The Group's primary business is the financial business, which includes consumer finance, business operator finance, credit sales, credit guarantee and receivables management and collection. In order to conduct these businesses, the Company procures funds by indirect financing through bank borrowings as well as by direct financing through corporate bonds, based on the market situation and the balance between long- and short-term funding. Thus, as the Company holds financial liabilities that involve interest rate fluctuation, it is also engaged in derivative transactions to prevent any disadvantageous impacts of interest rate fluctuation. In conducting derivatives transactions, the Company has a policy of limiting them to transactions that involve actual demand, in principle, and not engaging in such transactions for short-term trading purposes.

- Types and risks of financial instruments

The financial assets of the Group consist mainly of operating loans to individuals and corporations and installment receivables, both of which are exposed to credit risks posed by customer default. In addition, operational investment securities and investment securities mainly consist of shares and investments in capital of partnerships, and are held for the purpose of promoting the Group's business. They are exposed to credit risks of the issuers and market price fluctuation risks, respectively. Financial assets denominated in foreign currencies are exposed to foreign exchange fluctuation risks.

Financial liabilities such as borrowings and corporate bonds are exposed to liquidity risk, which prevents payments from being made on the due date in such cases where the Group will not be able to access the market under certain circumstances. The Group also conducts variable rate financing, which is exposed to interest rate fluctuation risks.

Derivative transactions pose market interest rate fluctuation risk and counter-party risk.

Notes on Financial Instruments

● System for managing risk pertaining to financial instruments

(i) Management of credit risk

The Group manages credit risk in accordance with the Company's various management regulations. With respect to operating loans, installment receivables and customers' liabilities for acceptances and guarantees, which are the Group's principal financial assets, the Company has established and operates a system for credit management in which it conducts credit examinations for individual transactions based on the data of personal credit information agencies and the Company's own credit system. Furthermore, the credit risks of issuers of securities are managed by obtaining credit information and fair value regularly.

With respect to counterparty risk of derivative transactions, the Company enters into derivative contracts with credible financial institutions in Japan and abroad, and thus deems credit risk small. These risk management measures are subject to evaluation, analysis and consideration of countermeasures by the respective departments in charge and are reported to the Board of Directors as needed.

(ii) Management of market risk

i) Management of interest rate risk

The Group manages interest rate risk based on the Risk Management Manual that was created with the approval of the Risk Management Committee, which is under the direct control of the Board of Directors. The risks are reported by the Finance Department, which is the department in charge, to the Corporate Risk Management Department where the risks are assessed and the adequacy and appropriateness of the countermeasures are examined and reported to the Board of Directors as needed. For reference, derivative transactions are made to hedge interest rate fluctuation risks.

ii) Management of price fluctuation risk

Many shares held by the Group are for the purpose of business promotion, including business and capital partnerships. The market environment and financial condition of clients are monitored and countermeasures are considered by the department in charge, which reports to the Board of Directors as needed. The Group does not hold financial instruments for trading purposes.

iii) Derivative transactions

Risks are managed in accordance with the Company's various management regulations. A protocol of internal checks that involve appropriate execution of transactions, evaluation of hedging effectiveness and administration by the department in charge and reporting to the Accounting Department has been established.

iv) Quantitative information pertaining to market risk

The Group does not carry out quantitative analyses.

(Interest rate risk)

At the Group, the major financial instruments whose fair value fluctuates due to interest rate fluctuation, which is the principal risk variable, are operating loans, installment receivables, borrowings and corporate bonds. In account titles whose fair value is calculated by market interest rates, the estimated amount of impact of a 1 basis point (0.01%) change in market interest rates at the end of the fiscal year on the net value (of assets) after offsetting financial assets against financial liabilities is as follows: a decrease of ¥113 million in the present value of financial instruments affected by interest rate fluctuations if yen-denominated interest rates rise by 1 basis point (0.01%); and an increase of ¥113 million if such interest rates drop by 1 basis point (0.01%). This estimation of impact assumes no changes in risk variables other than market interest rates.

(iii) Management of liquidity risk pertaining to funding

The Group manages liquidity risk by managing funds for the entire Group on a timely basis as well as by diversifying funding means and adjusting the balance of long-term and short-term financing in consideration of the market environment.

● Supplementary explanation on matters regarding fair value, etc., of financial instruments

The fair value of financial instruments includes value based on market prices as well as reasonable estimates if there is no market price. Since certain assumptions are adopted in the calculation of the values of financial instruments, the values may vary under different assumptions.

Notes on Financial Instruments

② Matters regarding fair value, etc., of financial instruments

The consolidated balance sheet amounts, fair values and the differences between these are as follows. Since cash and deposits, notes and accounts payable, and short-term borrowings are in the form of cash and are settled in short term, their fair value is similar to the book value, so the notes are omitted.

Fiscal year ended March 31, 2024

(Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
(1) Operating loans Allowance for doubtful accounts ^{*2}	709,137 (51,776) 657,360		89,888
(2) Accounts receivable-installment Deferred installment income ^{*3} Allowance for doubtful accounts ^{*2}	167,753 (12,854) (8,771) 146,127	163,643	17,515
(3) Operational investment securities and investment securities ^{*1} Held-to-maturity bonds Available-for-sale securities	- - 3,060	- - 3,930	- - 870
(4) Claims provable in bankruptcy Allowance for doubtful accounts ^{*2}	15,131 (13,041) 2,090		-
Total assets	808,640	916,913	108,273
(1) Bonds	80,000	79,827	(172)
(2) Long-term borrowings ^{*4}	482,318	482,248	(70)
Total liabilities	562,318	562,075	(242)
Derivative transactions ^{*4}			
(i) Those qualified for hedge accounting	-	-	-
(ii) Those not qualified for hedge accounting	-	-	-
Total derivative transactions	-	-	-

*1 Shares with no market value or the like are not included in "(3) Operational investment securities and investment securities." The sum of said financial instruments recorded on the consolidated balance sheet is as follows.

Category	Consolidated balance sheet amount
Operational investment securities and investment securities	
(1) Unlisted shares	10,495
(2) Investments in limited liability investment partnerships, etc.	1,519
Total	12,015

*2 The allowance for doubtful accounts of operating loans, accounts receivable- installment and claims provable in bankruptcy is deducted.

*3 Deferred installment income (liabilities account) on installment receivables is deducted.

*4 Since derivative transactions that qualify for hedge accounting are accounted for as part of long-term borrowings that are subject to hedging, their fair value is included in the fair value of such long-term borrowings.

Fiscal year ended March 31, 2025

(Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
(1) Operating loans Allowance for doubtful accounts ^{*2}	785,674 (58,296) 727,378	818,316	90,938
(2) Accounts receivable-installment Deferred installment income ^{*3} Allowance for doubtful accounts ^{*2}	197,300 (18,332) (10,480) 168,487	192,594	24,107
(3) Operational investment securities and investment securities ^{*1} Held-to-maturity bonds Available-for-sale securities	223 3,346	203 3,453	(19) 107
(4) Claims provable in bankruptcy Allowance for doubtful accounts ^{*2}	13,924 (11,755) 2,168	2,168	-
Total assets	901,602	1,016,737	115,134
(1) Bonds	110,000	109,282	(718)
(2) Long-term borrowings ^{*4}	482,318	482,248	(70)
Total liabilities	576,834	576,527	(1,025)
Derivative transactions ^{*4}			
(i) Those qualified for hedge accounting	-	-	-
(ii) Those not qualified for hedge accounting	-	-	-
Total derivative transactions	-	-	-

*1 Shares with no market value or the like are not included in "(3) Operational investment securities and investment securities." The sum of said financial instruments recorded on the consolidated balance sheet is as follows.

Category	Consolidated balance sheet amount
Operational investment securities and investment securities	
(1) Unlisted shares	8,039
(2) Investments in limited liability investment partnerships, etc.	-
Total	8,039

*2 The allowance for doubtful accounts of operating loans, accounts receivable- installment and claims provable in bankruptcy is deducted.

*3 Deferred installment income (liabilities account) on installment receivables is deducted.

*4 Since derivative transactions that qualify for hedge accounting are accounted for as part of long-term borrowings that are subject to hedging, their fair value is included in the fair value of such long-term borrowings.

Notes on Financial Instruments

Notes: 1. Scheduled redemption amounts after the consolidated closing date of monetary claims and securities with maturity

Fiscal year ended March 31, 2024

(Millions of yen)

Category	Due within 1 year	Due within 1-5 years	Due after 5 years or more
Cash and deposits	56,917	-	-
Operating loans	271,463	436,489	1,184
Accounts receivable-installment	123,623	44,096	34
Operational investment securities and investment securities			
Securities to be held to maturity (government bonds)	-	-	-
Available-for-sale securities with maturities	-	-	-
Total	452,004	480,585	1,219

Does not include ¥15,131 million of claims provable in bankruptcy, etc. for which a scheduled redemption amount cannot be expected.

Fiscal year ended March 31, 2025

(Millions of yen)

Category	Due within 1 year	Due within 1-5 years	Due after 5 years or more
Cash and deposits	60,608	-	-
Operating loans	300,358	484,359	956
Accounts receivable-installment	133,757	63,462	79
Operational investment securities and investment securities			
Securities to be held to maturity (government bonds)	-	-	225
Available-for-sale securities with maturities	-	-	-
Total	494,724	547,821	1,261

Does not include ¥13,924 million of claims provable in bankruptcy, etc. for which a scheduled redemption amount cannot be expected.

③ Scheduled repayments of bonds, long-term borrowings, and other interest-bearing debt after the consolidated closing date

Fiscal year ended March 31, 2024

(Millions of yen)

Category	Due within 1 year	Due within 1-2 years	Due within 2-3 years	Due within 3-4 years	Due within 4-5 years	Due after 5 years or more
Bonds payable	30,000	15,000	35,000	-	-	-
Long-term borrowings	233,660	156,551	71,605	14,432	5,321	746
Total	263,660	171,551	106,605	14,432	5,321	746

Fiscal year ended March 31, 2025

(Millions of yen)

Category	Due within 1 year	Due within 1-2 years	Due within 2-3 years	Due within 3-4 years	Due within 4-5 years	Due after 5 years or more
Bonds payable	15,000	35,000	60,000	-	-	-
Long-term borrowings	252,042	175,896	109,987	20,791	11,301	6,816
Total	267,042	210,896	169,987	20,791	11,301	6,816

④ Items related to the breakdown of the fair value of financial instruments by level

The fair values of financial instruments are classified into the following three levels, according to the observability and importance of input used for fair value measurement.

Fair value of level 1: Fair value estimated from the market prices related to the assets or liabilities for estimation of observable fair values in active markets, out of the input for measurement of the observable fair values

Fair value of level 2: Fair value estimated from the input for measurement of the fair values other than the input at level 1, out of the input for measurement of observable fair values

Fair value of level 3: Fair value estimated from the input for measurement of unobservable Fair values In the case where multiple pieces of input data that would produce significant effects on measurement of fair values are used, fair values are classified into the level with the lowest priority in measurement of fair values among the levels of the input data.

Notes on Financial Instruments

Fiscal year ended March 31, 2024

- Financial instruments posted at fair values in the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities Shares	345	1,848	-	2,193

- Financial instruments other than those posted at fair values in the consolidated balance sheet

Category	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Operating loans	-	-	747,249	747,249
(2) Accounts receivable-installment	-	-	163,643	163,643
(3) Operational investment securities and investment securities				
① Securities to be held to maturity Government bonds and local government bonds, etc.	-	-	-	-
② Available-for-sale securities Shares	-	1,737	-	1,737
(4) Claims provable in bankruptcy	-	-	2,090	2,090
Total assets	-	1,737	912,983	914,720
(1) Bonds	-	79,827	-	79,827
(2) Long-term borrowings	-	482,248	-	482,248
Total liabilities	-	562,075	-	562,075
Derivative transactions				
(i) Those qualified for hedge accounting	-	-	-	-
(ii) Those not qualified for hedge accounting	-	-	-	-
Total derivative transactions	-	-	-	-

Fiscal year ended March 31, 2025

- Financial instruments posted at fair values in the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities Shares	428	2,000	-	2,428

- Financial instruments other than those posted at fair values in the consolidated balance sheet

Category	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Operating loans	-	-	818,316	818,316
(2) Accounts receivable-installment	-	-	192,594	192,594
(3) Operational investment securities and investment securities				
① Securities to be held to maturity Government bonds and local government bonds, etc.	203	-	-	203
② Available-for-sale securities Shares	-	1,024	-	1,024
(4) Claims provable in bankruptcy	-	-	2,168	2,168
Total assets	203	1,024	1,013,079	1,014,308
(1) Bonds	-	109,282	-	109,282
(2) Long-term borrowings	-	576,527	-	576,527
Total liabilities	-	685,809	-	685,809
Derivative transactions				
(i) Those qualified for hedge accounting	-	-	-	-
(ii) Those not qualified for hedge accounting	-	-	-	-
Total derivative transactions	-	-	-	-

Notes on Financial Instruments

(Note) Description of the evaluation technique used for measurement of fair values and input data for measurement of fair values

● Operating loans

The fair value of operating loans is measured based on the present value of the collectible amounts of principal and interest that reflect their collectability minus the estimated collection costs, discounted by a safe interest rate corresponding to the remaining period, and is classified in Level 3.

● Accounts receivable-installment

The fair value of installment receivables is measured based on the present value of the collectible amounts of principal and fees that reflect their collectability minus the estimated collection costs, discounted by a safe interest rate corresponding to the remaining period, and is classified in Level 3.

● Operational investment securities and investment securities

Listed shares, government bonds and local government bonds, etc. are evaluated by using market prices. The shares traded in active markets are classified into the fair values at Level 1, while other shares are classified into the fair values at Level 2.

● Claims provable in bankruptcy

Since the estimated amount of bad debt on claims provable in bankruptcy is calculated based on the collectible amount by collateral, the fair value of the claims is similar to the balance sheet amount on the consolidated closing date minus the present estimate of probable credit losses. Therefore, this amount is shown as the fair value, and is classified in Level 3.

● Bonds

Bonds are classified into fair values at Level 2, because they are evaluated by using the market price and treated as transactions other than those in active markets.

● Long-term borrowings

Regarding long-term borrowings, variable interest rates reflect the market interest rate and credit risks in the short term, so fair values are considered to be close to book values. Accordingly, said book values are recognized as fair values. For fixed interest rates, the present value obtained by dividing the sum of principal and interest by the interest rate assumed for the same borrowing is recognized as the fair value. Since the fair value of borrowings to be repaid within one year is close to the book value, said book value is recognized as the fair value. The fair values of them are classified into the fair values at Level 2. For those subject to the special provision for the cap on interest rate, the fair value of said cap on interest rate is reflected.

Notes on Securities

Fiscal year ended March 31, 2024

① Securities to be held to maturity

(Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the consolidated balance sheet amount	-	-	-
Securities whose fair value does not exceed the amount reported in the consolidated balance sheets	-	-	-
Total	-	-	-

② Available-for-sale securities

(Millions of yen)

Category	Consolidated balance sheet amount	Purchase cost	Difference
Those whose consolidated balance sheet amount exceeds acquisition cost			
Shares	2,101	645	1,456
Subtotal	2,101	645	1,456
Those whose consolidated balance sheet amount does not exceed acquisition cost			
Shares	92	92	(0)
Subtotal	92	92	(0)
Total	2,193	737	1,456

Note: Unlisted shares, etc. (consolidated balance sheet amount of ¥4,805 million) are not included in the above table since they do not have a market price.

③ Available-for-sale securities sold during the fiscal year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Amount of sales	Total amount of gain on sales	Total amount of loss on sales
Shares	266	139	-

④ Available-for-sale securities for which impairment loss was recorded

An impairment loss of ¥240 million was recognized for available-for-sale securities during the consolidated fiscal year under review. Impairment loss on securities is recognized when fair value has dropped 50% or more of the acquisition cost and is not expected to recover to the level of the acquisition cost. When fair value has dropped between 30% to 50% of the acquisition cost, impairment loss is recognized for the amount deemed necessary in consideration of financial conditions, operating performance, share prices, etc.

Fiscal year ended March 31, 2025

① Securities to be held to maturity

(Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the consolidated balance sheet amount	-	-	-
Securities whose fair value does not exceed the amount reported in the consolidated balance sheets	223	203	(19)
Total	223	203	(19)

② Available-for-sale securities

(Millions of yen)

Category	Consolidated balance sheet amount	Purchase cost	Difference
Those whose consolidated balance sheet amount exceeds acquisition cost			
Shares	2,105	697	1,408
Subtotal	2,105	697	1,408
Those whose consolidated balance sheet amount does not exceed acquisition cost			
Shares	323	581	(257)
Subtotal	323	581	(257)
Total	2,428	1,278	1,150

Note: Unlisted shares, etc. (consolidated balance sheet amount of ¥3,610 million) are not included in the above table since they do not have a market price.

③ Available-for-sale securities sold during the fiscal year (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Amount of sales	Total amount of gain on sales	Total amount of loss on sales
Shares	42	40	28

④ Available-for-sale securities for which impairment loss was recorded

An impairment loss of ¥267 million was recognized for available-for-sale securities during the consolidated fiscal year under review. Impairment loss on securities is recognized when fair value has dropped 50% or more of the acquisition cost and is not expected to recover to the level of the acquisition cost. When fair value has dropped between 30% to 50% of the acquisition cost, impairment loss is recognized for the amount deemed necessary in consideration of financial conditions, operating performance, share prices, etc.

Notes on Derivative Transactions

Fiscal year ended March 31, 2024 (as of March 31, 2024)

- ① Derivative transactions not qualified for hedge accounting
Not applicable

- ② Derivative transactions qualified for hedge accounting (Millions of yen)

Method of hedge accounting	Type, etc., of derivative transaction	Main hedged item	Contract amount, etc.	Contract amount, etc., over one year	Fair value
Special accounting for interest rate cap	Interest rate cap transaction	Long-term borrowings	3,475	1,360	(Note)

Note: Since those subject to special accounting for interest rate cap are accounted for as part of long-term borrowings that are subject to hedging, their fair value is included in the fair value of such long-term borrowings.

Fiscal year ended March 31, 2025 (as of March 31, 2025)

- ① Derivative transactions not qualified for hedge accounting
Not applicable

- ② Derivative transactions qualified for hedge accounting (Millions of yen)

Method of hedge accounting	Type, etc., of derivative transaction	Main hedged item	Contract amount, etc.	Contract amount, etc., over one year	Fair value
Special accounting for interest rate cap	Interest rate cap transaction	Long-term borrowings	1,360	80	(Note)

Note: Since those subject to special accounting for interest rate cap are accounted for as part of long-term borrowings that are subject to hedging, their fair value is included in the fair value of such long-term borrowings.

Notes on Retirement Benefits

1. Outline of retirement benefit system adopted

The Group has adopted a defined contribution pension plan and a prepaid retirement benefit plan, except for some of its consolidated subsidiaries. Overseas consolidated subsidiaries have adopted a defined benefit plan. Overseas consolidated subsidiaries apply International Financial Reporting Standards and account for employee benefits in accordance with IAS 19, "Employee Benefits."

2. Defined benefit plan

① Reconciliation between beginning balance and ending balance of retirement benefit obligations

(Millions of yen)

	FY ended March 31, 2024	FY ended March 31, 2025
Beginning balance of retirement benefit obligations	40	50
Service cost	9	10
Interest expense	1	1
Actuarial gain or loss	-	-
Retirement benefits paid	-	-
Prior service cost incurred during the period	-	-
Foreign currency translation adjustment	3	7
Ending balance of retirement benefit obligations	55	75

② Reconciliation between ending balance of retirement benefit obligations and pension assets and the consolidated balance sheet amount of liabilities and assets pertaining to retirement benefits

(Millions of yen)

	FY ended March 31, 2024	FY ended March 31, 2025
Funded retirement benefit obligations	-	-
Pension assets	-	-
Unfunded retirement benefit obligations	-	-
Net consolidated balance sheet amounts of liabilities and assets	55	75
Liabilities pertaining to retirement benefits	55	75
Assets pertaining to retirement benefits	-	-
Net consolidated balance sheet amounts of liabilities and assets	55	75

③ Retirement benefit expenses and sub-items

	FY ended March 31, 2024	FY ended March 31, 2025
Service cost	9	10
Interest expense	1	1
Amount of prior service costs recorded as expenses	-	-
Retirement benefit expenses pertaining to the defined benefit plan	11	12

④ Matters regarding the basis of actuarial calculation Major basis of actuarial calculation

	FY ended March 31, 2024	FY ended March 31, 2025
Discount rate	3.2%	3.2%

3. Defined contribution pension plan and prepaid retirement benefit plan

	FY ended March 31, 2024	FY ended March 31, 2025
Amount of prepaid retirement benefits	116	114
Amount of contribution to defined contribution pension	379	386
Other	13	5
Retirement benefit expenses pertaining to the defined benefit plan	509	506

Notes on Tax Effect Accounting

① Breakdown of major factors of deferred tax assets and liabilities

	(Millions of yen)	
	FY ended March 31, 2024	FY ended March 31, 2025
Deferred tax assets		
Allowance for doubtful accounts	16,815	19,596
Provision for loss on interest repayment	3,582	2,749
Bad debt loss	2,824	4,938
Accrued income	1,131	1,167
Loss carried forward	27,867	14,213
Other	5,408	6,543
Subtotal of deferred tax assets	57,629	49,209
Valuation allowance for tax loss carryforwards ^{*2}	(22,598)	(8,651)
Valuation allowance for the sum total of deductible temporary differences, etc.	(14,302)	(15,360)
Subtotal of valuation allowances ^{*1}	(36,900)	(24,011)
Total deferred tax assets	20,728	25,197
Deferred tax liabilities	(416)	(308)
Valuation difference on available-for-sale securities	(201)	(279)
Retirement cost corresponding to asset retirement obligations	-	(343)
Customer-related assets	-	(698)
Other	(6)	(87)
Total deferred tax liabilities	(623)	(1,005)
Net amount of deferred tax assets	20,105	24,192

^{*1} Valuation allowance has decreased ¥12,888 million. This decrease mainly reflects the additional recording of deferred tax assets of ¥4,322 million due to a revision to the collectability of temporary differences and the writing off of tax loss carryforwards of ¥8,741 million (an amount multiplied by the effective statutory tax rate) from among the tax loss carryforwards incurred in the fiscal year ended March 2016, due to the expiry of the carryforward period.

^{*2} The amount of tax loss carryforwards and their deferred tax assets by carryforward period Fiscal year ended March 31, 2024 (as of March 31, 2024)

	(Millions of yen)						
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Tax loss carryforwards (a)	14,298	9,486	3,650	75	91	264	27,867
Valuation allowances	(9,243)	(9,486)	(3,650)	(75)	(91)	(51)	(22,598)
Deferred tax assets	5,055	0	-	-	-	213	(b)5,268

(a) The amount of tax loss carryforwards has been multiplied by the effective statutory tax rate.

(b) Deferred tax assets of ¥5,267 million have been recorded for the ¥27,867 million of tax loss carryforwards (amount multiplied by the effective statutory tax rate). Said deferred tax assets amounting to 5,268 million yen is attributable to the recognition of the balance of tax loss carryforwards amounting to 27,331 million yen (obtained by multiplying the effective statutory tax rate) of AIFUL CORPORATION, which is the consolidated parent company. The tax loss carryforwards that recorded said deferred tax assets were incurred due to the loss on interest repayment of past fiscal years and do not recognize valuation allowances on the portion which were deemed collectible based on future expectations of taxable income.

	(Millions of yen)						
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Tax loss carryforwards (c)	9,607	3,753	75	91	350	335	14,213
Valuation allowances	(4,653)	(3,753)	(75)	(91)	-	(77)	(8,651)
Deferred tax assets	4,954	-	-	-	350	257	(d)5,562

(c) The amount of tax loss carryforwards has been multiplied by the effective statutory tax rate.

(d) Deferred tax assets of ¥5,562 million have been recorded for the ¥14,213 million of tax loss carryforwards (amount multiplied by the effective statutory tax rate). Said deferred tax assets amounting to 5,562 million yen is attributable to the recognition of the balance of tax loss carryforwards amounting to 13,339 million yen (obtained by multiplying the effective statutory tax rate) of AIFUL CORPORATION, which is the consolidated parent company. The tax loss carryforwards that recorded said deferred tax assets were incurred due to the loss on interest repayment of past fiscal years and do not recognize valuation allowances on the portion which were deemed collectible based on future expectations of taxable income.

Notes on Tax Effect Accounting

- ② Major components of significant differences between the effective statutory tax rate and the burden rate of income taxes, etc., after application of tax effect accounting

	As of March 31, 2024	As of March 31, 2025
Effective statutory tax rate (Adjustment)	30.5%	30.5%
Inhabitant tax on per capita basis	0.4%	0.3%
Entertainment expenses and other items permanently excluded from loss	(0.9%)	0.6%
Valuation allowances	(40.0%)	(53.2%)
Exclusion of Dividends Received from Gross Profits	(0.0%)	(0.0%)
Effects of the change in effective statutory tax rate	2.0%	(3.4%)
Tax credits under the Tax Credit for Promoting Wage Increases and Investment	-%	(1.2%)
Effect of foreign corporation tax included in deductible expenses	0.0%	0.0%
Share of profit (loss) of entities accounted for using the equity method	(0.1%)	(0.0%)
Expiry of time limit of loss carried forward	8.2%	36.1%
Effect of goodwill amortization	-%	(0.9%)
Difference in tax rate from that of parent company	0.5%	0.5%
Other	(0.6%)	(0.4%)
Burden rate of income taxes, etc., after application of tax effect accounting	(0.0%)	8.9%

- ③ Accounting of income taxes and local corporate taxes, and tax effect accounting for these taxes

The group tax sharing system has been applied to the Company and our subsidiaries in Japan since. Furthermore, we perform accounting of income taxes and local corporate taxes or accounting and disclosure of tax effect accounting for these taxes in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

- ④ Revision of deferred tax assets and deferred tax liabilities due to change in corporate tax rate, etc.

Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) on March 31, 2025, the "Special Corporation Tax for National Defense" will be imposed from the fiscal years beginning on or after April 1, 2026. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities was changed from the previous rate of 30.46% to 31.36% for temporary differences expected to be reversed in the fiscal years beginning on or after April 1, 2026. The impact of this change in the statutory effective tax rate is immaterial.

Notes on Business Combination (Business combination through acquisition of shares)

1. Outline of business combination

- 1 Name and business of the acquired company
Name of acquired company: BitCash Inc.
Business: Issuance of prepaid electronic money, electronic payment service using electronic money.
- 2 Main reasons for business combination
BitCash Inc. is a fee-based business that does not require funds and the Company aims to increase revenue by expanding its share in the payments market, which has high profit margin.
- 3 Date of business combination
June 28, 2024 (Share acquisition date)
June 30, 2024 (Deemed acquisition date)
- 4 Legal form of business combination
Acquisition of shares.
- 5 Corporate name following combination
No change.
- 6 Percentage of voting rights acquired
100.0%
- 7 Main rationale for determining the company to acquire
This is due to the Company acquiring shares in exchange for cash.

2. Period of the acquired company's results included in the Consolidated

Statements of Income for the current fiscal year
July 1, 2024 to March 31, 2025

3. Details and amounts of major acquisition-related expenses

- 1 Amount of acquisition-related expenses
Fees and commissions paid to advisory 16 million yen.
- 2 Accounting treatment
The fees and commissions paid to the acquiring company are recorded to fees paid and shares of affiliated companies and eliminated in the consolidation adjustment.

4. Acquisition cost of the acquired company and its breakdown

(Millions of yen)		
Consideration for acquisition	cash	9,200
Acquisition cost		9,200

5. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

- 1 Amount of goodwill incurred
7,387 million yen.
- 2 Reason for incurrence
This is mainly attributable to expected future excess earnings potential driven by business expansion.
- 3 Amortization method and amortization period
Equal amortization over 10 years.

6. Amounts of assets accepted and liabilities assumed on the date of business combination and their breakdown

(Millions of yen)	
Current assets	6,324
Noncurrent assets	4,031
Total Assets	10,355
Current Liabilities	7,788
Noncurrent Liabilities	755
Total Liabilities	8,543

Estimated amount and calculation method of the effect of the business combination on the consolidated statement of income for the current fiscal year as if the business combination had been completed on the first day of the consolidated fiscal year
This information is omitted due to lack of significance.

Notes on Revenue Recognition

1. Information on breakdown of revenue arising from contracts with customers

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	Reporting segment			(Millions of yen)	
	AIFUL CORPORATION	LIFECARD CO., LTD.	Total	Other *1	Total
Member store commissions	-	10,078	10,078	438	10,517
Revenues related to its own point system	-	2,552	2,552	-	2,552
Annual card membership fees	-	3,751	3,751	-	3,751
Other	2,377	5,501	7,879	1,033	8,913
Revenue arising from contracts with customers	2,377	21,884	24,262	1,472	25,734
Interest on operating loans	76,323	3,721	80,044	15,355	95,400
Customer commissions	4	8,991	8,995	4,224	13,220
Revenue from credit guarantee ^{*2}	14,397	1,908	16,306	3,102	19,408
Collection from purchased receivables	-	-	-	1,341	1,341
Recoveries of written off claims	6,128	563	6,691	736	7,428
Insurance premiums	-	-	-	-	-
Other	0	1	2	573	576
Other revenue	96,853	15,186	112,040	25,334	137,374
Sales to external customers	99,231	37,071	136,303	26,806	163,109

*1 The "other" category comprises business segments not included in reporting segments and encompasses the activities of AG Business Support Corporation, AG Loan Services Corporation, etc.

*2 Revenue from credit guarantee includes the following amounts earned through the liquidation of receivables.

AIFUL CORPORATION: 1,060 million yen Other: 3,091 million yen Total: 4,151 million yen

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Reporting segment			(Millions of yen)	
	AIFUL CORPORATION	LIFECARD CO., LTD.	Total	Other *1	Total
Member store commissions	-	10,702	10,702	3,289	13,991
Revenues related to its own point system	-	2,377	2,377	-	2,377
Annual card membership fees	-	3,753	3,753	-	3,753
Other	2,547	5,418	7,965	1,279	9,245
Revenue arising from contracts with customers	2,547	22,252	24,799	4,568	29,368
Interest on operating loans	85,603	3,336	88,940	17,650	106,590
Customer commissions	2	9,810	9,813	6,782	16,596
Revenue from credit guarantee ^{*2}	16,198	1,903	18,102	3,423	21,526
Collection from purchased receivables	-	-	-	1,865	1,865
Recoveries of written off claims	5,523	532	6,056	651	6,707
Insurance premiums	-	-	-	4,728	4,728
Other	8	279	287	1,383	1,671
Other revenue	107,337	15,863	123,200	36,486	159,686
Sales to external customers	109,884	38,115	147,999	41,054	189,054

*1 The "other" category comprises business segments not included in reporting segments and encompasses the activities of AG Business Support Corporation, AG Loan Services Corporation, etc.

*2 Revenue from credit guarantee includes the following amounts earned through the liquidation of receivables.

AIFUL CORPORATION: 345 million yen, Other: 3,416 million yen, Total: 3,761 million yen

Notes on Revenue Recognition

2. Basic information for understanding revenues

As mentioned in “④ Booking of significant revenues and expenses” of “4. Matters concerning accounting policies” in “Significant items forming the basis for the preparation of consolidated financial statements.”

3. Information on the relationship between the fulfillment of the performance obligations set forth in contracts with customers and cash flows arising out of said contracts, and revenues arising out of contracts with customers that are effective as of the end of the consolidated fiscal year under review expected to be posted from the following consolidated fiscal year and the timing of posting of said revenues

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

i) Balance of contract liabilities, etc.

	(Millions of yen) FY ended March 31, 2024
Receivables arising out of contracts with customers (balance at beginning of term)	104
Receivables arising out of contracts with customers (balance at end of term)	166
Contract liabilities (balance at beginning of term)	3,721
Contract liabilities (balance at end of term)	3,558

Contract liabilities are related to its own point system and annual card membership fees. The contract liabilities related to its own point system are the amount of unused points that are provided to card members, which is calculated by multiplying the balance of points as of the end of the consolidated fiscal year by the expected amount of points used. Said contract liabilities are reduced through the posting of revenues from the use of points.

The contract liabilities related to annual card membership fees are the amount for the remaining period out of annual card membership fees. Said contract liabilities are reduced through the posting of revenues through the elapse of the period.

Out of the revenues recognized in the previous consolidated fiscal year, the amount included in the balance of contract liabilities at the beginning of the term stood at 3,086 million yen. The amount of revenues from the performance obligations fulfilled in the past recognized in the previous consolidated fiscal year is not significant.

ii) Transaction prices allocated to the remaining performance obligations

The note about the remaining performance obligations is written for the category “Revenue arising from contracts with customers” in “1. Information on breakdown of revenue arising from contracts with customers.” Regarding member store commissions, there are no transaction prices allocated to the remaining performance obligations. In addition, we adopted a practically convenient method, and annual card membership fees are part of a contract whose assumed period is 1 year or less, so they are not subject to the note. Regarding other operating revenue, its importance is low, so the note is omitted. The performance obligations still to be fulfilled as of the end of the consolidated fiscal year under review are the transaction prices allocated to the remaining performance obligations for its own point system, which amount to 2,070 million yen.

For said remaining performance obligations, revenues are expected to be recognized in the coming 60 months according to the use of points.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

i) Balance of contract liabilities, etc.

	(Millions of yen) FY ended March 31, 2025
Receivables arising out of contracts with customers (balance at beginning of term)	166
Receivables arising out of contracts with customers (balance at end of term)	177
Contract liabilities (balance at beginning of term)	3,558
Contract liabilities (balance at end of term)	3,553

Notes on Revenue Recognition • Notes to Segment Information, etc.

Contract liabilities are related to its own point system and annual card membership fees.

The contract liabilities related to its own point system are the amount of unused points that are provided to card members, which is calculated by multiplying the balance of points as of the end of the consolidated fiscal year by the expected amount of points used. Said contract liabilities are reduced through the posting of revenues from the use of points.

The contract liabilities related to annual card membership fees are the amount for the remaining period out of annual card membership fees. Said contract liabilities are reduced through the posting of revenues through the elapse of the period. Out of the revenues recognized in the previous consolidated fiscal year, the amount included in the balance of contract liabilities at the beginning of the term stood at 2,871 million yen. The amount of revenues from the performance obligations fulfilled in the past recognized in the previous consolidated fiscal year is not significant.

ii) Transaction prices allocated to the remaining performance obligations

The note about the remaining performance obligations is written for the category "Revenue arising from contracts with customers" in "1. Information on breakdown of revenue arising from contracts with customers." Regarding member store commissions, there are no transaction prices allocated to the remaining performance obligations. In addition, we adopted a practically convenient method, and annual card membership fees are part of a contract whose assumed period is 1 year or less, so they are not subject to the note. Regarding other operating revenue, its importance is low, so the note is omitted. The performance obligations still to be fulfilled as of the end of the consolidated fiscal year under review are the transaction prices allocated to the remaining performance obligations for its own point system, which amount to 2,060 million yen.

For said remaining performance obligations, revenues are expected to be recognized in the coming 60 months according to the use of points.

Notes to segment information, etc.

● Segment information

① Overview of reporting segments

i) Determination of reporting segments

The Company's reporting segments are the Group's constituent units for which separate financial information is available and which the Board of Directors reviews periodically to decide the allocation of managerial resources and evaluate business performance.

The Group conducts business with the Company and its consolidated subsidiaries as the smallest components of its strategies.

Therefore, the Group's reporting segments are its two core companies, namely, AIFUL CORPORATION and LIFECARD CO., LTD.

ii) Types of products and services belonging to each reporting segment

AIFUL CORPORATION is mainly engaged in loans and credit guarantees. LIFECARD CO., LTD. is mainly involved in the credit card and credit guarantee businesses.

② Calculation of operating revenue, profit or loss, assets, liabilities, etc., of each reporting segment

The accounting methods applied to the reported business segments are the same as those described in "Significant items forming the basis for the preparation of consolidated financial statements." Profit of the reporting segments is the amount of profit. Inter-segment sales and transfers are based on the amount equivalent to costs of the Company.

Notes to Segment Information, etc.

③ Information on operating revenue, profit or loss, assets, liabilities and other items of each reporting segment

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	Reporting segment		(Millions of yen)		
	AIFUL CORPORATION	LIFECARD Co.,Ltd	Total	Other*1	Total
Operating revenue					
Operating revenue from third parties	99,231	37,071	136,303	26,806	163,109
Inter-segment sales and transfers	4,635	597	5,232	63	5,296
Total	103,867	37,669	141,536	26,869	168,405
Segment profit (loss)	24,998	363	25,362	(2,377)	22,985
Segment assets	985,303	245,296	1,230,600	211,439	1,442,039
Segment liabilities	820,080	203,324	1,023,405	196,857	1,220,262
Other items					
Provision of allowance for doubtful accounts *2	31,358	5,092	36,450	16,705	53,155
Provision for bonuses	978	27	1,005	41	1,047
Depreciation	1,884	1,511	3,395	448	3,843
Amortization of goodwill	-	-	-	-	-
Interest on loans receivable	1,805	69	1,875	-	1,875
Foreign exchange gains	417	1	418	1	419
Share of profit of entities accounted for using equity method	-	-	-	-	-
Loss on liquidation of subsidiaries	-	-	-	-	-
Burden charge payment	-	4	4	-	4
Settlement payments	-	-	-	17	17
Extraordinary income	79	-	79	-	79
(Gain on the sale of fixed assets)	(79)	(-)	(79)	(-)	(79)
Extraordinary losses	420	47	467	1,529	1,997
(Bad debt write offs)	(-)	(-)	(-)	(-)	(-)
(Impairment loss)	(-)	(-)	(-)	(-)	(-)
(Loss on valuation of investment securities)	(-)	(47)	(47)	(-)	(47)
(Loss on valuation of stocks of subsidiaries and affiliates)	(420)	(-)	(420)	(-)	(420)
(Loss on extinguishment of tie-in shares)	(-)	(-)	(-)	(1,529)	(1,529)
Income taxes - current	3,238	92	3,331	1,450	4,782
Income taxes- deferred	(1,617)	443	(1,174)	(2,289)	(3,464)
Investments in entities accounted for using equity method	4,168	-	4,168	21	4,189
Increase in property, plant and equipment, and intangible assets	8,034	2,098	10,132	466	10,598

*1 The "other" category comprises business segments not included in reporting segments and encompasses the activities of AG Business Support Corporation, AG Loan Services Corporation, etc.

*2 Provision of allowance for doubtful accounts is the sum total of operating expenses and extraordinary losses.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Reporting segment		(Millions of yen)		
	AIFUL CORPORATION	LIFECARD Co.,Ltd	Total	Other*1	Total
Operating revenue					
Operating revenue from third parties	109,884	38,115	147,999	41,054	189,054
Inter-segment sales and transfers	43	355	398	80	478
Total	109,927	38,471	148,398	41,134	189,533
Segment profit	19,562	772	20,335	1,834	22,169
Segment assets	1,163,481	228,409	1,391,890	270,451	1,662,341
Segment liabilities	981,479	185,612	1,167,091	247,441	1,414,532
Other items					
Provision of allowance for doubtful accounts*2	35,543	4,232	39,776	18,398	58,175
Provision for bonuses	1,089	11	1,100	53	1,153
Depreciation	2,081	1,595	3,676	432	4,109
Amortization of goodwill	-	-	-	151	151
Interest on loans receivable	2,594	79	2,673	4	2,678
Foreign exchange gains	541	-	541	1	542
Share of profit of entities accounted for using equity method	-	-	-	-	-
Loss on liquidation of subsidiaries	0	-	0	19	20
Burden charge payment	-	-	-	-	-
Settlement payments	-	-	-	-	-
Extraordinary income	-	-	-	-	-
(Gain on the sale of fixed assets)	(-)	(-)	(-)	(-)	(-)
Extraordinary losses	2,778	-	2,778	-	2,778
(Bad debt write offs)	(498)	(-)	(498)	(-)	(498)
(Impairment loss)	(1,582)	(-)	(1,582)	(-)	(1,582)
(Loss on valuation of investment securities)	(-)	(-)	(-)	(-)	(-)
(Loss on valuation of stocks of subsidiaries and affiliates)	(697)	(-)	(697)	(-)	(697)
(Loss on extinguishment of tie-in shares)	(-)	(-)	(-)	(-)	(-)
Income taxes - current	3,288	(25)	3,263	2,725	5,989
Income taxes- deferred	(1,999)	(65)	(2,064)	(1,899)	(3,964)
Investments in entities accounted for using equity method	356	-	356	21	377
Increase in property, plant and equipment, and intangible assets	22,876	2,141	25,017	704	25,722

*1 The "other" category comprises business segments not included in reporting segments and encompasses the activities of AG Business Support Corporation, AG Loan Services Corporation, etc.

*2 Provision of allowance for doubtful accounts is the sum total of operating expenses and extraordinary losses.

Notes to Segment Information, etc.

- ④ The amount and main constituents of the difference between the sum total of the reporting segments and the amount posted in consolidated financial statements

(Millions of yen)

Operating revenue	FY ended March 31, 2024	FY ended March 31, 2025
Reporting segment total	141,536	148,398
Operating revenue categorized as "other"	26,869	41,134
Inter-segment eliminations	(5,296)	(478)
Operating revenue posted in consolidated financial statements	163,109	189,054

(Millions of yen)

Profit (loss)	FY ended March 31, 2024	FY ended March 31, 2025
Reporting segment total	25,362	20,335
Profit (loss) categorized as "other"	(2,377)	1,834
Inter-segment eliminations	(2,851)	465
Other adjustments	1,684	(117)
Profit attributable to owners of parent posted in consolidated financial statements	21,818	22,516

(Millions of yen)

Assets	FY ended March 31, 2024	FY ended March 31, 2025
Reporting segment total	1,230,600	1,391,890
Assets categorized as "other"	211,439	270,451
Other adjustments	(175,665)	(213,890)
Total assets posted in consolidated financial statements	1,266,374	1,448,451

(Millions of yen)

Liabilities	FY ended March 31, 2024	FY ended March 31, 2025
Reporting segment total	1,023,405	1,167,091
Liabilities categorized as "other"	196,857	247,441
Other adjustments	(155,300)	(187,478)
Total Liabilities posted in consolidated financial statements	1,064,962	1,227,054

(Millions of yen)

Other items	Reporting segment total		Other		Adjustments		Amount posted in consolidated financial statements	
	2024/3	2025/3	2024/3	2025/3	2024/3	2025/3	2024/3	2025/3
Other items								
Provision of allowance for doubtful accounts*	36,450	39,776	16,705	18,398	(422)	(902)	52,733	57,272
Provision for bonuses	1,005	1,100	41	53	520	587	1,567	1,741
Depreciation	3,395	3,676	448	432	-	185	3,843	4,294
Amortization of goodwill	-	-	-	-	-	775	-	775
Interest on loans receivable	1,875	2,673	-	4	(1,791)	(2,613)	83	64
Foreign exchange gains	418	541	1	1	131	665	551	1,208
Share of profit of entities accounted for using equity method	-	-	-	-	63	31	63	31
Loss on liquidation of subsidiaries	-	0	-	19	-	-	-	20
Burden charge payment	4	-	-	-	-	-	4	-
Settlement payments	-	-	17	-	-	-	17	-
Extraordinary income	79	-	-	-	-	-	79	-
(Gain on the sale of fixed assets)	(79)	(-)	(-)	(-)	(-)	(-)	(79)	(-)
Extraordinary losses	467	2,778	1,529	-	(1,529)	(578)	467	2,200
(Bad debt write offs)	(-)	(498)	(-)	(-)	(-)	(-)	(-)	(498)
(Impairment loss)	(-)	(1,582)	(-)	(-)	(-)	(-)	(-)	(1,582)
(Loss on valuation of investment securities)	(47)	(-)	(-)	(-)	(-)	(-)	(47)	(-)
(Loss on valuation of stocks of subsidiaries and affiliates)	(420)	(697)	(-)	(-)	(-)	(578)	(420)	(119)
(Loss on extinguishment of tie-in shares)	(-)	(-)	(1,529)	(-)	(1,529)	(-)	(-)	(-)
Income taxes – current	3,331	3,263	1,450	2,725	225	-	5,007	5,989
Income taxes – deferred	(1,174)	(2,064)	(2,289)	(1,899)	(1,551)	126	(5,016)	(3,838)
Investments in entities accounted for using equity method	4,168	356	21	21	489	540	4,679	917
Increase in property, plant and equipment, and intangible assets	10,132	25,017	466	704	-	37	10,598	25,760

* Provision of allowance for doubtful accounts is the sum total of operating expenses, non-operating expenses and extraordinary losses.

Related Information

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

① Information on products and services

(Millions of yen)

	Loan business	Credit sales business	Credit guarantee business	Other	Total
Operating revenue from third parties	101,674	30,822	19,738	10,873	163,109

② Information by region

● Operating revenue

Disclosure is omitted since operating revenue from third parties in Japan accounts for more than 90% of operating revenue in the consolidated statements of income.

● Property, plant and equipment

Disclosure is omitted since the amount of property, plant and equipment located in Japan accounts for more than 90% of the consolidated balance sheet amount of property, plant and equipment.

③ Information of major customers

There is no disclosure since no counterparty for operating revenue from third parties accounts for 10% or more of the operating revenue in the consolidated statements of income.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

① Information on products and services

(Millions of yen)

	Loan business	Credit sales business	Credit guarantee business	Other	Total
Operating revenue from third parties	112,477	34,342	21,839	20,395	189,054

② Information by region

● Operating revenue

Disclosure is omitted since operating revenue from third parties in Japan accounts for more than 90% of operating revenue in the consolidated statements of income.

● Property, plant and equipment

Disclosure is omitted since the amount of property, plant and equipment located in Japan accounts for more than 90% of the consolidated balance sheet amount of property, plant and equipment.

③ Information of major customers

There is no disclosure since no counterparty for operating revenue from third parties accounts for 10% or more of the operating revenue in the consolidated statements of income.

Information on impairment loss on non-current assets of the reporting segments

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

This information is omitted because the same information is disclosed in the segment information.

Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reporting segment			Other	Corporate or elimination	Total
	AIFUL CORPORATION	LIFECARD Co., Ltd.	Total			
Balance at March 31, 2025	-	-	-	3,239	6,468	9,707

(note) ① Amortization of goodwill is omitted because the same information is disclosed in the segment information.

② "Other" represents the goodwill of BitCash Inc. on a non-consolidated basis, and "Corporate and eliminations" represents the goodwill of FPC Co., Ltd. and BitCash Inc. on a consolidated basis.

Related Information

Information on gain on negative goodwill by reportable segment

Not applicable.

Information on related parties

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year ended March 31, 2024 (April 1, 2024 to March 31, 2025)

(Millions of yen)										
Category	Company name	Location	Capital or investment	Business or occupation	Voting rights owned (%)	Relationship with related parties	Transaction details	Amount of transaction	Subject	Balance at March 31, 2025
A company in which executives and their close relatives own a majority of voting rights.	AMG CO., LTD.	Ukyo-ku, Kyoto	10	Securities trading	None	Secondment of employees	Receipt of secondment fee (Note)	10	-	-

(Note) Secondment fees for secondment of employees are determined by mutual agreement based on the salary of the assignor company.

Per share Information

(Millions of yen)			
FY ended March 31, 2024		FY ended March 31, 2025	
Net assets per share	409.04	Net assets per share	455.12
Profit per share	45.10	Profit per share	46.91

- 1 The diluted profit per share is omitted because there were no dilutive shares.
- 2 The basis for calculation of profit per share is as follows:

(Millions of yen)		
	As of March 31, 2024	As of March 31, 2025
Profit attributable to owners of parent	21,818	22,516
Amount not attributable to common stockholders	-	-
Profit attributable to owners of parent pertaining to common stock	21,818	22,516
Average number of shares of common stock during the period	483,797,192	479,951,366

- 3 The basis for calculation of net assets per share is as follows:

(Millions of yen)		
	As of March 31, 2024	As of March 31, 2025
Total net assets	201,412	221,396
Amount deducted from total net assets	3,502	3,473
(Portion of non-controlling interest)	(3,502)	(3,473)
Net assets related to common stock at end of FY	197,909	217,923
Number of shares of common stock at end of FY used in the calculation of net assets per share	483,836,820	478,830,232

Important Subsequent Events

(Transition to a holding company structure through a sole share transfer)
It was resolved at the Board of Directors meeting held on May 19, 2025 that the Company would establish, through a sole share transfer of the Company's shares (hereinafter, the "Share Transfer"), the holding company Muninova Holdings Inc., wholly owning parent company, (hereinafter, the "Holding Company") , with an effective date of April 1, 2026 (scheduled).

1. Background and Purpose of Transition to Holding Company Structure through Sole Share Transfer

The AIFUL Group is committed to enhancing its services across the Group to support customers' sound consumption and business activities and to help them achieve a "For Colorful Life." society where each person can play an active role.

In the non-bank sector surrounding the AIFUL Group, loan receivables have continued to increase, backed by strong funding demand. On the other hand, rising financial and personnel costs due to inflation are creating a need to review the existing loan-centered business model and profit structure.

Against this backdrop, the AIFUL Group is working to enhance profitability, particularly focusing on its four core businesses (unsecured consumer loans, small business loans, credit guarantees, and installment sales finance), with the goal of strengthening competitiveness going forward. Leveraging the profits generated from these businesses, the Group aims to expand group profit levels and diversify its operations through M&A as a growth driver, targeting an ROE of over 15% and ordinary profit of 100 billion yen.

Based on these circumstances, the Company has determined that it is desirable to transition to a pure holding company structure to further strengthen group governance functions. With the Holding Company managing and supervising from a cross-group perspective, we will aim to build a new business model with a proper balance, without over-reliance on current core businesses, and to maximize group-wide synergies. Furthermore, by clearly defining authority and responsibility at each group company and promoting autonomous management, we aim to enhance the overall competitiveness of the Group. Under the new structure, the Holding Company will lead the M&A strategy to promote business diversification, accelerating the transformation of the Group into a company that goes beyond the traditional non-bank sector.

As a result of the Share Transfer, the Company will become a wholly owned subsidiary of the Holding Company, and the Company's shares will be delisted. However, the Holding Company plans to apply for listing on the Prime Market of the Tokyo Stock Exchange, with the scheduled listing date being April 1, 2026, which is also the scheduled date of the Holding Company's incorporation registration (effective date of the Share Transfer), however, this may differ depending on the assessment by the Tokyo Stock Exchange's review.

2. Procedure for Transitioning to Holding Company Structure

After the establishment of the Holding Company, the Company's subsidiaries and other affiliates are scheduled to be reorganized as subsidiaries directly owned by the Holding Company.

3. Overview of the Transition to a Holding Company Structure through the Share Transfer

① Schedule of the Share Transfer

March 31, 2025 (Mon)	Record date for Annual General Meeting of Shareholders
May 19, 2025 (Mon)	Board of Directors meeting for the approval of the share transfer plan
June 24, 2025 (Tue)	Annual General Meeting of Shareholders for the approval of the share transfer plan
March 30, 2026 (Mon, scheduled)	Delisting of the Company's shares
April 1, 2026 (Wed, scheduled)	Incorporation registration of the Holding Company (effective date)
April 1, 2026 (Wed, scheduled)	Stock listing date of the Holding Company

However, the schedule is subject to change depending on the necessity of the progress of the procedures for the Share Transfer or other reasons.

② Method of the Share Transfer

This is a sole share transfer with the Company as the wholly owned subsidiary resulting from the share transfer and the Holding Company as the wholly owning parent company established through the share transfer.

Important Subsequent Events

③ Details of the Share Allocation (Share Transfer Ratio)

Company's name	Muninova Holdings Inc. (Wholly Owning Parent)	AIFUL CORPORATION (Wholly Owned Subsidiary)
Share transfer ratio	1	1

(a) Share Transfer Ratio

Immediately prior to the effective date of the Share Transfer, shareholders of the Company will receive one share of the Holding Company's common stock for each share of the Company's common stock they hold.

(b) Number of Shares per Unit

The Holding Company will adopt the unit share system, with 100 shares per unit.

(c) Basis for Calculating Share Transfer Ratio

Since the Share Transfer will establish one wholly owning parent company solely through the Company's share transfer, all shares of the Holding Company will be allocated exclusively to the shareholders of the Company immediately prior to the effective date. Giving first priority to avoiding any disadvantage to shareholders and considering that there will be no change in shareholder composition before and after the Share Transfer, the allocation will be one share of the Holding Company's common stock for each share of the Company's common stock held.

(d) Results, Methods, and the Basis of Calculation of the Valuation Report by Third-Party Institutions

For the reasons above in (c), no third-party valuation of the share transfer ratio has been conducted.

(e) Number of New Shares to be Issued (scheduled)

484,620,136 shares of common stock (scheduled)

This number is based on the total number of issued shares of the Company as of March 31, 2025. However, if the total number of issued shares of the Company changes prior to the effective date of the Share Transfer, the number of new shares to be issued by the Holding Company will also change accordingly.

④ Treatment of stock acquisition rights and bonds with stock acquisition rights in connection with the Share Transfer

The Company has not issued any stock acquisition rights or bonds with stock acquisition rights.

⑤ Matters Related to Application for Listing of the Holding Company

The Company plans to apply for listing of the newly established Holding Company's shares on the Prime Market of the Tokyo Stock Exchange, with the scheduled listing date being April 1, 2026. The Company's shares will be delisted on March 30, 2026, prior to the Holding Company's listing, as the Company will become a wholly owned subsidiary of the Holding Company as a result of the Share Transfer. The delisting date may change depending on the Tokyo Stock Exchange's regulations.

4. Overview of the New Company to be Established Through the Share Transfer (Scheduled)

(1) Company name	Muninova Holdings Inc.
(2) Location	381-1 Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto
(3) Representative name and title	Mitsuhide Fukuda, President and Chief executive officer
(4) Business description	Management of group companies and related operations
(5) Capital	2,000 million yen
(6) Date of establishment	April 1, 2026
(7) Number of shares issued	484,620,136
(8) Fiscal year-end	March 31
(9) Net assets	Undetermined
(10) Total assets	Undetermined

5. Outline of Accounting Treatment

The Share Transfer will be accounted for as a "transaction under common control" under corporate accounting, and therefore it will have no impact on profit or loss. No goodwill is expected to result from this Share Transfer.

Consolidated Schedules

Bonds schedule

(Millions of yen)

Company name	Issue	Date of issue	Balance at April 1, 2024	Balance at March 31, 2025	Interest rate(%)	Security	Maturity date
The Company	64th unsecured straight bond	June 15, 2022	30,000	-	0.970	Unsecured	June 14, 2024
	65th unsecured straight bond	December 14, 2022	15,000	15,000 (15,000)	0.940	Unsecured	December 12, 2025
	66th unsecured straight bond	June 13, 2023	15,000	15,000	0.870	Unsecured	June 12, 2026
	67th unsecured straight bond	January 26, 2024	20,000	20,000	0.900	Unsecured	January 26, 2027
	68th unsecured straight bond	June 18, 2024	-	10,000	1.130	Unsecured	June 18, 2027
	69th unsecured straight bond	June 12, 2024	-	20,000	1.120	Unsecured	June 11, 2027
	70th unsecured straight bond	January 24, 2025	-	30,000	1.370	Unsecured	January 24, 2028
Total		-	80,000	110,000 (15,000)	-	-	-

Notes: ① The amount of ending balance shown in parentheses is included in the amount shown without parentheses. Said amount is scheduled to be redeemed within one (1) year from the day immediately following the date of the consolidated balance sheets. In the consolidated balance sheets, said amount is stated under current liabilities.

② The scheduled amount of redemption for each year within five years after the consolidated closing date is as shown below.

(Millions of yen)

Due within 1 year	Due within 1-2 years	Due within 2-3 years	Due within 3-4 years	Due within 4-5 years
15,000	35,000	60,000	-	-

Borrowings schedule

(Millions of yen)

Category	Balance at April 1, 2024	Balance at March 31, 2025	Average interest rate(%)	Repayment due date
Short-term borrowings (including short-term borrowings of subsidiaries and associates)	102,587	85,382	2.72	-
Commercial paper	-	17,400	0.75	-
Current portion of long-term borrowings	233,660	252,042	1.36	-
Current portion of lease obligations	464	200	-	-
Long-term borrowings (excluding the current portion)	248,657	324,792	1.29	From April 2026 to November 2030
Lease obligations (excluding the current portion)	243	51	-	From April 2026 to June 2028
Total	585,614	679,869	-	-

Notes: ① The "average interest rate" represents the weighted-average rate applicable to the ending balance.

② The average interest rate of lease obligations is not stated since lease obligations recorded on the consolidated balance sheets represent the amount prior to deducting the amount equivalent to interest included in the total lease fees.

③ The scheduled repayment amounts of long-term borrowings and lease obligations (excluding current portions) for each year within five years after the date of the consolidated balance sheets are as shown below.

(Millions of yen)

Category	Due within 1-2 years	Due within 2-3 years	Due within 3-4 years	Due within 4-5 years
Long-term borrowings	175,896	109,987	20,791	11,301
Lease obligations	30	19	2	-

Consolidated Schedules

Asset retirement obligations schedule

Disclosure is omitted since the amounts of asset retirement obligations at the beginning and end of the fiscal year under review are not more than one hundredth (1/100) of the sum total of liabilities and net assets at the beginning and end of the fiscal year under review.

Others

Quarterly information for the consolidated fiscal year under review

(Millions of yen)

Category	Interim consolidated accounting period	FY2025/3
Operating revenue	91,273	189,054
Profit before income taxes	8,139	24,240
Profit attributable to owners of parent	7,188	22,516
Profit per share (yen)	14.94	46.91

AIFUL Balance Sheets

Assets

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
Current assets		
Cash and deposits	21,141	29,515
Operating loans	557,786	613,433
Accounts receivable – installment	162	140
Customers' liabilities for acceptances and guarantees	218,459	264,576
Other operating receivables	14,198	16,693
Prepaid expenses	364	875
Accrued income	3,840	4,834
Other	9,793	11,009
Allowance for doubtful accounts	(45,930)	(51,866)
Total current assets	779,817	889,212
Non-current assets		
Property, plant and equipment		
Buildings	13,018	16,006
Accumulated depreciation	(8,959)	(8,609)
Buildings, net	4,059	7,397
Structures	739	664
Accumulated depreciation	(622)	(576)
Structures, net	117	88
Machinery and equipment	146	235
Accumulated depreciation	(141)	(142)
Machinery and equipment, net	5	92
Vehicles	1	1
Accumulated depreciation	(0)	(1)
Vehicles, net	0	0
Furniture and fixtures	3,537	2,936
Accumulated depreciation	(3,067)	(2,519)
Furniture and fixtures, net	470	416
Land	6,726	21,857
Leased assets	1,194	1,194
Accumulated depreciation	(899)	(1,073)
Leased assets, net	295	121
Construction in progress	1,003	100
Total property, plant and equipment	12,678	30,076
Intangible assets		
Software	2,241	2,034
Software in progress	6,970	8,698
Other	73	66
Total intangible assets	9,285	10,799
Investments and other assets		
Investment securities	1,281	1,378
Shares of subsidiaries and associates	25,660	35,329
Long-term loans receivable from subsidiaries and associates	141,423	178,050
Claims provable in bankruptcy	7,645	7,384
Long-term prepaid expenses	231	1,781
Deferred tax assets	12,088	14,136
Lease and guarantee deposits	1,279	1,048
Other	347	750
Allowance for doubtful accounts	(6,436)	(6,467)
Total investments and other assets	183,521	233,392
Total non-current assets	205,486	274,268
Total assets	985,303	1,163,481

Liabilities

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
Current liabilities		
Acceptances and guarantees	218,459	264,576
Short-term borrowings	36,800	15,800
Short-term loans payable to subsidiaries and associates	959	488
Commercial papers	-	17,400
Current portion of bonds	30,000	15,000
Current portion of long-term borrowings	222,002	240,475
Lease obligations	191	117
Trade accounts payable	5,034	4,943
Accrued expenses	770	952
Income taxes payable	3,045	2,900
Allowance for bonuses	1,598	1,776
Provision for share-based remuneration	51	63
Asset retirement obligations	-	96
Other	661	789
Total current liabilities	519,575	565,380
Non-current liabilities		
Bonds payable	50,000	95,000
Long-term borrowings	237,222	308,381
Long-term loans payable to subsidiaries and affiliates	-	2,300
Lease obligations	136	19
Provision for loss on interest repayment	9,948	7,285
Asset retirement obligations	2,397	2,322
Other	800	789
Total non-current liabilities	300,505	416,098
Total liabilities	820,080	981,479

Net Assets

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus		
Capital reserves	52	52
Total capital surplus	52	52
Retained earnings		
Legal retained earnings	145	193
Other retained earnings		
Retained earnings carried forward	73,155	92,127
Total retained earnings	73,300	92,321
Treasury shares	(2,655)	(4,541)
Total shareholders' equity	164,726	181,861
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	496	140
Total valuation and translation adjustments	496	140
Total net assets	165,222	182,002
Total liabilities and net	985,303	1,163,481

AIFUL Statements of Income

(Millions of yen)	FY ended March 31, 2024 (Apr. 1 2023 to Mar. 31 2024)	FY ended March 31, 2025 (Apr. 1 2024 to Mar. 31 2025)
Operating revenue		
Interest on operating loans	76,323	85,603
Other financial revenue	0	8
Other operating revenue		
Revenue from credit guarantee	14,397	16,198
Recoveries of written off claims	6,128	5,523
Other	7,017	2,823
Total other operating revenue	27,543	24,546
Total operating revenue	103,867	110,158
Operating expenses		
Financial expenses		
Interest expenses	4,053	5,460
Interest on bonds	568	853
Other	684	1,078
Total financial expenses	5,306	7,392
Other operating expenses		
Advertising expenses	13,937	15,007
Commissions	6,842	7,865
Provision of allowance for doubtful accounts	31,172	35,174
Employees' salaries, allowances and bonuses	7,327	8,201
Provision for bonuses	978	1,089
Retirement benefit expenses	315	307
Welfare expenses	1,851	2,035
Depreciation	1,884	2,081
Other	9,911	10,611
Total other operating expenses	74,221	82,374
Total operating expenses	79,527	89,766
Operating profit	24,339	20,391

(Millions of yen)	FY ended March 31, 2024 (Apr. 1 2023 to Mar. 31 2024)	FY ended March 31, 2025 (Apr. 1 2024 to Mar. 31 2025)
Non-operating income		
Interest on loans receivables	1,805	2,594
Foreign exchange gains	417	541
Dividends	37	23
Other	554	464
Total non-operating income	2,814	3,624
Non-operating expenses		
Provision of allowance for doubtful accounts	-	2
Amortization expense of security deposits	-	4
Other	6	7
Total non-operating expenses	6	19
Ordinary profit	27,147	23,996
Extraordinary income		
Gain on the sale of fixed assets	79	-
Total extraordinary income	79	-
Extraordinary losses		
Bad debt write offs	-	498
Impairment loss	-	1,582
Loss on valuation of stocks of subsidiaries and affiliates	420	697
Provision of allowance for doubtful accounts	186	366
Total extraordinary losses	606	3,144
Income before taxes	26,620	20,851
Income taxes - current	3,238	3,288
Income taxes- deferred	(1,617)	(1,999)
Total income taxes	1,621	1,289
Profit	24,998	19,562

Group Companies

Loan

	AIFUL CORPORATION	Unsecured consumer loan / Credit guarantee
	AG BUSINESS SUPPORT CORPORATION	Small business loan / Factoring
	AG MEDICAL CORPORATION	Medical loan secured by medical fee receivables

Credit Card/Payment service

	LIFECARD Co., LTD.	Credit card / Payment services
	AG Payment Service CO., LTD	Installment credit sales / Post-pay settlement business
	BitCash Inc.	Issuance of prepaid electronic money / Electronic payment service using electronic money

SES

	AG Solution Technology Inc.	Management of subsidiaries and related operations
	Seven Seas Co., Ltd.	System development / maintenance and operation / Network and infrastructure construction
	Liblock Inc.	System development / maintenance and operation / Application development
	Salop, Inc.	System development / maintenance and operation / Application development
	TEMPLATE co., ltd.	System development / maintenance and operation
	Smart Link co., ltd.	System Consulting / System Design / Project Management and support

Servicer

	AG Servicer Corporation	Debt collection (Servicer)
	AG Partners Corporation	Corporate turnaround & restructuring

Overseas

	AIRA&AIFUL Public Company Limited	Consumer finance (Kingdom of Thailand)
	PT REKSA FINANCE	Used car loans (Republic of Indonesia)
	AIFUL FINANCE PHILIPPINES INC.	Motorcycle and automobile secured loans (Republic of the Philippines)

Others

	AG Capital Co., Ltd	Venture capital
	AG Smile Leaseback Corporation	Leaseback
	AG Crowdfunding Co., LTD.	Social lending (peer-to-peer lending)
	AG Lending Corporation	Secured loan (Fund)
	FPC Co., Ltd.	Small amount short-term pet insurance
	Anshin Guarantee Service Co., Ltd.	Guarantee (Rent liabilities)

Corporate Overview

Corporate Profile

Corporate Name	AIFUL CORPORATION
President	Mitsuhide Fukuda, President & CEO
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Date of Establishment	April 1967
Paid-in Capital	¥94,028 million
Fiscal Year End	March 31
Business Outline	Consumer Finance Business, Small Business Loan Business, Credit Guarantee Business
Industrial Classification	Other Financing Business
Stock Listing	Tokyo Stock Exchange, Prime Market
Securities Code	8515
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited
Independent Auditor	Deloitte Touche Tohmatsu LLC
Number of Employees	5,003 ※Total number of employees at AIFUL Group including non-consolidated subsidiaries

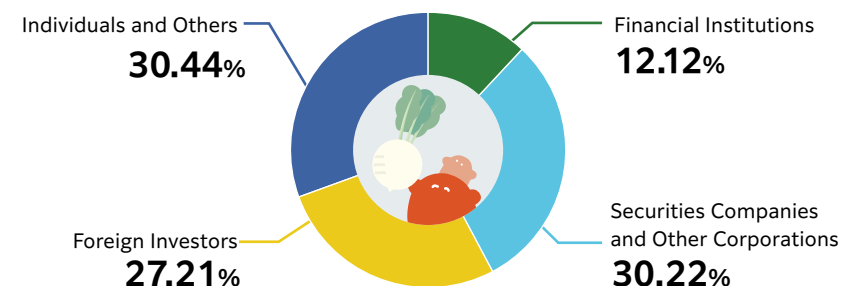
※As of March 31, 2025

Stock Information

Total number of shares authorized: 1,136,280,000
Total number of shares issued: 484,620,136
Number of shareholders: 19,810

Shareholder's name	Number of shares held (thousand shares)	Percentage of total shares outstanding
AMG Co., Ltd.	94,814	19.80%
Mitsuhide Fukuda	62,220	12.99%
The Master Trust Bank of Japan, Ltd. (trust account)	42,944	8.97%
Marutaka Co., Ltd.	24,543	5.13%
JP MORGAN CHASE BANK 385632	20,852	4.35%
MSIP CLIENT SECURITIES	14,759	3.08%
Custody bank of Japan, Ltd. (trust account)	10,865	2.27%
MSCO CUSTOMER SECURITIES	6,896	1.44%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	6,024	1.26%
BOFAS INC SEGREGATION ACCOUNT	5,154	1.08%

Breakdown by Investor Type



※As of March 31, 2025