

ANNUAL REPORT 2021

The year ended March 31, 2021

AIFUL CORPORATION

Corporate Philosophy

Earn the trust of society through corporate activity based in integrity

We defined our vision, mission, and value for embodying our corporate philosophy.

The AIFUL Group has upheld the corporate philosophy: “Earn the trust of society through corporate activity based in integrity” as an unalterable underlying philosophy, and in April 2021, we defined our vision, mission, and value as concrete goals suited for the present age for redeveloping the system of our philosophy.

VISION / MISSION / VALUE

VISION

For Colorful Life.

For realizing a society in which your traits will shine



Your originality in your daily life and work. AIFUL hopes to brighten our society further with the characteristics of individuals. So that all kinds of people can envision a future in which they will be able to be themselves, we value individuality.

MISSION

Toward customers

Let's go beyond the expectations of customers.

Go beyond.

Requirements

- To understand customers
- To think from the viewpoint of customers
- To give a proposal while foreseeing future trends

We always think from the viewpoint of customers and keep exceeding the expectations of customers with our swift services while devoting the utmost effort.

Toward society

Let's create a better tomorrow.

Step forward.

Requirements

- To create a happy tomorrow for everyone
- To continue our efforts to improve things

By improving things on a daily basis, we will contribute to the happy tomorrow of many people.

Toward our staff

We recognize the characteristics of each other.

Be unique.

Requirements

- To exert one's individuality
- To recognize each other

While respecting the characteristics of each other, we will keep creating a variety of values.

VALUE

Sincerity

Be honest.

We will not betray our fellows or go against our rules.

Effort

Try harder.

What matters is to exert all one's strength.

Trust

Build relationship.

What matters most is to trust the other person.

Gratefulness

Be grateful.

What matters is to appreciate and respect all stakeholders.

Unification and utilization of our group brands

- In July 2020, the names of domestic group companies, excluding some companies, were renamed to include “AIFUL” or “AG” in their new names.
- We aim to improve the performance of the entire corporate group, by enhancing a sense of unity as a corporate group and taking full advantage of the popularity of AIFUL.



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Forward-Looking Statements

The figures contained in this Annual Report with respect to AIFUL's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of AIFUL, which are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a result of various factors.

Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL's market and changes in the overall market for consumer loans, the rate of default by customers, and the level of interest rates charged by AIFUL.

Year-on-Year Summary

Financial Highlight

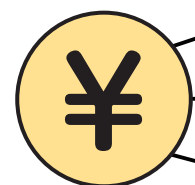
Operating revenue (millions of yen)

Fiscal 2019

127,038

Fiscal 2020

127,481



Interest on operating loans 74.0 billion yen
Revenue from credit guarantee 14.5 billion yen
Revenue from installment sales 19.3 billion yen

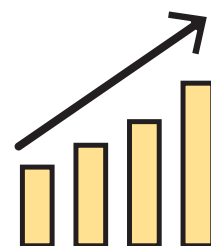
Ordinary profit (millions of yen)

Fiscal 2019

1,716

Fiscal 2020

19,305



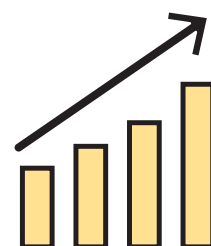
Profit attributable to owners of parent (millions of yen)

Fiscal 2019

1,390

Fiscal 2020

18,437



Financial Indicators (%)

Fiscal 2019

Fiscal 2020

ROA

0.2

2.2

ROE

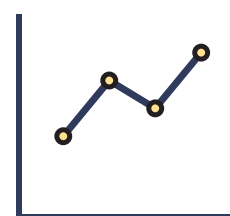
1.1

13.6

Equity ratio

14.6

16.9



Non-Financial Highlight

Total greenhouse gas emissions (t-CO2)

Fiscal 2019

6,863

Fiscal 2020

4,205



Education/training cost per person^{*1} (yen)

Fiscal 2019

28,918

Fiscal 2020

26,189



Ratio of employees who have taken paid holidays (%)

Fiscal 2019

76.63

Fiscal 2020

75.78



Number of male employees who have taken childcare leave (person)

Fiscal 2019

1

Fiscal 2020

4



Number of non-Japanese employees (including those recruited outside Japan) (person)

Fiscal 2019

989

Fiscal 2020

944



Credit card statements Ratio of paperless transactions (%)

Fiscal 2019

48.6

Fiscal 2020

51.7



Average number of paid holidays taken (days)

Fiscal 2019

12.9

Fiscal 2020

13.0



Number of employees who have taken childcare leave (person)

Fiscal 2019

69

Fiscal 2020

72



Expenditure for social contribution (donations, etc. in fiscal 2020)

Fiscal 2019

1,424

Fiscal 2020

1,473



Ratio of (locally recruited) non-Japanese managers outside Japan (%)

Fiscal 2019

7.4

Fiscal 2020

8.3



^{*1} The number of employees is calculated by dividing the sum of the number of regular employees at the beginning of a term and the number of regular employees at the end of the term by 2.

Our History

1967
Yoshitaka Fukuda, AIFUL CORPORATION's current chairman, establishes a sole proprietorship as a consumer finance company

1978
Established Marutaka, Inc. (now AIFUL CORPORATION) and began business with three branches in Kyusyu and one in Kyoto

1982
Marutaka, Inc. absorbs three related companies
Name simultaneously changed to AIFUL CORPORATION

1984
Start of ATM operations

1985
Introduced first Scoring System (automated credit check system)

1994
Opened Heartful Center (now Contact Center)

1995
Completed installation of "Ojidosan", an automated loan agreement machine, at Kanda north exit branch and Ikebukuro west exit branch

1997
Over-the-counter registration of company's stock with the Japan Securities Dealers Association

2000
Listed on First Section, Tokyo Stock Exchange and First Section, Osaka Securities Exchange

2001
Established business finance company Businext Co., Ltd. (now AIFUL BUSINESS FINANCE Corporation) through a joint venture with Sumitomo Trust and Banking Co., Ltd.

Transferred the head office to Shimogyo-ku, Kyoto (current location)

Converted LIFE Co., Ltd., into 100% subsidiary

Established servicer company AsTry Loan Services Corporation (now AG Loan Services Corporation) in joint venture with Aozora Bank, Ltd.

2002
Established Compliance Committee

2003
Received "Listed Company Disclosure Commendation" from the Tokyo Stock Exchange

2004
Converted KOKUSAI Capital Co., Ltd. into 100% subsidiary

KOKUSAI Capital Corporation changed its name to New Frontier Partners Co., Ltd.

2007
Revised management philosophy. The new management philosophy is "Earn the trust of society through corporate activity based in integrity"

2009
Transferred all shares of 4 consolidated subsidiaries to NEOLINE CAPITAL Co., Ltd.

2010
LIFE Co., Ltd. established a wholly owned subsidiary for the credit card business and credit guarantee business, called Life Card Co., Ltd.

2011
Under the group reorganization, credit sales business as well as the credit guarantee and insurance businesses of LIFE Co., Ltd. was transferred to LIFE CARD Co., Ltd. by way of corporate spinoff and merger

Furthermore, four consolidated subsidiaries including LIFE Co., Ltd. (following its spin-off) were merged into AIFUL

2013
New Frontier Partners Co., Ltd. (a consolidated subsidiary) acquired all shares in BUSINEXT CORPORATION owned by the Company and Sumitomo Mitsui Trust Bank Limited and made it a wholly-owned subsidiary

2014
LIFE GUARANTEE CO., LTD. (now AIFUL GUARANTEE CO., LTD.) commenced installment sales and credit guarantee business.

AIRA & AIFUL Public Company Limited, a joint venture, was established with AIRA Capital, as an overseas subsidiary in Thailand

2015
AIRA & AIFUL Public Company Limited commenced the consumer finance business in Thailand with the A Money brand

Shares of Anshin Guarantor Service Co., Ltd., a group company, were listed on the Tokyo Stock Exchange Mothers

2016
New Frontier Partners Co., Ltd. changed its corporate name to AG Capital Corporation

2017
The 50th anniversary of AIFUL's establishment

2018
Established AsTry Partners Corporation (now AIFUL Partners Corporation), which manages the corporate turnaround & restructuring business

2020
Established AG Miraibarai Co., Ltd., which manages the Postpay settlement business

Established Aiful Medical Finance Co., Ltd., which manages the business of medical fee-type secured loans

AIFUL Group companies below have been renamed as follows:
BUSINEXT CORPORATION to AIFUL BUSINESS FINANCE CORPORATION;
AsTry Loan Services Corporation to AG Loan Services Corporation; and LIFE GUARANTEE CO., LTD. to AIFUL GUARANTEE CO., LTD.

2021
Aiful Medical Finance Co., Ltd. changed its corporate name to AG MEDICAL CORPORATION

Conversion of LIFE Co., Ltd. into 100% subsidiary

Establishment of BUSINEXT

Listing on First Section, Tokyo Stock Exchange

Opening of Heartful Center

Establishment of a consumer finance company

Establishment of Aiful Medical Finance Co., Ltd.

Establishment of AG Miraibarai Co., Ltd.

Establishment of AsTry Partners Corporation

50th anniversary of AIFUL's establishment

Entry into overseas markets

LIFE GUARANTEE CO., LTD. started operation

Summary of financial results for fiscal 2020

During fiscal 2020, the AIFUL Group posted operating revenue of 127.4 billion yen (up 0.3% year on year) and ordinary profit of 19.3 billion yen (1.7 billion yen in fiscal 2019). Meanwhile, profit attributable to owners of parent came to 18.4 billion yen (1.3 billion yen in fiscal 2019), showing the growth of sales and profit.

Operating revenue increased from the previous fiscal year, despite the decline in the growth rate of operating assets due to the novel coronavirus. Operating expenses were 109.9 billion yen, down 12.3% year on year, mainly because sales promotion expenses were reduced in response to the slowdown of consumer spending amid the spread of COVID-19 and financial expenses decreased due to the drop in the balance of loans

outstanding.

Current business environment

Regarding the business environment surrounding the Group, the retail finance market of loans and credit cards for consumers and business operators shrank temporarily, due to the stagnation of economic activities caused by the spread of COVID-19 inside and outside Japan.

The outlook is uncertain, due to the recent increase of infected people and the nationwide spread of the novel coronavirus, but consumer spending is expected to recover gradually, thanks to the curtailment of the number of infected people through rigorous measures against COVID-19, the start and nationwide implementation of vaccination, consumption promotion campaigns

by the public and private sectors, etc.

On the other hand, the market environment is changing rapidly, with the entry of new enterprises, the spread of new settlement methods, the acceleration of digital transformation, etc., so it is necessary to swiftly respond to such changes.

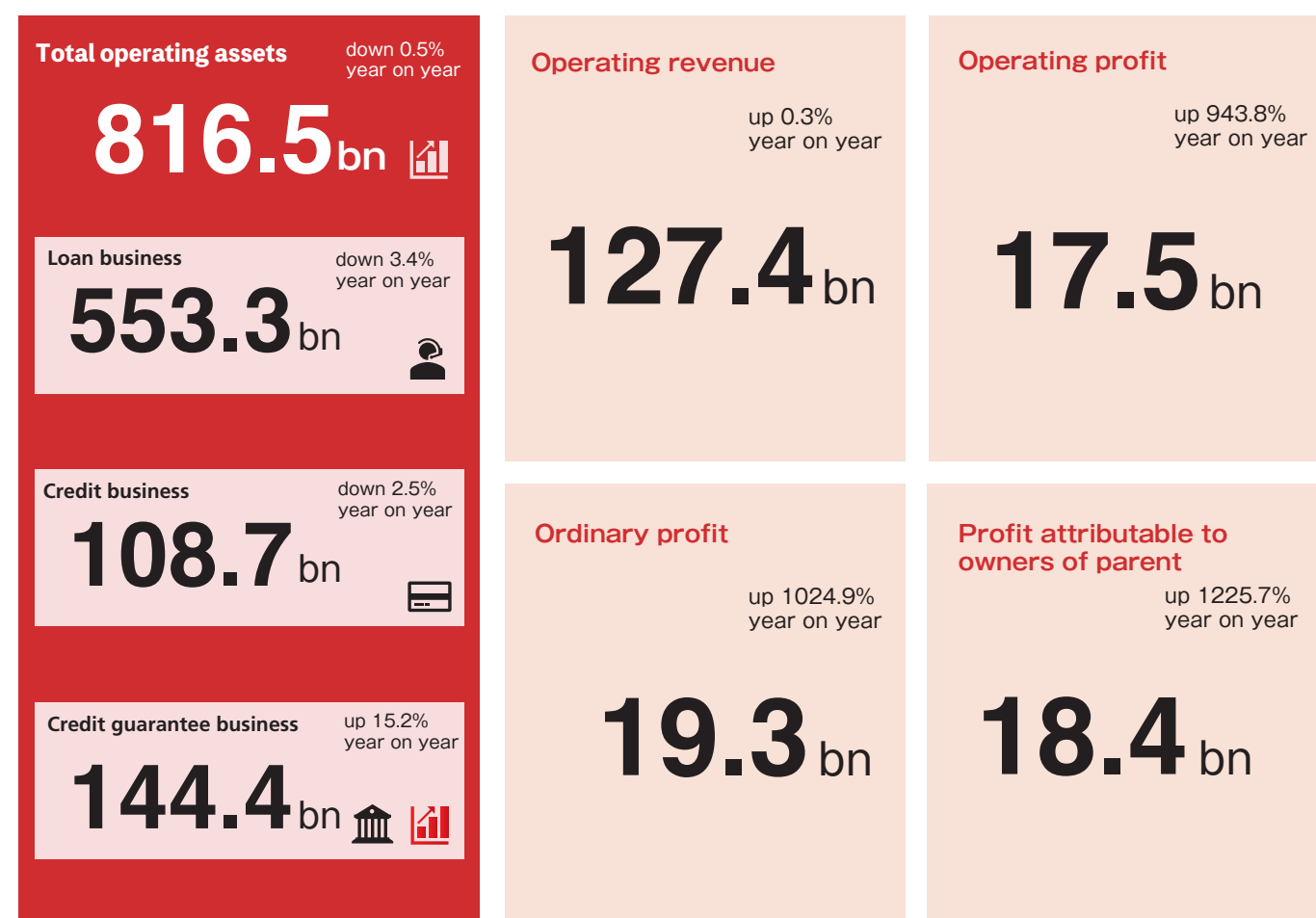
In light of this environment, we undertook business operations that emphasized the balance between safety, profitability and growth potential. In the AIFUL Group as a whole, we endeavored to expand our operating assets and diversify the finance business based on the loan business, the credit card business, the credit guarantee business and the overseas business while addressing interest repayment claims which is one of the management issues.

Ideal state of the Group

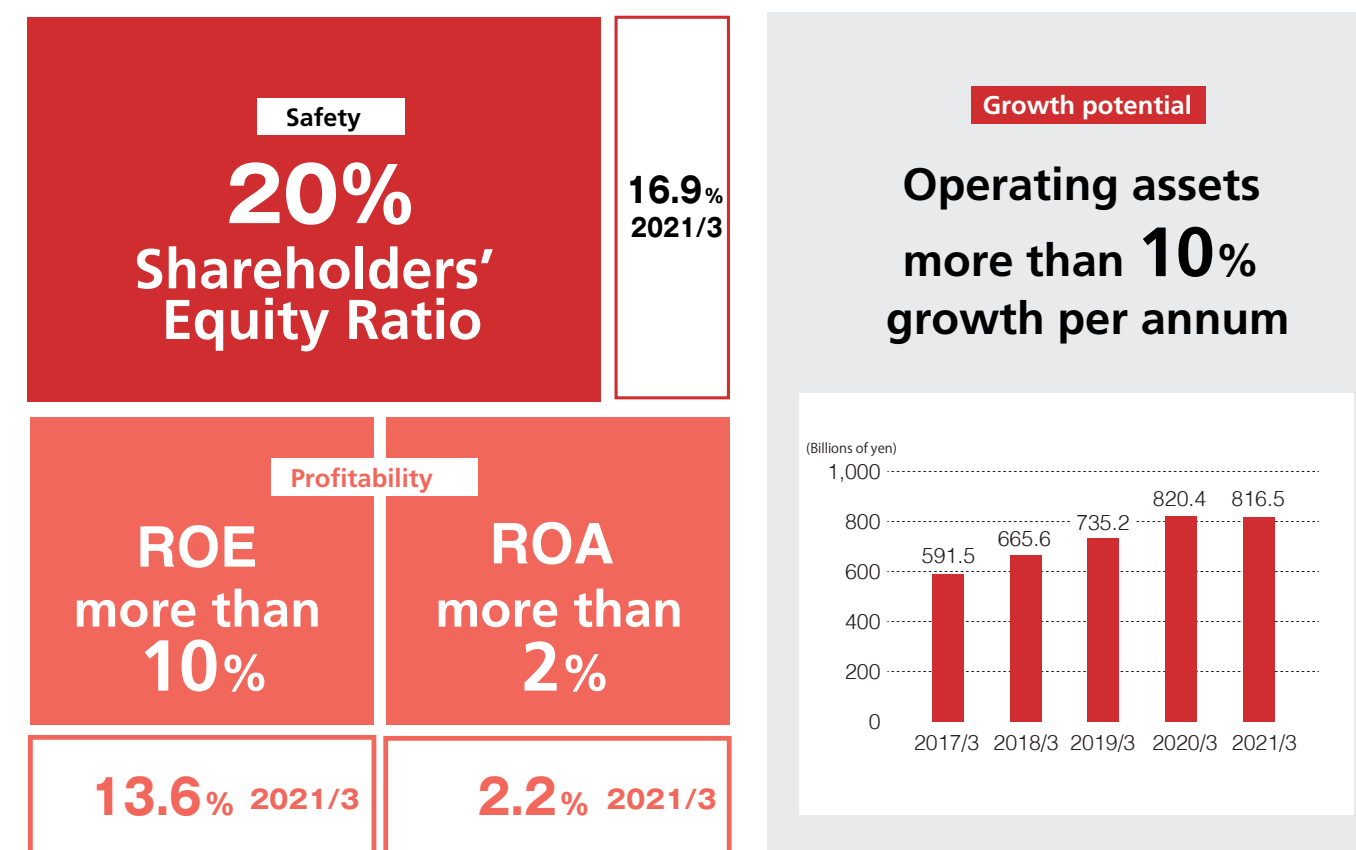
We, the AIFUL Group, are committed to contributing to economy and society by supporting our customers' sound consumption and business activities under the corporate philosophy: "Earn the trust of society through corporate activity based in integrity," and aim to "grow as an IT-based financial group by reforming our organization and systems according to the changes in the business environment and utilizing digital technologies."

In addition, in order to adapt to the changing environment, we will evolve into an enterprise that can win strong support from stakeholders by establishing the AIFUL Group brand and sophisticating data utilization, and develop a highly profitable system by improving productivity by utilizing IT and digital technologies and reforming the profit structure.

Summary of financial results for fiscal 2020



Indicators of Reliability/Profitability/Growth Potential in AIFUL Group



The AIFUL Group's management strategy

In order to realize the ideal state of the AIFUL Group, we will accelerate the rationalization and streamlining of our organization and systems and complete reform and creation through the innovation of technologies, to evolve into a corporate group that has high safety, profitability and growth potential and (introducing business process reengineering (BPR) and robotic process automation (RPA). We set goals of achieving an ROA of over 2% and an ROE of over 10%, and attained these goals in the results for fiscal 2020.

In terms of growth potential, we set a goal of increasing operating assets by 10% per year by actively operating the promising guarantee and overseas businesses.

As a guideline for conduct to realize our corporate philosophy, we are implementing all-out efforts to win the trust of society by placing utmost priority on a customer-first policy and compliance.

We define our customer-first policy as “putting customers first, addressing customer needs with integrity and constantly gaining their lasting support and trust.”

We plan to capitalize on the AIFUL Group's signature creativity to support the sound economic activities of our customers and provide products and services that are dedicated to serving their needs in an effort to gain their long-lasting support and trust.

In addition to fulfilling the expectations of all our stakeholders including customers that utilize our services, we have set forth our basic approach to compliance,

which is to contribute to society through our business activities. To this end, we aim to go about our daily operations while adhering to correct moral and ethical values and naturally complying with the law.

Plan for fiscal 2021

The consolidated earnings forecast fiscal 2021 calls for an operating revenue of 132.8 billion yen, up 4.2% year on year, and operating expenses of 109.1 billion yen, down 0.8% year on year, under the assumption that the impact of COVID-19 will weaken thanks to vaccination, etc. and consumer spending will recover. Accordingly, it is projected that operating profit will be 23.7 billion yen, ordinary profit will be 24.2 billion yen, and profit attributable to owners of parent will be 21.1 billion yen.

Looking forward

The outlook remains uncertain due to COVID-19, but we aim to keep improving profitability and efficiency and achieve a high growth rate by enhancing safety and meeting the demand for funds due to the recovery of economic activities. We plan to pour all our energies into addressing the expectations of all our stakeholders. We ask for continued support and encouragement from all our stakeholders and investors as we move forward.

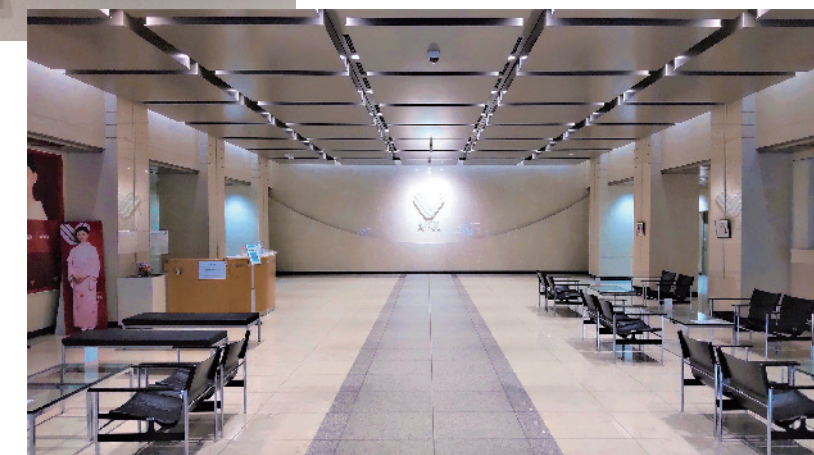
September 2021
President and CEO/Representative Director

Mitsuhide Fukuda

Management theme

We aim to grow as an IT-based financial group by reforming our organization and systems according to the changes in the business environment and utilizing digital technologies.

- So that the AIFUL Group will survive for 100 years and onwards and keep receiving support from society, we will conduct corporate activity based in integrity more actively and attain our goals through the efforts and solidarity of the new leader and employees supporting the leader.
- From now on, we will accelerate the rationalization of skill evaluation, staffing, and organizational structures, which was delayed during the shrinking period, and carry out reform and creation through the innovation of technologies.
- We will evolve into a corporate group with high safety, profitability, and growth potential that can meet changing social needs and contribute to sustainable development.



Initiatives to Create Corporate Value

Grow as an IT-based financial group by reforming our organization and systems according to the changes in the business environment and utilizing digital technologies

Market environment and social issues

Climate change

Response to environmental burden

Declining population and working population in Japan

Women flourishing in society

Advanced and sophisticated

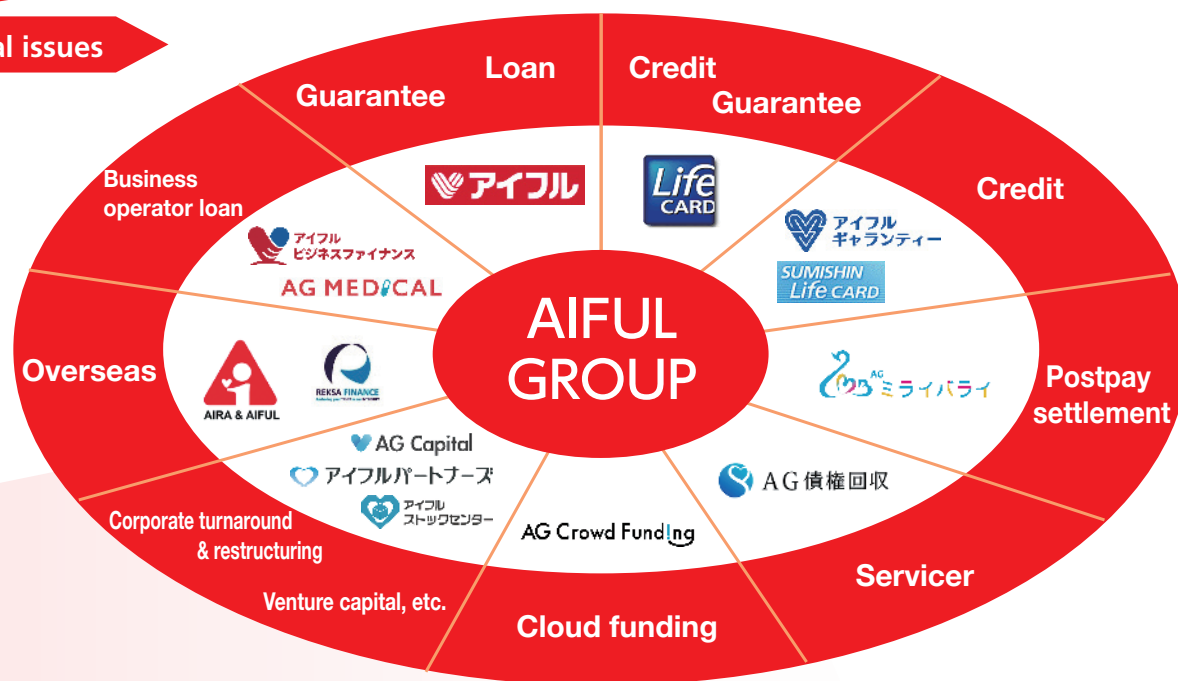
IT in the financial market

Diversified needs

Wave of innovation of digital technologies

Spread of cashless settlement methods

Economic growth of ASEAN countries



AIFUL's strengths

- High degree of freedom at our management and speedy decision-making**
We are diversifying our business portfolios inside and outside Japan, through speedy decision making, and also promoting the in-house creation of designs and systems by utilizing specialists.
- A wide array of products and services**
In order to realize the customer-first policy, individual employees always listen to the voice of customers in a serious manner, come up with necessary products and services for customers, and create new products.
- Credit and screening capabilities that have been nurtured for many years**
We have credit and screening capabilities utilizing the scoring system based on statistical data and the know-how that has been nurtured for many years.

Optimization of the business environment

Human resources

Across-the-board stable salaries

- Diffusion of our corporate philosophy
- Remunerations based on performance
- Motivation in life and work

Fund procurement

Securing of quantity and improvement in quality

- Stable financial foundation
- Improvement in corporate value

Products and services

Advertisement and stocks

- Unification of our group brands
- Efficient advertisement and No.1 skill for credit capability
- Diversification and convenience

Systems

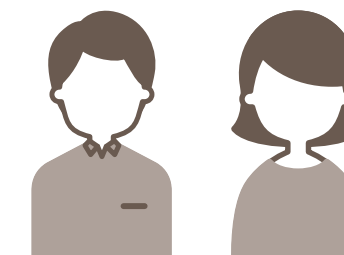
Processing of large amounts of data and legacy systems

- Agile cloud
- For competitive systems

Values we offer

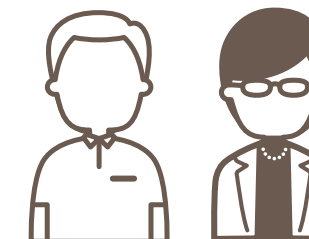
Customers

We will continue to provide customers in Japan and overseas with products and services that exceed their expectations.



Shareholders

We will achieve sustainable profit growth and shareholder return, and strive to enhance corporate value.



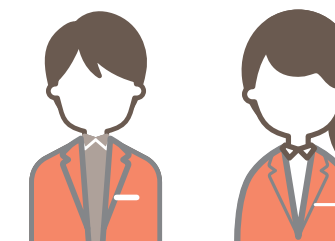
Society

We support the consumption and economic activities of sole proprietors with our financial systems.




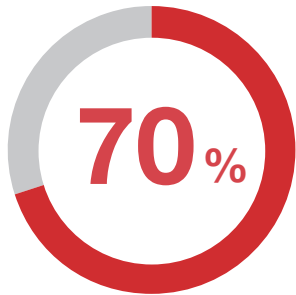

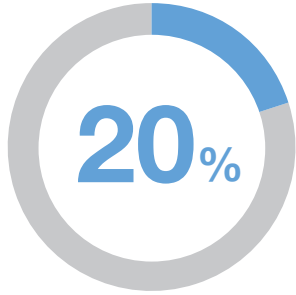

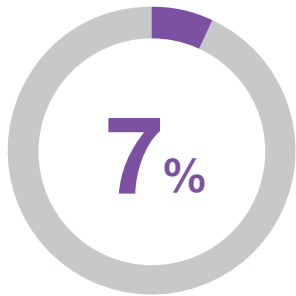

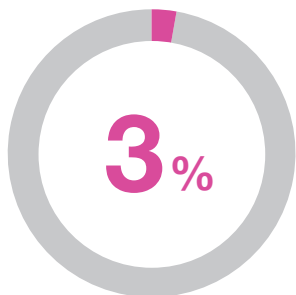
Employees

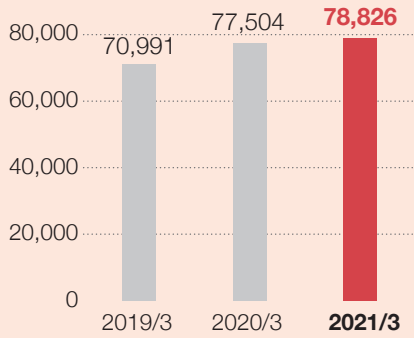
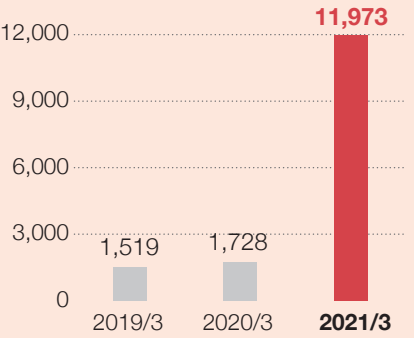
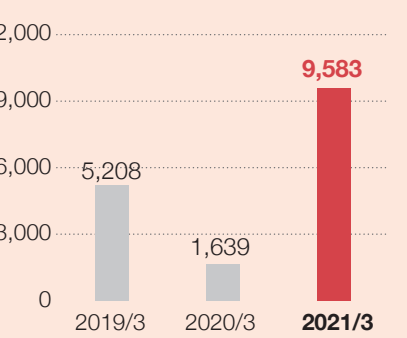
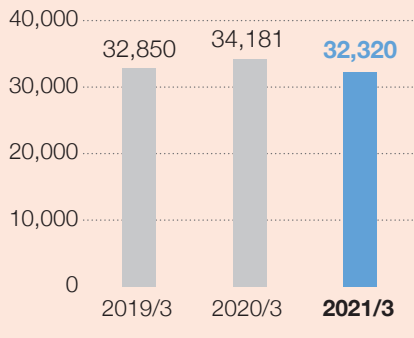
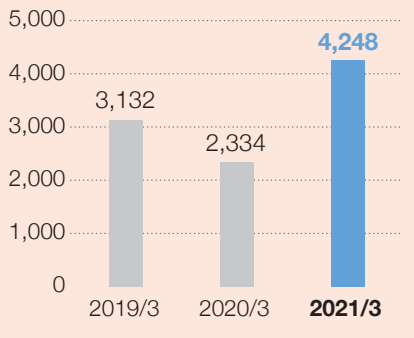
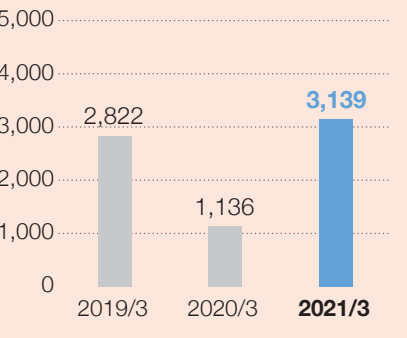
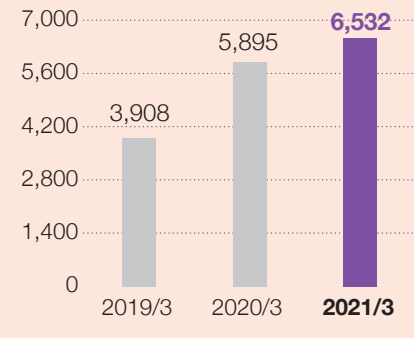
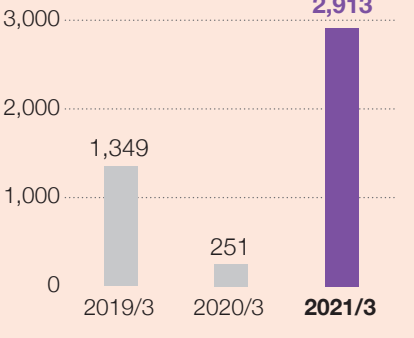
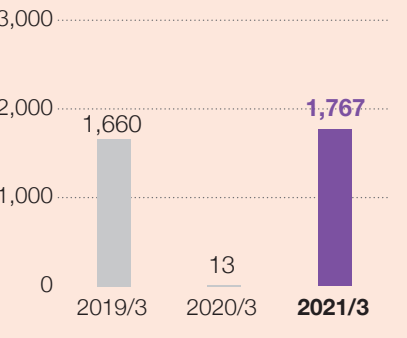
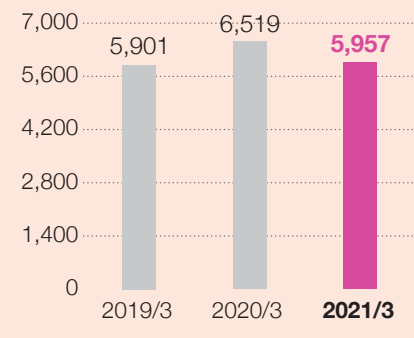
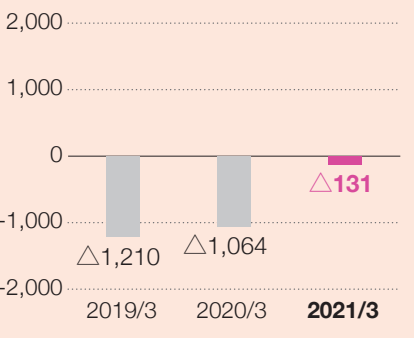
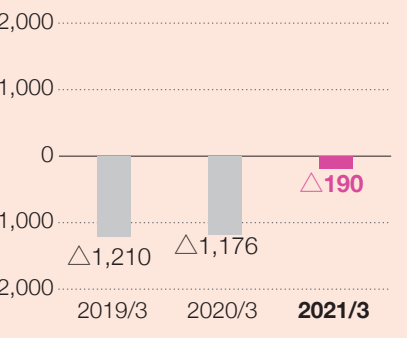
We will achieve a workplace in which employees experience both company and personal growth and can experience a purpose in life through their day-to-day work.



AIFUL Group Business Overview

Business Portfolio

	Share of receivable (as of March 31, 2021)	Business description
AIFUL Corporation 		<p>As the core company of the AIFUL Group, we mainly provide unsecured loans, small business loans and credit guarantees through partnerships with financial institutions. We support a wide range of customers from individual customers to business operators.</p> <p>We are systematizing the marketing activities at manned shops and striving to maximize the synergy of sale among group companies.</p>
LIFECARD Co., Ltd. 		<p>We offer services with out-of-the-box innovative ideas under the concept "Be Unique!" We operate the settlement business, including credit card business, prepaid card business, and debt collection services, and the credit guarantee business.</p> <p>We concentrate on the provision of added value and unique services, such as the issuance of cards affiliated with various sectors, including mass retailers, medical institutions, and shopping streets, and corporate cards for high-end settlements.</p>
AIFUL BUSINESS FINANCE Corporation 		<p>We offer mainly small business loans while taking full advantage of the AIFUL Group's credit know-how for business operators. We spun off the business of medical fee-type secured loans on which we had been concentrating as one of the core businesses in July 2021, and enhanced the financial service business targeted at the healthcare industry.</p>
AIRA & AIFUL Public Company Limited 		<p>Since September 2015, we have been conducting consumer finance business under the A Money brand as a joint venture with a local subsidiary in Thailand, AIRA Capital. We have strengthened measures for increasing balance and profit, such as the expansion of channels for increasing customers by starting non-face-to-face transactions via the Internet.</p>

Operating revenue (Millions of yen)	Ordinary profit (Millions of yen)	Profit (Millions of yen)
		
		
		
		



AIFUL Corporation

AIFUL business overview

Business portfolio diversification and establishment of a firm business foundation

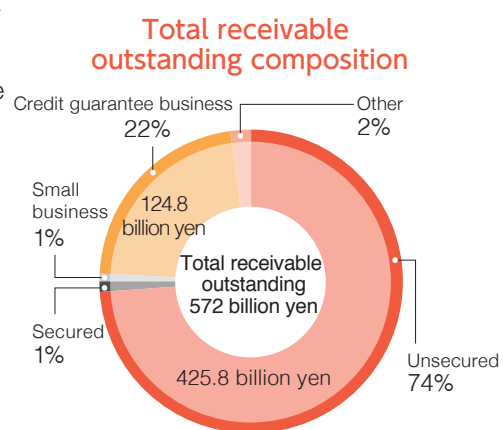
AIFUL Corporation operates a consumer finance business as the core company of the AIFUL Group and continues growing the balance of consumer loans receivable as one of the leading companies in the consumer finance market.

We are developing a structure for securing revenues even in emergency circumstances, such as reduced consumption activities in the wake of the spread of COVID-19, by diversifying our business portfolio, ranging from unsecured loans, which are our core product, to small business loans and operation of the credit guarantee business that is a fee business run in partnership with financial institutions.

The most distinctive characteristic of AIFUL Corporation is the business diversification strategy that takes advantage of our strengths as an independent consumer finance company. Most of the major consumer finance companies including group companies offer unsecured loans and guarantees for unsecured loans as their main products. In contrast, AIFUL has built a flexible business, product, and sales foundation, which would not be found in other companies, including the sales organization for selling small business loan guarantee products in the guarantee business and a variety of products of our subsidiaries by using the credit and screening capabilities that we have cultivated in the loan business.

In addition, we are striving to nurture experts and swiftly and flexibly boost customers' convenience, such as improvement of the design, usability, and visibility of our smartphone application, by setting up departments specializing in various areas of expertise, including digital technology and design.

The unsecured loan market, which was conventionally led by banks and financial institutions with their card loan services, is slumping due to the voluntary business restraint by banks and financial institutions and decreasing consumption needs owing to the COVID-19 pandemic. Under these circumstances, we will enrich revenue-generating opportunities and hedge risks quicker than any other companies by providing services that fulfill customer needs and developing a broad range of businesses and products with the aim of creating a firm business foundation and winning support of a greater number of customers.



Measures and performance in fiscal 2020

Effective advertising strategy and enrichment of services for enhancing customers' convenience

In fiscal 2020, our mainstay unsecured loan business, which had continuously achieved an over-10% year-on-year growth, grew at almost the same rate due to the decline in consumption activities in the wake of COVID-19 and the impact of the rules and restrictions applied in order to prevent COVID-19 from spreading further.

In this situation, besides an effective advertising strategy mainly via television commercials and the Internet, we have put forth efforts to improve our services for customers, including installation of more ATMs in convenience stores for offering a smartphone ATM service with which customers can withdraw or deposit cash without a card and the start of automatic loans based on wire transfer, which are available 24 hours a day.

While being affected by the COVID-19 pandemic, the credit guarantee business achieved a double-digit growth in the balance of receivable outstanding year on year through proactive establishment of partnership with financial institutions all across Japan and development of a multitude of guarantee products.

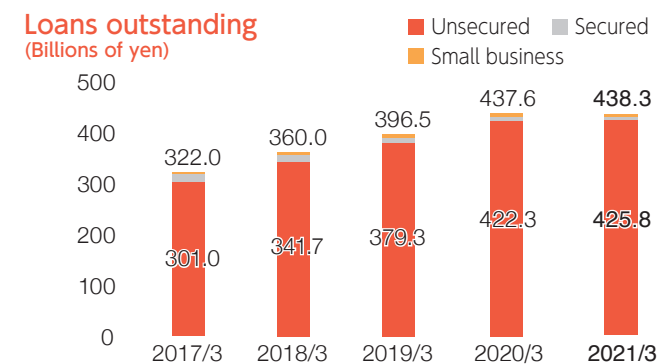


-AIFUL offers a wide variety of channels depending on customer needs-



◆ Loan business

In the loan business, we offer mainly unsecured loans for which we entice customers primarily via online advertising, including affiliate ads and video ads. We also provide small business loans targeting chiefly small- and medium-sized companies and sole proprietors. Considering secured loans as a business to be scaled down, we are gradually reducing the loan balance.



◆ Unsecured loans

Due to the impact of the COVID-19 pandemic, the number of new unsecured loan applications for AIFUL declined 14.9% year on year, to 401,000, the number of new contracts decreased 21.8% year on year, to 161,000 and the balance of operating receivables increased 0.8% year on year, to 425.8 billion yen in fiscal 2020. Even though consumption needs were on the decline, we concluded a greater number of new contracts in November and December of 2020 than in the same period of the year before not only by increasing the number of locations in which smartphone ATMs have been installed and enriching the loan receiving service, but also through effective advertising with listing ads, video ads, as well as affiliate ads combined.

◆ Small business loans

Taking advantage of the credit know-how of financing targeting business operators that we have cultivated, we increased the number of accounts on a gradual basis; however, needs for our loans are declining temporarily because fewer small- and medium-sized companies experience funding difficulties thanks to the enrichment of the government-led loan program aimed at supporting business operators that are forced to shorten business hours and be closed temporarily due to the COVID-19 pandemic. Consequently, the balance for small business loans totals 7.6 billion yen (a decline of 8.4% year on year).

◆ Credit guarantee business

Making the most of the know-how of granting individual and business operator credit and the strengths as an independent consumer finance company, we strive to diversify products and create new guarantee partnerships in an effort to increase the loan balance as one of the mainstay businesses.

We offer a truly unique service of all-in-one (omatome) loan guarantee products to individuals and guarantees for business operators as well as general unsecured card loan guarantees for individuals, which are highly acclaimed by a number of organizations with which we have forged guarantee partnership.

At the end of fiscal 2020, the number of affiliates by product is 100 companies for personal unsecured loan guarantees and 100 companies for business operators unsecured loan guarantees. The balance for credit guarantees totaled 124.8 billion yen (a rise of 10.4% year on year).

Promotion of cost reduction and streamlined business operations

Promotion of a low-cost structure and maximization of group's synergy

◆ Promotion of in-house business operations

We are making efforts to develop human resources with expertise and provide services in a flexible and swift manner by setting up departments specializing in digital technology and design for the purpose of cutting down on costs and improving customers' convenience and visibility.

Amid drastic changes in the market environment, such as new entry of app-based financing companies and acceleration of digital transformation, we are promoting the use of the capabilities of employees with expertise mainly in design and IT, digitization of business operations, and in-house design and preparation of the website and publications, which has led to speedy system development and repair. We continue endeavoring to improve the user interface (UI) and user experience (UX), cut back on costs, and enrich customer services by utilizing IT and digital technologies.

◆ Streamlining through RPA and BPR

For the purposes of reducing the workload of staff and improving productivity, we are promoting business process re-engineering (BPR) and robotic process automation (RPA) in the entire corporate group.

Regarding BPR, we are automating systems in the center section to improve productivity and installing marketing support tools for developing an optimal BtoB marketing system in the marketing section.

Regarding RPA, we started applying it to the entire corporate group in April 2019, and the cumulative work time reduced between the start of application and the end of fiscal 2020 is estimated to be over 20,000 hours.

◆ Sale of group products and services by the marketing team

As the Internet became available anywhere, most applications for unsecured loans are now made online. Accordingly, we reconsidered how manned shops, which had been selling products and attending to customers face to face, should be operated, and started systematizing the marketing of manned shops throughout Japan in April 2019.

We sell not only the products of AIFUL, but also products and services of various group companies, including credit cards, individual receiving agent services and small business loans through marketing at corporations, and strive to maximize the synergy among group companies.



LIFECARD Co., Ltd.

LIFECARD business overview

Operation of the settlement business with a diverse lineup of products

In the LIFECARD business, we are implementing various settlement businesses, including the prepaid card business and debt collection services, mainly in the credit card business. In this way, we aim to satisfy customer needs by providing unique products and services that break the mold under our “Be Unique!” concept of LIFECARD. In addition, we conduct the credit guarantee business for improving its business portfolio, and has expanded the balance.

The scale of the credit card market is expanding year by year, as the infrastructure for credit-card payment in e-commerce and terminals for settlement has been developed. While consumer spending has been sluggish due to the spread of COVID-19 last year, consumer spending nosedived in the industries where spending is linked with crowds of people, such as the transportation, travel, and retail industries, but the sales of e-commerce, mass retailers of home appliances, etc. that adapted to new lifestyles increased from the previous year in most months.

In such a market environment, LIFECARD has concentrated on the issuing business, which meets the needs for settlement from card users and offers services by issuing proprietary cards and affiliate cards, the acquiring business, which provides affiliated shops with the credit-card payment environment for international brands, etc., and the prepaid card business, which issues “V-preca,” a Visa prepaid card exclusively for the Internet.

LIFECARD is issuing two types of credit cards: proprietary cards and affiliate cards. Proprietary cards include tie-ups with artists and famous characters, social contribution-type cards and corporate cards for corporations. Affiliate cards are issued in collaboration with mass retailers, hospitals, colleges, and shopping streets. Proprietary cards are advertised online via mainly affiliate ads, and highly evaluated by a broad range of users through “LIFE Thanks Present,” a point program at the highest level in the industry. Affiliate cards are handled in cooperation with affiliated companies. Namely, affiliated companies increase the number of card holders, promote

the use of cards, and return benefits in the form of points, etc. to card users, while LIFECARD issues cards and conducts customer management. LIFECARD offers tools for new settlement methods and enriching customer services by cooperating with various enterprises in issuing cards.

V-preca was launched in July 2011 as Japan’s first Visa prepaid card. Around 16 million V-preca cards have been issued thus far with sales charges totaling about 95 billion yen, indicating its strong support by many customers.

Measures and performance in fiscal 2020

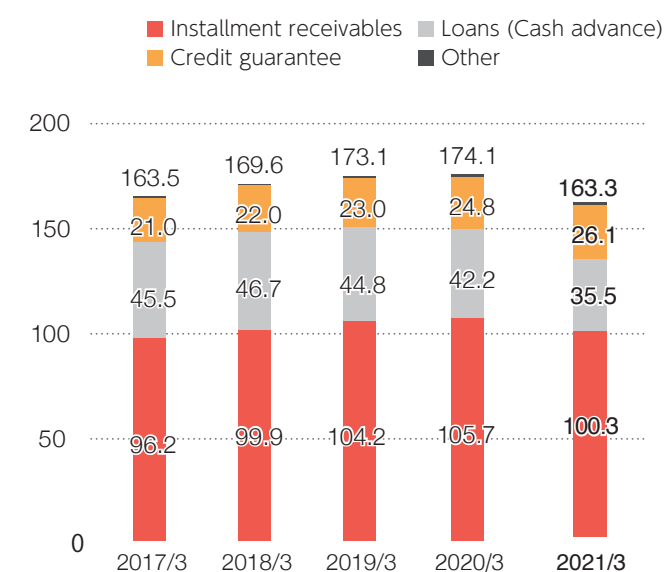
As cashless payment is being promoted, we formed alliances with a variety of businesses for issuing cards.

In fiscal 2020, we strived to increase credit-card applications by issuing new affiliate cards, etc., and made efforts to expand the spending by customers by raising the limits of spending.

Due to the spread of COVID-19, the use of cards dropped considerably in some industries, but credit-card settlement in the e-commerce market remains healthy, thanks to the promotion of cashless payment. In addition, we are proceeding with the issuance of new affiliate cards in cooperation with other enterprises.

Consequently, total purchases from credit card shopping amounted to 624 billion yen (a decline of 6.8% year on year).

Total receivable outstanding (Billions of yen)



◆ Credit Card Business

In the credit card business, regardless of whether it be a private individual or corporation, we are implementing product design in line with the needs of affiliates and customers, providing services, developing new affiliates and fortifying ties with existing affiliates by leveraging know-how in affiliate cards, which is a strength of LIFECARD.

Proprietary card

By launching various campaigns for increasing the number of card holders and promoting the use of cards effectively through mainly affiliate ads, we have strived to increase card users more rapidly. We provide a wide array of cards, including the standard one with no annual fee and ones tailored to customers’ hobbies, desired privileges, and statuses.

Accordingly, in fiscal 2020, the number of proprietary cards newly issued was 91,000 for a total of 1.41 million effective members.



Affiliate card

In addition to the promotion of the AOYAMA card, which is a core product, we actively form alliances with a variety of businesses, to issue affiliate cards mounted with the prepaid feature for promoting local shopping streets and affiliate cards in cooperation with online shopping sites and golf courses that have many users around the world.

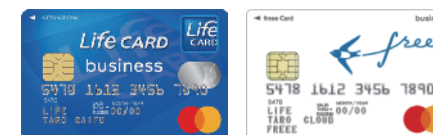
Accordingly, in fiscal 2020, the number of affiliate cards newly issued was around 255,000 for a total of 3.96 million effective members.



Corporate card

By utilizing our credit management know-how for business operators, we issue corporate cards and cards exclusively for high-end settlements that can be used only at designated shops.

Recently, settlement methods have been diversified among not only individuals, but also corporations, so we develop new business models by creating products which improve the convenience and productivity of business operators.



Acquiring business

Through the promotion of cashless payment, settlement methods are diversifying, including non-contact IC, QR codes, and prepaid cards in addition to credit cards.

Under these circumstances, we installed settlement terminals in actual shops and settlement software in websites in cooperation with settlement agencies, increasing shops affiliated with Mastercard and Visa. Accordingly, sales for acquiring services in fiscal 2020 were 749.9 billion yen (up 30.3% year on year), including transactions at Sumishin Life Card, a group company that possesses a Visa license.

◆ Prepaid card business

We released V-preca, a prepaid card that can be used like a credit card at Visa-affiliated online shops, in July 2011, to make it a new revenue channel. The total number of cards issued was about 16 million, and total sales amounted to about 95 billion yen. Since it is highly compatible with credit cards and became a common settlement means on the Internet, it is expected to be used more and more for online games, shopping, etc. Accordingly, this business is promising.



◆ Credit guarantee business

As a core business of the AIFUL Group, we are pushing ahead with affiliations with financial institutions under the AIFUL and LIFECARD brands. The product lineup in this business includes unsecured card loan guarantee for private individuals, all-in-one (omatome) loan guarantee and unsecured loan guarantee for business operators.

At the end of fiscal 2020, the number of affiliates by product totaled 158 companies for unsecured card loan guarantee for private individuals and 39 companies for unsecured loan guarantee for business operators. The balance for credit guarantees totaled 26.1 billion yen (a rise of 5.4% year on year).



AIFUL BUSINESS FINANCE CORPORATION
(formerly BUSINEXT CORPORATION)

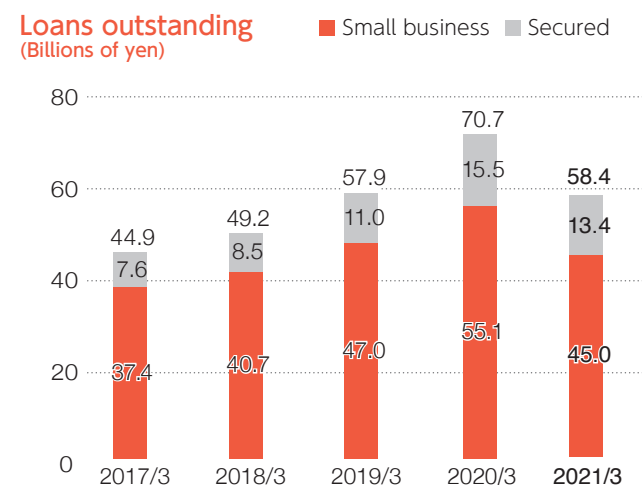
AIFUL BUSINESS FINANCE CORPORATION (formerly BUSINEXT CORPORATION) was established as a joint venture between AIFUL and Sumitomo Mitsui Trust Bank, Limited (former Sumitomo Trust and Banking Co., Ltd.) in 2001, and renamed in July 2020. Even after the cancellation of the joint-venture contract with the bank in fiscal 2012, we have been operating the small business loan business taking full advantage of AIFUL's credit management know-how for business operators and the business of medical fee-type secured loans targeted at hospitals, nursing care business operators, etc., which can be expected to grow. (The business of medical fee-type secured loans was transferred to AG MEDICAL CORPORATION, which started operating this business in July 2021.)

Small business loans are a market that is attracting a high level of interest from regional financial institutions, but there are few financial institutions that possess the know-how for small-lot loans, so financing is insufficient. In this situation, AIFUL BUSINESS FINANCE has met the needs for funds from small and medium-sized companies, etc. by utilizing its credit management know-how for business operators, which has been accumulated for many years, and increased the balance of loans receivable by double digits.

In fiscal 2020, the government-led loans were enriched for the purpose of supporting the cash flows of business operators amid the COVID-19 pandemic, so the needs for funds from us declined temporarily, resulting in the small business loan balance decreasing 18.4% year on year to 45 billion yen.

Among secured loans, the balance of medical fee-type secured loans grew by double digits, but the balance as of the end of fiscal 2020 was 8 billion yen, down 21.6% year on year, because it was affected by the COVID-19 pandemic like small business loans.

From now on, we will enhance our activities for increasing the balance, through the business operations of new companies.

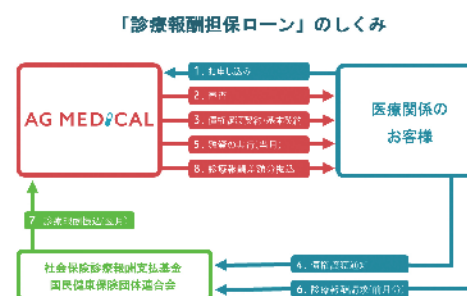


AG MEDICAL AG MEDICAL CORPORATION

AG MEDICAL CORPORATION was established in July 2020 as Aiful Medical Finance Co., Ltd., and renamed to the present corporate name in May 2021.

In response to the recent rise in social importance of the healthcare industry, including medical care and nursing care, we took over the business of medical fee-type secured loans from Aiful Business Finance, and launched the financial service business specializing in the healthcare industry in July 2021, in order to meet various needs for funds more flexibly.

Medical fee-type secured loans mean secured loans for medical institutions, dispensaries, and business operators for nursing care and welfare services for disabled people. We support business operators from the aspect of funds, by proposing loans for raising working capital just after business start-up and funds for various business purposes and suitable repayment plans.



AG Loan Services Corporation
(formerly AsTry Loan Services Corporation)

AG Loan Services Corporation was established in 2001. The company offers a wide range of servicer businesses from private individuals to corporate revitalization. The company changed its name from AsTry Loan Services Corporation to AG Loan Services Corporation in July 2020.

Since the company was established, we have accumulated our original know-how as a pioneer in the servicer sector, which specializes in the collection of non-performing loans, and met various requests from financial institutions, etc.

In December 2014, we established a section exclusive for business revitalization, to revitalize the businesses of small and medium-sized companies and small-scale business operators.

In fiscal 2020, the balance for the collection from purchased receivables totaled 1.5 billion yen (a decline of 5.4% year on year) and the balance of purchased receivables was 3.6 billion yen (an increase of 3.4% year on year).

アイフルパートナーズ AIFUL Partners Corporation

AIFUL Partners launched its business in 2018, in order to contribute to society from a broader perspective by utilizing the know-how for business revitalization and credit management, which has been accumulated by AG Loan Services Corporation for many years.

In addition to the business of revitalizing hotels and Japanese-style inns in desperate straits and the asset business for making other accounts receivable off-balance-sheet, AIFUL Partners makes leaseback transactions for real estate and offers consulting services for business revitalization. Regarding the business revitalization business, we currently own 3 hotels, and by renovating and reopening them, we contribute to the continuation of operation of hotel facilities and the creation of jobs in each region.



AG Capital AG Capital Co., Ltd.

AG Capital is a venture capital established when New Frontier Partners, formerly International Capital established by International Securities Co., Ltd. in 1985, joined our corporate group in 2005.

For the purpose of offering investment opportunities to medium-sized companies and venture firms with great growth potential, it has established 21 funds since International Capital was founded, and the total amount of money invested exceeds 50 billion yen.

We invest in mainly the fields of information & telecommunication, distribution & services, and environment & healthcare, and conduct active investment in medium-sized companies and venture firms in these fields.

As of the end of fiscal 2020, our portfolio was composed of 48 invested enterprises and the investment amount was about 1.4 billion yen.

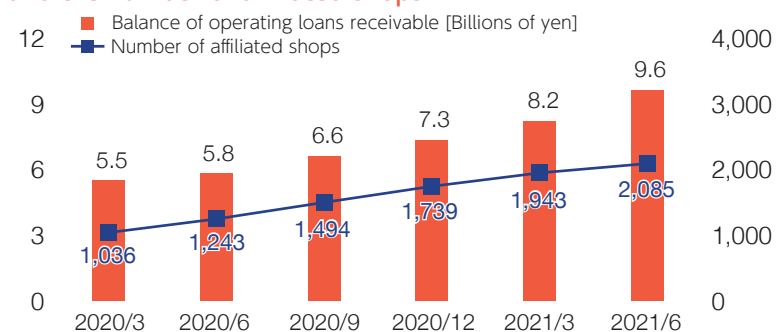
アイフル キャランティー AIFUL GUARANTEE CO., LTD. (formerly LIFE GUARANTEE CO., LTD.)

LIFE GUARANTEE CO., LTD. was established in 2013, and renamed to AIFUL GUARANTEE CO., LTD. in July 2020. By utilizing the know-how for concluding contracts for affiliation, examining and managing affiliated shops, which has been accumulated since the days of LIFE Co., Ltd., the predecessor of LIFECARD Co., Ltd., we operate the individual receiving agent service and the credit guarantee business for business operators that conduct installment credit sales, including beauty-treatment clinic.

In addition to our marketing activities, we actively offer individual receiving agent service as one of our products after systematizing the sales activities at manned shops of AIFUL in April 2019, and the balance of operating receivables has increased significantly.

As of the end of fiscal 2020, the balance of operating receivables stood at 8.2 billion yen (an increase of 48.7% year on year). We will make efforts to increase the balance through transactions with customers in various fields.

Variations in the balance of operating loans receivable and the number of affiliated shops



SUMISHIN Life CARD Sumishin Life Card Company, Limited

In October 2004, Sumishin Life Card, a credit card company, was established as a joint venture with Sumitomo Mitsui Trust Bank, Limited (formerly Sumitomo Trust and Banking Co., Ltd.) and LIFECARD Co., Ltd. (formerly LIFE Co., Ltd.). The company operates the Visa card issuance service, the acquiring business and the license business by integrating know-how from the bank brand and LIFECARD credit card business.

As a result of having supported the LIFECARD business as a Visa principal member, Sumishin Life Card expanded its Visa-brand sales and enhanced its quantitative importance. In light of this, we converted Sumishin Life Card into a consolidated subsidiary in fiscal 2019.

In addition, through the alliance between Visa World Wide (Japan) Co., Ltd. and Fintech Fast Track Program, it became possible to swiftly issue Visa cards as a program partner company in collaboration with a Fintech enterprise, and it facilitated cashless payment.

AG ミライバライ AG MIRAIBARAI CO., LTD.

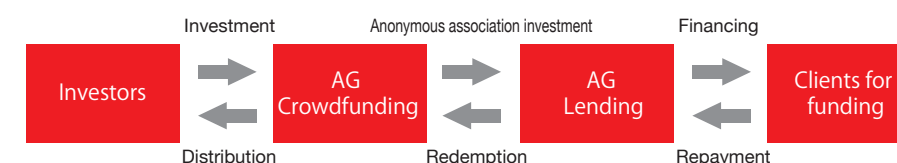
In April 2018, the postpay settlement business was launched in LIFECARD and was spun off into a company in June 2020 for the purpose of strengthening this business domain, because the postpay settlement is expected to spread as a means for settlement.

In parallel with the expansion of the e-commerce market, the postpay settlement is becoming common as a means for settlement without using a credit card. Its market scale in fiscal 2019 was 882 billion yen, smaller than the scale of the credit card market, but it is projected to grow at an annual rate of over 20%, so this market is promising. In fiscal 2020, which is the first year after establishment, the spending by customers with the postpay settlement amounted to 7.9 billion yen and the number of affiliated shops was 320,000, demonstrating steady growth.

As the needs for the postpay settlement have been growing, Japan BNPL Association was established in May 2021, and we joined this association.

AG Crowd Fund!ng AG Crowdfunding Co., Ltd.

This company was established in August 2020 for launching the loan-type crowdfunding business. The business was registered as Type II Financial Instruments Business in August 2021, and it joined Type II Financial Instruments Firms Association in September 2021, launching business. Firstly, we seek projects for procuring business funds inside the AIFUL Group, and after that, will deal with many financing projects outside the AIFUL Group, too.



AG Lending Co., Ltd.

This company was established in June 2021, in order to conduct the loan-type crowdfunding (social lending) business for the purpose of strengthening a fee business. We create funds for financing outside the AIFUL Group through AG Crowdfunding, lend raised funds and collect debts.

あんしん保証 ANSHIN GUARANTOR SERVICE Anshin Guarantor Service Co., Ltd.

Anshin Guarantor Service Co., Ltd. was established in December 2002. The company operates the rent guarantee business. In December 2003, a business affiliation was forged with LIFE Co., Ltd. (present-day LIFECARD Co., Ltd.) and LIFE embarked on issuing a rent settlement-dedicated card.

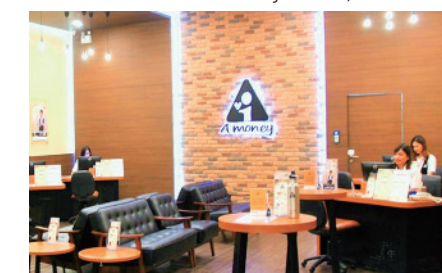
It was listed on Mothers of Tokyo Stock Exchange in November 2015, and listed on the first section of Tokyo Stock Exchange in May 2021. It is proceeding with the improvement of corporate value and the expansion of corporate scale.

AIRA & AIFUL AIRA & AIFUL Public Company Limited

AIFUL established AIRA & AIFUL Public Company Limited (A&A) jointly with AIRA Capital, a local entity in Thailand, in December 2014. Since September 2015, A&A has engaged in the consumer finance business. Its performance has been included in consolidated financial statements since the first quarter of fiscal 2017. As of the end of December 2020, starting from the commencement of operation, operating loan balance stood at 21 billion yen, and the company had 47 branches.

In May 2020, a new scoring system was installed, to improve the portfolio of receivables. In January 2021, automatic wire transfer was started, and in March, "eKYC (online identification)" was approved, and in April, card-less deposits and withdrawals were started, so it is now possible to check the creditworthiness of customers and put money in customers' bank accounts in a non-face-to-face manner.

It is expected that online consumer financing will become common in Thailand like in Japan, so we aim to actualize low-cost operations and further expand business operations and improve stability by utilizing the know-how cultivated in Japan in the consumer finance business.



Our ESG Activities

The AIFUL Group conducts activities for ESG (the environment, society, and governance) and is committed to living up to the expectations of the society that supports us, employees and business partners who are working with us, and shareholders who invest in our business, and contributing to society through all of business activities.

In addition, we believe that the contribution to the achievement of Sustainable Development Goals (SDGs) through ESG-oriented management will lead to the realization of our corporate philosophy.

Environment



• Management of energy consumption and greenhouse gas emissions

We are striving to control and reduce energy consumption and greenhouse gas emissions through the Cool Biz and Warm Biz campaigns, the installation of LED lamps, etc.

Energy consumption

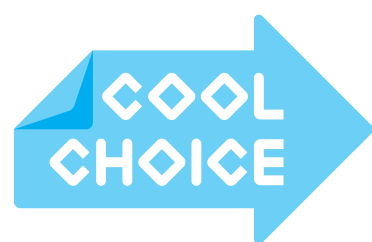
Fiscal year	YoY (%)
2018	98.5
2019	110.8
2020	63.6

Greenhouse gas emissions

Fiscal year	t-CO2
2018	7,047
2019	6,863
2020	4,205

• Supporting COOL CHOICE

The AIFUL Group supports the national campaign "COOL CHOICE" promoted by the government (the Ministry of the Environment) for the purpose of preventing global warming. We engage in mainly the following activities.



Implemented	To be discussed
Cool Biz and Warm Biz	Installation of LED lamps in the headquarters
Installation of LED lamps in Kusatsu Center	Upgrade of air-conditioners at the headquarters and Kusatsu Center
Decrease of elevators and centralized control of air-conditioning	

• Saving of resources by issuing credit-card statements online

We offer paperless, environmentally-friendly services, for example, by issuing credit-card statements online. As of the end of fiscal 2020, the ratio of customers using online credit-card statements was about 52%. We will keep promoting online credit-card statements.



Messages from executive in charge

Q Among the 17 goals, which goal does the AIFUL Group put importance on?

A Although I was first unaware of SDGs, the goals related to the current measures of our corporate group are "3. Good Health and Well-being (3.4), 4. Quality Education (4.4), and 8. Decent Work and Economic Growth (8.3 and 8.5)," I think.

Q What kinds of activities do you want to conduct, for actualizing your vision, mission, and value?

A The corporate philosophy: "Earn the trust of society through corporate activity based in integrity" our corporate group has upheld represents our philosophy for our desirable and ideal states. In order to actualize this philosophy, we aim to realize an ideal society where the characteristics of all people are respected and diversity, etc. are accepted based on the four values: sincerity, effort, trust, and gratefulness, which are pursued by all of our executives and employees.

In order to realize our ideal society or "Vision" (For Colorful Life), we will clarify our roles with respect to customers, society, related staff, and other stakeholders, and continue our activities.

Please let me introduce some concrete activities.

- We will make ceaseless efforts to keep the satisfaction level of executives and employees high and stable and update customer services constantly.
- In addition to the business continuity plan for our corporate group, we will continue down-to-earth social contribution, including support at the time of large-scale disaster, daily cleaning in the neighborhood, and blood donation.
- We will also make efforts to offer high-quality educational opportunities through hackathons, employment of part-time workers, etc.

These are only some examples of all activities, but we will continue such activities in a sincere manner, and proceed step by step.

We consider that such activities for realizing our vision, etc. lead to ESG practices for attaining SDGs.

Lastly

The retail finance business is for supporting each customer's daily activities, and we consider that our executives and employees need to be aware that our business takes some role in society when doing anything.

Accordingly, we will keep upholding the philosophy: "Earn the trust of society through corporate activity based in integrity," and commit ourselves to the business operation.

We would appreciate continued support, etc. from shareholders and investors.

Kazuhiko Tsuda
Managing Executive Officer

Social



• Non-face-to-face settlement

The AIFUL Group is striving to offer non-face-to-face financial services swiftly. With eKYC (electronic Know Your Customer), it is now possible to safely complete identification procedures online. In addition, we installed the smartphone ATM system for card-less transactions. We also launched the service for wire transfer for lending money anytime 24 hours a day, 365 days a year, which enabled customers to borrow money anytime day or night 24 hours a day on weekdays, Saturdays, Sundays, and holidays.



• Meeting for discussing the voices of customers

AIFUL produced a database of “voices of customers,” including opinions and requests, received at call centers. In addition, the marketing section and the credit management section hold the meeting for discussing the voices of customers every month, and make decisions speedily for improving business operations and services.

• AIFUL-CSIRT

We established AIFUL-CSIRT, which is composed of mainly the staff of the information system section, the compliance section, and the publicity section, as a technical team for being vigilant about cyberattacks such as targeted threat and solving them.

• Sponsoring hackathons

We started sponsoring hackathons in March 2019. The word “hackathon” was coined by combining “hack” and “marathon.” It means an event in which programmers and others are divided into several groups, each group designs programs or services under a given theme intensively in a certain period of time, and competes to attain certain results. In March and December 2019, we sponsored the hackathons for the students of Kyoto University.

• Social contribution through credit cards

① Social-contribution cards

LIFECARD issues social-contribution cards, and donates part of revenues to affiliated groups and NPOs.

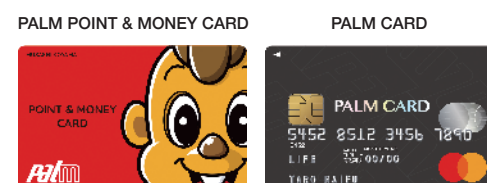
	Fiscal 2017	Fiscal 2018	Fiscal 2019
Total donation amount (yen)	13,635,275	13,241,666	12,739,304

② Charity course

In the point program, we establish a charity course, to enable members to donate by using their points.

③ Contribution to local communities

In cooperation with the Musashi-koyama shopping street “PALM,” we issue cards with the prepaid feature. By doing so, we aim to improve the convenience of the shopping street for customers and revitalize local economies.



Messages from executive: Regarding social contribution through credit cards

LIFECARD puts energy into the issuance of social-contribution cards for supporting the activities of various groups, such as “Make-A-Wish,” which supports the dreams of children who are fighting intractable diseases, “Great Apes,” which protects wild apes in danger of extinction, and “Angels,” which saves as many animals as possible before they are culled, and donates part of its revenues. Like this, LIFECARD contributes to the conservation of the earth environment and the development of regions and economic activities through the credit card business.

Takashi Shimojo
Operating Officer of LIFECARD Co., Ltd.

• Medical fee-type secured loans

Due to such issues as COVID-19, the declining birthrate, and the aging population, the social importance of the healthcare industry, including medical care and nursing care, is increasing.

In this environment, we have established a financial service company specializing in the healthcare industry, in order to flexibly meet a variety of needs for funds, such as working capital, including personnel expenses, funds for expanding business, and funds for paying taxes and social insurance premiums.



• Diversity

The AIFUL Group formulated an action plan for empowering women, and aims to raise the ratio of female employees to 40% or higher and increase female managers by 2022. In addition, we have increased the ratio of employees with disabilities to 2.4%.

Progress (planned period: April 1, 2019 to March 31, 2022)

Numerical goals	Results	Period for achieving results
1. (Fiscal 2021) To increase the percentage of female full-time employees to at least 40% ...40% in the past year	36%	April 1, 2019 to March 31, 2021
2. (Fiscal 2021) To increase the number of female managers by 30% from fiscal 2018	17%	April 1, 2019 to March 31, 2021
To double the number of women in management positions from fiscal 2018	2.0 times	April 1, 2019 to March 31, 2021
To increase the number of female assistant managers by 20% from fiscal 2018	5.0%	April 1, 2019 to March 31, 2021



• Support for nurturing the next generation

On October 15, 2019, we acquired “Platinum Kurumin” certification as a specially certified company based on the revised Act on Advancement of Measures to Support Raising Next-Generation Children. We are working to support the balancing of work and child-rearing and to promote male participation in child-rearing.



The Kurumin Mark is proof that we have been certified by the Minister of Health, Labour and Welfare as a “childcare-supporting company.” Especially, Platinum Kurumin is a mark given only to companies that have been recognized for their efforts to achieve even higher standards. (We are the ninth company in Kyoto Prefecture to receive this certification.)

Systems related to the support for nurturing the next generation

Maternity leave

A maximum of 6 weeks before and 8 weeks after childbirth can be taken.

Childcare leave

This can be obtained until the child turns one year old. Depending on the status of enrollment in nursery school, an extension may be possible until the child turns 2 years old.

Nursing leave

Those who take care of children up to elementary school age can take up to 5 days of child nursing care leave per year for one child, and up to 10 days per year for two or more children.

Messages from executive in charge

Q What is the AIFUL Group’s human resources strategy?

A As the term “VUCA” implies, in recent years, the business environment, including customer behavior, has been changing dramatically, becoming more uncertain, complex, and ambiguous, not only in the financial and non-banking sectors, but in all business categories and markets. In addition, the evolution of technology in all kinds of services, especially the widespread use of smartphones in all aspects of life, has created an environment where new competition and game-changing events can occur due to the entry of different industries.

In order to expand and grow our business in this “era of change,” the AIFUL Group has redefined its core management philosophy and corporate culture as VMV (Vision, Mission and Value). In order to achieve the mission of “Go Beyond” (to exceed customer expectations), “Step Forward” (to create a better tomorrow), and “Be Unique” (to recognize each other’s individuality) for realizing our Vision “For Colorful Life,” we are working to enhance our corporate value from a human resources perspective, with the following as the basic policies for our long-term human resources strategy:

“To enable all employees to demonstrate their individuality, improve their abilities, and feel a sense of fulfillment,”

“To improve corporate competitiveness and productivity while stabilizing the lives of employees through the appropriate allocation of personnel expenses,” and

“To maintain our excellent corporate culture while gaining a competitive advantage by designing a flexible human resources system that can adapt to changes.”

Q What are the current challenges facing the AIFUL Group’s human resources department?

A The essentials of the human resource policy to realize the basic policies of the human resource strategy can be broadly divided into compensation, recruitment, education, evaluation, and assignment, but each of these has its own challenges.

First of all, in terms of compensation, as a result of the continuous downsizing over the past 10 years in response to difficult times, we have a personnel treatment system with a strong seniority aspect, and we recognize that there is a lack of opportunities in terms of meritocracy and human resource mobility, especially for young employees. In order to attract and utilize a diverse range of human resources, we will establish a system that ensures the stability of employees’ lives based on the principle of performance and competence.

Next, in terms of recruitment, as the processes of the retail finance business are being rapidly digitized on a large scale for advertising, attracting customers, screening, lending, and debt collection, it is an urgent issue to secure excellent human resources, including TECH personnel, both newly graduated and experienced. At our Kyoto Head Office and Kusatsu Contact Center, we have students from Kyoto University and other talented part-time students who are involved in website design, application development improvement, credit model building, and on-site customer service. In addition to building a multi-line career path that allows these talented young people to join the company as specialists and work vigorously, we are also working to create a relaxed work environment, including office environment and attire, that is easy for young people to work in and that breaks away from the traditional rigidities inherent in financial services.

As for education, in light of the fact that we are living in an era in which both the organization and operations of companies are changing flexibly and drastically based on the premise of technology and digitalization, we will promote a shift from the conventional training of generalists to the training and education of human resources with diversity and expertise that can respond to changes. At the same time, it is precisely in this era of change that we will continue to pass on the excellent corporate culture that is the foundation of the AIFUL Group.

In the area of evaluation, although we have already implemented performance-based behavioral evaluation and 360-degree evaluation, there have been cases where employees have lost their sense of satisfaction with the evaluation and their motivation has declined due to the mismatch between the job descriptions and evaluation points of TECH human resources and other specialists, as well as variations in the evaluation ability of each evaluator. We will improve the evaluation skills of evaluators through evaluator training and realize fair and highly convincing evaluations that correspond to multi-line career paths for specialists and others.

On the assignment side, as a result of the long-lasting hardship in the external environment, the organization, hierarchy, and personnel have become fixed due to the halt of hiring new graduates and the suspension of personnel transfers, and the promotion to executive positions is stopped. In order to achieve both higher productivity and higher motivation, we will increase the fluidity of the organization, hierarchy, and personnel, and secure opportunities for growth for both employees and the company, including the selection and promotion of talented young employees to executive positions, and leveraging reemployment at the retirement age.

Q As the competition for hiring IT and other talented human resources intensifies, what measures do you intend to take to secure talented human resources in order to achieve a competitive advantage?

A The idea that underlies the aforementioned basic policy on human resources strategy is to build an organization and human resources system that can flexibly respond to changes in society and the market, and to realize the Vision “For Colorful Life” and the mission “Be Unique” (to recognize each other’s individuality) in everything from hiring and the promotion to executive positions to benefits. In other words, we believe that we need to recognize the diversity of our employees and promote our business on this premise in order to secure excellent human resources.

For example, the AIFUL Group has been actively recruiting foreign students in the past and already has eight foreign employees working for us, and we will continue to hire talented people regardless of nationality.

In addition, the S-course (career track with relocation) and E-course (regionally limited) career plans can be selected for both new graduates and mid-career employees, regardless of gender. We have also introduced a system that can be changed not only at the time of hiring, but also during each fiscal year, so that both men and women can flexibly work according to their own life plans.

As the advancement of women is an issue facing Japanese society as a whole, the company has been appointing excellent personnel to executive positions regardless of gender.

However, the number of female managers is currently limited to 6 at the section manager level and 22 at the assistant manager level. In order for employees to be able to demonstrate their potential as managers regardless of their gender, it is essential to create a workplace that is easy to work in and where being a woman is not a handicap. We have established a flexible work schedule that allows employees to drop off and pick up their children, a shift work system, maternity leave, and childcare leave. The Ministry of Health, Labour and Welfare has certified us as a “Platinum Kurumin” company because our female employees have actually returned to work smoothly after childbirth and childcare many times.

Thus, the AIFUL Group’s human resource policies are already based on the premise of diversity, without being bound by the categories of nationality, gender, new graduates, or past graduates. However, by further strengthening and promoting these policies, we will improve the work comfort for people of all backgrounds and secure excellent and specialized human resources.

Ikuo Yamauchi
Executive Officer

• An environment where people recognize each other's individuality

We are striving to create a workplace that is easy to work in and where employees can easily demonstrate their individuality by improving the working environment through the adoption of a flexible work schedule and business casual wear.



• Development of IT human resources

In April 2019, we launched the RPA Deployment Project and applied RPA to the entire AIFUL Group. We are working to reduce energy consumption, decrease overtime hours, and improve operational efficiency by automating office operations, mainly using Office365.

In addition, as part of our in-house engineering training, we conduct Tech Camp (training to acquire programming skills).



• Improving employee engagement

Once a year, we conduct an awareness and satisfaction survey of all employees regarding their current work and workplace. The number of employees covered in fiscal 2020 was 1,560 (including group companies), and the response rate was 95.1%. The results of the survey are used to plan and promote measures for employee career development, improvement of the workplace environment, and enhancement of employee satisfaction.

We also publish AG Style (an in-house magazine) on a regular basis to proactively share information and activities, and to increase employee motivation.



Governance



• Risk Management Committee

The committee, chaired by the President and Representative Director and consisting of all directors, is responsible for receiving regular reports on the status of risk and constantly assessing risk for the purpose of preventing risks and controlling losses in times of crisis by establishing an appropriate risk management system. In addition, it constantly reviews the risk management system and reports to directors. In principle, the committee meets quarterly, with ad hoc meetings held as necessary.

• Compliance education

In order to deepen the knowledge of various internal rules, laws and regulations, a compliance study session is held every year for all employees (including temporary and contract employees), and a test is administered after the session. This year, we held three sessions.

• Whistle-blowing contact

We have established internal whistle-blowing system regulations in accordance with the intent of the Whistleblower Protection Act and other related laws and regulations, and have set up a whistle-blowing contact point for employees of corporations, companies, and organizations with which we have business relationships.

Messages from executive in charge

Q What do you regard as important in the corporate governance of the AIFUL Group?

A In order to enhance our corporate value over the medium and long term, we are always aware of the optimal balance between the advantages of an independent company, which include speedy management, and the governance perspective expected by investors and other stakeholders.

Q What are some of the governance challenges facing the AIFUL Group?

A Our company has established a governance system as a company with an audit and supervisory committee, and is also striving for management based on risk management and compliance. In recent years, the business environment has been changing rapidly, and our company has been taking on various initiatives and challenges in new areas. Therefore, we believe it is necessary to continue to improve our balanced governance structure while taking advantage of our strengths and advantages.

Q What initiatives would you like to take in terms of governance to realize your vision, mission, and value?

A Whenever we are in doubt, we will return to our management philosophy and develop our business so that we can be appreciated by our stakeholders.

Lastly

I would like to ask for the support and understanding of our stakeholders as we strive to build an optimal and highly transparent governance system on a daily basis.

Atsushi Suda
Executive Officer

Corporate Governance (as of June 30, 2021)

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.

Overview of the Corporate Governance Structure

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 three directors (including two 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.

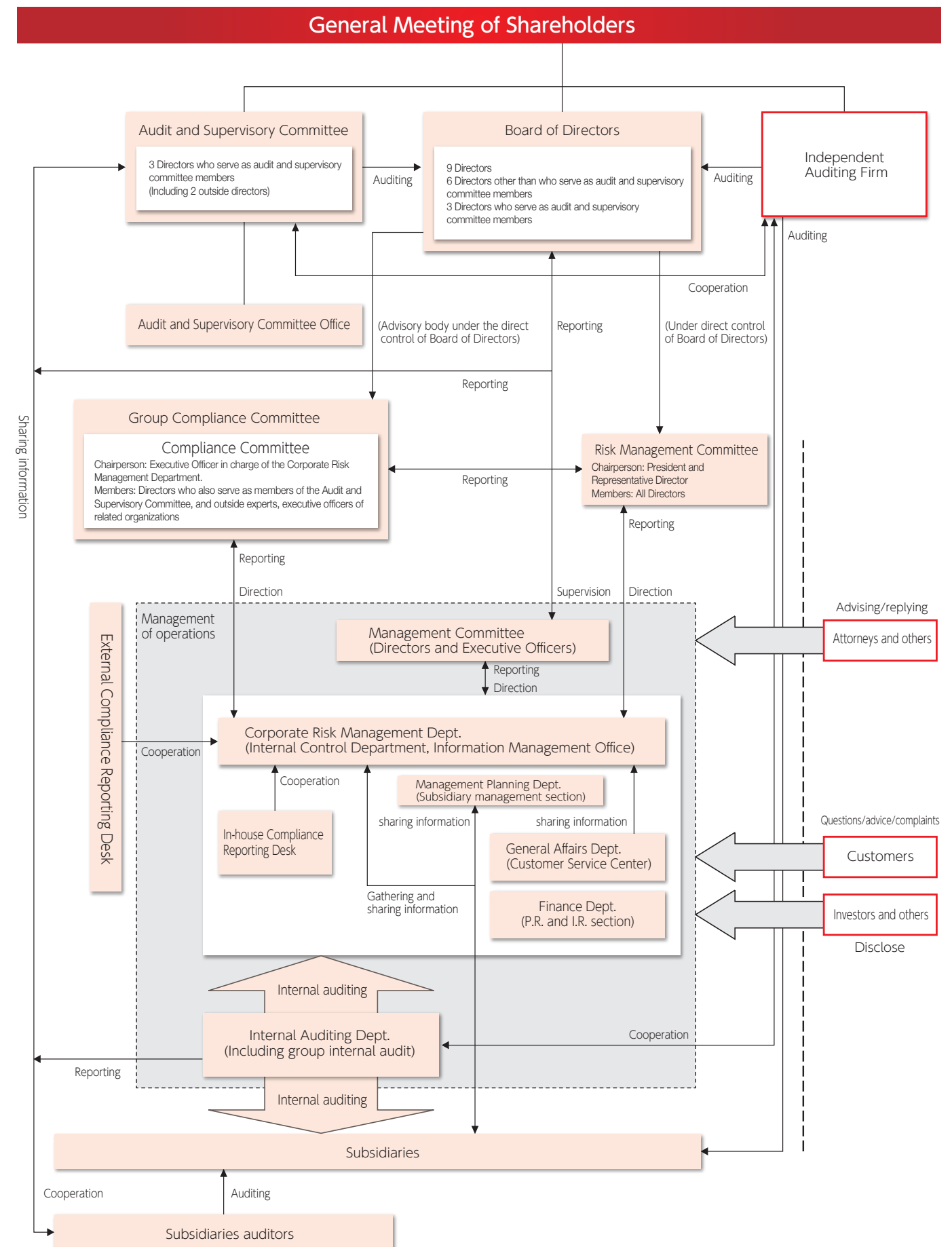
The directors who are members of the Audit and Supervisory Committee will cooperate with the Internal Auditing Department and the accounting auditors to enhance management's supervisory functions. They will also share information with the auditors of affiliated companies in an effort to strengthen the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

To improve these audit functions, the Group will estab-

lish an Auditor's office as the exclusive body 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 nine directors in total (as of the date of submission of the Annual Securities Report), with six directors (directors who are not on the Audit and Supervisory Committee) and three 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.



Outside Directors

Two of the three directors in the Audit and Supervisory Committee are outside directors (as of the date of the Annual Securities Report was submitted). We have developed a structure in which they can attend management meetings and other important meetings and committees to express their views.

Executive Officers

The Company introduced an executive officer system in June 2007 to speed up the decision-making process and the 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 is comprised of all directors and executive officers. It strives to promote sharing information and mutual verification of matters to be submitted to the Board of Directors, and issues and strategies, etc. based on the policies resolved at Board of Directors meetings, so that disagreements do not arise regarding decisions or the performance of duties. It holds meetings on a weekly basis, in general.

Compliance Committee

The Compliance Committee is placed as an advisory body

Reasons for the current structure

As we have an auditor system, we appoint two outside corporate auditors for our three 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 body for supporting the duties of corporate auditors. Further, we separate management's supervisory functions

under the direct control of the Board of Directors. The head of this committee is the executive officer in charge of the Corporate Risk Management Department and approved by the Board of Directors, and it is composed of outside experts, directors also serving as members of the Audit and Supervisory Committee and executive officers of related organizations. Its objectives are to create a corporate culture in which compliance is emphasized, to establish corporate ethics and to promote compliance programs. It makes deliberations and recommendations regarding compliance related important matters and delivers reports to the Board of Directors as required. In addition to six times a year meetings in general, it holds extraordinary meetings as necessary.

Risk Management Committee

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

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 remunerations for directors of AIFUL and directors who belong to the Audit and Supervisory Committee in fiscal 2020 are as shown in the right table.

No. of directors (excluding those who belong to the Audit and Supervisory Committee and outside directors): 7	185 million yen
No. of directors who belong to the Audit and Supervisory Committee (excluding outside directors): 1	12 million yen
No. of outside executives: 2	17 million yen

Compliance

Promoting the compliance system

Prioritizing a customer first policy and thorough compliance, AIFUL promotes various initiatives to enhance its compliance system so that it can satisfy the expectations

of its stakeholders and earn the support of society.

Organizational system

As an internal system for promoting compliance, AIFUL has established a corporate philosophy, conduct guidelines, and rules related to the thorough enforcement of compliance. It also issues the AIFUL Group Handbook as well as developing and managing compliance programs including a hotline and the Compliance Committee, which includes external members. It also considers various measures to improve the internal control system and carries out preventive measures.

To reinforce these activities, the Group has installed three lines of defense. The first line of defense is on-site

monitoring through self-inspection and the establishment of a Compliance Office in business divisions. The second line of defense is internal control such as awareness-raising, education, and follow-ups by the Corporate Risk Management Department, the division in charge of controlling compliance. The third line of defense is corrective measures determined based on appropriateness and effectiveness as evaluated in periodic audits of the entire Group, including group companies and overseas subsidiaries, by the independent Group Internal Auditing Department.

Approaches to antisocial forces

AIFUL strives to sever ties with antisocial forces, to partner with specialist organizations, and to respond to unreasonable demands in a resolute manner, based on its Basic Policy on Antisocial Forces. To prevent money laundering and the financing of terrorism, AIFUL also carries out KYC

(know your customer) in response to the requests of international organizations such as the FATF (Financial Action Task Force), law enforcement, and supervisory authorities.

Management (as of June 30, 2021)

Directors

Mitsuhide Fukuda

President and Representative Director/
Chief Executive Officer
(Chairman and Representative Director
of LIFE CARD Co., Ltd.)

Masayuki Sato

Representative Director/Senior
Managing Executive Officer

Keiji Masui

Director/Senior Managing Executive Officer
(Representative Director and President of Sumishin
Life Card Company, Limited) (Representative Director
and President of AIFUL GUARANTEE CO., LTD.)
(Chairman and Representative Director of AG
MIRAIBARAI CO., LTD.)

Yoshitaka Fukuda

Chairman and Representative Director
(Director and Advisor of LIFE CARD Co., Ltd.)

Akira Kamiyo

Director/Senior Managing Executive Officer

Tsuguo Nakagawa

Director/Senior Managing Executive Officer

Director, Audit and supervisory committee member

Hitoshi Shimura

Outside Director/Audit and Supervisory
Committee member

Yoshihide Fukuda

Director/Audit and Supervisory Committee member

Haruichi Suzuki

Outside Director/Audit and Supervisory Committee member

Executive Officers

Mitsuhide Fukuda

President and Representative Director/
Chief Executive Officer/Committee member

Chairperson of Risk Management Committee, in charge
of Administrative Information Office and Internal Auditing Department
(Chairman and Representative Director of LIFE CARD Co., Ltd.)

Tsuguo Nakagawa

Director/Senior Managing Executive Officer

In charge of Accounting Department,
General Affairs Department and Personnel Department

Kazuhiko Tsuda

Managing Executive Officer

Responsible for Accounting Department,
General Affairs Department and Administrative Information Office

Atsushi Suda

Executive Officer

Assistant Senior General Manager of Guarantee Business
Division, Responsible for Corporate
Risk Management Department

Ikuo Yamauchi

Executive Officer

In charge of Legal Department, Responsible for
Personnel Department, Overseas Business Department,
General Manager of Overseas Business Department

Masayuki Sato

Representative Director/
Senior Managing Executive Officer

Senior General Manager of
Management Planning Division

Keiji Masui

Director/Senior Managing Executive Officer

In charge of Corporate Sales Promotion Department,
Eastern Japan Business Department and Western Japan
Business Department
(Director and Senior Managing Executive Officer of LIFE CARD Co., Ltd.)
(Representative Director and President of Sumishin Life Card Company, Limited)
(Representative Director and President of AIFUL GUARANTEE CO., LTD.)
(Chairman and Representative Director of AG MIRAIBARAI CO., Ltd.)

Katsuhiko Nagasue

Executive Officer

Senior General Manager of Group Systems Division

Akitaka Domoto

Executive Officer

Assistant Senior General Manager of
Loan Business Division

Takayuki Nakata

Executive Officer

Assistant Senior General Manager of Group Systems
Division, In charge of Group Digital Promotion
Department

Akira Kamiyo

Director/Senior Managing Executive Officer

Chairperson of Compliance Committee, Senior General
Manager of Loan Business Division, Credit Management
Division and Guarantee Business Division, In charge of
Credit Governance Department and Corporate
Risk Management Department

Shinichiro Okuyama

Managing Executive Officer

Responsible for Credit Governance Department,
Senior Advisor attached to Group Systems Division

Hiroyuki Otomo

Executive Officer

Senior General Manager of Finance Division

Toshiaki Ando

Executive Officer

Assistant Senior General Manager of Finance Division,
General Manager of Finance Department and
Group Finance Department

Hiroshi Azuma

Executive Officer

Assistant Senior General Manager of Credit Management
Division
(President of AG Loan Services Corporation)
(President of AIFUL BUSINESS FINANCE CORPORATION)
(President of AG MEDICAL CORPORATION)

Financial Report

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Six-Year Summary

	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
For the Year (Millions of yen):						
Operating revenue	87,708	91,450	115,389	115,328	127,038	127,481
Operating expenses	81,032	84,440	112,897	112,297	125,358	109,950
Financial expenses	7,780	8,030	7,560	7,949	7,522	7,248
Provision for doubtful account	16,126	20,744	20,497	30,628	35,277	38,818
Operating profit (loss)	6,676	7,009	2,492	3,031	1,679	17,530
Ordinary profit (loss)	6,860	7,399	2,823	4,110	1,716	19,305
Profit (loss) before income taxes	6,860	7,399	3,527	3,420	1,569	18,149
Profit (loss)	7,044	7,276	2,945	8,183	300	17,794
Profit (loss) attributable to owners of parent	7,044	7,276	3,958	9,346	1,390	18,437
At Year-End (Millions of yen):						
Loans outstanding	376,224	412,649	472,018	521,823	573,080	553,389
Non-performing loans	66,158	66,401	71,515	79,294	86,422	88,597
Loans in legal bankrupt	31,105	28,712	27,147	26,167	22,127	20,717
Nonaccrual loan	22,263	25,530	28,314	33,118	39,156	25,958
Accruing loans contractually past due three months or more as to principal or interest payments	3,349	4,407	5,792	7,043	8,035	8,258
Restructured loans	9,439	7,750	10,261	12,965	17,102	33,663
Total assets	567,514	616,651	682,645	760,587	860,507	863,354
Allowance for doubtful accounts	72,643	70,172	66,959	70,469	72,294	77,830
Total liabilities	463,263	505,002	563,238	632,570	731,576	715,662
Interest-bearing debt	249,059	300,222	365,836	418,708	475,893	457,639
Net assets	104,250	111,649	119,407	128,016	128,931	147,692
Per Share Data (Yen):						
Basic profit (loss) (EPS)	14.59	15.05	8.18	19.32	2.88	38.12
Net assets (BPS)	214.16	228.94	236.13	256.45	260.53	300.92
Ratios (%):						
Equity ratio	18.2	18.0	16.7	16.3	14.3	16.9
ROE	7.0	6.8	3.5	7.8	1.1	13.6
ROA	1.2	1.2	0.4	0.6	0.2	2.2
Other Data:						
Number of shares issued at year-end	483,794,536	484,619,136	484,620,136	484,620,136	484,620,136	484,620,136
Number of employees at year-end	1,433	1,473	2,503	2,273	2,113	2,135

Business Data

AIFUL GROUP

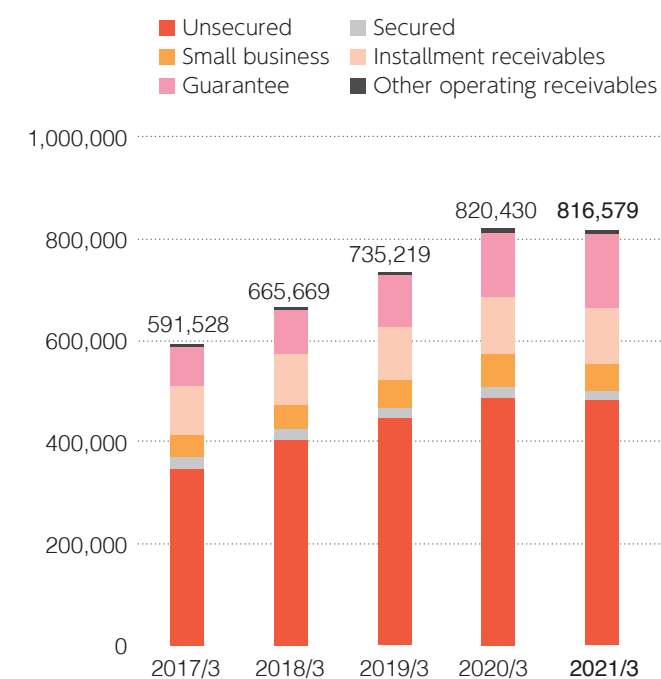
TOTAL RECEIVABLE OUTSTANDING

	2017/3	2018/3	2019/3	2020/3	2021/3
Total receivable outstanding	591,528	665,669	735,219	820,430	816,579
Loans outstanding	412,649	472,018	521,823	573,080	553,389
Unsecured	346,411	404,056	445,866	486,119	481,687
Secured	24,044	20,923	20,285	22,533	18,281
Small business	42,192	47,037	55,670	64,427	53,421
Installment receivables	97,134	100,460	104,645	111,473	108,714
Guarantee	75,747	86,465	101,007	127,018	145,725
Other operating receivables	5,997	6,725	7,744	8,858	8,749

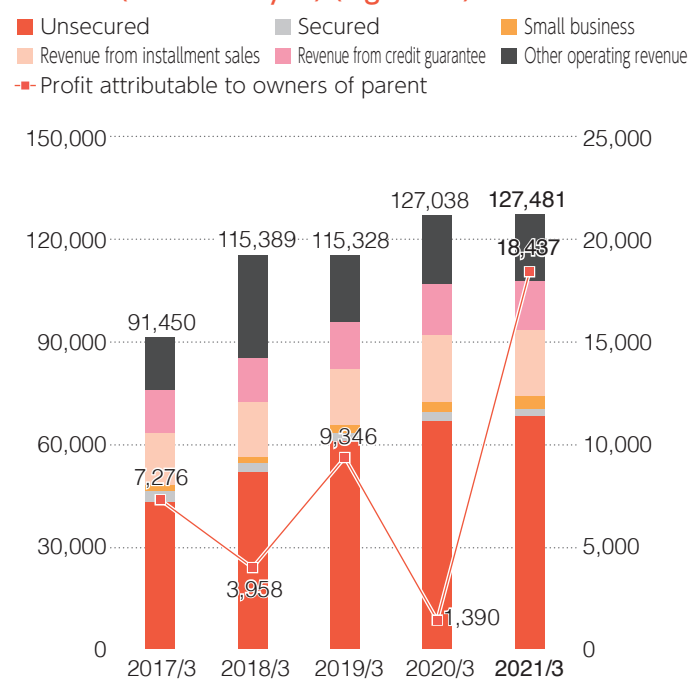
OPERATING REVENUE/PROFIT

	2017/3	2018/3	2019/3	2020/3	2021/3
Operating revenue	91,450	115,389	115,328	127,038	127,481
Interest on operating loans	47,869	56,305	65,456	72,444	74,041
Unsecured	42,892	51,949	61,058	66,707	68,242
Secured	3,206	2,597	2,285	2,557	1,834
Small business	1,769	1,758	2,112	3,179	3,965
Revenue from installment sales	15,436	16,038	16,472	19,391	19,387
Revenue from credit guarantee	12,494	12,992	13,953	15,203	14,524
Other operating revenue	15,650	30,052	19,446	19,998	19,528
Operating expenses	84,440	112,897	112,297	125,358	109,950
Profit attributable to owners of parent	7,276	3,958	9,346	1,390	18,437

TOTAL RECEIVABLE OUTSTANDING (Millions of yen)



OPERATING REVENUE (Millions of yen) (Left axis)/ PROFIT (Millions of yen) (Right axis)



TOTAL ASSETS/ROA

	2017/3	2018/3	2019/3	2020/3	2021/3
Total assets	616,651	682,645	760,587	860,507	863,354
ROA (%)	1.2	0.4	0.6	0.2	2.2

TOTAL EQUITY/ROE

	2017/3	2018/3	2019/3	2020/3	2021/3
Total equity	110,738	114,214	124,045	126,017	145,555
ROE (%)	6.8	3.5	7.8	1.1	13.6

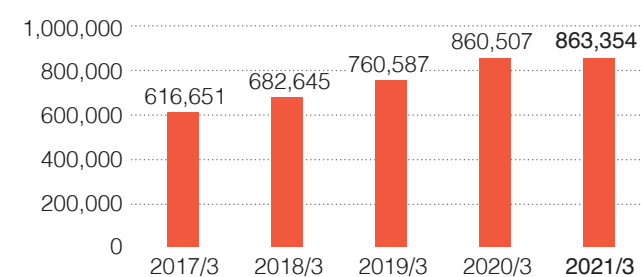
AVERAGE FUNDING COST

	2017/3	2018/3	2019/3	2020/3	2021/3
Average funding cost	2.37	1.87	1.64	1.45	1.38
Indirect	2.08	2.17	1.90	1.63	1.54
Direct	2.69	1.50	1.39	1.23	1.13
Long-term prime rate (reference)	0.95	1.00	1.00	0.95	1.00
Share of indirect	52.1	55.3	49.6	55.0	59.6
Share of direct	47.9	44.7	50.4	45.0	40.4

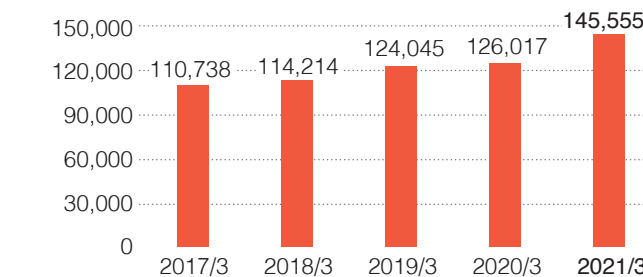
NUMBER OF CUSTOMER ACCOUNTS

	2017/3	2018/3	2019/3	2020/3	2021/3
Number of customer accounts	916	1,299	1,437	1,486	1,425
Unsecured	879	1,259	1,395	1,441	1,387
Secured	9	8	6	5	3
Small business	28	32	36	40	33
Credit card holders	5,883	5,771	5,777	5,758	5,382

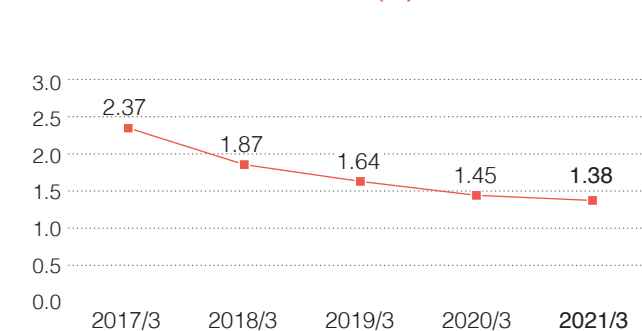
TOTAL ASSETS (Millions of yen)



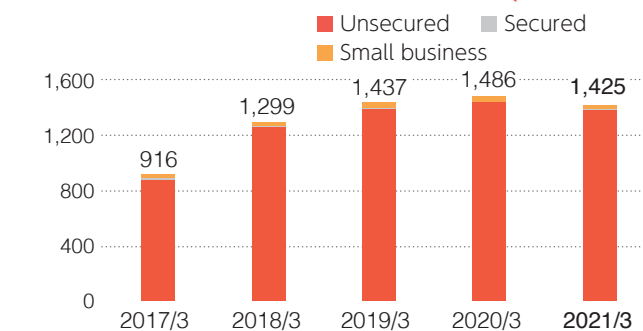
TOTAL EQUITY (Millions of yen)



AVERAGE FUNDING COST (%)



NUMBER OF CUSTOMER ACCOUNTS (Thousands)



AIFUL CORPORATION

TOTAL RECEIVABLE OUTSTANDING

	2017/3	2018/3	2019/3	2020/3	2021/3
Total receivable outstanding	408,259	454,316	503,382	560,267	572,070
Loans outstanding	322,087	360,031	396,540	437,679	438,300
Unsecured	301,063	341,777	379,317	422,382	425,848
Secured	16,447	12,403	9,306	6,958	4,813
Small business	4,575	5,850	7,915	8,338	7,638
Guarantee	80,039	87,970	99,694	114,629	125,984
Credit guarantee	76,495	85,239	97,658	113,130	124,865
Other	3,543	2,730	2,036	1,499	1,119
Installment receivables	857	503	402	325	268
Other	5,275	5,811	6,745	7,633	7,517

OPERATING REVENUE/PROFIT

	2017/3	2018/3	2019/3	2020/3	2021/3
Operating revenue	58,339	64,663	70,991	77,504	78,826
Interest on operating loans	40,292	45,881	51,960	57,682	59,732
Unsecured	37,318	43,510	50,026	55,695	58,559
Secured	2,547	1,862	1,325	1,296	475
Small business	426	507	608	690	697
Revenue from credit guarantee	11,106	10,976	11,246	11,610	11,136
Revenue from installment sales	20	19	13	8	4
Other operating revenue	6,919	7,785	7,770	8,202	7,952
Profit	4,823	2,437	5,208	1,639	9,583

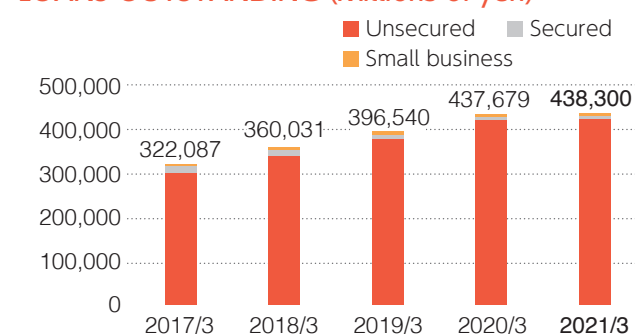
TOTAL ASSETS/ROA

	2017/3	2018/3	2019/3	2020/3	2021/3
Total assets	439,840	500,262	556,450	635,683	638,868
ROA (%)	1.0	0.2	0.3	0.3	1.9

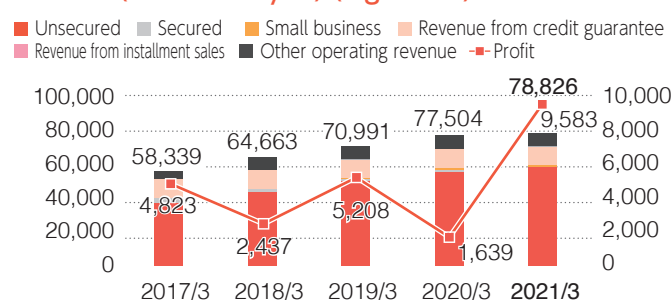
TOTAL EQUITY/ROE

	2017/3	2018/3	2019/3	2020/3	2021/3
Total equity	83,009	85,313	90,970	92,609	102,655
ROE (%)	6.0	2.9	5.9	1.8	9.8

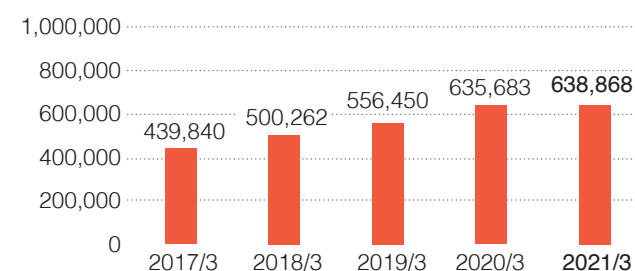
LOANS OUTSTANDING (Millions of yen)



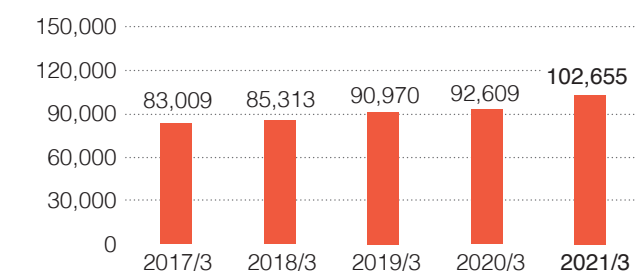
OPERATING REVENUE (Millions of yen) (Left axis)/ PROFIT (Millions of yen) (Right axis)



TOTAL ASSETS (Millions of yen)



TOTAL EQUITY (Millions of yen)



AVERAGE YIELD

	2017/3	2018/3	2019/3	2020/3	2021/3
Average yield	14.7	14.7	14.8	14.7	14.3
Unsecured	14.9	14.8	14.9	14.7	14.4
Secured	13.3	12.9	12.2	15.9	8.1
Small business	10.2	12.6	12.7	13.3	12.8

NUMBER OF CUSTOMER ACCOUNTS

	2017/3	2018/3	2019/3	2020/3	2021/3
Number of customer accounts	721	802	876	950	933
Unsecured	707	788	861	937	922
Secured	8	6	5	4	2
Small business	5	6	9	9	8

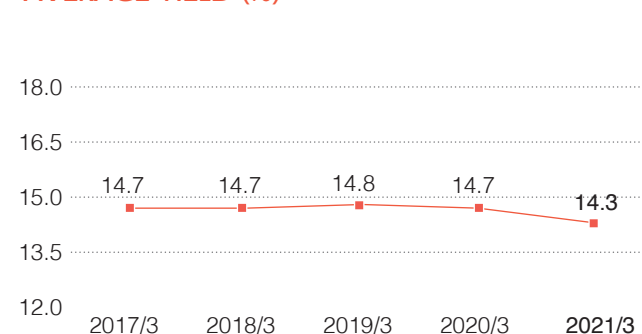
NEW ACCOUNTS

	2017/3	2018/3	2019/3	2020/3	2021/3
New accounts	182,778	197,826	199,637	206,337	161,186
Unsecured loans	182,604	197,565	199,353	206,155	161,111

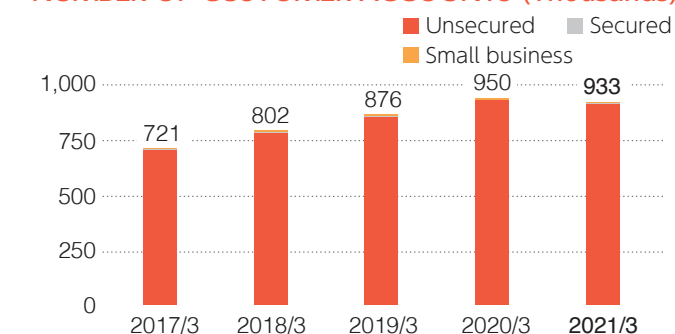
AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

	2017/3	2018/3	2019/3	2020/3	2021/3
Amount of write-offs	17,574	18,012	18,947	20,182	22,457
Ratio of write-offs (%)	4.3	4.0	3.8	3.6	3.9%

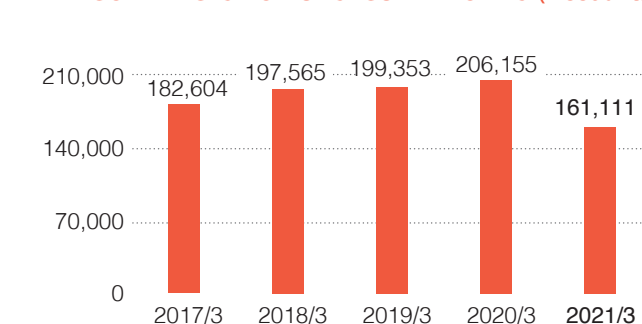
AVERAGE YIELD (%)



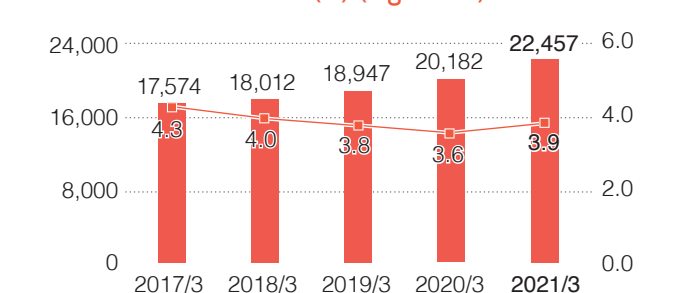
NUMBER OF CUSTOMER ACCOUNTS (Thousands)



NEW CONTRACTS FOR UNSECURED LOANS (Accounts)



AMOUNT OF WRITE-OFFS (Millions of yen) (Left axis)/ RATIO OF WRITE-OFFS (%) (Right axis)



LIFECARD CO., LTD.

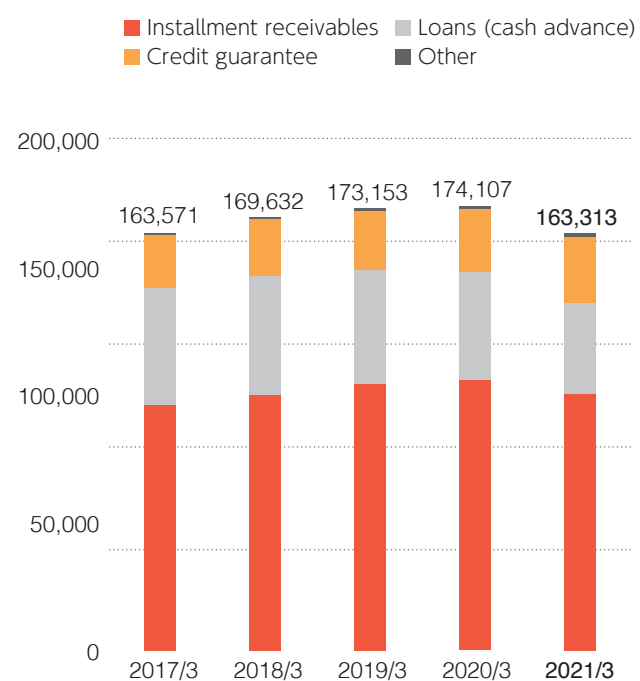
TOTAL RECEIVABLE OUTSTANDING

	2017/3	2018/3	2019/3	2020/3	2021/3
Total receivable outstanding	163,571	169,632	173,153	174,107	163,313
Installment receivables	96,276	99,956	104,242	105,773	100,348
Loans (cash advance)	45,564	46,728	44,849	42,272	35,545
Credit guarantee	21,007	22,032	23,063	24,842	26,190
Other	722	914	998	1,219	1,228

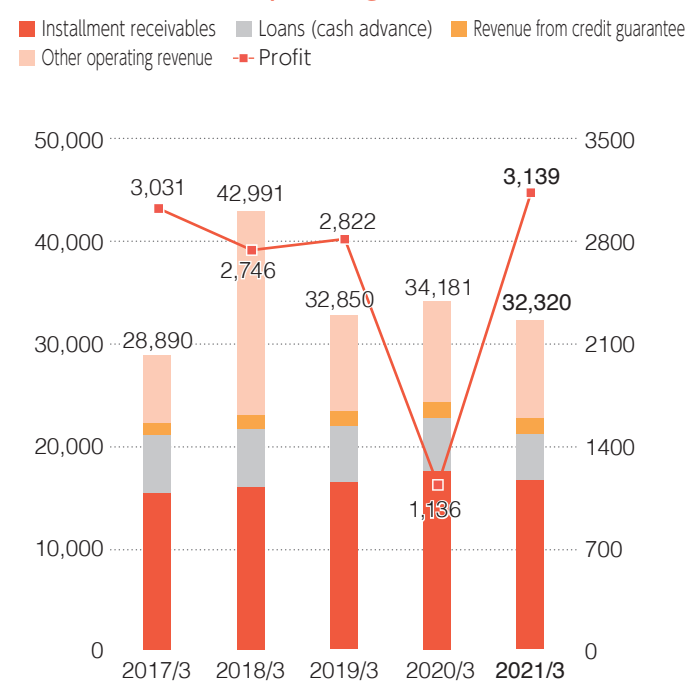
OPERATING REVENUE/PROFIT

	2017/3	2018/3	2019/3	2020/3	2021/3
Operating revenue	28,890	42,991	32,850	34,181	32,320
Installment receivables	15,361	15,960	16,391	17,479	16,586
Loans (cash advance)	5,603	5,649	5,556	5,243	4,524
Revenue from credit guarantee	1,272	1,348	1,398	1,521	1,592
Other operating revenue	6,653	20,033	9,504	9,937	9,617
Profit	3,031	2,746	2,822	1,136	3,139

TOTAL RECEIVABLE OUTSTANDING (Millions of yen)



OPERATING REVENUE (Millions of yen) (Left axis)/ PROFIT (Millions of yen) (Right axis)



TOTAL ASSETS/ROA

	2017/3	2018/3	2019/3	2020/3	2021/3
Total assets	188,889	179,419	196,005	197,237	192,050
ROA (%)	1.8	2.3	1.7	1.2	2.2

TOTAL EQUITY/ROE

	2017/3	2018/3	2019/3	2020/3	2021/3
Total equity	40,824	43,571	46,394	47,994	51,873
ROE (%)	7.7	6.5	6.3	2.4	6.3

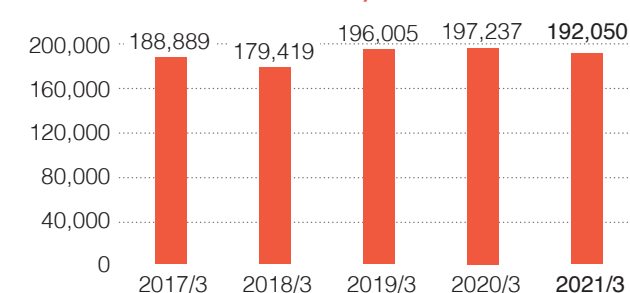
NUMBER OF CARDHOLDERS

	2017/3	2018/3	2019/3	2020/3	2021/3
Number of cardholders	5,883	5,771	5,777	5,758	5,382
Proper card	1,795	1,739	1,700	1,680	1,414
Affinity cards	4,088	4,032	4,077	4,077	3,967

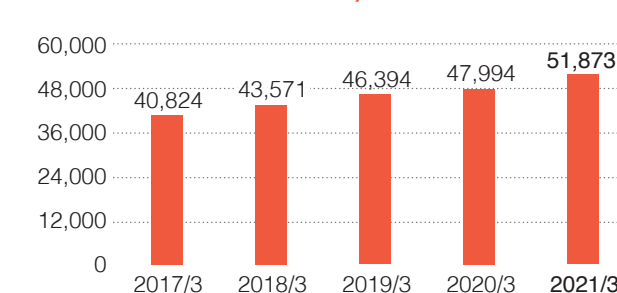
TRANSACTION VOLUME

	2017/3	2018/3	2019/3	2020/3	2021/3
Transaction volume	681,362	696,435	697,854	707,851	650,951
Card shopping	640,598	655,990	657,509	669,559	624,029
Cashing	40,763	40,444	40,345	38,291	26,921

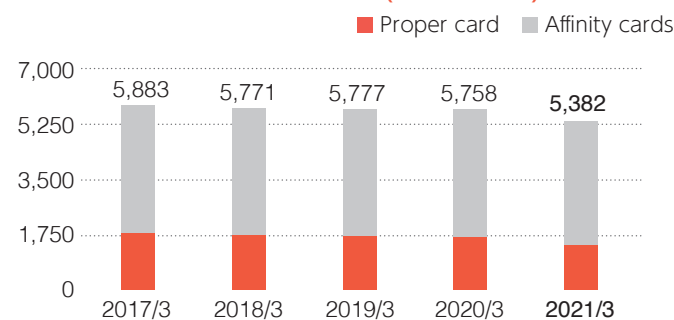
TOTAL ASSETS (Millions of yen)



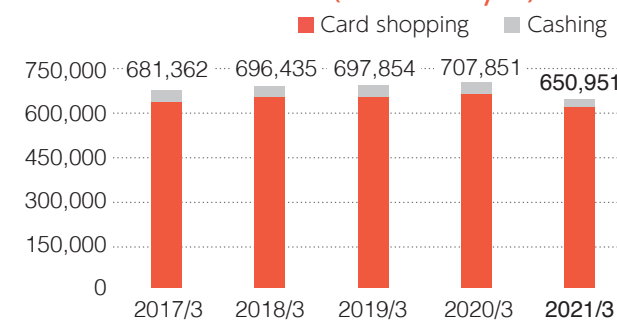
TOTAL EQUITY (Millions of yen)



NUMBER OF CARDHOLDERS (Thousands)



TRANSACTION VOLUME (Millions of yen)



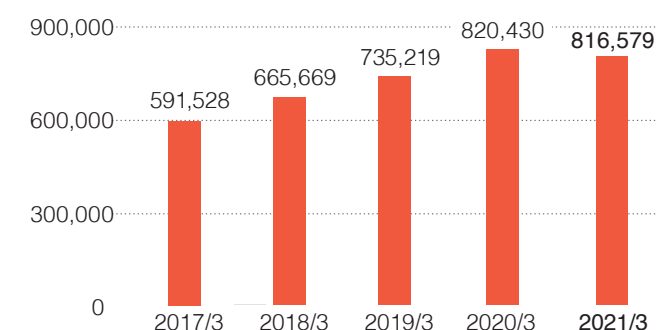
Financial Report by the Management Team

Consolidated business results

In fiscal 2020, the retail finance market of loans and credit cards for consumers and business operators inside and outside Japan has shrunk temporarily due to the stagnation of economic activities and the downturn of consumer spending caused by the spread of COVID-19. Consequently, at the end of fiscal 2020, the volume of operating receivables at the AIFUL Group totaled 816,579 million yen, a decrease of 3,850 million yen or 0.5% year on year.

That said, owing to the securitization of receivables, operating loans stood at 37,049 million yen, and installment receivables amounted to 6,994 million yen, for a total of 44,044 million yen.

Total receivable outstanding (Millions of yen)



Segment information by product

	Total receivable outstanding (Millions of yen)		YOY (%)
	2020/3	2021/3	
Unsecured loans	486,119	481,687	-0.9
Secured loans	22,533	18,281	-18.9
Small business loans	64,427	53,421	-17.1
Credit card business	105,961	100,504	-5.1
Installment sales finance business	5,511	8,210	49.0
Guarantee	127,018	145,725	14.7

	Operating revenue (Millions of yen)		YOY (%)
	2020/3	2021/3	
Unsecured loans	66,707	68,242	2.3
Secured loans	2,557	1,834	-28.3
Small business loans	3,179	3,965	24.7
Credit card business	18,862	18,646	-1.1
Installment sales finance business	529	740	39.8
Credit guarantee	15,203	14,524	-4.5

Loan business

At the end of fiscal 2020, the balance of operating loans (on an operating receivable basis) in the loan business, a core business of the AIFUL Group, came to 553,389 million yen, a decrease of 19,690 million yen or 3.4% year on year.

This accounted for around 70% of the balance of total operating receivables.

(Unsecured loans)

Regarding unsecured loans in fiscal 2020, a mainstay product, we strived to increase the number of new contracts and the balance of operating receivables by implementing effective advertising, mainly through television commercials and online ads, increasing ATMs in convenience stores for offering a "smartphone ATM service" with which customers can withdraw or deposit cash without a card, and starting automatic loans based on wire transfer, which are available 24 hours a day for the purpose of improving customer services. However, the number of new contracts for unsecured loans was 161,000, a decrease of 21.8% year on year, due to the spread of COVID-19. In light of these factors, the balance of unsecured loan operating receivables totaled 481,687 million yen, a decrease of 4,432 million yen or 0.9% year on year.

(Secured loans)

At the end of fiscal 2020, the balance of operating receivables for secured loans totaled 18,281 million yen, a decrease of 4,252 million yen or 18.9% year on year. On one side, in line with our corporate policy, we curtailed the balance of secured loans for real estate handled by AIFUL BUSINESS FINANCE CORPORATION (formerly BUSINEXT CORPORATION) and AIFUL. Also, at AIFUL BUSINESS FINANCE, the balance for medical fee-type secured loans, which the company is selling, diminished due to the spread of COVID-19.

(Small business loans)

AIFUL BUSINESS FINANCE conducts sales of loans for business operators, primarily products for the middle-risk market to finance private business operators. In fiscal 2020, the market size shrank temporarily, due to the stagnation of economic activities, the repayment of loans through the special loans for business operators, etc. amid the COVID-19 pandemic.

As a result, the balance for small business loans was 53,421 million yen, a decrease of 11,005 million yen or 17.1% year on year.

Credit card business

In the credit card business, since its market is expected to keep growing through the government-led promotion of cashless transactions and this is the most important business for LIFECARD, we continued to actively carry out measures in fiscal 2020, including the high utilization and effective acquisition of proper cards, issuance of new affinity cards, and the development of card affiliate stores through settlement agency companies. In this term, the use of credit cards decreased considerably in some fields, due to the spread of COVID-19, but the use of online shopping, etc. remains healthy and consumer spending recovered thanks to some governmental measures, so the business is recovering although the recovery pace is gentle. Under such circumstances, we made efforts to increase applications for a credit card by issuing new affinity cards, etc. and promoted the rise in spending limits to boost purchase amounts, but spending was sluggish in the first half of this term, so credit card shopping totaled 624,029 million yen (down 6.8% year on year), and the balance of installment receivables came to 108,714 million yen (a decrease of 2.5% year on year).

Credit guarantee business

AIFUL and LIFECARD undertake the credit guarantee business to address the needs of affiliate financial institutions. The Group is endeavoring to diversify its product line to address the expansion of the guarantee balance and to implement new guarantee partnerships by leveraging its credit knowhow for extending loans to individuals and business operators and its strength as an independent entity. AIFUL launched sales of new products to two new partners and 2 existing partners in fiscal 2020, to strengthen its support system, including sales and advertising methods that target financial institutions nationwide, provide business credit, a strength of the AIFUL Group, supply all-in-one (omatome) loan guarantee products to individuals and offer other products that meet the needs of financial institutions. As a result, the balance of credit guarantees at the end of fiscal 2020 came to 144,428 million yen, an increase of 19,095 million yen or 15.2% year on year. The credit guarantee business is a core business of the AIFUL Group, alongside the loan and credit card businesses. The Group aims to improve its business portfolio by increasing its balances.

Overseas business

In light of forecasts that the retail finance market in Japan is expected to mature in tandem with the acceleration of the low birthrate and aging population, we are securing operating assets and diversifying our business portfolio by developing new markets. In December 2014, AIRA & AIFUL Public Company Limited (A&A) was established jointly with AIRA Capital, a local entity in Thailand and launched the consumer finance business in September 2015. In fiscal 2020, economic activities were restricted due to the spread of COVID-19, but the number of new infected people decreased, so restrictions were lifted step by step from May, and economic activities are on a recovery trend.

Under these circumstances, A&A installed a new scoring system to increase excellent customers for the purpose of improving the debt portfolio. As a result, the operating loan balance in fiscal 2020 stood at 21,608 million yen, a decrease of 1,345 million yen or 6.0% year on year.

Elsewhere overseas, the AIFUL Group has been involved in the capital of REKSA FINANCE, which manages the used car auto loan business in Indonesia, since acquiring shares in May 2017.

Earnings trends

Due to the stagnation of consumer spending caused by the spread of COVID-19, the growth of operating assets was sluggish, so revenues, too, were affected.

Operating revenue in fiscal 2020 totaled 127,481 million yen, an increase of 442 million yen or 0.3% year on year.

Of this, operating loan interest stood at 74,041 million yen, a rise of 1,596 million yen or 2.2% year on year.

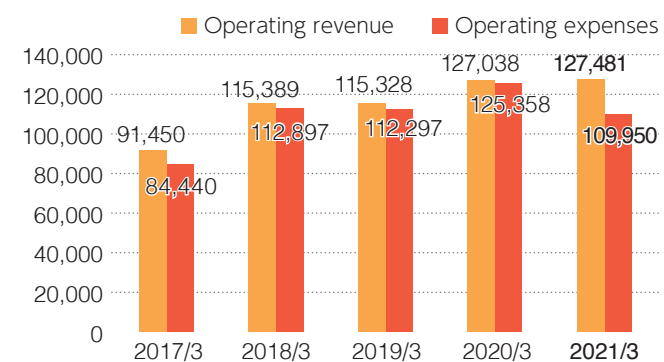
This accounted for 58.1% of total operating revenue.

Revenue from installment sales was 19,387 million yen, down 4 million yen, credit guarantee revenue was 14,524 million yen, a decrease of 678 million yen or 4.5% year on year, and other revenue came to 19,528 million yen, a decrease of 470 million yen or 2.4% year on year.

The future outlook is uncertain, but consumer spending is expected to recover gradually, due to the curtailment of infection by thoroughgoing measures against COVID-19, the start of vaccination, the distribution of vaccines, the governmental and private campaigns for promoting consumption, and so on. Through the recovery of consumer spending, operating assets are projected to increase, and revenues are expected to gradually recover to the pre-pandemic level.

Meanwhile, operating expense came to 109,950 million yen, down 15,408 million yen or 12.3% year on year. This mainly breaks down to loan-related expenses of 38,818 million yen, a rise of 3,540 million yen or 10.0% year on year in consideration of the COVID-19 pandemic. Advertising costs came to 9,821 million yen, a decrease of 942 million yen or 8.8% year on year due to the sluggish consumer spending. Financial expense stood at 7,248 million yen, a decline of 273 million yen or 3.6% year on year owing to a sluggish growth of operating assets.

Operating revenue/Operating expenses (Millions of yen)



Consequently, at the end of fiscal 2020, consolidated operating profit came to 17,530 million yen, an increase of 15,850 million yen or 943.8% year on year. As we posted a non-operating income of 1,928 million yen, including foreign exchange gain from loans to overseas group companies, and infection-related expenses, non-operating expense was 153 million yen, and the ordinary profit in fiscal 2020 was 19,305 million yen, up 17,589 million yen.

Net profit was 17,794 million yen, owing to 1,156 million yen in extraordinary loss due to an impairment loss from non-current assets owned by A&A in accordance with the Japanese accounting standards while considering the impact of the spread of COVID-19, etc. Consequently, with the addition of 642 million yen in loss attributable to non-controlling interests, profit attributable to owners of parent totaled 18,437 million yen.

Balance sheet trends

Total assets on a consolidated basis at the end of fiscal 2020 were 863,354 million yen, an increase of 2,847 million yen or 0.3%, compared with the end of the previous fiscal year. This increase was primarily attributable to growth of 12,694 million yen in customers' liabilities for acceptances and guarantees and growth of 3,651 million yen in lease and guarantee deposits.

Total liabilities on a consolidated basis at the end of fiscal 2020 totaled 715,662 million yen, a decrease of 15,914 million yen or 2.2%, compared with the end of the previous fiscal year. This decrease is mainly attributable to a decline of 12,119 million yen in provision for loss on interest repayment.

Net assets on a consolidated basis at the end of fiscal 2020 totaled 147,692 million yen, an increase of 18,761 million yen or 14.6%, compared with the end of the previous fiscal year. This increase is primarily attributable to a rise in retained earnings.

Overview of cash flows

Cash and cash equivalents ("funds") decreased 7,574 million yen or 17.4%, compared with the end of the previous fiscal year, to 35,945 million yen.

The situation of each category of cash flow for the current fiscal year and the contributing factors are as follows.

Net cash provided by operating activities amounted to 20,280 million yen (use of 51,133 million yen in the previous fiscal year). This was mainly attributable to profit before income taxes.

Net cash used for investing activities stood at 9,274 million yen, an increase of 241.2%, compared with the previous fiscal year. This was mainly attributable to deposit into time deposits.

Net cash used for financing activities amounted to 18,813 million yen (provision of 55,356 million yen in the previous fiscal year). This was mainly attributable to repayments of borrowings and redemption of bonds.

Non-performing loan trends

In fiscal 2020, the Group's total non-performing loans stood at 89,699 million yen, a rise of 3,276 million yen or 3.8% year on year. Of this, the amount of non-performing unsecured loans, a mainstay product, was 60,661 million yen, an increase of 5,004 million yen or 9.0% year on year.

However, the amount of non-performing loans, consisting mainly of real estate-secured loans and other than

unsecured loans, totaled 29,038 million yen, a decline of 1,728 million yen or 5.6% year on year.

In fiscal 2020, we changed accounting standards, and started including "receivables derived from composition for which we receive payments regularly," which used to be included in "nonaccrual loans," in "restructured loans" to fit reality. As a result, "nonaccrual loans" out of unsecured loans decreased 10,992 million yen from the previous term, and "restructured loans" increased 15,729 million yen.

The increase in restructured loans out of unsecured loans was the largest like before. We think that the collectability of these receivables is high and they are not directly related to bad debt.

Status of non-performing loans (NPL)

	2019/3		2020/3		2021/3	
	Unsecured loans	Other than unsecured loans	Unsecured loans	Other than unsecured loans	Unsecured loans	Other than unsecured loans
Total non-performing loans	46,575	32,719	55,656	30,766	60,661	29,038
Loans in legal bankruptcy	711	25,456	768	21,359	840	20,978
Nonaccrual loans	27,194	5,923	31,794	7,361	20,802	5,156
Loans in 3-months or more in arrears	6,798	244	7,754	281	7,949	308
Restructured loans	11,870	1,095	15,338	1,764	31,068	2,595

Write-off trends

In fiscal 2020, the amount of write-offs, including debt waived in tandem with interest repayment claims, totaled 30,856 million yen, a rise of 1,754 million yen or 6.0%, in comparison with a year earlier.

Write-off debt waived in tandem with interest repayment claims was 926 million yen, a decline of 284 million yen or 23.5% year on year. Write-off waived debt is continuing to trend downward. Meanwhile, other ordinary debt rose 2,039 million yen or 7.3%, versus the previous fiscal year.

The write-off ratio (general bad debt excluding debt forgiveness arising from interest repayment claims) accounted for 3.7% of total operating receivables, which is nearly flat, versus the previous fiscal year, an indication that the write-off ratio remains stable and low. In fiscal 2020, we conservatively estimated and posted provisions to the allowance for doubtful accounts, in preparation for the augmentation of bad debts caused by the spread of COVID-19.

Accordingly, provisions to the allowance for doubtful accounts in fiscal 2020 totaled 38,818 million yen, a rise of 3,540 million yen or 10.0%, in contrast with the previous

fiscal year. At the end of fiscal 2020, the balance for the allowance for doubtful accounts came to 77,830 million yen, growth of 5,535 million yen or 7.7% (including 2,737 million yen in allowance for debt waived in tandem with interest repayment claims).

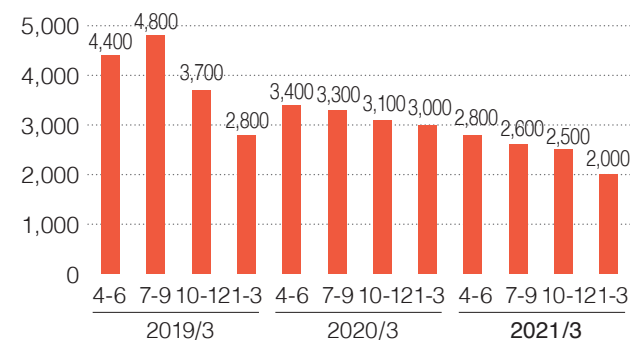
Interest repayment claim trends

Interest repayment claims during fiscal 2020 stood at 13,000 (down 19.3% year on year). Although this was a steady decline from the peak, the recent rate of decline in claims is trending modestly. Continued close monitoring will be necessary.

The reversal to the allowance for losses on interest repayment and the allowance for doubtful accounts related to interest repayment claims totaled 13,046 million yen (down 18.8% year on year). This breaks down to 11,961 million yen (down 18.7% year on year) for interest repayment and 1,084 million yen (down 20.5% year on year) for debt forgiveness. In addition, preparing for future interest repayment claims and taking into account factors including recent interest repayment trends, the Company posted 2,249 million yen in provisions to the allowance for doubtful accounts. The balance for allowances related to interest repayment amounted to 15,651 million yen. This breaks down to 12,913 million yen in provisions for losses on interest payments and 2,737 million yen in allowance for doubtful accounts.

The debt forgiveness of LIFECARD will be posted in the generation and reversal of provisions to the allowance for doubtful accounts in consolidated financial statements from fiscal 2021. Accordingly, the above provisions to the allowance for doubtful accounts amounting to 2,737 million yen includes the provision of 340 million yen for LIFECARD.

Number of interest repayment claims



► Fund procurement trends

The AIFUL Group procures funds required for business expansion from outside the Group. The Group aims to procure funding both indirectly from financial institutions and directly through corporate bonds, to build a safe and robust procurement platform.

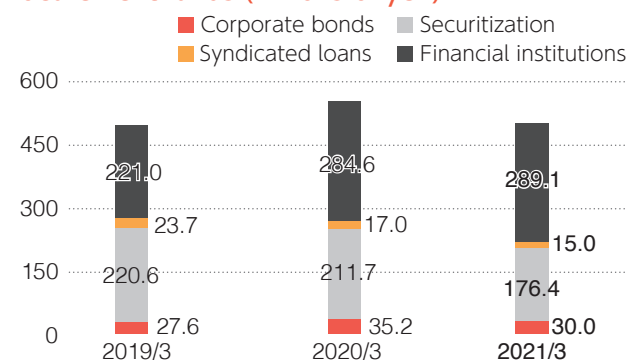
In fiscal 2020, through the recent improvement in earnings and the rise in its external rating, we succeeded in procuring funds flexibly according to the change in the balance of funds, which is caused by the growth of the balance of operating receivables and the decrease of balance due to the restriction on consumption amid the COVID-19 pandemic, and lowering the funding interest rates. Consequently, at the end of fiscal 2020, the balance of loans, including off-balance sheet borrowings, was 510,731 million yen, a decline of 37,986 million yen or 6.9% year on year, owing to securitization carried out by the Group.

The balance of loans via indirect procurement stood at 304,163 million yen, up 2,473 million yen or 0.8% year on year. This accounted for 59.6% of total borrowings. The interest rate on indirect financing was 1.54%, down 0.09 points year on year.

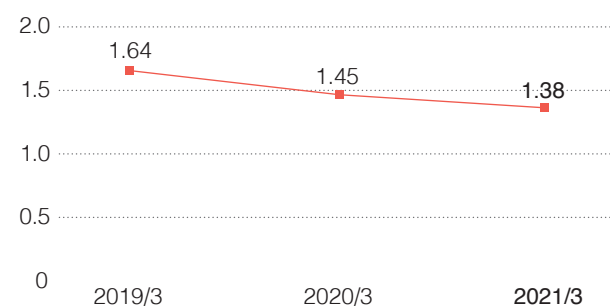
The balance of loans via direct procurement, accounting for 40.4% of total borrowings, was 206,568 million yen, down 40,460 million yen or 16.4% year on year. This breaks down to 30,075 million yen in regular corporate bonds (5.9% of total borrowings) and securitization of 176,493 million yen (34.6% of total borrowings). The interest rate on direct financing was 1.13%, down 0.1 points year on year.

At the end of fiscal 2020, short-term borrowings amounted to 108,550 million yen, and long-term borrowings stood at 402,181 million yen.

Procurement funds (Billions of yen)



Funding interest rate (%)



► Dividend policy

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

Regarding the term-end dividend for fiscal 2020, we first planned to refrain from paying it, but decided to pay 1 yen/share, after comprehensively considering the business performance, financial standing, etc. in this term. For the next term, we plan to pay 1 yen/share per year at the end of the term.

The Articles of Incorporation stipulate that reserves can be used to pay dividends or interim dividends in accordance with a resolution passed by the Board of Directors.

► Risk factors

Among matters relating mainly to the Group's business conditions and accounting situation, below are the major risks that management recognizes as likely to have a significant impact on the Group's financial position,

business performance and cash flows. The policy of the AIFUL Group is to recognize the possibility that these risks may arise, work to avoid them and address them if they occur. In addition, the following describes but does not include all the risks to the AIFUL Group's business activities. New business risks and other risks may arise due to uncertainties in the future.

That being said, the matters relating to the future included in this document are those assessed by the AIFUL Group as of the Securities Report.

The financial position and operating results of the AIFUL Group reflect a plethora of factors, of which the following are expected to be the main factors.

- (1) Economic and market trends
- (2) Intensified competition
- (3) Changes in the number of multiple debtors
- (4) Legal regulations
- (5) Funding
- (6) Financial soundness
- (7) Information network system, Internet services and technical systems
- (8) Credit guarantee business
- (9) Overseas business
- (10) Losses carried forward
- (11) Marketable securities
- (12) Holding and disposing of Company shares by representative directors and their family members
- (13) Disasters, infectious diseases, etc.
- (14) Fluctuation in costs including fees, advertising and personnel expenses, and losses (e.g., increases in partner ATM fees, payments to contractors related to affiliate advertising, advertising costs due to a rise in the unit cost of television or other media, increases in ad placements and personnel expenses due to an increase in personnel following the expansion of operations)
- (15) Negative press and the occurrence of scandals at the AIFUL Group and in the consumer finance industry (risk of damage from harmful rumors due to negative press related to bank card loans and risk of substantial damage to the brand image of the AIFUL Group from the release of Internet footage showing inappropriate actions by some employees)

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. Despite these actions, however, due to changes in the management environment, including the strengthening or easing of legal regulations, competitive conditions, changes in the economy and other causes, the financial position and business performance of the AIFUL Group may be impacted. In addition, there is a possibility that the AIFUL Group may be forced to review its strategies. Of the above items, details of particular importance are described below.

(Economic and market trends)

The AIFUL Group operates its businesses not only in Japan but also in Southeast Asia. In the lending business for individuals, the Group faces the following risks: a decrease in the amount of operating loans due to the deterioration of economic situations in each country and the difficulties of customers repaying loans due to distressed financing in tandem with a downturn in the economy reflecting the spread of COVID-19. There is a possibility that these will contribute to a decline in interest revenue and an increase in loan-related expenses. In addition, there is a risk of a decline in operating loans, reflecting a drop in fund demand due to a slump in consumer spending accompanying the deteriorating economy. There is a possibility that this will contribute to a decline in interest revenue.

(Intensified competition)

The AIFUL Group mainly engages in the consumer finance business and the business operator loan business. The Group is likely to face competition in both markets with banks, credit card companies, credit sales companies and other finance companies. There is a risk that an increase in NPLs may occur in the future if the intensification of this competition puts downward pressure on lending rates in the consumer finance business and the business operator loan business, and a risk of an increase in lending to high-risk borrowers. There is a possibility that these will contribute to an increase in loan-related expenses.

(Changes in the number of multiple debtors)

The AIFUL Group plans to carry out stricter surveys on repayment capabilities (including credit limit monitoring during transactions with customers) and credit requirements, using data from consumer credit information institutions and a proprietary credit system.

However, despite these measures, there is a risk of an increase in uncollected loans due to deterioration in financing among many customers mainly because of worsening economic conditions going forward. There is a possibility that this will contribute to an increase in loan-related expenses. Moreover, there is a possibility of a decrease in interest income due to a drop in operating loans in tandem with a decline in eligible loan applicants, mainly attributable to a rise in borrowers with multiple debts.

(Legal regulations)

1. Legal compliance platform

AIFUL has adopted “full-fledged compliance” as a priority policy. Although it aims to prevent legal violations related to the money lending business, stop information leaks and avert other incidents, intentional action or culpable negligence by employees cannot be fully prevented.

AIFUL established the compliance committee as an advisory body under the direct control of the Board of Directors to prevent the violation of laws and regulations related to the money lending business, information leaks and other scandals. The committee verifies and maintains the compliance system Companywide by gathering information regarding compliance and takes measures to prevent violations of laws and regulations. In addition, the AIFUL Group compliance committee was set up with the goals of sharing the unified corporate ethics of the entire Group and establishing a compliance system for the whole Group. Moreover, in April 2007, internal control functions were strengthened, including centralizing the hotline (internal reporting system), reinforcing the information-gathering function for compliance and centralizing functions related to rewards and punishment.

AIFUL is effectively enhancing internal audits and implementing other measures, including establishing business rules with compliance awareness functions, offering internal training about laws and ordinances, fortifying the instilling of compliance awareness, implementing call monitoring and preparing a system to properly

review these measures.

However, there is a possibility of impact on the Group’s financial position and business performance, should there occur an incident of fraud or a scandal including violation of laws or ordinances by an employee or employees of the Group.

2. Business regulations

(1) Business regulations owing to the Money Lending Business Act and the Installment Sales Act
 With respect to legal regulations pertaining to business operations, Money Lending Business Act is applied to the loan business, including the consumer finance business, which is the main business of the AIFUL Group. The Money Lending Business Act imposes various types of regulations (prohibited acts, restrictions related to interest/guarantee fees, etc., investigation of repayment ability, prohibition of excessive loans, etc., posting of notices of loan conditions, etc., prohibition of advertisement of loan conditions and other extravagant advertising, delivery of documents before the conclusion of an agreement, delivery of documents at the time of concluding an agreement, delivery of evidence of receipt, maintenance of books, inspection of books, regulations on acts of collection, return of claim deeds, posting of signs, regulations on transfer of receivables, etc., duty of disclosure of the record of transactions, placement of heads of money lending operations, regulations on carrying certificates, etc.).

In addition, the credit card business and the installment sales finance business of the AIFUL Group are subject to various business regulations owing to the application of the Installment Sales Act (presentation of transaction conditions, delivery of documents, restriction on the amount of damages, etc., due to cancellation of an agreement or other causes, defense against providers of installment sales finance, investigation of an estimated amount that can be paid, prohibition of credit exceeding the estimated amount that can be paid, prevention of consumer issues related to continued service, etc.).

Amid this backdrop, the Group aims to enhance organizations and systems as an internal control function based on the aforementioned laws, ordinances and regulations as well as address operational risks. The Group also plans to carry out inspections and ongoing improvements by implementing three lines of defense.

However, there is a possibility of impact on the Group’s financial position and business performance, in the event an employee or employees of the Group violate laws or

ordinances, or in the case of stricter business regulations, due in part to legal measures, including administrative actions or revisions to new laws and ordinances.

(2) Self-regulation by the Japan Financial Service Association
 The Japan Financial Service Association was established in December 2007 as the self-regulatory organization described in the Money Lending Business Act, which set the basic rules for self-regulation and stipulated the rules relating to the prevention of excessive loans, etc., and the rules relating to advertisements and solicitation. In addition, in the rules for operations relating to audits by the Japan Financial Service Association, to enhance effectiveness, the association is granted sanction rights, including the right to impose fines or expel association members who do not comply with investigation/audit rights or self-regulation.

AIFUL, as a member of the Japan Financial Service Association, is subject to these regulations.

The AIFUL Group has endeavored to strengthen its compliance system by establishing internal rules and offering comprehensive training to employees in accordance with items stipulated in regulations set forth by the Japan Financial Service Association and in related laws and ordinances.

However, the strengthening of business regulations by administrative action due to an employee’s violation of laws and regulations or the enactment of new laws and regulatory revisions could impact the financial position and business performance of the AIFUL Group.

3. Loan interest rate

On June 18, 2010, the revised Money Lending Business Act went into full force, and the ceiling for the interest rate under the Act Regulating the Receipt of Contributions, the Receipt of Deposits and Interest Rates (capital subscription law) was thereby lowered from 29.2% per annum to 20.0% per annum, and the repayment system deemed under the Money Lending Business Act described below was abolished.

Ahead of the full enforcement of the act, AIFUL lowered the ceiling on its interest rate on new loan contracts to customers in Japan and customers who enter into a loan contract based on new standards on or after August 1, 2007. The current ceiling for interest rates is 18.0% or less per annum.

However, should the ceiling on the interest rate in the Interest Rate Restriction Act or the Act Regulating the Receipt of Contributions, the Receipt of Deposits and Interest Rates (capital subscription law) be further lowered,

reflecting revisions to laws and regulations in the future, and should the interest rate with respect to the interest rate agreement with customers who have already entered into an agreement be further lowered due to economic and social conditions that boost the number of consumers demanding legal protection, there is a possibility of impact on the financial position and business performance of the AIFUL Group.

4. Loss on interest repayment

In accordance with Article 1, Paragraph 1 of the Interest Rate Restriction Act, the agreement relating to interest payable on a consumer finance loan will be considered invalid with respect to a portion that exceeds certain prescribed limits (20% when the principal is less than ¥100,000, 18% when the principal is ¥100,000 or more but less than ¥1,000,000 and 15% when the principal is ¥1,000,000 or more). However, under the Interest Rate Restriction Act prior to the aforementioned full enforcement of revisions, a debtor will not be able to issue a claim for repayment if the debtor has paid the relevant excess portion voluntarily.

In addition, in accordance with Article 43 of the Money Lending Business Act prior to the aforementioned full enforcement of revisions, when a document provided for under Article 17 of the act has been issued to a borrower when a loan is made and the borrower has voluntarily paid the excess portion of interest, and when the document specified under Article 18 of the law has been issued immediately at the time of payment and the payment is based on an agreement specified under Article 17 of the law, this payment is regarded as the repayment of valid interest on the debt, notwithstanding provisions set forth in Paragraph 1, Article 1 of the Interest Rate Restriction Act (with payments under the relevant provision referred to as “deemed payments” hereafter).

Nevertheless, a Supreme Court ruling on January 13, 2006 decreed that the payment of the portion exceeding the ceiling on interest set forth in Paragraph 1, Article 1 of the Interest Rate Restriction Act under a covenant requiring a lump sum payment of the outstanding loan in the event that the payment of a loan installment is late is effectively compulsory and cannot be deemed a voluntary payment by a borrower. In addition, the court ruled that Paragraph 2, Article 15 of the Money Lending Business Act for which the entry of the contract date on the receipt can be substituted with the contract number, exceeds the scope of legal authorization and is invalid.

The AIFUL Group sincerely accepts these judicial decisions and intends to respond by implementing measures such as revising contracts to reflect the decisions. At present, the contracted interest rate for the loan products provided by the AIFUL Group includes the excess portion on the interest ceiling stipulated by the Interest Rate Restriction Act. That being said, a number of lawsuits have been brought for the repayment of the excess portion on the interest ceilings stipulated by the Interest Rate Restriction Act due to the industry's lack of preparation of items to be entered into contracted documents specified under the Money Lending Business Act. As such, a number of rulings in favor of these suits have been passed down.

A number of lawsuits for the repayment of excess interest have also been lodged against the AIFUL Group, including cases in which it was acknowledged that the Group did not fulfill its obligation as a loan business operator to issue the documents required for the payment to be regarded as "deemed payments" under the Money Lending Business Act. There are also cases in which the Group has repaid excess interest based on settlements (interest repayment).

More than a decade has passed since the Supreme Court's ruling, and interest repayment claims have declined to one-tenth of the peak level in February 2011, in part as the statute of limitations has run out for many borrowers with the right to make an interest repayment claim. Going forward, AIFUL expects the number of interest repayment claims to decline. However, as some law offices and judicial scrivener offices continue to actively advertise to assist borrowers with their interest repayment claims, the number of claims remains at a certain level. There is a possibility of impact on the AIFUL Group's financial position and business performance, given that law offices and judicial scrivener offices will continue their advertising and owing to cases where judicial rulings put money lenders at a disadvantage.

On October 13, 2006, the Japanese Institute of Certified Public Accountants (JICPA) released the Accounting Treatment for Calculation of Reserves Relating to Losses at Consumer Finance Companies, etc., resulting from Interest Repayment Claims (Industry Audit Committee Report No. 37, "Report No. 37") with applicability to audits of consolidated and non-consolidated accounts in and after the interim accounting period ending on or after September 1, 2006 (including audits related to the consolidated and nonconsolidated accounts for the fiscal year of which the relevant consolidated and non-consolidated accounts for

the interim accounting period are each a part). In accordance with Report No. 37, the AIFUL Group is posting provisions to an allowance for losses on interest repayment claims (including projected repayments involving loan loss reserves from estimates that prioritize the coverage of operating loans).

However, accounting estimates were made based on actual records of repayment in the past and recent repayment trends. Therefore, if repayment beyond the level of the assumptions for said estimates is claimed or if accounting standards are changed, there is a possibility of impact on the financial position and business performance of the AIFUL Group.

5. Restrictions on total lending

On June 18, 2010, the revised Money Lending Business Act went into full force, introducing what is referred to as restrictions on total lending. As a reflection of this, money lenders are prohibited from extending loans beyond a borrower's repayment capability, including loans whose total loan balance would exceed one-third of the borrower's annual income.

To alleviate this risk, in preparation for the introduction of total lending restrictions prior to the complete enactment of related revised laws, the AIFUL Group is conducting surveys for each period stipulated by the Cabinet Office Ordinance under Article 13-2 of the Money Lending Business Act, in addition to restricting lending based on stricter lending standards and by using a system to ensure the total loan balance does not exceed one-third of the borrower's annual income.

However, going forward, should there be a larger-than-expected decline in interest revenue or the loan balance, there is a possibility of impact on the AIFUL Group's financial position and business performance.

6. Other related laws

(1) Act on the Protection of Personal Information and the treatment of personal information

According to the Act on the Protection of Personal Information, businesses that handle personal information are obligated to provide certain reports should they be deemed necessary. The cabinet minister in charge should recommend or order a business to take necessary measures when deemed necessary to protect the rights and interests of individuals in cases where the business operator violates a certain obligation under the act. In addition, under the guidelines of this act, a company is required to make

notification of, specify or disclose the purpose of the use of personal information, obtain consent relating to the handling, etc., of personal information from debtors should it be deemed necessary, supervise a subcontractor handling personal information should this be contracted out, establish a system as a safety control measure from organizational, human and technological perspectives, and publicly announce the basic policy related to the handling of personal information.

In accordance with these measures, the AIFUL Group conducted a review, etc., of the conditions surrounding the handling of personal information and established a privacy policy. The Group also created and is implementing information management regulations and administrative procedures. The Group is taking measures to prevent the leak of personal information by training directors and employees, conducting physical security at data centers, setting access authorization for personal data, supervising logs and taking system security measures against illegal access and threats from outside the Group.

However, should a leak of personal information occur for some reason and should the Company receive a recommendation or order from the cabinet minister in charge, there is a possibility that the financial position and business performance of the AIFUL Group will be impacted.

(2) Impact from revisions to other laws

In the event of revisions to various laws and ordinances, including the Bankruptcy Act the Civil Rehabilitation Act, and the Act on Special Conciliation for Expediting Arrangement of Specified Debts, depending on the details of said revisions, they could possibly have an impact on the financial position and business performance of the AIFUL Group.

(Funding)

The Group procures capital through borrowings and syndicated loans from financial institutions, the securitization of bonds and receivables, and funding operations.

The market environment, a decrease in the Company's creditability or a change in its rating could possibly hinder the Group's procurement capabilities.

To alleviate these risks, the AIFUL Group is diversifying, devising new procurement methods and undertaking measures to boost its rating.

However, in the event of a substantial change to the Group's financial position, business performance or the

content of its receivables, owing to financial covenants or early redemption clauses related to fund procurement, including the spread of COVID-19, there is a risk the Group will forfeit the benefit of time, and its financing, financial position and business performance could be impacted.

In addition, the procurement interest rate on financing could fluctuate owing in part to the market environment.

The Group aims to alleviate this interest rate volatility.

Depending on the degree to which interest rates rise going forward, the Group's financing could possibly be affected, and this could potentially impact the Group's financial position and business performance.

(Financial soundness)

The consumer finance industry has faced an increase in interest repayment claims owing to the Supreme Court decision on January 13, 2006 and revisions to laws that have had substantial impact on the Group's financial position and business performance. Management indicators, including the shareholders' equity ratio and net assets, signs of the Group's financial soundness, have not yet recovered to the level before the Supreme Court's decision.

Consequently, going forward, should risk events or other issues arise in the Group and impact its financial position and business performance, there is a possibility the Group's financial position may not be adequate enough to address these impacts, a situation that could hinder the continuity of the Group's business activities.

(Information network system, Internet services and technical systems)

The AIFUL Group relies on information and technological systems internally and externally to conduct sales operations. Managing the variety of information making up the Group's businesses, including business branch networks and loan data, requires that dependence on software, systems and networks be increased. The hardware and software that the AIFUL Group uses are susceptible to impact from human error, natural disasters, blackouts, computer viruses, damage and interruptions of operations from cyber-attacks from outside the Group, as well as the termination of support services from third parties, including the telephone company and Internet service provider.

To alleviate these risks, the Group is strengthening its infrastructure such as duplicating core systems and establishing back-up systems for data and power sources. At the same time, we have established 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, and take other actions continuously to fortify security against cyber-threats, phishing websites, etc., which are becoming mainstream threats these days. In addition, we are striving to reduce damage by implementing concrete measures, such as the adoption of two-step authentication, holding regular in-house training, etc.

Nonetheless, disruptions, malfunctions, delays and other impediments of these information and technical systems can trigger a decline in the number of account openings, spark delays in the repayment of unpaid balances and decrease consumer trust in the AIFUL Group's businesses in the wake of cyber-threats and information leakage.

These factors could potentially impact the financial position and business performance of the Group.

(Credit guarantee business)

The AIFUL Group is engaged in the credit guarantee business, whose revenues consistently account for more than 10% of consolidated operating revenue, as a result of carrying out sales activities to increase the number of guarantee partners, proposing new products and providing support for marketing promotion. In addition to the risks to the AIFUL Group mentioned above, some other situations could hinder the expansion of the credit guarantee business, including risks to the businesses of financial institutions that are our guarantee partners. This, for instance, includes industry restructuring and legal revisions that impact partner financial institutions, risks to guarantee partners and legal violations.

Consequently, should these situations occur and impede the expansion of the credit guarantee business, there is a possibility of impact on the AIFUL Group's financial position and business performance.

(Overseas business)

The AIFUL Group does business not only in Japan but also in Southeast Asia. Business expansion into overseas markets carries the following inherent risks: economic deterioration or peer competition in Southeast Asia, including Thailand and Indonesia, political instability and unstable social conditions, natural disasters, including flooding, terrorism or disputes, financial system or legal restraints, volatility in interest rates, exchange rates, share prices and the commodities market, earnings at companies that invest or enter these regions, the economic sentiment, financial systems, laws and financial markets in countries where these companies are located, losses in tandem with lawsuits, corporate bankruptcies, personal loans that have turned bad and expenses incurred due to insufficient internal control and legal compliance systems at overseas subsidiaries.

In addition to grasping conditions, including trends in overseas markets, social circumstances and financial systems, the AIFUL Group is enhancing its internal control and audit functions by organizational and system improvements at overseas subsidiaries.

However, should a risk surface, there is a possibility of impact on the AIFUL Group's financial position and business performance.

(Losses carried forward)

The Group has mitigated its corporate tax since it presently maintains tax loss carryforwards.

However, if tax losses are eliminated due to expiry of the tax loss carryforward period, the Group will face a corporate tax burden, which may affect the Group's financial state, business results, and cash flows.

(Marketable securities)

To provide products and services that meet customers' demands, the Group is aiming to diversify its business operations, including those in the loan business (consumer finance and business operator loan businesses), credit card business, credit guarantee business and overseas business, by holding investment securities in subsidiaries and affiliates. However, due to the risk of asset impairment to investment securities from unprofitability at subsidiaries and affiliates extending beyond expectations, there is a possibility of impact on the financial position and business perfor-

mance of the Group.

In addition, the AIFUL Group holds investment securities in listed and unlisted entities. The value of these assets will be eroded by deterioration in profitability, resulting in the risk of asset impairment. In this situation, there is a possibility of impact on the financial position and business performance of the AIFUL Group.

(Holding and disposing of Company shares by representative directors and their family members)

As of the end of fiscal 2019, Yoshitaka Fukuda, a representative director of AIFUL, members of the founding family and affiliated companies combined owned around 40% of AIFUL's outstanding shares. As a result, they are able to exercise a controlling influence over important decisions with an impact on the Company's business activities that involve important corporate transactions such as the transfer of the Company's right of control, reorganization and restructuring of business, investments in other businesses and assets, and terms of future capital procurement.

Moreover, these shareholders have thus far stably maintained their shares. However, disposing of a portion of shares in the future could have an impact on the Company's share price in view of the increase in the Company's stock in the market.

Disasters, infectious diseases, etc.

There is concern of an impact on the AIFUL Group's business continuity from emergencies triggered by external factors, including, in part, large-scale natural disasters such as earthquakes, tsunamis and wind/flood damage, the spread of infections and conflicts.

If an accident or disaster occurs in the AIFUL Group, to resolve risks and minimize the impact on our stakeholders, we plan to create an overlapping basic system, set up backups for data and power sources, and establish a disaster reserve system. In addition, we are introducing a communication tool for safety confirmation and emergencies to be used for communication on Saturdays, Sundays and national holidays as well as early morning and late at night, and implementing regular group-wide training to formulate a business continuity plan that outlines rapid responses.

We established the COVID-19 Group Response Head-

quarters, which comprises all directors, with the president and representative director serving as the chair.

We conducted hearings with related municipalities and public health centers to establish a concrete contingency plan and the rules for each case, including an internal disinfectant system and the procurement of protective clothing. We are actively working to prevent and curb the expansion of COVID-19 through notifications on these initiatives.

In addition, we conducted surveys of related laws, including the Infectious Disease Law, and collected information in accordance with findings by the World Health Organization (WHO), the National Institute of Infectious Diseases (NID) and the Japan Epidemiological Association. We have adopted a system for measuring the body temperature of each visitor to a major facility, set antiseptic solutions, placed acrylic partitions in offices, conference rooms, etc., and established and been operating a system for monitoring and reporting the health conditions of people, including housemates.

Furthermore, we have established an internal system in which we can implement off-peak work attendance in accordance with government's policies and disperse employees to separate sites, adopted and started operating apps related to telework, and enriched communication tools, so that we can curb operations.

However, there is a possibility that the Group's financial position and business performance will be negatively impacted in the event that customer demand cannot be sufficiently addressed as facilities cannot be used normally because of substantial retrenchment or suspension of business activities caused by stagnating business activities globally from a worse-than-expected disaster or pandemic or of an occurrence of a large-scale cluster inside the company, or in the event of an increase in costs, including the write-off of bad debt due to the deteriorating performance of customers harmed in tandem with a disaster or pandemic.

Consolidated Balance Sheets

AIFUL CORPORATION and Consolidated Subsidiaries
As of March 31

	(Millions of yen)	
	2020	2021
Assets		
Current assets		
Cash and deposits	43,524	40,950
Operating loans (Notes 2, 3, 7, 9 and 10)	516,960	516,340
Accounts receivable—installment (Notes 2, 5 and 7)	102,942	101,719
Operational investment securities	1,451	1,701
Customers' liabilities for acceptances and guarantees	157,858	170,553
Other operating receivables	8,858	8,749
Purchased receivables	3,121	3,173
Other	30,612	24,724
Allowance for doubtful accounts (Note 11)	△ 51,608	△58,201
Total current assets	813,722	809,712
Non-current assets		
Property, plant and equipment		
Buildings and structures (Note 2)	24,252	23,769
Accumulated depreciation	△ 18,359	△18,207
Buildings and structures, net (Note 2)	5,893	5,561
Machinery, equipment and vehicles (Note 2)	407	432
Accumulated depreciation	△ 330	△342
Machinery, equipment and vehicles, net (Note 2)	76	90
Furniture and fixtures (Note 2)	6,425	5,251
Accumulated depreciation	△ 5,438	△3,986
Furniture and fixtures, net (Note 2)	987	1,265
Land (Note 2)	8,899	8,900
Leased assets	5,920	4,889
Accumulated depreciation	△ 2,342	△2,991
Leased assets, net	3,578	1,898
Construction in progress	262	49
Total property, plant and equipment	19,698	17,765
Intangible assets		
Software	4,182	5,204
Other	102	102
Total intangible assets	4,285	5,306
Investments and other assets		
Investment securities (Note 4)	5,960	7,714
Claims provable in bankruptcy (Note 9)	23,609	22,082
Deferred tax assets	6,712	8,821
Lease and guarantee deposits	1,805	5,456
Other	5,398	6,124
Allowance for doubtful accounts	△ 20,686	△19,628
Total investments and other assets	22,800	30,570
Total non-current assets	46,784	53,642
Total assets	860,507	863,354

	(Millions of yen)	
	2020	2021
Liabilities		
Current liabilities		
Notes and accounts payable—trade	37,156	38,265
Acceptances and guarantees	157,858	170,553
Short-term borrowings (Note 2)	103,119	100,750
Current portion of bonds	20,170	15,075
Current portion of long-term borrowings (Note 2)	121,928	146,136
Income taxes payable	2,026	2,112
Allowance for bonuses	1,356	1,397
Provision for point card certificates	2,840	2,560
Deferred installment income (Note 6)	1,344	1,822
Other	21,581	20,923
Total current liabilities	469,381	499,596
Non-current liabilities		
Bonds payable	15,075	15,000
Long-term borrowings (Note 2)	215,601	180,677
Deferred tax liabilities	49	75
Provision for loss on interest repayment	25,033	12,913
Other	6,435	7,398
Total non-current liabilities	262,194	216,065
Total liabilities	731,576	715,662
Net assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus (Note 1)	13,948	13,948
Retained earnings	20,232	38,669
Treasury shares	3,110	△3,110
Total shareholders' equity	125,098	143,536
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	459	1,705
Foreign currency translation adjustment	459	314
Total accumulated other comprehensive income	918	2,019
Non-controlling interests	2,914	2,136
Total net assets	128,931	147,692
Total liabilities and net assets	860,507	863,354

Consolidated Statements of Income

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

Consolidated Statement of Income

	(Millions of yen)	
	2020	2021
Operating revenue		
Interest on operating loans	72,444	74,041
Revenue from credit card business	18,862	18,646
Revenue from credit guarantee	15,203	14,524
Other financial revenue	7	6
Other operating revenue		
Collection from purchased receivables	1,662	1,573
Recoveries of written off claims	6,896	6,761
Other	11,961	11,927
Total other operating revenue	20,520	20,262
Total operating revenue	127,038	127,481
Operating expenses		
Financial expenses		
Interest expenses	6,100	6,086
Interest on bonds	623	516
Other	797	645
Total financial expenses	7,522	7,248
Cost of sales		
Cost of purchased receivables	1,120	1,141
Other	169	273
Total cost of sales	1,289	1,414
Other operating expenses		
Provision for point card certificates	2,707	2,209
Commissions	15,722	14,978
Provision of allowance for doubtful accounts	33,796	38,818
Provision for loss on interest repayment	16,927	—
Employees' salaries and bonuses	11,964	12,019
Provision for bonuses	1,311	1,333
Retirement benefit expenses	497	503
Sales promotion expenses	8,102	6,808
Other	25,517	24,615
Total other operating expenses	116,547	101,286
Total operating expenses	125,358	109,950
Operating profit	1,679	17,530
Non-operating income		
Interest on loans receivable	193	203
Share of profit of entities accounted for using equity method	110	204
Foreign exchange gains	—	560
Rental income from real estate	84	89
Gain on sales of investment securities	—	367
Revenue from subsidies	—	327
Other	141	175
Total non-operating income	529	1,928

	(Millions of yen)	
	2020	2021
Non-operating expenses		
Interest expenses	5	3
Foreign exchange loss	479	—
Provision of allowance for doubtful accounts	—	47
Infection-related expenses	—	90
Other	8	11
Total non-operating expenses	493	153
Ordinary profit	1,716	19,305
Extraordinary income		
Gain on reversal of share acquisition rights	230	—
Total extraordinary income	230	—
Extraordinary losses		
Loss on sale of fixed assets	—	91
Loss on retirement of fixed assets	112	—
Impairment loss	—	1,064
Loss on valuation of investment securities	264	—
Total extraordinary losses	376	1,156
Profit before income taxes	1,569	18,149
Income taxes—current	2,155	2,965
Income taxes—deferred	△ 886	△ 2,610
Total income taxes	1,269	354
Profit	300	17,794
Profit (loss) attributable to non-controlling interests	△ 1,089	△ 642
Profit attributable to owners of parent	1,390	18,437

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	2020	2021
Profit	300	17,794
Other comprehensive income		
Valuation difference on available-for-sale securities	522	1,258
Foreign currency translation adjustment	396	△ 291
Share of other comprehensive income of entities accounted for using equity method	△ 0	0
Total other comprehensive income (Note 1)	919	966
Comprehensive income	1,220	18,761
(内訳)		
Comprehensive income attributable to Owners of parent	2,070	19,538
Non-controlling interests	△ 850	△ 777

Consolidated Statements of Change in Shareholders' Equity

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

2020	(Millions of yen)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2019	143,454	13,948	△ 30,485	△ 3,110	123,807
Cumulative effects of changes in accounting policies			△ 121		△ 121
Restated balance	143,454	13,948	△ 30,607	△ 3,110	123,685
Changes during period					
Profit attributable to owners of parent			1,390		1,390
Transfer from share capital to other capital surplus	△ 49,426	49,426			—
Deficit disposition		△ 49,426	49,426		—
Purchase of treasury shares				△ 0	△ 0
Change in scope of consolidation			22		22
Change in scope of equity method					—
Net changes in items other than shareholders' equity					
Total changes during period	△ 49,426	—	50,839	△ 0	1,413
Balance at March 31, 2020	94,028	13,948	20,232	△ 3,110	125,098

	(Millions of yen)					
	Accumulated other comprehensive income			Share acquisition rights	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at April 1, 2019	△ 23	261	238	230	3,741	128,016
Cumulative effects of changes in accounting policies					△ 123	△ 245
Restated balance	△ 23	261	238	230	3,617	127,771
Changes during period						
Profit attributable to owners of parent						1,390
Transfer from share capital to other capital surplus						—
Deficit disposition						—
Purchase of treasury shares						△ 0
Change in scope of consolidation						22
Change in scope of equity method						—
Net changes in items other than shareholders' equity	482	197	680	△ 230	△ 703	△ 253
Total changes during period	482	197	680	△ 230	△ 703	1,159
Balance at March 31, 2020	459	459	918	—	2,914	128,931

2021	(Millions of yen)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2020	94,028	13,948	20,232	△ 3,110	125,098
Cumulative effects of changes in accounting policies					—
Restated balance	94,028	13,948	20,232	△ 3,110	125,098
Changes during period					
Profit attributable to owners of parent			18,437		18,437
Transfer from share capital to other capital surplus					—
Deficit disposition					—
Purchase of treasury shares				△ 0	△ 0
Change in scope of consolidation					—
Change in scope of equity method					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	18,437	△ 0	18,437
Balance at March 31, 2021	94,028	13,948	38,669	△ 3,110	143,536

	(Millions of yen)					
	Accumulated other comprehensive income			Share acquisition rights	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at April 1, 2020	459	459	918	—	2,914	128,931
Cumulative effects of changes in accounting policies						—
Restated balance	459	459	918	—	2,914	128,931
Changes during period						
Profit attributable to owners of parent						18,437
Transfer from share capital to other capital surplus						—
Deficit disposition						—
Purchase of treasury shares						△ 0
Change in scope of consolidation						—
Change in scope of equity method						—
Net changes in items other than shareholders' equity	1,246	△ 144	1,101	—	△ 777	323
Total changes during period	1,246	△ 144	1,101	—	△ 777	18,761
Balance at March 31, 2021	1,705	314	2,019	—	2,136	147,692

Consolidated Statements of Cash Flows

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

	2020	2021
(Millions of yen)		
Cash flows from operating activities		
Profit before income taxes	1,569	18,149
Depreciation	3,017	3,418
Increase (decrease) in allowance for doubtful accounts	—	1,064
Increase (decrease) in allowance for bonuses	1,497	5,781
Increase (decrease) in provision for point card certificates	35	40
Increase (decrease) in allowance for loss on interest repayment	△110	△280
Interest and dividend income	2,069	△12,119
Interest expenses	△224	△237
Loss (gain) on sales of investment securities	5	3
Loss (gain) on valuation of investment securities	—	△367
Share of loss (profit) of entities accounted for using equity method	264	—
Revenue from subsidiaries	△110	△204
Gain on reversal of share acquisition rights	—	△327
Loss (gain) on sale of fixed assets	△230	—
Loss on retirement of fixed assets	—	91
Decrease (increase) in operating loans receivable	112	—
Decrease (increase) in accounts receivable—installment	△57,770	△553
Decrease (increase) in other operating receivables	2,400	1,222
Decrease (increase) in purchased receivables	△1,110	109
Decrease (increase) in claims provable in bankruptcy	△648	△52
Decrease (increase) in business security deposit	3,371	1,526
Decrease (increase) in other current assets	△154	△3,705
Increase (decrease) in other current liabilities	△3,626	5,734
Other	△411	1,925
Subtotal	△185	1,405
Interest and dividend income	△50,238	22,626
Interest expenses paid	246	242
Subsidy income	△6	△3
Income taxes refund	—	325
Income taxes paid	0	—
Cash flows from operating activities	△1,135	△2,910
Cash flows from investing activities	△51,133	20,280
Deposit into time deposits	—	△5,001
Purchase of property, plant and equipment	△502	△1,722
Proceeds from sales of property, plant and equipment	—	200
Purchase of intangible assets	△1,756	△2,881
Proceeds from sales of investment securities	—	539
Other	△459	△409
Cash flows from investing activities	△2,718	△9,274
Cash flows from financing activities		
Proceeds from short-term borrowings	1,353,270	1,543,207
Repayments of short-term borrowings	△1,337,105	△1,545,224
Proceeds from long-term borrowings	187,087	120,450
Repayments of long-term borrowings	△154,703	△131,050
Proceeds from issuance of bonds	15,000	15,000
Redemption of bonds	△7,370	△20,170
Purchase of treasury shares	△0	△0
Other	△823	△1,026
Cash flows from financing activities	55,356	△18,813
Effect of exchange rate change on cash and cash equivalents	△718	232
Net increase (decrease) in cash and cash equivalents	784	△7,574
Cash and cash equivalents at beginning of period	36,108	43,520
Increase in cash and cash equivalents resulting from new consolidation	6,627	—
Cash and cash equivalents at end of period (Note 1)	43,520	35,945

Notes to Consolidated Financial Statements

AIFUL CORPORATION and Consolidated Subsidiaries

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., AIFUL BUSINESS FINANCE CORPORATION, AG Loan Services Corporation, AIFUL GUARANTEE Co., Ltd., Sumishin Life Card Company, Limited, AIRA & AIFUL Public Company Limited and three other companies

As of July 1, 2020, the following companies changed their corporate name: BUSINEXT CORPORATION is now AIFUL BUSINESS FINANCE CORPORATION, AsTry Loan Service Corporation is now AG Loan Services Corporation, and LIFE GUARANTEE CO., LTD. is now AIFUL GUARANTEE CO., LTD. In the consolidated fiscal year under review, Life Card Co., Ltd., which is a consolidated subsidiary of the Company, has included AG MIRAIBARAI Co., Ltd., which was newly established through an incorporation-type company split, in the scope of consolidation. In addition, AIFUL BUSINESS FINANCE CORPORATION, which is a consolidated subsidiary of the Company, has included Aiful Medical Finance Co., Ltd., which was newly established, in the scope of consolidation.

Aiful Medical Finance Co., Ltd. was renamed AG MEDICAL CORPORATION on May 1, 2021.

(2) Name, etc., of non-consolidated subsidiaries

AIFUL Partners Corporation and eleven 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 twelve 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 affiliated companies accounted for using the equity method: 1

Name of company

Anshin Guarantor Service Co., Ltd.

(2) Name of major non-consolidated subsidiary or affiliated company not accounted for using the equity method

AIFUL Partners Corporation and eleven other companies

(Reason for not applying the equity method)

Each of the twelve non-consolidated subsidiaries 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 twelve 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.

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

Available-for-sale securities

Those that are marketable

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.)

Those that are not marketable

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.

(ii) Derivatives

Stated at fair value by the market value method.

(iii) Purchased receivables

Stated at cost determined by the specific identification method.

(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: 4 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 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 fiscal year under review is booked as a provision.
- (iii) Provision for point card certificates
 To provide for the use of point card certificates granted to card members in accordance with the point card certificate system designed to promote the use of cards, an estimated amount of future use as of the end of the fiscal year under review is booked as a provision.
- (iv) 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
 Add-on type customer commissions and member store 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. For declining balance method or revolving method customer commissions, revenue is booked at each billing period. The add-on type revenue of departments is allocated using the 78 method.

- (iii) Revenue from credit guarantee
 Revenue is booked using the charge for declining balance method.
- (iv) 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), and the remaining portions are accounted for as non-operating expenses (interest 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 consumption taxes, etc.
 Consumption taxes, etc., are accounted for by the tax-exclusive method. However, 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 is 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.
 (Additional information)
 We started applying "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (Corporate Accounting Standards No. 24, March 31, 2020)" to consolidated financial statements of the 4Q of the fiscal year ended March 31, 2021, disclosing "Principles and procedures for accounting adopted when the provisions of relevant accounting standards, etc. are not clear."
- (10) Application of consolidated taxation system
 The consolidated taxation system is applied.

- (11) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
 The Company and some of its domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018) on items that were transitioned to the group tax sharing system, which was created in the Act for Partial Amendment of the Income Tax Act, etc., (Act No. 8 of 2020), and for which the non-consolidated taxation system was reviewed to coincide with the transition to the group tax sharing system, based on the treatment in paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39; March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law prior to the revision.

Critical Accounting Estimates

1. Allowance for doubtful accounts
 (1) Amount recorded in the financial statements for the current fiscal year: 77,830 million yen
 (2) Information on the content of significant accounting estimates for identified items
- ① Calculation method
 Business loans, installment receivables, acceptances and guarantees, and other operating receivables are classified into performing loans, management receivables, and bankruptcy and reorganization receivables according to the credit risk based on the debtors' payment status, etc.
- i) Performing loans
 Estimated loan losses are calculated using the actual loan loss ratio for each loan type, such as consumer, business, and secured, over the average transaction period.
- ii) Monitored loans
 Receivables with payment delays exceeding a certain period are classified according to the borrower's delinquency period and other factors for each loan type, such as consumer, business, and secured, 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.
- 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.
- ② Key assumptions
 Changes in economic conditions at the end of the fiscal year may have a direct or indirect impact on the 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.

- In the consolidated fiscal year under review, in order to prepare for an increase in doubtful receivables expected due to the spread of COVID-19, the estimated amount of bad debt for debtors who have requested for changes or other modifications and for claims for which there are concerns about future payment delays is calculated by methods using the actual rate of bad debt for categories with higher credit risk, rather than using the actual rate of bad debt corresponding each category.
 Mainly due to the adoption of said calculation method, allowance for doubtful accounts for fiscal 2020 was up 5,535 million yen from the previous consolidated fiscal year.
- ③ 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 including the impact of COVID-19, may have a direct or indirect impact on the 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: 12,913 million yen
 (2) Information on the content of significant accounting estimates for identified items
 Some of the interest 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 is considered to be the right of the user 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.

① 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 (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 (the unit price of refund), and other factors.

② Key assumptions

The number of claims for repayment of excess interest and how the amount of excess interest repayment per case will change in the future 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.

③ 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.

(Accounting standards, etc. not applied)

- Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29; revised March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30; revised March 26, 2021)

(1) Outline

These are comprehensive accounting standards relating to revenue recognition. Revenues are recognized by applying the following five steps:

Step 1: Identify agreements with customers

Step 2: Identify the performance obligation under the agreement

Step 3: Calculate the transaction price

Step 4: Allocate the transaction price to the performance obligation under the agreement

Step 5: Recognize revenues when the performance obligation is fulfilled or according to the progress of such fulfillment.

(2) Scheduled date of application

The accounting standards above are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

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

Through the adoption of "Accounting Standard for Revenue Recognition," etc., cumulative effects have been reflected in the net assets at the beginning of the following consolidated fiscal year, and the effect on the balance of retained earnings at the beginning of the term is minor.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; July 4, 2019)

- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9; revised July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10; revised July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19; revised March 31, 2020)

(1) Outline

In order to improve comparability with the provisions of international accounting standards, the Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement (hereinafter referred to as "Accounting Standard for Fair Value Measurement, etc.") were developed to specify guidance on fair value measurement. The Accounting Standard for Fair Value Measurement, etc. are applied to the fair value of the following items:

- Financial instruments under the Accounting Standard for Financial Instruments
- Inventories held for trading purposes under the Accounting Standard for Measurement of Inventories

Furthermore, the Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised to specify notes on the breakdown for each fair value level of financial instruments.

(2) Scheduled date of application

The accounting standards above are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

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

The amount of impact was being assessed at the time of the preparation of consolidated financial statements.

(Changes in Presentation Method)

(Apply of "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for the Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements as of the end of the fiscal year under review, and notes to significant accounting estimates have been included in the consolidated financial statements.

However, in this note, in accordance with the transitional treatment stipulated in Article 11 of the Accounting Standards, the content relating to the previous fiscal year is not stated.

(Consolidated Statements of Cash Flows)

"Decrease (increase) in business security deposits," which was included in "Other" under "Cash flows from operating activities" in the previous fiscal year, has been presented separately from the fiscal year under review due to an increase in its monetary materiality. To reflect this change in marking, the consolidated financial statements for the previous fiscal year have been reclassified.

Consequently, negative 339 million yen presented in "Other" under "Cash flows from operating activities" in the Consolidated Statements of Cash Flows for the previous fiscal year has been reclassified into a negative 154 million yen in "Increase (decrease) in business security deposits" and negative 185 million yen in "Other."

Notes to consolidated balance sheets

1. Assets pledged as collateral and corresponding liabilities

Assets pledged as collateral		(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021	(Millions of yen)
(1) Assets pledged as collateral			
Cash and deposit	¥ —	¥ 5,061	
Operating loans	339,779	331,065	
Accounts receivable—installment	58,820	55,100	
Buildings and structures	4,262	3,972	
Machinery, equipment and vehicles	10	9	
Furniture and fixtures	24	56	
Land	8,523	8,816	
Total	¥ 411,421	¥ 404,022	

(2) Corresponding liabilities

Short-term borrowings	¥ 77,950	¥ 77,190
Current portion of long-term borrowings	88,120	108,306
Long-term borrowings	164,802	134,214
Total	¥ 330,872	¥ 319,710

(i) The amounts above at the end of the fiscal year ended March 31, 2020 include amounts pertaining to the securitization of receivables (operating loans of ¥181,047 million, current portion of long-term borrowings of ¥35,530 million and long-term borrowings of ¥103,429 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) Corresponding liabilities

Short-term borrowings	¥ 77,190
Current portion of long-term borrowings	108,306
Long-term borrowings	134,214
Total	¥ 319,710

(i) The amounts above at the end of the fiscal year ended March 31, 2021 include amounts pertaining to the securitization of receivables (operating loans of ¥175,146 million, current portion of long-term borrowings of ¥46,196 million and long-term borrowings of ¥77,204 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)	(Millions of yen)
	As of March 31, 2020	As of March 31, 2021
	¥ 461,941	¥ 466,330

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

	(Millions of yen)	(Millions of yen)
	As of March 31, 2020	As of March 31, 2021
Investment securities (shares)	¥ 2,712	¥ 2,974
Investment securities (other securities)	¥ 1,174	¥ 1,109

4. Accounts receivable—installment

	(Millions of yen)	(Millions of yen)
	As of March 31, 2020	As of March 31, 2021
Credit card business	¥ 97,430	¥ 93,509
Installment sales finance business	5,511	8,210
Total	¥ 102,942	¥ 101,719

5. Deferred installment income

(Millions of yen)					(Millions of yen)				
As of March 31, 2020					As of March 31, 2021				
	Balance at April 1, 2019	Receipts during FY	Actual balance during FY	Balance at March 31, 2020		Balance at April 1, 2020	Receipts during FY	Actual balance during FY	Balance at March 31, 2021
Credit card shopping	¥ 498	¥ 3,866	¥ 3,869	¥ 495 (25)	Credit card shopping	¥ 495	¥ 3,525	¥ 3,581	¥ 439 (21)
Installment sales finance	496	1,036	691	841 (—)	Installment sales finance	841	1,472	931	1,383 (—)
Total	¥ 995	¥ 4,903	¥ 4,561	¥ 1,337 (25)	Total	¥ 1,337	¥ 4,997	¥ 4,512	¥ 1,822 (21)

Notes: 1. Figures in parentheses indicate member store commissions.
2. The beginning balance for the fiscal year under review includes the balance of LIFE GUARANTEE Co., Ltd., which is included in the scope of consolidation from the fiscal year under review.

6. Securitization of claims removed from the balance sheets

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Operating loans	¥ 56,119	¥ 37,049
Accounts receivable—installment	¥ 8,530	¥ 6,994

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, 2020	As of March 31, 2021
PT REKSA FINANCE	¥ 390	¥ 78

8. Non-performing loans

The status of non-performing loans (NPL) of operating loans and claims in bankruptcy is as follows:

(Millions of yen)				(Millions of yen)			
As of March 31, 2020				As of March 31, 2021			
	Unsecured loans	Other than unsecured loans	Total		Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	¥ 768	¥ 21,359	¥ 22,127	Loans in legal bankruptcy	¥ 840	¥ 19,876	¥ 20,717
Nonaccrual loans	21,761	6,000	27,762	Nonaccrual loans	20,802	5,156	25,958
Loans 3 months or more in arrears	7,754	281	8,035	Loans 3 months or more in arrears	7,949	308	8,258
Restructured loans	25,372	3,125	28,497	Restructured loans	31,068	2,595	33,663
Total	¥ 55,656	¥ 30,766	¥ 86,422	Total	¥ 60,661	¥ 27,936	¥ 88,597

"Receivables with periodic payments" that were included in "Non-accrual loans" in the previous consolidated fiscal year have been included in "Restructured loans" in line with actual conditions from the current consolidated fiscal year due to an increase in the occupancy of settlements for the purpose of restructuring or supporting the borrower's management.

To reflect this change in marking, the statements for the previous fiscal year have also been reclassified.

As a result, 11,394 million yen, which had been presented as "Non-accrual loans" in the previous fiscal year, has been reclassified as

"Restructured loans."

The loan categories in the table above are as follows:

(Loans in legal bankruptcy)

Loans in legal bankruptcy are loans in which payment of principal or interest remain past due for a considerable period and accruals of interest are discontinued, to which the conditions stipulated under (a) through (e) of sub-paragraph 3, paragraph 1, Article 96 or sub-paragraph 4 of the same paragraph of the Corporation Tax Act Enforcement Ordinance (Enforcement Ordinance No. 97 of 1965) apply. Any amounts deemed necessary to cover possible losses on an individual account basis of the claims in bankruptcy and rehabilitation are posted in the allowances for doubtful accounts.

(Nonaccrual loans)

Nonaccrual loans are loans in which accruals of interest are discontinued, other than loans in legal bankruptcy and loans receiving regular payments in the case of granting deferral of interest payment to debtors in financial difficulties to assist them in their recovery. (Loans three months or more in arrears)

Loans three months or more in arrears are operating 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. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded from loans three months or more in arrears.

(Restructured loans)

Restructured loans are operating loans for which creditors have granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, 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. Loans classified as loans in legal bankruptcy, nonaccrual loans and loans three months or more in arrears are excluded.

9. Loan commitments related to operating loans

(Fiscal year ended March 31, 2020)

Of operating loans including off-balance sheet loans resulting from securitization, ¥470,703 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 ¥788,995 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, 2021)

Of operating loans including off-balance sheet loans resulting from securitization, ¥455,592 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 ¥798,045 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)	(Millions of yen)
	As of March 31, 2020	As of March 31, 2021
	¥ 1,415	¥ 2,737

(Consolidated statements of income)

*1 The breakdown of loss on sale of fixed assets is as follows:

	FY ended March 31, 2020 (Apr. 1, 2019 to Mar. 31, 2020)	FY ended March 31, 2021 (Apr. 1, 2020 to Mar. 31, 2021)
Land	— million yen	91 million yen

*2 Impairment loss

Our group posted impairment loss for the following asset group.

FY ended March 31, 2020(Apr. 1, 2019 to Mar. 31, 2020)

Not applicable.

FY ended March 31, 2021(Apr. 1, 2020 to Mar. 31, 2021)

Place	Purpose of use	Category	Impairment loss
Kingdom of Thailand Bangkok	Business assets	Buildings and structure	70 million yen
		Leased assets	958 million yen
		Software	35 million yen

Our group recognizes each business company as the minimum unit for grouping in the financial business. In the consolidated fiscal year under review, the book values of the above assets, which became less profitable, were decreased to recoverable amounts, and the amount of said decrease was posted as an impairment loss of 1,064 million yen in the section of extraordinary losses. The recoverable amounts were estimated from true cash values.

Notes to consolidated statements of comprehensive income

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

	(Millions of yen)	
	FY ended March 31, 2020 (Apr. 1, 2019 to Mar. 31, 2020)	FY ended March 31, 2021 (Apr. 1, 2020 to Mar. 31, 2021)
Valuation difference on available-for-sale securities		
Amount during the period	¥ 794	¥ 2,153
Reclassification adjustment	(1)	(367)
Before tax effect adjustment	793	1,786
Tax effect	(270)	(528)
Valuation difference on available-for-sale securities	522	1,258
Foreign currency translation adjustment		
Amount during the period	396	(291)
Share of other comprehensive income of entities accounted for using equity method		
Amount during the period	(0)	0
Total other comprehensive income	¥ 919	¥ 966

Notes to consolidated statements of change in shareholders' equity

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

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	917,182	164	—	917,346
Total	917,182	164	—	917,346

(Outline of the reason for the change)

The increase of 164 treasury shares in common stock is due to the purchase of odd-lot shares.

2. Matters regarding dividends

(1) 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
Apr. 26, 2021	Common share	Retained earnings	483	1.00	Mar. 31, 2021	Jun. 1, 2021

Notes to 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

	(Millions of yen)	
	FY ended March 31, 2020 (Apr. 1, 2019 to Mar. 31, 2020)	FY ended March 31, 2021 (Apr. 1, 2020 to Mar. 31, 2021)
Cash and deposits	¥ 43,524	¥ 40,950
Time deposit with maturity period of more than three months	(3)	(5,004)
Cash and cash equivalents	¥ 43,520	¥ 35,945

Notes on financial instruments

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

1. Matters regarding the situation of financial instruments

(1) Policy on financial instruments

The Group's primary business is the financial business, which includes consumer finance, real estate mortgage 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.

(2) 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 counterparty risk.

(3) 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 ¥71 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 ¥71 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.

(4) 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, the values may vary under different assumptions.

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

The consolidated balance sheet amounts, fair values and the differences between the two as of March 31, 2019 are as follows. Those whose fair value is deemed extremely difficult to ascertain are not included in the table below (refer to Note 2).

Fiscal year ended March 31, 2020			(Millions of yen)
Category	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	¥ 43,524	¥ 43,524	¥ —
(2) Operating loans	516,960		
Allowance for doubtful accounts and provision for loss on interest repayment ^{*1}	(37,248)		
	479,711	547,983	68,271
(3) Accounts receivable—installment	102,942		
Deferred installment income ^{*2}	(1,311)		
Allowance for doubtful accounts ^{*3}	(5,019)		
	96,610	98,428	1,817
(4) Operational investment securities and investment securities (Including shares of affiliated companies)	2,643	3,380	737
(5) Claims provable in bankruptcy	23,609		
Allowance for doubtful accounts ^{*3}	(20,620)		
	2,989	2,989	—
Total assets	¥ 625,480	¥ 696,306	¥ 70,826
(1) Short-term borrowings	103,119	103,119	—
(2) Bonds	35,245	35,234	(10)
(3) Long-term borrowings ^{*4}	337,529	337,620	90
Total liabilities	¥ 475,894	¥ 475,974	¥ 80
Derivative transactions ^{*4}			
(i) Those qualified for hedge accounting	—	—	—
(ii) Those not qualified for hedge accounting	—	—	—
Total derivative transactions	¥ —	¥ —	¥ —

*1 Of the allowance for doubtful accounts of operating loans and provision for loss on interest repayment, the estimated amount of interest repayment expected to be preferentially appropriated to operating loans is deducted.

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

*3 The allowances for doubtful accounts for installment receivables and claims provable in bankruptcy are 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, 2021			(Millions of yen)
Category	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	¥ 40,950	¥ 40,950	¥ —
(2) Operating loans	516,340		
Allowance for doubtful accounts and provision for loss on interest repayment ^{*1}	(42,966)		
	473,373	538,978	65,604
(3) Accounts receivable—installment	101,719		
Deferred installment income ^{*2}	(1,822)		
Allowance for doubtful accounts ^{*3}	(5,425)		
	94,471	98,325	3,854
(4) Operational investment securities and investment securities (Including shares of affiliated companies)	4,515	6,099	1,583
(5) Claims provable in bankruptcy	22,082		
Allowance for doubtful accounts ^{*3}	(19,614)		
	2,467	2,467	—
Total assets	¥ 615,779	¥ 686,822	¥ 71,043
(1) Short-term borrowings	100,750	100,750	—
(2) Bonds	30,075	30,048	(27)
(3) Long-term borrowings ^{*4}	326,814	326,804	(10)
Total liabilities	¥ 457,639	¥ 457,602	¥ (37)
Derivative transactions ^{*4}			
(i) Those qualified for hedge accounting	—	—	—
(ii) Those not qualified for hedge accounting	—	—	—
Total derivative transactions	¥ —	¥ —	¥ —

*1 We deducted allowance for doubtful accounts for operating loans, accounts receivable-installment and claims provable in bankruptcy.

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

*3 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: 1. Matters regarding fair value measurement of financial instruments

Assets

(1) Cash and deposits

Since all deposits are short term and their fair value is similar to the book value, the book value is shown as the fair value.

(2) 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.

(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.

(4) Operational investment securities and investment securities (including shares of affiliated companies)

The fair value of shares and bonds is measured at prices quoted on exchanges.

(5) 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.

Liabilities

(1) Short-term borrowings

Since these are settled in a short time and their fair value is similar to the book value, the book value is shown as the fair value.

(2) Bonds

Of bonds whose fair value is measured, the fair value of those that have a market price is based on the market price, while the fair value of those that do not have a market price is measured at the present value of the sum total of principal and interest discounted by an interest rate that reflects the remaining period of the bond and allows for credit risk.

(3) Long-term borrowings

The fair value of the current portions of long-term borrowings whose fair value is measured is similar to the book value. Therefore, the book value is shown as the fair value. Of other borrowings, the fair value of those with a fixed interest rate is measured at the present value of the sum total of principal and interest discounted by the expected interest rate of a similar borrowing. The fair value of those with a variable interest rate is measured at book value since the fair value is deemed similar to the book value as it reflects market interest rates and credit risk within a short time.

2. Financial instruments whose fair value is deemed extremely difficult to ascertain

Category		Consolidated balance sheet amount	(Millions of yen)
Operational investment securities and investment securities			
(1) Unlisted shares			¥ 3,798
(2) Investments in limited liability investment partnerships, etc.			1,111
Total			¥ 4,900

Since the fair value of these financial instruments is deemed extremely difficult to ascertain, it is not included in "Assets (4) Operational investment securities and investment securities."

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

Fiscal year ended March 31, 2020				(Millions of yen)
Category	Due within 1 year	Due within 1-5 years	Due after 5 years or more	
Cash and deposits	¥ 43,524	¥ —	¥ —	
Operating loans	204,090	309,563	3,307	
Accounts receivable—installment	95,832	7,068	41	
Total	¥ 343,447	¥ 316,632	¥ 3,348	

Does not include ¥23,609 million of claims provable in bankruptcy, etc. for which a scheduled redemption amount cannot be expected.

Fiscal year ended March 31, 2021				(Millions of yen)
Category	Due within 1 year	Due within 1-5 years	Due after 5 years or more	
Cash and deposits	¥ 40,950	¥ —	¥ —	
Operating loans	201,144	312,735	2,459	
Accounts receivable—installment	93,802	7,844	72	
Total	¥ 335,898	¥ 320,579	¥ 2,532	

Does not include ¥22,082 million of claims provable in bankruptcy, etc. for which a scheduled redemption amount cannot be expected.

4. Scheduled repayments of bonds, long-term borrowings, lease obligations and other interest-bearing debt after the consolidated closing date
Fiscal year ended March 31, 2020 (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	¥ 20,170	¥ 15,075	¥ —	¥ —	¥ —	¥ —
Finance lease obligations	977	969	876	841	317	33
Long-term borrowings	121,928	107,688	68,849	23,215	14,487	1,360
Total	¥ 143,075	¥ 123,733	¥ 69,726	¥ 24,056	¥ 14,805	¥ 1,393

Fiscal year ended March 31, 2021 (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	¥ 15,075	¥ 15,000	¥ —	¥ —	¥ —	¥ —
Finance lease obligations	1,062	957	831	331	32	16
Long-term borrowings	146,136	107,354	48,879	18,364	3,500	2,580
Total	¥ 162,274	¥ 123,312	¥ 49,710	¥ 18,695	¥ 3,532	¥ 2,596

Notes on securities

Fiscal year ended March 31, 2020 (as of March 31, 2020)

1. Available-for-sale securities

(Millions of yen)			
Category	Consolidated balance sheet amount	Purchase cost	Difference
Those whose consolidated balance sheet amount exceeds purchase cost			
Shares	¥ 1,416	¥ 512	¥ 904
Subtotal	1,416	512	904
Those whose consolidated balance sheet amount does not exceed purchase cost			
Shares	308	311	(2)
Subtotal	308	311	(2)
Total	¥ 1,724	¥ 823	¥ 901

Note: Unlisted shares, etc. (consolidated balance sheet amount of ¥2,974 million) are not included in the above table since they do not have a market price and their fair value is deemed extremely difficult to ascertain.

2. Available-for-sale securities sold during the fiscal year (April 1, 2019 to March 31, 2020)

(Millions of yen)			
	Amount of sales	Total amount of gain on sales	Total amount of loss on sales
Shares	¥ 76	¥ 7	¥ —

3. Available-for-sale securities for which impairment loss was recorded

An impairment loss of ¥347 million was recognized for available-for-sale securities during the fiscal year.

Impairment loss on securities is recognized when fair value has dropped 50% or more of the purchase cost and is not expected to recover to the level of the purchase cost. When fair value has dropped between 30% to 50% of the purchase 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, 2021 (as of March 31, 2021)

1. Available-for-sale securities

(Millions of yen)			
Category	Consolidated balance sheet amount	Purchase cost	Difference
Those whose consolidated balance sheet amount exceeds purchase cost			
Shares	¥ 3,402	¥ 647	¥ 2,755
Subtotal	3,402	647	2,755
Those whose consolidated balance sheet amount does not exceed purchase cost			
Shares	2	5	(2)
Subtotal	2	5	(2)
Total	¥ 3,405	¥ 653	¥ 2,752

Note: Unlisted shares, etc., (consolidated balance sheet amount of ¥3,036 million) are not included in the above table since they do not have a market price and their fair value is deemed extremely difficult to ascertain.

2. Available-for-sale securities sold during the fiscal year (April 1, 2019 to March 31, 2020)

(Millions of yen)			
	Amount of sales	Total amount of gain on sales	Total amount of loss on sales
Shares	¥ 570	¥ 382	¥ —

3. Available-for-sale securities for which impairment loss was recorded

An impairment loss of ¥149 million was recognized for available-for-sale securities during the fiscal year.

Impairment loss on securities is recognized when fair value has dropped 50% or more of the purchase cost and is not expected to recover to the level of the purchase cost. When fair value has dropped between 30% to 50% of the purchase 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, 2020 (as of March 31, 2020)

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	¥ 66,404	¥ 48,222	(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, 2021 (as of March 31, 2021)

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	¥ 48,922	¥ 27,624	(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 have adopted the International Financial Reporting Standards and account for retirement benefits pursuant to 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, 2020	FY ended March 31, 2021
Beginning balance of retirement benefit obligations	¥ 13	¥ 16
Service cost	4	6
Interest expense	0	0
Actuarial gain or loss	0	—
Retirement benefits paid	(7)	—
Prior service cost incurred during the period	2	—
Foreign currency translation adjustment	0	(0)
Ending balance of retirement benefit obligations	¥ 16	¥ 22

(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)	
	As of March 31, 2020	As of March 31, 2021
Funded retirement benefit obligations	¥ —	¥ —
Pension assets	—	—
Unfunded retirement benefit obligations	16	22
Net consolidated balance sheet amounts of liabilities and assets	¥ 16	¥ 22
Liabilities pertaining to retirement benefits	16	22
Assets pertaining to retirement benefits	—	—
Net consolidated balance sheet amounts of liabilities and assets	¥ 16	¥ 22

(3) Retirement benefit expenses and sub-items

	(Millions of yen)	
	FY ended March 31, 2020	FY ended March 31, 2021
Service cost	¥ 4	¥ 6
Interest expense	0	0
Amount of prior service costs recorded as expenses	2	—
Retirement benefit expenses pertaining to the defined benefit plan	¥ 8	¥ 7

(4) Matters regarding the basis of actuarial calculation

	(Millions of yen)	
	FY ended March 31, 2020	FY ended March 31, 2021
Major basis of actuarial calculation		
Discount rate	1.9%	1.9%

3. Defined contribution pension plan and prepaid retirement benefit plan

	(Millions of yen)	
	FY ended March 31, 2020	FY ended March 31, 2021
Amount of prepaid retirement benefits	¥ 131	¥ 125
Amount of contribution to defined contribution pension	358	371
Retirement benefit expenses	¥ 489	¥ 496

Notes on stock options, etc.

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

1. Amount recorded as income during the fiscal year due to expiry owing to non-exercise of rights

Gain on reversal of share acquisition rights ¥230 million

2. Details and scale of stock options and changes thereof

(1) Details of stock option

	Stock options of 2015
Classification and number of grantees	1,352 employees of AIFUL 31 employees of consolidated subsidiaries
Number of stock options	1,583,850 shares of common stock
Grant date	June 30, 2015
Vesting conditions	The grantee must continue working at the company from the grant date (June 30, 2015) to the vesting date (June 30, 2017). This shall not, however, apply to cases where the grantee retires at the mandatory retirement age.
Requisite service period	From June 30, 2015 to June 30, 2017
Exercise period	From July 1, 2017 to June 30, 2019

(2) Scale of stock options and changes thereof

The following includes stock options existing during the fiscal year ended March 31, 2020. The stock options have been converted to and stated as number of shares.

	(i) Number of stock options		(ii) Unit price information	
	Stock options of 2015		Stock options of 2015	
Before vesting (shares)			Exercise price (yen)	¥ 407
March 31, 2020	—		Average share price at time of exercise (yen)	—
Granted	—		Fair value per unit (grant date) (yen)	¥ 157
Expired	—			
Vested	—			
Unvested	—			
After vesting (shares)				
March 31, 2020	1,582,850			
Vested	—			
Exercised	—			
Expired	—			
Unexercised	1,582,850			

3. Method of estimation of number of stock options vested

Since it is difficult to reasonably estimate the number of future expiries, the Company basically reflects only the actual number of expiries.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Not applicable.

Notes on tax effect accounting

1. Breakdown of major factors of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Deferred tax assets		
Allowance for doubtful accounts	¥ 12,023	¥ 14,120
Provision for loss on interest repayment	7,733	3,993
Bad debt loss	1,856	2,306
Accrued income	1,193	1,111
Loss carried forward	83,833	54,544
Other	4,355	4,543
Subtotal of deferred tax assets	110,995	80,621
Valuation allowance for tax loss carryforwards *2	(83,830)	(53,360)
Valuation allowance for the sum total of deductible temporary differences, etc.	(20,064)	(17,558)
Subtotal of valuation allowances *1	(103,895)	(70,918)
Total deferred tax assets	¥ 7,100	¥ 9,702
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(298)	(826)
Retirement cost corresponding to asset retirement obligations	(138)	(126)
Other	—	(2)
Total deferred tax liabilities	¥ (436)	¥ (956)
Net amount of deferred tax assets	¥ 6,663	¥ 8,746

*1 Valuation allowance has decreased ¥32,976 million. This decrease mainly reflects the additional recording of deferred tax assets of ¥2,108 million due to a revision to the collectability of temporary differences and the writing off of tax loss carryforwards of ¥27,051 million (an amount multiplied by the effective statutory tax rate) from among the tax loss carryforwards incurred in the fiscal year ended March 2011, 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, 2020 (as of March 31, 2020)

	(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)	29,169	14,093	5,842	6,255	14,395	14,077	83,833
Valuation allowances	(29,169)	(14,093)	(5,842)	(6,255)	(14,395)	(14,077)	(83,833)
Deferred tax assets	—	—	—	—	—	2	(b) 2

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

(b) Deferred tax assets of ¥2 million have been recorded for the ¥83,833 million of tax loss carryforwards (amount multiplied by the effective statutory tax rate). The ¥2 million of deferred tax assets recognizes AG Loan Services Corporation's outstanding tax loss carryforwards of ¥2 million (amount multiplied by the effective statutory tax rate). The tax loss carryforwards that recorded said deferred tax assets were incurred due to the resolution of deductible temporary differences of past fiscal years and do not recognize valuation allowances, since they were deemed collectible based on future expectations of taxable income.

Fiscal year ended March 31, 2021 (as of March 31, 2021)

	(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)	14,265	6,024	6,255	14,474	9,570	3,954	54,544
Valuation allowances	(13,115)	(5,989)	(6,255)	(14,474)	(9,570)	(3,954)	(53,360)
Deferred tax assets	1,149	34	—	—	—	—	(d) 1,184

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

(d) Deferred tax assets of ¥1,184 million have been recorded for the ¥54,544 million of tax loss carryforwards (amount multiplied by the effective statutory tax rate). Said deferred tax assets amounting to 1,184 million yen is attributable to the recognition of the balance of tax loss carryforwards amounting to 53,170 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 resolution of deductible temporary differences of past fiscal years and do not recognize valuation allowances, since they were deemed collectible based on future expectations of taxable income.

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, 2020	As of March 31, 2021
Effective statutory tax rate	30.5%	30.5%
(Adjustment)		
Inhabitant tax on per capita basis	4.0	0.3
Entertainment expenses and other items permanently excluded from loss	1.6	0.1
Stock-based compensation expenses	(4.5)	—
Valuation allowances	(2,076.4)	(181.1)
Change of tax rate	12.6	—
Tax credits due to pay raise or investment promotion tax system	(7.9)	—
Effect of foreign corporation tax included in deductible expenses	—	0.2
Effect of cutoff of foreign tax credit carry forward	—	0.2
Share of profit (loss) of entities accounted for using the equity method	(2.1)	(0.3)
Expiry of time limit of loss carried forward	2,104.2	149.5
Difference in tax rate from that of parent company	18.7	2.3
Other	0.1	0.3
Burden rate of income taxes, etc., after application of tax effect accounting	80.8	2.0

Notes to segment information, etc.

Segment information

1. Overview of reporting segments

(1) 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 three core companies, namely, AIFUL Corporation, LIFECARD Co., Ltd. and AIRA & AIFUL Public Company Limited.

(2) 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, while AIRA & AIFUL Public Company Limited is mainly engaged in the loan business.

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 or loss of the reporting segments is the amount of profit or loss.

Inter-segment sales and transfers are based on the amount equivalent to costs of the Company.

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

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

	(Millions of yen)					
	Reporting segment			Total	Other *1	Total
	AIFUL Corporation	LIFECARD Co., Ltd.	AIRA & AIFUL Public Company Limited *4			
Operating revenue						
Operating revenue from third parties	¥ 77,491	¥ 33,492	¥ 6,519	¥ 117,503	¥ 9,534	¥ 127,038
Inter-segment sales and transfers	13	674	—	688	896	1,584
Total	¥ 77,504	¥ 34,167	¥ 6,519	¥ 118,191	¥ 10,431	¥ 128,623
Segment profit (loss)	1,639	1,136	(2,174)	600	(505)	95
Segment assets	635,683	197,237	22,383	855,304	92,154	947,458
Segment liabilities	543,074	149,243	16,960	709,278	72,279	781,557
Other items						
Provision for point card certificates	—	2,707	—	2,707	—	2,707
Provision of allowance for doubtful accounts *2	22,788	4,376	3,423	30,588	3,208	33,796
Provision for loss on interest repayment	15,433	1,493	—	16,927	—	16,927
Provision for bonuses	857	16	—	873	25	899
Depreciation	1,162	1,278	552	2,994	23	3,017
Interest on loans receivable	790	80	—	871	431	1,303
Dividends received	25	13	—	38	4	43
Rental income from real estate	159	—	—	159	6	165
Gain on sales of investment securities	—	—	—	—	—	—
Subsidy income	—	—	—	—	—	—
Interest expenses *3	—	—	—	—	42	42
Infectious disease related costs	—	—	—	—	—	—
Extraordinary income	230	—	—	230	—	230
(Gain on reversal of share acquisition rights)	(230)	(—)	(—)	(230)	(—)	(230)
Extraordinary losses	264	—	112	376	—	376
(Loss on sales of non-current assets)	—	—	—	—	—	—
(Impairment loss)	—	—	—	—	—	—
(Loss on valuation of investment securities)	(264)	(—)	(—)	(264)	(—)	(264)
(Loss on retirement of non-current assets)	(—)	(—)	(112)	(112)	(—)	(112)
(Loss on valuation of stocks of subsidiaries and affiliates)	—	—	—	—	—	—
Income taxes—current	351	1,086	—	1,437	718	2,155
Income taxes—deferred	(295)	112	—	(183)	(579)	(762)
Increase in property, plant and equipment, and intangible assets	¥ 1,835	¥ 2,364	¥ 131	¥ 4,330	¥ 146	¥ 4,477

*1 The "Other" category comprises business segments not included in reporting segments and encompasses the activities of AIFUL BUSINESS FINANCE CORPORATION, AG Loan Services Corporation, etc.

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

*3 Interest expenses are the amount that is not included in operating expenses but is noted as non-operating expenses.

*4 The figures for the reporting segment of AIRA & AIFUL Public Company Limited are after consolidated adjustments in accordance with the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc., for Consolidated Financial Statements (ASBJ PITF No. 18).

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reporting segment					
	AIFUL Corporation			LIFECARD Co., Ltd.		
	AIFUL Corporation	LIFECARD Co., Ltd.	AIRA & AIFUL Public Company Limited *4	Total	Other *1	Total
Operating revenue						
Operating revenue from third parties	¥ 78,635	¥ 31,443	¥ 5,957	¥ 116,036	¥ 11,444	¥ 127,481
Inter-segment sales and transfers	190	859	—	1,050	718	1,768
Total	¥ 78,826	¥ 32,303	¥ 5,957	¥ 117,087	¥ 12,162	¥ 129,249
Segment profit (loss)	9,583	3,139	(1,285)	11,437	1,993	13,431
Segment assets	638,868	192,050	20,637	851,556	97,388	948,945
Segment liabilities	536,213	140,177	16,792	693,182	75,225	768,408
Other items						
Provision for point card certificates	—	2,209	—	2,209	—	2,209
Provision of allowance for doubtful accounts *2	29,864	4,193	2,870	36,928	1,889	38,818
Provision for loss on interest repayment	—	—	—	—	—	—
Provision for bonuses	852	20	—	873	23	897
Depreciation	1,336	1,390	605	3,332	86	3,418
Interest on loans receivable	944	180	—	1,125	489	1,614
Dividends received	25	17	—	42	5	47
Rental income from real estate	146	—	—	146	9	155
Gain on sales of investment securities	—	367	—	367	—	367
Subsidy income	176	131	—	308	19	327
Interest expenses *3	—	—	—	—	45	45
Infectious disease related costs	34	3	51	89	0	90
Extraordinary income	—	—	—	—	—	—
(Gain on reversal of share acquisition rights)	(—)	(—)	(—)	(—)	(—)	(—)
Extraordinary losses	4,556	—	1,064	5,620	—	5,620
(Loss on sales of non-current assets)	(91)	(—)	(—)	(91)	—	(91)
(Impairment loss)	(—)	(—)	(—)	(—)	(—)	(—)
(Loss on valuation of investment securities)	(—)	(—)	(1,064)	(1,064)	(—)	(1,064)
(Loss on retirement of non-current assets)	(—)	(—)	(—)	(—)	(—)	(—)
(Loss on valuation of stocks of subsidiaries and affiliates)	(4,464)	(—)	(—)	(4,464)	—	(4,464)
Income taxes—current	566	1,116	—	1,683	1,281	2,965
Income taxes—deferred	(2,732)	(8)	—	(2,740)	27	(2,713)
Increase in property, plant and equipment, and intangible assets	¥ 2,478	¥ 1,199	¥ 465	¥ 4,143	¥ 213	¥ 4,356

*1 The "Other" category comprises business segments not included in reporting segments and encompasses the activities of AIFUL BUSINESS FINANCE CORPORATION, AG Loan Services Corporation, etc.

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

*3 Interest expenses are the amount that is not included in operating expenses but is noted as non-operating expenses.

*4 The figures for the reporting segment of AIRA & AIFUL Public Company Limited are after consolidated adjustments in accordance with the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc., for Consolidated Financial Statements (ASBJ PITF No. 18).

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, 2020	FY ended March 31, 2021	
Reporting segment total	¥ 118,191	¥ 117,087	
Operating revenue categorized as "other"	10,431	12,162	
Inter-segment eliminations	(1,584)	(1,768)	
Operating revenue posted in consolidated financial statements	¥ 127,038	¥ 127,481	

		(Millions of yen)	
Profit	FY ended March 31, 2020	FY ended March 31, 2021	
Reporting segment total	¥ 600	¥ 11,437	
Profit (loss) categorized as "other"	(505)	1,993	
Inter-segment eliminations	(15)	(18)	
Other adjustments	1,310	5,024	
Profit attributable to owners of parent posted in consolidated financial statements	¥ 1,390	¥ 18,437	

		(Millions of yen)	
Assets	FY ended March 31, 2020	FY ended March 31, 2021	
Reporting segment total	¥ 855,304	¥ 851,556	
Assets categorized as "other"	92,154	97,388	
Other adjustments	(86,951)	(85,590)	
Total assets posted in consolidated financial statements	¥ 860,507	¥ 863,354	

		(Millions of yen)	
Liabilities	FY ended March 31, 2020	FY ended March 31, 2021	
Reporting segment total	¥ 709,278	¥ 693,182	
Liabilities categorized as "other"	72,279	75,225	
Other adjustments	(49,981)	(52,746)	
Total liabilities posted in consolidated financial statements	¥ 731,576	¥ 715,662	

		(Millions of yen)							
Other items	Reporting segment total *3		Other		Adjustments		Amount posted in consolidated financial statements		
	FY2020/3	FY2021/3	FY2020/3	FY2021/3	FY2020/3	FY2021/3	FY2020/3	FY2021/3	
Other items									
Provision for point card certificates	2,707	2,209	—	—	—	—	2,707	2,209	
Provision of allowance for doubtful accounts *1	30,588	36,928	3,208	1,889	—	—	33,796	38,818	
Provision for loss on interest repayment	16,927	—	—	—	—	—	16,927	—	
Provision for bonuses	873	873	25	23	411	436	1,311	1,333	
Depreciation	2,994	3,332	23	86	—	—	3,017	3,418	
Interest on loans receivable	871	1,125	431	489	(1,109)	(1,411)	193	203	
Dividends received	38	42	4	5	(13)	(13)	30	34	
Share of profit of entities accounted for using equity method	—	—	—	—	110	204	110	204	
Rental income from real estate	159	146	6	9	(81)	(65)	84	89	
Gain on sales of investment securities	—	367	—	—	—	—	—	367	
Subsidy income	—	308	—	19	—	—	—	327	
Interest expenses *2	—	—	42	45	(37)	(41)	5	3	
Infection-related expenses	—	89	—	0	—	—	—	90	
Extraordinary income	230	—	—	—	—	—	230	—	
(Gain on reversal of share acquisition rights)	(230)	(—)	(—)	(—)	(—)	(—)	(230)	(—)	
Extraordinary losses	376	5,620	—	—	—	(4,464)	376	1,156	
Loss on sale of fixed assets	—	(91)	—	—	(—)	(—)	—	(91)	
Fixed assets deduction amount	(112)	(—)	(—)	(—)	(—)	(—)	(112)	(—)	
Impairment loss	—	(1,064)	—	—	(—)	(—)	—	(1,064)	
(Loss on valuation of investment securities)	(264)	(—)	(—)	(—)	(—)	(—)	(264)	(—)	
Loss on valuation of shares of subsidiaries and associates	—	(4,464)	—	—	—	(4,464)	—	—	
Income taxes—current	1,437	1,683	718	1,281	—	—	2,155	2,965	
Income taxes—deferred	(183)	(2,740)	(579)	27	(124)	(102)	(886)	(2,610)	
Investments in entities accounted for using equity method	—	—	—	—	918	1,110	918	1,110	
Increase in property, plant and equipment, and intangible assets	4,330	4,143	146	213	—	(82)	4,477	4,274	

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

*2 Interest expenses are the amount that is not included in operating expenses but is noted as non-operating expenses.

*3 The figures for "reporting segment total" are after consolidated adjustments in accordance with the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc., for Consolidated Financial Statements (ASBJ PITF No. 18).

Related information

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2021)

1. Information on products and services

					(Millions of yen)
	Loan business	Credit sales business	Credit guarantee business	Other	Total
Operating revenue from third parties	¥ 78,475	¥ 23,667	¥ 15,566	¥ 9,329	¥ 127,038

2. Information by region

(1) 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.

(2) Property, plant and equipment

		(Millions of yen)	
	Japan	Thailand	Total
	¥ 17,447	¥ 2,250	¥ 19,698

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% of more of the operating revenue in the consolidated statements of income.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

1. Information on products and services

					(Millions of yen)
	Loan business	Credit sales business	Credit guarantee business	Other	Total
Operating revenue from third parties	¥ 79,965	¥ 23,799	¥ 14,821	¥ 8,894	¥ 127,481

2. Information by region

(1) 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.

(2) 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 by major customer

There is no disclosure since no counterparty for operating revenue from third parties accounts for 10% of 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, 2020 (April 1, 2019 to March 31, 2020)
Not applicable.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

This information has been disclosed in the section of segment information, so it is omitted here.

[Information on goodwill amortization and unamortized balance of the reporting segments]

Not applicable.

Information on gain on negative goodwill in each reporting segment

Not applicable.

Information on related parties

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Not applicable.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Not applicable.

Per share information

	FY ended March 31, 2020	FY ended March 31, 2021
Net assets per share	¥ 260.53	¥ 300.92
Profit per share	¥ 2.88	¥ 38.12

Notes: 1. The diluted profit per share is omitted because there were no latent shares.

2. The basis for calculation of profit per share and diluted profit per share is as follows:

	As of March 31, 2020	As of March 31, 2021
Profit per share	¥ —	¥ —
Profit attributable to owners of parent	1,390	18,437
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent pertaining to common stock	1,390	18,437
Average number of shares of common stock during the period	483,702,875 shares	483,702,752 shares

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

	As of March 31, 2020	As of March 31, 2021
Total net assets	¥ 128,931	¥ 147,692
Amount deducted from total net assets	2,914	2,136
(Portion of non-controlling interest)	(2,914)	(2,136)
Net assets related to common stock at end of FY	¥ 126,017	¥ 145,555
Number of shares of common stock at end of FY used in the calculation of net assets per share	483,702,790 shares	483,702,666 shares

Consolidated Schedules

AIFUL CORPORATION and Consolidated Subsidiaries

Bonds schedule

Company name	Issue	Date of issue	Balance at April 1, 2020 (Millions of yen)	Balance at March 31, 2021 (Millions of yen)	Interest rate (%)	Security	Maturity date
The Company	58th unsecured straight bond	July 10, 2018	¥ 245	¥ 75 (75)	0.370 per annum	Unsecured	July 9, 2021
	59th unsecured straight bond	September 25, 2018	15,000	15,000 (15,000)	1.850 per annum	Unsecured	September 24, 2021
	60th unsecured straight bond	September 25, 2018	5,000	—	1.800 per annum	Unsecured	March 25, 2021
	61st unsecured straight bond	June 14, 2019	15,000	—	0.990 per annum	Unsecured	December 14, 2020
	62th unsecured straight bond	December 10, 2020	—	15,000	1.000 per annum	Unsecured	June 10, 2022
Total			¥ 35,245	30,075 ¥ (15,075)	—	—	—

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
15,075	15,000	—	—	—

Borrowings schedule

Category	Balance at April 1, 2020 (Millions of yen)	Balance at March 31, 2021 (Millions of yen)	Average interest rate (%)	Repayment due date
Short-term borrowings	¥ 103,119	¥ 100,750	1.59	—
Current portion of long-term borrowings	121,928	146,136	1.37	—
Current portion of lease obligations	977	1,062	—	—
Long-term borrowings (excluding the current portion)	215,601	180,677	1.17	From April 2022 to July 2030
Lease obligations (excluding the current portion)	3,038	2,169	—	From April 2022 to June 2028
Total	¥ 444,664	¥ 430,797	—	—

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	107,354	48,879	18,364	3,500
Lease obligations	957	831	331	32

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

AIFUL CORPORATION and Consolidated Subsidiaries

Quarterly information for the fiscal year under review

	(Millions of yen)			
	First three months	First six months	First nine months	FY ended March 31, 2021
Operating revenue	¥ 31,940	¥ 63,462	¥ 95,863	¥ 127,481
Profit before income taxes	7,561	10,281	16,867	18,149
Profit attributable to owners of parent	7,111	9,812	16,164	18,437
Profit per share (yen)	¥ 14.70	¥ 20.29	¥ 33.42	¥ 38.12
	First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share (yen)	¥ 14.70	¥ 5.58	¥ 13.13	¥ 4.70

Non-Consolidated Balance Sheets

AIFUL CORPORATION
As of March 31

	2020	(Millions of yen) 2021
Assets		
Current assets		
Cash and deposits	¥ 15,443	¥ 12,450
Operating loans (Notes 1, 2, 4 and 5)	413,714	422,422
Accounts receivable—installment (Note 1)	325	268
Customers' liabilities for acceptances and guarantees	127,999	139,355
Other operating receivables	7,633	7,517
Prepaid expenses	303	365
Accrued income	3,379	3,041
Short-term loans receivable from subsidiaries and associates	—	—
Other	7,091	7,147
Allowance for doubtful accounts (Note 6)	(33,829)	(40,355)
Total current assets	542,061	552,212
Non-current assets		
Property, plant and equipment		
Buildings (Note 1)	12,799	12,897
Accumulated depreciation	(8,749)	(8,912)
Buildings, net (Note 1)	4,049	3,985
Structures (Note 1)	977	892
Accumulated depreciation	(800)	(706)
Structures, net (Note 1)	177	185
Machinery and equipment (Note 1)	146	146
Accumulated depreciation	(135)	(137)
Machinery and equipment, net (Note 1)	10	9
Furniture and fixtures (Note 1)	3,421	3,431
Accumulated depreciation	(3,000)	(2,546)
Furniture and fixtures, net (Note 1)	421	885
Land (Note 1)	6,809	6,810
Leased assets	538	733
Accumulated depreciation	(194)	(325)
Leased assets, net	344	407
Construction in progress	256	10
Total property, plant and equipment	12,070	12,294
Intangible assets		
Software	2,169	2,796
Other	24	24
Total intangible assets	2,194	2,820
Investments and other assets		
Investment securities	683	1,233
Shares of subsidiaries and associates	34,496	30,102
Long-term loans receivable from subsidiaries and associates	36,322	29,664
Claims provable in bankruptcy (Note 4)	15,033	15,014
Long-term prepaid expenses	238	240
Deferred tax assets	3,838	6,483
Lease and guarantee deposits	1,376	1,326
Other	316	396
Allowance for doubtful accounts	(12,947)	(12,920)
Total investments and other assets	79,356	71,540
Total non-current assets	93,622	86,656
Total assets	¥ 635,683	¥ 638,868

	2020	(Millions of yen) 2021
Liabilities		
Current liabilities		
Acceptances and guarantees	¥ 127,999	¥ 139,355
Short-term borrowings (Note 1)	22,700	24,960
Current portion of bonds	20,170	15,075
Current portion of long-term borrowings (Note 1)	114,588	140,936
Lease obligations	108	126
Trade accounts payable	4,607	3,974
Accrued expenses	580	552
Income taxes payable	1,569	1,637
Allowance for bonuses	1,310	1,348
Deferred installment income	6	1,348
Asset retirement obligations	—	1
Other	601	607
Total current liabilities	294,237	328,575
Non-current liabilities		
Bonds payable	15,075	15,000
Long-term borrowings (Note 1)	208,260	178,059
Lease obligations	268	320
Provision for loss on interest repayment	22,458	11,460
Asset retirement obligations	1,946	1,968
Other	828	828
Total non-current liabilities	248,836	207,637
Total liabilities	543,074	536,213
Net assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus		
Legal capital surplus	52	52
Total capital surplus	52	52
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,639	11,222
Total retained earnings	1,639	11,222
Treasury shares	(3,110)	△ 3,110
Total shareholders' equity	92,609	102,192
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(0)	462
Total valuation and translation adjustments	(0)	462
Share acquisition rights	—	—
Total net assets	92,609	102,655
Total liabilities and net assets	¥ 635,683	¥ 638,868

Non-Consolidated Statements of Income

AIFUL CORPORATION
Years ended March 31

	(Millions of yen)	
	2020	2021
Operating revenue		
Interest on operating loans	¥ 57,682	¥ 59,732
Other financial revenue	0	0
Other operating revenue		
Revenue from credit guarantee	11,610	11,136
Recoveries of written off claims	6,215	5,882
Other	1,995	2,074
Total other operating revenue	19,821	19,093
Total operating revenue	77,504	78,826
Operating expenses		
Financial expenses		
Interest expenses	4,180	4,286
Interest on bonds	623	516
Other	638	612
Total financial expenses	5,442	5,416
Other operating expenses		
Commissions	6,027	5,875
Provision of allowance for doubtful accounts	22,788	29,864
Provision for loss on interest repayment	15,433	—
Salaries and allowances for employees	6,003	6,020
Provision for bonuses	857	852
Sales promotion expenses	6,081	5,214
Depreciation	1,162	1,336
Other	13,294	13,772
Total other operating expenses	71,648	62,936
Total operating expenses	77,091	68,352
Operating profit	413	10,473
Non-operating income		
Interest on loans receivable (Note 1)	790	944
Rental income from real estate (Note 1)	159	146
Outsourcing service income (Note 1)	251	159
Subsidy income	—	176
Other (Note 1)	125	160
Total non-operating income	1,327	1,588
Non-operating expenses		
Foreign exchange loss	6	1
Provision of allowance for doubtful accounts	—	47
Infection-related expense	—	34
Other	5	3
Total non-operating expenses	11	87
Ordinary profit	1,728	11,973
Extraordinary income		
Gain on reversal of share acquisition rights	230	—
Total extraordinary income	230	—
Extraordinary losses		
Loss on valuation of investment securities	264	—
Loss on valuation of shares of subsidiaries and associates	—	4,464
Total extraordinary losses	264	4,556
Profit before taxes	1,694	7,417
Income taxes—current	351	566
Income taxes—deferred	(295)	△2,732
Total income taxes	55	△2,165
Profit	¥ 1,639	¥ 9,583

(Millions of yen)

2021	Shareholders' equity							
	Capital surplus				Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2020	¥ 94,028	¥ 52	¥ —	¥ 52	¥ 1,639	¥ 1,639	¥ (3,110)	¥ 92,609
Changes during period								
Profit					9,583	9,583		9,583
Transfer from share capital to other capital surplus								—
Deficit disposition								—
Purchase of treasury shares							(0)	(0)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	9,583	9,583	(0)	9,582
Balance at March 31, 2021	¥ 94,028	¥ 52	¥ —	¥ 52	¥ 11,222	¥ 11,222	¥ (3,110)	¥ 102,192

2021	(Millions of yen)			
	Valuation and translation adjustments			
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Share acquisition rights	Total net assets
Balance at April 1, 2020	¥ (0)	¥ (0)	¥ 230	¥ 92,609
Changes during period				
Profit				9,583
Transfer from share capital to other capital surplus				—
Deficit disposition				—
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	462	462	—	462
Total changes during period	462	462	—	10,045
Balance at March 31, 2020	¥ 462	¥ 462	¥ —	¥ 102,655

Significant accounting policies

1. Valuation standards and valuation method for securities

(1) Shares of subsidiaries and affiliated companies
Stated at cost determined by the moving average method.

(2) Available-for-sale securities
Those that are marketable
Stated at fair value by the market value method, based on market price, etc., as of the closing date. (All differences in valuation are fully included in the net asset method, and sales costs are calculated by the moving average method.)

Those that are not marketable
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.

2. Valuation standards and valuation method for derivatives

Stated at fair value by the market value method.

3. Depreciation method of non-current assets

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

Depreciated using the declining balance method.

The useful life of major assets is as follows:

Buildings and structures:	2 to 50 years
Machinery and equipment:	15 years
Furniture and fixtures:	3 to 20 years

(2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

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

(3) 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.

4. Booking of allowances

(1) 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.

(2) 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 fiscal year under review is booked as a provision.

(3) 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.

5. Translation of 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 closing date, and foreign exchange gains and losses from the translations are recognized in the income statement.

6. Booking of revenues and expenses

(1) 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.

(2) Revenue from credit guarantee

Revenue is booked using the charge for declining balance method.

(3) 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), and the remaining portions are accounted for as non-operating expenses (other).

7. Significant hedge accounting method

- Method of hedge accounting

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.

8. Other significant items forming the basis for the preparation of non-consolidated financial statements

(1) Accounting for consumption taxes, etc.

Consumption taxes, etc., are accounted for by the tax-exclusive method. However, non-deductible consumption taxes, etc., pertaining to assets are booked as other under investments and other assets and amortized equally over five years.

(2) Principles and procedures for accounting adopted when the provisions of relevant accounting standards, etc. are not clear and standards for posting assets and liabilities for important debt guarantee

- Standards for posting assets and liabilities for important debt guarantee

The Company's debt guarantee for subsidiaries' loans from financial institutions is 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 non-consolidated balance sheets.

We started applying "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (Corporate Accounting Standards No. 24, March 31,

2020)" to non-consolidated financial statements of the 4Q of the fiscal year ended March 31, 2021, disclosing "Principles and procedures for accounting adopted when the provisions of relevant accounting standards, etc. are not clear."

(3) Application of consolidated taxation system
The consolidated taxation system is applied.

(4) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company does not apply the provisions of paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018) on items that were transitioned to the group tax sharing system, which was created in the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), and for which the non-consolidated taxation system was reviewed to coincide with the transition to the group tax sharing system, based on the treatment in paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39; March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law prior to the revision.

Critical Accounting Estimates

1. Allowance for doubtful accounts

(1) Amount recorded in the financial statements for the current fiscal year: 53,276 million yen

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

① Calculation method

Business loans, installment receivables, acceptances and guarantees, and other operating receivables are classified into performing loans, management receivables, and bankruptcy and reorganization receivables according to the credit risk based on the debtors' payment status, etc.

i) Performing loans

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

ii) Monitored loans

Receivables with payment delays exceeding a certain period are classified according to the borrower's delinquency period and other factors for each loan type, such as consumer, business, and secured, 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.

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.

② Key assumptions

Changes in economic conditions at the end of the fiscal year may have a direct or indirect impact on the 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.

In the fiscal year under review, in order to prepare for an increase in doubtful receivables expected due to the spread of COVID-19, the estimated amount of bad debt for debtors who have requested for changes or other modifications and for claims for which there are concerns about future payment delays is calculated by methods using the actual rate of bad debt for categories with higher credit risk, rather than using the actual rate of bad debt corresponding each category.

Mainly due to the adoption of said calculation method, allowance for doubtful accounts for fiscal 2020 was up 6,499 million yen.

③ 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 including the impact of COVID-19, may have a direct or indirect impact on the 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 11,460 million yen

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

This is the same as the contents mentioned in "Notes (important accounting estimates)" of consolidated financial statements. (Changes in Presentation Method)

(Apply of "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for the Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

has been applied to the financial statements as of the end of the fiscal year under review, and notes to significant accounting estimates have been included in the consolidated financial statements.

However, in this note, in accordance with the transitional treatment stipulated in Article 11 of the Accounting Standards, the content relating to the previous fiscal year is not stated.

(Non-consolidated balance sheets)

"Deferred installment income" in "Current liabilities," which was separately indicated in the previous fiscal year, is indicated in "Other" from the fiscal year under review, because its amount became less significant. In order to reflect this change in the indication method, the financial statements for the previous fiscal year have been reclassified.

As a result, "Deferred installment income" of 6 million yen in "Current liabilities" in the balance sheet for the previous fiscal year is now included in "Other" amounting to 601 million yen.

Notes to non-consolidated balance sheets

1. Assets pledged as collateral and corresponding liabilities

Assets pledged as collateral		Assets pledged as collateral	
(Millions of yen)		(Millions of yen)	
As of March 31, 2020		As of March 31, 2021	
(1) Assets pledged as collateral		(1) Assets pledged as collateral	
Operating loans	¥ 312,018	Operating loans	¥ 308,068
Accounts receivable—installment	9	Accounts receivable—installment	7
Buildings	2,715	Buildings	2,622
Structures	19	Structures	18
Machinery and equipment	10	Machinery and equipment	9
Furniture and fixtures	24	Furniture and fixtures	56
Land	6,433	Land	6,726
Total	¥ 321,231	Total	¥ 317,508

(2) Corresponding liabilities

Short-term borrowings	¥ 5,000	Short-term borrowings	¥ 10,000
Current portion of long-term borrowings	85,950	Current portion of long-term borrowings	106,806
Long-term borrowings	163,302	Long-term borrowings	134,214
Total	¥ 254,252	Total	¥ 251,020

(i) The amounts above at the end of the fiscal year ended March 31, 2019 include amounts pertaining to the securitization of receivables (operating loans of ¥181,047 million, current portion of long-term borrowings of ¥35,530 million and long-term borrowings of ¥103,429 million).

(ii) Of the above assets, ¥31 million of operating loans and ¥9 million of installment receivables are pledged as collateral for borrowings by LIFECARD Co., Ltd.

(i) The amounts above at the end of the fiscal year ended March 31, 2021 include amounts pertaining to the securitization of receivables (operating loans of ¥175,146 million, current portion of long-term borrowings of ¥46,196 million and long-term borrowings of ¥77,204 million).

(ii) Of the above assets, ¥24 million of operating loans and ¥7 million of installment receivables are pledged as collateral for borrowings by LIFECARD Co., Ltd.

2. Unsecured personal loans included in operating loans

(Millions of yen)		(Millions of yen)	
As of March 31, 2020		As of March 31, 2021	
	¥ 401,249		¥ 412,220

3. Contingent liability

Guarantee obligation

The Company guarantees loans payable from financial institutions for the Company's consolidated subsidiaries, LIFECARD Co., Ltd., AIFUL BUSINESS FINANCE CORPORATION, AG Loan Services Corporation, AIRA & AIFUL Public Company Limited and AIFUL GUARANTEE Co., Ltd., and non-consolidated subsidiary, PT REKSA FINANCE.

(Millions of yen)		(Millions of yen)	
As of March 31, 2020		As of March 31, 2021	
LIFECARD Co., Ltd.	¥ 2,600		¥ 1,768
AIFUL BUSINESS FINANCE CORPORATION	1,320		880
AG Loan Services Corporation	275		175
AIRA & AIFUL Public Company Limited	1,503		1,770
AIFUL GUARANTEE Co., Ltd.	700		500
PT REKSA FINANCE	390		78
Total	¥ 6,788		¥ 5,171

4. The status of non-performing loans (NPL) of operating loans and claims in bankruptcy is as follows:

(Millions of yen)				(Millions of yen)			
As of March 31, 2020				As of March 31, 2021			
	Unsecured loans	Other than unsecured loans	Total		Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	¥ 739	¥ 13,351	¥ 14,090	Loans in legal bankruptcy	¥ 820	¥ 13,093	¥ 13,914
Nonaccrual loans	20,939	2,290	23,229	Nonaccrual loans	19,993	1,803	21,796
Loans 3 months or more in arrears	6,496	245	6,742	Loans 3 months or more in arrears	6,496	97	7,044
Restructured loans	21,862	2,161	24,024	Restructured loans	27,710	1,670	29,381
Total	¥ 50,037	¥ 18,049	¥ 68,086	Total	¥ 55,470	¥ 16,666	¥ 72,136

"Receivables derived from composition for which we receive payments regularly," which was included in "Nonaccrual loans" in the previous fiscal year, is included "Restructured loans" to represent the actual situation from the fiscal year under review, because there are an increasing number of compositions for rebuilding the businesses of debtors or supporting them.

In order to reflect this change in the indication method, the contents for the previous fiscal year have been reclassified. As a result, "Nonaccrual loans" amounting to 10,999 million yen in the previous fiscal year is now included in "Restructured loans."

The loan categories in the table above are as follows:

(Loans in legal bankruptcy)

Loans in legal bankruptcy are loans in which payment of principal or interest remain past due for a considerable period and accruals of interest are discontinued, to which the conditions stipulated under (a) through (e) of sub-paragraph 3, paragraph 1, Article 96 or sub-paragraph 4 of the same paragraph of the Corporation Tax Act Enforcement Ordinance (Enforcement Ordinance No. 97 of 1965) apply. Any amounts deemed necessary to cover possible losses on an individual account basis of the claims in bankruptcy and rehabilitation are posted in the allowances for doubtful accounts.

(Nonaccrual loans)

Nonaccrual loans are loans in which accruals of interest are discontinued, other than loans in legal bankruptcy and loans receiving regular payments in the case of granting deferral of interest payment to debtors in financial difficulties to assist them in their recovery.

(Loans three months or more in arrears)

Loans three months or more in arrears are operating 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. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded from loans three months or more in arrears.

(Restructured loans)

Restructured loans are operating loans for which creditors have granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, 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. Loans classified as loans in legal bankruptcy, nonaccrual loans and loans three months or more in arrears are excluded.

5. Loan commitments related to operating loans
(Fiscal year ended March 31, 2020)

Of operating loans including off-balance sheet loans resulting from securitization, ¥359,404 million is loans under revolving credit agreements. Under these agreements, customers may obtain additional loans up to a specified maximum amount that does not exceed the amount they requested.

Outstanding loan commitments under revolving credit agreements were ¥100,176 million.

The agreements include clauses that enable the Company to decrease the loan amounts or cancel new loans if it deems it necessary due to changes in customers' credit standing or other reasons. The Company regularly reviews the agreements and takes steps to preserve credit even after concluding the agreements.

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 Company's future cash flows.

(Fiscal year ended March 31, 2021)

Of operating loans including off-balance sheet loans resulting from securitization, ¥361,295 million is loans under revolving credit agreements. Under these agreements, customers may obtain additional loans up to a specified maximum amount that does not exceed the amount they requested.

Outstanding loan commitments under revolving credit agreements were ¥117,824 million.

The agreements include clauses that enable the Company to decrease the loan amounts or cancel new loans if it deems it necessary due to changes in customers' credit standing or other reasons. The Company regularly reviews the agreements and takes steps to preserve credit even after concluding the agreements.

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 Company's future cash flows.

6. Of the allowances for doubtful accounts, the estimated interest repayment amount expected to have priority in being appropriated to operating loans is as follows:

	(Millions of yen)	(Millions of yen)
As of March 31, 2020	¥ 1,415	As of March 31, 2021
		¥ 2,397

Notes to non-consolidated statements of income

1. Matters regarding subsidiaries and associates

	(Millions of yen)	
	FY ended March 31, 2020	FY ended March 31, 2021
Interest on loans receivable	¥ 788	¥ 943
Rental income from real estate	99	79
Outsourcing service income	215	159
Other (non-operating income)	53	58

2. Loss on sales of fixed assets

	(Millions of yen)	
	FY ended March 31, 2020	FY ended March 31, 2021
Land	¥ —	¥ 91

Notes on securities

Shares of subsidiaries and affiliated companies

Fiscal year ended March 31, 2020 (as of March 31, 2020)

	(Millions of yen)		
Category	Non-consolidated balance sheet amount	Fair value	Difference
(1) Shares of subsidiaries	¥ —	¥ —	¥ —
(2) Shares of affiliated companies	356	1,563	1,207
Total	¥ 356	¥ 1,563	¥ 1,207

Fiscal year ended March 31, 2020 (as of March 31, 2021)

	(Millions of yen)		
Category	Non-consolidated balance sheet amount	Fair value	Difference
(1) Shares of subsidiaries	¥ —	¥ —	¥ —
(2) Shares of affiliated companies	356	2,543	2,187
Total	¥ 356	¥ 2,543	¥ 2,187

Note: Non-consolidated balance sheet amount of shares of subsidiaries and affiliated companies whose fair value is deemed extremely difficult to ascertain

	(Millions of yen)	
Category	As of March 31, 2020	As of March 31, 2021
(1) Shares of subsidiaries	¥ 34,140	¥ 29,746
(2) Shares of affiliated companies	—	—
Total	¥ 34,140	¥ 29,746

These are not shown in the above table since they do not have a market price and their fair value is deemed extremely difficult to ascertain.

Notes on tax effect accounting

1. Breakdown of major factors of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Deferred tax assets		
Allowance for doubtful accounts	¥ 7,252	¥ 9,240
Provision for loss on interest repayment	6,857	3,499
Bad debt loss	1,375	1,676
Accrued income	890	903
Loss carried forward	82,258	53,170
Shares of subsidiaries and associates	4,290	5,572
Other	2,204	2,186
Subtotal of deferred tax assets	105,129	76,249
Valuation allowance for tax loss carryforwards	(82,258)	(51,990)
Valuation allowance for the sum total of deductible temporary differences, etc.	(18,894)	(17,562)
Subtotal of valuation allowances	(101,152)	(69,552)
Total deferred tax assets	¥ 3,976	¥ 6,697
Deferred tax liabilities		
Valuation difference on available-for-sale securities	—	(87)
Retirement cost corresponding to asset retirement obligations	(138)	(126)
Other	—	—
Total deferred tax liabilities	¥ (138)	¥ (214)
Net amount of deferred tax assets	¥ 3,838	¥ 6,483

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, 2020	As of March 31, 2021
Effective statutory tax rate	30.5%	30.5%
(Adjustment)		
Inhabitant tax on per capita basis	2.2	0.5
Entertainment expenses and other items permanently excluded from loss	0.9	0.2
Stock-based compensation expenses	(4.1)	—
Valuation allowances	(1,976.5)	(424.9)
Exclusion from gross profits of dividends received	(0.2)	(0.0)
Change of tax rate	11.3	—
Tax credits due to pay raise or investment promotion tax system	(7.0)	—
Expiry of time limit of loss carried forward	1,945.4	364.5
Other	0.8	0.0
Burden rate of income taxes, etc., after application of tax effect accounting	3.3	(29.2)

Non-Consolidated Schedules

AIFUL CORPORATION

Securities schedule

Disclosure is omitted pursuant to Article 124 of Non-Consolidated Financial Statements Regulation since the amount of securities is not more than one hundredth (1/100) of the total amount of assets.

Property, plant and equipment, etc., schedule

	(Millions of yen)						
Type of assets	Balance at April 1, 2020	Increase during FY	Decrease during FY	Balance at March 31, 2021	Accumulated depreciation or amortization at March 31, 2021	Amortization during FY	Net balance at March 31, 2021
Property, plant and equipment							
Buildings	¥ 12,799	¥ 273	¥ 175	¥ 12,897	¥ 8,912	¥ 337	¥ 3,985
Structures	977	42	126	892	706	33	185
Machinery and equipment	146	—	—	146	137	1	9
Furniture and fixtures	3,421	706	696	3,431	2,546	242	885
Land	6,809	293	292	6,810	—	—	6,810
Leased assets	538	194	—	733	325	131	407
Construction in progress	256	1,178	1,424	10	—	—	10
Total property, plant and equipment	¥ 24,950	¥ 2,687	¥ 2,714	¥ 24,922	¥ 12,628	¥ 746	¥ 12,294
Intangible assets							
Software	—	—	—	13,630	10,833	589	2,796
Other	—	—	—	35	10	0	24
Total intangible assets	¥ —	¥ —	¥ —	¥ 13,665	¥ 10,844	¥ 589	¥ 2,820
Long-term prepaid expenses	¥ 518	¥ 140	¥ 56	¥ 601	¥ 361	¥ 138	¥ 240

Note: Disclosure of "Balance at April 1, 2019," "Increase during FY" and "Decrease during FY" is omitted since the amount of intangible assets is not more than 1% of the total amount of assets.

Allowance schedule

	(Millions of yen)				
Category	Balance at April 1, 2020	Increase during FY	Decrease during FY (Used for objective)	Decrease during FY (Other)	Balance at March 31, 2021
Allowance for doubtful accounts	¥ 46,777	¥ 29,912	¥ 23,412	¥ —	¥ 53,276
Allowance for bonuses	1,310	1,348	1,310	—	1,348
Provision for loss on interest repayment	¥ 22,458	¥ —	¥ 10,997	¥ —	¥ 11,460








Major assets and liabilities

Disclosure is omitted since the Company has prepared consolidated financial statements.

Others

Not applicable.

Group Companies (As of June 31, 2021)

Company Name	Business Classification	Website
AIFUL CORPORATION 	<ul style="list-style-type: none"> Unsecured consumer loan Small business loan Credit guarantee 	https://www.aiful.co.jp/
LIFECARD CO., LTD. 	<ul style="list-style-type: none"> Credit card Prepaid card Credit guarantee Receiving agent service 	http://www.lifecard.co.jp/
AIFUL BUSINESS FINANCE CORPORATION 	<ul style="list-style-type: none"> Small business loan Secured loan Factoring 	https://www.aiful-bf.co.jp/
AG Loan Services Corporation 	<ul style="list-style-type: none"> Debt collection (Servicer) Restructuring 	https://www.a-g-sv.com
AG Capital Co., Ltd. 	<ul style="list-style-type: none"> Venture capital business 	https://nf-partners.co.jp/
AIFUL GUARANTEE CO., LTD. 	<ul style="list-style-type: none"> Receiving agent service Installment credit sales 	https://www.aifulguarantee.co.jp/
AIFUL Partners Corporation 	<ul style="list-style-type: none"> Corporate turnaround & restructuring 	https://www.aiful-p.com/
AIFUL STOCK CENTER CORPORATION 	<ul style="list-style-type: none"> Warehouse/Document management 	https://aifulstockcenter.co.jp/
Sumishin Life Card Company, Limited 	<ul style="list-style-type: none"> Credit card 	http://www.sumishinlifecard.co.jp/
AG MIRAIBARAI CO., LTD. 	<ul style="list-style-type: none"> Postpay settlement business 	https://www.mirai-barai.co.jp/
AG Medical Corporation 	<ul style="list-style-type: none"> Medical fee-type secured loans 	https://www.agmedical.co.jp
AG Crowdfunding Co., Ltd. 	<ul style="list-style-type: none"> Debt-based crowdfunding service 	https://www.ag-crowdfunding.com/
Anshin Guarantor Service Co., Ltd. 	<ul style="list-style-type: none"> Guarantee (Rent liabilities) 	https://anshin-gs.co.jp/
AIRA & AIFUL Public Company Limited 	<ul style="list-style-type: none"> Consumer finance 	http://www.aira-aiful.co.th/
PT REKSA FINANCE 	<ul style="list-style-type: none"> Used car loans 	https://reksafinance.co.id/

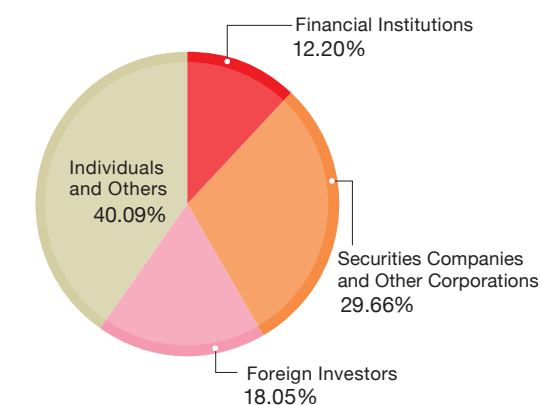
Corporate Overview (As of March 31, 2021)

Corporate Name	AIFUL CORPORATION	Stock Listing	The First Section of the Tokyo Stock Exchange
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan	Securities Code	8515
Date of Establishment	April 1967	Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited
Paid-in Capital	¥94,028 million	Independent Auditor	Deloitte Touche Tohmatsu LLC
Fiscal Year	April 1 to March 31		
Number of Employees	Non-consolidated: 1,012 Consolidated: 2,135		

Stock Information (As of March 31, 2021)

Total Number of Shares Authorized	1,136,280,000 shares
Total Number of Shares Issued	484,620,136 shares
Number of Shareholders	28,938

Composition of Shareholders

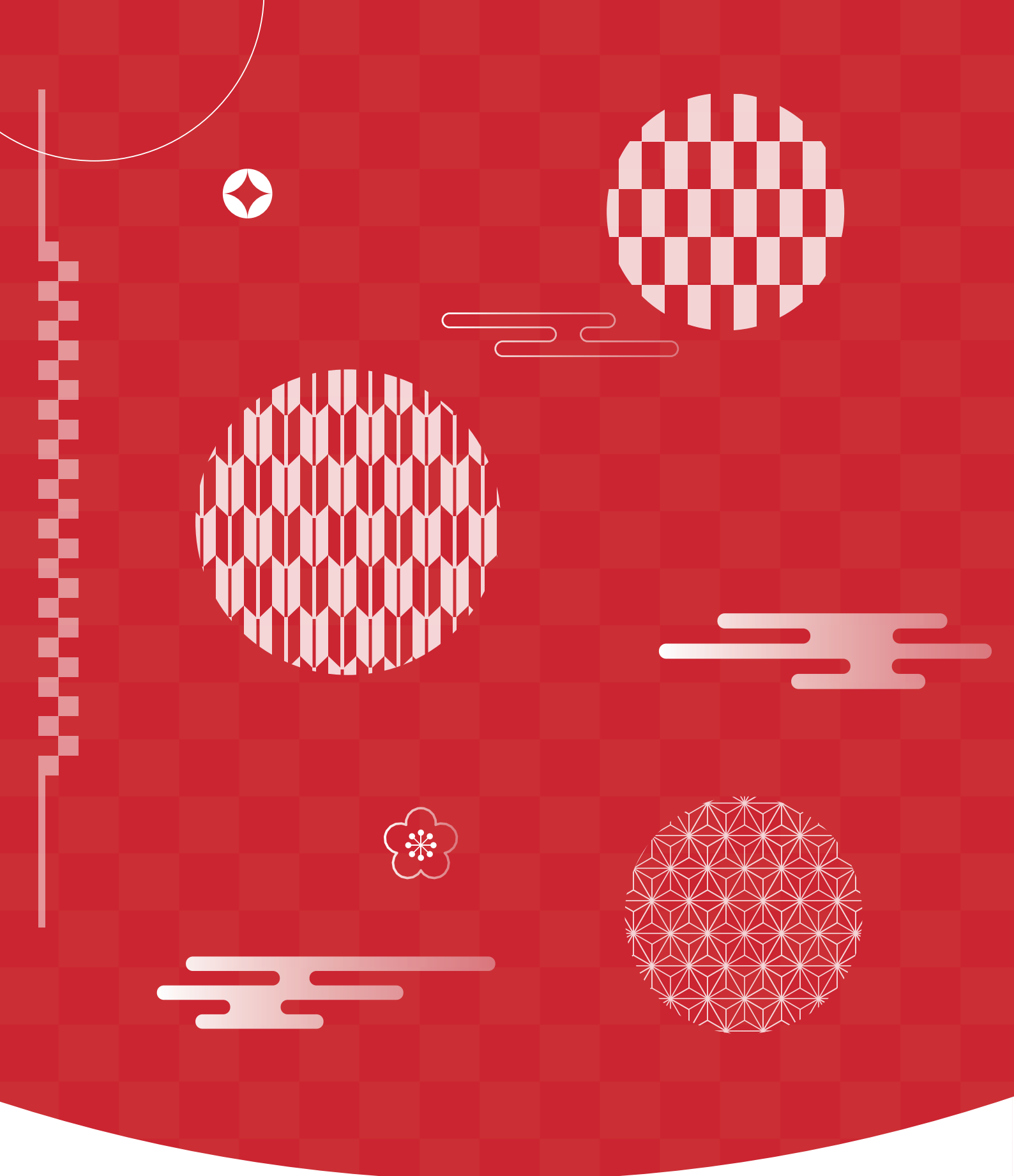


Principal Shareholders

Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding (%)
AMG Co., Ltd.	94,814	19.56
Mitsuhide Fukuda	62,155	12.83
Marutaka Co., Ltd.	24,543	5.06
The Master Trust Bank of Japan, Ltd. (trust account)	20,667	4.26
MSIP CLIENT SECURITIES	10,163	2.10
Custody Bank of Japan, Ltd. (trust account)	7,621	1.57
JP MORGAN CHASE BANK 385632	7,437	1.53
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	5,791	1.20
Custody Bank of Japan, Ltd. (trust account 5)	5,074	1.05
STATE STREET BANK WEST CLIENT - TREATY 505234	4,673	0.96

Contact Information

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E-mail: spokesperson@aiful.co.jp



AIFUL CORPORATION

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Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan

<https://www.ir-aiful.com/en/>