Continuing to Evolve

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AIFUL

ANNUAL REPORT 2022

The AIFUL Group has updated our visual identity and started using a new logo we have developed from July 7, 2022. We have upgraded to an image suitable for our corporate stance to provide new values in the future while looking ahead to the next 50 and 100 years. We will convey an image of a corporation that will continue to grow as an IT financial group by transforming our organizations and systems in response to changes in the environment and by utilizing digital technologies.

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 respect 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

Trust

Build relationship

What matters most is to trust the other person

Effort

Try harder

What matters is to exert all one's strength

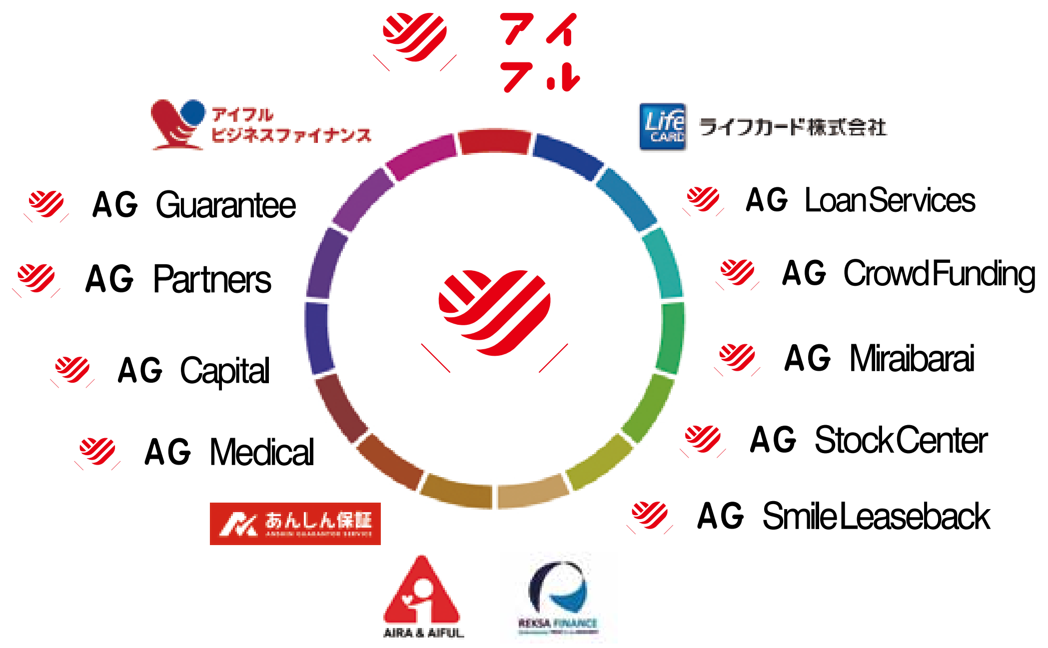
Gratefulness

Be grateful

What matters is to appreciate and respect all stakeholders

Unification and utilization of our group brands

- In July 2022, the names of domestic group companies, excluding some companies, were renamed to include "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.



Contents

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 2020	Fiscal 2021
127,481	132,097

Interest on operating loans	76.3 billion yen
Revenue from credit guarantee	15.7 billion yen
Revenue from installment sales	20.0 billion yen

Ordinary profit (millions of yen)

Fiscal 2020	Fiscal 2021
19,305	12,265

Profit attributable to owners of parent (millions of yen)

Fiscal 2020	Fiscal 2021
18,437	12,334

Financial Indicators (%)

	Fiscal 2020	Fiscal 2021
ROA	2.2	1.4
ROE	13.6	8.2
Capital adequacy ratio	16.9	16.4

External ratings（JCR、R&I）

	Fiscal 2020	Fiscal 2021
JCR	BB+	BBB
R&I	BB	BBB-

Non-Financial Highlight

Total greenhouse gas emissions (t-CO2)

Fiscal 2020	Fiscal 2021
4,205	3,996

Energy consumption (compared to previous year) (%)

Fiscal 2020	Fiscal 2021
63.6	92.7

Education/training cost per person*1 (yen)

Fiscal 2020	Fiscal 2021
26,189	31,644

Average number of paid holidays taken (days)

Fiscal 2020	Fiscal 2021
13.0	13.0

Ratio of employees who have taken paid holidays (%)

Fiscal 2020	Fiscal 2021
75.78	73.44

Number of employees who have taken childcare leave (person)

Fiscal 2020	Fiscal 2021
72	71

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

Fiscal 2020	Fiscal 2021
4	9

Expenditure for social contribution (donations, etc. in fiscal 2021)

Fiscal 2020	Fiscal 2021
1,473	1,192

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

Fiscal 2020	Fiscal 2021
944	892

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

Fiscal 2020	Fiscal 2021
8.3	8.4

*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 "Ojidousan", 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 Corporation changed its name to AG Medical Corporation

2022
Established AG Smile Leaseback Corporation, which manages leaseback business.

Changed the listing market to the Prime Market

To Our Investors and Shareholders

Introduction

There are concerns about an economic slowdown due to price increases because of soaring energy and raw material prices against a backdrop of a weakening yen and the worsening situation in Ukraine. On the other hand, COVID-19 vaccinations are spreading throughout society. This is leading to a normalization of social and economic activities. The trend for recovery is continuing in the consumer finance industry. For example, the number of new contracts concluded by major companies increased compared to the previous year. Nevertheless, interest repayment claims are susceptible to changes in the external environment. Therefore, we need to continue to be vigilant.

The AIFUL Group's consolidated results for fiscal 2021 are as follows: operating revenue was 132 billion yen (up 3.6% year-on-year), operating profit was 11.2 billion yen (down 35.9% year-on-year), ordinary profit was 12.2 billion yen (down 36.5% year-on-year) and profit attributable to owners of parent was 12.3 billion yen (down 33.1% year-on-year). The main reason for the increase in revenue and the decrease in profit was that we recorded a 19.9 billion yen in provision for loss on interest repayment, so operating expenses increased by 10.9 billion yen to 120.8 billion yen (up 9.9% year-on-year).

The environment surrounding the AIFUL Group is changing at bewildering pace. For instance, there are new entrants to the market from different industries, changes in lifestyles due to the spread of COVID-19 and the acceleration in the pace of digital transformation. Accordingly, we need to respond to changes swiftly. We will build a high-income structure by reforming to a company that obtains strong support from our stakeholders and by working to improve productivity and reform our income structure through IT and digital utilization. We will do this by establishing the AIFUL Group brand and increasing the sophistication of data utilization to respond to the changing environment.

Summary of financial results for fiscal 2021

Total operating assets up 8.7% year on year

887.4bn

Loan business up 5.2% year on year

582.3bn

Credit business up 7.4% year on year

116.7bn

Credit guarantee business up18.9% year on year

171.7bn

Operating revenue up 3.6% year on year

132.0bn

Operating profit down 35.9% year on year

11.2bn

Ordinary profit down 36.5% year on year

12.2bn

Profit attributable to owners of parent down 33.1% year on year

12.3bn

Two-year mid-term management plan

In June 2022, we formulated a two-year mid-term management plan to end in fiscal 2023 to indicate even more concretely the growth potential of our group.

●Consolidated balance of operating receivables (on an operating receivable basis)

Unit: Billions of yen	Fiscal 2021 (results)	Fiscal 2022 (est.)	Fiscal 2023 (est.)
Total operating receivables	887.4	995.3	1,120.0
Operating loan balance	582.3	635.9	697.0
Installment receivables balance	116.7	143.3	163.0
Customers' liabilities for acceptances and guarantees	172.6	203.6	244.0

●Major consolidated profit figures (accounting base)

Unit: Billions of yen	Fiscal 2021 (results)	Fiscal 2022 (est.)	Fiscal 2023 (est.)
Operating revenue	132.0	142.6	157.0
Interest on operating loans	76.3	82.7	91.0
Revenue from installment sales	18.8	19.6	21.0
Revenue from credit guarantee	15.7	16.7	18.0
Operating profit	11.2	23.8	28.0
Ordinary profit	12.2	24.0	28.0
ROA(%)	1.4	2.4	2.4
ROE(%)	8.2	13.0	12.4

Indicators of Reliability/Profitability/Growth Potential in AIFUL Group

Safety

20% Shareholders' Equity Ratio

16.4% 2022/3

Profitability

ROE more than 10%

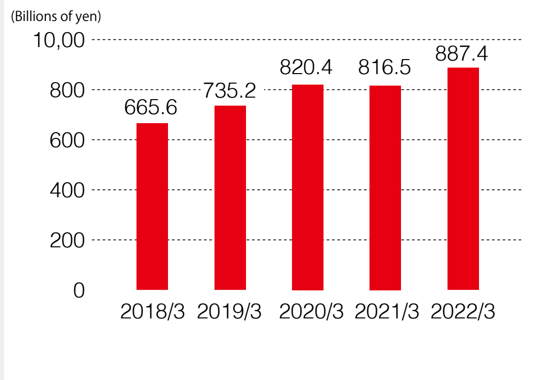
8.2% 2022/3

ROA more than 2%

1.4% 2022/3

Growth potential

Operating assets more than 10% growth per annum



We believe it is necessary to do what we have not been able to do and to return to the standard (normal) based on our customer-centered doctrine to support mechanisms and systems over the next two years. Our management theme of “Go (New) Standard” refers to returning to the standard (normal). It is a management theme to promote our customer-centered doctrine and to regain the social standard so that the AIFUL Group survives and thrives in the digital business era.

Creation of a new brand logo

The AIFUL Group has updated our visual identity. We have been using a new art symbol and company logo since July 7, 2022. The AIFUL Group has used a heart mark which symbolizes a sense of security and sincerity as our corporate symbol for more than approximately 40 years. This change to our visual identity is an upgrade to an image suitable for our corporate stance to provide new value in the future while looking ahead to the next 50 and 100 years by inheriting the feelings contained in the heart mark.

For Colorful Life: To a society in which your individuality flourishes

The AIFUL Group states “earn the trust of society through corporate activitiy based integrity” as our corporate philosophy. However, we then formulated our new VISION, MISSION and VALUE philosophies in April 2021 to show what kind of value we will provide to society through the AIFUL Group. Our VISION for society is “For Colorful Life: To a society in which your individuality flourishes.” This contains our desire to realize a society in which each and every one of our stakeholders can be themselves. We will conduct business activities valuing our new philosophy while believing in our customer-centered doctrine so that our customers can feel good from using our services in their daily lives.

We will aim to grow as an IT-based financial group by diversifying our business portfolio and using digital technologies to become a company which realizes the VISION and obtains the support of our stakeholders for the next 100 years as well.

September 2022
Mitsuhide Fukuda
President and CEO/Representative Director

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

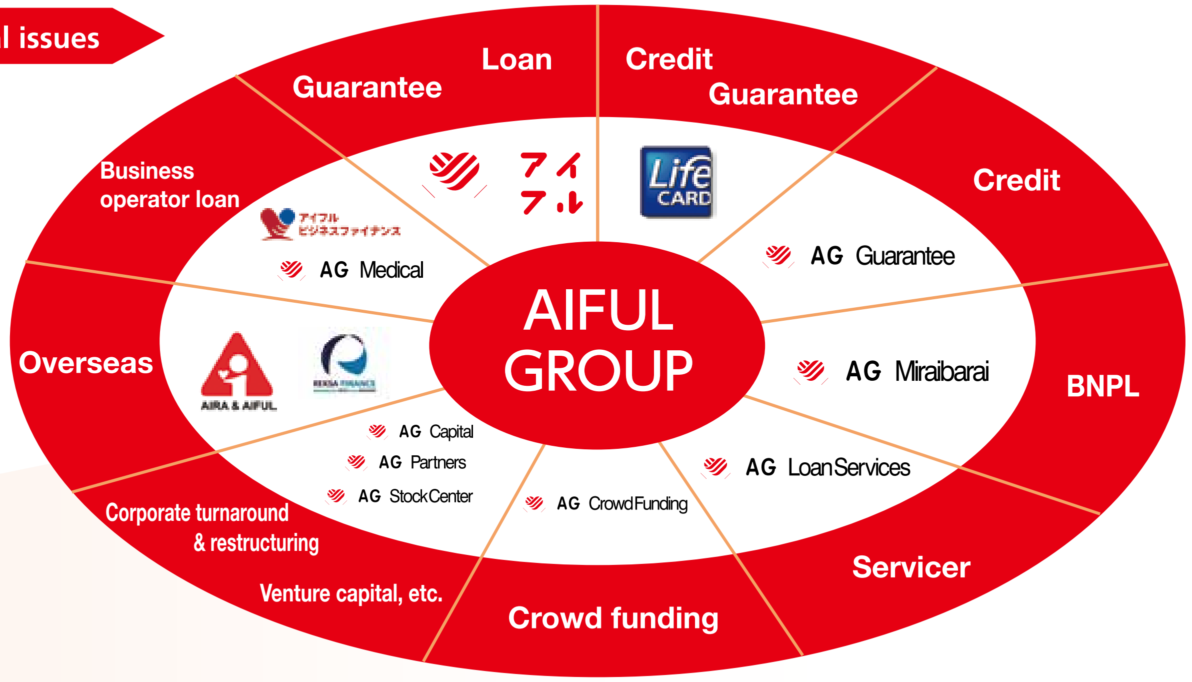
IT in the financial market

Diversified needs

Wave of innovation of digital technologies

Spread of cashless settlement methods

Economic growth of ASEAN countries



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

AIFUL's strengths

1 **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.

2 **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.

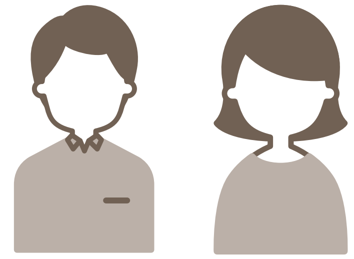
3 **Credit and screening capabilities that have been nurtured for many years**

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.

Values we offer

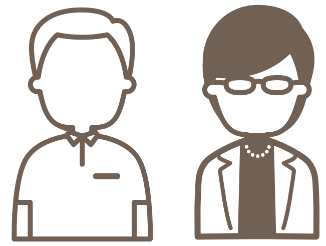
Customers

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.

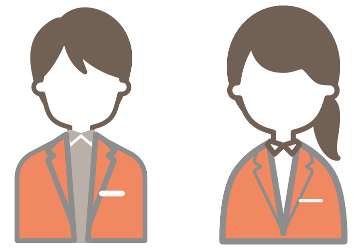


Society

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, 2022)	Business description
AIFUL Corporation	70%	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. We have systematized the marketing activities at manned shops and are striving to maximize the synergy of sale among group companies.
LIFECARD Co., Ltd.	19%	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. 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.
AIFUL BUSINESS FINANCE Corporation	6%	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.
AIRA & AIFUL Public Company Limited	3%	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.

	Operating revenue (Millions of yen) 2020/3	2021/3	**2022/3**	Ordinary profit (Millions of yen) 2020/3	2021/3	**2022/3**	Profit (Millions of yen) 2020/3	2021/3	**2022/3**
AIFUL Corporation	77,504	78,826	**83,117**	1,728	11,973	**6,748**	1,639	9,583	**7,912**
LIFECARD Co., Ltd.	34,181	32,320	**32,368**	2,334	4,248	**1,800**	1,136	3,139	**1,755**
AIFUL BUSINESS FINANCE Corporation	5,895	6,532	**6,430**	251	2,913	**2,773**	13	1,767	**1,691**
AIRA & AIFUL Public Company Limited	6,519	5,957	**5,725**	△1,064	△131	**463**	△1,176	△190	**1,037**

AIFUL Corporation

AIFUL business overview

Business portfolio diversification and establishment of a firm business foundation

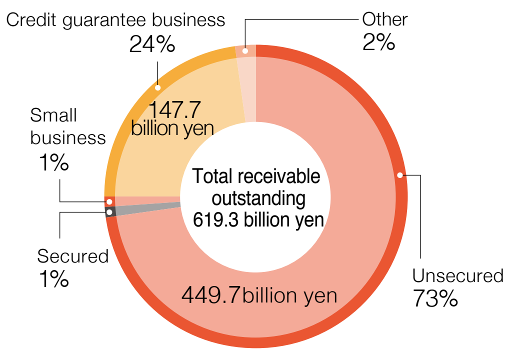
AIFUL Corporation operates a consumer finance business as the core company of the AIFUL Group and continues growing the balance of consumer loans receivable as one of the leading companies in the consumer finance market. We are diversifying our business portfolio, ranging from unsecured loans, which 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.

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.

Total receivable outstanding composition



Measures and performance in fiscal 2021

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

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.

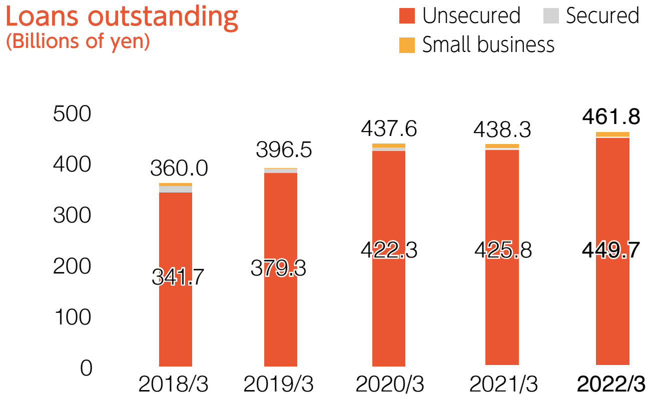
The credit guarantee business achieved a double-digit growth in the balance of receivable outstanding year on year through proactive establishment of partnership with financial institutions all across Japan and development of a multitude of guarantee products.

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

◆ Loan business

In the loan business, in addition to implementing an effective advertising strategy mainly via television commercials and the Internet, we are working to improve services from the customers' perspectives, through the renovation of our official website, smartphone apps, and application formats, in order to improve customer convenience, and are striving to increase the number of new contracts and the balance of operating receivables.

Loans outstanding
(Billions of yen)



◆ Unsecured loans

The number of new unsecured loan applications for AIFUL increased 58.9% year on year, to 637,000, the number of new contracts increased 30.4% year on year, to 210,000 and the balance of operating receivables increased 5.6% year on year, to 449.7 billion yen in fiscal 2021, thanks to the recovery in demand for funds due to the resumption of economic activities and by increasing the number of locations in which smartphone ATMs have been installed, enriching the loan receiving service, and implementing effective advertising with listing ads, video ads, as well as affiliate ads combined.

◆ Small business loans

Although the market scale had temporarily shrunk due to the stagnation of economic activities due to the spread of COVID-19 and the repayment of loans through special loans for business operators, it has been on a steady recovering trend as demand for funds from small business loans has gradually recovered in line with the resumption of economic activities. Against this backdrop, as a result of taking advantage of the credit know-how of financing targeting business operators that we have cultivated, operating loans for business operators totaled 8.6 billion yen (a rise of 13.0% from the previous fiscal 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 2021, the number of affiliates by product is 101 companies for personal unsecured loan guarantees and 104 companies for business operators unsecured loan guarantees. The balance for credit guarantees totaled 147.7 billion yen (a rise of 18.3% 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.

◆ 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.

Although there was a significant decline in the use of credit cards in some industries due to the impact of the spread of the COVID-19, the credit card market has been on a moderate recovery trend mainly due to the resumption of economic activities and the expansion of cashless payment.

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.

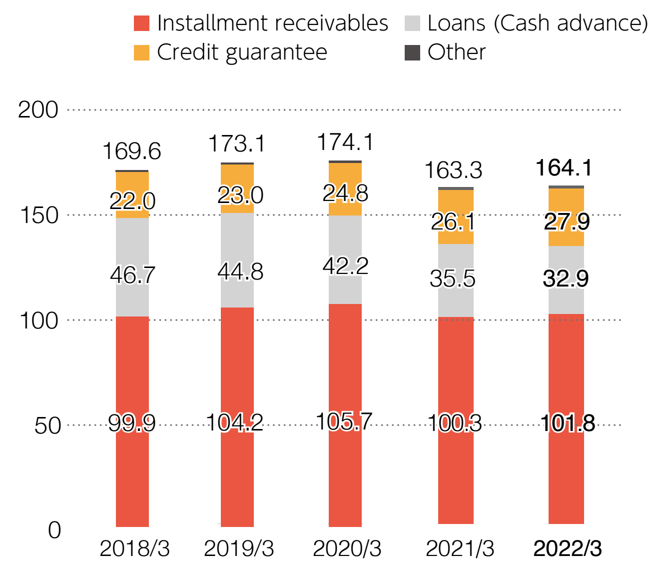
Measures and performance in fiscal 2021

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

IIn fiscal 2021, 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.

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 660.8 billion yen (a rise of 5.9% 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.

Proper 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 2021, the number of proprietary cards newly issued was 92,000 for a total of 1.37 million effective members.

Co-branded 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 2021, the number of affiliate cards newly issued was 289,000 for a total of 3.86 million effective members.

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 2021 were 780.8 billion yen (a rise of 4.1% year on year), including transactions at Sumishin Life Card, a group company that possesses a Visa license.

(For the purpose of integrated and efficient credit card operations within the group, LIFECARD acquired all of the shares of Sumishin Life Card Company, Limited and absorbed it on April 1, 2022.)

◆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 18 million, and total sales amounted to about 107 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 2021, 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 27.9 billion yen (a rise of 5.6% year on year).

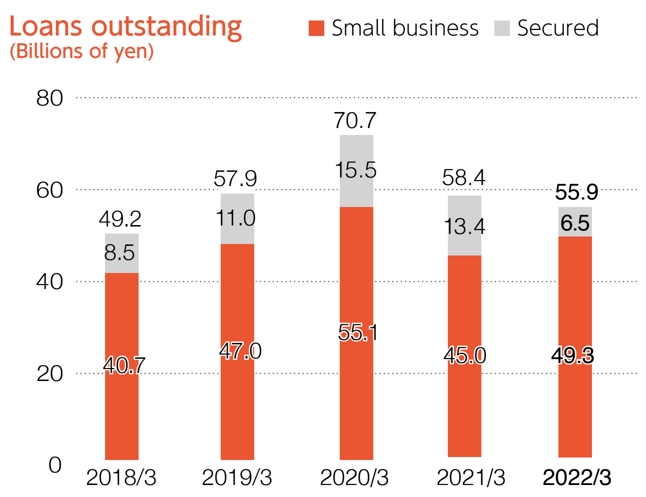
AIFUL BUSINESS FINANCE CORPORATION

アイフル ビジネスファイナンス

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 had 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 could 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 from the perspective of regional revitalization, 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.

In fiscal 2021, the needs for funds which declined due to the COVID-19 pandemic are on a recovery trend, so the small business loan balance reached 49.3 billion yen, up 9.6% year on year



AG Loan Services Corporation

AG 債権回収

AG Loan Services Corporation was established in 2001. The company offers a wide range of servicing 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 addition, 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 2021, the balance for the collection from purchased receivables totaled 800 million yen (a decline of 43.5% year on year) due to the revision to the accounting standard related to the purchased receivables and the balance of purchased receivables was 5.9 billion yen (a rise of 64.3% year on year).

AG Partners Corporation

AG パートナーズ

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 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 MEDICAL CORPORATION

AG Medical

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 fiscal 2021, the balance of secured loans was 8.2 billion yen. We will 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 Capital Co., Ltd.

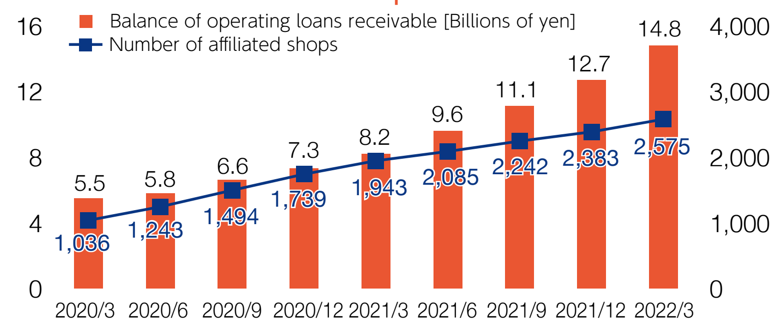
AG Capital

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 2021, we invest in 92 enterprises and the amount of operational investment securities is about 2.3 billion yen.

AG ｷﾞｬﾗﾝﾃｨｰ AG GUARANTEE CO., LTD.

LIFE GUARANTEE CO., LTD. was established in 2013, and renamed to AG GUARANTEE CO., LTD. in July 2022. 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 2021, the balance of operating receivables stood at 14.8 billion yen (a rise of 79.7% year on year), and we will make efforts to increase the balance.

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

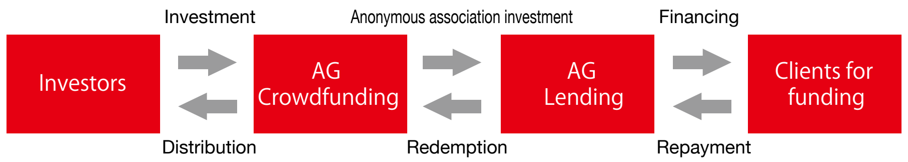


AG ﾐﾗｲﾊﾞﾗｲ AG MIRAIBARAI CO., LTD.

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 is projected to reach 1 trillion yen in fiscal 2020 and 1.3 trillion yen in fiscal 2021, thus becoming a promising market. In fiscal 2021, the spending by customers with the postpay settlement amounted to 12 billion yen and the number of affiliated shops was 430,000, 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 ｸﾗｳﾄﾞﾌｧﾝﾃﾞｨﾝｸﾞ AG Crowdfunding Co., Ltd.

This company was established in August 2020 for launching the loan-type crowdfunding business and started business operations in September 2021. We started recruiting projects for the AIFUL Group in September 2021, and as of the end of March 2022, we have established 11 funds with a cumulative investment of 1.82 billion yen. In addition, we started handling real estate collateral loan funds in March 2022.



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. This time, it was listed on the Standard Market of Tokyo Stock Exchange in April 2022, and is proceeding with the improvement of corporate value and the expansion of corporate scale.

AG 住まいるリースﾊﾞｯｸ AG SMILE LEASEBACK CORPORATION

AG SMILE LEASEBACK CORPORATION was established in April 2022 as AIFUL SMILE LEASEBACK CORPORATION, and renamed to the current name in July 2022. In recent years, real estate leaseback is attracting attention as a new method of utilizing housing, and the increasing number of people are using this as a method of solving problems according to their lifestyle.

Our corporate group established this company with the aim of realizing "comfortable life planning through leaseback" by utilizing the know-how in the credit and real estate business that we have cultivated to date.

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 2021, starting from the commencement of operation, operating loan balance stood at 23.4 billion yen, and the company had 46 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 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

• Responding to climate change

Our corporate group recognizes that responding to climate change is a high priority issue, and in accordance with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), we have identified risks and opportunities in climate change, and discussed countermeasures. Moving forward, our corporate group will work to resolve the issues based on the discussion results.

Item	Activity description
Governance	By the end of fiscal 2021, the Risk Management Committee established directly under the Board of Directors will includes risks associated with climate change in the risks to be monitored, discusses them, and reports the results of monitoring, etc. to the Board of the Directors on a regular basis.
Strategies	The substantial appearance of climate change will lead not only to physical losses for our corporate group, including the need for insurance coverage, but also to a decline in service levels and risks arising from customers being affected by disasters such as loss of revenue and increased credit-related expenses (credit costs). On the other hand, we will strive to resolve the issues, not only to improve the resilience of our business infrastructure by accelerating energy conservation measures as well as BCP measures, but also to create business opportunities to meet the expectations of our customers.
Risk management	The Risk Management Committee periodically extracts risk information from the Compliance Committee and other divisions, and works with directors and relevant divisions to establish a system to execute risk management. Under this system, we will identify, evaluate and manage risks associated with climate change.
Indicators and goals	Moving forward, in accordance with the TCFD recommendations, we will continue to analyze scenarios, estimate the financial impact as necessary, and evaluate actions based on the outcome, and strive to find appropriate indicators.

[Assessment of our corporate group's risks and the significance of the risks]

Risk item			Indicator	Description	Assessment
Category	Broad category	Subcategory			
Transition risks	Policy Law and regulations	Increase in carbon tax, energy-saving policies, GHG emission regulations, and increase in renewable energy prices	Expenditure	•Increase in infrastructure operating costs	Medium
Transition risks	Reputation	Change in reputation in society and among investors	Capital	•Decline in the support from customers •Increased anxiety of stakeholders, and worsened reputation →Increased difficulty in securing human resources and decreased employee retention rate →Increased difficulty in procuring funds →Decline in stock prices	Medium
Physical risks	Acute	Flood damage due to typhoons, torrential rains, etc.	Expenditure Revenue	•Limited employee attendance due to public transportation shutdown →Decline in customer service levels •Increase in claims eligible for relief due to customers impacted by disaster •Physical damage to our corporate group's facilities, etc. →Direct impact on business performance	Medium
Physical risks	Chronic	Increase in average temperature Changes in precipitation and weather patterns	Expenditure Revenue	•Increase in operating costs for air conditioning equipment in summer •Drop in employee productivity, restriction on commuting, and deterioration of workplace comfort and safety →Decline in customer service levels	Medium

[Our corporate group's risk management measures and opportunities]

Risk item	Risk management measures	Opportunities
Increase in carbon tax, energy-saving policies, GHG emission regulations, and increase in renewable energy prices	•Set targets for energy consumption and CO_2 reduction	•Reduction of business activity costs through promotion of energy-saving measures
Change in reputation in society and among investors	•Disclosure of information on our initiatives related to climate change, and careful explanations to investors and others	•Realization of issuance of environmental-friendly cards such as those made from plant-based materials, as well as business investments that lead to carbon neutrality, including those for research on environmental-friendly cards. •Appropriate evaluation from customers, stock and bond markets, etc.
Flood damage due to typhoons, torrential rains, etc.	•Revision to the contingency plan •Establishment of a support system including a consultation service for customers impacted by disaster	•Improvement in infrastructure resilience through BCP measures •Promotion of stabilization of customer service levels
Increase in average temperature Changes in precipitation and weather patterns	•Rebuilding a comfortable working environment	•Enhancement in productivity by improving the working environment

• Management of energy consumption and GHG emissions

We manage the energy usage amount and greenhouse gas emissions, thereby contributing to the energy conservation and CO2 reduction by implementing "cool biz" and "warm biz" campaigns and using LED lightings.

Energy consumption

Fiscal year	YoY (%)
2018	98.5
2019	110.8
2020	63.6
2021	92.7

Greenhouse gas emissions

Fiscal year	t-CO2
2018	7,047
2019	6,863
2020	4,205
2021	3,996

Social

• Non-face-to-face completion

AIFUL Group strives to provide non-face-to-face and prompt financial services. eKYC (electronic Know Your Customer) enables our customers to securely complete their identity verification process online. We have also introduced Smartphone ATM for cardless transactions. Further, a wire transfer service available for 24 hours a day and 365 days a year has also been introduced, enabling customers to instantly borrow money 24 hours a day, including weekday nights, weekends and holidays.

• Customer feedback meeting

AIFUL collects and creates a database of customers' opinions and requests obtained at our call centers where we receive inquiries from our customers. In addition, we hold a customer feedback meeting every month led by the Sales Department and the Credit Management Department to facilitate the decision-making process that leads to improvement of business and enhancement of services.

• AIFUL-CSIRT

As a technical response team for early warning and resolution of cyber-attacks including targeted attacks, we have established AIFUL-CSIRT, mainly composed of the departments of Information Systems, Compliance and Public Relations.

• Sponsorship of hackathons

We have been sponsoring the hackathons since March 2019. The word "hackathon" was coined with "hack" and "marathon." It is an event in which programmers are divided into multiple teams and work on a given theme intensively for a certain period of time to design programs and services, and compete in the results of their efforts. In December 2021, the event was held in the Kingdom of Thailand in an online format for students of Chulalongkorn University. By holding a hackathon event, we aim to provide opportunities to learn and grab their own potential, which is expected to contribute to raising the level of IT education. We have held a hackathon for students of Kyoto University twice in 2019, and held it for the students in Thailand in 2021, which was our first time to hold the event in overseas.

• Social contribution through credit cards

LIFECARD issues credit cards for social contributions, of which partial revenue is donated to partner organizations and NPOs. In addition, we have established a charity course as part of our point program to accept donations from members using their points.

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Total amount of donations (yen)	13,241,666	12,739,304	11,927,283

• Financial inclusion

We hope to enrich our customers' lives by providing more people with diverse payment options.

In order to meet the various needs from our customers, the AIFUL Group strives to improve the convenience of our services by providing a wide array of products.

Interview with an executive in charge

Q What do you think is the social significance of promoting credit cards and other forms of cashless payment?

A The significance of the government's promotion of cashless payments is that convenience for customers, stimulation of consumption and improved efficiency of business operators will lead to the further development of economic activities. Furthermore, we see improvements in the service level for customers while utilizing big data. Accordingly, we are working every day to play a role in promoting cashless payments as a credit card company.

Q How would you like to expand the Credit Card Business in the future to achieve financial inclusion?

A Cashless payments are already now an indispensable part of everyday life. For example, it is possible to procure foods and daily necessities through e-commerce by using a credit card even in situations where it is not possible to go outside due to the spread of infectious diseases.

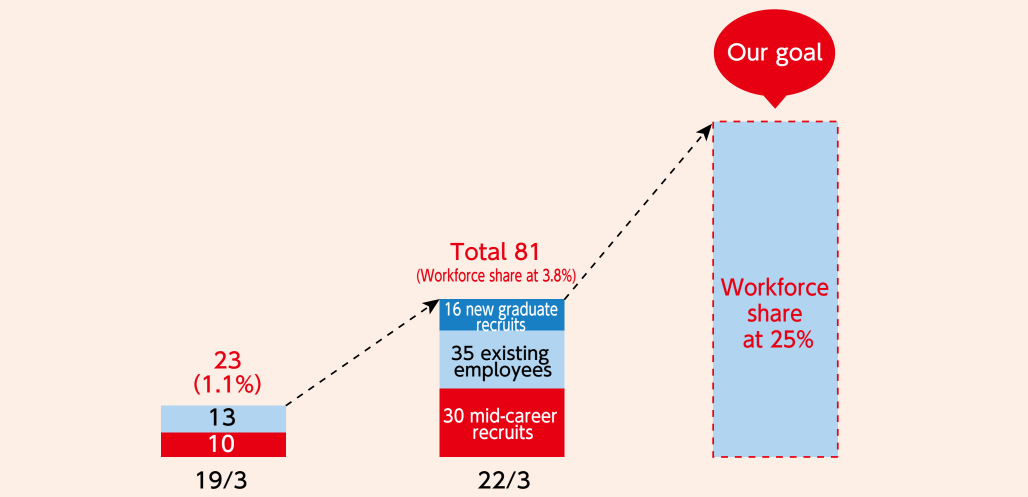
In such an environment, we, at Life Card Co., Ltd., want to contribute to enriching the daily lives of our members and to grow together with them. We are doing that by issuing cards to as many people as we can and expanding transactions according to the usage conditions even if the amount is small at first.

Keiji Masui, Director & Senior Managing Executive Officer

• Investment in human capital

In order to achieve growth as an IT-based financial group, we focus on hiring personnel with expertise and experience in IT, design, and data analysis in our mid-career recruitment. We are enhancing our investment in IT human resources by actively approaching human resources with expertise in hiring new graduates, so that young employees can play active roles in the field of their expertise.

■ Aim to increase the ratio of IT human resources to about 25% of all employees.



We periodically hold IT training programs such as Tech Camp, and put our efforts into developing specialized human resources within the company.

• The environment that recognizes individuality

We are striving to create a comfortable working environment by introducing flextime, telecommuting systems, and a business casual dress code. We have also established a system of side jobs, and aim to secure an environment where each and every employee can work vigorously and enthusiastically by recognizing each other's diverse work styles.

• Enhancing employees' engagement

We have created a multi-portal site, which can be viewed from smartphones, by ourselves, to promptly share internal newsletters and internal information with all employees. Moreover, we conduct workplace tours periodically (about twice a year), as we hope to enhance employees' engagement by helping employees' families deepen their understanding about the AIFUL Group.

• Diversity

The AIFUL Group has formulated an action plan for the promotion of women who take active roles, aiming to increase the ratio of female employees to 40% or higher, and to increase the number of female executives. In addition, we achieved an employment ratio of 2.4% for the physically challenged personnel.

The results for the action plan from April 2019 to March 2022 are as below.

Numerical goals		Results	Target period
1. (FY2022) Increase the ratio of female full-time employees to 40% or higher		38%	April 1, 2019 to March 31, 2022
2. (FY2022) Increase the number of female employees in managerial positions by 30% from FY2019.		70%	April 1, 2019 to March 31, 2022
	Double the number of female employees in managerial positions from FY2019.	3.5 times	April 1, 2019 to March 31, 2022
	Increase the number of female section chiefs by 20% from FY2019.	52%	April 1, 2019 to March 31, 2022

• Support for next-generation

The AIFUL Group aims to create a comfortable working environment for employees raising children, and encourage male employees to take childcare leave.

Governance

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Interview with Outside Director Shinichiro Maeda

Q You were appointed as an outside director in June 2022. What are your thoughts on the roles of external directors?

A We are a company with an Audit and Supervisory Committee. As an external Audit and Supervisory Committee member, I have a role of supervising the execution of business from a broad perspective while considering changes in society as a whole. In doing so, I hope to give advice on fair management decisions by objectively stating opinions on audits and other matters from a neutral standpoint.

Q Please tell us about your background and, how would you like to make use of those experiences in the future?

A I myself have been involved in the world of investment through my work as a securities analyst. In addition to Japan, I have also worked and lived in the United States. As a company listed on the Prime Market, we would like to pursue management from a global perspective based on dialogue with shareholders and other stakeholders.

Q Please give a message to our stakeholders.

A The retail finance business is made possible by the accumulation of small-lot financial transactions by shareholders, investors, financial institutions and other providers of funds, customers, and our company which provides credit and our employees. The growth and development of a company is achieved with the support of our stakeholders. While gaining the society's support, we hope to play a part in the development of the financial industry.

Shinichiro Maeda, Outside Director & Audit and Supervisory Committee Member

• Risk Management Committee

The committee is chaired by Representative Director and President and consists of all directors, whose purpose is to prevent risks and mitigate losses in the event of a crisis, by establishing an appropriate risk management system, and it receives reports on the status of risks on a regular basis to grasp such risks, conducts routine reviews of the risk management system, and reports results to the boad of directors. As a general rule, the committee meets quarterly, and an extraordinary session is held as necessary.

• Compliance education

In order to deepen the knowledge of in-house regulations and laws, we hold a compliance study meeting for all employees (including temporary and contract employees) every year, and administer a test after the meeting. We held compliance study meetings four times this fiscal year.

• Whistleblowing hotline

In accordance with the Whistleblower Protection Act and other relevant laws and regulations, we have established rules and regulations concerning internal whistleblowing systems, and set up a whistleblowing hotline for those who work for corporations, enterprises, and organizations with which we have business relationships.

• Strengthening engagement through IR activities (tentative)

We aim for transparent business management through dialogue with shareholders and investors.
The summary of activities for the fiscal 2021 (April 1, 2021, to March 31, 2022) is as follows.

Format	Number of sessions
Financial results briefing	2
One-on-one meeting	146
Participation in conferences sponsored by securities firms	1

Corporate Governance (as of June 30, 2022)

› 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.

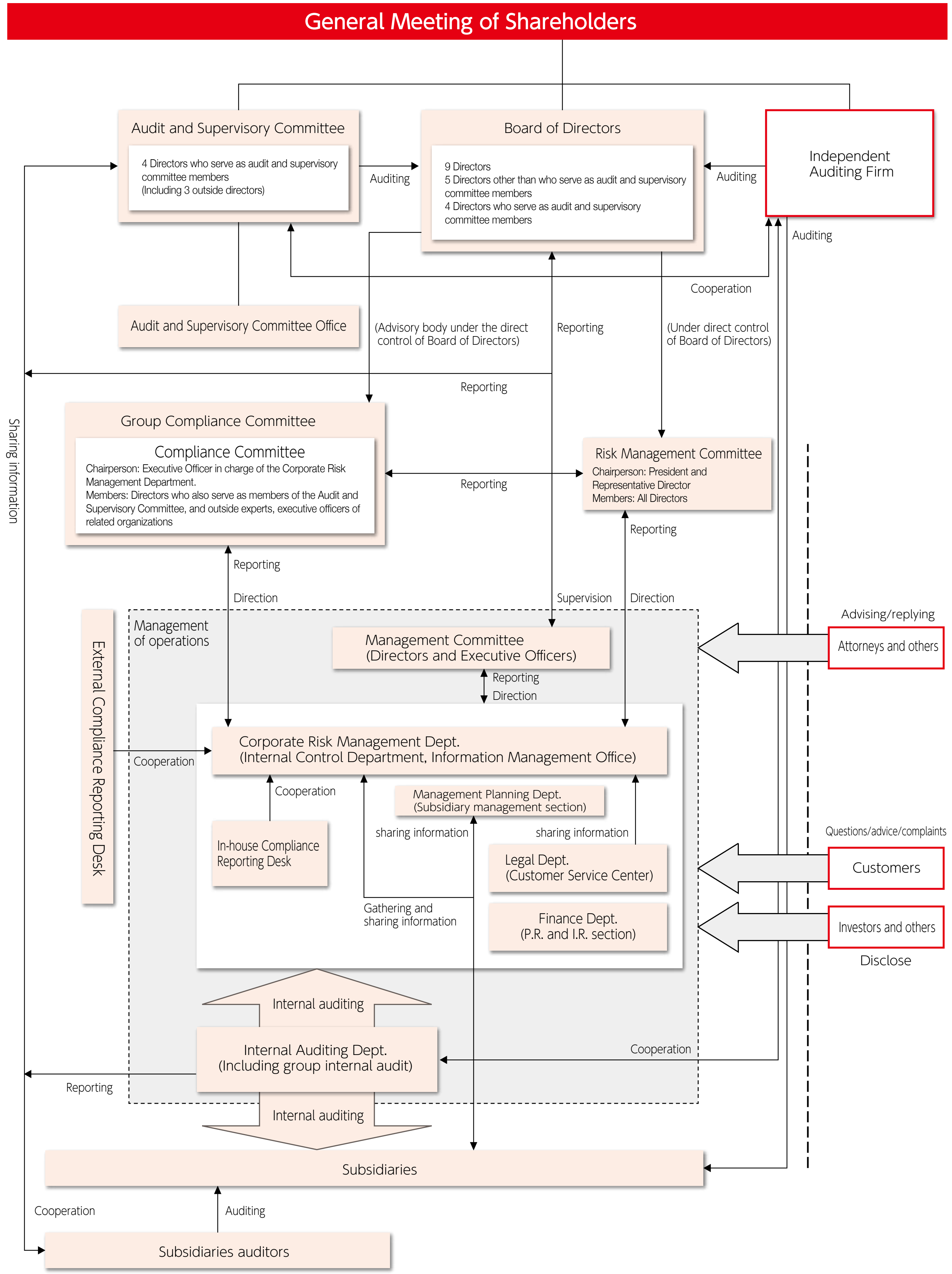
(1) We will respect the rights of shareholders and ensure their equality.

(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 four directors (Hitoshi Shimura, Director and Outside Standing Audit and Supervisory Committee Member; Yoshihide Fukuda, Director and Standing Audit and Supervisory Committee Member; Haruichi Suzuki and Shinichiro Maeda, Directors and Outside Part-time Audit and Supervisory Committee Members). It determines items such as the audit policy and plan, and discusses and decides on important audit matters based on the reports it receives. In addition to these performing these duties, it also audits legitimacy and appropriateness through the use of the internal control system. A meeting will generally be held every month, with extraordinary meetings held when necessary.

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

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

Board of Directors and Directors

The Board of Directors consists of nine directors in total (as of the date of submission of the Annual Securities Report), with five directors (directors who are not on the Audit and Supervisory Committee); namely, Mitsuhide Fukuda, Yoshitaka Fukuda, Masayuki Sato, Akira Kamiyo and Keiji Masui, and four directors who are on the Audit and Supervisory Committee. It deliberates and decides on matters that cannot be delegated to directors pursuant to the provisions of laws, regulations, and the Articles of Incorporation, as well as important matters such as management strategies, personnel policies, capital policies, and monitors these matters regularly. It generally holds semimonthly meetings and extraordinary meetings when necessary.

Outside Directors

Three of the four 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 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; namely, Shinichiro Okuyama, Kazuhiko Tsuda, Hiroyuki Otomo, Atsushi Suda, Akitaka Domoto, Toshiaki Ando, Ikuo Yamauchi, Takayuki Nakata, Hiroshi Azuma and Junichi Niizuma. 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 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 (Akira Kamiyo, Director and Senior Managing Executive Officer), and it is composed of outside experts, directors also serving as members of the Audit and Supervisory Committee and executive officers of related organizations. Its objectives are to create a corporate culture in which compliance is emphasized, to establish corporate ethics and to promote compliance programs. It makes deliberations and recommendations regarding compliance related important matters and delivers reports to the Board of Directors as required. In addition to meetings held four times a year in general, it holds extraordinary meetings as necessary.

Risk Management Committee

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

Major skills and experiences that each director possesses

Name	Position and title	Skills and experiences											
		Corporate management	Legal affairs Compliance Risk management	Finance and accounting	Global	HR Labor affairs Personnel development	Financial business			Credit Marketing	IT Digital DX	M&A	Diversity
							Loan Business	Credit Card Business	Credit Guarantee Business				
Mitsuhide Fukuda	President and Representative Director, Chief Executive Officer	○	△	○		△	○	○	○	○	○		
Yoshitaka Fukuda	Chairman and Representative Director	○	○	○		○	○	○	○	○		○	
Masayuki Sato	Representative Director and Senior Managing Executive Officer	○		○	○	○	○	○		○	○	○	
Akira Kamiyo	Director and Senior Managing Executive Officer	○	△	○			○		△	○			
Keiji Masui	Director and Senior Managing Executive Officer	○		○			○	○		○			
Hitoshi Shimura	Director and Audit and Supervisory Committee Member (outside)	○	○	○	○								○
Yoshihide Fukuda	Director and Audit and Supervisory Committee Member		○	△									
Haruichi Suzuki	Director and Audit and Supervisory Committee Member (outside)		○										○
Shinichiro Maeda	Director and Audit and Supervisory Committee Member (outside)			○	○		○	○					○

Note 1. In the section of "Corporate management," applicable members have one year or more experience as executive officer in our company or other companies.

Note 2. In the section other than "Corporate management," ○ indicates those who have three years or more experience as department head or above (or in the equivalent post) in the relevant business in our company or other companies. △ indicates those with experience of more than one year to less than three years.

Reasons for the current structure

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

Further, we separate management's supervisory functions and business execution functions by implementing an executive officer system and strengthening supervisory functions by establishing a Compliance Committee including outside experts and a Risk Management Committee, etc.

We have adopted our current system to achieve corporate management that is transparent, fair, and efficient.

Remunerations for executives

Our company has established a policy on how to determine executive remunerations and calculation methods. Under the corporate philosophy of "Earn the trust of society through corporate activity based in integrity", the policy aims to function as a remuneration for each responsibility and an effective incentive to improve business performance and corporate value over the mid-to-long term.

Specifically, remunerations for directors (excluding those for directors and Audit and Supervisory Committee members and outside directors) consist of basic remunerations as fixed compensation, monetary remunerations as performance-linked compensation and non-monetary remunerations (transfer-restricted share-based remuneration). Remunerations for outside directors and directors and Audit and Supervisory Committee members are comprised of only basic remunerations to ensure independence.

Executive remunerations for directors and directors and Audit and Supervisory Committee members in AIFUL in fiscal 2021 are as follows.

7 directors (excluding directors and Audit and Supervisory Committee members and outside directors)	142 million yen
2 directors and Audit and Supervisory Committee members (excluding outside directors)	14 million yen
3 outside directors	20 million yen

In order to further enhance the sharing of value with shareholders as well as to provide an incentive to improve our corporate value sustainably, we have resolved to adopt the transfer-restricted share-based remuneration system at the meeting of the Board of Directors held on April 18, 2022.

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 adopted three-line model. 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, 2022)

Directors

Mitsuhide Fukuda
President and Representative Director

Yoshitaka Fukuda
Chairman and Representative Director

Masayuki Sato
Representative Director

Akira Kamiyo
Director

Keiji Masui
Director

Director, Audit and supervisory committee member

Hitoshi Shimura
Director (outside)

Yoshihide Fukuda
Director

Haruichi Suzuki
Director (outside)

Shinichiro Maeda
Director (outside)

Executive Officers

Mitsuhide Fukuda
Chief Executive Officer
Chairperson of Risk Management Committee, In charge of Administrative Information Office and Internal Auditing Department (Chairman and Representative Director of LIFECARD Co., Ltd.)

Masayuki Sato
Senior Managing Executive Officer
Senior General Manager of LoanBusiness Division and Credit Management Division, In charge of Credit Governance Department and Overseas Business Department

Akira Kamiyo
Senior Managing Executive Officer
Chairperson of Compliance Committee,Senior General Manager of Management Planning Division,In charge of Operations Management Department, Personnel Department, Legal Department and Corporate Risk Management Department

Keiji Masui
Senior Managing Executive Officer
Senior General Manager of Guarantee Business Division, In charge of Corporate Sales Promotion Department, Eastern Japan Business Department and Western Japan Business Department (Director Senior Managing Executive Officer of LIFECARD CO., LTD.)

Shinichiro Okuyama
Managing Executive Officer
Responsible for Credit Governance Department, Senior Advisor attached to Group Systems Division

Kazuhiko Tsuda
Managing Executive Officer
In charge of Accounting Department and General Affairs Department, Responsible for Operations Management Department and Administrative Information Office

Hiroyuki Otomo
Executive Officer
Senior General Manager of Finance Division

Atsushi Suda
Executive Officer
Assistant Senior General Manager of Guarantee Business Division, Responsible for Corporate Risk Management Department and General Affairs Department

Akitaka Domoto
Executive Officer
Assistant Senior General Manager of Loan Business Division

Toshiaki Ando
Executive Officer
Assistant Senior General Manager of Finance Division, General Manager of Finance Department and Group Finance Department (President and Representative Director of AG GUARANTEE CO., LTD.) (Chairman and Representative Director of AG MIRAIBARAI CO., LTD)

Ikuo Yamauchi
Executive Officer
Responsible for Personnel Department and Overseas Business Department, General Manager of Overseas Business Department (President and Representative Director of AG Capital CO., LTD.)

Takayuki Nakata
Executive Officer
Senior General Manager of Group Systems Division, In charge of Group Digital Promotion 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)

Junichi Niizuma
Executive Officer
Responsible for Internal Auditing Department and Legal Department, General Manager of Legal Department

Financial Report

Six-Year Summary

	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
For the Year (Millions of yen):						
Operating revenue	91,450	115,389	115,328	127,038	127,481	132,097
Operating expenses	84,440	112,897	112,297	125,358	109,950	120,855
Financial expenses	8,030	7,560	7,949	7,522	7,248	7,041
Provision for doubtful account	20,744	20,497	30,628	35,277	38,818	27,918
Interest repayment related expenses	—	12,384	11,501	16,927	—	19,929
Operating profit (loss)	7,009	2,492	3,031	1,679	17,530	11,242
Ordinary profit (loss)	7,399	2,823	4,110	1,716	19,305	12,265
Profit (loss) before income taxes	7,399	3,527	3,420	1,569	18,149	12,265
Profit (loss)	7,276	2,945	8,183	300	17,794	13,037
Profit (loss) attributable to owners of parent	7,276	3,958	9,346	1,390	18,437	12,334
At Year-End (Millions of yen):						
Loans outstanding	412,649	472,018	521,823	573,080	553,389	582,349
Non-performing loans	66,401	71,515	79,294	86,422	87,393	97,121
Total assets	616,651	682,645	760,587	860,507	863,354	935,642
Allowance for doubtful accounts	70,172	66,959	70,469	72,294	77,830	78,246
Total liabilities	505,002	563,238	632,570	731,576	715,662	779,116
Interest-bearing debt	300,222	365,836	418,708	475,893	457,639	480,401
Net assets	111,649	119,407	128,016	128,931	147,692	156,526
Per Share Data (Yen):						
Basic profit (loss) (EPS)	15.05	8.18	19.32	2.88	38.12	25.50
Net assets (BPS)	228.94	236.13	256.45	260.53	300.92	318.17
Ratios (%):						
Equity ratio	18.0	16.7	16.3	14.6	16.9	16.4
ROE	6.8	3.5	7.8	1.1	13.6	8.2
ROA	1.2	0.4	0.6	0.2	2.2	1.4
Other Data:						
Number of shares issued at year-end	484,619,136	484,620,136	484,620,136	484,620,136	484,620,136	484,620,136
Number of employees at year-end	1,473	2,503	2,273	2,113	2,135	2,116

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

Business Data

AIFUL GROUP

TOTAL RECEIVABLE OUTSTANDING

(Millions of yen)

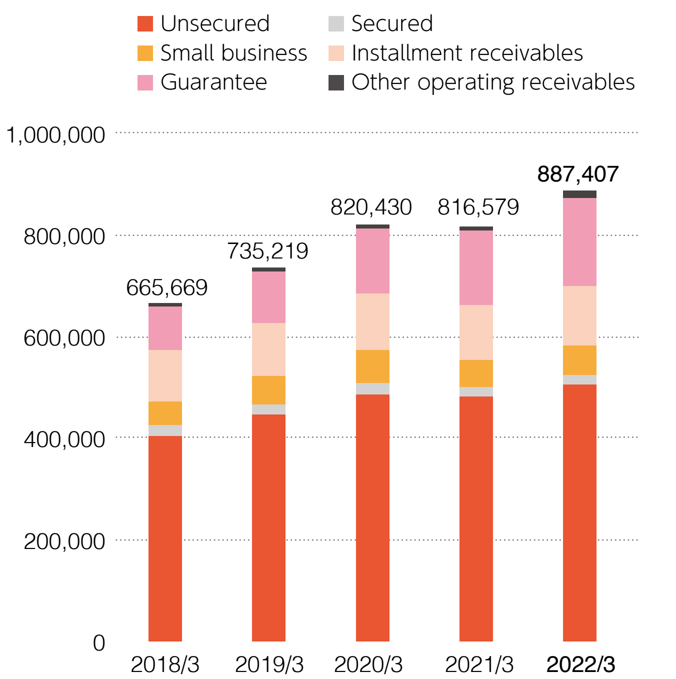
	2018/3	2019/3	2020/3	2021/3	2022/3
Total receivable outstanding	665,669	735,219	820,430	816,579	**887,407**
Loans outstanding	472,018	521,823	573,080	553,389	**582,349**
Unsecured	404,056	445,866	486,119	481,687	**505,255**
Secured	20,923	20,285	22,533	18,281	**18,282**
Small business	47,037	55,670	64,427	53,421	**58,810**
Installment receivables	100,460	104,645	111,473	108,714	**116,780**
Guarantee	86,465	101,007	127,018	145,725	**172,697**
Other operating receivables	6,725	7,744	8,858	8,749	**15,579**

OPERATING REVENUE/PROFIT

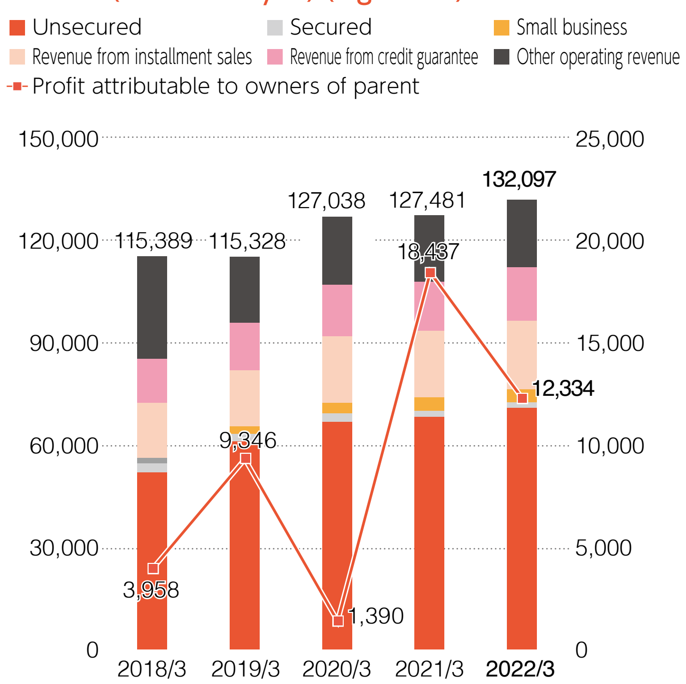
(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Operating revenue	115,389	115,328	127,038	127,481	**132,097**
Interest on operating loans	56,305	65,456	72,444	74,041	**76,332**
Unsecured	51,949	61,058	66,707	68,242	**70,842**
Secured	2,597	2,285	2,557	1,834	**1,624**
Small business	1,758	2,112	3,179	3,965	**3,865**
Revenue from installment sales	16,038	16,472	19,391	19,387	**20,099**
Revenue from credit guarantee	12,992	13,953	15,203	14,524	**15,730**
Other operating revenue	30,052	19,446	19,998	19,528	**19,934**
Operating expenses	112,897	112,297	125,358	109,950	**120,855**
Profit attributable to owners of parent	3,958	9,346	1,390	18,437	**12,334**

TOTAL RECEIVABLE OUTSTANDING (Millions of yen)



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



TOTAL ASSETS/ROA

(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Total assets	682,645	760,587	860,507	863,354	**935,642**
ROA (%)	0.4	0.6	0.2	2.2	**1.4**

TOTAL EQUITY/ROE

(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Total equity	114,214	124,045	126,017	145,555	**153,900**
ROE(%)	3.5	7.8	1.1	13.6	**8.2**

AVERAGE FUNDING COST

(%)

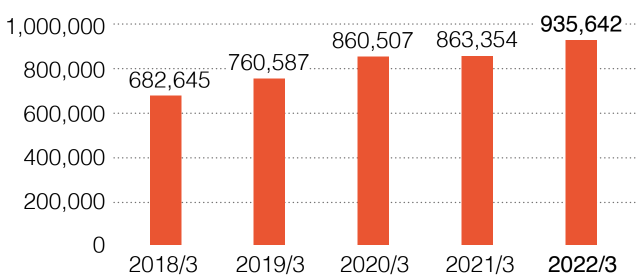
	2018/3	2019/3	2020/3	2021/3	2022/3
Average funding cost	1.87	1.64	1.45	1.38	**1.22**
Indirect	2.17	1.90	1.63	1.54	**1.39**
Direct	1.50	1.39	1.23	1.13	**0.95**
Long-term prime rate (reference)	1.00	1.00	0.95	1.00	**1.10**
Share of indirect	55.3	49.6	55.0	59.6	**62.0**
Share of direct	44.7	50.4	45.0	40.4	**38.0**

NUMBER OF CUSTOMER ACCOUNTS

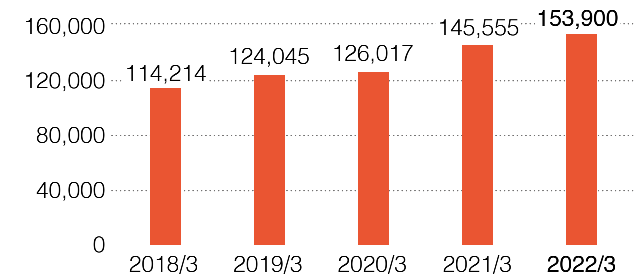
(Thousands)

	2018/3	2019/3	2020/3	2021/3	2022/3
Number of customer accounts	1,299	1,437	1,486	1,425	**1,464**
Unsecured	1,259	1,395	1,441	1,387	**1,425**
Secured	8	6	5	3	**3**
Small business	32	36	40	33	**35**
Credit card holders	5,771	5,777	5,758	5,382	**5,240**

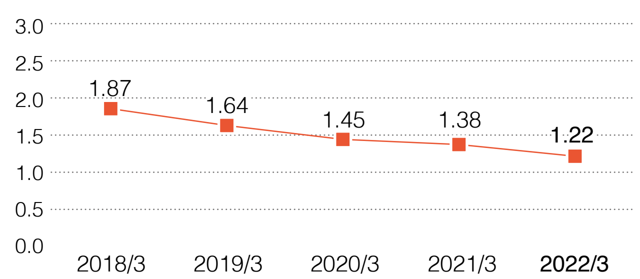
TOTAL ASSETS (Millions of yen)



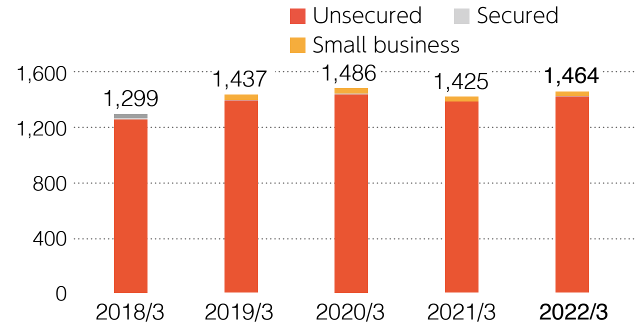
TOTAL EQUITY (Millions of yen)



AVERAGE FUNDING COST (%)



NUMBER OF CUSTOMER ACCOUNTS (Thousands)



AIFUL CORPORATION

TOTAL RECEIVABLE OUTSTANDING

(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Total receivable outstanding	454,316	503,382	560,267	572,070	619,388
Loans outstanding	360,031	396,540	437,679	438,300	461,884
Unsecured	341,777	379,317	422,382	425,848	449,747
Secured	12,403	9,306	6,958	4,813	3,501
Small business	5,850	7,915	8,338	7,638	8,635
Guarantee	87,970	99,694	114,629	125,984	148,475
Credit guarantee	85,239	97,658	113,130	124,865	147,708
Other	2,730	2,036	1,499	1,119	767
Installment receivables	503	402	325	268	226
Other	5,811	6,745	7,633	7,517	8,802

OPERATING REVENUE/PROFIT

(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Operating revenue	64,663	70,991	77,504	78,826	83,117
Interest on operating loans	45,881	51,960	57,682	59,732	63,071
Unsecured	43,510	50,026	55,695	58,559	61,872
Secured	1,862	1,325	1,296	475	388
Small business	507	608	690	697	809
Revenue from credit guarantee	10,976	11,246	11,610	11,136	11,447
Revenue from installment sales	19	13	8	4	3
Other operating revenue	7,785	7,770	8,202	7,952	8,594
Profit	2,437	5,208	1,639	9,583	7,912

TOTAL ASSETS/ROA

(Millions of yen)

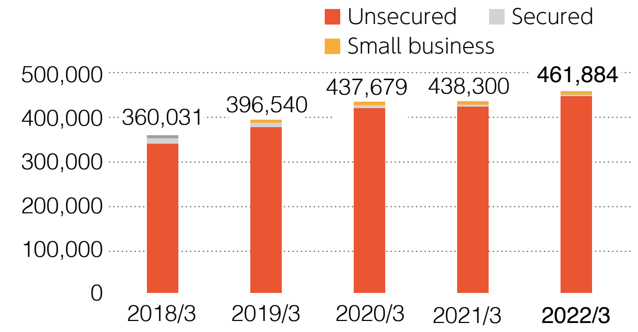
	2018/3	2019/3	2020/3	2021/3	2022/3
Total assets	500,262	556,450	635,683	638,868	711,185
ROA (%)	0.2	0.3	0.3	1.9	1.0

TOTAL EQUITY/ROE

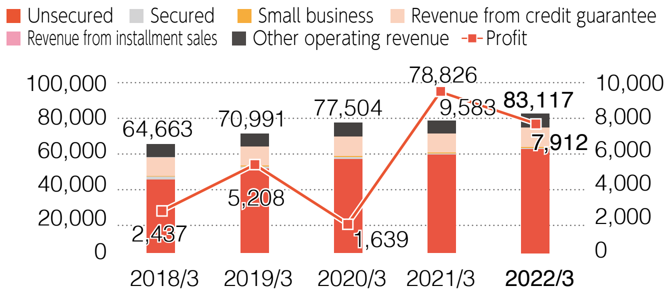
(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Total equity	85,313	90,970	92,609	102,655	110,096
ROE(%)	2.9	5.9	1.8	9.8	7.4

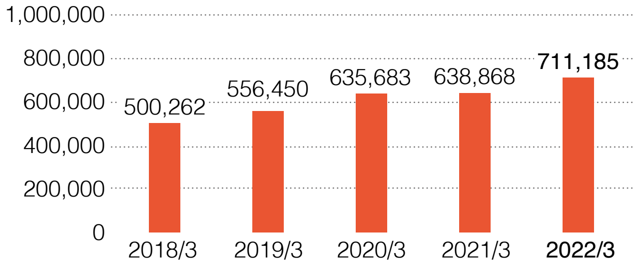
LOANS OUTSTANDING (Millions of yen)



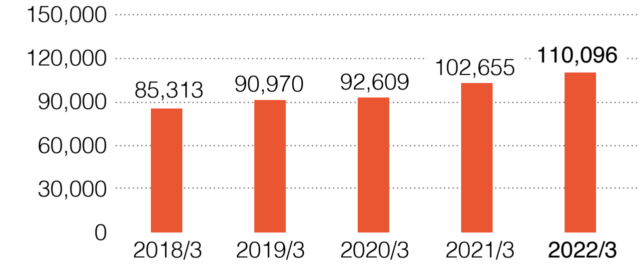
OPERATING REVENUE (Millions of yen) (Left axis)/ PROFIT (Millions of yen) (Right axis)



TOTAL ASSETS (Millions of yen)



TOTAL EQUITY (Millions of yen)



AVERAGE YIELD

(%)

	2018/3	2019/3	2020/3	2021/3	2022/3
Average yield	14.7	14.8	14.7	14.3	14.4
Unsecured	14.8	14.9	14.7	14.4	14.5
Secured	12.9	12.2	15.9	8.1	9.4
Small business	12.6	12.7	13.3	12.8	13.4

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2018/3	2019/3	2020/3	2021/3	2022/3
Number of customer accounts	802	876	950	933	980
Unsecured	788	861	937	922	968
Secured	6	5	4	2	2
Small business	6	9	9	8	9

NEW ACCOUNTS

(Accounts)

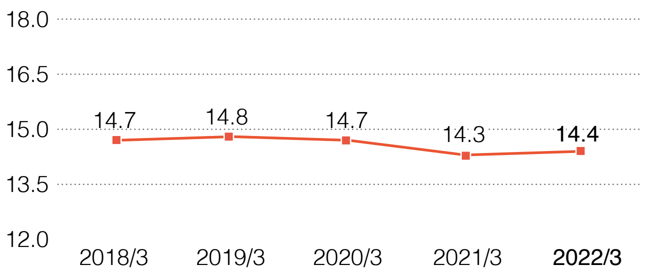
	2018/3	2019/3	2020/3	2021/3	2022/3
New accounts	197,826	199,637	206,337	161,186	210,104
Unsecured loans	197,565	199,353	206,155	161,111	210,014

AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

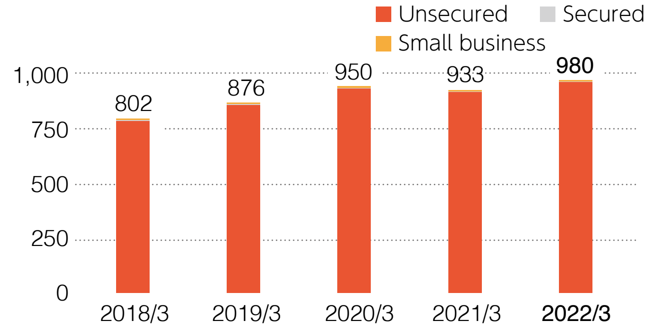
(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Amount of write-offs	18,012	18,947	20,182	22,457	20,521
Ratio of write-offs (%)	4.0	3.8	3.6	3.9%	3.3%

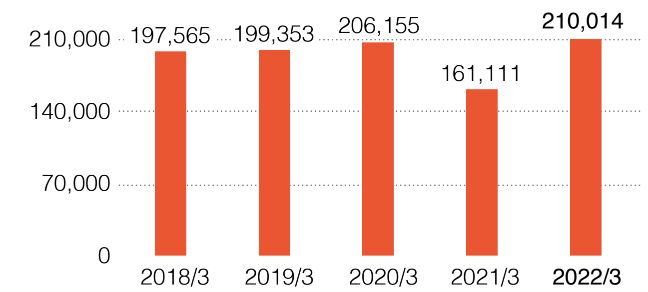
AVERAGE YIELD (%)



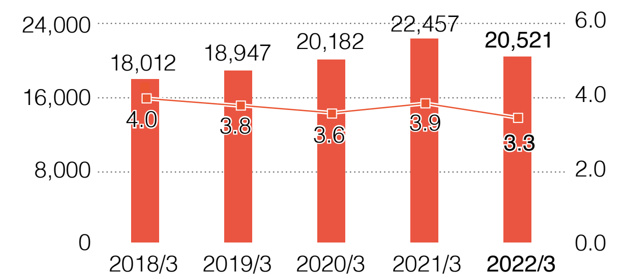
NUMBER OF CUSTOMER ACCOUNTS (Thousands)



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

(Millions of yen)

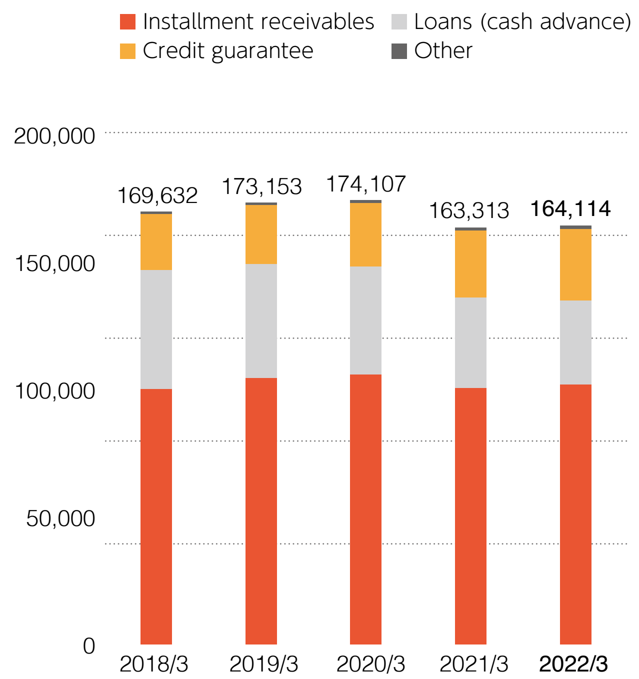
	2018/3	2019/3	2020/3	2021/3	2022/3
Total receivable outstanding	169,632	173,153	174,107	163,313	164,114
Installment receivables	99,956	104,242	105,773	100,348	101,814
Loans (cash advance)	46,728	44,849	42,272	35,545	32,916
Credit guarantee	22,032	23,063	24,842	26,190	27,951
Other	914	998	1,219	1,228	1,431

OPERATING REVENUE/PROFIT

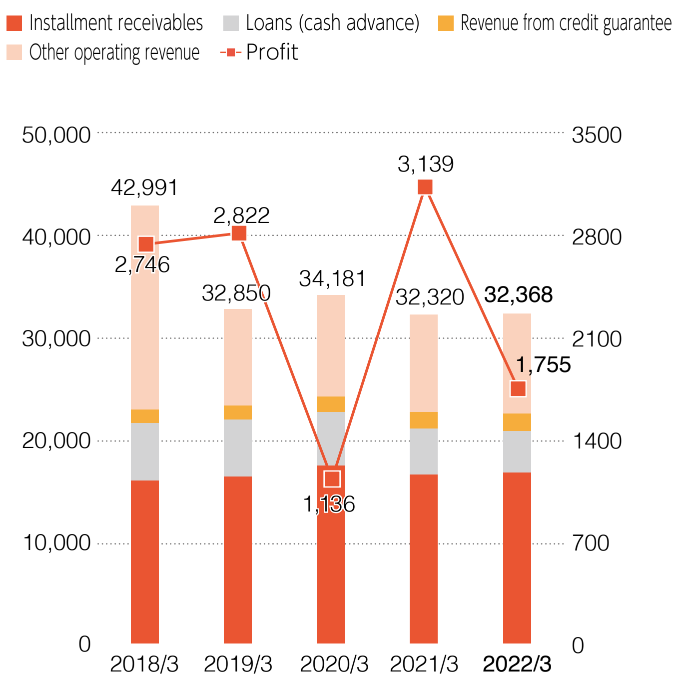
(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Operating revenue	42,991	32,850	34,181	32,320	32,368
Installment receivables	15,960	16,391	17,479	16,586	16,773
Loans (cash advance)	5,649	5,556	5,243	4,524	4,066
Revenue from credit guarantee	1,348	1,398	1,521	1,592	1,754
Other operating revenue	20,033	9,504	9,937	9,617	9,774
Profit	2,746	2,822	1,136	3,139	1,755

TOTAL RECEIVABLE OUTSTANDING (Millions of yen)



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



TOTAL ASSETS/ROA

(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Total assets	179,419	196,005	197,237	192,050	185,923
ROA (%)	2.3	1.7	1.2	2.2	1.0

TOTAL EQUITY/ROE

(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Total equity	43,571	46,394	47,994	51,873	50,492
ROE(%)	6.5	6.3	2.4	6.3	3.4

NUMBER OF CARDHOLDERS

(Thousands)

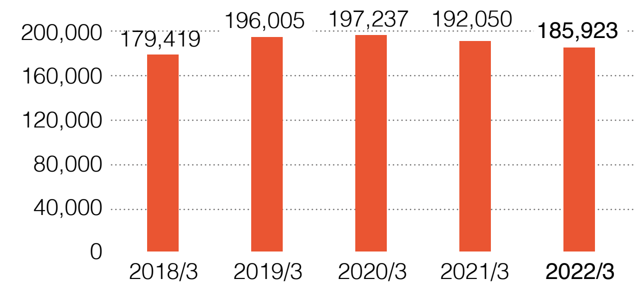
	2018/3	2019/3	2020/3	2021/3	2022/3
Number of cardholders	5,771	5,777	5,758	5,382	5,240
Proper card	1,739	1,700	1,680	1,414	1,376
Co-branded cards	4,032	4,077	4,077	3,967	3,864

TRANSACTION VOLUME

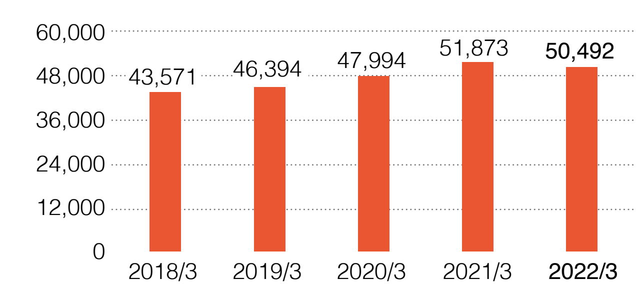
(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Transaction volume	696,435	697,854	707,851	650,951	688,596
Card shopping	655,990	657,509	669,559	624,029	660,805
Cash advance	40,444	40,345	38,291	26,921	27,790

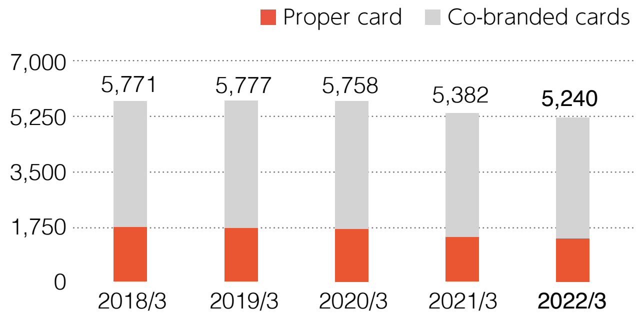
TOTAL ASSETS (Millions of yen)



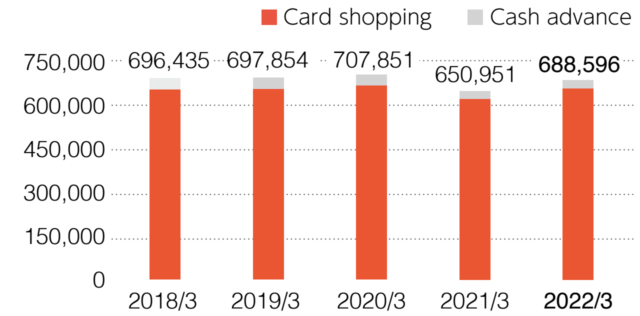
TOTAL EQUITY (Millions of yen)



NUMBER OF CARDHOLDERS (Thousands)



TRANSACTION VOLUME (Millions of yen)



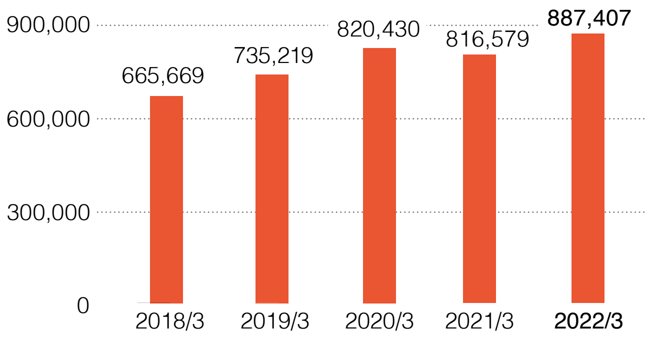
Financial Report by the Management Team

Consolidated business results

In fiscal 2021, while the restrictions on economic activities have been enforced and eased repeatedly according to the increase and decrease in the number of novel coronavirus infections, the use of vaccines has become more widespread and vaccination has progressed, and there were signs of normalization. Furthermore, in the consumer finance industry, the recovery trend continues, with the number of new contracts in major companies increasing year on year. Consequently, at the end of fiscal 2021, the volume of operating receivables at the AIFUL Group totaled 887,407 million yen, an increase of 70,828 million yen or 8.7% year on year.

That said, owing to the securitization of receivables, operating loans stood at 34,891 million yen, and installment receivables amounted to 6,536 million yen, for a total of 41,427 million yen.

Total receivable outstanding (Millions of yen)



Segment information by product

Total receivable outstanding (Millions of yen) (%)

	2021/3	2022/3	YOY
Unsecured loans	481,687	505,255	4.9
Secured loans	18,281	18,282	0.0
Small business loans	53,421	58,810	10.1
Credit card business	100,504	101,943	1.4
Installment sales finance business	8,210	14,836	80.7
Guarantee	145,725	172,697	18.5

Operating revenue (Millions of yen) (%)

	2021/3	2022/3	YOY
Unsecured loans	68,242	70,842	3.8
Secured loans	1,834	1,624	-11.4
Small business loans	3,965	3,865	-2.5
Credit card business	18,646	18,833	1.0
Installment sales finance business	740	1,266	71.1
Credit guarantee	14,524	15,730	8.3

◆Loan business

At the end of fiscal 2021, the balance of operating loans (on an operating receivable basis) in the loan business, a core business of the AIFUL Group, came to 582,349 million yen, an increase of 28,959 million yen or 5.2% year on year. This accounted for around 60% of the balance of total operating receivables.

(Unsecured loans)

Regarding unsecured loans in fiscal 2021, 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, and revamping our official website, smartphone app, and the application form, from the viewpoint of the customers to improve customers' convenience. As a result, the number of new contracts for unsecured loans was 210,000, an increase of 30.4% year on year, and contract conclusion ratio was 32.9%, a decrease of 7.2 point year on year. In light of these factors, the balance of unsecured loan operating receivables totaled 505,255 million yen, an increase of 23,568 million yen or 4.9% year on year.

(Secured loans)

We curtailed the balance of secured loans for real estate handled by AIFUL BUSINESS FINANCE CORPORATION and AIFUL in line with our corporate policy. On the other hand, the balance of medical fee-type secured loans sold by AG Medical increased in tandem with the trend toward normalization of economic activities. Accordingly, the balance of operating receivables for secured loans totaled 18,282 million yen, which is almost the same amount as last year at the end of fiscal 2021.

(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 2021, demand for funds is on a recovery trend, as economic activities are moving toward normalization. As a result, the balance for small business loans was 58,810 million yen, an increase of 5,389 million yen or 10.1% year on year.

◆Credit card business

In the credit card business, which is the most important business for LIFECARD, its market is expected to keep growing through the government-led promotion of cashless transactions. We continued to actively carry out measures in fiscal 2021, 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 fiscal 2021, the impact of the novel coronavirus pandemic led to a significant decline in the usage in some business sectors. However, in addition to the resumption of economic activities, the expansion of cashless payment has contributed to a gradual recovery trend. Under such circumstances, we have been working to increase the number of membership applications by issuing new affinity cards, offering online applications for store cards at large co-branded partners, and calling for new card designs. At the same time, we have been working to improve the utilization rate of cards by existing cardholders, by enhancing the convenience by revamping our member websites and official app.

As a result, credit card shopping in LIFECARD totaled 660,805 million yen (up 5.9% year on year), and the balance of installment receivables came to 116,780 million yen (up 7.4% 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 ** new partners and ** existing partners in fiscal 2021, 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 2021 came to 171,797 million yen, an increase of 27,369 million yen or 18.9% 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 2021, as demand for funds is on a recovery trend thanks to the resumption of economic activities and A&A installed increased excellent customers for the purpose of improving the debt portfolio. As a result, the operating loan balance at the end of December 2021 stood at 23,418 million yen, an increase of 2,349 million yen or 11.2% 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.

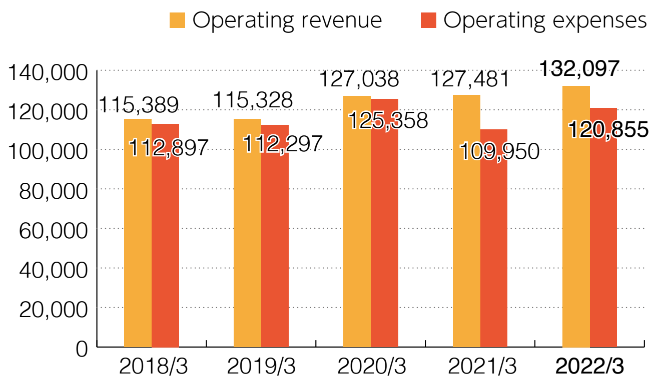
Earnings trends

Operating revenue in fiscal 2021 totaled 132,097 million yen, an increase of 4,616 million yen or 3.6% year on year. Of this, operating loan interest stood at 76,332 million yen, a rise of 2,290 million yen or 3.1% year on year. This accounted for 57.8% of total operating revenue. Revenue from installment sales was 20,099 million yen, up 712 million yen or 3.7% year on year, credit guarantee revenue was 15,730 million yen, an increase of 1,206 million yen or 8.3% year on year, and other revenue came to 19,934 million yen, an increase of 406 million yen or 2.1% year on year. This is thanks to the recovery of demand for funds and double-digit increase of guarantee balance. The share of interest on operating loans, which used to account for more than 80% of operating revenue, has declined, showing the effect of our effort to improve our business portfolio.
Operating expense came to 120,855 million yen, up 10,904 million yen or 9.9% year on year. This is because we posted 19,929 million yen in provision for loss on interest repayment.

Consequently, at the end of fiscal 2021, consolidated operating profit came to 11,242 million yen, a decrease of 6,288 million yen or 35.9% year on year. As we posted a non-operating income of 1,058 million yen, including foreign exchange gain from loans to overseas group companies, non-operating expense was 35 million yen, and the ordinary profit in fiscal 2021 was 12,265 million yen, down 7,039 million yen.

Net profit was 13,037 million yen, with the addition of 703 million yen in profit attributable to non-controlling interests, profit attributable to owners of parent totaled 12,334 million yen.

Operating revenue/Operating expenses (Millions of yen)



› Balance sheet trends

Total assets on a consolidated basis at the end of fiscal 2021 were 935,642 million yen, an increase of 72,288 million yen or 8.4%, compared with the end of the previous fiscal year. This increase was primarily attributable to growth of 31,116 million yen in operating loans and growth of 8,524 million yen in accounts receivable-installment.

Total liabilities on a consolidated basis at the end of fiscal 2021 totaled 779,116 million yen, an increase of 63,454 million yen or 8.9%, compared with the end of the previous fiscal year. This increase is mainly attributable to an increase of 22,762 million yen in bonds and borrowings and an increase of 11,680 million yen in provision for loss on interest repayment.

Net assets on a consolidated basis at the end of fiscal 2021 totaled 156,526 million yen, an increase of 8,833 million yen or 6.0%, 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 3,201 million yen or 8.9%, compared with the end of the previous fiscal year, to 39,147 million yen.

The situation of each category of cash flow for the current fiscal year and the contributing factors are as follows.
Net cash used for operating activities amounted to 15,628 million yen (provision of 20,280 million yen in the previous fiscal year). This was mainly attributable to a decrease of funds following an increase in operating loans.

Net cash used for investing activities stood at 2,218 million yen, a decrease of 76.1%, compared with the previous fiscal year. This was mainly attributable to purchase of intangible assets.

Net cash provided by financing activities amounted to 21,028 million yen (use of 18,813 million yen in the previous fiscal year). This was mainly attributable to income from borrowings.

› Non-performing loan trends

According to the judicial statistics of the Supreme Court, the number of personal bankruptcies has been on a gradual upward trend after hitting the bottom in 2015. However, it still stays at a low level compared to the early 2000s, when bankruptcy due to multiple debts became an issue.
In fiscal 2021, the Group's total non-performing loans stood at 97,121 million yen, a rise of 9,728 million yen or 11.1% year on year. Of this, the amount of non-performing unsecured loans, a mainstay product, was 68,877 million yen, an increase of 10,483 million yen or 18.0% year on year. However, the amount of non-performing loans, consisting mainly of real estate-secured loans and other than unsecured loans, totaled 28,244 million yen, a decline of 754 million yen or 2.6% year on year. Meanwhile, restructured loans, which belongs to unsecured loans, stood at 37,416 million yen, a rise of 6,348 million yen or 20.4% year on year, resulting in the most significant increase. However, we think that the collectability of restructured loans is high, and that they are not directly related to bad debt.
As a side note, "Notes on Non-performing Loans" of "Cabinet Office Ordinance on Keeping of Accounts by Specified Finance Companies, etc." was revised on March 31, 2022, and the information is presented based on the classification after the revision of the Cabinet Office Ordinance.

Status of non-performing loans (NPL)

As of March 31, 2021 (Millions of yen)

	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured loans		
Loans in legal bankruptcy	840	19,876	507	21,224
Risky claims	18,302	5,111	5,871	29,285
Loans 3 months or more in arrears	8,183	313	—	8,496
Restructured Loans	31,068	2,595	2,856	36,519
Performing loans	409,366	42,279	174,365	626,011
Total	467,761	70,176	183,600	721,537

As of March 31, 2022 (Millions of yen)

	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured loans		
Loans in legal bankruptcy	657	20,443	454	21,555
Risky claims	21,101	4,492	6,627	32,221
Loans 3 months or more in arrears	9,701	436	—	10,137
Restructured Loans	37,416	2,872	3,640	43,928
Performing loans	427,081	45,341	197,329	669,752
Total	495,958	73,585	208,052	777,595

› Write-off trends

In fiscal 2021, the amount of write-offs, including debt waived in tandem with interest repayment claims, totaled 27,844 million yen, a decline of 3,011 million yen or 9.8%, in comparison with a year earlier.

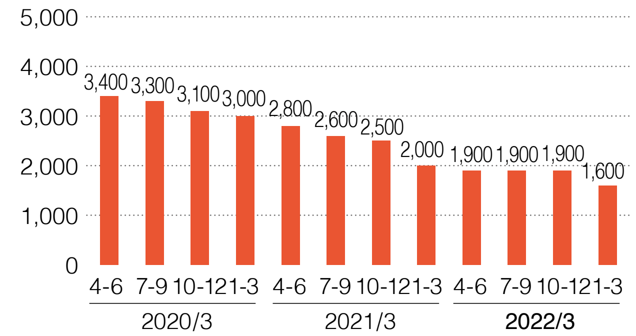
Write-off debt waived in tandem with interest repayment claims was 866 million yen, a decline of 217 million yen or 20.1% year on year, indicating a declining trend. Other ordinary bad debts decreased 2,793 million or 9.4% year on year, and the write-off ratio excluding debt forgiveness arising from interest repayment claims accounted for 3.0% of total operating receivables, down 0.7 percentage points year on year, which indicates that the write-off ratio remains stable and low.

Accordingly, provisions to the allowance for doubtful accounts in fiscal 2021 totaled 27,918 million yen, a decline of 10,899 million yen or 28.1%, in contrast with the previous fiscal year. At the end of fiscal 2021, the balance for the allowance for doubtful accounts came to 78,246 million yen, growth of 416 million yen or 0.1% (including 2,898 million yen in allowance for debt waived in tandem with interest repayment claims).

› Interest repayment claim trends

Interest repayment claims during fiscal 2021 stood at 10,000 (down 24.7% year on year). Although this was a steady decline from the peak, the recent decline in the number of claims has been gradual, and close attention is still required.
The reversal to the provision for loss on interest repayment and the allowance for doubtful accounts related to interest repayment claims totaled 9,115 million yen (down 30.1% year on year). This breaks down to 8,248 million yen (down 31.0% year on year) for interest repayment and 866 million yen (down 20.1% 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 19,929 million yen in the provision for loss on interest repayment and 1,027 million yen in provisions to the allowance for doubtful accounts. The balance for allowances related to interest repayment amounted to 27,492 million yen. This breaks down to 24,594 million yen in the provision for loss on interest repayment and 2,898 million yen in allowance for doubtful accounts.

Number of interest repayment claims



Fund procurement trends

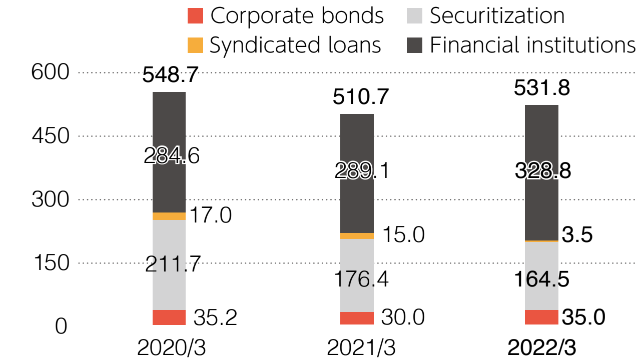
The AIFUL Group, which conducts mainly financial business, procures funds required for business expansion from outside the Group. The Group aims to procure funding both indirectly from financial institutions and directly through corporate bonds, to build a safe and robust procurement platform. We also strive to lower the cost of capital by selecting the procurement methods that are favorable to our corporate group, taking into consideration the current procurement environment. At the end of fiscal 2021, the balance of loans, including off-balance sheet borrowings, was 531,894 million yen, a rise of 21,163 million yen or 4.1% year on year, owing to securitization carried out by the Group.

The balance of loans via indirect procurement stood at 329,841 million yen, up 25,678 million yen or 8.4% year on year. This accounted for 62.0% of total borrowings. The interest rate on indirect financing was 1.39%, down 0.15 points year on year.

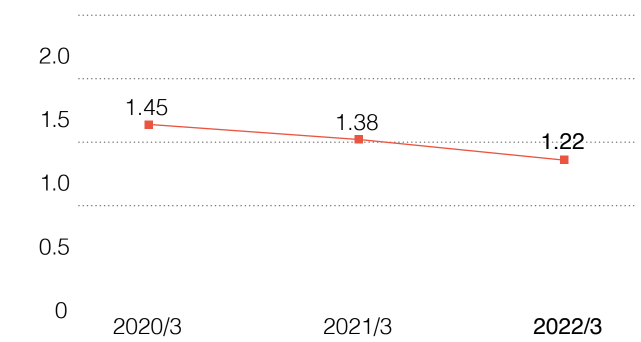
The balance of loans via direct procurement, accounting for 38.0% of total borrowings, was 202,052 million yen, down 4,516 million yen or 2.2% year on year. This breaks down to 35,000 million yen in regular corporate bonds (6.6% of total borrowings) and securitization of 164,552 million yen (30.9% of total borrowings). The interest rate on direct financing was 0.95%, down 0.18 points year on year.

At the end of fiscal 2021, short-term borrowings amounted to 90,543 million yen, and long-term borrowings stood at 441,350 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.
We have decided to pay year-end dividend of 1 yen/share per in fiscal 2021.

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 business conditions and accounting situation as sated un the Securities Report, 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) Information network system, Internet services and technical systems
(7) Financial soundness
(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) Responding to climate change
(15) 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)
(16) 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 all 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

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 (20.0% when the principal is less than ¥100,000, 18.0% when the principal is ¥100,000 or more but less than ¥1,000,000 and 15.0% 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 he 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 fifteen years has passed since the Supreme Court's ruling, and interest repayment claims have declined to one-twentieth 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, commercial papers, 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, including the effect of geopolitical risks such as political instability, the Group's financing could possibly be affected, and this could potentially impact the Group's financial position and business performance.

(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.

(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.

(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 performance 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 2022, Mitsuhide 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, develop backup offices for call centers, and strengthen 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.

As countermeasures against COVID-19, we revised rules, so that we can follow government policies and respond to the changes in social environment. Besides, we are working to prevent and curb the expansion of COVID-19 through in-company notifications on these initiatives.

We are also continuing our efforts to measure the body temperature of each visitor to a major facility by thermometer, set antiseptic solutions, place acrylic partitions in offices, conference rooms, etc., and are operating a system for monitoring and reporting the health conditions of people, including housemates.

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.

(Responding to climate change)

Our corporate group recognizes that responding to climate change is a high priority issue, and in accordance with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), we have identified risks and opportunities in climate change, and discussed countermeasures. Moving forward, our corporate group will work to resolve the issues based on the discussion results.

Item	Activity description
Governance	By the end of fiscal 2021, the Risk Management Committee established directly under the Board of Directors will includes risks associated with climate change in the risks to be monitored, discusses them, and reports the results of monitoring, etc. to the Board of the Directors on a regular basis.
Strategies	The substantial appearance of climate change will lead not only to physical losses for our corporate group, including the need for insurance coverage, but also to a decline in service levels and risks arising from customers being affected by disasters such as loss of revenue and increased credit-related expenses (credit costs). On the other hand, we will strive to resolve the issues, not only to improve the resilience of our business infrastructure by accelerating energy conservation measures as well as BCP measures, but also to create business opportunities to meet the expectations of our customers.
Risk management	The Risk Management Committee periodically extracts risk information from the Compliance Committee and other divisions, and works with directors and relevant divisions to establish a system to execute risk management. Under this system, we will identify, evaluate and manage risks associated with climate change.
Indicators and goals	Moving forward, in accordance with the TCFD recommendations, we will continue to analyze scenarios, estimate the financial impact as necessary, and evaluate actions based on the outcome, and strive to find appropriate indicators.

[Assessment of our corporate group's risks and the significance of the risks]

Risk item			Indicator	Description	Assessment
Category	Broad category	Subcategory			
Transition risks	Policy Law and regulations	Increase in carbon tax, energy-saving policies, GHG emission regulations, and increase in renewable energy prices	Expenditure	･Increase in infrastructure operating costs	Medium
	Reputation	Change in reputation in society and among investors	Capital	･Decline in the support from customers ･Increased anxiety of stakeholders, and worsened reputation →Increased difficulty in securing human resources and decreased employee retention rate →Increased difficulty in procuring funds →Decline in stock prices	Medium
Physical risks	Acute	Flood damage due to typhoons, torrential rains, etc.	Expenditure Revenue	･Limited employee attendance due to public transportation shutdown →Decline in customer service levels ･Increase in claims eligible for relief due to customers impacted by disaster ･Physical damage to our corporate group's facilities, etc. →Direct impact on business performance	Medium
	Chronic	Increase in average temperature Changes in precipitation and weather patterns	Expenditure Revenue	･Increase in operating costs for air conditioning equipment in summer ･Drop in employee productivity, restriction on commuting, and deterioration of workplace comfort and safety →Decline in customer service levels	Medium

[Our corporate group's risk management measures and opportunities]

Risk item	Risk management measures	Opportunities
Increase in carbon tax, energy-saving policies, GHG emission regulations, and increase in renewable energy prices	･Set targets for energy consumption and CO_2 reduction	･Reduction of business activity costs through promotion of energy-saving measures
Change in reputation in society and among investors	･Disclosure of information on our initiatives related to climate change, and careful explanations to investors and others	･Realization of issuance of environmental-friendly cards such as those made from plant-based materials, as well as business investments that lead to carbon neutrality, including those for research on environmental-friendly cards. ･Appropriate evaluation from customers, stock and bond markets, etc.
Flood damage due to typhoons, torrential rains, etc.	･Revision to the contingency plan ･Establishment of a support system including a consultation service for customers impacted by disaster	･Improvement in infrastructure resilience through BCP measures ･Promotion of stabilization of customer service levels
Increase in average temperature Changes in precipitation and weather patterns	･Rebuilding a comfortable working environment	･Enhancement in productivity by improving the working environment

Consolidated Balance Sheets

AIFUL CORPORATION and Consolidated Subsidiaries
As of March 31

(Millions of yen)

	2021/3	2022/3
Assets		
Current assets		
Cash and deposits (Note 1)	40,950	44,448
Operating loans (Notes 1, 2, 6, 8 and 9)	516,340	547,457
Accounts receivable—installment (Notes 1, 4 and 6)	101,719	110,244
Operational investment securities	1,701	2,312
Customers' liabilities for acceptances and guarantees (Note 8)	170,553	193,225
Other operating receivables (Note 8)	8,749	10,241
Purchased receivables	3,173	5,338
Other (Note 8)	24,724	25,440
Allowance for doubtful accounts (Note 10)	(58,201)	(57,906)
Total current assets	809,712	880,801
Non-current assets		
Property, plant and equipment		
Buildings and structures (Note 1)	23,769	23,807
Accumulated depreciation	(18,207)	(18,593)
Buildings and structures, net (Note 1)	5,561	5,214
Machinery, equipment and vehicles (Note 1)	432	432
Accumulated depreciation	(342)	(355)
Machinery, equipment and vehicles, net (Note 1)	90	77
Furniture and fixtures (Note 1)	5,251	5,344
Accumulated depreciation	(3,986)	(4,406)
Furniture and fixtures, net (Note 1)	1,265	937
Land (Note 1)	8,900	8,900
Leased assets	4,889	4,980
Accumulated depreciation	(2,991)	(3,318)
Leased assets, net	1,898	1,662
Construction in progress	49	116
Total property, plant and equipment	17,765	16,908
Intangible assets		
Software	5,204	6,635
Other	102	101
Total intangible assets	5,306	6,737
Investments and other assets		
Investment securities (Note 3)	7,714	6,571
Claims provable in bankruptcy (Note 8)	22,082	22,567
Deferred tax assets	8,821	12,599
Lease and guarantee deposits	5,456	5,322
Other	6,124	4,474
Allowance for doubtful accounts	(19,628)	(20,339)
Total investments and other assets	30,570	31,195
Total non-current assets	53,642	54,841
Total assets	863,354	935,642

(Millions of yen)

	2021/3	2022/3
Liabilities		
Current liabilities		
Notes and accounts payable—trade	38,265	40,919
Acceptances and guarantees	170,553	193,225
Short-term borrowings (Note 1)	100,750	77,310
Short-term loans payable to subsidiaries and associates	—	1,533
Commercial papers	—	2,500
Current portion of bonds	15,075	35,000
Current portion of long-term borrowings (Note 1)	146,136	166,786
Income taxes payable	2,112	860
Allowance for bonuses	1,397	1,377
Provision for point card certificates	2,560	—
Deferred installment income (Note 5)	1,822	3,021
Other (Note 11)	20,923	26,723
Total current liabilities	499,596	549,257
Non-current liabilities		
Bonds payable	15,000	—
Long-term borrowings (Note 1)	180,677	197,271
Deferred tax liabilities	75	7
Provision for loss on interest repayment	12,913	24,594
Other	7,398	7,986
Total non-current liabilities	216,065	229,859
Total liabilities	715,662	779,116
Net assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	13,948	14,017
Retained earnings	38,669	47,560
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	143,536	152,495
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,705	1,098
Foreign currency translation adjustment	314	306
Total accumulated other comprehensive income	2,019	1,404
Non-controlling interests	2,136	2,626
Total net assets	147,692	156,526
Total liabilities and net assets	863,354	935,642

Consolidated Statements of Income

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

Consolidated Statement of Income

(Millions of yen)

	2021/3	2022/3
Operating revenue		
Interest on operating loans	74,041	76,332
Revenue from credit card business	18,646	18,833
Revenue from credit guarantee	14,524	15,730
Other financial revenue	6	5
Other operating revenue		
Collection from purchased receivables	1,573	889
Recoveries of written off claims	6,761	7,492
Other	11,927	12,813
Total other operating revenue	20,262	21,195
Total operating revenue	127,481	132,097
Operating expenses		
Financial expenses		
Interest expenses	6,086	5,872
Interest on bonds	516	433
Other	645	735
Total financial expenses	7,248	7,041
Cost of sales		
Cost of purchased receivables	1,141	—
Other	273	199
Total cost of sales	1,414	199
Other operating expenses		
Provision for point card certificates	2,209	—
Advertising expenses	9,072	11,321
Commissions	14,978	15,283
Provision of allowance for doubtful accounts	38,818	27,918
Provision for loss on interest repayment	—	19,929
Employees' salaries and bonuses	12,019	12,071
Provision for bonuses	1,333	1,303
Retirement benefit expenses	503	502
Other	22,352	25,283
Total other operating expenses	101,286	113,614
Total operating expenses	109,950	120,855
Operating profit	17,530	11,242
Non-operating income		
Interest on loans receivable	203	224
Share of profit of entities accounted for using equity method	204	150
Foreign exchange gains	560	370
Gain on sales of investment securities	367	—
Other	592	313
Total non-operating income	1,928	1,058

(Millions of yen)

	2021/3	2022/3
Non-operating expenses		
Interest expenses	3	—
Provision of allowance for doubtful accounts	47	3
Infection-related expenses	90	10
Other	11	20
Total non-operating expenses	153	35
Ordinary profit	19,305	12,265
Extraordinary losses		
Loss on sale of fixed assets	91	—
Impairment loss	1,064	—
Total extraordinary losses	1,156	—
Profit before income taxes	18,149	12,265
Income taxes—current	2,965	2,602
Income taxes—deferred	(2,610)	(3,374)
Total income taxes	354	(772)
Profit	17,794	13,037
Profit (loss) attributable to non-controlling interests	(642)	703
Profit attributable to owners of parent	18,437	12,334

Consolidated Statement of Comprehensive Income

(Millions of yen)

	2021/3	2022/3
Profit	17,794	13,037
Other comprehensive income		
Valuation difference on available-for-sale securities	1,258	(659)
Foreign currency translation adjustment	(291)	(15)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income (Note 1)	966	(674)
Comprehensive income	18,761	12,363
Comprehensive income attributable to		
Owners of parent	19,538	11,719
Non-controlling interests	(777)	643

Consolidated Statements of Change in Shareholders'Equity

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

(Millions of yen)

2021/3	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					
Dividends of surplus					—
Profit attributable to owners of parent			18,437		18,437
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries					—
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				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
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					
Dividends of surplus					—
Profit attributable to owners of parent					18,437
Purchase of treasury shares					(0)
Purchase of shares of consolidated subsidiaries					—
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

(Millions of yen)

2022/3	Shareholders'equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2021	94,028	13,948	38,669	(3,110)	143,536
Cumulative effects of changes in accounting policies			(2,960)		(2,960)
Restated balance	94,028	13,948	35,709	(3,110)	140,575
Changes during period					
Dividends of surplus			(483)		(483)
Profit attributable to owners of parent			12,334		12,334
Purchase of treasury shares					—
Purchase of shares of consolidated subsidiaries		68			68
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	—	68	11,850	—	11,919
Balance at March 31, 2022	94,028	14,017	47,560	(3,110)	152,495

(Millions of yen)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2021	1,705	314	2,019	2,136	147,692
Cumulative effects of changes in accounting policies			—		(2,960)
Restated balance	1,705	314	2,019	2,136	144,732
Changes during period					
Dividends of surplus					(483)
Profit attributable to owners of parent					12,334
Purchase of treasury shares					—
Purchase of shares of consolidated subsidiaries					68
Net changes in items other than shareholders' equity	(606)	(7)	(614)	489	(125)
Total changes during period	(606)	(7)	(614)	489	11,794
Balance at March 31, 2022	1,098	306	1,404	2,626	156,526

Consolidated Statements of Cash Flows

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

(Millions of yen)

	2021/3	2022/3
Cash flows from operating activities		
Profit before income taxes	18,149	12,265
Depreciation	3,418	3,417
Impairment loss	1,064	—
Increase (decrease) in allowance for doubtful accounts	5,781	132
Increase (decrease) in allowance for bonuses	40	(19)
Increase (decrease) in provision for point card certificates	(280)	(2,560)
Increase (decrease) in allowance for loss on interest repayment	(12,119)	11,680
Interest and dividend income	(237)	(254)
Interest expenses	3	—
Loss (gain) on sales of investment securities	(367)	—
Share of loss (profit) of entities accounted for using equity method	(204)	(150)
Loss (gain) on sale of fixed assets	91	—
Decrease (increase) in operating loans receivable	(553)	(31,185)
Decrease (increase) in accounts receivable—installment	1,222	(8,524)
Decrease (increase) in other operating receivables	109	(1,492)
Decrease (increase) in purchased receivables	(52)	(1,867)
Decrease (increase) in claims provable in bankruptcy	1,526	(484)
Decrease (increase) in business security deposit	(3,705)	—
Decrease (increase) in other current assets	5,734	(2,284)
Increase (decrease) in other current liabilities	1,925	7,884
Other	1,077	1,133
Subtotal	22,626	(12,308)
Interest and dividend income	242	342
Interest expenses paid	(3)	—
Subsidy income	325	—
Income taxes refund	—	32
Income taxes paid	(2,910)	(3,694)
Cash flows from operating activities	20,280	(15,628)
Cash flows from investing activities		
Deposit into time deposits	(5,001)	(5,297)
Proceeds from withdrawal of time deposits	—	5,001
Purchase of property, plant and equipment	(1,722)	(461)
Proceeds from sales of property, plant and equipment	200	—
Purchase of intangible assets	(2,881)	(3,059)
Purchase of investment securities	—	(281)
Proceeds from sales of investment securities	539	—
Other	(409)	1,879
Cash flows from investing activities	(9,274)	(2,218)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,543,207	1,607,229
Repayments of short-term borrowings	(1,545,224)	(1,629,114)
Proceeds from issuance of commercial papers	—	2,500
Proceeds from long-term borrowings	120,450	201,495
Repayments of long-term borrowings	(131,050)	(164,251)
Proceeds from issuance of bonds	15,000	20,000
Redemption of bonds	(20,170)	(15,075)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(142)
Cash dividends paid	—	(483)
Purchase of treasury shares	(0)	—
Other	(1,026)	(1,129)
Cash flows from financing activities	(18,813)	21,028
Effect of exchange rate change on cash and cash equivalents	232	20
Net increase (decrease) in cash and cash equivalents	(7,574)	3,201
Cash and cash equivalents at beginning of period	43,520	35,945
Cash and cash equivalents at end of period (Note 1)	35,945	39,147

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

Aiful Medical Finance Co., Ltd., a consolidated subsidiary of the Company, changed its name to AG MEDICAL CORPORATION on May 1, 2021.

On January 1, 2022, our consolidated subsidiary LIFECARD Co., Ltd. acquired additional shares in our consolidated subsidiary Sumishin Life Card Company, Limited, making it a wholly owned subsidiary. In addition, on April 1, 2022, an absorption-type merger was conducted with LIFECARD Co., Ltd.as the surviving company and Sumishin Life Card Company, Limited, Ltd. as the dissolving company.

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

AIFUL Partners Corporation, AIFUL Smile Leaseback Corporation and twelve 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, AG SMILE LEASEBACK CORPORATION and twelve other companies

(Reason for not applying the equity method)

Each of the 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 fourteen 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

Items other than shares with no market value

Stated at fair value by the market value method, based on market price, etc., as of the consolidated closing date. (All differences in valuation are fully included in the net asset method, and sales costs are calculated by the moving average method.)

Shares with no market value

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

(ii) Derivatives

Stated at fair value by the market value 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:	5 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 loss on interest repayment

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

(4) Booking of significant revenues and expenses

(i) Interest on operating loans

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

(ii) Booking of revenues pertaining to installment sales

Principles and procedures for accounting adopted when the Add-on type customer commissions are collectively booked under deferred installment income in a lump sum at the time of contract and booked as revenue at each billing period. The revenue of departments is allocated using the 78 method.

For declining balance method or revolving method customer commissions, revenue is booked at each billing period.

The revenue of departments is allocated by using the declining balance method.

(iii) Revenue from credit guarantee

The residual debt method is used to record revenue.

(iv) Revenue arising from contracts with customers

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

Step 1: Identify contracts with customers
Step 2: Identify performance obligations in the contract
Step 3: Calculate transaction prices
Step 4: Allocate the transaction prices to the performance obligations in the contract
Step 5: Recognize revenue when performance obligations are satisfied or as the Company works on satisfying them

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

(i) Performance obligations satisfied at a certain point in time

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

(ii) Performance obligations satisfied over a certain period

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

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

(v) Accounting for interest on borrowings

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

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

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

(6) Significant hedge accounting method

- Method of hedge accounting

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

- Hedging instrument and hedged item

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

- Hedging policy

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

- Method of evaluating hedge effectiveness

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

(7) Funds referred to in the consolidated statements of cash flows

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

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

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

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

・Standards for posting assets and liabilities for important debt guarantee

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

(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 consolidated domestic subsidiaries will shift from the consolidated taxation system to the group tax sharing system in the next consolidated fiscal year.

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 nonconsolidated 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.

From the beginning of the next consolidated fiscal year, "the practices of accounting and disclosure when applying the group tax sharing system" (ASBJ PITF No. 42, August 12, 2021), which stipulates the practices of the accounting and disclosure of national corporate tax, local corporate tax, and tax effect accounting when applying the group tax sharing system, will be applied.

Critical Accounting Estimates

1. Allowance for doubtful accounts

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Allowance for doubtful accounts	77,830	78,246

(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.

At the end of previous consolidated fiscal year, 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 was 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.

In the consolidated fiscal year under review, the actual amount of bad debts was smaller than the estimate at the end of the previous consolidated fiscal year, so the estimated amount of bad debt for debtors who have requested for changes or other modifications is calculated by methods using the actual rate of bad debt for categories with higher credit risk.

Mainly due to an increase in the balance of operating receivables and the adoption of said calculation method, allowance for doubtful accounts for fiscal 2022 was up 416 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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Allowance for loss on interest repayment	12,913	24,594

(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 (hereinafter referred to as “the number of claims”) for interest paid in excess of the maximum amount specified in the Interest Rate Restriction Act (hereinafter referred to as "Excess Interest"), the amount of excess interest repayment per case (hereinafter referred to as “the unit price of refund”), and other factors.

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.

(Change in accounting policy)

(1) Changes due to the application of the Accounting Standard for Revenue Recognition

The Accounting Standard for Revenue Recognition has been applied since the beginning of the consolidated fiscal year under review, and revenue is recognized as the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer. The main changes resulting from this are as follows.

1. Revenue recognition related to its own point system

LIFECARD Co., Ltd., a consolidated subsidiary of the Company, offers the "LIFE Thanks Present" for credit cards that give points according to the amount members use. In the past, expenses expected to be used in the future were recorded as a reserve for the use of the points granted. This method was changed, and now if the points provide a material right to the customer, they are identified as a performance obligation and the recording of revenue is deferred.

2. Revenue recognition related to annual membership fees for credit cards

Regarding the annual membership fees for credit cards issued by LIFECARD Co., Ltd., a consolidated subsidiary of the Company, previously, revenue was recognized as a lump sum in the month of signing up for membership. However, we have changed that and now recognize revenue when the goods or services are provided.

Regarding the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures stipulated in the proviso of Article 84 of the Accounting Standard for Revenue Recognition, the cumulative amount of the impact on retroactive application of the new accounting policy prior to the beginning of the current fiscal year is added to the retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the balance at the beginning of the current fiscal year. However, as we apply the method set forth in Article 86 of the Accounting Standard for Revenue Recognition, we will not retroactively apply it to contracts for which almost all amounts of revenue were recognized in accordance with the previous provisions adopted before the beginning of the consolidated fiscal year under review. In addition, we have applied the method stipulated in Article 86-(1) of the Accounting Standard for Revenue Recognition. As for contract changes made before the beginning of the consolidated fiscal year under review, we conducted accounting for them based on the contract terms after reflecting all contract changes and added the cumulative effect amount to the retained earnings at the beginning of the consolidated fiscal year under review.

As a result, the consolidated balance sheet for the consolidated fiscal year under review showed a decrease of 2,560 million yen in provision for point card certificates and an increase of 2,270 million yen in other current liabilities compared to those before the adoption of the Accounting Standard for Revenue Recognition. In the consolidated statement of income for the consolidated fiscal year under review, operating revenue increased by 304 million yen, operating expenses rose by 290 million yen, operating profit grew by 14 million yen, and ordinary profit and profit before income taxes each decreased by 29 million yen.

In the consolidated statements of cash flows for the consolidated fiscal year under review, profit before income taxes decreased by 29 million yen, increase (decrease) in provision for point card certificates for the cash flows from operating activities decreased by 2,560 million yen, and increase (decrease) in other current liabilities increased by 2,270 million yen.

Due to the cumulative amount of the impact reflected in net assets at the beginning of the consolidated fiscal year under review, the balance of retained earnings in the consolidated statements of change in shareholders’ equity decreased by 2,960 million yen at the beginning of the current term.

The impact on per-share information is stated in the relevant section.

In accordance with the transitional measures stipulated in Article 89-3 of the Accounting Standard for Revenue Recognition, the notes on revenue recognition related to the previous consolidated fiscal year have not been included.

(2) Application of the Accounting Standard for Fair Value Measurement

We have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) since the beginning of the consolidated fiscal year under review, and in accordance with the transitional measures set forth in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will continue to apply new accounting policies prescribed by the Accounting Standard for Fair Value Measurement and other standards into the future. The effects of this adoption on the consolidated financial statements are immaterial.

In the notes on financial instruments, we have decided to provide notes on items related to the breakdown of the fair value of financial instruments by level. However, following the transitional treatment stipulated in Article 7-4 of the Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), we will not list notes related to the previous consolidated fiscal year.

(Changes in Presentation Method)

(Consolidated statement of income)

Our corporate group has been working to develop advertisements centered on TV and online commercials. The importance of online advertising, in particular, has increased in recent years and is expected to continue to grow in the future due to the spread of video distribution services, among other factors.

Under such circumstances, as a result of reviewing the management and aggregation categories of expenses related to advertising development, the cost of online advertising, such as

affiliate advertising and listing advertising, which was included in sales promotion expenses under other operating expenses in the previous consolidated fiscal year, was combined with advertising expenses which is included in other in other operating expenses, and is reported separately as advertising expenses under other operating expenses from the consolidated fiscal year under review.
In order to reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, the 6,808 million yen in sales promotion expenses and the 24,615 million yen in other under other operating expenses in the consolidated statement of income for the previous consolidated fiscal year were reclassified as 9,072 million yen in advertising expenses and 22,352 million yen in other under other operating expenses.

In the previous consolidated fiscal year, rental income from real estate and subsidy income in non-operating income, listed separately, were less than 10% of total non-operating income. Thus, starting from the consolidated fiscal year under review, they are included in other. The consolidated financial statements for the previous fiscal year have been reorganized to reflect this change in the presentation method.
As a result, in the consolidated statement of income for the previous fiscal year, 89 million yen in rental income from real estate, 327 million yen in subsidy income, and 175 million yen in other, all of which are indicated under non-operating income, have been reclassified as 592 million yen in others.

(Consolidated Statement of Cash Flows)
"Subsidy income," which was separately included in "Cash flows from operating activities" in the previous fiscal year, has been included in "Other" from the fiscal year under review because its amount became less significant. To reflect this change in marking, the consolidated financial statements for the previous fiscal year have been reclassified.
Consequently, negative 327 million yen presented in "Subsidy income" and 1,405 million yen presented in "Other" in "Cash flows from operating activities" in the Consolidated Statements of Cash Flows for the previous fiscal year have been reclassified into 1,077 million yen in "Other."

(Changes due to the application of the Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of the Banking Act)
Following the revision of the Notes on the Non-Performing Loans stipulated in the Cabinet Office Ordinance on Keeping of Accounts by Specified Finance Companies, etc. in the Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of the Banking Act (Cabinet Office Ordinance No. 3, January 24, 2020), we will include the notes based on the revised categories from the end of the consolidated fiscal year under review.
In order to reflect this change in the presentation method, the revised categories have been reclassified in the notes on the status of non-performing loans in the previous consolidated fiscal year.

Notes to consolidated balance sheets

1. Assets pledged as collateral and corresponding liabilities
Assets pledged as collateral

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
(1) Assets pledged as collateral		
Cash and deposit	5,001	5,267
Operating loans	331,065	337,276
Accounts receivable-installment	55,100	42,433
Buildings and structures	3,972	3,762
Machinery, equipment and vehicles	9	8
Furniture and fixtures	56	55
Land	8,816	8,816
Total	404,022	397,620
(2) Corresponding liabilities		
Short-term borrowings	77,190	68,510
Current portion of long-term borrowings	108,306	95,567
Long-term borrowings	134,214	127,030
Total	319,710	291,108

As of March 31, 2021:
(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.

As of March 31, 2022:
(i) The amounts above at the end of the fiscal year ended March 31, 2022 include amounts pertaining to the securitization of receivables (operating loans of ¥189,259 million, short-term borrowings of ¥10,000 million, current portion of long-term borrowings of ¥ 28,852 million and long-term borrowings of ¥ 74,207 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.
(iii) Of the above assets, ¥422 million of cash and deposit is pledged as collateral for borrowings from financial institutions by a non-consolidated subsidiary named PT REKSA FINANCE.

2. Unsecured personal loans included in operating loans

(Millions of yen)

As of March 31, 2021	As of March 31, 2022
466,330	494,678

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investment securities (shares)	2,974	2,804
Investment securities (other securities)	1,109	1,232

4. Accounts receivable—installment

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Credit card business	93,509	95,407
Installment sales finance business	8,210	14,836
Total	101,719	110,244

5. Deferred installment income

(Millions of yen)

	As of March 31, 2021				As of March 31, 2022			
	Balance at April 1, 2020	Receipts during FY	Actual balance during FY	Balance at March 31, 2021	Balance at April 1, 2022	Receipts during FY	Actual balance during FY	Balance at March 31, 2022
Credit card shopping	495	3,525	3,581	439 (21)	439	3,518	3,502	454
Installment sales finance	841	1,472	931	1,383 (—)	1,383	2,686	1,503	2,566
Total	1,337	4,997	4,512	1,822 (21)	1,822	6,204	5,006	3,021

Note: Figures in parentheses in the previous fiscal year indicate member store commissions.

6. Securitization of claims removed from the balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Operating loans	37,049	34,891
Accounts receivable—installment	6,994	6,536

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, 2021	As of March 31, 2022
PT REKSA FINANCE	78	1,969

8. Non-performing loans

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

(Millions of yen)

	As of March 31, 2021				As of March 31, 2022			
	Operating loans and claims in bankruptcy		Other	Total	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured loans			Unsecured loans	Other than unsecured loans		
Loans in legal bankruptcy	840	19,876	507	21,224	657	20,443	454	21,555
Risky claims	18,302	5,111	5,871	29,285	21,101	4,492	6,627	32,221
Loans 3 months or more in arrears	8,183	313	—	8,496	9,701	436	—	10,137
Restructured Loans	31,068	2,595	2,856	36,519	37,416	2,872	3,640	43,928
Performing loans	409,366	42,279	174,365	626,011	427,081	45,341	197,329	669,752
Total	467,761	70,176	183,600	721,537	495,958	73,585	208,052	777,595

The loan categories in the table above are as follows:

(Loans in legal bankruptcy)

Claims provable in bankruptcy and similar claims

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

(Risky claims)

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

(Loans three months or more in arrears)

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

(Restructured loans)

Restructured loans are loans for which creditors have granted concessions (e.g., reduction of the stated interest rate, 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. Claims provable in bankruptcy and similar claims, risky claims and loans three months or more in arrears are excluded.

(Performing loans)

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

(Fiscal year ended March 31, 2022)

Of operating loans including off-balance sheet loans resulting from securitization, ¥488,273 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 ¥811,301 million.

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

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

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

(Millions of yen)

As of March 31, 2021	As of March 31, 2022
2,737	2,898

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

(Millions of yen)

As of March 31, 2022
3,792

(Consolidated statements of income)

*1 Revenue arising from contracts with customers

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

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

	FY ended March 31, 2021 (Apr. 1, 2020 to Mar. 31, 2021)	FY ended March 31, 2022 (Apr. 1, 2021 to Mar. 31, 2022)
Land	91 million yen	— million yen

*3 Impairment loss

Our group posts impairment loss for the following asset group.

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.

FY ended March 31, 2022(Apr. 1, 2021 to Mar. 31, 2022)

Not applicable.

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, 2021 (Apr. 1, 2020 to Mar. 31, 2021)	FY ended March 31, 2022 (Apr. 1, 2021 to Mar. 31, 2022)
Valuation difference on available-for-sale securities		
Amount during the period	2,153	(972)
Reclassification adjustment	(367)	(159)
Before tax effect adjustment	1,786	(1,131)
Tax effect	(528)	472
Valuation difference on available-for-sale securities	1,258	(659)
Foreign currency translation adjustment		
Amount during the period	(291)	(15)
Share of other comprehensive income of entities accounted for using equity method		
Amount during the period	0	0
Total other comprehensive income	966	(674)

Notes to consolidated statements of change in shareholders' equity

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

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	917,346	124	—	917,470
Total	917,346	124	—	917,470

(Outline of the reason for the change)

The increase of 124 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

FY ended March 31, 2022(Apr. 1, 2021 to Mar. 31, 2022)

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	917,470	—	—	917,470
Total	917,470	—	—	917,470

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. 25, 2022	Common share	Retained earnings	483	1.00	Mar. 31, 2022	May 31, 2022

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, 2021 (Apr. 1, 2020 to Mar. 31, 2021)	FY ended March 31, 2022 (Apr. 1, 2021 to Mar. 31, 2022)
Cash and deposits	40,950	44,448
Time deposit with maturity period of more than three months	(5,004)	(5,300)
Cash and cash equivalents	35,945	39,147

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 ¥72 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 ¥74 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 of financial instruments, 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 are as follows.

Fiscal year ended March 31, 2021 (Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
(1) Operating loans	516,340		
Allowance for doubtful accounts*2	(42,966)		
	473,373	538,978	65,604
(2) Accounts receivable-installment	101,719		
Deferred installment income*3	(1,822)		
Allowance for doubtful accounts*2	(5,425)		
	94,471	98,325	3,854
(3) Operational investment securities and investment securities Shares	4,515	6,099	1,583
(4) Claims provable in bankruptcy	22,082		
Allowance for doubtful accounts*2	(19,614)	6,099	1,583
	2,467	2,467	—
Total assets	574,828	645,871	71,043
(1) Bonds	30,075	30,048	(27)
(2) Long-term borrowings*4	326,814	326,804	(10)
Total liabilities	356,889	356,852	(37)
Derivative transactions *4			
(i) Those qualified for hedge accounting	—	—	—
(ii) Those not qualified for hedge accounting	—	—	—
Total derivative transactions	—	—	—

*1 Since cash and deposits and short-term borrowings are in the form of cash and are settled in short term, their fair value is similar to the book value, so the notes are omitted.
*2 The allowance for doubtful accounts of operating loans, accounts receivable-installment and claims provable in bankruptcy is deducted.
*3 Deferred installment income (liabilities account) on installment receivables is deducted.
*4 Since derivative transactions that quality 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, 2022

(1) Financial instruments recorded in the consolidated balance sheets at fair value

(Millions of yen)

	Consolidated balance sheet amount
Operational investment securities and investment securities	2,374

(2) Financial instruments other than those recorded in the consolidated balance sheets at fair value

(Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
(1) Operating loans	547,457		
Allowance for doubtful accounts*2	(41,733)		
	505,723	577,545	71,822
(2) Accounts receivable—installment	110,244		
Deferred installment income*3	(3,001)		
Allowance for doubtful accounts*2	(5,122)		
	102,120	106,926	4,805
(3) Operational investment securities and investment securities			
Shares	659	2,008	1,349
(4) Claims provable in bankruptcy	22,567		
Allowance for doubtful accounts*2	(20,326)		
	2,240	2,240	—
Total assets	610,744	688,721	77,976
(1) Bonds	35,000	34,993	(7)
(2) Long-term borrowings*4	364,057	363,995	(62)
Total liabilities	399,057	398,988	(69)
Derivative transactions*4			
(i) Those qualified for hedge accounting	—	—	—
(ii) Those not qualified for hedge accounting	—	—	—
Total derivative transactions	—	—	—

*1 Since cash and deposits, short-term borrowings and commercial papers are in the form of cash and are settled in short term, their fair value is similar to the book value, so the notes are omitted.
*2 The allowance for doubtful accounts of operating loans, accounts receivable-installment and claims provable in bankruptcy is deducted.
*3 Deferred installment income (liabilities account) on installment receivables is deducted.
*4 Since derivative transactions that quality 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. Fiscal year ended March 31, 2021

Financial instruments whose fair value is deemed extremely difficult to ascertain in the previous consolidated fiscal year are as follows. As such, they are not included in asset (3) Operational investment securities and investment securities.

(Millions of yen)

Category	Consolidated balance sheet amount
Operational investment securities and investment securities	
(1) Unlisted shares	3,789
(2) Investments in limited liability investment partnerships, etc.	1,111
Total	4,900

Fiscal year ended March 31, 2022

Shares and investments in capital of partnerships without market value in the consolidated fiscal year under review are as follows. As such, they are not included in asset (3) Operational investment securities and investment securities.

(Millions of yen)

Category	Consolidated balance sheet amount
Operational investment securities and investment securities	
(1) Unlisted shares	4,615
(2) Investments in limited liability investment partnerships, etc.	1,234
Total	5,849

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

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.

Fiscal year ended March 31, 2022

(Millions of yen)

Category	Due within 1 year	Due within 1-5 years	Due after 5 years or more
Cash and deposits	44,448	—	—
Operating loans	207,460	337,812	2,184
Accounts receivable—installment	98,621	11,540	82
Total	350,529	349,353	2,266

Does not include ¥22,567 million of claims provable in bankruptcy, etc. for which a scheduled redemption amount cannot be expected.

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

Fiscal year ended March 31, 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	—	—	—	—
Long-term borrowings	146,136	107,354	48,879	18,364	3,500	2,580
Total	161,211	122,354	48,879	18,364	3,500	2,580

Fiscal year ended March 31, 2022

(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	35,000	—	—	—	—	—
Long-term borrowings	166,786	107,345	68,340	12,282	5,576	3,727
Total	201,786	107,345	68,340	12,282	5,576	3,727

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

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

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

Fair value of level 3: Fair value estimated from the input for measurement of unobservable fair values

In the case where multiple pieces of input data that would produce significant effects on measurement of fair values are used, fair values are classified into the level with the lowest priority in measurement of fair values among the levels of the input data.

(1) Financial instruments posted at fair values in the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 2	Total
Operational investment securities and investment securities				
Shares	223	2,150	—	2,374

(2) Financial instruments other than those posted at fair values in the consolidated balance sheet

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 2	Total
(1) Operating loans	—	—	577,545	577,545
(2) Accounts receivable-installment	—	—	106,926	106,926
(3) Operational investment securities and investment securities Shares	2,008	—	—	2,008
(4) Claims provable in bankruptcy	—	—	2,240	2,240
Total assets	2,008	—	686,712	688,721
(1) Bonds	—	34,993	—	34,993
(2) Long-term borrowings	—	363,995	—	363,995
Total liabilities	—	398,988	—	398,988
Derivative transactions				
(i) Those qualified for hedge accounting	—	—	—	—
(ii) Those not qualified for hedge accounting	—	—	—	—
Total derivative transactions	—	—	—	—

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

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

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

Operational investment securities and investment securities
Listed shares are evaluated by using market prices. The shares traded in active markets are classified into the fair values at level 1, while other shares are classified into the fair values at level 2.

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

Bonds
Bonds are classified into fair values at level 2, because the prices estimated from market prices are recognized as fair values.

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

Notes on securities

Fiscal year ended March 31, 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, 2020 to March 31, 2021)

(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.

Fiscal year ended March 31, 2022 (as of March 31, 2022)

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	2,283	728	1,554
Subtotal	2,283	728	1,554
Those whose consolidated balance sheet amount does not exceed purchase cost			
Shares	91	92	(0)
Subtotal	91	92	(0)
Total	2,374	821	1,553

Note: Unlisted shares, etc., (consolidated balance sheet amount of ¥3,704 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, 2021 to March 31, 2022)

(Millions of yen)

	Amount of sales	Total amount of gain on sales	Total amount of loss on sales
Shares	314	210	78

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

An impairment loss of ¥78 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, 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.

Fiscal year ended March 31, 2022 (as of March 31, 2022)

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	27,624	12,921	(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, 2021	FY ended March 31, 2022
Beginning balance of retirement benefit obligations	16	22
Service cost	6	5
Interest expense	0	0
Actuarial gain or loss	—	1
Retirement benefits paid	—	—
Prior service cost incurred during the period	—	—
Foreign currency translation adjustment	(0)	(0)
Ending balance of retirement benefit obligations	22	29

(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, 2021	As of March 31, 2022
Funded retirement benefit obligations	—	—
Pension assets	—	—
	—	—
Unfunded retirement benefit obligations	22	29
Net consolidated balance sheet amounts of liabilities and assets	22	29
Liabilities pertaining to retirement benefits	22	29
Assets pertaining to retirement benefits	—	—
Net consolidated balance sheet amounts of liabilities and assets	22	29

(3) Retirement benefit expenses and sub-items

(Millions of yen)

	FY ended March 31, 2021	FY ended March 31, 2022
Service cost	6	5
Interest expense	0	0
Amount of prior service costs recorded as expenses	—	—
Retirement benefit expenses pertaining to the defined benefit plan	7	6

(4) Matters regarding the basis of actuarial calculation

Major basis of actuarial calculation

	FY ended March 31, 2021	FY ended March 31, 2022
Discount rate	1.9%	2.6%

3. Defined contribution pension plan and prepaid retirement benefit plan

(Millions of yen)

	FY ended March 31, 2021	FY ended March 31, 2022
Amount of prepaid retirement benefits	125	122
Amount of contribution to defined contribution pension	371	373
Retirement benefit expenses	496	495

Notes on tax effect accounting

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Allowance for doubtful accounts	14,120	12,963
Provision for loss on interest repayment	3,993	7,622
Bad debt loss	2,306	2,417
Accrued income	1,111	1,217
Loss carried forward	54,544	40,510
Other	4,543	3,431
Subtotal of deferred tax assets	80,621	68,162
Valuation allowance for tax loss carryforwards *2	(53,360)	(36,043)
Valuation allowance for the sum total of deductible temporary differences, etc.	(17,558)	(19,052)
Subtotal of valuation allowances *1	(70,918)	(55,095)
Total deferred tax assets	9,702	13,067
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(826)	(353)
Retirement cost corresponding to asset retirement obligations	(126)	(111)
Other	(2)	(9)
Total deferred tax liabilities	(956)	(474)
Net amount of deferred tax assets	8,746	12,592

*1 Valuation allowance has decreased ¥15,823 million. This decrease mainly reflects the additional recording of deferred tax assets of ¥3,778 million due to a revision to the collectability of temporary differences and the writing off of tax loss carryforwards of ¥11,754 million (an amount multiplied by the effective statutory tax rate) from among the tax loss carryforwards incurred in the fiscal year ended March 2013, 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, 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 (a)	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	—	—	—	—	(b) 1,184

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

(b) 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.

Fiscal year ended March 31, 2022 (as of March 31, 2022)

(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)	5,917	6,258	14,475	9,571	3,722	564	40,510
Valuation allowances	(1,857)	(6,165)	(14,459)	(9,571)	(3,722)	(267)	(36,043)
Deferred tax assets	4,060	92	16	—	—	297	(d) 4,467

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

(d) Deferred tax assets of ¥4,467 million have been recorded for the ¥40,510 million of tax loss carryforwards (amount multiplied by the effective statutory tax rate). Said deferred tax assets amounting to 4,467 million yen is attributable to the recognition of the balance of tax loss carryforwards amounting to 39,065 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	0.3	0.5
Entertainment expenses and other items permanently excluded from loss	0.1	0.2
Valuation allowances	(181.1)	(126.0)
Effects of the change in effective statutory tax rate	—	2.1
Effects of retroactive application	—	(6.6)
Effects of reorganization	—	(2.7)
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	(0.3)	(0.4)
Expiry of time limit of loss carried forward	149.5	96.4
Difference in tax rate from that of parent company	2.3	(0.3)
Other	0.3	0.0
Burden rate of income taxes, etc., after application of tax effect accounting	2.0	(6.3)

Notes on revenue recognition

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

(Millions of yen)

	Reporting segment				
	AIFUL Corporation	LIFECARD Co., Ltd.	Total	Other *1	Total
Member store commissions	—	6,534	6,534	2,056	8,590
Revenues related to its own point system	—	2,397	2,397	—	2,397
Annual card membership fees	—	3,847	3,847	—	3,847
Other	1,970	3,994	5,965	1,397	7,362
Revenue arising from contracts with customers	1,970	16,774	18,744	3,453	22,198
Interest on operating loans	63,071	4,066	67,138	9,194	76,332
Customer commissions	3	8,035	8,039	1,072	9,111
Revenue from credit guarantee(Note 2)	11,447	1,754	13,202	2,528	15,730
Collection from purchased receivables	—	—	—	889	889
Recoveries of written off claims	6,405	562	6,968	524	7,492
Other	0	2	2	339	342
Other revenue	80,928	14,421	95,350	14,548	109,898
Sales to external customers	82,898	31,196	114,095	18,002	132,097

*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 Revenue from credit guarantee includes the following amounts earned through the liquidation of receivables.
AIFUL Corporation: 2,372 million yen
Other: 2,510 million yen
Total: 4,882 million yen

2. Basic information for understanding revenues
As mentioned in "(4) Booking of significant revenues and expenses" of "4. Matters concerning accounting policies" in "Significant items forming the basis for the preparation of consolidated financial statements."
3. Information on the relationship between the fulfillment of the performance obligations set forth in contracts with customers and cash flows arising out of said contracts, and revenues arising out of contracts with customers that are effective as of the end of the consolidated fiscal year under review expected to be posted from the following consolidated fiscal year and the timing of posting of said revenues

(1) Balance of contract liabilities, etc.

(Millions of yen)

	Fiscal year ended March 31, 2022
Receivables arising out of contracts with customers (balance at beginning of term)	123
Receivables arising out of contracts with customers (balance at end of term)	116
Contract liabilities (balance at beginning of term)	4,102
Contract liabilities (balance at end of term)	3,792

Contract liabilities are related to its own point system and annual card membership fees.
The contract liabilities related to its own point system are the amount of unused points that are provided to card members, which is calculated by multiplying the balance of points as of the end of the consolidated fiscal year by the expected amount of points used. Said contract liabilities are reduced through the posting of revenues from the use of points.
The contract liabilities related to annual card membership fees are the amount for the remaining period out of annual card membership fees. Said contract liabilities are reduced through the posting of revenues through the elapse of the period.
Out of the revenues recognized in the consolidated fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the term stood at 3,080 million yen. The amount of revenues from the performance obligations fulfilled in the past recognized in the consolidated fiscal year under review is not significant.

(2) Transaction prices allocated to the remaining performance obligations
The note about the remaining performance obligations is written for the category "Revenue arising from contracts with customers" in "1. Information on breakdown of revenue arising from contracts with customers."
Regarding member store commissions, there are no transaction prices allocated to the remaining performance obligations.
In addition, we adopted a practically convenient method, and annual card membership fees are part of a contract whose assumed period is 1 year or less, so they are not subject to the note.
Regarding other operating revenue, its importance is low, so the note is omitted.
The performance obligations still to be fulfilled as of the end of the consolidated fiscal year under review are the transaction prices allocated to the remaining performance obligations for its own point system, which amount to 2,270 million yen. For said remaining performance obligations, revenues are expected to be recognized in the coming 60 months according to the use of points.

Notes to segment information, etc.

Segment information

1. Overview of reporting segments

(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 two core companies, namely, AIFUL Corporation and LIFECARD Co., Ltd.

(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.

(3) Items regarding the changes in the reporting segments

In the consolidated fiscal year under review, the quantitative importance of "AIRA & AIFUL Public Company Limited" declined, so its performance is now included in "Other." The segment information for the previous consolidated fiscal year disclosed for comparison with that for the consolidated fiscal year under review was described based on the revised reporting segments, so it is different from the segment information disclosed in the previous consolidated fiscal year.

As mentioned in the section of change in accounting policy, we adopted the Accounting Standard for Revenue Recognition from the consolidated financial statements for the consolidated fiscal year under review, changing the accounting method for revenue recognition, so the method for calculating profit or loss of each business segment, too, was changed.

Regarding the segment information for the previous consolidated fiscal year, the information obtained with the revised method for calculating profit or loss is written.

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

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

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

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

(Millions of yen)

	Reporting segment				
	AIFUL Corporation	LIFECARD Co., Ltd.	Total	Other *1	Total
Operating revenue					
Operating revenue from third parties	78,635	31,443	110,078	17,402	127,481
Inter-segment sales and transfers	190	859	1,050	718	1,768
Total	78,826	32,303	111,129	18,120	129,249
Segment profit	9,583	3,139	12,722	708	13,431
Segment assets	638,868	192,050	830,918	118,026	948,945
Segment liabilities	536,213	140,177	676,390	92,017	768,408
Other items					
Provision for point card certificates	—	2,209	2,209	—	2,209
Provision of allowance for doubtful accounts *2	29,912	4,193	34,105	4,760	38,865
Provision for loss on interest repayment	—	—	—	—	—
Provision for bonuses	852	20	873	23	897
Depreciation	1,336	1,390	2,726	691	3,418
Interest on loans receivable	944	180	1,125	489	1,614
Foreign exchange gains	—	—	—	566	566
Share of profit of entities accounted for using equity method	—	—	—	—	—
Gain on sales of investment securities	—	367	367	—	367
Interest expenses *3	—	—	—	45	45
Infectious disease related costs	34	3	38	52	90
Extraordinary losses	4,556	—	4,556	1,064	5,620
(Loss on sales of non-current assets)	(91)	(—)	(91)	(—)	(91)
(Impairment loss)	(—)	(—)	(—)	(1,064)	(1,064)
(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	3,678	678	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.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segment				
	AIFUL Corporation	LIFECARD Co., Ltd.	Total	Other *1	Total
Operating revenue					
Operating revenue from third parties	82,898	31,196	114,095	18,002	132,097
Inter-segment sales and transfers	218	1,158	1,377	697	2,074
Total	83,117	32,354	115,472	18,699	134,171
Segment profit	7,912	1,755	9,667	13,767	23,434
Segment assets	711,185	185,923	897,108	139,371	1,036,480
Segment liabilities	601,089	135,430	736,519	113,544	850,064
Other items					
Provision for point card certificates	—	—	—	—	—
Provision of allowance for doubtful accounts *2	20,705	2,745	23,451	4,531	27,982
Provision for loss on interest repayment	17,283	2,645	19,929	—	19,929
Provision for bonuses	816	19	835	4	839
Depreciation	1,706	1,341	3,048	369	3,417
Interest on loans receivable	1,018	116	1,135	119	1,255
Foreign exchange gains	531	2	533	0	533
Share of profit of entities accounted for using equity method	—	—	—	—	—
Gain on sales of investment securities	—	—	—	—	—
Interest expenses *3	—	—	—	—	—
Infectious disease related costs	10	—	10	—	10
Extraordinary losses	—	—	—	—	—
(Loss on sales of non-current assets)	(—)	(—)	(—)	(—)	(—)
(Impairment loss)	(—)	(—)	(—)	(—)	(—)
(Loss on valuation of stocks of subsidiaries and affiliates)	(—)	(—)	(—)	(—)	(—)
Income taxes—current	2,028	(686)	1,341	1,261	2,602
Income taxes—deferred	(3,192)	732	(2,460)	(559)	(3,019)
Increase in property, plant and equipment, and intangible assets	1,725	2,053	3,778	245	4,024

*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 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, 2021	FY ended March 31, 2022
Reporting segment total	111,129	115,472
Operating revenue categorized as "other"	18,120	18,699
Inter-segment eliminations	(1,768)	(2,074)
Operating revenue posted in consolidated financial statements	127,481	132,097

(Millions of yen)

Profit	FY ended March 31, 2021	FY ended March 31, 2022
Reporting segment total	12,722	9,667
Profit categorized as "other"	708	13,767
Inter-segment eliminations	(18)	25
Other adjustments	5,024	(11,125)
Profit attributable to owners of parent posted in consolidated financial statements	18,437	12,334

(Millions of yen)

Assets	FY ended March 31, 2021	FY ended March 31, 2022
Reporting segment total	830,918	897,108
Assets categorized as "other"	118,026	139,371
Other adjustments	(85,590)	(100,837)
Total assets posted in consolidated financial statements	863,354	935,642

(Millions of yen)

Liabilities	FY ended March 31, 2021	FY ended March 31, 2022
Reporting segment total	676,390	736,519
Liabilities categorized as "other"	92,017	113,544
Other adjustments	(52,746)	(70,947)
Total liabilities posted in consolidated financial statements	715,662	779,116

(Millions of yen)

	Reporting segment total *3		Other		Adjustments		Amount posted in consolidated financial statements	
Other items	FY2021/3	FY2022/3	FY2021/3	FY2022/3	FY2021/3	FY2022/3	FY2021/3	FY2022/3
Other items								
Provision for point card certificates	2,209	—	—	—	—	—	2,209	—
Provision of allowance for doubtful accounts *1	34,105	23,451	4,760	4,531	—	(59)	38,865	27,922
Provision for loss on interest repayment	—	19,929	—	—	—	—	—	19,929
Provision for bonuses	873	835	23	4	436	463	1,333	1,303
Depreciation	2,726	3,048	691	369	—	—	3,418	3,417
Interest on loans receivable	1,125	1,135	489	119	(1,411)	(1,031)	203	224
Foreign exchange gains	—	533	566	0	(5)	(163)	560	370
Share of profit of entities accounted for using equity method	—	—	—	—	204	150	204	150
Gain on sales of investment securities	367	—	—	—	—	—	367	—
Interest expenses *2	—	—	45	—	(41)	—	3	—
Infectious disease related costs	38	10	52	—	—	—	90	10
Extraordinary losses	4,556	—	1,064	—	(4,464)	—	1,156	—
(Loss on sales of non-current assets)	(91)	(—)	(—)	(—)	(—)	(—)	(91)	(—)
(Impairment loss)	(—)	(—)	(1,064)	(—)	(—)	(—)	(1,064)	(—)
(Loss on valuation of stocks of subsidiaries and affiliates)	(4,464)	(—)	(—)	(—)	(4,464)	(—)	(—)	(—)
Income taxes—current	1,683	1,341	1,281	1,261	—	—	2,965	2,602
Income taxes—deferred	(2,740)	(2,460)	27	(559)	102	(355)	(2,610)	(3,374)
Investments in entities accounted for using equity method	—	—	—	—	1,110	659	1,110	659
Increase in property, plant and equipment, and intangible assets	3,678	3,778	678	245	(82)	—	4,274	4,024

*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, 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 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, 2022 (April 1, 2021 to March 31, 2022)

1. Information on products and services

(Millions of yen)

	Loan business	Credit sales business	Credit guarantee business	Other	Total
Operating revenue from third parties	82,870	24,502	16,125	8,599	132,097

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 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.

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

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.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
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, 2021 (April 1, 2020 to March 31, 2021)
Not applicable.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Not applicable.

Per share information

FY ended March 31, 2021		FY ended March 31, 2022	
Net assets per share	300.92	Net assets per share	318.17
Profit per share	38.12	Profit per share	25.50

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:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Profit per share	—	—
Profit attributable to owners of parent	18,437	12,334
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent pertaining to common stock	18,437	12,334
Average number of shares of common stock during the period	483,702,752 shares	483,702,666 shares

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Total net assets	147,692	156,526
Amount deducted from total net assets	2,136	2,626
(Portion of non-controlling interest)	(2,136)	(2,626)
Net assets related to common stock at end of FY	145,555	153,900
Number of shares of common stock at end of FY used in the calculation of net assets per share	483,702,666 shares	483,702,666 shares

Consolidated Schedules

AIFUL CORPORATION and Consolidated Subsidiaries

Bonds schedule

Company name	Issue	Date of issue	Balance at April 1, 2021 (Millions of yen)	Balance at March 31, 2022 (Millions of yen)	Interest rate (%)	Security	Maturity date
The Company	58th unsecured straight bond	July 10, 2018	75	—	0.370 per annum	Unsecured	July 9, 2021
	59th unsecured straight bond	September 25, 2018	15,000	—	1.850 per annum	Unsecured	September 24, 2021
	62th unsecured straight bond	December 10, 2020	15,000	15,000 (15,000)	1.000 per annum	Unsecured	June 10, 2022
	63th unsecured straight bond	June 10, 2021	—	20,000 (20,000)	0.930 per annum	Unsecured	December 9, 2022
Total		—	30,075	35,000 (35,000)	—	—	—

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

(Millions of yen)

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

Borrowings schedule

Category	Balance at April 1, 2021 (Millions of yen)	Balance at March 31, 2022 (Millions of yen)	Average interest rate (%)	Repayment due date
Short-term borrowings (including short-term borrowings of subsidiaries and associates)	100,750	78,843	1.60	—
Commercial paper	—	2,500	0.30	
Current portion of long-term borrowings	146,136	166,786	1.27	—
Current portion of lease obligations	1,062	1,078	—	—
Long-term borrowings (excluding the current portion)	180,677	197,271	1.07	From April 2023 to July 2030
Lease obligations (excluding the current portion)	2,169	1,547	—	From April 2023 to June 2028
Total	430,797	448,027	—	—

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	107,345	68,340	12,282	5,576
Lease obligations	954	445	127	12

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, 2022
Operating revenue	32,329	64,837	98,492	132,097
Profit before income taxes	5,714	9,856	18,963	12,265
Profit attributable to owners of parent	5,012	10,042	18,161	12,334
Profit per share (yen)	10.36	20.76	37.55	25.50

	First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share (yen)	10.36	10.40	16.79	(12.05)

Non-Consolidated Balance Sheets

AIFUL CORPORATION
As of March 31

(Millions of yen)

	2021/3	2022/3
Assets		
Current assets		
Cash and deposits	12,450	15,387
Operating loans (Notes 1, 2, 4 and 5)	422,422	450,934
Accounts receivable-installment (Note 1)	268	226
Customers' liabilities for acceptances and guarantees	139,355	158,645
Other operating receivables	7,517	8,802
Prepaid expenses	365	454
Accrued income	3,041	3,228
Other	7,147	7,169
Allowance for doubtful accounts (Note 6)	(40,355)	(39,787)
Total current assets	552,212	605,061
Non-current assets		
Property, plant and equipment		
Buildings (Note 1)	12,897	12,963
Accumulated depreciation	(8,912)	(9,147)
Buildings, net (Note 1)	3,985	3,816
Structures (Note 1)	892	879
Accumulated depreciation	(706)	(707)
Structures, net (Note 1)	185	171
Machinery and equipment (Note 1)	146	146
Accumulated depreciation	(137)	(138)
Machinery and equipment, net (Note 1)	9	8
Furniture and fixtures (Note 1)	3,431	3,451
Accumulated depreciation	(2,546)	(2,834)
Furniture and fixtures, net (Note 1)	885	616
Land (Note 1)	6,810	6,810
Leased assets	733	1,194
Accumulated depreciation	(325)	(503)
Leased assets, net	407	691
Construction in progress	10	116
Total property, plant and equipment	12,294	12,230
Intangible assets		
Software	2,796	2,878
Other	24	24
Total intangible assets	2,820	2,902
Investments and other assets		
Investment securities	1,233	1,251
Shares of subsidiaries and associates	30,102	30,383
Long-term loans receivable from subsidiaries and associates	29,664	45,702
Claims provable in bankruptcy (Note 4)	15,014	14,523
Long-term prepaid expenses	240	347
Deferred tax assets	6,483	9,670
Lease and guarantee deposits	1,326	1,286
Other	396	445
Allowance for doubtful accounts	(12,920)	(12,618)
Total investments and other assets	71,540	90,990
Total non-current assets	86,656	106,124
Total assets	638,868	711,185

(Millions of yen)

	2021/3	2022/3
Liabilities		
Current liabilities		
Acceptances and guarantees	139,355	158,645
Short-term borrowings (Note 1)	24,960	15,426
Short-term loans payable to subsidiaries and associates	—	1,533
Commercial papers	—	2,500
Current portion of bonds	15,075	35,000
Current portion of long-term borrowings (Note 1)	140,936	162,330
Lease obligations	126	224
Trade accounts payable	3,974	5,943
Accrued expenses	552	608
Income taxes payable	1,637	630
Allowance for bonuses	1,348	1,350
Asset retirement obligations	1	—
Other	607	547
Total current liabilities	328,575	384,741
Non-current liabilities		
Bonds payable	15,000	—
Long-term borrowings (Note 1)	178,059	191,684
Lease obligations	320	537
Provision for loss on interest repayment	11,460	21,334
Asset retirement obligations	1,968	1,991
Other	828	798
Total non-current liabilities	207,637	216,347
Total liabilities	536,213	601,089
Net assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus		
Legal capital surplus	52	52
Total capital surplus	52	52
Retained earnings		
Legal retained earnings reserve		48
Other retained earnings		
Retained earnings brought forward	11,222	18,602
Total retained earnings	11,222	18,650
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	102,192	109,621
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	462	475
Total valuation and translation adjustments	462	475
Total net assets	102,655	110,096
Total liabilities and net assets	638,868	711,185

Non-Consolidated Statements of Income

AIFUL CORPORATION
Years ended March 31

(Millions of yen)

	2021/3	2022/3
Operating revenue		
Interest on operating loans	59,732	63,071
Other financial revenue	0	0
Other operating revenue		
Revenue from credit guarantee	11,136	11,447
Recoveries of written off claims	5,882	6,405
Other	2,074	2,192
Total other operating revenue	19,093	20,045
Total operating revenue	78,826	83,117
Operating expenses		
Financial expenses		
Interest expenses	4,286	4,266
Interest on bonds	516	433
Other	612	721
Total financial expenses	5,416	5,421
Other operating expenses		
Advertising expenses	7,763	9,644
Commissions	5,875	6,002
Provision of allowance for doubtful accounts	29,864	20,701
Provision for loss on interest repayment	—	17,283
Salaries and allowances for employees	6,020	5,883
Provision for bonuses	852	816
Depreciation	1,336	1,706
Other	11,224	10,899
Total other operating expenses	62,936	72,938
Total operating expenses	68,352	78,359
Operating profit	10,473	4,757
Non-operating income		
Foreign exchange gains	—	531
interest on loans	944	1,081
Other (Note 1)	643	463
Total non-operating income	1,588	2,014
Non-operating expenses		
Foreign exchange loss	1	—
Provision of allowance for doubtful accounts	47	3
Infection-related expenses	34	10
Other	3	8
Total non-operating expenses	87	23
Ordinary profit	11,973	6,748
Extraordinary losses		
Loss on sale of fixed assets	91	—
Loss on valuation of shares of subsidiaries and associates	4,464	—
Total extraordinary losses	4,556	—
Profit before taxes	7,417	6,748
Income taxes—current	566	2,028
Income taxes—deferred	(2,732)	(3,192)
Total income taxes	(2,165)	(1,163)
Profit	9,583	7,912

Notes to Non-Consolidated Financial Statements

AIFUL CORPORATION

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

Items other than shares with no market value

Stated at fair value by the market value method, based on market price, etc., as of the closing date. (All differences in valuation are fully included in the net asset method, and sales costs are calculated by the moving average method.)

Shares with no market value

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

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).

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

(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.

(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 will shift from the consolidated taxation system to the group tax sharing system in the next fiscal year.
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.
From the beginning of the next fiscal year, "the practices of accounting and disclosure when applying the group tax sharing system" (ASBJ PITF No. 42, August 12, 2021), which stipulates the practices of the accounting and disclosure of national corporate tax, local corporate tax, and tax effect accounting when applying the group tax sharing system, will be applied.

Critical Accounting Estimates

1. Allowance for doubtful accounts

(Millions of yen)

(1)

	As of March 31, 2021	As of March 31, 2022
Allowance for doubtful accounts	53,276	52,406

(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 previous fiscal year, 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.
At the end of the fiscal year under review, the actual amount of bad debts was smaller than the estimate at the end of the previous fiscal year, so the estimated amount of bad debt for debtors who have requested for changes or other modifications is calculated by methods using the actual rate of bad debt for categories with higher credit risk.
Mainly due to an increase in the balance of operating receivables and the adoption of said calculation method, allowance for doubtful accounts for fiscal 2022 was down 870 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

(Millions of yen)

	FY ended March 31, 2021	FY ended March 31, 2022
Allowance for loss on interest repayment	11,460	21,334

(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")
(1) Revision due to the application of the Accounting Standard for Revenue Recognition
We have been applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) since the beginning of the current fiscal year. There is no impact on the financial statement.
In accordance with the transitional treatment stipulated in Article 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the previous fiscal year are omitted.

(3) Revision due to the application of the Accounting Standard for Fair Value Measurement
We have been applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) since the beginning of the current fiscal year. There is no impact on the financial statement, and in accordance with the transitional measures set forth in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will continue to apply new accounting policies prescribed by the Accounting Standard for Fair Value Measurement and other standards into the future. There is no impact on the financial statement.

(Changes in Presentation Method)
(Consolidated statement of income)
The Company has been working to develop advertisements centered on TV and online commercials. The importance of online advertising, in particular, has increased in recent years and is expected to continue to grow in the future due to the spread of video distribution services, among other factors.
Under such circumstances, as a result of reviewing the management and aggregation categories of expenses related to advertising development, the cost of online advertising, such as affiliate advertising and listing advertising, which was included in sales promotion expenses under other operating expenses in the previous fiscal year, was combined with advertising expenses which is included in other in other operating expenses, and is reported separately as advertising expenses under other operating expenses from the fiscal year under review.
In order to reflect this change in the presentation method, the financial statements for the previous fiscal year have been reclassified. As a result, 5,214 million yen in sales promotion expenses and 13,772 million yen in other under other operating expenses in the statement of income for the previous fiscal year were reclassified as 7,763 million yen in advertising expenses and 11,224 million yen in other under other operating expenses.

In the previous fiscal year, rental income from real estate, outsourcing service income and subsidy income in non-operating income, listed separately, were less than 10% of total non-operating income. Thus, starting from the fiscal year under review, they are included in other. The statement of income for the previous fiscal year has been reorganized to reflect this change in the presentation method.
As a result, in the statement of income for the previous fiscal year, 146 million yen in rental income from real estate, 159 million yen in outsourcing service income, 176 million yen in subsidy income, and 160 million yen in other, all of which were indicated under non-operating income, have been reclassified as 643 million yen in other.
(Changes due to the application of the Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of the Banking Act)
Following the revision of the Notes on the Non-Performing Loans stipulated in the Cabinet Office Ordinance on Keeping of

Accounts by Specified Finance Companies, etc. in the Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of the Banking Act (Cabinet Office Ordinance No. 3, January 24, 2020), we will include the notes based on the revised categories from the end of the fiscal year under review.
In order to reflect this change in the presentation method, the revised categories have been reclassified in the notes on the status of non-performing loans in the previous fiscal year.

Notes to non-consolidated balance sheets

1. Assets pledged as collateral and corresponding liabilities
Assets pledged as collateral

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
(1) Assets pledged as collateral		
Cash and deposits		422
Operating loans	308,068	318,071
Accounts receivable—installment	7	5
Buildings	2,622	2,571
Structures	18	15
Machinery and equipment	9	8
Furniture and fixtures	56	55
Land	6,726	6,726
Total	317,508	327,875
(2) Corresponding liabilities		
Short-term borrowings	10,000	15,000
Current portion of long-term borrowings	106,806	95,567
Long-term borrowings	134,214	127,030
Total	251,020	237,598

As of March 31, 2021:

(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.

As of March 31, 2022:

(i) The amounts above at the end of the fiscal year ended March 31, 2022 include amounts pertaining to the securitization of receivables (operating loans of ¥189,259 million, short-term borrowings of ¥10,000 million, current portion of long-term borrowings of ¥28,852 million and long-term borrowings of ¥74,207 million).

(ii) Of the above assets, ¥19 million of operating loans and \5 million of installment receivables are pledged as collateral for borrowings from financial institutions by our consolidated subsidiary named LIFECARD Co., Ltd.

(iii) Of the above assets, ¥422 million of cash and deposit is pledged as collateral for borrowings from financial institutions by a non-consolidated subsidiary named PT REKSA FINANCE.

2. Unsecured personal loans included in operating loans

(Millions of yen)

As of March 31, 2021	As of March 31, 2022
412,220	440,773

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)

	As of March 31, 2021	As of March 31, 2022
LIFECARD Co., Ltd.	1,768	936
AIFUL BUSINESS FINANCE CORPORATION	880	2,108
AG Loan Services Corporation	175	75
AIRA & AIFUL Public Company Limited	1,770	2,576
AIFUL GUARANTEE Co., Ltd.	500	300
PT REKSA FINANCE	78	1,969
Total	5,171	7,964

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

As of March 31, 2021 (Millions of yen)

	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured loans		
Loans in legal bankruptcy	820	13,093	482	14,397
Risky claims	17,493	1,758	5,437	24,689
Loans 3 months or more in arrears	7,180	102	—	7,282
Restructured Loans	27,710	1,670	2,081	31,462
Performing loans	360,447	6,674	142,129	509,251
Total	413,651	23,300	150,132	587,083

As of March 31, 2022 (Millions of yen)

	Operating loans and claims in bankruptcy		Other	Total
	Unsecured loans	Other than unsecured loans		
Loans in legal bankruptcy	639	12,752	425	13,816
Risky claims	19,637	1,515	6,136	27,289
Loans 3 months or more in arrears	8,799	114	—	8,913
Restructured Loans	34,403	1,320	2,721	38,445
Performing loans	378,573	7,221	161,706	547,501
Total	442,053	22,923	170,989	635,966

The loan categories in the table above are as follows:

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

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

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

(Restructured loans)
Restructured loans are loans for which creditors have granted concessions (e.g., reduction of the stated interest rate, 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. Claims provable in bankruptcy and similar claims, risky claims and loans three months or more in arrears are excluded.

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

5. Loan commitments related to operating loans
(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.

(Fiscal year ended March 31, 2022)
Of operating loans including off-balance sheet loans resulting from securitization, ¥388,947 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 ¥142,954 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)

As of March 31, 2021	As of March 31, 2022
2,397	2,414

Notes to non-consolidated statements of income

1. Matters regarding subsidiaries and associates

(Millions of yen)

	FY ended March 31, 2021	FY ended March 31, 2022
Interest on loans receivable	943	1,017
Rental income from real estate	79	26
Outsourcing service income	159	190
Other (non-operating income)	58	48

2. Loss on sales of fixed assets

(Millions of yen)

	FY ended March 31, 2021	FY ended March 31, 2022
Land	91	—

Notes on securities

Shares of subsidiaries and affiliated companies
Fiscal year ended March 31, 2021 (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, 2021
(1) Shares of subsidiaries	29,746
(2) Shares of affiliated companies	—
Total	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.

Fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

Category	Non-consolidated balance sheet amount	Fair value	Difference
(1) Shares of subsidiaries	—	—	—
(2) Shares of affiliated companies	356	1,896	1,540
Total	356	1,896	1,540

Note: Non-consolidated balance sheet amount of shares which are excluded from the above table since they do not have a market price

(Millions of yen)

Category	As of March 31, 2022
(1) Shares of subsidiaries	30,027
(2) Shares of affiliated companies	—
Total	30,027

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, 2021	As of March 31, 2022
Deferred tax assets		
Allowance for doubtful accounts	9,240	8,306
Provision for loss on interest repayment	3,499	6,514
Bad debt loss	1,676	1,795
Accrued income	903	965
Loss carried forward	53,170	39,065
Shares of subsidiaries and associates	5,572	5,572
Other	2,186	2,252
Subtotal of deferred tax assets	76,249	64,472
Valuation allowance for tax loss carryforwards	(51,990)	(35,035)
Valuation allowance for the sum total of deductible temporary differences, etc.	(17,562)	(19,562)
Subtotal of valuation allowances	(69,552)	(54,597)
Total deferred tax assets	6,697	9,874
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(87)	(92)
Retirement cost corresponding to asset retirement obligations	(126)	(111)
Total deferred tax liabilities	(214)	(204)
Net amount of deferred tax assets	6,483	9,670

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, 2021	As of March 31, 2022
Effective statutory tax rate	30.5%	30.5%
(Adjustment)		
Inhabitant tax on per capita basis	0.5	0.6
Entertainment expenses and other items permanently excluded from loss	0.2	0.3
Valuation allowances	(424.9)	(221.6)
Exclusion from gross profits of dividends received	(0.0)	(0.1)
Expiry of time limit of loss carried forward	364.5	(173.3)
Other	0.0	(0.2)
Burden rate of income taxes, etc., after application of tax effect accounting	(29.2)	(17.2)

Notes on revenue recognition

The basic information for understanding the revenue arising from contracts with customers is written in "Notes (related to revenue recognition)" of consolidated financial statements, so the note is omitted.

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, 2021	Increase during FY	Decrease during FY	Balance at March 31, 2022	Accumulated depreciation or amortization at March 31, 2022	Amortization during FY	Net balance at March 31, 2022
Property, plant and equipment							
Buildings	12,897	147	81	12,963	9,147	316	3,816
Structures	892	13	26	879	707	27	171
Machinery and equipment	146	—	—	146	138	1	8
Furniture and fixtures	3,431	121	102	3,451	2,834	390	616
Land	6,810	—	—	6,810	—	—	6,810
Leased assets	733	461	—	1,194	503	178	691
Construction in progress	10	427	320	116	—	—	116
Total property, plant and equipment	24,922	1,171	531	25,563	13,332	913	12,230
Intangible assets							
Software	—	—	—	14,453	11,575	792	2,878
Other	—	—	—	31	7	0	24
Total intangible assets	—	—	—	14,485	11,582	793	2,902

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, 2021	Increase during FY	Decrease during FY (Used for objective)	Decrease during FY (Other)	Balance at March 31, 2022
Allowance for doubtful accounts	53,276	20,705	17,752	3,823	52,406
Allowance for bonuses	1,348	1,350	1,348	—	1,350
Provision for loss on interest repayment	11,460	17,283	7,409	—	21,334

Major assets and liabilities

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

Others

Not applicable.

Group Companies (As of July 7, 2022)

Company Name	Business Classification	Website
AIFUL CORPORATION	• Unsecured consumer loan • Small business loan • Credit guarantee	https://www.aiful.co.jp/
LIFECARD CO., LTD.	• Credit card • Prepaid card • Credit guarantee • Receiving agent service	http://www.lifecard.co.jp/
AIFUL BUSINESS FINANCE CORPORATION	• Small business loan • Secured loan • Factoring	https://www.aiful-bf.co.jp/
AG Loan Services Corporation	• Debt collection (Servicer) • Restructuring	https://www.a-g-sv.com
AG Capital Co., Ltd.	• Venture capital business	https://nf-partners.co.jp/
AG GUARANTEE CO., LTD.	• Receiving agent service • Installment credit sales	https://www.aifulguarantee.co.jp/
AG Partners Corporation	• Corporate turnaround & restructuring	https://www.aiful-p.com/
AG STOCK CENTER CORPORATION	• Warehouse/Document management	https://agstockcenter.co.jp/
AG MIRAIBARAI CO., LTD.	• BNPL	https://www.mirai-barai.co.jp/
AG Medical Corporation	• Medical fee-type secured loans	https://www.agmedical.co.jp
AG Crowdfunding Co., Ltd.	• Debt-based crowdfunding service	https://www.ag-crowdfunding.com/
AG住まいるリースバック株式会社	• Leaseback service	https://agsmileleaseback.co.jp
Anshin Guarantor Service Co., Ltd.	• Guarantee (Rent liabilities)	https://anshin-gs.co.jp/
AIRA & AIFUL Public Company Limited	• Consumer finance	http://www.aira-aiful.co.th/
PT REKSA FINANCE	• Used car loans	https://reksafinance.co.id/

Corporate Overview (As of March 31, 2022)

Corporate Name	AIFUL CORPORATION
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Date of Establishment	April 1967
Paid-in Capital	¥94,028 million
Fiscal Year	April 1 to March 31
Number of Employees	Non-consolidated: 1,010 Consolidated: 2,116
Stock Listing	Tokyo Stock Exchange, Prime Market
Securities Code	8515
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited
Independent Auditor	Deloitte Touche Tohmatsu LLC

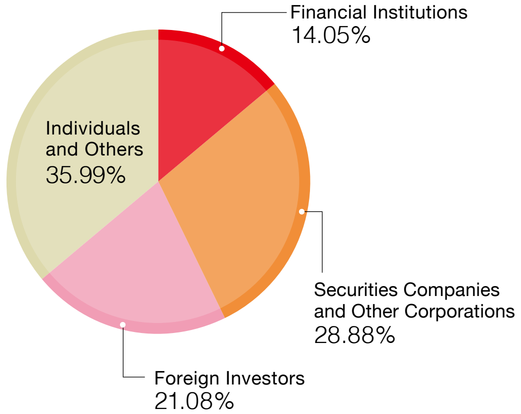
Stock Information (As of March 31, 2022)

Total Number of Shares Authorized	1,136,280,000 shares
Total Number of Shares Issued	484,620,136 shares
Number of Shareholders	24,847

■ 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
The Master Trust Bank of Japan, Ltd. (trust account)	43,038	8.88
Marutaka Co., Ltd.	24,543	5.06
Custody Bank of Japan, Ltd. (trust account)	19,180	3.96
JP MORGAN CHASE BANK 385632	17,984	3.71
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	14,804	3.05
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	12,307	2.54
MSIP CLIENT SECURITIES	11,346	2.34
STATE STREET BANK WEST CLIENT - TREATY 505234	4,702	0.97

■ Composition of Shareholders



▶ Contact Information

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