



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

AIFUL ANNUAL REPORT 2023

For us, Love is boundless.



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.

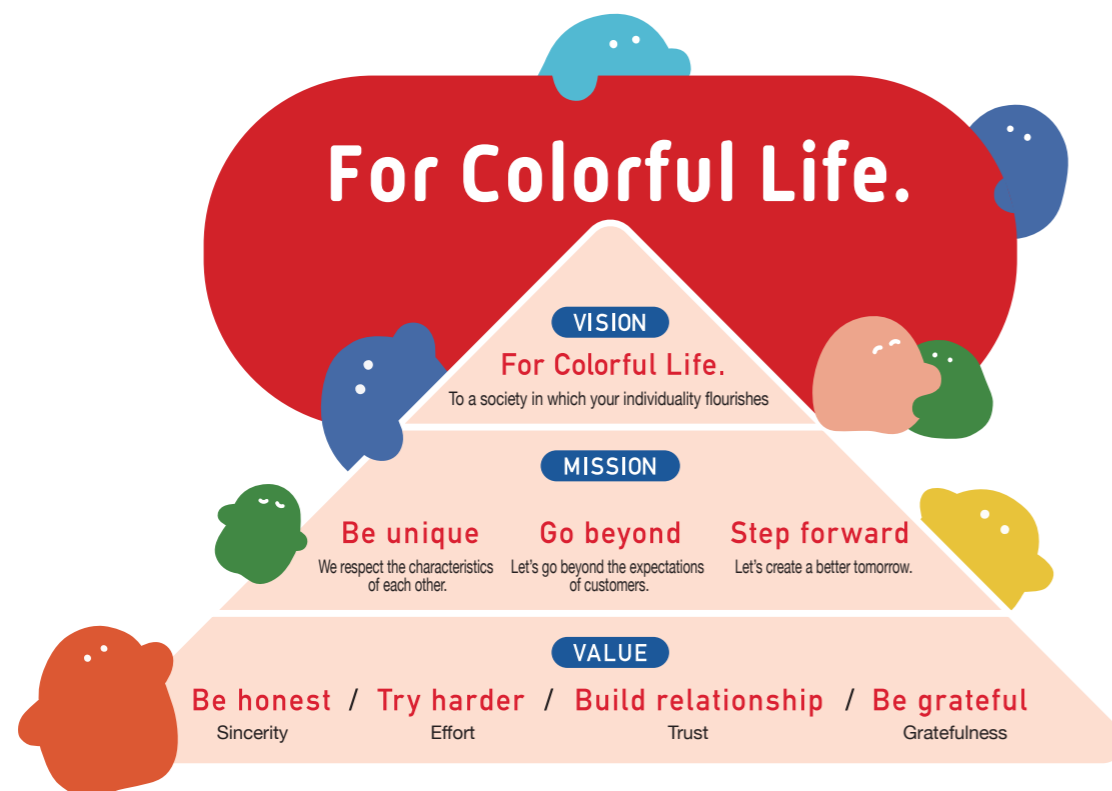
The AIFUL Group has upheld the corporate philosophy: “Earn the trust of society through corporate activity based in integrity” as an unalterable underlying philosophy, and in April 2021, we defined our vision, mission, and value as concrete goals suited for the present age for redeveloping the system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

VISION / MISSION / VALUE

// For Colorful Life. //

For realizing a society where each person can play an active role

Based on our corporate philosophy: “Earn the trust of society through corporate activity based in integrity” and our vision: “For Colorful Life: To a society in which your individuality flourishes,” and in order to create a future in which everyone can achieve ideal selves, the AIFUL Group supports the Sustainable Development Goals (SDGs) and aims to “realize a sustainable society” and “attain the growth of the Group.”



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Editorial policy

The AIFUL Group creates Annual Reports so that stakeholders such as shareholders and investors can gain deeper understanding of our initiatives to grow the Group and to enhance corporate value. In this report, we have enhanced financial and non-financial information such as management philosophy, initiatives for corporate value creation, and business overview.

Reporting period

Period: Fiscal 2022 (April 1, 2022 to March 31, 2023)

Some information after April 2023 is included.

Applicable companies: AIFUL Corporation and group companies inside and outside Japan

Forward-Looking Statements

The figures contained in this Annual Report with respect to AIFUL Group’s plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of the AIFUL Group, 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 the AIFUL Group’s market and changes in the overall market for consumer loans, the rate of default by customers, and the level of interest rates charged for or by the AIFUL Group.

Year-on-Year Summary

Financial Highlight

Balance of operating receivables (billions of yen)



Operating revenue (billions of yen)



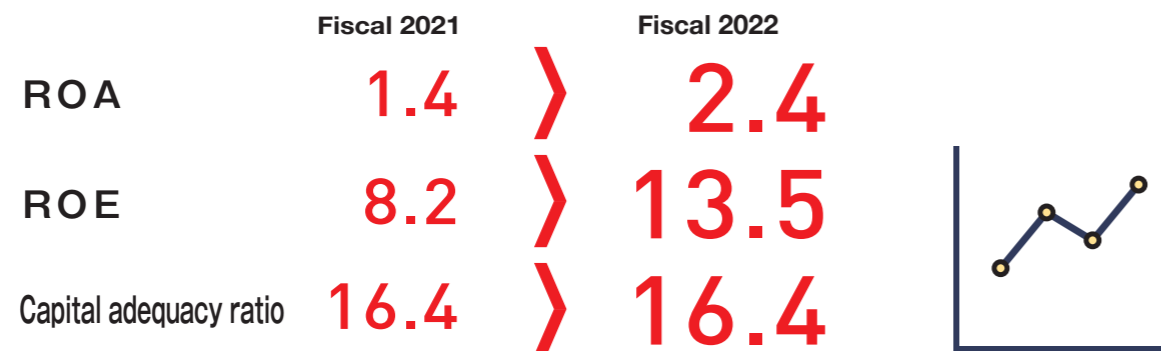
Ordinary profit (billions of yen)



Profit attributable to owners of parent (billions of yen)



Financial indicators (%)



Non-Financial Highlight

Ratio of employees who have taken paid holidays (%)



Ratio of employees who have taken childcare leave (%)



Ratio of male employees who have taken childcare leave (%)



Ratio of full-time female employees (%)



Ratio of females in recruiting full-time employees (%)



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



Our History

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

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

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

1984
Start of ATM operations

1985
Introduced first Scoring System (automated credit check system)

1994
Opened Heartful Center (now Contact Center)

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

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

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

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

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

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

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

2002
Established Compliance Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2017
The 50th anniversary of AIFUL's establishment

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

2020
Established AG Miraibarai Co., Ltd., which manages the Postpay settlement business
Established Aiful Medical Finance Co., Ltd., which manages the business of medical fee-type secured loans
AIFUL Group companies below have been renamed as follows:
BUSINEXT CORPORATION to AIFUL BUSINESS FINANCE CORPORATION;
AsTry Loan Services Corporation to AG Loan Services Corporation; and LIFE GUARANTEE CO., LTD. to AIFUL GUARANTEE CO., LTD.

2021
Aiful Medical Finance 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
Revised the visual identity (VI) of the Group

2023
Revised the VI of Life Card

Revised the VI

Changed the listing market to the Prime Market

Establishment of AG Medical Corporation

Establishment of AG Miraibarai Co., Ltd.

Establishment of AsTry Partners Corporation

50th anniversary of AIFUL's establishment

Entry into overseas markets

LIFE GUARANTEE CO., LTD. started operation

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

Establishment of BUSINEXT

Listing on First Section, Tokyo Stock Exchange

Opening of Heartful Center

Establishment of a consumer finance company



Introduction

The AIFUL Group's consolidated results for fiscal 2022 are as follows: operating revenue was 144.1 billion yen (up 9.1% year-on-year), operating profit was 23.7 billion yen (up 111.0% year-on-year), ordinary profit was 24.4 billion yen (up 99.2% year-on-year) and profit attributable to owners of parent was 22.3 billion yen (up 81.1% year-on-year). The main reason for the increase in revenue and profit was that operating expenses decreased 400 million yen (down 0.4% year-on-year) to 120.4 billion yen, as provision for loss on interest repayment decreased 19.9 billion yen (down 100.0% year-on-year) while operating revenue increased 12 billion yen. In addition, as a

result of a steady increase of new accounts, consolidated balance of operating receivables amounted to 1,015.9 billion yen (up 14.5% year-on-year).

While the balance of operating loans receivable is steadily increasing, the environment surrounding the Group is rapidly changing due to the entry of competitors from different fields and the acceleration of digital transformation (DX), so we need to swiftly respond to these changes. In this environment, we will make group-wide efforts to increase operating assets mainly in the loan, credit card, credit guarantee, and overseas businesses and diversify our financial business, while dealing with interest repayment claims,

which is one of managerial issues, and continue business administration focused on the balance among "reliability," "profitability," and "growth potential." Furthermore, by establishing the AIFUL Group brand and advancing data utilization, we aim to evolve into an enterprise that will obtain strong support from our stakeholders, improve the credit screening ability with IT, and optimize managerial resources for maximizing consolidated profit.

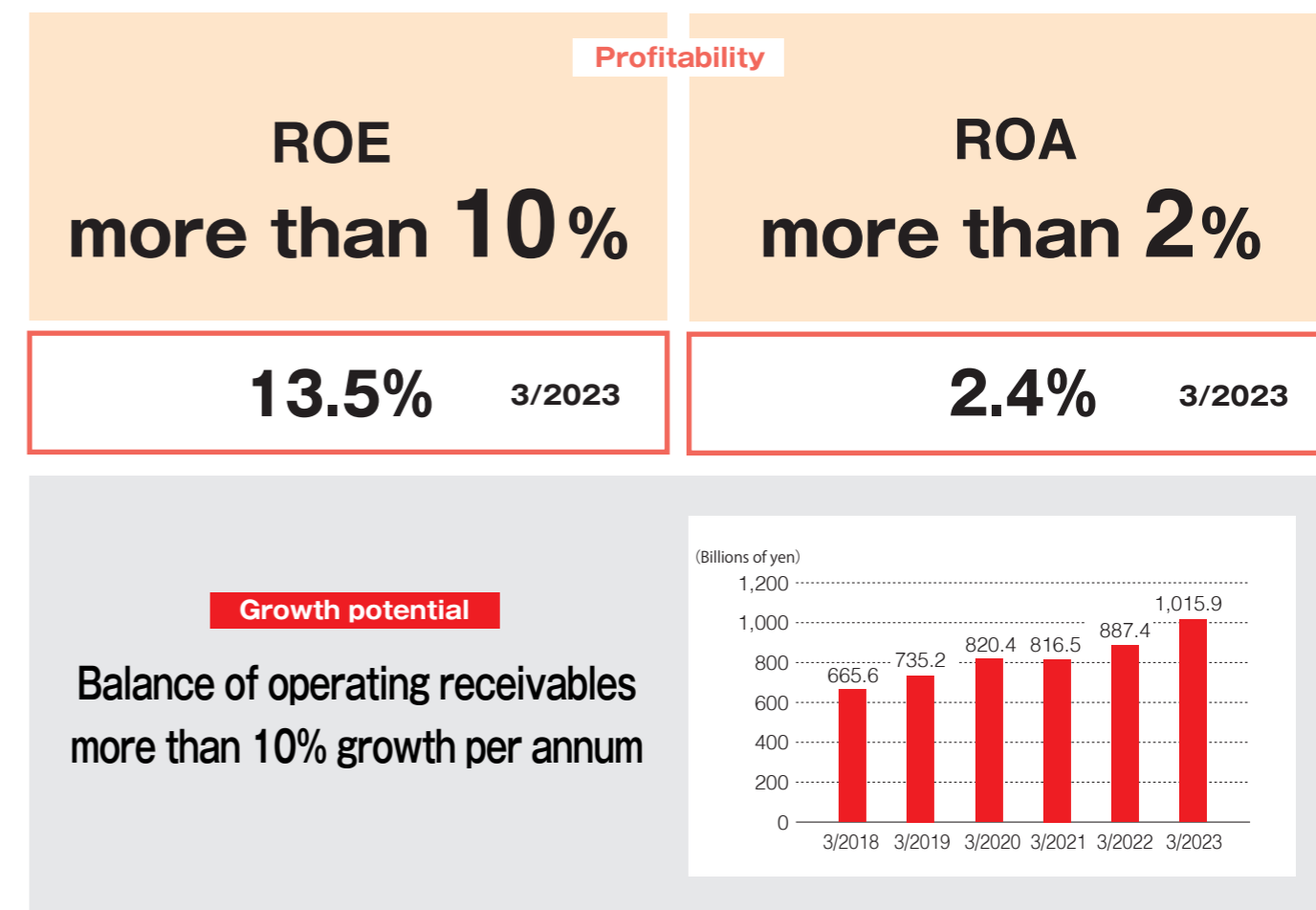
orientation." This management theme indicates that the AIFUL Group will foster the customer-centric mindset and measure up to social standards in order to survive the digital business age under the concept of normalizing our business by dealing with things we have disregarded so far and modifying our systems rather than drastically changing our company in two years.

In fiscal 2022, we strove to diffuse "a design-focused attitude" inside our company, under the management theme "Innovation based on a design-focused attitude: To design user-first services." The word "design" reminds most people of artistic creation, but our

Summary of financial results for fiscal 2022

The theme of the two-year plan ending in fiscal 2023, which was announced in June 2022, is "Go (new) Standard: Sophistication of customer

Summary of financial results for fiscal 2022



“design-focused attitude” means the process or mindset of solving problems and triggering innovation while making a hypothesis from the viewpoint of customers.

In this fiscal year, we diffused “a design-focused attitude” inside our company and made efforts to offer services from the viewpoint of customers with the key phrase “simple and easy to understand.” In addition, individual employees took “a design-focused attitude” for not only external operations, but also ordinary internal operations, with the aim of streamlining business operations.

Aiming for simple business administration

Considering the management theme in the previous fiscal year, we adopted the management theme “New AIFUL: Group-wide simple business administration” for fiscal 2023. Our customer-centric mindset is unchanged, but we will strive to increase the efficiency and speed of business operations and improve our profit structure, by pursuing a “simple and easy to understand” concept in not only treatment of customers and marketing, but also the management of the AIFUL Group.

In addition, the Company has increased group companies by conducting M&A and spinning off

growing businesses while diversifying our business. This fiscal year, we aim to streamline business operations and management and maximize the profit of the AIFUL Group, by establishing Subsidiary Management Department and reinforcing a sense of unity.

To our stakeholders

In fiscal 2022, the balance of operating receivables exceeded 1 trillion yen for the first time in 12 years. The AIFUL Group will strive to diversify business, promote DX, and improve corporate value as an IT-based financial group, while expanding the balance of operating

receivables, with the hope of realizing a society where more people can exert their individuality by offering a wide array of financial instruments and services.

We would appreciate the further support of stakeholders.

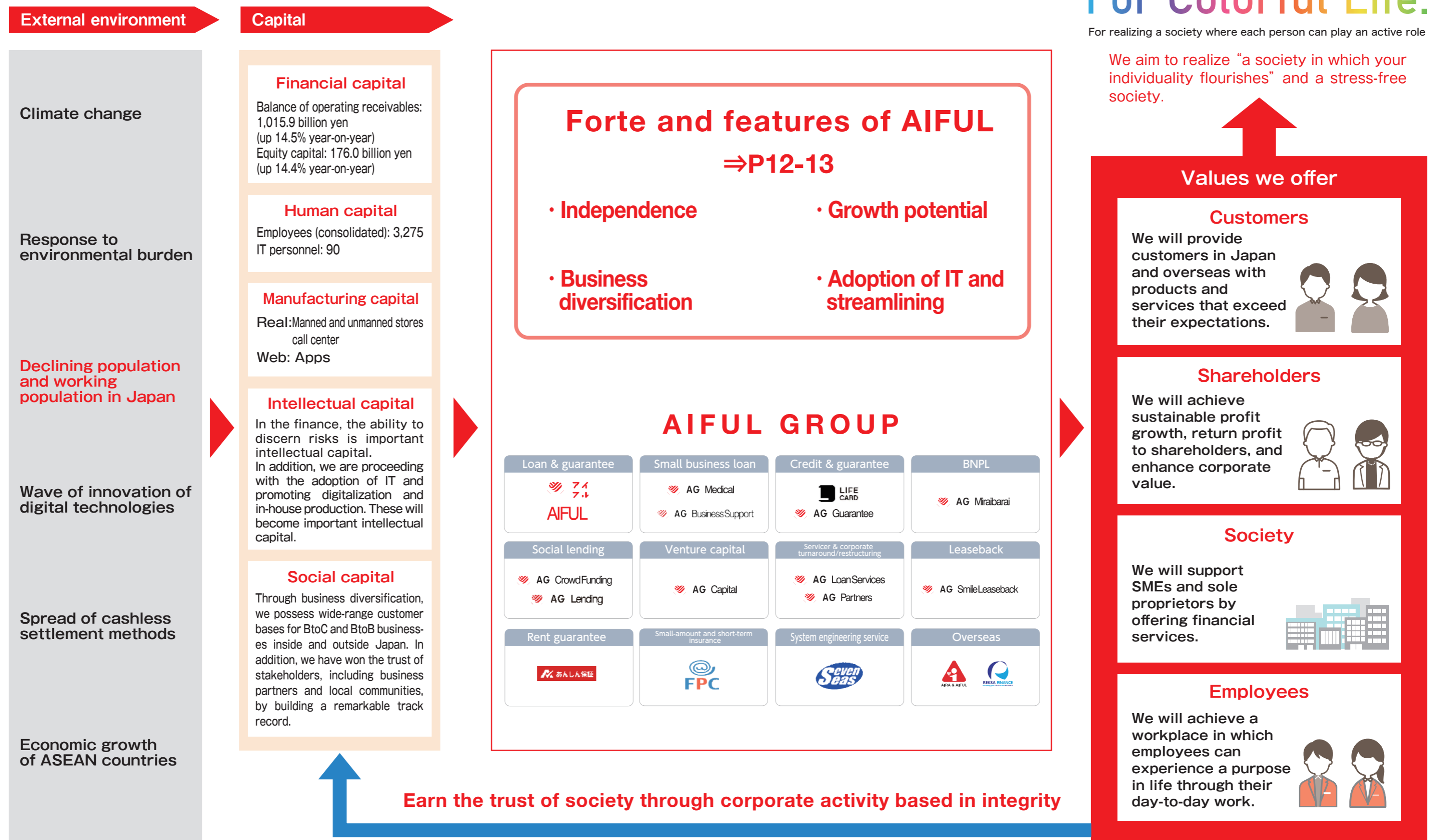
September 2023

Mitsuhide Fukuda

President and CEO/Representative Director



Initiatives to Create Corporate Value



Forte and Features of AIFUL

Forte and features

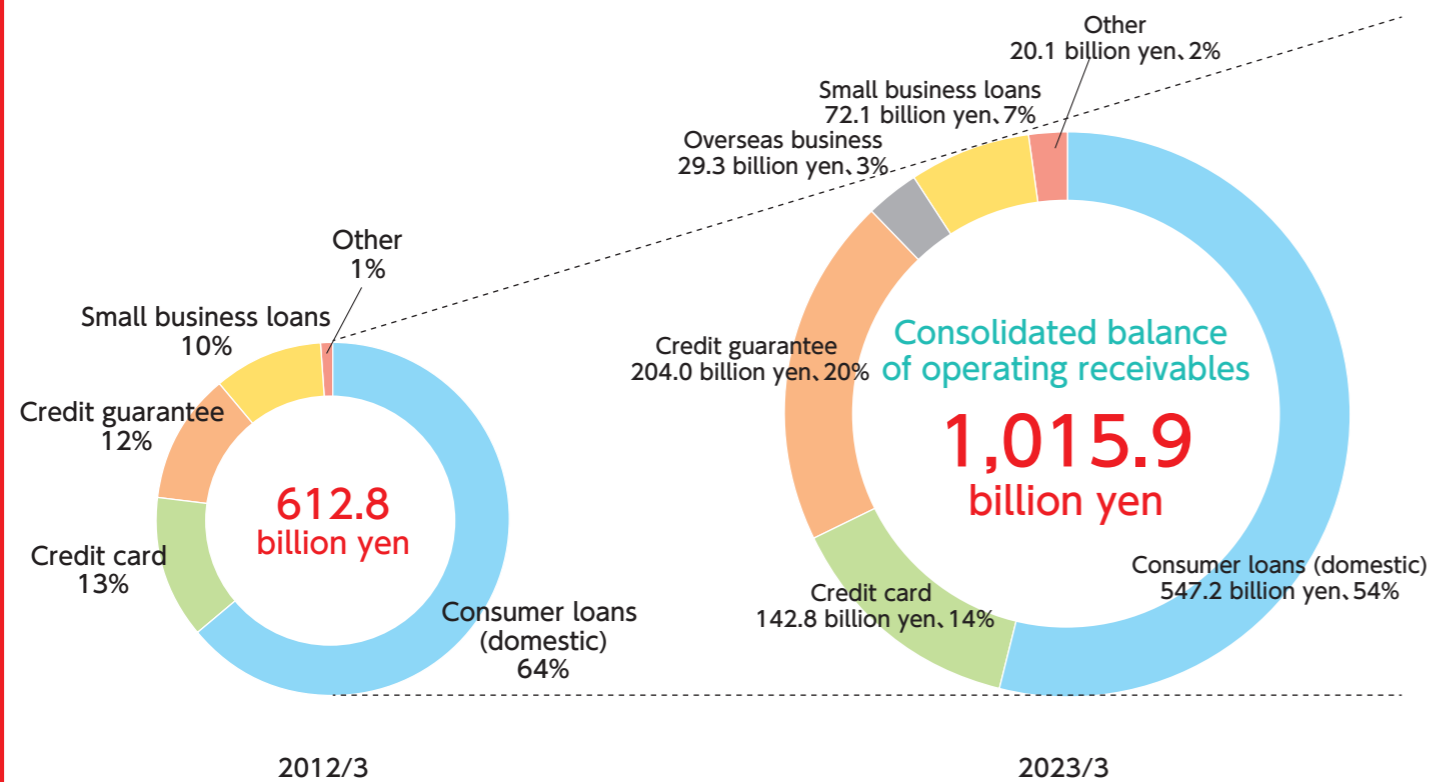


- Double-digit growth of the balance of operating receivables
- Diversification of our business portfolio with a wider variety of products
- Cost reduction through in-house production
- A wide array of products and sales organization of the AIFUL Group

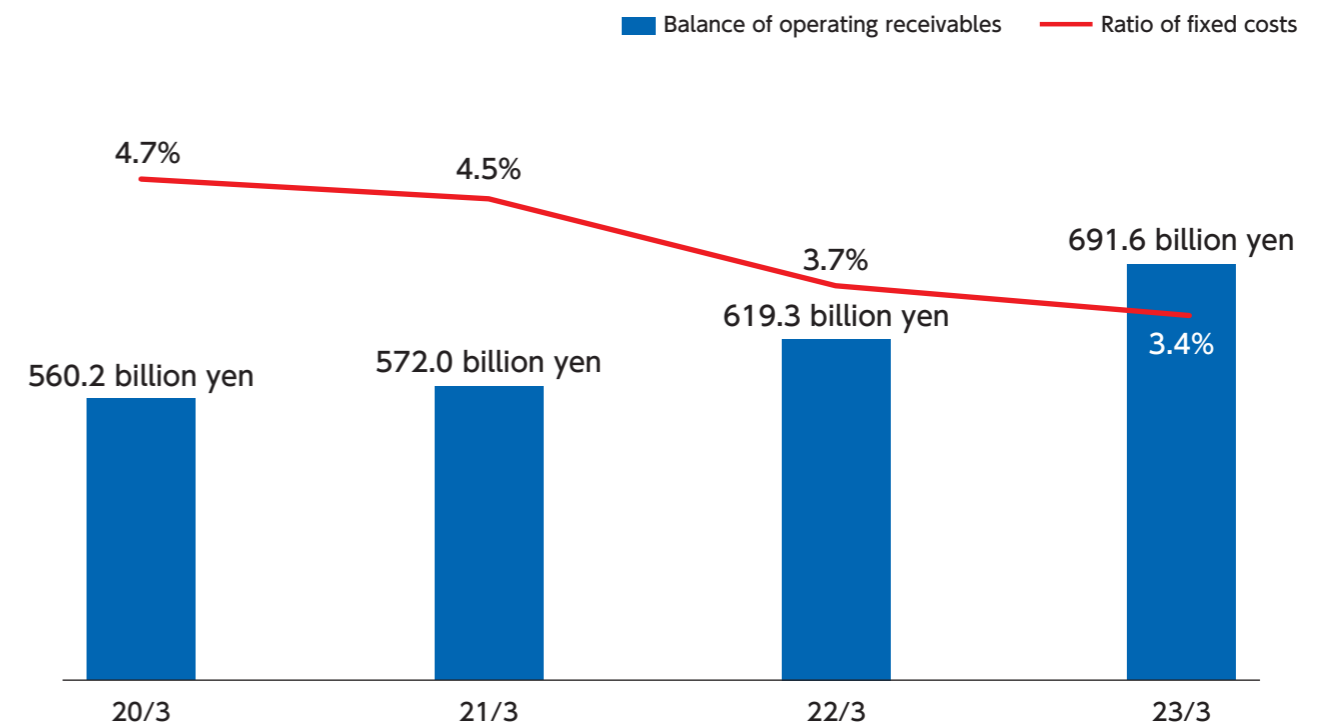
Through business diversification, the ratio of the balance of operating receivables in the consumer loan business decreased to 54% in the past 11 years, and total balance of operating receivables reached 1,015.9 billion yen, or up 64%.

While the balance of operating receivables is increasing, the ratio of fixed costs is decreasing thanks to the efforts for DX, in-house production, etc.

Consolidated


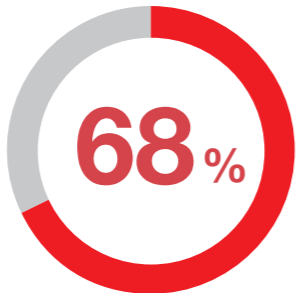

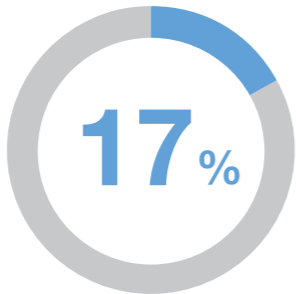

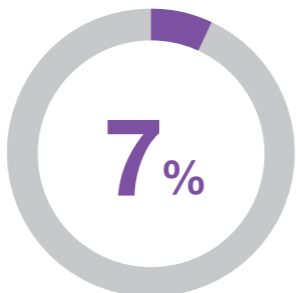

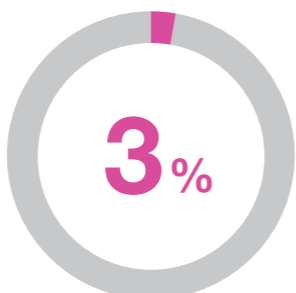


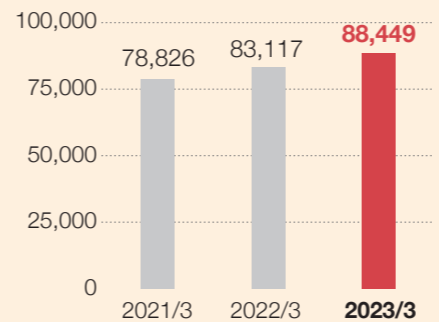
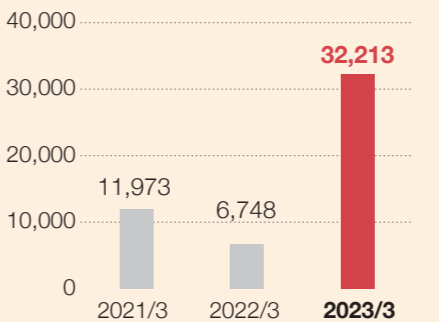
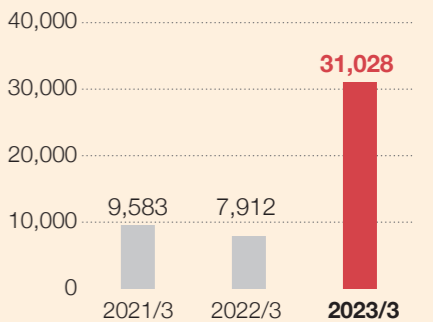
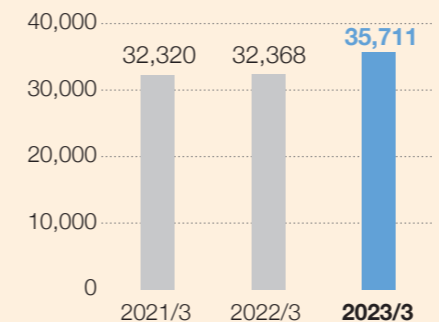
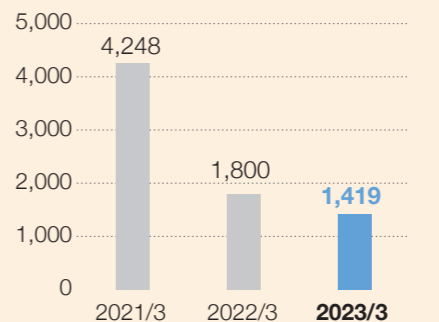
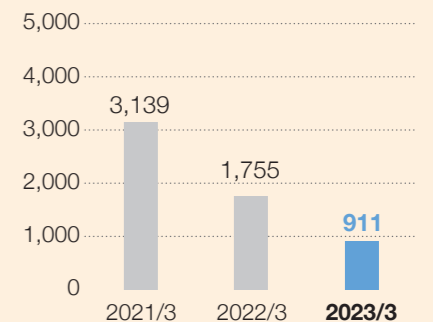
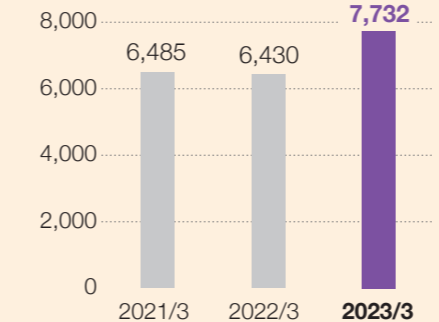
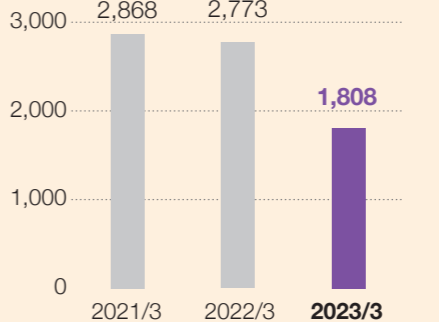
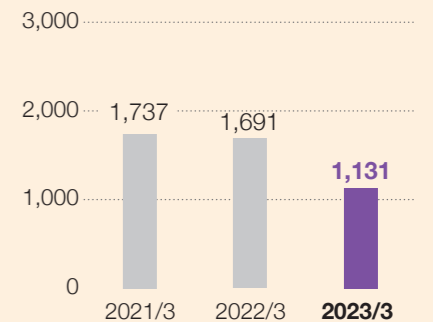
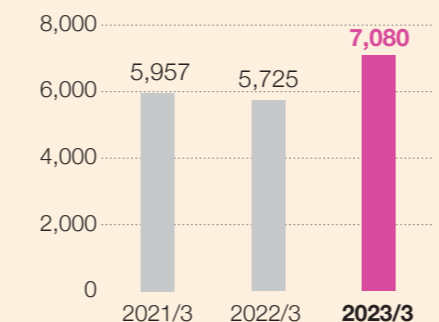
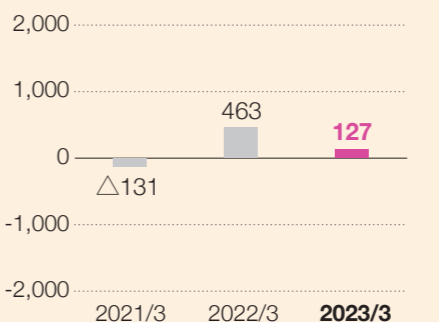
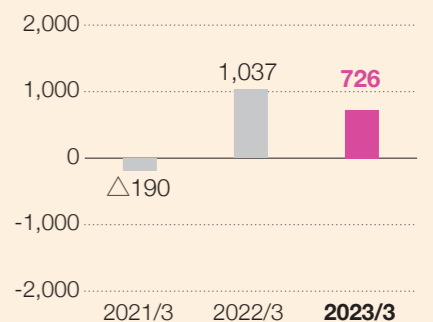
Non-consolidated



AIFUL Group Business Overview

Business Portfolio

| | Share of receivable (as of March 31, 2023) | Business description |
|---|---|---|
| AIFUL Corporation  |  | <p>As the core company of the AIFUL Group, we mainly provide unsecured loans, small business loans and credit guarantees through partnerships with financial institutions. We support a wide range of customers from individual customers to business operators. We have systematized the marketing activities at manned shops and are striving to maximize the synergy of sale among group companies.</p> |
| LIFECARD Co., Ltd.  |  | <p>We offer services with out-of-the-box innovative ideas under the concept "Be Unique!" We operate the settlement business, including credit card business, prepaid card business, and debt collection services, and the credit guarantee business. We concentrate on the provision of added value and unique services, such as the issuance of cards affiliated with various sectors, including mass retailers, medical institutions, and shopping streets, and corporate cards for high-end settlements.</p> |
| AG Business Support Corporation  |  | <p>We offer mainly small business loans while taking full advantage of the AIFUL Group's credit know-how for business operators. We spun off the business of medical fee-type secured loans on which we had been concentrating as one of the core businesses in July 2021, and enhanced the financial service business targeted at the health-care industry.</p> |
| AIRA & AIFUL Public Company Limited  |  | <p>Since September 2015, we have been conducting consumer finance business under the "A Money" brand as a joint venture with a local subsidiary in Thailand, AIRA Capital. We have strengthened measures for increasing balance and profit, such as the expansion of channels for increasing customers by starting non-face-to-face transactions via the Internet.</p> |

| Operating revenue (Millions of yen) | Ordinary profit (Millions of yen) | Profit (Millions of yen) | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--------------------------------------|-----------------------------|--------|--------|--------|--------|--------|--------|---|------|-----------------|--------|--------|--------|-------|--------|--------|--|------|--------|--------|-------|--------|-------|--------|--------|
|  <table border="1"> <tr><th>Year</th><th>Operating revenue</th></tr> <tr><td>2021/3</td><td>78,826</td></tr> <tr><td>2022/3</td><td>83,117</td></tr> <tr><td>2023/3</td><td>88,449</td></tr> </table> | Year | Operating revenue | 2021/3 | 78,826 | 2022/3 | 83,117 | 2023/3 | 88,449 |  <table border="1"> <tr><th>Year</th><th>Ordinary profit</th></tr> <tr><td>2021/3</td><td>11,973</td></tr> <tr><td>2022/3</td><td>6,748</td></tr> <tr><td>2023/3</td><td>32,213</td></tr> </table> | Year | Ordinary profit | 2021/3 | 11,973 | 2022/3 | 6,748 | 2023/3 | 32,213 |  <table border="1"> <tr><th>Year</th><th>Profit</th></tr> <tr><td>2021/3</td><td>9,583</td></tr> <tr><td>2022/3</td><td>7,912</td></tr> <tr><td>2023/3</td><td>31,028</td></tr> </table> | Year | Profit | 2021/3 | 9,583 | 2022/3 | 7,912 | 2023/3 | 31,028 |
| Year | Operating revenue | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 78,826 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 83,117 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 88,449 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Ordinary profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 11,973 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 6,748 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 32,213 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 9,583 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 7,912 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 31,028 | | | | | | | | | | | | | | | | | | | | | | | | | |
|  <table border="1"> <tr><th>Year</th><th>Operating revenue</th></tr> <tr><td>2021/3</td><td>32,320</td></tr> <tr><td>2022/3</td><td>32,368</td></tr> <tr><td>2023/3</td><td>35,711</td></tr> </table> | Year | Operating revenue | 2021/3 | 32,320 | 2022/3 | 32,368 | 2023/3 | 35,711 |  <table border="1"> <tr><th>Year</th><th>Ordinary profit</th></tr> <tr><td>2021/3</td><td>4,248</td></tr> <tr><td>2022/3</td><td>1,800</td></tr> <tr><td>2023/3</td><td>1,419</td></tr> </table> | Year | Ordinary profit | 2021/3 | 4,248 | 2022/3 | 1,800 | 2023/3 | 1,419 |  <table border="1"> <tr><th>Year</th><th>Profit</th></tr> <tr><td>2021/3</td><td>3,139</td></tr> <tr><td>2022/3</td><td>1,755</td></tr> <tr><td>2023/3</td><td>911</td></tr> </table> | Year | Profit | 2021/3 | 3,139 | 2022/3 | 1,755 | 2023/3 | 911 |
| Year | Operating revenue | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 32,320 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 32,368 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 35,711 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Ordinary profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 4,248 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 1,800 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 1,419 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 3,139 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 1,755 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 911 | | | | | | | | | | | | | | | | | | | | | | | | | |
|  <table border="1"> <tr><th>Year</th><th>Operating revenue</th></tr> <tr><td>2021/3</td><td>6,485</td></tr> <tr><td>2022/3</td><td>6,430</td></tr> <tr><td>2023/3</td><td>7,732</td></tr> </table> | Year | Operating revenue | 2021/3 | 6,485 | 2022/3 | 6,430 | 2023/3 | 7,732 |  <table border="1"> <tr><th>Year</th><th>Ordinary profit</th></tr> <tr><td>2021/3</td><td>2,868</td></tr> <tr><td>2022/3</td><td>2,773</td></tr> <tr><td>2023/3</td><td>1,808</td></tr> </table> | Year | Ordinary profit | 2021/3 | 2,868 | 2022/3 | 2,773 | 2023/3 | 1,808 |  <table border="1"> <tr><th>Year</th><th>Profit</th></tr> <tr><td>2021/3</td><td>1,737</td></tr> <tr><td>2022/3</td><td>1,691</td></tr> <tr><td>2023/3</td><td>1,131</td></tr> </table> | Year | Profit | 2021/3 | 1,737 | 2022/3 | 1,691 | 2023/3 | 1,131 |
| Year | Operating revenue | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 6,485 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 6,430 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 7,732 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Ordinary profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 2,868 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 2,773 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 1,808 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 1,737 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 1,691 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 1,131 | | | | | | | | | | | | | | | | | | | | | | | | | |
|  <table border="1"> <tr><th>Year</th><th>Operating revenue</th></tr> <tr><td>2021/3</td><td>5,957</td></tr> <tr><td>2022/3</td><td>5,725</td></tr> <tr><td>2023/3</td><td>7,080</td></tr> </table> | Year | Operating revenue | 2021/3 | 5,957 | 2022/3 | 5,725 | 2023/3 | 7,080 |  <table border="1"> <tr><th>Year</th><th>Ordinary profit</th></tr> <tr><td>2021/3</td><td>△131</td></tr> <tr><td>2022/3</td><td>463</td></tr> <tr><td>2023/3</td><td>127</td></tr> </table> | Year | Ordinary profit | 2021/3 | △131 | 2022/3 | 463 | 2023/3 | 127 |  <table border="1"> <tr><th>Year</th><th>Profit</th></tr> <tr><td>2021/3</td><td>△190</td></tr> <tr><td>2022/3</td><td>1,037</td></tr> <tr><td>2023/3</td><td>726</td></tr> </table> | Year | Profit | 2021/3 | △190 | 2022/3 | 1,037 | 2023/3 | 726 |
| Year | Operating revenue | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | 5,957 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 5,725 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 7,080 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Ordinary profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | △131 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 463 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 127 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Profit | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021/3 | △190 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2022/3 | 1,037 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2023/3 | 726 | | | | | | | | | | | | | | | | | | | | | | | | | |



AIFUL Corporation

AIFUL business overview

Business portfolio diversification and establishment of a firm business foundation

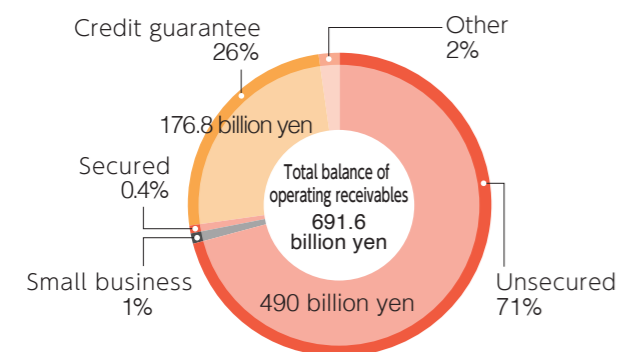
AIFUL Corporation operates a consumer finance business as the core company of the AIFUL Group and continues growing the balance of consumer loans receivable as one of the leading companies in the consumer finance market.

In businesses other than the loan business, which is our core business, we operate the credit guarantee business, which is a fee business run in partnership with financial institutions by utilizing our credit and screening capabilities, which have been nurtured through the loan business. In addition, we established a marketing organization for selling a variety of products of our group companies and have unique products and sales bases competitors do not have.

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 nurturing experts who specialize in various areas of expertise, including digital technology and design.

We will enrich revenue-generating opportunities and hedge risks by providing services quicker than any other companies that fulfill customer needs and developing a broad range of products with the aim of creating a firm business foundation and winning support of a greater number of customers.

Composition of balance of operating receivables



Measures and performance in fiscal 2022

Change of visual identity (VI)

We have used a heart-shaped logo, which represents a sense of security and sincerity, for over 50 years since the inauguration of business, but in July 2022, we changed our visual identity for the purpose of improving our corporate image as an enterprise that will offer new value to the future while looking ahead to 50 years or 100 years from now, while pursuing our aspiration put into the heart-shaped logo.



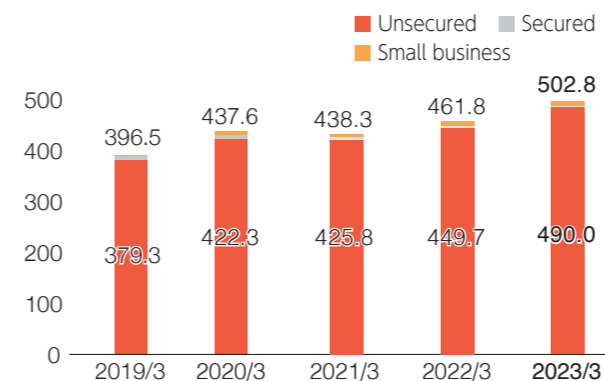
Enrichment of services for improving the convenience for customers and effective and efficient advertisement strategies

We make continuous efforts to improve our services based on the voices of customers, including measures for improving the user interface (UI) and user experience (UX), such as the revamp of our official website, smartphone app, and the application form, the alliance with Japan Post Bank for ATMs, and the launch of Japan's first service of "enabling users to submit their income information by using an Individual Number Card" at ATMs of Seven Bank, and strive to increase the number of new contracts and the balance of operating receivables. In parallel, we make efforts to curtail costs for attracting new customers with effective and efficient advertisement strategies through television commercials and online ads.

Loan business

The balance of operating loans in the entire loan business as of the end of fiscal 2022 stood at 502.8 billion yen, up 8.9% year on year, due to the recovery of demand for funds from the coronavirus pandemic, the enrichment of services for improving the convenience for customers, effective advertisement strategies, etc.

Loans outstanding (Billions of yen)



Unsecured loans

The number of new contracts in fiscal 2022 reached 301,000 (up 43.4% year on year), and the balance of unsecured loans as of the end of fiscal 2022 amounted to 490 billion yen (up 9.0% year on year).

Small business loans

The balance of small business loans as of the end of fiscal 2022 amounted to 10.2 billion yen (up 19.0% year on year).

Credit guarantee business

In the 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 to increase the guarantee balance and to promote new guarantee partnerships. 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 2022, the number of affiliates by product is 105 companies for personal unsecured loan guarantees and 105 companies for business operators unsecured loan guarantees. The balance for credit guarantees totaled 176.8 billion yen (up 19.7% year on year).

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 to address the needs of corporate users.

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.

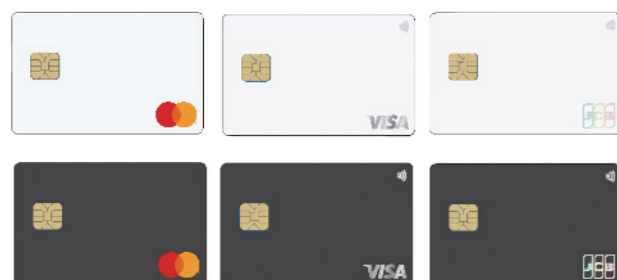


LIFECARD Co., Ltd.

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 have expanded the balance.



Measures and performance in fiscal 2022

Shift from functional value to emotional value

◆ Change of visual identity (VI)

In order to enhance brand loyalty with the aim of becoming the “first choice” for customers, we updated our artistic symbol, corporate logo on February 1, 2023, credit card design, website and etc.



◆ The first ad campaign in 16 years

We hope to offer cards that flexibly satisfy the generation who keep expanding their potential. You surpass yourselves when you make a step forward or your emotions are stirred up. Life Card is the closest to your lives as it runs side by side with “you,” who will not stop. We will convey this world view.



◆ Credit Card Business

Proper card

While digital content and cashless services are diversifying and users’ values and needs are rapidly changing in recent years, it is becoming difficult for young people to choose “a credit card suited for themselves.” Life Card aims to produce a credit card that will be the first choice for customers by increasing customer loyalty and sharing emotional value with diverse financial services tailored to respective customers under the theme of “Shift from functional value to emotional value.”

Accordingly, in fiscal 2022, the number of proper cards newly issued was 159,000 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, affiliate cards in cooperation with online shopping sites that have many users around the world and affiliate cards in cooperation with golf courses.

Accordingly, in fiscal 2022, the number of affiliate cards newly issued was 318,000 for a total of 3.76 million effective members.

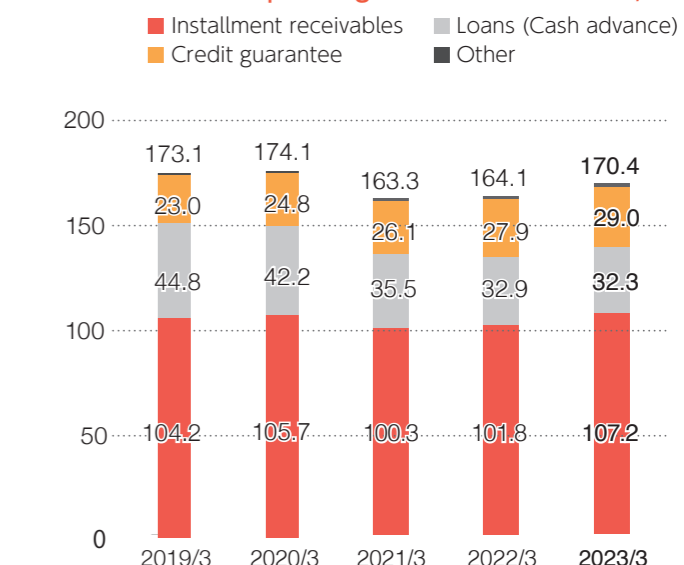


◆ Credit guarantee business

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 2022, 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 29 billion yen (up 3.8% year on year).

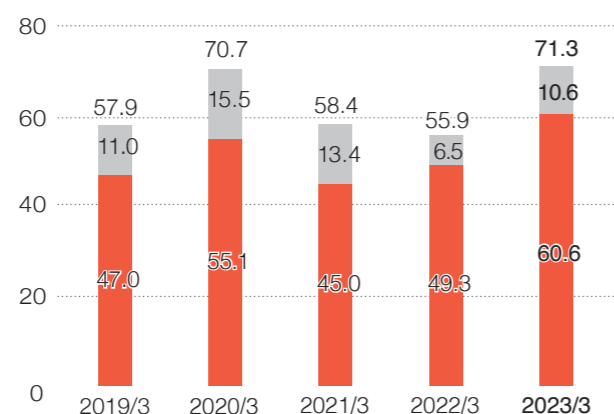
Total balance of operating receivables (Billions of yen)



AG BusinessSupport AG Business Support Corporation

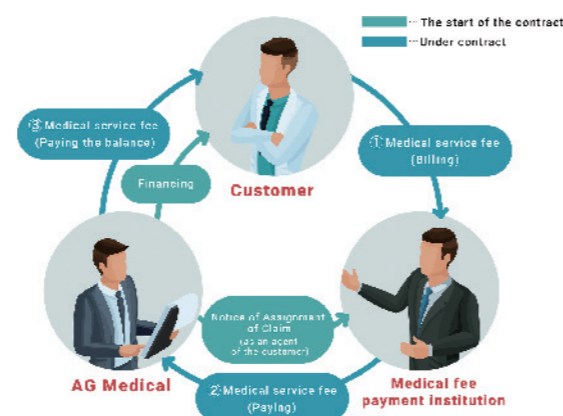
AG Business Support Corporation (former AIFUL BUSINESS FINANCE Corporation) operates not only the small business loan business utilizing AIFUL's credit management know-how for business operators, but also the real estate secured loans and the factoring businesses, which are expected to grow. Small business 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, AG Business Support Corporation 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 been increasing the balance of loans receivable. In fiscal 2022, the needs for funds rebounded significantly after the decline due to the COVID-19, so the small business loan balance increased 23.0% year on year to 60.6 billion yen and secured loans grew 62.4% year on year to 10.6 billion yen.

Loans outstanding (Billions of yen) ■ Small business ■ Secured



AG Medical AG Medical Corporation

AG Medical Corporation took over the business of medical loans secured by medical fee receivables from AG Business Support Corporation (former AIFUL BUSINESS FINANCE Corporation), and launched the financial service business specializing in the healthcare industry in July 2021. In fiscal 2022, the balance of secured loans grew 56.0% year on year to 12.7 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 LoanServices AG Loan Services Corporation

AG Loan Services Corporation was established in 2001. The company offers a wide range of servicing businesses from private individuals to corporate revitalization. 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 2022, the balance for the collection from purchased receivables totaled 1 billion yen (down 23.1% year on year) due to the revision to the accounting standard related to the purchased receivables and the balance of purchased receivables was 7.7 billion yen (up 30.3% year on year).

AG Partners AG Partners Corporation

AG Partners Corporation 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, AG Partners Corporation offers consulting services for business revitalization. Regarding the business revitalization business, we currently own 3 hotels, and by renovating and reopening them, we contribute to the continuation of operation of hotel facilities and the creation of jobs in each region.



AG Capital AG Capital Co., Ltd.

AG Capital Co., Ltd. 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 2022, we invest in 91 enterprises and the amount of operational investment securities is about 2.6 billion yen.

AG Guarantee AG GUARANTEE CO., LTD.

AG Guarantee Co., Ltd. was established in 2013. 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 2022, the balance of operating receivables stood at 35.6 billion yen (up 139.3% 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 Miraibarai 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 1.3 trillion yen in fiscal 2022 and projected to reach 1.4 trillion yen in fiscal 2023, thus becoming a promising market. In fiscal 2022, the spending by customers with the postpay settlement amounted to 19.1 billion yen and the number of affiliated shops was 500,000, demonstrating steady growth. Japan BNPL Association was established in May 2021, and we joined this association.

AG CrowdFunding 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. As of the end of March 2023, we have established 31 funds (22 funds for the AIFUL Group and 9 funds for real estate secured loans) with a cumulative investment of 6.73 billion yen. In fiscal 2022, the cumulative amount of raised funds reached 10 billion yen and the number of investors exceeded 10,000.



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 unsecured loan business in Thailand. As of the end of December 2022, starting from the commencement of operation, operating loan balance stood at 29.3 billion yen (up 25.3% year on year), and the company had 45 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.



AG SmileLeaseback AG Smile Leaseback Corporation

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. The Group established this company in April 2022 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.

FPC FPC Co., Ltd.

On January 10, 2023, AIFUL made FPC Co., Ltd., which engages in the pet insurance business, a wholly-owned subsidiary. The inclusion of FPC Co., Ltd. into the Group will contribute to the expansion of our business areas while utilizing the Internet marketing expertise we have cultivated so far. In addition, we will aim to “realize a more meaningful family life with pets” by providing a social infrastructure of pet insurance.

Seven Seas Seven Seas Co., Ltd.

On March 1, 2023, AIFUL made Seven Seas Co., Ltd., which engages in the SES business, a wholly-owned subsidiary. Seven Seas Co., Ltd. will provide us the opportunities to harness the know-how held by the company on the system development technologies as well as on recruitment and training of engineers. Thus, we will develop a system to swiftly meet the customers’ needs of the Group.

Based on our vision: “For Colorful Life: For realizing a society where each person can play an active role” and in order to create a future in which everyone can achieve ideal selves, we aim to “achieve the SDGs” and “attain the growth of the Group.”

Investment in human capital

• Personnel development policy

In the Guidelines for Personnel Affairs, the Group follows the principles: “Personnel are the ultimate assets” and “The Company respects the personality and individuality of each employee, provides jobs, treatment, and a working environment according to the abilities and aptitudes of employees, and strives to realize ‘a workplace in which employees can experience a purpose in life’ and ‘stabilize and improve the daily lives of employees.’” Since April 2021, we have engaged in the priority measures: “to reform HR and educational systems while looking ahead to the future” and “to develop an environment for improving employees’ engagement” in addition to the previous initiatives.

①Promotion of female employees to managerial positions

We produced and announced an action plan (period: April 1, 2022 to March 31, 2025), and are recruiting women and promoting female employees to executive posts actively, in order to empower women. Regarding personnel development, we hold “career design training,” in which we explain the background of demand for the active participation of women and the necessity to flourish to full-time female employees and have them envision their ideal selves for encouraging female employees to produce a career plan proactively.



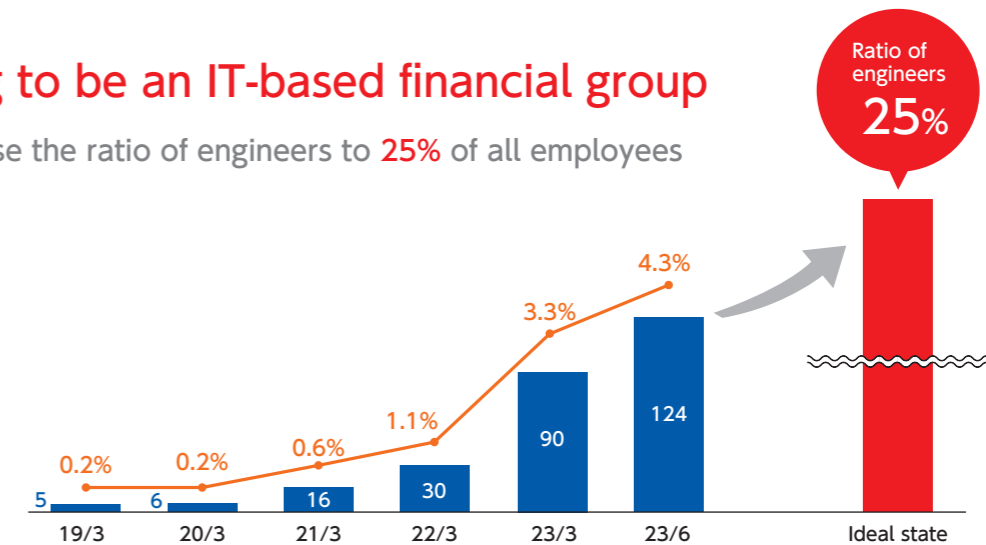
| Numerical goals | Results | Reporting period |
|--|---------|---------------------------------|
| 1. (FY2024) Increase the ratio of female full-time employees to 40% or higher. | 36% | April 1, 2022 to March 31, 2023 |
| 2.(FY2024) Increase the number of female employees in executive positions by 140% from FY2021. | 123% | April 1, 2022 to March 31, 2023 |
| Increase the number of female employees in managerial positions by 40% from FY2021. | 100% | April 1, 2022 to March 31, 2023 |
| Increase the number of female section chiefs by 140% from FY2021. | 128% | April 1, 2022 to March 31, 2023 |

②Increase of IT personnel

For the purposes of promoting DX and reducing system development costs, we assign talented employees to IT-related sections and educate them about programming, etc. In addition, we aim to increase the ratio of engineers to 25% through recruitment and training.

Aiming to be an IT-based financial group

To increase the ratio of engineers to 25% of all employees



③Active promotion of young employees

We train young employees as candidates for executives and personnel with expertise by promoting them to managerial positions and assigning them to administrative sections actively.

④Promotion of involvement of senior employees in business

We have established a satisfactory system for determining the treatment of employees who have reached the retirement age according to their expertise and skills while expecting that they will utilize their plentiful experience and knowledge for our business, if they want to be rehired as a fixed-term employee.

⑤Promotion of non-Japanese employees to managerial positions

We promote eligible ones to managerial positions, and promote full-time employees with non-Japanese nationalities according to their abilities, although the number of such employees is small due to our business models and domains.

⑥Promotion of mid-career workers to managerial positions

We promote employees to managerial positions according to their abilities, no matter whether they are new graduates or mid-career workers. Mid-career workers accounted for about 41% of managers as of March 31, 2023. We will keep recruiting mid-career workers who possess expertise, and promote eligible ones to managerial positions.

• Policy regarding the development of an in-company environment

① Establishment of the Guidelines for Personnel Affairs

We established the “Guidelines for Personnel Affairs” in order to develop “a workplace in which employees can experience a purpose in life” and then attain our corporate philosophy. Our policy for personnel affairs is to enable employees to feel that they have grown and made some achievements through their jobs, experience a purpose in life, and then enrich their lives. We pursue systems and environments in which individual employees can exert their abilities to the maximum degree based on their high independence, and aim to realize corporate activities that win support from society.

② Harassment hotline

We established an in-house hotline for enabling employees to feel free to consult about sexual harassment, power harassment and harassment related to pregnancy, childbirth, childcare leave, etc. to deal with such problems swiftly and appropriately.

③ Surveys on awareness and satisfaction levels based on voluntary notification by employees


We continually carry out surveys on awareness and satisfaction levels regarding current jobs, workplaces, etc. targeting employees once a year. Survey results are utilized for designing and promoting measures for developing employees’ careers, establishing a working environment, improving the satisfaction level of employees, and so on.

<Overview of the surveys conducted in fiscal 2022>

- No. of subject employees and response rate
No. of subject employees: 1,595 (including group companies), response rate: 95.0%, satisfaction level: 74.2%
*Full-time employees at the post of a section chief or lower
- Description of the survey: We conduct a questionnaire survey on the satisfaction level about our working environment and business operations and employees’ mindsets for career development.

④ Personnel development system

For example, the Group conducts the following education with the aim of enabling individual employees to become highly independent and exert their abilities to the maximum degree.

| | |
|---|--|
| <p>● Career design training Training for proactive career development targeted at female employees</p> | <p>● Training for programming Training for developing programmers and online lectures on programming</p> |
| <p>● Training of newly appointed managers and leaders Training of newly appointed managers for acquiring necessary knowledge and attitude for serving as a manager</p> | <p>● Support for language study English conversation lessons and support for application for TOEIC IP Test, etc.</p> |
| <p>● Training for developing candidates for assistant section chiefs Practice of conveying (disseminating) policies to many people, and giving instructions and developing personnel (practice of interviews) for young employees</p> |  |

⑤ Development of an in-company environment for raising the retention rate of employees and actualizing diverse workstyles

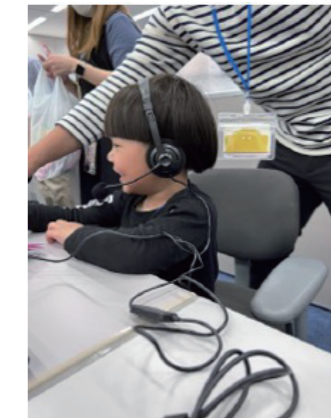
We are improving the work-life balance of employees, by developing the following in-company environment for realizing diverse workstyles of employees.

- a. Flextime system
- b. Working at home
- c. Addition of leave for fertility treatment separate from maternity leave and childcare leave
- d. The oldest age of children for receiving educational allowance has been raised from 20 years old to 22 years old.
- e. The oldest age of children for shortened working hours has been raised from third-grade elementary school students to sixth-grade elementary school students.
- f. Establishment of a new system for determining the treatment of rehired employees after the retirement age according to expertise and skills
- g. Adoption of a refreshing leave system
- h. Adoption of the positions of department heads who stay in a specific area
- i. Increase in the initial salary of employees fresh out of college
- j. Working in casual office clothing

*We take some measures and hold some events for improving the engagement of employees in addition to the above-mentioned.



To promote male employees to take childcare leave



To conduct an office tour

To support the education of young people

• Seminar for financial education

We make efforts to improve the financial literacy of young people and prevent financial trouble. In fiscal 2022, too, we held a seminar for financial education at educational institutions, such as colleges.



• To hold the hackathon “aihack”

By holding the hackathon “aihack,” we strive to improve the popularity of the Company among excellent students in the fields of science and technology by deepening their understanding of our business models and hope to contribute to the development of sound retail finance. We have so far held it in Kyoto, Tokyo, and Thailand six times.



Business and social contribution

• 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.



• Support for business funds through small business loans and medical loans secured by medical fee receivables

AG Business Support Corporation and AG Medical Corporation 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.

Financial inclusion

• Provision of financial services in emerging countries

In Thailand, the development of financial infrastructure has progressed somewhat, but not everyone can borrow money from a financial institution, such as a bank, and not a few people borrow money from an illegitimate financial institution. In this emerging country where financial literacy has not been diffused, AIFUL established a joint venture named “AIRA & AIFUL Public Company Limited” with the local corporation AIRA Capital in December 2014, to operate consumer finance business for the purpose of developing a sound financial system there.

• Framework for social finance

The AIFUL Group engages in product development under the concept of financial inclusion, and conducts social contribution activities, including the support for enterprises taking on new challenges, business support in the fields of healthcare and welfare in Japan, and provision of access to financial services in emerging countries where financial infrastructure is immature. This time, we have established this framework, which is the first in the consumer finance field, in order to accelerate our social activities by raising funds with social bonds and social loans.



Transparent business management

• Dialogue with shareholders and investors

We aim for transparent business management through dialogue with shareholders and investors. The summary of activities for fiscal 2022 (April 1, 2022, to March 31, 2023) is as follows.

| Format | Number of sessions |
|--|-------------------------------|
| Financial results briefing | 2 |
| One-on-one meeting | 138 |
| Participation in conferences sponsored by securities firms | 3 (meeting with 13 companies) |

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.

Interview with Outside Director Shinichiro Maeda

Q About one year has passed since you were appointed as an outside director. Please tell us your impressions on the Group and opinions on its governance.

A I have an impression that the business operations of the entire Group have been systematized including visualization of information, which I feel is laying the foundation for easily auditing the business execution. The independence of the Audit and Supervisory Committee is ensured, so I think that the corporate governance system of the Group is evolving.

Q What are your opinions on the discussion and atmosphere at the meetings of the Board of Directors?

A The Board of Directors engages in very open and candid discussions instead of routine ones. I was impressed by this point when I first attended the meeting. They have established a system to enable outside directors to express their opinions. I do feel that the existence of the founder and the open discussions of the Board of Directors are fused in a positive manner.

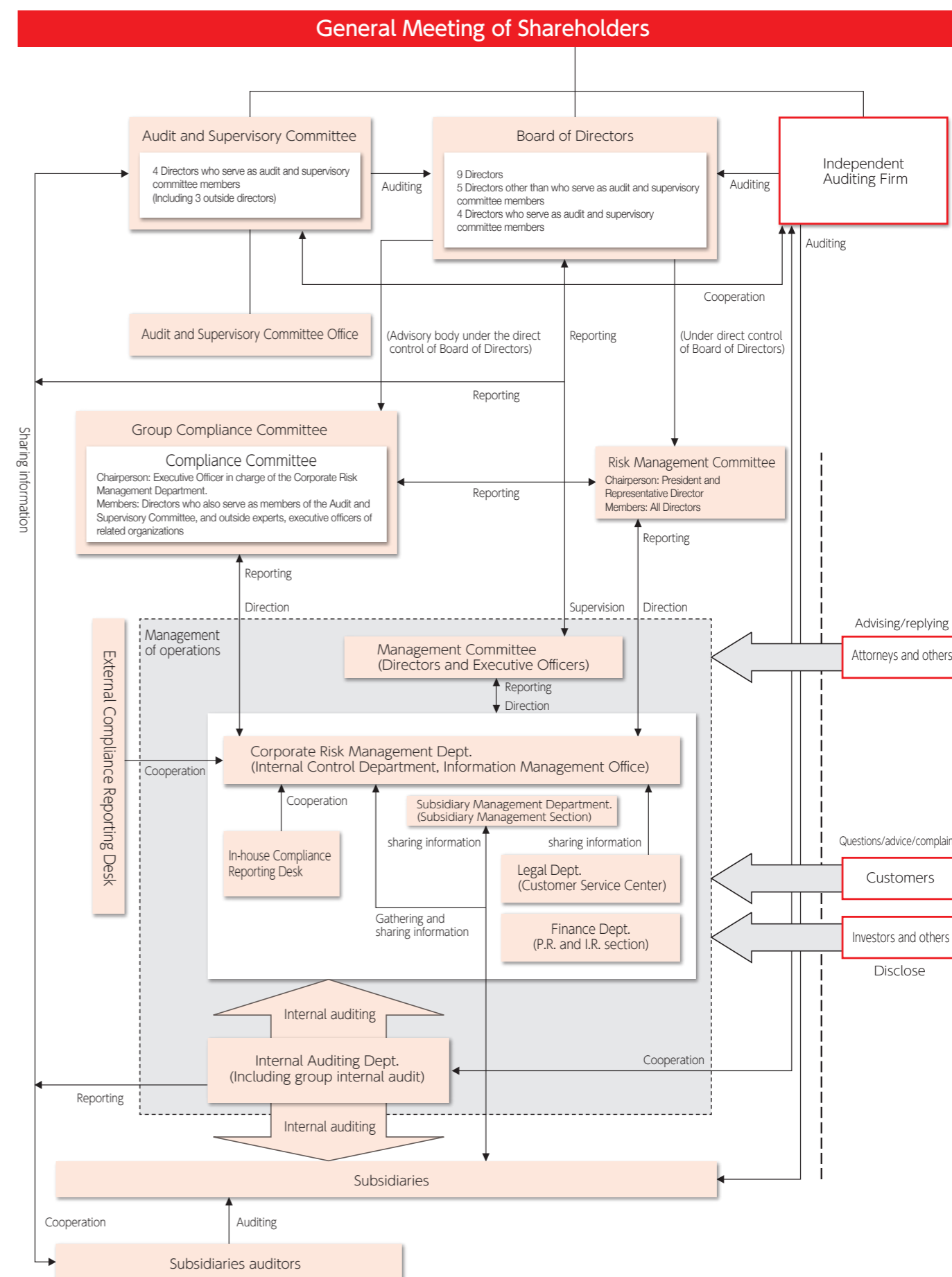
Q What is the most important for the Company as a financial group to achieve growth?

A I think it is important to achieve growth of the finance industry beyond its scope. So far, the finance market has changed in tandem with the advancement of IT. The activities in the finance industry are largely related to the collection and processing of information. In this respect, a financial company with a long history in its industry needs to grow while collecting information beyond its scope.

Q Please tell us your expectations for the Group.

A I hope that the AIFUL Group embodies the retail finance industry with advanced features. In an era where digitalization of society progresses, the aspect as an information industry of the finance is being strengthened. The Group has history and experiences of collecting, analyzing and evaluating the repayment capabilities of borrowers. I believe that there is another success that only the AIFUL Group can achieve.

Shinichiro Maeda, Outside Director & Audit and Supervisory Committee Member



➤ 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 Risk Management | Finance and accounting | Global | Personal Development | Credit Marketing | IT Digital DX | Diversity |
| 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) | | ○ | ○ | ○ | | | | ○ |
| Keiichiro Okawa | 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" represent at least one year of experience as a department head or higher (or equivalent position) in the relevant business field at our company or other companies.

► Reasons for the current structure

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

Further, we separate management's supervisory

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

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

► Remunerations for executives

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

The Board of Directors and the Audit Committee have the authority to determine the policy regarding the determination of the amount of remuneration, etc., for directors and corporate auditors and the method for calculating the amount of remuneration, etc., for each director and corporate auditor. The allocation to each person is determined in accordance with the size of the role of each position, the content of administrative assignments and duties, and the scope of responsibilities.

The date of resolution of the General Meeting of Shareholders of the Company regarding the remuneration of directors and corporate auditors was June 23, 2015, and the content of the resolution was that the amount of remuneration for directors (excluding directors who are members of the Audit and Supervisory Committee) shall be The resolution stipulates that the amount of remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee) shall not exceed 500 million yen per year and the amount of remuneration for Directors who are members of the Audit and Supervisory Committee shall not exceed 80 million yen per year.

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.

► Internal Auditing

Internal Auditing Department conducts risk assessment based on an external environment surrounding the Group, business type of each Group company, and operational status of each department, verifies maintenance and operation status of business processes in high-risk areas, and conducts regular audits of sales branches, headquarters, and Group companies as well as cross-departmental theme audit.

Aiming to ensure compliance, Internal Auditing Department audits the status of initiatives to comply with the following

Money Lending Business Act
Installment Sales Act
Payment Services Act
Act on Special Measures Concerning Claim Management and Collection Business

laws and regulations.

In addition to the above internal auditing, all employees inspect operations of their own departments through semi-annual self-inspections, which include items on compliance with the Money Lending Business Act, the Company's rules on protection of personal information, rules on outsourcing, and rules on prevention of damage caused by anti-social forces.

Act on the Protection of Personal Information
Act on Prevention of Transfer of Criminal Proceeds
Labor Standards Act
Fire Services Act, etc.

► 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, 2023)

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)

Keiichiro Okawa

Director

Haruichi Suzuki

Director (outside)

Shinichiro Maeda

Director (outside)

Executive Officers

Mitsuhide Fukuda

Chief Executive Officer

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

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 (Representative Director, Chief Executive Officer of LIFE CARD CO., LTD.)

Atsushi Suda

Managing Executive Officer

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

Toshiaki Ando

Executive Officer

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

Hiroshi Azuma

Executive Officer

Assistant Senior General Manager of Loan Business Division (President of AG BUSINESS SUPPORT CORPORATION) (President of AG MEDICAL CORPORATION)

Kimihiko Omori

Executive Officer

Assistant Senior General Manager of Credit Management Division (President and Representative Director, Chief Executive Officer of AG Loan Services Corporation)

Masayuki Sato

Senior Managing Executive Officer

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

Shinichiro Okuyama

Managing Executive Officer

Responsible for Data Analytics Department, Senior Advisor attached to Group Systems Division

Hiroyuki Otomo

Executive Officer

Senior General Manager of Finance Division

Ikuo Yamauchi

Executive Officer

Responsible for Personnel Department (President and Representative Director of AG Capital CO., LTD.)

Junichi Niizuma

Executive Officer

Responsible for Internal Auditing Department and Legal Department, General Manager of Legal Department

Akira Kamiyo

Senior Managing Executive Officer

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

Kazuhiko Tsuda

Managing Executive Officer

In charge of Accounting Department, Responsible for Operations Management Department

Akitaka Domoto

Executive Officer

Responsible for Subsidiary Management Department and Overseas Business Department

Takayuki Nakata

Executive Officer

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

Yorihiro Fujii

Executive Officer

Responsible for Corporate Sales Promotion Department, Eastern Japan Business Department and Western Japan Business Department (President and Representative Director of AG GUARANTEE CO., LTD.) (President and Representative Director of AG MIRAI BARAI CO., LTD.)



Financial Report

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AIFUL

Six-Year Summary

| | 2018/3 | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| For the Year (Millions of yen): | | | | | | |
| Operating revenue | 115,389 | 115,328 | 127,038 | 127,481 | 132,097 | 144,152 |
| Operating expenses | 112,897 | 112,297 | 125,358 | 109,950 | 120,855 | 120,427 |
| Financial expenses | 7,560 | 7,949 | 7,522 | 7,248 | 7,041 | 7,068 |
| Provision for doubtful account | 20,497 | 30,628 | 35,277 | 38,818 | 27,918 | 36,004 |
| Interest repayment related expenses | 12,384 | 11,501 | 16,927 | — | 19,929 | — |
| Operating profit (loss) | 2,492 | 3,031 | 1,679 | 17,530 | 11,242 | 23,724 |
| Ordinary profit (loss) | 2,823 | 4,110 | 1,716 | 19,305 | 12,265 | 24,428 |
| Profit (loss) before income taxes | 3,527 | 3,420 | 1,569 | 18,149 | 12,265 | 23,959 |
| Profit (loss) | 2,945 | 8,183 | 300 | 17,794 | 13,037 | 22,946 |
| Profit (loss) attributable to owners of parent | 3,958 | 9,346 | 1,390 | 18,437 | 12,334 | 22,343 |
| At Year-End (Millions of yen): | | | | | | |
| Loans outstanding | 472,018 | 521,823 | 573,080 | 553,389 | 582,349 | 648,760 |
| Non-performing loans | 71,515 | 79,294 | 86,422 | 87,393 | 97,121 | 104,904 |
| Total assets | 682,645 | 760,587 | 860,507 | 863,354 | 935,642 | 1,070,485 |
| Allowance for doubtful accounts | 66,959 | 70,469 | 72,294 | 77,830 | 78,246 | 79,623 |
| Total liabilities | 563,238 | 632,570 | 731,576 | 715,662 | 779,116 | 890,892 |
| Interest-bearing debt | 365,836 | 418,708 | 475,893 | 457,639 | 480,401 | 561,236 |
| Net assets | 119,407 | 128,016 | 128,931 | 147,692 | 156,526 | 179,593 |
| Per Share Data (Yen): | | | | | | |
| Basic profit (loss) (EPS) | 8.18 | 19.32 | 2.88 | 38.12 | 25.50 | 46.19 |
| Net assets (BPS) | 236.13 | 256.45 | 260.53 | 300.92 | 318.17 | 364.01 |
| Ratios (%): | | | | | | |
| Equity ratio | 16.7 | 16.3 | 14.6 | 16.9 | 16.4 | 16.4 |
| ROE | 3.5 | 7.8 | 1.1 | 13.6 | 8.2 | 13.5 |
| ROA | 0.4 | 0.6 | 0.2 | 2.2 | 1.4 | 2.4 |
| Other Data: | | | | | | |
| Number of shares issued at year-end | 484,620,136 | 484,620,136 | 484,620,136 | 484,620,136 | 484,620,136 | 484,620,136 |
| Number of employees at year-end | 2,503 | 2,273 | 2,113 | 2,135 | 2,116 | 2,180 |

*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

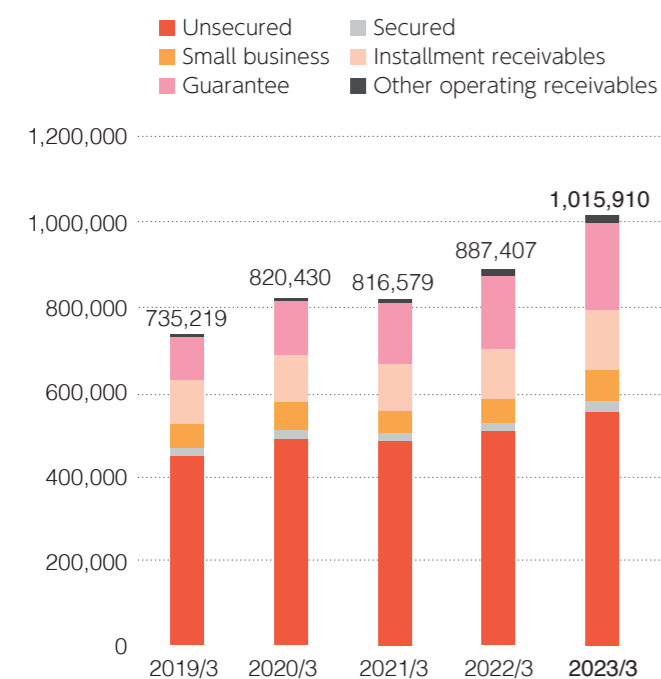
TOTAL RECEIVABLE OUTSTANDING

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|------------------------------|---------|---------|---------|---------|-----------|
| Total receivable outstanding | 735,219 | 820,430 | 816,579 | 887,407 | 1,015,910 |
| Loans outstanding | 521,823 | 573,080 | 553,389 | 582,349 | 648,760 |
| Unsecured | 445,866 | 486,119 | 481,687 | 505,255 | 550,647 |
| Secured | 20,285 | 22,533 | 18,281 | 18,282 | 25,979 |
| Small business | 55,670 | 64,427 | 53,421 | 58,810 | 72,133 |
| Installment receivables | 104,645 | 111,473 | 108,714 | 116,780 | 142,899 |
| Guarantee | 101,007 | 127,018 | 145,725 | 172,697 | 204,078 |
| Other operating receivables | 7,744 | 8,858 | 8,749 | 15,579 | 20,171 |

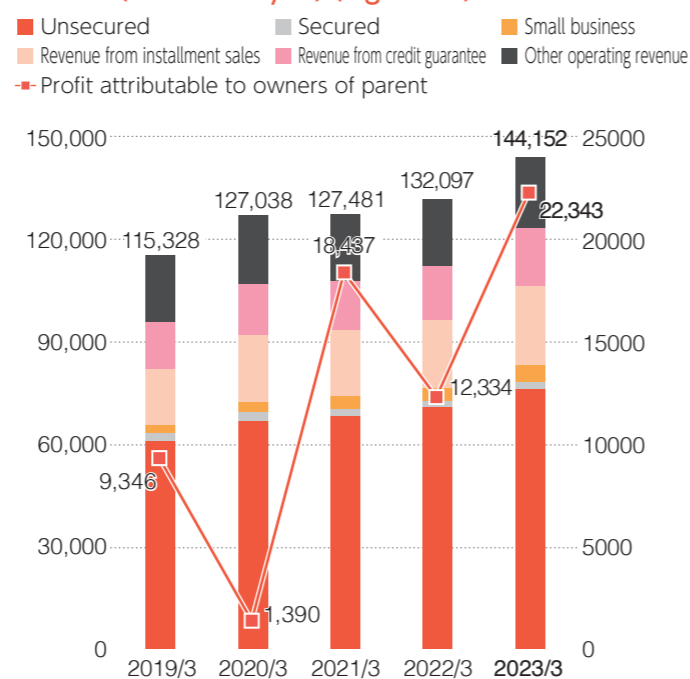
OPERATING REVENUE/PROFIT

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|---|---------|---------|---------|---------|---------|
| Operating revenue | 115,328 | 127,038 | 127,481 | 132,097 | 144,152 |
| Interest on operating loans | 65,456 | 72,444 | 74,041 | 76,332 | 83,230 |
| Unsecured | 61,058 | 66,707 | 68,242 | 70,842 | 76,143 |
| Secured | 2,285 | 2,557 | 1,834 | 1,624 | 1,949 |
| Small business | 2,112 | 3,179 | 3,965 | 3,865 | 5,137 |
| Revenue from installment sales | 16,472 | 19,391 | 19,387 | 20,099 | 23,158 |
| Revenue from credit guarantee | 13,953 | 15,203 | 14,524 | 15,730 | 17,030 |
| Other operating revenue | 19,446 | 19,998 | 19,528 | 19,934 | 20,732 |
| Operating expenses | 112,297 | 125,358 | 109,950 | 120,855 | 120,427 |
| Profit attributable to owners of parent | 9,346 | 1,390 | 18,437 | 12,334 | 22,343 |

TOTAL RECEIVABLE OUTSTANDING (Millions of yen)



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



TOTAL ASSETS/ROA

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--------------|---------|---------|---------|---------|-----------|
| Total assets | 760,587 | 860,507 | 863,354 | 935,642 | 1,070,485 |
| ROA (%) | 0.6 | 0.2 | 2.2 | 1.4 | 2.4 |

TOTAL EQUITY/ROE

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--------------|---------|---------|---------|---------|---------|
| Total equity | 124,045 | 126,017 | 145,555 | 153,900 | 176,072 |
| ROE (%) | 7.8 | 1.1 | 13.6 | 8.2 | 13.5 |

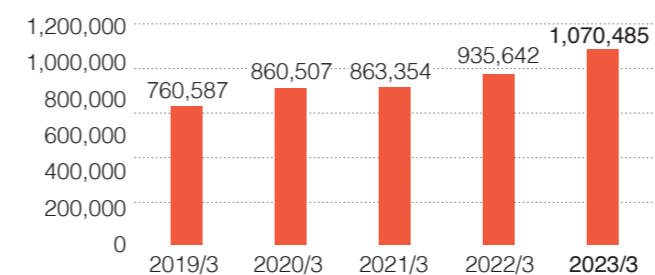
AVERAGE FUNDING COST

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|----------------------------------|--------|--------|--------|--------|--------|
| Average funding cost | | | | | |
| Indirect | 1.64 | 1.45 | 1.38 | 1.22 | 1.11 |
| Direct | 1.90 | 1.63 | 1.54 | 1.39 | 1.27 |
| Long-term prime rate (reference) | 1.39 | 1.23 | 1.13 | 0.95 | 0.81 |
| Share of indirect | 49.6 | 55.0 | 59.6 | 62.0 | 66.2 |
| Share of direct | 50.4 | 45.0 | 40.4 | 38.0 | 33.8 |

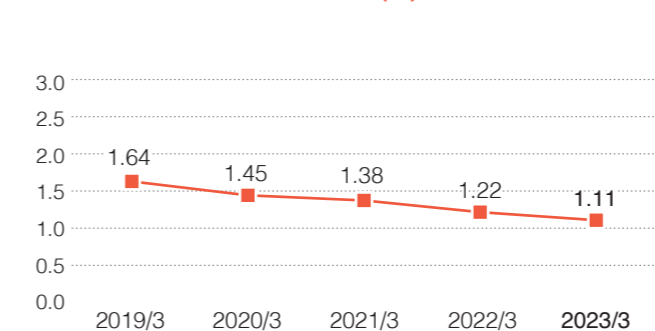
NUMBER OF CUSTOMER ACCOUNTS

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|-----------------------------|--------|--------|--------|--------|--------|
| Number of customer accounts | 1,437 | 1,486 | 1,425 | 1,464 | 1,625 |
| Unsecured | 1,395 | 1,441 | 1,387 | 1,425 | 1,582 |
| Secured | 6 | 5 | 3 | 3 | 3 |
| Small business | 36 | 40 | 33 | 35 | 40 |
| Credit card holders | 5,777 | 5,758 | 5,382 | 5,240 | 5,141 |

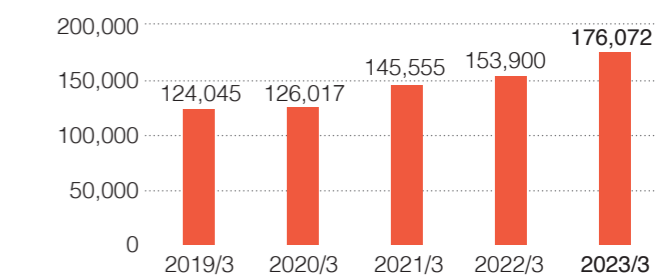
TOTAL ASSETS (Millions of yen)



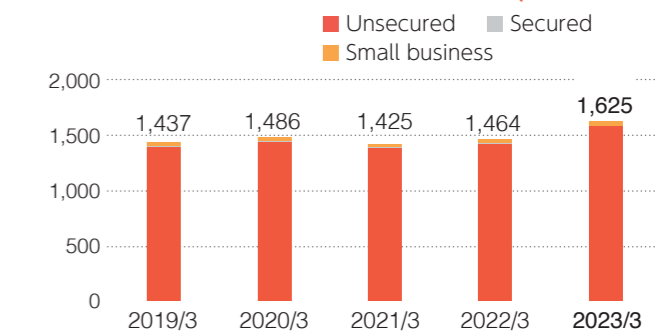
AVERAGE FUNDING COST (%)



TOTAL EQUITY (Millions of yen)



NUMBER OF CUSTOMER ACCOUNTS (Thousands)



AIFUL CORPORATION

TOTAL RECEIVABLE OUTSTANDING

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|------------------------------|---------|---------|---------|---------|---------|
| Total receivable outstanding | 503,382 | 560,267 | 572,070 | 619,388 | 691,689 |
| Loans outstanding | 396,540 | 437,679 | 438,300 | 461,884 | 502,874 |
| Unsecured | 379,317 | 422,382 | 425,848 | 449,747 | 490,096 |
| Secured | 9,306 | 6,958 | 4,813 | 3,501 | 2,502 |
| Small business | 7,915 | 8,338 | 7,638 | 8,635 | 10,275 |
| Guarantee | 99,694 | 114,629 | 125,984 | 148,475 | 177,303 |
| Credit guarantee | 97,658 | 113,130 | 124,865 | 147,708 | 176,821 |
| Other | 2,036 | 1,499 | 1,119 | 767 | 482 |
| Installment receivables | 402 | 325 | 268 | 226 | 185 |
| Other | 6,745 | 7,633 | 7,517 | 8,802 | 11,326 |

OPERATING REVENUE/PROFIT

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--------------------------------|--------|--------|--------|--------|--------|
| Operating revenue | 70,991 | 77,504 | 78,826 | 83,117 | 88,449 |
| Interest on operating loans | 51,960 | 57,682 | 59,732 | 63,071 | 67,596 |
| Unsecured | 50,026 | 55,695 | 58,559 | 61,872 | 66,274 |
| Secured | 1,325 | 1,296 | 475 | 388 | 281 |
| Small business | 608 | 690 | 697 | 809 | 1,040 |
| Revenue from credit guarantee | 11,246 | 11,610 | 11,136 | 11,447 | 12,447 |
| Revenue from installment sales | 13 | 8 | 4 | 3 | 3 |
| Other operating revenue | 7,770 | 8,202 | 7,952 | 8,594 | 8,402 |
| Profit | 5,208 | 1,639 | 9,583 | 7,912 | 31,028 |

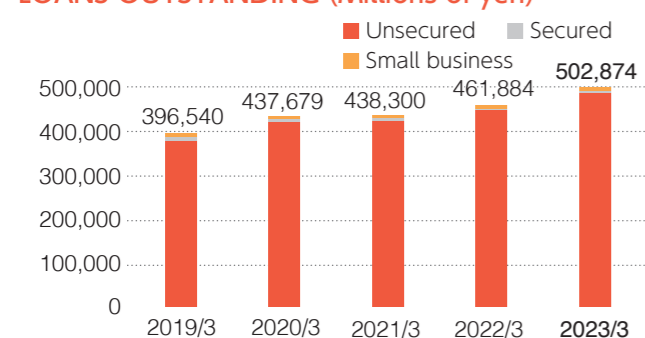
TOTAL ASSETS/ROA

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--------------|---------|---------|---------|---------|---------|
| Total assets | 556,450 | 635,683 | 638,868 | 711,185 | 834,868 |
| ROA (%) | 0.3 | 0.3 | 1.9 | 1.0 | 4.2 |

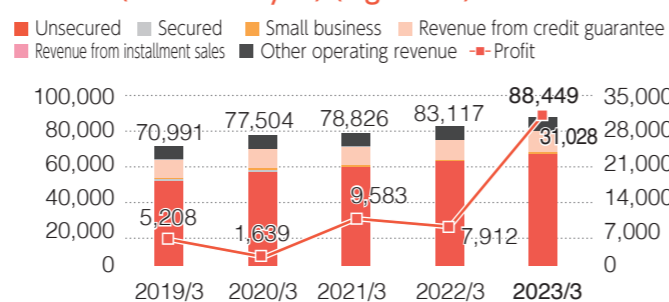
TOTAL EQUITY/ROE

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--------------|--------|--------|---------|---------|---------|
| Total equity | 90,970 | 92,609 | 102,655 | 110,096 | 140,660 |
| ROE (%) | 5.9 | 1.8 | 9.8 | 7.4 | 24.7 |

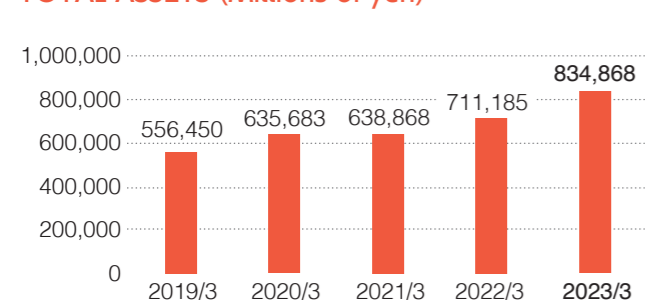
LOANS OUTSTANDING (Millions of yen)



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

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|----------------|--------|--------|--------|--------|--------|
| Average yield | 14.8 | 14.7 | 14.3 | 14.4 | 14.3 |
| Unsecured | 14.9 | 14.7 | 14.4 | 14.5 | 14.3 |
| Secured | 12.2 | 15.9 | 8.1 | 9.4 | 9.4 |
| Small business | 12.7 | 13.3 | 12.8 | 13.4 | 13.4 |

NUMBER OF CUSTOMER ACCOUNTS

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|-----------------------------|--------|--------|--------|--------|--------|
| Number of customer accounts | 876 | 950 | 933 | 980 | 1,115 |
| Unsecured | 861 | 937 | 922 | 968 | 1,103 |
| Secured | 5 | 4 | 2 | 2 | 1 |
| Small business | 9 | 9 | 8 | 9 | 10 |

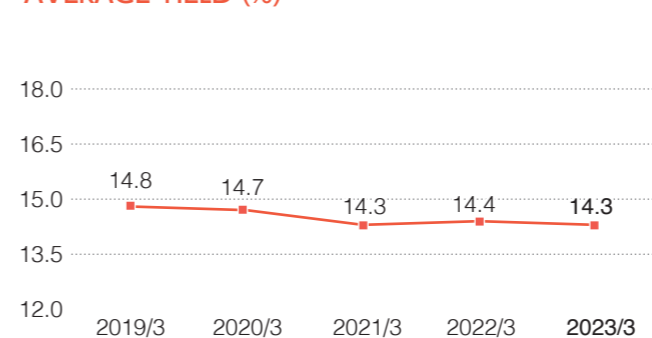
NEW ACCOUNTS

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|-----------------|---------|---------|---------|---------|---------|
| New accounts | 199,637 | 206,337 | 161,186 | 210,104 | 301,262 |
| Unsecured loans | 199,353 | 206,155 | 161,111 | 210,014 | 301,183 |

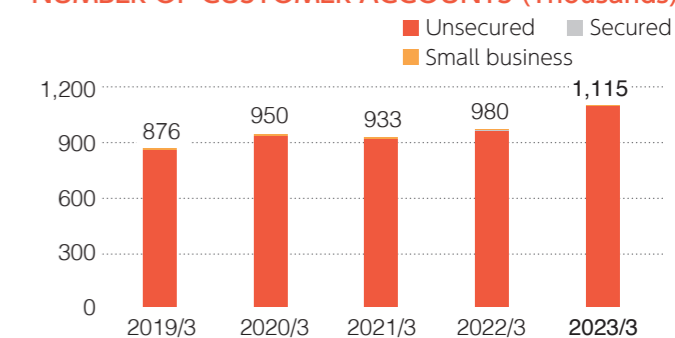
AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|-------------------------|--------|--------|--------|--------|--------|
| Amount of write-offs | 18,947 | 20,182 | 22,457 | 20,521 | 21,795 |
| Ratio of write-offs (%) | 3.8 | 3.6 | 3.9% | 3.3% | 3.2% |

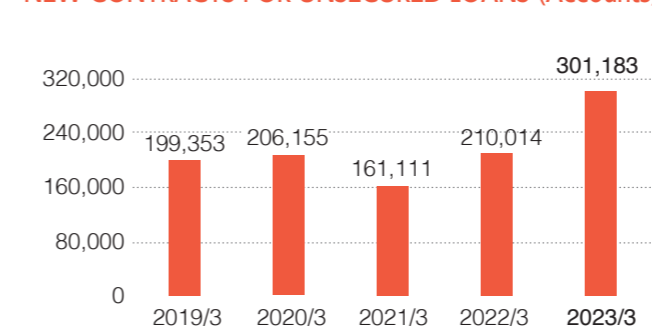
AVERAGE YIELD (%)



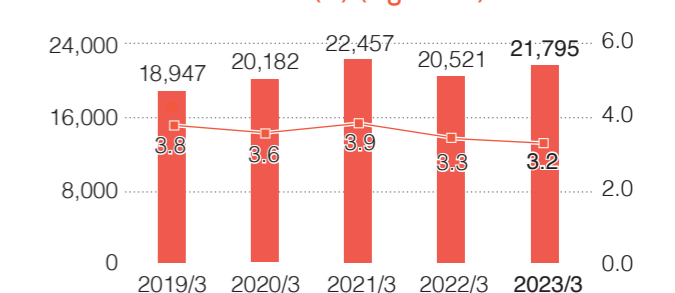
NUMBER OF CUSTOMER ACCOUNTS (Thousands)



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

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|------------------------------|---------|---------|---------|---------|---------|
| Total receivable outstanding | 173,153 | 174,107 | 163,313 | 164,114 | 170,476 |
| Installment receivables | 104,242 | 105,773 | 100,348 | 101,814 | 107,220 |
| Loans (cash advance) | 44,849 | 42,272 | 35,545 | 32,916 | 32,384 |
| Credit guarantee | 23,063 | 24,842 | 26,190 | 27,951 | 29,022 |
| Other | 998 | 1,219 | 1,228 | 1,431 | 1,850 |

OPERATING REVENUE/PROFIT

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|-------------------------------|--------|--------|--------|--------|--------|
| Operating revenue | 32,850 | 34,181 | 32,320 | 32,368 | 35,711 |
| Installment receivables | 16,391 | 17,479 | 16,586 | 16,773 | 20,440 |
| Loans (cash advance) | 5,556 | 5,243 | 4,524 | 4,066 | 3,653 |
| Revenue from credit guarantee | 1,398 | 1,521 | 1,592 | 1,754 | 1,842 |
| Other operating revenue | 9,504 | 9,937 | 9,617 | 9,774 | 9,774 |
| Profit | 2,822 | 1,136 | 3,139 | 1,755 | 911 |

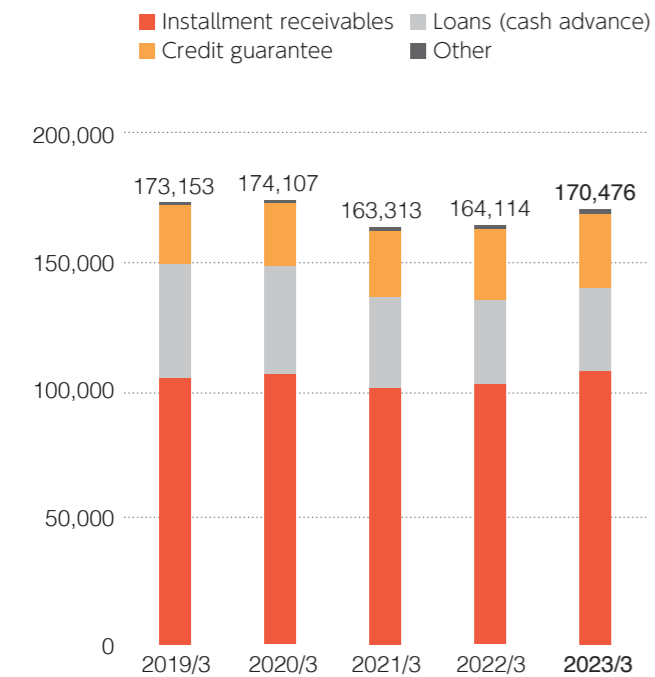
NUMBER OF CARDHOLDERS

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|-----------------------|--------|--------|--------|--------|--------|
| Number of cardholders | 5,777 | 5,758 | 5,382 | 5,240 | 5,141 |
| Proper card | 1,700 | 1,680 | 1,414 | 1,376 | 1,376 |
| Co-branded cards | 4,077 | 4,077 | 3,967 | 3,864 | 3,765 |

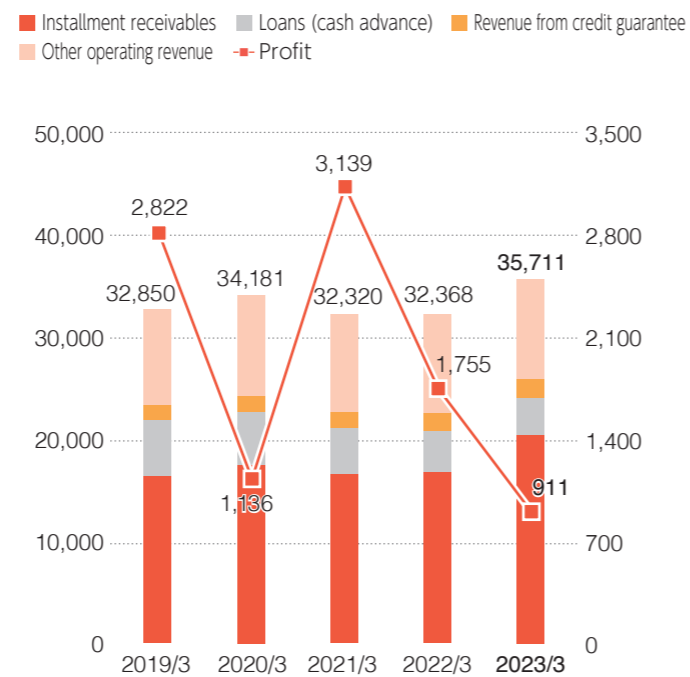
TRANSACTION VOLUME

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--------------------|---------|---------|---------|---------|---------|
| Transaction volume | 697,854 | 707,851 | 650,951 | 688,596 | 740,327 |
| Card shopping | 657,509 | 669,559 | 624,029 | 660,805 | 711,463 |
| Cash advance | 40,345 | 38,291 | 26,921 | 27,790 | 28,863 |

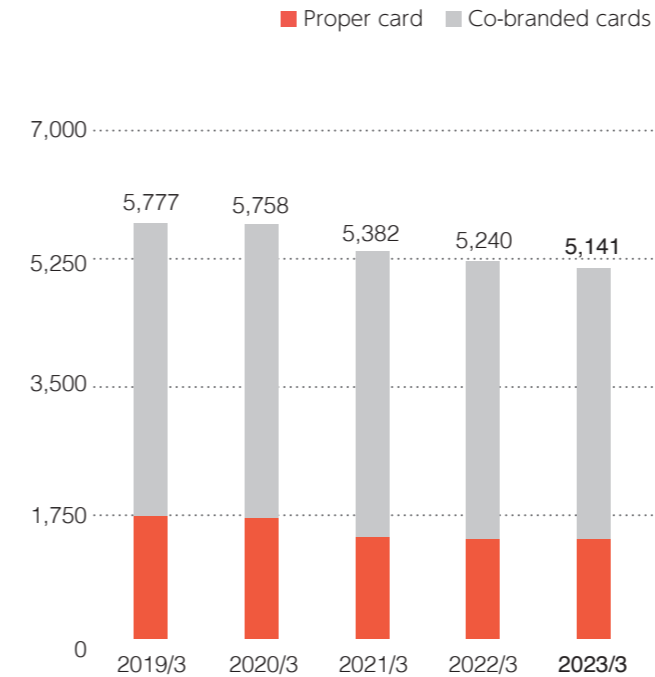
TOTAL RECEIVABLE OUTSTANDING (Millions of yen)



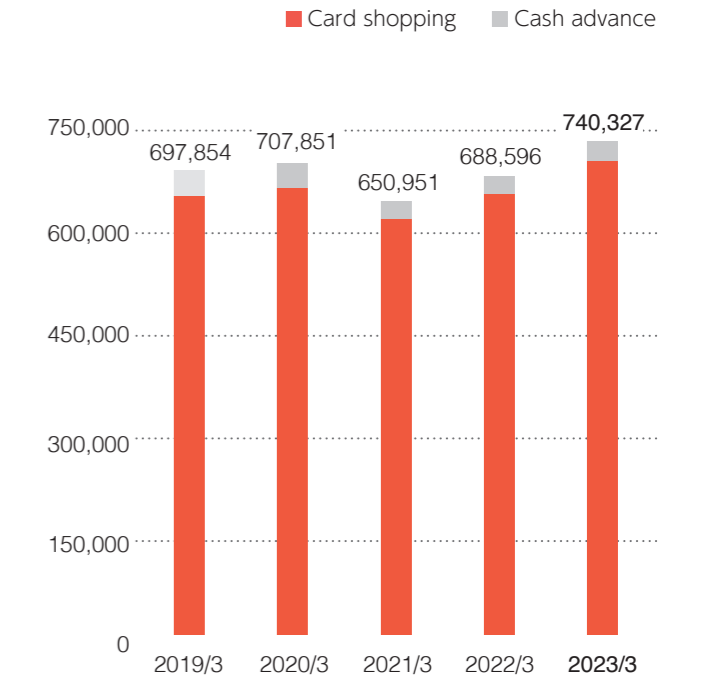
OPERATING REVENUE (Millions of yen) (Left axis)/ PROFIT (Millions of yen) (Right axis)



NUMBER OF CARDHOLDERS (Thousands)



TRANSACTION VOLUME (Millions of yen)

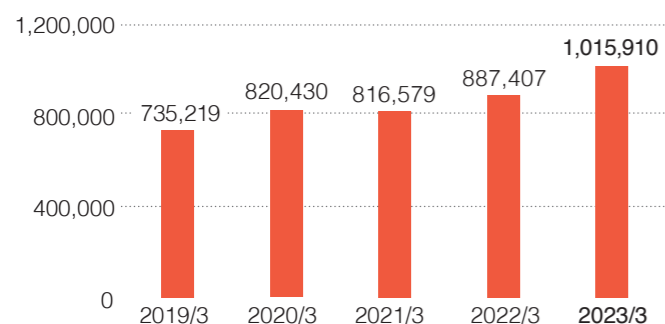


Financial Report by the Management Team

► Consolidated business results

In fiscal 2022, while there were signs of recovery in social and economic activities due to the relaxation on restrictions on activities for coping with the novel coronavirus pandemic, the economy remained in an uncertain state due to factors such as the decision of the Bank of Japan to raise long-term interest rates at its Monetary Policy Meeting and concerns about an economic slowdown arising from a rise in commodity prices caused by the surge in energy and raw material prices due to the Ukraine situation. However, the consumer finance industry continued to show a recovery trend, with the number of new contracts in major companies increasing year on year. Consequently, at the end of fiscal 2022, the volume of operating receivables at the AIFUL Group totaled 1,015,910 million yen, an increase of 128,502 million yen or 14.5% year on year. That said, owing to the securitization of

Total receivable outstanding (Millions of yen)



Segment information by product

| Total receivable outstanding | (Millions of yen) | | YOY (%) |
|------------------------------------|-------------------|---------|---------|
| | 2022/3 | 2023/3 | |
| Unsecured loans | 505,255 | 550,647 | 9.0 |
| Secured loans | 18,282 | 25,979 | 42.1 |
| Small business loans | 58,810 | 72,133 | 22.7 |
| Credit card business | 101,943 | 107,329 | 5.3 |
| Installment sales finance business | 14,836 | 35,570 | 80.7 |
| Guarantee | 172,697 | 204,078 | 18.2 |

| Operating revenue | (Millions of yen) | | YOY (%) |
|------------------------------------|-------------------|--------|---------|
| | 2022/3 | 2023/3 | |
| Unsecured loans | 70,842 | 76,143 | 7.5 |
| Secured loans | 1,624 | 1,949 | 20.0 |
| Small business loans | 3,865 | 5,137 | 32.9 |
| Credit card business | 18,833 | 20,508 | 8.9 |
| Installment sales finance business | 1,266 | 2,649 | 109.2 |
| Credit guarantee | 15,730 | 17,030 | 8.3 |

receivables, operating loans stood at 34,531 million yen, and installment receivables amounted to 6,340 million yen, for a total of 40,871 million yen.

◆Loan business

At the end of fiscal 2022, the balance of operating loans (on an operating receivable basis) in the loan business, a core business of the AIFUL Group, came to 648,760 million yen, an increase of 66,411 million yen or 11.4% year on year. This accounted for around 60% of the balance of total operating receivables.

(Unsecured loans)

Regarding unsecured loans in fiscal 2022, 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 improving user interface (UI) and user experience (UX) through the revamp of our official website, smartphone app, and the application form.

As a result, the number of new contracts for unsecured loans was 301,000, an increase of 43.4% year on year, and contract conclusion ratio was 31.9%, a decrease of 1.0 point year on year. In light of these factors, the balance of unsecured loan operating receivables totaled 550,647 million yen, an increase of 45,392 million yen or 9.0% year on year.

(Secured loans)

The balance of medical loans secured by medical fee receivables sold by AG Medical Corporation for business operators and the balance of secured loans for real estate handled by AG Business Support increased due to the normalization of economic activities. Accordingly, the balance of operating receivables for secured loans totaled 25,979 million yen, an increase of 42.1% year on year.

(Small business loans)

AG Business Support primarily conducts sales of products for the middle-risk market to finance private business operators. In fiscal 2022, demand for funds is on a recovery trend due to the normalization of economic activities. As a result, the balance for small business loans was 72,133 million yen, an increase of 13,322 million yen or 22.7% year on year.

◆Credit card business

In the credit card business, which is the most important business for LIFECARD, domestic transaction volume of credit card increased 15.8% year on year to 93 trillion yen in fiscal 2022 due to the recovery of consumer expenditure, the increase in cashless payments, and the increased use of cards in response to the new living environment to cope with the coronavirus pandemic, indicating that the market will continue to expand in the future. In fiscal 2022, we made efforts to attract new members, especially younger ones, by resuming TV commercials, etc., while improving the UI/UX by revamping our official website or official app for members and improving the utilization rate by providing functions and benefits as per the customers' needs.

As a result, credit card shopping in LIFECARD totaled 711,463 million yen (up 7.7% year on year), and the balance of installment receivables came to 142,899 million yen (up 22.4% 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 5 new partners and 6 existing partners in fiscal 2022, 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 2022 came to 203,492 million yen, an increase of 31,695 million yen or 18.4% 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 2022, as demand for funds has recovered thanks to the resumption of economic activities, the operating loan balance at the end of December 2022 stood at 29,343 million yen, an increase of 5,925 million yen or 25.3% 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 2022 totaled 144,152 million yen, an increase of 12,054 million yen or 9.1% year on year. Of this, operating loan interest stood at 83,230 million yen, a rise of 6,898 million yen or 9.0% year on year. This accounted for 57.7% of total operating revenue. Revenue from installment sales was 23,158 million yen, up 3,058 million yen or 15.2% year on year, credit guarantee revenue was 17,030 million yen, an increase of 1,299 million yen or 8.3% year on year, and other revenue came to 20,732 million yen, an increase of 798 million yen or 4.0% year on year. This is thanks to the increase of new accounts and transaction volume as well as double-digit increase of guarantee balance.

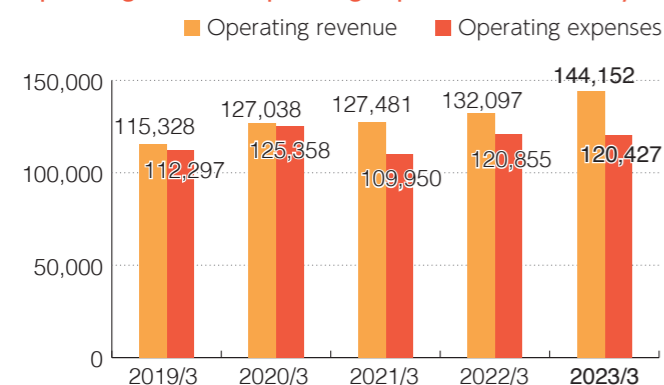
Operating expense came to 120,427 million yen, down 428 million yen or 0.4% year on year. This is because provision for loss on interest repayment decreased 19,929 million yen or 100% year on year.

Consequently, at the end of fiscal 2022, consolidated operating profit came to 23,724 million yen, an increase of 12,482 million yen or 111.0% year on year. As we posted a non-operating income of 747 million yen, including foreign exchange gain from loans to overseas group companies, non-operating expense was 44 million yen, and the ordinary profit in fiscal 2022 was 24,428 million yen, up 12,162 million yen.

Financial Report by the Management Team

As extraordinary loss of 468 million yen was recorded due to the loss from the hotel renovation project undertaken by AG Partners Corporation, net profit was 22,946 million yen. With the addition of 603 million yen in profit attributable to non-controlling interests, profit attributable to owners of parent totaled 22,343 million yen.

Operating revenue/Operating expenses (Millions of yen)



Balance sheet trends

Total assets on a consolidated basis at the end of fiscal 2022 were 1,070,485 million yen, an increase of 134,842 million yen or 14.4%, compared with the end of the previous fiscal year. This increase was primarily attributable to growth of 66,771 million yen in operating loans and growth of 26,314 million yen in accounts receivable-installment.

Total liabilities on a consolidated basis at the end of fiscal 2022 totaled 890,892 million yen, an increase of 111,775 million yen or 14.3%, compared with the end of the previous fiscal year. This increase is mainly attributable to an increase of 80,834 million yen in bonds and borrowings.

Net assets on a consolidated basis at the end of fiscal 2022 totaled 179,593 million yen, an increase of 23,067 million yen or 14.7%, 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 1,261 million yen or 3.2%, compared with the end of the previous fiscal year, to 37,885 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 70,589 million yen, an increase of 351.7%, compared with the previous fiscal year. This was mainly attributable to a decrease of funds following an increase in operating loans and installment receivables.

Net cash used for investing activities stood at 8,947 million yen, an increase of 303.3%, compared with the previous fiscal year. This was mainly attributable to purchase of intangible assets and investment securities.

Net cash provided by financing activities amounted to 78,195 million yen an increase of 271.9%, compared with the previous fiscal year. This was mainly attributable to income from the issuance of bonds and borrowings.

Non-performing loan trends

According to the judicial statistics of the Supreme Court, the number of personal bankruptcies has been declining since 2019. It still stays at a low level compared to the early 2000s, when bankruptcy due to multiple debts became an issue.

In fiscal 2022, the Group’s total non-performing loans stood at 104,904 million yen, a rise of 7,783 million yen or 8.0% year on year. Of this, the amount of non-performing unsecured loans, a mainstay product, was 79,837 million yen, an increase of 10,960 million yen or 15.9% year on year. However, the amount of non-performing loans, consisting mainly of real estate-secured loans and other than unsecured loans, totaled 25,066 million yen, a decline of 3,177 million yen or 11.2% year on year. Meanwhile, restructured loans, which belongs to unsecured loans, stood at 44,743 million yen, a rise of 7,327 million yen or 19.6% 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.

Status of non-performing loans (NPL)

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 |

As of March 31, 2023 (Millions of yen)

| | Operating loans and claims in bankruptcy | | Other | Total |
|-----------------------------------|--|----------------------------|---------|---------|
| | Unsecured loans | Other than unsecured loans | | |
| Loans in legal bankruptcy | 597 | 16,052 | 468 | 17,118 |
| Risky claims | 24,940 | 6,307 | 8,232 | 39,480 |
| Loans 3 months or more in arrears | 9,556 | 404 | — | 9,960 |
| Restructured Loans | 44,743 | 2,301 | 4,997 | 52,042 |
| Performing loans | 464,351 | 62,627 | 226,414 | 753,393 |
| Total | 544,189 | 87,694 | 240,112 | 871,996 |

*As the "Notes on Non-Performing Loans" in the "Cabinet Office Ordinance on Accounting Arrangement of Specified Financial Companies, etc." was revised on March 31, 2022, the classification is presented based on the classification after the revision of the said Cabinet Office Ordinance.

Write-off trends

In fiscal 2022, the amount of write-offs, including debt waived in tandem with interest repayment claims, totaled 30,086 million yen, an increase of 2,241 million yen or 8.1%, in comparison with a year earlier.

Write-off debt waived in tandem with interest repayment claims was 737 million yen, a decline of 128 million yen or 14.9% year on year, indicating a declining trend. Other ordinary bad debts increased 2,370 million or 8.8% year on year, and the write-off ratio excluding debt forgiveness arising from interest repayment claims accounted for 2.9% of total operating receivables, down 0.1 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 2022 totaled 36,004 million yen, an

increase of 8,085 million yen or 29.0%, in contrast with the previous fiscal year. At the end of fiscal 2022, the balance for the allowance for doubtful accounts came to 79,623 million yen, growth of 1,376 million yen or 1.8% (including 2,160 million yen in allowance for debt waived in tandem with interest repayment claims).

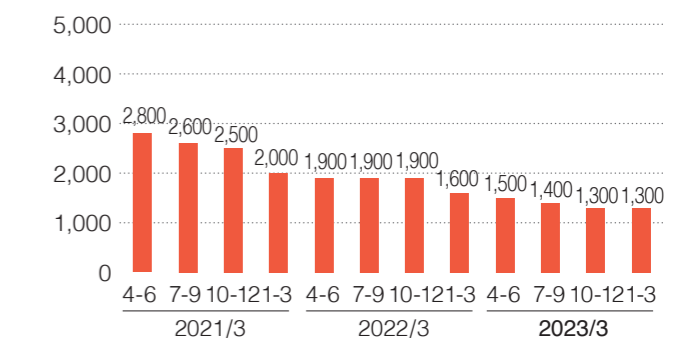
Interest repayment claim trends

Interest repayment claims during fiscal 2022 stood at 7,200 (down 28.0% year on year). This was a steady decline from the peak and there has been a significant decline in the number of claims. However, 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 7,948 million yen (down 12.8% year on year). This breaks down to 7,210 million yen (down 12.6% year on year) for interest repayment and 737 million yen (down 14.9% year on year) for debt forgiveness. As a result, the balance for allowances related to interest repayment amounted to 19,544 million yen. This breaks down to 17,383 million yen in the provision for loss on interest repayment and 2,160 million yen in allowance for doubtful accounts.

The balance of the provision for loss on interest repayment of the Group was estimated on the basis of past repayments and the current status of repayments.

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.

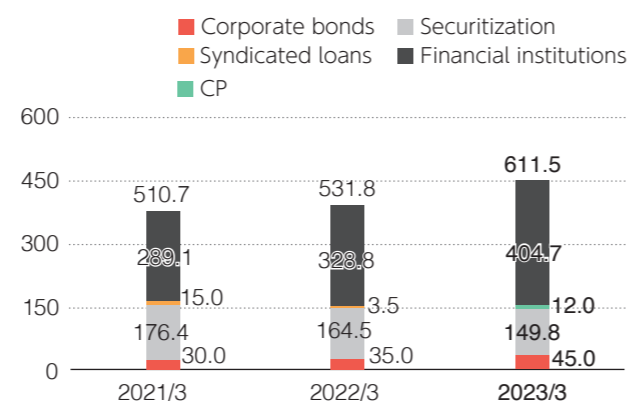
At the end of fiscal 2022, the balance of loans, including off-balance sheet borrowings, was 611,566 million yen, a rise of 79,672 million yen or 15.0% year on year.

The balance of loans via indirect procurement stood at 404,759 million yen, up 74,917 million yen or 22.7% year on year. This accounted for 66.2% of total borrowings. The interest rate on indirect financing was 1.27%, down 0.12 points year on year.

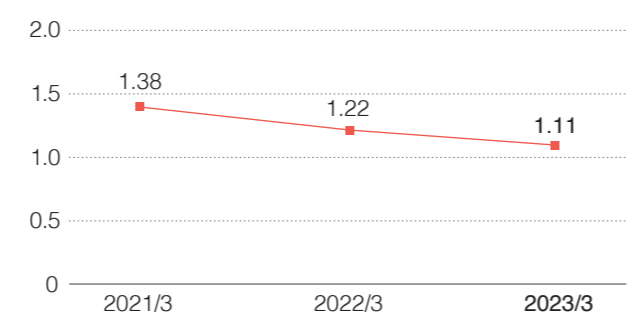
The balance of loans via direct procurement, accounting for 33.8% of total borrowings, was 206,807 million yen, up 4,755 million yen or 2.4% year on year. This breaks down to 45,000 million yen in regular corporate bonds (7.4% of total borrowings) and securitization of 149,807 million yen (24.5% of total borrowings). The interest rate on direct financing was 0.81%, down 0.14 points year on year.

At the end of fiscal 2022, short-term borrowings amounted to 92,216 million yen, and long-term borrowings stood at 519,350 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 2022.

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 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 is 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. 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 companies from different fields which entered the markets. There is a risk that 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 NPLs in the future if there is 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 taking 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 to enhance the legal compliance platform.

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 and legal sanctions including administrative dispositions be imposed.

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 with these systems. 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 and legal sanctions including administrative dispositions are imposed, or in the case of stricter business regulations due to revisions to laws and ordinances.

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% when the principal is less than ¥100,000, 18% when the principal is ¥100,000 or more but less than ¥1,000,000 and 15% when the principal is ¥1,000,000 or more). However, under the Interest Rate

Restriction Act prior to the aforementioned full enforcement of revisions, a debtor will not be able to issue a claim for repayment if the debtor has paid the relevant excess portion voluntarily.

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

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

Financial Report by the Management Team

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, 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.

(Financial soundness)

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

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

(Information network system, Internet services and technical systems)

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

service provider. To alleviate these risks, the Group is strengthening its infrastructure such as duplicating core systems and establishing back-up systems for data and power sources. At the same time, we have established a system for information linkage inside and outside the industry based on in-house CSIRT, eliminate computer viruses, monitor the possibility of cyber-threats from outside the Group, implement measures to diagnose vulnerabilities from multiple aspects, and take other actions continuously to fortify security against cyber-threats, phishing websites, etc., which are becoming mainstream threats these days. In addition, we are striving to reduce damage by implementing concrete measures, such as the adoption of two-step authentication, holding regular in-house training, etc.

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

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

(Credit guarantee business)

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

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

(Overseas business)

The AIFUL Group does business not only in Japan but also in Southeast Asia. Business expansion into overseas

markets carries the following inherent risks: economic deterioration or peer competition in Southeast Asia, including Thailand and Indonesia, political instability and unstable social conditions, natural disasters, including flooding, terrorism or disputes, financial system or legal restraints, volatility in interest rates, exchange rates, share prices and the commodities market, earnings at companies that invest or enter these regions, the economic sentiment, financial systems, laws and financial markets in countries where these companies are located, losses in tandem with lawsuits, corporate bankruptcies, personal loans that have turned bad and expenses incurred due to insufficient internal control and legal compliance systems at overseas subsidiaries.

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

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

(Losses carried forward)

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

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

(Marketable securities)

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

There is a possibility that the Group's financial position and business performance will be negatively impacted in cases where business activities are materially shrunk or suspended by stagnating business activities globally due to

a worse-than-expected disaster, customer demand cannot be sufficiently addressed as facilities cannot be used normally, or costs, including the write-off of bad debt, increase due to the deteriorating performance of customers harmed in tandem with a disaster.

(Responding to Climate Change)

The 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, the Group will work to resolve the issues based on the discussion results. For details, please refer to "Risk management" on the next page.

(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.

[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 |

Consolidated Balance Sheets

AIFUL CORPORATION and Consolidated Subsidiaries
As of March 31

| | 2022/3 | 2023/3 |
|--|----------|-----------|
| (Millions of yen) | | |
| Assets | | |
| Current assets | | |
| Cash and deposits (Note 1) | 44,448 | 43,251 |
| Operating loans (Notes 1, 2, 6, 8 and 9) | 547,457 | 614,229 |
| Accounts receivable—installment (Notes 1, 4 and 6) | 110,244 | 136,559 |
| Operational investment securities | 2,312 | 2,540 |
| Customers' liabilities for acceptances and guarantees (Note 8) | 193,225 | 221,659 |
| Other operating receivables (Note 8) | 10,241 | 13,185 |
| Purchased receivables | 5,338 | 6,985 |
| Other (Note 8) | 25,440 | 34,576 |
| Allowance for doubtful accounts (Note 10) | (57,906) | (63,040) |
| Total current assets | 880,801 | 1,009,948 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures (Note 1) | 23,807 | 23,837 |
| Accumulated depreciation | (18,593) | (18,811) |
| Buildings and structures, net (Note 1) | 5,214 | 5,026 |
| Machinery, equipment and vehicles (Note 1) | 432 | 450 |
| Accumulated depreciation | (355) | (292) |
| Machinery, equipment and vehicles, net (Note 1) | 77 | 158 |
| Furniture and fixtures (Note 1) | 5,344 | 5,440 |
| Accumulated depreciation | (4,406) | (4,555) |
| Furniture and fixtures, net (Note 1) | 937 | 884 |
| Land (Note 1) | 8,900 | 8,900 |
| Leased assets | 4,980 | 5,316 |
| Accumulated depreciation | (3,318) | (4,121) |
| Leased assets, net | 1,662 | 1,194 |
| Construction in progress | 116 | 73 |
| Total property, plant and equipment | 16,908 | 16,238 |
| Intangible assets | | |
| Software | 6,635 | 8,235 |
| Other | 101 | 157 |
| Total intangible assets | 6,737 | 8,392 |
| Investments and other assets | | |
| Investment securities (Note 3) | 6,571 | 10,978 |
| Claims provable in bankruptcy (Note 8) | 22,567 | 18,167 |
| Deferred tax assets | 12,599 | 15,012 |
| Lease and guarantee deposits | 5,322 | 3,913 |
| Other | 4,474 | 4,417 |
| Allowance for doubtful accounts | (20,339) | (16,582) |
| Total investments and other assets | 31,195 | 35,906 |
| Total non-current assets | 54,841 | 60,537 |
| Total assets | 935,642 | 1,070,485 |

| | 2022/3 | 2023/3 |
|---|---------|-----------|
| (Millions of yen) | | |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 40,919 | 43,066 |
| Acceptances and guarantees | 193,225 | 221,659 |
| Short-term borrowings (Note 1) | 77,310 | 69,582 |
| Short-term loans payable to subsidiaries and associates | 1,533 | 1,734 |
| Commercial papers | 2,500 | 12,000 |
| Current portion of bonds | 35,000 | — |
| Current portion of long-term borrowings (Note 1) | 166,786 | 183,832 |
| Income taxes payable | 860 | 2,006 |
| Allowance for bonuses | 1,415 | 1,555 |
| Allowance for directors' bonuses | 40 | 45 |
| Provision for share-based remuneration | — | 50 |
| Deferred installment income (Note 5) | 3,021 | 7,094 |
| Other (Note 11) | 26,644 | 30,284 |
| Total current liabilities | 549,257 | 572,912 |
| Non-current liabilities | | |
| Bonds payable | — | 45,000 |
| Long-term borrowings (Note 1) | 197,271 | 249,087 |
| Deferred tax liabilities | 7 | — |
| Provision for loss on interest repayment | 24,594 | 17,383 |
| Other | 7,986 | 6,509 |
| Total non-current liabilities | 229,859 | 317,979 |
| Total liabilities | 779,116 | 890,892 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 94,028 | 94,028 |
| Capital surplus | 14,017 | 14,017 |
| Retained earnings | 47,560 | 69,419 |
| Treasury shares | (3,110) | (3,110) |
| Total shareholders' equity | 152,495 | 174,354 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,098 | 1,123 |
| Foreign currency translation adjustment | 306 | 595 |
| Total accumulated other comprehensive income | 1,404 | 1,718 |
| Non-controlling interests | 2,626 | 3,520 |
| Total net assets | 156,526 | 179,593 |
| Total liabilities and net assets | 935,642 | 1,070,485 |

Consolidated Statements of Income

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

Consolidated Statement of Income

| | 2022/3 | 2023/3 |
|---|---------|---------|
| (Millions of yen) | | |
| Operating revenue | | |
| Interest on operating loans | 76,332 | 83,230 |
| Revenue from credit card business | 18,833 | 20,508 |
| Revenue from installment sales finance business | 1,266 | 2,649 |
| Revenue from credit guarantee | 15,730 | 17,030 |
| Other financial revenue | 5 | 5 |
| Other operating revenue | | |
| Collection from purchased receivables | 889 | 1,094 |
| Recoveries of written off claims | 7,492 | 7,488 |
| Other | 11,547 | 12,144 |
| Total other operating revenue | 19,928 | 20,727 |
| Total operating revenue (Note 1) | 132,097 | 144,152 |
| Operating expenses | | |
| Financial expenses | | |
| Interest expenses | 5,872 | 5,889 |
| Interest on bonds | 433 | 429 |
| Other | 735 | 749 |
| Total financial expenses | 7,041 | 7,068 |
| Cost of sales | | |
| Other | 199 | 229 |
| Total cost of sales | 199 | 229 |
| Other operating expenses | | |
| Advertising expenses | 11,321 | 16,876 |
| Commissions | 15,283 | 17,958 |
| Provision of allowance for doubtful accounts | 27,918 | 36,004 |
| Provision for loss on interest repayment | 19,929 | — |
| Employees' salaries and bonuses | 12,071 | 12,333 |
| Provision for bonuses | 1,303 | 1,462 |
| Retirement benefit expenses | 502 | 509 |
| Other | 25,283 | 27,985 |
| Total other operating expenses | 113,614 | 113,129 |
| Total operating expenses | 120,855 | 120,427 |
| Operating profit | 11,242 | 23,724 |
| Non-operating income | | |
| Interest on loans receivable | 224 | 19 |
| Share of profit of entities accounted for using equity method | 150 | 184 |
| Foreign exchange gains | 370 | 204 |
| Rental income from real estate | 77 | 93 |
| Other | 236 | 246 |
| Total non-operating income | 1,058 | 747 |

| | 2022/3 | 2023/3 |
|---|---------|---------|
| (Millions of yen) | | |
| Non-operating expenses | | |
| Provision of allowance for doubtful accounts | 3 | 3 |
| Loss on investments in silent partnerships | — | 16 |
| Infection-related expenses | 10 | 4 |
| Other | 20 | 18 |
| Total non-operating expenses | 35 | 44 |
| Ordinary profit | 12,265 | 24,428 |
| Extraordinary losses | | |
| Loss on valuation of shares of subsidiaries and associates (Note 2) | — | 14 |
| Provision of allowance for doubtful accounts (Note 2) | — | 453 |
| Total extraordinary losses | — | 468 |
| Profit before income taxes | 12,265 | 23,959 |
| Income taxes—current | 2,602 | 3,349 |
| Income taxes—deferred | (3,374) | (2,336) |
| Total income taxes | (772) | 1,013 |
| Profit | 13,037 | 22,946 |
| Profit attributable to non-controlling interests | 703 | 603 |
| Profit attributable to owners of parent | 12,334 | 22,343 |

Consolidated Statement of Comprehensive Income

| | 2022/3 | 2023/3 |
|---|--------|--------|
| (Millions of yen) | | |
| Profit | 13,037 | 22,946 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (659) | 24 |
| Foreign currency translation adjustment | (15) | 579 |
| Share of other comprehensive income of entities accounted for using equity method | 0 | 0 |
| Total other comprehensive income (Note 1) | (674) | 604 |
| Comprehensive income | 12,363 | 23,550 |
| Comprehensive income attributable to | | |
| Owners of parent | 11,719 | 22,656 |
| Non-controlling interests | 643 | 894 |

Consolidated Statements of Change in Shareholders' Equity

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

| 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 |

| | 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 |

| 2023/3 | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at April 1, 2022 | 94,028 | 14,017 | 47,560 | (3,110) | 152,495 |
| Cumulative effects of changes in accounting policies | | | | | — |
| Restated balance | 94,028 | 14,017 | 47,560 | (3,110) | 152,495 |
| Changes during period | | | | | |
| Dividends of surplus | | | (483) | | (483) |
| Profit attributable to owners of parent | | | 22,343 | | 22,343 |
| Purchase of treasury shares | | | | (0) | (0) |
| Purchase of shares of consolidated subsidiaries | | | | | — |
| Net changes in items other than shareholders' equity | — | — | — | — | — |
| Total changes during period | — | — | 21,859 | (0) | 21,859 |
| Balance at March 31, 2023 | 94,028 | 14,017 | 69,419 | (3,110) | 174,354 |

| | 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, 2022 | 1,098 | 306 | 1,404 | 2,626 | 156,526 |
| Cumulative effects of changes in accounting policies | | | | | — |
| Restated balance | 1,098 | 306 | 1,404 | 2,626 | 156,526 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (483) |
| Profit attributable to owners of parent | | | | | 22,343 |
| Purchase of treasury shares | | | | | (0) |
| Purchase of shares of consolidated subsidiaries | | | | | — |
| Net changes in items other than shareholders' equity | 24 | 288 | 313 | 894 | 1,207 |
| Total changes during period | 24 | 288 | 313 | 894 | 23,067 |
| Balance at March 31, 2023 | 1,123 | 595 | 1,718 | 3,520 | 179,593 |

Consolidated Statements of Cash Flows

AIFUL CORPORATION and Consolidated Subsidiaries
Years ended March 31

| | 2022/3 | 2023/3 |
|---|-------------|-------------|
| (Millions of yen) | | |
| Cash flows from operating activities | | |
| Profit before income taxes | 12,265 | 23,959 |
| Depreciation | 3,417 | 3,599 |
| Increase (decrease) in allowance for doubtful accounts | 132 | 897 |
| Increase (decrease) in allowance for bonuses | (19) | 139 |
| Increase (decrease) in reserve for directors' bonuses | 4 | 4 |
| Increase (decrease) in provision for share-based remuneration | — | 50 |
| Increase (decrease) in provision for point card certificates | (2,560) | — |
| Increase (decrease) in allowance for loss on interest repayment | 11,680 | (7,210) |
| Interest and dividend income | (254) | (54) |
| Loss (gain) on valuation of investment securities | — | 14 |
| Share of loss (profit) of entities accounted for using equity method | (150) | (184) |
| Decrease (increase) in operating loans receivable | (31,185) | (64,201) |
| Decrease (increase) in accounts receivable—installment | (8,524) | (26,314) |
| Decrease (increase) in other operating receivables | (1,492) | (2,943) |
| Decrease (increase) in purchased receivables | (1,867) | (1,647) |
| Decrease (increase) in claims provable in bankruptcy | (484) | 4,400 |
| Decrease (increase) in business security deposit | — | 1,218 |
| Decrease (increase) in other current assets | (2,284) | (9,685) |
| Increase (decrease) in other current liabilities | 7,880 | 9,724 |
| Other | 1,133 | (677) |
| Subtotal | (12,308) | (68,909) |
| Interest and dividend income | 342 | 74 |
| Income taxes refund | 32 | 482 |
| Income taxes paid | (3,694) | (2,238) |
| Cash flows from operating activities | (15,628) | (70,589) |
| Cash flows from investing activities | | |
| Deposit into time deposits | (5,297) | (5,351) |
| Proceeds from withdrawal of time deposits | 5,001 | 5,286 |
| Purchase of property, plant and equipment | (461) | (996) |
| Purchase of intangible assets | (3,059) | (3,487) |
| Purchase of investment securities | (281) | (4,246) |
| Other | 1,879 | (151) |
| Cash flows from investing activities | (2,218) | (8,947) |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 1,607,229 | 1,304,135 |
| Repayments of short-term borrowings | (1,629,114) | (1,312,462) |
| Proceeds from issuance of commercial papers | 2,500 | 40,500 |
| Redemption of commercial papers | — | (31,000) |
| Proceeds from long-term borrowings | 201,495 | 259,557 |
| Repayments of long-term borrowings | (164,251) | (190,908) |
| Proceeds from issuance of bonds | 20,000 | 45,000 |
| Redemption of bonds | (15,075) | (35,000) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (142) | — |
| Cash dividends paid | (483) | (483) |
| Other | (1,129) | (1,142) |
| Cash flows from financing activities | 21,028 | 78,195 |
| Effect of exchange rate change on cash and cash equivalents | 20 | 79 |
| Net increase (decrease) in cash and cash equivalents | 3,201 | (1,261) |
| Cash and cash equivalents at beginning of period | 35,945 | 39,147 |
| Cash and cash equivalents at end of period (Note 1) | 39,147 | 37,885 |

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: 8

Names of consolidated subsidiaries

LIFECARD Co., Ltd., AG Business Support Corporation, AG Loan Services Corporation, AG Guarantee Co., Ltd., AIRA & AIFUL Public Company Limited and three other companies

AIFUL GUARANTEE Co., Ltd. changed its name to AG Guarantee Co., Ltd. on July 11, 2022. AIFUL BUSINESS FINANCE CORPORATION changed its name to AG Business Support Corporation on February 25, 2023.

Sumishin Life Card Company, which used to be our consolidated subsidiary, ceased to exist on April 1, 2022 due to an absorption-type merger in which our consolidated subsidiary LIFECARD Co., Ltd. was the surviving company, and was removed from the scope of consolidation.

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

FPC Co., Ltd., AG Partners Co., Ltd., AG Smile Leaseback Corporation and thirteen other companies

(Reason for exclusion from the scope of consolidation)
Each of the non-consolidated subsidiaries are small in scale and the total assets, operating revenue, profit or loss (corresponding to equity) and retained earnings (corresponding to equity) of those companies in aggregate have an insignificant impact on the consolidated financial statements.
Therefore, they have been excluded from the scope of consolidation.

2. Matters concerning application of the equity method

(1) Number of non-consolidated subsidiaries and affiliated companies accounted for using the equity method: 2

Name of company

Non-consolidated subsidiary: FPC Co., Ltd.

All of the shares of FPC Co., Ltd. were acquired on January 5, 2023, and the company is accounted for using the equity method with the deemed acquisition date being March 31, 2023.

Affiliated company: Anshin Guarantor Service Co., Ltd.

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

(Reason for not applying the equity method)

Each of the non-consolidated subsidiaries or affiliated companies not accounted for using the equity method are small in scale and the profit or loss (corresponding to equity), retained earnings (corresponding to equity), etc. of those companies in aggregate have an insignificant impact on the consolidated financial statements. Therefore, they have been excluded from the scope of application of the equity method. There are no affiliated companies to which the equity method does not apply.

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

Of the consolidated subsidiaries, the closing date of AIRA & AIFUL Public Company Limited is December 31.

In preparing the consolidated financial statements, the financial statements as of the above date were used and the necessary adjustments for consolidation were made for important transactions occurring between said date and the consolidated closing date.

4. Matters concerning accounting policies

(1) Valuation standards and valuation method for significant assets
(i) Securities

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: | 2 to 17 years |
| Furniture and fixtures: | 2 to 20 years |

(ii) Intangible assets (excluding leased assets)

Straight-line method

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

- (iii) Leased assets
Leased assets pertaining to finance lease transactions involving the transfer of ownership
 Depreciated by the same method applied to non-current assets owned by the Company.
Leased assets pertaining to finance lease transactions not involving the transfer of ownership
 Depreciated over the lease period by the straight-line method, assuming the residual value is zero.
 Overseas consolidated subsidiaries, which prepare financial statements based on the International Financial Reporting Standards, have adopted the International Financial Reporting Standard 16 "Lease" (hereinafter referred to as "IFRS 16") from the consolidated fiscal year under review, as described in (Changes in accounting policies). Due to this adoption, the lessees book all leases on their balance sheets as assets and liabilities. Right-of-use assets booked as assets are depreciated using the straight-line method.
- (3) Booking of major allowances
 (i) Allowance for doubtful accounts
 To provide for losses on operating loans caused by bad debt, an amount deemed necessary based on historical losses is booked as an allowance for ordinary receivables, and an estimated uncollectible amount in consideration of individual collectability is booked for doubtful receivables and other certain receivables.
 (ii) Allowance for bonuses
 To provide for the payment of bonuses to employees, the portion of the estimated amount of future bonus payment as attributable to the consolidated fiscal year under review is booked as a provision.
 (iii) Allowance for bonuses for executives
 To provide for the payment of bonuses to directors, the portion of the estimated amount of future bonus payment as attributable to the consolidated fiscal year under review is booked as a provision.
 (iv) Allowance for share-based remuneration
 To provide for the issuance of shares for directors and others (excluding directors who belong to the audit and supervisory committee as well as outside directors and directors who do not reside in Japan) in relation to the transfer-restricted stock compensation system, estimated expenses as attributable to the end of the consolidated fiscal year under review is booked as a provision.
 (v) Provision for loss on interest repayment
 To provide for the future occurrence of interest repayment, an estimated amount of repayments that is reasonably estimated based on repayment history and recent repayment situations is booked as a provision.
- (4) Booking of significant revenues and expenses
 (i) Interest on operating loans
 Interest on operating loans is booked on an accrual basis. For accruals of interest pertaining to operating loans, the lower interest rate under the Interest Rate Restriction Act or the contract interest rate is booked.
 (ii) Booking of revenues pertaining to installment sales
 Principles and procedures for accounting adopted when the Add-on type customer commissions are collectively booked under deferred installment income in a lump sum at the time of contract and booked as revenue at each billing period. The revenue of departments is allocated using the 78 method. For declining balance method or revolving method customer commissions, revenue is booked at each billing period. The revenue of departments is allocated by using the declining balance method.
 (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.

Critical Accounting Estimates

1. Allowance for doubtful accounts

(1) Amount recorded in the financial statements for the current fiscal year
(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---------------------------------|----------------------|----------------------|
| Allowance for doubtful accounts | 78,246 | 79,623 |

(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, monitored loans, 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, and the actual rate of bad debt in classification matching the liability state of debtors (such as intervention by a lawyer).

iii) Claims in bankruptcy

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

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. Mainly due to an increase in the balance of operating receivables and the adoption of said calculation method such as using the actual rate of bad debt in classification matching the liability state of debtors (such as intervention by a lawyer), allowance for doubtful accounts for fiscal 2023 was up 1,376 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 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)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Allowance for loss on interest repayment | 24,594 | 17,383 |

(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)

We have applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) since the beginning of the consolidated fiscal year under review, and in accordance with the transitional measures set forth in Article 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company will continue to apply new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future. The effects of this adoption on the consolidated financial statements are immaterial.

(Unapplied accounting standards, etc.)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

Standards that define the accounting classification of income taxes in case that tax is imposed on other comprehensive income and the treatment of tax effects pertaining to the sale of subsidiary shares, etc. in case that the group taxation regime is applied

(2) Scheduled application date

The standards will be applied from the beginning of the fiscal year ending March 31, 2025.

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

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

(Changes in Presentation Method)

(Consolidated statement of income)

Revenue from installment sales finance business, which was included in other under operating revenue in the previous consolidated fiscal year, is reported separately in the consolidated fiscal year under review, as the amount became material. In order to reflect this change in the presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the 12,813 million yen in other under operating revenue in the consolidated statement of income in the previous consolidated fiscal year was reclassified as 1,266 million yen in revenue from installment sales finance business and 11,547 million yen in other.

Rental income from real estate, which was included in other under non-operating income in the previous consolidated fiscal year, is listed separately from the consolidated fiscal year under review as the amount exceeded 10% of total non-operating income. The consolidated financial statements for the previous consolidated 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 consolidated fiscal year, 313 million yen in other under non-operating income has been reclassified as 77 million yen in rental income from real estate and 236 million yen in other.

(Changes in accounting estimates)

(Changes in the estimate of allowance for doubtful accounts)

While the allowance for doubtful accounts concerning receivables from consumers used to be categorized according to the borrower's delinquency period and other factors for each loan type and calculated using the actual rate of bad debt in

the calculation period, such as the average remaining period in each category, the method was changed to the calculation based on the classification matching the liability state of debtors (such as intervention by a lawyer) at the beginning of the consolidated fiscal year under review as a result of the revision of certain claim management classifications.

As a result, operating profit, ordinary profit and profit before income taxes in the consolidated fiscal year under review increased 1,762 million yen in comparison with the previous method.

Notes to consolidated balance sheets

1. Assets pledged as collateral and corresponding liabilities

| Assets pledged as collateral | | Assets pledged as collateral | |
|-----------------------------------|----------------|-----------------------------------|----------------|
| (Millions of yen) | | (Millions of yen) | |
| As of March 31, 2022 | | As of March 31, 2023 | |
| (1) Assets pledged as collateral | | (1) Assets pledged as collateral | |
| Cash and deposit | 5,267 | Cash and deposit | 5,332 |
| Operating loans | 337,276 | Operating loans | 350,717 |
| Accounts receivable-installment | 42,433 | Accounts receivable-installment | 45,780 |
| Buildings and structures | 3,762 | Buildings and structures | 3,727 |
| Machinery, equipment and vehicles | 8 | Machinery, equipment and vehicles | 7 |
| Furniture and fixtures | 55 | Furniture and fixtures | 64 |
| Land | 8,816 | Land | 8,816 |
| Total | 397,620 | Total | 414,444 |

| (2) Corresponding liabilities | | (2) Corresponding liabilities | |
|---|----------------|---|----------------|
| Short-term borrowings | 68,510 | Short-term borrowings | 56,500 |
| Current portion of long-term borrowings | 95,567 | Current portion of long-term borrowings | 102,246 |
| Long-term borrowings | 127,030 | Long-term borrowings | 156,052 |
| Total | 291,108 | Total | 314,798 |

- (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 | | 2. Unsecured personal loans included in operating loans | |
|---|---------|---|---------|
| (Millions of yen) | | (Millions of yen) | |
| As of March 31, 2022 | | As of March 31, 2023 | |
| | 494,678 | | 542,992 |

| 3. Shares and other securities issued by non-consolidated subsidiaries and affiliated companies | | | |
|---|-------|--|-------|
| (Millions of yen) | | | |
| As of March 31, 2022 | | As of March 31, 2023 | |
| Investment securities (shares) | 2,804 | Investment securities (shares) | 7,150 |
| Investment securities (other securities) | 1,232 | Investment securities (other securities) | 1,421 |

| 4. Accounts receivable—installment | | | |
|------------------------------------|----------------|------------------------------------|----------------|
| (Millions of yen) | | | |
| As of March 31, 2022 | | As of March 31, 2023 | |
| Credit card business | 95,407 | Credit card business | 100,988 |
| Installment sales finance business | 14,836 | Installment sales finance business | 35,570 |
| Total | 110,244 | Total | 136,559 |

5. Deferred installment income

| (Millions of yen) | | | | | (Millions of yen) | | | | |
|---------------------------|--------------------------|--------------------|--------------------------|---------------------------|---------------------------|--------------------------|--------------------|--------------------------|---------------------------|
| As of March 31, 2022 | | | | | As of March 31, 2023 | | | | |
| | Balance at April 1, 2021 | Receipts during FY | Actual balance during FY | Balance at March 31, 2022 | | Balance at April 1, 2022 | Receipts during FY | Actual balance during FY | Balance at March 31, 2023 |
| Credit card shopping | 439 | 1,570 | 1,554 | 454 | Credit card shopping | 454 | 1,574 | 1,466 | 562 |
| Installment sales finance | 1,383 | 2,686 | 1,503 | 2,566 | Installment sales finance | 2,566 | 7,334 | 3,368 | 6,532 |
| Total | 1,822 | 4,257 | 3,057 | 3,021 | Total | 3,021 | 8,908 | 4,835 | 7,094 |

6. Securitization of claims removed from the balance sheets

| (Millions of yen) | | |
|---------------------------------|----------------------|----------------------|
| | As of March 31, 2022 | As of March 31, 2023 |
| Operating loans | 34,891 | 34,531 |
| Accounts receivable—installment | 6,536 | 6,340 |

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, 2022 | As of March 31, 2023 |
| PT REKSA FINANCE | 1,969 | 3,408 |

8. Non-performing loans

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

| (Millions of yen) | | | | | (Millions of yen) | | | | |
|-----------------------------------|--|----------------------------|----------------|----------------|-----------------------------------|--|----------------------------|----------------|----------------|
| As of March 31, 2022 | | | | | As of March 31, 2023 | | | | |
| | 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 | 657 | 20,443 | 454 | 21,555 | Loans in legal bankruptcy | 597 | 16,052 | 468 | 17,118 |
| Risky claims | 21,101 | 4,492 | 6,627 | 32,221 | Risky claims | 24,940 | 6,307 | 8,232 | 39,480 |
| Loans 3 months or more in arrears | 9,701 | 436 | — | 10,137 | Loans 3 months or more in arrears | 9,556 | 404 | — | 9,960 |
| Restructured Loans | 37,416 | 2,872 | 3,640 | 43,928 | Restructured Loans | 44,743 | 2,301 | 4,997 | 52,042 |
| Performing loans | 427,081 | 45,341 | 197,329 | 669,752 | Performing loans | 464,351 | 62,627 | 226,414 | 753,393 |
| Total | 495,958 | 73,585 | 208,052 | 777,595 | Total | 544,189 | 87,694 | 240,112 | 871,996 |

The loan categories in the table above are as follows:

(Loans in legal bankruptcy)

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

(Fiscal year ended March 31, 2023)

Of operating loans including off-balance sheet loans resulting from securitization, ¥553,769 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 ¥811,755 million.

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

Outstanding loan commitments include commitments to customers who do not have any outstanding loan commitments or who have not requested any loans after concluding a credit agreement. Many revolving credit agreements expire with no loans being provided.

Therefore, outstanding loan commitments themselves do not necessarily affect the Group's future cash flows.

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

| (Millions of yen) | (Millions of yen) |
|----------------------|-----------------------------|
| As of March 31, 2022 | As of March 31, 2023 |
| 2,898 | 2,160 |

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

| (Millions of yen) | (Millions of yen) |
|----------------------|-----------------------------|
| As of March 31, 2022 | As of March 31, 2023 |
| 3,792 | 3,721 |

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

(Fiscal year ended March 31, 2022)

Not applicable.

(Fiscal year ended March 31, 2023)

As a result of taking into account the financial conditions, operating performance, etc. of AG Partners Co., Ltd. and AG Stock Center Corporation, which are our non-consolidated subsidiaries, and reviewing the evaluation of the shares held by the Company, future collectability of claims, etc., loss on valuation of stocks of subsidiaries and affiliates and provision of allowance for doubtful accounts were recorded as extraordinary losses.

Notes to consolidated statements of comprehensive income

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

| | FY ended March 31, 2022 (Apr. 1, 2021 to Mar. 31, 2022) | FY ended March 31, 2023 (Apr. 1, 2022 to Mar. 31, 2023) |
|---|--|--|
| (Millions of yen) | | |
| Valuation difference on available-for-sale securities | | |
| Amount during the period | (972) | 86 |
| Reclassification adjustment | (159) | (74) |
| Before tax effect adjustment | (1,131) | 12 |
| Tax effect | 472 | 12 |
| Valuation difference on available-for-sale securities | (659) | 24 |
| Foreign currency translation adjustment | | |
| Amount during the period | (15) | 579 |
| Share of other comprehensive income of entities accounted for using equity method | | |
| Amount during the period | 0 | 0 |
| Total other comprehensive income | (674) | 604 |

Notes to consolidated statements of change in shareholders' equity

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

| Resolution | Share type | Total dividend amount (millions of yen) | Dividend per share (yen) | Record date | Effective date |
|---------------|--------------|---|--------------------------|---------------|----------------|
| Apr. 26, 2021 | Common share | 483 | 1.00 | Mar. 31, 2021 | Jun. 1, 2021 |

(2) 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 | Jun. 1, 2022 |

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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 | 144 | — | 917,614 |
| Total | 917,470 | 144 | — | 917,614 |

(Outline of the reason for the change)

The increase of 144 treasury shares in common stock is due to the purchase of odd-lot shares.

2. Matters regarding dividends

(1) Dividends paid

| Resolution | Share type | Total dividend amount (millions of yen) | Dividend per share (yen) | Record date | Effective date |
|---------------|--------------|---|--------------------------|---------------|----------------|
| Apr. 25, 2022 | Common share | 483 | 1.00 | Mar. 31, 2022 | May 31, 2022 |

(2) 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. 24, 2023 | Common share | Retained earnings | 483 | 1.00 | Mar. 31, 2023 | June 8, 2023 |

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, 2022 (Apr. 1, 2021 to Mar. 31, 2022) | FY ended March 31, 2023 (Apr. 1, 2022 to Mar. 31, 2023) |
| Cash and deposits | 44,448 | 43,251 |
| Time deposit with maturity period of more than three months | (5,300) | (5,365) |
| Cash and cash equivalents | 39,147 | 37,885 |

Notes on financial instruments

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 ¥84 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 ¥84 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 these are as follows. Since cash and deposits, short-term borrowings and commercial paper are in the form of cash and are settled in short term, their fair value is similar to the book value, so the notes are omitted.

| Fiscal year ended March 31, 2022 | | | (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*1 | | | |
| Shares | 3,034 | 4,383 | 1,349 |
| (4) Claims provable in bankruptcy | 22,567 | | |
| Allowance for doubtful accounts*2 | (20,326) | | |
| | 2,240 | 2,240 | — |
| Total assets | 613,119 | 691,096 | 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 Shares with no market value or the like are not included in "(3) Operational investment securities and investment securities." The sum of said financial instruments recorded on the consolidated balance sheet is as follows.

| Fiscal year ended March 31, 2022 | | (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 The allowance for doubtful accounts of operating loans, accounts receivable-installment and claims provable in bankruptcy is deducted.

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

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

| Fiscal year ended March 31, 2023 | | | (Millions of yen) |
|---|-----------------------------------|------------|-------------------|
| Category | Consolidated balance sheet amount | Fair value | Difference |
| (1) Operating loans | 614,229 | | |
| Allowance for doubtful accounts*2 | (43,034) | | |
| | 571,195 | 652,510 | 81,315 |
| (2) Accounts receivable—installment | 136,559 | | |
| Deferred installment income*3 | (7,094) | | |
| Allowance for doubtful accounts*2 | (6,301) | | |
| | 123,162 | 133,571 | 10,409 |
| (3) Operational investment securities and investment securities*1 | | | |
| Shares | 2,943 | 3,883 | 940 |
| (4) Claims provable in bankruptcy | 18,167 | | |
| Allowance for doubtful accounts*2 | (16,115) | | |
| | 2,051 | 2,051 | — |
| Total assets | 699,352 | 792,017 | 92,664 |
| (1) Bonds | 45,000 | 45,030 | 30 |
| (2) Long-term borrowings*4 | 432,919 | 432,738 | (181) |
| Total liabilities | 477,919 | 477,768 | (151) |
| Derivative transactions*4 | | | |
| (i) Those qualified for hedge accounting | — | — | — |
| (ii) Those not qualified for hedge accounting | — | — | — |
| Total derivative transactions | — | — | — |

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

| Fiscal year ended March 31, 2023 | | (Millions of yen) |
|--|-----------------------------------|-------------------|
| Category | Consolidated balance sheet amount | |
| Operational investment securities and investment securities | | |
| (1) Unlisted shares | 9,154 | |
| (2) Investments in limited liability investment partnerships, etc. | 1,421 | |
| Total | 10,576 | |

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

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

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

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

| 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.

| Fiscal year ended March 31, 2023 | | | | (Millions of yen) |
|----------------------------------|-------------------|----------------------|---------------------------|-------------------|
| Category | Due within 1 year | Due within 1-5 years | Due after 5 years or more | |
| Cash and deposits | 43,251 | — | — | |
| Operating loans | 232,817 | 379,704 | 1,707 | |
| Accounts receivable—installment | 113,011 | 23,415 | 131 | |
| Total | 389,081 | 403,119 | 1,839 | |

Does not include ¥18,167 million of claims provable in bankruptcy, etc. for which a scheduled redemption amount cannot be expected.

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

| 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 | |

| Fiscal year ended March 31, 2023 | | | | | | | (Millions of yen) |
|----------------------------------|-------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|-------------------|
| Category | Due within 1 year | Due within 1-2 years | Due within 2-3 years | Due within 3-4 years | Due within 4-5 years | Due after 5 years or more | |
| Bonds payable | — | 30,000 | 15,000 | — | — | — | |
| Long-term borrowings | 183,832 | 152,241 | 77,123 | 11,576 | 6,230 | 1,914 | |
| Total | 183,832 | 182,241 | 92,123 | 11,576 | 6,230 | 1,914 | |

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.

Fiscal year ended March 31, 2022

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

| Category | Fair value | | | | (Millions of yen) |
|---|------------|---------|---------|-------|-------------------|
| | Level 1 | Level 2 | Level 3 | 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

| Category | Fair value | | | | (Millions of yen) |
|---|--------------|----------|----------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | 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 | — | — | — | — | |

Fiscal year ended March 31, 2023

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

| Category | Fair value | | | |
|---|------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Operational investment securities and investment securities | | | | |
| Shares | 247 | 1,872 | — | 2,119 |

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

| Category | Fair value | | | |
|---|------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| (1) Operating loans | — | — | 652,510 | 652,510 |
| (2) Accounts receivable-installment | — | — | 133,571 | 133,571 |
| (3) Operational investment securities and investment securities | | | | |
| Shares | — | 1,764 | — | 1,764 |
| (4) Claims provable in bankruptcy | — | — | 2,051 | 2,051 |
| Total assets | — | 1,764 | 788,133 | 789,897 |
| (1) Bonds | — | 45,030 | — | 45,030 |
| (2) Long-term borrowings | — | 432,738 | — | 432,738 |
| Total liabilities | — | 477,768 | — | 477,768 |
| 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 they are evaluated by using the market price and treated as transactions other than those in active markets.

Long-term borrowings

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

Notes on securities

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

1. Available-for-sale securities

| Category | Fair value | | |
|---|-----------------------------------|---------------|------------|
| | 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.

2. Available-for-sale securities sold during the fiscal year (April 1, 2021 to March 31, 2022)

| Category | Fair value | | |
|----------|-----------------|-------------------------------|-------------------------------|
| | 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 previous consolidated 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, 2023 (as of March 31, 2023)

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 | 2,044 | 683 | 1,360 |
| Subtotal | 2,044 | 683 | 1,360 |
| Those whose consolidated balance sheet amount does not exceed purchase cost | | | |
| Shares | 75 | 75 | — |
| Subtotal | 75 | 75 | — |
| Total | 2,119 | 758 | 1,360 |

Note: Unlisted shares, etc. (consolidated balance sheet amount of ¥4,248 million) are not included in the above table since they do not have a market price.

2. Available-for-sale securities sold during the fiscal year (April 1, 2022 to March 31, 2023)

| (Millions of yen) | | | |
|-------------------|-----------------|-------------------------------|-------------------------------|
| | Amount of sales | Total amount of gain on sales | Total amount of loss on sales |
| Shares | 170 | 118 | — |

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

An impairment loss of ¥154 million was recognized for available-for-sale securities during the consolidated fiscal year under review. Impairment loss on securities is recognized when fair value has dropped 50% or more of the 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, 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.

Fiscal year ended March 31, 2023 (as of March 31, 2023)

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 | 12,821 | 3,475 | (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, 2022 | FY ended March 31, 2023 |
| Beginning balance of retirement benefit obligations | 22 | 29 |
| Service cost | 5 | 8 |
| Interest expense | 0 | 0 |
| Actuarial gain or loss | 1 | (2) |
| Retirement benefits paid | — | — |
| Prior service cost incurred during the period | — | — |
| Foreign currency translation adjustment | (0) | 3 |
| Ending balance of retirement benefit obligations | 29 | 40 |

(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, 2022 | As of March 31, 2023 |
| Funded retirement benefit obligations | — | — |
| Pension assets | — | — |
| Unfunded retirement benefit obligations | 29 | 40 |
| Net consolidated balance sheet amounts of liabilities and assets | 29 | 40 |
| Liabilities pertaining to retirement benefits | 29 | 40 |
| Assets pertaining to retirement benefits | — | — |
| Net consolidated balance sheet amounts of liabilities and assets | 29 | 40 |

(3) Retirement benefit expenses and sub-items

| (Millions of yen) | | |
|--|-------------------------|-------------------------|
| | FY ended March 31, 2022 | FY ended March 31, 2023 |
| Service cost | 5 | 8 |
| Interest expense | 0 | 0 |
| Amount of prior service costs recorded as expenses | — | — |
| Retirement benefit expenses pertaining to the defined benefit plan | 6 | 9 |

(4) Matters regarding the basis of actuarial calculation

| (Millions of yen) | | |
|--------------------------------------|-------------------------|-------------------------|
| | FY ended March 31, 2022 | FY ended March 31, 2023 |
| Major basis of actuarial calculation | | |
| Discount rate | 2.6% | 3.2% |

3. Defined contribution pension plan and prepaid retirement benefit plan

| | (Millions of yen) | |
|--|-------------------------|-------------------------|
| | FY ended March 31, 2022 | FY ended March 31, 2023 |
| Amount of prepaid retirement benefits | 122 | 138 |
| Amount of contribution to defined contribution pension | 373 | 357 |
| Other | — | 4 |
| Retirement benefit expenses | 495 | 500 |

Notes on tax effect accounting

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

| | (Millions of yen) | |
|---|----------------------|----------------------|
| | As of March 31, 2022 | As of March 31, 2023 |
| Deferred tax assets | | |
| Allowance for doubtful accounts | 12,963 | 13,781 |
| Provision for loss on interest repayment | 7,622 | 5,392 |
| Bad debt loss | 2,417 | 2,735 |
| Accrued income | 1,217 | 1,136 |
| Loss carried forward | 40,510 | 34,491 |
| Other | 3,431 | 3,674 |
| Subtotal of deferred tax assets | 68,162 | 61,212 |
| Valuation allowance for tax loss carryforwards *2 | (36,043) | (29,290) |
| Valuation allowance for the sum total of deductible temporary differences, etc. | (19,052) | (16,431) |
| Subtotal of valuation allowances *1 | (55,095) | (45,721) |
| Total deferred tax assets | 13,067 | 15,490 |
| Deferred tax liabilities | | |
| Valuation difference on available-for-sale securities | (353) | (367) |
| Retirement cost corresponding to asset retirement obligations | (111) | (103) |
| Other | (9) | (8) |
| Total deferred tax liabilities | (474) | (478) |
| Net amount of deferred tax assets | 12,592 | 15,012 |

*1 Valuation allowance has decreased ¥9,373 million. This decrease mainly reflects the additional recording of deferred tax assets of ¥2,419 million due to a revision to the collectability of temporary differences and the writing off of tax loss carryforwards of ¥2,822 million (an amount multiplied by the effective statutory tax rate) from among the tax loss carryforwards incurred in the fiscal year ended March 2014, 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, 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 (a) | 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 | (b) 4,467 |

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

(b) 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 loss on interest repayment of past fiscal years and do not recognize valuation allowances on the portion which were deemed collectible based on future expectations of taxable income.

Fiscal year ended March 31, 2023 (as of March 31, 2023)

| | (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) | 6,175 | 14,376 | 9,570 | 3,722 | 138 | 507 | 34,491 |
| Valuation allowances | (1,576) | (14,298) | (9,486) | (3,650) | (75) | (202) | (29,290) |
| Deferred tax assets | 4,599 | 78 | 83 | 72 | 63 | 304 | (d) 5,201 |

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

(d) Deferred tax assets of ¥5,201 million have been recorded for the ¥34,491 million of tax loss carryforwards (amount multiplied by the effective statutory tax rate). Said deferred tax assets amounting to 5,201 million yen is attributable to the recognition of the balance of tax loss carryforwards amounting to 33,290 million yen (obtained by multiplying the effective statutory tax rate) of AIFUL CORPORATION, which is the consolidated parent company. The tax loss carryforwards that recorded said deferred tax assets were incurred due to the loss on interest repayment of past fiscal years and do not recognize valuation allowances on the portion which were deemed collectible based on future expectations of taxable income.

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, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Effective statutory tax rate | 30.5% | 30.5% |
| (Adjustment) | | |
| Inhabitant tax on per capita basis | 0.5 | 0.3 |
| Entertainment expenses and other items permanently excluded from loss | 0.2 | 0.4 |
| Valuation allowances | (126.0) | (39.4) |
| Effects of the change in effective statutory tax rate | 2.1 | 0.0 |
| Effects of retroactive application | (6.6) | — |
| Effects of reorganization | (2.7) | 0.1 |
| Effect of foreign corporation tax included in deductible expenses | — | 0.1 |
| Share of profit (loss) of entities accounted for using the equity method | (0.4) | (0.2) |
| Expiry of time limit of loss carried forward | 96.4 | 11.8 |
| Difference in tax rate from that of parent company | (0.3) | (0.2) |
| Other | 0.0 | 0.8 |
| Burden rate of income taxes, etc., after application of tax effect accounting | (6.3) | 4.2 |

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

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

Notes on revenue recognition

At the beginning of the consolidated fiscal year under review, Sumishin Life Card Company, which used to be included in other, ceased to exist due to an absorption-type merger in which LIFECARD Co., Ltd., a reporting segment, was the surviving company. Moreover, segment information in the previous consolidated fiscal year disclosed for the sake of comparison with the consolidated fiscal year under review is based on reporting segments following the change and thus differs from segment information disclosed in the previous consolidated fiscal year.

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

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 |
| Member store commissions | — | 8,398 | 8,398 | 192 | 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 | 4,343 | 6,314 | 1,048 | 7,362 |
| Revenue arising from contracts with customers | 1,970 | 18,987 | 20,957 | 1,240 | 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*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 | 3 | 339 | 342 |
| Other revenue | 80,928 | 14,421 | 95,350 | 14,548 | 109,898 |
| Sales to external customers | 82,898 | 33,409 | 116,308 | 15,789 | 132,097 |

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

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

AIFUL Corporation: 2,372 million yen
Other: 2,510 million yen
Total: 4,882 million yen

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

| | (Millions of yen) | | | | |
|---|-------------------|--------------------|---------|----------|---------|
| | Reporting segment | | | | |
| | AIFUL Corporation | LIFECARD Co., Ltd. | Total | Other *1 | Total |
| Member store commissions | — | 9,599 | 9,599 | 341 | 9,941 |
| Revenues related to its own point system | — | 2,568 | 2,568 | — | 2,568 |
| Annual card membership fees | — | 3,807 | 3,807 | — | 3,807 |
| Other | 1,888 | 5,019 | 6,908 | 1,198 | 8,106 |
| Revenue arising from contracts with customers | 1,888 | 20,995 | 22,884 | 1,539 | 24,424 |
| Interest on operating loans | 67,596 | 3,653 | 71,250 | 11,980 | 83,230 |
| Customer commissions | 3 | 8,338 | 8,341 | 2,306 | 10,648 |
| Revenue from credit guarantee*2 | 12,447 | 1,842 | 14,289 | 2,741 | 17,030 |
| Collection from purchased receivables | — | — | — | 1,094 | 1,094 |
| Recoveries of written off claims | 6,357 | 517 | 6,874 | 613 | 7,488 |
| Other | 0 | 2 | 3 | 232 | 235 |
| Other revenue | 86,405 | 14,354 | 100,759 | 18,968 | 119,728 |
| Sales to external customers | 88,294 | 35,349 | 123,643 | 20,508 | 144,152 |

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

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

AIFUL Corporation: 1,575 million yen
Other: 2,726 million yen
Total: 4,302 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

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

(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 previous consolidated fiscal year, 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 previous consolidated fiscal year 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 previous consolidated fiscal year 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.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

| | (Millions of yen) |
|--|----------------------------------|
| | Fiscal year ended March 31, 2023 |
| Receivables arising out of contracts with customers (balance at beginning of term) | 116 |
| Receivables arising out of contracts with customers (balance at end of term) | 104 |
| Contract liabilities (balance at beginning of term) | 3,792 |
| Contract liabilities (balance at end of term) | 3,721 |

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 3,036 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 2,220 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

At the beginning of the consolidated fiscal year under review, Sumishin Life Card Company, which used to be included in other, ceased to exist due to an absorption-type merger in which LIFECARD Co., Ltd., a reporting segment, was the surviving company.

Moreover, segment information in the previous consolidated fiscal year disclosed for the sake of comparison with the consolidated fiscal year under review is based on reporting segments following the change and thus differs from segment information disclosed in the previous consolidated fiscal year.

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, 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 | 33,409 | 116,308 | 15,789 | 132,097 |
| Inter-segment sales and transfers | 218 | 293 | 511 | 58 | 569 |
| Total | 83,117 | 33,702 | 116,820 | 15,847 | 132,667 |
| Segment profit | 7,912 | 1,585 | 9,497 | 13,936 | 23,434 |
| Segment assets | 711,185 | 209,241 | 920,426 | 113,604 | 1,034,031 |
| Segment liabilities | 601,089 | 158,318 | 759,407 | 88,207 | 847,615 |
| Other items | | | | | |
| 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 | — | — | — | — | — |
| Rental income from real estate | 88 | — | 88 | 9 | 98 |
| Infectious disease related costs | 10 | — | 10 | — | 10 |
| Loss on investments in silent partnerships | — | — | — | — | — |
| Extraordinary losses | — | — | — | — | — |
| Loss on valuation of stocks of subsidiaries and affiliates | (—) | (—) | (—) | (—) | (—) |
| Loss on extinguishment of tie-in shares | (—) | (—) | (—) | (—) | (—) |
| Income taxes -current | 2,028 | (686) | 1,345 | 1,257 | 2,602 |
| Income taxes -deferred | (3,192) | 732 | (2,460) | (559) | (3,019) |
| Investments in entities accounted for using equity method | 356 | — | 356 | 21 | 377 |
| Increase in property, plant and equipment, and intangible assets | 1,725 | 2,053 | 3,779 | 245 | 4,024 |

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

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

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Reporting segment | | | | |
|--|-------------------|--------------------|-----------|----------|-----------|
| | AIFUL Corporation | LIFECARD Co., Ltd. | Total | Other *1 | Total |
| Operating revenue | | | | | |
| Operating revenue from third parties | 82,294 | 35,349 | 123,643 | 20,508 | 144,152 |
| Inter-segment sales and transfers | 155 | 339 | 495 | 65 | 560 |
| Total | 88,449 | 35,689 | 124,138 | 20,574 | 144,713 |
| Segment profit | 31,028 | 911 | 31,939 | 1,958 | 33,897 |
| Segment assets | 834,868 | 216,305 | 1,051,173 | 143,976 | 1,195,150 |
| Segment liabilities | 694,207 | 164,822 | 859,030 | 127,656 | 986,686 |
| Other items | | | | | |
| Provision of allowance for doubtful accounts *2 | 22,863 | 4,530 | 27,394 | 9,083 | 36,477 |
| Provision for loss on interest repayment | — | — | — | — | — |
| Provision for bonuses | 876 | 28 | 905 | 39 | 944 |
| Depreciation | 1,745 | 1,441 | 3,186 | 412 | 3,599 |
| Interest on loans receivable | 1,387 | 65 | 1,452 | 55 | 1,508 |
| Foreign exchange gains | 392 | 2 | 395 | 1 | 396 |
| Share of profit of entities accounted for using equity method | — | — | — | — | — |
| Rental income from real estate | 98 | 1 | 99 | 10 | 109 |
| Infectious disease related costs | 4 | — | 4 | — | 4 |
| Loss on investments in silent partnerships | — | — | — | 16 | 16 |
| Extraordinary losses | 14 | 233 | 248 | — | 248 |
| Loss on valuation of stocks of subsidiaries and affiliates | (14) | (149) | (164) | (—) | (164) |
| Loss on extinguishment of tie-in shares | (—) | (83) | (83) | (—) | (83) |
| Income taxes -current | 1,526 | 307 | 1,833 | 1,516 | 3,349 |
| Income taxes -deferred | (809) | (32) | (841) | (1,429) | (2,271) |
| Investments in entities accounted for using equity method | 4,168 | — | 4,168 | 21 | 4,189 |
| Increase in property, plant and equipment, and intangible assets | 2,509 | 1,327 | 3,836 | 647 | 4,483 |

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

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

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, 2022 | FY ended March 31, 2023 | |
| Reporting segment total | 116,820 | 124,138 | |
| Operating revenue categorized as "other" | 15,847 | 20,574 | |
| Inter-segment eliminations | (569) | (560) | |
| Operating revenue posted in consolidated financial statements | 132,097 | 144,152 | |

| | | (Millions of yen) | |
|---|-------------------------|-------------------------|--|
| Profit | FY ended March 31, 2022 | FY ended March 31, 2023 | |
| Reporting segment total | 9,497 | 31,939 | |
| Profit categorized as "other" | 13,936 | 1,958 | |
| Inter-segment eliminations | 25 | (11,080) | |
| Other adjustments | (11,125) | (472) | |
| Profit attributable to owners of parent posted in consolidated financial statements | 12,334 | 22,343 | |

| | | (Millions of yen) | |
|--|-------------------------|-------------------------|--|
| Assets | FY ended March 31, 2022 | FY ended March 31, 2023 | |
| Reporting segment total | 920,426 | 1,051,173 | |
| Assets categorized as "other" | 113,604 | 143,976 | |
| Other adjustments | (98,388) | (124,664) | |
| Total assets posted in consolidated financial statements | 935,642 | 1,070,485 | |

| | | (Millions of yen) | |
|---|-------------------------|-------------------------|--|
| Liabilities | FY ended March 31, 2022 | FY ended March 31, 2023 | |
| Reporting segment total | 759,407 | 859,030 | |
| Liabilities categorized as "other" | 88,207 | 127,656 | |
| Other adjustments | (68,499) | (95,794) | |
| Total liabilities posted in consolidated financial statements | 779,116 | 890,892 | |

| | | | | | | | | (Millions of yen) | |
|--|----------------------------|----------|----------|----------|-------------|----------|--|-------------------|--|
| Other items | Reporting segment total *3 | | Other | | Adjustments | | Amount posted in consolidated financial statements | | |
| | FY2022/3 | FY2023/3 | FY2022/3 | FY2023/3 | FY2022/3 | FY2023/3 | FY2022/3 | FY2023/3 | |
| Other items | | | | | | | | | |
| Provision of allowance for doubtful accounts * | 23,451 | 27,394 | 4,531 | 9,083 | (59) | (15) | 27,922 | 36,461 | |
| Provision for loss on interest repayment | 19,929 | — | — | — | — | — | 19,929 | — | |
| Provision for bonuses | 835 | 905 | 4 | 39 | 463 | 517 | 1,303 | 1,462 | |
| Depreciation | 3,048 | 3,186 | 369 | 412 | — | — | 3,417 | 3,599 | |
| Interest on loans receivable | 1,135 | 1,452 | 119 | 55 | (1,031) | (1,489) | 224 | 19 | |
| Foreign exchange gains | 533 | 395 | 0 | 1 | (163) | (192) | 370 | 204 | |
| Share of profit of entities accounted for using equity method | — | — | — | — | 150 | 184 | 150 | 184 | |
| Rental income from real estate | 88 | 99 | 9 | 10 | (20) | (16) | 77 | 93 | |
| Infectious disease related costs | 10 | 4 | — | — | — | — | 10 | 4 | |
| Loss on investments in silent partnerships | — | — | — | 16 | — | — | — | 16 | |
| Extraordinary losses | — | 248 | — | — | — | (233) | — | (14) | |
| Loss on valuation of stocks of subsidiaries and affiliates | (—) | (164) | (—) | (—) | (—) | (149) | (—) | (14) | |
| Loss on extinguishment of tie-in shares | (—) | (83) | (—) | (—) | (—) | (83) | (—) | (—) | |
| Income taxes -current | 1,345 | 1,833 | 1,257 | 1,516 | — | — | 2,602 | 3,349 | |
| Income taxes—deferred | (2,460) | (841) | (559) | (1,429) | (355) | (64) | (3,374) | (2,336) | |
| Investments in entities accounted for using equity method | 356 | 4,168 | 21 | 21 | 282 | 245 | 659 | 4,434 | |
| Increase in property, plant and equipment, and intangible assets | 3,779 | 3,836 | 245 | 647 | — | — | 4,024 | 4,483 | |

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

Related information

Fiscal year ended March 31, 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 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, 2023 (April 1, 2022 to March 31, 2023)

1. Information on products and services

| | | | | | (Millions of yen) |
|--------------------------------------|---------------|-----------------------|---------------------------|-------|-------------------|
| | Loan business | Credit sales business | Credit guarantee business | Other | Total |
| Operating revenue from third parties | 89,863 | 27,453 | 17,393 | 9,440 | 144,152 |

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.

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

Not applicable.

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

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Not applicable.

Per share information

| | FY ended March 31, 2022 | FY ended March 31, 2023 |
|----------------------|-------------------------|-------------------------|
| Net assets per share | 318.17 | 364.01 |
| Profit per share | 25.5 | 46.19 |

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

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

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Profit attributable to owners of parent | 12,334 | 22,343 |
| Amount not attributable to common stockholders | — | — |
| Profit attributable to owners of parent pertaining to common stock | 12,334 | 22,343 |
| Average number of shares of common stock during the period | 483,702,666 shares | 483,702,593 shares |

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

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Total net assets | 156,526 | 179,593 |
| Amount deducted from total net assets | 2,626 | 3,520 |
| (Portion of non-controlling interest) | (2,626) | (3,520) |
| Net assets related to common stock at end of FY | 153,900 | 176,072 |
| Number of shares of common stock at end of FY used in the calculation of net assets per share | 483,702,666 shares | 483,702,522 shares |

Consolidated Schedules

AIFUL CORPORATION and Consolidated Subsidiaries

Bonds schedule

| Company name | Issue | Date of issue | Balance at April 1, 2022 (Millions of yen) | Balance at March 31, 2023 (Millions of yen) | Interest rate (%) | Security | Maturity date |
|--------------|------------------------------|-------------------|--|---|-------------------|-----------|-------------------|
| The Company | 62nd unsecured straight bond | December 10, 2020 | 15,000 | — | 1.000 per annum | Unsecured | June 10, 2022 |
| | 63rd unsecured straight bond | June 10, 2021 | 20,000 | — | 0.930 per annum | Unsecured | December 9, 2022 |
| | 64th unsecured straight bond | June 15, 2022 | — | 30,000 (—) | 0.970 per annum | Unsecured | June 14, 2024 |
| | 65th unsecured straight bond | December 14, 2022 | — | 15,000 (—) | 0.940 per annum | Unsecured | December 12, 2025 |
| | Total | — | 35,000 | 45,000 (—) | — | — | — |

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 |
| — | 30,000 | 15,000 | — | — |

Borrowings schedule

| Category | Balance at April 1, 2022 (Millions of yen) | Balance at March 31, 2023 (Millions of yen) | Average interest rate (%) | Repayment due date |
|--|--|---|---------------------------|------------------------------|
| Short-term borrowings (including short-term borrowings of subsidiaries and associates) | 78,843 | 71,316 | 2.02 | — |
| Commercial paper | 2,500 | 12,000 | 0.28 | — |
| Current portion of long-term borrowings | 166,786 | 183,832 | 1.10 | — |
| Current portion of lease obligations | 1,078 | 1,073 | — | — |
| Long-term borrowings (excluding the current portion) | 197,271 | 249,087 | 0.95 | From April 2024 to July 2030 |
| Lease obligations (excluding the current portion) | 1,547 | 694 | — | From April 2024 to June 2028 |
| Total | 448,027 | 518,004 | — | — |

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 | 152,241 | 77,123 | 11,576 | 6,230 |
| Lease obligations | 503 | 171 | 12 | 7 |

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 consolidated fiscal year under review

| | (Millions of yen) | | | |
|---|--------------------|------------------|-------------------|-------------------------|
| | First three months | First six months | First nine months | FY ended March 31, 2023 |
| Operating revenue | 34,692 | 70,402 | 107,583 | 144,152 |
| Profit before income taxes | 6,714 | 12,642 | 18,320 | 23,959 |
| Profit attributable to owners of parent | 5,945 | 11,772 | 16,869 | 22,343 |
| Profit per share (yen) | 12.29 | 24.34 | 34.88 | 46.19 |
| | First quarter | Second quarter | Third quarter | Fourth quarter |
| Profit per share (yen) | 12.29 | 12.05 | 10.54 | 11.32 |

Non-Consolidated Balance Sheets

AIFUL CORPORATION
As of March 31

| | 2022/3 | 2023/3 |
|---|----------|----------|
| (Millions of yen) | | |
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,387 | 20,826 |
| Operating loans | 450,934 | 495,446 |
| Accounts receivable-installment | 226 | 185 |
| Customers' liabilities for acceptances and guarantees | 158,645 | 184,541 |
| Other operating receivables | 8,802 | 11,326 |
| Prepaid expenses | 454 | 407 |
| Accrued income | 3,228 | 3,562 |
| Other | 7,169 | 9,298 |
| Allowance for doubtful accounts | (39,787) | (39,854) |
| Total current assets | 605,061 | 685,740 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 12,963 | 13,008 |
| Accumulated depreciation | (9,147) | (9,322) |
| Buildings, net | 3,816 | 3,686 |
| Structures | 879 | 819 |
| Accumulated depreciation | (707) | (679) |
| Structures, net | 171 | 139 |
| Machinery and equipment | 146 | 146 |
| Accumulated depreciation | (138) | (139) |
| Machinery and equipment, net | 8 | 7 |
| Vehicles | — | 0 |
| Accumulated depreciation | — | (0) |
| Vehicles, net | — | 0 |
| Furniture and fixtures | 3,451 | 3,479 |
| Accumulated depreciation | (2,834) | (2,993) |
| Furniture and fixtures, net | 616 | 486 |
| Land | 6,810 | 6,810 |
| Leased assets | 1,194 | 1,194 |
| Accumulated depreciation | (503) | (708) |
| Leased assets, net | 691 | 486 |
| Construction in progress | 116 | 42 |
| Total property, plant and equipment | 12,230 | 11,659 |
| Intangible assets | | |
| Software | 2,878 | 4,121 |
| Other | 24 | 79 |
| Total intangible assets | 2,902 | 4,201 |
| Investments and other assets | | |
| Investment securities | 1,251 | 1,279 |
| Shares of subsidiaries and associates | 30,383 | 34,766 |
| Long-term loans receivable from subsidiaries and associates | 45,702 | 83,645 |
| Claims provable in bankruptcy | 14,523 | 11,676 |
| Long-term prepaid expenses | 347 | 307 |
| Deferred tax assets | 9,670 | 10,471 |
| Lease and guarantee deposits | 1,286 | 1,183 |
| Other | 445 | 374 |
| Allowance for doubtful accounts | (12,618) | (10,437) |
| Total investments and other assets | 90,990 | 133,267 |
| Total non-current assets | 106,124 | 149,127 |
| Total assets | 711,185 | 834,868 |

| | 2022/3 | 2023/3 |
|---|---------|---------|
| (Millions of yen) | | |
| Liabilities | | |
| Current liabilities | | |
| Acceptances and guarantees | 158,645 | 184,541 |
| Short-term borrowings | 15,426 | 3,550 |
| Short-term loans payable to subsidiaries and associates | 1,533 | 1,734 |
| Commercial papers | 2,500 | 12,000 |
| Current portion of bonds | 35,000 | — |
| Current portion of long-term borrowings | 162,330 | 177,585 |
| Lease obligations | 224 | 209 |
| Trade accounts payable | 5,943 | 5,412 |
| Accrued expenses | 542 | 647 |
| Income taxes payable | 630 | 1,418 |
| Allowance for bonuses | 1,383 | 1,482 |
| Allowance for directors' bonuses | 33 | 39 |
| Provision for share-based remuneration | — | 44 |
| Other | 547 | 539 |
| Total current liabilities | 384,741 | 389,206 |
| Non-current liabilities | | |
| Bonds payable | — | 45,000 |
| Long-term borrowings | 191,684 | 241,916 |
| Lease obligations | 537 | 328 |
| Provision for loss on interest repayment | 21,334 | 14,943 |
| Asset retirement obligations | 1,991 | 2,013 |
| Other | 798 | 799 |
| Total non-current liabilities | 216,347 | 305,001 |
| Total liabilities | 601,089 | 694,207 |
| 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 | 96 |
| Other retained earnings | | |
| Retained earnings brought forward | 18,602 | 49,098 |
| Total retained earnings | 18,650 | 49,195 |
| Treasury shares | (3,110) | (3,110) |
| Total shareholders' equity | 109,621 | 140,165 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 475 | 494 |
| Total valuation and translation adjustments | 475 | 494 |
| Total net assets | 110,096 | 140,660 |
| Total liabilities and net assets | 711,185 | 834,868 |











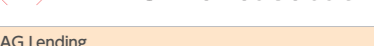
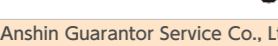





Non-Consolidated Statements of Income

AIFUL CORPORATION
Years ended March 31

| | 2022/3 | 2023/3 |
|--|---------|--------|
| | | (百万円) |
| Operating revenue | | |
| Interest on operating loans | 63,071 | 67,596 |
| Other financial revenue | 0 | 0 |
| Other operating revenue | | |
| Revenue from credit guarantee | 11,447 | 12,447 |
| Recoveries of written off claims | 6,405 | 6,357 |
| Other | 2,192 | 2,048 |
| Total other operating revenue | 20,045 | 20,852 |
| Total operating revenue | 83,117 | 88,449 |
| Operating expenses | | |
| Financial expenses | | |
| Interest expenses | 4,266 | 4,078 |
| Interest on bonds | 433 | 429 |
| Other | 721 | 736 |
| Total financial expenses | 5,421 | 5,245 |
| Other operating expenses | | |
| Advertising expenses | 9,644 | 14,097 |
| Commissions | 6,002 | 6,449 |
| Provision of allowance for doubtful accounts | 20,701 | 22,406 |
| Provision for loss on interest repayment | 17,283 | — |
| Salaries and allowances for employees | 5,883 | 5,866 |
| Provision for bonuses | 816 | 876 |
| Depreciation | 1,706 | 1,745 |
| Other | 10,899 | 12,634 |
| Total other operating expenses | 72,938 | 64,076 |
| Total operating expenses | 78,359 | 69,322 |
| Operating profit | 4,757 | 19,127 |
| Non-operating income | | |
| Interest on loans | 1,018 | 1,387 |
| Dividend income | 32 | 10,831 |
| Other | 963 | 881 |
| Total non-operating income | 2,014 | 13,100 |
| Non-operating expenses | | |
| Provision of allowance for doubtful accounts | 3 | 3 |
| Infection-related expenses | 10 | 4 |
| Other | 8 | 6 |
| Total non-operating expenses | 23 | 15 |
| Ordinary profit | 6,748 | 32,213 |
| Extraordinary losses | | |
| Loss on valuation of shares of subsidiaries and associates | — | 14 |
| Provision of allowance for doubtful accounts | — | 453 |
| Total extraordinary losses | — | 468 |
| Profit before taxes | 6,748 | 31,744 |
| Income taxes—current | 2,028 | 1,526 |
| Income taxes—deferred | (3,192) | (809) |
| Total income taxes | (1,163) | 716 |
| Profit | 7,912 | 31,028 |

*Notes to the non-consolidated financial statements have been omitted from this annual report.

Group Companies (As of March 31, 2023)

| Company Name | Business Classification | Website |
|---|--|---|
| AIFUL CORPORATION  | <ul style="list-style-type: none"> Unsecured consumer loan Small business loan Credit guarantee | https://www.aiful.co.jp/ |
| LIFECARD CO., LTD.  | <ul style="list-style-type: none"> Credit card Prepaid card Credit guarantee Receiving agent service | http://www.lifecard.co.jp/ |
| AG Business Support Corporation  | <ul style="list-style-type: none"> Small business loan Secured loan Factoring | https://www.aiful-bf.co.jp/ |
| AG Loan Services Corporation  | <ul style="list-style-type: none"> Debt collection (Servicer) Restructuring | https://www.a-g-sv.com |
| AG Capital Co., Ltd.  | <ul style="list-style-type: none"> Venture capital business | https://nf-partners.co.jp/ |
| AG GUARANTEE CO., LTD.  | <ul style="list-style-type: none"> Receiving agent service Installment credit sales | https://www.aifulguarantee.co.jp/ |
| AG Partners Corporation  | <ul style="list-style-type: none"> Corporate turnaround & restructuring | https://www.aiful-p.com/ |
| AG MIRAIBARAI CO., LTD.  | <ul style="list-style-type: none"> BNPL | https://www.mirai-barai.co.jp/ |
| AG Medical Corporation  | <ul style="list-style-type: none"> Medical loan secured by medical fee receivables | https://www.agmedical.co.jp |
| AG Crowdfunding Co., Ltd.  | <ul style="list-style-type: none"> Social lending | https://www.ag-crowdfunding.com/ |
| AG SMILE LEASEBACK CORPORATION  | <ul style="list-style-type: none"> Leaseback service | https://agsmileleaseback.co.jp |
| AG Lending  | <ul style="list-style-type: none"> Secured loan | https://ag-lending.jp |
| Anshin Guarantor Service Co., Ltd.  | <ul style="list-style-type: none"> Guarantee (Rent liabilities) | https://anshin-gs.co.jp/ |
| FPC Co., Ltd.  | <ul style="list-style-type: none"> Small Amount Short-Term Insurance | https://www.fpc-pet.co.jp |
| Seven Seas Co., Ltd.  | <ul style="list-style-type: none"> Various Business System Development Web Site Creation/ Web App Development Infrastructure Construction Test/ Validation | https://www.seven.co.jp/index.html |
| AIRA & AIFUL Public Company Limited  | <ul style="list-style-type: none"> Consumer finance | http://www.aira-aiful.co.th/ |
| PT REKSA FINANCE  | <ul style="list-style-type: none"> Used car loans | https://reksafinance.co.id/ |

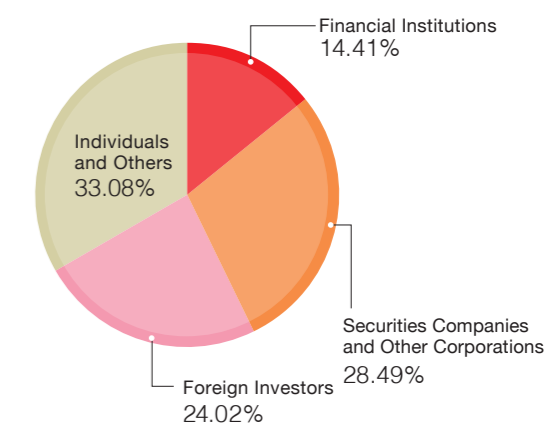
Corporate Overview (As of March 31, 2023)

| | | | |
|------------------------|--|------------------------------|-------------------------------------|
| Corporate Name | AIFUL CORPORATION | Stock Listing | Tokyo Stock Exchange, Prime Market |
| Address of Head Office | 381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan | Securities Code | 8515 |
| Date of Establishment | April 1967 | Transfer Agent and Registrar | Sumitomo Mitsui Trust Bank, Limited |
| Paid-in Capital | ¥94,028 million | Independent Auditor | Deloitte Touche Tohmatsu LLC |
| Fiscal Year | April 1 to March 31 | | |
| Number of Employees | Non-consolidated: 1,059 Consolidated: 2,180 | | |

Stock Information (As of March 31, 2023)

| | |
|-----------------------------------|----------------------|
| Total Number of Shares Authorized | 1,136,280,000 shares |
| Total Number of Shares Issued | 484,620,136 shares |
| Number of Shareholders | 22,292 |

■ Composition of Shareholders



■ Principal Shareholders

| Name | Number of Shares (Thousands) | Percentage of Total Shares Outstanding (%) |
|--|------------------------------|--|
| AMG Co., Ltd. | 94,814 | 19.56 |
| Mitsuhide Fukuda | 62,155 | 12.83 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 45,292 | 9.35 |
| Marutaka Co., Ltd. | 24,543 | 5.06 |
| Custody Bank of Japan, Ltd. (trust account) | 18,850 | 3.89 |
| MSIP CLIENT SECURITIES | 17,036 | 3.52 |
| MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB | 16,845 | 3.48 |
| JP MORGAN CHASE BANK 385632 | 16,317 | 3.37 |
| UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT | 10,224 | 2.11 |
| MSCO CUSTOMER SECURITIES | 6,786 | 1.40 |

► Contact Information

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