



# ANNUAL REPORT 2024



*come TOGETHER. SUPPORT each other. become ONE*

# For Colorful Life.

自分の色が輝く社会に



**Earn the trust of society through corporate activity  
based in integrity**

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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 2023 (April 1, 2023 to March 31, 2024)

Some information after April 2024 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.

# Top Message

## Summary of the last 10 years

In the last 10 years, the AIFUL Group has steered toward regrowth following the completion of the ADR process. Thanks to proactive investment in advertising, the Company's new accounts tripled from those in 2014, with significantly decreased interest repayment claims, which were the biggest management issue. The environment surrounding the Group has been improved drastically with higher credit ratings and expanding group companies.

In fiscal 2023, the Company maintained two-digit growth in the balance of operating receivables and top line through investment in advertising amid favorable market conditions, resulting in better mid-term profit levels.

## Medium-term Management Plan 2024

The AIFUL Group published the Medium-term Management Plan ending in fiscal 2026 in May 2024, which was formulated based on our performance and market conditions in fiscal 2023. It raises the Group's mid- and long-term vision including the growth scenario and capital policy, and the Company has started to take a path toward a new growth stage.



With the Medium-term Management Plan's theme "Try Harder - Toward a New Stage of Growth -," the Company will strive for higher profit levels through cost structure reform by reviewing human resource compositions and utilizing in-house engineers, as well as sustainable growth by investing into growth such as M&A.

## To our stakeholders

To realize the Group's long-term VISION "Transformation Towards an IT COMPANY- Aiming to Become a Company that Lasts 100 Years -," we will first make all-out efforts to achieve the Medium-term Management Plan, and improve corporate value.



September 2024  
Mitsuhide Fukuda  
President and CEO  
Representative Director

# Highlight



## Financial Highlight

Balance of operating receivables  
(billions of yen)

Fiscal 2022

Fiscal 2023

1,015.9 ▶ 1,178.9

Kept double-digit growth.

Operating revenue  
(billions of yen)

Fiscal 2022

Fiscal 2023

144.1 ▶ 163.1

Interest on operating loans95.4

Revenue from credit guarantee19.4

Revenue from installment sales26.2

Ordinary profit  
(billions of yen)

Fiscal 2022

Fiscal 2023

24.4 ▶ 22.0

Profit attributable to owners of parent  
(billions of yen)

Fiscal 2022

Fiscal 2023

22.3 ▶ 21.8

Financial indicators (%)

Fiscal 2022

Fiscal 2023

ROA

2.4

1.9

ROE

13.5

▶

11.7

Equity ratio

16.4

15.6

Credit Rating (JCR, R&I)

Fiscal 2022

Fiscal 2023

JCR

BBB+

▶

A-

R&I

BBB-

▶

BBB

## Non-Financial Highlight

<div>Ratio of employees who have taken paid holidays (%)</div> <div><div>Fiscal 2022</div><div>Fiscal 2023</div></div> <div>77.8 ▶ 74.3</div>	<div>Ratio of employees who have taken childcare leave (%)</div> <div><div>Fiscal 2022</div><div>Fiscal 2023</div></div> <div>68.7 ▶ 98.3</div>	<div>Ratio of male employees who have taken childcare leave (%)</div> <div><div>Fiscal 2022</div><div>Fiscal 2023</div></div> <div>63.6 ▶ 96.7</div>
<div>Ratio of full-time female employees (%)</div> <div><div>Fiscal 2022</div><div>Fiscal 2023</div></div> <div>27 ▶ 30</div>	<div>Ratio of females in recruiting full-time employees (%)</div> <div><div>Fiscal 2022</div><div>Fiscal 2023</div></div> <div>36 ▶ 43</div>	<div>Number of non-Japanese employees (including those recruited outside Japan) (persons)</div> <div><div>Fiscal 2022</div><div>Fiscal 2023</div></div> <div>928人 ▶ 993人</div>

# History of value creation



# Initiatives to Create Corporate Value

External environment

- Climate change
- Response to environmental burden
- Declining population and working population in Japan
- Wave of innovation of digital technologies
- Spread of cashless settlement methods
- Economic growth of ASEAN countries

Capital

Financial capital	Human capital	Manufacturing capital	Intellectual capital	Social capital
Balance of operating receivables: 1,178.9 billion yen (up 16% year-on-year)  Equity capital: 197.9 billion yen (up 12% year-on-year)	Employees (consolidated): 3,716  IT personnel: 247	Real: <ul style="list-style-type: none"> <li>- Branches</li> <li>- Unmanned stores</li> <li>- Call center</li> </ul> Web: <ul style="list-style-type: none"> <li>- Apps</li> <li>- Websites and application forms</li> </ul>	<ul style="list-style-type: none"> <li>- Ability to discern risks in the finance</li> <li>- Promotion of digitalization and in-house production by adopting IT</li> <li>- Ability of design and data analysis</li> </ul>	<ul style="list-style-type: none"> <li>- Wide-range customer bases for BtoC and BtoB businesses inside and outside Japan</li> <li>- Business partners with a relationship of trust through business partnerships and collaboration</li> <li>- Stakeholders in local communities through financial education and hackathons</li> </ul>

Forte and features of AIFUL

Independence

Growth potential

Business diversification M&A

Adoption of IT and streamlining

Values we offer

Customers

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

Shareholders

We will achieve sustainable profit-growth, return profit to shareholders, and enhance corporate value.

Society

We will support SMEs and sole proprietors by offering financial services.

Employees

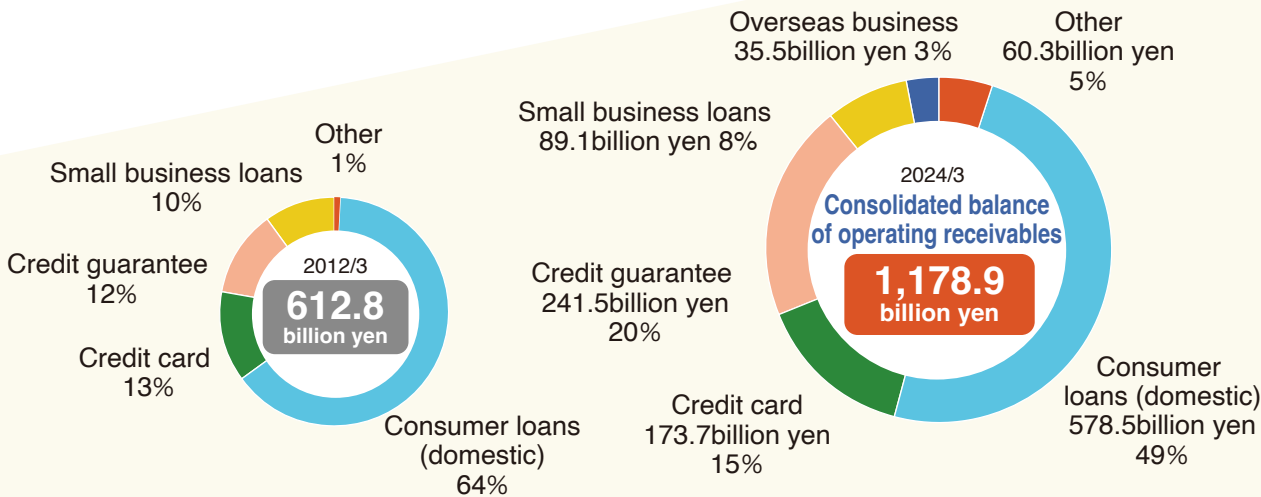
We will achieve a workplace in which employees can experience a purpose in life through their day-to-day work.

Our ideal society Earn the trust of society through corporate activity based in integrity

For Colorful Life.  
自分の色が輝く社会に

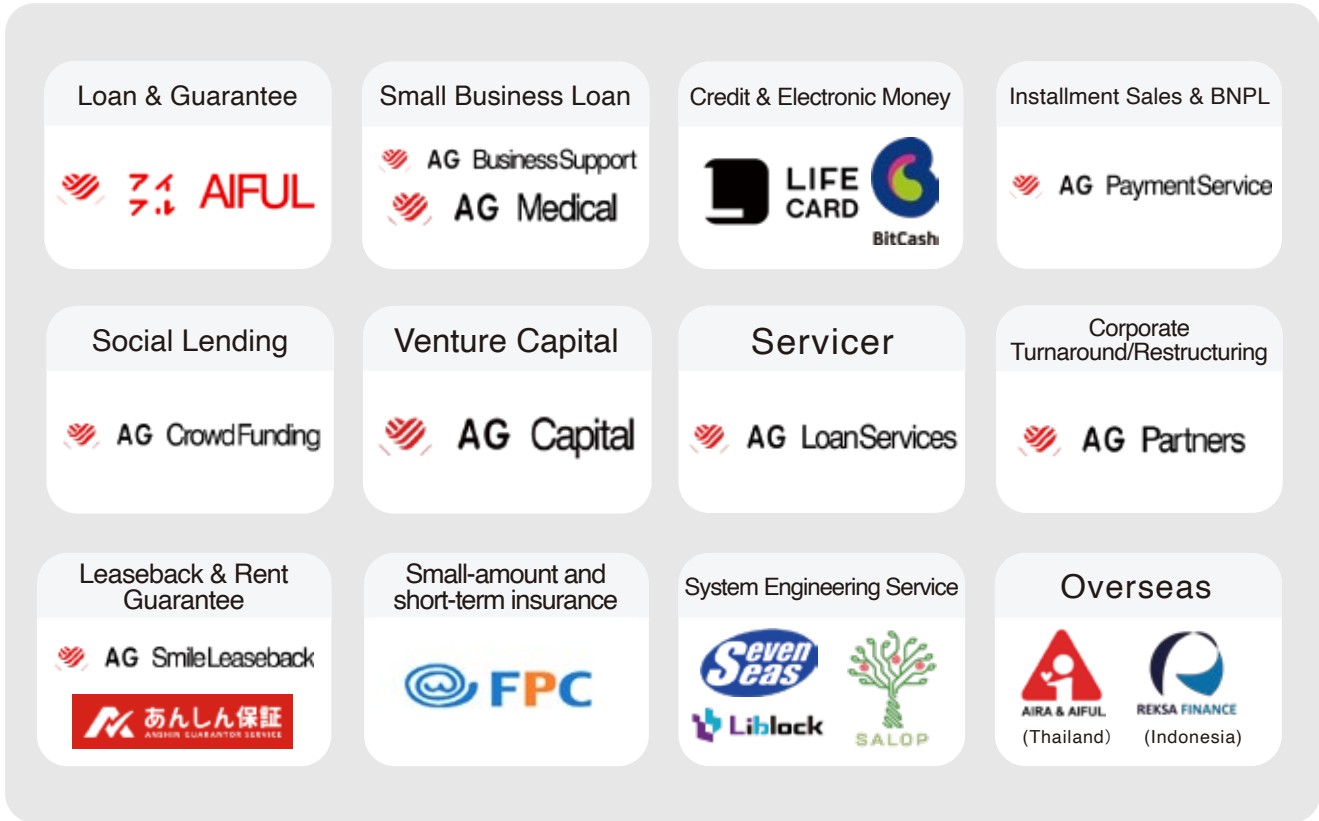
## Forte and Features of AIFUL

- Double-digit growth of the balance of operating receivables
- Diversification of our business portfolio with a wider variety of products and M&A
- 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 49% in the past 12 years, and total balance of operating receivables reached 1,178.9 billion yen, or up 92%.

## AIFUL GROUP





# Our History

For  
Colorful  
Life.



1967

Yoshitaka Fukuda, current chairman, established a sole proprietorship as a consumer finance company (currently AIFUL CORPORATION).



1994

Opened current Contact Center.

1995

Installed "Ojidousan", an automated loan agreement machine.

1985

Introduced the Scoring System (automated credit check system).

2001

Established current AG BUSINESS SUPPORT Corporation (small business loan).

Converted current LIFECARD CO.,LTD. (credit card) into a 100% subsidiary.

Established current AG Loan Services Corporation (servicer).

2004

Converted current AG Capital (venture capital), into a 100% subsidiary.



2014

Commenced the business of current AG Payment Service (installment sales).

AIRA & AIFUL Public Company Limited (overseas business) was established in Thailand.

2020

Mitsuhide Fukuda, current president, was appointed as president.

Established current AG Medical Corporation (medical fee-type secured loans).



2023

Converted FPC Co., Ltd. (pet insurance), into a 100% subsidiary.

Converted Seven Seas Co., Ltd. and Liblock Inc. (SES), into 100% subsidiaries.



2024

Converted Salop Inc. (SES), into a 100% subsidiary.

Converted BitCash Inc. (prepaid electronic money), into a 100% subsidiary.

Published the Medium-term Management Plan 2024.



## Medium-term Management Plan

# Try Harder

-Toward a New Stage of Growth-



### Fundamental Policies ①

**Invest in M&A** to bring changes to the top-line portfolio composition.

### Fundamental Policies ②

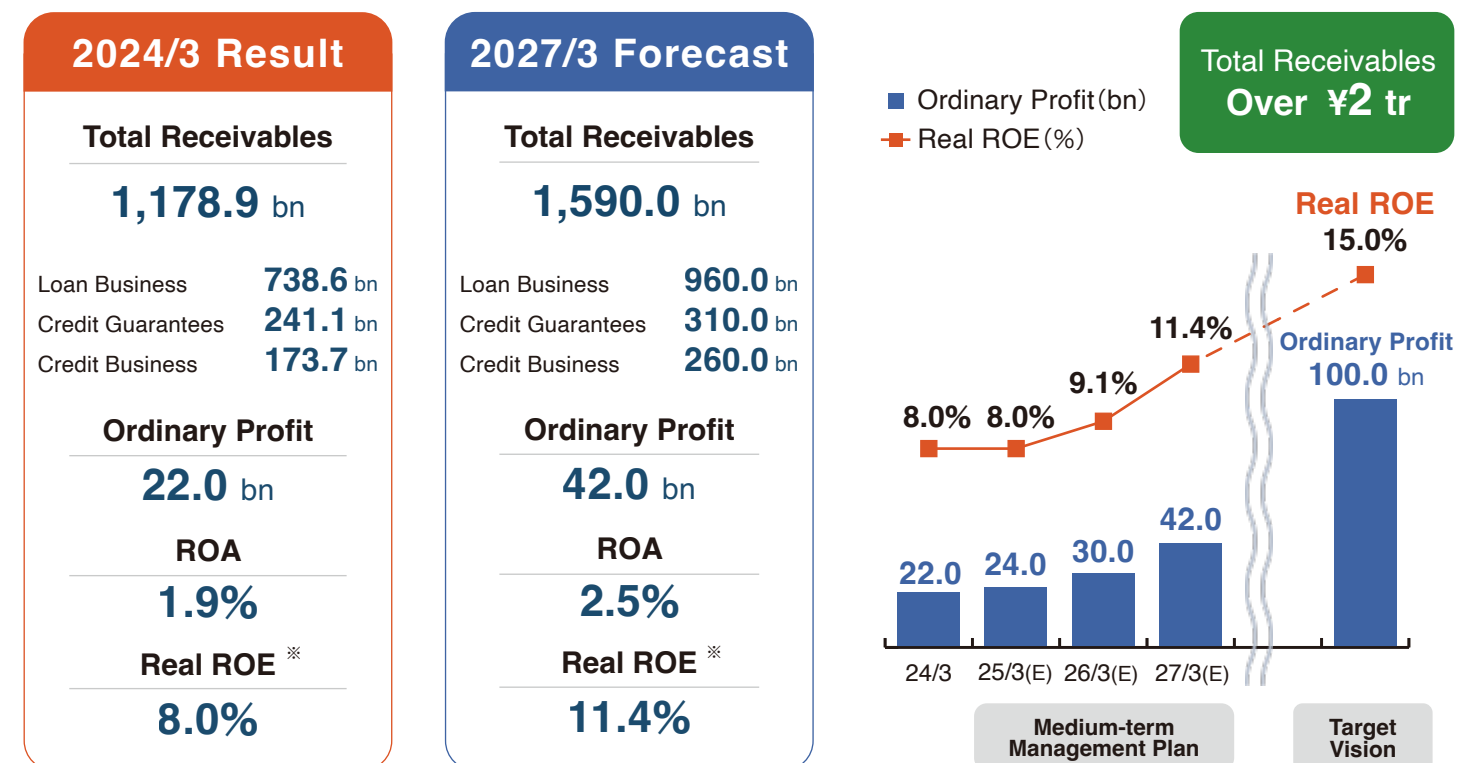
Implement **Cost Structure Reform** by reviewing human resource compositions and utilizing in-house engineers, etc.

## Long Term Vision

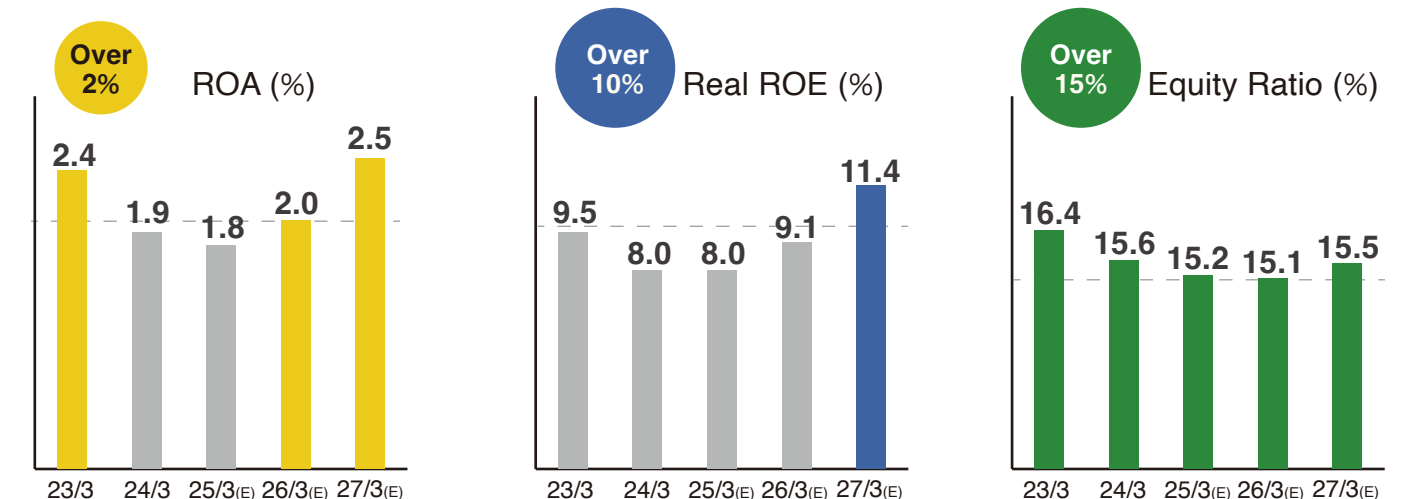
Aiming to become a company that lasts 100 years through transformation towards an IT company. In the long term, aiming for "total receivables of over ¥2 trillion," "ordinary profit of ¥100.0 billion," and "real ROE of 15%."

## Medium-term Management Plan 2024 (2025/3-2027/3)

Striving to enhance profit levels and grow sustainably by raising the profit levels of core businesses as well as implementing cost structure reform and making growth investments such as M&A.



## Management indicators



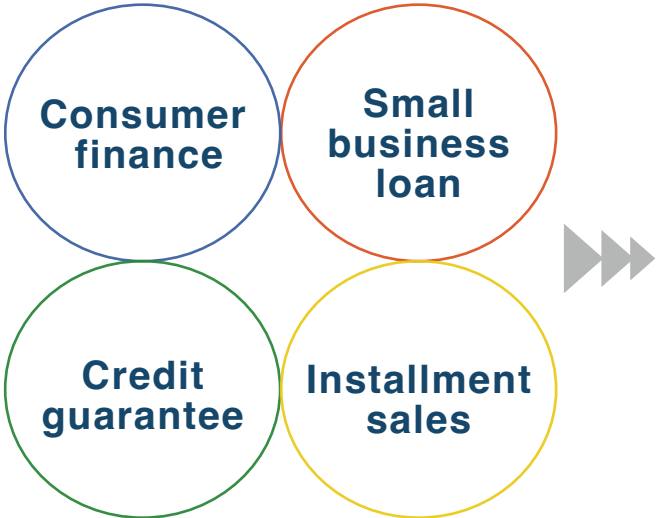
※ROE calculated based on the 'Profit attributable to owners of parent' assuming an effective tax rate of 30%.

※Excluding changes due to capital policy and investment on M&A.



Grow Scenario

Well-focused investments will be continued centered on the high performing **4 Core Businesses** /



- Profits generated from core businesses will be invested in growth investments to the greatest extent possible.
- Aim to improve capital efficiency (ROE) by generating new profits from growth investments.

Expansion of customer base

Creation of new business areas

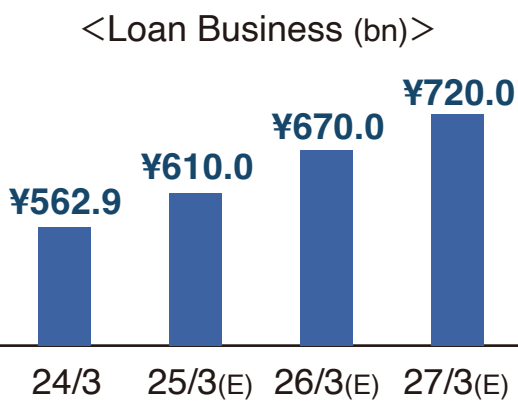
New products to attract new customer segments

		2024/3	2027/3(E)	
Ordinary profit (Consolidated)		22.0bn	42.0bn	+20.0bn
Consumer finance		27.1bn	30.4bn	+3.3bn
Guarantee	Actual base: Excluding the impact of intra-group transfer of receivables (impact of consolidated adjustment)	22.2bn	28.1bn	+5.9bn
Debt collection (Servicer)	AG LoanServices Actual base: Excluding the impact of intra-group transfer of receivables (impact of consolidated adjustment)	(0.8)bn (0.1)bn	(3.3)bn 2.7bn	(2.5)bn +2.8bn
Small business loan	AG BusinessSupport	(40)M	2,000M	+2,000M
	AG Medical	200M	1,000M	+700M
Credit (Card + Installment sales)	LIFE CARD	900M	1,500M	+600M
	AG PaymentService	(60)M	4,700M	+4,800M
Overseas		(1,300)M	1,200M	+2,500M
Others AG Capital / equity method affiliates / consolidated adjustment		200M	800M	+600M

Core Businesses Initiatives

Consumer finance

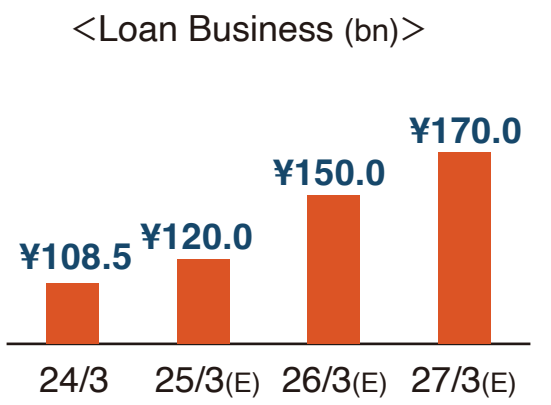
- Aim to reach a balance of **¥800bn** in 5 years (by the end of FY29/3).
- Maintain the number of new acquisitions and CPA while improving customer attributes to raise the profit level.



Small business loan

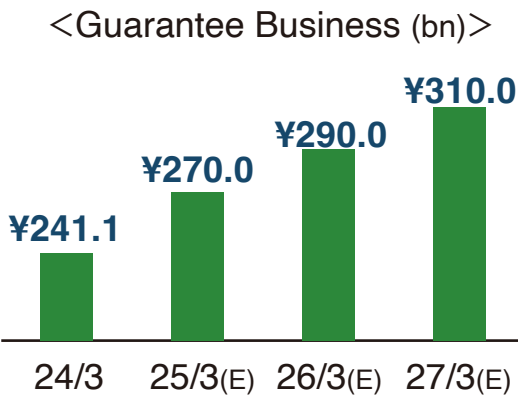
AG BusinessSupport AG Medical

- Aim at a balance of **¥170bn** during the period of this plan.
- Increase new acquisitions through web and apps (unsecured).
- Focus on collateralized financing (real estate, medical fees, factoring, etc.).



Credit guarantee

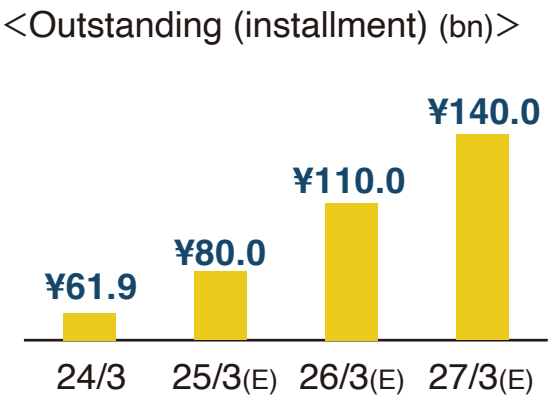
- Aim to reach a balance of **¥300bn** during the period of this plan.
- Expand business and secured products on the strength of credit screening know-how.
- Expanding the number of business partners by capturing customer needs and leveraging the diversity of our products.



Installment sales

- Aim to achieve a **30% market share** in installment sales for esthetics and medical beauty services in 5 years (by the end of FY29/3) through expansion of sales organization's affiliated stores.

※Market Share as of 24/3: **around 18%**








Fundamental Policy

①M&A Activity Promotion

Promote aggressive **M&A activity** to generate future profits.

Maximum investment budget of **¥60bn** [over the next 3 years]

Aim to improve **capital efficiency (ROE)**

Recent M&A																								
2023/1	Small-amount, short-term insurance (FPC Co., Ltd.)																							
2023/3	System Engineering Services (Seven Seas Co., Ltd.)																							
2023/11	System Engineering Services (Liblock Inc.)																							
2024/6	System Engineering Services (Salop Inc.)																							
2024/6	Electronic money business (BitCash Inc.) 	<table><tr><th>Unit: million yen</th><th>22/3</th><th>23/3</th><th>24/3</th></tr><tr><td>Operating revenue</td><td>5,105</td><td>5,483</td><td>5,002</td></tr><tr><td>Operating profit</td><td>1,590</td><td>1,827</td><td>1,736</td></tr><tr><td>Ordinary profit</td><td>1,414</td><td>1,595</td><td>1,717</td></tr><tr><td>Profit</td><td>857</td><td>862</td><td>1,134</td></tr></table>			Unit: million yen	22/3	23/3	24/3	Operating revenue	5,105	5,483	5,002	Operating profit	1,590	1,827	1,736	Ordinary profit	1,414	1,595	1,717	Profit	857	862	1,134
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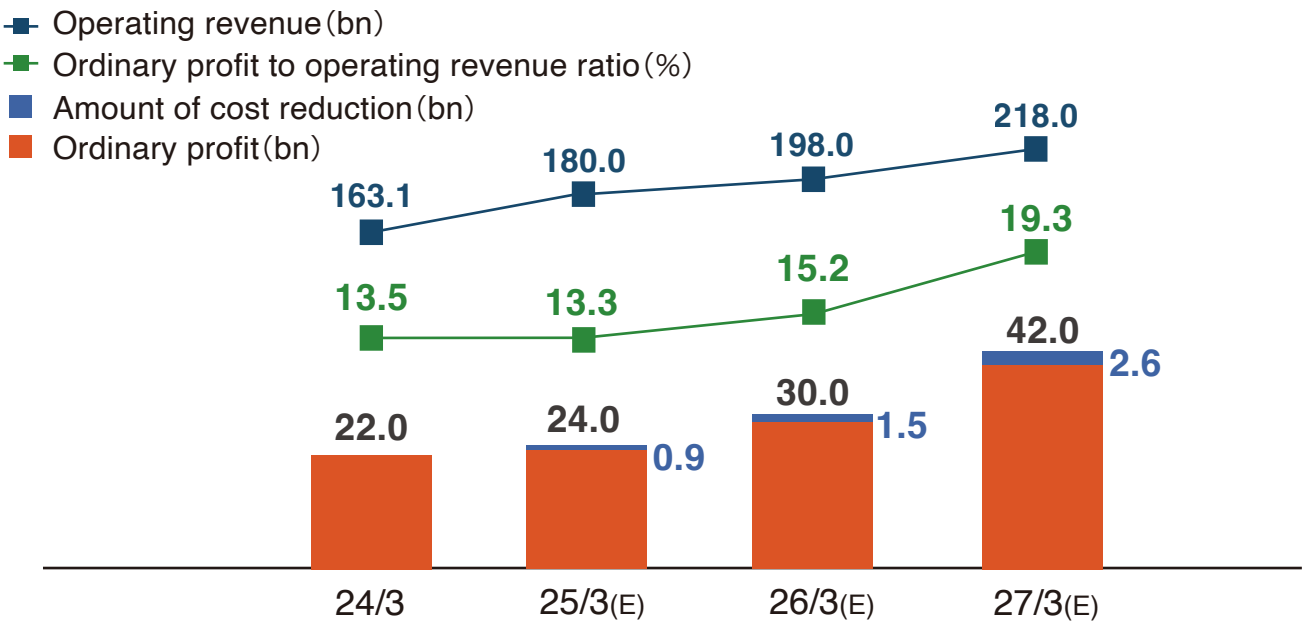
②Cost Structure Reform

**Implement Cost Structure Reform**  
by reviewing human resource compositions  
and utilizing in-house engineers, etc.

3-year total cost reduction effect  
**over 5.0 billion yen**

Cost reduction effect over 3 years (2024/4 - 2027/3)

① Enhance productivity across operations in the Contact Center	<b>¥1,000M</b> reduction in center operating expenses
② Centralize receivables collection processes (consolidate group companies collection departments)	<b>¥500M</b> reduction in personnel expenses
③ Benefits of In-house Engineering Development	<b>¥1,500M</b> reduction in external outsourcing expenses* <small>*Cost reduction in external outsourcing due to the internalization of in-house engineering tasks.</small>
④ Close over 150 unmanned stores	<b>¥2,000M</b> reduction in store-related expenses



Capital Policy

Equity ratio

15% or more

In the business growth phase, an equity ratio of 15% will be an indicator, which will be able to cover business risks including unexpected losses.

\*Excluding changes due to capital policy and investment on M&A.

Growth Investment

M&A

Capital Investment

[2025/3 ~ 2027/3]

Total investment of ¥60.0bn MAX

- Group synergy
- Potential for future group growth
- Contribution to consolidated ROE of 10% or more

Shareholder Return

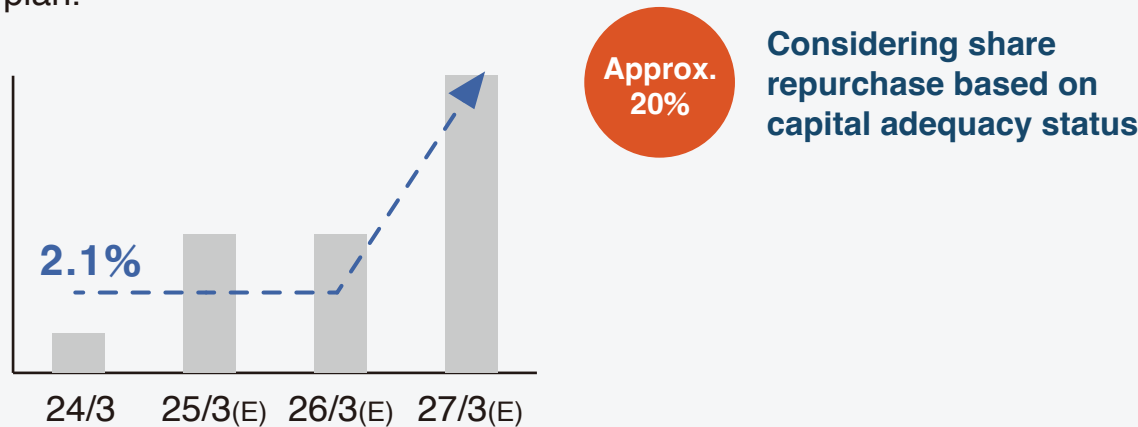
Repurchase of own shares

Dividend

[2027/3]

Targeting a Total payout ratio of around 20%

While prioritizing growth investments, we aim to enhance shareholder returns targeting a total payout ratio of around 20% in the final year of the plan.



Repurchase of own shares

Repurchase of own shares as resolved at the Board of Directors meeting held on May 27, 2024 in accordance with the capital policy.

●Results of a Repurchase of own shares

Period:	May 28, 2024 to July 23, 2024
Total number of shares repurchased:	5,151,200 shares
Aggregate repurchased amount:	1,999,984,674 yen

Reference: Details of the resolution approved at the Board of Directors' meeting held on May 27, 2024

1. Class of shares to be repurchased: Common shares
2. Total number of shares to be repurchased: Up to 6.0 million shares
3. Total purchase price for repurchase of shares: Up to 2.0 billion yen
4. Repurchase period: From May 28, 2024 to July 31, 2024
5. Repurchase method: Market purchases based on a discretionary dealing contract regarding repurchase of its own share





# Business Overview

## Unsecured Loan Business

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



We have provided 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. We also started an alliance with Japan Post Bank for ATMs and Japan's first service of "enabling users to submit their income information by using an Individual Number Card" at ATMs of Seven Bank.

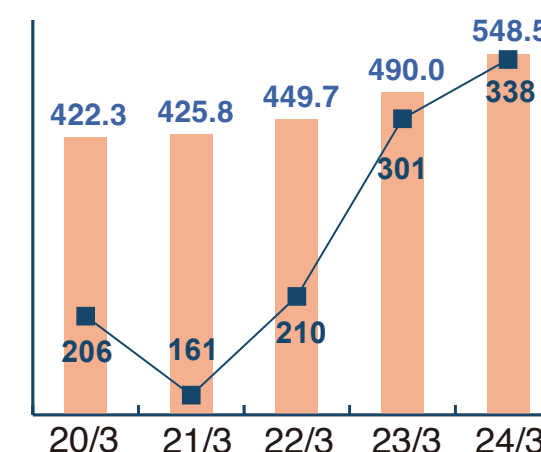
We make efforts to curtail costs for attracting new customers with effective and efficient advertisement strategies through television commercials and online ads.

We make continuous efforts to improve our services based on the voices of customers and strive to increase the number of new contracts and the balance of operating loans.

### New contracts and balance

The number of new contracts in fiscal 2023 reached 338,000 (up 12.4% year on year), and the balance of unsecured loans as of the end of fiscal 2023 amounted to 548.5 billion yen (up 11.9% 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 advertising strategies, etc.

■ Balance of operating loans (Billion yen)  
■ New contracts(Thousand cases)



# Voices from the Field:

## Unsecured Loan Business



Yuka Sato,  
General Manager of Advertising Department,  
AIFUL CORPORATION

### Q What are the trends of the consumer finance market?

The coronavirus pandemic and other factors shrank the market. However, as the effects of the COVID-19 subsidies, the market is expanding once again with increasing consumer needs and active advertising by major companies. Against the backdrop of the favorable market, AIFUL continuously increased the number of new contracts to 338,000 in fiscal 2023, up 12.4% year on year. Currently, more than 90% of customers applied from smartphones. The simple application method as well as the changing image of consumer finance led to an increase in new contracts, among which we especially have more female customers these days.

### Q Please tell us the initiatives of the Advertising Department regarding the favorable new contracts.

AIFUL is striving to raise the awareness utilizing the brand image, and the television commercials featuring the actress Mao Daichi and comedian Hiroki Konno have received a favorable reception. In advertising, affiliate advertising has contributed to the majority of new acquisitions. We are therefore trying to increase new accounts effectively by consciously placing ads in a certain amount efficiently while keeping the cost per acquisition (CPA) low. We also aim to decrease the CPA further through a campaign to offer cash back directly when a customer applies on our website and SEO and LPO instead of relying on affiliate advertising.

### Q The companies have spent a considerable amount of advertising expenses for attracting new customers. What is the reason for that?

In the consumer finance business model, in which we earn profit from the balance of loans provided to customers, expanding the balance is an extremely important factor. The companies are focusing on acquiring new contracts to expand the balance by having new customers use our services. We always think about how to acquire new customers efficiently and effectively as AIFUL is not financially stronger than our competitors affiliated with banks in some part.

# Small Business & Secured Loan Business

## Business operation making the most of the AIFUL Group's credit management know-how for business operators

### AG BusinessSupport

It 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. The company 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.

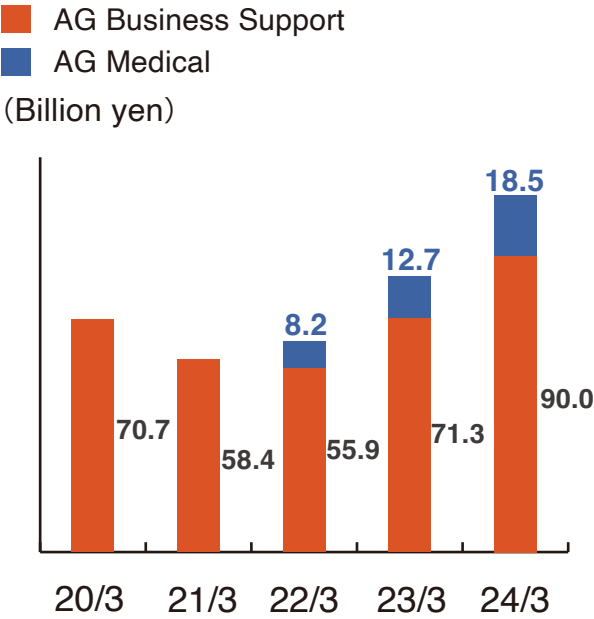
### AG Medical

The business of medical loans secured by medical fee receivables, which AIFUL has focused on as one of the main businesses, was spun off in July 2021 to further strengthen the financial service business for the healthcare industry. 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 Medical Corporation took over the business of medical loans secured by medical fee receivables from AG Business Support Corporation.)

### Balance

**AG Business Support :**  
The balance of operating loans amounted to 90 billion yen (up 26.1% year on year), thanks to stable increase in new contracts with recovering demand for funds.

**AG Medical :**  
The balance of operating loans amounted to 18.5 billion yen (up 44.8% year on year), thanks to stable increase in new contracts.





# Credit Guarantee Business

Business operation leveraging the know-how of granting individual and business operator credit and the strengths as an independent consumer finance company



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.

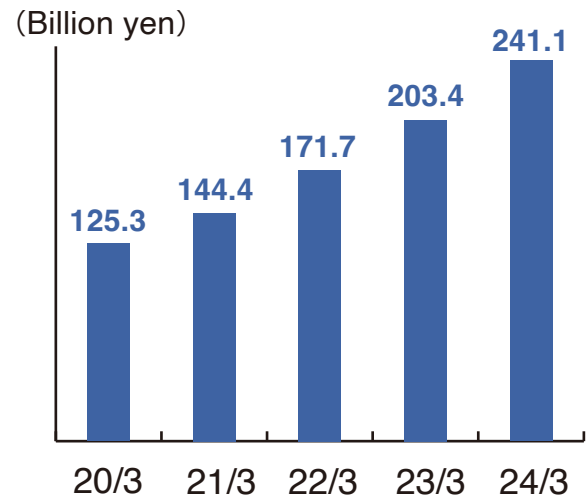
We offer a truly unique service of all-in-one (omatome) loan guarantee products for individuals and guarantees for business operators as well as general unsecured card loan guarantees for individuals, which are highly acclaimed by a number of organizations with which we have forged guarantee partnership.



## Balance

By striving to diversify products to increase the guarantee balance and to promote new guarantee partnerships while leveraging the know-how of granting individuals and business operators credit and the strengths as an independent consumer finance company, the balance for credit guarantees totaled 241.1 billion yen (up 18.5% year on year).

Balance for credit guarantees (consolidated)



# Voices from the Field:

**Q Please tell us about the guarantee business' business model.**

The guarantee business is a fee business in which we provide credit screening services to financial institutions when they extend loans to individuals or business operators, leveraging the AIFUL Group's know-how in credit assessment. In return we receive a guarantee fee from the financial institutions.

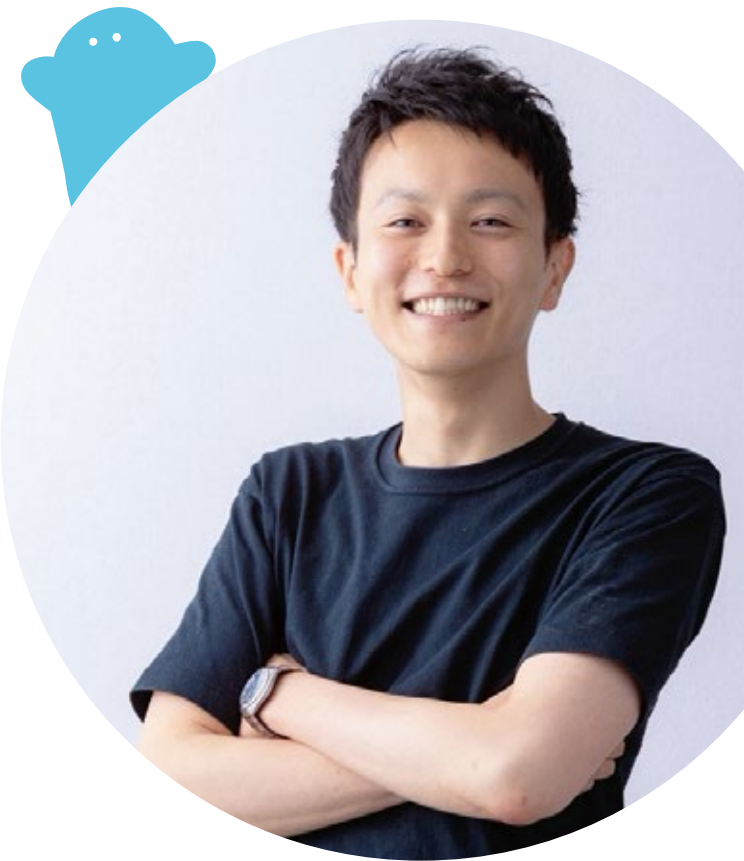
This is one of the AIFUL Group's main businesses in which we can utilize our credit management know-how without using funds

**Q Please tell us the AIFUL's strength of the guarantee business and difference from other companies.**

As a strength compared to other companies in the same industry, the AIFUL Group has credit management know-how for business operators as well as individuals. We are striving to increase new customers by making use of such strength.

For individual customers, in particular, we can share AIFUL's know-how of selling all-in-one (omatome) guarantee loans with partner financial institutions to increase the balance for these loans. This will contribute to both the reduction of the customers' repayment burden and an increase in the financial institutions' interest income, which we think are our strength.

Another strength is that we have a diverse product lineup as we started a new real estate loan guarantee. The balance for credit guarantees of the AIFUL Group totaled 241.1 billion yen, and the Group has been increasing the number of partner financial institutions to 247 as of fiscal 2023.



Yujiro Izumi,  
Deputy Manager of Guarantee Business Department, AIFUL CORPORATION

**Q You transferred to the Guarantee Business Department a couple of months ago. What is your current responsibility?**

I engage in marketing as a liaison for financial institutions to find new customers for expanding partnership with financial institutions and sell new products to existing customers. I am working to increase customers and enhance new products to increase the guarantee balance and expand profit from guarantee fees.



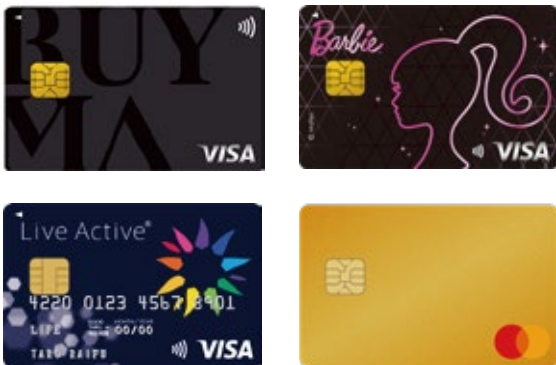
# Credit Card Business

## 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.

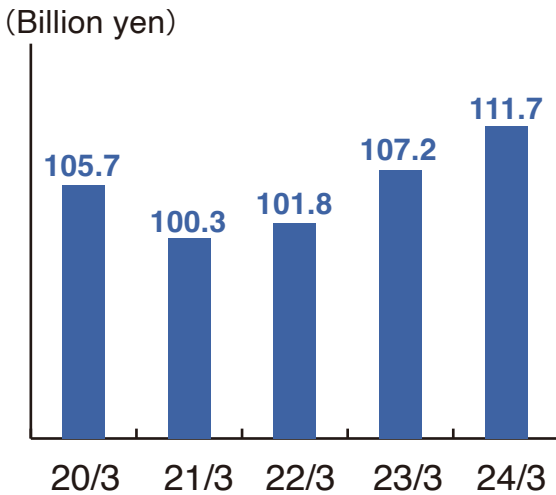
In addition to the promotion of the AOYAMA card, which is a core product, we actively form alliances with a variety of businesses, to issue affiliate cards mounted with the prepaid feature for promoting local shopping streets and other cards.



### Balance

The transaction volume was 768.7 billion yen (up 3.8% year on year) and the balance of installment receivables amounted to 111.7 billion yen (up 4.2% year on year) due to the expansion of cashless payment and the spread of credit cards in accordance with the new living environment under the pandemic as well as the recovery of personal consumption.

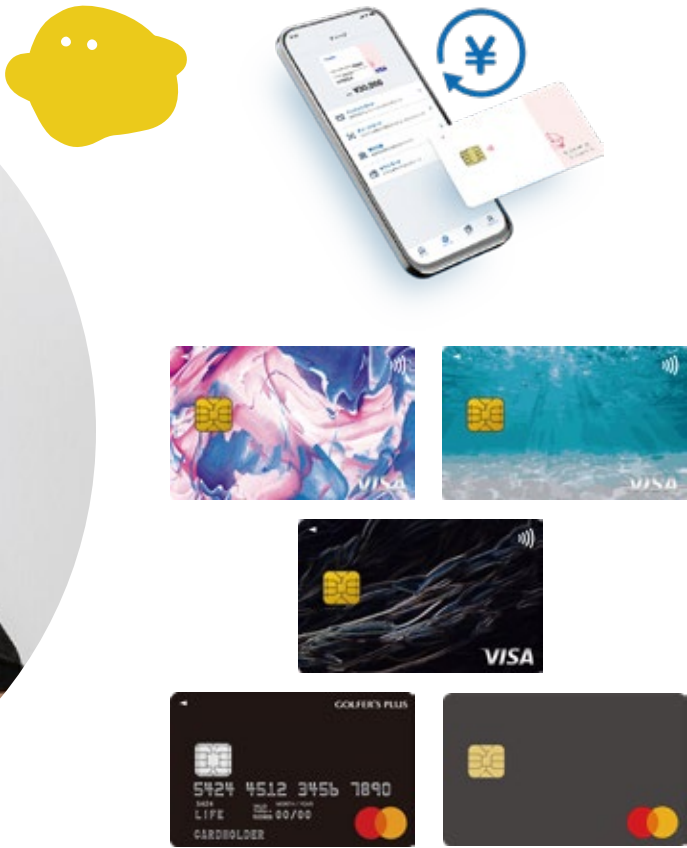
■ Balance of installment receivables



# Voices from the Field:



Kenji Imai,  
Manager of Sales Department I,  
LIFECARD Co., Ltd.



## Q What are LIFECARD's new initiatives?

LIFECARD is conducting various initiatives to enhance LTV. Thanks to improved profitability and cost reduction, the future LTV on an active member basis improved to 70,000 yen. We will strive to increase profit levels and carry out active promotion to further acquire new active members.

In addition, we renewed V-preca in May 2024. It changed from the conventional online-only to real card which can be used in real situations, and has an additional function of charging and using the card repeatedly without changing the card number. LIFECARD will try to provide various settlement services.

## Q Please tell us about LIFE-CARD.

LIFECARD provides various settlement services such as the credit card business and the prepaid card business. LIFECARD 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 our “Be Unique!” concept and the theme of “Shift from functional value to emotional value.”

# Installment Sales Business

Offering comfortable shopping experience to business operators and consumers by increasing means for settlement

## AG PaymentService

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 LIFE-CARD Co., Ltd., we operate the installment sales finance business and BNPL business.

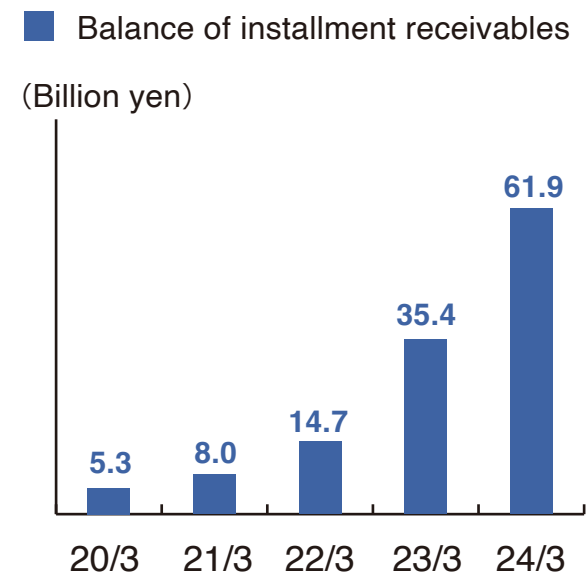
In the installment sales finance business, which is a core business, we actively explore affiliated shops in the esthetics and medical beauty fields.

\* In January 2024, AG Guarantee Co., Ltd. (installment sales finance business) merged with AG Miraibarai Co., Ltd., which handled the BNPL business, and changed the name to AG Payment Service Co., Ltd.



## Balance

In addition to our marketing activities, we actively offer installment sales finance services for affiliated shops after systematizing the sales activities at manned shops of AIFUL in April 2019. Accordingly, the balance of installment receivables totaled 61.9 billion yen (up 74.4% year on year).



# Voices from the Field:

**Q** Why do you engage in the marketing of AG Payment Service products although you are an employee of AIFUL?

As the Internet became available anywhere, most applications and contracts for AIFUL's 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 the group companies' products at manned shops throughout Japan in April 2019 to address the needs of corporate users.

I belong to the business for manned shops. We sell products and services of various group companies, including installment sales finance services handled by AG Payment Service and credit cards handled by LIFE CARD through marketing at corporations, and strive to maximize the synergy among group companies.

**Q** Please tell us about the business model of the installment sales finance business.

We offer a settlement service in which AG Payment Service advances an affiliated shop (company selling products or services) the amount of a customer's purchase price for expensive products or services purchased by the customer, and then charges the customer for the payment in installments.

For example, when a customer purchases a product, he/she applies for credit to purchase the product, is screened, and uses the credit. The installment sales finance service provider (AG Payment Service) pays the affiliated shop (seller of the product) for the purchase (advance payment) and receives payment from the customer, including commissions, to make a profit.



Masako Amamiya,  
Manager of Eastern Japan Business Department,  
AIFUL CORPORATION

**Q** In what specific area do you do marketing?

AG Payment Service focuses on the acquisition of affiliated shops offering esthetics and medical beauty services. I find it rewarding to be able to support people who want to be beautiful through the services we provide behind the scenes. We have a roughly 18% market share in installment sales for esthetics and medical beauty services as of the end of March 2024. We aim to achieve a 30% market share in installment sales in five years (fiscal 2028).



Overseas Business

Expansion of business overseas mainly in ASEAN to explore new markets and diversify the Group's business portfolio



AIFUL established AIRA & AIFUL Public Company Limited (A&A) jointly with AIRA Capital, a local entity in Thailand, in December 2014. Since September 2015, A&A has engaged in the consumer finance business.

In January 2021, automatic wire transfer was started, and in March, “eKYC (online identification)” was approved, and in April, cardless 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.

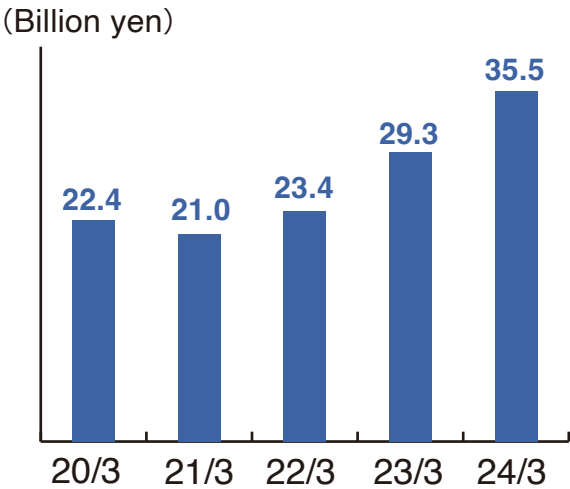


In May 2017, AIFUL acquired shares of REKSA FINANCE, which operates the used car auto loan business in Indonesia, and participates in its management. We are working to expand our operating assets while striving to acquire high quality loans.

Balance

Thanks to favorable new acquisitions, the balance of operating loans for fiscal 2023 amounted to 35.5 billion yen (up 21.1% year on year.)

Balance of operating loans (A&A)



※A&A's fiscal year ends on December 31, so the full-year cumulative accounting period is January-December.

※Exchange rate (Thai baht) fiscal 2019: 3.63 yen, fiscal 2020: 3.42 yen, fiscal 2021: 3.44 yen, fiscal 2022: 3.75 yen, fiscal 2023: 4.04 yen



Voices from the Field:  
Digital Policy

Q AIFUL's long-term vision is “Transformation Towards an IT Company”, but what exactly do you envision?

In the financial industry, various companies including those in other industries provide services, and the technology and needs are changing at a dizzying speed. In order to be chosen by customers in such circumstances, it is necessary to respond to changes and achieve a high level of customer convenience.

As a solution to this, the AIFUL Group has decided to produce systems and UI/UX in-house to respond to customer needs more flexibly and speedily than ever before. We want to strengthen the hiring and development of professional human resources, enhance the value of our products by making full use of IT, and continue to provide services that our customers can use for a long time. We envision such a future.

Q Please tell us the system, number of employees, and roles of the division (Group System Division).

The System Division engages in planning of company-wide security and systems and development, operation, and maintenance of mission-critical and other systems, and has around 150 members. The Digital Promotion Department, which I belong to, is divided into Departments 1 and 2 and involved with modification of websites and apps. The Department 1 is in charge of AIFUL's marketing website, application forms, and internal systems with around 120 members, and the Department 2 is mainly in charge of AIFUL and LIFE-CARD's app, as well as websites of group companies, with around 50 members. The Digital Promotion Department has multiple mid-career employees including experienced workers, people from overseas, part-time workers from Kyoto University, and various other human resources.



Hajime Yoshino,  
General Manager of Digital  
Promotion Department 2,  
AIFUL CORPORATION

Q What products does AIFUL produce in-house? Also, please tell us the company's policy.

We have prioritized AIFUL's marketing website, smartphone apps and other products that have contact points with customers for in-house production. 55 products have been produced in-house so far, and all of them have proven highly effective in improving customer satisfaction and conversion rates, as well as reducing processing time and costs. As one example, the AIFUL smartphone app has received extremely high ratings.

	2020/3	2024/3
iOS	2.6pt	4.6pt
Android	3.7pt	4.7pt

Going forward, we are thinking of expanding the scope of in-house production to more critical systems.

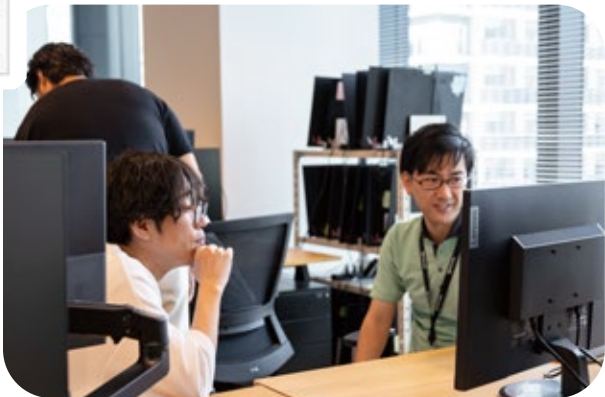
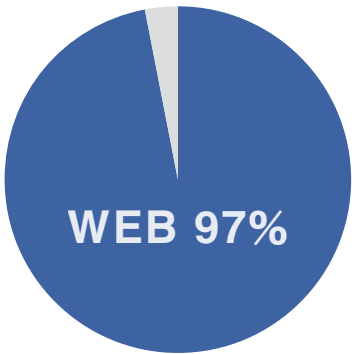
Improvement of application forms

UI/UX was improved to create forms with which users are not stressful.



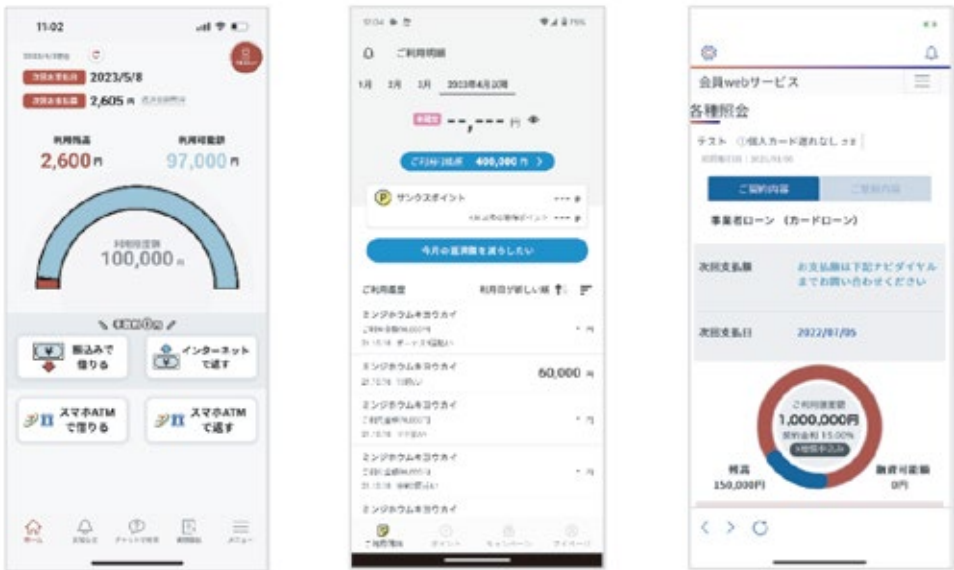
WEB application rate

Online application accounts for 97%.



App Modification

The apps of AIFUL, LIFECARD, and AG Business Support are modified in-house and rated more highly.

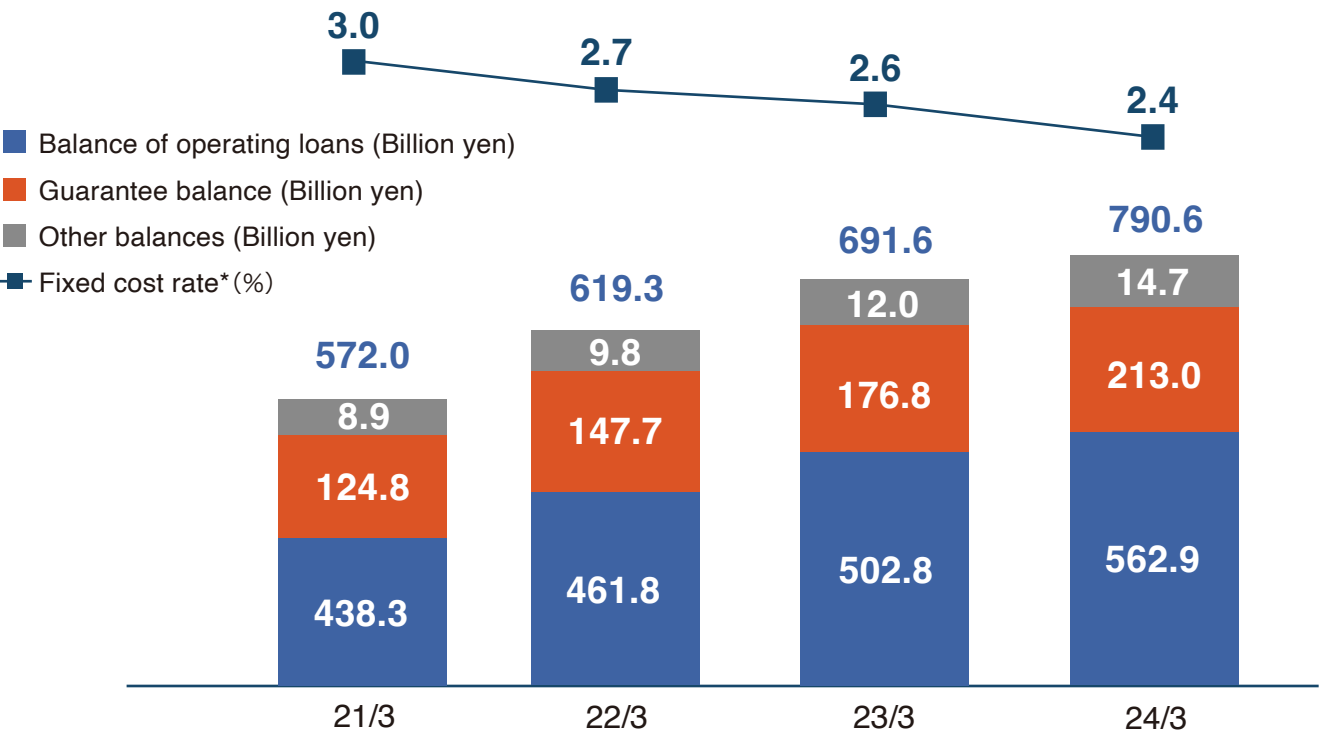


March 2020  
IOS 2.6  
Android 3.7

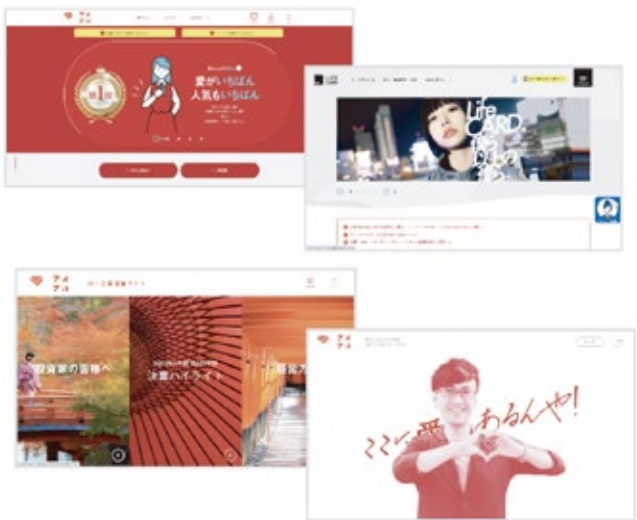
March 2024  
IOS 4.6  
Android 4.7

Decrease of fixed cost rate

The fixed cost rate decreased due to initiatives of DX and in-house production.



HP Modification



Enrichment of FAQ











Expand FAQs on the AIFUL's website to increase customer convenience.

Currently, the website has over 200 FAQs

Transform into an IT Company.  
Aiming to Become the One that Lasts 100 Years.



# Segment Portfolio List

Company name	Business classification	Share of recievables (as of March 31, 2024)	Balance (Billions of yen)	Ordinary profit (Billions of yen)
	<ul style="list-style-type: none"> <li>Unsecured loan</li> <li>Small business loan</li> <li>Credit guarantee</li> </ul>	 <b>67%</b>	<div> <div>619.3</div> <div>22/3</div> </div> <div> <div>619.6</div> <div>23/3</div> </div> <div> <div>790.6</div> <div>24/3</div> </div>	<div> <div>83.1</div> <div>22/3</div> </div> <div> <div>88.4</div> <div>23/3</div> </div> <div> <div>103.8</div> <div>24/3</div> </div>
	<ul style="list-style-type: none"> <li>Small business loan</li> <li>Factoring</li> </ul>	 <b>8%</b>	<div> <div>55.9</div> <div>22/3</div> </div> <div> <div>71.3</div> <div>23/3</div> </div> <div> <div>90.0</div> <div>24/3</div> </div>	<div> <div>6.4</div> <div>22/3</div> </div> <div> <div>7.7</div> <div>23/3</div> </div> <div> <div>10.3</div> <div>24/3</div> </div>
	<ul style="list-style-type: none"> <li>Credit card</li> <li>Prepaid card</li> <li>Credit guarantee</li> </ul>	 <b>15%</b>	<div> <div>164.1</div> <div>22/3</div> </div> <div> <div>170.4</div> <div>23/3</div> </div> <div> <div>175.3</div> <div>24/3</div> </div>	<div> <div>32.3</div> <div>22/3</div> </div> <div> <div>35.7</div> <div>23/3</div> </div> <div> <div>37.7</div> <div>24/3</div> </div>
	<ul style="list-style-type: none"> <li>Receiving agent service</li> <li>Installment sales</li> <li>BNPL</li> </ul>	 <b>5%</b>	<div> <div>14.8</div> <div>22/3</div> </div> <div> <div>35.6</div> <div>23/3</div> </div> <div> <div>61.9</div> <div>24/3</div> </div>	<div> <div>1.9</div> <div>22/3</div> </div> <div> <div>3.5</div> <div>23/3</div> </div> <div> <div>5.4</div> <div>24/3</div> </div>
	<ul style="list-style-type: none"> <li>Unsecured loan business</li> </ul>	 <b>3%</b>	<div> <div>23.4</div> <div>22/3</div> </div> <div> <div>29.3</div> <div>23/3</div> </div> <div> <div>35.5</div> <div>24/3</div> </div>	<div> <div>5.7</div> <div>22/3</div> </div> <div> <div>7.0</div> <div>23/3</div> </div> <div> <div>8.2</div> <div>24/3</div> </div>

# Sustainability

## For Colorful Life.

### 自分の色が輝く社会に

The AIFUL Group aims to achieve both a sustainable society and the growth of the Group while supporting SDGs (Sustainable Development Goals) in order to create a future where all individuals can be themselves, based on our management philosophy of "Earn the trust of society through corporate activity based in integrity" and the vision of "For Colorful Life (For realizing a society where each person can play an active role)."

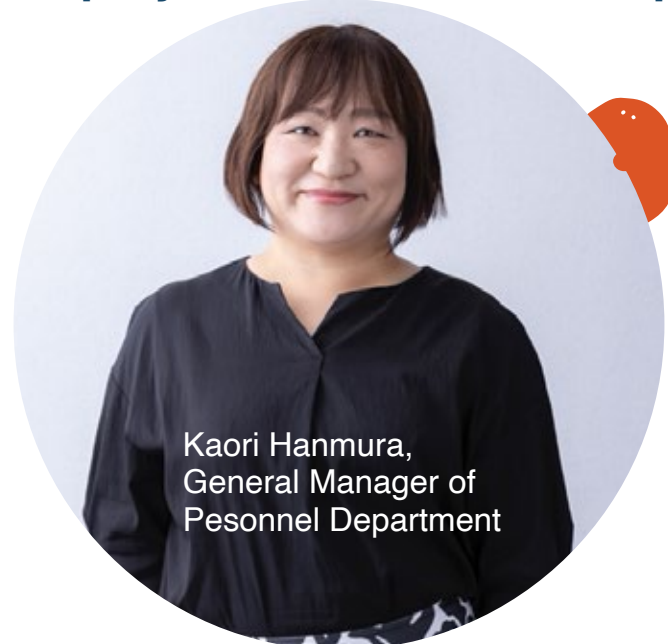


## SUSTAINABLE DEVELOPMENT GOALS



## Voices in HR:

Realizing a society where not only customers but also employees themselves can play an active role



Kaori Hanmura,  
General Manager of  
Personnel Department

### Q What specific initiatives is the Group undertaking regarding diversification?

The AIFUL Group produced and announced an action plan, and are recruiting women and promoting female employees to managerial positions actively to empower women. In 2023, we introduced a new initiative of the Director Mentoring Program, in which a director fosters a female manager individually as a mentor to develop female managers and help women play an active role.

The Group also started recruiting overseas students of Thailand and India in Japan in February 2023. We have recruited 16 IT personnel (including engineers) from outside Japan, including those who already joined the company and those who received a job offer. They are graduates of Chulalongkorn University in Thailand, Indian Institutes of Technology, etc.

### Q Please tell us about the AIFUL Group's personnel affairs strategy.

The AIFUL Group established a new VMV statement of "For Colorful Life" in 2021. We are working to realize a society where each person, not only customers but also employees, can play an active role.

The Group has the principle of "Personnel are the ultimate assets," and strives to realize "a workplace in which employees can experience a purpose in life" and "stabilize and improve the daily lives of employees," as in our policy for "For Colorful Life." Since 2021, we have been working "to reform HR and educational systems while looking ahead to the future" and "to develop an environment for improving employees' engagement."

We actively promote female employees, young employees, and mid-career workers to managerial positions, recruit new graduates and talented non-Japanese personnel, and promote the involvement of senior employees with experience and knowledge in our business, as diversity is required. Various employees are actively engaging in the business to realize a society where each person can play an active role.

### Q You mentioned that AIFUL is actively recruiting IT personnel while aiming to become an IT company.

The AIFUL Group defines IT personnel as engineers and other personnel with expertise in the IT field. We are actively recruiting mid-career engineers to promote DX and reduce system development costs. We also assign talented employees to IT-related sections and educate them about programming, etc. to enhance the level of IT personnel.

## Topics

### ● Director Mentoring Program

In fiscal 2023, AIFUL introduced the Director Mentoring Program, in which a director serves as a mentor to foster a female manager individually for the following purposes:

- To train female employees and promote them to the higher position for the development of future female directors and managers.
- To offer advice on challenges and concerns female managers have in their current positions.
- To understand the need for empowerment of women by having all the directors participate in the program, leading to the identification of internal issues and promotion of measures.

Voices of female workers who became mentees in the Director Mentoring Program



All the advice from the director's perspective is eye-opening for me. I began to think about what I should be and act accordingly.

Manager, Credit Management Department, LIFECARD



The director introduced a book which is suitable for my current challenges, and gave me advice based on his experience. I always look forward to our next meeting.

Section Chief, Contact Center Department I, AIFUL

### ● Start of Recruitment of Talented Overseas Personnel

The AIFUL Group started recruiting staff overseas in order to address the shortage of IT engineers in Japan, recruit talented engineers, and enhance diversity. The recruitment started in February 2023, and the Group has recruited 16 IT

personnel (including engineers) from outside Japan, including those who already joined the company and those who received a job offer. They are graduates of Chulalongkorn University in Thailand, Indian Institutes of Technology in Republic of India, etc.





# Investment in human capital



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.

Based on the above principles and priority measures, the Group defines managerial positions, who are core personnel, as "personnel whose abilities, aptitudes, and personality are deemed to be models of other employees and who are deemed to have leadership and driving power," and promotes personnel who meet the definition to such positions. In addition to the managerial positions, we define IT personnel (engineers and other personnel with expertise in the IT field) and young employees as personnel to whom we actively provide training, and senior employees as personnel who we expect to play an active role.

## Promotion of female employees to managerial positions

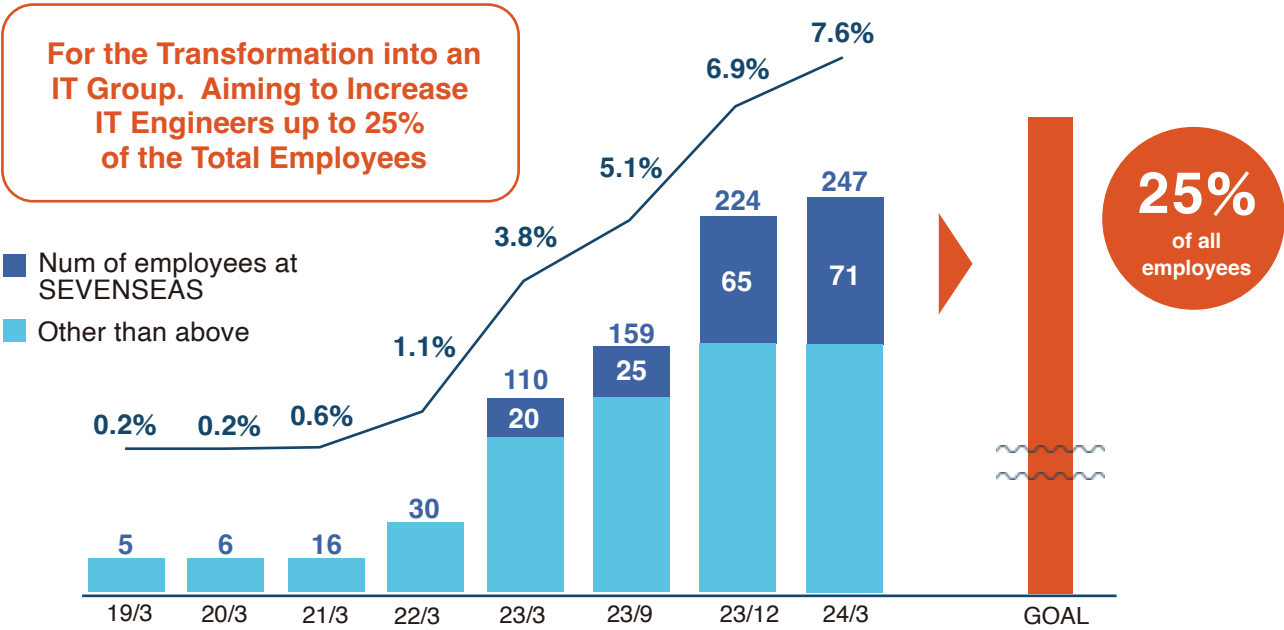
We produced and announced an action plan (period: April 1, 2022 to March 31, 2025), and are recruiting women and promoting female employees to executive posts actively, in order to empower women.

Regarding personnel development, we provide the Director Mentoring Program to female employees, in which a director fosters a female manager individually as a mentor to develop female managers and identify issues in women's active participation in the Group's business.

Numerical goals	Results	Reporting period
1. (FY2024) Increase the ratio of female full-time employees to 40% or higher.	43%	April 1, 2023 to March 31, 2024
2. (FY2024) Increase the number of female employees in executive positions to 140% of the FY2021 level].	167%	As of March 31, 2024
Increase the number of female employees in managerial positions to 140% of the FY2021 level].	157%	As of March 31, 2024
Increase the number of female section chiefs to 140% of the FY2021 level].	169%	As of March 31, 2024

## Increase 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% of the total employees through recruitment and training. We incorporated Seven Seas Co., Ltd. and Liblock Inc., which engage in the SES business, in fiscal 2023, and Salop Inc. in fiscal 2024 into the AIFUL Group to diversify revenue base and promote in-house production in the digital field in the future.



## Active 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.

## Promotion of non-Japanese employees to managerial positions

The AIFUL Group is recruiting employees at Chulalongkorn University in Thailand and Indian Institutes of Technology in India to recruit talented engineers and enhance diversity.

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

## Promotion 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.

## Promotion 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 38% of managers as of March 31, 2024. We will keep recruiting mid-career workers who possess expertise, and promote eligible ones to managerial positions.

# Voices of Change:

## AIFUL as told by mid-career employees



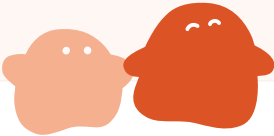
### Q Why did you join AIFUL?

- Shimo:** I decided to change my job because I felt that it was difficult to promote DX in a silo organization and I **wanted to engage in DX promotion by changing an organization from within** instead of from outside. During the job interview at AIFUL, I listened to the interviewers and the president, and decided to join the company as I felt that I would be able to do what I want here.
- Fukunaga:** In my previous Sier company, I sometimes could not be involved in a product until its release as I was assigned to different departments depending on a customer's project status and personnel availability. I felt it was regrettable and wanted to engage in the development, maintenance, and operation of in-house services. In addition, I enjoyed talking with AIFUL's interviewers and **hoped that I could work with them**.
- Hayashi:** My previous job was also at an Sier, and I participated in bank projects. I changed my job because I **wanted to produce systems and products for a company to which I belong**.
- Tsuboya:** I joined AIFUL after working for an Sier and manufacturer. I decided to work here as I wanted to leverage my experience of in-house production at a manufacturer in a bigger company. I felt that the launch of in-house production is a skill that can be used in various companies in the future. I intended to change my job three years after acquiring such a skill in AIFUL, but I realized that I have been working here for five years.

- Shimo:** Is it because you find it comfortable working here?
- Tsuboya:** Partly because of that, but also because **I find the future of AIFUL interesting**.
- Shimo:** What about you, Sakurai-san, the only member that joined AIFUL as a new graduate?
- Sakurai:** Unlike all of you, I did not join AIFUL as an engineer, and I was assigned to the Contact Center after I joined the company. I decided to work here because I wanted to work in the financial sector and my college senior said that the consumer finance industry is easy to work in. Another reason is that I had an image of AIFUL, which is **an independent entity with a high degree of freedom**.



Kayo Shimo,  
Manager of Digital  
Promotion Department II  
AIFUL CORPORATION



### Q Starting a career from scratch

- Shimo:** Did you study programming at college, Sakurai-san?
- Sakurai:** No, I had no knowledge on programming. I gained knowledge while learning about the job from Hayashi-san, who were my senior at the time. It was hard at first, but **I was able to acquire skills from scratch and grow** in the environment with senior's support and the company's qualification support program.
- Shimo:** You were a member of the launch of the Digital Promotion Department, right, Hayashi-san? I'm sure it would be hard to launch a department, but what was your experience like?
- Hayashi:** We started with looking for what to do, and then moved forward with a keyword of "promotion of in-house production." We needed to make the entire company aware of the Digital Promotion Department at first. It is a tough road, but **I find it rewarding to create something from scratch**.
- Tsuboya:** I think AIFUL provides extensive support to those who act by themselves and start something.
- Shimo:** I feel that AIFUL has a company culture of letting employees do what they want. I have been in this company for 10 months, and **I have never had my proposals rejected by anyone**.
- Hayashi:** **It's the environment where we can try something easily without taking failure as a bad thing.**



## Q AIFUL from engineers' perspective

- Hayashi:** When I launched this department, I felt the easiness to act. I thought that **the speed at an independent entity** is an advantage.
- Shimo:** We can launch a project quickly. I believe that AIFUL is well suited to these times in the digital society where speed is required.
- Hayashi:** While I feel the speed, I also feel that **we are extremely aware of compliance and employees' work-life balance**. My wife is busy working and I have children, so I find it quite advantageous to work remotely and use a flextime system with no core time.
- Fukunaga:** I believe that we can work comfortably regardless of gender. I feel that **we can work so freely** with workstyles including a dress code and other details.



## Q What will AIFUL become?

- Shimo:** Are there any issues or things you would like to change or improve about this company?
- Hayashi:** I think that the HR and training systems still have rooms for improvement so that the company will increase engineers.
- Tsuboya:** I hope that we will have engineers in each department rather than having in-house orders, so that engineers and sales can work with the same KPIs.
- Shimo:** What do you think of the future of the consumer finance industry and AIFUL?
- Sakurai:** We now have the highest growth rate of new contracts in the industry, but I guess it will hit a peak. We need to consider what we should do to survive when the industry becomes saturated.
- Fukunaga:** I agree with that. I think we need to **promote digitalization and always update IT technology**, not only to survive in the industry but also not to be left behind in the world where everything is done on a smartphone.
- Tsuboya:** If the consumer finance industry becomes saturated, we will need to diversify our business and IT technology will still be required when launching new business. I also hope that we can change AIFUL's impression by promoting digitalization.
- Hayashi:** AIFUL has a strong image as a consumer finance company, but I would like more people to know that we offer a wide variety of financial products. The company currently is in a state where financial services use IT technology, but I hope that we will be in a situation where **we have various IT services and financial services are part of them**.
- Shimo:** As all of you mentioned, I think we will need to change the business portfolio by launching new businesses. IT technology will be required when we use scoring and other know-how that we have accumulated in a new business. In order to change the company's conventional image, I believe that "Transformation Towards an IT Company" is a necessary action.



Policy regarding the development of an in-company environment



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. The Guidelines say that employees are the ultimate assets for the Company, and our policy for personnel affairs is to enable employees to feel that they have grown as human beings and made some achievements through their jobs, experience a purpose in life, and then enrich their lives. In this climate, 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.

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.

Surveys on awareness and satisfaction levels based on voluntary notification by employee

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 2023

No. of subject employees: 1,918 (including group companies), response rate: 94.7%, satisfaction level: 76.6%

\*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.

Personnel development system

The Group conducts the personnel development system with the aim of enabling individual employees to become highly independent and exert their abilities to the maximum degree.

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 according to the changing times.

- Flextime system / Working at home / Leave for fertility treatment / Adoption of a refreshing leave system
- Provision of educational allowance (up to 22 years old) / Support system for moving to an area near the workplace
- Shortened work hours (for employees raising children up to the sixth grade of elementary school)
- System for determining the treatment of rehired employees after the retirement age according to expertise and skills
- Adoption of the positions of department heads who stay in a specific area / Working in casual office clothing
- Introduction of pet bereavement leave / Increase in the initial salary of employees fresh out of college

Holding a family day (office tour)

We hold an office tour for the families of all the AIFUL Group employees during spring, summer, and winter holidays. Families are invited to see and experience the actual place where we work and what we do.



Organizing internal events

We hold seasonal costume events such as Tanabata (the Star Festival), Halloween and Christmas to improve employee engagement.



Promotion of male employees to take childcare leave

To eliminate gender gaps, we have established a system for male employees to take childcare leave, encouraged them to take such leave, prepared the rules for working at home (telework), and continuously reviewed systems related to flexible work styles. We aim to have 100% of eligible male employees take childcare leave while continuing to encourage them and their superiors in the Group to take the leave. In fiscal 2023, the percentage of male employees taking childcare leave stood at 97.6%.





# To support the education of young people

## Seminar for financial education

The AIFUL Group aims to realize a society where all people can be themselves with a vision of "For Colorful Life. For realizing a society where each person can play an active role."  
As a part of the initiatives, in order to help create an environment where all people can access financial services equally and securely, we are working to improve the financial literacy of young people including high school and college students and prevent financial problems, hoping that they will acquire correct financial knowledge and live colorful lives through financial education. In fiscal 2023, too, we held a seminar for financial education at educational institutions, such as colleges.



In addition, based on the belief that the industry needs to unite to address financial crimes that target young people and have become more sophisticated and complicated, such as entrepreneurial, side job, and part-time job scams, and investment scams, the Japan Financial Services Association and four major money lending companies established the Financial Literacy Improvement Consortium in June 2023. The consortium started activities on a full scale in September 2023.

## 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. Since we started sponsoring the hackathon "aihack" in March 2019, we have held hackathons continuously in Japan and abroad, as we sponsored a hackathon overseas for the first time in December 2021.



# About Group Communication



## Q What kind of organization is the newly established Group Communication Section?

The section was established in April 2024 and engages in public relations and branding of the entire AIFUL Group. This is a fresh organization with all the members in their 20s. The section is in charge of branding and media relations for in and outside the company, and external affairs (such as holding a financial education seminar).  
For the AIFUL Group's rapid expansion through the promotion of M&As and establishment of new businesses for the future, we are formulating a branding policy to build a brand in and outside the company in order to gain a broad understanding that the AIFUL Group is transforming towards an IT company instead of being a consumer finance company.



Takahiyo Matsuo,  
Manager of Group Communications  
Department, AIFUL CORPORATION

## Q Are financial education seminars held by the Group Communication Section?

As financial crimes become increasingly sophisticated, the AIFUL Group holds financial education seminars in educational institutions across Japan to prevent such crimes, and the seminars are lectured by ourselves. Financial education for younger generations is a national challenge, and the AIFUL Group is involved in this matter so that young people will acquire correct financial knowledge.  
The Group Communication Section will continue our efforts through communication in and outside the company to help everyone get to know the AIFUL Group better.



# 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 donation course as part of our point program to accept donations from members using their points.



## ● Medical loans secured by medical fee receivables

AG Medical Corporation, a group company, supports 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. To further accelerate these initiatives, we have established a framework for social finance, which is the first one in the consumer finance industry, and secured funding through social bonds and social loans. Proceeds from social bonds and social loans are allocated through group companies for new investments or loans, as well as refinancing to the following eligible social projects.

Project category	SBP* Category	Eligible Social Projects	SDGs
Support for small and medium enterprise	Access to finance for SMEs and employment generation	Support for business funding for SMEs in need of funds for business growth and continuity <b>&lt;Project&gt;</b> <ul style="list-style-type: none"><li>Business loans of AG BUSINESS SUPPORT, which provides business financingsupport to SMEs</li><li>AG Capital's growth-oriented funding support for medium-sized companies and startups</li></ul> <b>[Target Populations]</b> SMEs in need of funds for business growth and continuity	 
Support for medical and nursing care facilities	Access to essential services	Support for business funding for hospitals and nursing care facilities <b>&lt;Project&gt;</b> <ul style="list-style-type: none"><li>AG MEDICAL's business funding support for health-care and nursing care providerssuch as hospitals and nursing care facilities</li></ul> <b>[Target Populations]</b> People in need of medical and nursing care services or businesses in need of business financing to continue medical and nursing care services	 
Provision of financial services to individuals in emerging countries	Access to essential services	Improvement of financial literacy by providing individuals with access to financial services in emerging economies with immature financial services <b>&lt;Project&gt;</b> <ul style="list-style-type: none"><li>Provision of access to financial services for people in the Kingdom of Thailand by A&amp;A (AIRA&amp;AIFUL)</li></ul> <b>[Target Populations]</b> Individuals with difficulty in raising funds in countries with immature financial services	  

## <Funds Allocation Status>

As of the end of March 2024, total proceeds raised and funds allocated through social finance was 24.5 billion yen and 23.3 billion yen, respectively.

Project Category	Group Companies	Balance at Eligible Projects (¥)	Allocation of Social Finance Proceeds Amount(¥)
Support for small and medium enterprise	 AG BusinessSupport	29.9 billion	7.5 billion
	 AG Medical	3.3 billion	0 billion
Support for medical and nursing care facilities	 AG Capital	17.0 billion	10.8 billion
Provision of financial services to individuals in emerging countries		8.9 billion	5.0 billion
Unallocated amount in emerging countries		-	0 billion
Total (Proceeds balance)		59.3 billion	23.3 billion

# Transparent business management

## ●Dialogue with shareholders and investors

We strive for management strategies to achieve the AIFUL Group's goals and the disclosure of company information in a timely and appropriate manner. In addition, we aim for transparent business management through proactive IR activities for and constructive dialogue with shareholders and investors.

The summary of activities for fiscal 2023 (April 1, 2023 to March 31, 2024) is as follows.

Format	Number of sessions
Financial results briefing	2
One-on-one meeting	161
Participation in conferences sponsored by securities firms	2 (meeting with 10 companies)



## ●ESG Data

Environment				
Year / Month	2021/3	2022/3	2023/3	2024/3
Scope 1: Direct CO2 emissions (t-CO2)	865	791	742	622
Scope 2: Indirect CO2 emissions (t-CO2)	6,864	5,975	5,736	5,586
Total (t-CO2)	7,729	6,767	6,479	6,208

Governance				
Year / Month	2021/6	2022/6	2023/6	2024/6
Inside Directors	7	6	6	6
Outside Directors	2	3	3	3
Ratio of Outside Directors	22.2%	33.3%	33.3%	33.3%

Year / Month	2021/3	2022/3	2023/3	2024/3
Number of Board of Directors meetings	39	43	42	39
Number of Annual General Meeting of Shareholders	1	1	1	1
Number of financial results briefings	2	2	2	2
Number of compliance study sessions	3	4	4	4

Society				
Year / Month	2021/3	2022/3	2023/3	2024/3
Number of employees	3,193	3,148	3,275	3,716
Full-time employees	2,135	2,116	2,180	2,470
Non-full-time employees	1,056	1,032	1,095	1,246
Number of employees with disabilities (non-consolidated)	13	14	13	22
Number of foreign employees (non-consolidated)	7	10	18	43
Turnover rate	3.7%	3.7%	4.2%	5.1%
Employees' average years of service (non-consolidated)	15.2	15.4	15.1	12.7
Rate of annual paid leaves taken	75.8%	73.4%	77.8%	74.3%
Rate of employees taking childcare leave	91.5%	88.9%	68.7%	98.3%
Rate of male employees taking childcare leave	84.4%	106.7%	63.6%	96.7%





## Risk Factor

## The company's risk management structure

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

Specifically, we estimate and assess risks based on risk information collected continuously from departments and discuss measures to avoid and mitigate risks based on the Risk Management Rules. The Corporate Risk Management Dept. manages all the risk information reported by departments. The Risk Management Committee regularly identifies risks, examines and instructs measures to avoid and mitigate risks, and takes the lead and gives instructions in the case of a crisis. The committee formulates a policy or method when it deems necessary in collecting risk information or taking measures or actions for a crisis, and obtains approval at the Board of Directors. It also shares risk information related to the Compliance Committee with the Compliance Committee as necessary.

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

## Board of Directors



(note)

- First line of defense: Departments executing businesses have roles of managing risks, following risk prevention policies, formulating a risk management plan as necessary, identifying and assessing risks in business execution, determining whether to avoid or take risks, and promptly controlling risks when they surface.
- Second line of defense: The Corporate Risk Management Dept. has roles of supervising the first line of defense by category, as well as verifying, instructing, and supporting risk control conducted by departments managing risks by category in the first line of defense, and building a risk governance system for the entire Group as the department managing risks comprehensively.
- Third line of defense: The Internal Auditing Dept. has a role of verifying the effectiveness and appropriateness of the systems and processes from a standpoint independent of the first and second lines of defense.

## Top Risks

The Company has selected risks that the management recognized may have a significant impact on the business as top risks for fiscal 2024 and beyond, based on the probability of a risk scenario and its impact on the business. The top risks will be discussed and determined every fiscal year at the Risk Management Committee. For the top risks, we will assess the heightening of risks and their signs and take necessary measures to control them.

Risk event	Risk scenario
<b>[1] Risk related to violation of laws and regulations and inappropriate actions by an employee(s)</b>	Risk of undermining the trust of stakeholders when an employee(s) does not take appropriate actions in accordance with laws and regulations, social norms, business/market practices, and a customer perspective (this is so-called "misconduct"), resulting in administrative penalty or social criticism.
<b>[2] Risk of reduced competitiveness</b>	Risk of reduced competitiveness in the market which occurs when the Company cannot appropriately respond to changing customers' expectations caused by new entries from different fields in addition to existing competitors, change in lifestyles, and acceleration of digital transformation (DX).
<b>[3] Risk of increase in credit cost</b>	Risk of an increase in customers who have difficulty paying loans due to financial difficulties caused by worsening economic conditions.
<b>[4] Risk of rising interest rates</b>	Risk of the rise of funding rate due to the fluctuating market environment and the geopolitical risks such as political instability, affecting the Company's business performance.
<b>[5] Risk of funding liquidity</b>	Risk of having difficulty procuring funds due to the market environment, a decrease in the Company's creditability, or a change in its rating.
<b>[6] Risk of cyber-attacks and system failures</b>	Risk of having an impact of human error, natural disasters, blackouts, computer viruses, and cyber-attacks and others similar events from outside the Group on the business.
<b>[7] Risk of an impact of human resource shortage on the business plan</b>	Risk of failure to secure personnel and human resources suitable for the business plan, making it impossible to execute the business plan and project.

## 1 Risk related to violation of laws and regulations and inappropriate actions by an employee(s)

It is required that the AIFUL Group follow the Money Lending Business Act, Installment Sales Act, and many other relevant laws and regulations and maintain favorable relations with customers and many other stakeholders in conducting business. In the case where an employee(s) takes actions that violate laws and regulations or does not take appropriate actions in accordance with business/market practices and a customer perspective (this is so-called “misconduct”), the Group may lose the trust of stakeholders by receiving administrative penalty or social criticism. This may affect the Group’s financial position and business performance.

To prevent the occurrence of legal violations and inappropriate actions by employees, the AIFUL Group set up the Group Compliance Committee with the goals of sharing the unified corporate ethics of the entire Group and establishing a compliance system for the whole Group. The Group also aims to enhance organizations and systems as an internal control function and address operational risks with these systems. The Group also carries out inspections and ongoing improvements by implementing three lines of defense consisting of first, second, and third lines described in the above structure diagram.

## 2 Risk of reduced competitiveness

The Group aims to become a global financial group which is trusted and required in and outside Japan, and is required to respond more swiftly to changing customers’ expectations caused by new entries from different fields in addition to existing competitors, change in lifestyles, and acceleration of DX. If we cannot respond to them appropriately, we may reduce our competitiveness in the market, which may affect the Group’s financial position and business performance.

For these risks, AIFUL is conducting activities to proactively gather market trends and customers’ voices and expanding services focusing on enhancing convenience utilizing digital technology by strengthening measures for improving UI/UX through the improvement of the smartphone app and other services, as well as diversifying its business portfolio through business diversification including M&A and business expansion to overseas.

## 3 Risk of increase in credit cost

The Group posts credit cost on operating loans receivable, while there is a risk of an increase in customers who have difficulty paying loans due to financial difficulties caused by worsening economic conditions. This may lead to an increase in the Group’s credit cost and a decrease in interest revenue, which may affect the Group’s financial position and business performance.

To alleviate these risks, the AIFUL Group is striving to maintain the soundness of receivables by building a system to instantly identify any signs and take appropriate measures, such as regular investigation of customers’ creditability.

## 4 Risk of rising interest rates

The funding rate on financing could fluctuate owing to the market environment and other reasons. The future rise of interest rates due in part to political instability and other geopolitical risks may affect the Group’s financing, which may have an impact on the Group’s financial position and business performance.

To alleviate these risks, the AIFUL Group is managing the risk of interest rates with ALM (Asset Liability Management). We aim to mitigate the risk of fluctuating interest rates by fixing the funding rate and diversifying procurement means based on the interest rate outlook and costs.

## 5 Risk of funding liquidity

The Group procures capital through borrowings from financial institutions, the securitization of bonds and receivables and commercial papers. The market environment, a decrease in the Company’s creditability, or a change in its rating could possibly hinder the Group’s procurement capabilities.

In addition, the Group’s financing could be impacted in the case where there is a substantial change to the Group’s financial position, business performance, or the content of its receivables and the Group forfeits the benefit of time, owing to financial covenants or early redemption clauses related to fund procurement.

To alleviate these risks, the AIFUL Group is managing funding liquidity in the short and long term with ALM, as well as managing and reporting the financial covenants or early redemption clauses, diversifying procurement, devising new procurement methods, and undertaking measures to boost its rating.

## 6 Risk of cyber-attacks and system failures

The hardware and software that the AIFUL Group uses are susceptible to damages and interruptions of operations caused by human error, computer viruses, cyber-attacks from outside the Group and other similar events. Such events may affect the Group’s financial position and business performance by decreasing the consumers’ trust in the Group’s business.

To alleviate these risks, the Group is strengthening its infrastructure such as duplicating core systems and establishing back-up systems. 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.

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.

## 7 Risk of an impact of human resource shortage on the business plan

The Company employs employees who are engaged in work requiring a high level of expertise in a wide range of specialized fields throughout the Group. Our business plan may be affected by human resource shortage caused by changes in the external environment.

Therefore, the Company is actively recruiting employees and providing ongoing training for employees to secure and develop a diverse workforce to ensure continued recruitment and retention of talented personnel. We will also implement measures to optimize recruitment, placement, and evaluation through active use of a talent management system, carry out effective human resource development through clarification of requirements for organizations and positions, and make continuous improvement of internal loyalty to enhance employee satisfaction.



# Risks other than top risks

## 8 Risk related to holding marketable securities

To provide products and services that meet customers' demands, the Group aims to diversify its business operations, including those in the loan business (consumer finance and small business loan), credit sales 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.

## 9 Risk related to holding and disposing of Company shares by representative directors and their family members

As of the end of fiscal 2023, Mitsuhide Fukuda, a representative director of AIFUL, members of the founding family and affiliated companies combined own 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.

In addition, 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 with the increase in the Company's stock in the market.

## 10 Risk related to 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.

## 11 Climate change risk

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.

# 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 Laws 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.	Medium
	Chronic	Increase in average temperature and changes in precipitation and weather patterns	Expenditure Revenue	- Increase in operating costs for air conditioning equipment in summer - Drop in employee productivity, restriction on commuting, and deterioration of workplace comfort and safety → Decline in customer service levels	Medium

# Our corporate group' s measures against risks and opportunities

Risk item	Measure against the risk	Opportunity
Increase in carbon tax, energy-saving policies, GHG emission regulations, and increase in renewable energy prices	- Setting the targets of energy use and CO2 reduction	- Reducing business activity costs by promoting energy-saving measures
Change in reputation in society and among investors	- Disclosing information on climate change initiatives and clearly explaining them to investors	- Receiving proper assessment from customers and stock and bond market
Flood damage due to typhoons, torrential rains, etc.	- Renewing the contingency plan - Developing the support system of consultation services for customers impacted by disaster	- Strengthening infrastructure by BCP - Promoting the stabilization of customer service levels
Increase in average temperature and changes in precipitation and weather patterns	- Rebuilding a comfortable working environment	- Enhancing productivity by improving a working environment



# Corporate Governance

## Basic Views and Basic Policy on Corporate Governance

The AIFUL Group understands that a key objective of corporate governance is to achieve corporate management with transparency, impartiality and efficiency by conducting corporate activities premised on compliance in accordance with our management philosophy of Earn the trust of society through corporate activity based in integrity to contribute to the development of the economy and society and thereby to gain the trust of society.

In line with the basic views on corporate governance, AIFUL will undertake enhancement to upgrade our corporate governance in accordance with the Basic Policy on Corporate Governance set out below in a bid to achieve continued growth and a medium- and long-term increase in corporate value through transparent, impartial, prompt and bold decision making.

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

## Message from Outside Director Shinichiro Maeda

### ● Evaluation and issues regarding AIFUL's corporate governance structure and compliance

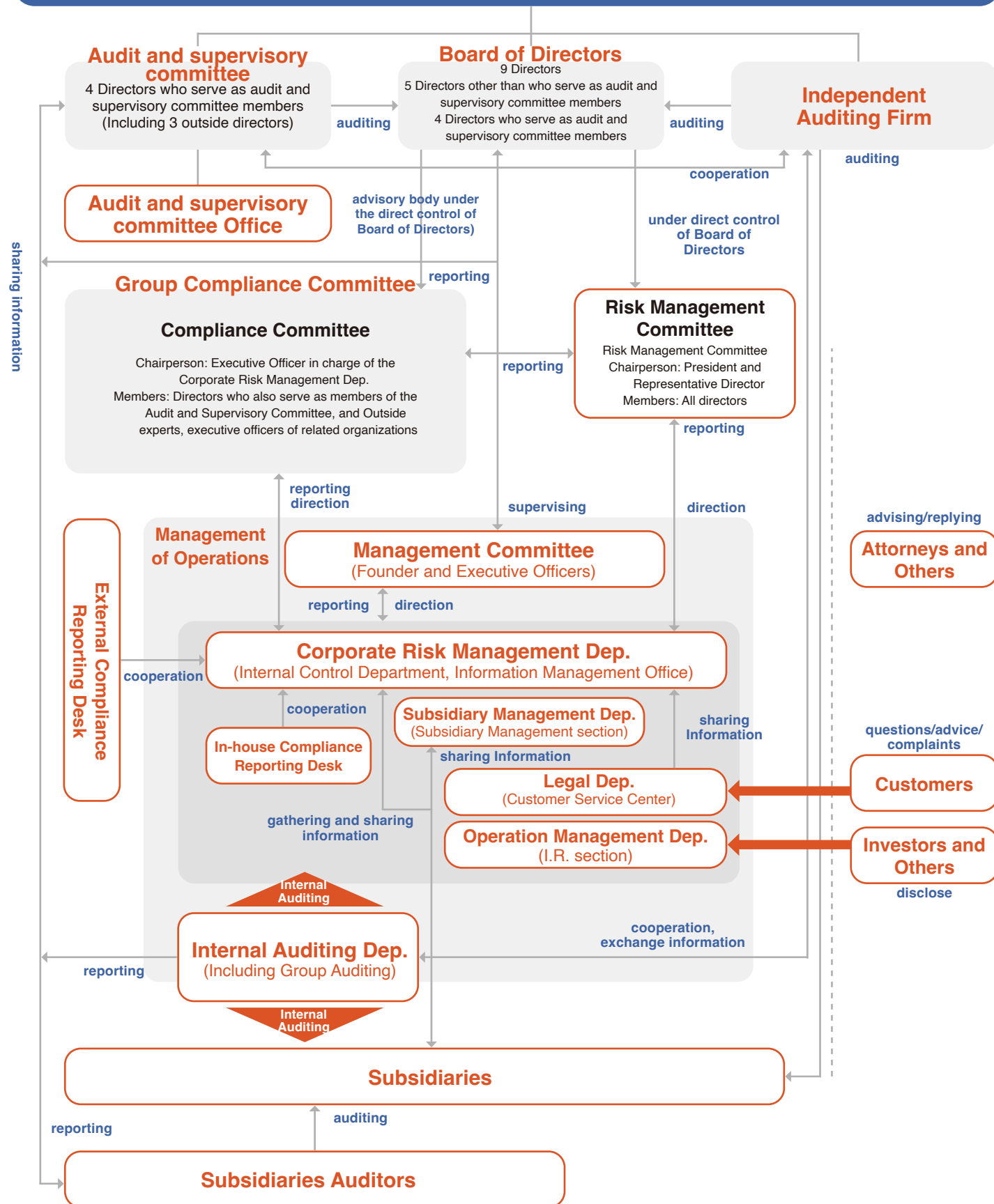
The business operations of the entire Group have been systematized, and a foundation to visualize and collect all sorts of information has been established. The Group also regularly holds the Compliance Committee, which is an advisory body under the direct control of the Board of Directors and attended by outside experts and outside directors including myself, to check the status of compliance. With the increase of M&As, the number of group companies is increasing, and we need to strengthen the auditing of the business execution from the perspective of the entire Group.

### ● Evaluation and opinions regarding IR and dialogue with the market

AIFUL published the Medium-term Management Plan in May 2024. The plan indicates a capital policy of how much capital to allocate to growth investments and shareholder returns based on the necessary equity ratio. We are engaging in full-scale dialogue with the market including investors to meet the Tokyo Stock Exchange's request of "Implementing Management that is Conscious of Cost of Capital and Stock Price." The Group is trying to carry out IR activities with a view to the future to rebuild not only short-term but also long-term trust.

Shinichiro Maeda,  
Outside Director & Audit and  
Supervisory Committee Member

## General Meeting of Shareholders



## 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, with five directors (directors who are not on the Audit and Supervisory Committee) and four directors who are on the Audit and Supervisory Committee. It deliberates and decides on matters that cannot be delegated to directors pursuant to the provisions of laws, regulations, and the Articles of Incorporation, as well as important matters such as management strategies, and monitors these matters regularly. It generally holds semimonthly meetings and extraordinary meetings when necessary. The Company's Articles of Incorporation also stipulate that there be no more than fifteen directors (excluding directors on the Audit and Supervisory Committee) and no more than five directors on the Audit and Supervisory Committee.

### ●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.



●Major skills and experiences that each director possesses

Name	Position and title	Skills / Experience							
		Corporate Management	Legal Risk Management	Finance Accounting	Global	Human Resource Development	Credit Marketing	IT Digital DX	Diversity
Mitsuhide Fukuda	President and Representative Director, 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 who is an Audit and Supervisory Committee Member (Outside)		●	●	●				●

- (note)
- 1. The column “Corporate Management” explains that a Director possesses experience of Executive Director for one year or more in the Company or other companies.
  - 2. The columns other than “Corporate Management” explains that a Director possesses experience for one year or more of Senior General Manager in the applied business area at the Company or other companies.

●Executive Officers

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

●Management Committee

The Management Committee comprises all executive officers and founder. It conducts prior discussion on matters to be submitted to the Board of Directors and, discusses or makes resolutions on important matters in business execution. It also coordinates information and mutually checks issues and strategies based on policies resolved by the Board of Directors while striving to ensure that there are no discrepancies in decision-making. It holds meetings on a weekly basis, in general.

●Compliance Committee

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

●Risk Management Committee

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

# Reasons for the current structure

As we have an auditor system, we appoint three outside corporate auditors for our four corporate auditors. We have ensured independent audits by developing a system where all corporate auditors attend Board of Directors meetings and other important meetings and committee meetings, including Management Committee meetings, to express their opinions. We have also ensured audits by establishing an Auditor's office as the exclusive organization for supporting the duties of corporate auditors. Further, we separate management's supervisory functions and business execution functions by implementing an executive officer system and strengthening supervisory functions by establishing a Compliance Committee including outside experts and a Risk Management Committee, etc. We have adopted our current system to achieve corporate management that is transparent, fair, and efficient.

# Remunerations for executives

The Company has a policy for determining the amount of remuneration, etc., for directors and corporate auditors and the method for calculating such amount, based on its management philosophy of "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.

# 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 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.

- Money Lending Business Act
- Installment Sales Act
- Payment Services Act
- Act on Special Measures Concerning Claim Management and Collection Business
- 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 July 1, 2024)

## Directors

President and Representative Director  
**Mitsuhide Fukuda**

Representative Director  
**Masayuki Sato**

Director  
**Keiji Masui**

President and Representative Director  
**Yoshitaka Fukuda**

Director  
**Akira Kamiyo**

## Director, Audit and supervisory committee member

Director (outside)  
**Hitoshi Shimura**

Director (outside)  
**Haruichi Suzuki**

Director  
**Keiichiro Okawa**

Director (outside)  
**Shinichiro Maeda**

## Executive Officers

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

Managing Executive Officer  
**Masayuki Sato**  
Senior General Manager of Loan Business Division  
and Credit Management Division, In charge of Data  
Analytics Department and Overseas Business  
Department

Senior Managing Executive Officer  
**Akira Kamiyo**  
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

Senior Managing Executive Officer  
**Keiji Masui**  
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 LIFECARD  
CO., LTD.)

Managing Executive Officer  
**Fumihiko Hirose**  
Senior General Manager of Finance Division

Managing Executive Officer  
**Shinichiro Okuyama**  
Responsible for Data Analytics Department,  
Senior Advisor attached to Group Systems Division

Managing Executive Officer  
**Kazuhiko Tsuda**  
In charge of Accounting Department

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

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

Managing Executive Officer  
**Akitaka Domoto**  
Responsible for Subsidiary Management Department  
and Overseas Business Department

Managing Executive Officer  
**Toshiaki Ando**  
Assistant Senior General Manager of Finance  
Division, Counsel of the Accounting Department, Responsible  
for the Operation Management Department

Managing Executive Officer  
**Yuji Fukada**  
(President of AG BUSINESS SUPPORT CORPORATION,  
President of AG MEDICAL CORPORATION)

Managing Executive Officer  
**Ikuo Yamauchi**  
Responsible for Personnel Department and Group  
Communications Department (President and  
Representative Director of AG Capital CO., LTD.)

Managing Executive Officer  
**Hiroshi Azuma**  
Assistant Senior General Manager of Loan Business  
Division

Managing Executive Officer  
**Yasuhiko Hashimoto**  
(Director of PT. REKSA Finance)

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

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

Executive Officer  
**Yorihiro Fujii**  
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 MIRABARAI CO., LTD.)

Executive Officer  
**Ichiro Yamaguchi**  
Assistant Senior General Manager of Group Systems  
Division

Executive Officer  
**Jun Mitsuishi**  
Responsible for Management Planning Department,  
General Manager of Management Planning  
Department

# Financial Report



# Six-Year Summary

## For the Year (Millions of yen)

	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Operating revenue	115,328	127,038	127,481	132,097	144,152	163,109
Operating expenses	112,297	125,358	109,950	120,855	120,427	142,045
Financial expenses	7,949	7,522	7,248	7,041	7,068	7,246
Provision for doubtful account	30,628	35,277	38,818	27,918	36,004	52,546
Interest repayment related expenses	11,501	16,927	—	19,929	—	—
Operating profit (loss)	3,031	1,679	17,530	11,242	23,724	21,064
Ordinary profit (loss)	4,110	1,716	19,305	12,265	24,428	22,067
Profit (loss) before income taxes	3,420	1,569	18,149	12,265	23,959	21,493
Profit (loss)	8,183	300	17,794	13,037	22,946	21,502
Profit (loss) attributable to owners of parent	9,346	1,390	18,4375	12,334	22,343	21,818

## At Year-End (Millions of yen)

	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Loans outstanding	521,823	573,080	553,389	582,349	648,760	738,676
Non-performing loans	79,294	86,422	87,393	97,121	104,904	120,627
Total assets	760,587	860,507	863,354	935,642	1,070,485	1,266,374
Allowance for doubtful accounts	70,469	72,294	77,830	78,246	79,623	92,601
Total liabilities	632,570	731,576	715,662	779,116	890,892	1,064,962
Interest-bearing debt	418,708	475,893	457,639	480,401	561,236	664,905
Net assets	128,016	128,931	147,692	156,526	179,593	201,412

## Per Share Data (yen)

	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Basic profit (loss) (EPS)	119.32	12.88	38.12	25.50	46.19	45.10
Net assets (BPS)	256.45	260.53	300.92	318.17	364.01	409.04

## Ratios (%)

	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Equity ratio	16.3	14.6	16.9	16.4	16.4	15.6
ROE	7.8	1.1	13.6	8.2	13.5	11.7
ROA	0.6	0.2	2.2	1.4	2.4	1.9

## Other Data

	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
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	2,273	2,113	2,135	2,116	2,180	2,470

\*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

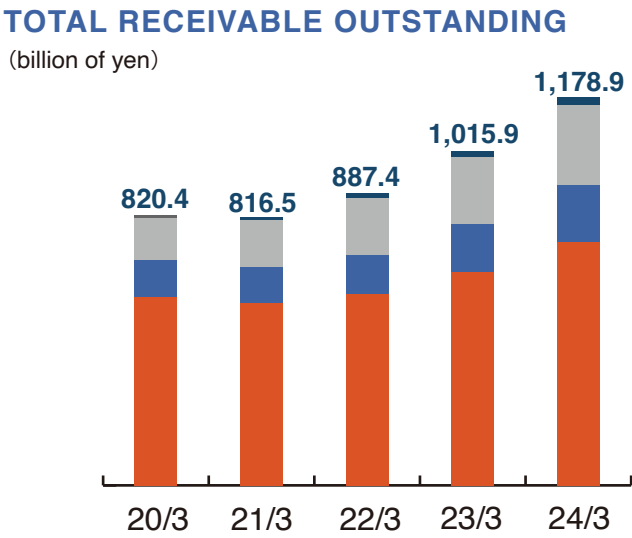
## ●AIFUL GROUP

(Millions of yen)

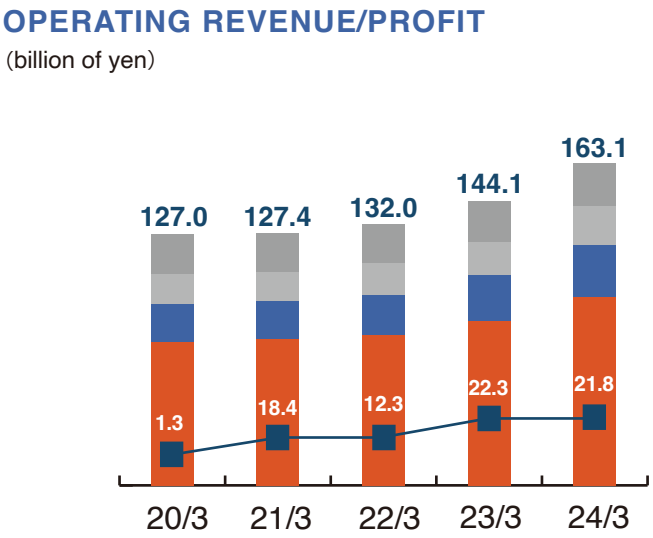
TOTAL RECEIVABLE OUTSTANDING	2020/3	2021/3	2022/3	2023/3	2024/3
Total receivable outstanding	820,430	816,579	887,407	1,015,910	1,178,983
Loans outstanding	573,080	553,389	582,349	648,760	738,676
Unsecured	486,119	481,687	505,255	550,647	614,131
Secured	22,533	18,281	18,282	25,979	35,399
Small business	64,427	53,421	58,810	72,133	89,145
Installment receivables	111,473	108,714	116,780	142,899	173,790
Guarantee	127,018	145,725	172,697	204,078	241,562
Other operating receivables	8,858	8,749	15,579	20,171	24,953

(Millions of yen)

OPERATING REVENUE/PROFIT	2020/3	2021/3	2022/3	2023/3	2024/3
Operating revenue	127,038	127,481	132,097	144,152	163,109
Interest on operating loans	72,444	74,041	76,332	83,230	95,400
Unsecured	66,707	68,242	70,842	76,143	85,722
Secured	2,557	1,834	1,624	1,949	2,622
Small business	3,179	3,965	3,865	5,137	7,055
Revenue from installment sales	19,391	19,387	20,099	23,158	26,290
Revenue from credit guarantee	15,203	14,524	15,730	17,030	19,408
Other operating revenue	19,998	19,528	19,934	20,732	22,010
Operating expense	125,358	109,950	120,855	120,427	142,045
Profit attributable to owners of parent	1,390	18,437	12,334	22,343	21,818



Loans outstanding  
Installment receivables  
Guarantee  
Other operating receivables



Interest on operating loans  
Revenue from installment sales  
Revenue from credit guarantee  
Other operating revenue  
Profit attributable to owners of parent

(Millions of yen)

TOTAL ASSETS/ROA	2020/3	2021/3	2022/3	2023/3	2024/3
Total assets	860,507	863,354	935,642	1,070,485	1,266,374
ROA(%)	0.2	2.2	1.4	2.4	1.9

(Millions of yen)

TOTAL EQUITY/ROE	2020/3	2021/3	2022/3	2023/3	2024/3
Total equity	126,017	145,555	153,900	176,072	197,909
ROE(%)	1.1	13.6	8.2	13.5	11.7

(%)

AVERAGE FUNDING COST	2020/3	2021/3	2022/3	2023/3	2024/3
Average funding cost	1.45	1.38	1.22	1.11	1.10
Indirect	1.63	1.54	1.39	1.27	1.20
Direct	1.23	1.13	0.95	0.81	0.86
Share of indirect	55.0	59.6	62.0	66.2	68.4
Share of direct	45.0	40.4	38.0	33.8	31.6

(Thousands)

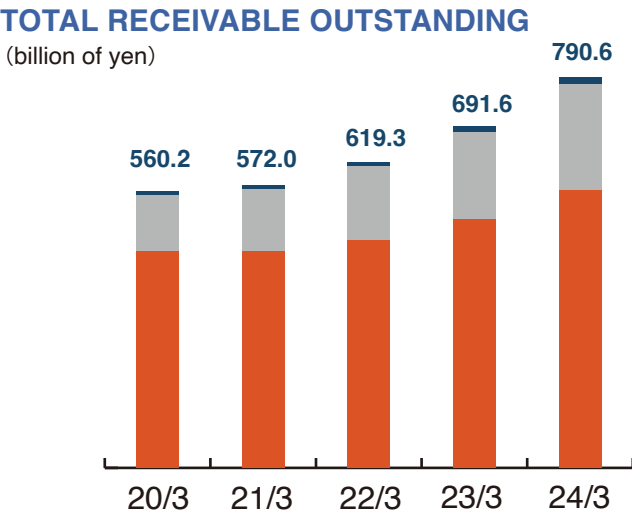
NUMBER OF CUSTOMER ACCOUNTS	2020/3	2021/3	2022/3	2023/3	2024/3
Number of customer accounts	1,486	1,425	1,464	1,625	1,716
Unsecured	1,441	1,387	1,425	1,582	1,666
Secured	5	3	3	3	3
Small business	40	33	35	40	46
Credit card holders	5,758	5,382	5,240	5,141	5,051

(Millions of yen)

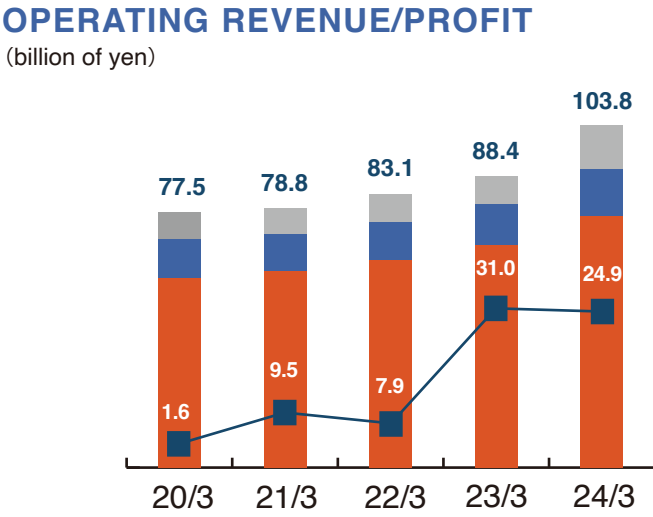
TOTAL RECEIVABLE OUTSTANDING	2020/3	2021/3	2022/3	2023/3	2024/3
Total receivable outstanding	560,267	572,070	619,388	691,689	790,608
Loans outstanding	437,679	438,300	461,884	502,874	562,913
Unsecured	422,382	425,848	449,747	490,096	548,554
Secured	6,958	4,813	3,501	2,502	1,836
Small business	8,338	7,638	8,635	10,275	12,522
Guarantee	114,629	125,984	148,475	177,303	213,333
Credit guarantee	113,130	124,865	147,708	176,821	213,020
Other	1,499	1,119	767	482	312
Installment receivables	325	268	226	185	162
Other	7,633	7,517	8,802	11,326	14,198

(Millions of yen)

OPERATING REVENUE/PROFIT	2020/3	2021/3	2022/3	2023/3	2024/3
Operating revenue	77,504	78,826	83,117	88,449	103,867
Interest on operating loans	57,682	59,732	63,071	67,596	76,323
Unsecured	55,695	58,559	61,872	66,274	74,753
Secured	1,296	475	388	281	210
Small business	690	697	809	1,040	1,359
Revenue from credit guarantee	11,610	11,136	11,447	12,447	14,397
Other operating revenue	8,210	7,957	8,598	8,406	13,146
Profit	1,639	9,583	7,912	31,028	24,998



Loans outstanding
Guarantee
Installment receivables
Other



Interest on operating loans
Revenue from credit guarantee
Other operating revenue
Profit

(Millions of yen)

TOTAL ASSETS/ROA	2020/3	2021/3	2022/3	2023/3	2024/3
Total assets	635683	638,868	711,185	834,868	985,303
ROA (%)	0.3	1.9	1.0	4.2	3.0

(Millions of yen)

TOTAL EQUITY/ROE	2020/3	2021/3	2022/3	2023/3	2024/3
Total equity	92,609	102,655	110,096	140,660	165,222
ROE (%)	1.8	9.8	7.4	24.7	16.3

(%)

AVERAGE YIELD	2020/3	2021/3	2022/3	2023/3	2024/3
Average yield	14.7	14.3	14.4	14.3	14.5
Unsecured	14.7	14.4	14.5	14.3	14.5
Secured	15.9	8.1	9.4	9.4	9.7
Small business	13.3	12.8	13.4	13.4	13.3

(Thousands)

NUMBER OF CUSTOMER ACCOUNTS	2020/3	2021/3	2022/3	2023/3	2024/3
Number of customer accounts	950	933	980	1,115	1,256
Unsecured	937	922	968	1,103	1,243
Secured	4	2	2	1	1
Small business	9	8	9	10	11

NEW ACCOUNTS	2020/3	2021/3	2022/3	2023/3	2024/3
New accounts	206,337	161,186	210,104	301,262	338,783
Unsecured loans	206,155	161,111	210,014	301,183	338,657

(Millions of yen)

AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS	2020/3	2021/3	2022/3	2023/3	2024/3
Amount of write-offs	20,182	22,457	20,521	21,795	24,696
Ratio of write-offs (%)	3.6	3.9	3.3	3.2	3.1



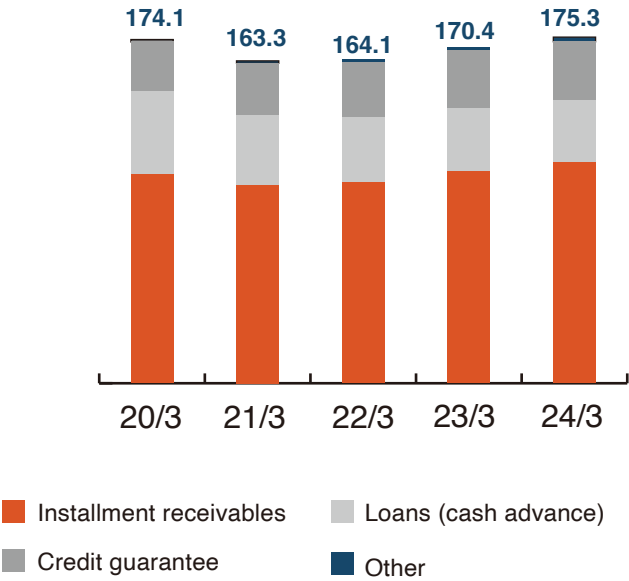
(Millions of yen)

TOTAL RECEIVABLE OUTSTANDING	2020/3	2021/3	2022/3	2023/3	2024/3
Total receivable outstanding	174,107	163,313	164,114	170,476	175,334
Installment receivables	105,773	100,348	101,814	107,220	111,725
Loans (cash advance)	42,272	35,545	32,916	32,384	31,672
Credit guarantee	24,842	26,190	27,951	29,022	29,568
Other	1,219	1,228	1,431	1,850	2,367

(Millions of yen)

OPERATING REVENUE/PROFIT	2020/3	2021/3	2022/3	2023/3	2024/3
Operating revenue	34,181	32,320	32,368	35,711	37,714
Installment receivables	17,479	16,586	16,773	20,440	21,559
Loans (cash advance)	5,243	4,524	4,066	3,653	3,721
Revenue from credit guarantee	1,521	1,592	1,754	1,842	1,908
Other operating revenue	9,937	9,617	9,774	9,774	10,524
Profit	1,136	3,139	1,755	911	363

TOTAL RECEIVABLE OUTSTANDING  
(billion of yen)



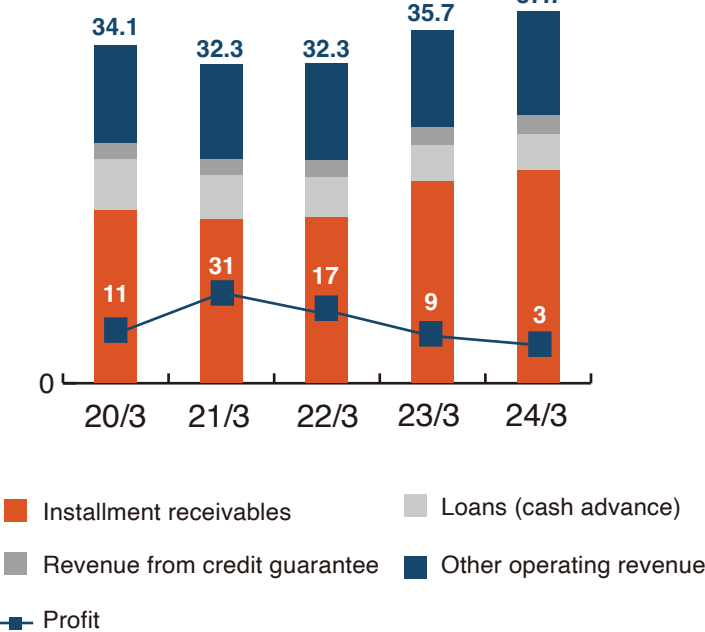
(Thousand of yen)

NUMBER OF CARDHOLDERS	2020/3	2021/3	2022/3	2023/3	2024/3
Number of cardholders	5,758	5,382	5,240	5,141	5,051
Proper card	1,680	1,414	1,376	1,376	1,373
Co-branded cards	4,077	3,967	3,864	3,765	3,678

(Millions of yen)

TRANSACTION VOLUME	2020/3	2021/3	2022/3	2023/3	2024/3
Transaction volume	707,851	650,951	688,596	740,327	768,736
Card shopping	669,559	624,029	660,805	711,463	739,996
Cash advance	38,291	26,921	27,790	28,863	28,740

OPERATING REVENUE/PROFIT  
(billion of yen)



# Financial Report by the Management Team

## ① Consolidated business results

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

In the consumer finance industry, the number of new contracts at major companies has continued to increase year on year and the balance of operating loans has expanded accordingly. Although the status of interest repayment claims is susceptible to changes in the external environment and certain considerations are necessary, the number of claims is steadily decreasing.

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

In fiscal 2023, the AIFUL Group's operating revenue amounted to 163,109 million yen (up 13.2% year on year). The principal components were 95,400 million yen in interest on loans receivable (up 14.6% year on year) due to an increase in the balance of operating loans, mainly for unsecured loans, as well as 21,625 million yen in revenue from the credit card business (up 5.4% year on year) and 19,408 million yen in revenue from the credit guarantee business (up 14.0 % year on year). Operating expenses increased 21,618 million yen, or 18.0% year on year, to 142,045 million yen. This was mainly due to an increase of 912 million yen or 5.4% year on year in advertising expenses to 17,788 million yen caused by an increase in the number of new contracts, and 52,546 million yen in provision of allowance for doubtful accounts (up 45.9% year on year).

As a result, the AIFUL Group's operating profit for fiscal 2023 was 21,064 million yen (down 11.2% year on year), and ordinary profit was 22,067 million yen (down 9.7% year on year). Profit attributable to owners of the parent was 21,818 million yen (down 2.3% year on year) as a result of posting loss attributable to non-controlling interests of 316 million yen.

Total receivable outstanding	2023/3 (Millions of yen)	2024/3 (Millions of yen)	YOY (%)
Unsecured loans	560,647	614,131	11.5
Secured loans	25,979	35,399	36.3
Small business loans	72,133	89,145	23.6
Credit card business	107,329	111,821	4.2
Installment sales finance business	35,570	61,968	74.2
Guarantee	204,078	241,562	18.4

Operating revenue	2023/3 (Millions of yen)	2024/3 (Millions of yen)	YOY (%)
Unsecured loans	76,143	85,722	12.6
Secured loans	1,949	2,622	34.5
Small business loans	5,137	7,055	37.3
Credit card business	20,508	21,625	5.4
Installment sales finance business	2,649	4,665	76.1
Guarantee	17,030	19,408	14.0

## ② By business

### ► Unsecured loan

The overall size of the unsecured loan market had been shrinking, affected by a decline in demand for funds due to a drop in consumer activities. However, the recovery trend continued after restrictions on activities were lifted, and the market size increased to 9.5 trillion yen, up 4.2% year on year, as of December 2023. Of this, financial institutions accounted for 5.3 trillion yen, up 2.5% year on year, and the total of companies specializing in consumer finance and credit card companies for 4.1 trillion yen, up 6.5% year on year.

Regarding unsecured loans in fiscal 2023, 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 UI/UX through the revamp of our official website, smart-phone app, and the application form.

The AIFUL Group's balance of unsecured loans was 614,131 million yen, up 11.5% year on year, and AIFUL's non-consolidated one was 548,554 million yen, up 11.9% year on year.

### ► Small business loan

The small business loans market for small- and medium-sized companies also showed a gradual recovery in demand for funds as economic activities were resumed. Meanwhile, the outlook remains uncertain due to an increase in the number of corporate bankruptcies amid the full-scale repayment of “zero-zero loans,” which are effectively interest-free, unsecured loans introduced during the coronavirus pandemic.

As a result, the balance for small business loans was 89,145 million yen, an increase of 23.6% year on year. Of this, AG Business Support accounted for 74,982 million yen, up 23.6% year on year, and AIFUL's non-consolidated balance was 12,522 million yen, up 21.9% year on year.

### ► Credit card

In the credit card business, which was affected by the spread of the coronavirus pandemic, leading to a significant decrease in usage in some industries, domestic transaction volume of credit card increased 13.7% year on year to 91 trillion yen in fiscal 2023 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.

LIFECARD is working to attract new members and increase active cardholders by issuing new alliance and tie-up cards, redesigning proper cards, adding app functions and renewing benefits that meet the needs of customers as well as aggressive advertising.

As a result, the transaction volume for fiscal 2023 was 741,515 million yen (up 4.0% year on year), and the balance of installment receivables for credit card business at the end of fiscal 2023 was 111,725 million yen (up 4.2% year on year).

### ► Credit guarantee

In the credit guarantee business, AIFUL has been 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.

As a result, of the balance of credit guarantees at the end of fiscal 2023, loans outstanding for personal loan guarantee were 162,266 million yen (up 14.1% year on year), and loans outstanding for business loan guarantee were 56,193 million yen (up 32.6% year on year).

## ③ Overview of balance sheet

Total assets on a consolidated basis at the end of fiscal 2023 were 1,266,374 million yen, an increase of 195,888 million yen or 18.3%, compared with the end of the previous fiscal year. This increase was primarily attributable to growth of 94,907 million yen in operating loans and growth of 31,194 million yen in installment accounts receivable.

Total liabilities on a consolidated basis at the end of fiscal 2023 totaled 1,064,962 million yen, an increase of 174,070 million yen or 19.5%, compared with the end of the previous fiscal year. This increase is mainly attributable to an increase of 103,669 million yen in bonds payable and borrowings.

Net assets on a consolidated basis at the end of fiscal 2023 totaled 201,412 million yen, an increase of 21,818 million yen or 12.1%, compared with the end of the previous fiscal year. This increase is primarily attributable to a rise in retained earnings.

## ④ Overview of cash flows

Cash and cash equivalents ("funds") increased 14,048 million yen or 37.1%, compared with the end of the previous fiscal year, to 51,934 million yen. The situation of each category of cash flow for the current fiscal year and the contributing factors are as follows.

### ► Cash flows from operating activities

Net cash used for operating activities amounted to 74,208 million yen, an increase of 5.1%, compared with the previous fiscal year. This was mainly attributable to a decrease of funds following an increase in operating loans and installment accounts receivables.

### ► Cash flows from investing activities

Net cash used for investing activities stood at 12,762 million yen, an increase of 42.6%, compared with the previous fiscal year. This was mainly attributable to purchase of property, plant and equipment and intangible assets.

### ► Cash flows from financing activities

Net cash provided by financing activities amounted to 100,929 million yen an increase of 29.1%, compared with the previous fiscal year. This was mainly due to proceeds from issuance of bonds and borrowings exceeding repayments.

## ⑤ Fund procurement trends

The AIFUL Group, which conducts mainly financial business, procures funds required for business expansion from outside the Group. The Group aims to procure funds 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 2023, the balance of loans, including off-balance sheet borrowings, was 709,655 million yen, a rise of 16.0% year on year.

The balance of loans via indirect procurement stood at 485,736 million yen. This accounted for 68.4% of total borrowings. The interest rate on indirect financing was 1.20%, down 0.07 points year on year.

The balance of loans via direct procurement, accounting for 31.6% of total borrowings, was 223,918 million yen. This breaks down to 80,000 million yen in regular corporate bonds and securitization of 143,918 million yen. The interest rate on direct financing was 0.86%, down 0.05 points year on year, and the funding interest rate which includes interest rates on direct and indirect financing was 1.10%, down 0.01 points year on year.

At the end of fiscal 2023, short-term borrowings amounted to 111,087 million yen, and long-term borrowings stood at 598,567 million yen.



6 Non-performing loan

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

In fiscal 2023, the Group’s total non-performing loans stood at 120,627 million yen, a rise of 15.0% year on year. Of this, the amount of non-performing unsecured loans, a mainstay product, was 95,913 million yen, an increase of 20.1% year on year. However, the amount of non-performing loans, consisting mainly of real estate-secured loans and other than unsecured loans, totaled 24,714 million yen, a decline of 1.4% year on year. Meanwhile, restructured loans, which belongs to unsecured loans, stood at 55,820 million yen, a rise of 24.8% 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 four categories of non-performing loans

(Millions of yen)

2023/3	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 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

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

7 Write-offs

In fiscal 2023, the amount of write-offs, including debt waived in tandem with interest repayment claims, totaled 36,574 million yen, an increase of 21.6%, in comparison with a year earlier.

Write-off debt waived in tandem with interest repayment claims was 596 million yen, a decline of 19.1% year on year, indicating a declining trend. Other ordinary bad debts were 35,978 million yen (up 22.6% year on year), and the write-off ratio excluding debt forgiveness arising from interest repayment claims accounted for 2.89% of total operating receivables (down 0.01 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 2023 totaled 52,546 million yen, an increase of 45.9%, in contrast with the previous fiscal year. At the end of fiscal 2023, the balance for the allowance for doubtful accounts came to 92,601 million yen (including 1,564 million yen in allowance for debt waived in tandem with interest repayment claims).

8 Dividend policy

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

We have decided to pay year-end dividend of 1 yen/share in fiscal 2023.

## Consolidated Balance Sheets

	(Millions of yen)	
	2023/3	2024/3
<b>Assets</b>		
Current assets		
Cash and deposits(Note 1)	43,251	56,917
Operating loans(Notes 1, 2, 6, 8 and 9)	614,229	709,137
Accounts receivable-installment (Notes 1, 4 and 6)	136,559	167,753
Operational investment securities	2,540	2,989
Customers' liabilities for acceptances and guarantees(Note 8)	221,659	256,096
Other operating receivables(Note 8)	13,185	16,573
Purchased receivables	6,985	8,380
Other (Note 8)	34,576	51,752
Allowance for doubtful accounts(Note 10)	(63,040)	(79,021)
Total current assets	1,009,948	1,190,579
Non-current assets		
Property, plant and equipment		
Buildings and structures(Note 1)	23,837	23,730
Accumulated depreciation	(18,811)	(18,156)
Buildings and structures, net (Note 1)	5,026	5,574
Machinery, equipment and vehicles(Note 1)	450	451
Accumulated depreciation	(292)	(315)
Machinery,equipment and vehicles, net(Note 1)	158	136
Furniture and fixtures(Note 1)	5,440	5,729
Accumulated depreciation	(4,555)	(4,786)
Furniture and fixtures, net(Note 1)	884	942
Land (Note 1)	8,900	8,816
Leased assets	5,316	4,564
Accumulated depreciation	(4,121)	(3,946)
Leased assets, net	1,194	618
Construction in progress	73	1,003
Total property, plant and equipment	16,238	17,092
Intangible assets		
Software	5,888	6,728
Software in progres	2,347	7,448
Other	157	173
Total intangible assets	8,392	14,349
Investments and other assets		
Investment securities(Note 3)	10,978	12,086
Claims provable in bankruptcy(Note 8)	18,167	15,131
Deferred tax assets	15,012	20,212
Lease and guarantee deposits	3,913	3,979
Other	4,417	6,522
Allowance for doubtful accounts	(16,582)	(13,579)
Total investments and other assets	35,906	44,353
Total non-current assets	60,537	75,794
Total assets	1,070,485	1,266,374

	(Millions of yen)	
	2023/3	2024/3
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payabletrade	43,066	68,069
Acceptances and guarantees	221,659	256,096
Short-term borrowings (Note 1)	69,582	101,627
Short-term loans payable to subsidiaries and associates	1,734	959
Commercial papers	12,000	—
Current portion of bonds	—	30,000
Current portion of long-term borrowings (Note 1)	183,832	233,660
Income taxes payable	2,006	3,871
Allowance for bonuses	1,555	1,671
Allowance for directors bonuses	45	1
Provision for share-based remuneration	50	58
Deferred installment income (Note 5)	7,094	12,854
Other (Note 11)	30,284	38,727
Total current liabilities	572,912	747,598
Non-current liabilities		
Bonds payable	45,000	50,000
Long-term borrowings (Note 1)	249,087	248,657
Deferred tax liabilities	—	107
Provision for loss on interest repayment	17,383	11,760
Other	6,509	6,838
Total non-current liabilities	317,979	317,364
Total liabilities	890,892	1,064,962
<b>Net assets</b>		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	14,017	14,017
Retained earnings	69,419	90,345
Treasury shares	△3,110	△2,655
Total shareholders equity	174,354	195,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,123	1,283
Foreign currency translation adjustment	595	890
Total accumulated other comprehensive income	1,718	2,174
Non-controlling interests	3,520	3,502
Total net assets	179,593	201,412
Total liabilities and net assets	1,070,485	1,266,374

# Consolidated Statements of Income

	(Millions of yen)	
	2023/3	2024/3
<b>Consolidated Statements of Income</b>		
Operating revenue		
Interest on operating loans	83,230	95,400
Revenue from credit card business	20,508	21,625
Revenue from installment sales finance business	2,649	4,665
Revenue from credit guarantee	17,030	19,408
Other financial revenue	5	8
Other operating revenue		
Collection from purchased receivables	1,094	1,341
Recoveries of written off claims	7,488	7,428
Other	12,144	13,232
Total other operating revenue	20,727	22,002
Total operating revenue (Note 1)	144,152	163,109
Operating expenses		
Financial expenses		
Interest expenses	5,889	5,984
Interest on bonds	429	568
Other	749	692
Total financial expenses	7,068	7,246
Cost of sales		
Other	229	332
Total cost of sales	229	332
Other operating expenses		
Advertising expenses	16,876	17,788
Commissions	17,958	19,499
Provision of allowance for doubtful accounts	36,004	52,546
Employees Salaries and bonuses	12,333	13,673
Provision for bonuses	1,462	1,567
Retirement benefit expenses	509	520
Welfare expenses	2,697	2,945
Other	25,288	25,925
Total other operating expenses	113,129	134,466
Total operating expenses	120,427	142,045
Operating profit	23,724	21,064

	(Millions of yen)	
	2023/3	2024/3
Non-operating income		
Interest on loans receivable	19	83
Share of profit of entities accounted for using equity method	184	63
Foreign exchange gains	204	551
Other	339	342
Total non-operating income	747	1,041
Non-operating expenses		
Provision of allowance for doubtful accounts	3	—
Loss on investments in silent partnerships	16	—
Infection-related expenses	4	—
Burden charge payment	0	4
Settlement payments	—	17
Other	18	15
Total non-operating expenses	44	37
Ordinary profit	24,428	22,067
Extraordinary income		
Gain on the sale of fixed assets(Note 2)	—	79
Total extraordinary income	—	79
Extraordinary losses		
Loss on valuation of investment securities	—	47
Loss on valuation of shares of subsidiaries and associates(Note 3)	14	420
Provision of allowance for doubtful accounts(Note 3)	453	186
Total extraordinary losses	468	653
Profit before income taxes	23,959	21,493
Income taxes-current	3,349	5,007
income taxes - deferred	(2,336)	(5,016)
Total income taxes	1,013	(8)
Profit	22,946	21,502
Profit (loss) attributable to non-controlling interests	603	(316)
Profit attributable to owners of parent	22,343	21,818

	(Millions of yen)	
	2023/3	2024/3
<b>Consolidated Statements of Comprehensive Income</b>		
Profit	22,946	21,502
Other comprehensive income		
Valuation difference on available-for-sale securities	24	160
Foreign currency translation adjustment	579	594
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income (Note 1)	604	754
Comprehensive income	23,550	22,256
Comprehensive income attributable to		
Owners of parent	22,656	22,274
Non-controlling interests	894	(18)



# Consolidated Statements of Change in Shareholders' Equity

2023/3

(Millions of yen)

	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
Changes during the period					
Dividends of surplus			(483)		(483)
Profit attributable to owners of parent			22,343		22,343
Purchase of treasury shares				(0)	(0)
Transfer from retained earnings to capital surplus					—
Restricted stock compensation					—
Net changes in accounts other than shareholders' equity	—	—	—	—	—
Total change during fiscal year	—	—	21,859	(0)	21,859
Balance at March 31, 2023	94,028	14,017	69,419	(3,110)	174,354

2024/3

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income			Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at April 1, 2022	1,098	306	47,560	2,626	156,526
Changes during the period					
Dividends of surplus					(483)
Profit attributable to owners of parent					22,343
Purchase of treasury shares					(0)
Transfer from retained earnings to capital surplus					—
Restricted stock compensation					45
Net changes in accounts other than shareholders' equity	24	288	313	894	1,207
Total change during fiscal year	24	288	313	894	23,067
Balance at March 31, 2023	1,123	595	1,718	3,520	179,593

(Millions of yen)

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

# Consolidated Statements of Cash Flows

(Millions of yen)

	2023/3	2024/3
<b>Cash flows from operating activities</b>		
Profit before income taxes	23,959	21,493
Depreciation	3,599	3,913
Increase (decrease) in allowance for doubtful accounts	897	12,424
Increase (decrease) in allowance for bonuses	139	112
Increase (decrease) in reserve for directors' bonuses	4	(44)
Increase (decrease) in provision for share-based remuneration	50	7
Increase (decrease) in allowance for loss on interest repayment	(7,210)	(5,623)
Interest and dividend income	(54)	(146)
Decrease (increase) in foreign exchange gains	(206)	(551)
Loss on valuation of shares of subsidiaries and associates	14	420
Loss (gain) on valuation of investment securities	—	47
Share of loss (profit) of entities accounted for using equity method	(184)	(63)
Loss (gain) on sale of fixed assets	—	(79)
Decrease (increase) in operating loans receivable	(64,201)	(92,280)
Decrease (increase) in accounts receivable - installment	(26,314)	(31,194)
Decrease (increase) in other operating receivables	(2,943)	(3,387)
Decrease (increase) in purchased receivables	(1,647)	(1,394)
Decrease (increase) in claims provable in bankruptcy	4,400	3,035
Decrease (increase) in business security deposit	1,218	(41)
Decrease (increase) in other current assets	(9,685)	(17,328)
Increase (decrease) in other current liabilities	9,724	39,274
Other	(471)	147
Subtotal	(68,909)	(71,260)
Interest and dividend income	74	167
Income taxes refund	482	54
Income taxes paid	(2,238)	(3,169)
Cash flows from operating activities	(70,589)	(74,208)
<b>Cash flows from investing activities</b>		
Deposit into time deposits	(5,351)	(4,949)
Proceeds from withdrawal of time deposits	5,286	5,332
Purchase of property, plant and equipment	(996)	(2,296)
Proceeds from sales of property, plant and equipment	—	175
Purchase of intangible assets	(3,487)	(7,806)
Purchase of investment securities	(4,246)	(1,302)
Payments of long-term loans receivable	(770)	(2,354)
Proceeds from collection of long-term loans receivable	305	137
Other	314	301
Cash flows from investing activities	(8,947)	(12,762)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,304,135	1,635,716
Repayments of short-term borrowings	(1,312,462)	(1,605,238)
Proceeds from issuance of commercial papers	40,500	184,400
Redemption of commercial papers	(31,000)	(196,400)
Proceeds from long-term borrowings	259,557	259,187
Repayments of long-term borrowings	(190,908)	(210,131)
Proceeds from issuance of bonds	45,000	35,000
Redemption of bonds	(35,000)	—
Cash dividends paid	(483)	(483)
Other	(1,142)	(1,119)
Cash flows from financing activities	78,195	100,929
Effect of exchange rate change on cash and cash equivalents	79	89
Net increase (decrease) in cash and cash equivalents	(1,261)	14,048
Cash and cash equivalents at beginning of period	39,147	37,885
Cash and cash equivalents at end period(Note 1)	37,885	51,934

# Notes to Consolidated Financial Statements

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

## 1. Matters concerning the scope of consolidation

- (1) Number of consolidated subsidiaries: 7  
Names of consolidated subsidiaries  
LIFECARD Co., Ltd., AG Business Support Corporation, AG Loan Services Corporation, AG Payment Service CO., LTD., AIRA & AIFUL Public Company Limited, and two other companies  
AG MIRAI BARAI CO., LTD. was extinguished in an absorption-type merger with AG GUARANTEE CO., LTD. as a surviving company as of January 1, 2024 and AG GUARANTEE CO., LTD. changed its name to AG Payment Service CO., LTD. on the same date.

- Name, etc., of non-consolidated subsidiaries  
(2) FPC Co., Ltd.  
AG Partners Corporation  
AG Smile Leaseback Corporation  
and thirteen other companies  
(Reason for exclusion from the scope of consolidation)  
Each of the non-consolidated subsidiaries are small in scale and the total assets, operating revenue, profit or loss (corresponding to equity) and retained earnings (corresponding to equity) of those companies in aggregate have an insignificant impact on the consolidated financial statements.  
Therefore, they have been excluded from the scope of consolidation.

## 2. Matters concerning application of the equity method

- (1) Number of non-consolidated subsidiaries and affiliated companies accounted for using the equity method: 2  
Name of company  
Non-consolidated subsidiary: FPC Co., Ltd.  
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

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.

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.

Booking of significant revenues and expenses

(i) Interest on operating loans

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

(ii) Booking of revenues pertaining to installment sales

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

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

(iii) Revenue from credit guarantee

The residual debt method is used to record revenue.

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

Step 1: Identify contracts with customers

Step 2: Identify performance obligations in the contract

Step 3: Calculate transaction prices

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

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

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

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

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

(ii) Performance obligations satisfied over a certain period

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

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

(v) Accounting for interest on borrowings

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

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

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

## 6. Significant hedge accounting method

●Method of hedge accounting

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

●Hedging instrument and hedged item

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

●Hedging policy

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

●Method of evaluating hedge effectiveness

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

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

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

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

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

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

●Standards for posting assets and liabilities for important debt guarantee

The Company's debt guarantee for non-consolidated subsidiaries' loans from financial institutions is described as a contingent liability. The balance of debt guarantee for tasks for other debt guarantee is indicated as “Guarantee” in the section of current assets and also as “Acceptances and guarantees” in the section of current liabilities in the consolidated balance sheets.

## 10. Application of the group tax sharing system

The group tax sharing system is applied.



1. Allowance for doubtful accounts

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

	As of March 31, 2023	As of March 31, 2024
Allowance for doubtful accounts	79,623	92,601

(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.

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, 2023	As of March 31, 2024
Allowance for loss on interest repayment	17,383	11,760

(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.

(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 Balance Sheets)

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

As a result, 8,235 million yen presented as "Software" in the consolidated financial statements for the previous fiscal year has been reclassified as "Software" of 5,888 million yen and "Software in progress" of 2,347 million yen. (Consolidated Statements of Income)

We have strengthened recruitment and development of specialists to grow as an IT finance group. Accordingly, "Welfare expenses," included in "Other" under "Other operating expenses" in "Operating expenses" in the previous fiscal year, is presented separately from the current fiscal year so that the personnel expenses are indicated more clearly. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 27,985 million yen presented as "Other" under "Other operating expenses" in the "Operating expenses" in the consolidated statements of income for the previous fiscal year has been reclassified as "Welfare expenses" of 2,697 million yen and "Other" of 25,288 million yen.

"Real estate rent," presented as a separate item in the previous fiscal year, is included in "Other" from the current fiscal year because it became 10/100 or less of the total amount of non-operating income. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, "Real estate rent" of 93 million yen and "Other" of 246 million yen, which were presented under "Non-operating income" in the consolidated statements of income for the previous fiscal year have been reclassified as "Other" of 339 million yen.

"Burden charge payment," included in "Other" under "Non-operating expenses" in the previous fiscal year, is presented separately from the current fiscal year because it exceeded 10/100 of the total amount of non-operating expenses. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 18 million yen presented as "Other" under "Non-operating expenses" in the consolidated statements of income for the previous fiscal year has been reclassified as "Burden charge payment" of 0 yen and "Other" of 18 million yen.

(Consolidated Statements of Cash Flows)

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

As a result, negative 677 million yen presented in "Other" under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified into a negative 206 million yen in "Decrease (increase) in foreign exchange gains" and negative 471 million yen in "Other. Payments of long-term loans receivable" and "Proceeds from collection of long-term loans receivable," included in "Other" under "Cash flows from investing activities" in the previous fiscal year, is presented separately from the fiscal year under review due to an increase in its materiality. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, negative 151 million yen presented in "Other" under "Cash flows from investing activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified into a negative 770 million yen in "Payments of long-term loans receivable," 305 million yen in "Proceeds from collection of long-term loans receivable" and 314 million yen in "Other."

●Notes to consolidated balance sheets

1.Assets pledged as collateral and corresponding liabilities

(Millions of yen)	
Assets pledged as collateral	As of March 31, 2023
Cash and deposit	5,332
Operating loans	350,717
Accounts receivable-installment	45,780
Buildings and structures	3,727
Machinery, equipment and vehicles	7
Furniture and fixtures	64
Land	8,816
Total	414,444

(Millions of yen)	
Corresponding liabilities	As of March 31, 2023
Short-term borrowings	56,500
Current portion of long-term borrowings	102,246
Long-term borrowings	156,052
Total	314,798

- i. The amounts above at the end of the fiscal year ended March 31,2023 include amounts pertaining to the securitization of receivables (operating loans of ¥184,506 million, current portion of long-term borrowings of ¥24,937 million and long-term borrowings of ¥74,539 million)
- ii. The amount for some of the operating loans and installment receivables are amounts at the time of registration of thetransfer 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.

(Millions of yen)	
Assets pledged as collateral	As of March 31, 2024
Cash and deposit	4,949
Operating loans	370,060
Accounts receivable-installment	48,496
Buildings and structures	—
Machinery, equipment and vehicles	—
Furniture and fixtures	—
Land	—
Total	423,506

(Millions of yen)	
Corresponding liabilities	As of March 31, 2024
Short-term borrowings	83,140
Current portion of long-term borrowings	120,933
Long-term borrowings	140,840
Total	344,914

- i. The amounts above at the end of the fiscal year ended March 31, 2024 include amounts pertaining to the securitiza-tion of receivables(operating loans of ¥180,301 million, short-term borrowings of ¥10,000 million, current portion of long-term borrowings of ¥33,235 million and long-term borrowings of ¥55,933 million)
- ii. The amount for some of the operating loans and installment receivables are amounts at the time of registration of the transfer of receivables.

2.Unsecured personal loans included in operating loans

(Millions of yen)	
As of March 31, 2023	As of March 31, 2024
542,992	608,233

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

(Millions of yen)	
As of March 31, 2023	As of March 31, 2024
Investment securities (shares)	8,076
Investment securities (other securities)	1,519

4.Accounts receivables - installment

(Millions of yen)	
As of March 31, 2023	As of March 31, 2024
Credit card business	105,785
Installment sales finance business	61,968
Total	167,753

5.Deferred installment income

(Millions of yen)				
As of March 31, 2023	Balance at April 1, 2022	Receipts during FY	Actual balance during FY	Balance at March 31, 2023
Credit card shopping	454	1,574	1,466	562
Installment sales finance	2,566	7,334	3,368	6,532
Total	3,021	8,908	4,835	7,094

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

6.Securitization of claims removed from the balance sheets

(Millions of yen)		
	As of March 31, 2023	As of March 31, 2024
Operating loans	34,531	29,539
Accounts receivable—installment	6,340	6,036

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, 2023	As of March 31, 2024
PT REKSA FINANCE	3,408	3,569

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

(Millions of yen)				
As of March 31, 2023	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

(Milliosn of yen)				
As of March 31, 2024	Balance at April 1, 2023	Receipts during FY	Actual balance during FY	Balance at March 31, 2024
Loans in legal bankruptcy	660	12,854	582	14,098
Risky claims	28,519	8,807	9,865	47,192
Loans 3 months or more in arrears	10,913	464	—	11,377
Restructured Loans	55,820	2,587	6,725	65,133
Performing loans	513,496	89,544	261,966	865,007
Total	609,410	114,258	279,140	1,002,809

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, long-term installments, or other concessive measures) to debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors, and which receive regular payments. Claims provable in bankruptcy and similar claims, doubtful claims and loans three months or more in arrears are excluded.

(Performing loans)

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

## 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:

As of March 31, 2023	As of March 31, 2024	(Millions of yen)
2,160	1,564	

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

As of March 31, 2023	As of March 31, 2024	(Millions of yen)
3,721	3,558	

## Consolidated statements of income

### \*1 Revenue arising from contracts with customers

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

(Millions of yen)

### \*2 The details of the gain on sale of fixed assets are as follows:

	FY ended March 31, 2023 (Apr. 1 2022 to Mar. 31 2023)	FY ended March 31, 2024 (Apr. 1 2023 to Mar. 31 2024)
Buildings and structures	-	61
Land	-	17
Total	-	79

### \*3 Loss on valuation of stocks of subsidiaries and affiliates and provision of allowance for doubtful accounts

(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.

(Fiscal year ended March 31, 2024)

As a result of taking into account the financial conditions, operating performance, etc. of AG Crowdfunding Co., Ltd. and AG Partners 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

(Millions of yen)

	FY ended March 31, 2023	FY ended March 31, 2024
Valuation difference on available-for-sale securities		
Amount during the period	86	275
Reclassification adjustment	(74)	(66)
Before tax effect adjustment	12	209
Tax effect	12	(49)
Valuation difference on available-for-sale securities	24	160
Foreign currency translation adjustment		
Amount during the period	579	594
Share of other comprehensive income of entities accounted for using equity method		
Amount during the period	0	0
Total other comprehensive income	604	754

## Notes to consolidated statements of change in shareholders' equity

### 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

(Millions of yen)

	Number of shares at beginning of FY	Number of shares increased during FY	Number of shares decreased during FY	Number of shares at end of FY
Shares issued				
Common stock	484,620,136	—	—	484,620,136
Total	484,620,136	—	—	484,620,136
Treasury shares		—		
Common stock	917,470	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	Jun. 8, 2023

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

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

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

(Outline of the reason for the change)

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

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. 24, 2023	Common share	483	1.00	Mar. 31, 2023	Jun. 8, 2023

(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
May 10, 2024	Common share	Retained earnings	483	1.00	Mar. 31, 2024	Jun. 6, 2024

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

	FY ended March 31, 2023 (Apr. 1, 2022 to Mar. 31, 2023)	FY ended March 31, 2024 (Apr. 1, 2023 to Mar. 31, 2024)
Cash and deposits Time deposit with maturity period of more than three months	43,251 (5,365)	56,917 (4,982)
Cash and cash equivalents	37,885	51,934

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, 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.

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, 2023 (Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
(1) Operating loans Allowance for doubtful accounts*2	614,229 (43,034) 571,195 136,559	652,510	81,315
(2) Accounts receivable-installment Deferred installment income*3 Allowance for doubtful accounts*2	(7,094) (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 Allowance for doubtful accounts*2	18,167 (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.

Category	Consolidated balance sheet amount
Operational investment securities and investment securities	9,154
(1)Unlisted shares	1,421
(2)Investments in limited liability investment partnerships, etc.	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 quality for hedge accounting are accounted for as part of long-term borrowings that are subject to hedging, their fair value is included in the fair value of such long-term borrowings.

Fiscal year ended March 31, 2024 (Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
(1) Operating loans Allowance for doubtful accounts*2	709,137 (51,776) 657,360 167,753	747,249	89,888
(2) Accounts receivable-installment Deferred installment income*3 Allowance for doubtful accounts*2	(12,854) (8,771) 146,127	163,643	17,515
(3) Operational investment securities and investment securities*1 Shares	3,060	3,930	870
(4) Claims provable in bankruptcy Allowance for doubtful accounts*2	15,131 (13,041) 2,090	2,090	—
Total assets	808,640	916,913	108,273
(1) Bonds	80,000	79,827	(172)
(2) Long-term borrowings*4	482,318	482,248	(70)
Total liabilities	562,318	562,075	(242)
Derivative transactions*4			
(i) Those qualified for hedge accounting	—	—	—
(ii) Those not qualified for hedge accounting	—	—	—
Total derivative transactions	—	—	—

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

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

\*2 The allowance for doubtful accounts of operating loans, accounts receivable-installment and claims provable in bankruptcy is deducted.  
\*3 Deferred installment income (liabilities account) on installment receivables is deducted.  
\*4 Since derivative transactions that quality for hedge accounting are accounted for as part of long-term borrowings that are subject to hedging, their fair value is included in the fair value of such long-term borrowings.

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

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.

Fiscal year ended March 31, 2024 (Millions of yen)

Category	Due within 1 year	Due within 1-5 years	Due after 5 years or more
Cash and deposits	56,917	—	—
Operating loans	271,463	436,489	1,184
Accounts receivable—installment	123,623	44,096	34
Total	452,004	480,585	1,219

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

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

Fiscal year ended March 31, 2023

Category	Due within 1 year	Due within 1-2 years	Due within 2-3 years	Due within 3-4 years	Due within 4-5 year	Due after 5 years or more
Bonds payable	—	30,000	15,000	—	—	—
Long-term Total	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

Fiscal year ended March 31, 2024

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

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, 2023

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

Category	Consolidated balance sheet amount			
	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	—	—	—	—



Fiscal year ended March 31, 2024

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

Category	Consolidated balance sheet amount			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities Shares	345	1,848	—	2,193

(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	—	—	747,249	747,249
(2) Accounts receivable-installment	—	—	163,643	163,643
(3) Operational investment securities and investment securities Shares	—	1,737	—	1,737
(4) Claims provable in bankruptcy	—	—	2,090	2,090
Total assets	—	1,737	912,983	914,720
(1) Bonds	—	79,827	—	79,827
(2) Long-term borrowings	—	482,248	—	482,248
Total liabilities	—	562,075	—	562,075
Derivative transactions				
(i) Those qualified for hedge accounting	—	—	—	—
(ii) Those not qualified for hedge accounting	—	—	—	—
Total derivative transactions	—	—	—	—

(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, 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.

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

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	2,101	645	1,456
Subtotal	2,101	645	1,456
Those whose consolidated balance sheet amount does not exceed purchase cost Shares	92	92	(0)
Subtotal	92	92	(0)
Total	2,193	737	1,456

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

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

(Millions of yen)

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

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

An impairment loss of ¥240 million was recognized for available-for-sale securities during the consolidated fiscal year under review.  
Impairment loss on securities is recognized when fair value has dropped 50% or more of the 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, 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.

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

1.Derivative transactions not qualified for hedge accounting

Not applicable

2.Derivative transactions qualified for hedge accounting

(Millions of yen)

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

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

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, 2023	FY ended March 31, 2024
Beginning balance of retirement benefit obligations	29	40
Service cost	8	9
Interest expense	0	1
Actuarial gain or loss	(2)	—
Retirement benefits paid	—	—
Prior service cost incurred during the period	—	—
Foreign currency translation adjustment	3	3
Ending balance of retirement benefit obligations	40	55

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

(Millions of yen)

	FY ended March 31, 2023	FY ended March 31, 2024
Funded retirement benefit obligations	—	—
Pension assets	—	—
Unfunded retirement benefit obligations	40	55
Net consolidated balance sheet amounts of liabilities and assets	40	55
Liabilities pertaining to retirement benefits	40	55
Assets pertaining to retirement benefits	—	—
Net consolidated balance sheet amounts of liabilities and assets	40	55

(3) Retirement benefit expenses and sub-items

(Millions of yen)

	FY ended March 31, 2023	FY ended March 31, 2024
Service cost	8	9
Interest expense	0	1
Amount of prior service costs recorded as expenses	—	—
Retirement benefit expenses pertaining to the defined benefit plan	9	11

(4) Matters regarding the basis of actuarial calculation

(Millions of yen)

	FY ended March 31, 2023	FY ended March 31, 2024
Major basis of actuarial calculation		
Discount rate	3.2%	3.2%

3. Defined contribution pension plan and prepaid retirement benefit plan (Millions of yen)

	FY ended March 31, 2023	FY ended March 31, 2024
Amount of prepaid retirement benefits	138	116
Amount of contribution to defined contribution pension	357	379
Other	4	13
Retirement benefit expenses	500	509

Notes on tax effect accounting

1. Breakdown of major factors of deferred tax assets and liabilities (Millions of yen)

	As of March 31, 2023	As of March 31, 2024
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	13,781	16,815
Provision for loss on interest repayment	5,392	3,582
Bad debt loss	2,735	2,824
Accrued income	1,136	1,131
Loss carried forward	34,491	27,867
Other	3,674	5,408
<b>Subtotal of deferred tax assets</b>	61,212	57,629
Valuation allowance for tax loss carryforwards *2	(29,290)	(22,598)
Valuation allowance for the sum total of deductible temporary differences, etc.	(16,431)	(14,302)
	(45,721)	(36,900)
<b>Subtotal of valuation allowances *1</b>	15,490	20,728
<b>Total deferred tax assets</b>		
<b>Deferred tax liabilities</b>		
Valuation difference on available-for-sale securities	(367)	(416)
Retirement cost corresponding to asset retirement obligations	(103)	(201)
Other	(8)	(6)
<b>Total deferred tax liabilities</b>	(478)	(623)
<b>Net amount of deferred tax assets</b>	15,012	20,105

\*1 Valuation allowance has decreased ¥8,820 million. This decrease mainly reflects the additional recording of deferred tax assets of ¥5,093 million due to a revision to the collectability of temporary differences and the writing off of tax loss carryforwards of ¥1,569 million (an amount multiplied by the effective statutory tax rate) from among the tax loss carryforwards incurred in the fiscal year ended March 2015, 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, 2023 (as of March 31, 2023)

	Less than 1 year	1-2years	2-3years	3-4years	4-5years	More than 5 years	Total
Tax loss carryforwards (a)	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	(b)5,201

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

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

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

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

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, 2023	As of March 31, 2024
Effective statutory tax rate		
(Adjustment)	30.5%	30.5%
Inhabitant tax on per capita basis	0.3	0.4
Entertainment expenses and other items permanently excluded from loss	0.4	(0.9)
Valuation allowances	(39.4)	(40.0)
Effects of the change in effective statutory tax rate	0.0	2.0
Effects of reorganization	0.1	—
Effect of foreign corporation tax included in deductible expenses	0.1	0.0
Share of profit (loss) of entities accounted for using the equity method	(0.2)	(0.1)
Expiry of time limit of loss carried forward	11.8	8.2
Difference in tax rate from that of parent company	(0.2)	0.5
Other	0.8	(0.6)
Burden rate of income taxes, etc., after application of tax effect accounting	4.2	0.0

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).

4. Revision of deferred tax assets and deferred tax liabilities due to change in corporate tax rate, etc. Due to changes in the tax law, pro forma standard taxation will be introduced in some consolidated subsidiaries from the fiscal year ending March 31, 2027. Accordingly, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 34.0 % to 30.0%. The effect of the change in the effective statutory tax rate is immaterial.



Notes on revenue recognition

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

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

	Reporting segment			(Millions of yen)	
	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	Other	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

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

	Reporting segment			(Millions of yen)	
	AIFUL Corporation	LIFECARD Co., Ltd.	Total	Other*1	Total
Member store commissions	—	10,078	10,078	438	10,517
Revenues related to its own point system	—	2,552	2,552	—	2,552
Annual card membership fees	—	3,751	3,751	—	3,751
Other	2,377	5,501	7,879	1,033	8,913
Revenue arising from contracts with customers	2,377	21,884	24,262	1,472	25,734
Interest on operating loans	76,323	3,721	80,044	15,355	95,400
Customer commissions	4	8,991	8,995	4,224	13,220
Revenue from credit guarantee*2	14,397	1,908	16,306	3,102	19,408
Collection from purchased receivables	—	—	—	1,341	1,341
Recoveries of written off claims	6,128	563	6,691	736	7,428
Other	0	1	2	573	576
Other revenue	86,405	15,186	112,040	25,334	137,374
Sales to external customers	99,231	37,071	136,303	26,806	163,109

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

\*2 Revenue from credit guarantee includes the following amounts earned through the liquidation of receivables. AIFUL Corporation: 1,060 million yen Other: 3,091 million yen Total: 4,151 million yen

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

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

(1) Balance of contract liabilities, etc.

	(Millions of yen)
	FY 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 previous consolidated fiscal year, 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 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 2,220 million yen. For said remaining performance obligations, revenues are expected to be recognized in the coming 60 months according to the use of points.

Fiscal year ended March 31, 2024

(1) Balance of contract liabilities, etc.

	(Millions of yen)
	FY ended March 31, 2023
Receivables arising out of contracts with customers (balance at beginning of term)	104
Receivables arising out of contracts with customers (balance at end of term)	166
Contract liabilities (balance at beginning of term)	3,721
Contract liabilities (balance at end of term)	3,558

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

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

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

Out of the revenues recognized in the consolidated fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the term stood at 3,086 million yen. The amount of revenues from the performance obligations fulfilled in the past recognized in the 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 2,070 million yen. For said remaining performance obligations, revenues are expected to be recognized in the coming 60 months according to the use of points.

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.

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

(Millions of yen)

	Shareholders'equity			Other *1	Total
	AIFUL Corporation	LIFECARD Co., Ltd.	Total		
Operating revenue					
Operating revenue from third parties	88,294	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 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	—	—	—	—	—
Infectious disease related costs	4	—	4	—	4
Loss on investments in silent partnership	—	—	—	16	16
Burden charge payment	—	0	0	—	0
Settlement payments	—	—	—	—	—
Extraordinary income	—	—	—	—	—
Gain on the sale of fixed assets	(—)	(—)	(—)	(—)	(—)
Extraordinary losses	14	233	248	—	248
Loss on valuation of investment securities	(—)	(—)	(—)	(—)	(—)
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.

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

(Millions of yen)

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

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

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



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, 2023	FY ended March 31, 2024
Reporting segment total	124,138	141,536
Operating revenue categorized as “other”	20,574	26,869
Inter-segment eliminations	(560)	(5,296)
Operating revenue posted in consolidated financial statements	144,152	163,109

(Millions of yen)		
Profit (loss)	FY ended March 31, 2023	FY ended March 31, 2024
Reporting segment total	31,939	25,362
Profit (loss) categorized as “other”	1,958	(2,377)
Inter-segment eliminations	(11,080)	(2,851)
Other adjustments	(473)	1,684
Profit attributable to owners of parent posted in consolidated financial statements	22,343	21,818

(Millions of yen)		
Assets	FY ended March 31, 2023	FY ended March 31, 2024
Reporting segment total	1,051,173	1,230,600
Assets categorized as “other”	143,976	211,439
Other adjustments	(124,664)	(175,665)
Total assets posted in consolidated financial statements	1,070,485	1,266,374

(Millions of yen)		
Liabilities	FY ended March 31, 2023	FY ended March 31, 2024
Reporting segment total	859,030	1,023,405
Liabilities categorized as “other”	127,656	196,857
Other adjustments	(95,794)	(155,300)
Total liabilities posted in consolidated financial statements	890,892	1,064,962

(Millions of yen)								
Other items	Reporting segment total		Other		Adjustments		Amount posted in consolidated financial statements	
	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024
Other items								
Provision of allowance for doubtful accounts *	27,394	36,450	9,083	16,705	(15)	(422)	36,461	52,733
Provision for bonuses	905	1,005	39	41	517	520	1,462	1,567
Depreciation	3,186	3,395	412	448	—	—	3,599	3,843
Interest on loans receivable	1,452	1,875	55	—	(1,489)	(1,791)	19	83
Foreign exchange gains	395	418	1	1	(192)	131	204	551
Share of profit of entities accounted for using equity method	—	—	—	—	184	63	184	63
Infectious disease related costs	4	—	—	—	—	—	4	—
Loss on investments in silent partnerships	—	—	16	—	—	—	16	—
Burden charge payment	0	4	—	—	—	—	0	4
Settlement payments	—	—	—	17	—	—	—	17
Extraordinary income	—	79	—	—	—	—	—	79
Gain on the sale of fixed assets	(—)	(79)	(—)	(—)	(—)	(—)	(—)	(79)
Extraordinary losses	248	467	—	1,529	(233)	(1,529)	14	467
Loss on valuation of investment securities	(—)	(47)	(—)	(—)	(—)	—	(—)	(47)
Loss on valuation of stocks of subsidiaries and affiliates	(164)	(420)	(—)	(—)	(149)	(—)	(14)	(420)
Loss on extinguishment of tie-in shares	(83)	(—)	(—)	(1,529)	(83)	(1,529)	(—)	(—)
Income taxes – current	1,833	3,331	1,516	1,450	—	225	3,349	5,007
Income taxes – deferred	(841)	(1,174)	(1,429)	(2,289)	(64)	(1,551)	(2,336)	(5,016)
Investments in entities accounted for using equity method	4,168	4,168	21	21	245	489	4,434	4,679
Increase in property, plant and equipment, and intangible assets	3,836	10,132	647	466	—	—	4,483	10,598

\* 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, 2023 (April 1, 2022 to March 31, 2023)

●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

●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.

●Information of major customers

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

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

●Information on products and services

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

●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.

●Information of major customers

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

[Information on impairment loss on non-current assets of the reporting segments]  
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, 2023 (April 1, 2022 to March 31, 2023)  
Not applicable.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)  
Not applicable.

●Per share information

FY ended March 31, 2023		FY ended March 31, 2024	
Net assets per share	364.01	Net assets per share	409.04
Profit per share	46.19	Profit per share	45.10

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

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

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Profit attributable to owners of parent	22,343	21,818
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent pertaining to common stock	22,343	21,818
Average number of shares of common stock during the period	483,702,593	483,797,192

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

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Total net assets	179,593	201,412
Amount deducted from total net assets	3,520	3,502
(Portion of non-controlling interest)	(3,520)	(3,502)
Net assets related to common stock at end of FY	176,072	197,909
Number of shares of common stock at end of FY used in the calculation of net assets per share	483,702,522	483,836,820

Important subsequent events

Business combination through acquisition of shares

The Company concluded the share transfer agreement to acquire all shares of BitCash Inc. on June 11, 2024.

We aim to complete the share acquisition by the end of July 2024.

●Outline of business combination

(1) Name and business of the acquired company

Name of acquired company: BitCash Inc.

Business: Issuance of prepaid electronic money, electronic payment service using electronic money

(2) Main reasons for business combination

BitCash Inc. is a fee-based business that does not require funds and the Company aims to increase revenue by expanding its share in the payments market, which has high profit margin.

(3) Date of business combination

The share acquisition date has not been determined as of now. It will be disclosed as soon as it is determined.

(4) Legal form of business combination

Acquisition of shares

(5) Corporate name following combination

No change

(6) Percentage of voting rights acquired

100.0%

(7) Main rationale for determining the company to acquire

This is due to the Company acquiring shares in exchange for cash.

Note:The acquisition of all shares of BitCash Inc. was completed on June 28, 2024.

●Acquisition cost of the acquired company and its breakdown

Consideration for acquisition	Cash	¥9,200 million
Acquisition cost		¥9,200 million

●Details and amounts of main acquisition-related costs

They have not been determined as of now.

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

They have not been determined as of now.

●Amounts of assets acquired and liabilities assumed on the date of business combination and their main breakdown

They have not been determined as of now.



# Consolidated Schedules

## Bonds schedule

Company name	Issue	Date of issue	Balance at April 1, 2023 (Millions of yen)	Balance at March 31, 2024 (Millions of yen)	Interest rate(%)	Security	Maturity date
The Company	64th unsecured straight bond	July 15, 2022	30,000	30,000	0.940	Unsecured	June 14, 2024
	65th unsecured straight bond	December 14, 2022	15,000	15,000	0.970	Unsecured	December 12, 2025
	66th unsecured straight bond	June 13, 2023	—	15,000	0.870	Unsecured	June 12, 2026
	67th unsecured straight bond	January 26, 2024	—	20,000	0.900	Unsecured	January 26, 2027
Total		—	45,00	80,000 (30,000)	—	—	—

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	35,000	—	—

## Borrowings schedule

Category	Balance at April 1, 2023 (Millions of yen)	Balance at March 31, 2024 (Millions of yen)	Average interest rate (%)	Repayment due date
Short-term borrowings (including short-term borrowings of subsidiaries and associates)	71,316	102,587	1.85	—
Commercial paper	12,000	—	—	—
Current portion of long-term borrowings	183,832	233,660	1.02	—
Current portion of lease obligations	1,073	464	—	—
Long-term borrowings (excluding the current portion)	249,087	248,657	0.93	From April 2025 to June 2028
Lease obligations (excluding the current portion)	694	243	—	From April 2025 to June 2028
Total	518,004	585,614	—	—

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	156,551	71,605	14,432	5,321
Lease obligations	194	28	19	2

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

# Others

## Quarterly information for the consolidated fiscal year under review

(Millions of yen)

Category	First three months	First six months	First nine months	FY ended March 31, 2024
Operating revenue	38,665	79,092	121,518	163,109
Profit before income taxes	3,408	7,261	16,197	21,493
Profit attributable to owners of parent	2,968	6,609	14,424	21,818
Profit per share (yen)	6.14	13.66	29.82	45.10

(Millions of yen)

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share (yen)	6.14	7.53	16.15	15.28

## Non-Consolidated Balance Sheets

	(Millions of yen)	
	2023/3	2024/3
<b>Assets</b>		
Current assets		
Cash and deposits(Note 1)	20,826	21,141
Operating loans(Notes 1,2,4 and 5)	495,446	557,786
Accounts receivable-installment(Note 1)	185	162
Customers' liabilities for acceptances and guarantees(Note 4)	184,541	218,459
Other operating receivables(Note 4)	11,326	14,198
Prepaid expenses	407	364
Accrued income(Note 4)	3,562	3,840
Other	9,298	9,793
Allowance for doubtful accounts(Note 6)	(39,854)	(45,930)
Total current assets	685,740	779,817
Non-current assets		
Property, plant and equipment		
Buildings(Note 1)	13,008	13,018
Accumulated depreciation	(9,322)	(8,959)
Buildings, net(Note 1)	3,686	4,059
Structures(Note 1)	819	739
Accumulated depreciation	(679)	(622)
Structures, net(Note 1)	139	117
Machinery and equipment(Note 1)	146	146
Accumulated depreciation	(139)	(141)
Machinery and equipment, net(Note 1)	7	5
Vehicles	0	1
Accumulated depreciation	(0)	(0)
Vehicles, net	0	0
Furniture and fixtures(Note 1)	3,479	3,537
Accumulated depreciation	(2,993)	(3,067)
Furniture and fixtures, net(Note 1)	486	470
Land(Note 1)	6,810	6,726
Leased assets	1,194	1,194
Accumulated depreciation	(708)	(899)
Leased assets, net	486	295
Construction in progress	42	1,003
Total property, plant and equipment	11,659	12,678
Intangible assets		
Software	2,289	2,241
Software in progress	1,832	6,970
Other	79	73
Total intangible assets	4,201	9,285
Investments and other assets		
Investment securities	1,279	1,281
Shares of subsidiaries and associates	34,766	25,660
Long-term loans receivable from subsidiaries and associates	83,645	141,423
Claims provable in bankruptcy(Note 4)	11,676	7,645
Long-term prepaid expenses	307	231
Deferred tax assets	10,471	12,088
Lease and guarantee deposits	1,183	1,279
Other	374	347
Allowance for doubtful accounts	(10,437)	(6,436)
Total investments and other assets	133,267	183,521
Total non-current assets	149,127	205,486
Total assets	834,868	985,303

	(Millions of yen)	
	2023/3	2024/3
<b>Liabilities</b>		
Current liabilities		
Acceptances and guarantees	184,541	218,459
Short-term borrowings(Note 1)	3,550	36,800
Short-term loans payable to subsidiaries and associates	1,734	959
Commercial papers	12,000	—
Current portion of bonds	—	30,000
Current portion of long-term borrowings(Note 1)	177,585	222,002
Lease obligations	209	191
Trade accounts payable	5,412	5,034
Accrued expenses	647	770
Income taxes payable	1,418	3,045
Allowance for bonuses	1,482	1,598
Allowance for directors bonuses	39	—
Provision for share-based remuneration	44	51
Other	539	661
Total current liabilities	389,206	519,575
Non-current liabilities		
Bonds payable	45,000	50,000
Long-term borrowings(Note 1)	241,916	237,222
Lease obligations	328	136
Provision for loss on interest repayment	14,943	9,948
Asset retirement obligations	2,013	2,397
Other	799	800
Total non-current liabilities	305,001	300,505
Total liabilities	694,207	820,080
<b>Net Assets</b>		
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	96	145
Other retained earnings		
Retained earnings brought forward	49,098	73,155
Total retained earnings	49,195	73,300
Treasury shares	(3,110)	(2,655)
Total shareholders' equity	140,165	164,726
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	494	496
Total valuation and translation adjustments	494	496
Total net assets	140,660	165,222
Total liabilities and net assets	834,868	985,303

## Non-Consolidated Statements of Income

	(Millions of yen)	
	2023/3	2024/3
Operating revenue		
Interest on operating loans	67,596	76,323
Other financial revenue	0	0
Other operating revenue		
Revenue from credit guarantee	12,447	14,397
Recoveries of written off claims	6,357	6,128
Other	2,048	7,017
Total other operating revenue	20,852	27,543
Total operating revenue	88,449	103,867
Operating expenses		
Financial expenses		
Interest expenses	4,078	4,053
Interest on bonds	429	568
Other	736	684
Total financial expenses	5,245	5,306
Other operating expenses		
Advertising expenses	14,097	13,937
Commissions	6,449	6,842
Provision of allowance for doubtful accounts	22,406	31,172
Employees' salaries, allowances and bonuses	6,657	7,327
Provision for bonuses	876	978
Retirement benefit expenses	306	315
Welfare expenses	1,665	1,851
Depreciation	1,745	1,884
Other	9,871	9,911
Total other operating expenses	64,076	74,221
Total operating expenses	69,322	79,527
Operating profit	19,127	24,339
Non-operating income		
Interest on loans(Note 1)	1,387	1,805
Foreign exchange gains	392	417
Dividend income	10,831	37
Other(Note 1)	489	554
Total non-operating income	13,100	2,814
Non-operating expenses		
Provision of allowance for doubtful accounts	3	—
Infection-related expenses	4	—
Other	6	6
Total non-operating expenses	15	6
Ordinary profit	32,213	27,147

	(Millions of yen)	
	2023/3	2024/3
Extraordinary income		
Gain on the sale of fixed assets(Note 2)	—	79
Total extraordinary income	—	79
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates(Note 3)	14	420
Provision of allowance for doubtful accounts(Note 3)	453	186
Total extraordinary losses	468	606
Profit before taxes	31,744	26,620
Income taxescurrent	1,526	3,238
Income taxesdeferred	(809)	(1,617)
Total income taxes	716	1,621
Profit	31,028	24,998



# Corporate Overview



## Group Companies

	Unsecured consumer loan/Small business loan /Credit guarantee
	Credit card/Prepaid card/Credit guarantee Receiving agent service
	Small business loan/Secured loan/Factoring
	Venture capital business
	Debt collection (Servicer)/Restructuring
	Receiving agent service / Installment credit sales / Post-pay settlement business
	Corporate turnaround & restructuring
	Medical loan secured by medical fee receivables
	Social lending
	Leaseback service
	Secured loan
	Guarantee (Rent liabilities)
	Small Amount Short-Term Insurance
	Various Business System Development/Web Site Creation・Web App Development/Infrastructure Construction/Test/ Validation
	System Development / Maintenance and Operation / Web Design / Sales Consulting Service / Data Input Service
	IT consulting services / Application development / Network construction and operation / Infrastructure construction
	Issuance of prepaid electronic money / Electronic payment service using electronic money
	Consumer finance (Thailand)
	Used car loans (Indonesia)

# Corporate Overview (As of March 31, 2024)

Corporate Name	AIFUL CORPORATION
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Date of Establishment	April 1967
Paid-in Capital	¥94,028 million
Fiscal Year End	March 31
Fiscal Year	April 1 to March 31
Business Outline	Consumer Finance Business, Small Business Loan Business, Credit Guarantee Business
Industrial Classification	Other Financing Business
Stock Listing	Tokyo Stock Exchange, Prime Market
Securities Code	8515
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited
Independent Auditor	Deloitte Touche Tohmatsu LLC
Number of Employees	Non-consolidated 1,229 (As of March 31, 2024) Consolidated 2,470 (As of March 31, 2024)

# Stock Information

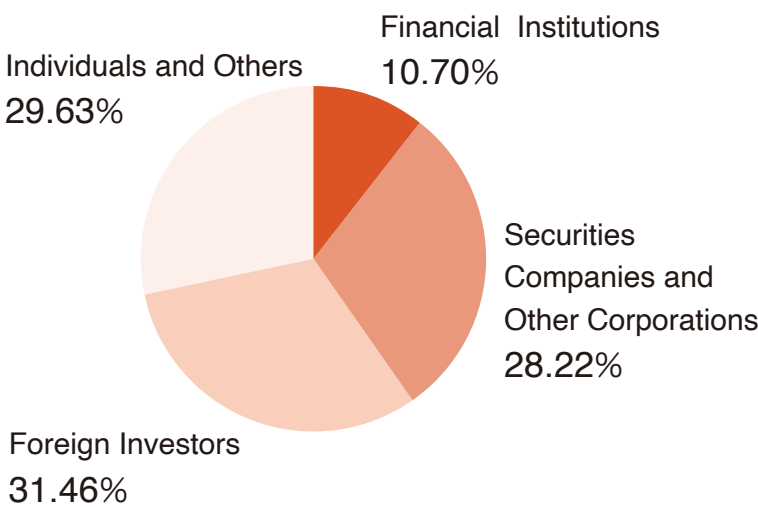
(As of March 31, 2024)

Total Number of Shares Authorized: 1,136,280,000  
Total Number of Shares Issued: 484,620,136  
Number of Shareholders: 19,215

## Principal Shareholders

Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding (%)
AMG Co., Ltd.	94,814	19.56
Mitsuhide Fukuda	62,172	12.83
The Master Trust Bank of Japan, Ltd. (trust account)	39,270	8.10
Marutaka Co., Ltd.	24,543	5.06
JP MORGAN CHASE BANK 385632	23,772	4.91
MSIP CLIENT SECURITIES	19,726	4.07
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	15,879	3.28
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	10,221	2.11
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	8,361	1.73
Custody Bank of Japan, Ltd. (trust account)	8,269	1.71

## Composition of Shareholders



## Contact Information

I.R. Section  
Tokyo Office

2-31-19 Shiba, Minato-ku,  
Tokyo 105-0014, Japan  
TEL: +81-3-4503-6050  
E-mail: [spokesperson@aiful.co.jp](mailto:spokesperson@aiful.co.jp)