May 13, 2025

AIFUL CORPORATION
FY2025/3 Results Briefing
<Minutes of Q&A Session>

This is a summary of the questions received
at the financial results briefing held on May 13, 2025.

[Company participants]

Mitsuhide Fukuda	(President and Representative Director, CEO)
Toshiaki Ando	(Managing Executive Officer Responsible for the Operation Management Department (Investor Relation Section))
Ikumi Abe	(General Manager of Operation Management Department)

Q&A Categories:

✓ FY2025/03 Business Results
✓ FY2026/03 Forecast
✓ Medium-Term Management Plan 2024
✓ M&A
✓ Loan Business
✓ Group Companies
✓ Capital Policy
✓ Other Topics

[FY2025/03 Business Results]

Q: Please summarize the FY2025/03 results, particularly the factors behind the upside in profit.
A: We do not view the results as an upside but rather as being in line with expectations. While there were concerns about net profit attributable to owners of the parent at the end of third quarter, these were resolved thanks to stabilized collections at AIFUL.

Q: During the third quarter briefing, there were concerns about progress toward the full-year net profit plan. Is it correct to say that these concerns have been resolved in fourth quarter?
A: Yes, while concerns remained at that time, stabilization in early-stage collections was reflected in the fourth quarter results.

[FY2026/03 Forecast]

Q: Regarding the ¥30.0 billion target for FY2026/03, what are the main differences from the initial plan, considering the underperformance of A&A and other factors?
A: The major changes are as follows:
Negative factors:
- A&A is undergoing a transformation toward a leaner business model under a revival plan. Initially planned to generate ¥1.1 billion in ordinary profit, it is now expected to post a loss of around ¥0.6 billion, resulting in a ¥1.7 billion negative swing.
- AIFUL is expected to underperform the original forecast by around ¥1.0 billion.

Positive factors:
- AG Business Support is expected to contribute over ¥1.0 billion in ordinary profit.
- AG Payment Services is expected to exceed its initial ordinary profit target of ¥3.1 billion, reaching close to ¥4.0 billion.

Q: You mentioned that AIFUL’s ordinary profit plan for FY2026/03 is about ¥1.0 billion below initial plan. Is this primarily due to higher financing and personnel costs?
A: Yes, those are the primary reasons.

Q: Is the FY2026/03 plan based on the collection trends observed in the second half of FY2025/03, or is it conservatively set?
A: The plan is based on current trends, and we have not factored in any conservative assumptions at this time.

[Medium-Term Management Plan 2024]

Q: How confident are you in achieving the FY2027/03 ordinary profit target of ¥42.0 billion?
A: We believe the target is fully achievable.

Q: Given that the current trajectory seems tight for meeting the final year’s profit target, can you comment further on the upside and risks?
A: Financing and personnel costs are rising faster than expected. To counteract this, we plan to increase the number of store closures beyond initial projections and adjust accordingly.

Q: While cost reductions are progressing, overall costs are rising across industries. Given this, do you see room for further cost-cutting beyond what’s already planned?
A: We anticipated rising interest rates and personnel costs when drafting the Medium-term Management Plan a year ago, but the actual impact was stronger than expected. While we achieved the FY2025/03 targets, we do not see them as an overperformance. Given that financial and personnel costs are expected to continue rising, we plan to focus on other areas for cost reduction. Specifically, we will accelerate closures of unmanned branches and continue other feasible cost-reduction measures.

[M&A]

Q: M&A only amounted to ¥10.0 billion this year. Was this due to a focus on PMI or just timing?
A: After the acquisition of BitCash, we pursued several deals larger in scale than BitCash, but ultimately were unable to close them—something we recognize as an area for improvement. While we have set an M&A target of ¥60.0 billion and maintain a diverse pipeline, we would like to emphasize that we are neither halting nor stagnating in our efforts. Please understand that we are working diligently on this front.

Q: Page 11 of the presentation mentions “targets with potential for value enhancement” in M&A. Does this mean you are looking to exit businesses post-enhancement, or are you targeting undervalued companies with room to improve?
A: We faced financial difficulties in the past due to interest repayment claims, and we take pride in having carried out our own business restructuring. We are targeting companies where we see potential for cost reductions. We aim to consolidate operations and reduce intermediary costs through roll-up.

Q: Has the quality of your M&A pipeline improved? With stronger appetite, are better deals coming through?
A: Pipeline quality is generally unchanged. We believe successful deals require time and effort. Out of 10 deals, only one is usually promising. We believe that the best deals are those we proactively target and build by working closely with affiliated companies and financial institutions.

[Loan Business]

Q: New customer acquisition remains strong. With the post-COVID pent-up demand behind us, what is driving the industry's ability to acquire 300,000 new accounts annually?
A: We believe the primary driver is the increase in overall advertising spending across the market. Previously, total ad spending across competitors was around ¥12.0 billion. As we improved our acquisition efficiency, other companies followed suit by raising their advertising budgets, leading to a market-wide increase. Since affiliate advertising—where fees are paid per acquisition—is common in our industry, the results are directly visible. Additionally, although this is just my personal view, I believe that the entry of new players, such as bank card loans and companies from other sectors, has contributed to greater public awareness.

Q: If CPA hasn't increased significantly despite higher advertising costs, do you think you should have ramped up your advertising costs earlier?
A: Due to the Interest repayment issues in the past, we were not in a position to spend aggressively on advertising. We gradually caught up to competitor levels, which in turn led them to increase their spend again, resulting in the current CPA level. Targeting a specific CPA is challenging. For example, given our current level of profitability, increasing advertising and promotional expenses to ¥20 billion would push back profitability by approximately five years, making it an impractical strategy. From a financial capacity standpoint as well, we believe the current spending level represents our upper limit.

Q: New acquisition excluding small amount trial loans showed slight YoY growth in FY2025/03. What led to the more conservative FY2026/03 plan showing YoY declines in acquisitions?
A: From second quarter onward, there were two months in which new acquisition targets were not met. Public credit information data show that loan application numbers have returned to pre-COVID levels. Based on this, we determined that even if we pushed harder, meaningful gains would be difficult, leading to a more cautious plan. On the other side, we saw solid acquisition results in April, so we will continue monitoring the market.

Q: It appears that lending to existing customers was strong in fourth quarter. Are there any signs of increased funding demand or structural change in demand?
A: We didn't observe any particular change in demand. Compared to our competitors, a larger portion of our loan balance comes from newly acquired customers, so the average customer loan balance is lower. Since we increase credit limits based on tracked usage data after new contracts are signed, we have a structure in place that allows for gradual limit increases over time, which should lead to a rise in the average loan amount per customer.

Q: Rising personnel costs can be seen as part of broader inflation. While cost control is difficult, are there any positive effects of inflation, such as increased loan balances?
A: Your point is valid. However, our forecast is based on current figures, and we have not factored in the impact of inflation. While similar trends have occurred in the past, we expect any inflation-driven increase in loan balances to emerge gradually.

[Group Companies]

Q: What are your views on the future of A&A and LIFECARD? If A&A fails to achieve profitability by the end of the medium-term management plan, would you consider a fundamental decision such as withdrawal? As for LIFECARD, you have been serving as President for the past five years, during which I believe significant resources have been allocated to the business. However, this year's profit plan appears disappointing. Could you share your thoughts, including any criteria you might consider for a potential withdrawal?
A: We are constantly mindful of the possibility of withdrawing from unprofitable subsidiaries. In the case of LIFECARD, the market itself is growing, so we're focusing on whether GMV (gross merchandise value) increases. For A&A, substantial cost reductions such as personnel cost cuts have already been made under the revival plan. We have communicated internally that if it still fails to generate

profit, we will consider withdrawing. From a portfolio management perspective, we need to continuously evaluate our subsidiaries.

Q: While performance in AG Payment Services remains strong, there’s been an increase in bankruptcies among merchants. What is your view on credit cost impact and future growth in receivables?
A: We constantly monitor internal data and news related to the aesthetic medicine and beauty salon industries, which are our key target sectors. While some bankrupt merchants have had their customers absorbed by alternative providers, the current increase in bankruptcies has not had a significant direct impact on our credit costs. There have also been no bankruptcies among major merchants.
Although our receivables continue to grow steadily, we are internally assessing potential risks and reviewing our industry portfolio. Going forward, we aim to diversify our exposure across sectors.
In addition, we recognize that our approach to the “C” in the B-to-B-to-C model (customers) has room for improvement. Therefore, this fiscal year, we plan to strengthen our customer management efforts and pursue strategies that enable cross-selling of our products.

Q: You mentioned expanding AG Payment Services into new sectors. Can you share which industries you’re targeting?
A: We are envisioning large sectors such as education-for example, the growing number of self-learning and private school-type programs. These tend to be high-ticket services where consumer credit companies have not yet taken significant risks. Leveraging the credit assessment capabilities that we have developed; we intend to take on calculated risks in these areas.

[Capital Policy]

Q: What was the background behind your decision to increase dividends this time?
A: In our business, we maintain a minimum equity ratio of 15% after considering risk. Last year, despite a credit rating upgrade, our surplus equity was only around ¥2.0 billion. If we had used that for dividends, it would’ve meant a ¥5/share payout, with a yield of only around 1%. Therefore, we opted to express shareholder returns through total payout ratio and chose share buybacks, factoring in M&A. However, given the recent market trend and increase in dividends by other companies, as well as our growing confidence in achieving the medium-term management plan and the importance of share price in M&A, we made a comprehensive decision to increase dividends. From a dividend yield standpoint, this also serves as a downside hedge, aligning both market and management perspectives.

Q: You are targeting a total shareholder return of approximately 20%. Is it correct to understand that dividends will remain the main method of shareholder return next fiscal year as well?
A: While we do not plan to reduce dividends, we have not yet determined the policy for shareholder returns next fiscal year, including whether we will increase dividends or conduct share buybacks.
We will assess the business environment and market conditions at that time and select the most appropriate method and amount for shareholder returns, including TSR and payout scale.

Q: I understand share buybacks are intended primarily as a signal when the stock price is undervalued, not necessarily to boost EPS or ROE. If surplus funds become available in the future, will you only execute buybacks when the stock is low?
A: From the perspective of our 10-year growth outlook, we believe the current share price is low. If we continue to advance our M&A strategy and diversify into new sectors, valuation multiples may also change.
That said, we do not automatically conduct share buybacks simply because the share price is low.
In around 2007, we issued ¥102 billion in MSCBs to strengthen our capital base during a period of crisis. We understand that a portion of those shares remains in the market today.
That doesn’t mean we intend to repurchase all of them. While I have personal thoughts on the matter, it does not affect our decision-making between dividends and buybacks. We will make that judgment based on market conditions at the time.

[Other Topics]

Q: President Fukuda, do you have a view on what would be an appropriate share price level?
A: Our current PER ratio is around 8x, and we would like to reach around 15x, which is the average for the Tokyo Stock Exchange.
That said, we recognize that our current share price reflects how the market evaluates us. Our focus is on building a company whose profit growth the market can believe in.

Q: Regarding IT personnel, how are the newly hired engineers contributing? What kind of impact have they had on cost reduction efforts?
A: Our core system development vendor has around 300 engineers, with a unit cost of ¥800,000 to ¥1 million per person per month.
In contrast, employees of the SES subsidiary we acquired through M&A have annual salaries of ¥4–5 million, resulting in cost savings.
In addition, we are now developing smartphone apps in-house, which has led to faster development and higher productivity.

Q: When replacing external system development vendors with in-house engineers, have you been able to maintain quality?
A: Yes, we believe we have. At the coding level, we are leveraging AI and other tools to fully replace external vendors, and have achieved greater efficiency in the process.