August 8, 2025

AIFUL CORPORATION
Q1 FY2026/3 Results Briefing
<Minutes of Q&A Session>

This is a summary of the questions received
at the financial results briefing held on August 8, 2025.

[Company participants]

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:
- ✓ Q1 FY2026/3 Business Results
- ✓ Medium-Term Management Plan 2024
- ✓ M&A
- ✓ Loan Business
- ✓ Group Companies
- ✓ Other Topics

[Q1 FY2026/03 Business Results]

Q. Both operating profit and ordinary profit exceeded the first-half plan, suggesting stronger-than-expected progress. What were the factors behind this?

A. The credit cost progressed favorably, and certain expenses such as financial costs and system-related fees were deferred to later periods. However, at this stage, we view overall progress as broadly in line with the plan.

Q. The first-half net profit attributable to owners of the parent is planned at 9 billion yen. Based on the first-quarter ordinary profit progress, it appears that extraordinary income or losses may be planned for the second quarter or beyond. Is that the case?

A. There are no plans to record extraordinary income or losses. As a note, due to the decrease in carryforward tax losses, there has been a reversal of deferred tax assets, but we expect that the difference in the proportion of ordinary profit and net profit will gradually close toward the end of the fiscal year due to an increase in taxable income.

Q. Credit guarantee appears strong while credit card business seems somewhat weaker. Is the progress in total operating receivables in line with the plan?

A. While there are slight differences in progress among individual companies, on a consolidated basis, it is proceeding smoothly. At the individual company level as well, AIFUL's loan and credit guarantee businesses and AG Payment Service's installment receivables are all progressing as planned.

[Medium-Term Management Plan 2024]

Q. The medium-term management plan states a reduction of 2 billion yen by closing 150 stores, but why is the expected effect only 2.5 billion yen for closing all stores? What about the impairment loss?

A. We expect a reduction effect of 2.5 billion yen compared to the FY2024/3. We are currently estimating the impairment loss.

Q. Closing over 150 stores is projected to reduce costs by 2 billion yen, while closing all stores would reduce costs by 2.5 billion yen. Why does the impact not align proportionally?
A. The reduction effect from closing over 150 stores in the medium-term management plan is the cumulative reduction amount over three years. The reduction effect from the policy of closing all stores is the single-year reduction amount compared to the FY2024/3.

Q. What concerns or risks are anticipated regarding the target of 42 billion yen in ordinary profit for the next fiscal year?
A. There is a gap in personnel expenses and financial costs compared to when the medium term management plan was created. Personnel expenses have been updated in the current and next year's plans, primarily to reflect base salary increases. Financial costs assumed two interest rate hikes in the previous fiscal year, which went largely according to plan; however, the 3-month Tibor, which serves as the base rate for indirect procurements, increased earlier than expected, leading to a slight increase. These points have been incorporated into the current and next year's plans, so there are no issues. On the cost side, credit cost can also be a potential risk, but currently, they are stable. On an individual company basis, while LIFECARD and Aira & Aiful are in a phase of upfront investment or restructuring, AG Business Support and AG Payment Service are performing well and contributing to consolidated profits, so we do not see any significant risks.

[M&A]

Q. Progress toward the 60billion yen target does not appear substantial. What is the current status of M&A?
A. While there have been no large-scale transactions, we completed the acquisition of two SES companies in the Q1. As noted in the subsequent events section of the Financial Result, we also signed a share transfer agreement for an auto loan company in Indonesia. We are continuing to explore roll-up opportunities in loans and guarantees, both domestically and internationally.

Q. Will the M&A plan of 60 billion yen definitely be fully utilized?
A. Execution is contingent on the quality of the deals, not the amount. We are also considering transactions on the scale of several tens of billions of yen, and based on our current pipeline, we do not see the 60billion yen target as unattainable.

[Loan Business]

Q: The non-performing loan (NPL) ratio for AIFUL has decreased from the 16% range last fiscal year to 15% this fiscal year. What are the factors behind this improvement and what is the outlook going forward?
A. Since around 2014, we reached the bottom and aimed to expand our loan balances by acquiring new customers at a level comparable to industry peers. As a result, the proportion of new customers to the loan outstanding was high. However, as the balance expanded, the share of new customers has gradually declined, leading us into a phase of declining NPL ratios.

Q. The reserve ratio against the loan balance has also fallen to 5.6%. While asset quality appears to be improving, how much further do you expect the reserve ratio to decline?
A. As we remain in a balance growth phase, with the share of new customers declining and the average loan amount expected to rise, there is room for further decline. The majority of NPLs consist of restructured receivables, and the charge-off rate for these has been running at a low level. By reviewing the reserve ratio in line with the trend, we expect greater stability. (We refrain from disclosing specific numerical targets.)

Q. The use of additional credit limits in the loan business is increasing; how do you view demand among existing customers?
A. Utilization of additional limits is highest shortly after initial use. One of our strengths is the ability to

identify the gap between a customer’s credit limit and outstanding balance, and to provide limit increase offers at the optimal timing. Increased use of additional limits by high-quality customers is expected to further reduce the NPL ratio.

Q. How do you view the current delinquent loan ratio, and is there room for further decline?
A. The delinquent loan ratio remains low at present, supported by the declining share of new customers. While we do not expect a significant further decline, we continue to improve collection efficiency through measures such as sending SMS (as a reminder) and automated calls for early-stage collections. We understand that this question reflects concerns about our relatively high NPL ratio compared with peers; however, differences in the share of new customers, the nature of settlement loans, and the length of write-off periods account for this, and we see no problem.

Q. The planned customer acquisition cost (CPA) for AIFUL is 48,000 yen, compared with 47,000 yen in the Q1. Is it fair to say performance is on track?
A. Both the number of new customers acquired and advertising expenses are progressing in line with the plan, so performance is on track.

[Group Companies]

Q. For Aira&Aiful, personnel and store reductions have been implemented, yet the PL impact appears limited. Is this due to factors such as disposal losses or overtime premiums? Also, when will the business reach break-even?
A. The current 90+ day delinquency rate is at 1.2%, which is around the break-even level. While achieving profitability in the current fiscal year will be difficult, we expect the loss to narrow compared with the plan.

Q. LIFECARD and AG Medical appear to be progressing well against plan. Is that correct?
A. AG Medical is performing very well on the sales front, in line with plan. LIFECARD's gross merchandise value (GMV) is steadily expanding, with growth in revolving and installment balances that carry higher interest rates, driving a solid increase in the top line.

Q. Could you elaborate on why LIFECARD and AG Medical show high profit progress relative to plan?
A. While LIFECARD's profit progress is high, the medium-term management plan includes consistent advertising-related investments, so we expect to land in line with plan. For AG Medical, the average loan amount is high, which means that any loan defaults would result in significant costs; however, at present performance is broadly in line with plan, and depending on the level of defaults, there is potential for an upside in profits.

Q. Are AG Business Support's profits and credit cost progressing as planned? Given that SMEs are the main customers, is there any risk from inflation or tariffs becoming evident?
A. Profit is on track with plan. In particular, factoring is performing well, and the upgrade of our customer systems has led to an increase in usage. As of now, we have not detected any risks related to tariff impacts.

Q. What level of cost reduction effect does Aira&Aiful anticipate for Q2, and are there any plans to record additional extraordinary losses?
A. We have already recorded approximately 100 million yen in extraordinary losses related to restructuring in Q1, and we do not have plans for additional extraordinary losses. Since the reductions took place from January to March, the effects will emerge in Q2 and beyond, but I cannot provide a specific amount. However, the current collection environment is improving, and we aim to reduce the deficit in ordinary profit.

[Other Topics]

Q. In the presentation materials on page 16, are you aiming for full scratch development for the core system as well, in line with the image of full scratch development?

A. Ultimately, we aim to develop the core system from scratch as well, but as part of the process, we will first establish the development environment for missing components. We cannot specify a concrete timeline for achieving the target state.

Q. The presentation materials on page 8 mention that you have acquired two SES companies, but have you not yet reached a full scratch system?

A. The target vision is to have around 1,000 engineers, but we currently have only about one-third of that. We will need to continue fulfilling our engineering capacity. I believe the current target indicator of 25% for engineer occupancy needs to be revised according to the current situation.

Q. Are there any seasonal cost fluctuations for expenses such as credit costs and advertising expenses?

A. Credit costs do not have significant seasonal factors and will gradually decrease in the second half of the year. Advertising expenses may vary based on demand months, but they are planned to remain within a controllable range.

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