



(Translation for reference only)

August 10, 2016

Consolidated Business Results (Under Japanese GAAP) For the First Quarter of Fiscal year ending March 31, 2017

Company name: AIFUL Corporation
 Stock Listing: Tokyo Stock Exchange
 Stock Code: 8515
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 Scheduled date of commencement of dividend payments : —
 Scheduled date of submission of financial report: August 12, 2016
 Supplementary materials for the Quarterly Financial results: Yes
 Quarterly earnings release conference: —

I. Consolidated Business Results for the First Quarter of Fiscal Year 2016 (April 1, 2016 – June 30, 2016)

1. Consolidated Operating Results

Note: Amounts in financial statements and the supplementary data are rounded down.

(In millions of yen, except where noted; percentage figures show year-on-year change.)

	Operating Revenue		Operating Income		Ordinary Income		Net Income attributable to owners of parent	
1st quarter of FY 2016	22,210	2.3%	1,593	(51.9)%	1,487	(56.0)%	1,589	(53.4)%
1st quarter of FY 2015	21,716	0.3%	3,311	(3.4)%	3,382	0.4%	3,413	(4.8)%

Reference: Comprehensive income: 1st quarter of FY 2016: 1,416 million yen (55.0)%
 1st quarter of FY 2015: 3,149 million yen (15.5)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
1st quarter of FY 2016	3.29	3.29
1st quarter of FY 2015	7.07	7.06

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
1st quarter of FY 2016	582,973	105,716	18.0
FY2015	567,514	104,250	18.2

Reference: Shareholders' equity for: 1st quarter of FY 2016: 104,868 million yen
 End of FY 2015: 103,414 million yen

II. Dividend Information

(Record date)	Dividend per share (Yen)				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
FY2015	—	0.00	—	0.00	0.00
FY2016	—	—	—	—	—
FY2016 (Forecast)	—	0.00	—	0.00	0.00

Note: Revisions to quarterly dividend forecasts: None

III. Consolidated Forecast for the Fiscal Year 2016 (April 1, 2016 – March 31, 2017):

(In millions of yen, except where noted; Percentage figures show year-on-year change.)

	Operating Revenue		Operating Income		Ordinary Income		Net income attributable to owners of parent		Net Income per Share (Yen)
First half	45,100	4.7%	2,600	(44.3) %	2,600	(45.8) %	2,600	(46.4) %	5.38
Full year	92,400	5.3%	7,000	4.9%	7,000	2.0%	6,800	(3.5) %	14.08

Note: Revisions to consolidated earnings forecasts: None

IV. Other

- (1) Significant changes in scope of consolidation: None
- (2) Adoption of special accounting methods for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatements
 - (a) Changes in accounting policies due to revisions in accounting standards: None
 - (b) Changes in accounting policies other than those in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Restatements: None
- (4) Number of shares issued (Common stock)

(a) Number of shares issued (including treasury stock)	FY2016 1Q	484,192,036 shares	FY2015	483,794,536 shares
(b) Number of treasury stock	FY2016 1Q	916,890 shares	FY2015	916,890 shares
(c) Average number of shares	FY2016 1Q	482,956,724 shares	FY2015 1Q	482,616,382 shares

* (Note: Indication regarding the implementation status of quarterly review procedures)

While this Summary of First Quarter Business Results is not subject to quarterly review procedures under the Financial Instruments and Exchange Act, quarterly review procedures of quarterly consolidated financial statements had in fact been completed in accordance with the Financial Instruments and Exchange Act as of the date this Reports release.

* (Note: Disclaimer concerning the proper use of business results forecasts)

The business results forecasts and other forward-looking statements contained in this Report are based on information currently available to the Company as well as certain assumptions that the AIFUL Group has judged to be reasonable. Accordingly, readers are advised that actual results may vary materially from forecasts due to a variety of factors.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

In the current first quarter on a consolidated basis, Japanese economy experienced a gradual recovery as a result of positive economic policies adopted by the government. However, the outlook for the economy remain uncertain, due to the slowdown of the economic of China and other emerging nations in Asia and confusion in the European countries.

In the consumer finance industry, the number of new contracts remained solid, mainly because of aggressive advertising by major players, and the operating loan balance recovered steadily.

Although the industry's biggest risk, interest repayment claims, is steadily trending downwards after hitting a peak, leaving the future outlook still unpredictable.

In this environment, while dealing with principal management issue interest repayment claims, the AIFUL Group is making Group-wide efforts to increase the number of new contracts and the operating loan balance to strengthen its revenue base.

Going forward, while dealing with interest repayment claims, the AIFUL Group will continue working to further increase the number of new contracts concluded and the operating loan balance. It will also strive to improve the quality of its loan portfolio, thereby bolstering the top line and streamlining business efficiency across the Group.

(Overview of the Results)

The AIFUL Group's consolidated operating revenue for the first quarter of fiscal year 2016 rose 2.3% compared with the corresponding period of the previous fiscal year, to 22,210 million yen. The principal components and their movements were interest on loans, which increased 7.8% year on year, to 11,536 million yen, revenue from the credit card business, which increased 6.3%, to 3,732 million yen. Also, the revenue from the credit guarantee business, which decreased 1.5%, to 3,121 million yen, the collection of purchased receivables decreased 43.1%, to 287 million yen, and the recovery of loans previously charged off edged down 14.9%, to 1,419 million yen.

Operating expenses increased 12.0% year on year, to 20,617 million yen, chiefly due to increase of provision for doubtful accounts, 59.8% increase year on year, to 5,168 million yen.

As a result, for the first quarter of fiscal year 2016 the AIFUL Group posted operating income of 1,593 million yen (down 51.9% year on year), ordinary income of 1,487 million yen (down 56.0% year on year) and net income attributable to owners of parent of 1,589 million yen (down 53.4% year on year).

(2) Qualitative Information on Financial Position

(Analysis of the Status of Assets, Liabilities, Net Assets, and Cash Flows)

Total assets on a consolidated basis increased 15,459 million yen, or 2.7%, compared with the previous fiscal year-end, to 582,973 million yen. The increase was primarily due to 7,192 million increase in operating loans.

Total liabilities stood at 477,256 million yen, an increase of 13,992 million yen, or 3.0%, compared with the previous fiscal year-end. The principal factors contributing to this increase was an increase of 22,311 million yen in the borrowings (loans payable), offsetting a decline of 7,667 million yen allowance for losses on interest repayments.

Net assets increased 1,466 million yen, or 1.4%, compared with the previous fiscal year-end, to 105,716 million yen. This was largely attributable to the posting of net income attributable to owners of parent.

(Cash Flows)

Cash and cash equivalents (“funds”) increased by 3,238 million yen, or 8.1%, compared with the previous fiscal year-end to 43,144 million yen.

(Cash flows from operating activities)

Net cash used for operating activities stood at 16,034 million yen, increased 111.8% year on year. This was mainly attributable to the decline in funds due to the increase in operating loan and the decline in funds due to the drop in the allowance for losses on interest repayment.

(Cash flows from investing activities)

Net cash used for investing activities stood at 2,971 million yen, increased 220.2%, year on year. This was mainly attributable to the purchase of tangible fixed assets, intangible fixed assets and investment securities.

(Cash flow from financing activities)

Net cash provided by financing activities amounted to 22,304 million yen, compared with net cash provided of 7,841 million yen in the corresponding period of the previous fiscal year. This was mainly attributable to increase in loans payable.

(3) Qualitative Information on the Forecasts for the Consolidated Business Results

In the industry to which the AIFUL Group belongs, the number of new contracts remains solid, mainly attributable to aggressive advertising by major players, and the operating loan balance is recovering steadily.

Although the industry’s biggest risk, interest repayment claims, is steadily trending downwards after hitting a peak, leaving the future outlook still unpredictable.

In this environment, while dealing with interest repayment claims, the AIFUL Group will continue working to further increase the number of new contracts concluded and the operating loan balance. It will also strive to improve the quality of its loan portfolio, thereby bolstering the top line and streamlining business efficiency across the Group.

The Group’s earnings forecasts for the fiscal year ending March 31, 2017 remain unchanged from the earnings forecasts announced on May 12, 2016. However, in the business environment that surrounds the Company, there are various risks and, in particular, the trends of claims for interest repayments remain uncertain. As a result, the final results may differ from the forecasts.

2. Summary Information

(1) Changes in leading subsidiaries during the fiscal period

Not applicable

(2) Additional Information

Effective from the three months ended June 30, 2016, the Company has adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets for the Frist Quarter of Fiscal 2016

(In millions of yen)

	Prior fiscal year (condensed) (As of March 31, 2016)	Current First Quarter (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	39,910	43,228
Operating Loans	315,546	322,739
Installment receivables	89,202	87,965
Operational investment securities	546	526
Customers' liabilities for acceptances and guarantees	111,634	111,858
Other operating receivables	5,767	5,765
Purchased receivables	2,854	2,914
Other	13,752	16,714
Allowance for investment loss	(5)	(5)
Allowance for doubtful accounts	(43,188)	(42,309)
Total current assets	536,021	549,398
Fixed assets		
Tangible fixed assets	17,690	17,672
Intangible fixed assets	3,161	3,149
Investments and other fixed assets	10,641	12,753
Total fixed assets	31,493	33,574
Total assets	567,514	582,973
Liabilities		
Current liabilities		
Notes & accounts payable trade	12,209	11,547
Acceptances and guarantees	111,634	111,858
Short-term borrowings	67,990	67,310
Current portion of bonds	—	2,600
Current portion of long-term debt	22,318	25,581
Income taxes payable	119	176
Reserves	4,294	3,880
Other	18,585	18,692
Total current liabilities	237,151	241,646
Long-term liabilities		
Bonds	31,400	28,800
Long-term debt	127,351	147,080
Allowance for losses on interest repayment	63,438	55,771
Other	3,921	3,957
Total long-term liabilities	226,112	235,610
Total liabilities	463,263	477,256

(In millions of yen)

	Prior fiscal year (condensed) (As of March 31, 2016)	Current First Quarter (As of June 30, 2016)
Net Assets		
Shareholders' equity		
Common stock	143,415	143,434
Capital surplus	13,914	13,933
Retained earnings	(50,609)	(49,020)
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	103,609	105,236
Accumulated other comprehensive income		
Unrealized gain (loss) on available for sale securities	(195)	(368)
Total accumulated other comprehensive income	(195)	(368)
Subscription rights to shares	836	848
Total net assets	104,250	105,716
Total liabilities and net assets	567,514	582,973

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

i. Quarterly Consolidated Statements of Income for the First Quarter of Fiscal 2016

(In millions of yen)

	Prior First Quarter (Apr. 1 to Jun. 30, 2015)	Current First Quarter (Apr. 1 to Jun. 30, 2016)
Operating revenue		
Interest on loans to customers	10,705	11,536
Revenue from Credit card business	3,512	3,732
Revenue from Installment sales finance business	31	27
Revenue from Credit guarantee	3,167	3,121
Other financial revenue	0	0
Other operating revenue	4,299	3,791
Total operating revenue	21,716	22,210
Operating expenses		
Financial expenses	1,791	1,891
Cost of sales	355	213
Other operating expenses	16,258	18,512
Total operating expenses	18,405	20,617
Operating income	3,311	1,593
Non-operating income		
Foreign exchange gains	32	—
Rent on real estate	12	10
Other	33	39
Total non-operating income	79	50
Non-operating expenses		
Foreign exchange losses	—	149
Other	8	6
Total non-operating expenses	8	155
Ordinary income	3,382	1,487
Income before taxes	3,382	1,487
Income taxes-current	55	49
Income taxes-deferred	(86)	(150)
Total income taxes	(31)	(101)
Net income	3,413	1,589
Net income attributable to owners of parent	3,413	1,589

ii. Quarterly Consolidated Statements of Comprehensive Income for the First Quarter of Fiscal 2016

(In millions of yen)

	Prior First Quarter (Apr. 1 to Jun. 30, 2015)	Current First Quarter (Apr. 1 to Jun. 30, 2016)
Net income	3,413	1,589
Other Comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(263)	(172)
Total other comprehensive income	(263)	(172)
Comprehensive income	3,149	1,416
Comprehensive income attributable to		
Owners of the parent	3,149	1,416
Non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows for the First Quarter of Fiscal 2016

(In millions of yen)

	Prior First Quarter (Apr. 1 to Jun. 30, 2015)	Current First Quarter (Apr. 1 to Jun. 30, 2016)
Cash flow from operating activities		
Net income before taxes	3,382	1,487
Depreciation and amortization	541	545
Increase (decrease) in allowance for investment loss	14	—
Increase (decrease) in allowance for doubtful accounts	(3,050)	(1,273)
Increase (decrease) in allowance for bonus	(461)	(454)
Increase (decrease) in allowance for credit card point redemption	100	40
Increase (decrease) in allowance for losses on interest repayment	(8,225)	(7,667)
Interest and dividends income	(14)	(6)
Decrease (increase) in loans to customers	(2,453)	(7,192)
Decrease (increase) in installment receivables	2,071	1,236
Decrease (increase) in other operating receivables	126	2
Decrease (increase) in purchased receivables	276	(60)
Decrease (increase) in claims in bankruptcy	413	563
Decrease (increase) in business security deposits	(7)	21
Decrease (increase) in other current assets	(620)	(2,814)
Increase (decrease) in other current liabilities	661	(539)
Other	9	123
Subtotal	(7,234)	(15,988)
Interest and dividends income	14	6
Income taxes paid	(350)	(53)
Cash flow from operating activities	(7,570)	(16,034)
Cash flow from investing activities		
Purchase of tangible fixed assets	(117)	(193)
Purchase of intangible fixed assets	(630)	(255)
Purchase of investment securities	(140)	(2,175)
Other	(40)	(347)
Cash flow from investing activities	(927)	(2,971)
Cash flow from financing activities		
Proceeds from short-term borrowings	174,140	280,540
Repayment of short-term borrowings	(166,270)	(281,220)
Proceeds from long-term debt	—	25,300
Repayments of long-term debt	(686)	(2,308)
Redemption of bonds	(15,000)	—
Proceeds from issuance of common stock	5	25
Purchase of treasury stock	(0)	—
Others	(29)	(32)
Cash flow from financing activities	(7,841)	22,304
Effect of exchange rate changes on cash and cash equivalents	28	(59)
Increase (decrease) in cash and cash equivalents	(16,311)	3,238
Balance of cash and cash equivalents at the beginning of the year	52,586	39,906
Balance of cash and cash equivalents at the end of period	36,274	43,144

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable

(Important Subsequent Events)

Not applicable