



(Translation for reference only)

February 13, 2017

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

Company name: AIFUL Corporation
 Stock Listing: Tokyo Stock Exchange
 Stock Code: 8515
 URL: <http://aiful.jp>
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 Scheduled date of commencement of dividend payments : —
 Scheduled date of submission of financial report: February 14, 2017
 Supplementary materials for the Quarterly Financial results: Yes
 Quarterly earnings release conference: —

I. Consolidated Business Results for the Third Quarter of Fiscal Year 2016 (April 1, 2016 – December 31, 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	
Nine months ended Dec 31, 2016	68,330	4.1%	4,927	(30.4)%	5,292	(27.2)%	5,124	(29.2)%
Nine months ended Dec 31, 2015	65,649	1.4%	7,081	(30.6)%	7,272	(45.6)%	7,234	(45.6)%

Note: Comprehensive income: Nine months ended Dec 31, 2016: 4,959 million yen (29.6%)
 Nine months ended Dec 31, 2015: 7,046 million yen (47.2%)

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended Dec 31, 2016	10.60	10.60
Nine months ended Dec 31, 2015	14.99	14.96

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of Dec 31, 2016	610,656	109,338	17.8
As of Mar 31, 2016	567,514	104,250	18.2

Reference: Shareholders' equity for: As of Dec 31, 2016: 108,451 million yen
 As of Mar 31, 2016: 103,414 million yen

II. Dividend Information

	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	—	0.00	—		
FY2016 (Forecast)				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)
Full year	92,900	5.9%	7,000	4.9%	7,000	2.0%	6,800	(3.5)%	14.06

Note: Revisions to consolidated earnings forecasts: None

* Notes

- (1) Significant changes in scope of consolidation during the nine months ended December 31, 2016: 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 at the end of the period (including treasury stock)	FY2016 3Q	484,619,136 shares	FY2015	483,794,536 shares
(b) Number of treasury stock at the end of the period	FY2016 3Q	916,890 shares	FY2015	916,890 shares
(c) Average number of shares during the period	FY2016 3Q	483,433,634 shares	FY2015 3Q	482,707,141 shares

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

While this Summary of Third 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.

Content

1. Quarterly Qualitative Information on Business Results.....	2
(1) Qualitative Information on Business Results	2
(2) Qualitative Information on Financial Position.....	2
(3) Qualitative Information on the Forecasts for the Consolidated Business Results.....	3
2. Summary Information	4
(1) Changes in leading subsidiaries during the fiscal period	4
(2) Additional Information.....	4
3. Quarterly Consolidated Financial Statements.....	5
(1) Quarterly Consolidated Balance Sheets.....	5
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	7
(3) Quarterly Consolidated Statements of Cash Flows.....	9
(4) Notes to Quarterly Consolidated Financial Statements.....	10
(Notes on premise of going concern).....	10
(Notes in event of significant changes in shareholders' equity)	10
(Important Subsequent Events)	10

1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

In the current third 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 economic deceleration in China and other emerging nation in Asia and the influence of the U.S. presidential election.

In the consumer finance industry, the number of new contracts remained solid, mainly because of aggressive advertising by major players. Similarly, the operating loan balance continued to recover 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 three quarters of the fiscal year 2016 rose 4.1% compared with the corresponding period of the previous fiscal year, to 68,330 million yen. The principal components were 35,624 million yen in interest on loans (up 7.7% year on year), 11,466 million yen in revenue from the credit card business (up 6.1% year on year) and 9,359 million yen in revenue from the credit guarantee business (down 0.5% year on year). Also, the collection of purchased receivables were 1,689 million yen (down 0.8% year on year) and the recovery of loans previously charged off were 4,326 million yen (down 7.0% year on year).

Operating expenses increased by 4,835 million yen, or 8.3%, compared with the corresponding period of the previous fiscal year, to 63,403 million yen, chiefly due to 3,033 million yen, or 23.8% increase on year on year in provision for doubtful accounts, to 15,768 million yen.

As a result, for the first three quarters of the fiscal year 2016 the AIFUL Group posted operating income of 4,927 million yen (down 30.4% year on year), ordinary income of 5,292 million yen (down 27.2% year on year) and net income attributable to owners of parent of 5,124 million yen (down 29.2% 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 by 43,142 million yen, or 7.6%, compared with the previous fiscal year-end, to 610,656 million yen. This increase was primarily due to 26,397 million yen growth in operating loans resulting from rising unsecured loans outstanding.

Total liabilities increased by 38,053 million yen, or 8.2%, compared with the previous fiscal year-end, to 501,317 million yen.

The principal factors contributing to this increase was 43,754 million yen rise in the borrowings (loans payable) which is offsetting the 21,834 million yen decline in allowance for losses on interest repayment.

Net assets increased by 5,088 million yen, or 4.9%, compared with the previous fiscal year-end, to 109,338 million yen. This was largely attributable to the posting a net income attributable to owners of parent.

(Cash Flows)

Cash and cash equivalents (“funds”) at the end of the third quarter of the current fiscal year, increased by 1,440 million yen, or 3.6%, compared with the previous fiscal year-end, to 41,346 million yen. The situation of each category of cash flow for the first three quarters of the current fiscal year and the contributing factors are as follows.

(Cash flows from operating activities)

Net cash used for operating activities stood at 38,053 million yen, increased 139.8% compared with the corresponding period of the previous fiscal year. This was mainly attributable to the decline in funds due to the increase in operating loans 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 5,508 million yen, increased 126.7% compared with the corresponding period of the previous fiscal 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 44,994 million yen, compared with net cash used of 6,116 million yen in the corresponding period of the previous fiscal year. This was mainly attributable to increase in long-term debt.

(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. Similarly, the operating loan balance continued to recover 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 November 14, 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 First quarter of the current fiscal year, 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

(In millions of yen)

	Prior fiscal year (condensed) (As of March 31, 2016)	Current Third Quarter (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	39,910	41,430
Operating Loans	315,546	341,944
Installment receivables	89,202	93,927
Operational investment securities	546	696
Customers' liabilities for acceptances and guarantees	111,634	112,886
Other operating receivables	5,767	5,809
Purchased receivables	2,854	2,489
Other	13,752	18,790
Allowance for investment loss	(5)	(5)
Allowance for doubtful accounts	(43,188)	(42,156)
Total current assets	536,021	575,811
Fixed assets		
Tangible fixed assets	17,690	17,848
Intangible fixed assets	3,161	3,106
Investments and other fixed assets	10,641	13,889
Total fixed assets	31,493	34,844
Total assets	567,514	610,656
Liabilities		
Current liabilities		
Notes & accounts payable trade	12,209	14,763
Acceptances and guarantees	111,634	112,886
Short-term borrowings	67,990	72,800
Current portion of bonds	—	2,600
Current portion of long-term debt	22,318	31,405
Income taxes payable	119	483
Reserves	4,294	3,895
Other	18,585	29,781
Total current liabilities	237,151	268,615
Long-term liabilities		
Bonds	31,400	30,100
Long-term debt	127,351	157,209
Allowance for losses on interest repayment	63,438	41,604
Other	3,921	3,787
Total long-term liabilities	226,112	232,702
Total liabilities	463,263	501,317

(In millions of yen)

	Prior fiscal year (condensed) (As of March 31, 2016)	Current Third Quarter (As of December 31, 2016)
Net Assets		
Shareholders' equity		
Common stock	143,415	143,454
Capital surplus	13,914	13,953
Retained earnings	(50,609)	(45,484)
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	103,609	108,812
Accumulated other comprehensive income		
Unrealized gain (loss) on available for sale securities	(195)	(360)
Total accumulated other comprehensive income	(195)	(360)
Subscription rights to shares	836	886
Total net assets	104,250	109,338
Total liabilities and net assets	567,514	610,656

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

i. Quarterly Consolidated Statements of Income

	(In millions of yen)	
	For the first three quarters of the prior fiscal year (Apr. 1 to Dec. 31, 2015)	For the first three quarters of the current fiscal year (Apr. 1 to Dec. 31, 2016)
Operating revenue		
Interest on loans to customers	33,086	35,624
Revenue from Credit card business	10,810	11,466
Revenue from Installment sales finance business	85	81
Revenue from Credit guarantee	9,409	9,359
Other financial revenue	4	1
Other operating revenue	12,252	11,797
Total operating revenue	65,649	68,330
Operating expenses		
Financial expenses	5,593	5,876
Cost of sales	1,162	1,229
Other operating expenses	51,811	56,297
Total operating expenses	58,567	63,403
Operating income	7,081	4,927
Non-operating income		
Gains on reversal of guarantee deposits received	—	316
Other	206	166
Total non-operating income	206	482
Non-operating expenses		
Foreign exchange losses	—	99
Other	15	17
Total non-operating expenses	15	116
Ordinary income	7,272	5,292
Income before taxes	7,272	5,292
Income taxes-current	159	377
Income taxes-deferred	(120)	(209)
Total income taxes	38	167
Net income	7,234	5,124
Net income attributable to owners of parent	7,234	5,124

ii. Quarterly Consolidated Statements of Comprehensive Income

(In millions of yen)

	For the first three quarters of the prior fiscal year (Apr. 1 to Dec. 31, 2015)	For the first three quarters of the current fiscal year (Apr. 1 to Dec. 31, 2016)
Net income	7,234	5,124
Other Comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(188)	(165)
Total other comprehensive income	(188)	(165)
Comprehensive income	7,046	4,959
Comprehensive income attributable to		
Owners of the parent	7,046	4,959
Non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

	For the first three quarters of the prior fiscal year (Apr. 1 to Dec. 31, 2015)	For the first three quarters of the current fiscal year (Apr. 1 to Dec. 31, 2016)
Cash flow from operating activities		
Net income before taxes	7,272	5,292
Depreciation and amortization	1,756	1,737
Increase (decrease) in allowance for investment loss	(8)	0
Increase (decrease) in allowance for doubtful accounts	(5,203)	(2,755)
Increase (decrease) in allowance for bonus	(448)	(449)
Increase (decrease) in allowance for credit card point redemption	150	50
Increase (decrease) in allowance for losses on interest repayment	(24,341)	(21,834)
Interest and dividends income	(34)	(41)
Decrease (increase) in loans to customers	(16,051)	(26,397)
Decrease (increase) in installment receivables	(3,736)	(4,725)
Decrease (increase) in other operating receivables	258	(42)
Decrease (increase) in purchased receivables	(288)	364
Decrease (increase) in claims in bankruptcy	1,458	2,044
Decrease (increase) in business security deposits	18,635	24
Decrease (increase) in other current assets	(10)	(4,942)
Increase (decrease) in other current liabilities	4,968	13,995
Other	194	(398)
Subtotal	(15,431)	(38,076)
Interest and dividends income	34	41
Income taxes refund	127	118
Income taxes paid	(603)	(137)
Cash flow from operating activities	(15,871)	(38,053)
Cash flow from investing activities		
Purchase of tangible fixed assets	(726)	(1,000)
Purchase of intangible fixed assets	(1,321)	(771)
Purchase of investment securities	(320)	(2,175)
Other	(61)	(1,562)
Cash flow from investing activities	(2,429)	(5,508)
Cash flow from financing activities		
Proceeds from short-term borrowings	658,880	664,820
Repayments of short-term borrowings	(641,870)	(660,010)
Proceeds from long-term debts	73,400	54,150
Repayments of long-term debts	(74,050)	(15,205)
Proceeds from issuance of bonds	2,600	1,300
Redemption of bonds	(25,000)	—
Proceeds from issuance of common stock	15	52
Purchase of treasury stock	(0)	—
Repayments of finance lease obligation	(90)	(112)
Cash flow from financing activities	(6,116)	44,994
Effect of exchange rate changes on cash and cash equivalents	33	8
Increase (decrease) in cash and cash equivalents	(24,385)	1,440
Balance of cash and cash equivalents at the beginning of the year	52,586	39,906
Increase in cash and cash equivalents resulting from merger	48	—
Balance of cash and cash equivalents at the end of the period	28,249	41,346

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable

(Notes in event of significant changes in shareholders' equity)

Not applicable

(Important Subsequent Events)

Not applicable