



(Translation for reference only)

August 10, 2017

Consolidated Financial Results for the First Quarter of Fiscal Year 2017

For the Three Months Ended June 30, 2017

(Under Japanese GAAP)

Company name: AIFUL Corporation
 Stock Listing: Tokyo Stock Exchange
 Stock Code: 8515
 URL: <http://www.aiful.co.jp>
 Representative: Yoshitaka Fukuda, President and Chief Executive Officer
 For inquiry: Jun Mitsuishi, General Manager of Finance Department TEL (03) 4503 – 6050
 Scheduled date of submission of Quarterly Securities report: August 14, 2017
 Scheduled date of commencement of dividend payments : —
 Supplementary materials for Quarterly Financial results: Yes
 Quarterly earnings release conference: —

I. Consolidated Financial Results for the First Quarter of Fiscal Year 2017

(Three months ended June 30, 2017)

(Amounts less than one million yen have been rounded down)

1. Consolidated Operating Results

(Millions of yen, Percentages indicate year-on-year changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
Three months ended								
June 30, 2017	24,224	9.1%	1,091	(31.5)%	1,229	(17.3)%	1,976	24.3%
June 30, 2016	22,210	2.3%	1,593	(51.9)%	1,487	(56.0)%	1,589	(53.4)%

Note: Comprehensive income: For the three months ended

June 30, 2017: 1,888 million yen (33.3%)
 June 30, 2016: 1,416 million yen (55.0%)

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Three months ended		
June 30, 2017	4.09	—
June 30, 2016	3.29	3.29

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
June 30, 2017	647,334	117,728	17.3
March 31, 2016	616,651	111,649	18.0

Reference: Shareholders' equity: As of June 30, 2017: 111,981 million yen
 As of March 31, 2017: 110,738 million yen

II. Dividend Information

	Dividend per share (Yen)				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
FY ended March 31, 2017	—	0.00	—	0.00	0.00
FY ending March 31, 2018	—	—	—	—	—
FY ending March 31, 2018 (Forecast)	—	0.00	—	0.00	0.00

Note: Revisions to dividend forecasts: None

III. Earnings Forecast on a Consolidated Basis for the Fiscal Year ending March 31, 2018

(April 1, 2017 – March 31, 2018)

(Millions of yen, Percentages indicate year-on-year changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share (Yen)
Six months ending September 30, 2017	48,300	6.8%	2,600	(4.1)%	2,200	(24.3)%	2,000	(31.0)%	4.13
Fiscal year ending March 31, 2018	100,600	10.0%	10,600	51.2%	10,000	35.2%	9,300	27.8%	19.23

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the three months ended June 30, 2017

(Changes in specified subsidiaries resulting 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 at the end of the period (including treasury stock)

FY2017 1Q	484,619,136 shares	FY2016	484,619,136 shares
FY2017 1Q	916,964 shares	FY2016	916,964 shares
FY2017 1Q	483,702,172 shares	FY2016 1Q	482,956,724 shares

(b) Number of treasury stock at the end of the period

(c) Average number of shares during the period

* Note: Brief Statement of quarterly financial results is not subject to audit procedures.

* Note: Disclaimer concerning the proper use of business results forecasts, etc.

The 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, actual results may differ from the forecasts due to various factors. For matters related to earnings forecast above, please refer to "Outlook for the fiscal year ending March 2018" on page 2.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Result

In the current first quarter on a consolidated basis, business confidence in Japan improved moderately, mainly on the strength of a recovery in consumer spending, despite continued uncertainty over policies overseas, particularly in the United States.

In the consumer finance industry, the number of new contracts at major players remained stable, and the operating loan balance increased moderately. Although interest repayment claims, the industry's biggest risk, decreased significantly after hitting a peak, they still need to be watched carefully.

In this environment, while dealing with interest repayment claims as the principal management issue, the AIFUL Group is united in its efforts to increase the number of new contracts and the operating loan balance to bolster its revenue base. The Group is also working to diversify funding channels to strengthen its financial base and improve business efficiency across the Group.

(Overview of the results)

The AIFUL Group's consolidated operating revenue for the first quarters of the fiscal year 2017 rose 9.1% compared with the corresponding period of the previous fiscal year, to 24,224 million yen. The principal components were 13,099 million yen in interest on loans (up 13.5% year on year), 3,925 million yen in revenue from the credit card business (up 5.2% year on year) and 3,212 million yen in revenue from the credit guarantee business (up 2.9% year on year). Also, the collection of purchased receivables were 339 million yen (up 17.9% year on year) and the recovery of loans previously charged off were 1,429 million yen (up 0.7% year on year).

Operating expenses increased by 2,515 million, or 12.2%, compared with the corresponding period of the previous fiscal year, to 23,132 million yen, chiefly due to 1,120 million yen, or 21.7% increase of provision for allowance for doubtful accounts compared with the corresponding period of the previous fiscal year, to 6,289 million yen.

As a result, AIFUL posted operating income of 1,091 million yen (down 31.5% year on year) and ordinary income of 1,229 million yen (down 17.3% year on year). Net income attributable to owners of parent stood at 1,976 million yen (up 24.3% year on year), reflecting a gain on reversal of subscription rights to shares of 700 million yen as extraordinary income and a loss attributable to non-controlling interests of 186 million yen.

AIRA & AIFUL Public Company Limited, which was an unconsolidated subsidiary providing consumer financing in Thailand, is included in the scope of consolidation from the first quarter under review due to an increase in its importance. Net income attributable to owners of parent is affected by income attributable to AIFUL's equity in AIRA & AIFUL Public Company Limited.

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

In the first quarter under review, AIFUL posted extraordinary income and included AIRA & AIFUL Public Company Limited in the scope of consolidation. The Group's earnings forecast for the fiscal year ending March 31, 2018, however, remains unchanged from the earnings forecast in the consolidated financial results for the fiscal year ended March 31, 2017 announced on May 10, 2017.

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.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(In millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	33,644	49,926
Operating loans	352,628	365,920
Installment receivables	94,272	92,973
Operational investment securities	694	698
Customers' liabilities for acceptances and guarantees	114,452	117,075
Other operating receivables	5,997	5,985
Purchased receivables	2,941	2,863
Work in process	7,305	8,686
Other	12,638	13,328
Allowance for investment loss	(2)	(2)
Allowance for doubtful accounts	(42,971)	(42,840)
Total current assets	581,600	614,615
Fixed assets		
Tangible fixed assets	17,664	17,903
Intangible fixed assets	3,113	3,047
Investment and other fixed assets	14,272	11,767
Total fixed assets	35,050	32,718
Total assets	616,651	647,334
Liabilities		
Current liabilities		
Notes & accounts payable-trade	15,620	12,251
Acceptances and guarantees	114,452	117,075
Short-term borrowings	73,610	76,354
Current portion of bonds	2,600	28,800
Current portion of long-term debt	32,138	34,226
Income taxes payable	661	152
Reserves	4,213	2,930
Other	31,577	31,943
Total current liabilities	274,873	303,734
Long-term liabilities		
Bonds	30,100	1,300
Long-term debt	161,774	193,191
Allowance for losses on interest repayments	34,640	27,726
Other	3,613	3,653
Total long-term liabilities	230,128	225,871
Total liabilities	505,002	529,606
Net Assets		
Shareholders' equity		
Common stock	143,454	143,454
Capital surplus	13,953	13,948
Retained earnings	(43,332)	(42,191)
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	110,964	112,101
Accumulated other comprehensive income		
Unrealized gain (loss) on available for sale securities	(225)	(163)
Foreign currency translation adjustment	—	43
Total accumulated other comprehensive income	(225)	(119)
Stock acquisition rights	910	237
Non-controlling interests	—	5,508
Total net assets	111,649	117,728
Total liabilities and net assets	616,651	647,334

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

i. Consolidated Statements of Income

(In millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Operating revenue		
Interest on loans to customers	11,536	13,099
Revenue from Credit card business	3,732	3,925
Revenue from Installment sales finance business	27	28
Revenue from Credit guarantee	3,121	3,212
Other financial revenue	0	1
Other operating revenue	3,791	3,955
Total operating revenue	22,210	24,224
Operating expenses		
Financial expenses	1,891	2,139
Cost of sales	213	296
Other operating expenses	18,512	20,696
Total operating expenses	20,617	23,132
Operating income	1,593	1,091
Non-operating income		
Dividend income	5	31
Foreign exchange gains	—	40
Rent on real estate	10	17
Other	34	53
Total non-operating income	50	143
Non-operating expenses		
Foreign exchange losses	149	—
Provision of allowance for doubtful accounts	0	1
Other	6	3
Total non-operating expenses	155	5
Ordinary income	1,487	1,229
Extraordinary income		
Gain on reversal of stock acquisition rights to shares	—	700
Total extraordinary income	—	700
Income before taxes	1,487	1,930
Income taxes-current	49	6
Income taxes-deferred	(150)	135
Total income taxes	(101)	141
Net income	1,589	1,789
Net loss attributable to non-controlling interests	—	(186)
Net income attributable to owners of parent	1,589	1,976

ii. Consolidated Statements of Comprehensive Income

(In millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net Income	1,589	1,789
Other Comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(172)	61
Foreign currency translation adjustment	—	37
Total other comprehensive income (loss)	(172)	99
Comprehensive income	1,416	1,888
Comprehensive income attributable to		
Owners of the parent	1,416	2,056
Non-controlling interests	—	(168)

(3) Consolidated Statements of Cash Flows

(In millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flow from operating activities		
Net income before taxes	1,487	1,930
Depreciation and amortization	545	599
Increase (decrease) in allowance for doubtful accounts	(1,273)	(991)
Increase (decrease) in allowance for accrued bonuses	(454)	(422)
Increase (decrease) in allowance for credit card point redemption	40	(860)
Increase (decrease) in allowance for losses on interest repayments	(7,667)	(6,913)
Interest and dividends income	(6)	(45)
Decrease (increase) in loans to customers	(7,192)	(8,511)
Decrease (increase) in installment receivables	1,236	1,298
Decrease (increase) in other operating receivables	2	12
Decrease (increase) in purchased receivables	(60)	77
Decrease (increase) in claims in bankruptcy	563	557
Decrease (increase) in work in process	(1,523)	(1,381)
Decrease (increase) in other current assets	(1,290)	(612)
Increase (decrease) in other current liabilities	(539)	(3,611)
Other	144	(860)
Subtotal	(15,988)	(19,733)
Interest and dividends income	6	45
Income taxes-refund	—	6
Income taxes-paid	(53)	(355)
Cash flow from operating activities	(16,034)	(20,036)
Cash flow from investing activities		
Purchase of tangible fixed assets	(193)	(141)
Purchase of intangible fixed assets	(255)	(140)
Purchase of investment securities	(2,175)	(417)
Other	(347)	(796)
Cash flow from investing activities	(2,971)	(1,496)
Cash flow from financing activities		
Proceeds from short-term borrowings	280,540	206,246
Repayment of short-term borrowings	(281,220)	(203,510)
Proceeds from long-term debt	25,300	39,634
Repayment of long-term debt	(2,308)	(6,129)
Redemption of bonds	—	(2,600)
Proceeds from issuance of common stock	25	—
Proceeds from share issuance to non-controlling shareholders	—	2,460
Other	(32)	(47)
Cash flow from financing activities	22,304	36,053
Effect of exchange rate changes on cash and cash equivalents	(59)	34
Increase (decrease) in cash and cash equivalents	3,238	14,554
Balance of cash and cash equivalents at the beginning of the year	39,906	33,560
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,726
Balance of cash and cash equivalents at the end of the period	43,144	49,842

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable

(Changes in the Scope of Consolidation and the Scope of Application of the Equity Method)

Significant changes in the scope of consolidation

From the first quarter ended June 30, 2017, the results of the AIRA & AIFUL Public Company Limited have been included in the calculation, as its importance has increased.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable