



(Translation for reference only)

November 13, 2017

## Consolidated Financial Results for the Second Quarter of Fiscal Year 2017

For the Six Months Ended September 30, 2017

(Under Japanese GAAP)

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

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

(Six months ended September 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	
Six months ended								
September 30, 2017	49,252	8.9%	2,148	(20.8)%	2,383	(18.0)%	3,402	17.3%
September 30, 2016	45,221	4.9%	2,711	(41.9)%	2,905	(39.4)%	2,900	(40.2)%

Note: Comprehensive income: For the six months ended

September 30, 2017: 3,122 million yen (20.6)%  
 September 30, 2016: 2,589 million yen (43.4)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended		
September 30, 2017	7.03	-
September 30, 2016	6.00	6.00

#### 2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
September 30, 2017	649,803	118,961	17.5
March 31, 2017	616,651	111,649	18.0

Reference: Shareholders' equity: As of September 30, 2017: 113,452 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	–	0.00	–	0.00	0.00
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)
Fiscal year ending March 31, 2018	103,700	13.4%	8,800	25.6%	9,100	23.0%	10,000	37.4%	20.67

Note: Revisions to consolidated earnings forecasts: Yes

## IV. Other

(1) Changes in significant subsidiaries during the six months ended September 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 2Q	484,620,136 shares	FY2016	484,619,136 shares
FY2017 2Q	916,964 shares	FY2016	916,964 shares
FY2017 2Q	483,702,653 shares	FY2016 2Q	483,298,597 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 “Qualitative Information on the Forecasts for the Consolidated Business Results” on page 2.

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## 1. Quarterly Qualitative Information on Business Results

### (1) Qualitative Information on Business Result

During the six months ended September 30, 2017, despite a continued uncertainty including policy management in the U.S., concerns of an economic deceleration in emerging countries, and escalating geopolitical risk caused by increased tension in the international affairs, Japan's economy showed signs of moderate improvement due to a recovery in consumer spending and a pickup in employment etc.

In the consumer finance industry, the number of new contracts at major players remained stable, and the operating loan balance increased moderately. On the other hand, interest repayment claims, industry's biggest risk, still require close monitoring even though they have declined significantly from their peak and the downward trend became more apparent in current fiscal year.

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 second quarter of the fiscal year 2017 rose 8.9% compared with the corresponding period of the previous fiscal year, to 49,252 million yen. The principal components were 26,958 million yen in interest on loans (up 15.6% year on year), 7,849 million yen in revenue from the credit card business (up 4.5% year on year) and 6,431 million yen in revenue from the credit guarantee business (up 3.1% year on year). Also, the collection from purchased receivables were 943 million yen (down 31.9% year on year) and the recovery of loans previously charged off were 3,041 million yen (up 4.6% year on year).

Operating expenses increased by 4,594 million, or 10.8%, compared with the corresponding period of the previous fiscal year, to 47,103 million yen, chiefly due to 2,414 million yen, or 22.7% increase of provision for allowance for doubtful accounts compared with the corresponding period of the previous fiscal year, to 13,057 million yen.

As a result, AIFUL Group posted operating income of 2,148 million yen (down 20.8% year on year) and ordinary income of 2,383 million yen (down 18.0% year on year). Net income attributable to owners of parent stood at 3,402 million yen (up 17.3% year on year), reflecting a gain on reversal of subscription rights to shares of 701 million yen as extraordinary income and a loss attributable to non-controlling interests of 454 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 fiscal year ending March 31, 2018, AIFUL Group expects to operating revenue of 103,700 million yen (up 13.4% year on year), operating income of 8,800 million yen (up 25.6% year on year), ordinary income of 9,100 million yen (up 23.0% year on year), and net income attributable to owners of parent of 10,000 million yen (up 37.4% year on year), in light of the business results in the current second quarter, on a consolidated basis.

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. Therefore, the final results may differ from this forecasts.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(In millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	33,644	32,769
Operating loans	352,628	382,716
Installment receivables	94,272	90,623
Operational investment securities	694	809
Customers' liabilities for acceptances and guarantees	114,452	120,487
Other operating receivables	5,997	6,166
Purchased receivables	2,941	2,599
Work in process	7,305	9,773
Other	12,635	14,384
Allowance for doubtful accounts	(42,971)	(43,395)
Total current assets	581,600	616,935
Fixed assets		
Tangible fixed assets	17,664	18,011
Intangible fixed assets	3,113	3,038
Investment and other fixed assets	14,272	11,817
Total fixed assets	35,050	32,867
Total assets	616,651	649,803
<b>Liabilities</b>		
Current liabilities		
Notes & accounts payable-trade	15,620	15,898
Acceptances and guarantees	114,452	120,487
Short-term borrowings	73,610	77,075
Current portion of bonds	2,600	-
Current portion of long-term debt	32,138	42,626
Income taxes payable	661	335
Reserves	4,213	3,648
Other	31,577	33,091
Total current liabilities	274,873	293,163
Long-term liabilities		
Bonds	30,100	8,500
Long-term debt	161,774	203,199
Allowance for losses on interest repayments	34,640	22,276
Other	3,613	3,702
Total long-term liabilities	230,128	237,677
Total liabilities	505,002	530,841
<b>Net Assets</b>		
Shareholders' equity		
Common stock	143,454	143,454
Capital surplus	13,953	13,948
Retained earnings	(43,332)	(40,764)
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	110,964	113,528
Accumulated other comprehensive income		
Unrealized gain (loss) on available for sale securities	(225)	(150)
Foreign currency translation adjustment	-	74
Total accumulated other comprehensive income	(225)	(75)
Stock acquisition rights	910	236
Non-controlling interests	-	5,272
Total net assets	111,649	118,961
Total liabilities and net assets	616,651	649,803

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

### i. Quarterly Consolidated Statements of Income

(In millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating revenue		
Interest on loans to customers	23,327	26,958
Revenue from Credit card business	7,511	7,849
Revenue from Installment sales finance business	53	53
Revenue from Credit guarantee	6,236	6,431
Other financial revenue	1	4
Other operating revenue	8,091	7,953
Total operating revenue	45,221	49,252
Operating expenses		
Financial expenses	3,959	4,015
Cost of sales	1,092	785
Other operating expenses	37,457	42,302
Total operating expenses	42,509	47,103
Operating income	2,711	2,148
Non-operating income		
Dividend income	15	35
Foreign exchange gains	-	66
Rent on real estate	23	35
Other	316	106
Total non-operating income	356	244
Non-operating expenses		
Foreign exchange losses	149	-
Other	13	9
Total non-operating expenses	162	9
Ordinary income	2,905	2,383
Extraordinary income		
Gain on reversal of stock acquisition rights to shares	-	701
Total extraordinary income	-	701
Income before taxes	2,905	3,084
Income taxes-current	150	68
Income taxes-deferred	(145)	68
Total income taxes	4	137
Net income	2,900	2,947
Net loss attributable to non-controlling interests	-	(454)
Net income attributable to owners of parent	2,900	3,402

ii. Quarterly Consolidated Statements of Comprehensive Income

(In millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net Income	2,900	2,947
Other Comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(311)	75
Foreign currency translation adjustment	-	99
Total other comprehensive income (loss)	(311)	174
Comprehensive income	2,589	3,122
Comprehensive income attributable to		
Owners of the parent	2,598	3,526
Non-controlling interests	-	(404)

### (3) Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Cash flow from operating activities</b>		
Net income before taxes	2,905	3,084
Depreciation and amortization	1,108	1,154
Increase (decrease) in allowance for doubtful accounts	(1,976)	(776)
Increase (decrease) in allowance for accrued bonuses	17	74
Increase (decrease) in allowance for credit card point redemption	80	(640)
Increase (decrease) in allowance for losses on interest repayments	(15,124)	(12,363)
Interest and dividends income	(22)	(69)
Gain on reversal of stock acquisition rights to shares	-	(701)
Decrease (increase) in loans to customers	(18,432)	(25,177)
Decrease (increase) in installment receivables	2,042	3,648
Decrease (increase) in other operating receivables	(89)	(168)
Decrease (increase) in purchased receivables	251	342
Decrease (increase) in claims in bankruptcy	1,405	934
Decrease (increase) in work in process	(2,840)	(2,468)
Decrease (increase) in other current assets	409	(1,298)
Increase (decrease) in other current liabilities	8,527	1,260
Other	(60)	(499)
Subtotal	(21,798)	(33,663)
Interest and dividends income	22	69
Income taxes-refund	118	6
Income taxes-paid	(63)	(367)
Cash flow from operating activities	(21,720)	(33,954)
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	(605)	(471)
Purchase of intangible fixed assets	(562)	(363)
Purchase of investment securities	(2,175)	(417)
Other	(1,204)	(917)
Cash flow from investing activities	(4,546)	(2,170)

(In millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flow from financing activities		
Proceeds from short-term borrowings	500,940	424,688
Repayment of short-term borrowings	(500,210)	(421,248)
Proceeds from long-term debt	46,650	76,904
Repayment of long-term debt	(10,604)	(24,991)
Proceeds from issuance of bonds	-	7,200
Redemption of bonds	-	(31,400)
Proceeds from issuance of common stock	52	0
Proceeds from share issuance to non-controlling shareholders	-	2,460
Other	(68)	(96)
Cash flow from financing activities	36,759	33,517
Effect of exchange rate changes on cash and cash equivalents	(61)	5
Increase (decrease) in cash and cash equivalents	10,430	(2,601)
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	50,336	32,685

(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 of the fiscal year under review, 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