



(Translation for reference only)

February 13, 2018

Consolidated Financial Results for the Third Quarter of Fiscal Year 2017

For the Nine Months Ended December 31, 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 Mitsubishi, General Manager of Finance Department TEL (03) 4503 – 6050
 Scheduled date of submission of Quarterly Securities report: February 14, 2018
 Scheduled date of commencement of dividend payments : —
 Supplementary materials for Quarterly Financial results: Yes
 Quarterly earnings release conference: —

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

(Nine months ended December 31, 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	
Nine months ended								
December 31, 2017	75,952	11.2%	4,951	0.5%	5,270	(0.4)%	6,408	25.1%
December 31, 2016	68,330	4.1%	4,927	(30.4)%	5,292	(27.2)%	5,124	(29.2)%

Note: Comprehensive income: For the nine months ended
 December 31, 2017: 6,310 million yen 27.2%
 December 31, 2016: 4,959 million yen (29.6)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended		
December 31, 2017	13.25	—
December 31, 2016	10.60	10.60

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
December 31, 2017	680,738	122,148	17.1
March 31, 2017	616,651	111,649	18.0

Reference: Shareholders' equity: As of December 31, 2017: 116,727 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	–		
FY ending March 31, 2018 (Forecast)				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: None

IV. Other

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 3Q	484,620,136 shares	FY2016	484,619,136 shares
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(b) Number of treasury stock at the end of the period

FY2017 3Q	917,014 shares	FY2016	916,964 shares
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(c) Average number of shares during the period

FY2017 3Q	483,702,823 shares	FY2016 3Q	483,433,634 shares
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* 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 nine months ended December 31, 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 corporate earnings and employment and income environment 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 third quarter of the fiscal year 2017 rose 11.2% compared with the corresponding period of the previous fiscal year, to 75,952 million yen. The principal components were 41,589 million yen in interest on loans (up 16.7% year on year), 11,958 million yen in revenue from the credit card business (up 4.3% year on year) and 9,703 million yen in revenue from the credit guarantee business (up 3.7% year on year). Also, the collection from purchased receivables were 1,728 million yen (up 2.3% year on year) and the recovery of loans previously charged off were 4,845 million yen (up 12.0% year on year).

Operating expenses increased by 7,597 million, or 12.0%, compared with the corresponding period of the previous fiscal year, to 71,000 million yen, chiefly due to 3,945 million yen, or 25.0% increase of provision for allowance for doubtful accounts compared with the corresponding period of the previous fiscal year, to 19,714 million yen.

As a result, AIFUL Group posted operating income of 4,951 million yen (up 0.5% year on year) and ordinary income of 5,270 million yen (down 0.4% year on year). Net income attributable to owners of parent stood at 6,408 million yen (up 25.1% year on year), reflecting a gain on reversal of subscription rights to shares of 703 million yen as extraordinary income and a loss attributable to non-controlling interests of 682 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

The Group's earnings forecast for the fiscal year ending March 31, 2018 remain unchanged from the earnings forecast announced on November 13, 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. 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 December 31, 2017
Assets		
Current assets		
Cash and deposits	33,644	39,700
Operating loans	352,628	396,954
Installment receivables	94,272	96,874
Operational investment securities	694	839
Customers' liabilities for acceptances and guarantees	114,452	122,296
Other operating receivables	5,997	6,283
Purchased receivables	2,941	2,305
Work in process	7,305	10,891
Other	12,635	15,482
Allowance for doubtful accounts	(42,971)	(44,531)
Total current assets	581,600	647,094
Fixed assets		
Tangible fixed assets	17,664	18,172
Intangible fixed assets	3,113	3,055
Investment and other fixed assets	14,272	12,415
Total fixed assets	35,050	33,643
Total assets	616,651	680,738
Liabilities		
Current liabilities		
Notes & accounts payable-trade	15,620	19,825
Acceptances and guarantees	114,452	122,296
Short-term borrowings	73,610	80,568
Current portion of bonds	2,600	1,300
Current portion of long-term debt	32,138	49,300
Income taxes payable	661	216
Reserves	4,213	3,128
Other	31,577	34,105
Total current liabilities	274,873	310,740
Long-term liabilities		
Bonds	30,100	7,200
Long-term debt	161,774	218,888
Allowance for losses on interest repayments	34,640	17,848
Other	3,613	3,911
Total long-term liabilities	230,128	247,849
Total liabilities	505,002	558,589
Net Assets		
Shareholders' equity		
Common stock	143,454	143,454
Capital surplus	13,953	13,948
Retained earnings	(43,332)	(37,758)
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	110,964	116,534
Accumulated other comprehensive income		
Unrealized gain (loss) on available for sale securities	(225)	(20)
Foreign currency translation adjustment	—	214
Total accumulated other comprehensive income	(225)	193
Stock acquisition rights	910	235
Non-controlling interests	—	5,185
Total net assets	111,649	122,148
Total liabilities and net assets	616,651	680,738

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

i. Quarterly Consolidated Statements of Income

(In millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Operating revenue		
Interest on loans to customers	35,624	41,589
Revenue from Credit card business	11,466	11,958
Revenue from Installment sales finance business	81	80
Revenue from Credit guarantee	9,359	9,703
Other financial revenue	1	8
Other operating revenue	11,797	12,612
Total operating revenue	<u>68,330</u>	<u>75,952</u>
Operating expenses		
Financial expenses	5,876	5,758
Cost of sales	1,229	1,379
Other operating expenses	56,297	63,862
Total operating expenses	<u>63,403</u>	<u>71,000</u>
Operating income	<u>4,927</u>	<u>4,951</u>
Non-operating income		
Dividend income	26	35
Foreign exchange gains	—	94
Rent on real estate	37	54
Other	418	147
Total non-operating income	<u>482</u>	<u>331</u>
Non-operating expenses		
Foreign exchange losses	99	—
Other	17	13
Total non-operating expenses	<u>116</u>	<u>13</u>
Ordinary income	<u>5,292</u>	<u>5,270</u>
Extraordinary income		
Gain on reversal of stock acquisition rights to shares	—	703
Total extraordinary income	<u>—</u>	<u>703</u>
Income before taxes	<u>5,292</u>	<u>5,973</u>
Income taxes-current	377	179
Income taxes-deferred	(209)	67
Total income taxes	<u>167</u>	<u>247</u>
Net income	<u>5,124</u>	<u>5,726</u>
Net loss attributable to non-controlling interests	<u>—</u>	<u>(682)</u>
Net income attributable to owners of parent	<u>5,124</u>	<u>6,408</u>

ii. Quarterly Consolidated Statements of Comprehensive Income

(In millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net Income	5,124	5,726
Other Comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(165)	204
Foreign currency translation adjustment	—	379
Total other comprehensive income (loss)	(165)	584
Comprehensive income	4,959	6,310
Comprehensive income attributable to		
Owners of the parent	4,959	6,802
Non-controlling interests	—	(491)

(3) Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flow from operating activities		
Net income before taxes	5,292	5,973
Depreciation and amortization	1,737	1,758
Increase (decrease) in allowance for doubtful accounts	(2,755)	(29)
Increase (decrease) in allowance for accrued bonuses	(449)	(425)
Increase (decrease) in allowance for credit card point redemption	50	(660)
Increase (decrease) in allowance for losses on interest repayments	(21,834)	(16,791)
Interest and dividends income	(41)	(85)
Gain on reversal of stock acquisition rights to shares	—	(703)
Decrease (increase) in loans to customers	(26,397)	(39,089)
Decrease (increase) in installment receivables	(4,725)	(2,601)
Decrease (increase) in other operating receivables	(42)	(285)
Decrease (increase) in purchased receivables	364	636
Decrease (increase) in claims in bankruptcy	2,044	1,341
Decrease (increase) in work in process	4,208	(3,585)
Decrease (increase) in other current assets	(733)	(2,452)
Increase (decrease) in other current liabilities	13,995	6,011
Other	(374)	(640)
Subtotal	(38,076)	(51,630)
Interest and dividends income	41	85
Income taxes-refund	118	6
Income taxes-paid	(137)	(559)
Cash flow from operating activities	(38,053)	(52,097)
Cash flow from investing activities		
Purchase of tangible fixed assets	(1,000)	(754)
Purchase of intangible fixed assets	(771)	(609)
Purchase of investment securities	(2,175)	(417)
Other	(1,562)	(1,042)
Cash flow from investing activities	(5,508)	(2,823)

(In millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flow from financing activities		
Proceeds from short-term borrowings	664,820	661,331
Repayment of short-term borrowings	(660,010)	(654,549)
Proceeds from long-term debt	54,150	106,615
Repayment of long-term debt	(15,205)	(32,340)
Proceeds from issuance of bonds	1,300	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
Purchase of treasury stock	—	(0)
Other	(112)	(133)
Cash flow from financing activities	44,994	59,183
Effect of exchange rate changes on cash and cash equivalents	8	146
Increase (decrease) in cash and cash equivalents	1,440	4,409
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	41,346	39,696

(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