



(Translation for reference only)

August 10, 2018

Consolidated Financial Results for the First Quarter of Fiscal Year 2018 For the Three Months Ended June 30, 2018 (Under Japanese GAAP)

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Stock Listing: Tokyo Stock Exchange
Stock Code: 8515
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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 2018 (April 1, 2018 – June 30, 2018)

(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 Profit | | Ordinary Profit | | Profit Attributable to Owners of Parent | |
|--------------------|-------------------|-------|------------------|---------|-----------------|---------|---|--------|
| Three months ended | | | | | | | | |
| June 30, 2018 | 27,682 | 14.3% | 1,463 | 34.0% | 1,773 | 44.2% | 1,840 | (6.9)% |
| June 30, 2017 | 24,224 | 9.1% | 1,091 | (31.5)% | 1,229 | (17.3)% | 1,976 | 24.3% |

Note: Comprehensive income: For the three months ended
June 30, 2018: 1,389 million yen (26.4)%
June 30, 2017: 1,888 million yen (33.3)%

| | Net Income per Share (Yen) | Diluted Net Income per Share (Yen) |
|--------------------|----------------------------|------------------------------------|
| Three months ended | | |
| June 30, 2018 | 3.80 | — |
| June 30, 2017 | 4.09 | — |

2. Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio (%) |
|----------------|--------------|------------|--------------------------------|
| As of | | | |
| June 30, 2018 | 696,615 | 120,795 | 16.6 |
| March 31, 2018 | 682,645 | 119,407 | 16.7 |

Reference: Shareholders' equity: As of June 30, 2018: 115,836 million yen
As of March 31, 2018: 114,214 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, 2018 | — | 0.00 | — | 0.00 | 0.00 |
| FY ending March 31, 2019 | — | | | | |
| FY ending March 31, 2019 (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, 2019

(April 1, 2018 – March 31, 2019)

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

| | Operating Revenue | | Operating Profit | | Ordinary Profit | | Profit Attributable to Owners of Parent | | Profit per Share (Yen) |
|--------------------------------------|-------------------|-------|------------------|--------|-----------------|--------|---|--------|------------------------|
| Six months ending September 30, 2018 | 56,200 | 14.1% | 5,700 | 165.4% | 6,000 | 151.8% | 5,600 | 64.6% | 11.58 |
| Fiscal year ending March 31, 2019 | 115,400 | 0.0% | 16,400 | 558.1% | 16,900 | 498.7% | 15,600 | 294.1% | 32.25 |

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the three months ended June 30, 2018

(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 accompanying amendments to accounting standards: None

(b) Changes other than those in (a): None

(c) Change 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)

| | | | |
|-----------|--------------------|-----------|--------------------|
| FY2018 1Q | 484,620,136 shares | FY2017 | 484,620,136 shares |
| FY2018 1Q | 917,138 shares | FY2017 | 917,138 shares |
| FY2018 1Q | 483,702,998 shares | FY2017 1Q | 483,702,172 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 that are conducted by a certified public accountant or an audit corporation.

* 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.

Contents

| | |
|---|---|
| 1. Quarterly Qualitative Information on Business Results..... | 2 |
| (1) Qualitative Information on Business Results..... | 2 |
| (2) Qualitative Information on the Forecasts for the Consolidated Business Results..... | 2 |
| 2. Quarterly Consolidated Financial Statements and Notes..... | 3 |
| (1) Quarterly Consolidated Balance Sheets..... | 3 |
| (2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income..... | 4 |
| (3) Quarterly Consolidated Statements of Cash Flows..... | 6 |
| (4) Notes to Quarterly Consolidated Financial Statements | 7 |
| (Notes on Premise of Going Concern) | 7 |
| (Notes in Case of any Significant Changes in the Amount Shareholders' Equity) | 7 |
| (Additional Information) | 7 |

1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the three months ended June 30, 2018, Japanese economy experience gradual recovery as a result of improvement in employment and income environment. However, the outlook for the economy continues to be uncertain, due to the policy management in the U.S. and concerns of an economic deceleration in emerging countries.

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 this environment, while dealing with interest repayment claims, the AIFUL group will continue working to expand operating assets on a group-wide basis and diversify the financial services business, to manage its business with an emphasis on balancing safety, profitability and growth.

(Overview of the results)

The AIFUL Group's consolidated operating revenue for the first quarter of the fiscal year ending March 31, 2018 rose 14.3% compared with the corresponding period of the previous fiscal year, to 27,682 million yen. The principal components were 15,649 million yen in interest on operating loans (up 19.5% year on year), 3,943 million yen in revenue from the credit card business (up 0.5% year on year) and 3,310 million yen in revenue from the credit guarantee business (up 3.0% year on year). Also, the collection from purchased receivable was 322 million yen (down 5.1% year on year) and the recovery of loans previously charged off were 1,576 million yen (up 10.3% year on year).

Operating expenses increased by 3,086 million, or 13.3%, compared with the corresponding period of the previous fiscal year, to 26,218 million yen, chiefly due to 2,397 million yen, or 38.1% increase of provision of allowance for doubtful accounts compared with the corresponding period of the previous fiscal year, to 8,686 million yen.

As a result, AIFUL Group posted operating profit of 1,463 million yen (up 34.0% year on year) and ordinary profit of 1,773 million yen (up 44.2% year on year). Net income attributable to owners of parent stood at 1,840 million yen (down 6.9% year on year), reflecting a loss attributable to non-controlling interests of 161 million yen.

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

The Group's earnings forecast for the fiscal year ending March 31, 2019 remain unchanged from the earnings forecast announced on May 14, 2018.

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, 2018 | As of June 30, 2018 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 29,327 | 27,752 |
| Operating loans | 412,706 | 429,324 |
| Accounts receivables - installment | 97,252 | 95,137 |
| Operational investment securities | 940 | 1,023 |
| Customers' liabilities for acceptances and guarantees | 124,883 | 126,376 |
| Other operating receivables | 6,725 | 6,782 |
| Purchased receivables | 2,874 | 2,633 |
| Other | 14,688 | 15,137 |
| Allowance for doubtful accounts | (41,344) | (41,919) |
| Total current assets | 648,053 | 662,247 |
| Non-current assets | | |
| Property, plant and equipment | 18,133 | 17,773 |
| Intangible assets | 3,198 | 3,223 |
| Investments and other assets | 13,260 | 13,370 |
| Total non-current assets | 34,592 | 34,367 |
| Total assets | 682,645 | 696,615 |
| Liabilities | | |
| Current liabilities | | |
| Notes & accounts payable-trade | 16,196 | 17,283 |
| Acceptances and guarantees | 124,883 | 126,376 |
| Short-term loans payable | 83,325 | 83,620 |
| Current portion of bonds | 1,300 | 1,300 |
| Current portion of long-term loans payable | 53,482 | 59,417 |
| Income taxes payable | 544 | 263 |
| Reserves | 3,798 | 3,298 |
| Other | 23,808 | 18,601 |
| Total current liabilities | 307,340 | 310,160 |
| Non-current liabilities | | |
| Bonds payable | 7,200 | 7,200 |
| Long-term loans payable | 220,529 | 233,602 |
| Provision for loss on interest repayment | 24,331 | 21,146 |
| Other | 3,837 | 3,710 |
| Total non-current liabilities | 255,898 | 265,659 |
| Total liabilities | 563,238 | 575,819 |
| Net Assets | | |
| Shareholders' equity | | |
| Capital stock | 143,454 | 143,454 |
| Capital surplus | 13,948 | 13,948 |
| Retained earnings | (40,208) | (38,368) |
| Treasury shares | (3,110) | (3,110) |
| Total shareholders' equity | 114,083 | 115,924 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (184) | (333) |
| Foreign currency translation adjustment | 315 | 245 |
| Total accumulated other comprehensive income | 130 | (87) |
| Shares acquisition rights | 234 | 233 |
| Non-controlling interests | 4,957 | 4,725 |
| Total net assets | 119,407 | 120,795 |
| Total liabilities and net assets | 682,645 | 696,615 |

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

i. Quarterly Consolidated Statements of Income

(In millions of yen)

| | Three months ended Jun 30, 2017 (Apr 1, 2017 to Jun 30, 2017) | Three months ended Jun 30, 2018 (Apr 1, 2018 to Jun 30, 2018) |
|---|--|--|
| Operating revenue | | |
| Interest on operating loans | 13,099 | 15,649 |
| Revenue from credit card business | 3,925 | 3,943 |
| Revenue from credit guarantee | 3,212 | 3,310 |
| Other financial revenue | 1 | 6 |
| Other operating revenue | 3,984 | 4,772 |
| Total operating revenue | 24,224 | 27,682 |
| Operating expenses | | |
| Financial expenses | 2,139 | 1,826 |
| Cost of sales | 296 | 216 |
| Other operating expenses | 20,696 | 24,175 |
| Total operating expenses | 23,132 | 26,218 |
| Operating profit | 1,091 | 1,463 |
| Non-operating income | | |
| Dividend income | 31 | 25 |
| Foreign exchange gains | 40 | 38 |
| Rent on real estate | 17 | 19 |
| Gain on sales of investment securities | — | 201 |
| Other | 53 | 53 |
| Total non-operating income | 143 | 337 |
| Non-operating expenses | | |
| Interest expenses | — | 5 |
| Provision of allowance for doubtful accounts | 1 | 20 |
| Other | 3 | 1 |
| Total non-operating expenses | 5 | 27 |
| Ordinary profit | 1,229 | 1,773 |
| Extraordinary income | | |
| Gain on reversal of shares acquisition rights | 700 | — |
| Total extraordinary income | 700 | — |
| Profit before income taxes | 1,930 | 1,773 |
| Income taxes - current | 6 | 84 |
| Income taxes - deferred | 135 | 10 |
| Total income taxes | 141 | 95 |
| Profit | 1,789 | 1,678 |
| Profit (loss) attributable to non-controlling interests | (186) | (161) |
| Profit attributable to owners of parent | 1,976 | 1,840 |

ii. Quarterly Consolidated Statements of Comprehensive Income

(In millions of yen)

| | Three months ended Jun 30, 2017 (Apr 1, 2017 to Jun 30, 2017) | Three months ended Jun 30, 2018 (Apr 1, 2018 to Jun 30, 2018) |
|---|--|--|
| Profit | 1,789 | 1,678 |
| Other Comprehensive income | | |
| Valuation difference on available-for-sale securities | 61 | (148) |
| Foreign currency translation adjustment | 37 | (140) |
| Total other comprehensive income | 99 | (288) |
| Comprehensive income | 1,888 | 1,389 |
| Comprehensive income attributable to | | |
| Owners of parent | 2,056 | 1,622 |
| Non-controlling interests | (168) | (232) |

(3) Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

| | Three months ended Jun 30, 2017 (Apr 1, 2017 to Jun 30, 2017) | Three months ended Jun 30, 2018 (Apr 1, 2018 to Jun 30, 2018) |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,930 | 1,773 |
| Depreciation | 599 | 641 |
| Increase (decrease) in allowance for doubtful accounts | (991) | 417 |
| Increase (decrease) in provision for bonuses | (422) | (488) |
| Increase (decrease) in provision for point card certificates | (860) | (12) |
| Increase (decrease) in allowance for loss on interest repayment | (6,913) | (3,185) |
| Interest and dividend income | (45) | (42) |
| Interest expenses | — | 5 |
| Loss (gain) on sales of investment securities | — | (201) |
| Decrease (increase) in interest on operating loans | (8,511) | (16,880) |
| Decrease (increase) in accounts receivable – installment | 1,298 | 2,114 |
| Decrease (increase) in other operating receivable | 12 | (56) |
| Decrease (increase) in purchased receivable | 77 | 241 |
| Decrease (increase) in claims provable in bankruptcy | 557 | 214 |
| Decrease (increase) in work in process | (1,381) | — |
| Decrease (increase) in other current assets | (612) | (543) |
| Increase (decrease) in other current liabilities | (3,611) | (4,270) |
| Other | (860) | (114) |
| Subtotal | (19,733) | (20,385) |
| Interest and dividend income | 45 | 42 |
| Interest expenses paid | — | (5) |
| Income taxes refund | 6 | — |
| Income taxes paid | (355) | (256) |
| Cash flow from operating activities | (20,036) | (20,604) |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (141) | (73) |
| Purchase of intangible assets | (140) | (204) |
| Purchase of investment securities | (417) | (14) |
| Proceeds from sales of investment securities | — | 226 |
| Other | (796) | (278) |
| Cash flows from investing activities | (1,496) | (344) |
| Cash flow from financing activities | | |
| Increase in short-term loans payable | 206,246 | 252,043 |
| Decrease in short-term loans payable | (203,510) | (251,643) |
| Proceeds from long-term loans payable | 39,634 | 30,630 |
| Repayments of long-term loans payable | (6,129) | (11,592) |
| Redemption of bonds | (2,600) | — |
| Proceeds from share issuance to non-controlling shareholders | 2,460 | — |
| Other | (47) | (75) |
| Cash flows from financing activities | 36,053 | 19,361 |
| Effect of exchange rate changes on cash and cash equivalents | 34 | 12 |
| Net increase (decrease) in cash and cash equivalents | 14,554 | (1,575) |
| Cash and cash equivalents at beginning of period | 33,560 | 29,323 |
| Increase in cash and cash equivalents resulting from merger | 1,726 | — |
| Cash and cash equivalents at end of period | 49,842 | 27,748 |

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Notes in Case of any Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Additional Information)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year under review. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.