



(Translation for reference only)

February 12, 2019

Consolidated Financial Results for the Third Quarter of Fiscal Year 2018 For the Nine Months Ended December 31, 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 Third Quarter of Fiscal Year 2018 (April 1, 2018 – December 31, 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	
Nine months ended								
December 31, 2018	86,047	13.3%	10,626	114.6%	11,383	116.0%	10,655	66.3%
December 31, 2017	75,952	11.2%	4,951	0.5%	5,270	(0.4)%	6,408	25.1%

Note: Comprehensive income: For the nine months ended
December 31, 2018: 9,938 million yen 57.5%
December 31, 2017: 6,310 million yen 27.2%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended		
December 31, 2018	22.03	—
December 31, 2017	13.25	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
December 31, 2018	750,608	129,342	16.6
March 31, 2018	682,645	119,407	16.7

Reference: Shareholders' equity: As of December 31, 2018: 124,471 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	—	0.00	—		
FY ending March 31, 2019 (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, 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)
Fiscal year ending March 31, 2019	115,300	(0.1)%	15,500	522.0%	16,100	470.3%	15,000	279.0%	31.01

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 in 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 3Q	484,620,136 shares	FY2017	484,620,136 shares
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(b) Number of treasury stock at the end of the period

FY2018 3Q	917,182 shares	FY2017	917,138 shares
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(c) Average number of shares during the period

FY2018 3Q	483,702,993 shares	FY2017 3Q	483,702,823 shares
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* 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.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the nine months ended December 31, 2018, Japanese economy experienced gradual recovery as a result of improvement in employment and income environment. However, the outlook for the economy continued to be uncertain, due to the U.S. policies and their accompanying impact on developments in emerging countries and countries with natural resources.

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, 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 nine months ended December 31, 2018, rose 13.3% compared with the corresponding period of the previous fiscal year, to 86,047 million yen. The principal components were 48,985 million yen in interest on loans (up 17.8% year on year), 12,121 million yen in revenue from the credit card business (up 1.4% year on year) and 10,361 million yen in revenue from the credit guarantee business (up 6.8% year on year). Also, the collection from purchased receivable were 1,333 million yen (down 22.8% year on year) and the recoveries of written off claims were 4,888 million yen (up 0.9% year on year).

Operating expenses increased by 4,419 million, or 6.2%, compared with the corresponding period of the previous fiscal year, to 75,420 million yen, chiefly due to 2,740 million yen, or 13.9% increase of provision for allowance for doubtful accounts compared with the corresponding period of the previous fiscal year, to 22,454 million yen.

As a result, AIFUL Group posted operating profit of 10,626 million yen (up 114.6% year on year) and ordinary profit of 11,383 million yen (up 116.0% year on year). Profit attributable to owners of parent stood at 10,655 million yen (up 66.3% year on year), reflecting a loss attributable to non-controlling interests of 379 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 November 12, 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 forecast.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(In millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	29,327	44,536
Operating loans	412,706	449,743
Accounts receivables - installment	97,252	101,356
Operational investment securities	940	1,160
Customers' liabilities for acceptances and guarantees	124,883	134,959
Other operating receivables	6,725	7,325
Purchased receivables	2,874	2,401
Other	14,688	16,633
Allowance for doubtful accounts	(41,344)	(43,923)
Total current assets	648,053	714,192
Non-current assets		
Property, plant and equipment	18,133	17,095
Intangible assets	3,198	3,245
Investments and other assets	13,260	16,075
Total non-current assets	34,592	36,415
Total assets	682,645	750,608
Liabilities		
Current liabilities		
Notes & accounts payable-trade	16,196	21,671
Acceptances and guarantees	124,883	134,959
Short-term loans payable	83,325	89,140
Current portion of bonds	1,300	170
Current portion of long-term loans payable	53,482	87,490
Income taxes payable	544	1,202
Reserves	3,798	3,653
Other	23,808	19,143
Total current liabilities	307,340	357,431
Non-current liabilities		
Bonds payable	7,200	27,530
Long-term loans payable	220,529	218,119
Provision for loss on interest repayment	24,331	14,695
Other	3,837	3,488
Total non-current liabilities	255,898	263,834
Total liabilities	563,238	621,265
Net Assets		
Shareholders' equity		
Capital stock	143,454	143,454
Capital surplus	13,948	13,948
Retained earnings	(40,208)	(29,553)
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	114,083	124,739
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(184)	(644)
Foreign currency translation adjustment	315	376
Total accumulated other comprehensive income	130	(267)
Shares acquisition rights	234	231
Non-controlling interests	4,957	4,639
Total net assets	119,407	129,342
Total liabilities and net assets	682,645	750,608

(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 Dec 31, 2017 (Apr 1, 2017 to Dec 31, 2017)	Nine months ended Dec 31, 2018 (Apr 1, 2018 to Dec 31, 2018)
Operating revenue		
Interest on operating loans	41,589	48,985
Revenue from credit card business	11,958	12,121
Revenue from credit guarantee	9,703	10,361
Other financial revenue	8	10
Other operating revenue	12,693	14,568
Total operating revenue	75,952	86,047
Operating expenses		
Financial expenses	5,758	6,005
Cost of sales	1,379	1,013
Other operating expenses	63,862	68,401
Total operating expenses	71,000	75,420
Operating profit	4,951	10,626
Non-operating income		
Dividend income	35	37
Foreign exchange gains	94	57
Rent on real estate	54	58
Gain on sales of investment securities	—	458
Other	147	168
Total non-operating income	331	779
Non-operating expenses		
Interest expenses	—	5
Provision of allowance for doubtful accounts	1	10
Other	11	7
Total non-operating expenses	13	23
Ordinary profit	5,270	11,383
Extraordinary income		
Gain on reversal of shares acquisition rights	703	—
Total extraordinary income	703	—
Profit before income taxes	5,973	11,383
Income taxes - current	179	1,073
Income taxes - deferred	67	34
Total income taxes	247	1,107
Profit	5,726	10,275
Profit (loss) attributable to non-controlling interests	(682)	(379)
Profit attributable to owners of parent	6,408	10,655

ii. Quarterly Consolidated Statements of Comprehensive Income

(In millions of yen)

	Nine months ended Dec 31, 2017 (Apr 1, 2017 to Dec 31, 2017)	Nine months ended Dec 31, 2018 (Apr 1, 2018 to Dec 31, 2018)
Profit	5,726	10,275
Other Comprehensive income		
Valuation difference on available-for-sale securities	204	(459)
Foreign currency translation adjustment	379	123
Total other comprehensive income	584	(336)
Comprehensive income	6,310	9,938
Comprehensive income attributable to		
Owners of parent	6,802	10,256
Non-controlling interests	(491)	(317)

(3) Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

	Nine months ended Dec 31, 2017 (Apr 1, 2017 to Dec 31, 2017)	Nine months ended Dec 31, 2018 (Apr 1, 2018 to Dec 31, 2018)
Cash flows from operating activities		
Profit before income taxes	5,973	11,383
Depreciation	1,758	1,965
Increase (decrease) in allowance for doubtful accounts	(29)	1,589
Increase (decrease) in provision for bonuses	(425)	6
Increase (decrease) in provision for point card certificates	(660)	(151)
Increase (decrease) in allowance for loss on interest repayment	(16,791)	(9,635)
Interest and dividend income	(85)	(111)
Interest expenses	—	5
Loss (gain) on sales of investment securities	—	(458)
Gain on reversal of shares acquisition rights	(703)	—
Decrease (increase) in interest on loans receivable	(39,089)	(36,637)
Decrease (increase) in accounts receivable – installment	(2,601)	(4,104)
Decrease (increase) in other operating receivable	(285)	(599)
Decrease (increase) in purchased receivable	636	473
Decrease (increase) in claims provable in bankruptcy	1,341	549
Decrease (increase) in work in process	(3,585)	—
Decrease (increase) in other current assets	(2,452)	(2,163)
Increase (decrease) in other current liabilities	6,011	667
Other	(640)	(83)
Subtotal	(51,630)	(37,306)
Interest and dividend income	85	111
Interest expenses paid	—	(5)
Income taxes refund	6	10
Income taxes paid	(559)	(462)
Cash flow from operating activities	(52,097)	(37,651)
Cash flow from investing activities		
Purchase of property, plant and equipment	(754)	(113)
Purchase of intangible assets	(609)	(657)
Purchase of investment securities	(417)	(1,085)
Proceeds from sales of investment securities	—	506
Other	(1,042)	(2,002)
Cash flows from investing activities	(2,823)	(3,352)
Cash flow from financing activities		
Increase in short-term loans payable	661,331	670,567
Decrease in short-term loans payable	(654,549)	(664,911)
Proceeds from long-term loans payable	106,615	90,610
Repayments of long-term loans payable	(32,340)	(59,101)
Proceeds from issuance of bonds	7,200	20,500
Redemption of bonds	(31,400)	(1,300)
Proceeds from issuance of common stock	0	—
Proceeds from share issuance to non-controlling shareholders	2,460	—
Purchase of treasury shares	(0)	(0)
Other	(133)	(227)
Cash flows from financing activities	59,183	56,137
Effect of exchange rate changes on cash and cash equivalents	146	76
Net increase (decrease) in cash and cash equivalents	4,409	15,209
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	39,696	44,532

(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.