



(Translation for reference only)

August 9, 2019

Consolidated Financial Results for the First Quarter of Fiscal Year 2019 For the Three Months Ended June 30, 2019 (Under Japanese GAAP)

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Stock Listing: Tokyo Stock Exchange
Stock Code: 8515
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Supplementary materials for Quarterly Financial results: Yes
Quarterly earnings release conference: —

I. Consolidated Financial Results for the First Quarter of Fiscal Year 2019 (April 1, 2019 – June 30, 2019)

(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, 2019	30,251	9.3%	2,979	103.6%	3,143	77.2%	3,453	87.7%
June 30, 2018	27,682	14.3%	1,463	34.0%	1,773	44.2%	1,840	(6.9)%

Note: Comprehensive income: For the three months ended
June 30, 2019: 3,468 million yen 149.6%
June 30, 2018: 1,389 million yen (26.4)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Three months ended		
June 30, 2019	7.14	—
June 30, 2018	3.80	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
June 30, 2019	769,619	131,255	16.6
March 31, 2019	760,587	128,016	16.3

Reference: Shareholders' equity: As of June 30, 2019: 127,484 million yen
As of March 31, 2019: 124,045 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, 2019	—	0.00	—	0.00	0.00
FY ending March 31, 2020	—				
FY ending March 31, 2020 (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, 2020

(April 1, 2019 – March 31, 2020)

(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, 2019	60,600	7.4%	3,600	(24.3)%	4,000	(26.0)%	4,100	(21.0)%	8.48
Fiscal year ending March 31, 2020	124,300	7.8%	14,400	375.1%	15,400	274.7%	14,400	54.1%	29.77

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the three months ended June 30, 2019

(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: Yes

(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)

FY2019 1Q	484,620,136 shares	FY2018	484,620,136 shares
FY2019 1Q	917,206 shares	FY2018	917,182 shares
FY2019 1Q	483,702,934 shares	FY2018 1Q	483,702,998 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.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the three months ended June 30, 2019, Japanese economy experienced a gradual recovery as a result of improvement in employment and income environment. However, the outlook for the economy remains uncertain due to the impact of trade frictions between the United States and China as well as the planned consumption tax hike in October.

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, they have declined significantly from their peak and the downward trend became more apparent in current fiscal year.

Under these circumstances, while dealing with interest repayment claims as the principal management issue, the AIFUL Group will work to diversify the financial services business and expand operating assets on a group-wide basis and, 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, 2020 rose 9.3% compared with the corresponding period of the previous fiscal year, to 30,251 million yen. The principal components were 17,196 million yen in interest on loans (up 9.9% year on year), 4,271 million yen in revenue from the credit card business (up 8.3% year on year) and 3,722 million yen in revenue from the credit guarantee business (up 12.4% year on year). Also, the collection from purchased receivables were 395 million yen (up 22.7% year on year) and the recoveries of written off claims were 1,667 million yen (up 5.8% year on year).

Operating expenses increased by 1,053 million, or 4.0%, compared with the corresponding period of the previous fiscal year, to 27,272 million yen. It was chiefly due to the provision for allowance for doubtful accounts increased 716 million yen, or 8.3% to 9,403 million yen due to a growing operating asset.

As a result, AIFUL Group posted operating income of 2,979 million yen (up 103.6% year on year) and ordinary income of 3,143 million yen (up 77.2% year on year). Profit attributable to owners of parent stood at 3,453 million yen (up 87.7% year on year), reflecting a loss attributable to non-controlling interests of 57 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, 2020 remain unchanged from the earnings forecast announced on May 13, 2019.

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

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	36,112	34,114
Operating loans	457,785	467,669
Accounts receivables - installment	101,584	99,859
Operational investment securities	1,209	1,271
Customers' liabilities for acceptances and guarantees	140,343	141,617
Other operating receivables	7,744	7,680
Purchased receivables	2,472	2,504
Other	16,889	17,095
Allowance for doubtful accounts	(46,135)	(45,782)
Total current assets	718,006	726,030
Non-current assets		
Property, plant and equipment	16,758	17,037
Intangible assets	3,297	3,237
Investments and other assets	22,524	23,313
Total non-current assets	42,581	43,588
Total assets	760,587	769,619
Liabilities		
Current liabilities		
Notes & accounts payable-trade	21,076	19,830
Acceptances and guarantees	140,343	141,617
Short-term borrowings	86,562	91,214
Current portion of bonds	7,370	7,370
Current portion of long-term borrowings	98,728	90,274
Income taxes payable	1,116	380
Reserves	4,270	3,695
Other	20,809	21,729
Total current liabilities	380,277	376,111
Non-current liabilities		
Bonds payable	20,245	35,245
Long-term borrowings	205,803	204,057
Provision for loss on interest repayment	22,963	19,297
Other	3,280	3,651
Total non-current liabilities	252,292	262,252
Total liabilities	632,570	638,363
Net Assets		
Shareholders' equity		
Capital stock	143,454	94,028
Capital surplus	13,948	13,948
Retained earnings	(30,485)	22,394
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	123,807	127,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(23)	(125)
Foreign currency translation adjustment	261	348
Total accumulated other comprehensive income	238	223
Shares acquisition rights	230	—
Non-controlling interests	3,741	3,771
Total net assets	128,016	131,255
Total liabilities and net assets	760,587	769,619

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

i. Quarterly Consolidated Statements of Income
Three months ended June 30

	(Millions of yen)	
	Three months ended Jun 30, 2018 (Apr 1, 2018 to Jun 30, 2018)	Three months ended Jun 30, 2019 (Apr 1, 2019 to Jun 30, 2019)
Operating revenue		
Interest on operating loans	15,649	17,196
Revenue from credit card business	3,943	4,271
Revenue from credit guarantee	3,310	3,722
Other financial revenue	6	1
Other operating revenue	4,772	5,059
Total operating revenue	27,682	30,251
Operating expenses		
Financial expenses	1,826	1,905
Cost of sales	216	273
Other operating expenses	24,175	25,092
Total operating expenses	26,218	27,272
Operating profit	1,463	2,979
Non-operating income		
Interest on loans receivable	17	66
Dividend income	25	13
Share of profit of entities accounted for using equity method	—	19
Foreign exchange gains	38	3
Rent on real estate	19	20
Gain on sales of investment securities	201	—
Other	36	45
Total non-operating income	337	168
Non-operating expenses		
Interest expenses	5	1
Provision of allowance for doubtful accounts	20	—
Other	1	2
Total non-operating expenses	27	4
Ordinary profit	1,773	3,143
Extraordinary income		
Gain on reversal of shares acquisition rights	—	230
Total extraordinary income	—	230
Profit before income taxes	1,773	3,373
Income taxes - current	84	226
Income taxes - deferred	10	(248)
Total income taxes	95	(21)
Profit	1,678	3,395
Profit (loss) attributable to non-controlling interests	(161)	(57)
Profit attributable to owners of parent	1,840	3,453

ii. Quarterly Consolidated Statements of Comprehensive Income
 Three months ended June 30

	(Millions of yen)	
	Three months ended Jun 30, 2018 (Apr 1, 2018 to Jun 30, 2018)	Three months ended Jun 30, 2019 (Apr 1, 2019 to Jun 30, 2019)
Profit	1,678	3,395
Other Comprehensive income		
Valuation difference on available-for-sale securities	(148)	(101)
Foreign currency translation adjustment	(140)	174
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	(288)	73
Comprehensive income	1,389	3,468
Comprehensive income attributable to		
Owners of parent	1,622	3,438
Non-controlling interests	(232)	30

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended Jun 30, 2018 (Apr 1, 2018 to Jun 30, 2018)	Three months ended Jun 30, 2019 (Apr 1, 2019 to Jun 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,773	3,373
Depreciation	641	670
Increase (decrease) in allowance for doubtful accounts	417	(3,084)
Increase (decrease) in provision for bonuses	(488)	(645)
Increase (decrease) in provision for point card certificates	(12)	70
Increase (decrease) in allowance for loss on interest repayment	(3,185)	(3,665)
Interest and dividend income	(42)	(80)
Interest expenses	5	1
Loss (gain) on sales of investment securities	(201)	—
Share of loss (profit) of entities accounted for using equity method	—	(19)
Gain on reversal of shares acquisition rights	—	(230)
Decrease (increase) in interest on loans receivable	(16,880)	(9,357)
Decrease (increase) in accounts receivable – installment	2,114	1,725
Decrease (increase) in other operating receivable	(56)	63
Decrease (increase) in purchased receivable	241	(32)
Decrease (increase) in claims provable in bankruptcy	214	2,737
Decrease (increase) in other current assets	(543)	(240)
Increase (decrease) in other current liabilities	(4,270)	(781)
Other	(114)	(77)
Subtotal	(20,385)	(9,570)
Interest and dividend income	42	93
Interest expenses paid	(5)	(1)
Income taxes paid	(256)	(652)
Cash flow from operating activities	(20,604)	(10,131)
Cash flow from investing activities		
Purchase of property, plant and equipment	(73)	(110)
Purchase of intangible assets	(204)	(214)
Purchase of investment securities	(14)	—
Proceeds from sales of investment securities	226	—
Other	(278)	(551)
Cash flows from investing activities	(344)	(877)
Cash flow from financing activities		
Increase in short-term borrowings	252,043	290,460
Decrease in short-term borrowings	(251,643)	(285,939)
Proceeds from long-term borrowings	30,630	44,365
Repayments of long-term borrowings	(11,592)	(54,644)
Proceeds from issuance of bonds	—	15,000
Purchase of treasury shares	—	(0)
Other	(75)	(132)
Cash flows from financing activities	19,361	9,108
Effect of exchange rate changes on cash and cash equivalents	12	(97)
Net increase (decrease) in cash and cash equivalents	1,575	(1,997)
Cash and cash equivalents at beginning of period	29,323	36,108
Cash and cash equivalents at end of period	27,748	34,110

(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)

In accordance with the resolution at its General Meeting of Shareholders held on June 25, 2019, the Company reduced the amount of capital stock by 49,426 million yen, which was transferred to other capital surplus, and then, other capital surplus was reduced by 49,426 million yen on the same date, and transferred to retained earnings brought forward to compensate the loss in retained earnings brought forward.

It should be noted that there is no significant change in total amount of shareholders' equity.

(Changes in accounting principles)

The Company's subsidiaries applying the International Financial Reporting Standards (IFRS) has adopted the IFRS 16 Leases (hereinafter, "IFRS 16") since the first quarter of the current consolidated fiscal year. As a result, a lessee is required to recognize all leases, in principle, as assets and liabilities arising from a lease on the balance sheet. The IFRS 16 is applied based on the transitional provisions, under which the cumulative impact arising from the change in the accounting principles is recognized on the application start date.

As a result, "Property, plant and equipment" as of June 30, 2019 increased by 508 million yen whereas "Other" under current liabilities and "Other" under non-current liabilities increased 180 million yen and 327 million yen, respectively. The impact of these changes on profits and losses during the period under review is immaterial.