



(Translation for reference only)

February 10, 2020

Consolidated Financial Results for the Third Quarter of Fiscal Year 2019 For the Nine Months Ended December 31, 2019 (Under Japanese GAAP)

Company name: AIFUL Corporation
Stock Listing: Tokyo Stock Exchange
Stock Code: 8515
URL: <http://aiful.jp>
Representative: Yoshitaka Fukuda, President and Chief Executive Officer
For inquiry: Jun Mitsuishi, General Manager of Finance Department TEL (03) 4503 – 6050
Scheduled date of submission of Quarterly Securities Report: February 13, 2020
Scheduled date of commencement of dividend payments : —
Supplementary materials for Quarterly Financial results: Yes
Quarterly earnings release conference: None

I. Consolidated Financial Results for the Third Quarter of Fiscal Year 2019 (April 1, 2019 – December 31, 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	
Nine months ended								
December 31, 2019	93,192	8.3%	11,506	8.3%	12,225	7.4%	11,749	10.3%
December 31, 2018	86,047	13.3%	10,626	114.6%	11,383	116.0%	10,655	66.3%

Note: Comprehensive income: For the nine months ended
December 31, 2019: 11,343 million yen 14.1%
December 31, 2018: 9,938 million yen 57.5%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended		
December 31, 2019	24.29	—
December 31, 2018	22.03	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
December 31, 2019	823,872	139,129	16.5
March 31, 2019	760,587	128,016	16.3

Reference: Shareholders' equity: As of December 31, 2019: 136,206 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	—	0.00	—		
FY ending March 31, 2020 (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, 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)
Fiscal year ending March 31, 2020	125,100	8.5%	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 nine months ended December 31, 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 3Q	484,620,136 shares	FY2018	484,620,136 shares
-----------	--------------------	--------	--------------------

(b) Number of treasury stock at the end of the period

FY2019 3Q	917,296 shares	FY2018	917,182 shares
-----------	----------------	--------	----------------

(c) Average number of shares during the period

FY2019 3Q	483,702,897 shares	FY2018 3Q	483,702,993 shares
-----------	--------------------	-----------	--------------------

* 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
(Changes in accounting principles)	7

1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the nine months ended December 31, 2019, Japanese economy expanded gradually as result of improvement in employment and income environment. However, the outlook for the economy remains uncertain due to the impact of overseas economic trends and the consumption tax hike.

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 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 third quarter of the fiscal year ending March 31, 2020 rose 8.3% compared with the corresponding period of the previous fiscal year, to 93,192 million yen. The principal components were 53,363 million yen in interest on loans (up 8.9% year on year), 13,176 million yen in revenue from the credit card business (up 8.7% year on year) and 11,323 million yen in revenue from the credit guarantee business (up 9.3% year on year). Also, the collection from purchased receivables were 1,293 million yen (down 3.0% year on year) and the recoveries of written off claims were 5,210 million yen (up 6.6% year on year).

Operating expenses increased by 6,265 million, or 8.3%, compared with the corresponding period of the previous fiscal year, to 81,686 million yen. It was chiefly due to the provision for allowance for doubtful accounts increased 5,171 million yen, or 23.0% to 27,626 million yen due to a growing operating asset.

As a result, AIFUL Group posted operating profit of 11,506 million yen (up 8.3% year on year) and ordinary profit of 12,225 million yen (up 7.4% year on year). Profit attributable to owners of parent stood at 11,749 million yen (up 10.3% year on year), reflecting a loss attributable to non-controlling interests of 939 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 November 11, 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 December 31, 2019
Assets		
Current assets		
Cash and deposits	36,112	38,563
Operating loans	457,785	498,893
Accounts receivables - installment	101,584	105,710
Operational investment securities	1,209	1,464
Customers' liabilities for acceptances and guarantees	140,343	152,100
Other operating receivables	7,744	8,275
Purchased receivables	2,472	3,003
Other	16,889	19,646
Allowance for doubtful accounts	(46,135)	(49,946)
Total current assets	718,006	777,710
Non-current assets		
Property, plant and equipment	16,758	17,565
Intangible assets	3,297	3,594
Investments and other assets	22,524	25,000
Total non-current assets	42,581	46,161
Total assets	760,587	823,872
Liabilities		
Current liabilities		
Notes & accounts payable-trade	21,076	21,181
Acceptances and guarantees	140,343	152,100
Short-term borrowings	86,562	94,414
Current portion of bonds	7,370	22,370
Current portion of long-term borrowings	98,728	115,254
Income taxes payable	1,116	1,390
Reserves	4,270	3,622
Other	20,809	23,402
Total current liabilities	380,277	433,735
Non-current liabilities		
Bonds payable	20,245	20,160
Long-term borrowings	205,803	213,675
Provision for loss on interest repayment	22,963	12,638
Other	3,280	4,533
Total non-current liabilities	252,292	251,007
Total liabilities	632,570	684,742
Net Assets		
Shareholders' equity		
Capital stock	143,454	94,028
Capital surplus	13,948	13,948
Retained earnings	(30,485)	30,689
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	123,807	135,556
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(23)	268
Foreign currency translation adjustment	261	381
Total accumulated other comprehensive income	238	650
Shares acquisition rights	230	—
Non-controlling interests	3,741	2,922
Total net assets	128,016	139,129
Total liabilities and net assets	760,587	823,872

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

i. Quarterly Consolidated Statements of Income
Nine months ended December 31

	(Millions of yen)	
	Nine months ended Dec 31, 2018 (Apr 1, 2018 to Dec 31, 2018)	Nine months ended Dec 31, 2019 (Apr 1, 2019 to Dec 31, 2019)
Operating revenue		
Interest on operating loans	48,985	53,363
Revenue from credit card business	12,121	13,176
Revenue from credit guarantee	10,361	11,323
Other financial revenue	10	6
Other operating revenue	14,568	15,323
Total operating revenue	86,047	93,192
Operating expenses		
Financial expenses	6,005	5,496
Cost of sales	1,013	929
Other operating expenses	68,401	75,260
Total operating expenses	75,420	81,686
Operating profit	10,626	11,506
Non-operating income		
Interest on loans receivable	74	219
Dividend income	37	26
Share of profit of entities accounted for using equity method	—	72
Foreign exchange gains	57	226
Rent on real estate	58	63
Gain on sales of investment securities	458	—
Other	94	125
Total non-operating income	779	733
Non-operating expenses		
Interest expenses	5	3
Provision of allowance for doubtful accounts	10	2
Other	7	7
Total non-operating expenses	23	13
Ordinary profit	11,383	12,225
Extraordinary income		
Gain on reversal of shares acquisition rights	—	230
Total extraordinary income	—	230
Extraordinary losses		
Loss on retirement of non-current assets	—	109
Total extraordinary losses	—	109
Profit before income taxes	11,383	12,346
Income taxes - current	1,073	1,647
Income taxes - deferred	34	(111)
Total income taxes	1,107	1,536
Profit	10,275	10,809
Profit (loss) attributable to non-controlling interests	(379)	(939)
Profit attributable to owners of parent	10,655	11,749

ii. Quarterly Consolidated Statements of Comprehensive Income
 Nine months ended December 31

	(Millions of yen)	
	Nine months ended Dec 31, 2018 (Apr 1, 2018 to Dec 31, 2018)	Nine months ended Dec 31, 2019 (Apr 1, 2019 to Dec 31, 2019)
Profit	10,275	10,809
Other Comprehensive income		
Valuation difference on available-for-sale securities	(459)	292
Foreign currency translation adjustment	123	240
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	(336)	533
Comprehensive income	9,938	11,343
Comprehensive income attributable to		
Owners of parent	10,256	12,161
Non-controlling interests	(317)	(818)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended Dec 31, 2018 (Apr 1, 2018 to Dec 31, 2018)	Nine months ended Dec 31, 2019 (Apr 1, 2019 to Dec 31, 2019)
Cash flows from operating activities		
Profit before income taxes	11,383	12,346
Depreciation	1,965	2,030
Increase (decrease) in allowance for doubtful accounts	1,589	1,018
Increase (decrease) in provision for bonuses	6	(657)
Increase (decrease) in provision for point card certificates	(151)	10
Increase (decrease) in allowance for loss on interest repayment	(9,635)	(10,325)
Interest and dividend income	(111)	(245)
Interest expenses	5	3
Loss (gain) on sales of investment securities	(458)	—
Share of loss (profit) of entities accounted for using equity method	—	(72)
Gain on reversal of shares acquisition rights	—	(230)
Loss on retirement of non-current assets	—	109
Decrease (increase) in interest on loans receivable	(36,637)	(40,335)
Decrease (increase) in accounts receivable – installment	(4,104)	(4,125)
Decrease (increase) in other operating receivable	(599)	(531)
Decrease (increase) in purchased receivable	473	(530)
Decrease (increase) in claims provable in bankruptcy	549	2,830
Decrease (increase) in other current assets	(2,163)	(2,840)
Increase (decrease) in other current liabilities	667	1,717
Other	(83)	(78)
Subtotal	(37,306)	(39,905)
Interest and dividend income	111	258
Interest expenses paid	(5)	(4)
Income taxes refund	10	—
Income taxes paid	(462)	(1,074)
Cash flow from operating activities	(37,651)	(40,725)
Cash flow from investing activities		
Purchase of property, plant and equipment	(113)	(334)
Purchase of intangible assets	(657)	(961)
Purchase of investment securities	(1,085)	—
Proceeds from sales of investment securities	506	—
Other	(2,002)	(1,802)
Cash flows from investing activities	(3,352)	(3,098)
Cash flow from financing activities		
Increase in short-term borrowings	670,567	977,245
Decrease in short-term borrowings	(664,911)	(969,587)
Proceeds from long-term borrowings	90,610	134,490
Repayments of long-term borrowings	(59,101)	(110,024)
Proceeds from issuance of bonds	20,500	15,000
Redemption of bonds	(1,300)	(85)
Purchase of treasury shares	(0)	(0)
Other	(227)	(448)
Cash flows from financing activities	56,137	46,590
Effect of exchange rate changes on cash and cash equivalents	76	(314)
Net increase (decrease) in cash and cash equivalents	15,209	2,451
Cash and cash equivalents at beginning of period	29,323	36,108
Cash and cash equivalents at end of period	44,532	38,559

(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 December 31, 2019 increased by 427 million yen whereas "Other" under current liabilities and "Other" under non-current liabilities increased 371 million yen and 56 million yen, respectively. The impact of these changes on profits and losses during the period under review is immaterial.