



(Translation for reference only)

February 9, 2022

Consolidated Financial Results for the Third Quarter of Fiscal Year 2021
For the Nine Months Ended December 31, 2021
(Under Japanese GAAP)

Company name: AIFUL Corporation
Stock Listing: Tokyo Stock Exchange
Stock Code: 8515
URL: <https://www.aiful.co.jp>
Representative: Mitsuhide Fukuda, President and Chief Executive Officer
For inquiry: Toshiaki Ando, Assistant Senior General Manager of Finance Division TEL (03) 4503 – 6050
Scheduled date of submission of Quarterly Securities Report: February 10, 2022
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 2021
(April 1, 2021 – December 31, 2021)

(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, 2021	98,492	2.7%	18,602	19.2%	18,963	11.8%	18,161	12.4%
December 31, 2020	95,863	2.9%	15,602	35.6%	16,958	38.7%	16,164	37.6%

Note: Comprehensive income: For the nine months ended
December 31, 2021: 17,589million yen 6.0%
December 31, 2020: 16,593 million yen 46.3%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended		
December 31, 2021	37.55	—
December 31, 2020	33.42	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
December 31, 2021	928,553	161,838	17.2
March 31, 2021	863,354	147,692	16.9

Reference: Shareholders' equity: As of December 31, 2021: 159,709 million yen
As of March 31, 2021 145,555 million yen

Note: The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year.

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, 2021	–	0.00	–	1.00	1.00
FY ending March 31, 2022	–	0.00	–		
FY ending March 31, 2022 (Forecast)				1.00	1.00

Note: Revisions to dividend forecasts: None

III. Earnings Forecast on a Consolidated Basis for the Fiscal Year ending March 31, 2022

(April 1, 2021 – March 31, 2022)

(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, 2022	131,800	3.4%	24,100	37.5%	24,300	25.9%	23,100	25.3%	47.76

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021

(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

Note: For details, please refer to "Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 9 of [Appendix]

(4) Number of shares issued (Common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

FY2021 3Q	484,620,136 shares	FY2020	484,620,136 shares
FY2021 3Q	917,470 shares	FY2020	917,470 shares
FY2021 3Q	483,702,666 shares	FY2020 3Q	483,702,774 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 3.

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.....	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	5
(3) Quarterly Consolidated Statements of Cash Flows.....	7
(4) Notes to Quarterly Consolidated Financial Statements	9
(Notes on Premise of Going Concern)	9
(Changes in the Scope of Consolidation and the Scope of Application of the Equity Method)	9
(Notes in Case of any Significant Changes in the Amount Shareholders' Equity)	9
(Changes in Accounting policy)	9
(Additional Information)	10

1. Quarterly Qualitative Information on Business Results

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Accounting Standard for Revenue Recognition") and other standards from the beginning of the first quarter of the current fiscal year, which have affected its financial position and results of operations.

For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

(1) Qualitative Information on Business Results

During the nine months ended December 31, 2021, the Japanese economy is heading toward a gradual recovery due to the popularization of vaccines and progress in immunization, and the low number of new cases of COVID-19.

The consumer finance industry is also steadily improving, as seen in the year-on-year increase in the number of new contracts at major companies.

Going forward, we will continue to closely monitor the situation, such as the re-expansion of COVID-19. Nevertheless, AIFUL Group will strive to expand earnings by utilizing Group resources and to expand highly secure assets through data analytics, while responding to requests for interest repayment, one of the management issues.

In addition, in order to realize the management theme of "achieving growth as an IT finance group through organizational and institutional reforms in response to changes in the environment and the utilization of digital technologies," the Group will focus on "diversification of business portfolio" such as business diversification and strengthening of overseas businesses, and "utilization of digital technologies" such as IT technology analysis and in-house production of systems.

(Overview of the results)

In the first nine months of the current fiscal year, AIFUL group's operating revenues were 98,492 million yen (up 2.7% year-on-year). The principal components were 57,040 million yen in interest on operating loans (up 2.4% year on year), 13,870 million yen in revenue from credit card business (down 1.9% year on year) and 11,743 million yen in revenue from credit guarantee (up 7.2% year on year).

Operating expenses decreased by 371 million yen, or 0.5%, compared with the corresponding period of the previous fiscal year, to 79,889 million yen. This was mainly due to a decrease in provision for allowance for doubtful accounts.

As a result, in the first nine months of the current fiscal year, AIFUL Group posted operating profit of 18,602 million yen (up 19.2% year on year) and ordinary profit of 18,963 million yen (up 11.8% year on year). In addition, profit attributable to owners of the parent was 18,161 million yen (up 12.4% year on year) reflecting a profit attributable to non-controlling interests of 69 million yen.

Due to the adoption of the revenue recognition accounting standards, operating revenue increased by 65 million yen, operating expenses decreased by 80 million yen, operating profit increased by 145 million yen, and ordinary profit increased by 178 million yen.

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

The earning forecast for the full fiscal year ending March 31, 2022 has not been changed from the forecast announced on November 10, 2021.

The forecast is based on information available as of the date of publication of these materials. There are various risks in the current business environment surrounding us, and the actual results may differ from the forecasts.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	40,950	55,890
Operating loans	516,340	532,276
Accounts receivables - installment	101,719	110,685
Operational investment securities	1,701	1,786
Customers' liabilities for acceptances and guarantees	170,553	188,481
Other operating receivables	8,749	9,592
Purchased receivables	3,173	5,409
Other	24,724	30,971
Allowance for doubtful accounts	(58,201)	(60,514)
Total current assets	809,712	874,578
Non-current assets		
Property, plant and equipment	17,765	17,089
Intangible assets	5,306	6,614
Investments and other assets	30,570	30,271
Total non-current assets	53,642	53,974
Total assets	863,354	928,553
Liabilities		
Current liabilities		
Notes & accounts payable-trade	38,265	46,788
Acceptances and guarantees	170,553	188,481
Short-term borrowings	100,750	80,132
Short-term loans payable to subsidiaries and affiliates	—	650
Current portion of bonds	15,075	35,000
Current portion of long-term borrowings	146,136	162,767
Income taxes payable	2,112	396
Reserves	3,957	695
Other	22,745	32,143
Total current liabilities	499,596	547,056
Non-current liabilities		
Bonds payable	15,000	—
Long-term borrowings	180,677	205,984
Provision for loss on interest repayment	12,913	6,028
Other	7,474	7,645
Total non-current liabilities	216,065	219,659
Total liabilities	715,662	766,715
Net Assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	13,948	13,948
Retained earnings	38,669	53,387
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	143,536	158,253
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,705	1,223
Foreign currency translation adjustment	314	232
Total accumulated other comprehensive income	2,019	1,456
Non-controlling interests	2,136	2,128
Total net assets	147,692	161,838
Total liabilities and net assets	863,354	928,553

(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, 2020 (Apr 1, 2020 to Dec 31, 2020)	Nine months ended Dec 31, 2021 (Apr 1, 2021 to Dec 31, 2021)
Operating revenue		
Interest on operating loans	55,679	57,040
Revenue from credit card business	14,136	13,870
Revenue from credit guarantee	10,959	11,743
Other financial revenue	4	4
Other operating revenue	15,083	15,833
Total operating revenue	95,863	98,492
Operating expenses		
Financial expenses	5,444	5,300
Cost of sales	901	146
Other operating expenses	73,915	74,442
Total operating expenses	80,261	79,889
Operating profit	15,602	18,602
Non-operating income		
Interest on loans receivable	149	165
Dividend income	32	29
Share of profit of entities accounted for using equity method	145	144
Foreign exchange gains	325	—
Gain on sales of investment securities	367	—
Other	440	119
Total non-operating income	1,461	458
Non-operating expenses		
Interest expenses	2	—
Foreign exchange losses	—	73
Other	102	23
Total non-operating expenses	105	97
Ordinary profit	16,958	18,963
Extraordinary losses		
Loss on the sale of fixed assets	91	—
Total extraordinary losses	91	—
Profit before income taxes	16,867	18,963
Income taxes - current	1,876	1,328
Income taxes - deferred	(986)	(596)
Total income taxes	889	732
Profit	15,977	18,231
Profit (loss) attributable to non-controlling interests	(187)	69
Profit attributable to owners of parent	16,164	18,161

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

	(Millions of yen)	
	Nine months ended Dec 31, 2020 (Apr 1, 2020 to Dec 31, 2020)	Nine months ended Dec 31, 2021 (Apr 1, 2021 to Dec 31, 2021)
Profit	15,977	18,231
Other Comprehensive income		
Valuation difference on available-for-sale securities	1,041	(477)
Foreign currency translation adjustment	(425)	(164)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	616	(641)
Comprehensive income	16,593	17,589
Comprehensive income attributable to		
Owners of parent	16,983	17,598
Non-controlling interests	(389)	(8)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended Dec 31, 2020 (Apr 1, 2020 to Dec 31, 2020)	Nine months ended Dec 31, 2021 (Apr 1, 2021 to Dec 31, 2021)
Cash flows from operating activities		
Profit before income taxes	16,867	18,963
Depreciation	2,472	2,497
Increase (decrease) in allowance for doubtful accounts	1,435	3,070
Increase (decrease) in provision for bonuses	(668)	(701)
Increase (decrease) in provision for point card certificates	—	(2,560)
Increase (decrease) in allowance for loss on interest repayment	(9,484)	(6,884)
Interest and dividend income	(182)	(194)
Interest expenses	2	—
Loss (gain) on sales of investment securities	(367)	—
Share of loss (profit) of entities accounted for using equity method	(145)	(144)
Loss (gain) on the sale of fixed assets	91	—
Decrease (increase) in interest on loans receivable	7,610	(16,817)
Decrease (increase) in accounts receivable – installment	(94)	(8,965)
Decrease (increase) in other operating receivable	197	(842)
Decrease (increase) in purchased receivable	127	(1,938)
Decrease (increase) in claims provable in bankruptcy	353	(596)
Decrease (increase) in business security deposits	(3,700)	—
Decrease (increase) in other current assets	(3,552)	(7,298)
Increase (decrease) in other current liabilities	11,305	16,047
Other	224	644
Subtotal	22,493	(5,720)
Interest and dividend income	238	262
Interest expenses paid	(1)	—
Subsidies received	250	—
Income taxes refund	—	32
Income taxes paid	(2,892)	(2,884)
Cash flow from operating activities	20,087	(8,310)
Cash flow from investing activities		
Payments into time deposits	(5,001)	(4,871)
Proceeds from withdrawal of time deposits	—	5,001
Purchase of property, plant and equipment	(1,662)	(354)
Proceeds from the sale of tangible fixed assets	200	—
Purchase of intangible assets	(2,311)	(2,207)
Purchase of investment securities	—	(281)
Proceeds from sales of investment securities	539	—
Other	(279)	(5)
Cash flows from investing activities	(8,514)	(2,718)

	Nine months ended Dec 31, 2020 (Apr 1, 2020 to Dec 31, 2020)	Nine months ended Dec 31, 2021 (Apr 1, 2021 to Dec 31, 2021)
Cash flow from financing activities		
Increase in short-term borrowings	1,082,337	1,226,320
Decrease in short-term borrowings	(1,079,133)	(1,245,981)
Proceeds from long-term borrowings	73,900	158,495
Repayments of long-term borrowings	(94,418)	(116,558)
Proceeds from issuance of bonds	15,000	20,000
Redemption of bonds	(15,085)	(15,075)
Cash dividends paid	—	(483)
Purchase of treasury shares	(0)	—
Other	(756)	(840)
Cash flows from financing activities	<u>(18,156)</u>	<u>25,876</u>
Effect of exchange rate changes on cash and cash equivalents	344	221
Net increase (decrease) in cash and cash equivalents	<u>(6,239)</u>	<u>15,069</u>
Cash and cash equivalents at beginning of period	<u>43,520</u>	<u>35,945</u>
Cash and cash equivalents at end of period	<u>37,281</u>	<u>51,015</u>

(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)

AIFUL Medical Finance Co., Ltd. was renamed AG MEDICAL CORPORATION on May 1, 2021.

AIFUL BUSINESS FINANCE CORPORATION conducted an absorption-type split of its Secured medical loan business into AG MEDICAL CORPORATION on July 5, 2021.

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

Nine months ended December 31, 2020 (Apr 1, 2020 to December 31, 2020)

Not applicable

Nine months ended December 31, 2021 (Apr 1, 2021 to December 31, 2021)

1. Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share	Record date	Effective date	Source of dividends
April 26, 2021 Board of Directors	Common stock	483	1.00	March 31, 2021	June 1, 2021	Retained earnings

2. Dividends whose record date falls in the first nine months of the current fiscal year, but whose effective date falls after the end of the third quarter of the current fiscal year

Not applicable

(Changes in Accounting Policies)

(Apply of Accounting Standard for Revenue Recognition)

The Company has applied the revenue recognition accounting standard from the beginning of the first quarter of the current fiscal year and recognize revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services. Major changes due to this are as follows.

(1) Revenue recognition related to the in-house point system

LIFECARD Co., Ltd., a consolidated subsidiary of the Company, provides "LIFE Thanks Gifts" related to credit cards, and points are granted according to the amount of use by members. Previously, in order to prepare for the use of points granted, expenses expected to be utilized in the future were recorded as provision. However, if such points provide important rights to customers, they are identified as performance obligations and the recording of revenue is deferred.

(2) Revenue recognition related to in-house credit card annual membership fees

Previously, revenue from the annual membership fees of credit cards issued by LIFECARD Co., Ltd., a consolidated subsidiary, was recognized in a lump sum in the month of joining, but the method has been changed to recognize revenue when goods or services are provided. With regard to the application of the revenue recognition accounting standard, etc., in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy

has been applied from the beginning balance of the current fiscal year. However, the new accounting policy has not been applied retrospectively to contracts for which the method set forth in paragraph 86 of the Accounting Standard for Revenue Recognition has been applied and substantially all revenue amounts have been recognized in accordance with previous treatment prior to the beginning of the first quarter of the current fiscal year. In addition, the Company has applied the method stipulated in proviso (1) of paragraph 86 of the Accounting Standard for Revenue Recognition and has accounted for contract modifications made prior to the beginning of the first quarter under review based on the conditions of the contract after reflecting all contract modifications, and has adjusted the cumulative effect to retained earnings at the beginning of the first quarter under review.

As a result, operating revenue for the first nine months of the current fiscal year increased by 65 million yen, operating expenses decreased by 80 million yen, operating profit increased by 145 million yen, and ordinary profit increased by 178 million yen. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by 2,960 million yen.

In accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), disaggregation of revenue from contracts with customers for the first half of the previous fiscal year is not presented.

(Apply of Accounting Standard for Calculation of Fair Value)

The Company has applied Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Fair Value Measurement Accounting Standard ") and other measures from the beginning of the first quarter of the current fiscal year, and will continue to apply the new accounting policies stipulated by the Accounting Standards for Fair Value Measurement in accordance with the transitional treatment stipulated in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the Accounting Standards for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) in the future. There is no impact on the quarterly consolidated financial statements.

(Additional Information)

(Tax effect accounting relating to the transition from the consolidated taxation system to the group tax sharing system)

The Company and some of its domestic consolidated subsidiaries have not adopted the provisions of paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) for items that were transitioned to the group tax sharing system, which was established under the Act for Partial Amendment of the Income Tax Act, etc. (Law No. 8, 2020), as well as for which the non-consolidated taxation system was reviewed in conjunction with the transition pursuant to the treatment of paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No.39, March 31, 2020). Deferred tax assets and deferred tax liabilities are based on provisions of the Income Tax Act before the revision.

(Impact of COVID-19)

The Company maintains an allowance for doubtful accounts based on a variety of factors, including historical experience and available information. However, changes in uncertain economic conditions in the future, including the impact of COVID-19, may have a direct or indirect impact on the debtor. If the judgment of the actual bad debt ratio changes depending on the recovery status and other factors that appear as a result, there may be an increase or decrease in the allowance for doubtful accounts.