



(Translation for reference only)

February 10, 2023

Consolidated Financial Results for the Third Quarter of Fiscal Year 2022

For the Nine Months Ended December 31, 2022

(Under Japanese GAAP)

Company name: AIFUL Corporation
 Stock Listing: Tokyo Stock Exchange
 Stock Code: 8515
 URL: <https://www.aiful.co.jp>
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 Scheduled date of submission of Quarterly Securities Report: February 13, 2023
 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 2022

(April 1, 2022 – December 31, 2022)

(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, 2022	107,583	9.2%	17,755	(4.6)%	18,320	(3.4)%	16,869	(7.1)%
December 31, 2021	98,492	2.7%	18,602	19.2%	18,963	11.8%	18,161	12.4%

Note: Comprehensive income: For the nine months ended
 December 31, 2022 17,878 million yen 1.6%
 December 31, 2021 17,589 million yen 6.0%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended		
December 31, 2022	34.88	—
December 31, 2021	37.55	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
December 31, 2022	1,045,277	173,921	16.3
March 31, 2022	935,642	156,526	16.4

Reference: Shareholders' equity: As of December 31, 2022 170,555 million yen
 As of March 31, 2022 153,900 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, 2022	—	0.00	—	1.00	1.00
FY ending March 31, 2023	—	0.00	—		
FY ending March 31, 2023 (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, 2023

(April 1, 2022 – March 31, 2023)

(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, 2023	144,800	9.6%	23,800	111.7%	24,000	95.7%	21,300	72.7%	44.04

Note: Revisions to consolidated earnings forecasts: Yes

IV. Other

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022

(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: Yes

(d) Restatements: None

(4) Number of shares issued (Common stock)

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

FY2022 3Q	484,620,136 shares	FY2021	484,620,136 shares
FY2022 3Q	917,594 shares	FY2021	917,470 shares
FY2022 3Q	483,702,611 shares	FY2021 3Q	483,702,666 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

In the first 3 quarters of the fiscal year under review, the Japanese economy showed signs of recovery in socio-economic activities due to the relaxation of activity restrictions caused by COVID-19 pandemic. However, the outlook remains uncertain due to concerns over a surge of COVID -19 new variant and an economic slowdown stemming from rising prices, including energy and soaring raw material prices, against the backdrop of the worsening situation in Ukraine and the ongoing depreciation of the yen.

The consumer finance industry's recovery trend continued as the number of new contracts at major companies increased year-on-year. Although interest repayment claims have been steadily decreasing, it still requires close monitoring as it is easily affected by changes in the external environment.

Under these circumstances, in order to realize AIFUL Group's management theme "Go (new) Standard -Deepening Customer Orientation-", the Company will focus on "diversification of business portfolio" through business diversification and strengthening overseas businesses, etc., and "utilization of digital technologies," such as IT technology analysis and in-house production of systems. At the same time, we will strive to expand assets by balancing "growth potential" and "profitability" and optimize management resources to maximize consolidated income, while responding to requests for interest repayment, which is one of our management issues.

For more than 50 years since its foundation, the AIFUL Group has used the Heart mark as a corporate symbol that symbolizes a sense of security and integrity. To upgrade to an image that is appropriate for a corporate stance of providing new value for the future in anticipation of the next 50 or 100 years, we revamped our VI (visual identity) and began using the new Art symbol and the Company logo on July 7, 2022.

(Overview of the results)

AIFUL Group's consolidated operating revenue for the third quarter of the fiscal year ending March 31, 2023 was 107,583 million yen (up 9.2% year on year). The principal components were 62,351 million yen in interest on loans (up 9.3% year on year), 15,294 million yen in revenue from the credit card business (up 10.3% year on year) and 12,532 million yen in revenue from the credit guarantee business (up 6.7% year on year). Operating expenses increased by 9,938 million yen, or 12.4% year on year to 89,828 million yen. This was mainly due to an increase in advertising expenses by 3,138 million or 38.1% year on year to 11,368 million yen and an increase in provision for allowance for doubtful accounts of 2,823 million yen or 10.9% year on year to 28,815 million yen.

As a result, AIFUL Group posted operating profit of 17,755 million yen (down 4.6% year on year) and ordinary profit of 18,320 million yen (down 3.4% year on year). Profit attributable to owners of parent stood at 16,869 million yen (down 7.1% year on year), reflecting a profit attributable to non-controlling interests of 435 million yen.

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

The earning forecast for the full fiscal year ending March 31, 2023 has not been changed from the forecast announced on November 10, 2022. 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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	44,448	59,178
Operating loans	547,457	590,119
Accounts receivables - installment	110,244	131,070
Operational investment securities	2,312	2,519
Customers' liabilities for acceptances and guarantees	193,225	213,756
Other operating receivables	10,241	12,347
Purchased receivables	5,338	6,326
Other	25,440	37,312
Allowance for doubtful accounts	(57,906)	(62,446)
Total current assets	880,801	990,183
Non-current assets		
Property, plant and equipment	16,908	16,391
Intangible assets	6,737	7,593
Investments and other assets	31,195	31,109
Total non-current assets	54,841	55,093
Total assets	935,642	1,045,277
Liabilities		
Current liabilities		
Notes & accounts payable-trade	40,919	48,122
Acceptances and guarantees	193,225	213,756
Short-term borrowings	77,310	81,210
Short-term loans payable to subsidiaries and associates	1,533	2,324
Commercial papers	2,500	12,000
Current portion of bonds	35,000	—
Current portion of long-term borrowings	166,786	174,807
Income taxes payable	860	1,044
Reserves	1,377	841
Other	29,745	35,118
Total current liabilities	549,257	569,225
Non-current liabilities		
Bonds payable	—	45,000
Long-term borrowings	197,271	231,545
Provision for loss on interest repayment	24,594	18,888
Other	7,993	6,696
Total non-current liabilities	229,859	302,130
Total liabilities	779,116	871,356
Net Assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	14,017	14,017
Retained earnings	47,560	63,945
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	152,495	168,880
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,098	1,067
Foreign currency translation adjustment	306	607
Total accumulated other comprehensive income	1,404	1,674
Non-controlling interests	2,626	3,365
Total net assets	156,526	173,921
Total liabilities and net assets	935,642	1,045,277

(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, 2021 (Apr 1, 2021 to Dec 31, 2021)	Nine months ended Dec 31, 2022 (Apr 1, 2022 to Dec 31, 2022)
Operating revenue		
Interest on operating loans	57,040	62,351
Revenue from credit card business	13,870	15,294
Revenue from installment sales finance business	888	1,740
Revenue from credit guarantee	11,743	12,532
Other financial revenue	4	3
Other operating revenue	14,944	15,661
Total operating revenue	98,492	107,583
Operating expenses		
Financial expenses	5,300	5,363
Cost of sales	146	148
Other operating expenses	74,442	84,316
Total operating expenses	79,889	89,828
Operating profit	18,602	17,755
Non-operating income		
Dividend income	29	32
Share of profit of entities accounted for using equity method	144	141
Foreign exchange gains	—	220
Other	284	206
Total non-operating income	458	602
Non-operating expenses		
Foreign exchange losses	73	—
Loss on investments in silent partnerships	—	16
Other	23	19
Total non-operating expenses	97	36
Ordinary profit	18,963	18,320
Profit before income taxes	18,963	18,320
Income taxes - current	1,328	2,521
Income taxes - deferred	(596)	(1,505)
Total income taxes	732	1,016
Profit	18,231	17,304
Profit attributable to non-controlling interests	69	435
Profit attributable to owners of parent	18,161	16,869

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

	(Millions of yen)	
	Nine months ended Dec 31, 2021 (Apr 1, 2021 to Dec 31, 2021)	Nine months ended Dec 31, 2022 (Apr 1, 2022 to Dec 31, 2022)
Profit	18,231	17,304
Other Comprehensive income		
Valuation difference on available-for-sale securities	(477)	(31)
Foreign currency translation adjustment	(164)	604
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(641)	573
Comprehensive income	17,589	17,878
Comprehensive income attributable to		
Owners of parent	17,598	17,139
Non-controlling interests	(8)	739

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended Dec 31, 2021 (Apr 1, 2021 to Dec 31, 2021)	Nine months ended Dec 31, 2022 (Apr 1, 2022 to Dec 31, 2022)
Cash flows from operating activities		
Profit before income taxes	18,963	18,320
Depreciation	2,497	2,679
Increase (decrease) in allowance for doubtful accounts	3,070	3,591
Increase (decrease) in provision for bonuses	(701)	(647)
Increase (decrease) in provision for point card certificates	(2,560)	—
Increase (decrease) in allowance for loss on interest repayment	(6,884)	(5,705)
Interest and dividend income	(194)	(46)
Share of loss (profit) of entities accounted for using equity method	(144)	(141)
Decrease (increase) in interest on loans receivable	(16,817)	(39,991)
Decrease (increase) in accounts receivable – installment	(8,965)	(20,825)
Decrease (increase) in other operating receivable	(842)	(2,105)
Decrease (increase) in purchased receivable	(1,938)	(988)
Decrease (increase) in claims provable in bankruptcy	(596)	611
Decrease (increase) in business security deposits	—	1,200
Decrease (increase) in other current assets	(7,298)	(12,398)
Increase (decrease) in other current liabilities	16,047	12,280
Other	644	(493)
Subtotal	(5,720)	(44,661)
Interest and dividend income	262	67
Income taxes refund	32	482
Income taxes paid	(2,884)	(2,123)
Cash flow from operating activities	(8,310)	(46,234)
Cash flow from investing activities		
Payments into time deposits	(4,871)	(4,940)
Proceeds from withdrawal of time deposits	5,001	4,845
Purchase of property, plant and equipment	(354)	(759)
Purchase of intangible assets	(2,207)	(2,148)
Purchase of investment securities	(281)	(209)
Other	(5)	(94)
Cash flows from investing activities	(2,718)	(3,307)
Cash flow from financing activities		
Increase in short-term borrowings	1,226,320	992,904
Decrease in short-term borrowings	(1,245,981)	(989,037)
Proceeds from issuance of commercial papers	—	40,500
Redemption of commercial papers	—	(31,000)
Proceeds from long-term borrowings	158,495	177,970
Repayments of long-term borrowings	(116,558)	(135,920)
Proceeds from issuance of bonds	20,000	45,000
Redemption of bonds	(15,075)	(35,000)
Cash dividends paid	(483)	(483)
Other	(840)	(851)
Cash flows from financing activities	25,876	64,081
Effect of exchange rate changes on cash and cash equivalents	221	96
Net increase (decrease) in cash and cash equivalents	15,069	14,635
Cash and cash equivalents at beginning of period	35,945	39,147
Cash and cash equivalents at end of period	51,015	53,782

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Changes in Scope of Consolidation)

Sumishin Life Card Company, Limited., a consolidated subsidiary of The Company, was removed from the scope of consolidation as a result of the absorption-type merger on April 1, 2022 with LIFECARD CO., LTD., a consolidated subsidiary, as the surviving company.

(Changes in Accounting Estimates)

(Changes in Estimates of Allowance for Doubtful Accounts)

Until now, the general allowance for doubtful receivables has been classified by type of loan according to the borrower's period of delay, etc. and calculated using the historical rate of bad debts over the calculation period, such as the average remaining period for each classification. However, as a result of a review of some credit management classifications, the Company has changed to a calculation method based on the borrower's debt status (attorney intervention, etc.).

As a result, operating income, ordinary income, and income before income taxes for the third quarter of the current fiscal year have increased by 1,762 million yen compared to the previous method.

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

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

1. Dividends paid

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

2. Dividends whose record date is in the nine months ended December 31, 2021 but whose effective date is after December 31, 2021

Not applicable

Nine months ended December 31, 2022 (Apr 1, 2022 to Dec 31, 2022)

1. Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share	Record date	Effective date	Source of dividends
Board of Directors meeting held on April 25, 2022	Common stock	483	1.00	March 31, 2022	May 31, 2022	Retained earnings

2. Dividends whose record date is in the nine months ended December 31, 2022 but whose effective date is after December 31, 2022

Not applicable

(Additional Information)

From the first quarter of the current fiscal year, The Company and certain domestic consolidated subsidiaries have shifted from the consolidated tax return system to the group total system. Accordingly, the Process treatment and disclosure for corporate income taxes, local income taxes, and tax effect accounting are in accordance with the "Accounting and Disclosure Treatment for Application of the Group Cumulative Accounting System" (ASBJ PITF No. 42, August 12, 2021; hereinafter referred to as "ASBJ PITF No. 42"). In addition, based on paragraph 32(1) of Practical Issues Task Force No. 42, the Company does not expect the adoption of Practical Issues Task Force No. 42 to have an impact on its results of changes in accounting policies.