



 AIFUL CORPORATION

# ANNUAL REPORT 2018

The year ended March 31, 2018

## Corporate Philosophy

# Earn the trust of society through corporate activity based in integrity

AIFUL was founded by President and CEO Yoshitaka Fukuda in 1967 as a sole proprietorship consumer finance business and established as a corporation in 1978 to bolster its creditworthiness. In 1982 the corporate name was changed to the current AIFUL CORPORATION. AIFUL has grown into a comprehensive financial group handling such diverse businesses as credit cards, small business lending, credit guarantees, loan servicing and venture capital in addition to consumer finance.

Based on the corporate philosophy “Earn the trust of society through corporate activity based in integrity” AIFUL aims to be a company that is truly trusted by society.

### Origin of our company name AIFUL

We chose AIFUL as our company name after asking our employees for their suggestions. The winning idea takes the first letter from each of the key words in the following sentence:

“A company with **A**ffection, **I**mprovement, and **F**aithfulness in carrying out its operations, filled with the spirit of **U**nity and **L**iveliness.”

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#### Forward-Looking Statements

The figures contained in this Annual Report with respect to AIFUL’s plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of AIFUL, which are based on management’s assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a result of various factors.

Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL’s market and changes in the overall market for consumer loans, the rate of default by customers, and the level of interest rates charged by AIFUL.

## AIFUL Group Long-Term Vision

Our aim is to become a global financial group that provides products and services surpassing customer expectations, and is trusted and needed in Japan and around the world.

By practicing management consistent with its corporate philosophy and the essence of the finance business, the AIFUL Group strives to become a global financial group that is trusted and needed domestically and around the world.

### ■ We practice management based on our corporate philosophy.

The corporate philosophy, conscience guidelines, conduct guidelines and mindset of the AIFUL Group incorporates a direction to be continually pursued.

To achieve the corporate philosophy, we will continue to provide products and services that surpass customer expectations and strive to be a global financial group that is trusted and needed by customers in Japan and overseas.

### ■ We practice management based on the essence of the finance business.

The essence of the finance business lies in business risk management.

Risk management in the finance industry means striking a balance between profitability, safety, growth potential and workforce, so as to continually adapt to environmental changes.

To achieve this, the AIFUL Group pursues financial diversification and actively expands overseas in an effort to establish a global financial group.

### ■ The future vision of a global financial group



### Vision for Stakeholders

<b>Customer</b>	We will continue to provide customers in Japan and overseas with products and services that exceed their expectations, earning 'trust' and 'need', and attaining the No. 1 customer satisfaction in the industry.
<b>Society</b>	As a company that satisfies consumption and funding demands, we will fulfill our mission as a financial system that supports the consumption and economic activities of individuals and the self-employed.
<b>Business Partners</b>	Through fair and honest trade, we will build a relationship conducive to prosperous coexistence with all business partners.
<b>Shareholders and Investors</b>	We will achieve sustainable profit growth and shareholder return, and strive to enhance corporate value.
<b>Employees</b>	We will achieve a workplace in which employees experience both company and personal growth, and can enjoy a purpose in life through their day-to-day work.

# To Our Investors and Shareholders

The AIFUL Group implements business management in line with the corporate philosophy of "Earn the trust of society through corporate activity based in integrity." It aspires to be a global financial services group that is trusted and needed by international society through the diversification of its financial business portfolio and further expansion of its operating assets.

We are truly grateful to our stakeholders for their continued support.

Below please find a report on the business overview and financial results for the fiscal year ended March 31, 2018.

## **Financial results for the fiscal year ended March 31, 2018**

In the consumer finance industry, the number of new contracts remained at stable levels, thanks mainly to aggressive advertising by major operators. This was accompanied by a gradual increase in the operating loan balance.

While interest repayment claims have decreased significantly from their peak and their downward trend has become more distinct recently, we remain cautious as they still pose the greatest current risk to the industry.

Given these conditions, the AIFUL Group has worked to strengthen its revenue base through the diversification of its financial services business and the expansion of operating assets, and to enhance its financial ground through the broadening of funding sources and improving business efficiency. At the same time, the Group took steps to tackle the most important management issue of response to interest repayment claims.

Operating revenue for the AIFUL Group as a whole for the fiscal year ended March 31, 2018 was 115.3 billion yen, up 26% year on year.

In our mainstay loan business, we have continued to focus on effective advertising, primarily online, and improvements in customer service. In the fiscal year under review, the Group started to consolidate the results of AIRA & AIFUL Public Company Limited (A&A), a consumer finance business operator in Thailand. As a result, the operating loans outstanding rose by 59.3 billion yen (up 14% year on year) from the end of the previous fiscal year, to 472.0 billion yen, and interest income on loans to customers grew 18% year on year, to 56.3 billion yen.



In the credit card business, transaction volumes continued to move upward and, as a result, revenue from the Group's credit card business rose 3% year on year, to 16.0 billion yen and revenue from its credit guarantee business increased 4% year on year, to 12.9 billion yen. In addition, sales from software development came to 12.8 billion yen, and the recoveries of charged off claims rose 13% year on year, to 6.4 billion yen, while collection from purchased receivables decreased 1% year on year, to 2.0 billion yen.

Operating expenses increased 34% year on year, to 112.8 billion yen. The main factors driving the increase included the posting of cost of sales of 11.2 billion yen for software development and expenses in association with interest repayments of 8.6 billion yen, which comprised a provision for loss caused by interest repayment of 12.3 billion yen, in consideration of the recent status of interest repayment, and the reversal of the allowance for doubtful accounts of 3.7 billion yen as a result of interest repayments in conjunction with debt waivers. In addition, financial expenses decreased by 6% year on year, to 7.5 billion yen and other operating expenses increased 10% year on year, to 59.6 billion yen.

As a result, operating profit stood at 2.4 billion yen, down 64% year on year and ordinary profit was 2.8 billion yen, down 62% year on year. Profit attributable to owners of parent came to 3.9 billion yen, down 46% year on year, due to the posting of an extraordinary income from reversal in association with the stock option scheme of 0.7 billion yen, and a loss attributable to non-controlling interests of 1.0 billion yen.

## **Forecast for the Fiscal Year Ending March 31, 2019**

The consumer finance industry has seen a steady recovery in loans outstanding, although the situation of the most important management issue of responding to interest repayment claims demands continued vigilance despite the recent downward trend. Given these conditions, we expect that the Group's mainstay loan business as well as credit card business, credit guarantee business and overseas business will continue their strong performance.

As such, our consolidated financial forecasts for the fiscal year ending March 31, 2019 include operating revenue of 115.4 billion yen, on a par with the level of the previous fiscal year, and operating expenses of 98.9 billion yen, down 12% year on year. As a consequence, operating profit for the fiscal year ending March 31, 2019 is expected to be 16.4 billion yen, up 558% year on year, ordinary profit is expected to be 16.9 billion yen, up 499% year on year, and profit attributable to owners of parent is expected to be 15.6 billion yen, up 294% year on year.

Looking at the business environment ahead, we anticipate stable growth in all businesses operated by the Group, reflecting the expansionary phase in the market for retail financing such as loans and credit cards and in the overseas market mainly in ASEAN. We will continue working to expand operating assets on a group-wide basis, to diversify the financial services business and to manage our business with an emphasis on balancing safety, profitability and growth, while continuing to respond to interest repayment claims. We are committed to meeting the expectations of all our stakeholders.

In doing so, we hope to count on the continued support and encouragement of our stakeholders.

**Yoshitaka Fukuda**

President and CEO

Representative Director



# Five-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2018, 2017, 2016, 2015 and 2014

	Millions of Yen					Thousands of U.S. Dollars
	2018	2017	2016	2015	2014	2018
<b>For the Year:</b>						
Operating revenue	¥ 115,389	¥ 91,450	¥ 87,708	¥ 86,352	¥ 91,858	\$ 1,088,575
Operating expenses	112,897	84,440	81,032	125,914	69,360	1,065,066
Provision for doubtful accounts	20,497	20,744	16,126	2,234	10,930	193,368
Ordinary profit (loss)	2,823	7,399	6,860	(36,498)	24,752	26,632
Net income (loss) attributable to owners of the parent	3,958	7,276	7,044	(36,499)	30,461	37,340
<b>At Year-End:</b>						
Loans (Note 1)	¥ 472,018	¥ 412,649	¥ 376,224	¥ 350,017	¥ 348,010	\$ 4,453,000
Nonperforming loans	71,515	66,401	66,158	70,418	79,222	674,670
Loans in legal bankruptcy	27,147	28,712	31,105	32,908	35,134	256,104
Nonaccrual loans	28,314	25,530	22,263	23,819	27,289	267,113
Accruing loans contractually past due three months or more as to principal or interest payments	5,792	4,407	3,349	2,829	2,445	54,642
Restructured loans	10,261	7,750	9,439	10,861	14,352	96,802
Total assets	682,645	616,651	567,514	560,323	577,339	6,440,047
Allowance for doubtful accounts	66,959	70,172	72,643	79,708	102,522	631,689
Total liabilities	563,238	505,002	463,263	462,848	443,797	5,313,566
Interest-bearing debt	365,836	300,223	249,060	226,955	253,915	3,451,283
Total equity	119,407	111,649	104,250	97,475	133,541	1,126,481
<b>Per Share Data</b> (Yen/U.S. dollars (Note 2)):						
Basic net income (loss)	¥ 8.18	¥ 15.05	¥ 14.59	¥ (75.74)	¥ 63.34	\$ 0.08
Diluted net income	—	15.04	14.57	—	63.00	—
Total equity	236.13	228.94	214.16	200.45	276.80	2.23
Cash dividends	—	—	—	—	—	—
<b>Ratios (%):</b>						
Equity ratio	16.7	18.0	18.2	17.3	23.1	
ROE	3.5	6.8	7.0	(31.8)	25.8	
ROA	0.4	1.2	1.2	(6.4)	4.2	
<b>Other Data:</b>						
Number of shares outstanding at year-end (Note 3)	484,620,136	484,619,136	483,794,536	483,506,536	481,867,836	
Number of employees at year-end	2,503	1,473	1,433	1,350	1,369	

Notes: 1. Receivables outstanding including off-balance sheet amount

2. The U.S. dollar amounts have been translated, for convenience only, at ¥106=\$1, the approximate rate of exchange at March 31, 2018.

3. The Company implemented a stock split of 2 shares for each 1 share of common stock on October 1, 2013.


Figures in the financial section are based on Japanese GAAP.

# AIFUL Group at a Glance

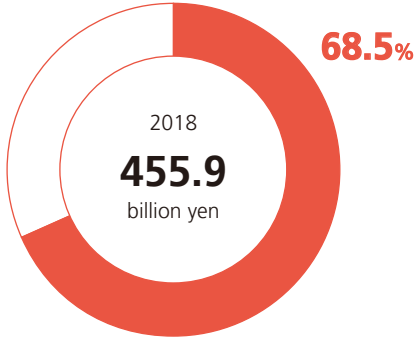
(As of March 31, 2018)

### Loan Business

■ Companies



■ Share of receivable



2018  
**455.9**  
billion yen


■ Key numbers

Unsecured loan outstanding  
**388.0** billion yen +12%

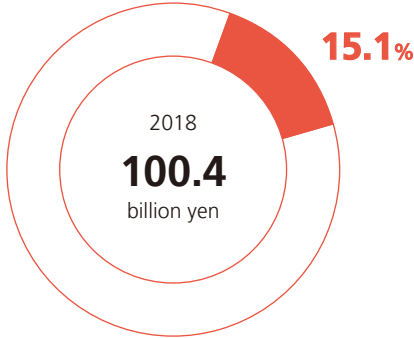
Small business loan outstanding  
**47.0** billion yen +11%

### Credit Card Business

■ Companies



■ Share of receivable



2018  
**100.4**  
billion yen


■ Key numbers

Number of new card issue  
**517** thousand +1%

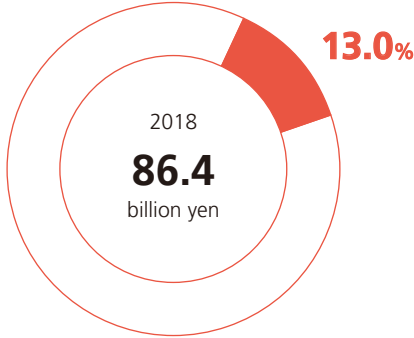
Transaction volume  
**696.4** billion yen +2%

### Credit Guarantee Business

■ Companies



■ Share of receivable



2018  
**86.4**  
billion yen


■ Key numbers

Credit guarantee for individuals  
**75.1** billion yen +15%

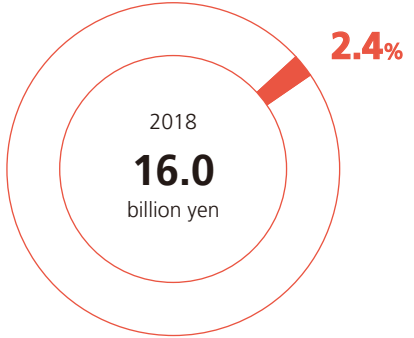
Credit guarantee for small business operator  
**11.3** billion yen +10%

### Overseas Business

■ Companies



■ Share of receivable



2018  
**16.0**  
billion yen

■ Key numbers

Number of customer accounts  
**300** thousand +235%

Loan outstanding  
**16.0** billion yen +238%

# Management's Discussion and Analysis of Operations

## ◆ Current Business Environment

In Japan's consumer finance industry, many lenders have been forced to close their businesses and declare bankruptcy as interest repayment claims jumped following the Supreme Court's 2006 judgment and revisions to the Money Lending Business Act. While the environment worsened for a time and the market shrank significantly, it has improved significantly in recent years.

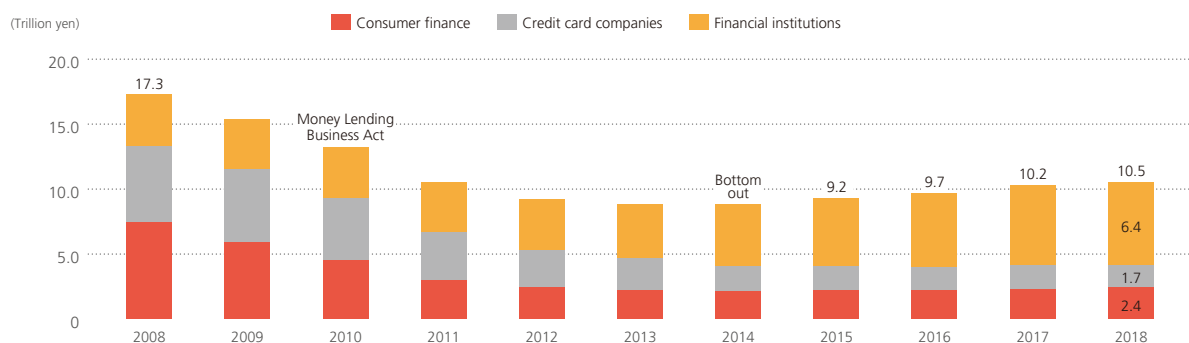
With respect to interest repayment claims, which have had by far the biggest impact on the industry in the past decade, the number of claims on the three leading lenders for the fiscal year ended March 31, 2018 (fiscal year 2017) plummeted 42% year on year, to 90,000, or a fifth of its peak. We expect this trend of real decreases to persist going forward.

The unsecured loans market, which is our main business, expanded to 10.5 trillion yen in March 2018 mainly due to improved business sentiment in Japan and active advertising by the leading lenders. We expect the unsecured loans market to continue expanding after bottoming out in March 2014.

In terms of the main players in the 10.5 trillion yen unsecured loans market, consumer finance businesses account for 2.4 trillion yen, credit card companies 1.7 trillion yen and financial institutions 6.4 trillion yen. In consumer finance, the leading consumer-finance only companies continue to dominate as a result of the oligopoly they have created.

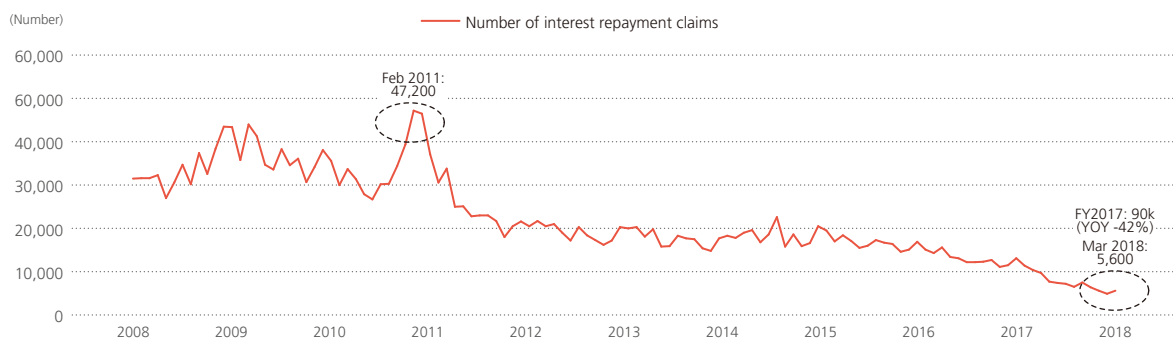
In fiscal 2017, new unsecured loan applications for the three leading lenders rose 8% year on year, to 1,469,000, while new contracts moved 7% higher year on year, to 665,000. The balance of unsecured loans increased 4%, to 18.9 billion yen and business performance remained strong.

### Unsecured consumer loans market



Source: Consumer finance and Credit card companies: Statistics by the Japan Financial Services Association  
Financial institutions: Statistics by The Bank of Japan (Consumer loan outstanding at domestic banks and credit unions)

### Interest repayments claims at three major companies (ACOM, SMBC-CF and AIFUL)



Source: Compiled by AIFUL from financial data of each company



## ◆ AIFUL Group Business Overview

### Loan business

In the loan business, which is the AIFUL Group's core business, we are making efforts to develop products that quickly meet customers' funding needs and to effectively promote these products. In fiscal year 2017, loans outstanding for the AIFUL Group rose 14% year on year, to 472.0 billion yen.

#### Unsecured loan business

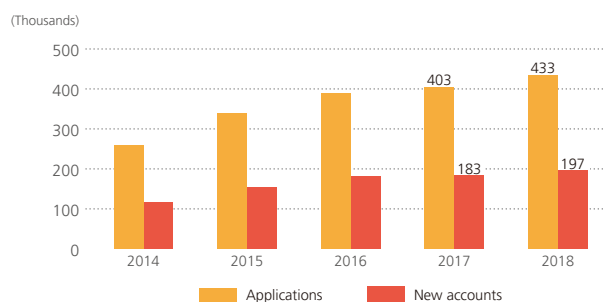
In the unsecured loan business, in addition to effective advertising by television, websites and other media, AIFUL revamped its websites, developed a smartphone application and pursued other efforts designed to improve the customer service experience. These activities were conducted to increase the balance of operating loans.

As a result, in fiscal year 2017, new unsecured loan applications for AIFUL moved 7% higher year on year, to 433,000, and new contracts rose 8% year on year, to 197,000. The balance of unsecured loans for AIFUL alone jumped 14% year on year, to 341.7 billion yen, while the balance of unsecured loans for the entire Group increased 17% year on year, to 404.0 billion yen.

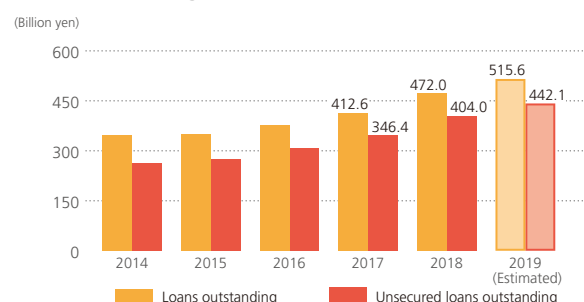
#### Small business loans

In our small business loans operations, we provide products and services tailored to the needs of sole proprietors and small and medium-sized companies by using the Group's credit know-how for business operators mainly at BUSINEXT CORPORATION and AIFUL. As a result, in fiscal year 2017, the balance of small business loans for BUSINEXT increased 9% year on year, to 40.7 billion yen, while the balance of small business loans for AIFUL surged 28% year on year, to 5.8 billion yen. The balance for small business loans for the entire Group rose 12% year on year, to 47.0 billion yen.

#### Number of applications and new accounts (AIFUL)



#### Loans outstanding (Consolidated)



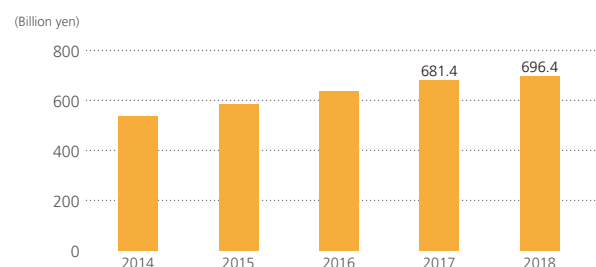
### Credit card business

In the credit card business, we actively used affiliate advertising, and launched new tie-up cards and business credit cards affiliated with university hospitals to boost new credit card applications.

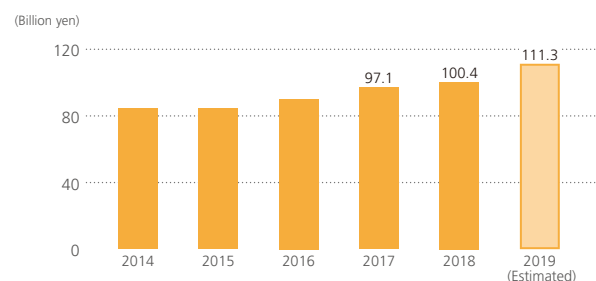
In addition, we increased credit limits for existing card members and implemented a points program and other initiatives to improve convenience for card users.

As a result, in fiscal year 2017, new credit card issuance exceeded 500,000 cards for the third consecutive year. Credit card transaction volumes rose 2% year on year, to 696.4 billion yen, while the balance of installment accounts receivable increased 3% year on year, to 100.4 billion yen.

#### Credit card transaction volume (Consolidated)



#### Installment receivable (Consolidated)

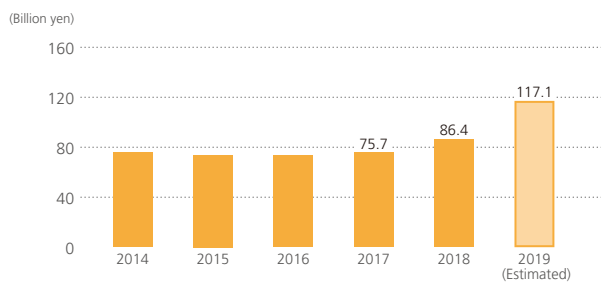


### Credit guarantee business

In the credit guarantee business, we aim to increase the guarantee balance by utilizing our strengths, such as our know-how in private and business-related credit, and our flexibility and speed as an independent company. We are also working to extend our sales activities to potential guarantee partners, as well as proposing new products and offering support for marketing promotions in the business-related loan segment.

As a result, in fiscal year 2017, AIFUL and LIFE CARD entered into new tie-ups with one and five financial institutions, respectively. The balance of credit guarantees for individuals for the entire Group increased 15% year on year, to 75.1 billion yen. The balance of credit guarantees for business operators rose 10% year on year, to 11.3 billion yen. The total balance for credit guarantees moved 14% higher year on year, to 86.4 billion yen.

**Credit guarantee outstanding (Consolidated)**



**Overseas business**

The AIFUL Group engages in the consumer finance business in Thailand, the used car auto loan business in Indonesia and the leasing business in China.

**Thailand: AIRA & AIFUL Public Company Limited (A&A)**

In December 2014, the joint venture A&A was established in Thailand. From October 2015, the consumer finance business was conducted under the "A Money" brand.

In fiscal year 2017, A&A achieved steady growth on the back of brisk demand for funds against the backdrop of economic growth and rising consumption in Thailand. At the end of fiscal year 2017, the number of accounts grew 235% year on year, to 300,000 and the operating loan balance increased 238% year on year, to 16.0 billion yen. (A&A's fiscal year-end is December, thus accounts/loans outstanding are as at end-December 2017.)

**Indonesia: REKSA FINANCE**

In May 2017, AIFUL Group acquired a 40% stake in REKSA FINANCE, which manages the used car auto loan business in Indonesia. At the same time, AIFUL has taken an active role in the company's management.



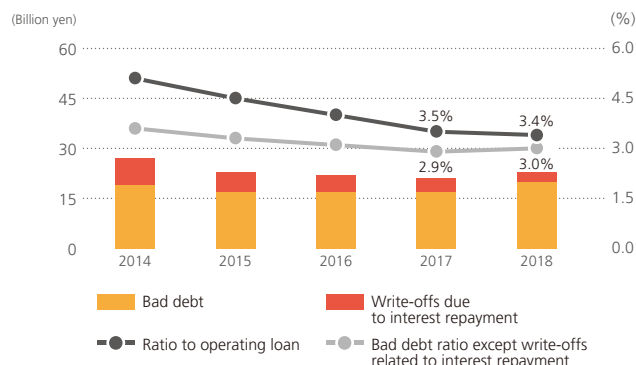
Branch of A&A

**Bad debts**

In fiscal year 2017, amount of bad debt rose 8% year on year, to 22.5 billion yen, while the ratio of bad debts to loans outstanding fell 0.1% year on year, to 3.4%. So-called 'general' bad debts, which exclude the waiver of principal due to interest repayment claims, jumped 16% year on year to 19.9 billion yen as operating assets increased. The ratio of

general bad debts to loans outstanding stood at 3.0%, remaining at a low and stable level.

**Total receivables write-offs (Consolidated)**



**Interest repayment claims**

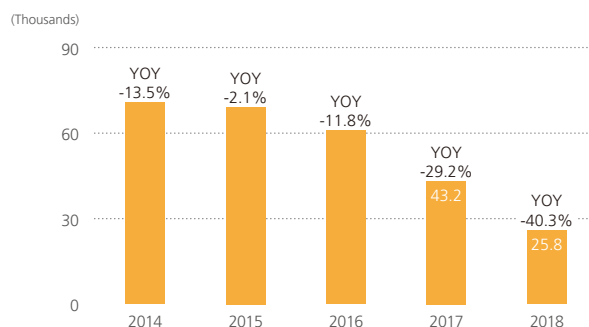
Claims for interest repayment have dropped significantly from their February 2011 peak, falling 40% year on year in fiscal year 2017 to 25,000 claims, which signals the likely continuation of the decreasing trend.

Interest repayments for fiscal year 2017 slid 21% year on year, to 22.6 billion yen, and the waiver of principal due to interest repayments plummeted 29% year on year, to 2.6 billion yen, totaling 25.3 billion yen, or a decrease of 22% from the previous fiscal year.

In addition, the Group posted 8.6 billion yen in expenses related to interest repayments because it made an additional provision for loss on interest repayments of 12.3 billion yen and the reversal of allowances for doubtful accounts associated with interest repayments of 3.7 billion yen in light of the current situation of interest repayments.

As a result, for fiscal year 2017, the balance of the allowances for losses on interest repayments for the AIFUL Group stood at 24.3 billion yen, while the waiver due to interest repayments was 2.2 billion yen. Therefore, the total amount of allowances related to interest repayments was 26.5 billion yen.

**Interest repayment claims (Consolidated)**



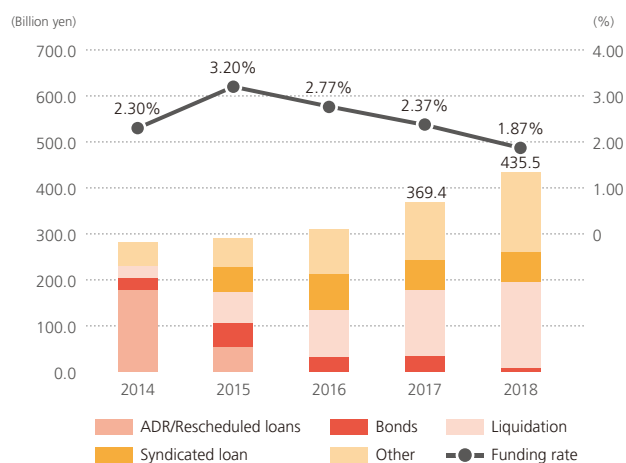
## Assets, liabilities and net assets

Total assets on a consolidated basis increased 65.9 billion yen, or 11%, compared to the previous fiscal year-end to 682.6 billion yen at the end of fiscal year 2017. This was primarily due to a 60.0 billion yen increase in operating loans.

Total liabilities increased 58.2 billion yen, or 12% from the end of the previous fiscal year, to 563.2 billion yen. The major factor for the increase was a rise of 89.8 billion yen from the end of the previous fiscal year in interest-bearing debt as a result of diversifying financing into the procurement of funds by liquidation and borrowing from financial institutions, etc. The average funding rate including the amount of funds raised by the liquidation of receivables was 1.87%, down 0.50 percentage points from the previous fiscal year as a result of early redemption of 8% high interest rate bonds etc.

Net assets increased 7.7 billion yen, or 7%, compared to the previous fiscal year-end, to 119.4 billion yen. This was largely attributable to the increase in retained earnings and non-controlling interests.

### Interest bearing liabilities (Consolidated)



## Cash flows

Cash and cash equivalents ("funds") declined 4.2 billion yen, or 13%, compared with the end of the previous fiscal year, to 29.3 billion yen.

### Cash flows from operating activities

Net cash used for operating activities stood at 70.2 billion yen, an increase of 37% compared with the previous fiscal year. This was mainly attributable to the decline in funds reflecting an increase in total receivables outstanding such as operating loans.

### (Cash flows from investing activities)

Net cash used for investing activities stood at 3.5 billion yen, a decrease of 43% compared with the previous fiscal year. This was mainly attributable to the purchase of property, plant and equipment, and intangible assets.

### (Cash flows from financing activities)

Net cash provided by financing activities amounted to 67.5 billion yen, a rise of 32% compared with the previous fiscal year. This was mainly attributable to the increase in funds reflecting a rise in loans payable.

## Going forward

With respect to the future business environment surrounding the AIFUL Group, the retail finance market such as loans and credit cards and the overseas markets mainly in ASEAN are in the expansion phase. Stable growth is expected in all the businesses conducted by the AIFUL Group. In addition, in future, the Group will continue to respond to interest repayment claims and at the same time work on the expansion of operating assets as a whole. Also, the Group will endeavor to diversify the finance business and will place emphasis on the balance of "safety," "profitability" and "growth" in business management.

In addition, the AIFUL Group is seeking to improve its return on assets (ROA), as this is one of the most important measures of profitability and stability in business management. The average total assets during the consolidated fiscal year under review increased 57.5 billion yen, to 649.6 billion yen, due to an increase in operating assets. On the other hand, ordinary income decreased 4.5 billion yen, to 2.8 billion yen, mainly due to the posting of expenses relating to interest repayment claims. As a result, ROA for the consolidated fiscal year under review came to 0.4%. However, we will aim to improve the stability of ROA in the future by changing the structure of revenues and costs through the diversification of business portfolios.

In fiscal year ending March 31, 2019, we expect the balance of loans to increase by 9% from the previous period, to 515.6 billion yen. Installment accounts receivable are expected to move higher by 11% from the previous period, to 111.3 billion yen. Credit guarantees outstanding are anticipated to surge 35% from the previous period, to 117.1 billion yen.

As a result, we expect that operating revenue will top 115.4 billion yen, ordinary income will leap 499% year on year, to 16.9 billion yen, while net income attributable to owners of the parent will charge higher by 294% year on year, to 15.6 billion yen.

# Business Data

## ◆ AIFUL GROUP

### TOTAL RECEIVABLES OUTSTANDING (Including off-balance outstanding)

	(Millions of yen/%)			
	2016	2017	2018	YOY
Total Receivable Outstanding	545,569	591,528	665,669	12.5
Loans	376,224	412,649	472,018	14.4
Unsecured	306,601	346,411	404,056	16.6
Secured	28,139	24,044	20,923	(13.0)
Small Business	41,483	42,192	47,037	11.5
Installment Receivables	90,166	97,134	100,460	3.4
Credit Guarantee	73,411	75,747	86,465	14.1
Other	5,767	5,997	6,725	12.1

### OPERATING REVENUE/PROFIT

	(Millions of yen/%)			
	2016	2017	2018	YOY
Operating revenue	87,708	91,450	115,389	26.2
Interest on Loans	44,255	47,869	56,305	17.6
Unsecured	37,705	42,892	51,949	21.1
Secured	4,483	3,206	2,597	(19.0)
Small Business	2,066	1,769	1,758	(0.6)
Installment Receivables	14,706	15,531	16,038	3.3
Credit Guarantees	12,491	12,494	12,992	4.0
Other	16,254	15,555	30,052	93.2
Profit attributable to owners of parent	7,044	7,276	3,958	(45.6)

Note: Italic Font = Increase or Decrease

### FUNDING COST

	(%)			
	2016	2017	2018	YOY
Average Funding Cost	2.77	2.37	1.87	-0.50 ppt
Indirect	2.19	2.08	2.17	0.09 ppt
Direct	3.54	2.69	1.50	-1.19 ppt
Long-term prime rate (reference)	0.95	0.95	1.00	0.05 ppt

### NUMBER OF CUSTOMER ACCOUNTS

	(Thousands/%)			
	2016	2017	2018	YOY
Number of Customer Accounts	861	916	1,299	41.7
Unsecured	821	879	1,259	43.3
Secured	11	9	7	(16.9)
Small Business	28	28	32	12.3
Credit Card Holders	6,291	5,883	5,771	(1.9)

### TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

	(Millions of yen/%)			
	2016	2017	2018	YOY
Total Assets	567,514	616,651	682,645	10.7
ROA (%)	1.2	1.2	0.4	-0.8 ppt
Total Equity	104,250	111,649	119,407	6.9
ROE (%)	7.0	6.8	3.5	-3.3 ppt

## ◆ AIFUL CORPORATION

### TOTAL RECEIVABLES OUTSTANDING (Including off-balance outstanding)

	(Millions of yen/%)			
	2016	2017	2018	YOY
Total Receivables Outstanding	374,362	408,259	454,316	11.3
Loans	289,565	322,087	360,031	11.8
Unsecured	262,655	301,063	341,777	13.5
Secured	21,839	16,447	12,403	(24.6)
Small Business	5,070	4,575	5,850	27.9
Installment Receivables	1,194	857	503	(41.3)
Credit Guarantees	78,466	80,039	87,970	9.9
Other	5,136	5,275	5,811	10.2

### OPERATING REVENUE/PROFIT

	(Millions of yen/%)			
	2016	2017	2018	YOY
Operating revenue	55,120	58,339	64,663	10.8
Interest on Loans	36,856	40,292	45,881	13.9
Unsecured	32,086	37,318	43,510	16.6
Secured	3,918	2,547	1,862	(26.9)
Small Business	852	426	507	18.9
Credit Guarantees	11,221	11,106	10,976	(1.2)
Other	6,926	6,825	7,694	12.7
Profit	5,281	4,823	2,437	(49.5)

### NUMBER OF CUSTOMER ACCOUNTS

	(Thousands/%)			
	2016	2017	2018	YOY
Number of Customer Accounts	664	721	802	11.2
Unsecured	647	707	788	11.4
Secured	10	8	6	(19.1)
Small Business	5	5	6	32.1

### AVERAGE YIELD

	(%)			
	2016	2017	2018	YOY
Average yield	15.2	14.7	14.7	0.0 ppt

### AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

	(Millions of yen/%)			
	2016	2017	2018	YOY
Total Receivables Write-offs	14,956	14,591	14,648	0.4
Unsecured Loans Write-offs	12,683	13,071	13,909	6.4
Ratio of Total Receivables Write-offs (%)	5.17	4.53	4.07	-0.46 ppt
Ratio of Unsecured Loans Write-offs (%)	4.83	4.34	4.07	-0.27 ppt

## ◆ AIFUL CORPORATION

### NEW ACCOUNTS

	(Accounts/%)			
	2016	2017	2018	YOY
New Accounts	180,805	182,778	197,826	8.2
Unsecured Loans	180,666	182,604	197,565	8.2
Contract Rate of Unsecured Loans (%)	46.5	45.3	45.6	0.3 ppt

Note: Italic Font = Increase or Decrease

### TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

	(Millions of yen/%)			
	2016	2017	2018	YOY
Total Assets	407,139	439,840	500,262	13.7
ROA (%)	1.2	1.0	0.2	-0.8 ppt
Total Equity	78,883	83,919	85,548	1.9
ROE (%)	7.0	6.0	2.9	-3.1 ppt

## ◆ LIFECARD CO., LTD.

### TOTAL RECEIVABLES OUTSTANDING (Including off-balance outstanding)

	(Millions of yen/%)			
	2016	2017	2018	YOY
Total Receivables	154,950	163,571	169,632	3.7
Installment Receivables	88,971	96,276	99,956	3.8
Loan (Cash Advance)	44,169	45,564	46,728	2.6
Credit Guarantees	21,178	21,007	22,032	4.9
Other	631	722	914	26.5

### OPERATING REVENUE/PROFIT

	(Millions of yen/%)			
	2016	2017	2018	YOY
Operating Revenue	28,358	28,890	42,991	48.8
Installment Receivables	14,559	15,361	15,960	3.9
Loan (Cash Advance)	5,645	5,603	5,649	0.8
Credit Guarantees	1,270	1,272	1,348	6.0
Other	6,884	6,653	20,033	201.1
Profit	1,858	3,031	2,746	(9.4)

Note: Italic Font = Increase or Decrease

### TRANSACTION VOLUME

	(Millions of yen/%)			
	2016	2017	2018	YOY
Transaction Volume	636,901	681,362	696,435	2.2
Card Shopping	595,922	640,598	655,990	2.4
Cashing	40,979	40,763	40,444	(0.8)

### NUMBER OF CARDHOLDERS

	(Thousands/%)			
	2016	2017	2018	YOY
Number of Cardholders	6,291	5,883	5,771	(1.9)
Proper Card	1,813	1,795	1,739	(3.1)
Affinity Cards	4,477	4,088	4,032	(1.4)

### AMOUNT OF WRITE-OFFS/ RATIO OF WRITE-OFFS

	(Millions of yen/%)			
	2016	2017	2018	YOY
Total Receivables Write-offs	3,120	3,090	3,345	8.2
Ratio of Total Receivables Write-offs (%)	2.01	1.89	1.97	0.08 ppt

# Corporate Governance

## 1. Basic Views and Basic Policy on Corporate Governance

The AIFUL Group understands that a key objective of corporate governance is to achieve corporate management with transparency, impartiality, and efficiency by conducting corporate activities premised on compliance in accordance with our management philosophy of “Earn the trust of society through corporate activity based in integrity” to contribute to the development of the economy and society and thereby to gain the trust of society.

In line with the basic views on corporate governance, AIFUL will undertake enhancements to upgrade our corporate governance in accordance with the Basic Policy on Corporate Governance set out below in a bid to achieve continued growth and a medium- and long-term increase in corporate value through transparent, impartial, prompt and bold decision making.

- (1) We will respect the rights of shareholders and ensure their equality.
- (2) We will work on appropriate collaboration with all stakeholders including shareholders.
- (3) We will appropriately disclose our financial, non-financial, and other corporate information to ensure transparency.
- (4) Our Board of Directors will recognize its fiduciary responsibility to shareholders and fulfill its roles and duties, including making and keeping its function of effectively supervising business execution.
- (5) We will hold constructive dialogues with shareholders for the sake of achieving continued growth and a medium and long-term increase in corporate value.

## 2. Corporate Governance Structure

### (1) Overview of the Corporate Governance Structure

In order to strengthen the supervisory function of the Board of Directors and to enhance corporate governance, we made the change from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. This change went into effect on June 23, 2015.

#### **Audit and Supervisory Committee and Directors Belonging to the Committee**

The Audit and Supervisory Committee consists of three directors (including two directors who are outside members). It determines items such as the audit policy and plan, and discusses and decides on important audit matters based on the reports it receives. In addition to performing these duties, it also audits legitimacy and appropriateness through the use of the internal control system. A meeting will generally be held every month, with extraordinary meetings held when necessary.

The directors who are members of the Audit and Supervisory Committee will cooperate with the Internal Auditing Department and the accounting auditors to enhance management’s supervisory functions. They will also share information with the auditors of affiliated companies in an effort to strengthen the auditing structure for the operations

of the entire Group.

To improve these audit functions, the Group will establish an Audit and Supervisory Committee Office (Audit Office) as the exclusive body for supporting the duties of directors who belong to the Audit and Supervisory Committee. It will also take the necessary steps to secure independence, such as by requiring that the Audit Office does not follow any directions or orders from directors (other than directors belonging to the Audit and Supervisory Committee) when carrying out their duties.

#### **Board of Directors and Directors**

The Board of Directors consists of 11 directors (as of June 27, 2018): eight directors who are not members of the Audit and Supervisory Committee, and three directors who are members of the Audit and Supervisory Committee. It discusses and makes decisions on matters that cannot be delegated to directors or others under laws and regulations and the Articles of Incorporation, such as basic management policies and basic policies associated with the internal control system, and other important matters for execution of operations under the rules of the Board of Directors, including business plans, personnel policies, and capital policies. The Board of Directors delegates authority over the execution of operations in line with the policies on which the Board of Directors has made resolutions, and the disposal of property worth less than a specified amount to executive officers and others within an appropriate range in accordance with regulations for administrative authority and other rules. In addition to delegating this authority, it supervises the execution of operations. It generally holds semimonthly meetings and extraordinary meetings when necessary. The Company’s Articles of Incorporation also stipulate that there be no more than 15 directors (excluding directors on the Audit and Supervisory Committee) and no more than five directors on the Audit and Supervisory Committee.

#### **Outside Directors**

Two of the three directors in the Audit and Supervisory Committee are outside directors (as of June 27, 2018). We have developed a structure in which they can attend management meetings and other important meetings and committees to express their views.

#### **Executive Officers**

The Company introduced an executive officer system to speed up the decision-making process and the performance of duties, and enhance the separation of supervisory and executive functions. The Board of Directors appoints executive officers and delegates its business by establishing the division of duties and authority.

#### **Management Committee**

The Management Committee comprises all the directors and executive officers. It strives to promote information sharing and consensus on matters to be submitted to the Board of Directors, as well as on issues and strategies, etc. based on policies resolved at Board of Directors meetings. The committee aims to ensure that disagreements do not arise regarding decisions or the performance of duties. It generally holds meetings on a weekly basis.

## Compliance Committee

The Compliance Committee is placed as an advisory body under the direct control of the Board of Directors. The head of this committee is the officer in charge of the compliance department and the Compliance Committee comprises outside experts, directors also serving as members of the Audit and Supervisory Committee, and executive officers of related organizations.

Its objectives are to create a corporate culture in which compliance is emphasized, to establish corporate ethics, and to draw up compliance programs. It develops programs for the verification of issues and educational programs, and delivers reports to the Board of Directors as required. In addition to general bimonthly meetings, it holds extraordinary meetings as necessary.

## Risk Management Committee

AIFUL has a Risk Management Committee, which is under the direct control of the Board of Directors. Headed by the president and representative director, it comprises all the directors. For the purposes of preventing risks and mitigating losses in the event of a crisis by constructing a reasonable risk management structure, it regularly receives risk status reports to enable it to be constantly aware of risks and continuously review the risk management system to submit reports to directors. In addition to general quarterly meetings, it holds extraordinary meetings as necessary.

### (2) Reasons for the Current Structure

As we have an auditor system, we appoint two outside directors for our three directors who are members of the Audit and Supervisory Committee. We have ensured independent audits by developing a system where all directors who are members of the Audit and Supervisory Committee attend Board of Directors meetings and other important meetings and committee meetings, including Management Committee meetings, to express their opinions. We have also ensured the independence of audits by establishing an Audit Office as the exclusive body for supporting the duties of directors also serving as members of the Audit and Supervisory Committee.

Further, we separate management's supervisory and business execution functions by implementing an executive officer system and strengthening supervisory functions by establishing a Compliance Committee including outside experts and a Risk Management Committee, etc. We have adopted our current system to achieve transparent, fair, and efficient corporate management.

## 3. Enhancement of Corporate Governance

### (1) Development of a Compliance Framework

A Compliance Committee (meeting on a regular basis), with an outside member (a lawyer), has been set up to establish and manage compliance programs, engage both analysis and discussion to improve the internal control system, collect information and implement other preventative measures, and determine policies for employee training. In addition, the

AIFUL Group Compliance Committee has been established to disseminate a set of unified corporate ethics throughout the entire Group and form a compliance framework for the Group as a whole. In addition, the Group has launched both internal and external hotlines offering consultations on any violations of the Group's management principles, norms, and other standards, as well as an internal whistle-blowing system, in an effort to develop a corporate environment that encourages reporting and discussion of violations.

### (2) Development of a Risk Management Framework

A Risk Management Committee has been set up to gain an understanding of the Group's risk factors and hold discussions to determine responses. The Risk Management Committee has a system in place whereby it collects risk information from the Compliance Committee and other divisions on a regular basis and conducts crisis management in coordination with directors and other relevant divisions. AIFUL CORPORATION and AIFUL Group have established an action plan and manual in preparation for large-scale disasters and failure of core IT system, issues relating to personal or corporate information, and other risk events so as to be able to respond to potential emergencies appropriately and promptly.

### (3) Maintenance of Accuracy in Disclosure of Financial Information and Status of Internal Controls

As a system for maintaining the accuracy of financial information, the AIFUL Group has developed an effective mutual check system where the division in charge of institutional accounting (the Accounting Department) and the division in charge of management accounting (the Management Planning Department) are separate, in addition to a system of checks established by the Accounting Department and accounting audits by independent auditors in accordance with the Companies Act and the Financial Instruments and Exchange Act. The Group also implements initiatives for maintaining the accuracy of information disclosure in the preparation and announcement of financial reports by having the Accounting Department, the IR Section of the Finance Department, and other relevant divisions (including certain affiliated companies) apply a process of checks.

### (4) Improvement of Disclosure and Status of Internal Controls

To enhance the transparency of management and achieve effective corporate governance through the activation of external checking functions, the Group endeavors to make timely and straightforward disclosures in news releases, account settlement data, annual reports, and other materials, as well as holding briefing sessions for domestic and overseas investors, analysts, and so forth, as appropriate. In addition, we have a system in place whereby investors' opinions and inquiries about management can be relayed back to the president, the Board of Directors, and the head of each division on a regular basis.

The diagram below illustrates our Group's structures for business execution, management supervision, internal control, and risk management (as of June 27, 2018).

## 4. Relationships between Outside Directors and the Company

### (1) Functions and Roles of Outside Directors

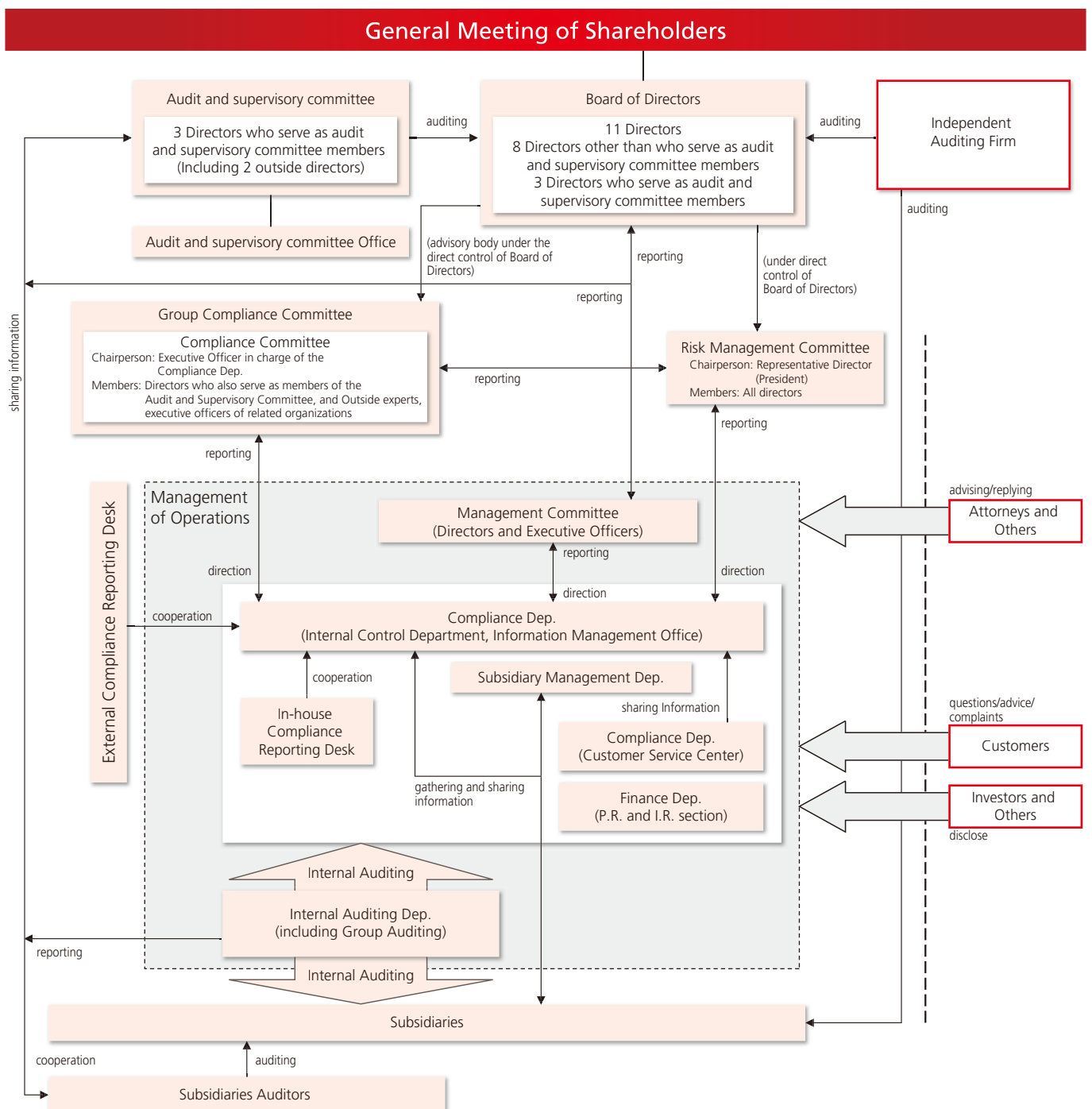
The Company has two outside directors who express opinions and provide advice from a perspective outside the Company, drawing upon their considerable experience and extensive knowledge, to maintain an objective and neutral oversight function from an external perspective.

### (2) Relationships between Outside Directors and the Company

Audit and Supervisory Committee Member, Satoru Toda, was previously engaged in tax affairs at the National Tax Agency, and has considerable knowledge about finance and

accounting. Deeming him to be qualified as an outside director and Audit and Supervisory Committee member, the Company appointed him an outside director. Although he holds common shares of the Company as stated in the Securities Report of the Company for FY2017, "IV. Status of the filing Company, 5. Member of Executives", there is no personal, capital, business or other relationship between Mr. Toda and the Company.

The Company also deemed Audit and Supervisory Committee Member, Haruichi Suzuki, to be qualified as an outside director, and thus has appointed him as such, expecting him to provide advice as an outside director from a fair and neutral standpoint by drawing upon his extensive knowledge and considerable experience as a lawyer. The Company has concluded a contract on the limitation of liability





for damages under Article 423, Paragraph 1 of the Companies Act with Mr. Suzuki. The maximum amount of liability for damages under the contract is the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act. There are no special interests between him and the Company.

Both of them satisfy the AIFUL's standards for independent directors and are registered with the Tokyo Stock Exchange as independent directors.

(Standards for independent outside directors) AIFUL's standards for independent outside directors are prescribed as follows:

1. A person who falls under none of the items below and permanently and substantially has no potential conflict of interest for any other reasons shall be deemed to have sufficient independence from AIFUL.
  - (1) The person is an executive director, etc.<sup>\*1</sup> at AIFUL or any of its subsidiaries (hereinafter collectively referred to as "the AIFUL Group"), or the person served as an executive director, etc. at the AIFUL Group during the 10-year period before assuming the post or, if the person used to be a non-executive director<sup>\*2</sup> or a corporate auditor at any time within the 10-year period before assuming the post.
  - (2) The person is currently a major shareholder<sup>\*3</sup> of AIFUL, or if the major shareholder is a juridical person, is or was a director, corporate auditor, accounting advisor, executive officer, manager or other employee at the major shareholder, its parent company or any of its significant subsidiaries in the past five years.
  - (3) The person is currently a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a company of which AIFUL is a major shareholder<sup>\*3</sup>.
  - (4) The person is or was an executive director, executive officer, manager or other employee of a party of which the AIFUL Group is or was a major business partner<sup>\*4</sup>, of its parent company, or of any of its significant subsidiaries, whether or not it is a company.
  - (5) The person is or was an executive director, executive officer, manager or other employee of a party that is a major business partner<sup>\*4</sup> of AIFUL, its parent company or any of its significant subsidiaries, whether or not it is a company.
  - (6) The person is a director, limited to a person engaging in business execution, or another person such as an officer, member or employee engaging in business execution of any organization, e.g., a public interest incorporated foundation or association and a not-for-profit corporation, which receives donations or financial support exceeding a predetermined level<sup>\*5</sup> from the AIFUL Group.
  - (7) The person is a director, corporate auditor, accounting advisor or executive officer of a company, its parent company or any of its subsidiaries that accepts a full-time or part-time director from the AIFUL Group.
  - (8) The person is a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a financial institution or any other large creditor that is indispensable to AIFUL in fund procurement and on

which AIFUL is so dependent that it is irreplaceable (hereinafter "large creditor, etc."), or was, in the past three years, a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a large creditor, etc., or its parent company or any of its significant subsidiaries.

- (9) The person is currently an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group, or was an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group in the past three years who actually did auditing work, excluding assisting involvement, for the AIFUL Group, irrespective of whether the person still works for, or in, or has already retired from any of the corporations mentioned above.
  - (10) The person is a lawyer, certified public accountant, tax accountant or other consultant who does not fall under item (9) above who (a) has received a monetary or other property benefit worth 10 million yen or more per year on average over the past three years from the AIFUL Group in addition to the offer remuneration, or who (b) is a member, partner, associate or employee of a firm of which the AIFUL Group is a major business partner (which refers to a firm that receives a payment from the AIFUL Group that has made up at least two percent of its average consolidated total sales over the past three business years).
  - (11) The person is a close relative<sup>\*6</sup> of the person that falls under any of items (1) to (10) above.
2. Even if he or she falls under any of the items in 1. above, a person deemed by AIFUL to be appropriate in terms of personality, views, and suchlike as an independent director for AIFUL may be appointed as such on the condition that the person fulfills the requirements for outside directors under the Companies Act and that the grounds for regarding the person as appropriate as an independent director for AIFUL are explained externally.

\*1 An *executive director, etc.* refers to an executive director, executive officer, manager or other employee.

\*2 A *non-executive director* refers to any director who is not an executive director.

\*3 A *major shareholder* refers to a shareholder who holds at least 10 percent of the voting rights.

\*4 A *major business partner* refers to a party receiving an amount that is two percent or more of its annual consolidated sales for its most recent business year from the AIFUL Group, either in the most recent business year or in the three business years before the most recent year (i.e., a party of which the AIFUL Group is a major business partner) or a party that paid an amount that is two percent or more of AIFUL's annual total sales for its most recent business year either in the most recent business year or in the three business years before the most recent one (i.e., a party that is a major business partner of the AIFUL Group).

\*5 A *predetermined level* refers to either the average amount of 10 million yen per year over the past three business years or the amount equivalent to 30 percent of the average annual total expenses of the organization in question, whichever is the larger.

\*6 A *close relative* refers to either a spouse or a relative within the second degree of consanguinity; provided, however, that item (1) in 1. applies to those that fall thereunder within the last five years.

# Board of Directors and Executive Officers

(As of July 1, 2018)

## ◆ Directors

### Yoshitaka Fukuda

#### President and Representative Director Chief Executive Officer

Apr. 1967: Founded Matsubara Sangyo as a sole proprietorship consumer finance company  
Apr. 1980: Director of Marutaka, Inc.  
(established in 1978, currently AIFUL CORPORATION)  
May 1982: President and Representative Director of the Company due to merger of three related companies  
(Oasa, Inc., Yamakatsu Sangyo, Inc., Maruto, Inc.)  
Jun. 2007: President and Representative Director, Chief Executive Officer  
Jun. 2011: Chairman and Representative Director of LIFECARD CO., LTD.  
(Current position)  
Oct. 2017: President and Representative Director, Chief Executive Officer, Chairperson of Risk Management Committee, In charge of Administrative Information Office and Internal Auditing Department  
(Current position)

### Masayuki Sato

#### Representative Director Senior Managing Executive Officer

Aug. 1982: Joined AIFUL CORPORATION  
Jun. 1999: Director of the Company  
Jun. 2008: Director and Managing Executive Officer  
Jun. 2011: Director and Senior Managing Executive Officer  
Jun. 2014: Representative Director and Senior Managing Executive Officer  
Jan. 2015: Authorized Director of AIRA & AIFUL Public Company Limited  
(Current)  
Apr. 2018: Representative Director and Senior Managing Executive Officer, Senior General Manager of Management Planning Division  
(Current position)

### Kazumitsu Oishi

#### Director Senior Managing Executive Officer

Mar. 1979: Joined Marutaka, Inc. (currently AIFUL CORPORATION)  
Jun. 2001: Director of the Company  
Jun. 2007: Executive Officer  
Jun. 2011: Managing Executive Officer  
Jun. 2012: Director and Managing Executive Officer  
Jun. 2016: Director and Senior Managing Executive Officer  
Jul. 2018: Director and Senior Managing Executive Officer, Chairperson of Compliance Committee, Senior General Manager of Credit Management Division, In charge of Compliance Department  
(Current position)

### Tsuguo Nakagawa

#### Director Senior Managing Executive Officer

Mar. 1976: Joined Oasa Inc. (Yoshitaka Fukuda's sole proprietorship)  
Jun. 2006: Director of the Company  
Jun. 2007: Executive Officer  
Jun. 2011: Managing Executive Officer  
Jun. 2012: Director and Managing Executive Officer  
Jun. 2016: Director and Senior Managing Executive Officer  
Apr. 2018: President of BUSINEXT CORPORATION (Current position)

Apr. 2018: Director and Senior Managing Executive Officer, Senior General Manager of Accounting Division, In charge of General Affairs Department, Personnel Department and Credit Assessment Department (Current position)

### Mitsuhide Fukuda

#### Director Senior Managing Executive Officer

Apr. 2003: Joined Daiwa Securities Co. Ltd.  
Apr. 2009: Joined OGI Capital Partners, Ltd.  
Jun. 2011: Executive Officer of the Company  
Jun. 2012: Director and Executive Officer  
Jun. 2014: Director and Managing Executive Officer  
Jun. 2016: Director and Senior Managing Executive Officer  
Apr. 2018: Director and Senior Managing Executive Officer, Senior General Manager of Loan Business Division, In charge of Guarantee Business Department, Marketing Department and IT Planning Department  
(Current position)

### Yoshiaki Tanaka

#### Director Executive Officer

Apr. 1983: Joined The Sumitomo Trust & Banking Co., Ltd.  
(currently Sumitomo Mitsui Trust Bank, Limited)  
Sep. 2006: Sales Manager, Division 6, Tokyo Branch of The Sumitomo Trust & Banking Co., Ltd.  
Apr. 2012: Sales Manager, Division 6, the Main Branch of The Sumitomo Trust & Banking Co., Ltd.  
Apr. 2015: Executive Officer of the Company  
Jun. 2015: Director and Executive Officer  
Apr. 2018: Director and Executive Officer, Responsible for Management Planning Department and Business Process Management Department  
(Current position)

### Hiroshi Uemura

#### Director Executive Officer

Apr. 1985: Joined The Nippon Credit Bank, Limited. (currently Aozora Bank, Ltd.)  
Sep. 2005: Senior Relationship Manager of Group 11 of Corporate Business Division 1 of Corporate Banking Division, Senior Relationship Manager of Corporate Business Department 1, Sapporo Branch, Corporate Banking Division of Aozora Bank, Ltd.  
Aug. 2010: General Manager of Workout Division of Aozora Bank, Ltd.  
Apr. 2015: Executive Officer of the Company  
Jun. 2015: Director and Executive Officer  
Jun. 2016: Director and Executive Officer, In charge of Finance Department  
(Current position)

### Keiji Masui

#### Director Executive Officer

Aug. 1983: Joined AIFUL CORPORATION  
Apr. 2014: Executive Officer of the Company  
Jun. 2016: Director and Executive Officer (Current position)

## ◆ Directors, Audit and Supervisory Committee Members

### Satoru Toda

#### Director (outside)

##### Audit and Supervisory Committee Member

Apr. 1978: Joined Ministry of Finance  
 Jul. 2007: Regional Commissioner, Fukuoka Regional Taxation Bureau, National Tax Agency  
 Jul. 2008: Deputy Director-General of National Tax Tribunal National Tax Agency  
 Jun. 2009: Full-time Auditor of Tokyo Metro Co., Ltd.  
 Jun. 2017: Corporate Auditor of LIFECARD CO., LTD. (Current position)  
 Jun. 2017: Director of the Company (Audit and Supervisory Committee member) (Current position)

### Minoru Shimamura

#### Director

##### Audit and Supervisory Committee Member

Oct. 1983: Joined AIFUL CORPORATION  
 Apr. 2016: General Manager of the Audit and Supervisory Committee Office  
 Apr. 2016: Corporate Auditor of LIFECARD CO., LTD. (Current position)  
 Jun. 2016: Director of the Company (Audit and Supervisory Committee member) (Current position)

### Haruichi Suzuki

#### Director (outside)

##### Audit and Supervisory Committee Member

Apr. 1997: Joined the SHIGEKAZU UEMATSU Law Office (currently UEMATSU/ SUZUKI Law Office)  
 Sep. 1999: Lecturer at Ritsumeikan University Graduate School of Law  
 Jan. 2008: Director of UEMATSU/ SUZUKI Law Office (Current position)  
 Jun. 2015: Director of the Company (Audit and Supervisory Committee member) (Current position)  
 Jun. 2019: Outside Director of KYOTO TOOL CO., LTD. (Audit and Supervisory Committee member) (Current position)

## ◆ Executive Officers

### Katsumi Amano

#### Senior Managing Executive Officer

In charge of Group Digital Promotion Department,  
 General manager of Group Digital Promotion Department

### Shinichiro Okuyama

#### Managing Executive Officer

Responsible for Marketing Department and IT Planning Department,  
 General Manager of Marketing Department

### Kazuhiko Tsuda

#### Managing Executive Officer

Responsible for Administrative Information Office,  
 Accounting Department and General Affairs Department,  
 General Manager of Accounting Department

### Katsuhiko Nagasue

#### Executive Officer

Senior General Manager of Group Systems Division

### Atsushi Suda

#### Executive Officer

Responsible for Compliance Department,  
 General Manager of Compliance Department  
 President of Astry Loan Services Corporation

### Hideaki Minamizawa

#### Executive Officer

Responsible for Personnel Department,  
 General Manager of Personnel Department

### Toshiaki Ando

#### Executive Officer

Assistant Senior General Manager of Loan Business Division,  
 General Manager of Loan Business Promotion Department

### Ikuo Yamauchi

#### Executive Officer

Responsible for Subsidiary Management Department and Overseas Business Department,  
 General Manager of Overseas Business Department










### Takayuki Nakata

#### Executive Officer

Assistant Senior General Manager of Group Systems Division,  
 General Manager of Information Systems Development Department

# History

<b>1967</b>		<b>2000</b>	
<b>Apr</b>	Yoshitaka Fukuda, AIFUL CORPORATION's current president, established sole proprietorship as a consumer finance company	<b>Mar</b>	Listed on the First Section of the Tokyo Stock Exchange, and the First Section of the Osaka Securities Exchange
<b>1978</b>		<b>2001</b>	
<b>Feb</b>	Established Marutaka, Inc. (now AIFUL CORPORATION) with capital of 9.0 million yen, in Sakyo-ku, Kyoto Began unsecured consumer loan business	<b>Jan</b>	Established business finance company BUSINEXT CORPORATION 
<b>1982</b>		<b>Feb</b>	Completed new headquarters building
<b>May</b>	Marutaka, Inc. absorbs three related companies (Oasa, Inc., Yamakatsu Sangyo, Inc., and Maruto, Inc.) and increases its equity capital to 500.0 million yen  Name simultaneously changed to AIFUL CORPORATION 	<b>Mar</b>	Converted LIFE Co., Ltd. into 100% subsidiary 
<b>Jul</b>	Began providing unsecured loans to sole proprietors	<b>Jul</b>	Issued LIFE ETC CARD 
<b>1984</b>		<b>Nov</b>	Established servicer company AsTry Loan Services Corporation 
<b>Feb</b>	Start of ATM operations	<b>Nov</b>	Changed the form of invoicing (statement of charges) sent to cardholders to electronic and launched the LIFE-Web Desk service for card holders 
<b>Mar</b>	Registration of money lenders based on enactment of the Money-Lending Business Control Law	<b>2002</b>	
<b>Oct</b>	Began sales of real estate-secured loans	<b>Apr</b>	Established Compliance Committee
<b>1994</b>		<b>Sep</b>	Opened a contact center
<b>Nov</b>	Opened Heartful Center	<b>Oct</b>	Converted business finance company, City's Co. Ltd., into 100% subsidiary
<b>1995</b>		<b>2003</b>	
<b>Mar</b>	Installed automatic contract acceptance machine, "Ojido-san"	<b>Jan</b>	Received Listed Company Disclosure Commendation from the Tokyo Stock Exchange
<b>Nov</b>	Started a website	<b>2004</b>	
<b>1997</b>		<b>Mar</b>	Converted KOKUSAI Capital Co., Ltd. into 100% subsidiary (currently AG Capital Corporation)
<b>Jul</b>	Over-the-counter registration of company's stock with the Japan Securities Dealers Association	<b>2006</b>	
<b>Oct</b>	Began full-scale sales of commercial loans to consumers	<b>Apr</b>	Issued LIFECARD GOLD ; issued LIFECARD exclusively for students 
<b>1999</b>			
<b>May</b>	Registered as certified finance corporation based on the Law Concerning the Issuance of Corporate Bonds in the Financial Industry Loan Business		

2007		2015	
Apr	Revised management philosophy. The new management philosophy becomes “Earn the trust of society through corporate activity based in integrity”	Oct	AIRA&AIFUL Public Company Limited (A&A) commences the consumer finance business in Thailand with the A Money brand
Apr	Established Risk Management Committee	Nov	Shares of Anshin Guarantor Service Co., Ltd., a group company, are listed on the Tokyo Stock Exchange Mothers
2009			
Aug	Opened a shopping mall for members, L-Mall 		
2010		2016	
Jul	Established LIFECARD Co., Ltd. (now a consolidated subsidiary) to operate credit card and credit guarantee businesses, wholly funded by AIFUL subsidiary LIFE Co., Ltd. (now a consolidated subsidiary)	Apr	New Frontier Partners Co., Ltd. changed its corporate name to AG Capital Corporation 
2011		2017	
Jun	Issued V-Preca, Japan’s first prepaid Visa card available exclusively online 	Apr	The 50th anniversary of its establishment 
Jul	Under the Group’s reorganization, the credit sales business and the credit guarantee and insurance businesses of LIFE Co., Ltd., were transferred to LIFECARD Co., Ltd. by way of corporate spinoff and merger. Also, four consolidated subsidiaries (LIFE Co., Ltd. (following its spin-off), City’s Corporation, City Green Corporation and Marutoh KK) were merged with AIFUL	May	Acquired 40% of shares of REKSA FINANCE, which manages used cars loan business in Indonesia 
2014		2018	
Dec	AIRA&AIFUL Public Company Limited, a joint venture, is established with AIRA Capital, an overseas subsidiary in Thailand 	Apr	Established AsTry Partners Corporation, which manages corporate turnaround & restructuring business 
2015			
Apr	SANSHU Finance Corporation, which manages the lease business in Shanghai, China, becomes a member of the Group 		




# Group Network

(As of April 30, 2018)

## ◆ Domestic

Group Companies	Business Classification	Date of the establishment	Location	Website
<b>AIFUL CORPORATION</b> 	*Unsecured loans *Secured loans *Small business loans *Credit guarantees (for financial institutions)	1978 Feb	Kyoto, Japan	Top page: <a href="https://www.aiful.co.jp/">https://www.aiful.co.jp/</a> Investor relations: <a href="https://www.ir-aiful.com/">https://www.ir-aiful.com/</a>
<b>LIFECARD CO.,LTD.</b> 	*Credit card *Prepaid card *Credit guarantees (for financial institutions)	2010 Jul	Kanagawa, Japan	Top page: <a href="http://www.lifecard.co.jp/">http://www.lifecard.co.jp/</a> V-preca: <a href="http://vpc.lifecard.co.jp/">http://vpc.lifecard.co.jp/</a>
<b>BUSINEXT CORPORATION</b> 	*Secured loans *Small business loans *Factoring	2001 Jan	Tokyo, Japan	<a href="http://www.businext.co.jp/">http://www.businext.co.jp/</a>
<b>AsTry Loan Services Corporation</b> 	*Loan servicing	2001 Nov	Tokyo, Japan	<a href="http://www.stry-s.co.jp/">http://www.stry-s.co.jp/</a>
<b>AG Capital Co.,Ltd</b> 	*Venture capital	1985 Dec	Tokyo, Japan	<a href="http://www.nf-partners.co.jp/">http://www.nf-partners.co.jp/</a>
<b>LIFE GUARANTEE CO.,LTD</b> 	*Individual credit purchasing agency business *Guarantee (in-house installment)	2013 Apr	Kyoto, Japan	<a href="http://www.lifeguarantee.co.jp/">http://www.lifeguarantee.co.jp/</a>
<b>AsTry Partners Corporation</b> 	*Corporate turnaround & restructuring	2018 Apr	Tokyo, Japan	
<b>Anshin Guarantor Service Co.,Ltd.</b> 	*Guarantee (rent liabilities)	2002 Dec	Tokyo, Japan	<a href="https://anshin-gs.co.jp/">https://anshin-gs.co.jp/</a>

## ◆ Overseas

Group Companies	Business Classification	Date of the establishment	Location	Homepage
<b>AIRA &amp; AIFUL Public Company Limited</b> 	*Consumer finance	2014 Dec	Bangkok, Thailand	<a href="http://www.aira-aiful.co.th/">http://www.aira-aiful.co.th/</a>
<b>REKSA FINANCE</b> 	*Auto loan	1984 Oct	Jakarta, Indonesia	<a href="https://reksafinance.co.id/">https://reksafinance.co.id/</a>
<b>SANSHU Finance Corporation</b> 	*Leasing	2012 Jul	Shanghai, China	<a href="https://www.sanshu-sh.com/">https://www.sanshu-sh.com/</a>

# Consolidated Financial Statements and Others



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## Method of preparation of consolidated financial statements

The consolidated financial statements and notes of AIFUL Corporation (“AIFUL”) conform to the Financial Instruments and Exchange Act and the related laws of Japan and the generally accepted accounting standards of Japan (“Japanese GAAP”).

These standards are different from the accounting processing and the matters of disclosure required by the International Accounting Standards in some respects.

In addition, with respect to the consolidated financial statements and notes of the Annual Report in English for and before 2017, the consolidated financial statements prepared in Japan were reclassified into the form that is familiar to overseas. In the 2018 Annual Report, however, the statements were changed to those of the consolidated financial statements and notes in the Securities Report created according to the generally accepted accounting standards of Japan.

Accordingly, the figures in the consolidated financial statements and the notes for the fiscal year ended March 2017 were changed in accordance with the method of presentation of the Securities Report.

## Regarding details of analysis/consideration relating to the operating results and other situations from the perspective of the management

Details of recognition and analysis/consideration relating to the operating results and other situations of the Group from the perspective of the management are as described below. In this regard, the matters regarding the future included in the sentences were judged as of the end of the consolidated fiscal year under review.

### Details of recognition and analysis/consideration relating to the operating results and other situations for the consolidated fiscal year under review

The analysis relating to the operating results, etc. of the Group for the consolidated fiscal year under review is as described below.

In the consumer finance industry during the consolidated fiscal year under review, the number of new contracts at major players remained stable, and the operating loan balance increased moderately. On the other hand, interest repayment claims, the industry’s biggest risk, have declined significantly from their peak, and the downward trend became more apparent in current fiscal year. The situations to which attention should be paid still continued.

In this environment, while dealing with interest repayment claims as the principal management issue, the AIFUL Group united its efforts to diversify the financial business and increase operating assets to bolster its revenue base. The Group also worked to diversify funding

channels to strengthen its financial base and improve business efficiency across the Group.

During the consolidated fiscal year under review, operating assets increased steadily mainly in the loan business, which is AIFUL’s main business, and operating revenue increased. With respect to expenses, however, considering the recent movement of interest repayment claims, the expenses related to interest repayment were posted and thus various profits decreased. Meanwhile, the future business management environment surrounding the AIFUL Group is in the phase of the expansion of the retail finance market such as loans and credit cards and the overseas market, mainly in ASEAN. Stable growth is expected in all the business conducted by the AIFUL Group. The AIFUL Group will continue to work on expanding its operating assets on a group-wide basis while responding to interest repayment claims. In addition, the AIFUL Group will endeavor to diversify its financial business and place emphasis on the balance of “safety,” “profitability” and “growth” in business management.

In addition, the AIFUL Group sets the increase of the ratio of ordinary profit to total assets (return on assets: ROA) as one of the important indexes from the perspectives of management profitability and stability. The average total assets during the consolidated fiscal year under review increased 57,565 million yen, to 649,648 million yen, due to an increase in the operating assets. On the other hand, ordinary profit decreased 4,575 million yen, to 2,823 million yen, mainly due to the posting of the expenses related to interest repayment. As a result, ROA for the consolidated fiscal year under review was 0.4%. However, the AIFUL Group will aim to improve the stability of ROA through structural changes in revenues and costs through the diversification of the business portfolio in the future.

### (Operating revenue)

In the consolidated fiscal year under review, the AIFUL Group’s consolidated operating revenue increased 23,938 million yen from the previous consolidated fiscal year, to 115,389 million yen (up 26.2% year on year). In the loan business, which is AIFUL’s main business, the balance of operating loans both in Japan and overseas continued to increase steadily, and thus interest income on loans to customers increased 17.6% year on year, to 56,305 million yen. In addition, in the credit card business, revenue increased 3.9% year on year, to 16,025 million yen. In the guarantee business, revenue increased 4.0%, to 12,992 million yen. The results of each business were strong. With respect to others, sales related to orders for system development of 12,803 million yen were recorded.

### (Operating expenses)

In the consolidated fiscal year under review, operating expenses increased 28,456 million yen, or 33.7% compared with the previous fiscal year, to 112,897 million yen. The main factors for the increase were the posting of costs of 11,244 million yen related to orders for system



development as described above and expenses of 8,625 million yen related to interest repayment because the Company made an additional provision for loss on interest repayment of 12,384 million yen based on the recent situations of interest repayment claims and the reversal of the allowance for doubtful accounts associated with interest repayment's waiver of principal of 3,759 million yen. With respect to other expenses, the expenses related to advertising necessary to attract customers, such as advertising expenses and sales promotion expenses, were 12,434 million yen (up 13.3% year on year), and the labor costs were 15,680 million yen (up 9.9% year on year).

#### **(Operating profit)**

As a result of the above factors, for the consolidated fiscal year under review, the AIFUL Group recorded an operating profit of 2,492 million yen, which was a decrease of 4,517 million yen from the previous consolidated fiscal year (down 64.4% year on year).

#### **(Ordinary profit)**

In the consolidated fiscal year under review, ordinary profit decreased 4,575 million yen from the previous consolidated fiscal year, to 2,823 million yen (down 61.8% year on year). The main factor for the decrease was a decrease of operating profit by 4,517 million yen. With respect to others, non-operating income of 359 million yen was recorded (down 35.5% year on year) and non-operating expenses of 28 million yen were posted (down 83.0% year on year).

#### **(Profit attributable to owners of parent)**

In the consolidated fiscal year under review, profit attributable to owners of parent decreased 3,318 million yen from the previous consolidated fiscal year, to 3,958 million yen (down 45.6% year on year). The main factor for the decrease was a decrease of ordinary profit by 4,575 million yen. With respect to others, a gain on reversal of shares acquisition rights of 703 million yen was recorded as extraordinary income, and a loss attributable to non-controlling interests related to AIRA & AIFUL Public Company Limited of 1,012 million yen was posted.

#### **(Assets)**

Total assets on a consolidated basis increased 65,994 million yen or 10.7% compared to the end of the previous fiscal year, to 682,645 million yen at the end of the fiscal year ended March 2018. This was primarily due to an increase of 60,077 million yen in operating loans.

#### **(Liabilities)**

Total liabilities at the end of fiscal year ended March 2018 were 563,238 million yen, an increase of 58,236 million yen or 11.5% compared with the previous fiscal year-end. The principal factor contributing to this increase was an increase of 89,813 million yen in loans payable.

#### **(Net assets)**

Net assets increased 7,757 million yen compared with the previous fiscal year-end, to 119,407 million yen. This was largely attributable to an increase in retained earnings and non-controlling interests. The shareholders' equity ratio became 16.7%.

### **Regarding dividend policy**

The return of profits to shareholders is a management priority for the AIFUL Group. The Group's basic policy calls for the consistent return of profits in line with business results. The Group aims to maximize shareholder returns and shareholder value while simultaneously securing stable internal reserves through medium- to long-term profit growth.

However, the financial burden associated with claims for interest repayments is still heavy, creating difficult conditions for the distribution of profits. In addition, losses in the distributable amount continue. The Group therefore regretted to announce that we were unable to pay any dividends for the fiscal year under review.

The AIFUL Group has been dealing with the principal management issue of interest repayment claims. At the same time, it is taking measures to diversify the financial business and increase operating assets, and is also working to diversify funding channels. The Group is determined to return to the basic policy outlined above by improving its financial position and profitability.

The Company stipulates in its Articles of Incorporation that the dividend of surplus may be paid by resolution of the Board of Directors, and that interim dividends may be paid.

### **Regarding the risk of business, etc.**

Of the matters relating to the business situation and the accounting situation, etc., the major matters that may have a significant impact on the judgment of investors include those described below. The policy of the AIFUL Group is to recognize the possibility that these risks may arise, and to endeavor to avoid their occurrence and respond to them if they do arise. In addition, the statements described below do not include all the risks of the AIFUL Group's business, etc. There is a possibility that a new business risk, etc. may arise due to various uncertain causes in the future.

In addition, the matters relating to the future included in the sentences were judged by the AIFUL Group as of the date of submission of the Securities Report.

#### **Risk due to the causes relating to the management environment**

The financial position and operating results of the AIFUL Group rely to a significant extent on multiple factors. Of these factors, the main assumed factors are as follows.

- (1) Economic circumstances and market trends of Japan, especially the trends of the consumer credit market
- (2) Intensifying competition with other companies in the

consumer finance market

- (3) Trend of change in persons with multiple debts
- (4) Change in the related laws and regulations surrounding the consumer credit market, especially the legal framework relating to the statutory maximum interest rate, and the situations of the enforcement of such laws and regulations and the judicial judgment relating to the said related laws and regulations, change in the accounting standards following them and other situations of lawsuits regarding interest repayment claims, etc.
- (5) Trend of the market interest rate, trend of the corporate bond/securitization markets, and change in the ability to raise funds due to change in the credit strength of AIFUL
- (6) Change in the capability of the AIFUL Group to provide credit as well as number of accounts, average balance of use per account, average contracted interest rate and rate of default
- (7) Change in expenses including various fees, advertising expenses and labor costs, or losses
- (8) Occurrence of negative reports and deplorable events against the AIFUL Group and the consumer finance industry

AIFUL established the risk management committee as the organ under the direct control of the Board of Directors from April 2007 and established a system to control and supervise the risk arising in each department and the risk threatening the corporate activities in a cross-sectional manner, prevent the realization of risk and respond to an emergency. Despite these actions, however, due to changes in the management environment, including the strengthening or easing of the legal regulations, the competition situation, changes in the economy and other causes, the financial position and operating results of the AIFUL Group may be affected. In addition, there is a possibility that the AIFUL Group may be forced to review its strategies.

#### **Legal regulations, etc.**

##### **1. System for compliance with laws and regulations**

AIFUL established the compliance committee as the advisory body under the direct control of the Board of Directors to prevent the violation of laws and regulations related to the money lending business, information leaks and other deplorable events. By gathering information regarding compliance and taking preventive measures against the violation of laws and regulations, the compliance system is verified/ascertained on a company-wide basis. In addition, the AIFUL Group compliance committee is established to share the unified corporate ethics in the entire Group and establish the compliance system of the whole Group. Moreover, in April 2007, the internal control functions were strengthened, including the unified control of the hotline (internal reporting system), the strengthening of the function for gathering information regarding compliance and the unification of the function relating to awards and punishment to strengthen the system for compliance with laws and regulations.

With respect to others, business rules with the function of enhancing compliance with laws and regulations were established, knowledge of laws and regulations was obtained through internal education, the spread of the awareness of compliance with laws and regulations was strengthened, the effectiveness of internal audits such as call monitoring was strengthened, and other similar measures were taken. In addition, the system for reviewing such measures, etc. from time to time was established.

Despite these actions, if any wrongdoing or deplorable event occurs, including acts in violation of laws and regulations, by employees, etc. of the AIFUL Group, administrative disposition and other legal measures will be executed and the financial position and operating results of the AIFUL Group may be affected.

##### **2. Business regulations, etc.**

###### **(1) Business regulations of the Money Lending Business Act/the Installment Sales Act**

With respect to the legal regulations on business, the Money Lending Business Act is applied to the loan business, including the consumer finance business, which is the main business of the AIFUL Group. The Money Lending Business Act imposes various types of business regulations (prohibited acts, restrictions relating to interest/guarantee fees, etc., investigation of repayment ability, prohibition of excessive loans, etc., posting of a notice of loan conditions, etc., prohibition of the advertisement of loan conditions and other extravagant advertisements, delivery of a document before the conclusion of an agreement, delivery of a document at the time of concluding an agreement, delivery of evidence of receipt, maintenance of books, inspection of books, regulations on acts of collection, return of claim deeds, posting of a sign, regulations on transfer of receivables, etc., duty of disclosure of the record of transactions, placement of heads of money lending operations, regulations on carrying the certificate, etc.).

With respect to others, the credit card business and the installment sales finance business of the AIFUL Group are subject to a variety of business regulations (presentation of transaction conditions, delivery of a document, restriction on the amount of damages, etc. due to cancellation of the agreement and other causes, defense against the provider of installment sales finance, investigation of the estimated amount that can be paid, prohibition of credit exceeding the estimated amount that can be paid, prevention of consumer issues related to continual service, etc.) because the Installment Sales Act is applied.

###### **(2) Self-regulation by the Japan Financial Service Association**

The Japan Financial Service Association was established in December 2007 as the self-regulatory organization set forth in the Money Lending Business Act that established the basic rules for self-regulation and stipulated the rules relating to the prevention of excessive loans, etc. and the rules relating to advertisements and solicitation. In

addition, in the rules for operations relating to audits of the Japan Financial Service Association, to enhance their effectiveness, the authority of investigation/audit of members of the Association and the authority of punishment, such as the imposition of fines for default/disposition of expulsion on members of the Association who do not comply with the self-regulations are granted to the Japan Financial Service Association. AIFUL is a member of the Japan Financial Service Association and is therefore subject to these regulations.

The AIFUL Group endeavors to strengthen the compliance system through the establishment of its internal rules and the thorough training of employees under the laws and regulations described in (1) above and the matters set forth in various rules established by the Japan Financial Service Association.

However, if administrative disposition is imposed because of the violation of laws and regulations by employees, and business regulations are strengthened through new laws and regulations and the revision of rules, the financial position and operating results of the AIFUL Group may be affected.

### 3. Loan interest rate

On June 18, 2010, the revised Money Lending Business Act was enforced in full, and the upper limit of the interest rate under the Act Regulating the Receipt of Contributions, the Receipt of Deposits and Interest Rates (capital subscription law) was thereby lowered from 29.2% per annum to 20% per annum, and the deemed repayment system under the Money Lending Business Act as described below was abolished.

In response, AIFUL lowered the upper limit of the interest rate of loans to customers who enter into a new agreement and customers who can enter into an agreement according to the new standards for loans on and after August 1, 2007 before the said enforcement in full of the revised Act. The current upper limit of the interest rate is 18.0% or less per annum. If the upper limit of the interest rate of the Interest Rate Restriction Act and the Act Regulating the Receipt of Contributions, the Receipt of Deposits and Interest Rates (capital subscription law) is lowered further as a result of revisions to the laws and regulations in future, and if the interest rate with respect to the interest rate agreement with customers who have already concluded the agreement has to be lowered further because of the economic situation and social issue of an increase in consumers who demand protection under laws, among other cases, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

### 4. Losses from interest repayment

In Paragraph 1, Article 1 of the Interest Rate Restriction Act, the agreement on interest for loans for consumption for the purpose of money shall be null and void for the part exceeding the maximum limit of interest (an amount calculated at the following interest rates: when the

principal is less than 100,000 yen, 20% per annum; when the principal is not less than 100,000 yen and less than 1 million yen, 18% per annum; when the principal is not less than 1 million yen, 15% per annum). However, under the Interest Rate Restriction Act before the enforcement in full described above, when a debtor voluntarily pays the said excess part, the return thereof may not be demanded.

In addition, in Article 43 of the Money Lending Business Act before the said enforcement in full described above, when the document, etc. set forth in Article 17 of the Money Lending Business Act is delivered to a debtor, etc. at the time of the loan of money and the debtor voluntarily pays the said excess part as interest, if the document set forth in Article 18 of the Money Lending Business Act is delivered immediately at the time of payment and the said payment is the payment under the agreement whose document, etc. as set forth in Article 17 of the Money Lending Business Act is delivered, irrespective of the provisions of Paragraph 1, Article 1 of the Interest Rate Restriction Act, it shall be deemed as being the effective repayment of interest obligations (the payment according to the said provisions shall be hereinafter referred to as the "deemed repayment").

However, in the judgment of the Supreme Court of January 13, 2006, the special provisions that demand the lump-sum repayment of the remaining obligations when the repayment of the agreed interest including the part exceeding the upper limit of the interest rate of the Interest Rate Restriction Act is delayed is practically forcing the payment of the part exceeding the maximum limit of the interest rate set forth in Paragraph 1, Article 1 of the Interest Rate Restriction Act, and is not the case that a debtor voluntarily makes payment unless there are special circumstances. In addition, in the said judgment, Paragraph 2, Article 15 of the Ordinance for Enforcement of the Money Lending Business Act, whereby the statement of the date of the agreement, etc. in the evidence of receipt may be replaced with the agreement number, is null and void because it exceeds the scope of delegation by an act.

The AIFUL Group accepted the said judicial judgment with sincerity and took actions such as switching to the agreement reflecting it. The agreed interest rate of some of the loan products that the AIFUL Group currently provides includes the part exceeding the maximum limit of the interest rate set forth in the Interest Rate Restriction Act. In this regard, in our industry, multiple lawsuits demanding the return of such excess part were brought due to deficiency in the matters stated in the agreement as set forth in the Money Lending Business Act, among other reasons, and the judgment approving it was also rendered.

Such multiple lawsuits demanding the return of excess interest were brought against the AIFUL Group. There is a case where the claim of the plaintiff that the AIFUL Group, which engages in the money lending business, does not meet the requirements necessary for the application of the deemed repayment under the Money Lending Business Act, was approved, or that an excess rate was returned by

settlement. Such interest repayment claims have decreased steadily from their peak; however, uncertainty still continues. If interest repayment claims increase beyond the assumptions of the AIFUL Group in the future or if a judicial judgment that is disadvantageous to the money lenders is rendered, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

In addition, on October 13, 2006, the Japanese Institute of Certified Public Accountants publicly announced "treatment in audit relating to the posting of provisions related to losses from interest repayment claims of consumer finance companies, etc." (Industry-Specific Committee Report No. 37 (hereinafter referred to as the "No. 37 report")), which would be applied to the audits for the interim consolidated fiscal period and the interim fiscal period ending on and after September 1, 2006 (including the audits for the consolidated fiscal year and the business year that includes the said interim consolidated fiscal period and the said interim fiscal period).

The AIFUL Group also posted the provisions for losses on interest repayment according to the No. 37 report (including the estimated amount of return included in the allowance for doubtful accounts because preferential appropriation to operating loans was estimated).

However, accounting estimates were made based on the actual records of repayment in the past and the recent situations of repayment, and thus if repayment beyond the level of the assumptions of those estimates is claimed, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

## 5. Restrictions on total lending

On June 18, 2010, the revised Money Lending Business Act was enforced in full and the so-called restrictions on total lending were introduced. It prohibited loans beyond repayment ability, such as loans whose total loan balance exceeds one third of annual income, in principle. AIFUL extended loans according to the loan standards that were made stricter with the introduction of the restrictions on total lending in sight before the said enforcement in full of the revised Act. However, if the interest income and loan balance decrease beyond the assumption, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

## 6. Other legal relations

(1) The Act on the Protection of Personal Information and treatment of personal information

On April 1, 2005, the Act on the Protection of Personal Information (hereinafter referred to as the "Personal Information Protection Act") and various guidelines relating to the protection of personal information established by each ministry and government office according to the said Act (hereinafter referred to as the "Guidelines") were enforced. In the Personal Information Protection Act, a certain duty to report when it is judged

necessary is imposed on business operators handling personal information, and if a certain duty of the said Act is violated and the necessity is approved to protect the rights and interests of individuals, the competent minister may recommend or order that the necessary actions should be taken. In addition, in the Guidelines, to notify/clearly indicate/publicly announce the purpose of use of personal information, to obtain consent relating to the handling, etc. of personal information from debtors according to necessity, to supervise the persons to whom the handling of personal information is contracted out, if any, to establish the system as safety control measures from organizational/human/technological perspectives, and to publicly announce the basic policy relating to the handling of personal information, among others, are required.

According to these requirements, the AIFUL Group conducted a review, etc. of the situation of handling of personal information, among others, and established the privacy policy. It also took measures to prevent any leak of personal information from the AIFUL Group. However, if a leak of personal information should occur due to any reasons and if it receives a recommendation or order from the competent minister, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

(2) Other impact of revision to laws

If the Bankruptcy Act, the Civil Rehabilitation Act, the Act on Special Conciliation for Expediting Arrangement of Specified Debts and other various laws and regulations are revised, depending on what is revised, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

## Risk of fund raising

The AIFUL Group conducts fund raising by loans from financial institutions, syndicate loans, corporate bonds, the liquidation of receivables and other means. However, if it cannot raise funds due to a decline in the credit capability and a change in the ratings of AIFUL, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

In addition, the procurement interest rate related to fund raising may change according to the market environment, etc. Against it, the risk of the fluctuation of the interest rate is mitigated. However, depending on the degree of any increase in the interest rate in future, the fund raising of the AIFUL Group may be affected, and accordingly there is a possibility that the financial position and operating results of the AIFUL Group may also be affected.

## Risk of bad debts, etc.

In the AIFUL Group, investigation of the repayment ability based on the data of the personal credit information agencies and its unique credit system (including credit limit monitoring during the period of transactions with customers) and the credit standards were made stricter.

Despite these measures, however, if the financing of many customers worsens due to the future economic circumstances and the establishment of any legal system, among other causes, the market scale of our industry will shrink and the credit costs, such as bad debts written off, will increase, and accordingly there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

#### **Regarding confusion, failures and other damage caused to the information network system, the Internet service, etc. or the technological system**

The AIFUL Group relies on the information/technology systems either inside or outside to manage business. To manage various kinds of information that constitute the business of the AIFUL Group, including the network of offices and stores and data of accounts, reliance on software, systems and networks has been deepening. There is a possibility that hardware and software used by the AIFUL Group may be affected by damage or suspension, etc. due to human error, natural disaster, power failure, computer virus, external cyber-attack or similar events or the suspension, etc. of support services from telephone companies, Internet providers and other third parties.

Such confusion, faults, delays or any other failures of the information/technology systems may cause a decrease in the number of accounts opened and a delay in the repayment of the outstanding balance, and the trust of consumers in the business of the AIFUL Group may therefore decrease. As a result, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

#### **Risk in the overseas business**

The AIFUL Group is expanding its business not only in Japan, but also in Southeast Asia. In business expansion into this overseas market, there are inherent risks of an unexpected change in laws or regulations that differ from those in Japan, an economic downturn, a drop in consumer demand, the disorder of the political situation, and the fluctuation of exchange rates. If such a situation arises, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

#### **Regarding holding and disposal of the shares of AIFUL by the representative director and his relatives, etc.**

As of the end of the fiscal year under review, AIFUL's representative director, Yoshitaka Fukuda and his founding families are the shareholders with about 39% of the issued shares of AIFUL, together with those of the affiliated corporations. As a result, they can exercise an influence on important decision-making that affects the business activities of AIFUL, including important corporate transactions, such as the transfer of the right of control of AIFUL, business reconstruction and reorganization, investment in other business or assets, and conditions for future fund raising.

In addition, these shareholders have maintained stable shareholdings; however, if they dispose of part of their shares in the future, the supply of the shares of AIFUL on the market will increase. As a result, there is a possibility that the stock price of AIFUL may be affected.

#### **Regarding the occurrence of a disaster, etc.**

The AIFUL Group endeavors to perform the maintenance of facilities and implement measures at normal times so that the business can be operated in a stable manner if a disaster or emergency occurs. However, if a disaster beyond the forecast occurs and the facilities cannot be used in a normal manner, and if the expenses for bad debts written off increase because the situations of customers who incur damage due to a disaster worsened, among other similar cases, there is a possibility that the financial position and operating results of the AIFUL Group may be affected.

#### **Regarding the audit certificate**

The consolidated financial statements and notes presented in this Annual Report are the changed forms of the statements of the Securities Report and are not audited by the accounting auditor.

In addition, the Securities Report is audited with respect to the consolidated financial statements for the consolidated fiscal year (from April 1, 2017 to March 31, 2018) by Deloitte Touche Tohmatsu LLC according to the provisions of Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act.

# Consolidated Balance Sheets

As of March 31

AIFUL CORPORATION and Consolidated Subsidiaries

	2018	2017
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	¥ 29,327	¥ 33,644
Operating loans	412,706	352,628
Accounts receivables - installment	97,252	94,272
Operational investment securities	940	694
Customers' liabilities for acceptances and guarantees	124,883	114,452
Other operating receivables	6,725	5,997
Purchased receivables	2,874	2,941
Work in process	—	7,305
Deferred tax assets	627	796
Other	14,688	11,839
Allowance for doubtful accounts	(41,344)	(42,971)
Total current assets	648,681	581,600
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,357	24,132
Accumulated depreciation	(17,933)	(17,655)
Buildings and structures, net	6,424	6,476
Machinery and equipment	419	392
Accumulated depreciation	(305)	(283)
Machinery and equipment, net	113	109
Furniture and fixtures	6,993	6,499
Accumulated depreciation	(5,261)	(5,006)
Furniture and fixtures, net	1,732	1,492
Land	8,899	8,899
Leased assets	1,378	873
Accumulated depreciation	(508)	(277)
Leased assets, net	870	596
Construction in progress	93	88
Total property, plant and equipment	18,133	17,664
Intangible assets		
Software	3,094	3,009
Other	103	104
Total intangible assets	3,198	3,113
Investment and other assets		
Investment securities	4,052	7,524
Claims provable in bankruptcy	27,787	29,323
Lease and guarantee deposits	1,911	1,605
Other	4,496	3,019
Allowance for doubtful accounts	(25,614)	(27,200)
Total investments and other assets	12,633	14,272
Total non-current assets	33,964	35,050
Total assets	¥ 682,645	¥ 616,651

	2018	(Millions of yen) 2017
<b>Liabilities</b>		
Current liabilities		
Notes & accounts payable—trade	¥ 16,196	¥ 15,620
Acceptances and guarantees	124,883	114,452
Short-term loans payable	83,325	73,610
Current portion of bonds	1,300	2,600
Current portion of long-term loans payable	53,482	32,138
Income taxes payable	544	661
Allowance for bonuses	991	913
Provision for point card certificates	2,807	3,300
Deferred installment income	440	423
Other	23,368	31,153
Total current liabilities	307,340	274,873
Non-current liabilities		
Bonds payable	7,200	30,100
Long-term loans payable	220,529	161,774
Deferred tax liabilities	334	252
Provision for loss on interest repayment	24,331	34,640
Other	3,503	3,360
Total non-current liabilities	255,898	230,128
<b>Total liabilities</b>	<b>563,238</b>	<b>505,002</b>
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	143,454	143,454
Capital surplus	13,948	13,953
Retained earnings	(40,208)	(43,332)
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	114,083	110,964
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(184)	(225)
Foreign currency translation adjustment	315	—
Total accumulated other comprehensive income	130	(225)
Shares acquisition rights	234	910
Non-controlling interests	4,957	—
Total net assets	119,407	111,649
<b>Total liabilities and net assets</b>	<b>¥ 682,645</b>	<b>¥ 616,651</b>

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Years ended March 31

AIFUL CORPORATION and Consolidated Subsidiaries

## Consolidated Statements of Income

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Operating revenue		
Interest on loans receivable	¥ 56,305	¥ 47,869
Revenue from credit card business	16,025	15,422
Revenue from credit guarantee	12,992	12,494
Other financial revenue	13	1
Other operating revenue		
Collection from purchased receivable	2,074	2,096
Recoveries of written off claims	6,411	5,678
Sales of software development	12,803	—
Other	8,761	7,887
Total other operating revenue	30,052	15,662
Total operating revenue	115,389	91,450
Operating expenses		
Financial expenses		
Interest expenses	5,783	4,762
Interest on bonds	813	2,385
Other	963	882
Total financial expenses	7,560	8,030
Cost of sales		
Cost of purchased receivable	1,497	1,476
Cost of sales of software development	11,244	—
Other	73	61
Total cost of sales	12,815	1,537
Other operating expenses		
Provision for point card certificates	2,807	3,300
Commissions	12,962	11,835
Provision of allowance for investment loss	(2)	(2)
Provision of allowance for doubtful accounts	20,020	20,744
Provision for loss on interest repayment	12,384	—
Employees' salaries and bonuses	11,409	10,232
Provision for bonuses	972	895
Retirement benefit expenses	474	470
Sales promotion expenses	8,841	7,522
Other	22,650	19,875
Total other operating expenses	92,520	74,872
Total operating expenses	112,897	84,440
Operating profit	¥ 2,492	¥ 7,009



## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	2018 (Apr. 1, 2017 to Mar. 31, 2018)	2017 (Apr. 1, 2016 to Mar. 31, 2017)
Non-operating income		
Interest on loans receivable	¥ 65	¥ 25
Foreign exchange gains	68	—
Rent on real estate	73	55
Other	152	476
Total non-operating income	359	557
Non-operating expenses		
Interest expenses	1	—
Foreign exchange losses	—	86
Provision for doubtful accounts	8	—
Other	17	82
Total non-operating expenses	28	168
Ordinary profit	2,823	7,399
Extraordinary income		
Gain on reversal of shares acquisition rights	703	—
Total extraordinary income	703	—
Profit before income taxes	3,527	7,399
Income taxes - current	437	440
Income taxes - deferred	144	(318)
Total income taxes	581	122
Profit	2,945	7,276
Profit (Loss) attributable to non-controlling interests	(1,012)	—
Profit attributable to owners of parent	¥ 3,958	¥ 7,276

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	2018 (Apr. 1, 2017 to Mar. 31, 2018)	2017 (Apr. 1, 2016 to Mar. 31, 2017)
Profit	¥ 2,945	¥ 7,276
Other Comprehensive income		
Valuation difference on available-for-sale securities	40	(29)
Foreign currency translation adjustment	583	—
Total other comprehensive income	623	(29)
Comprehensive income	3,569	7,246
Comprehensive income attributable to		
Owners of parent	4,289	7,246
Non-controlling interests	¥ (719)	—

# Consolidated Statements of Change in Shareholders' Equity

Years ended March 31

AIFUL CORPORATION and Consolidated Subsidiaries

2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2017	¥ 143,454	¥ 13,953	¥ (43,332)	¥ (3,110)	¥ 110,964
Changes during the period					
Issuance of new shares-exercise of shares acquisition rights	0	0			0
Profit attributable to owners of parent			3,958		3,958
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation		(1)	(834)		(835)
Capital increase of consolidated subsidiaries		(3)			(3)
Net changes in accounts other than shareholders' equity					
Total change during fiscal year	0	(4)	3,123	(0)	3,119
Balance at March 31, 2018	¥ 143,454	¥ 13,948	¥ (40,208)	¥ (3,110)	¥ 114,083

(Millions of yen)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total	Shares acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥ (225)	—	¥ (225)	¥ 910	—	¥ 111,649
Changes during the period						
Issuance of new shares-exercise of shares acquisition rights						0
Profit attributable to owners of parent						3,958
Purchase of treasury shares						(0)
Change of scope of consolidation						(835)
Capital increase of consolidated subsidiaries						(3)
Net changes in accounts other than shareholders' equity	40	315	356	(675)	4,957	4,638
Total change during fiscal year	40	315	356	(675)	4,957	7,757
Balance at March 31, 2018	¥ (184)	¥ 315	¥ 130	¥ 234	¥ 4,957	¥ 119,407

2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2016	¥ 143,415	¥ 13,914	¥ (50,609)	¥ (3,110)	¥ 103,609
Changes during the period					
Issuance of new shares-exercise of shares acquisition rights	38	38			77
Profit attributable to owners of parent			7,276		7,276
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation					—
Capital increase of consolidated subsidiaries					—
Net changes in accounts other than shareholders' equity					
Total change during fiscal year	38	38	7,276	(0)	7,354
Balance at March 31, 2017	¥ 143,454	¥ 13,953	¥ (43,332)	¥ (3,110)	¥ 110,964

(Millions of yen)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total	Shares acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	¥ (195)	—	¥ (195)	¥ 836	—	¥ 104,250
Changes during the period						
Issuance of new shares-exercise of shares acquisition rights						77
Profit attributable to owners of parent						7,276
Purchase of treasury shares						(0)
Change of scope of consolidation						—
Capital increase of consolidated subsidiaries						—
Net changes in accounts other than shareholders' equity	(29)	—	(29)	74	—	44
Total change during fiscal year	(29)	—	(29)	74	—	7,398
Balance at March 31, 2017	¥ (225)	—	¥ (225)	¥ 910	—	¥ 111,649

# Consolidated Statements of Cash Flows

Years ended March 31

AIFUL CORPORATION and Consolidated Subsidiaries

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	¥ 3,527	¥ 7,399
Depreciation	2,384	2,338
Increase (decrease) in allowance for investment loss	(2)	(2)
Increase (decrease) in allowance for doubtful accounts	(3,667)	(2,471)
Increase (decrease) in provision for bonuses	78	(1)
Increase (decrease) in provision for point card certificates	(493)	(80)
Increase (decrease) in allowance for loss on interest repayment	(10,308)	(28,798)
Interest and dividend income	(101)	(52)
Interest expenses	1	—
Gain on reversal of shares acquisition rights	(703)	—
Decrease (increase) in interest on loans receivable	(54,585)	(37,081)
Decrease (increase) in accounts receivable – installment	(2,979)	(5,070)
Decrease (increase) in other operating receivable	(728)	(230)
Decrease (increase) in purchased receivable	67	(87)
Decrease (increase) in claims provable in bankruptcy	1,536	2,622
Decrease (increase) in work in process	7,305	(5,607)
Decrease (increase) in other current assets	(2,789)	(380)
Increase (decrease) in other current liabilities	(7,639)	16,764
Other	(671)	(518)
Subtotal	(69,769)	(51,256)
Interest and dividend income	101	52
Interest expenses paid	(2)	—
Income taxes refund	6	118
Income taxes paid	(558)	(136)
Cash flow from operating activities	(70,221)	(51,222)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,189)	(1,170)
Purchase of intangible assets	(983)	(1,043)
Purchase of investment securities	(417)	(2,175)
Other	(956)	(1,802)
Cash flows from investing activities	(3,546)	(6,192)
Cash flows from financing activities		
Increase in short-term loans payable	898,299	853,380
Decrease in short-term loans payable	(888,878)	(847,760)
Proceeds from long-term loans payable	127,758	76,450
Repayments of long-term loans payable	(47,659)	(32,207)
Proceeds from issuance of bonds	7,200	1,300
Redemption of bonds	(31,400)	—
Proceeds from issuance of common shares	0	52
Proceeds from share issuance to non-controlling shareholders	2,460	—
Purchase of treasury shares	(0)	(0)
Other	(219)	(160)
Cash flows from financing activities	67,560	51,054
Effect of exchange rate changes on cash and cash equivalents	244	14
Net increase (decrease) in cash and cash equivalents	(5,963)	(6,345)
Cash and cash equivalents at beginning of period	33,560	39,906
Increase in cash and cash equivalents resulting from merger	1,726	—
Cash and cash equivalents at end of period	¥ 29,323	¥ 33,560

# Notes to Consolidated Financial Statements

AIFUL CORPORATION and Consolidated Subsidiaries

## Basic important matters for the preparation of the consolidated financial statements

### 1. Matters regarding the scope of consolidation

(1) Number of consolidated subsidiaries: five companies

Names of consolidated subsidiaries

LIFECARD CO., LTD., BUSINEXT CORPORATION, AsTry Loan Services Corporation, AIRA & AIFUL Public Company Limited, and one other company

AIRA & AIFUL Public Company Limited, which was a non-consolidated subsidiary in the previous consolidated fiscal year, is included in the scope of consolidation from the consolidated fiscal year under review because its importance has increased.

(2) Name, etc. of the non-consolidated subsidiaries

Sumishin Life Card Company, Limited. and seven other companies

(Reasons for exclusion from the scope of consolidation)

Each non-consolidated subsidiary is small in scale and each of the total assets, operating revenue, profit or loss (corresponding to equity) and retained earnings (corresponding to equity) of those eight companies in aggregate has an insignificant impact on the consolidated financial statements, and thus those subsidiaries are excluded from the scope of consolidation.

### 2. Matters regarding application of the equity method

Each of the eight non-consolidated subsidiaries and two affiliated companies to which the equity method is not applied are small in scale and each of the total profit or loss (corresponding to equity) and retained earnings (corresponding to equity) of those ten companies has an insignificant impact on the consolidated financial statements, and thus those subsidiaries and affiliated companies are excluded from the scope of application of the equity method.

### 3. Matters regarding the fiscal year, etc. of the consolidated subsidiaries

Of the consolidated subsidiaries, the closing date of AIRA & AIFUL Public Company Limited is December 31.

In the preparation of the consolidated financial statements, the financial statements as of the said date were used, and for important transactions occurring between the said date and the closing date on a consolidated basis, the adjustments necessary for consolidation were made.

### 4. Matters regarding the accounting policy

(1) Valuation standards and valuation method for important assets

(i) Securities

Other securities

Those that have a market value

The market value method based on the market value, etc.

on the consolidated closing date (The valuation difference is posted directly into net assets, and the cost of securities

sold is calculated using the moving average method).

Those that do not have a market value

Moving average cost method

In addition, with respect to investments in capital of investment limited partnerships and other similar partnerships (those that are deemed to be securities under Paragraph 2, Article 2 of the Financial Instruments and Exchange Act), they are based on the latest statements of accounts available according to the date of the report of the financial statements set forth in the partnership agreement, and the method of incorporating the net value corresponding to the equity is applied.

(ii) Derivatives

Market value method

(iii) Purchased receivables

Cost method based on the actual cost method

(2) Method of depreciation of significant depreciable assets

(i) Property, plant and equipment (exclusive of leased assets)

AIFUL and its consolidated subsidiaries adopted the declining balance method.

However, the consolidated subsidiaries adopted the straight-line method for the buildings (excluding appurtenant facilities) acquired on and after April 1, 1998.

In addition, the main service life is as shown below.

Buildings and structures	2 to 62 years
--------------------------	---------------

Machinery and equipment	4 to 17 years
-------------------------	---------------

Furniture and fixtures	2 to 20 years
------------------------	---------------

(ii) Intangible assets (exclusive of leased assets)

The straight-line method is adopted.

In addition, with respect to software for internal use, amortization is based on the internal usable period (five years).

(iii) Leased assets

Leased assets in relation to the finance lease transaction with transfer of the ownership right

The method of depreciation applied to self-owned property, plant and equipment is used.

Leased assets in relation to the finance lease transaction without transfer of the ownership right

The lease period is treated as the service life, and the straight-line method in which the residual value is made zero is adopted.

(3) Standards for posting significant provisions

(i) Allowance for doubtful accounts

To prepare for loans and other uncollectible receivables, for general accounts receivable, the amount considered necessary taking into account the loan loss ratio, etc. is examined, and for doubtful accounts receivable and other specific receivables, recoverability is examined individually and then the estimated uncollectible amount is posted.

(ii) Allowance for bonuses

To prepare for the payment of the bonus payable to staff

workers, of the estimated future payment amount, the amount of the burden for the consolidated fiscal year under review is posted.

(iii) Provision for point card certificates

Under the point system for the purpose of the promotion of the use of cards, the estimated amount of future use for the consolidated fiscal year under review is posted to prepare for the use of points granted to the card members.

(iv) Provision for loss on interest repayment

To prepare for future interest repayment, the amount of repayment is reasonably estimated and posted based on the actual repayments in the past and considering the latest repayment situation.

(4) Standards for posting important revenues and expenses

(i) Interest on loans receivable

Interest on loans receivable is recorded on an accrual basis. In addition, with respect to the accruals of interest in relation to "Operating loan," either the interest rate under the Interest Rate Restriction Act or the contract interest rate, whichever is lower, is used in posting.

(ii) Standards for posting revenue in relation to installment sales

With respect to the add-on type of customer fees and member store commissions, they are collectively posted in "Deferred installment income" in a lump sum, and revenue is posted when the time for charging the fee occurs. With respect to the customer fees that are charged on the declining balance and the revolving-type customer fees, revenue is posted when the time for charging the fee occurs. In addition, the method of the allocation of revenue of the department using the add-on type is the method called the 78 allocation method.

(iii) Revenue from credit guarantee

Revenue is posted according to the method of charging on the declining balance.

(iv) Standards for posting revenues and expenses in relation to the development of software to be produced on a built-to-order basis

The completed contract basis is applied.

(v) Account processing of interest on loans

With respect to interest on loans, the portion corresponding to financial credits is processed as "Operating expenses" (financial expenses), and the rest is processed as "Non-operating expenses" (interest expenses).

(5) Standards for translation of important assets or liabilities denominated in foreign currency into the currency of Japan  
Monetary claims and liabilities denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the consolidated closing date, and translation adjustments are processed as gains or losses. In addition, the assets and liabilities of controlled foreign corporations, etc. are translated into Japanese yen at the spot exchange rate on the consolidated closing date, their revenues and expenses are translated into Japanese yen at the average rate during the fiscal period, and the translation adjustments are included in the foreign currency translation adjustment and non-controlling interests under net assets.

(6) Important hedge accounting method

- Method of hedge accounting

With respect to the interest cap trading, the requirements for special treatment are met and thus the special treatment is adopted.

- Means of hedge and items to be hedged

Means of hedge --- interest cap trading

Items to be hedged --- loans with variable interest rates

- Policy for hedge

With respect to the interest cap trading, according to the management rules of AIFUL, the risk of interest rate fluctuations in relation to the items to be hedged is hedged.

- Method of evaluation of the effectiveness of the hedge

With respect to the interest cap trading for which the special treatment is applied, the evaluation of the effectiveness is omitted.

(7) Scope of cash in the consolidated statement of cash flows

With respect to the scope of cash in the consolidated statement of cash flows, it consists of cash on hand, demand deposits and short-term investments whose liquidity is high, since the date of maturity occurs within three months from the date of acquisition, which can be easily realized and which involves little risk of a change in value.

(8) Account processing of consumption taxes, etc.

In the account processing of consumption taxes, etc., taxes are not included. However, the consumption taxes, etc. not to be deducted that are related to assets are posted in "Other" under "Investments and other assets" and are amortized according to the equal installment method over five years.

(9) Application of the consolidated tax return filing system

The consolidated tax return filing system is applied.

## Accounting standards, etc. not applied

- ASBJ Statement No. 29 Accounting Standard for Revenue Recognition, etc. (March 30, 2018)
- ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition (March 30, 2018)

### (1) Outline

They are comprehensive accounting standards in relation to the recognition of revenues. Revenues are recognized by applying the following five steps.

- Step 1: Identify agreements with customers.
- Step 2: Identify the obligation of performance under the agreement.
- Step 3: Calculate the transaction price.
- Step 4: Allocate the transaction price to the obligation of performance under the agreement.
- Step 5: Recognize revenues when the obligation of performance is fulfilled or according to the progress of such fulfillment.

### (2) Scheduled date of application

The accounting standards above are planned to be applied from the beginning of the fiscal year ending March 31, 2022.

### (3) Impact of application of those accounting standards, etc.

The amount of impact is assessed at the time of the preparation of these consolidated financial statements.

## Changes in disclosure method

### Consolidated Balance Sheets

"Allowance for investment loss" under "Current assets," which was presented as a separate item in the previous fiscal year, is included in "Other" under "Current assets" in the presentation because it was not posted in the fiscal year under review. To reflect this change in the presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the loss of 2 million yen presented in "Allowance for investment loss" on the consolidated balance sheet for the previous fiscal year was reclassified as "Other" (11,839 million yen) under "Current assets."

"Machinery, equipment," which was presented as a separate item in the previous fiscal year, has been renamed as "Machinery, equipment and vehicles" from the current fiscal year under review due to the subsidiary company that owns the vehicles being newly included within the scope of consolidation. To reflect this change in the presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

### Consolidated Statements of Income

In the previous consolidated fiscal year, "Revenue from installment sales finance business" was listed as individual items within "Operating revenue." This item has been included in "Other" in "Operating revenue" from the current fiscal year because its monetary significance has decreased. To reflect this change in the presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the Consolidated Statements of Income for the previous consolidated fiscal year have been reclassified so that the 108 million yen presented as "Revenue from installment sales finance business" is recalculated into 7,887 million yen under "Other" in "Operating revenue."

In the previous consolidated fiscal year, the "Other" item of "Non-operating income" included "Interest on operating loans" and "Rent on real estate," but as these items now exceed 10% of Non-operating income, they have been noted independently from the consolidated fiscal year under review. In addition, "Gains on reversal of guarantee deposits received" under "Non-operating income," which was presented as a separate item in the previous fiscal year, is included in "Other" in the presentation from the fiscal year under review because the gains were not accrued in the fiscal year under review. To reflect this change in the presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the Consolidated Statements of Income for the previous consolidated fiscal year have been reclassified so that the 322 million yen presented as "Gains on reversal of guarantee deposits received" and 235 million yen in "Other" in Non-operating income is recalculated into 25 million yen in "Interest on operating loans," 55 million yen in "Rent on real estate" and 476 million yen in "Other" in Non-operating income.

"Burden of payment" under Non-operating expenses, which was presented as a separate item in the previous fiscal year, is included in "Other" in the presentation from the fiscal year under review because it was not incurred in the fiscal year under review. To reflect this change in the presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the Consolidated Statements of Income for the previous consolidated fiscal year have been reclassified so that the 61 million yen presented as "Burden of payment" and 20 million yen in "Other" in Non-operating expenses is recalculated into 82 million yen in "Other" in Non-operating expenses.

## Consolidated Balance Sheets

1. An increase of ¥18,693 million (includes ¥13,900 million in recognized evaluation differences for shares of subsidiaries during the process of capital consolidation) in legal capital surplus were included in capital surplus which was resulted from a simple exchange of shares.

2. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

(Millions of yen)	
As of March 31, 2018	
Operating loans	¥ 311,939
Accounts receivable - installment	61,264
Buildings and structures	4,244
Machinery and equipment	14
Furniture and fixtures	32
Land	8,523
<b>Total</b>	<b>¥ 386,018</b>

(2) Corresponding liabilities

(Millions of yen)	
As of March 31, 2018	
Short-term loans payable	¥ 68,580
Current portion of long-term loans payable	36,351
Long-term loans payable	182,742
<b>Total</b>	<b>¥ 287,674</b>

i) The amounts above at the end of the fiscal year under review include amounts associated with the securitization of receivables (operating loans of 140,294 million yen and long-term loans payable of 116,303 million yen).

ii) Parts of operating loans and installment receivables are amounts at the time of registration of the transfer of receivables.

3. Unsecured personal loans included in operating loans

(Millions of yen)	
As of March 31, 2018	
	¥ 376,504

4. Shares and other securities issued by non-consolidated subsidiaries and affiliated companies

(Millions of yen)	
As of March 31, 2018	
Investment securities (shares)	¥ 1,097
Investment securities (other securities)	¥ 1,212

5. Accounts receivable - installment

(Millions of yen)	
As of March 31, 2018	
Credit card business	¥ 97,044
Installment sales finance business	¥ 207
<b>Total</b>	<b>¥ 97,252</b>

(1) Assets pledged as collateral

(Millions of yen)	
As of March 31, 2017	
Operating loans	¥ 252,596
Accounts receivable - installment	68,979
Buildings and structures	4,353
Machinery and equipment	17
Furniture and fixtures	41
Land	8,523
<b>Total</b>	<b>¥ 334,511</b>

(2) Corresponding liabilities

(Millions of yen)	
As of March 31, 2017	
Short-term loans payable	¥ 67,810
Current portion of long-term loans payable	24,486
Long-term loans payable	150,673
<b>Total</b>	<b>¥ 242,970</b>

i) The amounts above at the end of the fiscal year under review include amounts associated with the securitization of receivables (operating loans of 89,073 million yen and long-term loans payable of 75,000 million yen).

ii) Parts of operating loans and installment receivables are amounts at the time of registration of the transfer of receivables.

(Millions of yen)	
As of March 31, 2017	
	¥ 315,358



## 6. Deferred installment income

(Millions of yen)

As of March 31, 2018				
	Balance at the beginning of FY	Current fiscal year receipts	Actual current fiscal year balance	Balance at the end of FY
Credit card shopping	¥ 407	¥ 15,691	¥ 15,670	¥ 427 (30)
Installment sales finance	—	—	—	— (—)
Credit guarantee	15	5,618	5,621	12 (—)
Loans	—	1,621	1,621	— (—)
<b>Total</b>	<b>¥ 423</b>	<b>¥ 22,930</b>	<b>¥ 22,913</b>	<b>¥ 440 (30)</b>

Note: Figures in parenthesis indicate member store commissions.

## 7. Securitization of claims removed from the balance sheet

(Millions of yen)

As of March 31, 2018	
Operating loans outstanding	¥ 59,311
Accounts receivable - installment	¥ 3,208

## 8. Contingent liability

## Guarantee obligation

The Company's consolidated subsidiary, LIFECARD CO., LTD guarantees obligations related to the credit card payment operations, etc. for the Company's non-consolidated subsidiary, Sumishin Life Card Company, Limited.

(Millions of yen)

As of March 31, 2018	
Sumishin Life Card Company, Limited	¥ 2,385
<b>Total</b>	<b>¥ 2,385</b>

## 9. Non-performing loans

Status of Non-performing loans (NPL) of operating loans and claims in bankruptcy are as follows

(Millions of yen)

As of March 31, 2018			
	Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	¥ 531	¥ 26,616	¥ 27,147
Nonaccrual loans	22,409	5,904	28,314
Loans in 3-months+ in arrears	5,589	203	5,792
Restructured loans	9,374	887	10,261
<b>Total</b>	<b>¥ 37,904</b>	<b>¥ 33,611</b>	<b>¥ 71,515</b>

(Millions of yen)

As of March 31, 2017				
	Balance at the beginning of FY	Current fiscal year receipts	Actual current fiscal year balance	Balance at the end of FY
Credit card shopping	¥ 367	¥ 15,102	¥ 15,062	¥ 407 (33)
Installment sales finance	0	—	0	— (—)
Credit guarantee	20	1,289	1,294	15 (—)
Loans	—	5,919	5,919	— (—)
<b>Total</b>	<b>¥ 388</b>	<b>¥ 22,311</b>	<b>¥ 22,276</b>	<b>¥ 423 (33)</b>

(Millions of yen)

As of March 31, 2017	
Operating loans outstanding	¥ 60,020
Accounts receivable - installment	¥ 2,862

(Millions of yen)

As of March 31, 2017	
Sumishin Life Card Company, Limited	¥ 2,860
<b>Total</b>	<b>¥ 2,860</b>

(Millions of yen)

As of March 31, 2017			
	Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	¥ 361	¥ 28,351	¥ 28,712
Nonaccrual loans	18,819	6,711	25,530
Loans in 3-months+ in arrears	4,142	264	4,407
Restructured loans	6,884	866	7,750
<b>Total</b>	<b>¥ 30,207</b>	<b>¥ 36,193</b>	<b>¥ 66,401</b>

The loan categories in the table above are as follows.

(Loans in legal bankruptcy)

Loans in legal bankruptcy are loans in which payment of principal or interest remain past due for a considerable period and accruals of interest are discontinued, with the conditions stipulated under (a) through (e) of sub-paragraph 3, paragraph 1, Article 96 or sub-paragraph 4 of the same paragraph of the Corporation Tax Law Enforcement Ordinance (Enforcement Ordinance No. 97 of 1965) arise. Any amounts deemed necessary to cover possible losses on an individual accounts basis of the claims in bankruptcy is posted in the allowances for doubtful accounts.

(Nonaccrual loans)

Nonaccrual loans are loans in which accruals of interest is discontinued, other than loans in legal bankruptcy, as well as loans receiving regular payments in the case of granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

(Loans three months or more in arrears)

Loans three months or more in arrears are loans for which payments of principal or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payments. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded from loans three months or more in arrears.

(Restructured loans)

Restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and loans three months or more in arrears are excluded.

#### 10. Loan commitments related to operating loans

(Previous fiscal year)

Of operating loans including off-balance sheet loans resulting from securitization, 317,614 million yen is loans under revolving credit agreements. Under revolving credit agreements, customers may get additional loans up to a specified maximum amount that does not exceed an amount requested by them.

Outstanding loan commitments under revolving credit agreements were 744,943 million yen (including 10,260 million yen under secured revolving credit agreements and revolving credit agreements with businesses).

The Group reviews revolving credit agreements and takes steps to preserve credit after the conclusion of revolving credit agreements if it considers that taking steps are necessary due to changes in customers' credit standing and other reasons.

Outstanding loan commitments include commitments to customers who do not have any outstanding loan commitments and who have not requested any loans after the conclusion of credit agreements. Many revolving credit agreements expire with no loans being given. Outstanding loan commitments themselves therefore do not necessarily affect the Group's future cash flows.

(Fiscal year under review)

Of operating loans including off-balance sheet loans resulting from securitization, 372,237 million yen is loans under revolving credit agreements. Under revolving credit agreements, customers may get additional loans up to a specified maximum amount that does not exceed an amount requested by them.

Outstanding loan commitments under revolving credit agreements were 760,837 million yen (including 12,305 million yen under secured revolving credit agreements and revolving credit agreements with businesses).

The Group reviews revolving credit agreements and takes steps to preserve credit after the conclusion of revolving credit agreements if it considers that taking steps are necessary due to changes in customers' credit standing and other reasons.

The outstanding loan commitments include commitments to customers who do not have any outstanding loan commitments and who have not requested any loans after the conclusion of credit agreements. Many revolving credit agreements expire with no loans being given. Outstanding loan commitments themselves therefore do not necessarily affect the Group's future cash flows.

#### 11. Of the allowances for doubtful accounts, following amount in estimated interest repayment is expected to have priority application in operating loans.

(Millions of yen)	(Millions of yen)
<b>As of March 31, 2018</b>	<b>As of March 31, 2017</b>
<b>¥ 2,238</b>	<b>¥ 8,663</b>

## Consolidated Statements of Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	¥ 169	¥ (23)
Reclassification adjustment	(21)	(27)
Before tax effect adjustment	147	(50)
Tax effects	(106)	20
Valuation difference on available-for-sale securities	40	(29)
Foreign currency translation adjustment		
Amount arising during the fiscal year	583	—
<b>Total other comprehensive income</b>	<b>¥ 623</b>	<b>¥ (29)</b>

## Consolidated Statements of Change in Shareholders' Equity

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

### 1. Matters regarding class and total number of issued shares and class and number of treasury shares

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in the number of shares for the fiscal year under review (shares)	Decrease in the number of shares for the fiscal year under review (shares)	Number of shares at the end of the fiscal year under review (shares)
Issued shares				
Common stock	483,794,536	824,600	—	484,619,136
<b>Total</b>	<b>483,794,536</b>	<b>824,600</b>	<b>—</b>	<b>484,619,136</b>
Treasury shares				
Common stock (Note)	916,890	74	—	916,964
<b>Total</b>	<b>916,890</b>	<b>74</b>	<b>—</b>	<b>916,964</b>

(Outline of the causes for change)

- The increase in the number of common stock of the issued shares, which is 824,600 shares, resulted from the exercise of the rights in relation to the share acquisition rights.
- The increase in the number of common stock of the treasury shares, which is 74 shares, resulted from the purchase of shares of less than one unit.

### 2. Matters regarding the share acquisition rights

Category	Breakdown	Class of subject shares	Number of subject shares (shares)				Balance at the end of the fiscal year under review (million yen)
			Beginning of the fiscal year under review	Increase for the fiscal year under review	Decrease for the fiscal year under review	End of the fiscal year under review	
Submitting company	Share acquisition rights as stock options for 2010	—	—	—	—	—	¥ — (—)
	Share acquisition rights as stock options for 2013	—	—	—	—	—	700 (49)
	Share acquisition rights as stock options for 2015	—	—	—	—	—	209 (3)
<b>Total</b>			—	—	—	—	<b>¥ 910 (53)</b>

Notes: 1. With respect to the share acquisition rights as stock options for 2015, the first day of the period of the exercise of the rights has not occurred yet.  
2. With respect to the treasury stock acquisition rights, they are shown in parentheses.

### 3. Matters regarding dividends

Not applicable

#### Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

##### 1. Matters regarding class and total number of issued shares and class and number of treasury shares

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in the number of shares for the fiscal year under review (shares)	Decrease in the number of shares for the fiscal year under review (shares)	Number of shares at the end of the fiscal year under review (shares)
Issued shares				
Common stock	484,619,136	1,000	—	484,620,136
<b>Total</b>	<b>484,619,136</b>	<b>1,000</b>	<b>—</b>	<b>484,620,136</b>
Treasury shares				
Common stock (Note)	916,964	174	—	917,138
<b>Total</b>	<b>916,964</b>	<b>174</b>	<b>—</b>	<b>917,138</b>

(Outline of the causes for change)

1. The increase in the number of common stock of the issued shares, which is 1,000 shares, resulted from the exercise of the rights in relation to the share acquisition rights.
2. The increase in the number of common stock of the treasury shares, which is 174 shares, resulted from the purchase of shares of less than one unit.

##### 2. Matters regarding the share acquisition rights

Category	Breakdown	Class of subject shares	Number of subject shares (shares)				Balance at the end of the fiscal year under review (million yen)
			Beginning of the fiscal year under review	Increase for the fiscal year under review	Decrease for the fiscal year under review	End of the fiscal year under review	
Submitting company	Share acquisition rights as stock options for 2010	—	—	—	—	—	¥ — (—)
	Share acquisition rights as stock options for 2015	—	—	—	—	—	234 (3)
<b>Total</b>			—	—	—	—	<b>¥ 234 (3)</b>

Note: With respect to the treasury stock acquisition rights, they are shown in parentheses.

### 3. Matters regarding dividends

Not applicable

## Consolidated Statements of Cash Flows

1. Relationships between the balance of cash and cash equivalents at the end of the consolidated fiscal year and the amounts of account titles shown on the consolidated balance sheet

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Cash and deposits account	¥ 29,327	¥ 33,644
Time deposit with maturity over three months	(3)	(83)
Cash and cash equivalents	¥ 29,323	¥ 33,560

## Financial instruments

### Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

#### 1. Matters regarding the situations of financial instruments

##### (1) Business policy for financial instruments

The AIFUL Group mainly engages in the financial business; specifically, the consumer finance business, the real estate mortgage finance business, the business operator finance business, the credit sales business, the credit guarantee business, the receivables management and collection business, etc. Direct finance by corporate bonds is used in raising funds to conduct these businesses by adjustment to the market situation and the long-term and short-term balance, in addition to indirect finance by bank loans. In this way, AIFUL has financial liabilities that involve interest rate fluctuations and thus conducts derivative transactions to prevent any disadvantageous impact of interest rate fluctuations. In addition, when a derivative transaction is conducted, it is limited to the transaction that involves actual demand, in principle, and the policy of AIFUL is not to use derivative transactions solely in order to gain trading profits in the short term.

##### (2) Types of financial instruments and their risks

The financial assets of the AIFUL Group are mainly loans and installment accounts receivable against individuals and corporations, and these are both exposed to credit risk that will be caused by customers defaulting on the agreement. In addition, operational investment securities and investment securities are mainly stocks and investments in partnership capital, which are held mainly for the purpose of business promotion. Each of them involves the risk of the credit of issuers and the risk of market price fluctuations.

Financial liabilities such as loans and corporate bonds are exposed to the risk of liquidity where payment may not be able to be made on the due date under certain circumstances, including the case where the AIFUL Group cannot use the market. In addition, funds are raised at a variable interest rate, which is exposed to the risk of interest rate fluctuations.

Derivative transactions involve the risk of market interest rate fluctuations and counterparty risk.

##### (3) System for management of risk in relation to financial instruments

###### (i) Management of credit risk

The AIFUL Group manages the credit risk according to the various management rules of AIFUL. With respect to the major financial assets, such as loans, accounts receivable - installment and customers' liabilities for acceptances and guarantees, a credit examination is conducted for each case based on the data of the personal credit bureaus and AIFUL's own credit system, and the system relating to credit management is established and operated, including the change of the limit amount and the creation of guarantees and security. In addition, with respect to the credit risk of issuers of securities, it is managed by regularly ascertaining credit information and the market values.

With respect to the counterparty risk of derivative transactions, the party to the contract is financial

institutions in and outside Japan. It is recognized that the credit risk is low. In addition, the management of such risks is evaluated/analyzed/measures are considered by each department in charge, and they are reported to the board of directors as appropriate.

###### (ii) Management of market risk

###### i) Management of interest rate risk and exchange risk

The AIFUL Group manages the interest rate risk according to the risk management manual that was developed by obtaining approval at the meeting of the Risk Management Committee, which is an organ directly under the board of directors. Toward this risk, a report is provided from the Finance Department, which is the department in charge, to the Internal Auditing Department, and the risk assessment and the adequacy and appropriateness of the countermeasures are verified and a report is provided to the board of directors as appropriate. In addition, derivative transactions are used to hedge the risk of interest rate fluctuations.

###### ii) Management of price fluctuation risk

Many of the shares held by the AIFUL Group are held for the purpose of business promotion, including business/capital alliances. The market environment and financial position of customers, among others, are monitored and measures are considered in the department in charge, and a report is provided to the board of directors as appropriate.

In addition, the AIFUL Group does not have financial instruments for the purpose of trading.

###### iii) Derivative transactions

With respect to derivative transactions, the risk is managed according to the various management rules of AIFUL.

An internal check is conducted, specifically the appropriate execution of transactions, the evaluation of the effectiveness of hedges and administration in the department in charge, and a report is made to the Accounting Department.

###### iv) Quantitative information relating to the market risk

The AIFUL Group does not conduct quantitative analysis. (Interest rate risk)

For the AIFUL Group, the major financial instruments whose market value changes due to fluctuations in the interest rate, which is the major risk variable, are loans, installment accounts receivable, loans payable and corporate bonds.

In addition, AIFUL has ascertained that in the account titles whose market value is calculated at the market interest rate, the estimated amount of impact on the net value (of assets) after setting off the financial assets in question against the financial liabilities in question when the market interest rate at the end of the consolidated fiscal year changes by 1 basis point (0.01%) is a decrease of 48 million yen in the present value of the financial

instruments that are affected by the interest rate fluctuations when it is assumed that the interest rate for the Japanese yen increases by 1 basis point (0.01%) and an increase of 48 million yen in the said value when it is assumed that the interest rate for the Japanese yen falls by 1 basis point (0.01%). However, in the trial calculation of the amount of the impact, it is assumed that there is no change in the risk variables other than the market interest rate.

- (iii) Management of the liquidity risk relating to fund raising  
The AIFUL Group manages the liquidity risk mainly by adjusting the balance of procurement between the long term

and the short term considering diversification of the means of raising funds and the market environment, in addition to the timely funds management of the entire Group.

- (4) Supplementary explanation about the matters regarding the market value, etc. of financial instruments

The market value of financial instruments includes the value based on the market value and the value that is reasonably calculated when the market value is not available. In the calculation of such values, certain assumptions and other conditions are adopted, and thus if any different assumptions and other conditions are used, such values may vary.

## 2. Matters regarding the market value, etc. of financial instruments

The amounts recorded on the consolidated balance sheet, the market values and the differences between them on March 31, 2017 are as shown below. In addition, cases where it is considered extremely difficult to ascertain the market value are not included in the table below (refer to Note 2).

Category	(Millions of yen)		
	Amount recorded on the consolidated balance sheet	Market value	Difference
(1) Cash and deposits	¥ 33,644	¥ 33,644	¥ —
(2) Operating loans	352,628		
Allowance for doubtful accounts and provision for loss on interest repayment (*1)	(31,527)		
	321,100	374,285	53,184
(3) Accounts receivable - installment	94,272		
Deferred installment income (*2)	(374)		
Allowance for doubtful accounts (*3)	(4,256)		
	89,641	91,272	1,631
(4) Operational investment securities and investment securities (including the shares of affiliated companies)	1,567	5,608	4,040
(5) Claims provable in bankruptcy	29,323		
Allowance for doubtful accounts (*3)	(27,100)		
	2,223	2,223	—
<b>Total assets</b>	<b>¥ 448,178</b>	<b>¥ 507,034</b>	<b>¥ 58,856</b>
(1) Short-term loans payable	73,610	73,610	—
(2) Bonds payable	32,700	32,700	—
(3) Long-term loans payable (*4)	193,913	194,036	122
<b>Total liabilities</b>	<b>¥ 300,223</b>	<b>¥ 300,346</b>	<b>¥ 122</b>
Derivative transactions (*4)			
(1) Those to which hedge accounting is applied	—	—	—
(2) Those to which hedge accounting is not applied	—	—	—
<b>Total derivative transactions</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

(\*1) The estimated amount of interest repayment that is expected to be preferentially appropriated to operating loans, which is included in the allowance for doubtful accounts in relation to operating loans and the provision for loss on interest repayment, is deducted.

(\*2) The deferred installment income (liability account) in relation to installment accounts receivable is deducted.

(\*3) Installment accounts receivable and claims provable in bankruptcy and the allowance for doubtful accounts corresponding to them respectively are deducted.

(\*4) The derivative transactions to which hedge accounting is applied are processed together with the long-term loans payable to be hedged as one, and thus their market values are included in the market value of the said long-term loans payable in the statement.

## Notes: 1. Matters regarding the method of calculation of the market value of financial instruments

## Assets

## (1) Cash and deposits

Deposits are all short term, and thus the market value is close to the book value. Accordingly, the said book value is used.

## (2) Operating loans

In the calculation of the market value of operating loans, such present value of the amount obtained by deducting the estimated amount of collection expenses from the estimated amount of principal and interest to be received, which reflects the recoverability as discounted at an extremely safe interest rate corresponding to the remaining period, is used.

## (3) Installment accounts receivable

With respect to the credit card business included in installment accounts receivable, most transactions are a one-time payment in the following month and the market value is close to the book value, and thus the said book value is used. In addition, the market value of the installment sales finance business is calculated using this present value of the amount obtained by deducting the estimated amount of collection expenses from the estimated amount of principal and fees to be received, which reflects the recoverability as discounted at an extremely safe interest rate corresponding to the remaining period.

## (4) Operational investment securities and investment securities (including the shares of affiliated companies)

With respect to the market value of these securities, for stocks and bonds, the price on the exchange is used.

## (5) Claims provable in bankruptcy

With respect to the claims provable in bankruptcy, the estimated amount of bad debts is calculated based on the estimated amount of collection by security, etc., and thus the market value is close to the amount obtained by deducting the current estimated amount of bad debts from the value on the balance sheet on the consolidated closing date. Accordingly, the said value is used in calculation.

## Liabilities

## (1) Short-term loans payable

They are settled in the short term, and thus the market value is close to the book value. Accordingly, the said book value is used.

## (2) Bonds payable

Of those whose market value is calculated, the calculation is undertaken based on the market price if the market price is available and, for those whose market value is not available, using the present value of the total sum of principal and interest that is discounted at the interest rate taking into account the remaining period and credit risk of the bonds in question.

## (3) Long-term loans payable

Of those whose market value is calculated, the market value of loans payable that are settled within one year is close to the book value, and the said book value is used. Of the other loans payable, for those to which the fixed interest rate is applied, the present value of the total sum of principal and interest that is discounted at an interest rate assumed in the case of a new loan under the same conditions is used in the calculation. For those to which the variable interest rate is applied, the market interest rate and the credit risk are reflected in a short period of time, and thus the market value is considered to be close to the book value. Accordingly, the said book value is used.

## 2. Financial instruments whose market value is considered extremely difficult to ascertain

(Millions of yen)

Category	Amount recorded on the consolidated balance sheet
Operational investment securities and investment securities	
(1) Unlisted stock	¥ 5,326
(2) Investment in capital of investment limited partnership, etc.	1,325
<b>Total</b>	<b>¥ 6,651</b>

With respect to these financial instruments, it is considered extremely difficult to ascertain the market value, and thus they are not included in "assets (4) operation investment securities and investment securities."

## 3. Estimated amount of redemption of monetary claims and securities with maturity after the consolidated closing date

(Millions of yen)

Category	Due in one year or less	Due after one year through five years	Due after 5 years
Cash and deposits	¥ 33,644	¥ —	¥ —
Operating loans	140,107	199,442	13,078
Installment accounts receivable	90,676	3,595	—
<b>Total</b>	<b>¥ 264,428</b>	<b>¥ 203,038</b>	<b>¥ 13,078</b>

The amount of 29,323 million yen is not included because the estimated amount of redemption is not expected, such as claims provable in bankruptcy.

## 4. Plan for repayment of bonds payable, long-term loans payable, lease obligations and other interest-bearing debts after the consolidated closing date

(Millions of yen)

Category	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds payable	¥ 2,600	¥ 1,300	¥ —	¥ 28,800	¥ —	¥ —
Finance lease obligations	186	186	171	65	27	—
Long-term loans payable	32,138	31,920	45,656	64,992	12,451	6,753
<b>Total</b>	<b>¥ 34,924</b>	<b>¥ 33,406</b>	<b>¥ 45,827</b>	<b>¥ 93,858</b>	<b>¥ 12,478</b>	<b>¥ 6,753</b>

## Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

### 1. Matters regarding the situations of financial instruments

#### (1) Business policy for financial instruments

The AIFUL Group mainly engages in the financial business; specifically, the consumer finance business, the real estate mortgage finance business, the business operator finance business, the credit sales business, the credit guarantee business, the receivables management and collection business, etc. Direct finance by corporate bonds is used in raising funds to conduct these businesses by adjustment to the market situation and the long-term and short-term balance, in addition to indirect finance by bank loans. In this way, AIFUL has financial liabilities that involve interest rate fluctuations and thus conducts derivative transactions to prevent any disadvantageous impact of interest rate fluctuations. In addition, when a derivative transaction is conducted, it is limited to the transaction that involves actual demand, in principle, and the policy of AIFUL is not to use derivative transactions solely in order to gain trading profits in the short term.

#### (2) Types of financial instruments and their risks

The financial assets of the AIFUL Group are mainly loans and accounts receivable - installment against individuals and corporations, and these are both exposed to credit risk that will be caused by customers defaulting on the agreement. In addition, operational investment securities and investment securities are mainly stocks and investments in partnership capital, which are held mainly for the purpose of business promotion. Each of them involves the risk of the credit of issuers and the risk of market price fluctuations. In addition, financial assets denominated in foreign currency are exposed to the risk of exchange rate fluctuations.

Financial liabilities such as loans and corporate bonds are exposed to the risk of liquidity where payment may not be able to be made on the due date under certain circumstances, including the case where the AIFUL Group cannot use the market. In addition, funds are raised at a variable interest rate, which is exposed to the risk of interest rate fluctuations.

Derivative transactions involve the risk of market interest rate fluctuations and counterparty risk.

#### (3) System for management of risk in relation to financial instruments

##### (i) Management of credit risk

The AIFUL Group manages the credit risk according to the various management rules of AIFUL. With respect to the major financial assets, such as loans, accounts receivable - installment and customers' liabilities for acceptances and guarantees, a credit examination is conducted for each case based on the data of the personal credit bureaus and AIFUL's own credit system, and the system relating to credit management is established and operated, including the change of the limit amount and the creation of guarantees and security. In addition, with respect to the credit risk of issuers of securities, it is managed by regularly ascertaining credit information and the market values.

With respect to the counterparty risk of derivative transactions, the party to the contract is financial institutions

in and outside Japan. It is recognized that the credit risk is low. In addition, the management of such risks is evaluated/analyzed/measures are considered by each department in charge, and they are reported to the board of directors as appropriate.

##### (ii) Management of market risk

###### i) Management of interest rate risk

The AIFUL Group manages the interest rate risk according to the risk management manual that was developed by obtaining approval at the meeting of the Risk Management Committee, which is an organ directly under the board of directors. Toward this risk, a report is provided from the Finance Department, which is the department in charge, to the Internal Control Department, and the risk assessment and the adequacy and appropriateness of the countermeasures are verified and a report is provided to the board of directors as appropriate. In addition, derivative transactions are used to hedge the risk of interest rate fluctuations.

###### ii) Management of price fluctuation risk

Many of the shares held by the AIFUL Group are held for the purpose of business promotion, including business/capital alliances. The market environment and financial position of customers, among others, are monitored and measures are considered in the department in charge, and a report is provided to the board of directors as appropriate.

In addition, the AIFUL Group does not have financial instruments for the purpose of trading.

###### iii) Derivative transactions

With respect to derivative transactions, the risk is managed according to the various management rules of AIFUL.

An internal check is conducted, specifically the appropriate execution of transactions, the evaluation of the effectiveness of hedges and administration in the department in charge, and a report is made to the Accounting Department.

###### iv) Quantitative information relating to the market risk

The AIFUL Group does not conduct quantitative analysis. (Interest rate risk)

For the AIFUL Group, the major financial instruments whose market value changes due to fluctuations in the interest rate, which is the major risk variable, are loans, installment accounts receivable, loans payable and corporate bonds.

In addition, AIFUL has ascertained that in the account titles whose market value is calculated at the market interest rate, the estimated amount of impact on the net value (of assets) after setting off the financial assets in question against the financial liabilities in question when the market interest rate at the end of the consolidated fiscal year changes by 1 basis point (0.01%) is a decrease of 52 million yen in the present value of the financial instruments that are affected by the interest rate fluctuations when it is assumed that the interest rate for the Japanese yen increases by 1 basis point (0.01%) and an increase of 52 million yen in the said value when it is assumed that the



interest rate for the Japanese yen falls by 1 basis point (0.01%). However, in the trial calculation of the amount of the impact, it is assumed that there is no change in the risk variables other than the market interest rate.

(iii) Management of the liquidity risk relating to fund raising

The AIFUL Group manages the liquidity risk mainly by adjusting the balance of procurement between the long term and the short term considering diversification of the means of raising funds and the market environment, in addition to the timely funds management of the entire Group.

(4) Supplementary explanation about the matters regarding the market value, etc. of financial instruments

The market value of financial instruments includes the value based on the market value and the value that is reasonably calculated when the market value is not available. In the calculation of such values, certain assumptions and other conditions are adopted, and thus if any different assumptions and other conditions are used, such values may vary.

## 2. Matters regarding the market value, etc. of financial instruments

The amounts recorded on the consolidated balance sheet, the market values and the differences between them on March 31, 2018 are as shown below. In addition, cases where it is considered extremely difficult to ascertain the market value are not included in the table below (refer to Note 2).

(Millions of yen)			
Category	Amount recorded on the consolidated balance sheet	Market value	Difference
(1) Cash and deposits	¥ 29,327	¥ 29,327	¥ —
(2) Operating loans	412,706		
Allowance for doubtful accounts and provision for loss on interest repayment (*1)	(28,500)		
	384,205	446,026	61,821
(3) Installment accounts receivable	97,252		
Deferred installment income (*2)	(397)		
Allowance for doubtful accounts (*3)	(4,534)		
	92,320	93,110	789
(4) Operational investment securities and investment securities (including the shares of affiliated companies)	1,746	3,594	1,848
(5) Claims provable in bankruptcy	27,787		
Allowance for doubtful accounts (*3)	(25,541)		
	2,246	2,246	—
<b>Total assets</b>	<b>¥ 509,846</b>	<b>¥ 574,306</b>	<b>¥ 64,459</b>
(1) Short-term loans payable	83,325	83,325	—
(2) Bonds payable	8,500	8,500	—
(3) Long-term loans payable (*4)	274,011	273,866	(145)
<b>Total liabilities</b>	<b>¥ 365,836</b>	<b>¥ 365,691</b>	<b>¥ (145)</b>
Derivative transactions (*4)			
(1) Those to which hedge accounting is applied	—	—	—
(2) Those to which hedge accounting is not applied	—	—	—
<b>Total derivative transactions</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

(\*1) The estimated amount of interest repayment that is expected to be preferentially appropriated to operating loans, which is included in the allowance for doubtful accounts in relation to operating loans and the provision for loss on interest repayment, is deducted.

(\*2) The deferred installment income (liability account) in relation to installment accounts receivable is deducted.

(\*3) Installment accounts receivable and claims provable in bankruptcy and the allowance for doubtful accounts corresponding to them respectively are deducted.

(\*4) The derivative transactions to which hedge accounting is applied are processed together with the long-term loans payable to be hedged as one, and thus their market values are included in the market value of the said long-term loans payable in the statement.

Notes: 1. Matters regarding the method of calculation of the market value of financial instruments

Assets

(1) Cash and deposits

Deposits are all short term, and thus the market value is close to the book value. Accordingly, the said book value is used.

(2) Operating loans

In the calculation of the market value of operating loans, such present value of the amount obtained by deducting the estimated amount of collection expenses from the estimated amount of principal and interest to be received, which reflects the recoverability as discounted at an extremely safe interest rate corresponding to the remaining period, is used.

(3) Installment accounts receivable

With respect to the credit card business included in installment accounts receivable, most transactions are a one-time payment in the following month and the market value is close to the book value, and thus the said book value is used. In addition, the market value of the installment sales finance business is calculated using this present value of the amount obtained by deducting the estimated amount of collection expenses from the estimated amount of principal and fees to be received, which reflects the recoverability as discounted at an extremely safe interest rate corresponding to the remaining period.

(4) Operational investment securities and investment securities (including the shares of affiliated companies)

With respect to the market value of these securities, for stocks and bonds, the price on the exchange is used.

(5) Claims provable in bankruptcy

With respect to the claims provable in bankruptcy, the estimated amount of bad debts is calculated based on the estimated amount of collection by security, etc., and thus the market value is close to the amount obtained by deducting the current estimated amount of bad debts from the value on the balance sheet on the consolidated closing date. Accordingly, the said value is used in calculation.

Liabilities

(1) Short-term loans payable

They are settled in the short term, and thus the market value is close to the book value. Accordingly, the said book value is used.

(2) Bonds payable

Of those whose market value is calculated, the calculation is undertaken based on the market price if the market price is available and, for those whose market value is not available, using the present value of the total sum of principal and interest that is discounted at the interest rate taking into account the remaining period and credit risk of the bonds in question.

(3) Long-term loans payable

Of those whose market value is calculated, the market value of loans payable that are settled within one year is close to the book value, and the said book value is used. Of the other loans payable, for those to which the fixed interest rate is applied, the present value of the total sum of principal and interest that is discounted at an interest rate assumed in the case of a new loan under the same conditions is used in the calculation. For those to which the variable interest rate is applied, the market interest rate and the credit risk are reflected in a short period of time, and thus the market value is considered to be close to the book value. Accordingly, the said book value is used.

2. Financial instruments whose market value is considered extremely difficult to ascertain

(Millions of yen)

Category	Amount recorded on the consolidated balance sheet
Operational investment securities and investment securities	
(1) Unlisted stock	¥ 2,001
(2) Investment in capital of investment limited partnership, etc.	1,244
<b>Total</b>	<b>¥ 3,246</b>

With respect to these financial instruments, it is considered extremely difficult to ascertain the market value, and thus they are not included in "assets (4) operation investment securities and investment securities."

3. Estimated amount of redemption of monetary claims and securities with maturity after the consolidated closing date

(Millions of yen)

Category	Due in one year or less	Due after one year through five years	Due after 5 years
Cash and deposits	¥ 29,327	¥ —	¥ —
Operating loans	159,228	241,341	12,135
Installment accounts receivable	93,564	3,665	21
<b>Total</b>	<b>¥ 282,121</b>	<b>¥ 245,007</b>	<b>¥ 12,157</b>

The amount of 27,787 million yen is not included because the estimated amount of redemption is not expected, such as claims provable in bankruptcy.

4. Plan for repayment of bonds payable, long-term loans payable, lease obligations and other interest-bearing debts after the consolidated closing date

(Millions of yen)

Category	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds payable	¥ 1,300	¥ 7,200	¥ —	¥ —	¥ —	¥ —
Finance lease obligations	300	285	179	140	34	7
Long-term loans payable	53,482	67,112	91,370	37,597	21,092	3,355
<b>Total</b>	<b>¥ 55,083</b>	<b>¥ 74,597</b>	<b>¥ 91,549</b>	<b>¥ 37,737</b>	<b>¥ 21,127</b>	<b>¥ 3,363</b>

## Securities

### Fiscal year ended March 31, 2017 (as of March 31, 2017)

#### 1. Other securities

			(Millions of yen)
Category	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost			
Shares	¥ 278	¥ 61	¥ 217
Subtotal	278	61	217
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost			
Shares	911	1,267	(355)
Subtotal	911	1,267	(355)
<b>Total</b>	<b>¥ 1,190</b>	<b>¥ 1,328</b>	<b>¥ (138)</b>

Note: With respect to unlisted stocks, etc. (whose amount recorded on the consolidated balance sheet is 2,376 million yen), the market price is not available and it is considered extremely difficult to ascertain the market value, and thus they are not included in the table above.

#### 2. Other securities sold during the consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

			(Millions of yen)
	Amount of sale	Total amount of gains on sale	Total amount of losses on sale
Shares	¥ 60	¥ 41	¥ (8)

#### 3. Other securities whose impairment loss is processed

In the consolidated fiscal year under review, for other securities, there was an impairment loss of 8 million yen.

In addition, in the impairment of securities, when the market value falls 50% or more below the acquisition cost, impairment is declared when it is not considered to be likely to recover to the acquisition cost level, and when the market value falls 30% or more but less than 50% below the acquisition cost, an amount judged necessary is processed as impairment loss, considering the financial position, operating results and trends of stock prices, among others.

### Fiscal year ended March 31, 2018 (as of March 31, 2018)

#### 1. Other securities

			(Millions of yen)
Category	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost			
Shares	¥ 569	¥ 67	¥ 502
Subtotal	569	67	502
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost			
Shares	799	1,260	(460)
Subtotal	799	1,260	(460)
<b>Total</b>	<b>¥ 1,369</b>	<b>¥ 1,327</b>	<b>¥ 41</b>

Note: With respect to unlisted stocks, etc. (whose amount recorded on the consolidated balance sheet is 2,526 million yen), the market price is not available and it is considered extremely difficult to ascertain the market value, and thus they are not included in the table above.

## 2. Other securities sold during the consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

	Amount of sale	Total amount of gains on sale	Total amount of losses on sale
Shares	¥ 26	¥ 4	¥ (5)

(Millions of yen)

## Derivative transactions

### Fiscal year ended March 31, 2017 (as of March 31, 2017)

#### 1. Derivative transactions to which hedge accounting is not applied

Not applicable

#### 2. Derivative transactions to which hedge accounting is applied

Method of hedge accounting	Types, etc. of derivative transactions	Main items to be hedged	Contract amount, etc.	Contract amount, etc. over 1 year	Market value
Special treatment of interest rate cap	Interest rate cap transaction	Long-term loans payable	¥ 30,000	¥ 30,000	(Note)

(Millions of yen)

Note: The interest rate cap treated in the special manner is processed together with the long-term loans payable to be hedged as one, and thus its market value is included in the market value of the said long-term loans payable in the statement.

### Fiscal year ended March 31, 2018 (as of March 31, 2018)

#### 1. Derivative transactions to which hedge accounting is not applied

Not applicable

#### 2. Derivative transactions to which hedge accounting is applied

Method of hedge accounting	Types, etc. of derivative transactions	Main items to be hedged	Contract amount, etc.	Contract amount, etc. over 1 year	Market value
Special treatment of interest rate cap	Interest rate cap transaction	Long-term loans payable	¥ 41,300	¥ 41,300	(Note)

(Millions of yen)

Note: The interest rate cap treated in the special manner is processed together with the long-term loans payable to be hedged as one, and thus its market value is included in the market value of the said long-term loans payable in the statement.

## Retirement benefits

### 1. Outline of the retirement benefit plan adopted

The AIFUL Group, except for some consolidated subsidiaries, uses both the defined contribution pension plan and the prepaid retirement benefits plan.

In addition, the overseas consolidated subsidiaries adopt the defined benefit plan.

The overseas consolidated subsidiaries apply the International Financial Reporting Standards and apply IAS No. 19 "Employee Benefits" in account processing.

## 2. Defined benefit pension plan

(1) Table for adjustment of beginning balance and ending balance of retirement benefit obligations

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Beginning balance of retirement benefit obligations	¥ 2	¥ —
Service cost	3	—
Interest expense	0	—
Actuarial gain or loss	4	—
Foreign currency translation adjustment	0	—
Others	(0)	—
Ending balance of retirement benefit obligations	¥ 11	¥ —

(2) Table for adjustment of the ending balance of retirement benefit obligations and pension assets and the retirement benefit liabilities and assets recorded on the consolidated balance sheet

	As of March 31, 2018	(Millions of yen) As of March 31, 2017
Retirement benefit obligations under the funded type plan	¥ —	¥ —
Pension assets	—	—
Retirement benefit obligations under the unfunded type plan	11	—
Net value of liabilities and assets recorded on the consolidated balance sheet	¥ 11	¥ —
Retirement benefit liabilities	11	—
Retirement benefit assets	—	—
Net value of liabilities and assets recorded on the consolidated balance sheet	¥ 11	¥ —

(3) Amount of retirement benefit expenses and their sub-items

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Service cost	¥ 3	¥ —
Interest expense	0	—
Others	(0)	—
Retirement benefit expenses relating to the defined benefit plan	¥ 3	¥ —

(4) Matters regarding the assumptions in actuarial computation

Major assumptions in actuarial computation

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	2017 (Apr. 1, 2016 to Mar. 31, 2017)
Discount rate	3.1%	—

## 3. Defined contribution pension plan and prepaid retirement benefits plan

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Amount of prepaid retirement benefits	¥ 124	¥ 173
Amount of contribution paid to the defined contribution pension plan	346	296
Retirement benefit expenses	¥ 470	¥ 470

## Stock options, etc.

### Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

#### 1. Amount and account title of expenses posted during the consolidated fiscal year under review

Other operating expenses 116 million yen

#### 2. Amount posted as income due to the lapse from the non-exercise of the right during the consolidated fiscal year under review

Non-operating income 17 million yen

#### 3. Details, scale and changes of stock options

##### (1) Details of stock options

	2010 stock options	2013 stock options	2015 stock options
Title and number of grantees	Employees of AIFUL: 1,279 persons Employees of the consolidated subsidiaries: 927 persons	Employees of AIFUL: 1,418 persons Employees of the consolidated subsidiaries: 44 persons Employees of the non-consolidated subsidiaries: 18 persons	Employees of AIFUL: 1,352 persons Employees of the consolidated subsidiaries: 31 persons
Number of stock options	Common stock 4,385,300 shares	Common stock 2,947,100 shares	Common stock 1,583,850 shares
Grant date	July 1, 2010	May 27, 2013	June 30, 2015
Conditions for vesting	The fact of working continually after the date of the grant (July 1, 2010) until the date when the rights became final and binding (July 31, 2014); however, in the case of retirement at the mandatory retirement age, any other treatment may be applied.	The fact of working continually after the date of the grant (May 27, 2013) until the date when the rights became final and binding (April 30, 2015); however, in the case of retirement at the mandatory retirement age, any other treatment may be applied.	The fact of working continually after the date of the grant (June 30, 2015) until the date when the rights became final and binding (June 30, 2017); however, in the case of retirement at the mandatory retirement age, any other treatment may be applied.
Requisite service period	From July 1, 2010 To July 31, 2014	From May 27, 2013 To April 30, 2015	From June 30, 2015 To June 30, 2017
Exercise period	From August 1, 2014 To July 31, 2016	From May 1, 2015 To April 30, 2017	From July 1, 2017 To June 30, 2019

Note: For the share acquisition rights according to the resolution passed at the meeting of the board of directors held on June 7, 2010, the period of exercise of the rights expired on July 31, 2016.

##### (2) Scale of stock options and situations of their changes

The stock options that existed in the consolidated fiscal year (ended March 31, 2017) are included in the scope here. With respect to the number of stock options, they are translated into the number of shares in a statement.

###### (i) Number of stock options

	2010 stock options	2013 stock options	2015 stock options
Before vesting (shares)			
Previous consolidated fiscal year-end	—	—	1,583,850
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Unvested	—	—	1,583,850
After vesting (shares)			
Previous consolidated fiscal year-end	2,458,600	2,947,100	—
Vested	—	—	—
Exercised	824,600	—	—
Forfeited	1,634,000	—	—
Unexercised	—	2,947,100	—

## (ii) Information on unit price

	2010 stock options	2013 stock options	2015 stock options
Exercise price (yen)	¥ 64	¥ 501	¥ 407
Average stock price at the time of exercise (yen)	¥ 322	¥ —	¥ —
Unit fair value (date of grant) (yen)	¥ 30	¥ 261	¥ 157

**4. Method of estimating the number of the stock options vested**

Basically, it is difficult to make a reasonable estimate of the number of future lapses, and thus the method reflecting only the number of actual lapses is adopted.

**Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)****1. Amount and account title of expenses posted during the consolidated fiscal year under review**

Other operating expenses 28 million yen

**2. Amount posted as income due to the lapse from the non-exercise of the right during the consolidated fiscal year under review**

Gain on reversal of share acquisition rights 703 million yen

**3. Details, scale and changes of stock options**

## (1) Details of stock options

	2013 stock options	2015 stock options
Title and number of grantees	Employees of AIFUL: 1,418 persons Employees of the consolidated subsidiaries: 44 persons Employees of the non-consolidated subsidiaries: 18 persons	Employees of AIFUL: 1,352 persons Employees of the consolidated subsidiaries: 31 persons
Number of stock options	Common stock 2,947,100 shares	Common stock 1,583,850 shares
Grant date	May 27, 2013	June 30, 2015
Conditions for vesting	The fact of working continually after the date of the grant (May 27, 2013) until the date when the rights became final and binding (April 30, 2015); however, in the case of retirement at the mandatory retirement age, any other treatment may be applied.	The fact of working continually after the date of the grant (June 30, 2015) until the date when the rights became final and binding (June 30, 2017); however, in the case of retirement at the mandatory retirement age, any other treatment may be applied.
Requisite service period	From May 27, 2013 To April 30, 2015	From June 30, 2015 To June 30, 2017
Exercise period	From May 1, 2015 To April 30, 2017	From July 1, 2017 To June 30, 2019

Note: For the share acquisition rights according to the resolution passed at the meeting of the board of directors held on April 26, 2013, the period of exercise of the rights expired on April 30, 2017.

(2) Scale of stock options and situations of their changes

The stock options that existed in the consolidated fiscal year (ended March 31, 2018) are included in the scope here. With respect to the number of stock options, they are translated into the number of shares in a statement.

(i) Number of stock options

	2013 stock options	2015 stock options
Before vesting (shares)		
Previous consolidated fiscal year-end	—	1,583,850
Granted	—	—
Forfeited	—	—
Vested	—	1,583,850
Unvested	—	—
After vesting (shares)		
Previous consolidated fiscal year-end	2,947,100	—
Vested	—	1,583,850
Exercised	—	1,000
Forfeited	2,947,100	—
Unexercised	—	1,582,850

(ii) Information on unit price

	2013 stock options	2015 stock options
Exercise price (yen)	¥ 501	¥ 407
Average stock price at the time of exercise (yen)	¥ —	¥ 396
Unit fair value (date of grant) (yen)	¥ 261	¥ 157

**4. Method of estimating the number of the stock options vested**

Basically, it is difficult to make a reasonable estimate of the number of future lapses, and thus the method reflecting only the number of actual lapses is adopted.



## Relating to tax effect accounting

### 1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	As of March 31, 2018	(Millions of yen) As of March 31, 2017
Deferred tax assets		
Allowance for doubtful accounts	¥ 8,723	¥ 10,137
Provision for loss on interest repayment	6,996	9,851
Bad debt loss	1,403	1,437
Accrued income	1,174	1,171
Loss carried forward	165,701	180,335
Other	3,342	3,576
Subtotal of deferred tax assets	187,341	206,509
Valuation reserve	(186,713)	(205,713)
<b>Total deferred tax assets</b>	<b>¥ 627</b>	<b>¥ 796</b>
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(154)	(53)
Retirement cost corresponding to asset retirement obligations	(180)	(198)
<b>Total deferred tax liabilities</b>	<b>¥ (334)</b>	<b>¥ (252)</b>
<b>Net value of the deferred tax assets (liabilities)</b>	<b>¥ 292</b>	<b>¥ 543</b>
The net value of the deferred tax assets (liabilities) is included in the following items on the consolidated balance sheet.		
Current assets—Deferred tax assets	627	796
Non-current liabilities—Deferred tax liabilities	(334)	(252)

### 2. Breakdown of each major item that caused a significant difference between the effective statutory tax rate and the rate of burden of income taxes, etc. after the application of tax effect accounting

	As of March 31, 2018	As of March 31, 2017
Effective statutory tax rate	30.8%	30.8%
(Adjustment)		
Inhabitant tax on a per capita basis	1.8	0.9
Entertainment expenses and other items permanently excluded from loss	0.4	0.5
Stock-based compensation expenses	(5.9)	0.4
Valuation reserve	(536.3)	(32.3)
Downward revision to the ending deferred tax assets due to a change of the tax rate	3.8	0.6
Expiry of the period of loss carried forward	512.6	—
Difference in tax rate from that of the parent company	9.9	1.5
Other	(0.6)	(0.7)
Rate of burden of income taxes, etc. after the application of tax effect accounting	16.5	1.7

## Notes to Segment information

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### Segment Information

#### 1. Overview of reportable segments

##### (1) Determination of reportable segments

The Company's reportable segments are the Group's structural units, for which separate financial information is available. The financial results for all business segments are periodically reviewed by the Company's Board of Directors in order to make decisions on the proper allocation of business resources and to evaluate the business performance of the respective segments.

The Group draws up strategies for the Company and each of its consolidated subsidiaries and conducts business activities accordingly.

As a result, the AIFUL Group has three reportable segments: the core company AIFUL Corporation, LIFE CARD Co., Ltd. and AIRA & AIFUL Public Company Limited.

##### (2) Types of products and services belonging to each reportable segment

"AIFUL Corporation" is mainly involved in the loan business and credit guarantee business, while "LIFE CARD Co., Ltd." is mainly involved in the credit sales business and the credit guarantee business. "AIRA & AIFUL Public Company Limited" is mainly involved in the loan business.

##### (3) Notes relating to changes in reportable segments

AIRA & AIFUL Public Company Limited, which was a non-consolidated subsidiary of the Company, has been included in the scope of consolidation from the fiscal year under review because its importance has increased. As a result, there are three reportable segments: AIFUL Corporation, LIFE CARD Co., Ltd. and AIRA & AIFUL Public Company Limited.

#### 2. Calculation of operating revenue, profit or loss, assets, liabilities, and other items by reportable segment

The accounting methods applied to the reportable segments are the same as those described in "Basic important matters for the preparation of the consolidated financial statements." Profit (Loss) for reportable segments is net income (loss).

Inter-segment operating revenue and transfers are calculated based on the amount equal to the cost to the submitting company.

## 3. Information relating to operating revenue, profit or loss, assets, liabilities and other amounts for each reportable segment

For the Prior Fiscal year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Total
	AIFUL	LIFECARD	AIRA & AIFUL Public Company Limited	Subtotal	Other *1	
Operating revenue						
Operating revenue from third parties	¥ 58,330	¥ 28,690	¥ —	¥ 87,020	¥ 4,430	¥ 91,450
Inter-segment sales	9	189	—	198	55	254
<b>Total</b>	<b>¥ 58,339</b>	<b>¥ 28,879</b>	<b>¥ —</b>	<b>¥ 87,219</b>	<b>¥ 4,485</b>	<b>¥ 91,704</b>
Segment profit (loss)	4,823	3,031	—	7,855	(53)	7,802
Segment assets	439,840	188,889	—	628,730	30,721	659,451
Segment liabilities	355,921	148,064	—	503,985	12,145	516,131
Other items						
Provision for point card certificates	—	3,300	—	3,300	—	3,300
Provision of allowance for doubtful accounts *2	16,724	3,669	—	20,393	351	20,744
Provision for loss on interest repayment	—	—	—	—	—	—
Provision for bonuses	563	14	—	577	20	597
Depreciation	1,263	1,071	—	2,335	3	2,338
Interests on loans	239	—	—	239	92	331
Dividends received	15	10	—	26	0	26
Reversal provision of allowance for doubtful accounts	1	—	—	1	—	1
Reversal provision for investment loss	—	—	—	—	2	2
Rent expenses on real estates	131	—	—	131	—	131
Interest expenses *3	—	—	—	—	39	39
Extraordinary income	—	—	—	—	—	—
(Gain on reversal of shares acquisition rights)	(—)	(—)	(—)	(—)	(—)	(—)
Income taxes - current	(725)	1,042	—	316	124	440
Income taxes - deferred	(7)	(836)	—	(844)	—	(844)
Increase/decrease in property, plant and equipment, and intangible assets	¥ 1,156	¥ 1,201	¥ —	¥ 2,357	¥ 18	¥ 2,376

\*1. The other classification comprises businesses not included in reporting segments and encompasses the activities of BUSINEXT CORPORATION, AsTry Loan Services Corporation and related companies.

2. Provision of allowance for doubtful accounts is the sum total of operating expenses and non-operating expenses.

3. Interest expenses is the amount that is not included in operating expenses but is noted as non-operating expenses.

For the Current Fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments			Subtotal	Other *1	Total
	AIFUL	LIFECARD	AIRA & AIFUL Public Company Limited			
Operating revenue						
Operating revenue from third parties	¥ 64,652	¥ 42,855	¥ 2,977	¥ 110,485	¥ 4,902	¥ 115,388
Inter-segment sales	10	123	—	134	58	192
<b>Total</b>	<b>¥ 64,663</b>	<b>¥ 42,979</b>	<b>¥ 2,977</b>	<b>¥ 110,619</b>	<b>¥ 4,962</b>	<b>¥ 115,582</b>
Segment profit (loss)	2,437	2,746	(2,013)	3,170	(608)	2,562
Segment assets	500,262	179,419	17,568	697,250	33,278	730,529
Segment liabilities	414,714	135,848	7,702	558,265	15,193	573,458
Other items						
Provision for point card certificates	—	2,807	—	2,807	—	2,807
Provision of allowance for doubtful accounts *2	13,290	4,129	1,346	18,766	1,262	20,029
Provision for loss on interest repayment	12,384	—	—	12,384	—	12,384
Provision for bonuses	643	14	—	657	23	681
Depreciation	1,250	1,020	108	2,380	3	2,384
Interests on loans	247	—	—	247	39	286
Dividends received	23	12	—	35	0	35
Reversal provision of allowance for doubtful accounts	—	—	—	—	—	—
Reversal provision for investment loss	—	—	—	—	2	2
Rent expenses on real estates	149	—	—	149	2	151
Interest expenses *3	—	—	—	—	34	34
Extraordinary income	703	—	—	703	—	703
(Gain on reversal of shares acquisition rights)	(703)	(—)	(—)	(703)	(—)	(703)
Income taxes - current	(736)	992	—	255	181	437
Income taxes - deferred	(17)	523	—	505	—	505
Increase/decrease in property, plant and equipment, and intangible assets	¥ 1,034	¥ 1,394	¥ 131	¥ 2,560	¥ 0	¥ 2,561

\*1. The other classification comprises businesses not included in reporting segments and encompasses the activities of BUSINEXT CORPORATION, AsTry Loan Services Corporation and related companies.

2. Provision of allowance for doubtful accounts is the sum total of operating expenses and non-operating expenses.

3. Interest expenses is the amount that is not included in operating expenses but is noted as non-operating expenses.

4. The amount and principal details of the difference between the total amount of reporting segments and amounts posted on the Company's financial statements

	2018 (Apr. 1, 2017 to Mar. 31, 2018)	(Millions of yen) 2017 (Apr. 1, 2016 to Mar. 31, 2017)
Operating revenue		
Reportable segment total	¥ 110,619	¥ 87,219
Operating revenue categorized in "Other"	4,962	4,485
Inter-segment eliminations	(192)	(254)
Operating revenue posted in consolidated financial statements	¥ 115,389	¥ 91,450
Profit / Loss		
Reportable segment total	¥ 3,170	¥ 7,855
Profit (loss) categorized in "Other"	(608)	(53)
Inter-segment eliminations	1,396	(526)
Profit (loss) attributable to owners of parent posted in consolidated financial statements	¥ 3,958	¥ 7,276
Assets		
Reportable segment total	¥ 697,250	¥ 628,730
Profit categorized in "Other"	33,278	30,721
Inter-segment eliminations	(47,883)	(42,800)
Total assets posted in consolidated financial statements	¥ 682,645	¥ 616,651
Liabilities		
Reportable segment total	¥ 558,265	¥ 503,985
Profit categorized in "Other"	15,193	12,145
Inter-segment eliminations	(10,219)	(11,129)
Total liabilities posted in consolidated financial statements	¥ 563,238	¥ 505,002

(Millions of yen)

Other Items	Total of reportable segment		Other		Adjustment		Amount posted in Consolidated Financial statements	
	2018	2017	2018	2017	2018	2017	2018	2017
Other items								
Provision for point card certificates	2,807	3,300	—	—	—	—	2,807	3,300
Provision for investment loss	—	—	—	—	(2)	(2)	(2)	(2)
Provision of allowance for doubtful accounts *1	18,766	20,393	1,262	351	—	—	20,029	20,744
Provision for loss on interest repayment	12,384	—	—	—	—	—	12,384	—
Provision for bonuses	657	577	23	20	291	297	972	895
Depreciation	2,380	2,335	3	3	—	—	2,384	2,338
Interests on loans	247	239	39	92	(221)	(305)	65	25
Dividends received	35	26	0	0	—	—	35	26
Reversal provision of allowance for doubtful accounts	—	1	—	—	—	—	—	1
Reversal provision for investment loss	—	—	2	2	(2)	(2)	—	—
Rent expenses on real estates	149	131	2	—	(78)	(76)	73	55
Interest expenses *2	—	—	34	39	(32)	(39)	1	—
Extraordinary income	703	—	—	—	—	—	703	—
(Gain on reversal of shares acquisition rights)	(703)	(—)	(—)	(—)	(—)	(—)	(703)	(—)
Income taxes - current	255	316	181	124	—	—	437	440
Income taxes - deferred	505	(844)	—	—	(361)	526	144	(318)
Increase/decrease in property, plant and equipment, and intangible assets	2,560	2,357	0	18	—	—	2,561	2,376

\*1. Provision of allowance for doubtful accounts is the sum total of operating expenses and non-operating expenses.

\*2. Interest expenses is the amount that is not included in operating expenses but is noted as a non-operating expenses.

**Related information****Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)****1. Information for each product and service**

(Millions of yen)

	Loan business	Credit sales business	Credit guarantee business	Software business	Other	Total
Operating revenue from outside customers	¥ 52,671	¥ 15,949	¥ 12,787	¥ —	¥ 10,041	¥ 91,450

**2. Information for each region****(1) Operating revenue**

There is no operating revenue from outside customers other than those of Japan, and there are therefore no applicable matters.

**(2) Property, plant and equipment**

There is no property and equipment in any locations other than Japan, and thus there are no applicable matters.

**3. Information for each major customer**

Of the operating revenue from outside customers, there is no transaction partner accounting for not less than 10% of the operating revenue shown on the consolidated statements of income, and thus there is no statement.

**Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)****1. Information for each product and service**

(Millions of yen)

	Loan business	Credit sales business	Credit guarantee business	Software business	Other	Total
Operating revenue from outside customers	¥ 61,791	¥ 16,643	¥ 13,299	¥ 12,803	¥ 10,849	¥ 115,389

**2. Information for each region****(1) Operating revenue**

The operating revenue of outside customers of Japan exceeds 90% of the operating revenue shown on the consolidated statements of income, and thus the statement is omitted.

**(2) Property, plant and equipment**

The value of property and equipment located in Japan exceeds 90% of the value of property and equipment shown on the consolidated balance sheet, and thus the statement is omitted.

**3. Information for each major customer**

Of the operating revenue from outside customers, there is no transaction partner accounting for not less than 10% of the operating revenue shown on the consolidated statements of income, and thus there is no statement.

**Information relating to impairment loss of non-current assets for each reportable segment**

Not applicable

**Information relating to amortization of goodwill and unamortized balance for each reportable segment**

Not applicable

**Information relating to gain on negative goodwill for each reportable segment**

Not applicable

## Information on related parties

### 1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and the related parties

(i) Officers and major shareholders (limited to individuals) of the company submitting the consolidated financial statements, etc.

Fiscal year ended March 31, 2017

Not applicable

Fiscal year ended March 31, 2018

Type	Name of company, etc.	Address	Capital stock or investments (Million yen)	Description of business or occupation	Ratio of ownership of voting rights, etc. (%)	Relationship with related parties	Description of transaction	Transaction amount (Million yen)	Account title	Ending balance (Million yen)
Company whose officers and their close relatives have a majority of the voting rights	Kabushiki Kaisha NK Kikaku (Note 1)	Kita-ku, Osaka-shi	¥ 2	Real estate business	None	Borrowing of funds	Borrowing of funds (Note 2)	¥ 3,310	Short-term loans payable	¥ 3,450
							Interest expenses (Operating expenses) (Note 2)	¥ 32	Other current liabilities	¥ 33

Notes: 1. The close relatives of officers have 100% of the voting rights.

2. Transaction conditions and policy for decisions on the transaction conditions

With respect to the interest rate of loans payable, the interest rate is determined in consideration of the market interest rate.

## Per Share Information

2018 (from April 1, 2017 to March 31, 2018)		2017 (from April 1, 2016 to March 31, 2017)	
Net assets per share	236.13 yen	Net assets per share	228.94 yen
Profit per share	8.18 yen	Profit per share	15.05 yen
Diluted profit per share	—	Diluted profit per share	15.04 yen

Notes: 1. Diluted profit per share omitted because there were no latent shares with a dilutive effect.

2. Basis of calculation of net assets per share is as follows.

	2018 (from April 1, 2017 to March 31, 2018)	2017 (from April 1, 2016 to March 31, 2017)
Total net assets	¥ 119,407	¥ 111,649
Amount deducted from total net assets	5,192	910
(Of which shares acquisition rights)	(234)	(910)
(Of which non-controlling interests)	(4,957)	—
Net assets related to capital stock at end of fiscal year	¥ 114,214	¥ 110,738
Number of shares of capital stock at the end of the fiscal year used in the calculation of net assets per share	483,702,998 shares	483,702,172 shares



Note 3: Basis for calculation of profit per share and diluted profit per share is as follows.

Item	2018	2017
	(from April 1, 2017 to March 31, 2018)	(from April 1, 2016 to March 31, 2017)
Profit per share		
Profit attributable to owners of parent	3,958 million yen	7,276 million yen
Amount not attributable to capital stock shareholders		
Profit attributable to owners of parent related to common stock	3,958 million yen	7,276 million yen
Average number of shares of capital stock during the period	483,702,876 shares	483,499,857 shares
Diluted profit per share		
Adjusted profit attributable to owners of parent	—	—
Increase in number of capital stock	—	191,195 shares
(of which shares acquisition rights)	(—)	(191,195) shares
Outline of stock not included in diluted profit per share due to lack of dilutive effect	New shares acquisition rights of Stock options is issued by board of directors in June 15, 2015 (1,494,850 shares).	New shares acquisition rights of Stock options is issued by board of directors in April 26, 2013 (2,685,100 shares). New shares acquisition rights of Stock options is issued by board of directors in June 15, 2015 (1,520,850 shares).

(5) Consolidated supplementary detailed statements

Detailed statements of corporate bonds

Company name	Issue	Date of issue	Beginning balance (Million yen)	Ending balance (Million yen)	Interest rate (%)	Security	Date of maturity
AIFUL	54th unsecured straight bond	July 10, 2014	¥ 28,800	¥ —	8.000 per annum	Unsecured	April 30, 2020
	55th unsecured straight bond	September 28, 2015	2,600	—	2.900 per annum	Unsecured	June 28, 2017
	56th unsecured straight bond	October 11, 2016	1,300	1,300 (1,300)	2.000 per annum	Unsecured	October 11, 2018
	57th unsecured straight bond	July 14, 2017	—	7,200	2.400 per annum	Unsecured	January 14, 2020
<b>Total</b>		—	<b>¥ 32,700</b>	<b>¥ (1,300)</b>	—	—	—

Notes: 1. The amount of the ending balance shown in parentheses is included in the amount shown without parentheses. The said amount is scheduled to be redeemed within one (1) year from the day immediately following the date of the consolidated balance sheet. In the consolidated balance sheet, the said amount is stated in current liabilities.

2. For the 54th unsecured straight bond, it was fully redeemed on July 10, 2017 before the date of maturity.

3. The scheduled amount of redemption for each year within five years after the consolidated closing date is as shown below.

(Millions of yen)				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
1,300	7,200	—	—	—

### Detailed statements of loan payable, etc.

Category	Beginning balance (Million yen)	Ending balance (Million yen)	Average interest rate (%)	Repayment due date
Short-term loans payable	¥ 73,610	¥ 83,325	1.70	—
Current portion of long-term loans payable	32,138	53,482	2.11	—
Current portion of lease obligations	186	300	—	—
Long-term loans payable (excluding the current portion)	161,774	220,529	1.70	From April 2019 to October 2028
Lease obligations (excluding the current portion)	449	646	—	From April 2019 to January 2024
<b>Total</b>	<b>¥ 268,158</b>	<b>¥ 358,284</b>	<b>—</b>	<b>—</b>

Notes: 1. With respect to the "average interest rate," the average weighted interest rate on the balance of loans payable at the end of the fiscal year is stated.

2. With respect to the average interest rate of lease obligations, the amount of lease obligations before the deduction of the amount equivalent to the interest included in the total lease fees is recorded on the consolidated balance sheet, and thus the said interest rate is not stated.

3. The scheduled repayment amount of long-term loans payable and lease obligations (excluding the current portion) for each year within five years from the date of the consolidated balance sheet is as shown below.

Category	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	67,112	91,370	37,597	21,092
Lease obligations	285	179	140	34

### Detailed statement of asset retirement obligations

The amounts of asset retirement obligations at the beginning of the consolidated fiscal year under review and at the end of the consolidated fiscal year under review are not more than one hundredth (1/100) of the total sums of liabilities and net assets at the beginning of the consolidated fiscal year under review and at the end of the consolidated fiscal year under review, and thus the statement is omitted.

## Others

### Quarterly information for the consolidated fiscal year under review

(Cumulative period)	(Millions of yen)			
	First three months (First quarter)	First six months (Second quarter)	First nine months (Third quarter)	Full year (Fiscal year under review)
Operating revenue	¥ 24,224	¥ 49,252	¥ 75,952	¥ 115,389
Profit before income taxes	1,930	3,084	5,973	3,527
Profit attributable to owners of the parent	1,976	3,402	6,408	3,958
Net income per share (yen)	¥ 4.09	¥ 7.03	¥ 13.25	¥ 8.18
(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) per share (yen)	¥ 4.09	¥ 2.95	¥ 6.22	¥ (5.07)

# Investor Information

(As of March 31, 2018)

## ◆ Corporate Overview

Corporate Name	AIFUL CORPORATION
Date of Establishment	April 1967
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Paid-in Capital	¥143,454 million
Fiscal Year	April 1 to March 31
Number of Employees	Non-consolidated: 1,057 Consolidated: 2,503
Number of Branches	900 branches throughout Japan

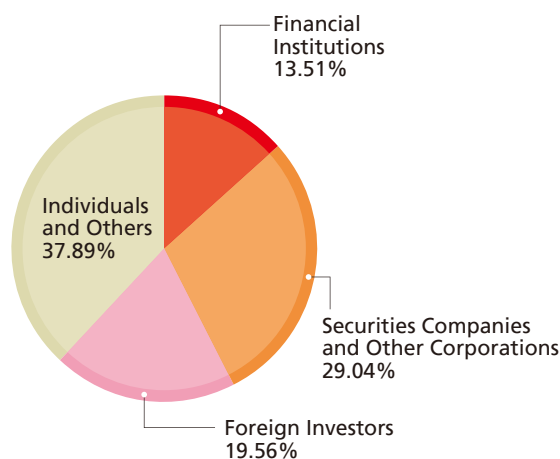
## ◆ Stock Information

Stock Listing	The First Section of the Tokyo Stock Exchange
Securities Code	8515
Number of Shares	Authorized: 1,136,280,000 shares Issued and Outstanding: 484,620,136 shares
Number of Shareholders	30,167
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited
Independent Auditor	Deloitte Touche Tohmatsu LLC

## ◆ Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
AMG Co., Ltd.	94,814	19.56
Mitsuhide Fukuda	62,155	12.83
Marutaka Co., Ltd.	24,543	5.06
GOLDMAN, SACHS & CO. REG	21,534	4.44
The Master Trust Bank Of Japan ,Ltd. (trust account)	19,458	4.02
Japan Trustee Services Bank, Ltd. (trust account)	11,569	2.39
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC/HENDERSON HHF SICAV	10,340	2.13
Japan Trustee Services Bank, Ltd. (trust account 5)	6,322	1.30
HSBC BANK PLC A/C IB MAIN ACCOUNT	5,228	1.08
Japan Trustee Services Bank, Ltd. (trust account 1)	4,692	0.97

## ◆ Composition of Shareholders



## ◆ Contact Address

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