



The year ended March 31, 2019

ANNUAL REPORT
2019

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

Customer	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.
Society	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.
Business Partners	Through fair and honest trade, we will build a relationship conducive to prosperous coexistence with all business partners.
Shareholders and Investors	We will achieve sustainable profit growth and shareholder return, and strive to enhance corporate value.
Employees	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, 2019.

In the current business environment, we expect steady growth in both the AIFUL Group’s domestic financial services businesses, including the loan business for consumers and business operators and the credit card business; and its overseas business, mostly in the ASEAN region. In addition, interest repayment claims, the current major business risk facing the consumer finance industry, have declined significantly from their peak and the downward trend has become more apparent. However, we still need to keep a close watch on developments.

Against this backdrop, the AIFUL Group continues to work to become a global financial services group trusted and needed in Japan and abroad in line with its corporate philosophy “Earn the trust of society through corporate activity based in integrity.”

Financial results for the consolidated fiscal year ended March 31, 2019

In the consolidated fiscal year ended March 31, 2019, while dealing with interest repayment claims as the principal issue for management, the AIFUL Group endeavored to manage its business with an emphasis on balancing safety, profitability and growth. To achieve this it focused on diversifying its financial services business and expanding operating assets on a Group-wide basis.

With respect to revenues, while steady growth in operating assets particularly in our mainstay loan business contributed to an increase in revenue, operating revenue remained almost flat at 115.3 billion yen (down 0% year on year) due to sales from software development (12.8 billion yen) that had been temporarily accounted for in the previous consolidated fiscal year.

Furthermore, with respect to expenses, given the lower-than-expected decrease in interest repayment claims, interest repayment-related expenses equivalent to 13.2 billion yen were recorded in the year under review. However, cost of sales of 11.2 billion yen for software development was accounted for in the consolidated fiscal year ended March 2018. Consequently, operating expenses were 112.2 billion yen (down 0% year on year).

As a result, operating profit was 3.0 billion yen (up 21% year on year) and ordinary profit was 4.1 billion yen (up 45% year on year). Profit attributable to owners of parent was 9.3 billion yen (up 136% year on year) after a 0.6 billion yen impairment loss on the valuation of investment securities, negative

5.6 billion yen in income taxes-deferred due to deferred tax assets, and 1.1 billion yen in loss attributable to non-controlling interests.

Plan for the consolidated fiscal year ending March 2020

The AIFUL Group expects steady growth in both domestic and overseas businesses, forecasting 124.3 billion yen in operating revenue (up 7% year on year) in contrast to 109.8 billion yen in operating expenses (down 2% year on year) for the consolidated fiscal year ending March 31, 2020. As a result, we estimate operating profit of 14.4 billion yen (up 375% year on year), ordinary profit of 15.4 billion yen (up 274% year on year) and profit attributable to owners of parent of 14.4 billion yen (up 54% year on year).

Going forward, while dealing with interest repayment claims as the principal management issue, the AIFUL Group will endeavor to reinforce its financial foundation by diversifying fund procurement methods and improving business efficiency on a Group-wide basis. At the same time, we will rebalance our business portfolio by diversifying our financial services business and increasing operating assets. As far as our corporate governance is concerned, we will endeavor to enhance the compliance system while continuing to reinforce the internal rules and control systems to precisely respond to any future changes in the business environment.

We will continue to make our utmost efforts to meet the expectations of all our stakeholders. In doing so, we hope to count on your continued support and encouragement.

Yoshitaka Fukuda

President and CEO

Representative Director



Five-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2019, 2018, 2017, 2016 and 2015

	Millions of Yen					Thousands of U.S. Dollars*
	2019	2018	2017	2016	2015	2019
For the Year:						
Operating revenue	¥ 115,328	¥ 115,389	¥ 91,450	¥ 87,708	¥ 86,352	\$ 1,038,991
Operating expenses	112,297	112,897	84,440	81,032	125,914	1,011,685
Provision for doubtful accounts	30,628	20,497	20,744	16,126	2,234	275,928
Ordinary profit (loss)	4,110	2,823	7,399	6,860	(36,498)	37,027
Net income (loss) attributable to owners of the parent	9,346	3,958	7,276	7,044	(36,499)	84,198
At Year-End:						
Loans*	¥ 521,823	¥ 472,018	¥ 412,649	¥ 376,224	¥ 350,017	\$ 4,701,108
Nonperforming loans	79,294	71,515	66,401	66,158	70,418	714,360
Loans in legal bankruptcy	26,167	27,147	28,712	31,105	32,908	235,739
Nonaccrual loans	33,118	28,314	25,530	22,263	23,819	298,360
Accruing loans contractually past due three months or more as to principal or interest payments	7,043	5,792	4,407	3,349	2,829	63,450
Restructured loans	12,965	10,261	7,750	9,439	10,861	116,802
Total assets	760,587	682,645	616,651	567,514	560,323	6,852,135
Allowance for doubtful accounts	70,469	66,959	70,172	72,643	79,708	634,856
Total liabilities	632,570	563,238	505,002	463,263	462,848	5,698,829
Interest-bearing debt	418,708	365,836	300,223	249,060	226,955	3,772,144
Total equity	128,016	119,407	111,649	104,250	97,475	1,153,297
Per Share Data (Yen/U.S. dollars):						
Basic net income (loss)	¥ 19.32	¥ 8.18	¥ 15.05	¥ 14.59	¥ (75.74)	\$ 0.17
Diluted net income	—	—	15.04	14.57	—	—
Total equity	256.45	236.13	228.94	214.16	200.45	2.31
Cash dividends	—	—	—	—	—	—
Ratios (%):						
Equity ratio	16.3	16.7	18.0	18.2	17.3	
ROE	7.8	3.5	6.8	7.0	(31.8)	
ROA	0.6	0.4	1.2	1.2	(6.4)	
Other Data:						
Number of shares outstanding at year-end	484,620,136	484,620,136	484,619,136	483,794,536	483,506,536	
Number of employees at year-end	2,273	2,503	1,473	1,433	1,350	

Notes: 1. The U.S. dollar amounts have been translated, for convenience only, at ¥111=\$1, the approximate rate of exchange at March 31, 2019.

2. Figures in the financial section are based on Japanese GAAP.

* Receivables outstanding including off-balance sheet amount.

AIFUL Group at a Glance

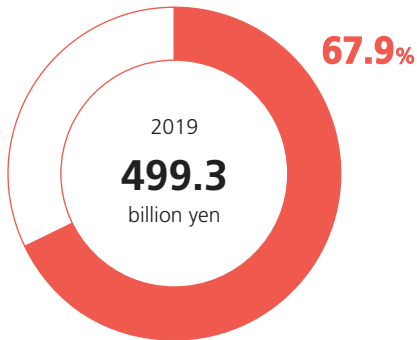
(As of March 31, 2019)

Loan Business

Companies



Share of receivable



Key numbers

Unsecured loan outstanding
423.3 billion yen +9%

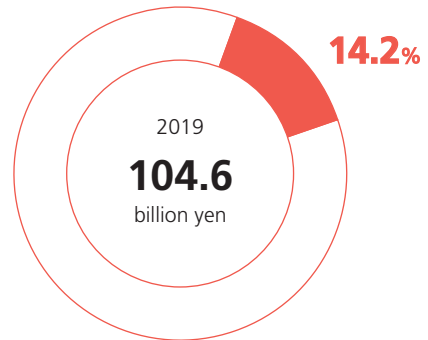
Small business loan outstanding
55.6 billion yen +18%

Credit Card Business

Companies



Share of receivable



Key numbers

Installment receivables
1,046 billion yen +4%

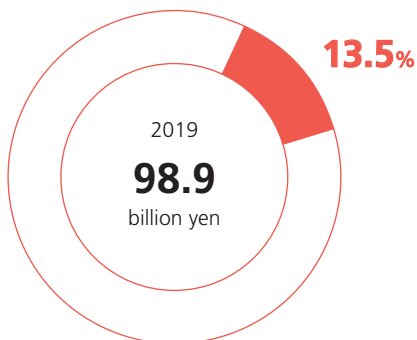
Transaction volume
697.8 billion yen +0%

Credit Guarantee Business

Companies



Share of receivable



Key numbers

Credit guarantee for individuals
85.3 billion yen +17%

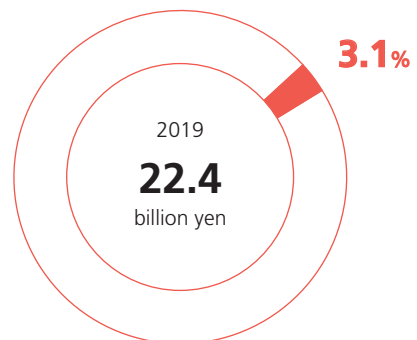
Credit guarantee for small business operator
13.5 billion yen +20%

Overseas Business

Companies



Share of receivable



Key numbers

Number of customer accounts
364 thousand +21%

Loan outstanding
22.4 billion yen +40%

Management's Discussion and Analysis of Operations

Current Business Environment

The AIFUL Group, based on its management philosophy "Earn the trust of society through corporate activity based in integrity," works with the aim of becoming a global financial group trusted and needed in Japan and abroad. We aim to achieve this goal by emphasizing business risk management, a core tenet of the financial services business, and by providing services and products that surpass customer expectations. Furthermore, to flexibly respond to future market changes, we aim to establish a strong and integrated Group management structure, while promoting financial diversification and striking a balance between profitability, stability, growth and human resource capabilities. In this way, we will continue our efforts to grow with society by building trust with all our stakeholders and meeting their expectations.

Toward the realization of our philosophy, we strive to diversify our operations centering on four key business areas: the loan business, for consumers and business operators; the credit card business; the credit guarantee business; and the overseas business.

In the fiscal year ended March 2019, all of our businesses showed generally steady growth backed by market

expansion, robust advertising growth and various other measures.

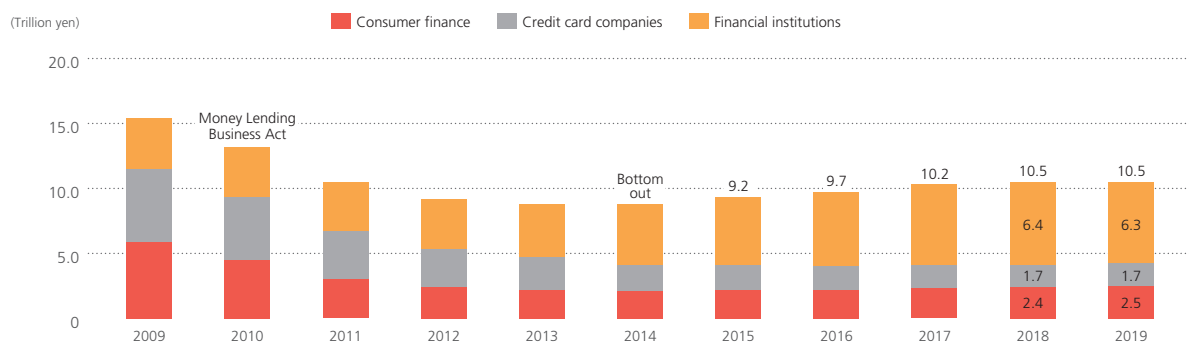
In the unsecured consumer loans market, the balance of loans remained flat year on year at 10.5 trillion yen as of March 31, 2019, mainly due to Japanese banks' voluntary decision to reduce advertising for bank card loans. However, the balance of loans for consumer financing-dedicated lenders continued to increase steadily by 4% year on year, to 2.5 trillion yen reflecting steady growth in the number of new contracts by leading players.

In the small business loans market, which is a key area of focus for us, the balance shrank to 228.8 billion yen in the fiscal year ended March 31, 2015, due to the lack of major players. However, the balance recovered to 297.5 billion yen as of March 31, 2018, a year-on-year increase of 12%.

In the credit card market, transaction volumes expanded significantly in fiscal 2018 to 66 trillion yen, a year-on-year increase of 14%. This was mainly attributable to increases in e-commerce and cashless payments as well as government-led initiatives to promote cashless settlements.

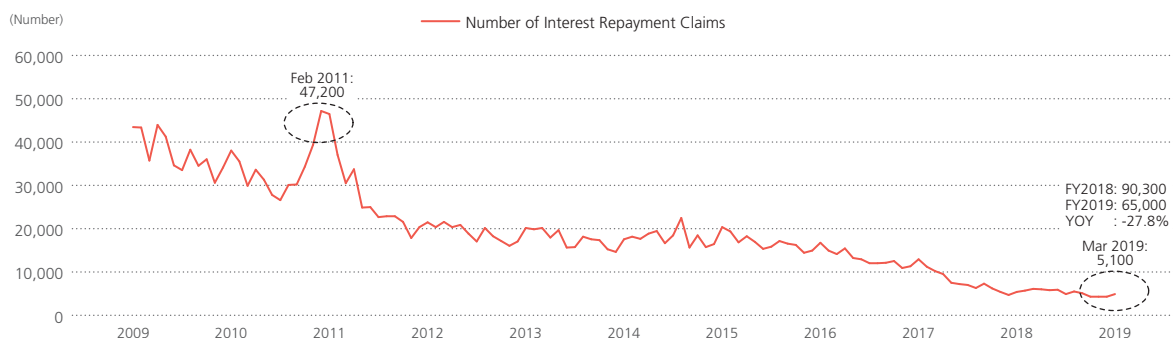
In the overseas market, strong demand for borrowing backed by economic growth and rising consumption led to

Unsecured consumer loans market



Source: Consumer finance and Credit card companies: Statistic by the Japan Financial Services Association.
Financial institutions: Statistic 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

personal loan growth in Thailand, where one of the Group's consumer finance companies operates. As a result, personal loans increased by 8% year on year, to 1.3 trillion yen, out of which non-bank loans also expanded steadily by 9% year on year, to 735.6 billion yen.

For fund procurement, operating asset increases and profit growth have lowered the Group's procurement costs against the backdrop of ongoing negative interest rates. In June 2019, AIFUL Corporation issued publicly offered straight bonds for the first time in 12 years, reflecting significant improvements in the fund procurement environment.

Interest repayment claims remain a key business risk for

the industry. While more than 10 years have passed since the original Supreme Court judgment and the number of claims has fallen to only a tenth of its peak, we remain cautious as some lawyers and judicial scrivener offices continue to actively advertise the issue.

Under these circumstances, the AIFUL Group strove to expand its operating assets, diversify its financial services business, and emphasized the balance between safety, profitability and growth in business management. All the while it has responded to interest repayment claims as the most important challenges of the management.

AIFUL Group Business Overview

Loan Business

In the loan business, which is our core business, we are making efforts to develop and distribute products that quickly meet customers' funding needs, as well as conducting effective advertising. In the fiscal year ended March 31, 2019, loans outstanding for the entire AIFUL Group grew steadily, rising 10% year on year, to 521.8 billion yen.

Unsecured loan business

In the unsecured loan business, in addition to effective advertising centering on AIFUL's new TV and website commercials, we focused on customer service improvements including the introduction of cardless transactions to increase both new contracts and the balance of operating loans.

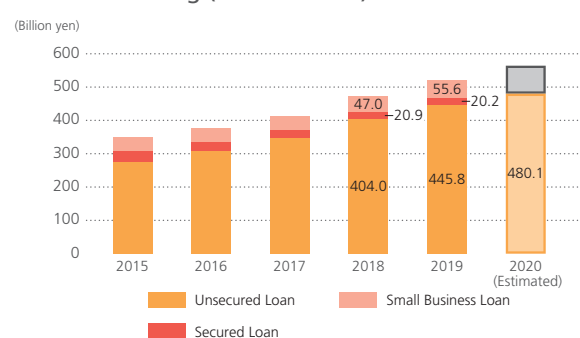
As a result, in fiscal 2018, the number of new unsecured loan applications for AIFUL moved 2% higher year on year, to 440,000, and the number of new contracts rose 1% year on year, to 199,000. The balance of unsecured loans for AIFUL alone rose 11% year on year, to 379.3 billion yen, while the balance of unsecured loans for the entire Group increased 10% year on year, to 445.8 billion yen.

Small business loans

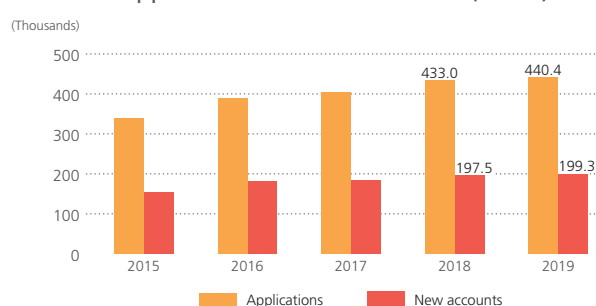
In our small business loans operations, we provide products and services tailored to the needs of sole proprietors and small- and medium-sized companies by using the Group's credit know-how for business operators mainly at BUSINEXT CORPORATION and AIFUL.

As a result, in fiscal 2018, the balance of small business loans for BUSINEXT increased 15% year on year, to 46.9 billion yen, while for AIFUL it surged 35% year on year, to 7.9 billion yen. The balance for the entire Group rose 18% year on year, to 55.6 billion yen.

Loans outstanding (Consolidated)



Number of applications and new accounts (AIFUL)

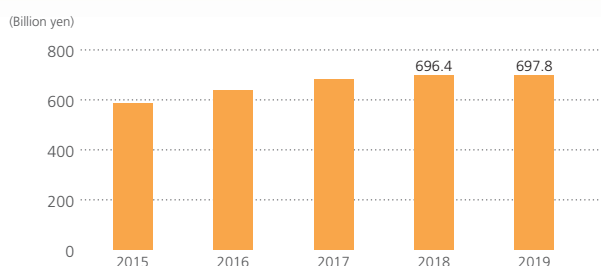


Credit card business

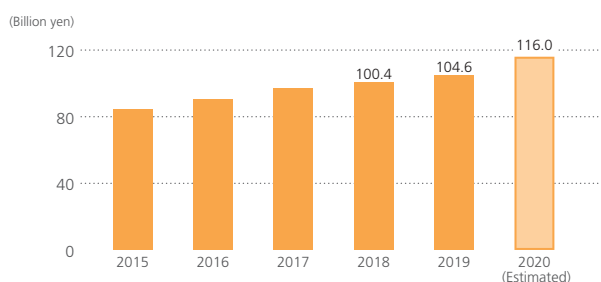
In the credit card business, we made efforts to expand new applications for credit cards by actively using affiliate advertising. We also launched new tie-up cards and issued co-branded credit cards affiliated with hospitals, which remove the need for cardholders to wait at the accounting window. At the same time, we increased credit limits for existing members and added a point privilege exchange program and other initiatives designed to improve convenience.

As a result, in fiscal 2018, credit card transaction volumes rose 0.2% year on year, to 697.8 billion yen, while the balance of installment accounts receivable increased 4% year on year, to 104.6 billion yen.

Credit Card transaction volume (LIFECARD)



Installment receivable (Consolidated)

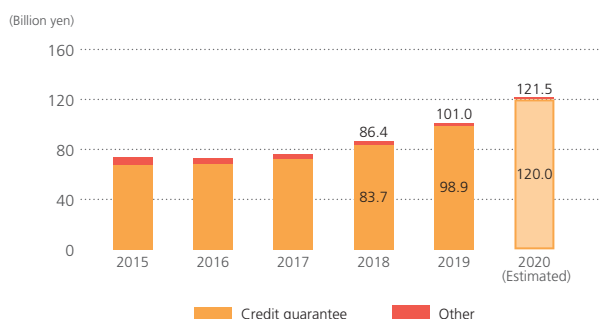


Credit guarantee business

In the credit guarantee business, we endeavor to increase the guarantee balance by utilizing our strengths, such as our credit know-how accumulated over many years and the flexibility and speed we gain from our status as an independent company. To that end, 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 2018, AIFUL entered into new tie-ups with four financial institutions. For the entire Group, the balance of credit guarantees for individuals increased 17% year on year, to 85.3 billion yen. For business operators, the balance rose 20% year on year, to 13.5 billion yen. The total balance moved 18% higher year on year, to 98.9 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.

(Consolidated subsidiaries)

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

In December 2014, A&A was jointly established with a company based in Thailand. Since September 2015, A&A has engaged in the consumer finance business under the "A Money" brand.

In fiscal 2018, A&A achieved steady growth due to brisk demand for funds against the backdrop of economic growth and rising consumption in Thailand. As of December 31, 2018, the number of accounts grew 21%, to 364,000 and the operating loan balance increased 40%, to 22.4 billion yen, from a year earlier, respectively (A&A's fiscal year ends in December. Therefore, both accounts and loans outstanding are shown as of December 31, 2018).

(Non-consolidated subsidiaries)

Indonesia: REKSA FINANCE

The AIFUL Group has been participating in the management of REKSA FINANCE, which manages the used car auto loan business in Indonesia, by acquiring the shares in May 2017. REKSA FINANCE aims to expand its operating assets while building a high quality loan portfolio.

China: SANSHU SHANGHAI

Established in July 2012, SANSHU engages in the lease business in Shanghai, China, and became a member of the AIFUL Group in April 2015.



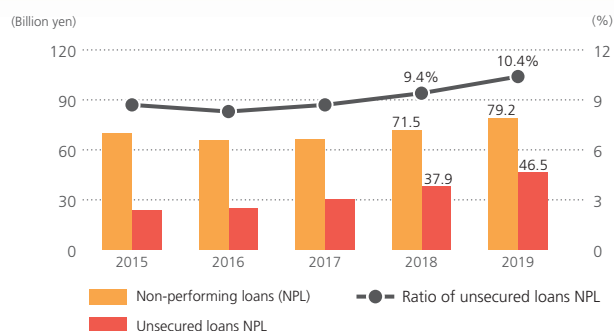
Branch of A&A

Non-performing Loans and write-offs

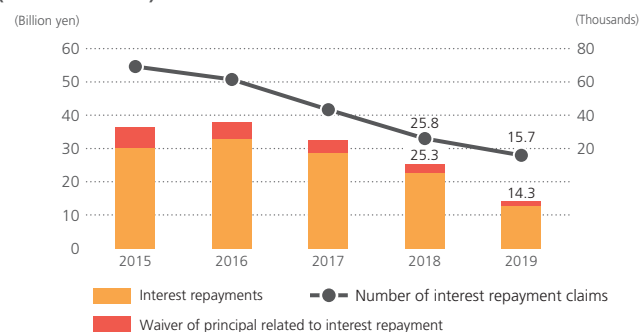
In fiscal 2018, the ratio of non-performing loans (NPLs) to unsecured loans outstanding was 10.4%, a year-on-year increase of 1.0 percentage points. The rise is mainly due to an increase in intervention in debt workouts, requiring a certain period of time to settle, which was offset by a decrease in interest repayment claims through the intervention of independent specialists. In other words, NPLs are temporarily trending upward as the composition of NPLs is currently changing.

Against this backdrop, even though the NPLs ratio is increasing, the resulting write-off ratio (general bad debts excluding debt forgiveness arising from interest repayment claims) remains low at 3.3%, a slight increase from the previous year, as the ratio of bad debts likely to be written off has not changed significantly.

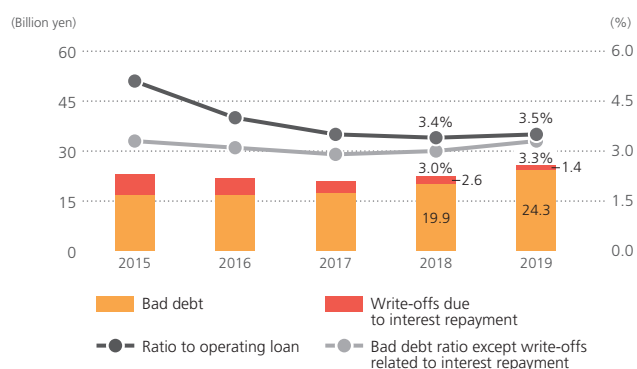
Non-performing loans (NPL) (Consolidated)



Interest repayments and waiver of principal (Consolidated)



Total receivables write-offs (Consolidated)



Interest repayment claims

Interest repayment claims during the fiscal year ended March 31, 2019, continued their visible downward trend, as it has now been more than a decade since the original Supreme Court judgment. For AIFUL alone, the number of claims fell by 39% year on year, to 157,000, and the amount of transfer from allowance fell by 44%, to 13.2 billion yen.

Notwithstanding the drop, we remain cautious around the outlook for interest repayment claims as several lawyers and judicial scrivener offices continue to actively advertise this issue. As a result, in the fiscal year ended March 31, 2019, we posted 11.5 billion yen in provisions for losses on interest repayment and 1.7 billion yen in allowance for doubtful accounts from debt forgiveness due to loss on interest repayment, for a total of 13.2 billion yen in additional allowances. As of March 31, 2019, the balance of allowances totaled 25.4 billion yen consisting of 22.9 billion yen in provisions for losses on interest repayment and 2.5 billion yen in allowance for doubtful accounts for debt forgiveness.

Future Outlook

With respect to the business environment surrounding the AIFUL Group, the retail finance market such as loans and credit cards and the overseas markets mainly in ASEAN region are in an expansion phase. Stable growth is expected in all the businesses conducted by the AIFUL Group. Looking ahead, the Group will continue to respond to interest repayment claims while working to expand overall operating assets. 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 the fiscal year ending March 31, 2020, the Group plans to expand its operating assets as a whole by 10%. In detail, the Group expects an 8% increase in the balance of loans, to 564.2 billion yen; 10% growth in its balance of installment accounts receivable, to 116.0 billion yen; and a 21% surge in credit guarantees outstanding, to 120.0 billion yen.

As a result, we expect operating revenue to expand by 7% year on year, to 124.3 billion yen.

Meanwhile, we anticipate a 2% year-on-year drop in operating expenses, to 109.8 billion yen, mainly due to increases in bad debt-related expenses arising from the increase in operating assets, and other selling, general and administrative expenses, although allowance for losses on interest repayment will not be carried over.

As a result, operating profit and ordinary profit are each expected to soar by 375% and 274% year on year to 14.4 billion yen and 15.4 billion yen, respectively. Profit attributable to owners of parent will increase by 54% year on year, to 14.4 billion yen.

The AIFUL Group sets the improvement of return on assets (ROA) as one of the most important indicators of management profitability and stability. Average total assets in the fiscal year ended March 31, 2019, increased by 11% year on year, to 721.6 billion yen, due to an increase in operating assets. Conversely, ordinary profit remained at 4.1 billion yen, mainly due to the posting of expenses relating to interest repayment claims. As a result, ROA for the fiscal year ended March 31, 2019, was 0.6%. However, we aim to improve ROA to 2% in the fiscal year ending March 31, 2020. Over the medium term, we will endeavor to further improve ROA by increasing revenues from diversified business portfolio and raising profitability by changing our cost structure.

Business Data

AIFUL GROUP

TOTAL RECEIVABLES OUTSTANDING (Including off-balance outstanding)

(Millions of yen/%)

	2017	2018	2019	YOY
Total Receivable Outstanding	591,528	665,669	735,219	10.4
Loans	412,649	472,018	521,823	10.6
Unsecured	346,411	404,056	445,866	10.3
Secured	24,044	20,923	20,285	(3.1)
Small Business	42,192	47,037	55,670	18.4
Installment Receivables	97,134	100,460	104,645	4.2
Guarantee	75,747	86,465	101,007	16.8
Credit Guarantee Business	72,203	83,734	98,971	18.2
Other	3,543	2,730	2,036	(25.4)
Other Operating Receivables	5,997	6,725	7,744	15.1

OPERATING REVENUE/PROFIT

(Millions of yen/%)

	2017	2018	2019	YOY
Operating revenue	91,450	115,389	115,328	(0.1)
Interest on Loans	47,869	56,305	65,456	16.3
Unsecured	42,892	51,949	61,058	17.5
Secured	3,206	2,597	2,285	(12.0)
Small Business	1,769	1,758	2,112	20.2
Installment Receivables	15,436	16,038	16,472	2.7
Credit Guarantees	12,494	12,992	13,953	7.4
Other	15,650	30,052	19,446	(35.3)
Profit attributable to owners of parent	7,276	3,958	9,346	136.1

Note: Italic Font = Increase or Decrease

FUNDING COST

(%)

	2017	2018	2019	YOY
Average Funding Cost	2.37	1.87	1.64	-0.23 ppt
Indirect	2.08	2.17	1.90	-0.27 ppt
Direct	2.69	1.50	1.39	-0.11 ppt
Long-term prime rate (reference)	0.95	1.00	1.00	-0.00 ppt

NUMBER OF CUSTOMER ACCOUNTS

(Thousands/%)

	2017	2018	2019	YOY
Number of Customer Accounts	916	1,299	1,437	10.7
Unsecured	879	1,259	1,394	10.7
Secured	9	7	6	(17.3)
Small Business	28	32	36	14.7
Credit Card Holders	5,883	5,771	5,777	0.1

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of yen/%)

	2017	2018	2019	YOY
Total Assets	616,651	682,645	760,587	11.4
ROA (%)	1.2	0.4	0.6	0.2 ppt
Total Equity	111,649	119,407	128,016	7.2
ROE (%)	6.8	3.5	7.8	4.3 ppt

AIFUL CORPORATION

TOTAL RECEIVABLES OUTSTANDING (Including off-balance outstanding)

(Millions of yen/%)

	2017	2018	2019	YOY
Total Receivables Outstanding	408,259	454,316	503,382	10.8
Loans	322,087	360,031	396,540	10.1
Unsecured	301,063	341,777	379,317	11.0
Secured	16,447	12,403	9,306	(25.0)
Small Business	4,575	5,850	7,915	35.3
Installment Receivables	857	503	402	(20.1)
Guarantees	80,039	87,970	99,694	13.3
Credit Guarantee Business	76,495	85,239	97,658	14.6
Other	3,543	2,730	2,036	(25.4)
Other Operating Receivables	5,275	5,811	6,745	16.1

OPERATING REVENUE/PROFIT

(Millions of yen/%)

	2017	2018	2019	YOY
Operating revenue	58,339	64,663	70,991	9.8
Interest on Loans	40,292	45,881	51,960	13.2
Unsecured	37,318	43,510	50,026	15.0
Secured	2,547	1,862	1,325	(28.8)
Small Business	426	507	608	19.8
Credit Guarantees	11,106	10,976	11,246	2.5
Other	6,941	7,806	7,785	(0.3)
Profit	4,823	2,437	5,208	113.7

NUMBER OF CUSTOMER ACCOUNTS

(Thousands/%)

	2017	2018	2019	YOY
Number of Customer Accounts	721	802	876	9.2
Unsecured	707	788	861	9.3
Secured	8	6	5	(21.5)
Small Business	5	6	9	33.1

AVERAGE YIELD

(%)

	2017	2018	2019	YOY
Average yield	14.7	14.7	14.8	0.1 ppt

AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

(Millions of yen/%)

	2017	2018	2019	YOY
Total Receivables Write-offs	17,717	17,926	18,795	4.9
Unsecured Loans Write-offs	13,071	13,909	15,270	9.8
Ratio of Total Receivables Write-offs (%)	4.3	3.9	3.7	-0.2 ppt
Ratio of Unsecured Loans Write-offs (%)	4.3	4.1	4.0	-0.1 ppt

AIFUL CORPORATION

NEW ACCOUNTS

	2017	2018	2019	YOY
				(Accounts/%)
New Accounts	182,778	197,826	199,637	0.9
Unsecured Loans	182,604	197,565	199,353	0.9
Contract Rate of Unsecured Loans (%)	45.3	45.6	45.3	-0.3 ppt

Note: Italic Font = Increase or Decrease

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

	2017	2018	2019	YOY
				(Millions of yen/%)
Total Assets	439,840	500,262	556,450	11.2
ROA (%)	1.0	0.2	0.3	0.1 ppt
Total Equity	83,919	85,548	91,200	6.6
ROE (%)	6.0	2.9	5.9	3.0 ppt

LIFECARD CO., LTD.

TOTAL RECEIVABLES OUTSTANDING (Including off-balance outstanding)

	2017	2018	2019	YOY
				(Millions of yen/%)
Total Receivables	163,571	169,632	173,153	2.1
Installment Receivables	96,276	99,956	104,242	4.3
Loan (Cash Advance)	45,564	46,728	44,849	(4.0)
Credit Guarantees	21,007	22,032	23,063	4.7
Other	722	914	998	9.2

OPERATING REVENUE/PROFIT

	2017	2018	2019	YOY
				(Millions of yen/%)
Operating Revenue	28,890	42,991	32,850	(23.6)
Installment Receivables	15,361	15,960	16,391	2.7
Loan (Cash Advance)	5,603	5,649	5,556	(1.6)
Credit Guarantees	1,272	1,348	1,398	3.7
Other	6,653	20,033	9,504	(52.6)
Profit	3,031	2,746	2,822	2.8

Note: Italic Font = Increase or Decrease

TRANSACTION VOLUME

	2017	2018	2019	YOY
				(Millions of yen/%)
Transaction Volume	681,362	696,435	697,854	0.2
Card Shopping	640,598	655,990	657,509	0.2
Cashing	40,763	40,444	40,345	(0.2)

NUMBER OF CARDHOLDERS

	2017	2018	2019	YOY
				(Thousands/%)
Number of Cardholders	5,883	5,771	5,777	0.1
Proper Card	1,795	1,739	1,700	(2.2)
Affinity Cards	4,088	4,032	4,077	1.1

AMOUNT OF WRITE-OFFS/ RATIO OF WRITE-OFFS

	2017	2018	2019	YOY
				(Millions of yen/%)
Total Receivables Write-offs	3,090	3,345	3,767	12.6
Ratio of Total Receivables Write-offs (%)	1.8	1.9	2.1	0.2 ppt

CSR Activities

AIFUL Groups' Social Contribution/Coexistence with the Community and Approach to environmental Issues

Society

We promote social contribution activities from the perspective of "what we can do for our customers and for society."

AIFUL Run, a Program to Support Citizen Runners

In 2013, we launched AIFUL Run, a program to support the challenging spirit of citizen runners. Through the program, we hope to bring smiles to many people and make the world a brighter place.

We sponsored a total of 89 running events. In the period ending in March 2019, we supported six running events, including the Osaka Castle Park Night Run and the Tokyo Bay Area Night Run, where AIFUL employees participated as volunteers at water supply stations.



Sponsoring Hackathons for University Students

Aiming to enhance the relationship with society and local communities by supporting human resource development in a variety of fields and conducting cooperative work, we sponsored a hackathon program for Kyoto University students in March 2019.

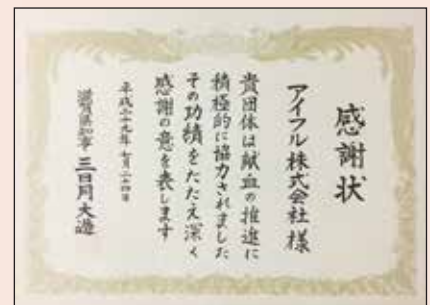
"Hackathon" is a term coined from "hack" and "marathon." In one event, teams of computer programmers compete with each other by intensively devising programs and services over a given period of time on a given theme. At the Kyoto University event, a total of 19 undergraduate and graduate students from the university participated in five teams.



Blood Donation Drives

AIFUL regularly conducts blood donation drives for employees in response to requests from the Japanese Red Cross Society to cooperate in their efforts to secure a stable blood supply. In the fiscal year ending March 2019, a total of four blood donation drives were conducted at AIFUL Headquarters and the Contact Center.

In 2017, we received a letter of appreciation from the Governor of Shiga Prefecture in recognition of our continued activities.



Environment

As a member of society, we value the global environment and voluntarily work to conserve it.

Cool Biz Warm Biz Initiatives

We are working on “Cool Biz and Warm Biz” activities to prevent global warming. Since starting in 2006, we have made it a company-wide activity, where we share the same regulations on dress codes and temperature-setting when using air conditioning.

“Eco Cap Program”

Through the “Eco Cap Program,” we collect PET bottle caps for recycling. The money earned through sales of the caps is donated to send polio vaccines to developing countries.

In the fiscal year ending March 2019, we donated approximately 55 kg of caps to Iki Corporation, which supports the activities of the NPO, the Japan Committee, Vaccines for the World’s Children (JCV).

PETG Cards

In the AIFUL Cards (the cashing cards we issue to customers), we use PETG resin, an environmentally friendly material that does not emit dioxins even when incinerated.

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.

AIFUL will undertake enhancements to upgrade our corporate governance in accordance with the Basic Policy on Corporate Governance set out below.

- (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. Overview of Corporate Governance Structure Reasons for the Current 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 outside directors: Satoru Toda and Haruichi Suzuki). 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 10 directors (as of the date the Annual Securities Report was submitted): seven directors (President, Representative Director and Chief Executive Officer Yoshitaka Fukuda, Masayuki Sato, Mitsuhide Fukuda, Kazumitsu Oishi, Tsuguo Nakagawa, Hiroshi Uemura and Keiji Masui) 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.

Outside Directors

Two of the three directors in the Audit and Supervisory Committee are outside directors (as of June 29, 2016). 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 (Katsumi Amano, Shinichiro Okuyama,

Kazuhiko Tsuda, Katsuhiko Nagasue, Atsushi Suda, Hideaki Minamizawa, Akitaka Domoto, Toshiaki Ando, Ikuo Yamauchi, and Takayuki Nakata). 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 Corporate Risk Management Department (Director, Senior Managing Executive Officer Tsuguo Nakagawa) 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 reviews 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. Other Matters Relating to Corporate Governance

(1) Status of Establishment of Internal Control System (Including Status of Establishment of Systems for Ensuring Proper Business Operations at Subsidiaries)

Based on its corporate philosophy of "Earn the trust of society through corporate activity based in integrity," the AIFUL Group recognizes that an important objective of corporate governance is to contribute to the development of the economy and society through business activities founded on compliance, and thereby to become a company that is trusted by both stakeholders and the rest of society and to ensure corporate management that is transparent, fair, and efficient.

The Company aims to steadily achieve the above philosophy and objective, and prescribes the following basic policy concerning the establishment of an internal control system in light of the market environment, economic trends, amendments to relevant laws and regulations, as well as all other aspects of the business environment surrounding the AIFUL Group.

The Board of Directors shall revise this basic policy whenever pertinent to reflect changes etc. in the business environment, and shall make unceasing efforts to maintain and enhance its effectiveness.

(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) 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 in 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

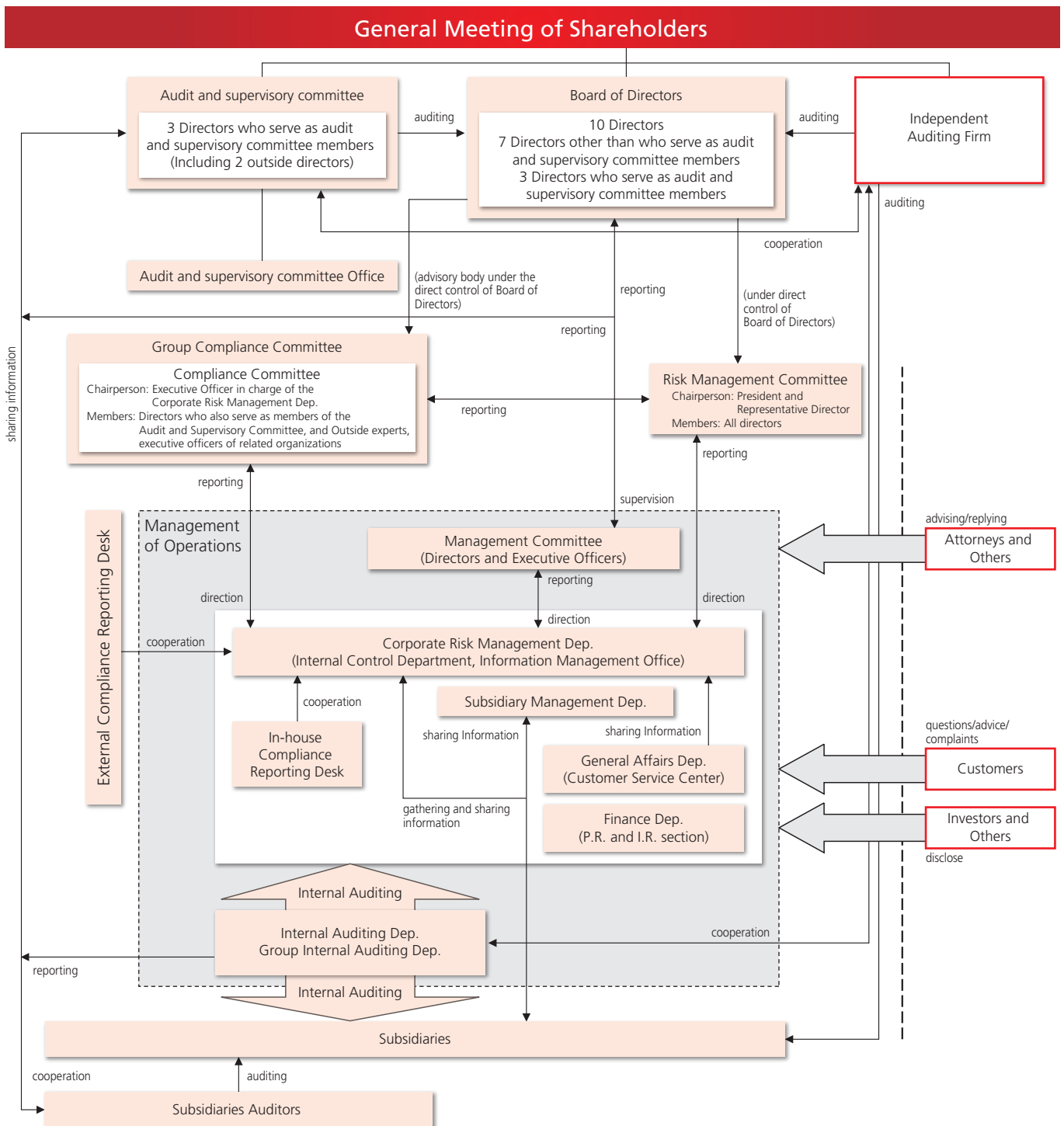
and external hotlines offering consultations on any violations of the Group's management principles, norms, and other standards, as well as an internal whistle-blowing system, in an effort to develop a corporate environment that encourages reporting and discussion of violations.

4. 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.

Director Satoru Toda, who is a member of the Audit Committee, possesses a considerable knowledge of finance and accounting, having worked for the National Tax Agency for many years. We have determined that he will be able to leverage the experience and knowledge acquired as a corporate auditor at Tokyo Metro Co., Ltd. to properly



discharge the duties of an outside director who is a member of the Audit Committee, and have therefore elected him as an outside director. He holds 608 shares in the Company, but other than that, he and the Company have no human relationship, capital relationship, material business relationship, or any other shared interests.

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. He and the Company have no human relationship, capital relationship, material business relationship, or any other shared interests.

(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.*¹ 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*² or a corporate auditor at any time within the 10-year period before assuming the post.
 - (2) The person is currently a major shareholder*³ 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*³.
 - (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*⁴, 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*⁴ 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*⁵ 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*⁶ 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.

5. Officers' Compensation

(1) Policy Concerning Officers' Compensation and Calculation Thereof

The Company has prescribed a policy concerning the determination of the amount of officers' compensation etc. and the calculation method thereof. This policy, which is based on the corporate philosophy of "Earn the trust of society through corporate activity based in integrity," aims to ensure that compensation etc. functions as a reward for the performance of roles and as an effective incentive for improving corporate performance and increasing corporate value over the medium to long term.

Furthermore, regarding the method of determination, compensation for each director (excluding members of the Audit Committee) is determined by the President and Representative Director after first seeking the opinions of the Audit Committee. Compensation for members of the Audit Committee is determined through consultations by the members of the Audit Committee.

The date of the shareholders meeting resolution concerning compensation etc. for officers of the Company was June 23, 2015. This resolution prescribed that the amount of compensation for directors (excluding members of the Audit Committee) should not exceed 500 million yen per year and that the amount of compensation for directors who are members of the Audit Committee should not exceed 80 million yen per year.

The bodies with the authority to determine the policy concerning the determination of the amount of officers' compensation etc. and the calculation method thereof are the Board of Directors and the Audit Committee. When determining such matters, they shall review the compensation structure and compensation level as necessary in light of the operating environment, financial performance, etc. and decide on the allocation to each individual based on the size of their role, the administrative tasks they are entrusted with, the nature of their duties, and the scope of their responsibilities.

Regarding officers' compensation at the Company, the compensation structure for directors (excluding members of the Audit Committee) comprises basic compensation (fixed

amount) and performance-linked compensation (variable amount), and a compensation table is determined for each compensation rank. Furthermore, prescribed standards that determine the compensation rank are determined for each post, and the basic compensation is an amount based on each rank. The compensation structure for directors who are members of the Audit Committee comprises only basic compensation, with no variation based on performance etc. in order to maintain their independence.

Regarding indicators for performance-linked compensation, calculations are based on applying the evaluation multiplier (based on the evaluation of each director) and the company performance multiplier (determined by the Board of Directors and based on the operating environment, financial performance, etc.) to the standard amount for the compensation rank. Indicators reflecting the achievements of the departments that the directors (excluding members of the Audit Committee) are in charge of are also selected. As a result, for each director (excluding members of the Audit Committee), a performance evaluation based on the targets of the department they are in charge of is performed. Performance-linked compensation is determined by the Personnel Committee (comprising the President and Representative Director, Representative Directors, and directors nominated by the President), which ensures the fairness and transparency of evaluations. In addition, a certain percentage of basic compensation is provided in the form of stock in the Company. This amount, which is determined by each director and is generally at least 5% of monthly basic compensation but less than one million yen per month, is contributed to the Officers' Shareholding Club. As this acquired stock in the Company is held throughout the director's term of office, it more closely links compensation with the Company's stock price.

Performance-linked compensation, which is not paid in the actual business year under review, aims to increase corporate value by enhancing motivation to increase the stock price and improve performance.

(2) Total Compensation for Each Officer Category

Officer category	Total amount of compensation etc. (million yen)	Total amount of each type of compensation (million yen)		No. of officers subject
		Fixed compensation	Performance-linked compensation	
Directors (excluding members of the Audit Committee) (excluding outside directors)	80	80	—	6
Directors (members of Audit Committee) (excluding outside directors)	8	8	—	1
Outside officers	16	16	—	2

(3) Total Consolidated Compensation for Each Officer

No officer receives a total amount of consolidated compensation etc. of 100 million yen or more, so such amounts are not presented.

6. Stock Ownership

(1) Standards and Approaches Concerning Portfolio Stock Categories

Portfolio stock can be categorized as either portfolio stock held for purposes other than pure investment or portfolio stock held for the purpose of pure investment. Portfolio stock held for purposes other than pure investment can be defined as stock held based on the judgement that such holding will contribute to the medium- to long-term development of the Company through the maintenance and strengthening of stable and medium- to long-term business relationships with business partners. The Company does not, in principle, hold portfolio stock other than portfolio stock held for purposes other than pure investment.

(2) Portfolio Stock Held for Purposes Other than Pure Investment

- (1) Holding policy and methods of verifying the rationality of holding and verification by the Board of Directors etc. concerning the appropriateness of holding specific issues.

When stock in listed companies is held, each year the Board of Directors carefully examines whether the purpose of holding specific stocks is appropriate, whether the benefits and risks associated with holding specific stocks is reasonable given the cost of capital, etc., conducts investigations from the perspective of maintaining and strengthening relationships with business partners, and thereby ascertains the appropriateness of the holding.

- (2) Number of issues and amounts presented on balance sheet

	No. of issues	Total amount presented on the balance sheet (million yen)
Unlisted stock	3	377
Stock other than unlisted stock	2	570

- (3) Information concerning the number of shares held by issue (in the case of specific portfolio stocks) and quasi-portfolio stocks, amounts presented on the balance sheet, etc.

Specific portfolio stocks

Issue	This business year	Previous business year	Purpose of holding, quantitative effect of holding, and reason for increase in no. of shares held	Whether shares in the Company held by investee company
	No. of shares	No. of shares		
AIRA Capital Public Company Limited	Amount presented on balance sheet (million yen)	Amount presented on balance sheet (million yen)	Held for the purposes of building a medium- to long-term strategic partnership and obtaining a certain level of influence	No
	112,000,000	112,000,000		
ACOM Co., Ltd.	570	799	Held for the purpose of maintaining and strengthening a medium- to long-term business relationship	No
	100	100		
	0	0		

Note: It is difficult to describe the quantitative effect of holding. Regarding the rationality of holding, each year, the Board of Directors conducts a comprehensive investigation as to whether the benefits and risks associated with holding specific stocks is reasonable given the cost of capital, etc., taking into account qualitative assessments such as various effects on the Company's business and the strategic importance of holding.

Quasi-portfolio securities

Not applicable.

(3) Portfolio Stock Held for Pure Investment Purposes

Not applicable.

Board of Directors and Executive Officers

(As of Jun 25, 2019)

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)
- May. 2019: President and Representative Director, Chief Executive Officer, Chairperson of the Risk Management Committee, In charge of Administrative Information Office, Internal Auditing Department and Group 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. 2010: Director of Chintai Anshin Guarantor Service Co., Ltd (currently Anshin Guarantor Service Co., Ltd.) (Current position)
- 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 position)
- Apr. 2018: Representative Director and Senior Managing Executive Officer, Senior General Manager of Management Planning Division (Current position)

Mitsuhide Fukuda

Representative 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
- Jun. 2019: Representative Director and Senior Managing Executive Officer, Senior General Manager of Loan Business Division, Credit Management Division and Guarantee Business Division, In charge of Credit Governance Department (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
- Apr. 2019: Director and Senior Managing Executive Officer, In charge of Subsidiary Management Department, Corporate Sales Promotion Department, Eastern Japan Loan Business Department and Western Japan Loan Business 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. 2019: Director and Senior Managing Executive Officer, Chairperson of Compliance Committee, In charge of Accounting Department, Corporate Risk Management Department, General Affairs Department and Personnel 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)

Yoshiaki Tanaka

Director

Audit and Supervisory Committee Member

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

Jun. 2019: Corporate Auditor of LIFECARD Co., Ltd (Current position)

Jun. 2019: 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)

June 2017: 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,
 Senior Advisor attached to Group Systems Division

Shinichiro Okuyama

Managing Executive Officer

Responsible for Credit Governance Department

Kazuhiko Tsuda

Managing Executive Officer

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

Katsuhiko Nagasue

Executive Officer

Senior General Manager of Group Systems Division

Atsushi Suda

Executive Officer

Assistant Senior General Manager of Guarantee Business Division,
 Responsible for Corporate Risk Management Department
 (President of AsTry Loan Services Corporation)

Hideaki Minamizawa

Executive Officer

Responsible for Personnel Department,
 General Manager of Personnel Department
 (President of BUSINEXT CORPORATION)

Akitaka Domoto

Executive Officer

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

Toshiaki Ando

Executive Officer

Special Mission on Management Planning Division

Ikuo Yamauchi

Executive Officer







Responsible for 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

1967		2000	
Apr	Yoshitaka Fukuda, AIFUL CORPORATION's current president, established sole proprietorship as a consumer finance company	Mar	Listed on the First Section of the Tokyo Stock Exchange, and the First Section of the Osaka Securities Exchange
1978		2001	
Feb	Established Marutaka, Inc. (now AIFUL CORPORATION) with capital of 9.0 million yen, in Sakyo-ku, Kyoto Began unsecured consumer loan business	Jan	Established business finance company BUSINEXT CORPORATION 
1982		Feb	Completed new headquarters building
May	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 	Mar	Converted LIFE Co., Ltd. into 100% subsidiary 
Jul	Began providing unsecured loans to sole proprietors	Jul	Issued LIFE ETC CARD 
1984		Nov	Established servicer company AsTry Loan Services Corporation 
Feb	Start of ATM operations	Nov	Changed the form of invoicing (statement of charges) sent to cardholders to electronic and launched the LIFE-Web Desk service for card holders 
Mar	Registration of money lenders based on enactment of the Money-Lending Business Control Law	2002	
Oct	Began sales of real estate-secured loans	Apr	Established Compliance Committee
1994		Sep	Opened a contact center
Nov	Opened Heartful Center	Oct	Converted business finance company, City's Co. Ltd., into 100% subsidiary
1995		2003	
Mar	Installed automatic contract acceptance machine, "Ojido-san"	Jan	Received Listed Company Disclosure Commendation from the Tokyo Stock Exchange
Nov	Started a website	2004	
1997		Mar	Converted KOKUSAI Capital Co., Ltd. into 100% subsidiary (currently AG Capital Corporation)
Jul	Over-the-counter registration of company's stock with the Japan Securities Dealers Association	2006	
Oct	Began full-scale sales of commercial loans to consumers	Apr	Issued LIFECARD GOLD ; issued LIFECARD exclusively for students  
1999			
May	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 	2016	 New Frontier Partners Co., Ltd. changed its corporate name to AG Capital Corporation AG Capital
2010		Apr	New Frontier Partners Co., Ltd. changed its corporate name to AG Capital Corporation
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)	2017	AG Capital The 50th anniversary of its establishment 
2011		Apr	The 50th anniversary of its establishment
Jun	Issued V-preca, Japan’s first prepaid Visa card available exclusively online 	May	Acquired 40% of shares of REKSA FINANCE, which manages used cars loan business in Indonesia 
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	2018	Established AsTry Partners Corporation, which manages corporate turnaround & restructuring business 
2014		Apr	Established AsTry Partners Corporation, which manages corporate turnaround & restructuring business
Dec	AIRA&AIFUL Public Company Limited, a joint venture, is established with AIRA Capital, an overseas subsidiary in Thailand 		
2015			
Apr	SANSHU Finance Corporation, which manages the lease business in Shanghai, China, becomes a member of the Group 		




Group Network


(As of March 31, 2019)

Domestic

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

Overseas

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



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. From 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.

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

The business environment surrounding the Group is expected to see stable growth going forward, as both the domestic financial business, including consumer and small business loans and credit cards, and the overseas business, such as in ASEAN countries, are on a growth phase. On the other hand, while interest repayment claims, the consumer finance industry’s largest risk, have declined significantly from their peak and the downward trend became more apparent, the situation still requires careful attention.

In this environment, the Group has managed its business with emphasis on balancing safety, profitability, and growth, while dealing with interest repayment claims as its principal managerial issue and striving to expand its operating assets on a group-wide basis as well as diversifying its financial services business.

In the consolidated fiscal year under review, operating revenue dropped 0.1% year on year to 115,328 million yen due to the posting of 12,803 million yen in software development sales in the previous fiscal year, despite steady growth of operating assets mainly in the loan business, which is the core operation of the Group. In terms of costs, operating expenses dropped 0.5% year on year to 112,297 million yen since 11,244 million yen of the cost of sales for software development was posted in the previous fiscal year, although costs related to interest repayment were posted in the fiscal year under review in view of the slower decline of interest repayment claims than initially estimated.

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 11%, to 721,616 million yen, due to an increase in the operating assets. On the other hand, ordinary profit was 4,110 million yen, due to posting expenses related to interest repayment. As a result, ROA for the consolidated fiscal year under review was 0.6%. 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 was 115,328 million yen (down 0.1% year on year). The principal components and their movements were interest on loans, which increased 16.3% year on year to 65,456 million yen, revenue from the credit card business, which increased 2.7% to 16,466 million yen, revenue in the credit guarantee business, which increased 7.4% to 13,953 million yen, the collection from purchased receivables, which decreased 17.6% to 1,709 million yen, and the recoveries of written off claims, which decreased 1.4% to 6,320 million yen.

(Operating expenses)

Operating expenses decreased 599 million yen to 112,297 million yen (down 0.5% year on year). Key contributory factors included the posting of 11,244 million yen of software development sales cost in the previous fiscal year and an 882 million-yen decrease in the provision of allowance for loss on interest repayment to 11,501 million yen (down 7.1% year on year) in the fiscal year under review, while the provision of allowance for doubtful accounts increased 9,320 million yen to 29,340 million yen (up 46.6% year on year) due in part to the growth of operating assets, and that system-related and other commission fees increased 1,682 million yen to 14,644 million yen (up 13.0% 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 3,031 million yen, which was an increase of 539 million yen from the previous consolidated fiscal year (up 21.6% year on year).

(Ordinary profit)

Ordinary profit for the consolidated fiscal year under review increased 1,287 million yen to 4,110 million yen (up 45.6% year on year). The main contributory factors were a 539 million-yen increase in operating profit as well as a

785 million-yen increase in non-operating income due in part to the posting of 458 million yen in a gain on sales of investment securities.

(Profit attributable to owners of parent)

Profit attributable to owners of parent for the consolidated fiscal year under review increased 5,387 million yen to 9,346 million yen (up 136.1% year on year). The key contributory factors for the increase were a 1,287 million-yen increase in ordinary profit as well as the posting of -5,621 million yen in corporate tax adjustment due to the additional posting of deferred tax assets and 1,162 million yen of loss attributable to non-controlling interests, despite posting extraordinary losses of 690 million yen following the booking of impairment loss on investment securities held by the Company.

(Assets)

Total assets on a consolidated basis increased 77,941 million yen or 11.4% compared to the end of the previous fiscal year, to 760,587 million yen at the end of the fiscal year ended March 2019. This was primarily due to an increase of 45,078 million yen in operating loans.

(Liabilities)

Total liabilities at the end of fiscal year ended March 2019 were 632,570 million yen, an increase of 69,331 million yen or 12.3% compared with the previous fiscal year-end. The principal factor contributing to this increase was an increase of 33,756 million yen in borrowings and an increase of 19,115 million yen in bonds payable.

(Net assets)

Net assets increased 8,609 million yen or 7.2% compared with the previous fiscal year-end, to 128,016 million yen. This was largely attributable to an increase in retained earnings.

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 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 situation and market trends
- (2) Intensified competition
- (3) Increase/decrease in multiple debtors
- (4) Legal regulations
- (5) Funding
- (6) Financial soundness
- (7) Corporate tax burden due to the elimination of tax loss carryforwards
- (8) Impairment of securities
- (9) Disruption, failure and other damage to the information network system, Internet services, or technical systems
- (10) The credit guarantee business
- (11) The overseas business
- (12) The holding and disposing of Company shares by the Representative Director and his/her family members
- (13) Occurrence of disasters, etc.
- (14) Fluctuation in costs including fees, advertising costs and personnel expenses, and losses (e.g., increases in partner ATM fees, payments to contractors related to affiliate advertising, advertising costs due to a rise in the unit cost of TV and other media and an increase in ad placements, and personnel expenses due to an increase in personnel following the expansion of operations)
- (15) Negative media reports on the Group or the consumer finance industry, or the occurrence of scandals (e.g., risk of reputational damage due to negative media reports on the bank card loan problem, risk of significant damage to the Group's brand image due to the uploading of videos of inappropriate acts by employees on the Internet)

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. Of the above risks, those of particular importance are detailed below.

Economic circumstances and market trends

The AIFUL Group operates its businesses not only in Japan, but also in Southeast Asia. In the lending business for individuals, the Group faces the following risks: an increasing number of customers having difficulty with repayments and a decreasing amount of operating loans due to the deterioration of economic situations in each country, particularly the worsening employment environment and sluggish consumer spending. These risks, when they become apparent, are likely to impact the financial situation and management performance of the AIFUL Group.

Intensifying competition with other companies

The AIFUL Group engages mainly in the consumer finance business and the business operator finance business, and is likely to face competition in both markets with banks, credit card companies, credit sales companies, and others. The financial situations and management performance of the AIFUL Group may be affected if the intensification of this competition leads to an impact on the lowering of lending rates in the consumer finance business and the business operator finance business, or to an increase in lending to high-risk borrowers.

Trend of increase/decrease in multiple debtors

The AIFUL Group has implemented tightened investigations of repayment ability (including credit monitoring during the period of transaction with customers) and credit requirements based on data from consumer credit information institutions and its own credit system.

Despite these measures, however, the financial situation and management performance of the AIFUL Group may be affected if default rates rise as a result of worsening financial conditions of many customers due to future economic situations, and a rise in uncollected loans due to the increase in multiple debtors, which may lead to contracted market scale of this loan industry. Furthermore, if credit costs such as loan loss write-off increase, it is assumed that the number of customer accounts with the Company will decrease, and the average balance of loans per account will shrink, and interest income will decrease due to the decrease in operating loans.

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 in Japan 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.

Funding

The Group's funding consists of borrowings and syndicated loans from financial institutions and the securitization of bonds and receivables, among others. Any difficulty in funding due to the market environment, a drop in the Company's credit or a change in its rating may have an effect on the Group's financial state and business results.

Furthermore, since some funding contracts include financial covenants or early redemption clauses, the Group may become immediately due and payable if its financial state, business results or the details of receivables such as operating loans change significantly, which may have an impact on cash flows, the Group's financial state, or business results.

Financial soundness

The consumer finance industry has faced an increase in interest repayment claims following the decision of the Supreme Court on January 13, 2006 and revision of the law. This has had a large impact on the Group's financial state and business results, with its managerial indicators such as shareholders' equity ratio and net assets, which indicate the Group's financial soundness, not yet recovering to the level before the Supreme Court's decision. Therefore, if business risk events of the Group

occur in the future and impact its financial state and business results, the Group's financial state may not be sufficient to respond to such impact, hindering the continuity of the Group's business activities.

Corporate tax burden due to the elimination of tax loss carryforwards

Corporate tax on the Group has been reduced since tax loss carryforwards exists at present. However, if tax losses are eliminated due to expiry of the tax loss carry forward period, the Group will face a corporate tax burden, which may have an effect on the Group's financial state, business results, and cash flows.

Impairment of securities

In order to provide products and services that suit customers' needs, the Group seeks to diversify its financial services business into the loan business (consumer finance and small business finance), credit card business, guarantee business, and overseas business, among others, by holding investment securities of subsidiaries and affiliates. However, if such investment securities are feared to result in impairment loss due to subsidiaries, etc. remaining unprofitable for longer than estimated, it may have an effect on the Group's financial state and business results.

Furthermore, the Group holds listed and unlisted investment securities. The Group's financial state and business results may be affected in the case where the value of such assets is feared to result in impairment loss due to damage caused by deterioration of profitability, etc.

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.

Credit guarantee business

The Group is engaged in the credit guarantee business, with credit guarantee revenues from the said credit guarantee business constantly accounting for more than

10% of consolidated operating revenue as a result of carrying out sales activities to increase the number of guarantee partners, proposing new products, and providing support for marketing promotions. The Group's financial state and business results may be affected if the credit guarantee business does not grow as expected.

Overseas business

The Group operates not only in Japan but also in Southeast Asia. Business expansion into such overseas markets carries inherent risks of unexpected changes in laws or regulations that are different from Japan's, an economic recession, a drop in consumer demand, political turmoil, and exchange rate fluctuations. The Group's financial state and business results may be affected if such events occur.

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

	2019	2018
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	¥ 36,112	¥ 29,327
Operating loans	457,785	412,706
Accounts receivables - installment	101,584	97,252
Operational investment securities	1,209	940
Customers' liabilities for acceptances and guarantees	140,343	124,883
Other operating receivables	7,744	6,725
Purchased receivables	2,472	2,874
Other	16,889	14,688
Allowance for doubtful accounts	(46,135)	(41,344)
Total current assets	718,006	648,053
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,147	24,357
Accumulated depreciation	(18,260)	(17,933)
Buildings and structures, net	5,887	6,424
Machinery and equipment	416	419
Accumulated depreciation	(322)	(305)
Machinery and equipment, net	94	113
Furniture and fixtures	6,724	6,993
Accumulated depreciation	(5,560)	(5,261)
Furniture and fixtures, net	1,163	1,732
Land	8,899	8,899
Leased assets	1,399	1,378
Accumulated depreciation	(787)	(508)
Leased assets, net	611	870
Construction in progress	102	93
Total property, plant and equipment	16,758	18,133
Intangible assets		
Software	3,192	3,094
Other	105	103
Total intangible assets	3,297	3,198
Investment and other assets		
Investment securities	5,643	4,052
Claims provable in bankruptcy	26,981	27,787
Deferred tax assets	6,054	627
Lease and guarantee deposits	1,744	1,911
Other	6,433	4,496
Allowance for doubtful accounts	(24,332)	(25,614)
Total investments and other assets	22,524	13,260
Total non-current assets	42,581	34,592
Total assets	¥ 760,587	¥ 682,645

	2019	(Millions of yen) 2018
Liabilities		
Current liabilities		
Notes & accounts payable-trade	¥ 21,076	¥ 16,196
Acceptances and guarantees	140,343	124,883
Short-term loans payable	86,562	83,325
Current portion of bonds	7,370	1,300
Current portion of long-term loans payable	98,728	53,482
Income taxes payable	1,116	544
Allowance for bonuses	1,320	991
Provision for point card certificates	2,950	2,807
Deferred installment income	508	440
Other	20,300	23,368
Total current liabilities	380,277	307,340
Non-current liabilities		
Bonds payable	20,245	7,200
Long-term loans payable	205,803	220,529
Deferred tax liabilities	7	334
Provision for loss on interest repayment	22,963	24,331
Other	3,273	3,503
Total non-current liabilities	252,292	255,898
Total liabilities	632,570	563,238
Net Assets		
Shareholders' equity		
Capital stock	143,454	143,454
Capital surplus	13,948	13,948
Retained earnings	(30,485)	(40,208)
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	123,807	114,083
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(23)	(184)
Foreign currency translation adjustment	261	315
Total accumulated other comprehensive income	238	130
Shares acquisition rights	230	234
Non-controlling interests	3,741	4,957
Total net assets	128,016	119,407
Total liabilities and net assets	¥ 760,587	¥ 682,645

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Years ended March 31

AIFUL CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	(Millions of yen) 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Operating revenue		
Interest on loans receivable	¥ 65,456	¥ 56,305
Revenue from credit card business	16,466	16,025
Revenue from credit guarantee	13,953	12,992
Other financial revenue	9	13
Other operating revenue		
Collection from purchased receivable	1,709	2,074
Recoveries of written off claims	6,320	6,411
Sales of software development	—	12,803
Other	11,412	8,761
Total other operating revenue	19,443	30,052
Total operating revenue	115,328	115,389
Operating expenses		
Financial expenses		
Interest expenses	6,630	5,783
Interest on bonds	377	813
Other	940	963
Total financial expenses	7,949	7,560
Cost of sales		
Cost of purchased receivable	1,166	1,497
Cost of sales of software development	—	11,244
Other	131	73
Total cost of sales	1,298	12,815
Other operating expenses		
Provision for point card certificates	2,950	2,807
Commissions	14,644	12,962
Provision of allowance for investment loss	—	(2)
Provision of allowance for doubtful accounts	29,340	20,020
Provision for loss on interest repayment	11,501	12,384
Employees' salaries and bonuses	11,711	11,409
Provision for bonuses	1,279	972
Retirement benefit expenses	484	474
Sales promotion expenses	7,719	8,841
Other	23,418	22,650
Total other operating expenses	103,049	92,520
Total operating expenses	112,297	112,897
Operating profit	¥ 3,031	¥ 2,492

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	2019 (Apr. 1, 2018 to Mar. 31, 2019)	2018 (Apr. 1, 2017 to Mar. 31, 2018)
Non-operating income		
Interest on loans receivable	¥ 155	¥ 65
Share of profit of entities accounted for using equity method	81	—
Foreign exchange gains	214	68
Rent on real estate	82	73
Gain on sales of investment securities	458	—
Other	153	152
Total non-operating income	1,145	359
Non-operating expenses		
Interest expenses	6	1
Provision for doubtful accounts	14	8
Loss on withdrawal of guarantee deposits received	31	—
Other	13	17
Total non-operating expenses	66	28
Ordinary profit	4,110	2,823
Extraordinary income		
Gain on reversal of shares acquisition rights	—	703
Total extraordinary income	—	703
Extraordinary losses		
Loss on valuation of investment securities	690	—
Total extraordinary losses	690	—
Profit before income taxes	3,420	3,527
Income taxes - current	858	437
Income taxes - deferred	(5,621)	144
Total income taxes	(4,763)	581
Profit	8,183	2,945
Profit (loss) attributable to non-controlling interests	(1,162)	(1,012)
Profit attributable to owners of parent	¥ 9,346	¥ 3,958

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	2019 (Apr. 1, 2018 to Mar. 31, 2019)	2018 (Apr. 1, 2017 to Mar. 31, 2018)
Profit	¥ 8,183	¥ 2,945
Other Comprehensive income		
Valuation difference on available-for-sale securities	160	40
Foreign currency translation adjustment	(107)	583
Share of other comprehensive income of entities accounted for using equity method	(0)	—
Total other comprehensive income	53	623
Comprehensive income	8,237	3,569
Comprehensive income attributable to		
Owners of parent	9,453	4,289
Non-controlling interests	¥ (1,216)	¥ (719)

Consolidated Statements of Change in Shareholders' Equity

Years ended March 31

AIFUL CORPORATION and Consolidated Subsidiaries

2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2018	¥ 143,454	¥ 13,948	¥ (40,208)	¥ (3,110)	¥ 114,083
Changes during the period					
Issuance of new shares-exercise of shares acquisition rights	—	—			—
Profit attributable to owners of parent			9,346		9,346
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation					—
Change in scope of equity method			377		377
Capital increase of consolidated subsidiaries					—
Net changes in accounts other than shareholders' equity					
Total change during fiscal year	—	—	9,723	(0)	9,723
Balance at March 31, 2019	¥ 143,454	¥ 13,948	¥ (30,485)	¥ (3,110)	¥ 123,807

(Millions of yen)

	Accumulated other comprehensive income			Shares acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total			
Balance at April 1, 2018	¥ (184)	¥ 315	¥ 130	¥ 234	¥ 4,957	¥ 119,407
Changes during the period						
Issuance of new shares-exercise of shares acquisition rights						—
Net income attributable to owners of parent						9,346
Purchase of treasury stock						(0)
Change in scope of consolidation						—
Change in scope of equity method						377
Capital increase of consolidated subsidiaries						—
Net changes in accounts other than shareholders' equity	160	(53)	107	(4)	(1,216)	(1,113)
Total change during fiscal year	160	(53)	107	(4)	(1,216)	8,609
Balance at March 31, 2019	¥ (23)	¥ 261	¥ 238	¥ 230	¥ 3,741	¥ 128,016

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 in scope of consolidation		(1)	(834)		(835)
Change in scope of equity method					—
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			Shares acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total			
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 in scope of consolidation						(835)
Change in scope of equity method						—
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

Consolidated Statements of Cash Flows

Years ended March 31

AIFUL CORPORATION and Consolidated Subsidiaries

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	(Millions of yen) 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	¥ 3,420	¥ 3,527
Depreciation	2,653	2,384
Increase (decrease) in allowance for investment loss	—	(2)
Increase (decrease) in allowance for doubtful accounts	3,531	(3,667)
Increase (decrease) in provision for bonuses	328	78
Increase (decrease) in provision for point card certificates	143	(493)
Increase (decrease) in allowance for loss on interest repayment	(1,367)	(10,308)
Interest and dividend income	(179)	(101)
Interest expenses	6	1
Loss (gain) on sales investment securities	(458)	—
Loss (gain) on valuation of investment securities	690	—
Share of loss (profit) of entities accounted for using equity method	(81)	—
Gain on reversal of shares acquisition rights	—	(703)
Decrease (increase) in interest on loans receivable	(45,284)	(54,585)
Decrease (increase) in accounts receivable – installment	(4,332)	(2,979)
Decrease (increase) in other operating receivable	(1,018)	(728)
Decrease (increase) in purchased receivable	401	67
Decrease (increase) in claims provable in bankruptcy	806	1,536
Decrease (increase) in work in process	—	7,305
Decrease (increase) in other current assets	(2,487)	(2,789)
Increase (decrease) in other current liabilities	1,865	(7,639)
Other	(139)	(671)
Subtotal	(41,500)	(69,769)
Interest and dividend income	192	101
Interest expenses paid	(6)	(2)
Income taxes refund	10	6
Income taxes paid	(462)	(558)
Cash flow from operating activities	(41,765)	(70,221)
Cash flows from investing activities		
Purchase of property, plant and equipment	(201)	(1,189)
Purchase of intangible assets	(959)	(983)
Purchase of investment securities	(1,085)	(417)
Proceeds from sales of investment securities	506	—
Other	(2,478)	(956)
Cash flows from investing activities	(4,219)	(3,546)
Cash flows from financing activities		
Proceeds from short-term borrowings	874,947	898,299
Repayments of short-term borrowings	(871,631)	(888,878)
Proceeds from long-term loans payable	132,470	127,758
Repayments of long-term loans payable	(101,940)	(47,659)
Proceeds from issuance of bonds	20,500	7,200
Redemption of bonds	(1,385)	(31,400)
Proceeds from issuance of common shares	—	0
Proceeds from share issuance to non-controlling shareholders	—	2,460
Purchase of treasury shares	(0)	(0)
Other	(303)	(219)
Cash flows from financing activities	52,657	67,560
Effect of exchange rate changes on cash and cash equivalents	111	244
Net increase (decrease) in cash and cash equivalents	6,784	(5,963)
Cash and cash equivalents at beginning of period	29,323	33,560
Increase in cash and cash equivalents resulting from merger	—	1,726
Cash and cash equivalents at end of period	¥ 36,108	¥ 29,323

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

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

Sumishin Life Card Company, Limited. and ten 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 eleven 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

(1) Non-consolidated subsidiaries or affiliates that are accounted for under the equity method: one company

Name of company

Anshin Guarantor Service Co., Ltd.

Anshin Guarantor Service Co., Ltd., which was not an affiliate that is accounted for under the equity method in the previous consolidated fiscal year, is included in the scope of equity method affiliate from the fiscal year under review due to an increase in its importance.

(2) Name, etc. of the non-consolidated subsidiaries and affiliates that are not accounted for under the equity method
Sumishin Life Card Company, Limited. and ten other companies

(Rationale for not applying the equity method)

Each of the eleven non-consolidated subsidiaries and 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 eleven 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 the method of presentation

(Changes due to the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018) from the beginning of the consolidated fiscal year under review. Following the adoption, deferred tax assets are indicated under investments and other assets, deferred tax liabilities are indicated under non-current liabilities, and the notes to tax effect accounting have been changed.

As a result, deferred tax assets of 627 million yen that were presented under current assets in the consolidated balance sheets

for the previous fiscal year are presented as deferred tax assets of 627 million yen under investments and other assets.

Furthermore, matters stated in Note 8 (excluding the sum of valuation allowances) and Note 9 of the "Accounting Standard for Tax Effect Accounting" provided in paragraphs 3 to 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting have been added in the notes to tax effect accounting. However, matters related to the previous fiscal year have not been stated in accordance with transitional treatments provided in paragraph 7 of the Partial Amendments to Accounting Standard for Tax Effect Accounting.

Changes in Accounting Estimates

(Changes in accounting estimate of allowance for doubtful accounts)

As to allowance for doubtful accounts of LIFECARD Co., Ltd. one of the Company's consolidated subsidiaries, the accounting estimate has been changed in consideration of a more precise estimate having become possible, reflecting the advancement and improvement of data accumulation on the historical write-off rate

by year. As a result, operating profit, ordinary profit and profit before income taxes in the consolidated fiscal year under review increased by 1,328 million yen compared with those calculated using the past method of estimate.

Consolidated Balance Sheets

1. An increase of 18,693 million yen (includes 13,900 million yen 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, 2019	
Operating loans	¥ 298,670
Accounts receivable - installment	62,574
Buildings and structures	3,999
Machinery and equipment	12
Furniture and fixtures	25
Land	8,523
Total	¥ 373,805

(2) Corresponding liabilities

(Millions of yen)	
As of March 31, 2019	
Short-term borrowings	¥ 73,570
Current portion of long-term borrowings	67,010
Long-term borrowings	156,415
Total	¥ 296,996

i) The amounts above at the end of the fiscal year under review include amounts associated with the securitization of receivables (operating loans of 179,719 million yen current portion of long-term borrowings of 27,616 and long-term borrowings of 118,653 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, 2019	
	¥ 421,078

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

(Millions of yen)	
As of March 31, 2019	
Investment securities (shares)	¥ 2,918
Investment securities (other securities)	¥ 1,190

5. Accounts receivable - installment

(Millions of yen)	
As of March 31, 2019	
Credit card business	¥ 101,413
Installment sales finance business	¥ 170
Total	¥ 101,584

(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
Total	¥ 386,018

(2) Corresponding liabilities

(Millions of yen)	
As of March 31, 2018	
Short-term borrowings	¥ 68,580
Current portion of long-term borrowings	36,351
Long-term borrowings	182,742
Total	¥ 287,674

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, current portion of long-term borrowings of 4,181 and long-term borrowings of 112,121 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, 2018	
	¥ 376,504

6. Deferred installment income

(Millions of yen)

As of March 31, 2019				
	Balance at the beginning of FY	Current fiscal year receipts	Actual current fiscal year balance	Balance at the end of FY
Credit card shopping	¥ 427	¥ 16,168	¥ 16,097	¥ 498 (30)
Installment sales finance	—	—	—	— (—)
Credit guarantee	12	1,410	1,410	9 (—)
Loans	—	5,693	5,693	— (—)
Total	¥ 440	¥ 23,272	¥ 23,205	¥ 508 (30)

Note: Figures in parenthesis indicate member store commissions

(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	— (—)
Total	¥ 423	¥ 22,930	¥ 22,913	¥ 440 (30)

7. Securitization of claims removed from the balance sheet

(Millions of yen)

As of March 31, 2019	
Operating loans outstanding	¥ 64,037
Accounts receivable - installment	¥ 3,060

(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 guarantees borrowings from financial institutions for the Company's non-consolidated subsidiary, LIFE GUARANTEE CO., LTD. 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, 2019	
LIFE GUARANTEE CO., LTD.	¥ 900
Sumishin Life Card Company, Limited	2,365
Total	¥ 3,265

(Millions of yen)

As of March 31, 2018	
LIFE GUARANTEE CO., LTD.	¥ —
Sumishin Life Card Company, Limited	2,385
Total	¥ 2,385

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, 2019			
	Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	¥ 711	¥ 25,456	¥ 26,167
Nonaccrual loans	27,194	5,923	33,118
Loans in 3-months+ in arrears	6,798	244	7,043
Restructured loans	11,870	1,095	12,965
Total	¥ 45,575	¥ 32,719	¥ 79,294

(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
Total	¥ 37,904	¥ 33,611	¥ 71,515

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, 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.

(Fiscal year under review)

Of operating loans including off-balance sheet loans resulting from securitization, 422,993 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 777,976 million yen.

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)
As of March 31, 2019		As of March 31, 2018	
	¥2,534		¥2,238

Consolidated Statements of Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	(Millions of yen) 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	¥ (205)	¥ 169
Reclassification adjustment	233	(21)
Before tax effect adjustment	27	147
Tax effects	133	(106)
Valuation difference on available-for-sale securities	160	40
Foreign currency translation adjustment		
Amount arising during the fiscal year	(107)	583
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the fiscal year	(0)	—
Total other comprehensive income	¥ 53	¥ 623

Consolidated Statements of Change in Shareholders' Equity

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
Total	484,619,136	1,000	—	484,620,136
Treasury shares				
Common stock (Note)	916,964	174	—	917,138
Total	916,964	174	—	917,138

(Outline of the causes for change)

- 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.
- 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 2013	—	—	—	—	—	¥ —
	Share acquisition rights as stock options for 2015	—	—	—	—	—	234 (3)
	Total		—	—	—	—	¥ 234 (3)

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

3. Matters regarding dividends

Not applicable

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	484,620,136	—	—	484,620,136
Total	484,620,136	—	—	484,620,136
Treasury shares				
Common stock (Note)	917,138	44	—	917,182
Total	917,138	44	—	917,182

(Outline of the causes for change)

The increase in the number of common stock of the treasury shares, which is 44 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 2015	—	—	—	—	—	230 (7)
	Total		—	—	—	—	¥ 230 (7)

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

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	(Millions of yen) 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Cash and deposits account	¥ 36,112	¥ 29,327
Time deposit with maturity over three months	(3)	(3)
Cash and cash equivalents	¥ 36,108	¥ 29,323

Financial instruments

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, borrowings 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).

Category	Amount recorded on the consolidated balance sheet	Market value	(Millions of yen)
			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	—
Total assets	¥ 509,846	¥ 574,306	¥ 64,459
(1) Short-term borrowings	83,325	83,325	—
(2) Bonds payable	8,500	8,500	—
(3) Long-term borrowings (*4)	274,011	273,866	(145)
Total liabilities	¥ 365,836	¥ 365,691	¥ (145)
Derivative transactions (*4)			
(1) Those to which hedge accounting is applied	—	—	—
(2) Those to which hedge accounting is not applied	—	—	—
Total derivative transactions	¥ —	¥ —	¥ —

(*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 borrowings to be hedged as one, and thus their market values are included in the market value of the said long-term borrowings 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 borrowings

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 borrowings

Of those whose market value is calculated, the market value of borrowings that are settled within one year is close to the book value, and the said book value is used. Of the other borrowings, 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
Total	¥ 3,246

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
Total	¥ 282,121	¥ 245,007	¥ 12,157

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 borrowings, 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 borrowings	53,482	67,112	91,370	37,597	21,092	3,355
Total	¥ 55,083	¥ 74,597	¥ 91,549	¥ 37,737	¥ 21,127	¥ 3,363

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

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, borrowings 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 56 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 56 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, 2019 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	¥ 36,112	¥ 36,112	¥ —
(2) Operating loans	457,785		
Allowance for doubtful accounts and provision for loss on interest repayment (*1)	(33,389)		
	424,395	485,747	61,351
(3) Installment accounts receivable	101,584		
Deferred installment income (*2)	(467)		
Allowance for doubtful accounts (*3)	(4,505)		
	96,611	97,134	522
(4) Operational investment securities and investment securities (including the shares of affiliated companies)	1,503	2,507	1,003
(5) Claims provable in bankruptcy	26,981		
Allowance for doubtful accounts (*3)	(24,260)		
	2,720	2,720	—
Total assets	¥ 561,343	¥ 624,221	¥ 62,877
(1) Short-term borrowings	86,562	86,562	—
(2) Bonds payable	27,615	27,615	—
(3) Long-term borrowings (*4)	304,531	304,620	89
Total liabilities	¥ 418,708	¥ 418,798	¥ 89
Derivative transactions (*4)			
(1) Those to which hedge accounting is applied	—	—	—
(2) Those to which hedge accounting is not applied	—	—	—
Total derivative transactions	¥ —	¥ —	¥ —

(*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 borrowings to be hedged as one, and thus their market values are included in the market value of the said long-term borrowings 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, the market value 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 borrowings

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 borrowings

Of those whose market value is calculated, the market value of borrowings that are settled within one year is close to the book value, and the said book value is used. Of the other borrowings, 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	¥ 4,147
(2) Investment in capital of investment limited partnership, etc.	1,201
Total	¥ 5,349

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	¥ 36,112	¥ —	¥ —
Operating loans	183,698	269,104	4,981
Installment accounts receivable	97,652	3,931	—
Total	¥ 317,463	¥ 273,036	¥ 4,981

The amount of 26,981 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 borrowings, 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	¥ 7,370	¥ 5,170	¥ 15,075	¥ —	¥ —	¥ —
Finance lease obligations	289	183	144	39	8	—
Long-term borrowings	98,728	91,517	70,509	31,280	8,335	4,160
Total	¥ 106,387	¥ 96,871	¥ 85,729	¥ 31,319	¥ 8,344	¥ 4,160

Securities

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

1. Other securities

Category	Amount recorded on the consolidated balance sheet	Acquisition cost	(Millions of yen)
			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)
Total	¥ 1,369	¥ 1,327	¥ 41

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)

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

Fiscal year ended March 31, 2019 (as of March 31, 2019)

1. Other securities

Category	Amount recorded on the consolidated balance sheet	Acquisition cost	(Millions of yen)
			Difference
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost			
Shares	¥ 111	¥ 19	¥ 92
Subtotal	111	19	92
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost			
Shares	570	570	—
Subtotal	570	570	—
Total	¥ 681	¥ 589	¥ 92

Note: With respect to unlisted stocks, etc. (whose amount recorded on the consolidated balance sheet is 3,253 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, 2018 to March 31, 2019)

	Amount of sale	Total amount of gains on sale	Total amount of losses on sale
Shares	¥ 569	¥ 489	¥ —

(Millions of yen)

3. Other securities whose impairment loss is processed

In the consolidated fiscal year under review, for other securities, there was an impairment loss of 690 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.

Derivative transactions

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 borrowings	¥ 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 borrowings to be hedged as one, and thus its market value is included in the market value of the said long-term borrowings in the statement.

Fiscal year ended March 31, 2019 (as of March 31, 2019)

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 borrowings	¥ 75,564	¥ 60,404	(Note)

(Millions of yen)

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

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	(Millions of yen) 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Beginning balance of retirement benefit obligations	¥ 11	¥ 2
Service cost	5	3
Interest expense	0	0
Actuarial gain or loss	(3)	4
Foreign currency translation adjustment	(0)	0
Others	—	(0)
Ending balance of retirement benefit obligations	¥ 13	¥ 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, 2019	(Millions of yen) As of March 31, 2018
Retirement benefit obligations under the funded type plan	¥ —	¥ —
Pension assets	—	—
Retirement benefit obligations under the unfunded type plan	13	11
Net value of liabilities and assets recorded on the consolidated balance sheet	¥ 13	¥ 11
Retirement benefit liabilities	13	11
Retirement benefit assets	—	—
Net value of liabilities and assets recorded on the consolidated balance sheet	¥ 13	¥ 11

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

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	(Millions of yen) 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Service cost	¥ 5	¥ 3
Interest expense	0	0
Others	—	(0)
Retirement benefit expenses relating to the defined benefit plan	¥ 5	¥ 3

(4) Matters regarding the assumptions in actuarial computation

Major assumptions in actuarial computation

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	2018 (Apr. 1, 2017 to Mar. 31, 2018)
Discount rate	2.6%	3.1%

3. Defined contribution pension plan and prepaid retirement benefits plan

	2019 (Apr. 1, 2018 to Mar. 31, 2019)	(Millions of yen) 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Amount of prepaid retirement benefits	¥ 147	¥ 124
Amount of contribution paid to the defined contribution pension plan	331	346
Retirement benefit expenses	¥ 478	¥ 470

Stock options, etc.

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.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**1. Amount and account title of expenses posted during the consolidated fiscal year under review**

Other operating expenses — 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

Other (Non-operating profit) 4 million yen

3. Details, scale and changes of stock options

(1) Details of stock options

	2015 stock options
Title and number of grantees	Employees of AIFUL: 1,352 persons Employees of the consolidated subsidiaries: 31 persons
Number of stock options	Common stock 1,583,850 shares
Grant date	June 30, 2015
Conditions for vesting	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 June 30, 2015 To June 30, 2017
Exercise period	From July 1, 2017 To June 30, 2019

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

The stock options that existed in the consolidated fiscal year (ended March 31, 2019) 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

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

(ii) Information on unit price

	2015 stock options
Exercise price (yen)	¥ 407
Average stock price at the time of exercise (yen)	—
Unit fair value (date of grant) (yen)	¥ 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, 2019	As of March 31, 2018
(Millions of yen)		
Deferred tax assets		
Allowance for doubtful accounts	¥ 9,873	¥ 8,723
Provision for loss on interest repayment	7,101	6,996
Bad debt loss	1,781	1,403
Accrued income	1,037	1,174
Loss carried forward	118,383	165,701
Other	4,391	3,342
Subtotal of deferred tax assets	142,569	187,341
Valuation allowance for tax loss carryforwards*2	(117,965)	—
Valuation allowance for the sum of deductible difference, etc.	(18,371)	—
Valuation reserve	(136,336)	(186,713)
Total deferred tax assets	¥ 6,232	¥ 627
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(27)	(154)
Retirement cost corresponding to asset retirement obligations	(157)	(180)
Other	0	—
Total deferred tax liabilities	¥ (185)	¥ (334)
Net value of the deferred tax assets (liabilities)	¥ 6,047	¥ 292

Note: 1. Valuation allowance has decreased by 50,377 million yen. This decrease mainly reflects the additional posting of deferred tax assets of 5,605 million yen due to expected taxable income in the future and the writing off of tax loss carryforwards of 47,234 million yen (the amount multiplied by the effective statutory tax rate), which is part of the tax loss carryforwards recorded in the fiscal year ended March 2010, due to the expiry of the carry forward period.

*2. The amount of tax loss carryforwards and their deferred tax assets by carry forward period

Fiscal year ended March 31, 2019

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total (Millions of yen)
Tax loss carryforwards (a)	34,677	29,218	14,147	5,851	6,261	28,227	118,383
Valuation allowance	(34,259)	(29,218)	(14,147)	(5,851)	(6,261)	(28,227)	(117,965)
Deferred tax assets	418	—	—	—	—	—	(b) 418

(a) The amounts of tax loss carryforwards have been multiplied by the effective statutory tax rate.

(b) Deferred tax assets of 418 million yen have been posted for 118,383 million yen of tax loss carryforwards (amount multiplied by the effective statutory tax rate). The 418 million yen of deferred tax assets recognizes part of the Company's outstanding tax loss carryforwards of 117,054 million yen (amount multiplied by the effective statutory tax rate). The tax loss carryforwards that posted the said deferred tax assets were incurred due to the posting of loss before taxes of 70,007 million yen in the fiscal year ended March 2011 and do not recognize valuation allowances, since they were deemed collectible based on future expectations of taxable income.

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, 2019	As of March 31, 2018
Effective statutory tax rate	30.5%	30.8%
(adjustment)		
Inhabitant tax on a per capita basis	1.9	1.8
Entertainment expenses and other items permanently excluded from loss	0.4	0.4
Stock-based compensation expenses	0.0	(5.9)
Valuation reserve	(1,557.9)	(536.3)
Downward revision to the ending deferred tax assets due to a change of the tax rate	(6.2)	3.8
Share of loss (profit) of entities accounted for using the equity method	(0.7)	—
Expiry of the period of loss carried forward	1,381.0	512.6
Impact of tax consolidation	(0.6)	(0.8)
Difference in tax rate from that of the parent company	12.3	9.9
Other	0.0	0.2
Rate of burden of income taxes, etc. after the application of tax effect accounting	(139.3)	16.5

3. Amendment to the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rates

The effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities for the consolidated fiscal year under review has been changed from that used in the previous fiscal year due to the revision of the tax law. The impact of the change to the effective statutory tax rate is minor.

Notes to Segment information

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, LIFECARD 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 "LIFECARD 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.

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.

(Changes in Accounting Estimates)

As stated in Changes in Accounting Estimates, as to allowance for doubtful accounts of LIFECARD Co., Ltd one of the Company's consolidated subsidiaries, the accounting estimate has been changed in consideration of a more precise estimate having become possible, reflecting the advancement and improvement of data accumulation on the historical write-off rate by year. As a result, operating profit, ordinary profit and profit before income taxes in the consolidated fiscal year under review increased by 1,328 million yen compared with those calculated using the past method of estimate.

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, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Total
	AIFUL	LIFECARD	AIRA & AIFUL Public Company Limited	Subtotal	Other *1	
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
Total	¥ 64,663	¥ 42,979	¥ 2,977	¥ 110,619	¥ 4,962	¥ 115,582
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 for investment loss	—	—	—	—	2	2
Rent expenses on real estates	149	—	—	149	2	151
Gain on sales of investment securities	—	—	—	—	—	—
Interest expenses *3	—	—	—	—	34	34
Extraordinary income	703	—	—	703	—	703
[Gain on reversal of shares acquisition rights]	[703]	[—]	[—]	[703]	[—]	[703]
Extraordinary losses	—	—	—	—	—	—
[Loss in valuation of investment securities]	[—]	[—]	[—]	[—]	[—]	[—]
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.

For the Current Fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments					Total
	AIFUL	LIFECARD	AIRA & AIFUL Public Company Limited	Subtotal	Other *1	
Operating revenue						
Operating revenue from third parties	¥ 70,979	¥ 32,698	¥ 5,901	¥ 109,579	¥ 5,749	¥ 115,328
Inter-segment sales	12	139	—	151	66	218
Total	¥ 70,991	¥ 32,838	¥ 5,901	¥ 109,731	¥ 5,816	¥ 115,547
Segment profit (loss)	5,208	2,822	(2,313)	5,717	2,073	7,790
Segment assets	556,450	196,005	21,345	773,801	44,397	818,198
Segment liabilities	465,249	149,611	13,900	628,761	24,541	653,302
Other items						
Provision for point card certificates	—	2,950	—	2,950	—	2,950
Provision of allowance for doubtful accounts *2	22,074	3,287	3,427	28,789	565	29,354
Provision for loss on interest repayment	10,354	1,147	—	11,501	—	11,501
Provision for bonuses	828	15	—	844	27	871
Depreciation	1,249	1,294	96	2,640	13	2,653
Interests on loans	620	5	—	625	164	790
Dividends received	23	12	—	36	1	37
Reversal provision for investment loss	—	—	—	—	—	—
Rent expenses on real estates	154	—	—	154	5	160
Gain on sales of investment securities	1	—	—	1	457	458
Interest expenses *3	—	—	—	—	35	35
Extraordinary income	—	—	—	—	—	—
[Gain on reversal of shares acquisition rights]	[—]	[—]	[—]	[—]	[—]	[—]
Extraordinary losses	690	—	—	690	—	690
[Loss in valuation of investment securities]	[690]	[—]	[—]	[690]	[—]	[690]
Income taxes - current	(655)	994	—	339	518	858
Income taxes - deferred	(3,723)	(685)	—	(4,408)	(844)	(5,252)
Increase/decrease in property, plant and equipment, and intangible assets	¥ 724	¥ 881	¥ 2	¥ 1,607	¥ —	¥ 1,607

*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. Each number stated in the reportable segment 'AIRA & AIFUL Public Company Limited' is the modified figure adjusted in accordance with the 'Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement' (ASBJ PITF No. 18).

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

	(Millions of yen)	
Operating revenue	2019	2018
Reportable segment total	¥ 109,731	¥ 110,619
Operating revenue categorized in "Other"	5,816	4,962
Inter-segment eliminations	(218)	(192)
Operating revenue posted in consolidated financial statements	¥ 115,328	¥ 115,389
Profit	2019	2018
Reportable segment total	¥ 5,717	¥ 3,170
Profit (loss) categorized in "Other"	2,073	(608)
Inter-segment eliminations	325	361
Other adjustment	1,230	1,035
Profit attributable to owners of parent posted in consolidated financial statements	¥ 9,346	¥ 3,958
Assets	2019	2018
Reportable segment total	¥ 773,801	¥ 697,250
Profit categorized in "Other"	44,397	33,278
Inter-segment eliminations	(57,611)	(47,883)
Total assets posted in consolidated financial statements	¥ 760,587	¥ 682,645
Liabilities	2019	2018
Reportable segment total	¥ 628,761	¥ 558,265
Profit categorized in "Other"	24,541	15,193
Inter-segment eliminations	(20,732)	(10,219)
Total liabilities posted in consolidated financial statements	¥ 632,570	¥ 563,238

(Millions of yen)

Other Items	Total of reportable segment		Other		Adjustment		Amount posted in Consolidated Financial statements	
	2019	2018	2019	2018	2019	2018	2019	2018
Other items								
Provision for point card certificates	2,807	2,950	—	—	—	—	2,807	2,950
Provision for investment loss	—	—	—	—	(2)	—	(2)	—
Provision of allowance for doubtful accounts *1	18,766	28,789	1,262	565	—	—	20,029	29,354
Provision for loss on interest repayment	12,384	11,501	—	—	—	—	12,384	11,501
Provision for bonuses	657	844	23	27	291	407	972	1,279
Depreciation	2,380	2,640	3	13	—	—	2,384	2,653
Interests on loans	247	625	39	164	(221)	(634)	65	155
Dividends received	35	36	0	1	—	(13)	35	23
Share of profit of entities accounted for using equity method	—	—	—	—	—	81	—	81
Reversal provision for investment loss	—	—	2	—	(2)	—	—	—
Rent expenses on real estates	149	154	2	5	(78)	(78)	73	82
Gain on sales of investment securities	—	1	—	457	—	—	—	458
Interest expenses *2	—	—	34	35	(32)	(28)	1	6
Extraordinary income	703	—	—	—	—	—	703	—
[Gain on reversal of shares acquisition rights]	[703]	[—]	[—]	[—]	[—]	[—]	[703]	[—]
Extraordinary losses	—	690	—	—	—	—	—	690
[Loss on valuation of investment securities]	[—]	[690]	[—]	[—]	[—]	[—]	[—]	[690]
Income taxes - current	255	339	181	518	—	—	437	858
Income taxes - deferred	505	(4,408)	—	(844)	(361)	(369)	144	(5,621)
Investment amount of entities accounted for using equity method	—	—	—	—	—	821	—	821
Increase/decrease in property, plant and equipment, and intangible assets	2,560	1,607	0	—	—	—	2,561	1,607

*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 non-operating expenses.

*3. Each number stated in the "Subtotal of Reportable Segments" is the modified figure adjusted in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (ASBJ PITF No. 18).

Related information**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.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)**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	¥ 70,972	¥ 16,935	¥ 14,287	¥ —	¥ 13,132	¥ 115,328

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, 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 borrowing	¥ 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 borrowings, the interest rate is determined in consideration of the market interest rate.

Fiscal year ended March 31, 2019

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)	Ukyo-ku, Kyoto-shi	¥ 2	Real estate business	None	Borrowing of funds	Borrowing of funds (Note 2)	¥ 3,420	—	¥ —
							Interest expenses (Operating expenses) (Note 2)	¥ 122	—	¥ —

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 borrowings, the interest rate is determined in consideration of the market interest rate.

Per Share Information

2019 (from April 1, 2018 to March 31, 2019)		2018 (from April 1, 2017 to March 31, 2018)	
Net assets per share	256.45 yen	Net assets per share	236.13 yen
Profit per share	19.32 yen	Profit per share	8.18 yen
Diluted profit per share	—	Diluted profit per share	—

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.

	(Millions of yen)	
	2019 (from April 1, 2018 to March 31, 2019)	2018 (from April 1, 2017 to March 31, 2018)
Total net assets	¥ 128,016	¥ 119,407
Amount deducted from total net assets	3,971	5,192
(Of which shares acquisition rights)	(230)	(234)
(Of which non-controlling interests)	(3,741)	(4,957)
Net assets related to capital stock at end of fiscal year	¥ 124,045	¥ 114,214
Number of shares of capital stock at the end of the fiscal year used in the calculation of net assets per share	483,702,954 shares	483,702,998 shares

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

Item	(Millions of yen)	
	2019 (from April 1, 2018 to March 31, 2019)	2018 (from April 1, 2017 to March 31, 2018)
Profit per share		
Profit attributable to owners of parent	9,346 million yen	3,958 million yen
Amount not attributable to capital stock shareholders		
Profit attributable to owners of parent related to common stock	9,346 million yen	3,958 million yen
Average number of shares of capital stock during the period	483,702,983 shares	483,702,876 shares
Diluted profit per share		
Adjusted profit attributable to owners of parent	—	—
Increase in number of capital stock	—	—
(Of which shares acquisition rights)	(—)	(—)
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 (1,465,850 shares).	New shares acquisition rights of Stock options is issued by board of directors in June 15, 2015 (1,494,850 shares).

Significant subsequent events

1. Reduction in the amount of capital stock

The Company resolved at its Board of Directors' meeting held on May 20, 2019 to submit a proposal for reducing the amount of capital stock to the Company's 42nd Annual General Meeting of Shareholders held on June 25, 2019. The proposal was approved at the said General Meeting of Shareholders.

(1) Reason for the reduction in the amount of capital stock

The amount of capital stock will be reduced and transferred to other capital surplus in accordance with the provision of Article 447 paragraph 1 of the Companies Act with the aim of compensating the loss in retained earnings brought forward currently recorded, and improving the soundness of the financial position to ensure the dynamism and flexibility of future capital policy.

(2) Details of the reduction in the amount of capital stock

(a) Amount of capital stock to be reduced

49,426,208,694 yen of the 143,454,826,525 yen of capital stock will be reduced, resulting in capital stock totaling 94,028,617,831 yen.

(b) Method of reduction in the amount of capital stock

The entire amount reduced from capital stock will be transferred to other capital surplus, with no changes to the number of outstanding shares.

(3) Effective date of the reduction in the amount of capital stock

June 25, 2019

2. Appropriation of surplus

The Company resolved at its Board of Directors' meeting held on June 25, 2019 on the appropriation of surplus as follows:

(1) Details of the appropriation of surplus

In accordance with the provisions of Article 452 and Article 459 paragraph 1, item 3 of the Companies Act and Article 33 of the Company's Articles of Incorporation, loss will be compensated by transferring other capital surplus to retained earnings carried forward.

(a) Amount of other capital surplus to be reduced

Other capital surplus: 49,426,208,694 yen

(b) Amount of retained earnings carried forward to be increased

Retained earnings carried forward: 49,426,208,694 yen

(2) Effective date of the appropriation of surplus

June 25, 2019

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	56th unsecured straight bond	October 11, 2016	¥ 1,300	¥ —	2.000 per annum	Unsecured	October 11, 2018
	57th unsecured straight bond	July 14, 2017	7,200	7,200 (7,200)	2.400 per annum	Unsecured	January 14, 2020
	58th unsecured straight bond	July 10, 2018	—	415 (170)	0.370 per annum	Unsecured	July 9, 2021
	59th unsecured straight bond	September 25, 2018	—	15,000	1.850 per annum	Unsecured	September 24, 2021
	60th unsecured straight bond	September 25, 2018	—	5,000	1.800 per annum	Unsecured	March 25, 2021
Total		—	¥ 8,500	27,615 ¥ (7,370)	—	—	—

- 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. 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
7,370	5,170	15,075	—	—

Detailed statements of borrowings, etc.

Category	Beginning balance (Million yen)	Ending balance (Million yen)	Average interest rate (%)	Repayment due date
Short-term borrowings	¥ 83,325	¥ 86,562	1.65	—
Current portion of long-term borrowings	53,482	98,728	1.72	—
Current portion of lease obligations	300	289	—	—
Long-term borrowings (excluding the current portion)	220,529	205,803	1.33	From April 2020 to October 2028
Lease obligations (excluding the current portion)	646	376	—	From April 2020 to January 2024
Total	¥ 358,284	¥ 391,759	—	—

- Notes: 1. With respect to the "average interest rate," the average weighted interest rate on the balance of borrowings 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 borrowings 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 borrowings	91,517	70,509	31,280	8,335
Lease obligations	183	144	39	8

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

	(Millions of yen)			
(Cumulative period)	First three months (First quarter)	First six months (Second quarter)	First nine months (Third quarter)	Full year (Fiscal year under review)
Operating revenue	¥ 27,682	¥ 56,425	¥ 86,047	¥ 115,328
Profit before income taxes	1,773	5,404	11,383	3,420
Profit attributable to owners of the parent	1,840	5,188	10,655	9,346
Net income per share (yen)	¥ 3.80	¥ 10.73	¥ 22.03	¥ 19.32
(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) per share (yen)	¥ 3.80	¥ 6.92	¥ 11.30	¥ (2.71)

Investor Information

(As of March 31, 2019)

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: 1,044 Consolidated: 2,273
Number of Branches	880 branches throughout Japan

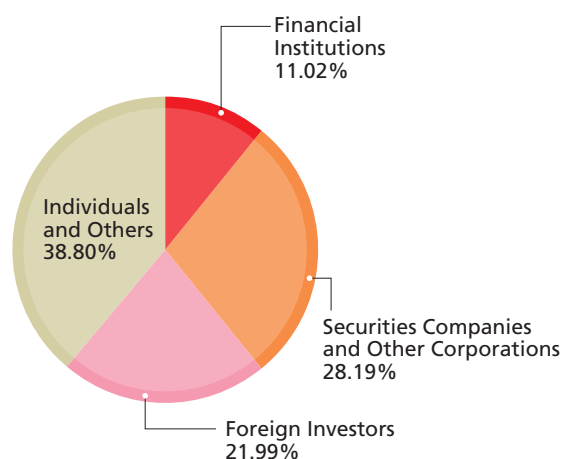
Stock Information

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	28,545
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	14,648	3.02
Japan Trustee Services Bank, Ltd. (trust account)	14,423	2.98
The Master Trust Bank of Japan, Ltd. (trust account)	11,603	2.39
GOLDMAN SACHS INTERNATIONAL	8,975	1.85
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	8,806	1.82
HSBC BANK PLC A/C IB MAIN ACCOUNT	6,905	1.43
Japan Trustee Services Bank, Ltd. (trust account 5)	5,927	1.22

Composition of Shareholders



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