



(Translation for reference only)

November 11, 2019

Consolidated Financial Results for the Second Quarter of Fiscal Year 2019
For the Six Months Ended September 30, 2019
 (Under Japanese GAAP)

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 Stock Listing: Tokyo Stock Exchange
 Stock Code: 8515
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 Scheduled date of submission of Quarterly Securities Report: November 13, 2019
 Scheduled date of commencement of dividend payments : —
 Supplementary materials for Quarterly Financial results: Yes
 Quarterly earnings release conference: Yes

I. Consolidated Financial Results for the Second Quarter of Fiscal Year 2019
 (April 1, 2019 – September 30, 2019)

(Amounts less than one million yen have been rounded down)

1. Consolidated Operating Results

(Millions of yen, Percentages indicate year-on-year changes)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
Six months ended								
September 30, 2019	61,277	8.6%	4,621	(2.8)%	4,948	(8.4)%	5,245	1.1%
September 30, 2018	56,425	14.6%	4,755	121.4%	5,404	126.8%	5,188	52.5%

Note: Comprehensive income: For the six months ended
 September 30, 2019: 4,561 million yen (4.6)%
 September 30, 2018: 4,360 million yen (39.7)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended		
September 30, 2019	10.84	—
September 30, 2018	10.73	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
September 30, 2019	779,702	132,348	16.6
March 31, 2019	760,587	128,016	16.3

Reference: Shareholders' equity: As of September 30, 2019: 129,292 million yen
 As of March 31, 2019: 124,045 million yen

II. Dividend Information

	Dividend per share (Yen)				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
FY ended March 31, 2019	—	0.00	—	0.00	0.00
FY ending March 31, 2020	—	0.00			
FY ending March 31, 2020 (Forecast)			—	0.00	0.00

Note: Revisions to dividend forecasts: None

III. Earnings Forecast on a Consolidated Basis for the Fiscal Year ending March 31, 2020

(April 1, 2019 – March 31, 2020)

(Millions of yen, Percentages indicate year-on-year changes)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Profit per Share (Yen)
Fiscal year ending March 31, 2020	125,100	8.5%	14,400	375.1%	15,400	274.7%	14,400	54.1%	29.77

Note: Revisions to consolidated earnings forecasts: Yes

IV. Other

(1) Changes in significant subsidiaries during the six months ended September 30, 2019

(Changes in specified subsidiaries resulting changes in scope of consolidation): None

(2) Adoption of special accounting methods for quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatements

(a) Changes in accompanying amendments to accounting standards: Yes

(b) Changes other than those in (a): None

(c) Change in accounting estimates: None

(d) Restatements: None

(4) Number of shares issued (Common stock)

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

FY2019 2Q	484,620,136 shares	FY2018	484,620,136 shares
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(b) Number of treasury stock at the end of the period

FY2019 2Q	917,296 shares	FY2018	917,182 shares
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(c) Average number of shares during the period

FY2019 2Q	483,702,925 shares	FY2018 2Q	483,702,998 shares
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* Note: Brief Statement of quarterly financial results is not subject to audit procedures that are conducted by a certified public accountant or an audit corporation.

* Note: Disclaimer concerning the proper use of business results forecasts, etc.

The forecasts and other forward-looking statements contained in this Report are based on information currently available to the Company as well as certain assumptions that the AIFUL Group has judged to be reasonable. Accordingly, actual results may differ from the forecasts due to various factors. For matters related to earnings forecast above, please refer to “Qualitative Information on the Forecasts for the Consolidated Business Results” on page 2.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the six months ended September 30, 2019, Japanese economy experienced a gradual recovery as a result of improvement in employment and income environment. However, the outlook for the economy remains uncertain due to the impact of trade frictions between the United States and China as well as the consumption tax hike.

In the consumer finance industry, the number of new contracts at major players remained stable, and the operating loan balance increased moderately. On the other hand, interest repayment claims, industry's biggest risk, they have declined significantly from their peak and the downward trend became more apparent in current fiscal year.

Under these circumstances, while dealing with interest repayment claims as the principal management issue, the AIFUL Group will work to diversify the financial services business and expand operating assets on a group-wide basis and, to manage its business with an emphasis on balancing safety, profitability and growth.

(Overview of the results)

The AIFUL Group's consolidated operating revenue for the second quarter of the fiscal year ending March 31, 2020 rose 8.6% compared with the corresponding period of the previous fiscal year, to 61,277 million yen. The principal components were 35,000 million yen in interest on loans (up 8.9% year on year), 8,648 million yen in revenue from the credit card business (up 9.5% year on year) and 7,499 million yen in revenue from the credit guarantee business (up 10.8% year on year). Also, the collection from purchased receivables were 899 million yen (down 1.5% year on year) and the recoveries of written off claims were 3,397 million yen (up 6.7% year on year).

Operating expenses increased by 4,985 million, or 9.6%, compared with the corresponding period of the previous fiscal year, to 56,655 million yen. It was chiefly due to the provision for allowance for doubtful accounts increased 4,828 million yen, or 30.1% to 20,852 million yen due to a growing operating asset.

As a result, AIFUL Group posted operating profit of 4,621 million yen (down 2.8% year on year) and ordinary profit of 4,948 million yen (down 8.4% year on year). Profit attributable to owners of parent stood at 5,245 million yen (up 1.1% year on year), reflecting a loss attributable to non-controlling interests of 781 million yen.

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

In the fiscal year ending March 31, 2020, AIFUL Group expects operating revenue to be 125,100 million yen (up 8.5% year on year), operating profit to be 14,400 million yen (up 375.1% year on year), ordinary profit to be 15,400 million yen (up 274.7% year on year), and profit attributable to owners of parent to be 14,400 million yen (up 54.1% year on year), in light of the business results in the current second quarter, on a consolidated basis.

However, in the business environment that surrounds the Company, there are various risks and, in particular, the trends of claims for interest repayments remain uncertain. Therefore, the final results may differ from this forecasts.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	36,112	23,669
Operating loans	457,785	483,845
Accounts receivables - installment	101,584	100,979
Operational investment securities	1,209	1,349
Customers' liabilities for acceptances and guarantees	140,343	146,919
Other operating receivables	7,744	7,987
Purchased receivables	2,472	2,487
Other	16,889	18,023
Allowance for doubtful accounts	(46,135)	(49,217)
Total current assets	718,006	736,044
Non-current assets		
Property, plant and equipment	16,758	16,795
Intangible assets	3,297	3,354
Investments and other assets	22,524	23,508
Total non-current assets	42,581	43,658
Total assets	760,587	779,702
Liabilities		
Current liabilities		
Notes & accounts payable-trade	21,076	16,911
Acceptances and guarantees	140,343	146,919
Short-term borrowings	86,562	83,250
Current portion of bonds	7,370	7,370
Current portion of long-term borrowings	98,728	102,994
Income taxes payable	1,116	1,314
Reserves	4,270	4,341
Other	20,809	20,234
Total current liabilities	380,277	383,336
Non-current liabilities		
Bonds payable	20,245	35,160
Long-term borrowings	205,803	208,941
Provision for loss on interest repayment	22,963	16,467
Other	3,280	3,448
Total non-current liabilities	252,292	264,018
Total liabilities	632,570	647,354
Net Assets		
Shareholders' equity		
Capital stock	143,454	94,028
Capital surplus	13,948	13,948
Retained earnings	(30,485)	24,186
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	123,807	129,052
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(23)	(118)
Foreign currency translation adjustment	261	357
Total accumulated other comprehensive income	238	239
Shares acquisition rights	230	—
Non-controlling interests	3,741	3,056
Total net assets	128,016	132,348
Total liabilities and net assets	760,587	779,702

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

i. Quarterly Consolidated Statements of Income
Six months ended September 30

	(Millions of yen)	
	Six months ended Sep 30, 2018 (Apr 1, 2018 to Sep 30, 2018)	Six months ended Sep 30, 2019 (Apr 1, 2019 to Sep 30, 2019)
Operating revenue		
Interest on operating loans	32,154	35,000
Revenue from credit card business	7,897	8,648
Revenue from credit guarantee	6,768	7,499
Other financial revenue	8	4
Other operating revenue	9,596	10,124
Total operating revenue	56,425	61,277
Operating expenses		
Financial expenses	4,185	3,735
Cost of sales	703	635
Other operating expenses	46,780	52,284
Total operating expenses	51,669	56,655
Operating profit	4,755	4,621
Non-operating income		
Interest on loans receivable	35	121
Dividend income	37	26
Share of profit of entities accounted for using equity method	—	38
Foreign exchange gains	71	17
Rent on real estate	38	40
Gain on sales of investment securities	412	—
Other	71	90
Total non-operating income	666	334
Non-operating expenses		
Interest expenses	3	2
Provision of allowance for doubtful accounts	8	—
Other	5	4
Total non-operating expenses	17	7
Ordinary profit	5,404	4,948
Extraordinary income		
Gain on reversal of shares acquisition rights	—	230
Total extraordinary income	—	230
Profit before income taxes	5,404	5,178
Income taxes - current	464	965
Income taxes - deferred	(6)	(250)
Total income taxes	458	714
Profit	4,945	4,464
Profit (loss) attributable to non-controlling interests	(242)	(781)
Profit attributable to owners of parent	5,188	5,245

ii. Quarterly Consolidated Statements of Comprehensive Income
Six months ended September 30

	(Millions of yen)	
	Six months ended Sep 30, 2018 (Apr 1, 2018 to Sep 30, 2018)	Six months ended Sep 30, 2019 (Apr 1, 2019 to Sep 30, 2019)
Profit	4,945	4,464
Other Comprehensive income		
Valuation difference on available-for-sale securities	(256)	(94)
Foreign currency translation adjustment	(329)	192
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	(585)	97
Comprehensive income	4,360	4,561
Comprehensive income attributable to		
Owners of parent	4,768	5,246
Non-controlling interests	(407)	(684)

(3) Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended Sep 30, 2018 (Apr 1, 2018 to Sep 30, 2018)	Six months ended Sep 30, 2019 (Apr 1, 2019 to Sep 30, 2019)
Cash flows from operating activities		
Profit before income taxes	5,404	5,178
Depreciation	1,305	1,382
Increase (decrease) in allowance for doubtful accounts	757	306
Increase (decrease) in provision for bonuses	353	30
Increase (decrease) in provision for point card certificates	(43)	40
Increase (decrease) in allowance for loss on interest repayment	(6,701)	(6,495)
Interest and dividend income	(72)	(147)
Interest expenses	3	2
Loss (gain) on sales of investment securities	(412)	—
Share of loss (profit) of entities accounted for using equity method	—	(38)
Gain on reversal of shares acquisition rights	—	(230)
Decrease (increase) in interest on loans receivable	(25,133)	(25,470)
Decrease (increase) in accounts receivable – installment	2,519	604
Decrease (increase) in other operating receivable	(385)	(243)
Decrease (increase) in purchased receivable	322	(14)
Decrease (increase) in claims provable in bankruptcy	405	2,802
Decrease (increase) in other current assets	(1,743)	(1,238)
Increase (decrease) in other current liabilities	(4,249)	(5,422)
Other	(124)	53
Subtotal	(27,794)	(28,900)
Interest and dividend income	72	160
Interest expenses paid	(3)	(4)
Income taxes refund	10	—
Income taxes paid	(266)	(646)
Cash flow from operating activities	(27,981)	(29,390)
Cash flow from investing activities		
Purchase of property, plant and equipment	(90)	(238)
Purchase of intangible assets	(296)	(414)
Purchase of investment securities	(514)	—
Proceeds from sales of investment securities	456	—
Other	447	(732)
Cash flows from investing activities	2	(1,385)
Cash flow from financing activities		
Increase in short-term borrowings	486,553	629,305
Decrease in short-term borrowings	(484,106)	(632,765)
Proceeds from long-term borrowings	73,130	92,734
Repayments of long-term borrowings	(45,371)	(85,243)
Proceeds from issuance of bonds	20,500	15,000
Redemption of bonds	—	(85)
Purchase of treasury shares	—	(0)
Other	(151)	(319)
Cash flows from financing activities	50,555	18,627
Effect of exchange rate changes on cash and cash equivalents	50	(293)
Net increase (decrease) in cash and cash equivalents	22,626	(12,442)
Cash and cash equivalents at beginning of period	29,323	36,108
Cash and cash equivalents at end of period	51,950	23,665

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

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

In accordance with the resolution at its General Meeting of Shareholders held on June 25, 2019, the Company reduced the amount of capital stock by 49,426 million yen, which was transferred to other capital surplus, and then, other capital surplus was reduced by 49,426 million yen on the same date, and transferred to retained earnings brought forward to compensate the loss in retained earnings brought forward.

It should be noted that there is no significant change in total amount of shareholders' equity.

(Changes in accounting principles)

The Company's subsidiaries applying the International Financial Reporting Standards (IFRS) has adopted the IFRS 16 Leases (hereinafter, "IFRS 16") since the first quarter of the current consolidated fiscal year. As a result, a lessee is required to recognize all leases, in principle, as assets and liabilities arising from a lease on the balance sheet. The IFRS 16 is applied based on the transitional provisions, under which the cumulative impact arising from the change in the accounting principles is recognized on the application start date.

As a result, "Property, plant and equipment" as of September 30, 2019 increased by 462 million yen whereas "Other" under current liabilities and "Other" under non-current liabilities increased 414 million yen and 47 million yen, respectively. The impact of these changes on profits and losses during the period under review is immaterial.