



(Translation for reference only)

November 10, 2021

Consolidated Financial Results for the Second Quarter of Fiscal Year 2021
For the Six Months Ended September 30, 2021
(Under Japanese GAAP)

Company name: AIFUL Corporation
Stock Listing: Tokyo Stock Exchange
Stock Code: 8515
URL: <https://www.aiful.co.jp>
Representative: Mitsuhide Fukuda, President and Chief Executive Officer
For inquiry: Toshiaki Ando, Assistant Senior General Manager of Finance Division TEL (03) 4503 – 6050
Scheduled date of submission of Quarterly Securities Report: November 12, 2021
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 2021
(April 1, 2021 – September 30, 2021)

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

1. Consolidated Operating Results

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

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
Six months ended								
September 30, 2021	64,837	2.2%	9,930	5.9%	9,856	(5.0) %	10,042	2.3%
September 30, 2020	63,462	3.6%	9,378	102.9%	10,373	109.6%	9,812	87.1%

Note: Comprehensive income: For the six months ended
September 30, 2021 9,959 million yen (0.3)%
September 30, 2020 9,989, million yen 119.0%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended		
September 30, 2021	20.76	—
September 30, 2020	20.29	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
September 30, 2021	877,009	154,208	17.3
March 31, 2021	863,354	147,692	16.9

Reference: Shareholders' equity: As of September 30, 2021 151,962 million yen
As of March 31, 2021 145,555 million yen

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

II. Dividend Information

	Dividend per share (Yen)				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
FY ended March 31, 2021	–	0.00	–	1.00	1.00
FY ending March 31, 2022	–	0.00			
FY ending March 31, 2022 (Forecast)			–	1.00	1.00

Note: Revisions to dividend forecasts: None

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

(April 1, 2021 – March 31, 2022)

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

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Profit per Share (Yen)
Fiscal year ending March 31, 2022	131,800	3.4%	24,100	37.5%	24,300	25.9%	23,100	25.3%	47.76

Note: Revisions to consolidated earnings forecasts: Yes

IV. Other

(1) Changes in significant subsidiaries during the six months ended September 30, 2021

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

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

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

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

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

(c) Change in accounting estimates: None

(d) Restatements: None

Note: For details, please refer to "Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 8 of [Appendix].

(4) Number of shares issued (Common stock)

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

FY2021 2Q	484,620,136 shares	FY2020	484,620,136 shares
-----------	--------------------	--------	--------------------

(b) Number of treasury stock at the end of the period

FY2021 2Q	917,470 shares	FY2020	917,470 shares
-----------	----------------	--------	----------------

(c) Average number of shares during the period

FY2021 2Q	483,702,666 shares	FY2020 2Q	483,702,781 shares
-----------	--------------------	-----------	--------------------

* Note: Brief Statement of quarterly financial results is not subject to audit procedures that are conducted by a certified public accountant or an audit corporation.

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

The forecasts and other forward-looking statements contained in this Report are based on information currently available to the Company as well as certain assumptions that the AIFUL Group has judged to be reasonable. Accordingly, actual results may differ from the forecasts due to various factors. For matters related to earnings forecast above, please refer to "Qualitative Information on the Forecasts for the Consolidated Business Results" on page 3.

Contents

1. Quarterly Qualitative Information on Business Results.....	2
(1) Qualitative Information on Business Results.....	2
(2) Qualitative Information on the Forecasts for the Consolidated Business Results.....	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	5
(3) Quarterly Consolidated Statements of Cash Flows.....	7
(4) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Premise of Going Concern)	8
(Changes in the Scope of Consolidation and the Scope of Application of the Equity Method)	8
(Notes in Case of any Significant Changes in the Amount Shareholders' Equity)	8
(Changes in Accounting policy).....	8

1. Quarterly Qualitative Information on Business Results

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

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

(1) Qualitative Information on Business Results

During the six months ended September 30, 2021, the Japanese economy is heading toward a gradual recovery, partly due to the spread of vaccines and the progress of immunization, although it is still in the midst of the emergency declaration.

At present, we expect full-fledged economic activities to resume following the lifting of the emergency declaration and pre-emergency measures.

The consumer finance industry is also on a recovery trend, with the number of new contracts at major companies increasing year on year.

Going forward, we will continue to closely monitor the situation, such as the re-expansion of COVID-19 and the reoccurrence of the emergency declaration. Nevertheless, AIFUL Group will work to expand its operating assets on a group-wide basis by effectively investing in advertising and promotions that leverage AIFUL's recognition and by selling a variety of Group-wide products, while responding to requests for interest repayment, which is one of the management issues.

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

(Overview of the results)

AIFUL Group's consolidated operating revenue for the first half of the fiscal year ended September 30, 2021 rose 2.2% compared with the corresponding period of the previous fiscal year, to 64,837 million yen. The principal components were 37,523 million yen in interest on loans (up 1.2% year on year), 8,973 million yen in revenue from the credit card business (down 1.7% year on year) and 7,774 million yen in revenue from the credit guarantee business (up 5.0% year on year).

Operating expenses increased by 822 million yen, or 1.5%, compared with the corresponding period of the previous fiscal year, to 54,907 million yen. The main reason for this was that advertising-related expenses in the same period of the previous fiscal year were curtailed due to the expansion of COVID-19.

As a result, AIFUL Group posted operating profit of 9,930 million yen (up 5.9% year on year) and ordinary profit of 9,856 million yen (down 5.0% year on year). Profit attributable to owners of parent stood at 10,042 million yen (up 2.3% year on year), reflecting a profit attributable to non-controlling interests of 106 million yen.

Due to the adoption of the revenue recognition accounting standards, operating revenue increased by 57 million yen, operating expenses decreased by 100 million yen, operating profit increased by 157 million yen, and ordinary profit increased by 156 million yen.

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

With regard to the expected full-term concatenated performance in the March 2022 period (April 1, 2021, to March 31, 2022), which we announced in the March 12, 2021, Conclusion Short Form, 2021, we replaced our expectations for the first full-term expectations with those for the second quarter, reflecting the anticipated decrease in business costs due to a decrease in business income due to a decrease in the income from comprehensive purchases in the full-term, as well as a decrease in the costs related to bankruptcy. We modified the expectations as follows:

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

(April 1, 2021 – March 31, 2022)

(Millions of yen)

	Operating Revenue	Operating Profit	Ordinary Profit	Profit	Profit per Share (Yen)
Previous Forecast (A)	132,800	23,700	24,200	21,100	43.62
Revised Forecast (B)	131,800	24,100	24,300	23,100	47.76
Amount of Change (B-A)	▲1,000	400	100	2,000	—
Percentage Change (%)	▲0.8	1.7	0.4	9.5	—
Reference: Earnings for previous FY ended in March 31, 2021	127,481	17,530	19,305	18,437	38.12

The current business environment surrounding us is subject to various risks and remains uncertain. As a result, the final results may differ from the forecasts.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	40,950	37,075
Operating loans	516,340	522,431
Accounts receivables - installment	101,719	101,752
Operational investment securities	1,701	1,800
Customers' liabilities for acceptances and guarantees	170,553	184,266
Other operating receivables	8,749	9,030
Purchased receivables	3,173	5,150
Other	24,724	22,830
Allowance for doubtful accounts	(58,201)	(60,997)
Total current assets	809,712	823,339
Non-current assets		
Property, plant and equipment	17,765	17,218
Intangible assets	5,306	6,003
Investments and other assets	30,570	30,447
Total non-current assets	53,642	53,669
Total assets	863,354	877,009
Liabilities		
Current liabilities		
Notes & accounts payable-trade	38,265	35,534
Acceptances and guarantees	170,553	184,266
Short-term borrowings	100,750	82,815
Current portion of bonds	15,075	15,000
Current portion of long-term borrowings	146,136	154,961
Income taxes payable	2,112	662
Reserves	3,957	1,386
Other	22,745	26,869
Total current liabilities	499,596	501,496
Non-current liabilities		
Bonds payable	15,000	20,000
Long-term borrowings	180,677	185,513
Provision for loss on interest repayment	12,913	8,335
Other	7,474	7,456
Total non-current liabilities	216,065	221,305
Total liabilities	715,662	722,801
Net Assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	13,948	13,948
Retained earnings	38,669	45,267
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	143,536	150,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,705	1,515
Foreign currency translation adjustment	314	312
Total accumulated other comprehensive income	2,019	1,828
Non-controlling interests	2,136	2,245
Total net assets	147,692	154,208
Total liabilities and net assets	863,354	877,009

(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 September 30, 2020 (Apr 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (Apr 1, 2021 to September 30, 2021)
Operating revenue		
Interest on operating loans	37,066	37,523
Revenue from credit card business	9,124	8,973
Revenue from credit guarantee	7,400	7,774
Other financial revenue	3	3
Other operating revenue	9,868	10,563
Total operating revenue	63,462	64,837
Operating expenses		
Financial expenses	3,632	3,572
Cost of sales	602	116
Other operating expenses	49,849	51,217
Total operating expenses	54,084	54,907
Operating profit	9,378	9,930
Non-operating income		
Interest on loans receivable	99	109
Dividend income	31	27
Share of profit of entities accounted for using equity method	98	75
Foreign exchange gains	120	—
Gain on sales of investment securities	367	—
Other	374	79
Total non-operating income	1,093	292
Non-operating expenses		
Interest expenses	1	—
Foreign exchange losses	—	346
Other	96	20
Total non-operating expenses	98	366
Ordinary profit	10,373	9,856
Extraordinary losses		
Loss on the sale of fixed assets	91	—
Total extraordinary losses	91	—
Profit before income taxes	10,281	9,856
Income taxes - current	1,360	362
Income taxes - deferred	(712)	(654)
Total income taxes	647	(292)
Profit	9,633	10,148
Profit (loss) attributable to non-controlling interests	(178)	106
Profit attributable to owners of parent	9,812	10,042

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

	(Millions of yen)	
	Six months ended September 30, 2020 (Apr 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (Apr 1, 2021 to September 30, 2021)
Profit	9,633	10,148
Other Comprehensive income		
Valuation difference on available-for-sale securities	572	(185)
Foreign currency translation adjustment	(215)	(3)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	356	(189)
Comprehensive income	9,989	9,959
Comprehensive income attributable to		
Owners of parent	10,269	9,850
Non-controlling interests	(279)	108

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019 (Apr 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (Apr 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	10,281	9,856
Depreciation	1,628	1,601
Increase (decrease) in allowance for doubtful accounts	1,269	3,305
Increase (decrease) in provision for bonuses	2	(10)
Increase (decrease) in provision for point card certificates	10	(2,560)
Increase (decrease) in allowance for loss on interest repayment	(5,775)	(4,577)
Interest and dividend income	(131)	(137)
Interest expenses	1	—
Loss (gain) on sales of investment securities	(367)	—
Share of loss (profit) of entities accounted for using equity method	(98)	(75)
Loss (gain) on the sale of fixed assets	91	—
Decrease (increase) in interest on loans receivable	15,458	(6,084)
Decrease (increase) in accounts receivable – installment	6,360	(32)
Decrease (increase) in other operating receivable	23	(280)
Decrease (increase) in purchased receivable	29	(1,680)
Decrease (increase) in claims provable in bankruptcy	(33)	(725)
Decrease (increase) in business security deposits	(3,365)	—
Decrease (increase) in other current assets	4,860	838
Increase (decrease) in other current liabilities	248	(69)
Other	333	1,030
Subtotal	30,828	398
Interest and dividend income	50	255
Interest expenses paid	(1)	—
Subsidies received	250	—
Income taxes refund	—	32
Income taxes paid	(1,725)	(1,808)
Cash flow from operating activities	29,401	(1,121)
Cash flow from investing activities		
Payments into time deposits	(5,001)	(4,834)
Proceeds from withdrawal of time deposits	—	5,001
Purchase of property, plant and equipment	(1,072)	(258)
Proceeds from the sale of tangible fixed assets	200	—
Purchase of intangible assets	(1,949)	(1,475)
Purchase of investment securities	—	(281)
Proceeds from sales of investment securities	539	—
Other	(125)	(293)
Cash flows from investing activities	(7,408)	(2,141)
Cash flow from financing activities		
Increase in short-term borrowings	634,527	730,711
Decrease in short-term borrowings	(638,820)	(748,671)
Proceeds from long-term borrowings	40,600	93,095
Repayments of long-term borrowings	(64,328)	(79,442)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	(85)	(15,075)
Cash dividends paid	—	(483)
Purchase of treasury shares	(0)	—
Other	(512)	(559)
Cash flows from financing activities	(28,619)	(425)
Effect of exchange rate changes on cash and cash equivalents	(133)	(18)
Net increase (decrease) in cash and cash equivalents	(6,492)	(3,708)

Cash and cash equivalents at beginning of period	43,520	35,945
Cash and cash equivalents at end of period	37,028	32,237

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Changes in the Scope of Consolidation and the Scope of Application of the Equity Method)

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

AIFUL BUSINESS FINANCE CORPORATION conducted an absorption-type company split into AG MEDICAL CORPORATION on July 5, 2021.

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

Six months ended September 30, 2020 (Apr 1, 2020 to September 30, 2020)

Not applicable

Six months ended September 30, 2021 (Apr 1, 2021 to September 30, 2021)

1. Dividends paid

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

2. Dividends whose record date falls in the second quarter of the current fiscal year, but whose effective date falls after the end of the second quarter of the current fiscal year

Not applicable

(Changes in Accounting Policies)

(Apply of Accounting Standard for Revenue Recognition)

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

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

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

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

Previously, revenue from the annual membership fees of credit cards issued by LIFECARD Co., Ltd., a consolidated subsidiary,

was recognized in a lump sum in the month of joining, but the method has been changed to recognize revenue when goods or services are provided. With regard to the application of the revenue recognition accounting standard, etc., in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy has been applied from the beginning balance of the current fiscal year. However, the new accounting policy has not been applied retrospectively to contracts for which the method set forth in paragraph 86 of the Accounting Standard for Revenue Recognition has been applied and substantially all revenue amounts have been recognized in accordance with previous treatment prior to the beginning of the first quarter of the current fiscal year. In addition, the Company has applied the method stipulated in proviso (1) of paragraph 86 of the Accounting Standard for Revenue Recognition and has accounted for contract modifications made prior to the beginning of the first quarter under review based on the conditions of the contract after reflecting all contract modifications, and has adjusted the cumulative effect to retained earnings at the beginning of the first quarter under review.

As a result, operating revenue increased by 57 million yen, operating expenses decreased by 100 million yen, operating profit increased by 157 million yen, and ordinary profit increased by 156 million yen. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by 2,960 million yen.

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

(Apply of Accounting Standard for Calculation of Fair Value)

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

(Additional Information)

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

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

(Impact of COVID-19)

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