



(Translation for reference only)

August 10, 2022

Consolidated Financial Results for the First Quarter of Fiscal Year 2022 For the Three Months Ended June 30, 2022 (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: August 12, 2022
Scheduled date of commencement of dividend payments : —
Supplementary materials for Quarterly Financial results: Yes
Quarterly earnings release conference: None

I. Consolidated Financial Results for the First Quarter of Fiscal Year 2022 (April 1, 2022 – June 30, 2022)

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

1. Consolidated Operating Results

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

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
Three months ended								
June 30, 2022	34,692	7.3%	6,609	15.8%	6,714	17.5%	5,945	18.6%
June 30, 2021	32,329	1.2%	5,708	(9.8)%	5,714	(24.4)%	5,012	(29.5)%

Note: Comprehensive income: For the three months ended
June 30, 2022: 6,354 million yen 19.7%
June 30, 2021: 5,306 million yen (21.8)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Three months ended		
June 30, 2022	12.29	—
June 30, 2021	10.36	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
June 30, 2022	953,959	162,396	16.7
March 31, 2022	935,642	156,526	16.4

Reference: Shareholders' equity: As of June 30, 2022: 159,424 million yen
As of March 31, 2022: 153,900 million yen

II. Dividend Information

	Dividend per share (Yen)				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
FY ended March 31, 2022	—	0.00	—	1.00	1.00
FY ending March 31, 2023	—	—	—	—	—
FY ending March 31, 2023 (Forecast)	—	0.00	—	1.00	1.00

Note: Revisions to dividend forecasts: None

III. Earnings Forecast on a Consolidated Basis for the Fiscal Year ending March 31, 2023

(April 1, 2022 – March 31, 2023)

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

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Profit per Share (Yen)
Six months ending September 30, 2022	69,500	7.2%	11,500	15.8%	11,600	17.7%	10,200	1.6%	21.09
Fiscal year ending March 31, 2023	142,600	8.0%	23,800	111.7%	24,000	95.7%	21,300	72.7%	44.04

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the three months ended June 30, 2022

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

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

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

(a) Changes in accompanying amendments to accounting standards: None

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

(c) Change in accounting estimates: Yes

(d) Restatements: None

(4) Number of shares issued (Common stock)

(a) Number of shares issued at the end of the period (including treasury stock)	FY2022 1Q	484,620,136 shares	FY2021	484,620,136 shares
(b) Number of treasury stock at the end of the period	FY2022 1Q	917,470 shares	FY2021	917,470 shares
(c) Average number of shares during the period	FY2022 1Q	483,702,666 shares	FY2021 1Q	483,702,666 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 2.

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.....	2
2. Quarterly Consolidated Financial Statements and Notes.....	3
(1) Quarterly Consolidated Balance Sheets.....	3
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	4
(3) Quarterly Consolidated Statements of Cash Flows.....	6
(4) Notes to Quarterly Consolidated Financial Statements	7
(Notes on Premise of Going Concern)	7
(Changes in Scope of Consolidation)	7
(Changes in Accounting Estimates)	7
(Notes in Case of any Significant Changes in the Amount Shareholders' Equity)	7
(Additional Information)	8

1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the three months ended June 30, 2022, the outlook for the Japanese economy remains uncertain due to concerns about a slowdown in the economy due to rising prices for energy and raw materials, against backdrop of worsening conditions in Ukraine and a weakening yen, despite the trend toward recovery amid the low number of new infections of COVID-19 and the normalization of socio-economic activities.

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

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

(Overview of the results)

AIFUL Group's consolidated operating revenue for the first quarter of the fiscal year ending March 31, 2023 rose 7.3% year on year, to 34,692 million yen. The principal components were 20,027 million yen in interest on loans (up 7.7% year on year), 4,909 million yen in revenue from the credit card business (up 10.3% year on year) and 4,052 million yen in revenue from the credit guarantee business (up 4.8% year on year).

Operating expenses increased by 1,461 million yen, or 5.5% year on year to 28,082 million yen. This was mainly due to an increase in advertising expenses by 1,152 million (up 45.3% year on year).

As a result, AIFUL Group posted operating profit of 6,609 million yen (up 15.8% year on year) and ordinary profit of 6,714 million yen (up 17.5% year on year). Profit attributable to owners of parent stood at 5,945 million yen (up 18.6% year on year), reflecting a profit attributable to non-controlling interests of 148 million yen.

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

The Group's earnings forecast for the fiscal year ending March 31, 2023 remains unchanged from the earnings forecast announced on May 11, 2022.

However, outlook disclosed is forecast based on information available as of the date of publication of these materials. There are various risks in the current business environment surrounding us, and the 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, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	44,448	37,259
Operating loans	547,457	560,552
Accounts receivables - installment	110,224	114,916
Operational investment securities	2,312	2,349
Customers' liabilities for acceptances and guarantees	193,225	197,651
Other operating receivables	10,241	10,711
Purchased receivables	5,338	5,257
Other	25,440	28,455
Allowance for doubtful accounts	(57,906)	(56,775)
Total current assets	880,801	900,377
Non-current assets		
Property, plant and equipment	16,908	16,737
Intangible assets	6,737	6,744
Investments and other assets	31,195	30,099
Total non-current assets	54,841	53,581
Total assets	935,642	953,959
Liabilities		
Current liabilities		
Notes & accounts payable-trade	40,919	39,025
Acceptances and guarantees	193,225	197,651
Short-term borrowings	77,310	74,536
Short-term loans payable to subsidiaries and associates	1,533	909
Commercial papers	2,500	9,000
Current portion of bonds	35,000	20,000
Current portion of long-term borrowings	166,786	164,241
Income taxes payable	860	300
Reserves	1,377	735
Other	29,745	29,329
Total current liabilities	549,257	535,730
Non-current liabilities		
Bonds payable	—	30,000
Long-term borrowings	197,271	195,049
Provision for loss on interest repayment	24,595	22,406
Other	7,993	8,376
Total non-current liabilities	229,859	255,832
Total liabilities	779,116	791,562
Net Assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	14,017	14,017
Retained earnings	47,560	53,021
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	152,495	157,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,098	964
Foreign currency translation adjustment	306	502
Total accumulated other comprehensive income	1,404	1,467
Non-controlling interests	2,626	2,972
Total net assets	156,526	162,396
Total liabilities and net assets	935,642	953,959

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

i. Quarterly Consolidated Statements of Income
Three months ended June 30

	(Millions of yen)	
	Three months ended Jun 30, 2021 (Apr 1, 2021 to Jun 30, 2021)	Three months ended Jun 30, 2022 (Apr 1, 2022 to Jun 30, 2022)
Operating revenue		
Interest on operating loans	18,588	20,027
Revenue from credit card business	4,450	4,909
Revenue from installment sales finance business	251	450
Revenue from credit guarantee	3,865	4,052
Other financial revenue	1	1
Other operating revenue	5,172	5,251
Total operating revenue	32,329	34,692
Operating expenses		
Financial expenses	1,805	1,726
Cost of sales	64	42
Other operating expenses	24,751	26,313
Total operating expenses	26,621	28,082
Operating profit	5,708	6,609
Non-operating income		
Interest on loans receivable	49	26
Dividend income	12	13
Share of profit of entities accounted for using equity method	2	23
Other	114	48
Total non-operating income	180	111
Non-operating expenses		
Foreign exchange gains	163	—
Provision for doubtful accounts	0	2
Other	10	4
Total non-operating expenses	174	6
Ordinary profit	5,714	6,714
Profit before income taxes	5,714	6,714
Income taxes - current	100	174
Income taxes - deferred	535	446
Total income taxes	636	621
Profit	5,078	6,093
Profit attributable to non-controlling interests	65	148
Profit attributable to owners of parent	5,012	5,945

ii. Quarterly Consolidated Statements of Comprehensive Income
Three months ended June 30

	(Millions of yen)	
	Three months ended Jun 30, 2021 (Apr 1, 2021 to Jun 30, 2021)	Three months ended Jun 30, 2022 (Apr 1, 2022 to Jun 30, 2022)
Profit	5,078	6,093
Other Comprehensive income		
Valuation difference on available-for-sale securities	114	(134)
Foreign currency translation adjustment	113	394
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	227	260
Comprehensive income	5,306	6,354
Comprehensive income attributable to		
Owners of parent	5,177	6,007
Non-controlling interests	129	346

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended Jun 30, 2021 (Apr 1, 2021 to Jun 30, 2021)	Three months ended Jun 30, 2022 (Apr 1, 2022 to Jun 30, 2022)
Cash flows from operating activities		
Profit before income taxes	5,714	6,714
Depreciation	798	859
Increase (decrease) in allowance for doubtful accounts	877	(1,587)
Increase (decrease) in provision for bonuses	(698)	(704)
Increase (decrease) in provision for point card certificates	(2,560)	—
Increase (decrease) in allowance for loss on interest repayment	(2,685)	(2,187)
Interest and dividend income	(62)	(39)
Share of loss (profit) of entities accounted for using equity method	(2)	(23)
Decrease (increase) in interest on loans receivable	452	(11,351)
Decrease (increase) in accounts receivable – installment	1,634	(4,671)
Decrease (increase) in other operating receivable	107	(469)
Decrease (increase) in purchased receivable	(747)	81
Decrease (increase) in claims provable in bankruptcy	(851)	164
Decrease (increase) in other current assets	(904)	(3,082)
Increase (decrease) in other current liabilities	1,233	(2,590)
Other	222	1,220
Subtotal	2,526	(17,669)
Interest and dividend income	153	60
Income taxes refund	—	55
Income taxes paid	(1,777)	(272)
Cash flow from operating activities	902	(17,826)
Cash flow from investing activities		
Payments into time deposits	—	(4,885)
Proceeds from withdrawal of time deposits	—	4,845
Purchase of property, plant and equipment	(310)	(342)
Purchase of intangible assets	(429)	(528)
Purchase of investment securities	(201)	—
Other	132	(16)
Cash flows from investing activities	(807)	(928)
Cash flow from financing activities		
Increase in short-term borrowings	317,679	419,419
Decrease in short-term borrowings	(329,440)	(423,367)
Proceeds from issuance of commercial papers	—	15,500
Redemption of commercial papers	—	(9,000)
Proceeds from long-term borrowings	40,575	39,054
Repayments of long-term borrowings	(41,247)	(43,978)
Proceeds from issuance of bonds	20,000	30,000
Redemption of bonds	—	(15,000)
Cash dividends paid	(483)	(483)
Other	(128)	(278)
Cash flows from financing activities	6,954	11,865
Effect of exchange rate changes on cash and cash equivalents	(75)	(338)
Net increase (decrease) in cash and cash equivalents	6,973	(7,228)
Cash and cash equivalents at beginning of period	35,945	39,147
Cash and cash equivalents at end of period	42,919	31,919

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Changes in Scope of Consolidation)

Sumishin Life Card, Limited., which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation as of April 1, 2022, as it was conducted absorption-type merger with LIFECARD Co., Ltd. as the surviving company and Sumishin Life Card as the resolving company.

(Changes in Accounting Estimates)

(Changes in Estimates of Allowance for Doubtful Accounts)

The general allowance for doubtful account had been calculated by classifying loans by loan type according to the length of delinquency of the borrower and using the historical loan-loss ratio for the calculation period, such as the average remaining period for each classification. However, as a result of a review of some loan management classifications, the Company has changed to a calculation method based on the borrower's debt status (attorney intervention, etc.).

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

Three months ended Jun 30, 2021 (Apr 1, 2021 to Jun 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 earning

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

Not applicable

Three months ended Jun 30, 2022 (Apr 1, 2022 to Jun 30, 2022)

1. Dividends paid

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

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

Not applicable

(Additional Information)

From the first quarter of the current fiscal year, The Company and certain domestic consolidated subsidiaries have shifted from the Consolidated Tax Return Filing System to the Group Tax Sharing System. Accordingly, the accounting treatment and disclosure of corporate income taxes, local income taxes, and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System " (Practical Solution No.42, August 12, 2021; hereinafter referred to as "Practical Solution No.42"). In addition, based on paragraph 32(1) of Practical Solution No. 42, the Company has deemed that there is no impact from the change in accounting policy upon the application of Practical Solution No. 42.