



(Translation for reference only)

November 10, 2022

Consolidated Financial Results for the Second Quarter of Fiscal Year 2022

For the Six Months Ended September 30, 2022

(Under Japanese GAAP)

Company name: AIFUL Corporation
 Stock Listing: Tokyo Stock Exchange
 Stock Code: 8515
 URL: <https://www.aiful.co.jp>
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 Scheduled date of submission of Quarterly Securities Report: November 11, 2022
 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 2022

(April 1, 2022 – September 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	
Six months ended								
September 30, 2022	70,402	8.6%	12,150	22.4%	12,642	28.3%	11,772	17.2%
September 30, 2021	64,837	2.2%	9,930	5.9%	9,856	(5.0)%	10,042	2.3%

Note: Comprehensive income: For the six months ended
 September 30, 2022 12,732 million yen 27.8%
 September 30, 2021 9,959 million yen (0.3)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended		
September 30, 2022	24.34	—
September 30, 2021	20.76	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
September 30, 2022	1,000,412	168,775	16.5
March 31, 2022	935,642	156,526	16.4

Reference: Shareholders' equity: As of September 30, 2022 165,403 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	—	0.00	—	—	—
FY ending March 31, 2023 (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, 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)
Fiscal year ending March 31, 2023	144,800	9.6%	23,800	111.7%	24,000	95.7%	21,300	72.7%	44.04

Note: Revisions to consolidated earnings forecasts: Yes

IV. Other

(1) Changes in significant subsidiaries during the six months ended September 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 2Q	484,620,136 shares	FY2021	484,620,136 shares
FY2022 2Q	917,594 shares	FY2021	917,470 shares
FY2022 2Q	483,702,645 shares	FY2021 2Q	483,702,666 shares

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

(c) Average number of shares during the period

* 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.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

In the first 2 quarters of the fiscal year under review, the Japanese economy showed signs of recovery in socio-economic activities due to the relaxation of activity restrictions on the infectious diseases of the new Corona Virus. However, the outlook remains uncertain due to concerns over an economic slowdown stemming from rising prices, including energy and soaring raw material prices, against the backdrop of the worsening situation in Ukraine and the ongoing depreciation of the yen.

The consumer finance industry's recovery trend continued as the number of new contracts at major companies increased year-on-year. 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.

For more than 50 years since its foundation, the AIFUL Group has used the Heart mark as a corporate symbol that symbolizes a sense of security and integrity. To upgrade to an image that is appropriate for a corporate stance of providing new value for the future in anticipation of the next 50 or 100 years, we revamped our VI (visual identity) and began using the new Art symbol and the Company logo on July 7, 2022.

(Overview of the results)

AIFUL Group's consolidated operating revenue for the second quarter of the fiscal year ending March 31, 2023 (up 8.6% year on year), to 70,402 million yen. The principal components were 40,862 million yen in interest on loans (up 8.9% year on year), 9,915 million yen in revenue from the credit card business (up 10.5% year on year) and 8,201 million yen in revenue from the credit guarantee business (up 5.5% year on year). Operating expenses increased by 3,344 million yen, or 6.1% year on year to 58,251 million yen. This was mainly due to an increase in advertising expenses by 2,069 million (up 38.9% year on year).

As a result, AIFUL Group posted operating profit of 12,150 million yen (up 22.4% year on year) and ordinary profit of 12,642 million yen (up 28.3% year on year). Profit attributable to owners of parent stood at 11,772 million yen (up 17.2% year on year), reflecting a profit attributable to non-controlling interests of 402 million yen.

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

In the fiscal year ending March 31, 2023, AIFUL Group expects operating revenue to be 144,800 million yen (up 9.6% year on year), operating profit to be 23,800 million yen (up 111.7% year on year), ordinary profit to be 24,000 million yen (up 95.7% year on year), and profit attributable to owners of parent to be 21,300 million yen (up 72.7% year on year), in light of the business results in the current second quarter, on a consolidated basis.

This earnings forecast is based on the data available as of the date of publication of this document, and the current The Company is included in this forecast. There are various risks involved in the operating environment, 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	44,448	54,207
Operating loans	547,457	578,483
Accounts receivables - installment	110,224	120,248
Operational investment securities	2,312	2,511
Customers' liabilities for acceptances and guarantees	193,225	205,064
Other operating receivables	10,241	11,441
Purchased receivables	5,338	6,581
Other	25,440	27,560
Allowance for doubtful accounts	(57,906)	(59,697)
Total current assets	880,801	946,401
Non-current assets		
Property, plant and equipment	16,908	16,676
Intangible assets	6,737	6,989
Investments and other assets	31,195	30,344
Total non-current assets	54,841	54,010
Total assets	935,642	1,000,412
Liabilities		
Current liabilities		
Notes & accounts payable-trade	40,919	37,090
Acceptances and guarantees	193,225	205,064
Short-term borrowings	77,310	73,898
Short-term loans payable to subsidiaries and associates	1,533	1,482
Commercial papers	2,500	—
Current portion of bonds	35,000	20,000
Current portion of long-term borrowings	166,786	171,718
Income taxes payable	860	1,756
Reserves	1,377	1,473
Other	29,745	30,934
Total current liabilities	549,257	543,419
Non-current liabilities		
Bonds payable	—	30,000
Long-term borrowings	197,271	230,680
Provision for loss on interest repayment	24,595	20,605
Other	7,993	6,930
Total non-current liabilities	229,859	288,216
Total liabilities	779,116	831,636
Net Assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	14,017	14,017
Retained earnings	47,560	58,849
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	152,495	163,784
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,098	972
Foreign currency translation adjustment	306	646
Total accumulated other comprehensive income	1,404	1,619
Non-controlling interests	2,626	3,371
Total net assets	156,526	168,775
Total liabilities and net assets	935,642	1,000,412

(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, 2021 (Apr 1, 2021 to Sep 30, 2021)	Six months ended September 30, 2022 (Apr 1, 2022 to Sep 30, 2022)
Operating revenue		
Interest on operating loans	37,523	40,862
Revenue from credit card business	8,973	9,915
Revenue from installment sales finance business	557	1,010
Revenue from credit guarantee	7,774	8,201
Other financial revenue	3	2
Other operating revenue	10,005	10,409
Total operating revenue	<u>64,837</u>	<u>70,402</u>
Operating expenses		
Financial expenses	3,572	3,467
Cost of sales	116	72
Other operating expenses	51,217	54,711
Total operating expenses	<u>54,907</u>	<u>58,251</u>
Operating profit	<u>9,930</u>	<u>12,150</u>
Non-operating income		
Dividend income	27	29
Share of profit of entities accounted for using equity method	75	76
Foreign exchange gains	—	296
Other	188	116
Total non-operating income	<u>292</u>	<u>518</u>
Non-operating expenses		
Foreign exchange losses	346	—
Loss on investments in silent partnerships	—	16
Other	20	10
Total non-operating expenses	<u>366</u>	<u>27</u>
Ordinary profit	<u>9,856</u>	<u>12,642</u>
Profit before income taxes	<u>9,856</u>	<u>12,642</u>
Income taxes - current	362	1,423
Income taxes - deferred	(654)	(956)
Total income taxes	<u>(292)</u>	<u>467</u>
Profit	<u>10,148</u>	<u>12,174</u>
Profit (loss) attributable to non-controlling interests	106	402
Profit attributable to owners of parent	<u>10,042</u>	<u>11,772</u>

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

	(Millions of yen)	
	Six months ended September 30, 2021 (Apr 1, 2021 to Sep 30, 2021)	Six months ended September 30, 2022 (Apr 1, 2022 to Sep 30, 2022)
Profit	10,148	12,174
Other Comprehensive income		
Valuation difference on available-for-sale securities	(185)	(125)
Foreign currency translation adjustment	(3)	683
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(189)	557
Comprehensive income	9,959	12,732
Comprehensive income attributable to		
Owners of parent	9,850	11,987
Non-controlling interests	108	745

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021 (Apr 1, 2021 to Sep 30, 2021)	Six months ended September 30, 2022 (Apr 1, 2022 to Sep 30, 2022)
Cash flows from operating activities		
Profit before income taxes	9,856	12,642
Depreciation	1,601	1,747
Increase (decrease) in allowance for doubtful accounts	3,305	956
Increase (decrease) in provision for bonuses	(10)	8
Increase (decrease) in provision for point card certificates	(2,560)	—
Increase (decrease) in allowance for loss on interest repayment	(4,577)	(3,988)
Interest and dividend income	(137)	(38)
Share of loss (profit) of entities accounted for using equity method	(75)	(76)
Decrease (increase) in interest on loans receivable	(6,084)	(28,061)
Decrease (increase) in accounts receivable – installment	(32)	(10,003)
Decrease (increase) in other operating receivable	(280)	(1,199)
Decrease (increase) in purchased receivable	(1,680)	(1,242)
Decrease (increase) in claims provable in bankruptcy	(725)	394
Decrease (increase) in business security deposits	—	1,200
Decrease (increase) in other current assets	838	(2,236)
Increase (decrease) in other current liabilities	(69)	(3,113)
Other	1,030	(492)
Subtotal	398	(33,505)
Interest and dividend income	255	58
Income taxes refund	32	482
Income taxes paid	(1,808)	(463)
Cash flow from operating activities	(1,121)	(33,427)
Cash flow from investing activities		
Payments into time deposits	(4,834)	(4,925)
Proceeds from withdrawal of time deposits	5,001	4,845
Purchase of property, plant and equipment	(258)	(651)
Purchase of intangible assets	(1,475)	(1,056)
Purchase of investment securities	(281)	(209)
Other	(293)	(134)
Cash flows from investing activities	(2,141)	(2,132)
Cash flow from financing activities		
Increase in short-term borrowings	730,711	701,529
Decrease in short-term borrowings	(748,671)	(705,867)
Proceeds from issuance of commercial papers	—	19,500
Redemption of commercial papers	—	(22,000)
Proceeds from long-term borrowings	93,095	128,975
Repayments of long-term borrowings	(79,442)	(90,943)
Proceeds from issuance of bonds	20,000	30,000
Redemption of bonds	(15,075)	(15,000)
Cash dividends paid	(483)	(483)
Purchase of treasury shares	—	(0)
Other	(559)	(567)
Cash flows from financing activities	(425)	45,142
Effect of exchange rate changes on cash and cash equivalents	(18)	96
Net increase (decrease) in cash and cash equivalents	(3,708)	9,679
Cash and cash equivalents at beginning of period	35,945	39,147
Cash and cash equivalents at end of period	32,237	48,826

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Changes in Scope of Consolidation)

Sumishin Life Card Company, Limited., a consolidated subsidiary of The Company, was removed from the scope of consolidation as a result of the absorption-type merger on April 1, 2022 with LIFECARD CO., LTD., a consolidated subsidiary, as the surviving company.

(Changes in Accounting Estimates)

(Changes in Estimates of Allowance for Doubtful Accounts)

Until now, the general allowance for doubtful receivables has been classified by type of loan according to the borrower's period of delay, etc. and calculated using the historical rate of bad debts over the calculation period, such as the average remaining period for each classification. However, as a result of a review of some credit management classifications, the Company has changed to a calculation method based on the borrower's debt status (attorney intervention, etc.).

As a result, operating income, ordinary income, and income before income taxes for the second quarter of the current fiscal year have increased by 1,762 million yen compared to the previous method.

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

Six months ended September 30, 2021(Apr 1, 2021 to Sep 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 is in the six months ended September 30, 2021 but whose effective date is after September 30, 2021

Not applicable

Six months ended September 30, 2022 (Apr 1, 2022 to Sep 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 earnings

2. Dividends whose record date is in the six months ended September 30, 2022 but whose effective date is after September 30, 2022

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 system to the group total system. Accordingly, the Process treatment and disclosure for corporate income taxes, local income taxes, and tax effect accounting are in accordance with the "Accounting and Disclosure Treatment for Application of the Group Cumulative Accounting System" (ASBJ PITF No. 42, August 12, 2021; hereinafter referred to as "ASBJ PITF No. 42"). In addition, based on paragraph 32(1) of Practical Issues Task Force No. 42, the Company does not expect the adoption of Practical Issues Task Force No. 42 to have an impact on its results of changes in accounting policies.