



## Second Quarter Financial Results for Fiscal Year 2016 (Apr 1 - Sep 30, 2016)

**AIFUL CORPORATION**  
<http://www.ir-aiful.com>

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# 1 • Financial Results Summary



# Financial Results (1): Highlights (Consolidated & Non-consolidated)



## (Consolidated)

(¥ million)	15/9	16/9	17/3(E)		
			YOY%		YOY%
Operating revenue	43,093	45,221	4.9%	92,900	5.9%
Operating expenses	38,426	42,509	10.6%	85,900	6.0%
Operating income	4,667	2,711	-41.9%	7,000	4.9%
Ordinary income	4,795	2,905	-39.4%	7,000	2.0%
Net income attributable to owners of parent	4,849	2,900	-40.2%	6,800	-3.5%
Loans outstanding <small>(Managed Asset Basis)</small>	361,318	394,398	9.2%	414,000	10.0%
Unsecured loans outstanding	289,552	327,598	13.1%	349,100	13.9%
Installment receivable	83,882	90,042	7.3%	98,900	9.7%
Credit guarantee	73,511	73,463	-0.1%	83,500	13.7%

## (Non-consolidated)

(¥ million)	15/9	16/9	17/3(E)		
			YOY%		YOY%
Operating revenue	27,283	28,657	5.0%	59,100	7.2%
Operating expenses	24,869	27,410	10.2%	55,300	7.5%
Operating income	2,413	1,247	-48.3%	3,700	0.0%
Ordinary income	3,398	1,429	-57.9%	4,200	-16.2%
Net income	3,469	1,687	-51.4%	4,700	-11.0%


## Financial Results (2): Consolidated Summary



(¥ million)	15/9	16/9	YOY	
			YOY	YOY%
Operating revenue	43,093	45,221	2,127	4.9%
Interest income	21,745	23,327	1,582	7.3%
Revenue from installment receivable	7,104	7,564	460	6.5%
Revenue from credit guarantee	6,301	6,236	-65	-1.0%
Operating expenses	38,426	42,509	4,083	10.6%
Financial expenses	3,686	3,959	273	7.4%
Cost of sales	658	1,092	433	65.8%
Credit cost	7,940	10,642	2,701	34.0%
(Bad debt write-offs)	11,477	11,283	-194	-1.7%
Expenses for Interest repayment	-	-	-	-
(Interest repayment)	16,419	14,984	-1,434	-8.7%
Other operating expenses	26,140	26,815	674	2.6%
Advertising expenses	1,825	1,748	-77	-4.2%
Personnel expenses	6,616	7,086	470	7.1%
Sales promotion expenses	3,852	3,775	-76	-2.0%
Operating income	4,667	2,711	-1,955	-41.9%
Non-operating income	143	356	212	147.7%
Ordinary income	4,795	2,905	-1,889	-39.4%
Net income attributable to owners of parent	4,849	2,900	-1,948	-40.2%


## Financial Results (3): Summary of AIFUL




 (¥ million)	15/9	16/9	YOY	YOY%
	Operating revenue	27,283	28,657	1,374
Interest income	17,983	19,532	1,549	8.6%
Revenue from credit guarantee	5,670	5,602	-67	-1.2%
Recovery of loans previously charged off	3,010	2,769	-240	-8.0%
Operating expenses	24,869	27,410	2,540	10.2%
Financial expenses	2,987	3,116	129	4.3%
Credit cost	6,356	8,555	2,198	34.6%
(Bad debt write-offs)	9,597	9,470	-127	-1.3%
Expenses for interest repayment	-	-	-	-
(Interest repayment)	15,729	14,197	-1,531	-9.7%
Other operating expenses	15,526	15,738	212	1.4%
Operating income	2,413	1,247	-1,165	-48.3%
Ordinary income	3,398	1,429	-1,968	-57.9%
Net income	3,469	1,687	-1,781	-51.4%
Loans outstanding (Managed Asset Basis)	275,892	306,418	30,525	11.1%
Unsecured loans outstanding	245,403	282,724	37,320	15.2%
Credit guarantee	78,119	78,675	555	0.7%
Customer accounts (thousands)	638	694	55	8.8%
Average yield of operating loans	15.3%	14.7%	-0.6pt	-
Below 18% unsecured loan balance's occupancy rate	94.3%	96.4%	+2.1%	-

## Financial Results (4): Summary of LIFECARD and BUSINEXT



 ( ¥ million )	15/9	16/9		
			YOY	YOY%
Operating revenue	13,810	14,152	342	2.5%
Operating expenses	12,763	12,905	142	1.1%
Operating income	1,047	1,247	200	19.1%
Ordinary income	1,071	1,477	406	37.9%
Net income	1,269	1,687	417	32.9%
Loans outstanding (Managed Asset Basis)	44,382	45,108	725	1.6%
Installment receivables	82,406	89,048	6,641	8.1%

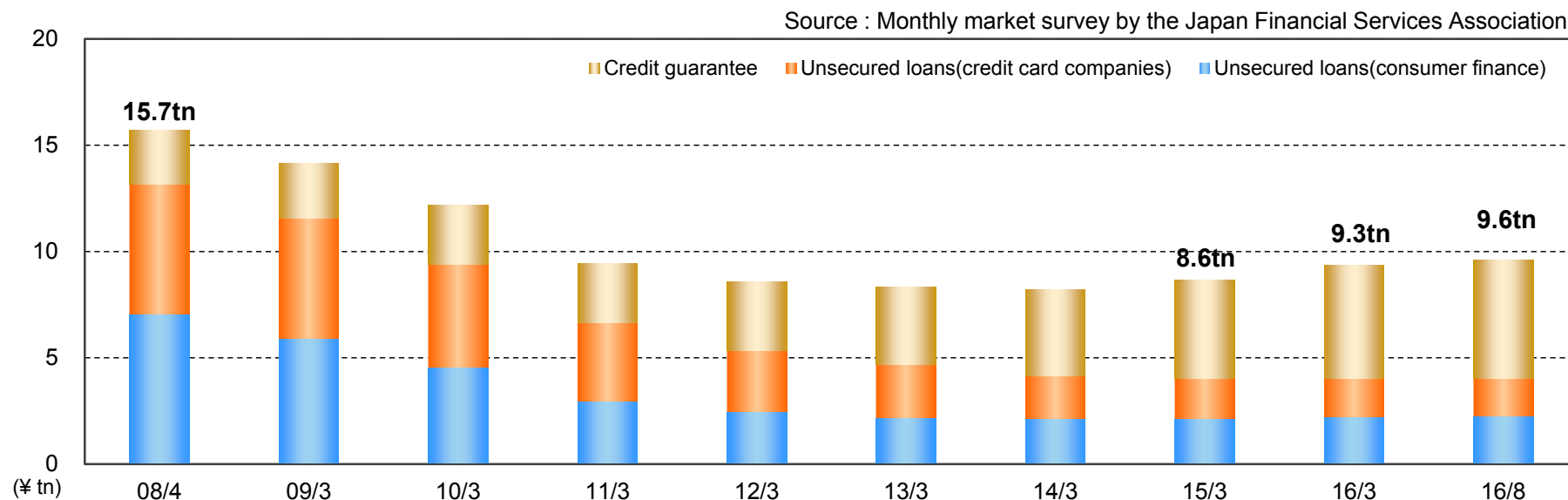
 ( ¥ million )	15/9	16/9		
			YOY	YOY%
Operating revenue	916	1,078	162	17.7%
Operating expenses	903	1,109	206	22.8%
Operating income	12	-30	-43	-
Ordinary income	84	28	-55	-66.3%
Net income	66	-26	-93	-
Loans outstanding (Managed Asset Basis)	41,042	42,872	1,829	4.5%
Customer accounts (thousands)	22	23	1	5.6%

## 2. Business Environment

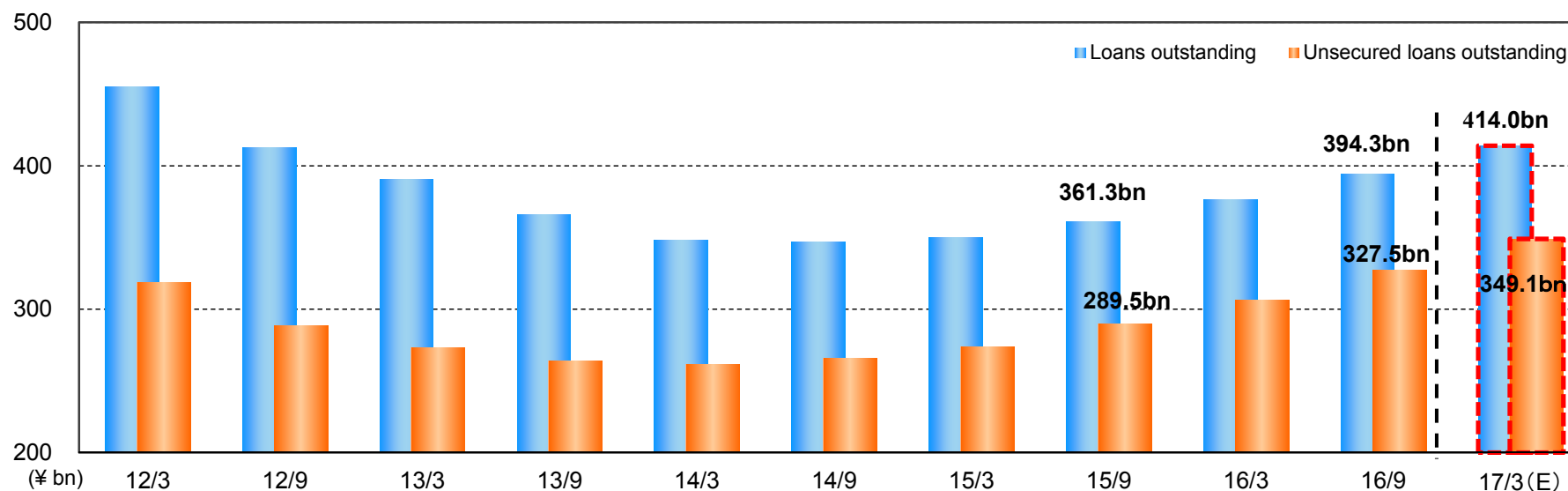




## ◆ Trends of Unsecured Consumer Loans Market



## ◆ Trends of Operating Loans Outstanding (AIFUL consolidated basis)





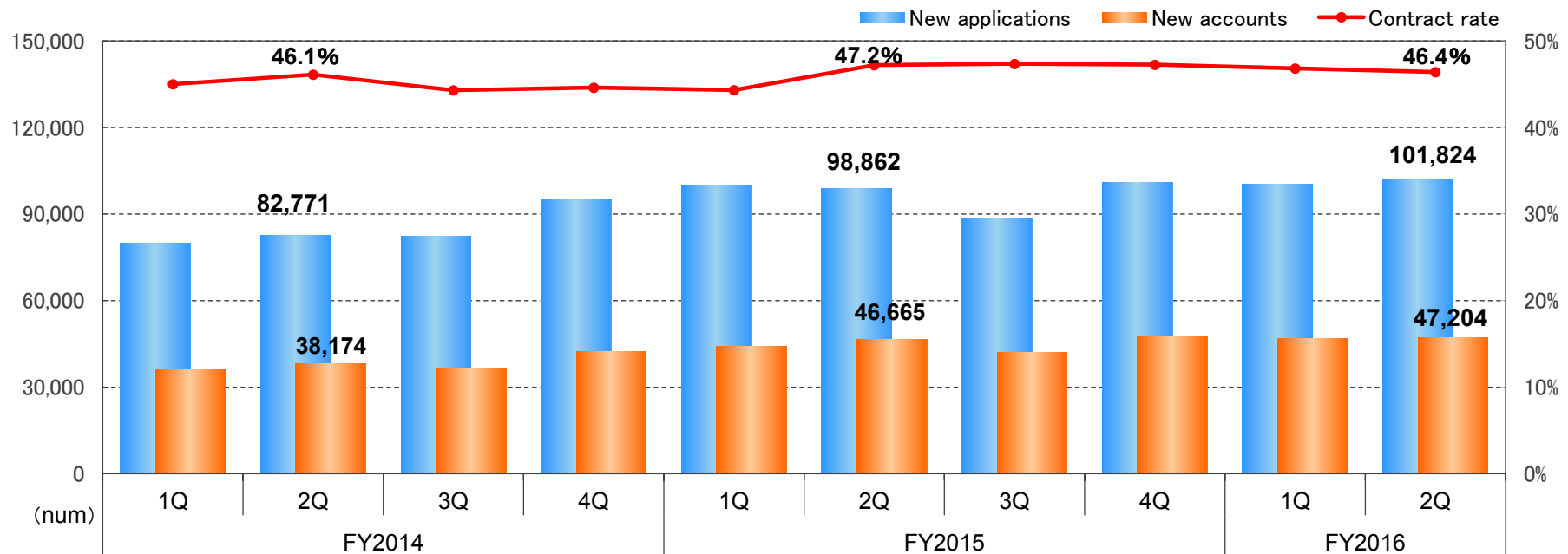


## ◆ Situation of Unsecured Loans' New Accounts

	FY2015			FY2016			YOY
	1Q(3M)	2Q(3M)	TOTAL	1Q(3M)	2Q(3M)	TOTAL	
New applications (num)	99,969	98,862	198,831	100,336	101,824	202,160	1.7%
New accounts (num)	44,292	46,665	90,957	46,964	47,204	94,168	3.5%
Contract rate (%)	44.3%	47.2%	45.7%	46.8%	46.4%	46.6%	+0.9pt

Italic Font = Increase or Decrease

## ◆ Trends of New applications, New accounts and Contract rate of Unsecured loans

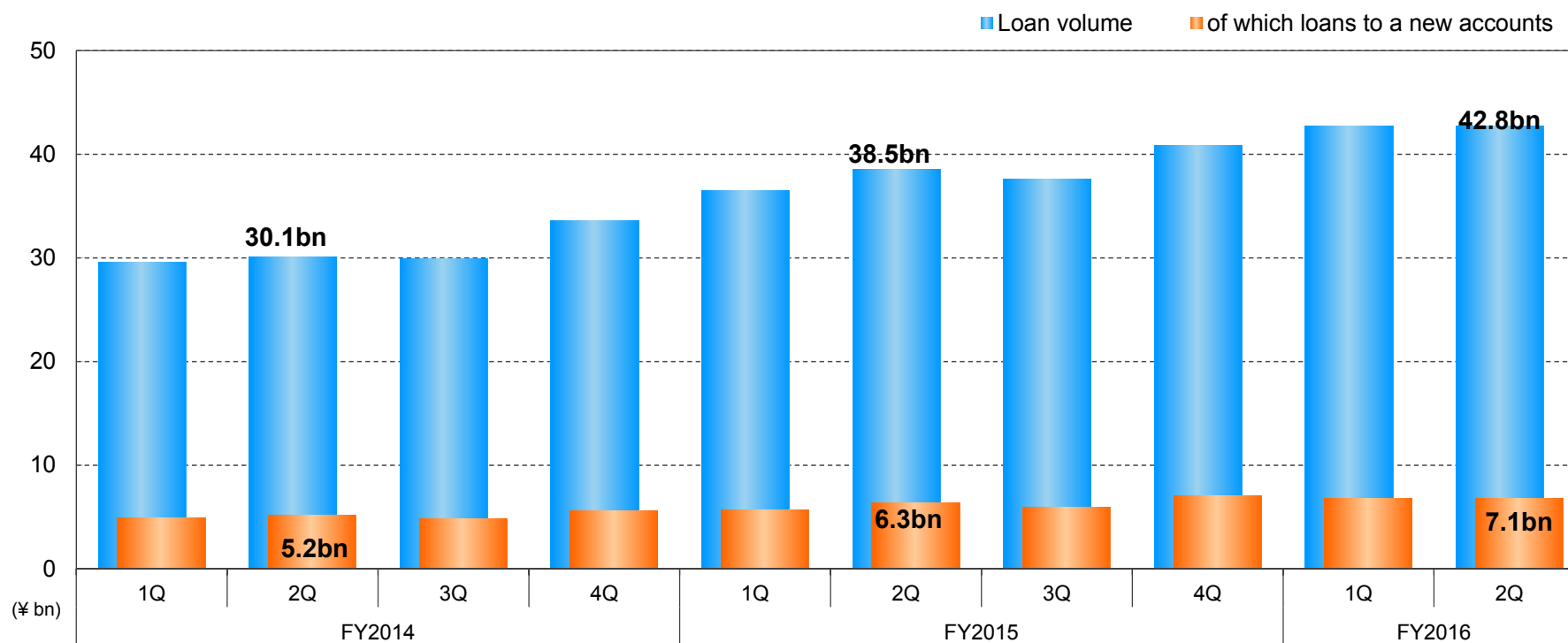




## ◆ Situation of Loan Volume

(¥ million)	FY2015			FY2016			YOY
	1Q(3M)	2Q(3M)	TOTAL	1Q(3M)	2Q(3M)	TOTAL	
Loan volume	36,476	38,565	75,041	42,711	42,831	85,542	14.0%
Loans to a new accounts	5,695	6,396	12,092	6,852	7,133	13,985	15.7%
Loans to a existing accounts	30,780	32,168	62,948	35,858	35,698	71,556	13.7%

## ◆ Trends of Loan Volume



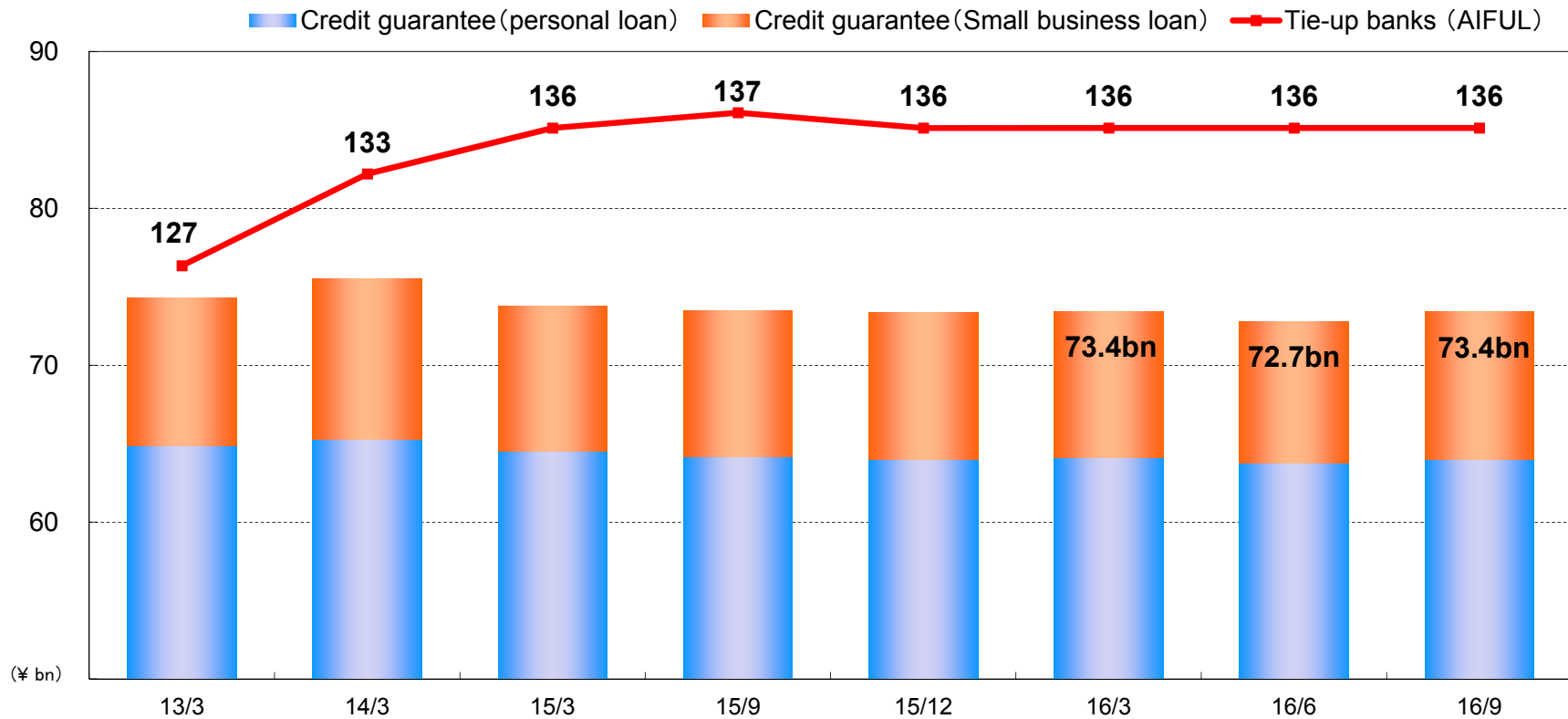


## ◆ Trends of Credit Guarantee Outstanding

(¥ million)	13/3	14/3	15/3	15/9	16/3	16/9	YOY
Credit guarantee	74,440	75,558	73,874	73,511	73,411	73,463	-0.1%

(Managed Asset Basis)

## ◆ Trends of Credit Guarantee Outstanding



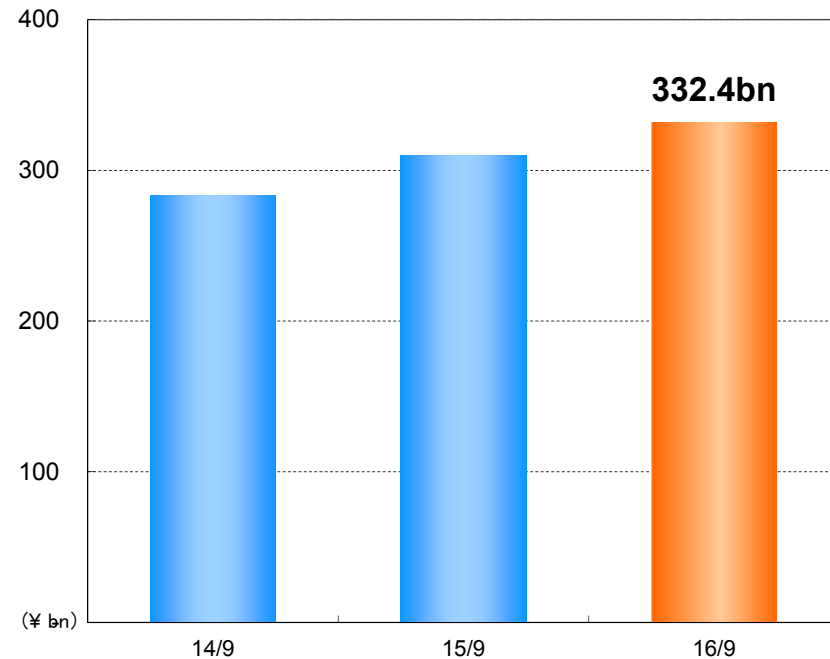
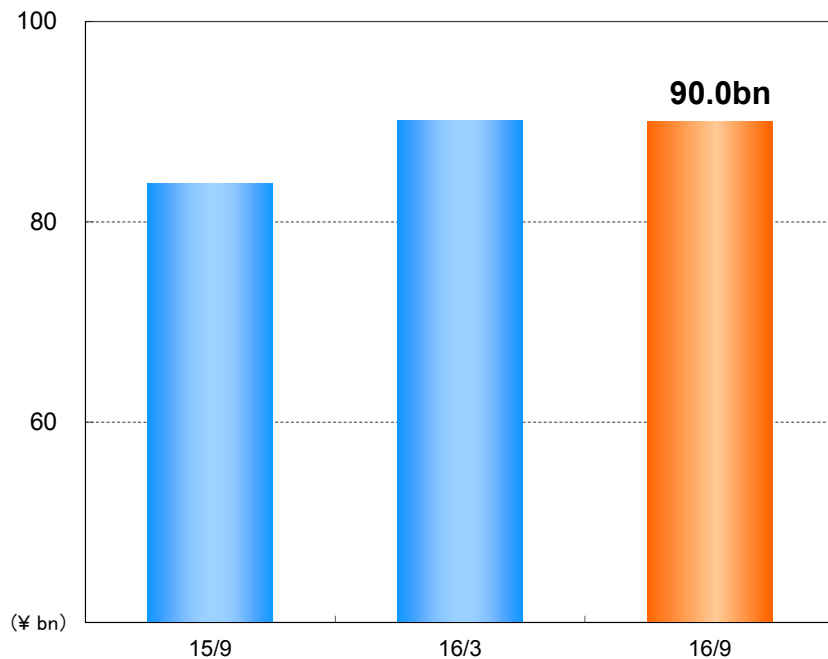


## ◆ Trends of Installment receivable (consolidated) ◆ Trends of Purchase result (LIFECARD)

(¥ million)	15/9	16/3	16/9	YOY	(¥ million)	14/9	15/9	16/9	YOY
Installment receivable	83,882	90,166	90,042	7.3%	Purchase result	283,655	310,127	332,473	7.2%

(Managed Asset Basis)

## ◆ Trends of Installment receivable (consolidated) ◆ Trends of Purchase result (LIFECARD)



# Trends of Non-performing loans (1): Status of Bad Debt Write-offs



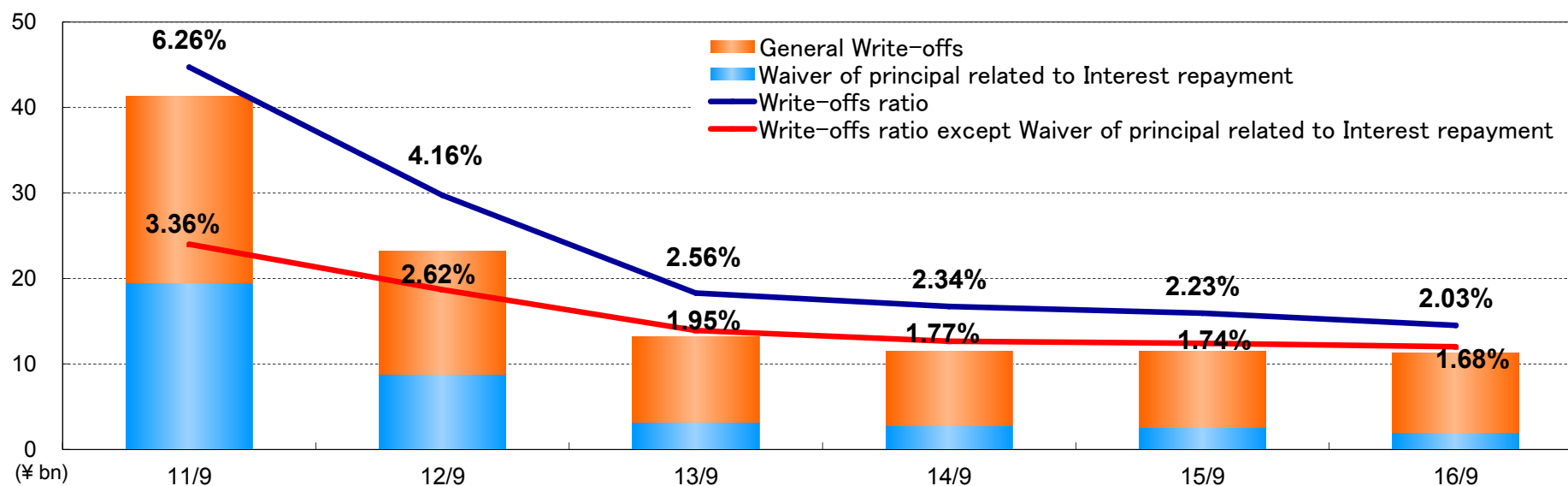
## ◆ Amount of Write-offs and Write-offs Ratio for Total Receivable Outstanding

(Consolidated)

(Non-consolidated)

(¥ million)	15/9	16/9	YOY	15/9	16/9	YOY
	(6M)	(6M)		(6M)	(6M)	
<b>(1) Write-offs</b>	11,477	11,283	-1.7%	9,597	9,470	-1.3%
Waiver of principal related to Interest repayment	2,598	1,997	-23.1%	2,598	1,997	-23.1%
General write-offs (other than interest repayment)	8,878	9,285	4.6%	6,998	7,472	6.8%
<b>(2) Specific allowance for doubtful accounts</b>	228	187	-17.8%	220	193	-12.5%
<b>Total Write-offs (1)+(2)</b>	11,705	11,470	-2.0%	9,818	9,663	-1.6%
<b>Write-offs ratio</b>	2.23%	2.03%	-0.20pt	2.72%	2.47%	-0.25pt

(Consolidated)



# Trends of Non-performing loans (2) : Trends of NPL defined by FSA



## ◆ Trends of NPL defined by FSA

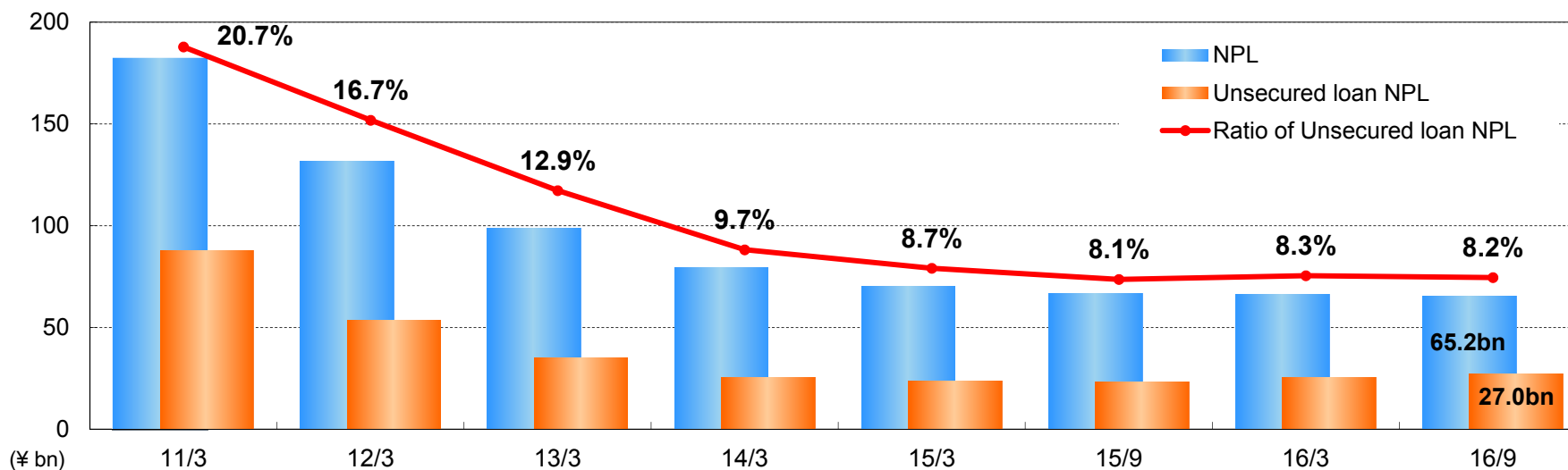
(Consolidated)

(¥ million)	15/9	16/9	YOY
Total non-performing loans	66,625	65,263	-2.0%
Loans in legal bankruptcy	32,050	29,821	-7.0%
Non-accrual loans	21,455	22,499	4.9%
Loans past due for three months or more	3,328	4,322	29.9%
Restructured loans	9,790	8,619	-12.0%
Ratio of loan outstanding and claims in bankruptcy NPL	16.9%	15.4%	-1.5pt
Ratio of Unsecured loan NPL	8.1%	8.2%	+0.1pt

(Non-consolidated)

	15/9	16/9	YOY
Total non-performing loans	62,082	60,609	-2.4%
Loans in legal bankruptcy	32,015	29,790	-7.0%
Non-accrual loans	19,677	20,841	5.9%
Loans past due for three months or more	3,098	4,054	30.9%
Restructured loans	7,290	5,921	-18.8%
Ratio of loan outstanding and claims in bankruptcy NPL	20.1%	18.0%	-2.1pt
Ratio of Unsecured loan NPL	8.5%	8.5%	0.0pt

(Consolidated)

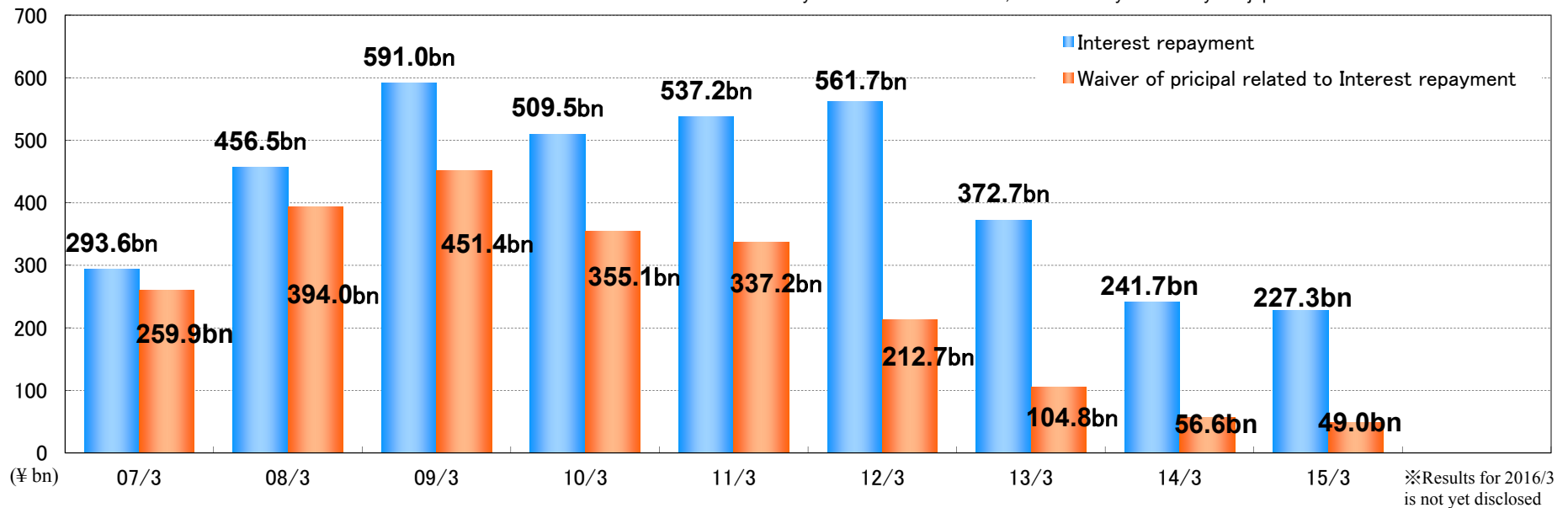


# Trends of Interest Repayment (1) : Trends in the Interest Repayment Obligations

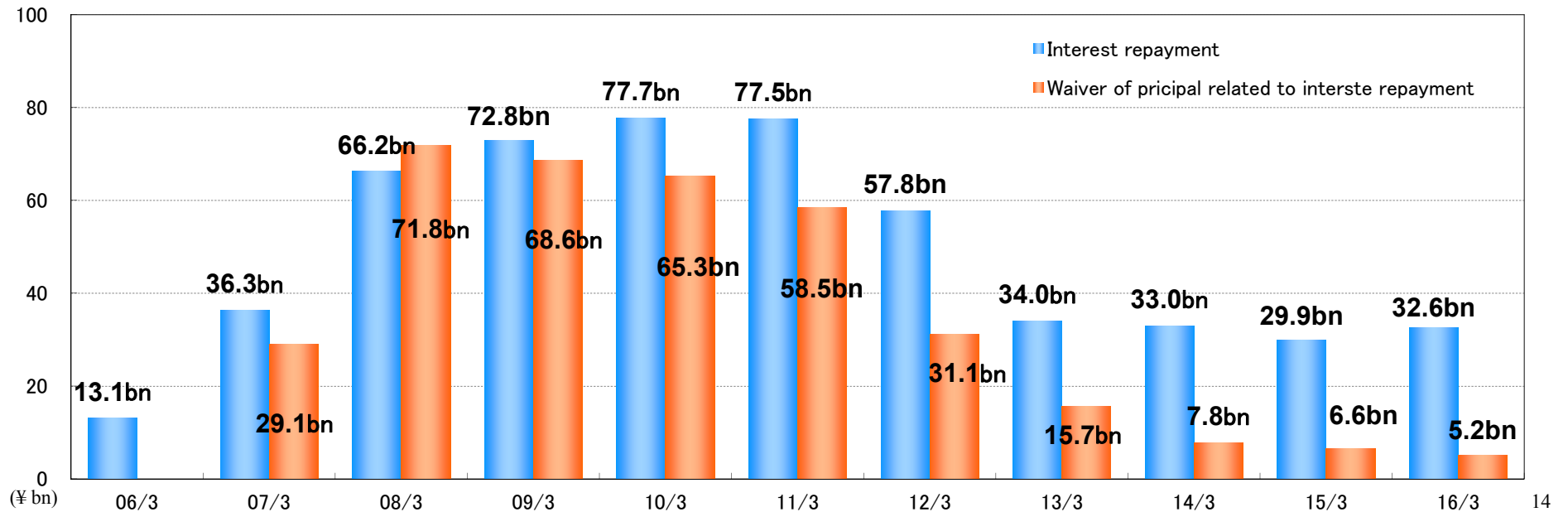


## ◆ Industry interest repayment obligations

Source: Survey on Business Conditions, etc. of money lenders by the Japan Financial Services Association

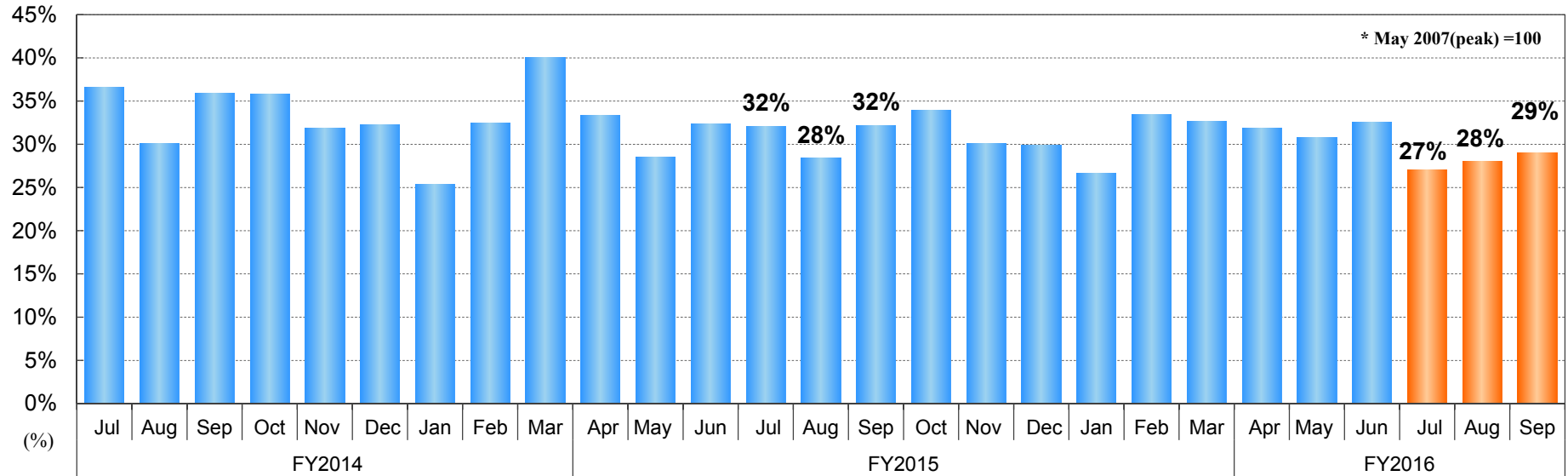


## ◆ Interest repayment obligations (AIFUL consolidated basis)

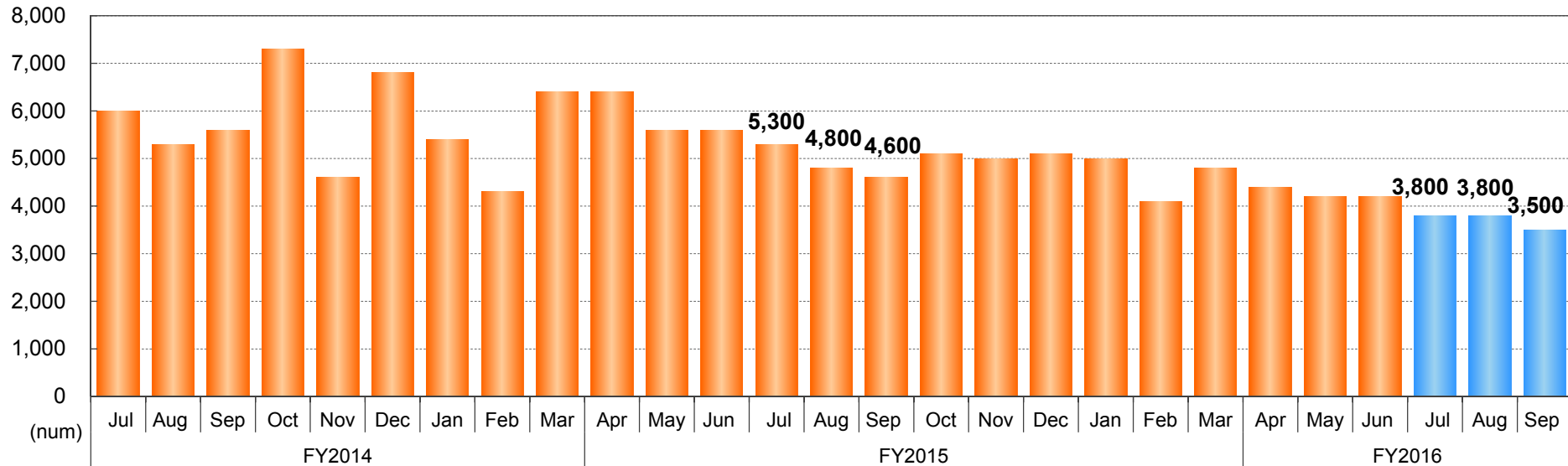




## ◆ Monthly Figure of Attorney Involvement (non-consolidated)



## ◆ Monthly Interest Repayment Claims (non-consolidated)]







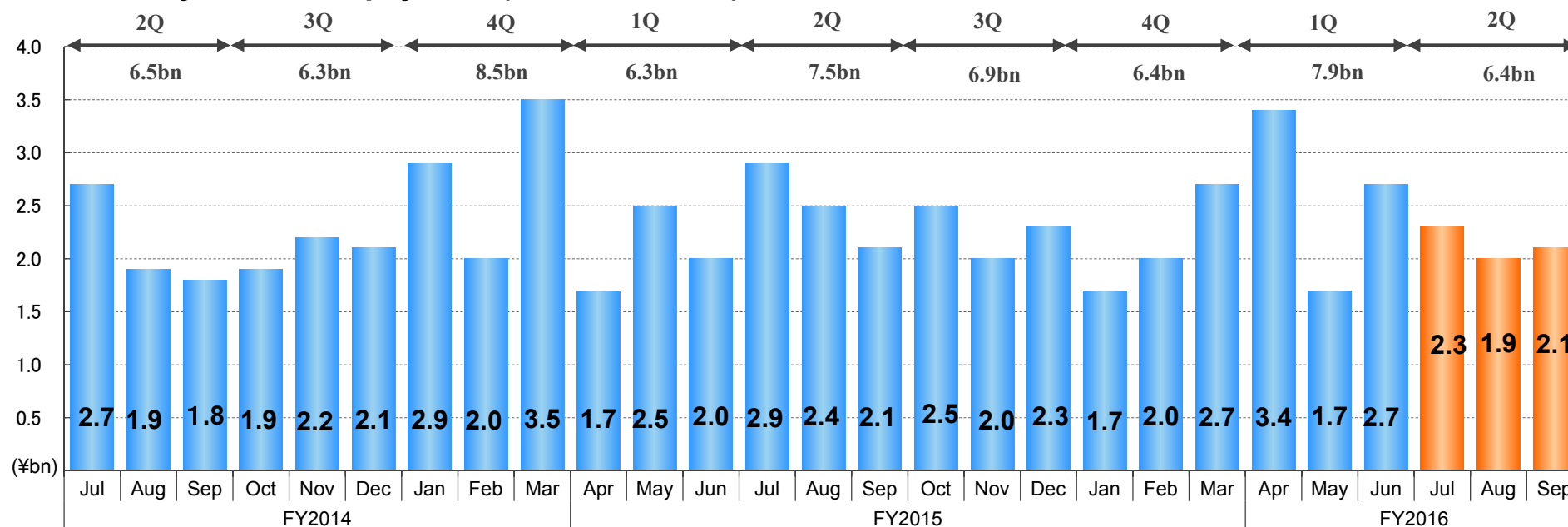
## ◆ Allowance for losses on Interest repayment

(Consolidated)

(Non-consolidated)

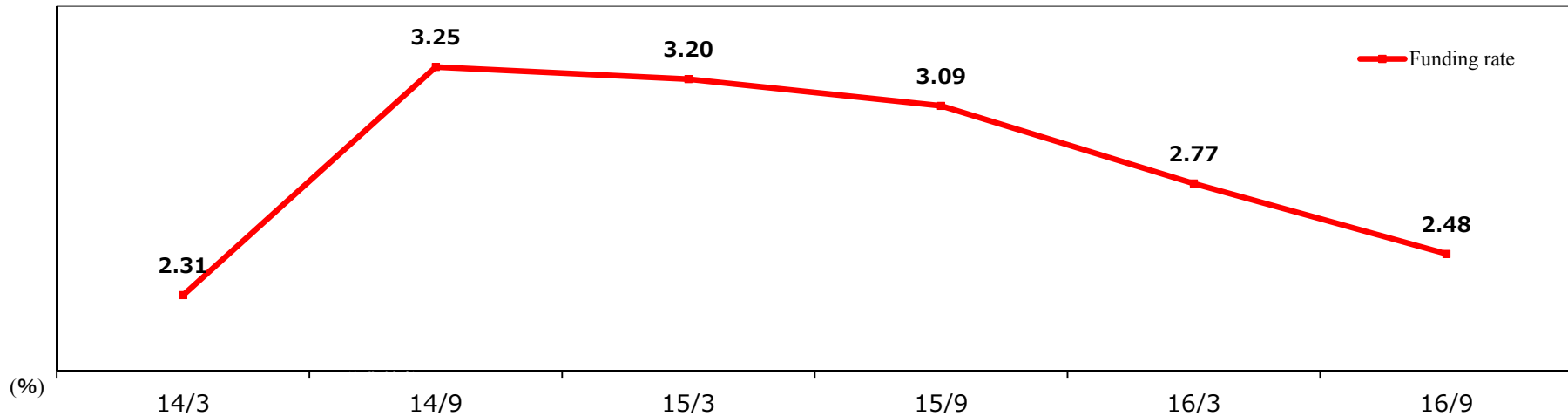
(¥ million)	Interest repayment	Waiver of principal	Total	Interest repayment	Waiver of principal	Total
Allowance at the beginning of FY2016	63,438	12,434	75,873	58,000	12,434	70,435
Reversal (Interest repayment)	14,984	-	14,984	14,197	-	14,197
Reversal (Waiver of principal)	139	1,997	2,137	-	1,997	1,997
Provisions	-	-	-	-	-	-
Allowance at the end of FY2016	48,314	10,437	58,752	43,803	10,437	54,240

## ◆ Monthly Interest Repayment (Cash out basis) : Non-consolidated

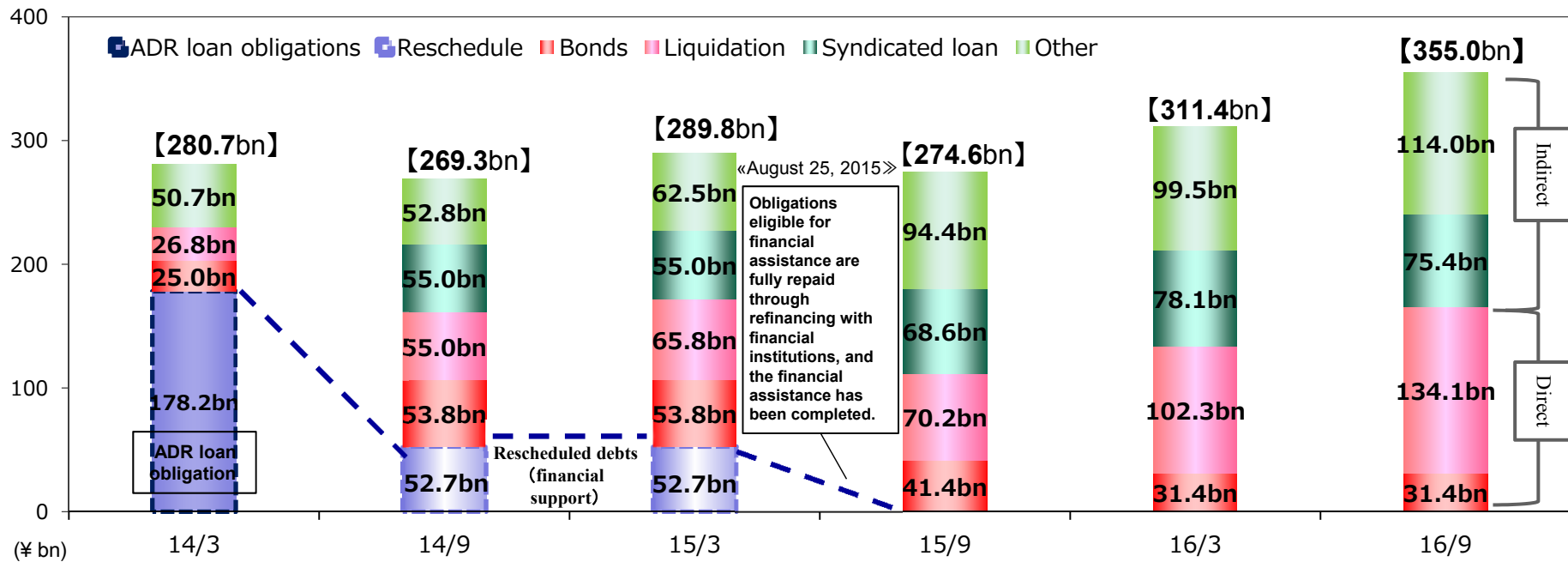




## ◆ Trends of Funding rate




## ◆ Increase/Decrease in Consolidated Interest - Bearing Liabilities




### 3. Financial results of LIFECARD



 (¥ million)	15/9	16/9	YOY	
			YOY	YOY%
Operating revenue	13,810	14,152	342	2.5%
Installment receivable	7,043	7,484	440	6.3%
Credit card	7,042	7,843	440	6.3%
Loans	2,887	2,794	-92	-3.2%
with Credit card	2,142	2,086	-55	-2.6%
Credit guarantee	631	633	1	0.3%
Other operating revenue	3,247	3,240	-7	-0.2%
Operating expenses	12,763	12,905	142	1.1%
Financial expenses	1,377	839	-537	-39.0%
Credit cost	1,435	1,861	426	29.7%
Interest repayment	-	-	-	-
Other operating expenses	9,950	10,203	253	2.5%
Operating income	1,047	1,247	200	19.1%
Non-operating income	27	260	233	860.7%
Ordinary income	1,071	1,477	406	37.9%
Net income	1,269	1,687	417	32.9%

## LIFECARD (2): Overview of Company's Operating Base



 (¥ million)	15/9	16/9	YOY	
			YOY	YOY%
Number of new issue (thousands)	227	236	8	3.9%
Proper	61	66	4	6.6%
Affinity	165	169	4	2.9%
Number of card holders (thousands)	6,140	6,291	150	2.5%
Credit card purchase results	310,127	332,473	22,345	7.2%
Shopping	289,415	311,809	22,393	7.7%
Cashing	20,711	20,663	-47	-0.2%
Total receivable outstanding	148,505	155,641	7,135	4.8%
Installment receivable	82,406	89,048	6,641	8.1%
Loans	44,382	45,108	725	1.6%
Credit guarantee	21,145	20,791	-354	-1.7%
Other	570	694	123	21.6%
Bad debt write-offs	1,717	1,678	-39	-2.3%
Ratio of bad debt write-offs (%)	1.16%	1.08%	-0.08pt	-

## 4. Explanation of figures



## Explanation Figures (1): Breakdown of Consolidated operating revenue



(¥ million)	15/9	16/9	YOY%	Reasons for increase/ decrease
<b>Operating revenue</b>	<b>43,093</b>	<b>45,221</b>	<b>4.9%</b>	
<b>Interest income</b>	<b>21,745</b>	<b>23,327</b>	<b>7.3%</b>	Off-balance sheet loans outstanding were ¥333.9 bn (up ¥34.5bn yoy).
<b>AIFUL</b>	<b>17,983</b>	<b>19,532</b>	<b>8.6%</b>	Off-balance sheet loans outstanding were ¥273.6 bn (up ¥32.8bn yoy). Breakdown of loans outstanding were: >unsecured loan ¥251.4bn (up ¥41.0bn yoy) >secured loan ¥18.9bn (down ¥6.0bn yoy) >small business loan: ¥3.3bn (down ¥2.1bn yoy).
<b>LIFECARD</b>	<b>2,887</b>	<b>2,794</b>	<b>-3.2%</b>	Off-balance sheet loans outstanding stood at ¥43.4bn (up ¥0.1bn yoy)
<b>BUSINEXT</b>	<b>875</b>	<b>1,000</b>	<b>14.4%</b>	Off-balance sheet loans outstanding stood at ¥16.8bn (up ¥1.5bn yoy).
<b>Revenue from Installment receivable</b>	<b>7,104</b>	<b>7,564</b>	<b>6.5%</b>	Credit card shopping purchases increased by ¥22.3bn compare to year on year basis ¥332.4bn.
<b>Revenue from credit guarantee</b>	<b>6,301</b>	<b>6,236</b>	<b>-1.0%</b>	Credit guarantees outstanding on a off-balance sheet basis amounted to ¥112.1bn (up ¥0.8bn yoy).
<b>Other operating income</b>	<b>7,941</b>	<b>8,092</b>	<b>1.9%</b>	
<b>Recovery of loans previously charged off</b>	<b>3,125</b>	<b>2,907</b>	<b>-7.0%</b>	Reduction in recovery of loans previously charged off together with a reduction in written-off bad debt.
<b>Collection from purchased receivables</b>	<b>988</b>	<b>1,386</b>	<b>40.3%</b>	Collection from purchased receivables at Astry Loan Service

## Explanation Figures (2): Breakdown of Consolidated operating expenses and income



(¥ million)	15/9	16/9	YOY%	Reasons for increase/ decrease
Operating expenses	38,426	42,509	10.6%	
Financial expenses	3,686	3,959	7.4%	Due to increase in the borrowings
Cost of purchased receivables	614	1,067	73.7%	Tied to collection from purchased receivables at AsTry Loan Service
Credit cost	7,940	10,642	34.0%	Increased by ¥2.7bn year on year, due to a rise in the operating loan balance
Expenses related to interest repayment	-	-	-	
Advertising expenses	1,825	1,748	-4.2%	Advertising expenses for TV ads, etc. (¥1.4bn yen at AIFUL)
Personnel expenses	6,616	7,086	7.1%	Due to active employ, including new graduate
Other	17,742	18,005	1.5%	
Sales promotion expenses	3,852	3,775	-2.0%	Expenses mainly for web (affiliate) advertising (¥3.1bn at AIFUL)
Provision for credit card point redemption	1,631	1,707	4.7%	Allowance for credit card point redemption at LIFE CARD
Commission	5,449	5,808	6.5%	Due to increase in total receivable outstanding
Rental expenses & land rent	1,153	1,210	4.9%	Due to increase in the number of branches
Supplies, repair and maintenance	1,062	963	-9.3%	
Communications	1,199	1,245	3.8%	
Depreciation expenses	1,121	1,108	-1.2%	
Consumption taxes	1,265	1,294	2.3%	
Operating income	4,667	2,711	-41.9%	



## Explanation Figures (3): Breakdown of Consolidated extraordinary income/ loss, and Others



(¥ million)	15/9	16/9	YOY%	Reasons for increase/ decrease
Non-operating income	143	356	147.7%	Due to posting a gain on reversal of guarantee deposits received at LIFE CARD
Non-operating expenses	15	162	926.4%	Due to posting a foreign exchange loss at AIFUL
Ordinary income	4,795	2,905	-39.4%	
Net income before taxes	4,795	2,905	-39.4%	
Income taxes-current	27	150	437.3%	
Income taxes-deferred	-82	-145	-	
Net income attributable to owners of parent	4,849	2,900	-40.2%	