



(Translation for reference only)

November 12, 2018

Consolidated Financial Results for the Second Quarter of Fiscal Year 2018 For the Six Months Ended September 30, 2018 (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, 2018
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 2018 (April 1, 2018 – September 30, 2018)

(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, 2018	56,425	14.6%	4,755	121.4%	5,404	126.8%	5,188	52.5%
September 30, 2017	49,252	8.9%	2,148	(20.8)%	2,383	(18.0)%	3,402	17.3%

Note: Comprehensive income: For the six months ended
September 30, 2018: 4,360 million yen 39.7%
September 30, 2017: 3,122 million yen 20.6%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended		
September 30, 2018	10.73	—
September 30, 2017	7.03	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
September 30, 2018	734,028	123,766	16.2
March 31, 2018	682,645	119,407	16.7

Reference: Shareholders' equity: As of September 30, 2018: 118,983 million yen
As of March 31, 2018: 114,214 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, 2018	—	0.00	—	0.00	0.00
FY ending March 31, 2019	—	0.00			
FY ending March 31, 2019 (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, 2019

(April 1, 2018 – March 31, 2019)

(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, 2019	115,300	(0.1)%	15,500	522.0%	16,100	470.3%	15,000	279.0%	31.01

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the six months ended September 30, 2018

(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: 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)

FY2018 2Q	484,620,136 shares	FY2017	484,620,136 shares
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(b) Number of treasury stock at the end of the period

FY2018 2Q	917,138 shares	FY2017	917,138 shares
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(c) Average number of shares during the period

FY2018 2Q	483,702,998 shares	FY2017 2Q	483,702,653 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, 2018, Japanese economy experienced gradual recovery as a result of improvement in employment and income environment. However, the outlook for the economy continued to be uncertain, due to the U.S. policies and their accompanying impact on developments in emerging countries and countries with natural resources.

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, still require close monitoring even though they have declined significantly from their peak and the downward trend became more apparent.

In this environment, the AIFUL group will continue working to expand operating assets on a group-wide basis and diversify the financial services business, 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 six months ended September 30, 2018, rose 14.6% compared with the corresponding period of the previous fiscal year, to 56,425 million yen. The principal components were 32,154 million yen in interest on loans (up 19.3% year on year), 7,897 million yen in revenue from the credit card business (up 0.6% year on year) and 6,768 million yen in revenue from the credit guarantee business (up 5.2% year on year). Also, the collection from purchased receivable were 913 million yen (down 3.2% year on year) and the recoveries of written off claims were 3,183 million yen (up 4.7% year on year).

Operating expenses increased by 4,565 million, or 9.7%, compared with the corresponding period of the previous fiscal year, to 51,669 million yen, chiefly due to 2,965 million yen, or 22.7% increase of provision for allowance for doubtful accounts compared with the corresponding period of the previous fiscal year, to 16,023 million yen.

As a result, AIFUL Group posted operating profit of 4,755 million yen (up 121.4% year on year) and ordinary profit of 5,404 million yen (up 126.8% year on year). Profit attributable to owners of parent stood at 5,188 million yen (up 52.5% year on year), reflecting a loss attributable to non-controlling interests of 242 million yen.

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

In the fiscal year ending March 31, 2019, AIFUL Group expects operating revenue to be 115,300 million yen (down 0.1% year on year), operating profit to be 15,500 million yen (up 522.0% year on year), ordinary profit to be 16,100 million yen (up 470.3% year on year), and profit attributable to owners of parent to be 15,000 million yen (up 279.0% 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

(In millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	29,327	51,954
Operating loans	412,706	437,117
Accounts receivables - installment	97,252	94,732
Operational investment securities	940	1,143
Customers' liabilities for acceptances and guarantees	124,883	132,079
Other operating receivables	6,725	7,111
Purchased receivables	2,874	2,551
Other	14,688	16,212
Allowance for doubtful accounts	(41,344)	(42,402)
Total current assets	648,053	700,499
Non-current assets		
Property, plant and equipment	18,133	17,440
Intangible assets	3,198	3,189
Investments and other assets	13,260	12,898
Total non-current assets	34,592	33,528
Total assets	682,645	734,028
Liabilities		
Current liabilities		
Notes & accounts payable-trade	16,196	17,660
Acceptances and guarantees	124,883	132,079
Short-term loans payable	83,325	85,474
Current portion of bonds	1,300	1,470
Current portion of long-term loans payable	53,482	79,270
Income taxes payable	544	832
Reserves	3,798	4,109
Other	23,808	18,211
Total current liabilities	307,340	339,107
Non-current liabilities		
Bonds payable	7,200	27,530
Long-term loans payable	220,529	222,400
Provision for loss on interest repayment	24,331	17,629
Other	3,837	3,593
Total non-current liabilities	255,898	271,153
Total liabilities	563,238	610,261
Net Assets		
Shareholders' equity		
Capital stock	143,454	143,454
Capital surplus	13,948	13,948
Retained earnings	(40,208)	(35,020)
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	114,083	119,272
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(184)	(440)
Foreign currency translation adjustment	315	151
Total accumulated other comprehensive income	130	(289)
Shares acquisition rights	234	233
Non-controlling interests	4,957	4,550
Total net assets	119,407	123,766
Total liabilities and net assets	682,645	734,028

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

i. Quarterly Consolidated Statements of Income

(In millions of yen)

	Six months ended Sep 30, 2017 (Apr 1, 2017 to Sep 30, 2017)	Six months ended Sep 30, 2018 (Apr 1, 2018 to Sep 30, 2018)
Operating revenue		
Interest on operating loans	26,958	32,154
Revenue from credit card business	7,849	7,897
Revenue from credit guarantee	6,431	6,768
Other financial revenue	4	8
Other operating revenue	8,007	9,596
Total operating revenue	49,252	56,425
Operating expenses		
Financial expenses	4,015	4,185
Cost of sales	785	703
Other operating expenses	42,302	46,780
Total operating expenses	47,103	51,669
Operating profit	2,148	4,755
Non-operating income		
Dividend income	35	37
Foreign exchange gains	66	71
Rent on real estate	35	38
Gain on sales of investment securities	—	412
Other	106	106
Total non-operating income	244	666
Non-operating expenses		
Interest expenses	—	3
Provision of allowance for doubtful accounts	1	8
Other	7	5
Total non-operating expenses	9	17
Ordinary profit	2,383	5,404
Extraordinary income		
Gain on reversal of shares acquisition rights	701	—
Total extraordinary income	701	—
Profit before income taxes	3,084	5,404
Income taxes - current	68	464
Income taxes - deferred	68	(6)
Total income taxes	137	458
Profit	2,947	4,945
Profit (loss) attributable to non-controlling interests	(454)	(242)
Profit attributable to owners of parent	3,402	5,188

ii. Quarterly Consolidated Statements of Comprehensive Income

(In millions of yen)

	Six months ended Sep 30, 2017 (Apr 1, 2017 to Sep 30, 2017)	Six months ended Sep 30, 2018 (Apr 1, 2018 to Sep 30, 2018)
Profit	2,947	4,945
Other Comprehensive income		
Valuation difference on available-for-sale securities	75	(256)
Foreign currency translation adjustment	99	(329)
Total other comprehensive income	174	(585)
Comprehensive income	3,122	4,360
Comprehensive income attributable to		
Owners of parent	3,526	4,768
Non-controlling interests	(404)	(407)

(3) Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

	Six months ended Sep 30, 2017 (Apr 1, 2017 to Sep 30, 2017)	Six months ended Sep 30, 2018 (Apr 1, 2018 to Sep 30, 2018)
Cash flows from operating activities		
Profit before income taxes	3,084	5,404
Depreciation	1,154	1,305
Increase (decrease) in allowance for doubtful accounts	(776)	757
Increase (decrease) in provision for bonuses	74	353
Increase (decrease) in provision for point card certificates	(640)	(43)
Increase (decrease) in allowance for loss on interest repayment	(12,363)	(6,701)
Interest and dividend income	(69)	(72)
Interest expenses	—	3
Loss (gain) on sales of investment securities	—	(412)
Gain on reversal of shares acquisition rights	(701)	—
Decrease (increase) in interest on loans receivable	(25,177)	(25,133)
Decrease (increase) in accounts receivable – installment	3,648	2,519
Decrease (increase) in other operating receivable	(168)	(385)
Decrease (increase) in purchased receivable	342	322
Decrease (increase) in claims provable in bankruptcy	934	405
Decrease (increase) in work in process	(2,468)	—
Decrease (increase) in other current assets	(1,298)	(1,743)
Increase (decrease) in other current liabilities	1,260	(4,249)
Other	(499)	(124)
Subtotal	(33,663)	(27,794)
Interest and dividend income	69	72
Interest expenses paid	—	(3)
Income taxes refund	6	10
Income taxes paid	(367)	(266)
Cash flow from operating activities	(33,954)	(27,981)
Cash flow from investing activities		
Purchase of property, plant and equipment	(471)	(90)
Purchase of intangible assets	(363)	(296)
Purchase of investment securities	(417)	(514)
Proceeds from sales of investment securities	—	456
Other	(917)	447
Cash flows from investing activities	(2,170)	2
Cash flow from financing activities		
Increase in short-term loans payable	424,688	486,553
Decrease in short-term loans payable	(421,248)	(484,106)
Proceeds from long-term loans payable	76,904	73,130
Repayments of long-term loans payable	(24,991)	(45,371)
Proceeds from issuance of bonds	7,200	20,500
Redemption of bonds	(31,400)	—
Proceeds from issuance of common stock	0	—
Proceeds from share issuance to non-controlling shareholders	2,460	—
Other	(96)	(151)
Cash flows from financing activities	33,517	50,555
Effect of exchange rate changes on cash and cash equivalents	5	50
Net increase (decrease) in cash and cash equivalents	(2,601)	22,626
Cash and cash equivalents at beginning of period	33,560	29,323
Increase in cash and cash equivalents resulting from merger	1,726	—
Cash and cash equivalents at end of period	32,685	51,950

(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)

Not applicable

(Additional Information)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year under review. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.