



(Translation for reference only)

February 10, 2021

Consolidated Financial Results for the Third Quarter of Fiscal Year 2020 For the Nine Months Ended December 31, 2020 (Under Japanese GAAP)

Company name: AIFUL Corporation
 Stock Listing: Tokyo Stock Exchange
 Stock Code: 8515
 URL: <http://aiful.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: February 12, 2021
 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 Third Quarter of Fiscal Year 2020 (April 1, 2020 – December 31, 2020)

(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	
Nine months ended								
December 31, 2020	95,863	2.9%	15,602	35.6%	16,958	38.3%	16,164	37.6%
December 31, 2019	93,192	8.3%	11,506	8.3%	12,225	7.4%	11,749	10.3%

Note: Comprehensive income: For the nine months ended
 December 31, 2020: 16,593 million yen 46.3%
 December 31, 2019: 11,343 million yen 14.1%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended		
December 31, 2020	33.42	—
December 31, 2019	24.29	—

2. Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of			
December 31, 2020	864,494	145,524	16.5
March 31, 2020	860,507	128,931	14.6

Reference: Shareholders' equity: As of December 31, 2020: 143,000 million yen
 As of March 31, 2020: 126,017 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, 2020	—	0.00	—	0.00	0.00
FY ending March 31, 2021	—	0.00	—		
FY ending March 31, 2021 (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, 2021

(April 1, 2020 – March 31, 2021)

(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, 2021	127,800	0.6%	16,400	876.5%	17,600	925.5%	16,500	—	34.11

Note: Revisions to consolidated earnings forecasts: None

IV. Other

(1) Changes in significant subsidiaries during the nine months ended December 31, 2020

(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)

FY2020 3Q	484,620,136 shares	FY2019	484,620,136 shares
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(b) Number of treasury stock at the end of the period

FY2020 3Q	917,396 shares	FY2019	917,346 shares
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(c) Average number of shares during the period

FY2020 3Q	483,702,774 shares	FY2019 3Q	483,702,897 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 first 3 quarters of the fiscal year under review, the Japanese economy continued to recover moderately, reflecting a recovery in consumption activities, which had been stagnant due to the effects of the spread of COVID-19, as a result of various government policies and other factors.

However, the outlook remains unclear due to concerns over the impact on economic activities resulting from the issuance of another declaration of a state of emergency mainly in urban areas, against the backdrop of an increase in the number of people with infections and the nationwide spread of contingencies.

In the consumer finance industry, with the resumption of economic activities, the number of new contracts and the balance of operating loans at major companies are gradually recovering.

In this environment, AIFUL Group is working to diversify its financial business and expand its operating sales assets on a group-wide basis while responding to requests for interest repayment, which is an important management issue, and is implementing management that emphasizes a balance between "safety," "profitability," and "growth potential."

(Overview of the results)

In the first 3 quarters of the current fiscal year, AIFUL group's operating revenues were 95,863 million yen (up 2.9% year-on-year). The principal components were 55,679 million yen in interest on loans (up 4.3% year on year), 14,136 million yen in revenue from the credit card business (up 7.3% year on year) and 10,959 million yen in revenue from the credit guarantee business (down 3.2% year on year).

Operating expenses decreased by 1,425 million yen, or 1.7%, compared with the corresponding period of the previous fiscal year, to 80,261 million yen. This was mainly attributable to a decrease in sales promotion expenses associated with a drop in consumer spending due to the spread of COVID-19 and a decrease in provision for doubtful receivables due to a decrease in operating assets.

As a result, in the first 3 quarters of the current fiscal year, AIFUL Group posted operating profit of 15,602 million yen (up 35.6% year on year) and ordinary profit of 16,958 million yen (up 38.7% year on year). In addition, profit attributable to owners of the parent was 16164 million yen (up 37.6% year on year) , reflecting a loss attributable to non-controlling interests of 187 million yen.

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

The earning forecast for the full fiscal year ending March 31, 2021 has not been changed from the forecast announced on November 11, 2020.

The forecast is 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, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	43,524	42,286
Operating loans	516,960	507,571
Accounts receivables - installment	102,942	103,036
Operational investment securities	1,451	1,777
Customers' liabilities for acceptances and guarantees	157,858	163,953
Other operating receivables	8,858	8,661
Purchased receivables	3,121	2,994
Other	30,612	33,879
Allowance for doubtful accounts	(51,608)	(52,623)
Total current assets	813,722	811,537
Non-current assets		
Property, plant and equipment	19,698	19,084
Intangible assets	4,285	5,368
Investments and other assets	22,800	28,504
Total non-current assets	46,784	52,956
Total assets	860,507	864,494
Liabilities		
Current liabilities		
Notes & accounts payable-trade	37,156	45,978
Acceptances and guarantees	157,858	163,953
Short-term borrowings	103,119	105,760
Current portion of bonds	20,170	20,160
Current portion of long-term borrowings	121,928	134,162
Income taxes payable	2,026	818
Reserves	4,196	3,528
Other	22,925	24,750
Total current liabilities	469,381	499,110
Non-current liabilities		
Bonds payable	15,075	15,000
Long-term borrowings	215,601	182,709
Provision for loss on interest repayment	25,033	15,548
Other	6,484	6,600
Total non-current liabilities	262,194	219,858
Total liabilities	731,576	718,969
Net Assets		
Shareholders' equity		
Capital stock	94,028	94,028
Capital surplus	13,948	13,948
Retained earnings	20,232	36,396
Treasury shares	(3,110)	(3,110)
Total shareholders' equity	125,098	141,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	459	1,489
Foreign currency translation adjustment	459	247
Total accumulated other comprehensive income	918	1,737
Non-controlling interests	2,914	2,524
Total net assets	128,931	145,524
Total liabilities and net assets	860,507	864,494

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

i. Quarterly Consolidated Statements of Income Nine months ended December 31

	(Millions of yen)	
	Nine months ended Dec 31, 2019 (Apr 1, 2019 to Dec 31, 2019)	Nine months ended Dec 31, 2020 (Apr 1, 2020 to Dec 31, 2020)
Operating revenue		
Interest on operating loans	53,363	55,679
Revenue from credit card business	13,176	14,136
Revenue from credit guarantee	11,323	10,959
Other financial revenue	6	4
Other operating revenue	15,323	15,083
Total operating revenue	93,192	95,863
Operating expenses		
Financial expenses	5,496	5,444
Cost of sales	929	901
Other operating expenses	75,260	73,915
Total operating expenses	81,686	80,261
Operating profit	11,506	15,602
Non-operating income		
Interest on loans receivable	219	149
Dividend income	26	32
Share of profit of entities accounted for using equity method	72	145
Foreign exchange gains	226	325
Rent on real estate	63	68
Gain on sales of investment securities	—	367
Subsidy income	—	265
Other	125	106
Total non-operating income	733	1,461
Non-operating expenses		
Interest expenses	3	2
Provision of allowance for doubtful accounts	2	9
Infectious disease related costs	—	88
Other	7	4
Total non-operating expenses	13	105
Ordinary profit	12,225	16,958
Extraordinary income		
Gain on reversal of shares acquisition rights	230	—
Total extraordinary income	230	—
Extraordinary losses		
Loss on the sale of fixed assets	—	91
Loss on retirement of non-current assets	109	—
Total extraordinary losses	109	91
Profit before income taxes	12,346	16,867
Income taxes - current	1,647	1,876
Income taxes - deferred	(111)	(986)
Total income taxes	1,536	889
Profit	10,809	15,977
Profit (loss) attributable to non-controlling interests	(939)	(187)
Profit attributable to owners of parent	11,749	16,164

ii. Quarterly Consolidated Statements of Comprehensive Income
 Nine months ended December 31

	(Millions of yen)	
	Nine months ended Dec 31, 2019 (Apr 1, 2019 to Dec 31, 2019)	Nine months ended Dec 31, 2020 (Apr 1, 2020 to Dec 31, 2020)
Profit	10,809	15,977
Other Comprehensive income		
Valuation difference on available-for-sale securities	292	1,041
Foreign currency translation adjustment	240	(425)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	533	616
Comprehensive income	11,343	16,593
Comprehensive income attributable to		
Owners of parent	12,161	16,983
Non-controlling interests	(818)	(389)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nne months ended Dec 31, 2019 (Apr 1, 2019 to Dec 31, 2019)	Nine months ended Dec 31, 2020 (Apr 1, 2020 to Dec 31, 2020)
Cash flows from operating activities		
Profit before income taxes	12,346	16,867
Depreciation	2,030	2,472
Increase (decrease) in allowance for doubtful accounts	1,018	1,435
Increase (decrease) in provision for bonuses	(657)	(668)
Increase (decrease) in provision for point card certificates	10	—
Increase (decrease) in allowance for loss on interest repayment	(10,325)	(9,484)
Interest and dividend income	(245)	(182)
Interest expenses	3	2
Loss (gain) on sales of investment securities	—	(367)
Share of loss (profit) of entities accounted for using equity method	(72)	(145)
Subsidy income	—	(265)
Gain on reversal of shares acquisition rights	(230)	—
Loss (gain) on the sale of fixed assets	—	91
Loss on retirement of non-current assets	109	—
Decrease (increase) in interest on loans receivable	(40,335)	7,610
Decrease (increase) in accounts receivable – installment	(4,125)	(94)
Decrease (increase) in other operating receivable	(531)	197
Decrease (increase) in purchased receivable	(530)	127
Decrease (increase) in claims provable in bankruptcy	2,830	353
Decrease (increase) in business security deposits	(154)	(3,700)
Decrease (increase) in other current assets	(2,840)	(3,552)
Increase (decrease) in other current liabilities	1,717	11,305
Other	75	489
Subtotal	(39,905)	22,493
Interest and dividend income	258	238
Interest expenses paid	(4)	(1)
Subsidies received	—	250
Income taxes paid	(1,074)	(2,892)
Cash flow from operating activities	(40,725)	20,087
Cash flow from investing activities		
Payments into time deposits	—	(5,001)
Purchase of property, plant and equipment	(334)	(1,662)
Proceeds from the sale of tangible fixed assets	—	200
Purchase of intangible assets	(961)	(2,311)
Proceeds from sales of investment securities	—	539
Other	(1,802)	(279)
Cash flows from investing activities	(3,098)	(8,514)
Cash flow from financing activities		
Increase in short-term borrowings	977,245	1,082,337
Decrease in short-term borrowings	(969,587)	(1,079,133)
Proceeds from long-term borrowings	134,490	73,900
Repayments of long-term borrowings	(110,024)	(94,418)
Proceeds from issuance of bonds	15,000	15,000
Redemption of bonds	(85)	(15,085)
Purchase of treasury shares	(0)	(0)
Other	(448)	(756)
Cash flows from financing activities	46,590	(18,156)

	Nine months ended Dec 31, 2019 (Apr 1, 2019 to Dec 31, 2019)	Nine months ended Dec 31, 2020 (Apr 1, 2020 to Dec 31, 2020)
Effect of exchange rate changes on cash and cash equivalents	(314)	344
Net increase (decrease) in cash and cash equivalents	2,451	(6,239)
Cash and cash equivalents at beginning of period	36,108	43,520
Cash and cash equivalents at end of period	38,559	37,281

(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)

AG MIRAIBARAI CO., LTD., which was established by LIFECARD Co., Ltd., a consolidated subsidiary of the Company, through an incorporation-type company split, has been included in the scope of consolidation starting from the first quarter of the current consolidated fiscal year.

Aiful Medical Finance Co., Ltd., a newly established company, was included into the scope of consolidation from the first six months of the fiscal year ending March 31, 2021.

As of July 1, 2020, the following companies changed their corporate name: BUSINEXT CORPORATION is now AIFUL BUSINESS FINANCE CORPORATION, AsTry Loan Service Corporation is now AG Loan Services Corporation, and LIFE GUARANTEE CO., LTD. is now AIFUL GUARANTEE CO., LTD.

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

Not applicable

(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)

Customer usage of AIFUL Group services is changing owing to COVID-19.

Regarding our assumptions for accounting estimates, mainly for the allowance of doubtful accounts, there are no significant changes from the Securities report (MOF filing) issued for the previous consolidated fiscal year. This decision reflects the impact to operations as of the writing of this report.

In addition, given current conditions, trends for the demand of capital should be closely monitoring going forward. In the event of prolonged impact from COVID-19, there is a possibility actual results will differ from these estimates.