



Financial Results

for the Second Quarter of FY2019/3

AIFUL CORPORATION
November, 2018

◇ Financial Results Summary (Consolidated)



◇ Business Situation

◇ Financial Results of AIFUL

◇ Financial Results of LIFECARD

◇ Reference : Breakdown of Other Operating Revenue/Expenses
(Consolidated)

Forecast for the Fiscal Year ending March 2019 [Consolidated and AIFUL]

(Consolidated)

(¥ million)	17/9	18/9	19/3			
			(E)	YOY	YOY%	
Total operating assets	624,638	698,343	11.8%	746,800	81,131	12.2%
Loans business	442,322	500,508	13.2%	525,500	53,482	11.3%
Unsecured loan	376,397	428,506	13.8%	447,900	43,844	10.9%
Credit card business	94,321	98,022	3.9%	105,200	4,740	4.7%
Credit guarantee business	81,827	92,702	13.3%	108,000	21,535	24.9%
Operating revenue	49,252	56,425	14.6%	115,300	-89	-0.1%
Operating expenses	47,103	51,669	9.7%	99,800	-13,097	-11.6%
Operating profit	2,148	4,755	121.4%	15,500	13,008	522.0%
Ordinary profit	2,383	5,404	126.8%	16,100	13,277	470.3%
Profit attributable to owners of parent	3,402	5,188	52.5%	15,000	11,042	279.0%

(AIFUL)

(¥ million)	17/9	18/9	19/3			
			(E)	YOY	YOY%	
Operating revenue	31,470	35,092	11.5%	71,400	6,737	10.4%
Operating expenses	29,353	31,602	7.7%	59,800	-4,496	-7.0%
Operating profit	2,116	3,490	64.9%	11,500	11,134	-
Ordinary profit	2,483	3,900	57.1%	12,400	11,421	-
Profit	3,300	3,999	21.2%	12,300	9,863	404.7%

Financial Results for the Second Quarter of FY2019/3 [Consolidated]

- ✓ **Operating revenue:** Up 14% YoY to ¥56.4bn driven by increase in interests on operating loans etc.
- ✓ **Operating expenses :** Up 9% YoY to ¥51.6bn driven by increase in provision of allowance for doubtful accounts as operating assets surged.
- ✓ **Ordinary profit:** Up 126% YoY to ¥5.4bn driven by posting a gain on sales of investment securities etc.

(¥ million)	17/9	YOY	18/9	YOY	YOY%
Operating revenue	49,252	8.9%	56,425	7,173	14.6%
Interests on operating loans	26,958	15.6%	32,154	5,195	19.3%
Revenue from installment receivable	7,856	4.5%	7,902	45	0.6%
Revenue from credit guarantee	6,431	3.1%	6,768	336	5.2%
Operating expenses	47,103	10.8%	51,669	4,565	9.7%
Financial expenses	4,015	1.4%	4,185	169	4.2%
Provision of allowance for doubtful accounts	13,057	22.7%	16,023	2,965	22.7%
(Bad debt write-offs)	12,870	14.1%	14,521	1,650	12.8%
Provision for loss on interest repayment	-	-	-	-	-
(Interest repayment)	12,254	-18.2%	6,617	-5,636	-46.0%
Other operating expenses	30,030	7.6%	31,460	1,430	4.8%
Advertising expenses	1,845	5.5%	1,491	-354	-19.2%
Personnel expenses	7,768	9.6%	8,309	540	7.0%
Sales promotion expenses	4,020	6.5%	4,104	84	2.1%
Operating profit	2,148	-20.8%	4,755	2,607	121.4%
Non-operating income	244	-31.3%	666	422	172.7%
Ordinary profit	2,383	-18.0%	5,404	3,021	126.8%
Extraordinary income	701	-	-	-701	-
Profit attributable to owners of parent	3,402	17.3%	5,188	1,785	52.5%

Financial Results for the Second Quarter of FY2019/3 [Group companies]

 AIFUL (¥ million)	18/9	YOY%
Total receivable outstanding	479,822	11.8%
Loans outstanding	380,036	12.3%
Unsecured loan	362,327	13.5%
Credit guarantee	93,166	10.2%
Customer accounts (thousand)	844	11.9%
Operating revenue	35,092	11.5%
Operating profit	3,490	64.9%
Ordinary profit	3,900	57.1%
Profit	3,999	21.2%

 LIFECARD (¥ million)	18/9	YOY%
Total receivable outstanding	166,565	2.6%
Loans outstanding	45,871	-0.7%
Installment receivable	97,575	4.3%
Credit guarantee	22,179	1.9%
Customer accounts (thousand)	5,750	-1.1%
Operating revenue	15,965	9.6%
Operating profit	1,659	59.0%
Ordinary profit	1,748	54.9%
Profit	1,387	81.8%

 BUSINEXT (¥ million)	18/9	YOY%
Loans outstanding	53,619	15.6%
Customer accounts (thousand)	26	9.6%
Operating revenue	1,791	37.3%
Operating profit	-61	-
Ordinary profit	-53	-
Profit	-235	-

 A&A (¥ million)	18/9	YOY%
Loans outstanding	20,980	86.4%
Customer accounts (thousand)	331	72.7%
Operating revenue	2,710	166.8%
Operating profit	-484	-
Ordinary profit	-481	-
Profit	-481	-

* A&A fiscal period is from January 1, to December 31.

Therefore, first half year financial results refer to January 1, to June 30.

◇ Financial Results Summary (Consolidated)

◇ Business Situation



◇ Financial Results of AIFUL

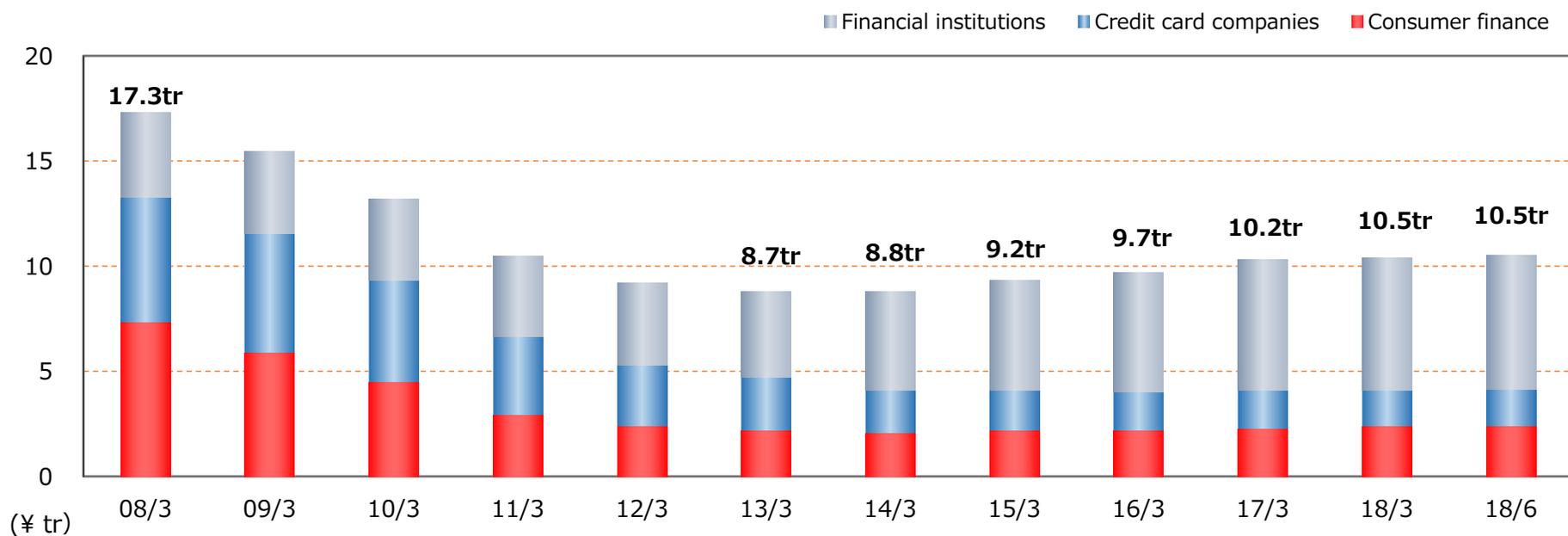
◇ Financial Results of LIFECARD

◇ Reference : Breakdown of Other Operating Revenue/Expenses
(Consolidated)

Loan Business(1) : Trends of Unsecured Consumer Loans Market

- ✓ **Unsecured loans market:** Since bottoming out in FY2014/3, the market has performed steadily, recovering to ¥10.5tr in June 2018, a 2% YoY increase.
- ✓ **Money lenders:** Loans outstanding by lenders have gradually recovered to ¥4.1tr. Of these, consumer finance companies recorded ¥2.4tr, a 4% YoY increase, while credit card companies reported ¥1.7tr, a 2% decrease.

(¥ trillion)	08/3	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3	17/3	18/3	18/6
Unsecured loans market	17.3	15.4	13.2	10.4	9.2	8.7	8.8	9.2	9.7	10.2	10.5	10.5
Financial institutions	4.0	3.9	3.9	3.8	3.9	4.1	4.7	5.2	5.7	6.2	6.4	6.4
Consumer finance	7.3	5.9	4.5	2.9	2.4	2.1	2.1	2.1	2.2	2.3	2.4	2.4
Credit card companies	5.9	5.6	4.8	3.6	2.8	2.5	2.0	1.8	1.7	1.7	1.7	1.7



Source : Consumer finance and Credit card companies :Statistic by the Japan Financial Services Association.
 Financial institutions :Statistic by The Bank of Japan. (Consumer loan outstanding at domestic banks and credit unions)

Loan Business(2) : Operating Loans Outstanding [Consolidated and AIFUL]

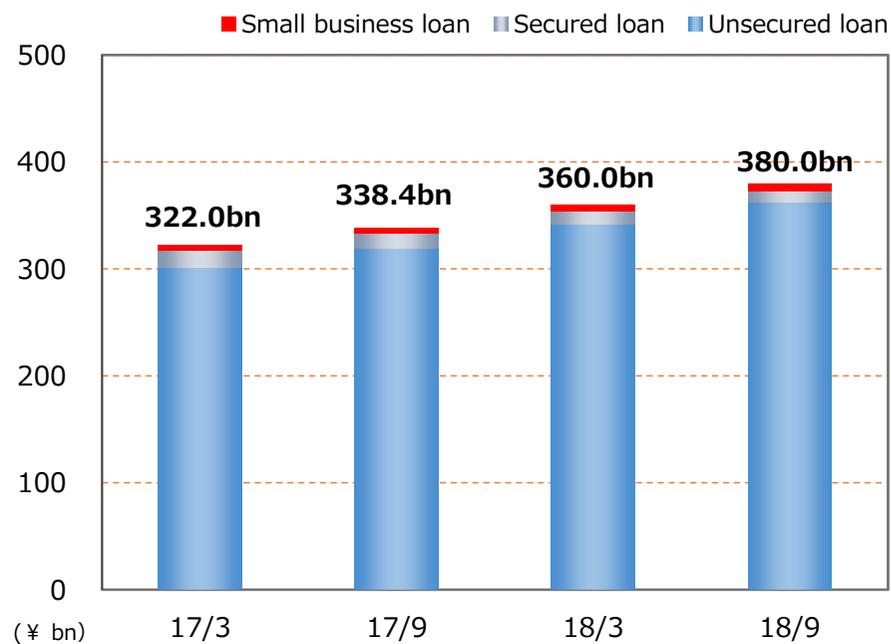
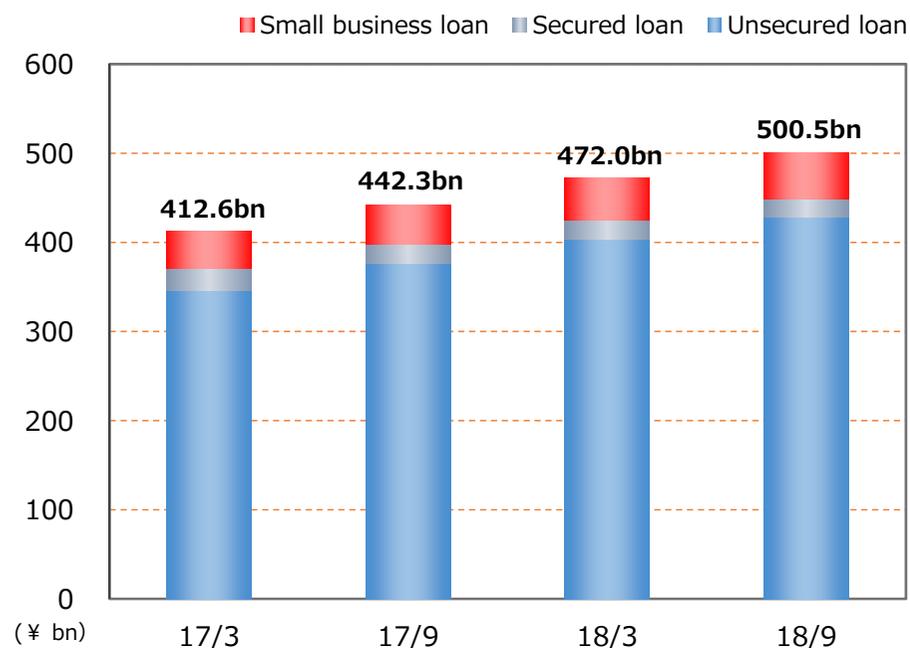
- ✓ **Loan Outstanding:** Performed steadily both on consolidated and non-consolidated (AIFUL parent) basis. Consolidated loans outstanding rose 13% YoY to ¥500.5bn. Of which, unsecured loan surged 13% YoY to ¥428.5bn and small business loan increased 17% YoY to ¥51.3bn.

【Consolidated】

(¥ million)	17/9	18/3	18/9	YOY
Loans outstanding	442,322	472,018	500,508	13.2%
Unsecured	376,397	404,056	428,506	13.8%
Small business	43,828	47,037	51,338	17.1%

【AIFUL】

(¥ million)	17/9	18/3	18/9	YOY
Loans outstanding	338,480	360,031	380,036	12.3%
Unsecured	319,250	341,777	362,327	13.5%
Small business	4,944	5,850	6,961	40.8%



Loan Business(3) : New Accounts and Loan Volume [AIFUL]

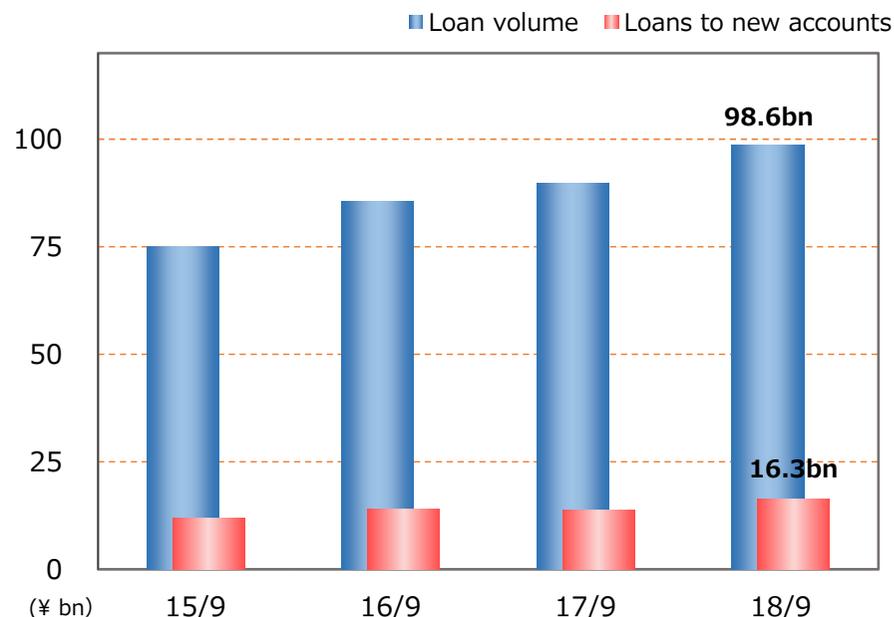
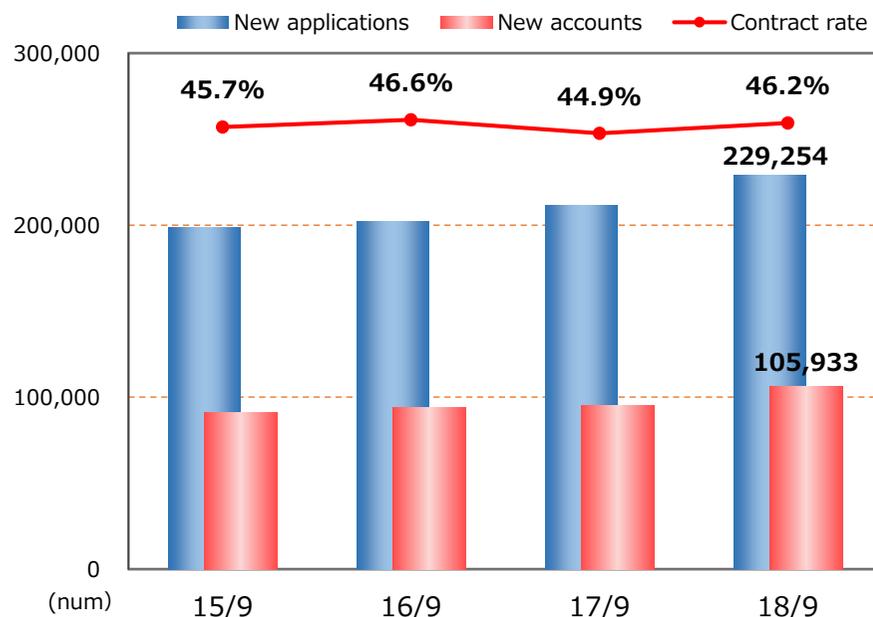
- ✓ **New accounts** : Number of new applications increased 8% YoY to 229 thousand driven by effective advertising such as launching new commercial mainly by TV and websites. Number of new accounts also rose 11% YoY to 105 thousand.
- ✓ **Loan Volume**: Loan volume increased 9% YoY to ¥98.6bn thanks to favorable lending at both new and existing accounts.

【Situation of Unsecured Loans' New Accounts】

(num)	16/9 (6M)	17/9 (6M)	18/9 (6M)	YOY
New applications	202,160	211,343	229,254	8.5%
New accounts	94,168	94,935	105,933	11.6%
Contract rate	46.6%	44.9%	46.2%	+1.3pt

【Situation of Loan Volume】

(¥ million)	16/9 (6M)	17/9 (6M)	18/9 (6M)	YOY
Loan volume	85,542	89,844	98,633	9.8%
New accounts	13,985	13,858	16,387	18.3%
Existing accounts	71,556	75,986	82,246	8.2%



Trends of Non-performing loans 【Consolidated】

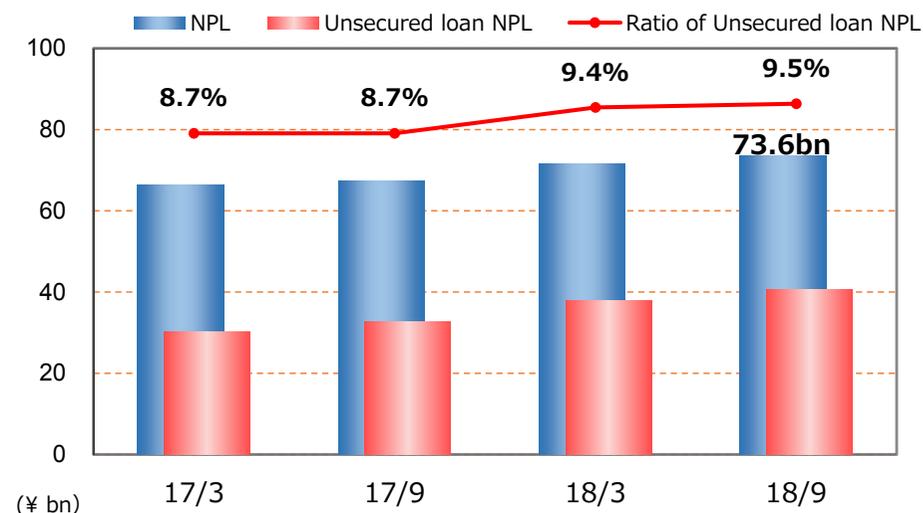
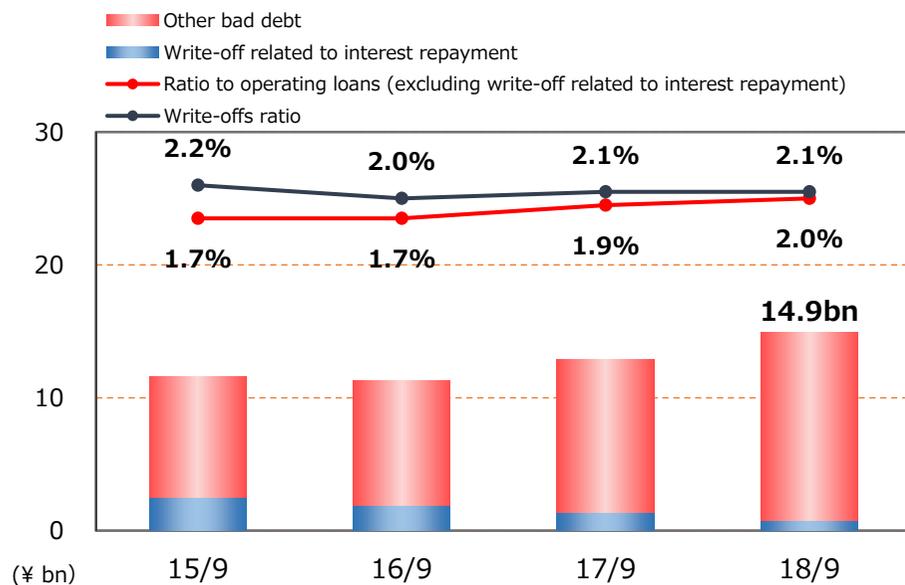
- ✓ **Bad Debt:** Bad debt ratio excluding write-offs accompanying interest repayment remained at low and stable level of 2.0%.
- ✓ **Non performing loan:** Ratio of unsecured loan NPL increased 0.8pt YoY to 9.5%.

【Status of Bad Debt】

(¥ million)	17/9	18/9	YOY
Bad debt	13,033	14,910	14.4%
Bad debt except write-offs related to interest repayment	11,565	14,101	21.9%
Ratio to operating loans	2.1%	2.1%	+0.0pt
Bad debt ratio except write-offs related to interest repayment	1.9%	2.0%	+0.1pt
Total receivable outstanding	624,638	698,343	11.8%

【Trends of NPL defined by FSA】

(¥ million)	17/9	18/9	YOY
NPL amount	67,396	73,656	9.3%
Unsecured loan NPL	32,865	40,762	24.0%
Ratio of NPL*	14.3%	14.0%	-0.3pt
Ratio of Unsecured loan NPL*	8.7%	9.5%	+0.8pt
Operating loans including claims in bankruptcy	470,563	527,668	12.1%



Credit Card Business : Situation of Credit Card 【Consolidated】

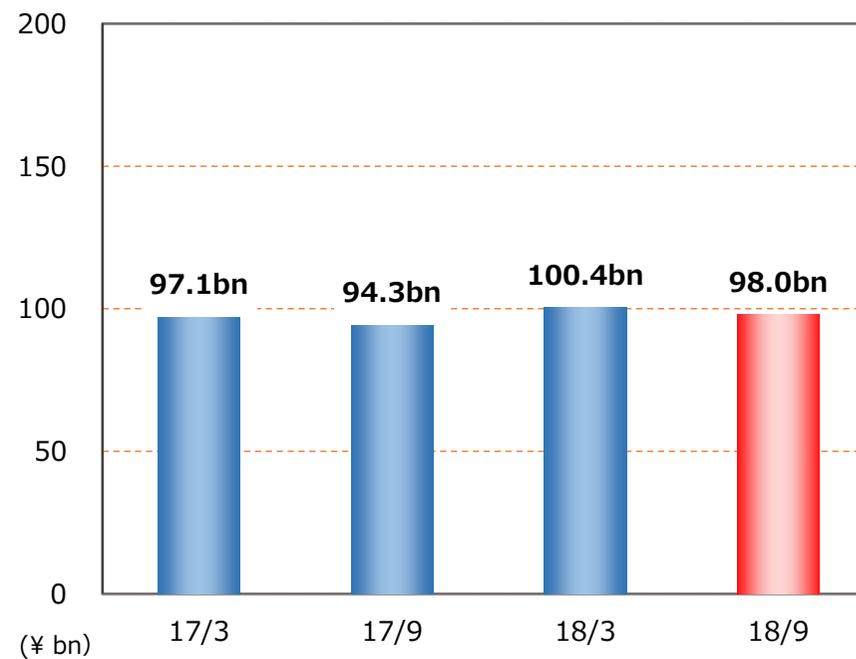
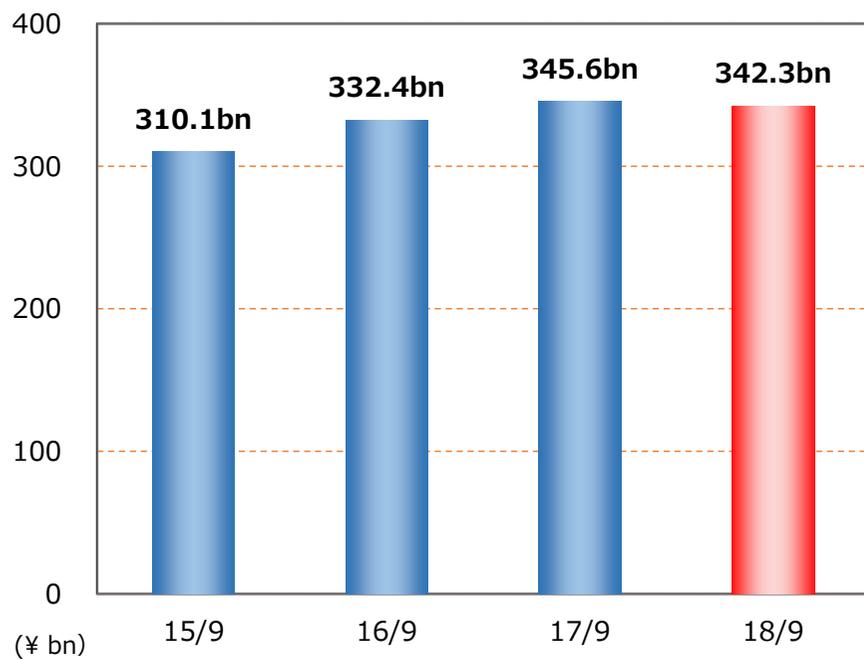
✓ **Credit Card Business:** Transaction volume decreased 1% YoY to ¥342.3bn.
 Installment receivable increased 3% YoY to ¥98.0bn.

【Transaction volume】

	16/9 (6M)	17/9 (6M)	18/9 (6M)	YOY
Transaction volume	332,473	345,618	342,330	-1.0%

【Installment receivable】

	17/9	18/3	18/9	YOY
Installment receivable	94,321	100,460	98,022	3.9%



Credit Guarantee Business : Situation of Credit Guarantee [Consolidated]

✓ **Credit Guarantee Business:** Credit guarantee for both individuals and business operators performed steadily, showing a 13% increase to ¥92.7bn overall. AIFUL entered into new tie-ups with two banks and total number of tie-ups reached 141.

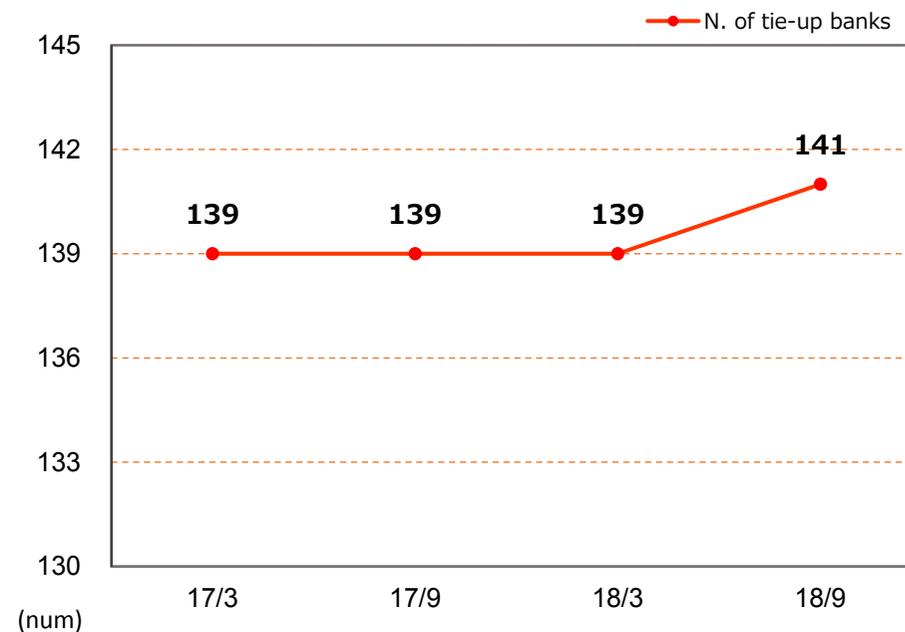
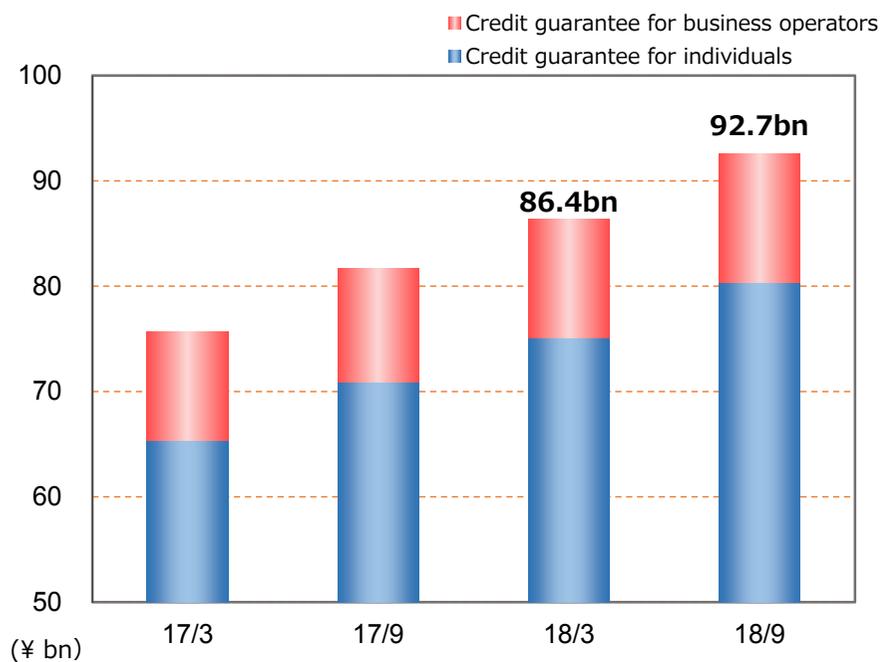
【Credit Guarantee Outstanding】

(¥ million)	17/9	18/3	18/9	YOY
Credit Guarantee	81,827	86,465	92,702	13.3%
for individuals	70,928	75,158	80,407	13.4%
for business operators	10,899	11,306	12,294	12.8%

【Tie-up banks (AIFUL)】

	17/9	18/3	18/9	YOY
Tie-up banks *	139	139	141	+2

* Decline due to merger at financial institutions are also reflected.



Overseas Business : Status of Overseas Market Entry

- ✓ **A & A** : A&A achieved steady growth on the back of brisk demand for funds against the background of economic growth and rising consumption in Thailand.
The loans outstanding increased 86% YoY to ¥20.9bn and the number of accounts grew 72% YoY to 331,000.

	 AIRA & AIFUL Public Company Limited (A&A)	 PT REKSA FINANCE	 SANSHU Finance Corporation
Location	Bangkok, Thailand	Jakarta, Indonesia	Shanghai, China
Business Outline	Consumer finance business	Used car loan business	Leasing business
Other Info	Started its operation in September 2015	Acquired 40% of its issued shares in May 2017	Joined AIFUL Group in April 2015



* Fiscal period of A&A is from January 1, to December 31.

* Exchange rate (Thai Baht): B/S: ¥3.29(FY2017 2Q), ¥3.45(FY2017 4Q), ¥3.33(FY2018 2Q)
P/L: ¥3.24(FY2017 2Q), ¥3.31(FY2017 4Q), ¥3.43(FY2018 2Q)

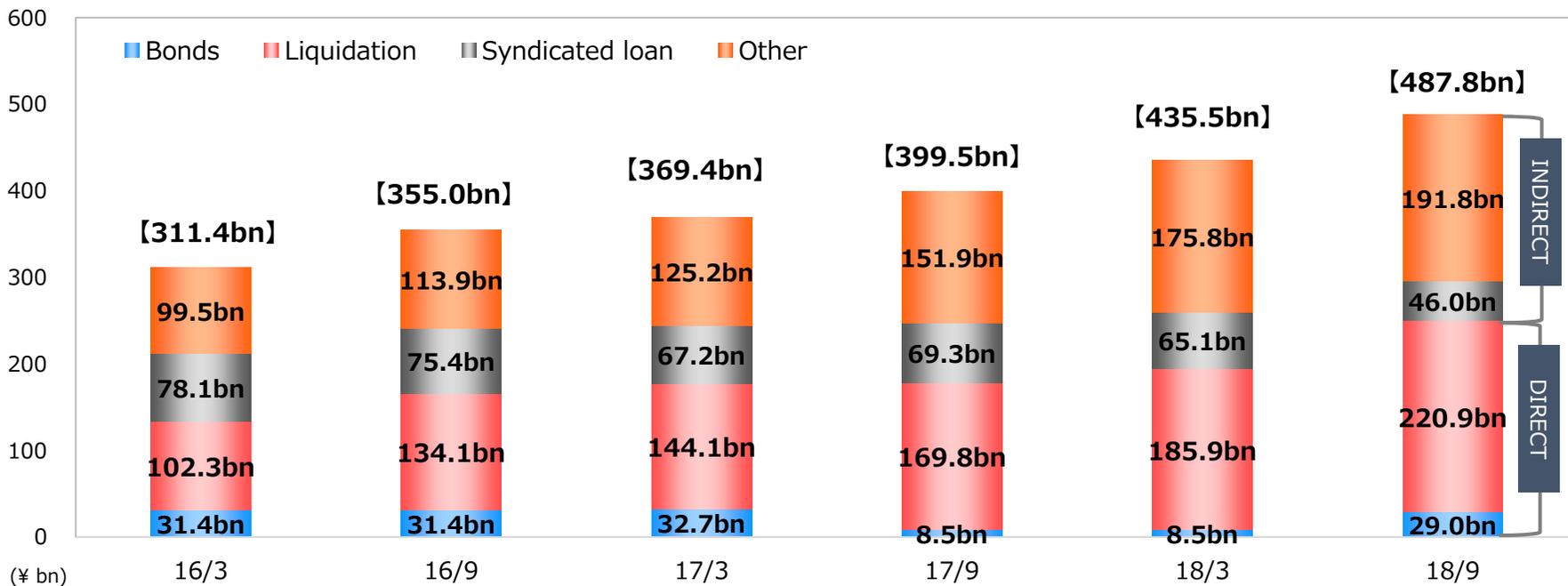
Funding Environment : [Consolidated]

- ✓ **Funding Rate:** Average finding rate declined 12bps to 1.74% as both direct and indirect funding rate decreased.
- ✓ **Interest-Bearing Liabilities:** Fund procurement rose to 22% YoY, to ¥487.8bn.

【Trends of Consolidated Funding rate】



【Trends of Consolidated Interest - Bearing Liabilities】

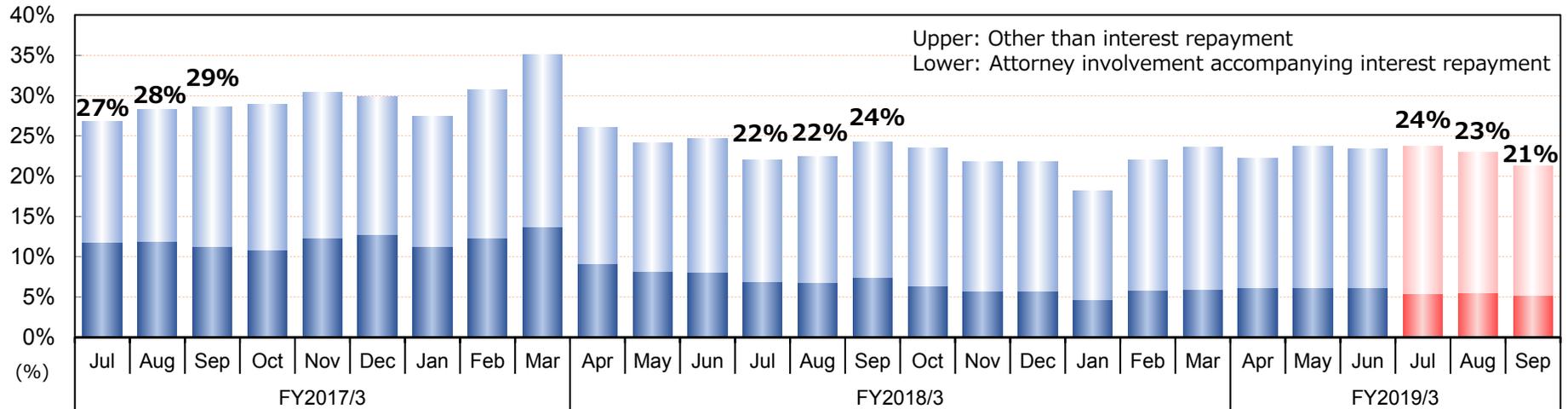


Trends of Interest Repayment(1): Interest Repayment Indices [AIFUL]

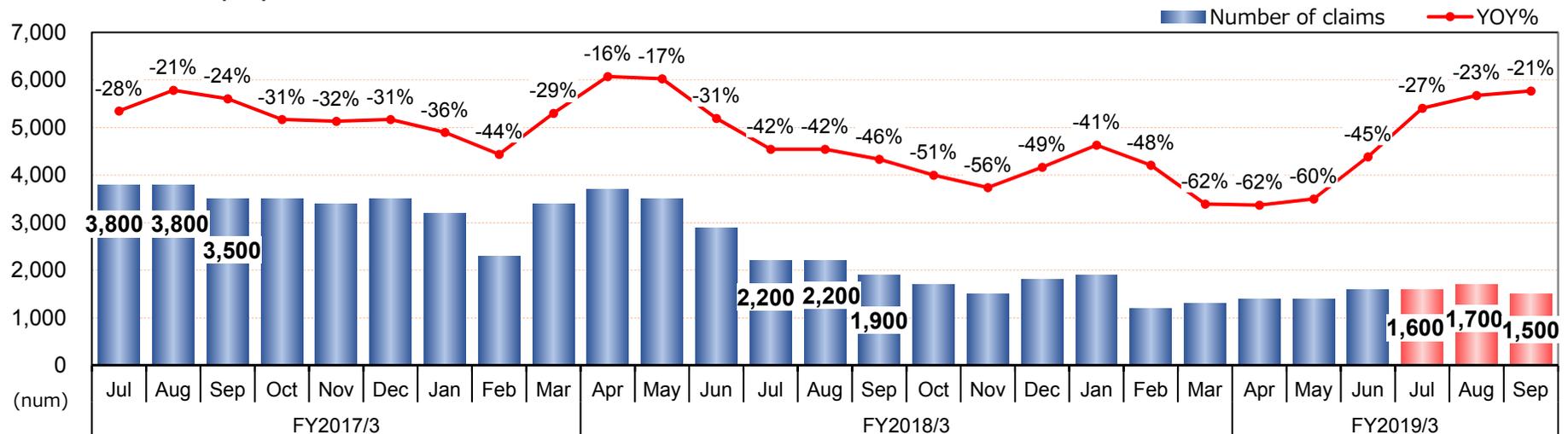
- ✓ **Attorney Involvement Index:** Attorney involvement accompanying interest repayment from April through September declined 26% YoY.
- ✓ **Interest Repayment Claims:** Total number of claims from April through September was 9,200, declined 44% YoY.

【Attorney Involvement Index】

※May 2007 (peak)=100



【Interest Repayment Claims】



Trends of Interest Repayment(2) : Changes in Allowance and Interest Repayment

✓ **Allowance related to Interest Repayment:** Allowance at the end of period was ¥19.0bn. Withdraw amount for the first half of FY declined 45% YoY to ¥7.5bn.

【Provision for loss on Interest Repayment】

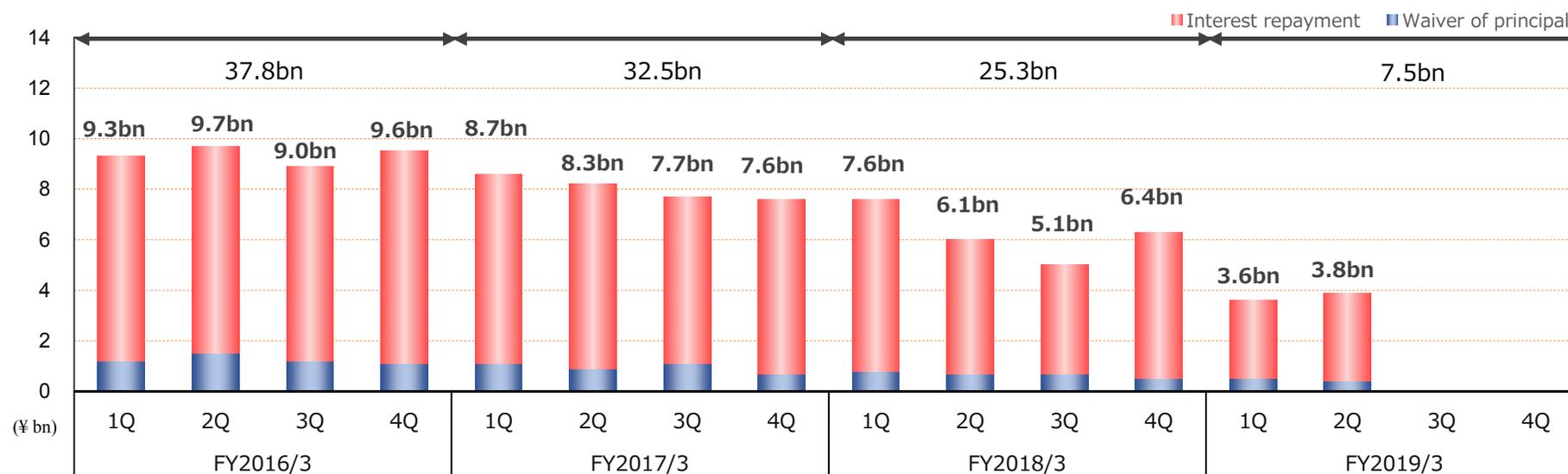
(Consolidated)

(¥ million)	Interest repayment	Waiver of principal	Total
Allowance at the beginning of FY2018	24,331	2,238	26,569
Withdraw (Interest repayment)	6,617	-	6,617
Withdraw (Waiver of principal)	84	808	892
Provisions (reversal)	-	-	-
Allowance at the end of FY2018	17,629	1,429	19,059

(AIFUL)

Interest repayment	Waiver of principal	Total
22,158	2,238	24,396
6,176	-	6,176
-	808	808
-	-	-
15,981	1,429	17,410

【Withdraw Amount of Interest Repayment and Waiver of principal (Consolidated)】



◇ Financial Results Summary (Consolidated)

◇ Business Situation

◇ Financial Results of AIFUL



◇ Financial Results of LIFE CARD

◇ Reference : Breakdown of Other Operating Revenue/Expenses
(Consolidated)

Financial Results of AIFUL(1) : Financial Results Summary

 (¥ million)	17/9	18/9		
			YOY	YOY%
Operating revenue	31,470	35,092	3,622	11.5%
Interest on operating loans	22,255	25,634	3,379	15.2%
Revenue from credit guarantee	5,502	5,545	42	0.8%
Recoveries of written off claims	2,892	2,990	98	3.4%
Operating expenses	29,353	31,602	2,248	7.7%
Financial expenses	3,165	3,148	-17	-0.6%
Provision of allowance for doubtful accounts	9,799	11,768	1,968	20.1%
Provision for loss on interest repayment	-	-	-	-
Advertising cost	4,600	4,437	-163	-3.6%
Advertising expenses	1,504	1,326	-178	-11.9%
Sales promotion expenses	3,096	3,111	14	0.5%
Personnel expenses	4,846	5,069	222	4.6%
Other operating expenses	6,940	7,178	238	3.4%
Operating profit	2,116	3,490	1,373	64.9%
Ordinary profit	2,483	3,900	1,417	57.1%
Extraordinary income	701	-	-701	-
Profit	3,300	3,999	699	21.2%

Financial Results of AIFUL(2) : Overview of Company's Operating base

 (¥ million)	17/9	18/9	YOY	YOY%
Total receivable outstanding	429,179	479,822	50,642	11.8%
Loans outstanding	338,480	380,036	41,556	12.3%
Unsecured	319,250	362,327	43,076	13.5%
Small business	4,944	6,961	2,016	40.8%
Credit guarantee	84,564	93,166	8,602	10.2%
Installment receivable	760	446	-313	-41.3%
Other	5,374	6,172	798	14.8%
New accounts (num)	95,050	106,091	11,041	11.6%
Unsecured	94,935	105,933	10,998	11.6%
Customer accounts (thousands)	754	844	89	11.9%
Unsecured	741	830	88	12.0%
Average yield	14.8%	14.9%	+0.1pt	-
Below 18% unsecured loan balance's occupancy rate	97.5%	98.3%	+0.8pt	-
Bad debt	10,535	11,190	655	6.2%
Excluding write-off accompanying interest repayment	9,067	10,381	1,314	14.5%
Bad debt ratio to operating loans	2.5%	2.3%	-0.2pt	-
Ratio excluding write-off related to interest repayment	2.1%	2.2%	+0.1pt	-

◇ Financial Results Summary (Consolidated)

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◇ Financial Results of LIFE CARD



◇ Reference : Breakdown of Other Operating Revenue/Expenses
(Consolidated)

Financial Results of LIFECARD(1) : Financial Results Summary

 (¥ million)	17/9	18/9	YOY	
			YOY	YOY%
Operating revenue	14,568	15,965	1,396	9.6%
Revenue from installment receivable	7,821	7,866	45	0.6%
Interest on operating loans	2,807	2,806	-0	-0.0%
Revenue from credit guarantee	659	691	32	4.9%
Other operating income	3,280	4,600	1,320	40.3%
Operating expenses	13,524	14,305	781	5.8%
Financial expenses	807	780	-27	-3.4%
Provision of allowance for doubtful accounts	2,056	1,869	-186	-9.1%
Provision for loss on interest repayment	-	-	-	-
Advertising cost	897	912	15	1.7%
Advertising expenses	121	80	-40	-33.5%
Sales promotion expenses	776	832	55	7.2%
Provision for point card certificates	1,670	1,371	-299	-17.9%
Personnel expenses	2,034	2,253	219	10.8%
Other operating expenses	6,056	7,117	1,060	17.5%
Operating profit	1,044	1,659	615	59.0%
Ordinary profit	1,128	1,748	619	54.9%
Profit	763	1,387	624	81.8%

Financial Results of LIFECARD(2) : Overview of Company's Operating base

 (¥ million)	17/9	18/9	YOY	YOY%
	Number of new issue (thousands)	242	230	-12
Proper	77	56	-21	-27.2%
Affinity	164	173	8	5.3%
Number of card holders (thousands)	5,814	5,750	-64	-1.1%
Credit card transaction volume	345,618	342,330	-3,288	-1.0%
Shopping	325,359	321,941	-3,417	-1.1%
Cashing	20,259	20,389	129	0.6%
Total receivable outstanding	162,330	166,565	4,234	2.6%
Installment receivable	93,561	97,575	4,014	4.3%
Loans	46,209	45,871	-338	-0.7%
Credit guarantee	21,767	22,179	412	1.9%
Other	791	938	147	18.6%
Bad debt	1,907	2,064	157	8.3%
Bad debt ratio operating loans	1.2%	1.2%	+0.0pt	-

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◇ Financial Results of LIFECARD

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Explanation Figure(1): Operating revenue/ expenses

(¥ million)	17/9	18/9	YOY	
			YOY	YOY%
Operating revenue	49,252	56,425	7,173	14.6%
Interest on operating loans	26,958	32,154	5,195	19.3%
Revenue from installment receivable	7,856	7,902	45	0.6%
Revenue from credit guarantee	6,431	6,768	336	5.2%
Other operating income	8,004	9,599	1,595	19.9%
Recoveries of written off claims	3,041	3,183	142	4.7%
Collection from purchased receivable	943	913	-30	-3.2%
Operating expenses	47,103	51,669	4,565	9.7%
Financial expenses	4,015	4,185	169	4.2%
Provision of allowance for doubtful accounts	13,057	16,023	2,965	22.7%
Provision for loss on interest repayment	-	-	-	-
Advertising cost	5,865	5,596	-269	-4.6%
Advertising expenses	1,845	1,491	-354	-19.2%
Sales promotion expenses	4,020	4,104	84	2.1%
Personnel expenses	7,768	8,309	540	7.0%

Explanation Figure(2): Other operating revenue/ expenses

(¥ million)	17/9	18/9	YOY	
			YOY	YOY%
Other	16,395	17,554	1,159	7.1%
Commission	6,282	7,285	1,002	16.0%
Provision for point card certificates	1,670	1,371	-299	-17.9%
Depreciation expenses	1,154	1,305	151	13.1%
Supplies, repair and maintenance	1,056	1,175	118	11.3%
Communications	1,628	1,684	56	3.5%
Consumption taxes	1,439	1,446	6	0.5%
Rents	1,179	1,152	-27	-2.3%
Rent expenses	209	192	-16	-8.0%
Operating profit	2,148	4,755	2,607	121.4%
Non-operating income	244	666	422	172.7%
Non-operating expenses	9	17	8	89.3%
Ordinary profit	2,383	5,404	3,021	126.8%
Extraordinary income	701	-	-701	-
Extraordinary losses	-	-	-	-
Profit	2,947	4,945	1,998	67.8%
Loss attributable to non-controlling interests	-454	-242	-	-
Profit attributable to owners of parent	3,402	5,188	1,785	52.5%

– Disclaimer –

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