AIFUL CORPORATION

ANNUAL REPORT 2016

The year ended March 31, 2016

Corporate Philosophy

Earn the trust of society through corporate activity based in integrity

AIFUL was founded by President and CEO Yoshitaka Fukuda in 1967 as a sole proprietorship consumer finance business and established as a corporation in 1978 to bolster its creditworthiness. In 1982 the corporate name was changed to the current AIFUL CORPORATION. AIFUL has grown into a comprehensive financial group handling such diverse businesses as credit cards, small business lending, credit guarantees, loan servicing and venture capital in addition to consumer finance.

Based on the corporate philosophy "Earn the trust of society through corporate activity based in integrity" AIFUL aims to be a company that is truly trusted by society.

Origin of our company name AIFUL

We chose AIFUL as our company name after asking our employees for their suggestions. The winning idea takes the first letter from each of the key words in the following sentence:

"A company with **A**ffection, **I**mprovement, and **F**aithfulness in carrying out its operations, filled with the spirit of **U**nity and **L**iveliness."

Contents

Forward-Looking Statements

The figures contained in this Annual Report with respect to AIFUL's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of AIFUL, which are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a result of various factors.

Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL's market and changes in the overall market for consumer loans, the rate of default by customers, and the level of interest rates charged by AIFUL.

Long-term Vision

Our aim is to become a "leading company in comprehensive retail financial services," trusted by our customers for delivering tailored products and services that meet their needs.

Aiming to become a leading company in comprehensive retail financial services:

The AIFUL Group acts in line with its corporate philosophy and the essence of its business

Our corporate philosophy charts the direction the AIFUL Group consistently pursues. In following this philosophy, the Group always acts to win the long-lasting support and trust of individuals, corporate and business customers by delivering products and services tailored to their needs.

The essence of business is risk management. The AIFUL Group's business follows this principle by balancing the four pillars of profitability, reliability, growth potential and our human resources capabilities. This approach makes the Group more flexible, allowing it to respond to changes in the business environment and move forward in a sustainable manner.

Basic policy and targets that the AIFUL Group aspires to achieve:

Basic Policy

Corporate Philosophy

- **Compliance**
  - Commit to full implementation of legal compliance
  - Satisfy demands and expectations of customers (society)
- **Customer First Policy**
  - Deliver products and services tailored to each customer
  - Improve the product lineup
  - Enhance the quality of services

Essence of Business

- **Sustaining Profitability**
  - Reform the earnings structure
  - Utilize Group's resources
- **Enhancing Reliability**
  - Establish core businesses
  - Increase capital and achieve steady financing
  - Reorganize the business portfolio
- **Securing Growth Potential**
  - Strengthen the corporate business
  - Develop new businesses
  - Internet finance business
- **Strengthening Human Resources Capabilities**
  - Develop human resources
  - Appoint external human resources

Overseas business development / Domestic and overseas investments

The AIFUL Group aims to become a company of five key attributes:

A leading company
with the largest customer base and an outstanding balance in the Japanese consumer finance sector

A unique company
with a one-of-a-kind model for online settlement in the credit sector

A development company
that creates a new market in the business finance sector

An invention company
that develops new products in the guarantee, factoring and debt-collection sectors

A global company
that expands businesses in Asia by applying the know-how it has developed in Japan

To Our Investors and Shareholders

I would like to take this opportunity to express my gratitude to our stakeholders for their support. I'm pleased to report our financial results for the fiscal year ended March 31, 2016.

Financial Results for the Fiscal Year Ended March 31, 2016

Looking at the consumer finance industry's business environment, the number of new contracts remains brisk following positive advertising campaigns by major operators. The operating loan balance continued to rally steadily, but uncertainty remains around interest repayment claims, which constitute the greatest risk to the industry, although they are steadily declining from their peak.

Against this backdrop, the AIFUL Group ran a number of effective advertisements, mainly on TV and online, and sought to increase customers' convenience by, for example, launching unmanned branches and revamping the smartphone site (called the 'smartphone branch').

Given that financial support ended in August 2015, we are aiming to further increase our operational efficiency and diversify fund procurement with an eye towards strengthening our future financial foundations.

For the fiscal year ended March 31, 2016, operating revenue rose 1.3 billion yen, or 2%, year on year to 87.7 billion yen. This achievement marked our first revenue increase in over a decade. As the operating loan balance surged 26.2 billion yen from the end of the preceding fiscal year, to 376.2 billion yen, operating loan interest revenue advanced by 0.5 billion yen year on year, to 44.2 billion yen. Meanwhile, revenue from installment receivables and revenue from credit guarantee to financial institutions stood at 14.7 billion yen and 12.5 billion yen, respectively.

Operating expenses plummeted 44.9 billion yen, or 36%, year on year, to 81.0 billion yen, chiefly due to a 60.8 billion yen contraction in expenses for interest repayment from the preceding year's level, to 2.9 billion yen.

Operating expenses also included financial expenses of 7.8 billion yen, credit costs worth 16.1 billion yen, and other operating expenses including SG&A of 54.2 billion yen.

As a result, operating income stood at 6.6 billion yen, ordinary income at 6.8 billion yen, and net income attributable to owners of the parent at 7.0 billion yen.

Consolidated Forecast for the Fiscal Year Ending March 31, 2017

Regarding consolidated operating results for the fiscal year ending March 31, 2017, while claims for interest repayments are still a top priority for management uncertainty remains. However, operating assets, such as the operating loan balance and the balance of installment receivables, are expected to continue to move higher in the coming fiscal year.

Operating revenue is expected to grow 4.7 billion yen from the previous year, to 92.4 billion yen, while operating expenses will likely fall 4.3 billion yen year on year, to 85.4 billion yen, after a rise in credit cost and in personnel expenses following an increase in operating assets.

As a result, the operating income forecast is 7.0 billion yen, with ordinary income of 7.0 billion yen and net income attributable to owners of the parent of 6.8 billion yen.

Going forward, we aim to increase new contracts and the operating loan balance to boost our top line while responding to interest repayment claims as a priority management issue. We will be making every effort to achieve real profitability at an early date and to meet the expectations of all stakeholders.

We are looking forward to the continued support of our shareholders.

Yoshitaka Fukuda
President and CEO
Representative Director

Y. Fukuda

Important Matters

The AIFUL Group's fund-raising capacity has been hampered by difficult market conditions including rising interest repayment demands in accordance with a 2006 ruling by Japan's Supreme Court, which increased expenses, as well as the rapid and sharp deterioration in the fund-raising environment.

Accordingly, there have been concerns that the AIFUL Group may have difficulty raising sufficient new funds to sustain its business. The Group has noted these concerns in its annual report under *Important Matters* since the consolidated fiscal year ended March 31, 2010.

To improve its earning capacity and financial strength with the goal of revitalizing and reinforcing its business, the AIFUL Group applied for Business Revitalization Procedures using the Alternative Dispute Resolution (the "ADR") process on September 24, 2009 and obtained approval on December 24, 2009.

Execution of the Group's subsequent Business Revitalization Plan, which was based on the aforementioned procedures, ended on July 10, 2014, but it continued to receive financial support in connection with 52.7 billion yen worth of remaining debt.

The AIFUL Group completed repayment of this debt on August 25, 2015, using fresh borrowing from financial institutions. It announced the repayment in the *Notice Concerning Completion of Payment of Debts Pertaining to Credit under Financial Support and the End of Financial Support.*

This repayment concludes the AIFUL Group's need for financial support. As such, the company considers that any uncertainty about its ability to continue as a going concern no longer exists as of the second quarter of the consolidated fiscal year ended March 31, 2016.

Five-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2016, 2015, 2014, 2013 and 2012

	Millions of Yen					Thousands of U.S. Dollars
	2016	2015	2014	2013	2012	**2016**
For the Year:						
Total income	**¥ 87,929**	¥ 90,131	¥ 100,541	¥ 108,863	¥ 116,666	**$ 778,133**
Total expenses	**81,068**	125,985	69,433	85,082	98,572	**717,416**
Provision for doubtful accounts	**16,127**	2,276	10,931	8,177	32,937	**142,717**
Income (loss) before income taxes	**6,861**	(35,854)	31,108	23,601	18,094	**60,717**
Net income (loss) attributable to owners of the parent	**7,045**	(36,500)	30,462	22,706	17,392	**62,345**
At Year-End:						
Loans (Note 2)	**¥ 376,225**	¥ 350,017	¥ 348,011	¥ 390,635	¥ 455,012	**$ 3,329,425**
Nonperforming loans	**66,158**	70,419	79,223	98,628	131,807	**585,469**
Loans in legal bankruptcy	**31,105**	32,909	35,135	37,598	43,033	**275,265**
Nonaccrual loans	**22,264**	23,819	27,290	36,906	55,427	**197,027**
Accruing loans contractually past due three months or more as to principal or interest payments	**3,349**	2,830	2,445	2,610	4,475	**29,637**
Restructured loans	**9,440**	10,861	14,353	21,514	28,872	**83,540**
Total assets	**567,514**	560,324	577,339	607,181	665,185	**5,022,248**
Allowance for doubtful accounts	**72,643**	79,708	102,522	119,428	156,346	**642,859**
Total liabilities	**463,264**	462,848	443,797	502,173	583,541	**4,099,682**
Interest-bearing debt	**249,533**	227,538	253,953	308,747	360,569	**2,208,256**
Total equity	**104,250**	97,476	133,542	105,008	81,644	**922,566**
Noncontrolling interests	**—**	—	—	2,305	1,854	**—**
Per Share Data (Yen/U.S. dollars) (Note 3)						
Basic net income (loss)	**¥ 14.59**	¥ (75.74)	¥ 63.34	¥ 47.21	¥ 72.49	**$ 0.13**
Diluted net income	**14.57**	—	63.00	47.02	—	**0.13**
Total equity	**214.16**	200.45	276.80	213.41	331.59	**1.90**
Ratios (%):						
Equity ratio	**18.2**	17.3	23.1	16.9	12.0	
ROE	**7.0**	(31.8)	25.8	24.9	24.7	
ROA	**1.2**	(6.4)	5.1	3.6	2.3	
Other Data:						
Number of shares outstanding at year-end (Note 4)	**483,794,536**	483,506,536	481,867,836	481,867,836	240,933,918	
Number of employees at year-end	**1,433**	1,350	1,369	1,437	1,898	

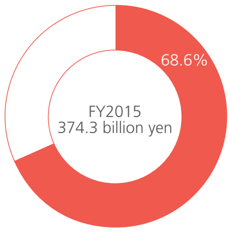
Notes: 1. Figures in the financial section are based on audited English-language statements.
2. Managed-asset basis
3. The U.S. dollar amounts have been translated, for convenience only, at ¥113=$1, the approximate rate of exchange at March 31, 2016.
4. The Company implemented a stock split of 2 shares for each 1 share of common stock on October 1, 2013.

AIFUL Group at a Glance

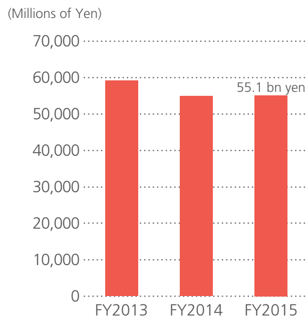
AIFUL CORPORATION

AIFUL CORPORATION

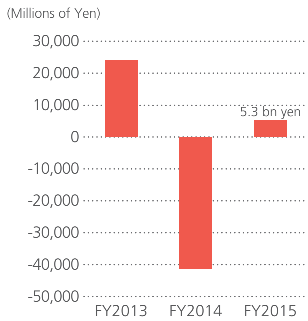
Share of receivables



Operating revenue



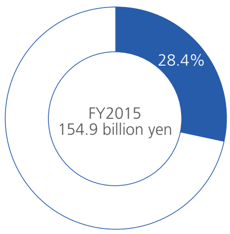
Net income



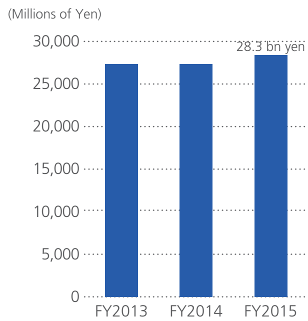
AIFUL CORPORATION provides consumer financing and consumer credit services, which play a central role in the AIFUL Group's overall business. The Company's principal services include unsecured loans, mortgage loans and small business loans. In addition, the Company handles credit guarantee services in tie-ups with commercial banks.

LIFECARD CO., LTD.

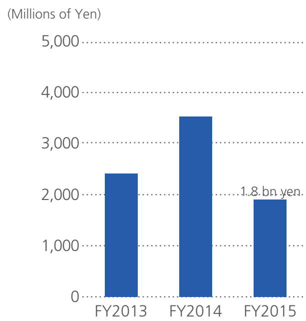
Share of receivables



Operating revenue



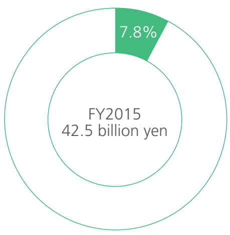
Net income



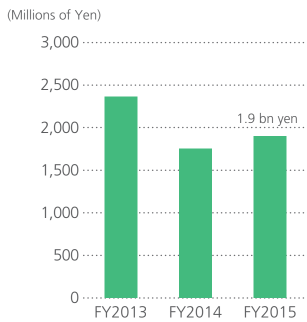
LIFECARD CO., LTD. is primarily engaged in the credit card business. LIFECARD also handles credit guarantee business, the V-Preca or prepaid Visa card etc., while responding to the needs of customers by providing independent and unique products and services under the "Be Unique" concept.

BUSINEXT CORPORATION

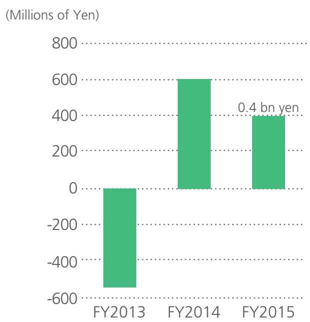
Share of receivables



Operating revenue



Net income



BUSINEXT CORPORATION provides financial services to private business owners and small and medium-sized enterprises (SMEs). The Company handles a wide range of products including card loans, business loans, mortgage loans, and medical institution loans.

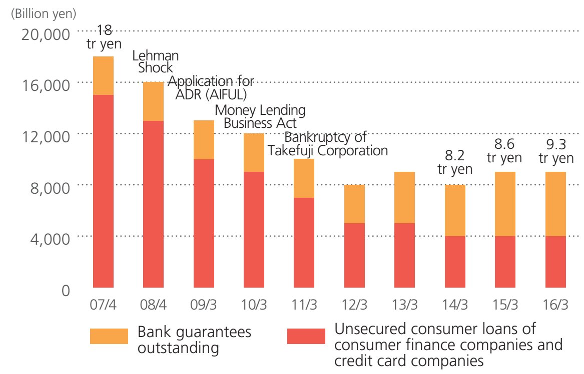
Note: Receivable outstanding are in managed asset basis.

Management's Discussion and Analysis of Operations

Current Business Environment

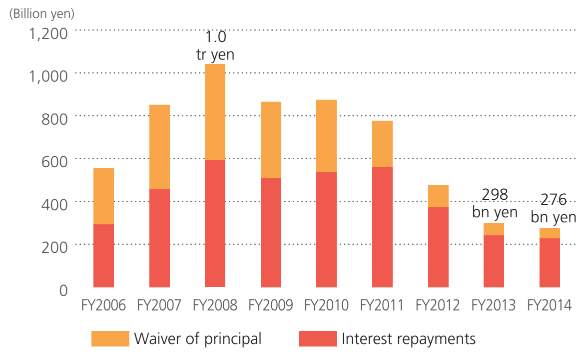
Japan's consumer finance industry has undergone radical restructuring due to the combined impact of interest repayment claims triggered by the 2006 Supreme Court ruling and tighter regulations based on the Money Lending Business Act and Capital Subscription Law implemented in 2010. As a result, the number of outstanding unsecured consumer loans provided by consumer finance companies has decreased 78% from its peak in around 2006 to 2.5 trillion yen at the end of fiscal year 2014 (Source: Financial Services Agency).

Trends in market scale



Source: Japan Financial Services Association

Interest repayments and waiver of principal (for the industry)



Source: Japan Financial Services Association

In spite of this prolonged unfavorable climate, the loan balance at consumer finance companies has finally bottomed out and is now recovering steadily, thanks to bold economic measures by the government and aggressive advertising and marketing by major companies.

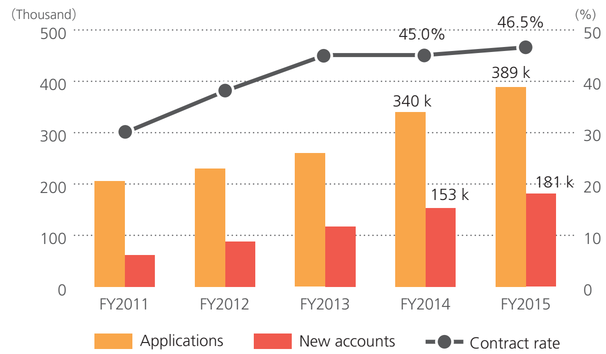
The total number of unsecured loan applications for the major three companies at the end of fiscal year 2015 increased 4% year on year to 1,323,000, and the total number of new contracts concluded increased 8% year on year to 608,000. The balance of operating loans was 1.8 trillion yen, a 4% year on year increase, clearly indicating that the three major companies are experiencing a recovery (Source: Compiled by AIFUL from the financial data of each company).

In addition, major companies are seeing steady growth in the balance of guarantees for consumer loans provided by financial institutions (credit guarantee business). As a result, the total combined market size for consumer finance companies, the credit card loan business and the credit guarantee business was 9.3 trillion yen at the end of fiscal year 2015 (Source: Japan Financial Services Association).

Meanwhile, interest repayment claims remain the greatest business risk. While the number of claims has peaked, the decline in fiscal year 2014 was only 7%, compared to 38% in fiscal year 2013, and the future remains unclear (Source: Japan Financial Services Association).

Business Overview of AIFUL Group

Number of applications and new accounts (AIFUL)



(Loan Business)

The loan business is at the core of AIFUL Group's business, and the Group is working to develop and introduce products that can quickly meet customers' funding needs.

The Group has supplemented these efforts with efficient advertisements run mainly on television and the Internet, as well as the vigorous development of unstaffed branches, the extension of business hours and the offering of other more convenient services.

In fiscal year 2015, the number of new applications was 388,000 (up 14% year on year), and the number of new contracts concluded was 181,000 (up 18% year on year). The increase in the number of new contracts concluded led to a rise in the amount of loans to both new and existing customers. The total amount of loans provided was 153.5 billion yen (up 24% year on year).

As a result, the operating loan balance for fiscal year 2015 was 289.6 billion yen (up 9% from the end of the previous fiscal year) at the AIFUL parent company level, showing a steady recovery.

(Credit Guarantee Business)

In the credit guarantee business, we aim to increase the guarantee balance by utilizing our strengths, such as our know-how related to credit operations for individuals and corporations, the strengths of our two guarantee-business brands AIFUL and LIFECARD, and our flexibility and speed as an independent company. We are also working to extend our sales activities to potential guarantee partners, as well as proposing new products and offering support to promote sales.

In fiscal year 2015, AIFUL and LIFECARD began partnerships with two and one financial institutions, respectively, and commenced sales. Outstanding credit guarantee for the year, based on operating receivables, was 73.4 billion yen, a 1% drop from the end of the previous fiscal year.

(Credit Card Business)

In the credit card business, we actively marketed our affiliates and increased the number of new membership applications through our new tie-up cards, as well as increasing the specified maximum amount of use and encouraging membership and usage.

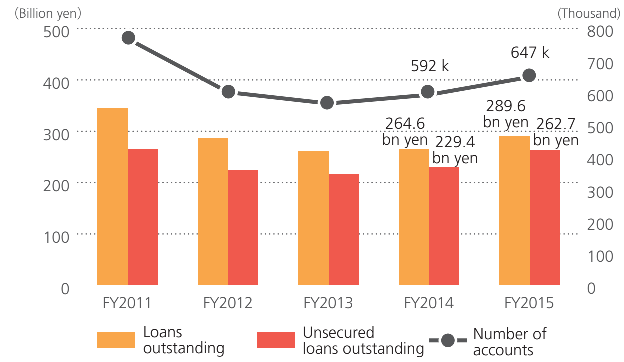
As a result of the above efforts, card membership increased 4% year on year to 6,292,000 members, transactions increased to 636.9 billion yen (up 9% year on year), and the balance of installment receivables increased 7% year on year to 90.2 billion yen.

(Non-Performing Loans and Write-offs)

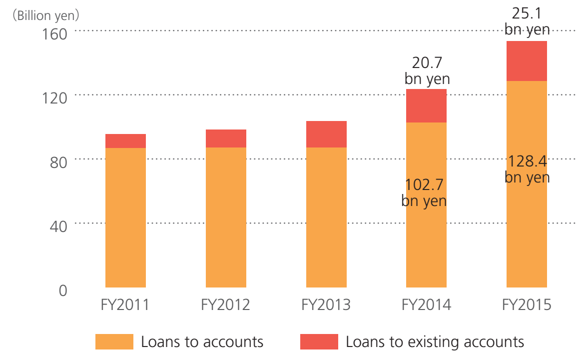
As a benefit of the ongoing restrictions on total lending limits, both our non-performing loans (NPLs) and write-offs remained at low and stable levels, respectively. In fiscal year 2015, the NPL balance decreased 6% year on year to 66.2 billion yen. However, unsecured NPLs rose 1.6 billion yen to 25.3 billion yen of the total amount because the balance of loans outstanding expanded. Despite the rise in the NPL amount, the ratio of unsecured NPLs fell by 0.4 point year on year to 8.3%, remaining stable at low levels.

In addition, the write-off ratio stood at 4.0%, down 0.5 point year on year. The so-called general write-offs, which exclude the waiver of principal due to interest repayment claims, were 3.1%, down 0.2 point year on year.

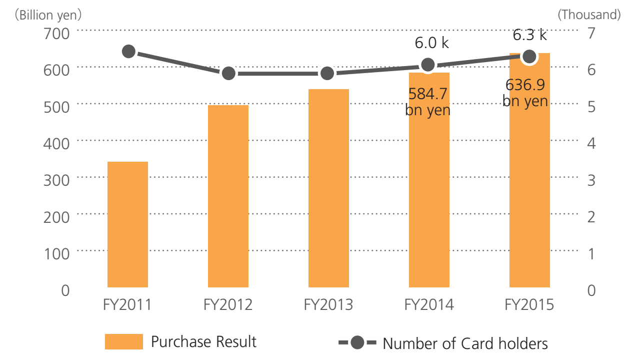
Loans outstanding (AIFUL)



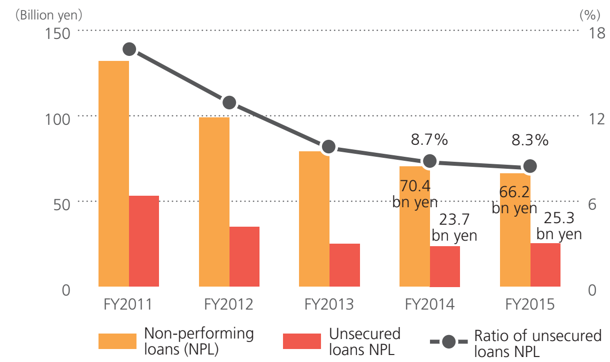
Loan volume (AIFUL)



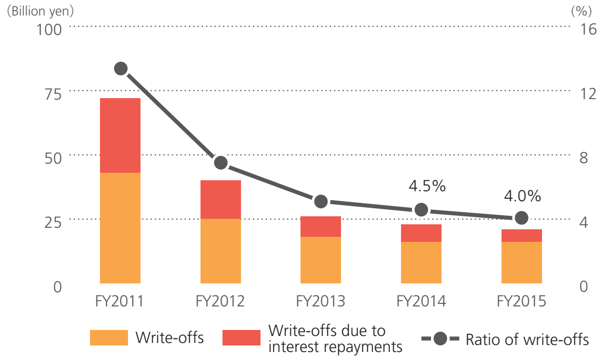
Credit card (LIFECARD)



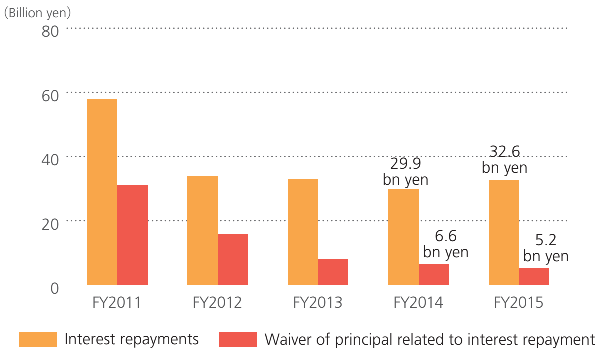
Non-performing loans (NPL) (Consolidated)



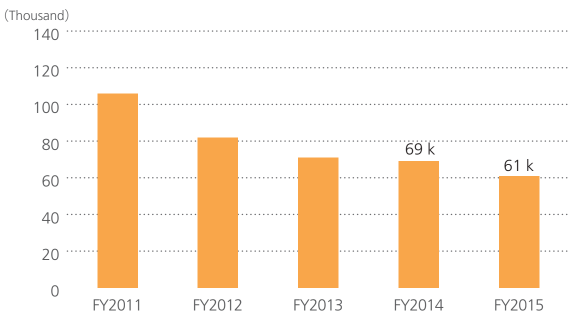
Total receivables write-offs (Consolidated)



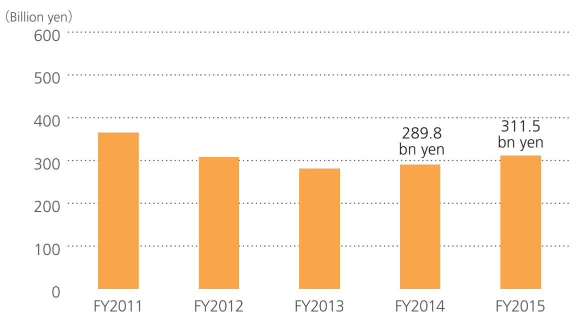
Interest repayments and waiver of principal (Consolidated)



Interest repayment claims (Consolidated)



Interest bearing liabilities (Consolidated)



(Interest Repayment Claims)

While the primary management issue continues to be interest repayment claims, the number of claims finally fell month-on-month. However, monthly claims remain high at around 5,000 and will be monitored continuously.

In fiscal year 2015, interest repayments rose 9% year on year to 32.6 billion yen, and debt waived due to interest repayments fell 21% to 5.2 billion yen. Both totaled 37.8 billion yen, representing a 4% rise year on year.

Also in fiscal year 2015, LIFECARD posted 2.9 billion yen in expenses related to interest repayments due to the current trend of falling interest repayment claims. As a result, the balance of allowance for losses on interest repayments for fiscal year 2015 was 63.4 billion yen, and the balance of allowance for doubtful accounts in relation to the waiver of principal accompanying interest repayments was 12.4 billion yen. The total allowance related to interest repayments was 75.9 billion yen.

(Assets, Liabilities and Net Assets)

Total assets on a consolidated basis increased 7.2 billion yen, or 1.3%, compared to the end of the previous fiscal year to 567.5 billion yen at the end of fiscal year 2015. This was primarily due to a 27.9 billion yen increase in operating loans.

Total liabilities at the end of fiscal year 2015 were 463.3 billion yen, an increase of 0.4 billion yen, or 0.1%, compared with the previous fiscal year-end. The principal contributing factor was an increase of 44.5 billion yen in borrowings (loans payable), which offset a decline of 30.0 billion yen in the allowance for losses on interest repayments.

We changed our debt repayment schedule and obtained continued financial support relating to the 52.7 billion yen in remaining debts to creditors under the Business Revitalization Plan, which was completed on July 10, 2014. However, as stated in the notice announced on August 25, 2015 (titled *Notice Concerning Completion of Paying of Debt Pertaining to Credit under Financial Support and the End of Financial Support*), the Group completed its payment on the same day using bank loans, ending the need for financial support.

Net assets increased 6.8 billion yen, or 7%, compared with the previous fiscal year-end, to 104.3 billion yen. This was largely attributable to the posting of net income attributable to owners of the parent.

(Cash Flows)

Cash and cash equivalents ("funds") declined 12.7 billion yen, or 24%, compared with the end of the previous fiscal year, to 39.9 billion yen.

Cash flows from operating activities

Net cash used for operating activities amounted to 31.7 billion yen, compared with net cash provided of 18.5 billion yen in the corresponding period of the previous fiscal year. This was mainly attributable to a fall in funds on the back of a decline in loans to customers exceeded and a drop in the allowance for losses on interest repayments.

Cash flows from investing activities

Net cash used in investing activities stood at 3.0 billion yen, a decrease of 52% compared with the corresponding period of the previous fiscal year. This was mainly attributable to the purchase of tangible fixed assets, intangible fixed assets and investment securities.

Cash flows from financing activities

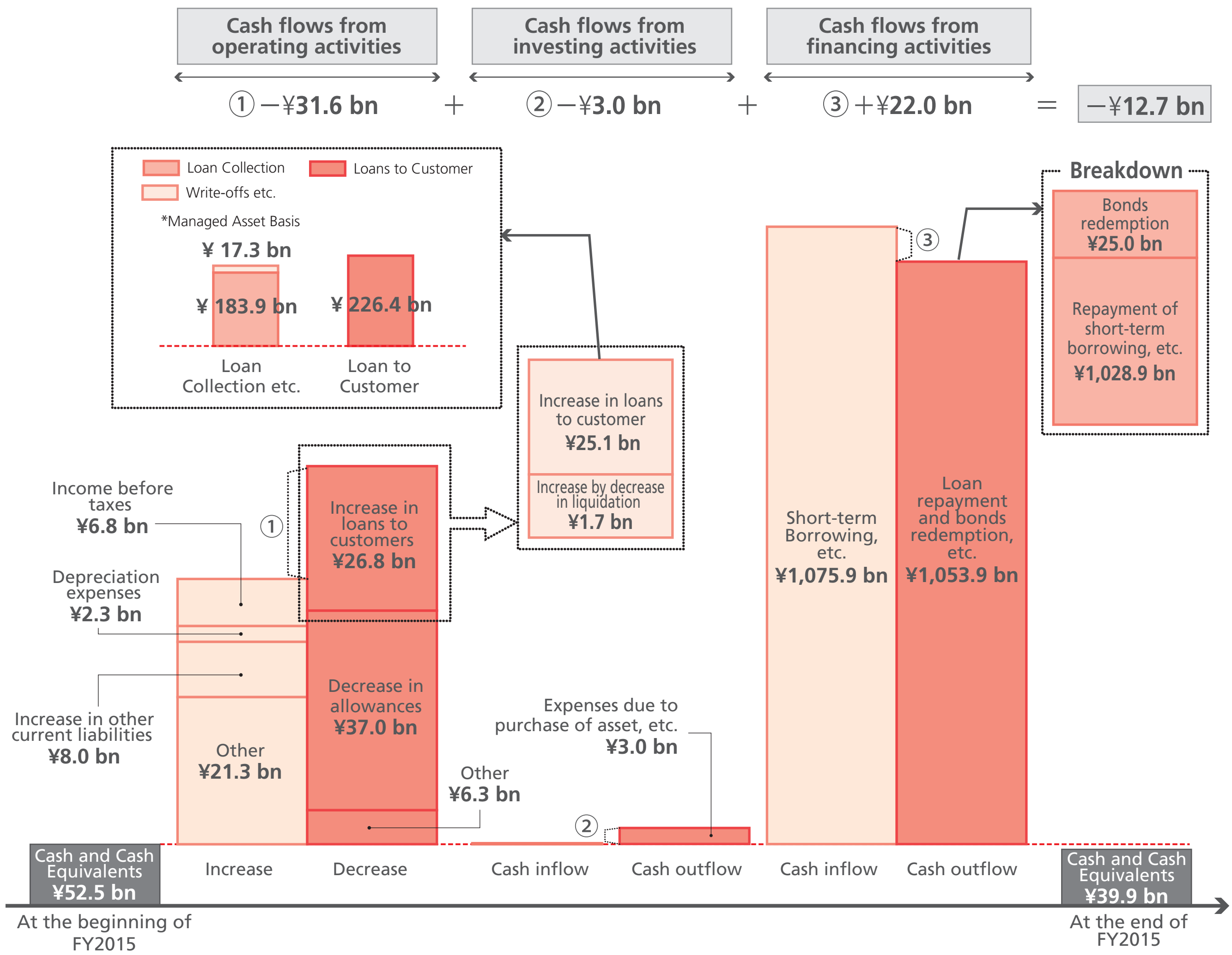
Net cash provided by financing activities amounted to 22.0 billion yen, compared with net cash used of 26.6 billion yen in the corresponding period of the previous fiscal year. This was mainly attributable to an increase in loans payable.

(Going Forward)

In general, the business environment for the AIFUL Group is steadily improving in line with the consumer finance industry, with increases in both the number of new contracts concluded and the amount of operational loans.

Looking forward, we will maintain our primary focus on addressing the issue of interest repayment claims, while continuing to work on further expanding new contracts concluded and the operating loan balance, as well as improving the quality of our loan portfolio to bolster our revenue base. We will also continue to streamline business efficiency across the Group while diversifying funding sources to strengthen our financial base.

Cash Flows and Funding (Consolidated)



Business Data

AIFUL GROUP

TOTAL RECEIVABLES OUTSTANDING (Managed Asset Basis)

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Receivables Outstanding	618,220	556,032	515,960	514,220	545,570
Loans	455,012	390,635	348,011	350,017	376,225
Unsecured	318,785	272,980	261,222	273,628	306,602
Secured	77,115	64,345	41,268	34,904	28,139
Small Business	59,112	53,310	45,521	41,485	41,484
Installment Receivables	80,614	83,885	85,264	84,333	90,166
Credit Guarantees	74,148	74,441	75,559	73,875	73,412
Other	8,446	7,071	7,126	5,995	5,767

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Income	120,034	108,683	100,541	90,131	87,929
Interest on Loans	75,993	61,607	50,578	43,762	44,256
Unsecured	56,886	45,028	40,717	35,855	37,705
Secured	10,581	8,690	7,064	5,567	4,484
Small Business	8,526	7,889	2,797	2,339	2,066
Installment Receivables	11,719	12,746	13,613	13,678	14,707
Credit Guarantees	4,798	4,610	7,950	11,382	12,491
Other	27,524	29,720	28,401	21,310	16,475
Net Income (Loss)	17,392	22,706	30,462	(36,500)	7,045

AVERAGE RATE OF BORROWINGS

(%)

	2012	2013	2014	2015	2016
Average Rate of Borrowings	2.09	2.05	2.31	3.20	2.77
Indirect	2.07	1.99	1.98	2.32	2.19
Direct	2.19	2.60	3.72	4.47	3.54
Long-term Prime Rate (Reference)	1.35	1.15	1.20	1.15	0.95

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2012	2013	2014	2015	2016
Number of Customer Accounts	1,130	888	817	824	861
Unsecured	1,062	830	769	782	822
Secured	28	23	18	14	11
Small Business	40	36	31	28	28
Credit Card Holders	6,357	5,811	5,818	6,023	6,292

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Assets	665,185	607,181	577,339	560,324	567,514
ROA (%)	2.3	3.6	5.1	(6.4)	1.2
Total Equity	81,644	105,008	133,542	97,476	104,250
ROE (%)	24.7	24.9	25.8	(31.8)	7.0

AIFUL CORPORATION

LOANS OUTSTANDING

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Receivables Outstanding	408,167	348,353	350,681	349,952	374,363
Loans	344,455	286,316	260,776	264,557	289,566
Unsecured	265,617	224,669	216,072	229,392	262,655
Secured	66,607	52,708	37,611	29,275	21,839
Small Business	12,231	8,939	7,093	5,890	5,071
Installment Receivables	7,202	4,433	2,846	1,821	1,195
Credit Guarantees	48,397	51,078	80,489	78,134	78,466
Other	8,113	6,526	6,570	5,441	5,136

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2012	2013	2014	2015	2016
Operating Revenue	72,192	62,310	59,196	54,922	55,120
Interest on Loans	57,657	47,402	42,066	36,150	36,857
Unsecured	46,374	38,126	34,472	29,938	32,086
Secured	9,554	7,655	6,233	5,148	3,919
Small Business	1,729	1,621	1,361	1,065	852
Credit Guarantees	3,051	3,215	6,654	10,136	11,221
Installment Receivables	316	306	226	143	116
Other	11,167	11,388	10,251	8,492	6,926
Net Income (Loss)	13,407	10,649	24,046	(41,434)	5,281

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2012	2013	2014	2015	2016
Number of Customer Accounts	805	631	590	613	664
Unsecured	767	601	565	593	648
Secured	27	22	17	14	11
Small Business	12	9	7	6	5

AVERAGE YIELD

(%)

	2012	2013	2014	2015	2016
Average Yield	15.9	15.0	15.4	14.8	15.2

AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Receivables Write-offs	68,352	31,591	19,264	15,374	14,957
Unsecured Loans Write-offs	46,374	25,464	14,933	12,616	12,683
Ratio of Total Receivables Write-offs (%)	19.84	11.03	7.39	5.81	5.17
Ratio of Unsecured Loans Write-offs (%)	17.46	11.33	6.91	5.50	4.83

*On July 1, 2011, Group companies, formerly known as Life Co., Ltd. and Cities Co., Ltd., were absorbed by merger into AIFUL

NEW ACCOUNTS

(Accounts)

	2012	2013	2014	2015	2016
New Accounts	63,296	87,575	117,072	153,197	180,805
Unsecured Loans	61,734	87,515	117,008	153,135	180,666
Contract Rate of Unsecured Loans (%)	29.9	38.0	45.0	45.0	46.5

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Assets	533,713	466,542	463,792	444,737	407,140
ROA (%)	2.4	2.1	5.2	(9.1)	1.2
Total Equity	79,761	90,411	114,807	73,722	78,884
ROE (%)	18.6	12.5	23.5	(44.2)	7.0

LIFECARD CO., LTD.

TOTAL RECEIVABLES OUTSTANDING (Managed Asset Basis)

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Receivables Outstanding	152,663	151,736	150,228	148,933	154,951
Installment Receivables	73,412	79,452	82,418	82,512	88,972
Loans (Cash Advance)	53,168	48,375	45,322	44,518	44,169
Credit Guarantees	25,750	23,363	21,931	21,349	21,178
Other	333	545	556	554	631

OPERATING REVENUE/NET INCOME

(Millions of Yen)

	2012	2013	2014	2015	2016
Operating Revenue	19,711	26,402	27,347	27,314	28,359
Installment Receivables	8,657	12,509	13,387	13,534	14,559
Loans (Cash Advance)	6,084	6,904	6,260	5,944	5,645
Credit Guarantees	1,240	1,395	1,296	1,246	1,270
Other	3,730	5,593	6,403	6,590	6,884
Net Income	2,207	3,320	2,419	3,530	1,859

AVERAGE YIELD

(%)

	2012	2013	2014	2015	2016
Average Yield	17.1	17.5	18.2	18.5	18.8

PURCHASE RESULTS

(Millions of Yen)

	2012	2013	2014	2015	2016
Credit Card	341,491	496,088	539,051	584,734	636,902
Credit Card Shopping Loans	310,754	454,181	498,756	543,710	595,922
Credit Card Cashing Loans	30,737	40,906	40,295	41,023	40,979

NUMBER OF CARDHOLDERS

(Thousands)

	2012	2013	2014	2015	2016
Number of Cardholders	6,357	5,811	5,818	6,023	6,292
LIFE Proper Card	2,489	2,021	1,911	1,855	1,814
Affinity Cards	3,869	3,790	3,907	4,169	4,478

AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

(Millions of Yen)

	2012	2013	2014	2015	2016
Total Receivables Write-offs	1,665	2,961	3,178	3,042	3,121
Ratio of Total Receivables Write-offs (%)	1.09	1.95	2.08	2.04	2.01

* LIFECARD CO., LTD. commenced business on July 1, 2011. As a result, performance figures for the fiscal year ended March 31, 2012 are for a nine-month period.

Corporate Governance

1. Basic Views and Basic Policy on Corporate Governance

The AIFUL Group understands that a key objective of corporate governance is to achieve corporate management with transparency, impartiality, and efficiency by conducting corporate activities premised on compliance in accordance with our management philosophy of *"Earn the trust of society through corporate activity based in integrity"* to contribute to the development of the economy and society and thereby to gain the trust of society.

AIFUL will undertake enhancements to upgrade our corporate governance in accordance with the Basic Policy on Corporate Governance set out below.

(1) We will respect the rights of shareholders and ensure their equality.
(2) We will work on appropriate collaboration with all stakeholders including shareholders.
(3) We will appropriately disclose our financial, non-financial, and other corporate information to ensure transparency.
(4) Our Board of Directors will recognize its fiduciary responsibility to shareholders and fulfill its roles and duties, including making and keeping its function of effectively supervising business execution.
(5) We will hold constructive dialogues with shareholders for the sake of achieving continued growth and a medium- and long-term increase in corporate value.

2. Corporate Governance Structure

(1) Overview of the Corporate Governance Structure

In order to strengthen the supervisory function of the Board of Directors and to enhance corporate governance, we have made the change from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. This change went into effect on June 23, 2015.

Audit and Supervisory Committee and Directors Belonging to the Committee

The Audit and Supervisory Committee consists of three directors (including two directors who are outside members). It determines items such as the audit policy and plan, and discusses and decides on important audit matters based on the reports it receives. In addition to these performing these duties, it also audits legitimacy and appropriateness through the use of the internal control system. A meeting will generally be held every month, with extraordinary meetings held when necessary.

The directors who are members of the Audit and Supervisory Committee will cooperate with the Internal Auditing Department and the accounting auditors to enhance management's supervisory functions. They will also share information with the auditors of affiliated companies in an effort to strengthen the auditing structure for the operations of the entire Group.

To improve these audit functions, the Group will establish an Audit and Supervisory Committee Office (Audit Office) as the exclusive body for supporting the duties of directors who belong to the Audit and Supervisory Committee. It will also take the necessary steps to secure independence, such as by requiring that the Audit Office does not follow any directions or orders from directors (other than directors belonging to the Audit and Supervisory Committee) when carrying out their duties.

Board of Directors and Directors

The Board of Directors consists of eleven directors (as of the date the Annual Securities Report was submitted): eight directors who are not members of the Audit and Supervisory Committee, and three directors who are members of the Audit and Supervisory Committee. It discusses and makes decisions on matters that cannot be delegated to directors or others under laws and regulations and the Articles of Incorporation, such as basic management policies and basic policies associated with the internal control system, and other important matters for execution of operations under the rules of the Board of Directors, including business plans, personnel policies, and capital policies. The Board of Directors delegates authority over the execution of operations in line with the policies on which the Board of Directors has made resolutions, and the disposal of property worth less than a specified amount to executive officers and others within an appropriate range in accordance with regulations for administrative authority and other rules. In addition to delegating this authority, it supervises the execution of operations. It generally holds semimonthly meetings and extraordinary meetings when necessary. The Company's Articles of Incorporation also stipulate that there be no more than fifteen directors (excluding directors on the Audit and Supervisory Committee) and no more than five directors on the Audit and Supervisory Committee.

Outside Directors

Two of the three directors in the Audit and Supervisory Committee are outside directors (as of June 29, 2016). We have developed a structure in which they can attend management meetings and other important meetings and committees to express their views.

Executive Officers

The Company introduced an executive officer system in June 2007 to speed up the decision-making process and the performance of duties, and enhance the separation of supervisory and executive functions. The Board of Directors appoints executive officers and delegates its business by establishing the division of duties and authority.

Management Committee

The Management Committee comprises all the directors and executive officers. It strives to promote information sharing and consensus on matters to be submitted to the Board of Directors, as well as on issues and strategies, etc. based on policies resolved at Board of Directors meetings. The committee aims to ensure that disagreements do not arise regarding decisions or the performance of duties. It generally holds meetings on a weekly basis.

Compliance Committee

The Compliance Committee is placed as an advisory body under the direct control of the Board of Directors. The head of this committee is the officer in charge of the compliance department and is approved by the Board of Directors. The Compliance Committee comprises outside experts, directors also serving as members of the Audit and Supervisory Committee, and executive officers of related organizations. Its objectives are to create a corporate culture in which compliance is emphasized, to establish corporate ethics, and to draw up compliance programs. It develops programs for the verification of issues and educational programs, and delivers reports to the Board of Directors as required. In addition to general bimonthly meetings, it holds extraordinary meetings as necessary.

Risk Management Committee

AIFUL has a Risk Management Committee, which is under the direct control of the Board of Directors. Headed by the president and representative director, it comprises all the directors. For the purposes of preventing risks and mitigating losses in the event of a crisis by constructing a reasonable risk management structure, it regularly receives risk status reports to enable it to be constantly aware of risks and continuously review the risk management system to submit reports to directors. In addition to general quarterly meetings, it holds extraordinary meetings as necessary.

(2) Reasons for the Current Structure

As we have an auditor system, we appoint two outside directors for our three directors who are members of the Audit and Supervisory Committee. We have ensured independent audits by developing a system where all directors who are members of the Audit and Supervisory Committee attend Board of Directors meetings and other important meetings and committee meetings, including Management Committee meetings, to express their opinions. We have also ensured the independence of audits by establishing an Auditor's office as the exclusive body for supporting the duties of directors also serving as members of the Audit and Supervisory Committee.

Further, we separate management's supervisory and business execution functions by implementing an executive officer system and strengthening supervisory functions by establishing a Compliance Committee including outside experts and a Risk Management Committee, etc.

We have adopted our current system to achieve transparent, fair, and efficient corporate management.

3. Enhancement of Corporate Governance

(1) Development of a Compliance Framework

A Compliance Committee (meeting on a regular basis), with an outside member (a lawyer), has been set up to establish and manage compliance programs, conduct ongoing management led by the person responsible for compliance in each division, collect information and implement other preventative measures, and determine policies for employee training. In addition, the AIFUL Group Compliance Committee has been established to disseminate a set of unified corporate ethics throughout the entire Group and form a compliance framework for the Group as a whole. In addition, the Group has launched both internal and external hotlines offering consultations on any violations of the Group's management principles, norms, and other standards, as well as an internal whistle-blowing system, in an effort to develop a corporate environment that encourages reporting and discussion of violations.

(2) Development of a Risk Management Framework

A Risk Management Committee has been set up to gain an understanding of the Group's risk factors and hold discussions to determine responses. The Risk Management Committee has a system in place whereby it collects risk information from the Compliance Committee and other divisions on a regular basis and conducts crisis management in coordination with directors and other relevant divisions. AIFUL CORPORATION and AIFUL Group have established an action plan and manual in preparation for large-scale disasters, issues relating to personal or corporate information, and other risk events so as to be able to respond to potential emergencies appropriately and promptly.

(3) Maintenance of Accuracy in Disclosure of Financial Information and Status of Internal Controls

As a system for maintaining the accuracy of financial information, the AIFUL Group has developed an effective mutual check system where the division in charge of institutional accounting (the Accounting Department) and the division in charge of management accounting (the Management Planning Department) are separate, in addition to a system of checks established by the Accounting Department and accounting audits by independent auditors in accordance with the Companies Act and the Financial Instruments and Exchange Act. The Group also implements initiatives for maintaining the accuracy of information disclosure in the preparation and announcement of financial reports by having the Accounting Department, the IR Section of the Finance Department, and other relevant divisions (including certain affiliated companies) apply a process of checks.

(4) Improvement of Disclosure and Status of Internal Controls

To enhance the transparency of management and achieve effective corporate governance through the activation of external checking functions, the Group endeavors to make timely and straightforward disclosures in news releases, account settlement data, annual reports, and other materials, as well as holding briefing sessions for domestic and overseas investors, analysts, and so forth, as appropriate. In addition, we have a system in place whereby investors' opinions and inquiries about management can be relayed back to the president, the Board of Directors, and the head of each division on a regular basis.

The diagram below illustrates our Group's structures for business execution, management supervision, internal control, and risk management as of the date of submission of the Annual Securities Report.

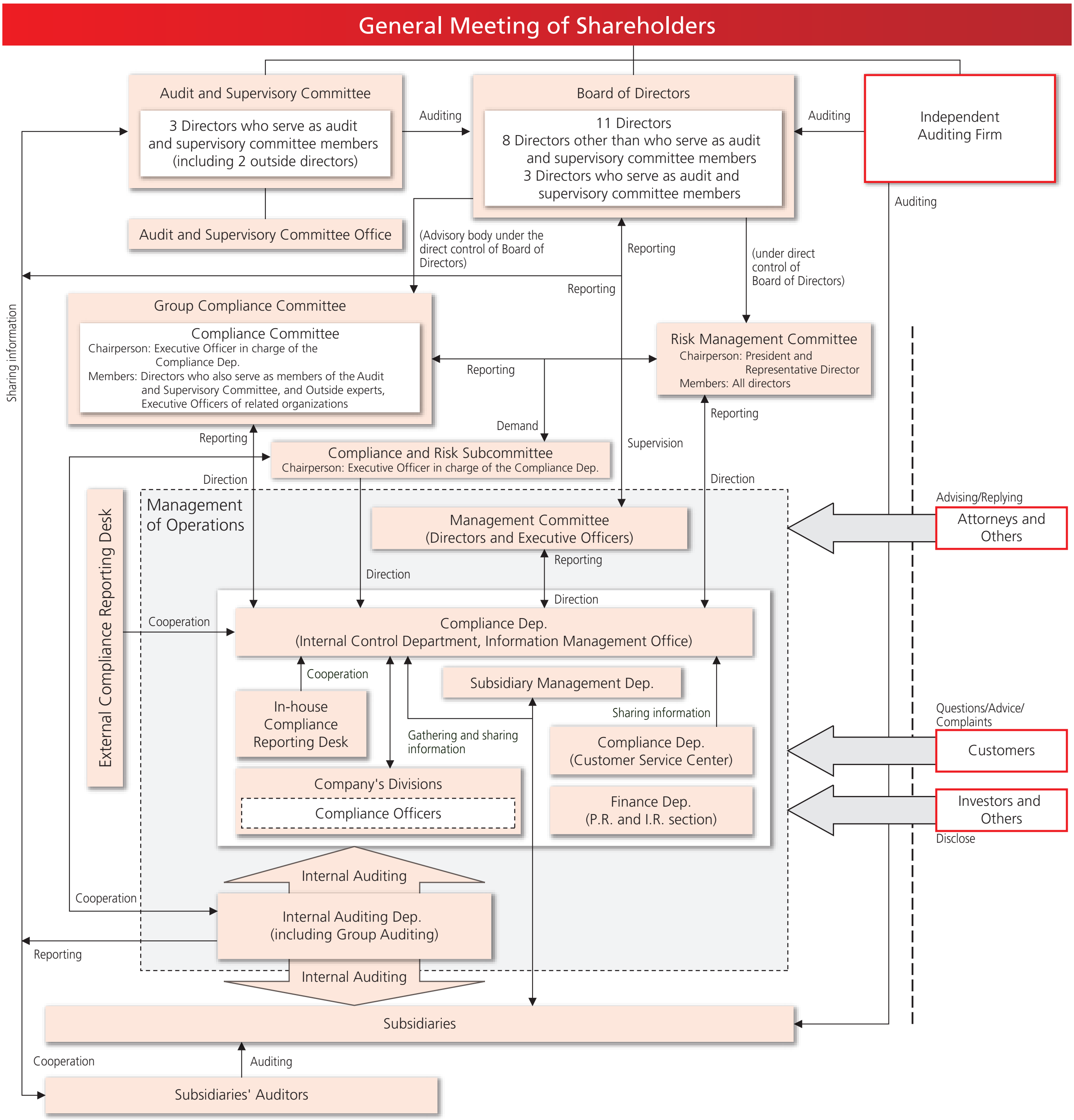
4. Relationships between Outside Directors and the Company

(1) Functions and Roles of Outside Directors

The Company has two outside directors who express opinions and provide advice from a perspective outside the Company, drawing upon their considerable experience and extensive knowledge, to maintain an objective and neutral oversight function from an external perspective.

(2) Relationships between Outside Directors and the Company

Audit and Supervisory Committee Member, Masanobu Hidaka, was previously engaged in tax affairs at the National Tax Agency, and has considerable knowledge about finance and accounting. Deeming him to be qualified as an outside director and Audit and Supervisory Committee member, the Company appointed him an outside director. The Company also deemed Audit and Supervisory Committee Member, Haruichi Suzuki, to be qualified as an outside director, and thus has appointed him as such, expecting him to provide advice as an outside director from a fair and neutral standpoint by drawing upon his extensive knowledge and



considerable experience as a lawyer. The Company has concluded a contract on the limitation of liability for damages under Article 423, Paragraph 1 of the Companies Act with Mr. Suzuki. The maximum amount of liability for damages under the contract is the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act.

The outside directors above have no special interests in the Company.

AIFUL designates as independent officers all its outside directors that fulfill the requirements for independent officers.
(Standards for independent officers)

AIFUL's standards for independent outside directors are prescribed as follows:

1. A person who falls under none of the items below and permanently and substantially has no potential conflict of interest for any other reasons shall be deemed to have sufficient independence from AIFUL.
   (1) The person is an executive director, etc.*1 at AIFUL or any of its subsidiaries (hereinafter collectively referred to as "the AIFUL Group"), or the person served as an executive director, etc. at the AIFUL Group during the 10-year period before assuming the post or, if the person used to be a non-executive director*2 or a corporate auditor at any time within the 10-year period before assuming the post.
   (2) The person is currently a major shareholder*3 of AIFUL, or if the major shareholder is a juridical person, is or was a director, corporate auditor, accounting advisor, executive officer, manager or other employee at the major shareholder, its parent company or any of its significant subsidiaries in the past five years.
   (3) The person is currently a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a company of which AIFUL is a major shareholder*3.
   (4) The person is or was an executive director, executive officer, manager or other employee of a party of which the AIFUL Group is or was a major business partner*4, of its parent company, or of any of its significant subsidiaries, whether or not it is a company.
   (5) The person is or was an executive director, executive officer, manager or other employee of a party that is a major business partner*4 of AIFUL, its parent company or any of its significant subsidiaries, whether or not it is a company.
   (6) The person is a director, limited to a person engaging in business execution, or another person such as an officer, member or employee engaging in business execution of any organization, e.g., a public interest incorporated foundation or association and a not-for-profit corporation, which receives donations or financial support exceeding a predetermined level*5 from the AIFUL Group.
   (7) The person is a director, corporate auditor, accounting advisor or executive officer of a company, its parent company or any of its subsidiaries that accepts a full-time or part-time director from the AIFUL Group.
   (8) The person is a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a financial institution or any other large creditor that is indispensable to AIFUL in fund procurement and on which AIFUL is so dependent that it is irreplaceable (hereinafter "large creditor, etc."), or was, in the past three years, a director, corporate auditor, accounting advisor, executive officer, manager or other employee at a large creditor, etc., or its parent company or any of its significant subsidiaries.
   (9) The person is currently an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group, or was an accounting auditor, or a member, partner or employee of the auditing corporation or the tax accountant corporation for the AIFUL Group in the past three years who actually did auditing work, excluding assisting involvement, for the AIFUL Group, irrespective of whether the person still works for, or in, or has already retired from any of the corporations mentioned above.
   (10) The person is a lawyer, certified public accountant, tax accountant or other consultant who does not fall under item (9) above who (*a*) has received a monetary or other property benefit worth 10 million yen or more per year on average over the past three years from the AIFUL Group in addition to the offer remuneration, or who (*b*) is a member, partner, associate or employee of a firm of which the AIFUL Group is a major business partner (which refers to a firm that receives a payment from the AIFUL Group that has made up at least two percent of its average consolidated total sales over the past three business years).
   (11) The person is a close relative*6 of the person that falls under any of items (1) to (10) above.

2. Even if he or she falls under any of the items in 1. above, a person deemed by AIFUL to be appropriate in terms of personality, views, and suchlike as an independent director for AIFUL may be appointed as such on the condition that the person fulfills the requirements for outside directors under the Companies Act and that the grounds for regarding the person as appropriate as an independent director for AIFUL are explained externally.

*1 An *executive director*, etc. refers to an executive director, executive officer, manager or other employee.
*2 A *non-executive director* refers to any director who is not an executive director.
*3 A *major shareholder* refers to a shareholder who holds at least 10 percent of the voting rights.
*4 A *major business partner* refers to a party receiving an amount that is two percent or more of its annual consolidated sales for its most recent business year from the AIFUL Group, either in the most recent business year or in the three business years before the most recent year (i.e., a party of which the AIFUL Group is a major business partner) or a party that paid an amount that is two percent or more of AIFUL's annual total sales for its most recent business year either in the most recent business year or in the three business years before the most recent one (i.e., a party that is a major business partner of the AIFUL Group).
*5 A *predetermined level* refers to either the average amount of 10 million yen per year over the past three business years or the amount equivalent to 30 percent of the average annual total expenses of the organization in question, whichever is the larger.
*6 A *close relative* refers to either a spouse or a relative within the second degree of consanguinity; provided, however, that item (1) in 1. applies to those that fall thereunder within the last five years.

Board of Directors and Executive Officers

(As of June 28, 2016)

Directors

Yoshitaka Fukuda

President and Representative Director

Chief Executive Officer

Apr. 1967: Founded Matsubara Sangyo as a sole proprietorship consumer finance company
Apr. 1980: Director of Marutaka, Inc. (established in 1978, currently AIFUL CORPORATION)
May 1982: President and Representative Director of the Company due to merger of three related companies (Oasa, Inc., Yamakatsu Sangyo, Inc., Maruto, Inc.)
Jun. 2007: President and Representative Director, Chief Executive Officer
Jun. 2011: Chairman and Representative Director of LIFECARD Co., Ltd (Current)
Jun. 2016: President and Representative Director, Chief Executive Officer, Chairperson of the Risk Management Committee, In charge of the Internal Auditing Department (Current)

Masayuki Sato

Representative Director

Senior Managing Executive Officer

Aug. 1982: Joined AIFUL CORPORATION
Jun. 1999: Director of the Company
Jun. 2008: Director and Managing Executive Officer
Jun. 2011: Director and Senior Managing Executive Officer
Jun. 2014: Representative Director and Senior Managing Executive Officer
Jun. 2016: Representative Director and Senior Managing Executive Officer Senior General Manager of the Management Planning Division, In charge of the Personnel Department (Current)

Kazumitsu Oishi

Director

Senior Managing Executive Officer

Mar. 1979: Joined Marutaka, Inc. (currently AIFUL CORPORATION)
Jun. 2001: Director of the Company
Jun. 2007: Executive Officer
Jun. 2011: Managing Executive Officer
Jun. 2012: Director and Managing Executive Officer
Jun. 2016: Director and Senior Managing Executive Officer Chairperson of the Compliance Committee, Senior General Manager of the Credit Management Division and the Accounting Division, In charge of the Information Systems Development Department, the Information Systems Operation Department, the Compliance Department, the General Affairs Department and the Credit Assessment Department (Current)

Tsuguo Nakagawa

Director

Senior Managing Executive Officer

Mar. 1976: Joined Oasa Inc. (Yoshitaka Fukuda's sole proprietorship)
Jun. 2006: Director of the Company
Jun. 2007: Executive Officer
Jun. 2011: Managing Executive Officer
Jun. 2012: Director and Managing Executive Officer
Jun. 2016: Director and Senior Managing Executive Officer, Senior General Manager of the Loan Business Division, In charge of the Marketing Department (Current)

Mitsuhide Fukuda

Director

Senior Managing Executive Officer

Apr. 2003: Joined Daiwa Securities Co. Ltd.
Apr. 2009: Joined OGI Capital Partners, Ltd.
Jun. 2011: Executive Officer of the Company
Jun. 2012: Director and Executive Officer
Apr. 2014: President of BUSINEXT CORPORATION (Current)
Jun. 2014: Director and Managing Executive Officer
Apr. 2016: President of AsTry Loan Services Corporation (Current)
Jun. 2016: Director and Senior Managing Executive Officer, In charge of the Guarantee Business Department 1 and the Guarantee Business Department 2 (Current)

Yoshiaki Tanaka

Director

Executive Officer

Apr. 1983: Joined The Sumitomo Trust & Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited)
Sep. 2006: Sales Manager, Division 6, Tokyo Branch of The Sumitomo Trust & Banking Co., Ltd.
Apr. 2012: Sales Manager, Division 6, the Main Branch of The Sumitomo Trust & Banking Co., Ltd.
Apr. 2015: Executive Officer of the Company
Jun. 2015: Director and Executive Officer, In charge of the Management Planning Department, General Manager of the Management Planning Department (Current)

Hiroshi Uemura

Director

Executive Officer

Apr. 1985: Joined The Nippon Credit Bank, Limited. (currently Aozora Bank, Ltd.)
Sep. 2005: Senior Relationship Manager of Group 11 of Corporate Business Division 1 of the Corporate Banking Division, Senior Relationship Manager of Corporate Business Department 1, Sapporo Branch, Corporate Banking Division of Aozora Bank, Ltd.
Aug. 2010: General Manager of the Workout Division of Aozora Bank, Ltd.
Apr. 2015: Executive Officer of the Company
Jun. 2015: Director and Executive Officer
Jun. 2016: Director and Executive Officer, In charge of the Finance Department (Current)

Keiji Masui

Director

Executive Officer

Aug. 1983: Joined AIFUL CORPORATION
Apr. 2014: Executive Officer of the Company
Apr. 2015: Executive Officer of the Company, Director and Managing Executive Officer of LIFECARD (Current)
Jun. 2016: Director and Executive Officer of the Company (Current)

Directors, Audit and Supervisory Committee members

Masanobu Hidaka

Director (outside)

Audit and Supervisory Committee member

Jul. 1969: Joined Ministry of Finance
Jul. 1994: Director-General of the Hiroshima Regional Taxation Bureau
May 1995: Deputy Commissioner, Commissioner's Secretariat, National Tax Agency
Jul. 1996: President of the National Tax College
Jun. 2002: Full-time Corporate Auditor of the Company
Jun. 2015: Director (Audit and Supervisory Committee member) (Current)

Minoru Shimamura

Director

Audit and Supervisory Committee member

Oct. 1983: Joined AIFUL CORPORATION
Apr. 2016: General Manager of the Audit and Supervisory Committee Office (Current)
Apr, 2016: Corporate Auditor of LIFECARD Co.,Ltd (Current)
Jun. 2016: Director (Audit and Supervisory Committee member) (Current)

Haruichi Suzuki

Director (outside)

Audit and Supervisory Committee member

Apr. 1997: Joined the SHIGEKAZU UEMATSU Law Office (currently UEMATSU/ SUZUKI Law Office)
Sep. 1999: Lecturer at Ritsumeikan University Graduate School of Law
Jan. 2008: Director of UEMATSU/ SUZUKI Law Office (Current)
Jun. 2015: Director (Audit and Supervisory Committee member) (Current)

Executive Officers

Kazuyoshi Wakamatsu

Executive Officer

Responsible for the Credit Assessment Department

Shinichiro Okuyama

Executive Officer

Responsible for the Marketing Department,
General Manager of the Marketing Department

Kazuhiko Tsuda

Executive Officer

Responsible for the Accounting Department and the General Affairs Department,
General Manager of the Accounting Department

Atsushi Suda

Executive Officer

Responsible for the Compliance Department

Katsuhiko Nagasue

Executive Officer

Responsible for the Information Systems Development Department and the Information Systems Operation Department

Hideaki Minamizawa

Executive Officer

Responsible for the Personnel Department,
General Manager of the Personnel Department

Toshiaki Ando

Executive Officer

General Manager of the Loan Business Promotion Department

Yuji Fukada

Executive Officer

Responsible for the Finance Department,
General Manager of the Finance Department

Ikuo Yamauchi

Executive Officer

Responsible for the Subsidiary Management Department,
General Manager of the Subsidiary Management Department

History

1967
Apr — Yoshitaka Fukuda, AIFUL CORPORATION's current president, established sole proprietorship as a consumer finance company

1978
Feb — Established Marutaka, Inc. (now AIFUL CORPORATION) with capital of 9.0 million yen, in Sakyo-ku, Kyoto
Began unsecured consumer loan business

1982
May — Marutaka, Inc. absorbs three related companies (Oasa, Inc., Yamakatsu Sangyo, Inc., and Maruto, Inc.) and increases its equity capital to 500.0 million yen
Name simultaneously changed to AIFUL CORPORATION
Jul — Began providing unsecured loans to sole proprietors

1984
Feb — Start of ATM operations
Mar — Registration of money lenders based on enactment of the Money-Lending Business Control Law
Oct — Began sales of real estate-secured loans

1994
Nov — Opened Heartful Center

1995
Mar — Installed automatic contract acceptance machine, "Ojido-san"
Nov — Started a website

1997
Jul — Over-the-counter registration of company's stock with the Japan Securities Dealers Association
Oct — Began full-scale sales of commercial loans to consumers

1999
May — Registered as certified finance corporation based on the Law Concerning the Issuance of Corporate Bonds in the Financial Industry Loan Business

2000
Mar — Listed on the First Section of the Tokyo Stock Exchange, and the First Section of the Osaka Securities Exchange

2001
Jan — Established business finance company BUSINEXT CORPORATION through a joint venture with Sumitomo Trust and Banking Co., Ltd.
Feb — Completed new headquarters building
Mar — Converted LIFE Co., Ltd. into 100% subsidiary
Jul — Issued LIFE ETC CARD

Nov — Established servicer company AsTry Loan Services Corporation in joint venture with Aozora Bank, Ltd.
Nov — Changed the form of invoicing (statement of charges) sent to cardholders to electronic and launched the LIFE-Web Desk service for card holders

2002
Apr — Established Compliance Committee
Sep — Opened a contact center
Oct — Converted business finance company, City's Co. Ltd., into 100% subsidiary

2003
Jan — Received Listed Company Disclosure Commendation from the Tokyo Stock Exchange

2004
Mar — Converted KOKUSAI Capital Co., Ltd. into 100% subsidiary
Jul — KOKUSAI Capital Corporation changed its name to New Frontier Partners Co., Ltd.

2006
Apr — Issued LIFECARD GOLD

; issued LIFECARD exclusively for students

2007
Apr — Revised management philosophy. The new management philosophy becomes "Earn the trust of society through corporate activity based in integrity"
Apr — Established Risk Management Committee

2009
Aug — Opened a shopping mall for members, L–Mall

2010
Jul — Established LIFE CARD Co., Ltd. (now a consolidated subsidiary) to operate credit card and credit guarantee businesses, wholly funded by AIFUL subsidiary LIFE Co., Ltd. (now a consolidated subsidiary)

2011
Jun — Issued V-Preca, Japan's first prepaid Visa card available exclusively online
Jul — Under the Group's reorganization, the credit sales business and the credit guarantee and insurance businesses of LIFE Co., Ltd., were transferred to LIFE CARD Co., Ltd. by way of corporate spinoff and merger. Also, four consolidated subsidiaries (LIFE Co., Ltd. (following its spin-off), City's Corporation, City Green Corporation and Marutoh KK) were merged with AIFUL

2013
Apr — New Frontier Partners Co., Ltd. (currently a consolidated subsidiary), a wholly owned subsidiary of the Company, acquired all shares of BUSINEXT CORPORATION (currently a consolidated subsidiary) owned by the Company and Sumitomo Mitsui Trust Bank Limited and made it a wholly owned subsidiary

2014
Dec — AIRA&AIFUL Public Company Limited, a joint venture, is established with AIRA Capital, an overseas subsidiary in Thailand

2015
Apr — SANSHU Finance Corporation, which manages the lease business in Shanghai, China, becomes a member of the Group

2015
Oct — AIRA&AIFUL Public Company Limited (A&A) commences the consumer finance business in Thailand with the A Money brand

2015
Nov — Shares of Anshin Guarantor Service Co., Ltd., a group company, are listed on the Tokyo Stock Exchange Mothers

2016
Apr — New Frontier Partners Co., Ltd. changed its corporate name to AG Capital Corporation

Group Network

(As of March 31, 2016)

AIFUL CORPORATION

(Location: Kyoto, Japan)

Top page (Japanese only)

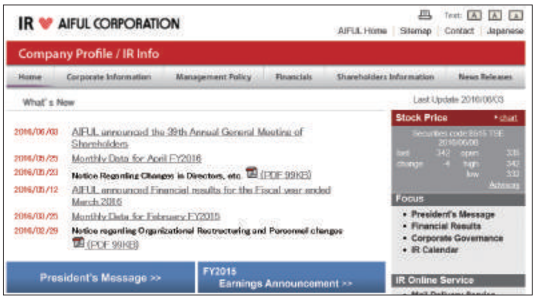
http://aiful.jp

Business Classification

- Unsecured loans
- Secured loans
- Small business loans
- Credit guarantees (for financial institutions)

Investor Relations

http://www.ir-aiful.com/english



LIFECARD CO.,LTD.

(Location: Kanagawa, Japan)

http://www.lifecard.co.jp (Japanese only)

Business Classification

- Credit card
- Prepaid card
- Credit guarantees (for financial institutions)

BUSINEXT CORPORATION

(Location: Tokyo, Japan)

http://www.businext.co.jp (Japanese only)

Business Classification

- Secured loans
- Small business loans
- Factoring

Group Companies	Business Classification	Location
AsTry Loan Services Corporation	Loan servicing	Tokyo, Japan
New Frontier Partners Co., Ltd [*1]	Venture capital	Tokyo, Japan
LIFE GUARANTEE CO., LTD	Individual credit purchasing agency business Guarantee (in-house installment)	Kyoto, Japan
AIRA & AIFUL Public Company Limited	Consumer finance	Bangkok, Thailand
SANSHU Finance Corporation	Leasing	Shanghai, China

Note 1: New Frontier Partners Co., Ltd. changed its corporate name to AG Capital Co., Ltd as of April 1, 2016

Consolidated Balance Sheet

March 31, 2016

AIFUL CORPORATION and Consolidated Subsidiaries

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 39,906	¥ 52,586	$ 353,150
Time deposits (Note 13)	4	4	35
Operational investment securities (Notes 6 and 13)	547	688	4,841
Allowance for investment losses	(5)	(10)	(44)
Loans, credit guarantees and receivables:			
Loans (Notes 3, 7 and 13)	315,547	287,651	2,792,451
Installment accounts receivable (Notes 4, 7 and 13)	89,202	84,333	789,398
Credit guarantees (Note 5)	111,634	111,472	987,912
Other receivables	8,622	8,185	76,301
Allowance for doubtful accounts (Notes 2.*h*, 2.*k* and 13)	(43,188)	(48,757)	(382,195)
Deferred tax assets (Note 11)	485	141	4,292
Other current assets	13,267	13,085	117,408
Total current assets	536,021	509,378	4,743,549
PROPERTY AND EQUIPMENT:			
Land (Note 7)	8,908	8,895	78,832
Buildings and structures (Note 7)	24,013	23,745	212,504
Machinery and equipment (Note 7)	392	392	3,469
Furniture and fixtures	6,509	5,992	57,602
Lease assets	564	554	4,991
Construction in progress	72	131	637
Total	40,458	39,709	358,035
Accumulated depreciation	(22,767)	(22,031)	(201,477)
Net property and equipment	17,691	17,678	156,558
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 13)	1,646	1,657	14,566
Allowance for investment losses		(4)	
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 13)	3,775	4,722	33,407
Claims in bankruptcy (Notes 3 and 13)	31,947	33,984	282,717
Software, net	3,057	2,472	27,053
Lease and guarantee deposits	1,629	20,291	14,416
Other assets	1,203	1,097	10,646
Allowance for doubtful accounts (Notes 2.*h* and 13)	(29,455)	(30,951)	(260,664)
Total investments and other assets	13,802	33,268	122,141
TOTAL	¥ 567,514	¥ 560,324	$ 5,022,248

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7 and 13)	¥ 67,990	¥ 51,460	$ 601,681
Current portion of long-term debt (Notes 7, 12 and 13)	22,440	32,833	198,584
Trade notes payable	29	30	257
Trade accounts payable	23,287	17,412	206,080
Obligation under credit guarantees (Note 5)	111,634	111,472	987,912
Income taxes payable	119	556	1,053
Accrued expenses	2,398	2,561	21,221
Allowance for credit card point redemption	3,380	3,360	29,912
Other current liabilities (Notes 4 and 5)	5,875	3,186	51,990
Total current liabilities	237,152	222,870	2,098,690
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Notes 7, 13 and 14)	159,103	143,245	1,407,991
Allowance for losses on interest refunds (Note 2.*k*)	63,439	93,405	561,407
Deferred tax liabilities (Note 11)	281	225	2,487
Other long-term liabilities (Note 12)	3,289	3,103	29,107
Total long-term liabilities	226,112	239,978	2,000,992
EQUITY (Notes 9 and 10):			
Common stock - authorized, 1,136,280,000 shares; issued, 483,794,536 shares in 2016 and 483,506,536 shares in 2015	143,416	143,402	1,269,168
Capital surplus	13,914	164,469	123,133
Stock acquisition rights	836	739	7,398
Retained earnings	(50,610)	(208,152)	(447,876)
Treasury stock - at cost; 916,890 shares in 2016 and 916,722 shares in 2015	(3,111)	(3,111)	(27,531)
Accumulated other comprehensive income:			
Unrealized (loss) gain on available-for-sale securities	(195)	129	(1,726)
Total	104,250	97,476	922,566
Total equity	104,250	97,476	922,566
TOTAL	¥ 567,514	¥ 560,324	$ 5,022,248

Consolidated Statement of Operations

Year Ended March 31, 2016

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
INCOME:			
Operating revenue (Note 17):			
Interest on loans	¥ 44,256	¥ 43,762	$ 391,646
Revenue from credit card business	14,592	13,549	129,133
Revenue from credit guarantee	12,491	11,382	110,540
Recovery of loans previously charged off	6,021	7,741	53,283
Other operating revenue (Note 6)	10,348	9,918	91,576
Total operating revenue	87,708	86,352	776,178
Foreign exchange gain (Note 17)	16	2,885	142
Rent income of real estate (Note 17)	52	51	460
Gain on sale of investment securities (Notes 6 and 17)		325	
Gain on purchase of borrowings (Note 17)		320	
Other income (Note 17)	153	198	1,353
Total income	87,929	90,131	778,133
EXPENSES:			
Interest on borrowings and bonds	6,885	6,483	60,929
Provision for credit card point redemption (Note 17)	3,221	2,863	28,504
Provision for doubtful accounts (Note 17)	16,127	2,276	142,717
Provision for losses on interest refunds (Note 17)	2,897	63,734	25,637
Provision for accrued bonuses (Note 17)	899	870	7,956
Salaries and other employees' benefits	12,071	12,073	106,823
Net periodic benefit costs (Note 8)	471	474	4,168
Advertising expenses	3,638	3,464	32,195
Rental expenses (Note 12)	2,315	2,212	20,487
Commissions and fees	11,182	10,306	98,956
Depreciation and amortization (Note 17)	2,362	2,753	20,903
Other expenses (Note 6)	19,000	18,477	168,141
Total expenses	81,068	125,985	717,416
INCOME (LOSS) BEFORE INCOME TAXES	6,861	(35,854)	60,717
INCOME TAXES (Notes 11 and 17):			
Current	180	584	1,593
Deferred	(364)	62	(3,221)
Total income taxes	(184)	646	(1,628)
NET INCOME (LOSS)	7,045	(36,500)	62,345
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 7,045	¥ (36,500)	$ 62,345

	Yen		U.S. Dollars (Note 1)
	2016	2015	2016
AMOUNTS PER COMMON SHARE (Notes 2.*s* and 16):			
Basic net income (loss)	¥ 14.59	¥ (75.74)	$ 0.13
Diluted net income	14.57	-	0.13
Cash dividends applicable to the year	nil	nil	nil

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2016

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME (LOSS)	¥ 7,045	¥ (36,500)	$ 62,345
OTHER COMPREHENSIVE LOSS (Note 15):			
Unrealized loss on available-for-sale securities	(324)	(45)	(2,867)
Total other comprehensive loss	(324)	(45)	(2,867)
COMPREHENSIVE INCOME (LOSS)	¥ 6,721	¥ (36,545)	$ 59,478
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 6,721	¥ (36,545)	$ 59,478

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2016

AIFUL CORPORATION and Consolidated Subsidiaries

	Thousands	Millions of Yen						
							Accumulated Other Comprehensive Income (Loss)	
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Total Equity
BALANCE AT APRIL 1, 2014	481,868	¥ 143,325	¥ 164,392	¥ 413	¥ (171,652)	¥ (3,110)	¥ 174	¥ 133,542
Net loss attributable to owners of the parent					(36,500)			(36,500)
Purchase of treasury stock (154 shares)						(1)		(1)
Exercise of stock options	1,639	77	77					154
Net change in the year				326			(45)	281
BALANCE AT MARCH 31, 2015	483,507	143,402	164,469	739	(208,152)	(3,111)	129	97,476
Net income attributable to owners of the parent					7,045			7,045
Purchase of treasury stock (194 shares)								
Disposal of treasury stock (26 shares)								
Exercise of stock options	288	14	14					28
Deficit dispositon			(150,569)		150,569			
Decrease due to the merger of non-consolidated subsidiaries with consolidated subsidiaries					(72)			(72)
Net change in the year				97			(324)	(227)
BALANCE AT MARCH 31, 2016	483,795	¥ 143,416	¥ 13,914	¥ 836	¥ (50,610)	¥ (3,111)	¥ (195)	¥ 104,250

	Thousands of U.S. Dollars (Note 1)						
						Accumulated Other Comprehensive Income (Loss)	
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Total Equity
BALANCE AT MARCH 31, 2015	$ 1,269,044	$ 1,455,478	$ 6,540	$ (1,842,053)	$ (27,531)	$ 1,141	$ 862,619
Net income attributable to owners of the parent				62,345			62,345
Purchase of treasury stock (194 shares)							
Disposal of treasury stock (26 shares)							
Exercise of stock options	124	124					248
Deficit disposition		(1,332,469)		1,332,469			
Decrease due to the merger of non-consolidated subsidiaries with consolidated subsidiaries				(637)			(637)
Net change in the year			858			(2,867)	(2,009)
BALANCE AT MARCH 31, 2016	$ 1,269,168	$ 123,133	$ 7,398	$ (447,876)	$ (27,531)	$ (1,726)	$ 922,566

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2016

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 6,861	¥ (35,854)	$ 60,717
Adjustments for:			
Income taxes - paid	(615)	(764)	(5,442)
Income taxes - refund	128	369	1,133
Depreciation and amortization	2,362	2,753	20,903
Decrease in allowance for investment losses	(8)	(14)	(71)
Decrease in allowance for doubtful accounts	(7,097)	(22,814)	(62,805)
Increase in allowance for bonuses	12	3	106
Increase in allowance for credit card point redemption	20	160	177
(Decrease) increase in allowance for losses on interest refunds	(29,966)	33,523	(265,186)
Gain on sale of investments in securities, net		(325)	
Gain on purchase of borrowings		(320)	
Changes in assets and liabilities:			
(Increase) decrease in loans	(26,830)	33,499	(237,434)
(Increase) decrease in installment accounts receivable	(4,869)	931	(43,088)
(Increase) decrease in purchased receivables	(664)	43	(5,876)
Decrease in other operating receivables	227	1,132	2,009
Decrease in claims in bankruptcy	2,038	2,870	18,035
Decrease in lease and guarantee deposits	18,635	1,636	164,912
Increase in other current assets	(157)	(1,346)	(1,389)
Increase in other current liabilities	8,048	3,083	71,221
Other, net	202	(62)	1,785
Total adjustments	(38,534)	54,357	(341,010)
Net cash (used in) provided by operating activities	(31,673)	18,503	(280,293)
INVESTING ACTIVITIES:			
Capital expenditures	(2,634)	(2,219)	(23,310)
Purchases of investment securities	(320)	(4,386)	(2,832)
Other, net	(90)	220	(796)
Net cash used in investing activities	(3,044)	(6,385)	(26,938)
FORWARD	¥ (34,717)	¥ 12,118	$ (307,231)

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
FORWARD	¥ (34,717)	¥ 12,118	$ (307,231)
FINANCING ACTIVITIES:			
Net increase in short-term borrowings	16,530	2,210	146,283
Proceeds from long-term debt	111,200	96,900	984,071
Repayments of long-term debt	(105,746)	(125,803)	(935,805)
Other, net	18	104	159
Net cash provided by (used in) financing activities	22,002	(26,589)	194,708
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(13)	180	(115)
CASH AND CASH EQUIVALENTS INCREASED BY MERGER OF NON-CONSOLIDATED SUBSIDIARIES AND CONSOLIDATED SUBSIDIARIES	48		425
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,680)	(14,291)	(112,213)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	52,586	66,877	465,363
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 39,906	¥ 52,586	$ 353,150

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

AIFUL CORPORATION and Consolidated Subsidiaries

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which AIFUL CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its four (four in 2015) significant subsidiaries (together, the "Group"). Consolidation of the remaining nine (twelve in 2015) unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in seven unconsolidated subsidiaries (eight in 2015) and an affiliated company (nil in 2015) are stated at cost. Investments in the remaining two unconsolidated subsidiaries (four in 2015), which are limited liability investment partnerships and similar partnerships, are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the most recent available financial statements of the partnerships.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit (loss) included in assets (liabilities) resulting from transactions within the Group is eliminated.

b. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest — A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of operations. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet* — In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of operations* — In the consolidated statement of operations, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination* — If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) *Acquisition-related costs* — Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of operations, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of operations, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of operations, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

As a result, there was no impact on net income (loss) from these accounting changes.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

c. *Cash Equivalents* — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that mature or become due within three months of the date of acquisition.

d. *Operational Investment Securities Held by Venture Capital Subsidiary and Investment Securities* — Operational investment securities held by a venture capital company and investment securities, all of which are classified as available-for-sale securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average cost method. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, operational investment securities and investment securities are reduced to net realizable value by a charge to income.

Investments in limited liability investment partnerships and similar partnerships are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the most recent available financial statements of the partnerships.

e. *Property and Equipment —* Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its consolidated subsidiaries is computed by the declining-balance method except that the straight-line method is applied to the buildings of the Company's consolidated subsidiaries acquired on or after April 1, 1998. The range of useful lives is principally from 2 to 62 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

f. *Long-lived Assets —* The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. *Software —* Expenditures for the purchase of software are capitalized as software and amortized by the straight-line method over the estimated useful lives of five years.

h. *Allowance for Doubtful Accounts —* The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the accounts outstanding.

i. *Allowance for Investment Losses —* The allowance for investment losses is stated in amounts considered to be appropriate based on the financial position of the investment destination and an evaluation of potential losses on nonmarketable investment securities.

j. *Allowance for Credit Card Point Redemption —* The allowance for credit card point redemption is provided at an estimated amount of future costs related to credit card point redemption. These points are granted to card members according to the point system that is intended to promote the usage of cards.

k. *Allowance for Losses on Interest Refunds —* The limit on interest rates in Japan is regulated by two laws - "Capital Subscription Law" and "Interest Rate Restriction Act." Under the former law, interest rates on loans should not exceed 29.2% (20.0% for customers who originate loans after June 18, 2010) and violation of the law is subject to a criminal penalty. The latter law stipulates that interest payments for interest rates that exceed the legal limit (20.0% for principal amounts under ¥100 thousand, 18.0% for principal amounts not less than ¥100 thousand and under ¥1 million, and 15.0% for principal amounts not less than ¥1 million) are void. However, under the "Moneylending Business Control and Regulation Law," such interest payments are nonetheless considered to be valid if moneylenders issue notices as prescribed by the law to debtors and debtors pay the interests voluntarily (for customers who originate loans after June 18, 2010, such system is abolished). Strict judgment by the Supreme Court of these requirements has led to decisions against moneylenders and resulted in more debtors claiming for the return of excess interest payments.

The Company and certain of its consolidated subsidiaries have loaned money at rates between the limits set by the two laws. Allowance for losses on interest refunds is stated at amounts considered to be appropriate based on the Company's and respective consolidated subsidiaries' past refund loss experience, the recent situation regarding interest refunds and other factors.

At March 31, 2016 and 2015, the Group recorded allowances of ¥63,439 million ($561,407 thousand) and ¥93,405 million, respectively, as "Allowance for losses on interest refunds." In addition, the estimated amount of interest refunds of ¥12,435 million ($110,044 thousand) and ¥17,388 million, which were expected to be preferentially set off against loans, was recorded as "Allowance for doubtful accounts" for the Company and certain of its consolidated subsidiaries at March 31, 2016 and 2015, respectively.

l. *Asset Retirement Obligations —* In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. *Stock Options —* ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

n. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The Group applied the revised accounting standard effective April 1, 2008.

Lease assets related to finance lease transactions with ownership transfer are depreciated on the methods that are applied to the assets owned by the Group. Lease assets related to finance lease transactions without ownership transfer are depreciated over the leased periods on a straight-line basis, with no residual value.

All other leases are accounted for as operating leases.

o. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

p. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

q. Revenue Recognition:

Interest on Loans — Interest on loans is recorded on an accrual basis. In accordance with the practice prevailing in the industry, the Company records accrued interest at the lower of the interest rate stipulated in the Interest Rate Restriction Act or the contractual interest rate.

Revenue from Credit Card Business and Revenue from Installment Sales Finance Business — Fees from customers and member stores applying the add-on method are generally recorded collectively as unearned income when credit contracts become effective and are recognized in equal installments over the contractual term. Fees from customers applying the diminishing balance method or revolving method are generally recognized in equal installments over the contractual term.

Revenue from Credit Guarantees — Revenue from credit guarantees is recorded by the remaining principal method.

r. Interest on Borrowings — Interest on financial liabilities is accounted for as operating expenses while other interest is included in other expenses.

s. Per Share Information — Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share of common stock reflects the potential dilution that could occur if stock aquisitions rights were converted into common stock and assumes full exercise of outstanding stock options.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. Accounting Changes and Error Corrections — In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

3 LOANS

Loans at March 31, 2016 and 2015, consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unsecured	¥ 306,602	¥ 273,628	$ 2,713,292
Secured	28,139	34,904	249,018
Small-business loans	41,484	41,485	367,115
Total	376,225	350,017	3,329,425
Off-balance-sheet securitized loans	(60,678)	(62,366)	(536,974)
Net	**¥ 315,547**	**¥ 287,651**	**$ 2,792,451**

Registered moneylenders are required to disclose the following information under the Non-Bank Bond Issuing Law:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans in legal bankruptcy	¥ 31,105	¥ 32,909	$ 275,265
Nonaccrual loans	22,264	23,819	197,027
Accruing loans contractually past due three months or more as to principal or interest payments	3,349	2,830	29,637
Restructured loans	9,440	10,861	83,540
Total	**¥ 66,158**	**¥ 70,419**	**$ 585,469**

Loans in legal bankruptcy are loans on which accrual of interest is discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectibility of principal or interest resulting from the past-due payment of interest or principal and other factors. Allowances for claims in bankruptcy are stated at such amount less net realizable value of collateral.

Nonaccrual loans are loans on which accrual of interest is discontinued, other than loans in legal bankruptcy as well as loans receiving regular payments in the case of granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments are loans for which payments of principal or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payments. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded from accruing loans contractually past due three months or more.

Restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

At March 31, 2016 and 2015, including securitized loans, the Group had balances related to revolving loan contracts aggregating ¥287,989 million ($2,548,575 thousand) and ¥268,315 million, respectively, whereby the Group is obligated to advance funds up to a predetermined amount upon request. At March 31, 2016 and 2015, the balances of unadvanced commitments were ¥721,183 million ($6,382,150 thousand) and ¥697,573 million, respectively. The loan contract contains provisions that allow the Group to reduce the contract amount of the commitment or refuse to advance funds to loan customers under certain conditions.

4 INSTALLMENT ACCOUNTS RECEIVABLE

Installment accounts receivable and unearned income, included in other current liabilities, at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2016		2015		2016	
	Receivables	Unearned Income	Receivables	Unearned Income	Receivables	Unearned Income
Credit card business	¥ 89,642	¥ 368	¥ 83,681	¥ 367	$ 793,292	$ 3,257
Installment sales finance business	524		652		4,637	
Total	¥ 90,166	¥ 368	¥ 84,333	¥ 367	$ 797,929	$ 3,257
Off-balance sheet securitized installment accounts receivable	(964)				(8,531)	
Net	**¥ 89,202**	**¥ 368**	**¥ 84,333**	**¥ 367**	**$ 789,398**	**$ 3,257**

5 CREDIT GUARANTEES AND OBLIGATION UNDER CREDIT GUARANTEES

The Group, as guarantor, recorded credit guarantees as a contra account of obligations under credit guarantees. Unearned income relating to credit guarantees was ¥20 million ($177 thousand) and ¥26 million at March 31, 2016 and 2015, respectively, which was included in other current liabilities.

6 OPERATIONAL INVESTMENT SECURITIES HELD BY VENTURE CAPITAL SUBSIDIARY AND INVESTMENT SECURITIES

Operational investment and investment securities at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current:			
Equity securities	¥ 547	¥ 688	$ 4,841
Non-current:			
Equity securities	¥ 1,554	¥ 1,508	$ 13,752
Other	92	149	814
Total	**¥ 1,646**	**¥ 1,657**	**$ 14,566**

The costs and aggregate fair values of available-for-sale securities included in operational investment securities and investment securities with reliably determinable fair value at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale securities	¥ 1,348	¥ 423	¥ 556	¥ 1,215

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale securities	**¥ 1,270**	**¥ 225**	**¥ 142**	**¥ 1,353**

	Thousands of U.S. Dollars			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale securities	**$ 11,929**	**$ 3,743**	**$ 4,920**	**$ 10,752**

Unlisted stocks whose fair value cannot be reliably determined were ¥978 million ($8,655 thousand) and ¥992 million at March 31, 2016, and 2015, respectively.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2016 and 2015, were ¥265 million ($2,345 thousand) and ¥1,004 million, respectively. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥219 million ($1,938 thousand) and ¥760 million for the years ended March 31, 2016 and 2015, respectively, and gross realized losses were ¥2 million ($18 thousand) and ¥7 million for the years ended March 31, 2016 and 2015, respectively.

Impairment losses on available-for-sale securities, included in other expense, for the years ended March 31, 2016 and 2015, were ¥13 million ($115 thousand) and ¥15 million, respectively.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Borrowings principally from a certain credit card company, 1.15% to 2.95% (1.23% to 2.95% at March 31, 2015)	¥ 67,990	¥ 51,460	$ 601,681

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans from banks, 1.60% to 3.30% (1.90% to 3.30% at March 31, 2015) *1	¥ 23,593	¥ 53,975	$ 208,788
Loans from other financial institutions, 1.48% to 3.75% (1.90% to 3.75% at March 31, 2015) *1	22,852	12,495	202,230
Unsecured 1.99% yen straight bonds, due 2015		10,000	
Unsecured 3.50% medium-term notes, due 2015		15,000	
Unsecured 8.00% yen straight bonds, due 2020	28,800	28,800	254,867
Unsecured 2.90% yen straight bonds, due 2017	2,600		23,009
Other debt (principally by syndicated loan), 0.52% to 3.32% (2.58% to 3.42% at March 31, 2015) *1, 2	103,225	55,225	913,495
Obligations under finance leases	473	583	4,186
Total	181,543	176,078	1,606,575
Less current portion	(22,440)	(32,833)	(198,584)
Long-term debt, less current portion	**¥ 159,103**	**¥ 143,245**	**$ 1,407,991**

*1 Long-term debts subject to financial assistance of ¥45,100 million and ¥7,600 million were included in "Loans from banks" and "Loans from other financial institutions," respectively, as of March 31, 2015. There were no long-term debts subject to financial assistance as of March 31, 2016.
The final due date for "Loans from banks" other than those subject to financial assistance is 2020 (2020 at March 31, 2015), and the final due date for "Loans from other financial institutions" other than those subject to financial assistance is 2021 (2020 at March 31, 2015). The final due date for "Other debt" is 2023 (2020 at March 31, 2015).

*2 The Company has an outstanding syndicated loan which is subject to a financial covenant requiring maintenance of a minimum net asset balance. The Company was in compliance with such financial covenant as of March 31, 2016. Although the required minimum was not met as of March 31, 2015, the Company obtained from the relevant financial institutions consents to waive the covenant requirement for March 31, 2015. Therefore repayments were not accelerated and the debt agreement was maintained.

Annual maturities of long-term debt, excluding finance leases (see Note 12) at March 31, 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31		
2017	¥ 22,318	$ 197,504
2018	22,610	200,088
2019	20,057	177,496
2020	27,641	244,611
2021	82,669	731,584
2022 and thereafter	5,775	51,106
Total	**¥ 181,070**	**$ 1,602,389**

At March 31, 2016, the following assets were pledged as collateral for short-term borrowings and long-term debt (including current portion of long-term debt):

	Millions of Yen	Thousands of U.S. Dollars
Loans	¥ 235,425	$ 2,083,407
Installment accounts receivable	79,518	703,699
Land	8,523	75,425
Buildings and structures	4,526	40,053
Machinery and equipment	54	478
Total	**¥ 328,046**	**$ 2,903,062**
Related liabilities:		
Short-term borrowings	¥ 65,690	$ 581,327
Long-term debt (including current portion of long-term debt)	140,939	1,247,248
Total	**¥ 206,629**	**$ 1,828,575**

The above table includes loans related to securitized loans of ¥61,683 million ($545,867 thousand) and related liabilities of ¥40,000 million ($353,982 thousand).

8 RETIREMENT AND PENSION PLANS

The Company and certain of its consolidated subsidiaries have a defined contribution pension plan and a prepaid retirement benefits plan. Contributions to the defined contribution plan and payments to the prepaid retirement benefits plan are charged to expense when made.

The components of periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Payments for the prepaid retirement benefits plan	¥ 198	¥ 207	$ 1,752
Premiums for the defined contribution pension plan	273	267	2,416
Periodic benefit costs	**¥ 471**	**¥ 474**	**$ 4,168**

9 EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee), or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by their nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee effective on June 23, 2015. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10 STOCK OPTIONS

The stock options outstanding as of March 31, 2016, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2010 Stock Options	2,206 Company's and Subsidiaries' key employees	4,385,300 shares	July 1, 2010	¥ 64 ($0.57)	From August 1, 2014 to July 31, 2016
2013 Stock Options	1,480 Company's and Subsidiaries' key employees	2,947,100 shares	May 27, 2013	¥ 501 ($4.43)	From May 1, 2015 to April 30, 2017
2015 Stock Options	1,383 Company's and Subsidiaries' key employees	1,583,850 shares	June 30, 2015	¥ 407 ($3.60)	From July 1, 2017 to June 30, 2019

The stock option activity is as follows:

	2010 Stock Option (shares)	2013 Stock Option (shares)	2015 Stock Option (shares)
For the year ended March 31, 2015			
Non-vested			
April 1, 2014 - Outstanding	4,385,300	2,947,100	
Granted			
Canceled			
Vested	4,385,300		
March 31, 2015 - Outstanding		2,947,100	
Vested			
April 1, 2014 - Outstanding			
Vested	4,385,300		
Exercised	1,638,700		
Canceled			
March 31, 2015 - Outstanding	2,746,600		
Exercise price	¥ 64	¥ 501	
Average stock price at exercise	¥ 479		
Option fair value at grant date	¥ 31	¥ 261	

	2010 Stock Option (shares)	2013 Stock Option (shares)	2015 Stock Option (shares)
For the year ended March 31, 2016			
Non-vested			
April 1, 2015 - Outstanding		2,947,100	
Granted			1,583,850
Canceled			
Vested		2,947,100	
March 31, 2016 - Outstanding			1,583,850
Vested			
April 1, 2015 - Outstanding	2,746,600		
Vested		2,947,100	
Exercised	288,000		
Canceled			
March 31, 2016 - Outstanding	2,458,600	2,947,100	
Exercise price	¥ 64	¥ 501	¥ 407
	($0.57)	($4.43)	($3.60)
Average stock price at exercise	¥ 405		
	($3.58)		
Option fair value at grant date	¥ 31	¥ 261	¥ 157
	($0.27)	($2.31)	($1.39)

The assumptions used to measure fair value of 2010 Stock Options

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	77.936%
Estimated remaining outstanding period:	5.08 years
Estimated dividend:	¥0 per share
Risk free interest rate:	0.3577%

The assumptions used to measure fair value of 2013 Stock Options

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	82.512%
Estimated remaining outstanding period:	2.93 years
Estimated dividend:	¥0 per share
Risk free interest rate:	0.171%

The assumptions used to measure fair value of 2015 Stock Options

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	61.550%
Estimated remaining outstanding period:	3.00 years
Estimated dividend:	¥0 per share
Risk free interest rate:	0.012%

11 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.0% for the years ended March 31, 2016 and 2015.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Allowance for doubtful accounts	¥ 11,883	¥ 17,849	$ 105,159
Allowance for losses on interest refunds	19,565	30,196	173,142
Charge-offs for doubtful accounts	1,717	5,508	15,195
Accrued interest on loans	1,267	1,489	11,212
Tax loss carryforwards	170,249	164,775	1,506,628
Interest refunds payable	1,852	844	16,389
Other	3,786	4,778	33,505
Total	210,319	225,439	1,861,230
Less valuation allowance	(209,834)	(225,298)	(1,856,938)
Total deferred tax assets	¥ 485	¥ 141	$ 4,292
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (75)		$ (664)
Costs of removal related to asset retirement obligations	¥ (206)	¥ (225)	$ (1,823)
Total deferred tax liabilities	¥ (281)	¥ (225)	$ (2,487)
Net deferred tax assets (liabilities)	¥ 204	¥ (84)	$ 1,805

A valuation allowance is established to reduce certain deferred tax assets with respect to deductible temporary differences and net operating loss carryforwards where it is more likely than not that they will not be realized.

A reconciliation between the statutory tax rates and the effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2016 is as follows. A reconciliation for the year ended March 31, 2015 has not been disclosed due to the Group’s net loss position.

	2016
Statutory tax rate	33.0%
Less valuation allowance	(211.5)
Effect of tax rate reduction	171.9
Income not taxable for income tax purposes	0.8
Others, net	3.1
Effective tax rate	(2.7)%

On March 29, 2016, new tax reform laws were enacted in Japan, which changed the statutory tax rate from approximately 33.0% to approximately 30.8% for the fiscal years beginning on or after April 1, 2016 through March 31, 2018, and to approximately 30.5% for the fiscal years beginning on or after April 1, 2018. The effect of this change on deferred taxes in the consolidated financial statements for the year ended March 31, 2016 is immaterial.

At March 31, 2016, the Company and its wholly owned domestic subsidiaries had tax loss carryforwards aggregating approximately ¥553,500 million ($4,898,230 thousand) which were available for offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 59,408	$ 525,735
2019	155,254	1,373,929
2020	113,429	1,003,796
2021	95,484	844,991
2022	45,392	401,699
2023 and thereafter	84,533	748,080
Total	**¥553,500**	**$ 4,898,230**

12 LEASES

The Group leases furniture and fixtures.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2016 and 2015, were ¥2,315 million ($20,487 thousand) and ¥2,212 million, respectively.

Obligations under finance leases at March 31, 2016 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 122	$ 1,080
Due after one year	351	3,106
Total	¥ 473	$ 4,186

13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The main business of the Group is finance. The Group is engaged in the provision of unsecured loans for individual consumers, secured loans, small business loans, shopping loans, credit guarantee, debt collection and so on. To run these businesses, the Group raises funds domestically and internationally. Indirect financing by loans from banks and direct financing by bond issue are used.

(2) Nature and extent of risks arising from financial instruments

Loans and installment accounts receivable for domestic consumers and small businesses are the main financial assets of the Group and are exposed to credit risk through default of contract by customers. Other financial assets such as operational investment securities and investment securities are mainly stock and investments in limited liability investment partnerships. The Group holds these securities to develop these businesses. The securities are exposed to the issuer's credit risk and the risk of market price fluctuations.

Borrowings and debt including bonds are the main financial liabilities of the Group. These liabilities are exposed to liquidity risks, or risk that liabilities cannot be met when they fall due if the Group is unable to participate in fund-raising markets in certain circumstances. In addition, the Group raises funds at variable interest rates or by bonds in foreign currency, and these are exposed to the market risks of fluctuation in interest rates and foreign currency exchange rates.

Derivatives include interest rate caps which are applicable to hedge accounting. See Note 14 for more details about derivatives and hedging activities.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risks according to internal guidelines. In relation to loans, installments accounts receivable and credit guarantees which are the Group's major financial assets, the Group conducts credit checks for each contract based on data of the consumer data industry and its own credit standards, maintaining its system to modify credit ceilings, set guarantees or collateral. The Group manages its credit risks of issuers of securities by checking credit information and market prices periodically.

Because the counterparties to derivatives are limited to major financial institutions, the Group does not anticipate any significant losses arising from credit risk. The Group manages such credit risks by relevant departments evaluating, analyzing and deliberating countermeasures and reporting to the board of directors accordingly.

See Note 14 for more details about derivatives.

Market risk management (foreign exchange risk and interest rate risk)

The Group manages foreign exchange risk and interest rate risk based on a "risk management manual" that was endorsed by the Group's risk management committee. The risk management committee reports directly to the board of directors. The finance department reports the conditions of foreign exchange risk and interest rate risk to the internal control department. The internal control department examines the reasonableness and adequacy of the finance department's risk evaluation and countermeasures, and reports to the board of directors. Also, the Group utilizes interest rate caps in order to hedge exposure to risks from changes in interest rates.

Market risk management (stock price volatility risk)

Most of the operational investment securities and investment securities the Group holds are intended to develop business including business alliances and capital alliances. Relevant departments monitor the market environment and the financial situation of the issuers, deliberate countermeasures and report to the board of directors accordingly. The Group does not hold trading securities, which are held for the purpose of earning capital gains in the near term.

Market risk management (quantitative information)

A change in interest rate impacts the fair values of loans, installment accounts receivable, short-term borrowings, and long-term debt (including bonds). An increase of 1 basis point (0.01%) in interet rate is estimated to decrease the fair value of these financial (net) assets by ¥44 million ($389 thousand). Conversely, 1 basis point (0.01%) decrease in interest rate is estimated to increase the fair value of these financial (net) assets by ¥44 million ($389 thousand).

Market risk management (derivatives)

The Group manages market risk of derivatives according to internal guidelines. Relevant departments conduct internal checks to ensure that transactions, evaluations of hedge effectiveness and management of affairs are performed in accordance with internal guidelines.

Liquidity risk management regarding fund-raising

The Group manages liquidity risk by adequate financial planning of the Group on a timely basis, diversifying the means of fund-raising and adjusting the ratio of long-term and short-term debt in light of the market environment.

(4) Fair value of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other valuation techniques are used. Fair value calculation results may differ when different assumptions are used.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 39,906	¥ 39,906	
Time deposits	4	4	
Loans	315,547		
Allowance for doubtful accounts and allowance for losses on interest refunds	(32,057)		
	283,490	336,412	¥ 52,922
Installment accounts receivable	89,202		
Unearned income	(336)		
Allowance for doubtful accounts	(3,970)		
	84,896	86,185	1,289
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	1,592	3,154	1,562
Claims in bankruptcy	31,947		
Allowance for doubtful accounts	(29,351)		
	2,596	2,596	
Total	**¥ 412,484**	**¥ 468,257**	**¥ 55,773**
Short-term borrowings	¥ 67,990	¥ 67,990	
Long-term debt (excluding finance leases)	181,070	181,214	¥ (144)
Total	**¥ 249,060**	**¥ 249,204**	**¥ (144)**

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 52,586	¥ 52,586	
Time deposits	4	4	
Loans	287,651		
Allowance for doubtful accounts and allowance for losses on interest refunds	(37,012)		
	250,639	298,811	¥ 48,172
Installment accounts receivable	84,333		
Unearned income	(327)		
Allowance for doubtful accounts	(4,691)		
	79,315	80,919	1,604
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	1,353	1,353	
Claims in bankruptcy	33,984		
Allowance for doubtful accounts	(30,821)		
	3,163	3,163	
Total	**¥ 387,060**	**¥ 436,836**	**¥ 49,776**
Short-term borrowings	¥ 51,460	¥ 51,460	
Long-term debt (excluding finance leases)	122,795	122,776	¥ 19
Total	**¥ 174,255**	**¥ 174,236**	**¥ 19**

	Thousands of U.S. Dollars		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	$ 353,150	$ 353,150	
Time deposits	35	35	
Loans	2,792,451		
Allowance for doubtful accounts and allowance for losses on interest refunds	(283,690)		
	2,508,761	2,977,097	$ 468,336
Installment accounts receivable	789,398		
Unearned income	(2,973)		
Allowance for doubtful accounts	(35,133)		
	751,292	762,699	11,407
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	14,088	27,912	13,824
Claims in bankruptcy	282,717		
Allowance for doubtful accounts	(259,744)		
	22,973	22,973	
Total	**$ 3,650,299**	**$ 4,143,866**	**$ 493,567**
Short-term borrowings	$ 601,681	$ 601,681	
Long-term debt (excluding finance leases)	1,602,389	1,603,663	$ (1,274)
Total	**$ 2,204,070**	**$ 2,205,344**	**$ (1,274)**

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Time deposits

The carrying values of time deposits approximate fair value because of their short maturities.

Loans

The fair value of loans is determined based on the present value of expected future cash flow, which consists of expected inflows of principal and interest that is adjusted to reflect collectibility and outflows of costs of collection. The expected future cash flow is discounted at a low-risk interest rate based on maturity length.

Installment accounts receivable

The carrying values of installment accounts receivable related to the credit card business approximate fair value because most transactions are single payments in the following month. The fair value of installment accounts receivable related to installment sales finance business is determined based on the present value of expected future cash flow, which consists of expected inflows of principal and fees that is adjusted to reflect collectibility and outflows of costs of collection. The expected future cash flow is discounted at a low-risk interest rate based on maturity length.

Operational investment securities, investment securities and investments in unconsolidated subsidiaries

The fair value of operational investment securities, investment securities and investments in unconsolidated subsidiaries are measured at the quoted market price of the stock exchange.

Claims in bankruptcy

The carrying values of claims in bankruptcy less allowances for claims in bankruptcy approximate fair value because allowances for claims in bankruptcy are stated taking net realizable value of collateral into account.

Short-term borrowings

The carrying values of short-term borrowings approximate fair value because of their short maturities.

Long-term debt

The carrying values of current portion of long-term debt approximate fair value because of their short maturities.

The fair values of marketable bonds (issued by the Company) are measured at the quoted market price. The fair values of nonmarketable bonds (issued by the Company) and fixed-rate long-term debt are determined by discounting cash flows of principal and interest, at a rate that reflects credit risk and maturity period. The carrying values of variable-rate long-term debt approximate fair value because the variable rate reflects the market interest rate and credit risk in a short period of time.

(b) Financial instruments whose fair value cannot be reliably determined

Since the fair values of the items in the table below cannot be reliably determined, they are not included in operational investment securities, investment securities and investments in unconsolidated subsidiaries and long-term debt in (4) (a).

	Carrying Amount	
March 31, 2016	Millions of Yen	Thousands of U.S. Dollars
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: [1]		
Unlisted stocks	**¥ 2,985**	**$ 26,416**
Investments in limited liability investment partnerships	**1,389**	**12,292**

	Carrying Amount
March 31, 2015	Millions of Yen
Operational investment securities, investment securities and investments in unconsolidated subsidiaries:*1	
Unlisted stocks	¥ 3,386
Investments in limited liability investment partnerships	1,484
Long-term debt*2	52,700

*1 Since unlisted stocks and investments in limited liability investment partnerships do not have a quoted market price in an active market and their fair values cannot be reliably determined, they are not subject to fair value disclosure.

*2 Long-term debt which continues to be subject to financial assistance after the end of the Business Revitalization Plan has significant uncertainties in estimates of future repayment plans. Since it is difficult to make reasonable fair value calculations for such long-term debt, they are not subject to fair value disclosure.

(5) Maturity analysis for financial assets with contractual maturities

	Millions of Yen		
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**¥ 39,906**		
Time deposits	**4**		
Loans	**126,601**	**¥ 173,910**	**¥ 15,036**
Installment accounts receivable	**86,345**	**2,857**	
Total	**¥ 252,856**	**¥ 176,767**	**¥ 15,036**

March 31, 2016	Thousands of U.S. Dollars Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	$ 353,150		
Time deposits	35		
Loans	1,120,362	$ 1,539,027	$ 133,062
Installment accounts receivable	764,115	25,283	
Total	**$ 2,237,662**	**$ 1,564,310**	**$ 133,062**

Claims in bankruptcy of ¥31,947 million ($282,717 thousand) whose amount of redemption cannot be determined are not included in the table above.

See Note 7 for annual maturities of long-term debt and Note 12 for obligations under finance leases.

14 DERIVATIVES

The Group enters into interest rate cap contracts as a means of managing its principal and interest rate exposures on certain liabilities.

Such derivative transactions are entered into to hedge interest exposures inherent within the business. Accordingly, market risks in these derivatives are offset by opposite movements in the value of hedged liabilities. The Group does not hold or enter into derivatives for trading or speculative purposes.

Because the counterparties to these derivatives are limited to major financial institutions, the Group does not anticipate any significant losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization process and credit limit amount.

Year ended March 31, 2016

Derivative transactions to which hedge accounting is applied

At March 31, 2016	Millions of Yen Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate cap	**Long-term debt**	¥ 20,000	¥ 20,000	*1

At March 31, 2016	Thousands of U.S. Dollars Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate cap	**Long-term debt**	$ 176,991	$ 176,991	*1

*1 The above interest rate cap which qualifies for hedge accounting and meets specific matching criteria is not remeasured at fair value. In addition, the fair value information of interest rate cap is included in that of the hedged items (i.e. long-term debt) in Note 13.

There were no derivative transactions to which hedge accounting is not applied at March 31, 2016.

Year ended March 31, 2015

There were no derivative transactions for the year ended March 31, 2015.

15 OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
(Loss) gain arising during the year	¥ (43)	¥ 308	$ (380)
Reclassification adjustments to profit or loss	(206)	(354)	(1,823)
Amount before income tax effect	(249)	(46)	(2,203)
Income tax effect	(75)	1	(664)
Total	**¥ (324)**	**¥ (45)**	**$ (2,867)**
Total other comprehensive loss	**¥ (324)**	**¥ (45)**	**$ (2,867)**

16 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
Year ended March 31, 2016	Net Income	Weighted- Average Shares	EPS	
Basic EPS - Net income available to common shareholders	¥ 7,045	482,742	¥ 14.59	$ 0.13
Effect of dilutive securities Stock acquisition rights		887		
Diluted EPS - Net income for computation	**¥ 7,045**	**483,629**	**¥ 14.57**	**$ 0.13**
Year ended March 31, 2015				
Basic EPS - Net loss available to common shareholders	**¥ (36,500)**	**481,898**	**¥ (75.74)**	

Diluted net income per share for the year ended March 31, 2015 is not disclosed because of the Company's net loss position.

17 SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

   The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segements consist of its major operating companies, "AIFUL CORPORATION" and "LIFECARD CO., LTD." AIFUL CORPORATION engages mainly in the loan business and the credit guarantee business. LIFECARD CO., LTD. engages mainly in the credit card business and the credit guarantee business.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

   The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets, liabilities and other items is as follows.

	Millions of Yen						
	2016						
	Reportable Segment						
	AIFUL	LIFECARD	Total	Other[*1]	Total	Reconciliations	Consolidated
Operating revenue:							
Interest on loans	¥ 36,857	¥ 5,645	¥ 42,502	¥ 1,754	¥ 44,256		¥ 44,256
Revenue from credit card business	3	14,557	14,560	32	14,592		14,592
Revenue from credit guarantee	11,221	1,270	12,491		12,491		12,491
Recovery of loans previously charged off	5,789	217	6,006	15	6,021		6,021
Other operating revenue	1,240	6,285	7,525	2,823	10,348		10,348
Operating revenue from external customers	55,110	27,974	83,084	4,624	87,708		87,708
Intersegment operating revenue or transfers	10	374	384	77	461	¥ (461)	
Total	**¥ 55,120**	**¥ 28,348**	**¥ 83,468**	**¥ 4,701**	**¥ 88,169**	**¥ (461)**	**¥ 87,708**
Segment profit (loss)	¥ 5,281	¥ 1,859	¥ 7,140	¥ 657	¥ 7,797	¥ (752)[*2]	¥ 7,045
Segment assets	407,140	173,085	580,225	28,962	609,187	(41,673)[*3]	567,514
Segment liabilities	328,256	135,292	463,548	10,381	473,929	(10,665)[*4]	463,264
Other:							
Foreign exchange gain		19	19		19	(3)	16
Rent income of real estate	128		128		128	(76)	52
Gain on sale of investment securities							
Gain on purchase of borrowings							
Dividend income	7	10	17	1	18		18
Reversal of allowance for doubtful accounts	10		10		10		10
Reversal of allowance for investment losses							
Interest on advances to subsidiaries and other	918		918	135	1,053	(1,035)	18
Provision for credit card point redemption		3,221	3,221		3,221		3,221
Provision for doubtful accounts	14,171	1,939	16,110	40	16,150	(23)	16,127
Provision for losses on interest refunds		2,897	2,897		2,897		2,897
Provision for accrued bonuses	565	12	577	19	596	303	899
Depreciation and amortization	1,391	967	2,358	4	2,362		2,362
Interest on advances from parent company and other				40	40	(40)	
Income taxes:							
Current	(250)	356	106	74	180		180
Deferred	(19)	(1,075)	(1,094)		(1,094)	730	(364)
Increase in property and equipment and intangible assets	1,004	1,968	2,972	1	2,973		2,973

*1 "Other" items are business segments excluded from reportable segments, which include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
*2 "Reconciliations" are eliminations of intersegment transactions.
*3 "Reconciliations" are eliminations of intersegment assets.
*4 "Reconciliations" are eliminations of intersegment liabilities.

	Millions of Yen						
	2015						
	Reportable Segment						
	AIFUL	LIFECARD	Total	Other*1	Total	Reconciliations	Consolidated
Operating revenue:							
Interest on loans	¥ 36,151	¥ 5,944	¥ 42,095	¥ 1,667	¥ 43,762		¥ 43,762
Revenue from credit card business	17	13,532	13,549		13,549		13,549
Revenue from credit guarantee	10,136	1,246	11,382		11,382		11,382
Recovery of loans previously charged off	7,542	181	7,723	18	7,741		7,741
Other operating revenue	1,068	6,006	7,074	2,844	9,918		9,918
Operating revenue from external customers	54,914	26,909	81,823	4,529	86,352		86,352
Intersegment operating revenue or transfers	8	393	401	2	403	¥ (403)	
Total	**¥ 54,922**	**¥ 27,302**	**¥ 82,224**	**¥ 4,531**	**¥ 86,755**	**¥ (403)**	**¥ 86,352**
Segment profit (loss)	¥ (41,434)	¥ 3,530	¥ (37,904)	¥ 919	¥ (36,985)	¥ 485*2	¥ (36,500)
Segment assets	444,737	177,181	621,918	28,009	649,927	(89,603)*3	560,324
Segment liabilities	371,015	141,247	512,262	10,126	522,388	(59,540)*4	462,848
Other:							
Foreign exchange gain		2,921	2,921		2,921	(36)	2,885
Rent income of real estate	128		128		128	(77)	51
Gain on sale of investment securities		322	322	3	325		325
Gain on purchase of borrowings	320		320		320		320
Dividend income	5	12	17	1	18		18
Reversal of allowance for doubtful accounts							
Reversal of allowance for investment losses				10	10		10
Interest on advances to subsidiaries and other	1,892		1,892	96	1,988	(1,963)	25
Provision for credit card point redemption		2,863	2,863		2,863		2,863
Provision for doubtful accounts	(841)	3,151	2,310	(34)	2,276		2,276
Provision for losses on interest refunds	63,734		63,734		63,734		63,734
Provision for accrued bonuses	541	7	548	18	566	304	870
Depreciation and amortization	1,532	1,214	2,746	7	2,753		2,753
Interest on advances from parent company and other	1		1	29	30	(29)	1
Income taxes:							
Current	(801)	1,413	612	(28)	584		584
Deferred	55		55		55	7	62
Increase in property and equipment and intangible assets	1,936	1,046	2,982	1	2,983		2,983

*1 "Other" items are business segments excluded from reportable segments, which include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
*2 "Reconciliations" are eliminations of intersegment transactions.
*3 "Reconciliations" are eliminations of intersegment assets.
*4 "Reconciliations" are eliminations of intersegment liabilities.

	Thousands of U.S. Dollars						
	2016						
	Reportable Segment						
	AIFUL	LIFECARD	Total	Other*1	Total	Reconciliations	Consolidated
Operating revenue:							
Interest on loans	$ 326,168	$ 49,956	$ 376,124	$ 15,522	$ 391,646		$ 391,646
Revenue from credit card business	27	128,823	128,850	283	129,133		129,133
Revenue from credit guarantee	99,301	11,239	110,540		110,540		110,540
Recovery of loans previously charged off	51,230	1,920	53,150	133	53,283		53,283
Other operating revenue	10,973	55,620	66,593	24,983	91,576		91,576
Operating revenue from external customers	487,699	247,558	735,257	40,921	776,178		776,178
Intersegment operating revenue or transfers	89	3,309	3,398	681	4,079	$ (4,079)	
Total	$ 487,788	$ 250,867	$ 738,655	$ 41,602	$ 780,257	$ (4,079)	$ 776,178
Segment profit (loss)	$ 46,735	$ 16,451	$ 63,186	$ 5,814	$ 69,000	$ (6,655)*2	$ 62,345
Segment assets	3,603,009	1,531,726	5,134,735	256,300	5,391,035	(368,787)*3	5,022,248
Segment liabilities	2,904,920	1,197,275	4,102,195	91,867	4,194,062	(94,380)*4	4,099,682
Other:							
Foreign exchange gain		168	168		168	(26)	142
Rent income of real estate	1,133		1,133		1,133	(673)	460
Gain on sale of investment securities							
Gain on purchase of borrowings							
Dividend income	62	88	150	9	159		159
Reversal of allowance for doubtful accounts	88		88		88		88
Reversal of allowance for investment losses							
Interest on advances to subsidiaries and other	8,124		8,124	1,195	9,319	(9,160)	159
Provision for credit card point redemption		28,504	28,504		28,504		28,504
Provision for doubtful accounts	125,407	17,159	142,566	354	142,920	(203)	142,717
Provision for losses on interest refunds		25,637	25,637		25,637		25,637
Provision for accrued bonuses	5,000	106	5,106	168	5,274	2,682	7,956
Depreciation and amortization	12,310	8,557	20,867	36	20,903		20,903
Interest on advances from parent company and other				354	354	(354)	
Income taxes:							
Current	(2,212)	3,150	938	655	1,593		1,593
Deferred	(168)	(9,513)	(9,681)		(9,681)	6,460	(3,221)
Increase in property and equipment and intangible assets	8,885	17,416	26,301	9	26,310		26,310

*1 "Other" items are business segments excluded from reportable segments, which include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
*2 "Reconciliations" are elimination of intersegment transactions.
*3 "Reconciliations" are elimination of intersegment assets.
*4 "Reconciliations" are elimination of intersegment liabilities.

Related Information

1. Information about products and services

	Millions of Yen				
	2016				
	Loan Business	Credit Card Business	Credit Guarantee Business	Other	Total
Operating revenue from external customers	¥ 49,341	¥ 15,203	¥ 12,830	¥ 10,334	¥ 87,708

	Millions of Yen				
	2015				
	Loan Business	Credit Card Business	Credit Guarantee Business	Other	Total
Operating revenue from external customers	¥ 50,268	¥ 13,997	¥ 11,824	¥ 10,263	¥ 86,352

	Thousands of U.S. Dollars				
	2016				
	Loan Business	Credit Card Business	Credit Guarantee Business	Other	Total
Operating revenue from external customers	$ 436,646	$ 134,540	$ 113,540	$ 91,452	$ 776,178

2. Information about geographical areas

(1) Operating revenue

Information about geographic area is omitted, as the Group did not operate outside Japan for the years ended March 31, 2016 and 2015.

(2) Property and equipment

Information about geographic area is omitted, as no property and equipment were located outside Japan for the years ended March 31, 2016 and 2015.

3. Information about major customers

Information about major customers is omitted, as no single external customer accounted for more than 10% of operating revenue for the years ended March 31, 2016 and 2015.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20, Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AIFUL CORPORATION:

We have audited the accompanying consolidated balance sheet of AIFUL CORPORATION (the "Company") and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2016

Member of
Deloitte Touche Tohmatsu Limited

Investor Information

(As of March 31, 2016)

Corporate Overview

Corporate Name	AIFUL CORPORATION
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Date of Establishment	April 1967
Paid-in Capital	¥143,415 million
Number of Employees	Non-consolidated: 955 Consolidated: 1,433

Stock Information

Stock Listing	The First Section of the Tokyo Stock Exchange
Securities Code	8515

Number of Shares

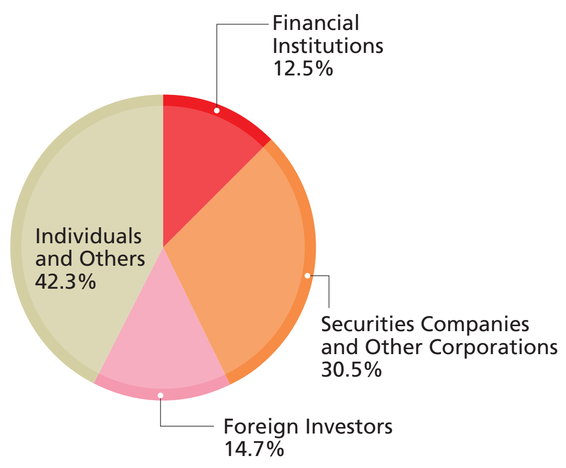
Authorized: 1,136,280,000 shares
Issued and Outstanding: 483,794,536 shares

Number of Shareholders	39,622
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited
Independent Auditor	Deloitte Touche Tohmatsu LLC

Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
AMG Co., Ltd.	94,814	19.60
Mitsuhide Fukuda	62,155	12.85
Marutaka Co., Ltd.	24,543	5.07
Japan Trustee Services Bank, Ltd. (trust account)	16,663	3.44
The Master Trust Bank Of Japan ,Ltd. (trust account)	14,231	2.94
HSBC-FUND SERVICES CLIENTS A/C 500 HKMPF 10PCT POOL	10,666	2.20
MSCO CUSTOMER SECURITIES	5,003	1.03
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	4,005	0.83
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3,547	0.73
Japan Trustee Services Bank, Ltd. (trust account 1)	3,438	0.71

Composition of Shareholders



Contact Address

P.R. and I.R. Section
Tokyo Office
2-31-19 Shiba, Minato-ku, Tokyo 105-0014, Japan
E-mail: spokesperson@aiful.co.jp

AIFUL CORPORATION