**(Translation)**
May 10, 2000

**Brief Statement (Unconsolidated) of Operating Results for the Fiscal Year Ended March 31, 2000**

| | |
|---|---|
| Listed Company Name: | AIFUL CORPORATION |
| Code Number: | 8515 |
| Head Office: | 31, Higashikaigawa-cho, Saiin, Ukyo-ku,<br>Kyoto, Kyoto Prefecture, Japan |
| Contact: | Kenichi Kayama<br>General Manager, Public Relations Department |
| Telephone Number: | (03) 3274-3560 |
| Date of Board of Directors' meeting to approve interim financial statements: | May 10, 2000 |
| Date of the Regular General Meeting of the Shareholders: | June 29, 2000 |
| Listing Stock Exchanges | Tokyo Stock Exchange<br>Osaka Stock Exchange<br>Kyoto Stock Exchange |
| Interim Dividend System: | Yes |

## 1. Financial Results for the Fiscal Year Ended March 31, 2000 (April 1, 1999 – March 31, 2000)

(1) Operating results

(Amounts in this brief statement of operating results and the attached documents are rounded down to the nearest ¥1 million.)

(Millions of yen)

| | Operating Revenue | % | Operating Income | % | Ordinary Income | % |
|---|---|---|---|---|---|---|
| Fiscal Year ended March 31, 2000 | 238,532 | 16.4 | 87,437 | 21.6 | 85,009 | 23.5 |
| Fiscal Year ended March 31, 1999 | 204,957 | 14.2 | 71,897 | 24.1 | 68,843 | 23.2 |

| | Net income | % | Net income per share (¥) | Net income per share after potential stock adjustment | Net income as a percent of shareholders' equity % | Ordinary income/ Total capital % | Ordinary income/ Operating revenue % |
|---|---|---|---|---|---|---|---|
| Fiscal Year ended March 31, 2000 | 44,104 | 55.0 | 786.13 | — | 19.3 | 7.8 | 35.6 |
| Fiscal Year ended March 31, 1999 | 28,448 | 13.8 | 610.63 | — | 16.3 | 7.4 | 33.6 |

Notes

① Equity method investment gain or loss

Fiscal Year ending March 31, 2000 ¥ - million

Fiscal Year ending March 31, 1999 ¥ - million

② Gain (loss) on valuation of marketable securities ¥ 1,289 million

Gain (loss) on valuation of derivatives (△ ¥8,605 million)

③ Average number of shares issued and outstanding during the period

Fiscal year ended March 2000 56,103,000

Fiscal year ended March 1999 46,588,116

④ Changes in accounting policies None

⑤ Percentages shown for operating revenue, operating income, ordinary income and net income are the increase or decrease compared with the prior fiscal year

(2) Dividends

| | Annual dividend per share | Interim | Fiscal year end | Total dividends (Full year) (¥ millions) | Dividend payout (%) | Dividend as a percent of shareholders' equity (%) |
|---|---|---|---|---|---|---|
| Fiscal Year ended March 31, 2000 | ¥60.00 | ¥30.00 | ¥30.00 | 3,366 | 7.6 | 1.3 |
| Fiscal Year ended March 31, 1999 | ¥60.00 | ¥30.00 | ¥30.00 | 2,805 | 9.9 | 1.4 |

(3) Financial position

| | Total assets (¥ million) | Shareholders' equity (¥ million) | Shareholders' equity ratio (%) | Shareholders' equity per share (¥) |
|---|---|---|---|---|
| Fiscal Year ended March 31, 2000 | 1,182,468 | 252,902 | 21.4 | 4,507.83 |
| Fiscal Year ended March 31, 1999 | 996,523 | 203,748 | 20.4 | 4,358.03 |

Notes

① Number of shares issued and outstanding at fiscal year-end

Year ended March 2000 56,103,000

Year ended March 1999 46,752,500

(4) Cash flow

(Millions of yen)

| | Cash flow from operations | Cash flow from investment activity | Cash flow from financing activity | Year-end balance of cash and cash equivalents |
|---|---|---|---|---|
| Fiscal Year ended March 31, 2000 | △98,120 | △18,015 | 125,297 | 81,013 |
| Fiscal Year ended March 31, 1999 | — | — | — | — |

## 2. Projected Financial Results for the Fiscal Year ending March 31, 2001 (April 1, 2000 – March 31, 2001)

(Millions of yen)

| | Operating revenue | Ordinary income | Net income | Annual dividend per share (¥) Interim | Year end | |
|---|---|---|---|---|---|---|
| Interim six months | 132,478 | 47,803 | 24,126 | 20.00 | — | — |
| Full year | 271,796 | 93,500 | 47,568 | — | 20.00 | 40.00 |

Reference:
Projected net income per share for the fiscal year (full year) is ¥560.44 (calculated using 84,876,000 shares, including the increase in shares from the stock split shown on the final page of this report (28,051,500) and company shares issued by an exchange of stock (721,500 shares)).

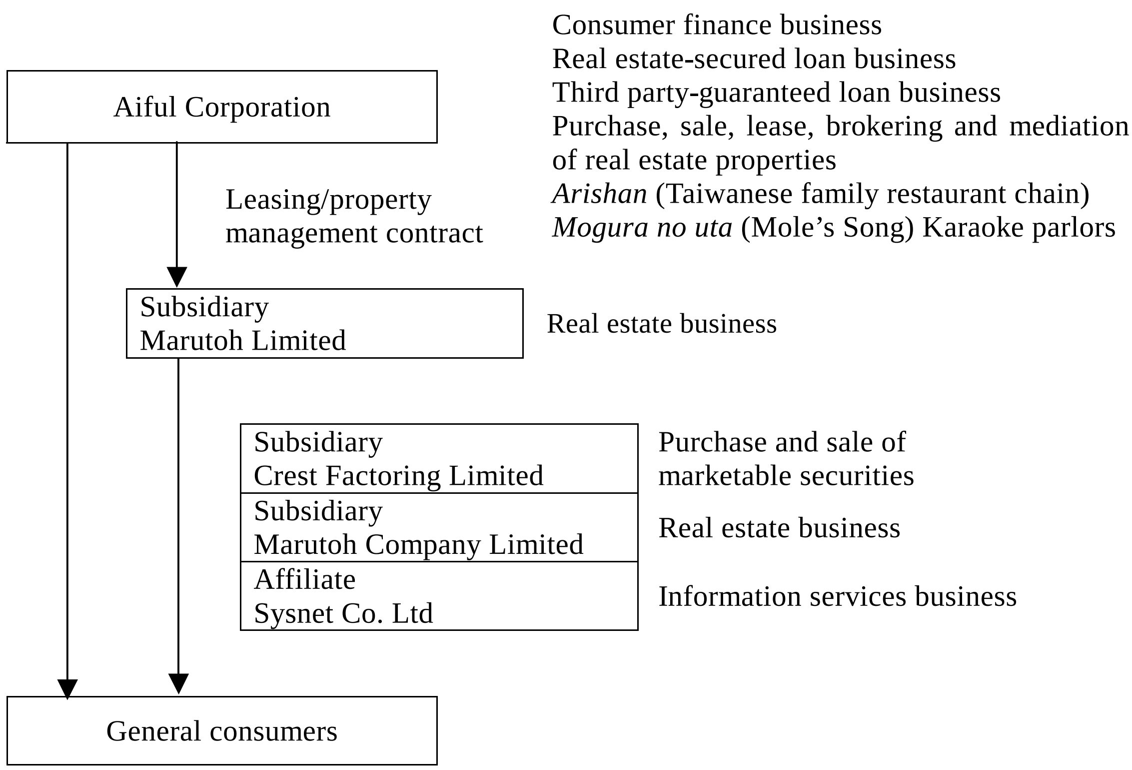
**(Attached Documents)**

## 1. Corporate Group

Aiful Corporation's corporate group is composed of Aiful Corporation and three subsidiaries. The principal business of the Company is providing consumer finance services. The Company is also developing its secured loan business as well as conducting activities in businesses such as real estate-related financing.

| | | |
|---|---|---|
| Consumer finance business | → | The Company provides small, unsecured loans for consumers. |
| Secured finance business | → | The Company provides real estate-secured loans and third party-guaranteed loans. |
| Real estate business | → | The Company buys, sells, brokers and mediates real estate. Marutoh Company Limited, a subsidiary of the Company, provides real estate management services for the Company's leased properties. |
| Restaurant and amusement business | → | The Company manages a chain of Taiwanese family restaurants and operates karaoke parlors. |

The organization chart of the Company's businesses is as follows.




Notes

1. Crest Factoring Limited changed its name to Happy Credit Corporation on April 5, 2000.
2. Marutoh Company Limited is currently not engaged in any business activities.

## 2. Business Policies

### (1) The Consumer Finance Industry Environment

During the fiscal year Japan's economy began to show signs of a positive response to the continuation of the Bank of Japan's "zero interest" policy and the economic countermeasures undertaken by the central government. Personal consumption by ordinary consumers, however, which must play the key role for an economic recovery, showed no obvious signs of a turnaround because of sluggish growth in personal income and worries about the future created by a high level of unemployment and corporate restructurings. As a result, Japan's overall economy shows no indications of recovery from the recession and a full-fledged recovery has not yet begun.

The consumer finance industry continues to feel the effects of economic stagnation. Nevertheless the trend in the past several years towards greater numbers of bankruptcies appears to have peaked, and positive signs such as a recovery in the number of new loans by consumer finance companies are discernable.

Faced with these business circumstances, the government enacted significant changes to the existing commercial environment with the amendment of several laws during the fiscal year. In May 1999 the Law Concerning the Issue of Corporate Bonds by Finance Companies for Loan Business (referred to below as the Non-Bank Bond Law) went into effect as a deregulatory measure to assist firms in raising capital. Revised two regulations, the Regulation for Money lending Business Law (RMBL) and the Acceptance of Contributions, Money Deposits and Interest Law (ACMI) were passed in December 1999 to curb some of the egregious problems plaguing commercial loans (planned to take effect in June, the amendment will lower the maximum interest rate to 29.2%). These broad revisions to the consumer loan industry environment have promoted and accelerated the various forms of reorganization in the industry including increased market share for the largest firms, acquisition of small and medium-sized players, and mergers or tie-ups between the consumer financing industry and banks and other industries.

### (2) Basic Management Policies

AIFUL's primary mission is to earn the support of the general public. The Company's efforts to expand and diversify its activities are a reflection of this basic stance to respond to the needs of all of the Company's customers.

To fulfill its mission, Aiful Corporation will continue to improve the convenience and accessibility of its services in terms of both time and place. The Company will seek to earn customers' trust by functioning as a "loan advisor" to ensure that its services are available to every customer, and by remaining focused on its mission as a dependable and innovative consumer finance company.

Specific actions include the expansion of the Company's branch network and ATM tie-ups, and extension of operating hours. AIFUL is also diversifying its product range, which now includes not only unsecured loans but also products such as small real estate-secured loans.

### (3) Medium to Long-term Business Strategies

The strategies that Aiful Corporation will use to achieve these basic policies are contained in the 7th Medium-Term Business Plan, which covers the period from the fiscal year ended March 2000 through the fiscal year ending in March 2002.

The basic themes identified in the plan are the reinforcement of product development capabilities, expansion of market share and improvement of operating efficiency. The focus of efforts to strengthen product development capabilities will be the creation and marketing of products based primarily on the Company's three existing product categories of unsecured loans, small real estate-secured loans and small business loans. Strategies to increase AIFUL's market share include expanding the branch network and enhancing the AIFUL brand image, together with emphasis on earning our consumers' support. The aim of efficiency improvements is to minimize the cost increases that tend to occur when a company is in an expansionary phase. Specific measures will include the centralization of AIFUL's branch building program and the "O-Jido-San" automatic loan application machines, and the development of programs to acquire new customers such as business collaboration with other firms. The Company will focus on reducing its cost of capital through strategies that include diversification of sources of funds and the use of various interest rate-hedging mechanisms.

Other efforts the Company will tackle as new measures designed to further enhance AIFUL's ability to grow during this period will be a merger and acquisition strategy, a business tie-up strategy, and a credit card strategy and Internet strategy. We will use our M&A strategy as a means to achieve rapid growth of our business while saving time and expense. Our strategy of business collaboration provides the means to efficiently reach new customers. Our Internet and credit card strategies are extremely effective strategies to solidify our relationship with existing customers by offering even greater convenience. In addition these strategies are also a means to acquire a new base of customers by reducing their reluctance to use cashing services. We will aggressively implement these new strategies in the future.

### (4) Basic Policies on Profit Distribution

AIFUL's basic dividend policy is to distribute profits to shareholders positively and consistently on the basis of a comprehensive assessment of economic and financial circumstances, industry trends and AIFUL's own operating performance. The Company's goal is to maximize its value to shareholders and share price by maintaining profit growth taking a medium- to long-term perspective.

AIFUL utilizes retained earnings as a source of new growth through a variety of alternatives such as reinvesting the funds in loans, expanding the branch network or funding mergers and acquisitions. By creating resources for future growth in this way AIFUL aims to meet investors' future expectations.

### (5) Policies Concerning Improvement of AIFUL's Management and Control Organization (Improving Corporate Governance)

Weekly board meetings provide a forum for in-depth discussion of day-to-day issues, management priorities and strategies, and business opportunities. AIFUL's basic governance policy is to reach prompt management decisions after careful verification of all facts.

Management activities are subject to a system of check functions. Compliance systems have been strengthened through audits by the Company's auditing firm and its own auditors, an Audit Committee, and through the establishment of a Legal Department in Fiscal 1999. Shareholders also participate in the management of the check process thanks to AIFUL's positive disclosure policy. The Public Relations Department and the Investor Relations Section of the Financial Planning Department were created as specialist units to provide information to the media, shareholders and investors. In addition to news releases, these units distribute detailed disclosure information in the form of data books. They also arrange briefings for journalists, investors and analysts and respond to media requests for information. AIFUL regards the disclosure of corporate information as an important obligation of a listed company.

### (6) Challenges

The consumer finance industry is faced with a maturing market for unsecured loans. Against the backdrop of changes introduced by enactment of the Non-Bank Bond Law and the lowering of the maximum rate of interest under the Financing Law as noted earlier, the market dominance of major companies is growing and competition is escalating. Trends such as entry of new companies into the business and diversification of consumer finance companies into other markets are expected to intensify. AIFUL is adapting to this environment through measures designed to improve its competitiveness based upon a clear and focused management strategy. For example, the Company is enhancing its product development and marketing capabilities, expanding its branch network, improving the accuracy of its credit management and expanding its range of activities. At the same time AIFUL is working to maximize operating efficiency by minimizing costs.

## 3. Results of Operations

### (1) Overview of the Fiscal Year Ended March 31, 2000

### Summary of Operations

In the fiscal year ended March 31, 2000 Aiful Corporation's policy towards its loan business called for the expansion of its service network in response to the growth of the consumer finance market. This was reflected in the establishment of five staffed branches and 297 automated branches. This brought the total network as of March 31, 2000 to 1,311 branches including 534 staffed branches, 773 automated branches and four branches specializing in secured loans. AIFUL also expanded its CD-ATM network through the formation of new alliances with seven banks and two companies. The number of machines accessible to AIFUL's customers increased to 16,631 ATMs including the Company’s own units. These network improvements were accompanied by various marketing measures. AIFUL’s strategy calls for the development of a diverse line-up of unsecured loans and other products to meet a wide range of customer needs. At the same time, AIFUL responded to the continuing increase in personal bankruptcies by working to reduce bad loans through improvements in the accuracy of credit assessment procedures, including introduction of the Company’s revised sixth scoring system.

Efficiency improvements included the establishment of 16 centralized loan processing centers throughout Japan to take over operational control of the automatic loan application machines that were being managed by each local branch. These centers will help to reduce costs by maximizing work force efficiency.

On the other hand, AIFUL’s small business loans for self-employed individuals differ completely from so-called commercial loans in terms of characteristics (maximum loan amount of ¥2 million, no revolving guarantees, no financing fees) and sales method. In consideration of recent growing social criticism of commercial loans, AIFUL took a critical look at these products from the standpoint of market research and product development period during the fiscal year.

The results of these efforts were reflected in encouraging indications with regard to business performance. There was a positive shift in the number of new unsecured loan customers, which had been in decline from a peak recorded in fiscal 1996. In the fiscal year ended March 31, 2000 the number of new unsecured loan customers increased by 420,000 new accounts, up 4.6% from the prior year. The bad loan write-off ratio that had been tending to increase remained nearly at the previous year’s level. The total balance of loans outstanding increased by 19.5% over the previous year balance to ¥1,001,080 million, the first time in the history of the Company that loan balances reached the ¥1,000,000 million mark. Total loan balances at fiscal year-end by type of loan were ¥809,361 million for unsecured loans (17.2% increase over the prior year), ¥181,428 million in real estate-secured loans (an increase of 31.7% over the prior year), and ¥10,289 million in small business loans (up 8.1% over the prior year).

**M & A Strategy**

AIFUL makes active use of mergers and acquisitions as a business diversification tool. In July 1999 the Company bought the loan portfolio and operating assets of The Nippon Benefit Co., Ltd., a middle-ranked consumer finance company. Through a subsidiary, the Company decided to purchase the operating assets of Happy Credit Corporation, a consumer finance company affiliated with Kofuku Bank, Ltd., which was being managed under the Financial Reconstruction Committee, and the operating assets of Sky Corporation. AIFUL predicts that this kind of industry restructuring activity will accelerate due to market maturation and the growing dominance of major companies. Furthermore, AIFUL regards M&A as an effective management technique to “purchase time” by enabling the Company to expand operating assets and the building blocks for its branch network with a minimum investment of time and money. AIFUL will aggressively seek to utilize M&A activity in the future where it can provide the maximum improvement in efficiency and merits of scale.

**Business Tie-ups**

AIFUL Corporation is also actively pushing ahead with strategic business alliances with firms in other industries. A specific example is AIFUL's comprehensive business agreement with Hikari Tsushin, Inc., which the Company signed in November of 1999. AIFUL has begun issuing joint cards with a cash dispensing function to members of Hikari Tsushin, Inc.'s CLUB HIT, and since February 2000 the Company has been offering credit and guarantee services to small and medium-sized firms to pay their fees for Hikari Tsushin, Inc.'s HIT'S ONE integrated Internet service. Much like the introduction of automated loan contract ATMs, this type of business tie-up will enable the Company to efficiently acquire a completely new customer base that AIFUL was unable to reach in the past. Because AIFUL will be able to utilize the branch network, brand name power and marketing prowess of its alliances partners to slash costs for branch development and management, advertising, and public relations, AIFUL plans to aggressively seek such tie-ups in the years ahead.

**Financing**

AIFUL Corporation's capital procurement environment has vastly improved since financial institutions altered their lending stances following passage of the Financial Reconstruction Law and a series of amendments of laws such as the Financial Function Early Strengthening Law and as a result of the zero-interest policy of the Bank of Japan. Another important change was the passage of the Non-Bank Bond Law in May 1999. AIFUL has registered as a special finance company in accordance with the law, enabling it to secure funds for its lending activities directly from the market. The result is a major improvement in both the quality and quantity of funds available.

To take full advantage of this environment AIFUL worked to further improve its financial structure. The Company obtained long-term loans and fixed-interest funds to guard against a future rise in interest rates. The Company also worked to increase the percentage of funds procured from financial institutions.

**Operating Results**

As a result of the above activities, operating revenue for the fiscal year was ¥238,532 million (an increase of 16.4% over the prior fiscal year). Ordinary income was ¥85,009 million (up 23.5% over the prior fiscal year), and net income for the fiscal year was ¥44,104 million (up 55.0% over the prior year).

**(2) Outlook for the Year Ending March 31, 2001**

Projected operating revenue for the fiscal year that will end on March 31, 2001 will increase by 13.9% over the prior fiscal year level to ¥271,796 million, and ordinary income will increase by 10.0% to ¥93,500 million. Net income is projected to be ¥47,568 million, up 7.9% from the level of the prior fiscal year.

## 4. FINANCIAL STATEMENTS
### (1) Fiscal Year Balance Sheets

(Millions of yen)

| | Current Fiscal Year (As of March 31, 2000) | | Previous Fiscal Year (As of March 31, 1999) | | Increase (△Decrease) |
|---|---|---|---|---|---|
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount |
| ASSETS | | | | | |
| Current Assets | [1,072,443] | [90.7] | [898,800] | [90.2] | [173,643] |
| Cash and cash equivalents | 80,281 | | 72,218 | | 8,062 |
| Loans | 1,001,080 | | 837,981 | | 163,098 |
| Securities | 1,600 | | 500 | | 1,100 |
| Property for sale | 900 | | 2,997 | | △ 2,096 |
| Property for sale under construction | 1,243 | | 132 | | 1,111 |
| Stored goods | 13 | | 13 | | 0 |
| Prepaid expenses | 4,606 | | 5,567 | | △ 960 |
| Deferred tax assets | 9,006 | | - | | 9,006 |
| Accrued income | 8,262 | | 6,728 | | 1,533 |
| Short-term loans | 232 | | 221 | | 10 |
| Investments in trusts | 1,999 | | 1,000 | | 999 |
| Treasury stock | 0 | | 0 | | 0 |
| Other | 841 | | 500 | | 341 |
| Allowance for doubtful accounts | △ 37,625 | | △ 29,061 | | △ 8,564 |
| Fixed Assets | [109,503] | [9.3] | [97,426] | [9.8] | [12,077] |
| Tangible fixed assets: | (67,452) | (5.7) | (66,723) | (6.7) | (729) |
| Buildings | 14,859 | | 15,313 | | △ 453 |
| Structures | 2,772 | | 2,217 | | 554 |
| Machinery | 90 | | 110 | | △ 20 |
| Vehicles | 1 | | - | | 1 |
| Equipment and furniture | 5,674 | | 5,873 | | △ 198 |
| Land | 42,974 | | 43,097 | | △ 123 |
| Construction in progress | 1,079 | | 109 | | 970 |
| Intangible Fixed Assets: | (3,873) | (0.3) | (581) | (0.1) | (3,291) |
| Software | 3,289 | | - | | 3,289 |
| Telephone rights | 580 | | 577 | | 2 |
| Other | 3 | | 4 | | △ 0 |
| Investments and Other Fixed Assets: | (38,178) | (3.3) | (30,121) | (3.0) | (8,057) |
| Investments in marketable securities | 6,310 | | 6,575 | | △ 264 |
| Investments in and advances to subsidiaries | 74 | | 71 | | 3 |
| Investments in equity other than capital stock | 3,330 | | 548 | | 2,781 |
| Long-term loans | 17,740 | | 9,153 | | 8,586 |
| Claims in bankruptcy | 16,011 | | 16,611 | | △ 599 |
| Long-term prepaid expenses | 1,616 | | 5,071 | | △ 3,455 |
| Deferred tax assets | 997 | | - | | 997 |
| Lease deposits and guarantees | 8,474 | | 8,038 | | 436 |
| Other | 2,717 | | 3,000 | | △ 282 |
| Allowance for doubtful accounts | △ 19,094 | | △ 18,948 | | △ 146 |
| Deferred Assets: | [521] | [0.0] | [296] | [0.0] | [224] |
| Bond issue costs | 521 | | 296 | | 224 |
| Total Assets | 1,182,468 | 100.0 | 996,523 | 100.0 | 185,945 |

(Millions of yen)

| | Current Fiscal Year (As of March 31, 2000) | | Previous Fiscal Year (As of March 31, 1999) | | Increase (△Decrease) |
|---|---|---|---|---|---|
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount |
| LIABILITIES | | | | | |
| Current Liabilities: | [ 355,008] | [30.0] | [ 345,716] | [34.7] | [ 9,291] |
| Trade notes payable | 2,482 | | 2,228 | | 253 |
| Short-term debt | 13,700 | | 28,900 | | △15,200 |
| Current portion of bonds | 30,000 | | - | | 30,000 |
| Current portion of long-term debt | 260,307 | | 258,663 | | 1,644 |
| Commercial paper | 15,000 | | 30,000 | | △15,000 |
| Trade accounts payable | 3,869 | | 3,185 | | 684 |
| Income taxes payable | 25,141 | | 19,476 | | 5,664 |
| Accrued expenses | 1,926 | | 1,121 | | 805 |
| Accrued bonuses | 1,981 | | 1,585 | | 396 |
| Other current liabilities | 599 | | 557 | | 42 |
| Long-term liabilities: | [ 574,557] | [48.6] | [ 447,057] | [44.9] | [ 127,499] |
| Bonds | 139,500 | | 80,500 | | 59,000 |
| Long-term debt | 433,661 | | 365,111 | | 68,550 |
| Retirement benefit for employees | 126 | | 168 | | △ 42 |
| Retirement benefit for officers | 909 | | 891 | | 17 |
| Other long-term liabilities | 360 | | 386 | | △ 25 |
| Total Liabilities | 929,565 | 78.6 | 792,774 | 79.6 | 136,791 |
| SHAREHOLDERS' EQUITY: | | | | | |
| Common stock | ( 39,752) | (3.4) | ( 39,752) | (4.0) | ( - ) |
| Legal reserves: | ( 42,864) | (3.6) | ( 42,548) | (4.2) | ( 316) |
| Additional paid-in capital | 41,912 | | 41,912 | | - |
| Surplus reserve | 951 | | 635 | | 316 |
| Retained earnings: | ( 170,285) | (14.4) | ( 121,448) | (12.2) | ( 48,837) |
| General reserve | 116,422 | | 91,622 | | 24,800 |
| Unappropriated retained earnings | 53,863 | | 29,826 | | 24,037 |
| (Including net income for the fiscal year) | [ 44,104] | [3.7] | [ 28,448] | [2.8] | [ 15,656] |
| Total Shareholders' Equity | 252,902 | 21.4 | 203,748 | 20.4 | 49,153 |
| Total Liabilities and Shareholders' Equity | 1,182,468 | 100.0 | 996,523 | 100.0 | 185,945 |

## (2) Fiscal Year Income Statements

(Millions of yen)

| | Current Fiscal Year (From April 1, 1999 to March 31, 2000) | | Previous Fiscal Year (From April 1, 1998 to March 31, 1999) | | Increase (△Decrease) |
|---|---|---|---|---|---|
| | Amount | Ratio(%) | Amount | Ratio(%) | Amount |
| Operating revenue: | ( 238,532) | (100.0) | ( 204,957) | ( 100.0) | ( 33,575) |
| Interest on loans | 229,693 | 96.3 | 196,525 | 95.9 | 33,167 |
| Financial revenue – other | 251 | 0.1 | 435 | 0.2 | △ 184 |
| Operating revenue – other | 8,587 | 3.6 | 7,995 | 3.9 | 592 |
| Operating expenses: | ( 151,095) | (63.3) | ( 133,059) | ( 64.9) | ( 18,035) |
| Financial expenses | 20,925 | 8.8 | 20,140 | 9.8 | 784 |
| Financial expenses – other | 4,665 | 1.9 | 2,305 | 1.1 | 2,360 |
| Operating expenses – other | 125,504 | 52.6 | 110,613 | 54.0 | 14,891 |
| Operating income | 87,437 | 36.7 | 71,897 | 35.1 | 15,539 |
| Non-operating revenue: | ( 667) | (0.2) | ( 579) | (0.3) | ( 88) |
| Interest on loans | 175 | | 98 | | 77 |
| Cash dividends | 71 | | 35 | | 36 |
| Insurance dividends | 198 | | 181 | | 16 |
| Gain from investments in leveraged lease partnership | 31 | | 84 | | △ 53 |
| Miscellaneous income | 191 | | 179 | | 11 |
| Non-operating expenses: | ( 3,095) | (1.3) | ( 3,632) | (1.8) | (△ 536) |
| Provision for doubtful loans | 1,451 | | 572 | | 878 |
| Loss on write-down of investments in marketable securities | 811 | | 334 | | 477 |
| Loss on write-down of property for sale | 327 | | 561 | | △ 234 |
| Stock issuance costs | - | | 1,863 | | △ 1,863 |
| Amortization of bond issuance expenses | 254 | | 182 | | 72 |
| Miscellaneous losses | 250 | | 118 | | 132 |
| Ordinary income | 85,009 | 35.6 | 68,843 | 33.6 | 16,165 |
| Extraordinary income: | ( 63) | (0.0) | ( 196) | (0.1) | (△ 132) |
| Reversal of allowance for doubtful loans | 63 | | 196 | | △ 132 |
| Extraordinary loss: | ( 362) | (0.1) | (4,280) | (2.1) | (△ 3,918) |
| Loss on sale of fixed assets | 83 | | - | | 83 |
| Loss on disposal of fixed assets | 213 | | 248 | | △ 35 |
| Loss on sale of marketable securities | - | | 1,335 | | △ 1,335 |
| Loss on write-down of investments in securities | - | | 80 | | △ 80 |
| Loss on investments in leveraged lease partnership | - | | 1,999 | | △1,999 |
| Provision for doubtful loans | - | | 615 | | △ 615 |
| Prior year equivalent value on loss on write-down of real estate inventories | 30 | | - | | 30 |
| Lease cancellation loss | 34 | | - | | 34 |
| Income before taxes | 84,710 | 35.5 | 64,759 | 31.6 | 19,950 |
| Corporate income, local and enterprise taxes | 42,398 | 17.8 | 36,311 | 17.7 | 6,087 |
| Adjustment on corporation tax, etc. | 1,793 | 0.8 | - | - | 1,793 |
| Net income | 44,104 | 18.5 | 28,448 | 13.9 | 15,656 |
| Retained earnings brought forward from the prior year | 3,399 | | 2,920 | | 479 |
| Past year adjustment amount on tax effect | 8,211 | | - | | 8,211 |
| Interim dividends | 1,683 | | 1,402 | | 280 |
| Reserve for legal reserve due to interim dividends | 168 | | 140 | | 28 |
| Unappropriated retained earnings for the fiscal year | 53,863 | | 29,826 | | 24,037 |

## (3) Fiscal Year Statement of Cash Flows

(Millions of yen)

| | Current Fiscal Year (From April 1, 1999 to March 31, 2000) |
|---|---|
| | Amount |
| I Cash flow provided from (used for) operations: | |
| Net income before taxes | 84,710 |
| Depreciation expense | 4,631 |
| Loss on write-down of investments in marketable securities | 811 |
| Increase in allowance for doubtful accounts | 8,710 |
| Decrease in retirement benefit for employees | △ 42 |
| Increase in retirement benefit for officers | 17 |
| Interest on loans and cash dividends | △ 246 |
| Amortization of bond issue expense | 385 |
| Gain on sale of fixed assets | △ 4 |
| Loss on sale of fixed assets | 83 |
| Loss on disposal of fixed assets | 213 |
| Bonuses paid to directors | △ 75 |
| Increase in loans to customers | △ 163,098 |
| Decrease in claims in bankruptcy | 599 |
| Decrease in inventory assets | 1,135 |
| Increase in prepaid expenses | △ 312 |
| Decrease in long-term prepaid expenses | 518 |
| Increase in other current assets | △ 1,824 |
| Increase in accounts payable | 2,118 |
| Increase in other payables | 47 |
| Other | 29 |
| Sub-total | △ 61,591 |
| Interest on loans and cash dividends | 247 |
| Payments for corporate and other taxes | △ 36,775 |
| Cash flow provided from operations | △ 98,120 |
| II Cash flow provided from (used for) investing activities: | |
| Disbursements for investments in term deposits | △ 1,230 |
| Revenue from payments of term deposits | 1,230 |
| Increase in beneficial interests in trusts | △ 999 |
| Funds used for purchase of fixed assets | △ 4,153 |
| Funds provided from disposal of fixed assets | 51 |
| Funds used for purchase of intangible fixed assets | △ 686 |
| Funds used for purchase of investment securities | △ 597 |
| Funds provided from sale of investment securities | 53 |
| Purchase of stock of subsidiary company | △ 3 |
| Funds used for purchase of investments | △ 3,000 |
| Funds provided from sale of investments | 144 |
| Funds used for purchase of long-term loans | △ 8,644 |
| Funds provided by repayments on long-term loans | 60 |
| Funds used for other purchases and investments | △ 400 |
| Funds provided from disposal of other assets and investments | 621 |
| Other | △ 462 |
| Cash flow provided by (used for) investment activities | △ 18,015 |
| III Cash flow provided from (used for) financing activities | |
| Decrease in short-term debt | △ 13,800 |
| Decrease in commercial paper | △ 15,000 |
| Additions to long-term debt | 361,886 |
| Repayments of long-term debt | △ 293,091 |
| Cash from issue of corporate bonds | 88,389 |
| Cash dividends paid | △ 3,085 |
| Cash flow provided by (used for) financing activities | 125,297 |
| IV Conversion difference related to cash and cash equivalents | - |
| V Increase in cash and cash equivalents | 9,162 |
| VI Balance of cash and cash equivalents at beginning of year | 71,850 |
| VII Balance of cash and cash equivalents at end of year | 81,013 |

## (4) Statements of Appropriation of Retained Earnings

(Millions of yen)

| | Current Fiscal Year (23rd Business Period) (June 29, 2000)※ | Previous Fiscal Year (22nd Business Period) (June 29, 1999)※ |
|---|---|---|
| Unappropriated retained earnings for the fiscal year | 53,863 | 29,826 |
| Appropriated retained earnings | 49,962 | 26,426 |
| Transfer to legal earned surplus | 180 | 148 |
| Cash dividends | 1,683 | 1,402 |
| Directors' bonuses | 99 | 75 |
| (Auditors' bonuses) | (5) | (1) |
| General reserve | 48,000 | 24,800 |
| Net income carried forward to the next period | 3,901 | 3,399 |

Note: Dates indicated by ※ are the planned or actual date of the Company's Regular General Meeting of the Shareholders

**Significant Accounting Policies for Fiscal Year Financial Statements**

1. Valuation Standards and Valuation Methods for Marketable and Investment Securities
   Listed securities included in securities and investments in marketable securities are stated at the lower of cost or market, cost being determined by the moving-average method. Other securities are stated at cost determined by the moving-average method.

2. Valuation Standards and Valuation Methods for Property and Stored Goods
   (1) Property held for sale is stated at the lower of cost or market, cost being determined based on the specific identification method. Property that is leased under a land lease contract is depreciated according to method used for tangible fixed assets.
   (2) Property in the process of being sold is stated at the cost determined by the specific identification method.
   (3) Stored goods are stated using the latest purchase method.

3. Depreciation Methods for Fixed Assets
   (1) Tangible fixed assets are depreciated by the declining balance method according to the useful life provisions of the Japanese Corporate Income Tax Law.
   (2) Intangible fixed assets
      ① Goodwill is charged to income in a lump sum at the time of purchase.
      ② Software used by the company is depreciated using the straight-line method assuming a useful life for internal use (5 years).
      (Additional information) Until the previous accounting period software was recorded in prepaid expenses as a current asset and in long-term prepaid expenses under investments and other fixed assets. Under the transitional measures prescribed in the Accounting Guidelines for Research and Development Expenses and Software (Report No. 12 of the Japanese Institute of Certified Public Accountants, March 31, 1999), the Company has continued to apply its existing accounting method. Under the provisions of the aforementioned report, however, software has been redefined from current assets (prepaid expenses) and investments and other fixed assets (long-term prepaid expenses) and is now accounted for as an intangible fixed asset and depreciated on a straight-line basis over the useful life of such items within the Company (five years).
      ③ Other intangible fixed assets are depreciated using the straight-line method based upon the useful lives in the provisions of the Corporate Income Tax Law.
   (3) Long-term prepaid expenses are depreciated using the straight-line method based upon standards equivalent to those prescribed by the Corporate Income Tax Law.

4. Deferred Charges
   Bond issue expenses are charged to income using the straight-line method over the length of the bond redemption period or the maximum period (3 years) prescribed by the provisions of Japan's Commercial Code.
   (Additional information) The Company was authorized to issue corporate bonds to raise funds for loans since being registered in May 1999 as a "Special Finance Corporation" based upon Japan's Law Concerning the Issue of Corporate Bonds for the Financial Industry Loan Business

(Ministry of Finance Ordinance No. 32, April 21, 1999). Expenses to issue corporate bonds to raise funds for loans totaling ¥130 million are being written off as bond issue expense and related other expenses are being written off as non-operating expenses.

5. Provision for Doubtful Loans, Reserve for Bonuses, Retirement Benefit for Employees and Retirement Benefit for Officers
   (1) Provision for losses on doubtful loans is made up to the maximum based on individual assessments and the actual percentage of bad loan write-offs, as prescribed in the Corporate Income Tax Law of Japan.
   (2) Provision for bonuses to employees is made during the current period based on projected total bonuses.
   (3) On April 1, 1995 the Company converted all of its future retirement benefit system for employees and the qualified retirement pension system to the national welfare pension system. The surplus amount of retirement benefits at the time of the conversion is being written off based upon the standards prescribed in the Corporate Income Tax Law.
   (4) The Company provides for retirement benefits for officers determined based upon pertinent rules that are calculated as the estimated amount that would be paid if all officers retired at the balance sheet date. These benefits are regulated by Article 287 Section 2 of the Commercial Code.

6. Interest Income on Loans

Interest income on loans is recorded on an accrual basis. Accrued interest included in loans is recorded at the lower of the interest rate prescribed in the Interest Rate Restriction Law and the contract interest rate provided by the Company.

7. Treatment of Leases

Except for financing leases under which the title of the leased asset is deemed to be transferred to the lessee, financing leases are treated according to the method used for normal loan transactions, mutatis mutandis.

8. Cash Funds in the Statement of Cash Flows

Funds used for the calculation of cash flow include cash on hand, demand deposits, and highly liquid short-term investments that mature within 3 months of the date of acquisition that can be easily converted into cash and which have minimal risk of changes in price.

9. Interest on debt

Interest on debt used to provide funds for loans is accounted for as financial expenses included in operating expenses. All other interest is accounted for as interest payments in non-operating expenses.

10. Welfare pension system

On April 1, 1995 the Company converted all of its future retirement benefit system for employees and the qualified retirement pension system to the national welfare pension system. The surplus amount of retirement benefits at the time of the conversion is being written off based upon the standards prescribed in the Corporate Income Tax Law. The amount payable for past service costs and the amount of retirement benefits that are being written off are being recorded as an offset to operating profits or loss. The Company has a Qualified Corporate Pension Plan with total pension assets of ¥1,996 million (including ¥634 million in reserves as prescribed by Article 85 Paragraph 2 of the Welfare Pension Insurance Law) which is funded by the Company to entitle retired employees to receive either a pension or a lump-sum payment. Past service costs are being funded over a period of 10 years.

11. Consumption Tax

Consumption tax is taken out of all Statement of Income items and Balance Sheet items. Consumption taxes payable of ¥39 million are included in trade accounts payable under current liabilities. Consumption taxes for fixed assets that are not subject to the exclusion, however, are included in other under investments and other fixed assets and are being written off using the straight-line method over a five-year period.

12. Application of Tax Effect Accounting

Following amendment of the regulations for financial statement reporting, beginning with this fiscal year accounting period the Company will apply tax effect accounting in order to reflect properly the corresponding relationship between accounting income and tax expense. As a result of this change deferred tax assets of ¥10,004 million (current assets ¥9,006 million, investments and other fixed assets ¥997 million) have been added to the Balance Sheet accounts. In addition, net income and unappropriated retained earnings for the fiscal year increased by ¥1,793 million and ¥10,004 million, respectively, compared to what they would have been if tax effect accounting were not applied.

**Notes to the Balance Sheets**

(Millions of yen)

| | Fiscal Year Ended March 31, 2000 | | Fiscal Year Ended March 31, 1999 | |
|---|---|---|---|---|
| 1. Accumulated depreciation of tangible fixed assets | | 17,447 | | 14,587 |
| 2. Secured assets | | | | |
| Cash and equivalents | | 820 | | 820 |
| Loans | | 370,897 | | 304,572 |
| Property for sale | | - | | 392 |
| Tangible fixed assets | | 16,385 | | 20,050 |
| Investments in marketable securities | | 147 | | 156 |
| 3. Treasury stock and book value at year-end | | 30 shares<br>0 | | 20 shares<br>0 |
| 4. Foreign currency-denominated assets | | | | |
| Investment in subsidiary | US$ 0 million | 0 | US$ 0 million | 0 |
| Long-term loans | US$28 million | 2,971 | US$28 million | 2,971 |
| Investments and other assets (Long-term receivables | US$ 4 million | 432 | US$ 4 million | 432 |

5. Change in Purpose of Ownership of Tangible Fixed Assets

During the current fiscal year accounting period, buildings (¥42 million), structures (¥2 million) and land (¥106 million) were transferred to property for sale because of a change in the purpose of ownership. As a result, an amount for the prior year equivalent value on loss on write-down of real estate inventories (¥30 million) was reported as an extraordinary loss resulting from valuation at the lower of cost or market value.

**Items Related to the Application of Tax Effect Accounting**

1. Principal Items Resulting in Deferred Tax Assets

| | (Millions of yen) |
|---|---|
| (1) Deferred tax assets (Current assets) | |
| Disallowance of losses on bad loans | 430 |
| Amount in excess of deductible limit for bad debt reserve | 6,328 |
| Disallowance of loss on write-down of property for sale | 54 |
| Amount of unrecorded accrued interest | 107 |
| Amount in excess of deductible limit for accrued bonuses | 276 |
| Business taxes payable | 1,764 |
| Other | 43 |
| Total deferred tax assets (Current assets) | 9,006 |
| (2) Deferred tax assets (fixed assets) | |
| Amount in excess of allowable limit for depreciation expense | 171 |
| Amount in excess of allowable limit for asset write-offs | 190 |
| Non-tax deductible interest loss on liabilities for land | 176 |
| Carryforward of retirement benefit for officers | 381 |
| Other | 77 |
| Total deferred tax assets (Fixed assets) | 997 |

2. Difference between the legal effective tax rate and the liability for corporate and other taxes after application of tax effect accounting

| | |
|---|---|
| Statutory effective tax rate | 41.9% |
| (Adjusted) | |
| Tax on retained earnings | 4.7% |
| Other | 1.3% |
| Liability for corporate and other taxes after application of tax effect accounting | 47.9% |

**Leases**

Finance lease transactions except for leases that transfer ownership of the property to the lessee.

(1) Acquisition cost, accumulated depreciation and year-end balance of lease assets

(Millions of yen)

| | Fiscal Year Ended March 31, 2000 | | | Fiscal Year Ended March 31, 1999 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Fiscal Year-end balance | Cost | Accumulated Depreciation | Fiscal Year-end balance |
| Vehicles | 148 | 50 | 98 | 141 | 69 | 71 |
| Appliances and fixtures | 27,348 | 18,659 | 8,689 | 23,297 | 15,570 | 7,727 |
| Total | 27,497 | 18,709 | 8,787 | 23,439 | 15,640 | 7,798 |

(2) Balance of outstanding lease obligations as of fiscal year-end

(Millions of yen)

| | | |
|---|---|---|
| Within one year | 5,309 | 5,187 |
| Over one year | 6,378 | 5,809 |
| Total | 11,688 | 10,997 |

(3) Lease fee payments, depreciation expense and interest payments

(Millions of yen)

| | | |
|---|---|---|
| Lease fee payments | 6,351 | 5,820 |
| Depreciation expense | 5,604 | 5,656 |
| Interest payments | 492 | 487 |

(4) Calculation of depreciation expense

Depreciation of lease tangible fixed assets is calculated by the declining-balance method over the related lease term using a residual value of zero.

(5) Calculation of interest expense

Interest expense for lease assets is calculated as the difference between the total lease fees and the acquisition cost of leased assets. Such interest is allocated to each accounting period using the interest method.

**Items related to the Statement of Cash Flows**

Relationship between the balance for cash and cash equivalents at fiscal year-end and the amounts recorded on the fiscal year-end balance sheets.

| | (Millions of yen) |
|---|---|
| Cash and deposits | 80,281 |
| Marketable securities | 1,600 |
| Total | 81,881 |
| Deposits with a fixed term of more than 3 months | △ 867 |
| Cash and cash equivalents | 81,013 |

## 5. Business Results

### (1) Operating Revenue

(Millions of yen)

| Item | | Current Fiscal Year (From April 1, 1999 to March 31, 2000) Amount | Ratio | Previous Fiscal Year (From April 1, 1998 to March 31, 1999) Amount | Ratio |
|---|---|---|---|---|---|
| Interest on loans to customers | Unsecured loans | 199,162 | 83.5 | 174,846 | 85.3 |
| | Secured loans | 27,503 | 11.5 | 19,815 | 9.7 |
| | Small business loans | 3,027 | 1.3 | 1,864 | 0.9 |
| | Sub-total | 229,693 | 96.3 | 196,525 | 95.9 |
| Other financial revenue | Interest on deposits | 94 | 0.0 | 408 | 0.2 |
| | Interest on marketable securities | 1 | 0.0 | 4 | 0.0 |
| | Interest on loans | 154 | 0.1 | 9 | 0.0 |
| | Other | 1 | 0.0 | 13 | 0.0 |
| | Sub-total | 251 | 0.1 | 435 | 0.2 |
| Other operating revenue | Sales of property | 1,086 | 0.5 | 1,030 | 0.5 |
| | Revenue from service business | 1,473 | 0.6 | 1,749 | 0.8 |
| | Bad debt recovery | 3,144 | 1.3 | 2,620 | 1.3 |
| | Other | 2,881 | 1.2 | 2,594 | 1.3 |
| | Sub-total | 8,587 | 3.6 | 7,995 | 3.9 |
| Total | | 238,532 | 100.0 | 204,957 | 100.0 |

Note: "Other" included in other operating income consists of clerical fees, property rent and other expenses.

### (2) Other Operating Indicators

(Millions of yen)

| | Current Fiscal Year (As of March 31,2000) | Previous Fiscal Year (As of March 31,1999) |
|---|---|---|
| Total amount of loans outstanding | ( 1,001,080) | ( 837,981) |
| Unsecured loans | 809,361 | 690,704 |
| Secured loans | 181,428 | 137,755 |
| Small business loans | 10,289 | 9,522 |
| Number of customer accounts | ( 1,975,068) | ( 1,822,261) |
| Unsecured loans | 1,917,016 | 1,776,319 |
| Secured loans | 49,968 | 38,877 |
| Small business loans | 8,084 | 7,065 |
| Number of branches | ( 1,324) | ( 1,025) |
| Staffed branches | 534 | 540 |
| Automated branches | 773 | 465 |
| Branches specialized for secured loans | 4 | 4 |
| Restaurants | 10 | 11 |
| Karaoke parlors | 3 | 5 |
| Number of "Ojidosan" unmanned loan-contracting Machines | ( 1,305) | ( 1,002) |
| Number of ATMs | ( 16,631) | ( 14,118) |
| Company-owned | 1,437 | 1,132 |
| Owned by business affiliates | 15,194 | 12,986 |
| Number of employees | 3,263 | 3,141 |
| Loss on write-off of loans | 30,354 | 26,028 |
| Allowance for doubtful loans | 56,720 | 48,009 |
| Net income per share (¥) | 786.13 | 610.63 |
| Net assets per share (¥) | 4,507.83 | 4,358.03 |

Notes:

1. Total amount of loans outstanding and number of customer accounts do not include loans and customer accounts related to claims in bankruptcy, etc.
2. Loss on write-off of loans does not include loan losses related to claims in bankruptcy, etc. (¥1,241 million for the current fiscal year, and ¥1,257 million for the previous fiscal year).

## 6. Current Value of Marketable Securities

(Millions of yen)

| Item \ Year | Current Fiscal Year (As of March 31, 2000) | | | Previous Fiscal Year (As of March 31, 1999) | | |
|---|---|---|---|---|---|---|
| | Carrying value | Market value | Unrealized gain/(loss) | Carrying value | Market value | Unrealized gain/(loss) |
| (1) Current assets | | | | | | |
| Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds | - | - | - | - | - | - |
| Other securities | - | - | - | - | - | - |
| Sub-total | 0 | 0 | 0 | 0 | 0 | 0 |
| (2) Fixed assets | | | | | | |
| Stocks | 3,955 | 5,244 | 1,289 | 4,742 | 5,297 | 554 |
| Bonds | 10 | 10 | 0 | 10 | 10 | 0 |
| Other securities | - | - | - | - | - | - |
| Sub-total | 3,965 | 5,255 | 1,289 | 4,752 | 5,307 | 554 |
| Total | 3,966 | 5,255 | 1,289 | 4,752 | 5,307 | 555 |

Notes:

1. Market values have been determined as follows:
   (1) Listed securities: Primarily closing prices on the Tokyo Stock Exchange
   (2) Over-the-counter marketable securities: As quoted by the Securities Dealers Association of Japan

2. Stocks included in current assets represent treasury stock

3. The fiscal year balance sheets include the following marketable securities that are not subject to disclosure.

(Millions of yen)

| | As of March 31, 2000 | As of March 31, 1999 |
|---|---|---|
| Current assets | | |
| Money Market Funds | 1,600 | 500 |
| Fixed assets | | |
| Unlisted stocks (Excluding OTC marketable securities) | 1,323 (Affiliated company stock 287) | 893 (Affiliated company stock 71) |
| Non-publicly offered domestic bonds | 1,096 (Affiliated company bonds 96) | 1,000 |

## 7. Contract Value, Market Value and Unrealized Gain/(Loss) for Derivatives Transactions

Interest Derivatives

(Millions of yen)

| Type | Derivative category | As of March 31, 2000 | | | | As of March 31, 1999 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Contract amount, etc. | | Market value | Unrealized gain (loss) | Contract amount, etc. | | Market value | Unrealized gain (loss) |
| | | | Over 1 year | | | | Over 1 year | | |
| Outside of market transactions | Interest rate swaps:<br>Fixed payment, floating rate receipt | 207,880 | 204,800 | △ 7,351 | △ 7,351 | 109,460 | 109,240 | △ 607 | △ 607 |
| | Interest rate caps:<br>Purchased interest rate caps | 240,000<br>(1,584) | 160,000<br>(1,009) | 330 | △ 1,254 | 260,000<br>(2,174) | 240,000<br>(1,584) | 849 | △ 1,324 |
| Total | | - | - | - | △ 8,605 | - | - | - | △ 1,932 |

Notes:

1. Market values are based on prices indicated by the related financial institutions as contract parties.
2. The Company pays the applicable premiums for interest rate caps. The figures shown in parentheses are the amounts presented in the fiscal year balance sheets.
3. The notional principal amounts of interest rate swaps and interest rate caps do not represent the amounts actually paid by the Company and are simply used as the basis for calculating interest payments. The figures accordingly do not indicate the Company's exposure to market or credit risk.

## 8. Transactions with Related Parties
## (For the fiscal year from April 1, 1999 to March 31, 2000)

### (1) Directors and individual shareholders

(Millions of yen)

| Position | Name | Address | Equity capital or financing | Business or occupation | Voting rights held and percent of total | Transaction summary | Transaction amount | Subject | Outstanding balance at fiscal year-end |
|---|---|---|---|---|---|---|---|---|---|
| Director | Yoshitaka Fukuda | — | — | President and Representative Director, Aiful Corporation<br><br>President, Kyoto Data Center | Direct 32.89%<br><br>Indirect 0.00% | Land lease | 21 | - | - |
| | | | | | | Purchase of stock | 2 | Subsidiary company | 2 |
| | | | | | | Payment of personal trust information introduction fee | 26 | - | - |

Terms and conditions of transaction and transaction accounting policies

The land lease for land owned by Aiful Corporation President Yoshitaka Fukuda is based on the land value assessed by a real estate appraiser. The terms of the transaction are identical to those used for arms-length transactions with other companies.

Notes:

1. The transaction with Kyoto Data Center, Ltd. is a third party transaction.
2. The transaction amounts shown do not include sales taxes.

### (2) Subsidiary Companies and Other

(Millions of yen)

| Position | Name | Address | Equity capital or financing | Business | Voting rights held and percent of total | Relationship to Company | | Transaction summary | Transaction amount | Item | Outstanding balance at fiscal year-end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Number of common directors | Business relationship | | | | |
| Subsidiary | Marutoh Limited | Higashiyama-ku, Kyoto | ¥70 million | Real estate | Direct 100.00% Indirect 0.00% | 2 | Property maintenance contract | Property maintenance contract | 45 | Trade accounts payable | 4 |
| | | | | | | | | Tenant lease | 12 | Current assets, other | 12 |
| | | | | | | | | Guarantee deposits | - | Fixed assets, other | 0 |
| | | | | | | | | Property lease | 1 | - | - |
| | Marutoh Company Limited | Agana, Guam | US$0.5 million | Real estate | Direct 100.00% Indirect 0.00% | 1 | Capital loan | Capital loan | - | Long-term loans | 2,971 |
| | | | | | | | | Accrued interest | - | Investments and other, other | 432 |
| Affiliated company | Sysnet Co. Ltd. | Minami-ku, Kyoto | ¥290 million | Information services | Direct 35.00% Indirect 0.00% | 2 | Capital loan | Purchase of convertible bonds | - | Investments in marketable securities | 96 |
| | | | | | | | | Capital loan | 0 | Long-term loans | 44 |

Terms and conditions of transaction and transaction accounting policies

1. The Company pays Marutoh Limited a property maintenance contract fee based upon a contracted total amount for a negotiated comprehensive payment based on lease fee income.

2. The Company does not earn interest on the capital loan to Marutoh Company Limited in consideration of Marutoh’s financial condition.

Note: Sales taxes and other taxes are not included in the figures shown for transaction amount but are included in the figures shown for the outstanding balance at fiscal year-end.

**9. Changes to Board Positions**

The duties of the following directors were changed when the Company completed a corporate reorganization on April 1, 2000.

| Name | New duties | Previous duties |
|---|---|---|
| Takashi Noda, Managing Director | General Manager, Finance Department and director in charge of business development | General Manager, Finance Department |
| Masayuki Sato, Director | Assistant General Manager, Sales Department and director in charge of consumer finance | Assistant General Manager, Sales Department and General Manager, Promotion Department |

**10. Other Significant Changes after Closing of the Financial Statements**

(1) Based upon the provisions of Article 218 of Japan's Commercial Code, the board of directors voted on February 21, 2000 to approve a stock split of 1.5 shares for every share of par value common stock outstanding as of May 22, 2000 for shareholders of record as of March 31, 2000. As a result of the split the number shares issued and outstanding will increase to 28,051,500 shares.

(2) Crest Factoring Limited, a wholly-owned subsidiary of the Company, signed the following contracts on March 29, 2000 with Happy Credit Corporation and Sky Corporation for the transfer of loan assets.

| Company name | Happy Credit Corporation | Sky Corporation |
|---|---|---|
| Location of head office | Kita-ku, Osaka, Japan | Chuo-ku, Osaka, Japan |
| President | Yasuo Shimizu | Toshiaki Tanaka |
| Date established | May 1972 | January 1958 |
| Principal business | Consumer finance | Consumer finance |
| Total loans transferred (planned) | ¥16,900 million | ¥5,500 million |
| Equity capital | ¥10 million | ¥10 million |
| Date of asset transfer | June 1, 2000 | June 1, 2000 |

Note: Crest Factoring Limited changed its name to Happy Credit Corporation effective April 5, 2000.

(3) On April 27, 2000, Aiful Corporation signed an agreement with Shinwa Corporation by which Shinwa will become a wholly-owned subsidiary of the Company through an exchange of stock transaction. The details of the transaction are as follows.

① Summary of Shinwa Corporation

| Company name | Shinwa Corporation |
|---|---|
| Location of head office | Nakamura-ku, Nagoya, Japan |
| President | Kenji Niwa |
| Date established | April 1976 |
| Principal business | Consumer finance |
| Total assets | ¥16,567 million (As of May 31, 1999) |
| Net assets | ¥ 3,832 million (As of May 31, 1999) |
| Equity capital | ¥325 million |
| Date of exchange of shares | June 1, 2000 |

② Summary of agreement

| | |
|---|---|
| ・Number of shares acquired | 650,000 shares (100% ownership) |
| ・Number of AIFUL shares to be exchanged | 721,500 shares (1.11 shares for each share of Shinwa Corporation stock) |