Consolidated Financial Summary

All financial information has been prepared in accordance with generally accepted accounting principals in Japan. Amounts shown in this interim accounting report and in the attached material have been rounded down to the nearest one million yen.

Interim FY2001

(Six Months Ended September 30, 2000)

This document is an English translation of the Japanese-language original.

AIFUL Corporation (8515)

November 9, 2000

Interim Financial Statements (Consolidated)

For the six months ended September 30, 2000

AIFUL Corporation (8515)

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Listing exchanges:	Tokyo, Osaka, Kyoto
Date of the Board of Directors' meeting to approve interim financial statements:	November 9, 2000

1. Consolidated Business Results for the Interim Period Ended September 2000

(1) Consolidated Operating Results

Millions of yen – except per share data

	Six months ended 30 September 2000		Six months ended 30 September 1999		FY ended 31 March 2000
Operating Revenue	135,976	— %	—	— %	—
Operating Income	53,049	— %	—	— %	—
Ordinary Income	51,854	— %	—	— %	—
Net Income	24,737	— %	—	— %	—
Earnings per Share	¥292.28		—		¥ —
Fully Diluted Earnings per Share	¥ —		—		¥ —

Notes: 1) Equity method investment gain or loss
Six months ended September 30, 2000: — million of yen
Six months ended September 30, 1999: — million of yen
Fiscal year ended March 31, 2000: — million of yen
2) Valuation gain or loss on derivative transactions at the end of the interim period: ¥ (8) million
3) Changes in accounting policies: None
4) Percentages shown for operating revenue, operating income, ordinary income and interim accounting period net income are the increase or decrease compared with the prior interium period ended September 30, 1999.

(2) Consolidated Financial Position

Millions of yen – except per share data

	Six months ended 30 September 2000	Six months ended 30 September 1999	FY ended 31 March 2000
Total Assets	1,314,785	—	—
Shareholders' Equity	284,988	—	—
Shareholders' Equity Ratio	21.7%	—	—
Shareholders' Equity per Share of Common Stock	¥3,357.71	—	—

(3) Consolidated cash flow

Millions of yen

	Six months ended 30 September 2000	Six months ended 30 September 1999	FY ended 31 March 2000
Cash flows from operating activities	(45,995)	—	—
Cash flows from investing activities	(23,131)	—	—
Cash flows from financing activities	77,619	—	—
Cash and Cash Equivalents at the end of period	90,893	—	81,019

(4) Consolidated companies and companies to which equity method accounting applies

Number of consolidated subsidiaries:	2 companies
Number of non-consolidated subsidiaries accounted for by the equity method:	0 companies

Number of affiliated companies accounted for by the equity method: 0 companies

(5) Changes to which consolidated accounting and equity method accounting apply

Consolidated subsidiaries	(Newly included): 2 companies	(Excluded): 0 companies
Equity method accounting	(Newly included): 0 companies	(Excluded): 0 companies

2. Projected Operating Results for the Fiscal Year Ending March 2001 (April 1, 2000 – March 31, 2001)

	Millions of yen
Operating Revenue	280,761
Ordinary Income	102,636
Net Income	48,800

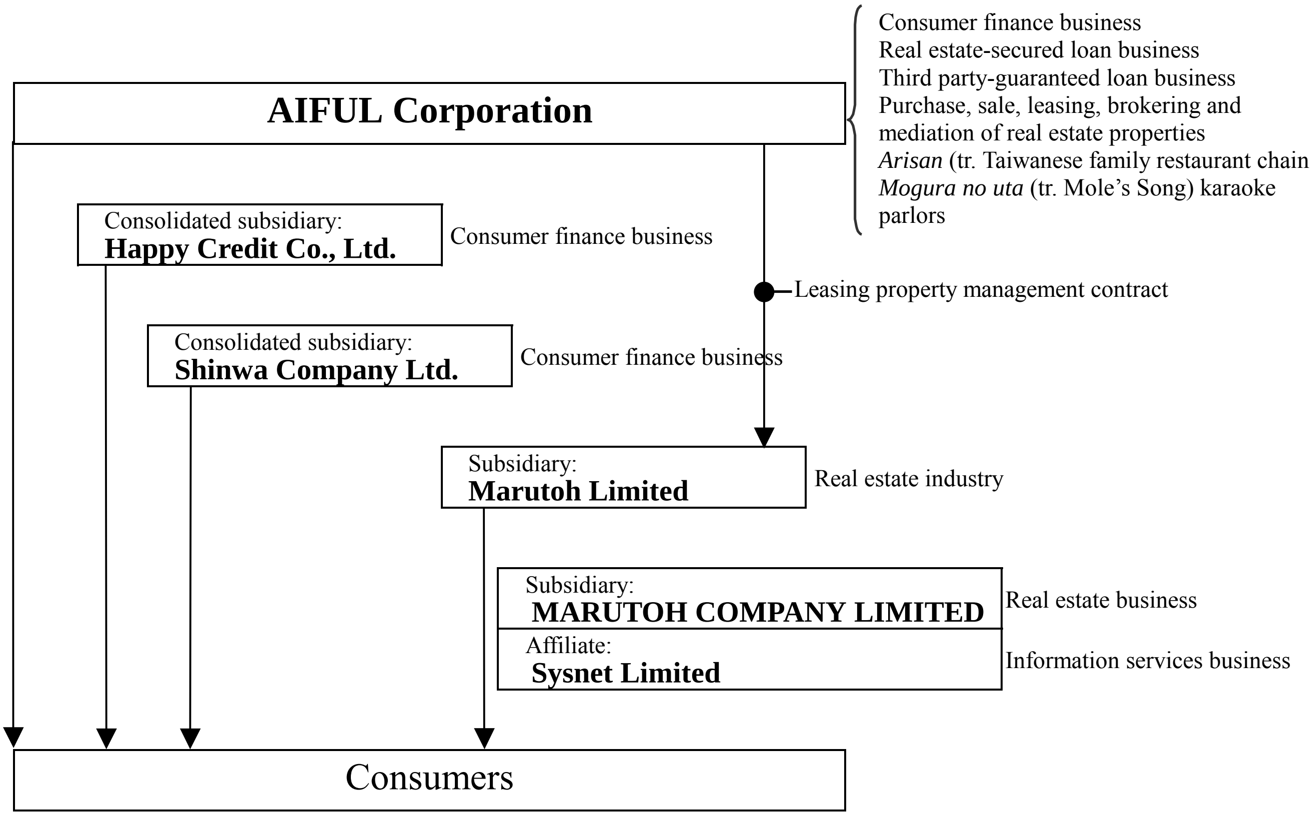
(Reference) Projected net income per share of common stock for fiscal year 2001 (ending March 31, 2001) : ¥574.96

1. State of the Group

The AIFUL Group is composed of AIFUL Corporation and five related companies. 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, its subsidiary Happy Credit Co., Ltd. and Shinwa Co., Ltd. provide 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, leases, 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 businesses	● The Company manages a chain of Taiwanese family-style restaurants and operates karaoke parlors.

The organizational chart for the Company's businesses is as follows.



(Note) MARUTOH COMPANY LIMITED is not active in any business activities at the present time.

2. Management Policies

(1) Current State of the Consumer Finance Industry

During the first half of the fiscal year a small improvement was noticeable in Japan's economic conditions following an increase in equipment investment representing primarily IT-related investment and broad improvements in the profitability of large corporations. At the same time, however, the general mood of uncertainty over the future direction of the economy grew darker in the wake of several large bankruptcies and worries over an economic slowdown in the U.S.

Conversely, in the consumer finance industry, a recovery trend was clearly evident, reflecting an upturn in the level of consumption following small improvements in the employment environment and in personal income and an increase in new business at large companies.

During the first half of the fiscal year there were substantial changes in the business environment that will alter the framework of the consumer finance industry. The first of these was the lowering of the legal maximum interest rate (to 29.2%) when the amended Acceptance of Capital, Money, Deposits and Interest (ACMI) Law went into effect on June 1. Other changes included purchases of semi-large and medium-sized consumer finance companies by large consumer finance companies and foreign capital-related firms, and the start of business of joint venture subsidiaries formed by large consumer finance companies and Japan's city banks. Among the biggest companies in the industry strategies continued to diversify and show clear differences. Competition for new customers is intensifying and mass media advertising is increasing.

(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 its 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.

(3) Medium to Long-Range Business Strategies

The strategies that AIFUL Corporation will use to achieve its basic policies are contained in the Company's 7th Medium-Range Business Plan, which covers the period from the fiscal year ended March 2000 through the fiscal year ending March 2002. The Company has been addressing management issues since April 1999 by following this plan.

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. The Company will also move ahead with its product diversification strategy to develop new products that can meet the various needs of its customers. Strategies to increase AIFUL's market share include expanding the branch network and enhancing the AIFUL brand image. Efficiency improvements will pursue economies of scale and synergistic effects through expansion of the business, convert more business to concentration centers based on automated application tellers, and reduce the cost of capital by diversifying fund procurement procedures.

Other efforts the Company aggressively followed include an M&A strategy, a credit loan and credit card strategy and an Internet strategy, all of which the Company began during the interim period to further diversify its channels for attracting new customers.

Under its M&A strategy AIFUL has purchased three medium-sized consumer finance companies: Happy Credit Co., Ltd., Sky Co., Ltd. and Shinwa Co., Ltd., since June 1, 2000. The acquired firms began operations as members of the AIFUL Group as Happy Credit Co., Ltd. (created from the combination of the former Happy Credit Co., Ltd. and Sky Co., Ltd.) and Shinwa Co., Ltd. To pursue its credit loan and credit card strategy AIFUL established a new credit loan division in April 2000. In a strategic move fulfilling both the Company's M&A strategy and its credit loan and credit card strategy, AIFUL was named as preferred bidder to take over the credit firm Life Company ("Life"), a large credit loan firm that failed in May and was reorganizing under a court-appointed administrator. On October 12th AIFUL received the approval of the Tokyo District Court and concluded a sponsor agreement with Kazuhiko Shimokawabe, Life's receivership trustee.

To implement its Internet strategy AIFUL began full-scale operations of its Internet cashing service in April under the brand name "e-Cashing".

(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 the economic and financial situation, industry trends and its own business performance. AIFUL's goal is to distribute profits to shareholders and maximize shareholder value by maintaining profit growth with a medium to long-term perspective.

AIFUL utilizes its retained earnings as a strategic resource for new business growth through a variety of alternatives such as reinvesting the funds in loans and financing mergers and acquisitions. By creating resources for future growth 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. AIFUL Corporation has worked to strengthen compliance systems through audits by the Company's auditing firm and its own internal auditors, an Audit Committee, and creation of an Inspection Department and a Legal Department. Moreover, through actions such as enhancing cooperation between AIFUL's auditors and those of the subsidiaries and holding regularly scheduled management meetings of the entire AIFUL Group, the Company is pursuing rigorous corporate governance.

With regard to disclosure activities (public issue of company information), AIFUL has established a Public Relations Department and an Investor Relations Section as specialist units to provide information to the media, shareholders and investors. In addition to news releases and detailed disclosure information in the form of data books, these groups 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

Today the consumer finance industry in Japan faces enormous changes to its business environment. These include the entry of new companies from other sectors through mergers and acquisitions or business alliances, market participation by foreign capital-related firms and escalating competition for new customers through the use of advertising and marketing.

AIFUL is adapting to this environment through measures designed to expand its business as a group (scale of business activities and business territories) based upon clear management strategies aimed at enhancing the Company's product line-up and diversifying its marketing capabilities. At the same time, AIFUL is working to maximize operating efficiency and strengthen corporate governance and risk management. More than ever before, AIFUL is working to ensure long-term success and growth by maintaining a prudent management stance.

3. Results of Operations

(1) Overview of the Interim Period Ended September 30, 2000

Summary of Operations

In the interim period ended September 30, 2000, AIFUL Corporation's management policy towards its loan business called for the expansion of its service network to improve customer convenience in response to consumer finance market growth. This was reflected in the establishment of six staffed branches and 118 automated branches. This brought the total network as of September 30, 2000 to 1,428 branches including 536 staffed branches (581 branches on a consolidated basis), 888 automated branches (933 on a consolidated basis) and four branches specializing in secured loans. AIFUL also expanded its CD-ATM network through the formation of new alliances with six banks. This brought the number of machines accessible to AIFUL's customers to 18,173 ATMs including the Company's own units (19,179 units on a consolidated basis). These network improvements were also 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 broader range of customer needs. At the same time, AIFUL responded to the continuing increase in personal bankruptcies and rising unemployment by working to control doubtful loans through improvements in the accuracy of credit assessment procedures, including introduction of the Company's revised sixth scoring system.

The trend in the number of new unsecured loan customers continued the recovery that began in the second half of the prior fiscal year. The number of new unsecured loan customers increased by 220,000 new accounts, up 4.6% from the same period in the prior fiscal year. AIFUL will continue to aggressively develop its real estate-secured loans and small business loan products and position the products to enable AIFUL to continue to achieve a high rate of growth following the future maturation of the market for unsecured loans. At the same time, AIFUL took a prudent stance during the period towards small business loans for self-employed individuals after determining that more time is required for market research and production development. The total balance of loans outstanding increased by 17.5% over the same period of the prior fiscal year to ¥1,075,892 million. Total loan balances at the end of the interim period by type of loan were ¥862,120 million in unsecured loans (up 15.8% over the prior year), ¥203,290 million in real estate-secured loans (an increase of 27.0% over the prior year), and ¥10,481 million in small business loans (up 7.0% over the prior year).

Operating performance at the subsidiary companies resulted in balances of loans outstanding of ¥34,872 million at Happy Credit Co., Ltd. and ¥14,693 million at Shinwa Co., Ltd.

M&A Strategy and Credit Loan and Credit Card Strategy

To prepare for the future maturation of the unsecured loan market, AIFUL is making active use of mergers and acquisitions as a business strategy to achieve greater economies of scale through expansion of market share. The Company has completed a succession of purchases of medium-size consumer finance companies including The Nippon Benefit Co., Ltd. in July 1999, Happy Credit Co., Ltd. and Sky Co., Ltd. in March 2000, and Shinwa Co., Ltd. in April 2000. These were reestablished as Happy Credit Co., Ltd. (a combination of the former Happy Credit Co., Ltd. and Sky Co., Ltd.) and Shinwa Co., Ltd., two wholly owned Group subsidiaries.

During the interim period the Company also undertook an M&A foray into another sector in May when it entered its name as a sponsor candidate to take over the business of Life Co. (referred to below as "Life"), a failed credit firm reorganizing under court protection. AIFUL was designated the preferred bidder and received approval from the Tokyo District Court on October 12 and signed a sponsor agreement with Kazuhiko Shimokawabe, the court-appointed administrator. AIFUL Corporation's president Yoshitaka Fukuda was dispatched to Life to act as the company's business administrator and AIFUL is supporting Life's efforts to create a reorganization plan, to quickly restore the company to health and enable the firm to continue developing its business.

Life is the sixth largest credit loan company in Japan. By combining Life's credit loan and credit card business know-how, customer base, systems and well-established brand name with AIFUL's superior individual credit assessment knowledge and systems, AIFUL believes it will be able to rapidly expand its business base and brand strength as the AIFUL Group.

Internet Strategy

AIFUL began full-scale operation of its Internet cashing service in April 2000 under the brand name "e-Cashing". The Internet offers extremely exciting possibilities as a channel for attracting new customers. AIFUL believes that if the business environment and systems including legalization of electronic authentication for consumer loan agreements are in place as the number of Internet users in Japan grows, it will be possible in the future to simultaneously introduce automated loan units and rapidly expand to new groups of customers. AIFUL is quickly completing response to these projected future needs.

Financing

AIFUL Corporation's capital procurement efforts continued to meet with success and improve during the interim period. To take maximum advantage of the current interest rate environment and insulate the Company against the effect of the Bank of Japan abandoning its zero interest rate policy, the Company obtained long-term loans, fixed the interest rates paid by the Company through various interest rate hedges, and increased the percentage of capital raised directly by aggressively issuing corporate bonds. As a result AIFUL Corporation is nearly unaffected by the changing interest rate environment. AIFUL Corporation will continue to diversify its means of raising the capital it needs to grow and strive to obtain low-cost and stable sources of funding.

Operating Results

As a result of the above activities, operating revenue for the interim period was ¥135,976 million, ordinary income was ¥51,854 million and net income for the interim period was ¥24,737 million.

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

Based upon the business environment, current trends and the issues outlined above, AIFUL's operating revenue for the fiscal year ending March 31, 2001 is projected to increase by 13.6% over the prior fiscal year to ¥271,088 million, and ordinary income is expected to increase by 19.9% to ¥101,949 million. Net income is projected to be ¥48,800 million, up 10.6% from the level of the prior fiscal year. On a consolidated basis, operating revenue is projected to be ¥280,761 million. Ordinary income will be ¥102,636 million and full year net income will be ¥48,800 million.

4. Interim Period Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

Assets	Millions of yen Current interim period-end (Ended Sept. 30, 2000)	Ratio(%)
Current Assets:		
Cash and cash equivalents	92,075	
Loans	1,115,457	
Property and stored goods	2,191	
Deferred tax assets	9,505	
Other current assets	15,906	
Allowance for doubtful loans	(41,686)	
Total current assets	1,193,449	90.8
Fixed Assets:		
Tangible Fixed Assets:		
Land	43,377	
Other tangible fixed assets	24,618	
Total tangible fixed assets	67,996	5.2
Intangible Fixed Assets:		
Consolidation adjustment account	4,130	
Other intangible fixed assets	3,570	
Total tangible fixed assets	7,701	0.6
Investments and Other Fixed Assets:		
Claims in bankruptcy	14,458	
Deferred tax assets	1,110	
Other investments and fixed assets	49,155	
Allowance for doubtful loans	(19,828)	
Total investments and other fixed assets	44,896	3.4
Total fixed assets	120,594	9.2
Deferred Assets:		
Bond issue expenses	741	
Total deferred assets	741	0.0
Total Assets	1,314,785	100.0

Interim Consolidated Balance Sheets (cont.)

Liabilities and Shareholders' Equity	Millions of yen Current interim period-end (Ended Sept. 30, 2000)	Ratio(%)
Current Liabilities:		
Trade notes and accounts payable	3,499	
Short-term debt	19,849	
Current portion of bonds	36,000	
Current portion of long-term debt	279,773	
Commercial paper	15,000	
Income taxes payable	23,136	
Accrued bonuses	2,400	
Other current liabilities	7,204	
Total current liabilities	386,863	29.4
Long-term liabilities:		
Bonds	198,500	
Long-term debt	433,844	
Retirement benefits for employees	604	
Retirement benefits for officers	918	
Other long-term liabilities	9,065	
Total long-term liabilities	642,933	48.9
Total Liabilities	1,029,796	78.3
Shareholders' Equity:		
Common stock	39,788	3.0
Additional paid-in capital	50,527	3.9
Consolidated retained earnings	194,160	14.8
Valuation gain or loss on other marketable securities	513	0.0
Treasury stock	(1)	(0.0)
Total Shareholders' Equity	284,988	21.7
Total Liabilities and Shareholders' Equity	1,314,785	100.0

Interim Consolidated Income Statements

	Millions of yen Current interim Period (From April 1, 2000 to September 30, 2000)	Ratio(%)
Operating revenue	135,976	100.0
Interest on loans to customers	131,790	96.9
Financial revenue - other	149	0.1
Operating revenue - other	4,036	3.0
Revenue from service business	674	
Other revenues	3,362	
Operating expenses	82,927	61.0
Financial expenses	13,838	10.2
Cost of sales	193	0.1
Cost of service business	193	
Other operating expenses	68,895	50.7
Operating income	53,049	39.0
Non-operating income	336	0.2
Interest on loans	54	
Cash dividends	73	
Other non-operating income	208	
Non-operating expenses	1,530	1.1
Allowance for doubtful loans	1,163	
Other non-operating expenses	366	
Ordinary income	51,854	38.1
Extraordinary income	114	0.1
Reversal of allowance for doubtful loans	114	
Extraordinary losses	4,485	3.3
Allowance for doubtful loans	2,868	
Valuation loss on marketable securities	939	
Difference from change in accounting for retirement benefits	512	
Other losses	164	
Income before taxes	47,483	34.9
Corporate income, local and enterprise taxes	23,244	17.1
Adjustment on corporation tax, etc.	497	0.4
Net income	24,737	18.2

Interim Consolidated Statements of Retained Earnings

	Millions of yen Current interim Period (From April 1, 2000 to September 30, 2000)	
Consolidated retained earnings at the beginning of the period		171,237
Reductions to consolidated retained earnings		
Cash dividends	1,715	
Directors and auditors' bonuses	99	1,814
Interim period net income		24,737
Retained earnings at the end of the interim period		194,160

Interim Consolidated Statments of Cash Flows

	Millions of yen Current interim Period (From April 1, 2000 to September 30, 2000)
Ⅰ. Cash flow from operating activities	
Net income before taxes	47,483
Depreciation expense	2,057
Write-down of consolidation adjustment account	218
Loss on valuation of investment securities	939
Increase in allowance for doubtful loans	4,244
Increase in accrued bonuses	418
Decrease in retirement benefits for employees	438
Increase in retirement benefits for officers	3
Interest on loans and cash dividends	(127)
Amortization of bond issue expense	234
Loss on disposal of tangible fixed assets	184
Bonuses paid to directors	(99)
Increase in loans to customers	(78,569)
Decrease in claims in bankruptcy	1,552
Decrease in stored goods	(33)
Increase in prepaid expenses	404
Decrease in long-term prepaid expenses	300
Increase in other current assets	(1,491)
Increase in trade notes payable	1,448
Other	(45)
Sub-total	(20,435)
Interest on loans and cash dividends	128
Payments for corporate and other taxes	(25,687)
Cash flow from operating activities	**(45,995)**
Ⅱ. Cash flow from investing activities	
Disbursements for investments in term deposits	(385)
Revenue from payments of term deposits	120
Increase in beneficial interest in trusts	1,500
Disbursement for purchase of loans accompanying the transfer of business from acquired companies	(22,094)
Funds used for purchase of tangible fixed assets	(1,420)
Funds used for purchase of intangible fixed assets	(286)
Funds used for purchase of investment securities	(32)
Funds provided from sale of investment securities	3
Purchase of stock of subsidiary company	(130)
Funds used for purchase of loans(?)	(0)
Funds provided from sale of loans(?)	69
Funds used for other purchases and investments	(181)
Funds provided from disposal of other purchases and investments	222
Other	(513)
Cash flow from investing activities	**(23,131)**
Ⅲ. Cash flow from financing activities	
Decrease in short-term debt	5,639
Additions to long-term debt	166,931
Repayments of long-term debt	(157,781)
Cash from issue of corporate bonds	64,545
Reduction of treasury stock	(0)
Cash dividends paid	(1,715)
Cash flow from financing activities	**77,619**
Ⅳ. Conversion difference related to cash and cash equivalents	**—**
Ⅴ. Increase in cash and cash equivalents	**8,492**
Ⅵ. Balance of cash and cash equivalents at beginning of period	**81,019**
Ⅶ. Increase in cash and cash equivalents from new consolidations	**1,380**
Ⅷ. Balance of cash and cash equivalents at end of period	**90,893**

Significant accounting policies for the interim period financial statements

1. Matters pertaining to consolidation

(1) Number of consolidated subsidiaries: 2 companies

Names of consolidated subsidiaries: Happy Credit Co., Ltd., Shinwa Co., Ltd.

(2) Number of non-consolidated subsidiaries: 2 companies

Names of non-consolidated subsidiaries: MARUTOH LIMITED, MARUTOH COMPANY LIMITED

(Reasons the companies are excluded from consolidation)

Two companies have been excluded from consolidation because both companies are small in size and the sums of the two companies' total assets, sales, interim period profit or loss (amount equivalent to equity method accounting) and retained earnings (amount equivalent to equity method accounting) do not have a significant effect on the interim consolidated financial statements.

2. Matters concerning the application of equity method accounting

Because MARUTOH LIMITED (non-consolidated subsidiary), MARUTOH COMPANY LIMITED (non-consolidated subsidiary) and Sysnet Limited (affiliated company) are small in size and the sums of the three companies' interim period net income and retained earnings have a small effect on the interim consolidated financial statements, they have been excluded from the application of equity method accounting.

3. Matters pertaining to the interim period settlement dates of consolidated subsidiaries

The consolidated subsidiaries whose interim period settlement date differs from the consolidated settlement date are shown below.

Company name	Interim settlement date
Happy Credit Co., Ltd.	May 31
Shinwa Co., Ltd.	November 30

The consolidated subsidiaries shown above are consolidated using interim period financial statements prepared with provisional settlements created in accordance with the interim settlement using the consolidated interim period settlement date as a base.

4. Accounting principles used for normal accounting treatment

(1) Appraisal standards and appraisal methods for principal assets

① Short-term investments in securities:

Other marketable securities:

Securities valued at market: Market value method based on the market prices on the interim settlement date (all valuation differences are reflected directly in shareholder equity, the sale price being computed using the moving average method.)

Securities not valued at market:

Cost method, cost being determined by the moving average method

② Derivatives: Market value method

③ Property and stored goods:

Property held for sale:

Lower of cost or market, cost being determined based on the specific identification method

Property leased under a land lease contract is depreciated according to the method used for tangible fixed assets.

Property in the process of being sold:

Cost method, cost being determined by the specific identification method

Stored goods:

The latest purchase cost method

(2)Depreciation methods for depreciable assets

① Tangible fixed assets:

Declining-balance method based on the useful life provisions of the Corporate Income Tax Law

② Intangible fixed assets:

Software:

Straight-line method based on the assumed useful life for internal use (5 years)

Other:

Straight-line method based on the useful life provisions of the Corporate Income Tax Law

③ Long-term prepaid expenses:

Straight-line depreciation method based upon standards equivalent to those prescribed by the Corporate Income Tax Law.

④ Deferred assets:

Bond issue costs:

Bond issue costs are depreciated using the straight-line depreciation method over the length of the bond redemption period or the maximum period (3 years) prescribed by the provisions of Japan's Commercial Code, whichever is shorter.

(3) Accounting standards for allowances and reserves

① Allowance for doubtful loans:

Provision for losses on doubtful loans is made up to the maximum allowable based on individual assessments and the actual percentage of bad loan write-offs, as prescribed in the Corporate Income Tax Law. If that amount is deemed to be insufficient, additional provision is made.

② Provision for accrued bonuses:

Provision for accrued bonuses to employees is made by appropriating an amount to the interim accounting period based on estimated total bonuses that will be paid during the year.

③ Retirement benefits for employees:

In order to provide for retirement allowances the company accrues an amount equivalent to the amount that would be paid if the payment occurred at the end of the current consolidated accounting period, based on the projected amount of retirement allowance liabilities and pension assets at the end of the consolidated accounting fiscal year.

Using the simplified resale method, 100% of responsibility for self-enacted retirement was calculated for Shinwa Company Ltd., a consolidated subsidiary at close of the interim period.　One hundred percent of the accounting difference will be dispensed with during the consolidated accounting fiscal year with 50% of the amount taken as an extraordinary loss in the first half.

④ Retirement benefits for officers:

The Company provides for retirement benefits for officers by determining the estimated amount that would be paid if all officers retired on the interim period balance sheet date, based upon the pertinent rules of the Commercial Code.

(4)Accounting treatment for lease transactions

For finance lease transactions except leases under which title of the leased asset is deemed to be transferred to the lessee, finance lease is treated according to the method used for ordinary loan transactions, mutatis mutandis.

(5)Hedge accounting methods

① Hedge accounting method:

The Company uses deferred hedge accounting. The Company uses the special accounting rules, however, for interest rate swaps to which interest rate swap special accounting rules apply.

② Hedging methods and hedged transactions

Hedging methods:

Interest rate caps and interest rate swaps

Hedged transactions:

Borrowing that will change the Company's cash flow depending upon changes in market interest rates (floating rate bank borrowing and corporate bonds)

③ Hedging policy :

The Company uses hedge transactions to keep the percentage of fixed interest rate capital below a specified percentage of total capital funds procured.

④ Evaluation of hedge effectiveness:

The Company determines the effectiveness of its hedging transactions based on a method of ratio analysis covering cumulative changes over the past ten-year period.

(6)Other significant matters for creation of the interim period consolidated financial statements

① 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 Control Law and the contract interest rate provided by the Company.

② Accounting treatment of interest on debt

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

③ Accounting treatment of consumption taxes

Consumption taxes are taken out of all Statement of Income items and Balance Sheet items. Consumption taxes for fixed assets that are not subject to the exclusion, however, are included in “Other” under Investment and Other Assets and are written off using the straight-line method over a five-year period.

5. Cash and Cash Equivalents on the Interim Consolidated Statement of Cash Flows

Cash and cash equivalents shown on the Interim Consolidated Statement of Cash Flows include cash on hand, demand deposits, and highly liquid short-term investments that mature within three months of the date of acquisition that can be easily converted into cash and which have minimal risk of changes in price.

6. Write-off of the Consolidation Adjustment Account

The Company writes off the consolidation adjustment account using the straight-line method over a ten-year period. Items that do not have a significant effect on the consolidated financial statements, however, are written off completely in the year in which the adjustment is made.

Notes

Notes to the Interim Consolidated Balance Sheet

1. Additional paid in capital includes an increase of 8651 million yen as a result of a stock transfer with Shinwa Company Ltd. (including a difference of 4,217 million yen, recorded as a result of valuation as a recognized subsidiary on the consolidated basis.)

	Millions of yen
	Current interim period-end
2. Total accumulated depreciation for tangible fixed assets	18,897
3. Assets pledged as collateral	
Deposits	800
Loans	382,200
Tangible fixed assets (Land)	10,783
Tangible fixed assets (Other)	3,209
Investments and other assets (Other)	155

4. Doubtful loans

The doubtful loans included in Loans and Claims in Bankruptcy are shown below.

	Millions of yen		
	Unsecured loans	Assets other than unsecured loans	Total
Claims in bankruptcy	—	15,045	15,045
Loans in arrears	10,495	8,738	19,233
Loans in arrears longer than 3 months	5,456	1,333	6,789
Loans with adjusted terms	22,452	32	22,485
Total	38,404	25,150	63,554

Concerns with respect to each of the above items are provided below.

Claims in bankruptcy

"Claims in bankruptcy" refers to loans that are included in loans on which principal or interest payments have been continuously late for a considerable period of time for the reasons cited in Article 96 Paragraph 1 Number 3 Items B through E of the Corporate Income Tax Law Execution Ordinance (1965, Ordinance No. 97) or for the reasons set forth in Number 4 of the same Paragraph. The Company sets aside a reserve for doubtful loans that is equivalent to the amount the Company believes it will be unable to recover based on an evaluation of each loan.

Loans in arrears

"Loans in arrears" refers to loans other than claims in bankruptcy for which unpaid interest is not accrued. Excludes loans, however, that are included in loans for which the Company has made arrangements convenient to the borrower for the purpose of reorganization or support of the borrower such as reduction or exemption of interest or extension of the repayment period, on which the Company is periodically receiving payments.

Loans in arrears longer than 3 months

"Loans in arrears longer than 3 months" refers to loans for which the principal or interest payment is three or months overdue from the day following the scheduled payment date and that are not regarded as claims in bankruptcy or loans in arrears.

Loans with adjusted terms

"Loans with adjusted terms" refers to loans for which the Company has made arrangements convenient to the borrower for the purpose of reorganization or support of the borrower such as reduction or exemption of interest or extension of the repayment period, on which the Company is periodically receiving payments and that are not regarded as claims in bankruptcy, loans in arrears or loans in arrears longer than 3 months.

Notes to the Interim Consolidated Income Statement

	Millions of yen
	Current interim period (Apr.1, 2000 to Sept. 30, 2000)
Details of other operating expenses are provided below.	
Advertising and public relations expense	8,156
Loss on bad debts	441
Amount transferred to the allowance for doubtful loans	22,241
Employee salaries and bonuses	8,803
Amount transferred to accrued bonuses	2,400
Fees paid	6,204
Consolidation adjustment account write-off	218

Notes to the Interim Consolidated Statement of Cash Flows

1. Relationship between the balance of cash and cash equivalents at the end of the interim period and the amounts recorded in the categories shown on the interim consolidated balance sheet

	Millions of yen
Cash and cash equivalents account	92,075
Term deposits with a maturity greater than 3 months	(1,182)
Cash and cash equivalents	90,893

2. Details of the assets and liability of Shinwa Co., Ltd. when Shinwa Co., Ltd. became a consolidated subsidiary through an exchange of stock

	Millions of yen
Current assets	14,900
Fixed assets	1,509
Consolidation adjustment account	4,347
Current liabilities	(6,919)
Long-term liabilities	(5,056)
Shinwa Co., Ltd. acquisition price	8,781
Price of new shares issued through the exchange of stock	(8,651)
Difference	130

3. Other non-cash transactions

The Company issued 721,500 shares of common stock through an exchange of stock to make Shinwa Co., Ltd. a wholly-owned subsidiary.

	Millions of yen
Increase in common stock based on the issue of new shares	36
Increase in legal reserves based on the issue of new shares	8,615
Total	8,651

Notes to Lease Transactions

Finance lease transactions except leases under which title of the leased asset is deemed to be transferred to the lessee

1. Acquisition cost, accumulated depreciation and interim period ending balance of lease assets

	Millions of yen Current interim period-end (Ended September 30, 2000) Acquisition cost	Accumulated depreciation	Interim period ending balance
Vehicles	154	75	79
Equipment & fixtures	25,186	17,386	7,800
Total	25,341	17,461	7,879

2. Outstanding balance of future lease payments at the end of the interim period

	Millions of yen
Within one year	5,058
Over one year	6,030
Total	11,089

3. Amount of lease fee payments, depreciation expense and interest expense

	Millions of yen
Lease fee payments	3,223
Depreciation expense	2,854
Interest expense	220

4. Accounting method for the amount equivalent to depreciation expense

Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the straight-line method.

5. Accounting method for the amount equivalent to interest expense

Interest expense for lease assets is calculated as the difference between the total lease payments and the acquisition price of the leased assets, with the amount allocated to each accounting period using the interest method.

5. Segment information

(1) Segment information by type of business

Current fiscal year interim consolidated accounting period (From April 1, 2000 to September 30, 2000)

The Company has omitted segment information by type of business because the consumer loan business accounts for more than 90% of total operating revenues and operating expenses in all of the Company's business segments.

(2) Segment information by location

Current fiscal year interim consolidated accounting period (From April 1, 2000 to September 30, 2000)
The Company does not report segment information by location because the Company does not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan.

(3) Foreign sales
Current fiscal year interim consolidated accounting period (From April 1, 2000 to September 30, 2000)
The Company did not have any foreign sales during the current fiscal year interim consolidated accounting period.

6. Business Results

(1) Operating Revenue

		Millions of yen Current interim period (From April 1, 2000 to September 30, 2000)	
		Amount	Ratio (%)
Interest on loans to customers	Unsecured loans	113,927	83.8
	Secured loans	16,444	12.1
	Small business loans	1,418	1.0
	Sub-total	131,790	96.9
Other financial revenue	Interest on deposits	25	0.0
	Interest on marketable securities	0	0.0
	Interest on loans	122	0.1
	Other	1	0.0
	Sub-total	149	0.1
Other operating revenue	Sales of property	—	—
	Revenue from service business	674	0.5
	Bad debt recovery	1,764	1.3
	Other	1,597	1.2
	Sub-total	4,036	3.0
	Total	135,976	100.0

(Note) “Other” included in “Other operating revenue” consists of clerical fees and property rents.

(2) Other Operating Indicators

	Millions of yen – except per share data Current interim period-end (Ended September 30, 2000)
Total amount of loans outstanding	1,115,457
Unsecured loans	901,685
Secured loans	203,290
Small business loans	10,481
Number of customer accounts	2,169,715
Unsecured loans	2,105,287
Secured loans	55,922
Small business loans	8,506
Number of branches	1,531
Staffed branches	581
Unstaffed branches	933
Branches for secured loans	4
Restaurants	10
Karaoke parlors	3
Number of “Ojidosan” loan-contracting machines	1,500
Number of ATM units	19,179
Company-owned	1,656
Owned by business affiliates	17,523
Number of employees	3,714
Loss on write-off of loans	19,172
Allowance for doubtful loans	61,515
Net income per share (¥)	292.28
Net assets per share (¥)	3,357.71

(Notes) 1. Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy.

2. Loss on write-off of loans does not include loan losses related to claims in bankruptcy, etc. (¥3,184 million).

7. Marketable Securities

Note: The market value of marketable securities for the prior interim accounting period and the prior fiscal year are included as the Notes to the interim consolidated financial statements.

1. Current Market Value of Marketable Securities

	Millions of yen		
	Current interim period-end (Ended September 30, 2000)		
	Carrying value	Market value	Difference
Other marketable securities			
① Stocks	3,999	4,883	883
② Bonds			
Interest-bearing finance debentures	10	10	0
Total	4,009	4,893	883

2. Marketable securities that do not have a market price

	Millions of yen
	Current interim period-end (Ended September 30, 2000)
	Value stated on interim consolidated balance sheet
(1) Stock of subsidiaries and affiliated companies	
① Stock of non-consolidated subsidiaries	71
② Stock of affiliated companies	213
Total	284
(2) Other marketable securities	
① Unlisted stocks (excluding OTC stocks)	631
② Non-publicly offered domestic bonds	596
Total	1,227

8. Derivative Transactions

Note: Derivative transactions for the prior interim accounting period and the prior fiscal year are included as the Notes to the interim consolidated financial statements.

Interest Derivatives

	Millions of yen			
	Contract amount, etc.	(Over 1 year)	Market value	Difference
Outside of market transactions				
Interest rate swaps				
Fixed rate payment, floating rate receipt	4,640	4,600	(8)	(8)
Total	4,640	4,600	(8)	(8)

(Notes)
1. For interest rate swaps using special treatment for hedge accounting.
2. The notional principal amounts for interest rate swaps do not represent the amounts actually paid by the Company and are simply used as the basis for calculating interest payments. Accordingly the notional principal amount does not indicate the Company’s exposure to market or credit risk.
3. Market value calculation method
   Market values are based on prices indicated by the related financial institutions as contract parties.