AIFUL CORPORATION

Consolidated
Financial Summary

All financial information has been prepared in accordance with generally accepted accounting principles in Japan. Amounts shown in this accounting report and in the attached material have been rounded down to the nearest million yen. This document is an English translation of the Japanese-language original.

FY2001

(Ended March 31, 2001)

－Note：Forward Looking Statements－

The figures contained in this Financial Summary with respect to AIFUL's plans and strategies and other statements that are not historical facts are forward-looking statements about the future Performance of AIFUL which are based on management's assumptions and belief in light of the information currently available to it and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a results of various facts. Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL's market and changes in the size of the overall market for consumer loans, the rate of default by customers, the level of interest rates paid on the AIFUL's debt and legal limits on interest rates charged by AIFUL. This Financial Summary does not constitute any offer of any securities for sale

AIFUL Corporation (8515)

May 17, 2001

Year-End Financial Statements (Consolidated)

For the year ended March 31, 2001

AIFUL Corporation (8515)

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Listing exchanges:	Tokyo, Osaka
Date of the Board of Directors' meeting to approve financial statements:	May 17, 2001

Note: U.S. accounting standards have not been adopted for the purposes of these statements.

1. Consolidated Business Results for the Year Ended March 31, 2001

(April 1, 2000 – March 31, 2001)

(1) Consolidated Operating Results (Note: In these financial statements, figures have been rounded down to the nearest unit.)

	Millions of Yen – Except Per Share Data	
	Fiscal Year Ended: March 31, 2001	
Operating Revenue	280,656	-%
Operating Income	104,333	-%
Ordinary Income	103,533	-%
Net Income	48,252	-%
Earnings per Share(yen)	569.32	
Fully Diluted Earnings per Share	-	
Net Income to Shareholders' Equity Ratio	15.7%	
Ordinary Income to Shareholders' Equity Ratio	5.5%	
Operating Revenue to Ordinary income Ratio	36.9%	

Notes:
1) Equity method investment gain or loss for:
   - Fiscal year ended March 31, 2001: - million yen
   - Fiscal year ended March 31, 2000: - million yen
2) Average number of shares during:
   - Fiscal year ended March 31, 2001: 84,755,313 shares
   - Fiscal year ended March 31, 2000: - shares
3) Changes in accounting policies: None
4) Percentage figures shown for operating revenue, operating income, ordinary income and net income show year-on-year change.

(2) Consolidated Financial Position

	Millions of Yen – Except Per Share Data
	Fiscal Year Ended: March 31, 2001
Total Assets	1,865,537
Shareholders' Equity	306,549
Shareholders' Equity Ratio(%)	16.4
Shareholders' Equity per Share of Common Stock	3,611.74

Note: Number of shares issued and outstanding:

As of March 31, 2001:84,875,955
As of March 31, 2000: -

(3) Consolidated Cash Flows

	Millions of Yen – Except Per Share Data
	Fiscal Year Ended:
	March 31, 2001
Cash flow from operating activities	(97,559)
Cash flow from investing activities	(69,477)
Cash flow from financing activities	238,072
Cash and cash equivalents at the end of period	153,435

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

Number of consolidated subsidiaries:	5 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

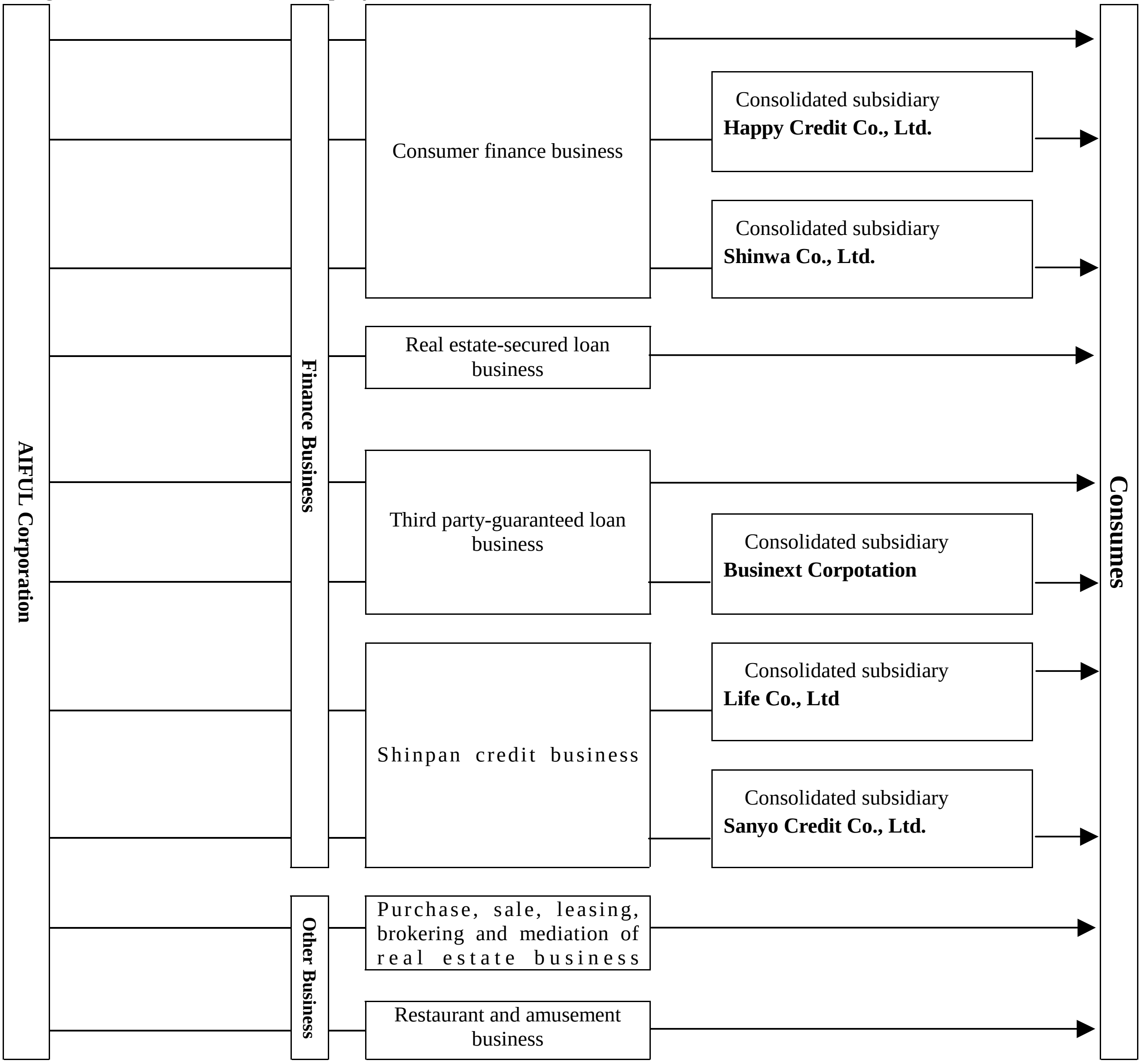
Consolidated subsidiaries	(Newly included): 5 companies	(Excluded): 0 companies
Equity method accounting	(Newly included): 0 companies	(Excluded): 0 companies

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.

Business Classification		AIFUL & subsidiaries	Business Descriptions
Finance Business	Consumer finance business	Aiful Corporation	The Company, its subsidiary Happy Credit Co., Ltd. and Shinwa Co., Ltd. provide small-unsecured loans for consumers.
		Happy Credit Co., Ltd.	
		Shinwa Co., Ltd.	
	Real estate-secured loan business	Aiful Corporation	The Company provides real estate-secured loans.
	Third party-guaranteed loan business	Aiful Corporation	The Company lends to small businesses.
		Businext Corpotation	
	Shinpan credit business	Life Co., Ltd.	The Company offers card shoppning, per-item shopping, loan and guarantees for consumers.
		Sanyo Credit Co., Ltd.	
Other	Real estate business	Aiful Corporation	The Company buys, sells, leases, brokers and mediates real estate. The business has not been perforemed since March 31, 2001.
	Restaurant and amusement businesses	Aiful Corporation	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.



2. Management Policies

(1) Current State of the Consumer Finance Industry

During the fiscal year under review, the Japanese economy showed signs of slight improvement, due to such factors as growth in capital investments in IT and communications, and notable increases in corporate profits. However, the persistence of large-scale corporate bankruptcies and concerns regarding the slowing down of the U.S. economy combined to exert a baleful effect on the Japanese economy as a whole. As a result, the second half of the fiscal year saw the direction of the economy become even less clear, a change well marked by the sluggishness of the stock market.

This operating environment prevented a full-scale recovery in consumer spending within the consumer finance industry. However, proactive marketing campaigns centering on TV commercials paid off, with major companies in the industry taking their number of new unsecured loan clients up above previous year totals.

The year under review also witnessed a number of fundamental changes within the industry. Not least among these was the lowering of the maximum legal interest rate allowable, which fell from 40.004% to 29.2% on June 1, 2000. At the same time, consumer finance companies joined forces with banks to establish new joint venture companies, alliances in the credit guarantee business resulted in new integration and balance therein, and major players in the industry, including overseas companies, bought up medium-sized competitors. AIFUL also made Life Co., Ltd. a wholly owned subsidiary.

Strategic diversification saw the largest consumer finance companies distinguishing themselves more clearly within the market. This trend looks set to see in a new age of competition, in which all previous boundaries between consumer finance companies, credit companies, credit card companies and banks are dissolved in the drive for new customers.

(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 its entire customer base.

To fulfill its mission, AIFUL Corporation will continue to improve the convenience and accessibility of its services in terms of both service hours and locations. 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. At the heart 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 brand image of the AIFUL Group. In terms of efficiency improvements, Aiful will pursue economies of scale and synergistic effects through business expansion, the conversion of more business to concentration centers based on automated application tellers, and reduction in the cost of capital made possibly by diversifying fund procurement procedures.

To achieve these goals, AIFUL considered the diversification of channels to attract new customers to be the most important theme during the year under review. With this guiding theme, the Company introduced new initiatives in three important areas: M&A strategy, credit and credit card strategy, and Internet strategy.

Under its M&A strategy, AIFUL purchased three medium-sized consumer finance companies: Happy Credit Co., Ltd., Sky Co., Ltd. and Shinwa Co., Ltd. Since June 1, 2000, these firms have been operating as members of the AIFUL Group, Shinwa Co., Ltd. in its original form and Happy Credit Co., Ltd. as the combination of the former Happy Credit Co., Ltd. and Sky Co., Ltd.

On January 18, 2001, AIFUL joined forces with Sumitomo Trust and Banking Co., Ltd. to establish Businext Corporation, a company offering small business loans. The new company, at which operations started on April 2, benefits both from AIFUL's loan management expertise and the brand, capital and corporate credit investigation prowess of Sumitomo Trust and Banking.

With regard to credit and credit card strategies, AIFUL set itself the goal of widening its customer base into those areas that its consumer finance identity had prevented it from moving into before. Under the Corporate Revitalization Law, the Company applied for the role of sponsor of Life Company, previously a major player in the credit industry. October 12 of the same year saw the signing of a sponsorship agreement with Kazuhiko Shimokawabe, Life's receivership trustee, and approval of the proposed revitalization plan was granted by the Tokyo District Court on January 31, 2001. Life became a wholly owned subsidiary of the AIFUL Group on March 28, upon the purchase of the company's stock by AIFUL Corporation.

Internet strategies played host to the commencement, in April 2000, of full-scale operations of AIFUL's Internet cashing service, "e-Cashing." Furthermore, in February 2001, services were introduced whereby those customers with PCs or i-Mode cellular phones can quickly find out whether they are eligible for loans, and what the relavant credit limits would be. This new "Quick Investigation Service" has tied into new gains in customer convenience.

(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 the Company's 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 funds in loans and financing mergers and acquisitions. By creating resources for future growth, AIFUL aims to meet investors' 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 subsidiaries and holding regularly scheduled management meetings of the entire AIFUL Group, the Company is pursuing rigorous corporate governance.

With regard to disclosure activities, 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

As outlined above, the Japanese consumer finance industry currently 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.

The AIFUL Group is adapting to this environment by means of measures to expand group business in terms of both scale and range of activities, while also boosting management efficiency. These efforts will be based upon the clearly identified management strategies of enhancing product lineups and diversifying the channels available to attract new customers.

There were no significant changes or additions, business or financial, to the challenges facing AIFUL during the fiscal year under review.

3. Results of Operations

(1) Overview of the Fiscal Year Under Review

Summary of Operations

In the fiscal year ended March 31, 2001, 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 11 staffed branches and 244 automated branches. This brought the total network as of March 31, 2001, to 1,758 branches, including 687 staffed branches, 1067 automated branches, and four branches specializing in secured loans. AIFUL also expanded its CD-ATM network through the formation of new alliances with ten banks. This brought the number of machines accessible to AIFUL's customers, including the Company's own units, to 79,043.

These network improvements were accompanied by a variety of marketing measures. AIFUL's strategy calls for the continued 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 bad debts through improvements in the accuracy of credit assessment procedures, including introduction of the Company's revised sixth scoring system.

AIFUL's total number of new unsecured loan customers continued to rise, following on from the previous year's trend. The final figure for the year was 480,000. Real estate- secured loans and business loans were the focus of efforts to establish product lineups up to the task of supporting the growth of the AIFUL Group after the unsecured loan market reaches its predicted maturity.

New Additions to Wholly Owned Subsidiaries

Preparing for the predicted maturity of the unsecured loan market, the AIFUL Group is driving forth aggressively with M&A strategies geared toward realizing economies of scale through the expansion of balance share. March 2000 resulted in two new additions to the group in the form of Happy Credit Co., Ltd. and Sky Co., Ltd., and April saw Shinwa Co., Ltd. also become a wholly owned AIFUL subsidiary. As of June 1, 2000, Happy Credit Co., Ltd. (formed through the merger of the former Happy Credit Co., Ltd. and Sky Co., Ltd.) and Shinwa Co., Ltd. have been active as fully-fledged members of the AIFUL Group.

Life Company Joins the AIFUL Group

In addition to these acquisitions of companies within the consumer finance industry, the year under review witnessed AIFUL's first acquisition of a company active in a different industry. Selected as sponsor for the revitalization of Life Company, which went bankrupt in May 2000 and had been a major force in the credit industry, AIFUL made the company a wholly owned subsidiary on March 28, 2001.

Boasting solid results up until 1992, Life thereafter over-concentrated management resources in system development, fatally weakening marketing operations. With the end of the bubble era and the subsequent drop in consumer spending, the company's operating revenues plummeted. Bad debts accumulated in the corporate and securitized loan businesses, pulling results down. Major banks grew reluctant to provide capital and preparations for temporary nationalization pushed the company into a corner financially. As a result, an application was made for corporate revitalization on May 19, 2000. Life was a leader in the credit and credit card industries, possessed of a wealth of business know-how, a diverse customer base, excellent systems and infrastructure, and a solid brand name. With the completion of revitalization procedures, the company has been freed of the difficulties brought on by bad debts, and is now in a position to make a return to the financial robustness it previously displayed.

Moreover, the combination of the company's extant management base and AIFUL's individual credit investigation skills and systems will give rise to new synergies. Management is confident that these will in turn tie into new robustness in operating base, heightened brand strength, and dramatic expansion in channels to attract new customers.

As a result of the above factors, the total balance of loans outstanding at the end of the year came to 1,407,636 million yen. Of this total, 1,167,837 million yen was accounted for by unsecured loans and 227,600 million yen by secured loans. Small business loans at the end of the year totaled 12,198 million yen, while installment receivable came to 229,460 million yen.

The above numbers were accounted in 146,594 million yen by off-balance outstanding loans and 119,681 million yen by installment receivables due to liquidization of receivables.

Internet Cashing Measures

AIFUL commenced full-scale operation of its Internet cashing service in April 2000, under the brand name "e-Cashing.“ That the Internet has brought with it a wealth of new business opportunities has become increasingly clear, as its influence has spread far outside of the U.S. However, Japan is proving regrettably slow in this respect, due to stubbornly high communications costs and a low ceiling on the information capacity of existing networks. It cannot yet be claimed that the Internet is available to all, anyplace, anytime. However, AIFUL is confident that when the appropriate infrastructure and user environments are put in place, the Internet will provide opportunities for customer base expansion of a type not seen since the introduction of automatic loan units. Preparations to take advantage of burgeoning customer need in this exciting area are well under way.

Financing

AIFUL Corporation's capital procurement efforts continued to gain ground during the year under review. To 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 issuing corporate bonds. As a result AIFUL Corporation has been almost completely unaffected by the changing interest rate environment.

On a different note, the steady growth of balance of loans outstanding and the capital invested in Life during the year under review led AIFUL to issue standard domestic bonds to the sum of 220,000 million yen. This was part of efforts to procure more capital directly from markets, and took the direct capital procurement ratio to 31.67% at the end of the year. AIFUL will continue to diversify capital procurement methods and strive to obtain low-cost, stable sources of funding.

Cash Flows

Cash and cash equivalents at the end of the year under review rose to 153,435 million yen in spite of an increase in the balance of loans outstanding and the expenditures incurred by aggressive M&A strategies. This was due to the capital procured through an increase in long-term loans and the issue of bonds.

Net cash used in operating activities fell 97,559 million yen due to an increase in balance of loans outstanding. Net cash used in investing activities fell 69,477 million yen, due to the taking on of the receivables of Happy Credit Co., Ltd. and Sky Co., Ltd., and the provision of capital to and the paying off of debts of behalf of, Life Company.

Accompanying these increases in operating and investing activities were financial activities in the form of long-term loans and bond issuances. These capital procurement efforts increased net cash from financial activities by 238,072 million yen.

Operating Results

As a result of the above activities, on a non-conslidated basis, operating revenue for the year rose 13.5% to 270,827 million yen. Ordinary income climbed 21.6% to 103,372 million yen, a result that represented the achievement of ordinary income targets set down in the 7th Medium-Term Management Plan (10 billion yenfor the year ended March 2002), a year in advance. Net income increased 10.0%, to 48,512 million yen. On a consolidated basis, operating revenue totaled 280,656 million yen, ordinary income came to 103,533 million yen, and net income was 48,252 million yen.

. Note: This is the first year that AIFUL Corporation has produced Consolidated Statements of Cash Flows. Accordingly, year-on-year cash flow comparisons have not been made.

Consolidated financial statements have been produced. As such, no comparison of results have been made with previous year.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Assets	Millions of Yen (As of March 31) 2001	%
Current Assets:		
Cash and cash equivalents	155,491	
Loans	1,261,041	
Installment receivables	109,779	
Credit guarantee receivables	184,778	
Property and stored goods	3,035	
Deferred tax assets	12,865	
Short-term loans	436	
Other	32,202	
Allowance for bad debts	(82,561)	
Total current assets	1,677,069	89.9
Fixed Assets:		
Tangible Fixed Assets:		
Buildings and structures	23,749	
Machinery and vehicles	96	
Equipment and fixtures	5,965	
Rental assets	87	
Land	45,955	
Construction in progress account	25	
Total tangible fixed assets	75,879	4.1
Intangible Fixed Assets:		
Software	7,178	
Telephone rights	774	
Consolidation adjustment account	36,834	
Other	48	
Total non-tangible fixed assets	**44,836**	2.4
Investments and Other Fixed Assets:		
Investments in securities	8,641	
Claims in bankruptcy	11,858	
Long-term loans	12,348	
Lease deposits and guarantees	10,944	
Deferred tax assets	9,119	
Loss on deferred hedge	20,090	
Other	9,269	
Allowance for bad debts	(15,833)	
Total investments and other fixed assets	**66,440**	3.5
Total fixed assets	**187,155**	10.0
Deferred Assets:		
Bond issuing expenses	1,311	
Total deferred assets	1,311	0.1
Total Assets	1,865,537	100.0

Consolidated Balance Sheets (cont.)

	Millions of Yen (As of March 31) 2001	
Liabilities and Shareholders' Equity		
		%
Current Liabilities:		
Trade notes and accounts payable	26,420	
Credit guarantees payable	184,778	
Short-term debt	32,323	
Current portion of bonds	36,000	
Current portion of long-term debt	315,200	
Commercial paper	15,000	
Income taxes payable	25,861	
Accrued bonuses	3,738	
Gains on deferred installments	5,281	
Other	44,656	
Total current liabilities	**689,259**	**36.9**
Long-Term Liabilities:		
Bonds	341,500	
Long-term debt	499,241	
Allowance for retirement benefits for employees	6,189	
Allowance for retirement benefits for directors	954	
Interest swaps	20,090	
Other	602	
Total long-term liabilities	**868,578**	**46.6**
Total Liabilities	1,557,838	83.5
Minority Interests:		
Minority Interests	1,149	0.1
Shareholders' Equity:		
Common stock	39,788	2.1
Additional paid-in capital	50,527	2.7
Consolidated retained earnings	215,978	11.6
Valuation gain or loss on other marketable securities	255	0.0
Treasury stock	(0)	(0.0)
Total Shareholders' Equity	**306,549**	16.4
Total Liabilities, Minority Interests and Shareholders' Equity	**1,865,537**	100.0

(2) Consolidated Statement of Income

	Millions of Yen Fiscal year ended (March 31, 2001) 2001	
		%
Operating revenue	280,656	100.0
Interest on loans to customers	272,236	97.0
Financial revenue - other	341	0.1
Interest on bank deposit	99	
Interest on marketable securities	0	
Interest on loans	240	
Other	1	
Operating revenue - other	8,078	2.9
Sales of property	40	
Revenue from service business	1,303	
Bad debts write-off recovery	3,509	
Other	3,225	
Operating expenses	176,323	62.8
Financial expenses	28,934	10.3
Interest expense	20,908	
Other	8,025	
Cost of sales	435	0.2
Cost of sales of property	56	
Cost of sales of restaurant business	378	
Other	146,953	52.3
Operating income	104,333	37.2
Non-operating income	1,061	0.4
Interest on loans	106	
Dividends received	90	
Insurance dividends received	474	
Other	390	
Non-operating expenses	1,862	0.7
Transfer to allowance for bad debts	1,064	
Amortization of bond issuing expenses	187	
Other	610	
Ordinary income	103,533	36.9
Extraordinary income	77	0.0
Allowance for bad debts from previous year	76	
Other	1	
Extraordinary losses	11,036	3.9
Loss on sale of fixed assets	1,555	
Loss on valuation of investment securities	1,531	
Transfers to allowance for bad debts	998	
Loan losses	5,500	
Differences of change in retirement benefit accounting	1,024	
Other	426	
Income before taxes	92,753	33.0
Corporate tax, local and enterprise taxes	46,204	16.5
Adjustment on corporate tax, etc.	(1,832)	0.7
Loss of minority shareholders	50	0.0
Net income	48,252	17.2

(3) Consolidated Statement of Retained Earnings

		Millions of Yen Fiscal year ended (March 31, 2001) 2001
Consolidated retained earnings at the beginning of the period		171,237
Reductions to consolidated retained earnings		
Cash dividends	3,413	
Directors and auditors' bonuses	99	3,512
Current period net income		48,252
Consolidated retained earnings at the end of the period		**215,978**

(4) Consolidated Statement of Cash Flows

	Millions of Yen Fiscal year ended (March 31, 2001) 2001
Ⅰ. Cash flow from operating activities	
Net income before taxes	92,573
Depreciation and amortization	4,281
Write-down of consolidation adjustment account	435
Loss on valuation of investment securities	1,531
Increase in allowance for bad debts	6,462
Increase in accrued bonuses	355
Increase in allowance for retirement benefits for employees	2,031
Increase in allowance for retirement benefits for directors	38
Non-operating interest on loans and cash dividends	(196)
Amortization of bond issuing expenses	938
Loss on sale of tangible fixed assets	1,554
Loss on disposal of tangible fixed assets	381
Loss on sale of investment securities	2
Bonuses paid to directors	(99)
Increase in loans to customers	(166,813)
Decrease in claims in bankruptcy	4,166
Increase in stored goods	(296)
Decrease in prepaid expenses	433
Decrease in long-term prepaid expenses	(529)
Increase in other current assets	(3,537)
Increase in other current liabilities	4,701
Other	(165)
Sub-total	(51,748)
Non-operating interest on loans and cash dividends	196
Payments for corporate and other taxes	(46,008)
Cash flow from operating activities	(97,559)
Ⅱ. Cash flow from investing activities	
Disbursements for investments in term deposits	(685)
Revenue from payments of term deposits	925
Increase in beneficial interest in trusts	1,999
Disbursement for purchase of loans accompanying the transfer of business from acquired companies	(22,094)
Payments for acquisition of other assets by business transfer	(508)
Funds used for purchase of tangible fixed assets	(5,380)
Gain on sale of tangible fixed assets	240
Funds used for purchase of intangible fixed assets	(487)
Funds used for purchase of investment securities	(19)
Funds provided by sale of investment securities	10
Payments for acquisition of subsidiaries' stock in change of consolidation	(48,416)
Payments for acquisition of subsidiaries by exchange of stocks	(130)
Funds used for acquisition of paid-in capital	(250)
Funds provided by sale of paid-in capital	171

Gain on collection of long-term loans receivable	65
Funds used for purchases of investments and other assets	(304)
Funds provided from sales of investments and other assets	531
Other	4,856
Cash flow from investing activities	(69,477)

Ⅲ. Cash flow from financing activities

Increase in short-term debt	97,422
Payments for repayment of short-term debt	(172,069)
Increase in long-term debt	405,417
Repayments of long-term debt	(296,755)
Cash from issue of corporate bonds	206,270
Increase in treasury stock	0
Gain on payments from minor shareholders for establishment of subsidiaries/affiliates	1,200
Cash dividends paid	(3,413)
Cash flow from financing activities	238,072

Ⅳ. Conversion difference related to cash and cash equivalents	-
Ⅴ. Increase in cash and cash equivalents	71,035
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 the end of period	153,435

5. Significant Accounting Policies Relating to the Financial Statements

A. Matters pertaining to consolidation

1) Number of consolidated subsidiaries:
5 companies

Names of consolidated subsidiaries: Life Co., Ltd., Sanyo Credit Co., Ltd., Shinwa Co., Ltd., Businext Corporation, Happy Credit Co., Ltd.

Life Co., Ltd. and Sanyo Credit Co., Ltd. are consolidated only on the balance sheets as the Company only started to control them at the end of the current consolidated accounting period.

2) Number of non-consolidated subsidiaries:
5 companies

Names of non-consolidated subsidiaries, MARUTOH COMPANY LIMITED and other 4 companies.

(Reasons the companies are excluded from consolidation)

The Company's five non-consolidated subsidiaries (including MARUTOH COMPANY LIMITED) and two affiliated companies (including Sysnet Limited) have not adopted equity method accounting. This is due to the fact that they are small in size, and the sum of net profit/loss and retained earnings equivalent to the Company's share of their equity has a small effect on the consolidated financial statements.

B. Matters concerning the application of equity method accounting

Because MARUTOH COMPANY LIMITED (non-consolidated subsidiary) and Sysnet Limited (affiliated company) are small in size and the sums of the seven companies' total assets, operating revenue, consolidated net profit or loss (amount equivalent to equity) and retained earnings (amount equivalent to equity) have a small effect on the consolidated financial statements, they have been excluded from the application of equity method accounting.

C. Matters pertaining to the settlement dates of consolidated subsidiaries

The settlement dates of consolidated subsidiaries are the same as those of the parent company.

D. Accounting principles used for Standard accounting treatment

1) Appraisal standards and methods for principal assets:

① Investments in securities:

- Other Marketable securities:
  - Securities valued at market: Market value method based on the market prices on the settlement date All valuation differences are reflected directly in shareholders' 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 for sale:
  Lower of cost or market, cost being determined based on the identified cost method

  Property leased under a land lease contract is depreciated in accordance with the method used for tangible fixed assets.

- Property in the process of being sold:
  Cost method, cost being determined by the identified cost method

- Stored goods:
  Latest purchase cost method

2) Depreciation methods for depreciable assets:

① Tangible fixed assets:

- Declining-balance method based on useful lives as follows:

Buildings and structures:	3 – 50 years
Machinery and vehicles:	2 – 15 years
Equipment and fixtures:	2 – 20 years

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

- Long-term prepaid expenses:
  Straight-line depreciation method

3) Accounting standards for allowances and reserves:

① Allowance for bad debts:

Provision for losses on bad debts 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 Reserve for accrued bonuses:

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

③ Allowance for 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. The Company will treat the entire variance at the time accounting standards were changed, or variance due to calculation as a depreciation expence in a lump sum during the current consolidated accounting period.

④ Allowance for retirement benefits for directors:

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

4) Accounting standards for revenues and expenses:

① Interest on loans to customers:

Interest on loans to customers is recorded in accordance with accrual standards. Uncollected interest is recorded at the lower of the maximum legal interest rate and the pertinent Company interest rate.

② Accounting standards for credit revenue:

a) Commission charges from customers and franchised stores based upon add-on systems are treated as deferred credit profits in a lump sum at the time the credit contract is concluded, and transferred to revenues at the time the bill is made. However, customer commission charges based upon the reserve-on-balance or revolving styles are treated as revenues at the time the bill is made.

b) The segment revenue distribution method, based on the add-on system, is the 7:8method. However, no values have been recorded the fiscal year under review.

③ Accounting treatment of interest on debt:

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

5) <u>Accounting treatment for lease transactions</u>:

In finance lease transactions, other than those in which the title of the leased asset is deemed to be transferred to the lessee, finance leases are treated according to the method used for ordinary loan transactions, mutatis mutandis.

6) <u>Conversion standards for assets and liabilities in foreign currency</u>:

Assets and liabilities in foreign currency are converted directly into yen using exchange rates valid on March 31, 2001. Conversion disparities are recorded as profits and losses.

7) <u>Hedge accounting methods</u>:

① Hedge accounting method:

The Company uses deferred hedge accounting. The Company uses special accounting rules, however, for interest swaps and cap transactions where appropriate.

② Hedging methods and hedged transactions

- <u>Hedging methods</u>:
  Interest caps and interest swaps
- <u>Hedged transactions</u>:
  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.

8) <u>Accounting treatment of consumption taxes</u>:

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.

E. Matters pertaining to the valuation of consolidated subsidiaries' assets and liabilities

Assets and liabilities of consolidated subsidiaries are all evaluated using the market value method.

F. 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.

G. Matters pertaining to appropriation of profit-related items

Consolidated statements of retained earnings are based upon appropriated profit settled during the consolidated fiscal year.

H. Cash and cash equivalents on the consolidated statement of cash flows

Cash and cash equivalents shown on the 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

Notes

Notes to the Consolidated Balance Sheets

1. Additional paid-in capital includes an increase of 8,651 million yen as a result of exchange stocks with Shinwa Company Ltd. This includes a difference of 4,217 million yen recorded as a result of the valuation of a newly consolidated subsidiary.

	Millions of Yen
	As of March 31, 2001
2. Total accumulated depreciation for tangible fixed assets	32,156

3. Assets pledged as collateral and corresponding liabilities:

(1) Assets pledged as collateral

Deposits	393
Loans	541,725
Buildings	2,218
Structures	8
Machinery and equipment	74
Land	8,204
Investments in securities	397
Total	553,022

(2) Corresponding liabilities

Short-term debt	15,260
Current portion of long-term debt	170,819
Long-term debt	289,711
Other	294
Total	476,085

In addition to the above, the Company has contracted to offer loans as collateral in response to borrowers' requests to the sum of 7,000 million yen for short-term debt, 55,629 million yen for current portion of long-term debt and 72,700 million yen for long-term debt. The Company has also offered 3,730 million yen for cash and cash equivalents as collateral for swap transactions.

4. Value of stock of non-consolidated subsidiaries and affiliates included in investments in securities: 409 million yen

5. Installment receivables:

	Millions of Yen
	As of March 31, 2001
Card shopping	36,032
Per item shoppong	50,575
Guarantees	23,137
Leases	21
Other	11
Total	109,779

For Life Co., Ltd. and Sanyo Credit Co., Ltd., only the end of period balances are recorded, as the Company only began to control those companies at the end of the current consolidated accounting period.

6. Insallment deferred profit:

Segments	Millions of Yen As of March 31, 2001
Card shopping	163(23)
Per item	1,967(148)
Guarantees	2,949(0)
Loans	200(-)
Total	5,281(172)

Note 1: Figures above in parentheses are commission charges from franchised stores on internal memorandums..
2: Figures above include on ly balances at the end of the current accounting period, as the stock acquisition date of Life Co., Ltd. and Sanyo Credit Co., Ltd., was the end of the current fiscal year.

7. Liquidization of receivables

Loans and installment receivables include an off-balance amount for 266,275 million yen accompanied by the liquidation of the claim contents shown below:

	Millions of Yen As of March 31, 2001
Loans	146,594
Installment receivables	119,681
Total	266,275

8. Bad Debts

The bad debts included in Loans and Claims in Bankruptcy are shown below:

	Millions of Yen		
	Unsecured loans	Assets other than unsecured loans	Total
Claims in bankruptcy	—	13,071	13,071
Loans in arrears	13,411	12,232	25,644
Loans in arrears longer than 3 months	5,526	1,669	7,196
Loans with adjusted terms	33,941	61	34,002
Total	52,880	27,033	79,913

Explanations each of the above items follow.

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 bad debts 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. This 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 Consolidated Statements of Income

	Millions of Yen Fiscal year ended (March 31, 2001)
Details of other operating expenses are provided below	
Commissions	10,791
Advertising expenses	17,652
Loan losses	3,837
Amount transferred to the allowance for bad debts	47,869
Employee salaries and bonuses	17,631
Transferred to accrued bonuses	2,333
Retirement benefit expenses	1,992
Consolidation adjustment account write-off	435

Notes to the Consolidated Statement of Cash Flows

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

	Millions of Yen
Cash and cash equivalents account	155,491
Term deposits with maturity greater than 3 months	(2,055)
Cash and cash equivalents	153,435

2. Details of the assets and liabilities of Life Co., Ltd. and Sanyo Co., Ltd., when that Company become a consolidated subsidiary through an exchange of capital

	Millions of yen
Current assets	421,559
Fixed assets	25,667
Consolidation adjustment account	32,921
Current liabilities	(341,913)
Long-term liabilities	(5,231)
Minority interests	(12,000)
Stock purchase price	121,004
Cash and cash equivalents	(72,587)
Difference:	48,416

3. Assets and liabilities of Shinwa Co., Ltd., which was newly consolidated 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

4. 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, under article 358 of the commercial code.

	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	8,65

5. Segment information

(1) Segment information by type of business

- Current fiscal year consolidated accounting period (From April 1, 2000 to March 31, 2001)
- The Company has omitted segment information by type of business, as 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 consolidated accounting period (From April 1, 2000 to March 31, 2001)
- The Company does not report segment information by location, as 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 consolidated accounting period (From April 1, 2000 to March 31, 2001)
- The Company did not have any foreign sales during the current fiscal year consolidated accounting period.

6. Notes to Lease Transactions

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

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

	Millions of Yen		
	As of March 31, 2001		
	Acquisition cost	Accumulated depreciation	Fiscal year ending balance
Vehicles	489	276	212
Equipment and fixtures	29,715	21,204	8,511
Equipment attached to buildings	7	0	7
Total	30,212	21,480	8,731

B. Outstanding balance of future lease payments at the end of the period:

	Millions of Yen
Within one year	5,251
Over one year	6,505
Total	11,756

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

	Millions of Yen
Lease fee payments	6,322
Depreciation expenses	5,532
Interest expenses	414

D. Accounting method for the amount equivalent to depreciation expenses:

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

E. Accounting method for the amount equivalent to interest expenses:

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.

(2) Operating lease transactions:

A. Leases in progress:

	Millions of Yen
Within one year	51
Over one year	93
Total	144

7. Transactions with concerned parties

(Consolidated accounting period from April 1, 2000 to March 31, 2001)

(1) Directors and major individual shareholders:

Property: Director
Name: Yoshitaka Fukuda
Address: -
Capital or investment in capital (Millions of yen): -
Operating activities or occupation: President of the Company, and Kyoto Data Center Co., Ltd.
Ratio of ownership of voting rights (%): 32.61% of direct voting rights
Transactions: Land lease, payment of fees relating to the provision of personal credit information

Transaction amounts: 19 million yen (Land leases),

27 million yen (payment of fees relating to the provision of personal credit information)

Item: -
Balance at period-end: -

Business terms and related decision-making policies:

Lease transactions on land owned by Yoshitaka Fukuda, the Company's representative director, are based upon values given by real estate appraisers. Business terms and related decision-making policies are similar to those with companies that do not have a specific relationship with the Company.

Notes: 1: Transactions with Kyoto Data Center are so-called third-party transaction.
2: Transaction amounts shown above do not include consumption tax.

8. Tax effect accounting:

	Millions of yen
	As of March 31, 2001
1. Principal cause of deferred tax assets and liabilities:	
Deferred tax assets:	
Loss carried forward	30,443
Excess amount transferred to allowance for bad debts accounts	8,564
Transfers to allowance for retirement benefits	2,498
Excess amount of depreciation and amortization	2,287
Accrued income tax	1,846
Appraised property	945
Excess amount transferred to accrued bonus	937
Denied amount of bad debts depreciation	516
Other deferred tax assets	1,963
Sub-total of deferred tax assets	50,004
Valuation allowance	(27,833)
Total deferred tax assets	22,170

Deferred tax liabilities:

Differences in evaluation of other marketable securities	(184)
Other deferred tax liabilities	0
Total deferred tax liabilities	(185)
Net deferred tax assets	21,985

Note: Net deferred tax assets during the current fiscal year is included in the consolidated balance sheets as follows:

	Millions of yen
	As of March 31, 2001
Current assets – deferred tax assets	12,865
Fixed assets – deferred tax assets	9,119
Current assets – deferred tax liabilities	-
Fixed assets – deferred tax liabilities	-

2. Principal items which caused differences between statutory effective tax rate and income tax charge rate after adoption of tax effect accounting:

Statutory effective tariff	41.9%
(Adjusted)	
Tax on reserves	4.5%
Per capita inhabitant tax	0.9%
Depreciation of goodwill not included in losses	0.4%
Other	0.1%
Charge rate of income tax after adoption of tax effect accounting	47.9%

9. Marketable securities:

(1) Other marketable securities with market value:

	Millions of Yen		
	As of March 31, 2001		
	Acquisition value	Value stated on consolidated balance sheet on consolidated settlement date	Differnce
Market value exceeding amount stated on the consolidated balance sheet:			
① Stocks	1,309	2,139	829
② Bonds	270	271	1
Sub total	1,579	2,410	830
Market value not exceeding amount stated on the consolidated balance sheet:			
① Stocks	4,463	3,872	(590)
② Bonds	9	9	-
Sub total	4,473	3,882	(590)
Total	6,052	6,292	239

(2) Other marketable securities sold during the current fiscal year:

	Millions of Yen
	Fiscal year ended March 31, 2001
Sale price	1,716
Total gain on sale	0
Total loss on sale	5

(3) Marketable securities without market price:

	Millions of Yen
	As of March 31, 2001
	Value stated on consolidated balance sheet
A. Bond in purpose of ownership by expiration period:	
① Non-listed foreign bonds	8
② Discount bank debentures	0
Total	8
B. Other marketable securities	
① Non-listed stocks (excluding OTC stocks)	1,930
Total	1,930
C. Stock of subsidiaries and affiliated companies	
① Stock of subsidiaries	100
② Stock of affiliated companies	309
Total	409

(4) Other marketable securities with expiration period and depreciation amount of bonds in purpose of ownership by expiration period scheduled after consolidated settlement date:

	Millions of Yen			
	Within one year	One year to five years	Five years to ten years	Over ten years
Segment:				
Bonds				
National and local bonds	—	280	—	—
Corporate bonds	—	10	—	—
Other	0	—	—	—
Total	0	290	—	—

10. Derivative transactions

Derivative transactions for the prior fiscal year are included as the notes to the consolidated financial statements.

	Millions of yen			
	As of March 31, 2001			
	Contract value	(Over one year)	Market value	Loss & profit on valuation
Transactions other than market transactions				
Purchase of interest caps	1,500 26*	1,000 20*	1	(24)
Total	—	—	1	(24)

Note 1: Market value calculations are based upon the values indicated by the relevant financial institutions.

2: Interest rate cap transactions to which hedge accounting is applied are not stated.

3: The Company has paid premiums for interest cap transactions. Amounts marked with asterisks are recorded on the consolidated balance sheets.

4: Assumed principals in interest cap transactions are not actually received, but serve as a basis for calculations. Accordingly, they do not act as indicators for market and credit risks of the Companys.

11. Retirement benefits

1. The Company and its consolidated subsidiaries have established welfare pension funds, approved retirement annuities and retirement lump sum grant systems as regular benefit plans.

2. Retirement benefit liabilities:

	Millions of yen
	As of March 31, 2001
(1) Retirement benefit liabilities	(18,361)
(2) Pension assets	11,424
(3) Unreserved retirement benefit liabilities	(4,641)
(4) Difference between provisional and actuarial calculations	747
(5) Net balance sheet amounts	6,189
(6) Retirement benefit allowance	6,189

3. Retirement benefit expenses:

	Millions of yen
	As of March 31, 2001
(1) Service expense (Note 1)	813
(2) Interest expense	125
(3) Expected investment income	(92)

(4) Expenses relating to differences due to change of accounting standards (Note 2)	1,024
(5) Difference between provisional and actuarial calculations	1,144
(6) Retirement benefit expenses	3,017

Note 1: Employees' contributions to welfare pension funds have been deducted.

2: This item has been treated collectively as an extraordinary loss.

4. Calculation standards for retirement benefit liabilities:

(1) Predicted retirement benefit periodical distribution method: Fixed amount standard

(2) Discount rate: 3.0%

(3) Expected investment income rate: 3.0~3.5%

(4) Number of years to treat difference between provisional and actuarial calculations: Mainly collective treatment in fiscal year of accrual

(5) Number of years to treat difference between provisional and actuarial calculations: Collective treatment in fiscal year of accrual

12. Business Results

(1) Operating Revenue

		Millions of Yen Fiscal year ended (March 31, 2001) Amount	Ratio (%)
Interest on loans to customers			
	Unsecured loans	234,374	83.5
	Secured loans	34,974	12.5
	Small business loans	2,888	1.0
	Sub-total	272,236	97.0
Other financial revenue	Interest on deposits	99	0.0
	Interest on marketable securities	0	0.0
	Interest on loans	240	0.1
	Other	1	0.0
	Sub-total	341	0.1
Other operating revenue	Sales of property	40	0.0
	Revenue from service business	1,303	0.5
	Bad debt write-off recovery	3,509	1.3
	Other	3,225	1.1
	Sub-total	8,078	2.9
	Total	280,656	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 As of March 31,2001
Total amount of loans outstanding	1,407,636
Unsecured loans	1,167,837
Secured loans	227,600
Small business loans	12,198
Number of customer accounts	3,043,022
Unsecured loans	2,971,826
Secured loans	61,025
Small business loans	10,171
Number of branches	1,771
Staffed branches	687
Unstaffed branches	1,067
Branches for secured loans	4
Restaurant stores	10
Karaoke parlors	3
Number of "Ojidosan" loan-contracting machines	1,636
Number of ATM units	79,043
Company-owned	1,995
Owned by business affiliates	77,048
Number of employees	5,750
Bad debt write-off	41,982
Allowance for bad debts	98,395
Net income per share (yen)	569.32
Net assets per share (yen)	3,611.74

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. Furthermore, 146,594 million yen of off-balance sheet operating loans have been included as a result of liquidation of claims. Depreciation of bad debts does not include losses for 5,347 million yen of claims in bankruptcy and claims in correction.