# 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.*

FY2002

(Ended March 31, 2002)

－Note：Forward Looking Statements－

The figures contained in this DATA BOOK 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 DATA BOOK does not constitute any offer of any securities for sale

AIFUL Corporation (8515)

May 9, 2002

# Year-End Financial Statements (Consolidated)

**For the year ended March 31, 2002**

## AIFUL Corporation (8515)

| | |
|---|---|
| Head office: | Kyoto City |
| Inquiries: | Kenichi Kayama, General Manager<br>Public Relations Department<br>TEL (03)3274-3560 |
| Listing exchanges: | Tokyo, Osaka |
| Date of the Board of Directors' meeting to approve financial statements: | May 9, 2002 |
| The company adopted G.A.A.P. | No |

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, 2002

(April 1, 2001 – March 31, 2002)

### (1) Consolidated Operating Results (Note: Figures have been rounded down to the nearest unit.)

| | Millions of Yen – Except Per Share Data | | | |
|---|---|---|---|---|
| | Fiscal Year Ended March 31, | | | |
| | 2002 | | 2001 | |
| Operating Revenue | 397,162 | 41.5% | 280,656 | - |
| Operating Income | 111,329 | 6.7% | 104,333 | - |
| Ordinary Income | 102,067 | 1.5% | 103,533 | - |
| Net Income | 35,063 | (27.3)% | 48,252 | - |
| Net Income per Share (yen) | 390.00yen | | 569.32 yen | |
| Net Income to Shareholders' Equity Ratio | 9.6% | | 15.7% | |
| Diluted Net Income per Share (yen) | - | | - | |
| Ordinary Income to Shareholders' Equity Ratio | 5.4% | | 5.5% | |
| Operating Revenue to Ordinary Income Ratio | 26.5% | | 36.9% | |

Notes:
1) Equity method investment gain or loss for:
   Fiscal year ended March 31, 2002: - million yen
   Fiscal year ended March 31, 2001: - million yen
2) Average number of shares during:
   Fiscal year ended March 31, 2002: 89,908,062 shares
   Fiscal year ended March 31, 2001: 84,755,312 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 - Rounded Down, Except Where Noted | |
|---|---|---|
| | Fiscal Year Ended March 31, 2002 | Fiscal Year Ended March 31, 2001 |
| Total Assets | 2,029,633 | 1,865,537 |
| Shareholders' Equity | 421,343 | 306,549 |
| Shareholders' Equity Ratio (%) | 20.8% | 16.4% |
| Shareholders' Equity per Share(Yen) | 4,523.01 | 3,611.74 |

Note: Number of shares issued and outstanding:

As of March 31, 2002: 93,155,415 shares
As of March 31, 2001: 84,875,955 shares

### (3) Consolidated Cash Flows

Millions of Yen - Rounded Down, Except Where Noted

| | Fiscal Year Ended March 31, 2002 | Fiscal Year Ended March 31, 2001 |
|---|---|---|
| Cash flow from operating activities | (183,755) | (97,559) |
| Cash flow from investing activities | (11,205) | (69,477) |
| Cash flow from financing activities | 180,511 | 238,072 |
| Cash and cash equivalents at the end of the period | 139,126 | 153,435 |

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

| | |
|---|---|
| Number of consolidated subsidiaries: | 7 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. Fiscal Year 2002 Full Year Projections（April 1, 2002 - March 31, 2003）** (In millions of yen, rounded down)

| | Interim Period Ending, September 30, 2002 | Fiscal Year Ending March 31, 2003 |
|---|---|---|
| Operating Revenue | 220,689 | 452,573 |
| Ordinary Income | 62,133 | 127,000 |
| Net Income | 32,670 | 66,682 |

Reference: Projected earnings per share for fiscal year 2002 (Fiscal year ending March 31, 2003):715.81 yen

“Caution Relating to Results Projections”

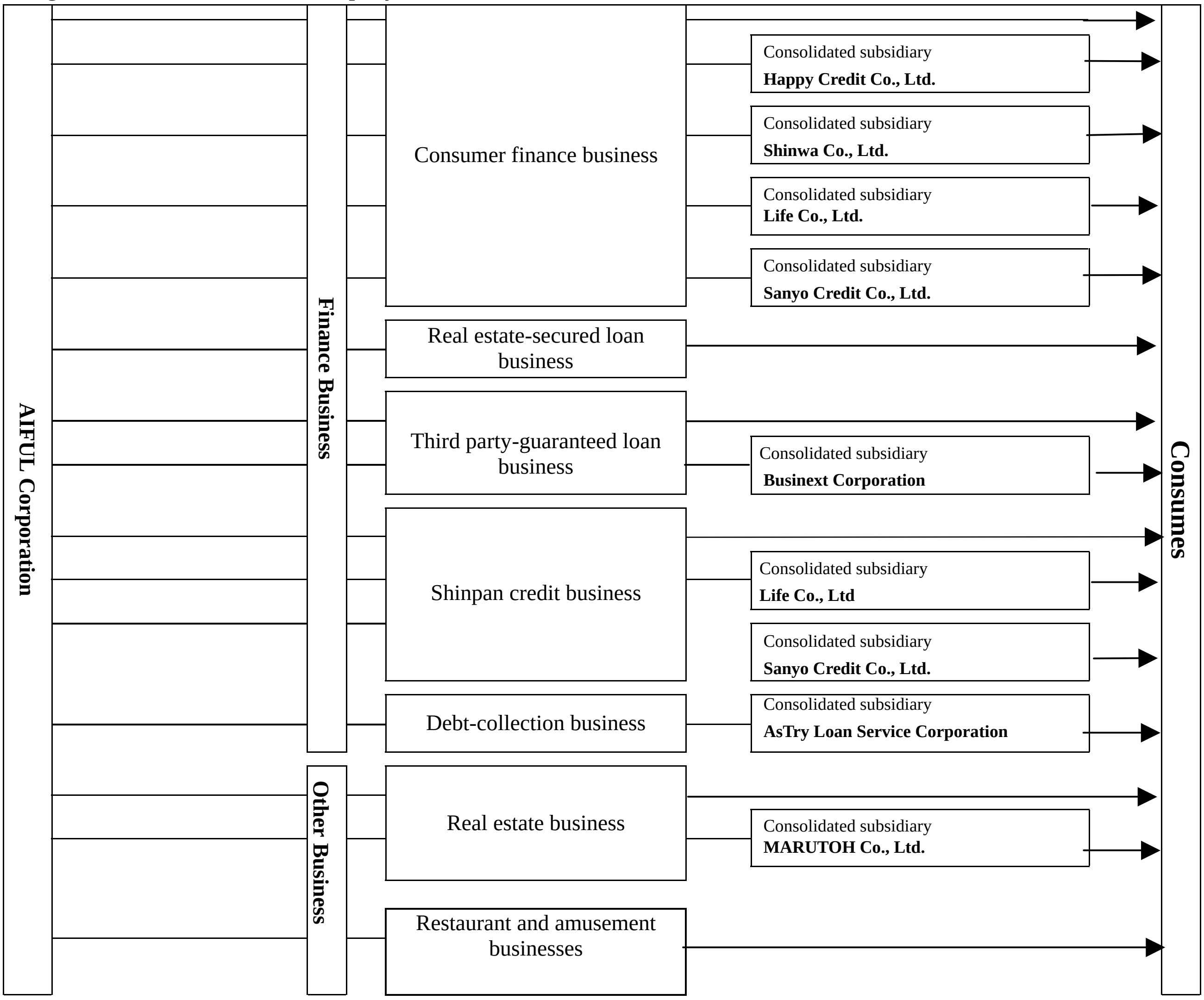
The above projections are based on the information available to management at the time they were made, and estimates involving uncertain factors thought likely to have an effect on future results. Actual results can differ materially from these projections for a variety of reasons.

# 1. State of the Group

The AIFUL Group is composed of AIFUL Corporation and seven related companies, four non-consolidated subsidiaries and one affiliated company. 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. | |
| | | Life Co., Ltd | |
| | | Sanyo Credit 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 Corporation | |
| | Shinpan credit business | Aiful Corporation | The Company offers card shopping, per-item shopping, loans an guarantees for consumers. |
| | | Life Co., Ltd | |
| | | Sanyo Credit Co., Ltd. | |
| | Debt-collection business | AsTry Loan Service Corporation | The Company manages and collects a full range of receivables and loans. |
| Other | Real estate business | Aiful Corporation | The Company buys, sells, leases, brokers and mediates real estate. The business has not been performed since March 31, 2001. |
| | | MARUTOH Co., Ltd. | |
| | 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) Basic Management Policies

AIFUL's primary mission is to earn the support of the general public. The Company's efforts to prioritize customer convenience and become a reliable and creative general financial Group are a reflection of this basic stance. This basic policy motivates the Company's endeavors to expand business and become a source of profit for customers, stakeholders and employees into the future

## (2) Basic Policies on Profit Distribution

AIFUL's basic dividend policy is to consistently distribute profits to shareholders on the basis of a comprehensive assessment of the economic and financial situation, industry trends, and the Company's own business performance. On the basis provided by this policy , AIFUL works to distribute profits to shareholders and maximize shareholder value via 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. Creating resources for future growth in this way is central to AIFUL's efforts to meet investors' expectations.

## (3) Management Indicator Objectives

AIFUL believes that its position in the financial industry makes it essential for management to raise efficiency in the use of assets and the returns gained on those assets. Consequently, AIFUL's chief management goal is to maximize ROA, with a medium-term goal of consolidated ROA of 3% having been set in this respect.

## (4) Medium and Long-Term Business Strategies

Japan's consumer credit market is currently worth approximately 65 trillion yen, a total that includes of 16 trillion yen in retail credit and 35.7 trillion yen in consumer loans (excluding deposit and savings-secured loans). Consumer finance companies in particular have continued to see high growth in the consumer loan market, expanding from a 3% share in 1990 to a 24.8% share, worth some 8.8 trillion yen, in 2000. AIFUL has continued to grow faster than the market for consumer finance companies has expanded, but AIFUL's medium to long-term market predictions suggest that the market is likely to mature in the near future. Consequently, the Company has established the goal of becoming a general retail-sector financial company as its key management strategy. Branching out from the conventional consumer financing market in this way will allow the Company to target the 51.6 trillion yen retail consumer loan market, which includes 35.7 billion yen in consumer loans and 16 trillion yen in retail credit.

In order to realize this goal, AIFUL is promoting management strategies geared towards diversifying product lineups and sales channels. The Company will also secure the brand value of each group company whilst also producing synergistic effects through affiliations and efficient market development. With its three existing product categories of unsecured loans, small real estate-secured loans and small business loans retaining their central role, AIFUL will introduce cash flow credit as part of its product diversification strategy, thus developing and marketing new products designed to satisfy customer needs.

Moving onto strategies to diversify channels to new customers, AIFUL will form affiliations with companies active in other industries. Establishing new companies, purchasing companies through M&A, and utilizing new infrastructure such as the Internet: all these initiatives and more will tie into offering customers new levels of convenience.

Life Co., Ltd., a major credit card and consumer credit company that was purchased and made a group company in March 2001, had 8.71 million credit card holders and 70,000 affiliated stores as of March 31, 2002. Life's broad customer base and customer acquisition channels have done much to accelerate AIFUL's progress towards becoming a general financial company. AIFUL also joined forces with Sumitomo Trust and Banking Co., Ltd., in January 2001 to establish Businext Corporation, a company offering small business loans. This company, which launched operations in April 2001, will help to facilitate AIFUL's transition to a general financial company by meeting the needs of a wide range of individual entrepreneurs.

In November 2001, AIFUL established AsTry Loan Services Corporation in a joint venture with Aozora Bank Corporation. This move marked AIFUL's expansion into the debt management and collection industry. AsTry aims to succeed as a general service for management and collection of a variety of corporate investment credit by utilizing AIFUL's retail credit management and collection know-how and Aozora Bank's marketing network. Services were launched on March 1, 2002.

## (5) Challenges

AIFUL has expanded and grown steadily since its establishment as a consumer finance company. As outlined above, however, the consumer credit market is expected to move into a period of stable growth, and consequently competition will become even fiercer, extending beyond the retail credit and consumer finance market segments. To prevail in this competition, AIFUL has added subsidiaries such as Life Co., Ltd., to the Group and prepared the groundwork to becoming a general retail finance company with products and marketing channels that can adapt to any situation. Pursuing synergistic effects derived from the combination of each group company's management assets—reflecting the brand concept of reliability and creativity—and endeavoring to ensure stable revenues, AIFUL will continue to build on this foundation.

## (6) 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, 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 has worked to strengthen corporate governance through audits by the Company's auditing firm and its own internal auditors, in addition to regular review of investors' management-related opinions and requests by executives and division managers. Moreover, enhancing cooperation between parent company and subsidiary auditors and holding regularly scheduled group-wide management meetings also tie into the Company's rigorous corporate governance efforts.

AIFUL has handled compliance issues with an Inspection Department and a Legal Department for some time now. However, in an attempt to increase awareness of compliance issues and maintain a company-wide compliance system, AIFUL appointed a compliance committee under the Board of Directors in April 2002. This committee, which includes the Company's corporate lawyers and other external members, will gather risk-related information, implement preventive measures and educate employees to improve performance on compliance-related matters.

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 AIFUL's web site (http://www.ir-aiful.com), press 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.

# 3. Results of Operations

## (1) Summary of Operations

### Business Environment

In the fiscal year ended March 31, 2002, overall economic conditions remained harsh. The terrorist attacks in the United States made their impact felt on the economy, and consumption expenditures and capital investments were stagnant. The domestic demand-dependent construction and logistics industry continued to be plagued with bankruptcies. Adding to this gloomy picture were low consumer spending, an unfavorable employment environment, and drops in salaries, all factors reflecting uncertainty about the economic future. Needless to say, this situation adversely affected the retail finance industry.

Against this operating backdrop, large consumer finance companies advertised aggressively with commercials and other media. However, the above factors combined to result in continued sluggishness in salaries and borrowing. As a result, the number of new unsecured loan customers showed little growth in the second half of the year, while numbers of new customers for the four major companies were the same as in fiscal 2001.

In fiscal 2002, large consumer finance companies embarked on a series of new initiatives. These included entering the consumer card and credit card businesses, establishing joint ventures with banks and forming affiliations with security companies, and moving into the service industry. Although strategies differed between companies, it appears that the industry is beginning a reorganization that transcends the traditional boundaries between consumer finance, consumer credit, credit cards and banking services.

### Operations

### (1. AIFUL Corporation)

In fiscal 2002, AIFUL continued to fulfill its customer convenience-based operating policy by opening branches in favorable locations and closing unprofitable branches as part of the ‘scrap and build’ policy. AIFUL opened two staffed branches and 92 unstaffed branches, for a total of 1,592 branches at the year-end. This figure consisted of 538 staffed branches, 1,050 unstaffed 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 28,170. Since October 2001, AIFUL customers were also able to deposit money with the multi-media terminal “Loppi,” maintained by Lawson Co., Ltd. This represents a further expansion of AIFUL’s network.

These network improvements were accompanied by a variety of marketing measures, in line with AIFUL’s strategy of continually developing its diverse line-up of unsecured loans and other products to meet an ever broader range of customer needs. At the same time, AIFUL responded to the continuing increase in personal bankruptcies and rising unemployment by introducing its 7th Scoring System in April 2002 and further improving the accuracy of its credit investigations.

AIFUL continued to see growth in the number of new unsecured loan customers, which climbed 11% to 240,000 in the first half of fiscal 2002 due to the effectiveness of AIFUL television commercials. In the second half of fiscal 2002, however, customers restrained their borrowing and the impact of commercials diminished. Consequently, new customers fell 6.7%, to 210,000, in the second half of the year, resulting in a 2.0% increase to 460,000 new unsecured loan customers for the total period. After the unsecured loan market reaches its predicted maturity, real estate-secured loans and business loans will be the focus of efforts to establish product lineups capable of supporting the growth of the AIFUL Group.

As a result, the total balance of loans outstanding at the end of the year rose 13.3% over the same time the previous year to 1,313,690 million yen, a 13.3% increase.

### (2. Life Co., Ltd.)

AIFUL made Life Co., Ltd., a wholly owned subsidiary on March 28, 2001. At this point, Life had 606,313 million yen in loans outstanding, installment receivables and credit guarantee receivables (including 266,275 million yen in liquidation of certain other receivables). Of this total, 63,079 million yen was accounted for by card shopping, 139,125 million yen by loan shopping, and 196,559 million yen by outstanding loans such as credit card shopping, 184,378 million yen by credit guarantee receivables and 23,170 million yen by other categories. Life had 7,480,000 valid cardholders.

Upon this base, in fiscal 2002 Life shifted its credit portfolio from its previous low-revenue framework to one that would yield high revenues, building up a stable foundation for revenues in the process. More specifically, Life retreated from low-revenue businesses such as automobile loans, and focused its management resources on businesses with more potential for high revenues, such as credit card shopping, cashing loans and consumer finance.

In its credit card business, Life issued two new cards: a card compatible with the ETC (electronic toll collection) system that allows “non-stop” automatic payment of highway tolls, and a GLAY credit card featuring members of the popular rock band of the same name. As a result of these attempts to tap into previously undeveloped customer segments, the number of cards in use at the end of fiscal 2002 increased 16.4% to 8,710,000.

In its loan shopping business, Life left the automobile loan business in favor of cultivating new large affiliated stores and niche markets. As a result, the number of affiliated stores rose 4.2%, to 76,000. In the consumer finance business, branch names were changed from “Demi Plaza” to “Life Cash Plaza,” and in the interest of integrating the Life brand, cards were given the new name “Play Card.” Life itself opened 76 new Life Cash Plaza branches, bringing the total number of branches at the fiscal year-end to 128. Life was also able to cut costs through the synergistic effects of affiliation with AIFUL. Costs of launching new branches and costs relating to branch facilities were two areas showing particular gains.

Life has ended its practice of securing automobile loans and housing loans. It is, however, currently reviewing the commissions it charges on bank loan guarantees whilst also cultivating new guarantee partners.

As a result of the above factors, the total balance of loans outstanding, installment receivables and credit guarantee receivables at the fiscal year-end (including 242,708 million yen in liquidation of certain other receivables) rose 1.0% over the same time the previous year to 612,509 million yen. Of this total, 61,513 million yen was accounted for by card shopping (down 2.5%), 146,575 million yen by loan shopping (up 5.4%) 250,903 million yen by outstanding loans such as credit card shopping (up 27.7%), 137,392 million yen in credit guarantee receivables (down 25.5%) and 23,170 million yen in others (down 30.4%).

During the year, Life handled 235,564 million yen in card shopping, 119,211 million yen in loan shopping and 191,811 million yen in outstanding loans such as credit card cashing and Play Card cashing. Life also issued 1,800,000 new cards, bringing the total number at the fiscal year-end to 8,710,000.

## (3. Other Group Companies)

Businext Corporation began operations in April 2001. Fiscal 2002 was designated as a period for studying the middle-risk business loan market, and Businext examined economic trends and set in place a careful screening system. Businext also accepted 3,546 million yen in business loan credit from the Misawa Home Group. As a result, loans outstanding at the end of the period amounted to 8,116 million yen. This will establish a stable revenue base.

Happy Credit Co., Ltd., and Shinwa Co., Ltd., took advantage of synergies with AIFUL to introduce AIFUL's credit scoring knowledge. As a result, Happy Credit's outstanding loans totaled 32,428 million yen at the fiscal year-end, with Shinwa's total of outstanding loans coming to 21,169 million yen. Similar synergies look likely to be possible in the future as well. In June, Sanyo Credit Co., Ltd. became a wholly owned subsidiary of AIFUL with 11,387 million yen of outstanding loans and installment receivables on its books. These group companies are all demonstrating solid growth.

AIFUL customers are now able to make use of ATMs belonging to any AIFUL Group company. This development represents a significant boost for customer convenience and is indicative of the operating synergies the group is currently enjoying.

As a result of the above factors, AIFUL and its five subsidiaries had 1,635,954 million yen in outstanding loans, 210,306 million yen in installments receivable, 140,142 million yen in credit guarantee receivables and 16,113 million yen in others. These figures include 242,708 million yen in liquidation of certain other receivables, which itself consists of 153,158 million yen in outstanding loans and 89,550 million yen in installment receivables.

## Capital Procurement

AIFUL Corporation's capital procurement efforts continued to gain ground during the year under review. Diversification in financing methods was achieved with the procurement of 89 billion yen through borrowing through liquidation of receivables, and 80 billion yen through the issue of standard domestic bonds. In addition, Life issued 245,000 million yen in asset-backed securities (ABS), using operating receivables as security. This step contributed to drastic reductions in the AIFUL Group's financing costs. AIFUL will continue to cut costs and secure stable financing by diversifying capital procurement methods.

Anticipating that AIFUL's purchase of Life would raise the shareholders' equity ratio, AIFUL issued 8,500,000 new shares in Japan and overseas, raising a further 87 billion yen in capital. We are extremely grateful for our shareholders' support in this matter, and the capital so gained will make major contributions to the stability of AIFUL's financial base. It will also act as a vital resource for the group's future M&A and other business expansions, as AIFUL continues to improve the efficiency of its investments.

## Operating Results

As a result of the above activities, operating revenue for the year jumped 41.5%, to 397,162 million yen. Life Co., Ltd.'s inclusion in consolidated earnings statements renders comparisons between fiscal 2001 and fiscal 2002 problematic. As such, Life's results will be explained in tandem with AIFUL's results.

AIFUL's operating revenue climbed 13.5% to 307,272 million yen, comprising 77.3% of the Group's revenues. Life recorded operating revenue of 74,012 million yen, accounting for 18.6% of revenues. Of the total, 359,318 million yen, or 90.5%, was accounted for by operating interest on loans, 17,095 million yen, or 4.3%, by revenue from installment receivables, 4,076 million yen, or 1.0%, by guarantee revenue, and 16,672 million yen, or 4.2%, by other revenue.

Operating interest on loans accounts for 82.4% of AIFUL's revenues. This figure can be broken down into 84.1% in unsecured loans, 14.5% in real estate-secured loans and 1.3% in business loans. The rate of return on outstanding loans fell 0.1% to 22.5%, due to a larger proportion of customers with high credit ratings.

Operating expenses for the AIFUL Group totaled 285,832 million yen. AIFUL's operating expenses accounted for 68.9%, or 196,830 million yen, of this total, while Life's operating expenses accounted for 25.2%, or 72,079 million yen. Of total group operating expenses 89,945 million yen, or 31.5%, consisted of expenses for doubtful receivables, 34,615 million yen, or 12.1%, of financing expenses, 26,845, million yen or 9.4%, of advertising expenses, 43,675 million yen, or 15.3%, of personnel expenses, and 19,667 million yen, or 6.9%, of commissions paid.

The 3,178 million yen in write-down of consolidation adjustment account accrued with the purchases of Life Co., Ltd. and Shinwa Co., Ltd. was recorded as an operating expense, and the 4,234 million yen in expenses incurred in the public stock offering of 8,500,000 shares in August 2001 was recorded as a non-operating expense.

As a result, consolidated operating income rose 6.7% to 111,329 million yen, and AIFUL's operating income increased 6.9% to 110,442 million yen. Consolidated ordinary income rose 1.5% to 105,067 million yen, while AIFUL's ordinary income rose 4.0% to 107,515 million yen.

Loss on evaluation of fixed assets totaled 31,240 million yen, and 9,130 million yen in write-down of consolidation adjustment account was recorded as an extraordinary loss, resulting in a 27.3% drop in net income this period, to 35,063 million yen.

## Branding Strategies

AIFUL has made the decision to become more involved in community activities, and has sponsored marathons and other events and participated in volunteer activities in line with this new policy. In fiscal 2002, AIFUL strived to raise its brand value in a variety of ways, which included the following: a loan advisor program, an in-house certification system, customized consultation services, the "AIFUL Dream Caravan," the recruitment of young people who want to fulfill their dreams, the "Volunteer Heartful Prize," assistance offered to those involved in volunteer activities, and the "Special Eco Allocation for National Parks," which helps with environmental issues.

AIFUL's overall brand concept is one of reliability and creativity, and Group companies are utilizing their individual strengths to improve brand image as AIFUL makes the transition to a general finance company.

## Crime Prevention Measures

AIFUL is implementing a broad spectrum of crime-prevention measures. These range from preparing a crime prevention manual and conducting crime prevention training in cooperation with local police agencies to installing paint balls (used to mark criminals for identification purposes) and fire extinguishers at branches. Furthermore, a network of 16 focus centers constantly monitor all branches so that if an incident should occur at a branch, center security agents can confirm the incident on a monitor, register it and quickly contact the relevant security company and other authorities. This long-distance monitoring system ensures the highest levels of safety for both customers and employees.

## (2) Fiscal 2003 Outlook

After consideration of the issues described above, we predict a 14.0% increase to 452,573 million yen on the part of the AIFUL Group's consolidated operating revenue, and a 7.8% increase to 331,372 million yen in AIFUL's operating revenue.

Consolidated ordinary income is expected to jump 20.9% to 127,000 million yen, with a 10.7% rise to 119,000 million yen in AIFUL's non-consolidated ordinary income. Consolidated net income is expected to climb 90.2% to 66,682 million yen, while AIFUL's net income is expected to jump 63.9% to 62,841 million yen.

# 4. Financial Situation

## Assets

Loans totaled 1,482,796 million yen, an increase of 17.5% over the previous year. This was primarily due to steady increases in group loans. AIFUL's loans rose 13.3% to 1,313,690 million yen, Life's loans skyrocketed 95.6% to 97,745 million yen; Happy Credit's loans increased 19.6% to 32,428 million yen, and Shinwa's loans rose 25.5% to 21,169 million yen.

Due to steady growth in AIFUL's credit card shopping and loan shopping businesses, installment receivables climbed 10.0% to 120,756 million yen. Credit guarantee receivables fell 24.2% to 140,142 million yen, as Life ended its involvement in the low-revenue guarantee business. Allowance for bad debt was increased 11.1% to 109,338 million yen, in consideration of economic conditions in fiscal 2001. (Consolidated loans and installment receivables do not include 153,158 million yen in Life's liquidation of certain other receivables and loans and 89,550 million yen in installment receivables.)

Land fell 67.0% to 15,162 million yen, a drop attributable to AIFUL's sale of its real estate properties to subsidiary Marutoh Co., Ltd. at market value as outlined above, and a revaluation of market prices due to alterations in holding objectives. Adjustment for consolidated accounts fell 36.9%, to 23,239 million yen.

## Liabilities

Total capital procured, including debt, commercial paper and bonds, rose 8.5% to 1,344,272 million yen. This was due to an increase in financing to correspond with the steady increase in AIFUL, Life, Happy Credit and Shinwa's operating receivables. AIFUL issued 245,000 million yen in ABS backed by Life's operating receivables as refinancing for a bridge loan when AIFUL purchased Life. This allowed significant cuts in the cost of financing for the AIFUL Group.

## Shareholders' Equity

AIFUL's equity ratio fell with its purchase of Life in August 2001, but AIFUL is striving to improve this ratio and strengthen its financial foundation in anticipation of business expansion. To accomplish this objective, AIFUL issued 8,500,000 new shares in Japan and overseas at 10,241 yen per share, raising 87,048 million yen in capital. Including the capital increase gained in this public offering, consolidated shareholders' equity at year-end rose 37.4% over the previous year to 421,343 million yen, and the equity ratio stood at 20.8％. AIFUL's non-consolidated shareholders' equity rose 39.0%, to 420,493 million yen, and the non-consolidated equity ratio was 24.2％.

## Cash Flows

Despite procuring considerable amounts of capital through the issuance of new stock and bonds, consolidated cash and cash equivalents stood at 139,126 million yen at year-end, a 14,309 million yen drop over the previous year. This was primarily due to an increase in outstanding loans through operating activities. Net cash used in operating activities was 183,755 million yen, compared to 97,559 million yen in fiscal 2001, due to an increase in loans. Net cash used in investing activities totaled 11,205 million yen, compared to 69,477 million yen in fiscal 2001, due to the acquisition of fixed assets. Net cash provided by operating activities came to 180,511 million yen due to the issuance of new stock and bonds to offset the cash used in operating and investing activities. The figure for the previous year was 238,082 million yen.

# 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

***Millions of Yen*** **- Rounded Down, Except Where Noted**

| | For the current fiscal year (As of March 31, 2002) | | For the previous fiscal year (As of March 31, 2002) | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| **(Assets)** | **Amount** | **%** | **Amount** | **%** | **Amoun** | **%** |
| **Current Assets:** | | | | | | |
| Cash and cash equivalents | 140,757 | | 155,491 | | (14,733) | |
| Loans | 1,482,796 | | 1,261,041 | | 221,754 | |
| Installment receivables | 120,756 | | 109,779 | | 10,976 | |
| Credit guarantee receivables | 140,142 | | 184,778 | | (44,636) | |
| Other operating receivables | 16,113 | | - | | 16,113 | |
| Marketable Securities | 268 | | - | | 268 | |
| Property and stored goods | 1,214 | | 3,035 | | (1,820) | |
| Deferred tax assets | 9,970 | | 12,865 | | (2,894) | |
| Short-term loans | 7,183 | | 436 | | 6,747 | |
| Other | 44,312 | | 32,202 | | 12,110 | |
| Allowance for bad debts | (92,117) | | (82,561) | | (9,555) | |
| **Total current assets** | **1,871,399** | **92.2** | **1,677,069** | **89.9** | **194,330** | **11.6** |
| **Fixed Assets:** | | | | | | |
| **Tangible Fixed Assets:** | | | | | | |
| Buildings and structures | 19,630 | | 23,749 | | (4,118) | |
| Machinery and vehicles | 49 | | 96 | | (46) | |
| Equipment and fixtures | 6,255 | | 5,965 | | 289 | |
| Rental assets | 9 | | 87 | | (77) | |
| Land | 15,162 | | 45,955 | | (30,792) | |
| Construction in process account | - | | 25 | | (25) | |
| **Tangible fixed assets** | **41,108** | **2.0** | **75,879** | **4.1** | **(34,771)** | **(45.8)** |
| **Intangible Fixed Assets:** | | | | | | |
| Software | 7,429 | | 7,178 | | 250 | |
| Telephone rights | 777 | | 774 | | 2 | |
| Consolidation adjustment account | 23,239 | | 36,834 | | (13,595) | |
| Other | 813 | | 48 | | 765 | |
| **Total intangible fixed assets** | **32,259** | **1.6** | **44,836** | **2.4** | **(12,576)** | **(28.1)** |
| **Investment and Other Fixed Assets:** | | | | | | |
| Investment in securities | 9,056 | | 8,641 | | 416 | |
| Claims in bankruptcy | 14,267 | | 11,858 | | 2,408 | |
| Long-term loans | 12,987 | | 12,348 | | 638 | |
| Lease deposits and guarantees | 10,898 | | 10,944 | | (46) | |
| Deferred tax assets | 21,264 | | 9,119 | | 12,144 | |
| Loss on deferred hedge | 22,930 | | 20,090 | | 2,840 | |
| Other | 9,890 | | 9,269 | | 620 | |
| Allowance for bad debts | (17,220) | | (15,833) | | (1,387) | |
| **Total investment and other fixed assets** | **84,075** | **4.1** | **66,440** | **3.5** | **17,635** | **26.5** |
| **Total fixed assets:** | **157,443** | **7.7** | **187,155** | **10.0** | **(29,712)** | **(15.9)** |
| **Deferred Assets:** | | | | | | |
| Bond issuing expenses | 790 | | 1,311 | | **(521)** | |
| **Total deferred assets** | **790** | **0.1** | **1,311** | **0.1** | **(521)** | **(39.8)** |
| **Total Assets:** | **2,029,633** | **100.0** | **1,865,537** | **100.0** | **164,096** | **8.8** |

## Consolidated Balance Sheet (cont.):

| | *Millions of Yen* - Rounded Down, Except Where Noted | | | | | |
|---|---|---|---|---|---|---|
| | For the current fiscal yearr (As of March 31, 2002) | | For the previous fiscal yearr (As of March 31, 2002) | | Increase (Decrease) | |
| **(Liabilities)** | **Amount** | **%** | **Amount** | **%** | **Amoun** | **%** |
| **Current Liabilities:** | | | | | | |
| Notes & accounts payable - trade | 24,056 | | 26,420 | | (2,363) | |
| Credit guarantees payable | 140,142 | | 184,778 | | (44,635) | |
| Short –term loans debt | 37,491 | | 32,323 | | 5,168 | |
| Current portion of bonds | 71,000 | | 36,000 | | 35,000 | |
| Current portion of long-term debt | 375,271 | | 315,200 | | 60,071 | |
| Commercial paper | 15,000 | | 15,000 | | - | |
| Income taxes payable | 16,891 | | 25,861 | | (8,969) | |
| Accrued bonuses | 3,990 | | 3,738 | | 251 | |
| Gains on deferred installments | 8,878 | | 5,281 | | 3,597 | |
| Other | 36,390 | | 44,656 | | **(8,265)** | |
| **Total Current Liabilities** | **729,114** | **35.9** | **689,259** | **36.9** | **39,854** | **5.8** |
| **Long-term Liabilities:** | | | | | | |
| Bonds | 351,500 | | 341,500 | | 10,000 | |
| Long term debts | 494,009 | | 499,241 | | (5,232) | |
| Allowance for retirement benefits for employees | 5,958 | | 6,189 | | (231) | |
| Allowance for retirement benefits for directors | 1,067 | | 954 | | 113 | |
| Interest swaps | 22,304 | | 20,090 | | 2,213 | |
| Other | 824 | | 602 | | 222 | |
| **Total Long-term Liabilities** | **875,665** | **43.1** | **868,578** | **46.6** | **7,086** | **0.8** |
| **Minority interests:** | | | | | | |
| Minority Interests | **3,510** | **0.2** | **1,149** | **0.1** | **2,361** | **205.5** |
| **Shareholders equity:** | | | | | | |
| Common stock | 83,317 | 4.1 | 39,788 | 2.1 | 43,528 | 109.4 |
| Additional paid-in capital | 94,047 | 4.6 | 50,527 | 2.7 | 43,520 | 86.1 |
| Consolidated retained earnings | 246,239 | 12.1 | 215,978 | 11.6 | 30,261 | 14.0 |
| Differences in evaluation of other marketable securities | (215) | (0) | 255 | 0.0 | (471) | (184.3) |
| Treasury stock | (2,045) | (0.1) | (0) | (0.0) | (2,045) | (462,117.5) |
| **Total Shareholders' Equity** | **421,343** | **(0.1)** | **306,549** | **16.4** | **114,793** | **37.4** |
| **Total Liabilities, Minority Interests and Shareholders' Equity** | **2,029,633** | **100.0** | **1,865,537** | **100.0** | **164,096** | **8.8** |

## (2) Consolidated Statement of Income

| | Millions of Yen - Rounded Down, Except Where Noted | | | | | |
|---|---|---|---|---|---|---|
| | For the current fiscal year (Apr. 1, 2001 to Mar. 31, 2002) | | For the previous fiscal year (Apr. 1, 2000 to Mar. 31, 2001) | | Increase (decrease) | |
| | Amount | % | Amount | % | Amount | % |
| **Operating Revenue** | **397,162** | **100.0** | **280,656** | **100.0** | **116,505** | **41,5** |
| Interest on loans to customers | 359,318 | 90.5 | 272,236 | 97.0 | 87,081 | 32.0 |
| Credit card revenue | 6,742 | 1.7 | - | - | 6,742 | - |
| Per-item credit revenue | 10,353 | 2.6 | - | - | 10,353 | - |
| Credit guarantee revenue | 4,076 | 1.0 | - | - | 4,076 | - |
| Financial revenue - other | 525 | 0.1 | 341 | 0.1 | 184 | 54.0 |
| Interest on bank deposit | 86 | | 99 | | (12) | |
| Interest on marketable securities | 1 | | 0 | | 1 | |
| Interest on loans | 199 | | 240 | | (40) | |
| Other | 237 | | 1 | | 236 | |
| Operating Revenue - other | 16,146 | 4.1 | 8,078 | 2.9 | 8,067 | 99.9 |
| Sales of property | 2,823 | | 40 | | 2,783 | |
| Revenue from service business | 1,246 | | 1,303 | | (56) | |
| Bad debts write-off recovery | 5,715 | | 3,509 | | 2,205 | |
| Other | 6,360 | | 3,225 | | 3,134 | |
| **Operating Expenses** | **285,832** | **72.0** | **176,323** | **62.8** | **109,508** | **62.1** |
| Financial expenses | 34,615 | 8.7 | 28,934 | 10.3 | 5,680 | 19.6 |
| Interest expense | 21,987 | | 20,908 | | 1,078 | |
| Interest on bond | 9,704 | | 5,949 | | 3,754 | |
| Other | 2,923 | | 8,025 | | 847 | |
| Cost of sales | 3,025 | 0.8 | 435 | 0.2 | 2,590 | 595.4 |
| Cost of sales of property | 2,677 | | 56 | | 2,621 | |
| Cost of sales of restaurant business | 348 | | 378 | | (30) | |
| Operating Expenses - other | 248,191 | 62.5 | 146,953 | 52.3 | 101,238 | 68.9 |
| Advertising expenses | 26,845 | | 17,652 | | 9,192 | |
| Commissions | 19,667 | | 10,791 | | 8,876 | |
| Loan losses | 7,925 | | 3,837 | | 4,087 | |
| Transfers to allowance for bad debts | 82,020 | | 47,869 | | 34,151 | |
| Employee salaries and bonuses | 33,166 | | 17,631 | | 15,535 | |
| Transfers to accrued bonuses | 3,990 | | 2,333 | | 1,656 | |
| Retirement benefit expenses | 1,353 | | 1,992 | | (639) | |
| Transfers allowance to directors' retirement bonuses | 114 | | 70 | | 44 | |
| Rent fees | 11,844 | | 8,564 | | 3,280 | |
| Depreciation expense | 6,929 | | 4,277 | | 2,652 | |
| Consolidation adjustment account write-off | 3,178 | | 435 | | 2,743 | |
| Other | 31,498 | | 31,498 | | 19,657 | |
| **Operating Income** | **111,329** | **28.0** | **104,333** | **37.2** | **6,996** | **6.7** |

## Consolidated Income Statement (cont.):

| | Millions of Yen - Rounded Down, Except Where Noted | | | | | |
|---|---|---|---|---|---|---|
| | For the current fiscal year (Apr. 1, 2001 to Mar. 31, 2002) | | For the previous fiscal year (Apr. 1, 2001 to Mar. 31, 2002) | | Increase (decrease) | |
| | Amount | % | Amount | % | Amount | % |
| **Non-operating income** | **1,333** | **0.3** | **1,061** | **0.4** | **271** | **25.5** |
| Interest on loans | 24 | | 106 | | (81) | |
| Dividends received | 31 | | 90 | | (58 | |
| Insurance dividends received | 530 | | 474 | | 55 | |
| Other | 746 | | 390 | | 355 | |
| **Non-operating expenses** | **7,595** | **1.9** | **1,862** | **0.7** | **5,732** | **307.9** |
| Transfer allowance for bad debts | 2,371 | | 1,064 | | 1,306 | |
| New share issuing expenses | 4,234 | | - | | 4,234 | |
| Amortization of bond issuing expenses | 72 | | 187 | | (114) | |
| Other | 916 | | 610 | | 306 | |
| **Ordinary income** | **105,067** | **26.5** | **103,533** | **36.9** | **1,534** | **1.5** |
| **Extraordinary income** | 1,729 | 0.4 | **77** | **0.0** | 1,651 | 2,123.7 |
| Allowance for bad debts from previous year | 210 | | 76 | | 133 | |
| Liquidation on lease deposits and guarantees | 1,057 | | | | 1,057 | |
| Other | 461 | | 1 | | 459 | |
| **Extraordinary losses** | **44,948** | **11.3** | **11,036** | **3.9** | **33,911** | **307.3** |
| Loss on valuation of fixed assets | 31,240 | | - | | 31,240 | |
| Loss on sale of fixed assets | 121 | | 1,555 | | (1,434) | |
| Amount equivalent to previous year loss on valuation of real estate for sale | 2,147 | | - | | 2,147 | |
| Loss on valuation of investment securities | 706 | | 1,531 | | (824) | |
| Transfer allowance for bad debts | 351 | | 998 | | (647) | |
| Loan losses | 118 | | 5,500 | | (5,381) | |
| Differences of change in retirement benefit accounting | - | | 1,024 | | (1,024) | |
| Consolidation adjustment account write-off | 9,130 | | - | | 9,130 | |
| Other | 1,131 | | 426 | | 704 | |
| **Income before taxes** | **61,848** | **15.6** | **92,753** | **33.0** | **(30,725)** | **(33.2)** |
| **Corporate tax, local and enterprise taxes** | **36,292** | **9.1** | **46,204** | **16.5** | **(9,911)** | **(21.5)** |
| **Adjustment on corporate tax, etc.** | **(8,907)** | **(2.2)** | **(1,832)** | **0.7** | **(7,074)** | **386.0** |
| **Loss of Minority Interests** | **601** | **0.2** | **50** | **0.0** | **550** | **1,085.4** |
| **Net Income** | **35,063** | **8.8** | **48,252** | **17.2** | **(13,189)** | **(27.3)** |

### (3) Consolidated Statement of Retained Earnings

| | *Millions of Yen* - Rounded Down, Except Where Noted | | |
|---|---|---|---|
| | **For the current fiscal year Ended March 31, 2002** | **For the previous fiscal year Ended March 31, 2001** | **Increase (Decrease)** |
| **Unappropriated retained earnings at the end of the year** | **215,978** | **171,237** | **44,740** |
| Increase in newly consolidated subsidiaries | 165 | - | 165 |
| Current period net income | 35,063 | 48,252 | (13,189) |
| Reductions to consolidated retained earnings | 4,967 | 3,512 | 1,455 |
| Cash dividends | 4,880 | 3,413 | |
| Directors and auditors' bonuses | 87 | 99 | |
| **Consolidated retained earnings at the end of the period** | **246,239** | **215,978** | **30,261** |

## (4) Consolidated Statement of Cash Flows

*Millions of Yen* - Rounded Down, Except Where Noted

| | For the current fiscal year Apr. 1, 2001 to Mar. 31, 2002 | For the previous fiscal year Apr. 1, 2000 to Mar. 31, 2001 | Increase (Decrease) |
|---|---|---|---|
| | Amount | Amount | Amount |
| **I. Cash flow from operating activities:** | | | |
| Net income before taxes | 61,848 | 92,573 | (30,725) |
| Depreciation and amortization | 6,958 | 4,281 | 2,677 |
| Write-down of consolidation adjustment account | 12,309 | 435 | 11,874 |
| Loss on valuation of investment securities | 706 | 1,531 | (824) |
| Loss on valuation of inventories | 2,195 | - | 2,195 |
| Increase in allowance for bad debts | 10,639 | 6,462 | 4,177 |
| Increase in accrued bonues | 251 | 355 | (103) |
| Increase in allowance for retirement benefits for employees | (231) | 2,031 | (2,262) |
| Increase in allowance for retirement benefits for directors | 113 | 38 | 74 |
| Non-operating interest on loans and cash dividends | (56) | (196) | 140 |
| New shares issuing expense | 4,234 | - | 4,234 |
| Amortization of bond issuing expenses | 975 | 938 | 36 |
| Loss on sale of tangible fixed assets | 121 | 1,554 | (1,433) |
| Loss on disposal of tangible fixed assets | 900 | 381 | 518 |
| Loss on valuation of fixed assets | 31,240 | - | 31,240 |
| Increase on liquidation of lease deposits and guarantees | (1,057) | - | (1,057) |
| Bonuses paid to directors | (87) | (99) | 12 |
| Increase in loans to customers | (221,754) | (166,813) | (54,941) |
| Installment receivables | (34,113) | - | (34,113) |
| Other gain (loss) on trade receivables | 7,024 | - | 7,024 |
| Decrease in claims in bankruptcy | (2,408) | 4,166 | (6,575) |
| Increase in stored goods | 2,155 | (296) | 2,452 |
| Decrease in prepaid expenses | 528 | 433 | 94 |
| Decrease in long-term prepaid expenses | (1,614) | (529) | (1,084) |
| Increase in other current assets | (12,828) | (3,537) | (9,291) |
| Increase in other current liabilities | (7,022) | 4,701 | (11,724) |
| Other | 427 | (165) | 590 |
| **Subtotal** | **(138,542)** | **(51,748)** | **(89,794)** |
| Non-operating interest on loans and cash dividends | 56 | 196 | (140) |
| Payments for corporate and other taxes | (45,268) | (46,008) | 739 |
| **Cash flow from operating activities** | **(183,755)** | **(97,559)** | **(86,195)** |

| | *Millions of Yen* - Rounded Down, Except Where Noted | | |
|---|---|---|---|
| | For the current fiscal year Apr. 1, 2001 to Mar. 31, 2002 | For the previous fiscal year Apr. 1, 2000 to Mar. 31, 2001 | Increase (Decrease) |
| | Amount | Amount | Amount |
| **II. Cash flow from investing activities:** | | | |
| Disbursements for investments in term deposits | (5,484) | (685) | (4,799) |
| Revenue from payments of term deposits | 6,010 | 925 | 5,085 |
| Increase in beneficial interest in trusts | (0) | 1,999 | (2,000) |
| Disbursement for purchase of loans accompanying the transfer of business from acquired companies | - | (22,094) | 22,094 |
| Payments for acquisition of other assets by business transfer | - | (508) | 508 |
| Funds used for purchase of tangible fixed assets | (3,516) | (5,380) | 1,864 |
| Gain on sale of tangible fixed assets | 199 | 240 | (41) |
| Funds used for purchase of intangible fixed assets | (4,757) | (487) | (4,270) |
| Gain on sale of intangible fixed assets | 2 | - | 2 |
| Funds used for purchase of investment securities | (3,665) | (19) | (3,646) |
| Funds provided by sales of investment securities | 1,526 | 10 | 1,515 |
| Funds provided by sales of subsidiaries' stock | 4,199 | - | 4,199 |
| Payments for acquisition of subsidiaries' stock in change of consolidation | - | (48,416) | 48,416 |
| Payments for acquisition of subsidiaries' by exchange of stocks | - | (130) | 130 |
| Funds used for acquisition of paid-in capital | (250) | (250) | 0 |
| Funds provided by sale of paid-in capital | 68 | 171 | (103) |
| Funds used in collections of long-term loans receivables | (295) | - | (295) |
| Gain on collection of long-term loans receivable | 265 | 5,495 | (5,230) |
| Funds used for purchases of investments and other assets | (256) | (304) | 47 |
| Funds provided from sales of investments and other assets | 638 | 531 | 106 |
| Others | (5,887) | 4,856 | (5,313) |
| **Cash flow from investing activities** | **(11,205)** | **(69,477)** | **58,272** |
| **III. Cash flow from financing activities:** | | | |
| Increase in short-term debts | 196,725 | 97,422 | 99,302 |
| Payments for repayment of short-term debt | (191,557) | (172,069) | (19,487) |
| Increase in long-term debt | 444,945 | 405,417 | 39,528 |
| Repayments of long-term debt | (390,105) | (296,755) | (93,350) |
| Cash from issue of corporate bonds | 80,546 | 236,270 | (155,724) |
| Loss on redemption of bonds | (36,000) | (30,000) | (6,000) |
| Cash on issue of stock | 82,813 | - | 82,813 |
| Increase in treasury stock | (2,045) | 0 | (2,045) |
| Gain on payments from minor shareholders for establishment of subsidiaries/affiliates | 70 | 1,200 | (1,130) |
| Cash dividends paid | (4,880) | (3,413) | (1,467) |
| **Cash flow from financing activities** | **180,511** | **238,072** | **(57,560)** |
| **IV. Effect of exchange rate changes on cash and cash equivalents** | **15** | **-** | **15** |
| **V. Increase (Decrease) in cash and cash equivalents** | **(14,433)** | **71,035** | **(85,468)** |
| **VI. Balance of cash and cash equivalents at the beginning of period** | **153,435** | **81,019** | **72,415** |
| **VII. Increase in cash and cash equivalents from new consolidations** | **124** | **1,380** | **(1,256)** |
| **VIII. Balance of cash and cash equivalents at the end of period** | **139,126** | **153,435** | **(14,309)** |

## 5. Significant Accounting Policies Relating to the Financial Statements

1. Matters pertaining to consolidation

(1) No. of consolidated subsidiaries: 7

Names of consolidated subsidiaries: Happy Credit Corporation, Sinwa Corporation, Life Co., Ltd., Sanyo Shinpan Co., Ltd., Businext Corporation, MARUTOH Co., Ltd., AsTry Loan Service Corporation

(2) No. of non-consolidated subsidiaries: 4

Reasons the companies are excluded from consolidation:

The Company's four non-consolidated subsidiaries and one affiliated company have not been included in the scope of consolidation. This is due to the fact that they are small in size and the total assets, operating income, net profit/loss and retained earnings represented in the Company's share of their equity has a small effect on the consolidated financial statements.

2. Matters concerning the application of equity method accounting

Non-consolidated subsidiaries (Life Stock Center Co., Ltd. and three others) and one affiliated company have not adopted the equity method. This is due to the fact that they are small in size, and the sums of AIFUL's share of their consolidated interim net profit or loss and retained earnings would have a negligible effect on the consolidated financial statements.

3. Matters pertaining to the settlement dates of consolidated subsidiaries

The fiscal year-end of consolidated subsidiary, MARUTOH Co., Ltd., is February 28. Financial statements as of this date are used in the preparation of the consolidated financial statements, with significant events taking place between balance sheet dates adjusted for as necessary.

4. Accounting principles used for standard accounting treatment

(1) Appraisal standards and methods for principal assets

① Marketable 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 Inventories

| | |
|---|---|
| Purchased receivables: | Lower-of-cost-or-market method, cost being determined by the lowest cost accounting method |
| Real estate for sale | Lower-of-cost-or-market method, cost being determined by the specific cost method<br>Property currently being leased out is depreciated as a tangible fixed asset. |
| Currently leased real estate | Lower-of-cost-or-market method, cost being determined by the cost method |
| Warehouse goods | Latest purchase cost method |

(2) Depreciation methods for depreciable assets

① Tangible fixed assets: Decline balance depreciation method

Major useful lives are as follows:

| | |
|---|---|
| Buildings and structures | 3 – 50 years |
| Machinery and vehicles | 2 – 15 years |
| Equipment and fittings | 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 |

③ Long-term prepaid expenses: Straight-line method

④ Deferred assets

| | |
|---|---|
| Bond issuing expense | Depreciated evenly over the period until maturity or over the longest period allowed by the Commercial Code (3 years), whichever is shorter. |

| | | |
|---|---|---|
| | New share issuing expense | New share issuing expenses are accounted for as expenses at the time of expenditure. |

(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 the estimated total bonuses that will be paid during the interim period. |
| 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. |
| ④ | Allowance for retirement benefits for directors | The Company provides for retirement benefits for directors 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 treatment for lease transactions
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.

(5) Hedge accounting methods

| | | |
|---|---|---|
| ① | Hedge accounting methods | The Company uses deferred hedge accounting. However, the Company uses special accounting rules for interest swaps where appropriate. |
| ② | Hedging methods and hedged transactions | |
| | Hedging methods | Interest caps and interest 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 Accounting Policies Relating to the Financial Statements

| | | |
|---|---|---|
| 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 | 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. The segment revenue distribution method, based on the add-on system, is the 7:8 method. |
| ③ | Loan guarantee revenues | Loan guarantee revenues are accounted for with the declining-balance method. |
| ④ | 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 | 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. |

(7) Conversion standards for assets and liabilities in foreign currency
Assets and liabilities in foreign currency are converted directly into yen using exchange rates valid on September 30, 2001. Conversion disparities are recorded as profits and losses.

5. 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.

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.

7. Matters pertaining to appropriation of profit-related items
Consolidated statements of retained earnings are based upon appropriated profit settled during the consolidated fiscal year.

# Notes

## Notes to the Consolidated Balance Sheets

1. Additional paid-in capital includes an increase of 8,651 million yen in a simple equity swap with Shinwa Co., Ltd.. This includes a difference of 4,217 million yen recorded in the valuation of subsidiary's stock incurred in capital consolidation methods.

| | Millions of Yen As of March 31, 2002 | Millions of Yen As of March 31, 2001 |
|---|---|---|
| 2. Total accumulated depreciation for tangible fixed assets: | 27,248 | 32,156 |

3. Assets pledged as collateral and corresponding liabilities:

(1) Assets pledged as collateral:

| | Millions of Yen As of March 31, 2002 | Millions of Yen As of March 31, 2001 |
|---|---|---|
| Deposits | 350 | 393 |
| Loans | 559,827 | 541,725 |
| Installment receivables | 50,918 | - |
| Buildings and structures | 1,092 | 2,218 |
| Machinery and vehicle | 32 | 74 |
| Land | 1,619 | 8,204 |
| Real estate for sale | 153 | - |
| Investment securities | 413 | 397 |
| Investment in other assets(other) | 1 | 1 |
| Total | 614,408 | 553,022 |

(2) Corresponding liabilities:

| | Millions of Yen As of March 31, 2002 | Millions of Yen As of March 31, 2001 |
|---|---|---|
| Short-term debt | 20,210 | 15,260 |
| Current portion of long-term debt | 201,752 | 170,819 |
| Long-term debt | 295,330 | 289,711 |
| Other | 273 | 294 |
| Total | 517,566 | 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 5,211 million yen for short-term debt, 69,606 million yen for current portion of long-term debt, 145,468 million yen in total. The Company has also offered 6,764 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, 2002 | Millions of Yen As of March 31, 2001 |
|---|---|---|
| Card shopping | 50,365 | 36,032 |
| Per item shopping | 70,362 | 50,575 |
| Guarantees | - | 23,137 |
| Leases | 24 | 21 |
| Other | 2 | 11 |
| Total | 120,756 | 109,779 |

Guaranteed receivables have been classified as other receivables from the present period.

6. Installment deferred profit:

| | End of current fiscal year | | | | End of previous fiscal year | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at end of prior period | Gains during period | Amount enacted during period | Balance at end of period | Balance at end of prior period | Gains during period | Amount enacted during period | Balance at end of period |
| Credit card shopping | 163 | 7,392 | 6,512 | 1,43<br>(256) | - | - | - | 163<br>(23) |
| Per item shopping | 1,967 | 14,329 | 10,013 | 6,283<br>(633) | - | - | - | 1,967<br>(148) |
| Guarantees | 2,949 | 2,334 | 3,990 | 1,293<br>(0) | - | - | - | 2,949<br>(0) |
| Loans | 200 | 47,761 | 47,703 | 258<br>(-) | - | - | - | 200<br>(-) |
| Total | 5,281 | 71,817 | 68,220 | 8,878<br>(890) | - | - | - | 5,281<br>(172) |

7. Liquidation of receivables

The breakdown of loans and installment receivables that were not recorded on the balance sheets due to liquidation of credit is as follows:

(Millions of Yen)

| | End of current fiscal year As of March 31, 2002 | End of previous fiscal year As of March 31, 2001 |
|---|---|---|
| Loans | 115,584 | 146,594 |
| Installment receivables | 59,399 | 119,681 |
| Total | 174,984 | 266,275 |

8. Bad Debts

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

| | End of current fiscal year | | | End of previous fiscal year | | |
|---|---|---|---|---|---|---|
| | Unsecured loans | Other loans | Total | Unsecured loans | Other loans | Total |
| Claims in bankruptcy | 1,410 | 15,046 | 16,457 | — | 13,071 | 13,071 |
| Loans in arrears | 14,922 | 13,800 | 28,722 | 13,411 | 12,232 | 25,644 |
| Loans in arrears longer than 3 months | 9,418 | 2,526 | 11,945 | 5,526 | 1,669 | 7,196 |
| Loans with adjusted terms | 37,706 | 22 | 37,729 | 33,941 | 61 | 34,002 |
| Total | 63,458 | 31,395 | 94,854 | 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.

6. Issuance of New Stock During the Current Consolidated Interim Period

| | |
|---|---|
| No. of shares issued | 8,500,000 shares |
| Increase in common stock | 43,528 million yen |
| Increase in capital reserve | 43,520 million yen |

9. Changes in tangible fixed asset holding objectives

During the current consolidated accounting period, 21 million yen worth of buildings, 3 million yen worth of structures, 1 million yen worth of equipment and fittings and 2,502 million yen worth of land recorded as real estate for sale due to changes in holding objectives. The valuation loss accompanying the adoption of the lower-of-cost-or-market method for the real estate for sale in question included a previous year portion of 2,147 million yen, which has been recorded under extraordinary losses.

Note 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 interim balance sheets: (Millions of Yen)

| | End of current fiscal year | End of previous fiscal year |
|---|---|---|
| Cash and cash equivalents account | 140,757 | 155,491 |
| Term deposits with maturity greater than 3 months | (1,631) | (2,055) |
| Cash and cash equivalents | 139,126 | 153,435 |

2. Details of the assets and liabilities of Life Co., Ltd. and Sanyo Shinpan Co., Ltd., Businext Corporation, which became consolidated subsidiaries through an exchange of capital:

(Millions of yen)

| | | |
|---|---|---|
| Current assets | - | 394,559 |
| Fixed assets | - | 25,667 |
| Consolidation adjustment account | - | 32,921 |
| Current liabilities | - | (341,913) |
| Long-term liabilities | - | (5,231) |
| Minority interests | - | (1,200) |
| Cash and cash equivalents | - | 104,804 |
| Stock purchase price | - | (56,387) |
| Difference: Expenditures accompanying purchase of stock in subsidiary | - | 48,416 |

3. Details of the assets and liabilities of Sinwa Corporation, which 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) |
| Price of acquisition of Sinwa Corporation | - | 8,781 |
| Price of new shares issued through the exchange of stock | - | (8,651) |
| Difference: Expenditures accompanying purchase of stock in Sinwa Corporation | - | 130 |

4. Other non-cash transactions

In accordance with the regulations laid down in Article 358 of the Commercial Code, the Company issued 721,500 new shares through an exchange of stock in order to make Sinwa Co., Ltd. a wholly owned subsidiary. The following increases were recorded as a result.

(Millions of yen)

| | | |
|---|---|---|
| Increase in common stock due to the issue of new shares | - | 36 |
| Increase in legal reserves (paid-in capital) due to the issue of new shares | - | 8,615 |
| Total | - | 8,651 |

### Segment Information

(1) Segment information by type of business

For the current consolidated accounting period (From April 1, 2001 to March 31, 2002) and the previous consolidated accounting year (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 region

For the current consolidated accounting period (From April 1, 2001 to March 31, 2002) and the previous consolidated accounting year (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

For the current consolidated accounting period (From April 1, 2001 to March 31, 2002) and the previous consolidated accounting year (From April 1, 2000 to March 31, 2001)

The Company did not have any foreign sales during the current fiscal year.

## 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

(1) Acquisition cost, accumulated depreciation and period ending balance of lease assets

(Millions of Yen)

| | Current fiscal year | | | Previous fiscal year | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Accumulated depreciation | Period ending balance | Acquisition cost | Accumulated depreciation | Period ending balance |
| Equipment attached to buildings | 9 | 2 | 6 | 7 | 0 | 7 |
| Vehicles | 282 | 169 | 113 | 489 | 276 | 212 |
| Equipment and fittings | 32,854 | 21,749 | 11,105 | 29,715 | 21,204 | 8,511 |
| Total | 33,146 | 21,921 | 11,224 | 30,212 | 21,480 | 8,731 |

(2) Outstanding balance of future lease payments at the end of the period: (Millions of yen)

| | Current fiscal year | Previous fiscal year |
|---|---|---|
| Within one year | 6,085 | 5,251 |
| Over one year | 8,181 | 6,505 |
| Total | 14,267 | 11,756 |

(3) Amount of lease fee payments, depreciation expense and interest expense: (Millions of yen)

| | Current fiscal year | Previous fiscal year |
|---|---|---|
| Lease fee payments | 7,014 | 6,322 |
| Depreciation expenses | 6,704 | 5,532 |
| Interest expenses | 488 | 414 |

(4) 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 sum-of-the-years-digits method.

(5) 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

(1) Leases in progress: (Millions of yen)

| | Current fiscal year | Previous fiscal year |
|---|---|---|
| Within one year | 15 | 51 |
| Over one year | 16 | 93 |
| Total | 31 | 144 |

## 7. Transactions with concerned parties

**(Consolidated accounting period from April 1, 2001 to March 31, 2002)**

(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 (%): | 29.64% 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), |
| | 32 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:

(1) Principal cause of deferred tax assets and deferred tax liabilities:

(Millions of Yen)

| | End of current fiscal year | End of previous fiscal year |
|---|---|---|
| Deferred tax assets: | | |
| Loss carried forward | 32,657 | 30,443 |
| Excess amount transferred to allowance for bad debts accounts | 8,624 | 8,564 |
| Transfer allowance for retirement benefits | 2,462 | 2,498 |
| Excess amount of depreciation and amortization | 2,488 | 2,287 |
| Accrued income tax | 940 | 1,846 |
| Excess amount transferred to accrued bonus | 1,145 | 937 |
| Denied amount of bad debts depreciation | 1,057 | 516 |
| Other deferred tax assets | 2,030 | 2,909 |
| Sub-total of deferred tax assets | 51,406 | 50,004 |
| Valuation allowance | (20,171) | (27,833) |
| Total deferred tax assets | 31,235 | 22,170 |
| Deferred liabilities: | | |
| Differences in evaluation of other marketable securities | - | (184) |
| Other deferred tax liabilities | - | 0 |
| Total deferred tax liabilities | - | (184) |
| Net deferred tax assets | 31,235 | 21,985 |

Note 1: Net deferred tax assets during the current fiscal year is included in the consolidated balance sheets as follows:

| | | |
|---|---|---|
| Current liabilities — Deferred tax assets | 9,970 | 12,865 |
| Fixed assets — Deferred tax assets | 21,264 | 9,119 |
| Current liabilities — Deferred tax liabilities | - | - |
| Fixed assets — Deferred tax liabilities | - | - |

Note 2: Others at the end of the previous year-end includes an unrecognized valuation loss of 945 million yen due to property evaluation regulations.

(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% | 41.9% |
| (Adjusted) | | |
| Tax on reserves | 5.9% | 4.5% |
| Per capita inhabitant tax | 0.5% | 0.9% |
| Depreciation of goodwill not included in losses | 8.3% | 0.2% |
| Change in valuation reserve | (12.6)% | - |
| Other | 0.3% | 0.4% |
| Charge rate of income tax after adoption of tax effect accounting | 44.3% | 47.9% |

# 9. Marketable securities:

(1). Other marketable securities with market value:

(Millions of Yen)

| | At the End of Current Consolidated Accounting Period As of March 31, 2002 | | | At the End of Previous Consolidated Accounting Period As of March 31, 2001 | | |
|---|---|---|---|---|---|---|
| | Acquisition | Value state on consolidated balance sheet on consolidated settlement date | Difference | Acquisition | Value state on consolidated balance sheet on consolidated settlement date | Difference |
| 1. Market value exceeding amount stated on the consolidated balance sheet: | | | | | | |
| ①Stocks | 2,201 | 2,468 | 267 | 1,309 | 2,139 | 829 |
| ②Bonds | 270 | 270 | 0 | 270 | 271 | 1 |
| Sub total | 2,471 | 2,738 | 267 | 1,579 | 2,410 | 830 |
| 2. Market value not exceeding amount stated on the consolidated balance sheet: | | | | | | |
| ①Stocks | 4,478 | 3,635 | (842) | 4,663 | 3,966 | (590) |
| ②Bonds | 0 | 0 | - | 9 | 9 | - |
| Sub total | 4,478 | 3,635 | (842) | 4,473 | 6,377 | (590) |
| Total | 6,949 | 6,374 | (575) | 6,052 | 6,377 | 239 |

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

(Millions of Yen)

| | Current Consolidated Accounting Period From March 31, 2001 to March 31, 2002 | Previous Consolidated Accounting Period From March 31, 2000 to March 31, 2001 |
|---|---|---|
| Sales price | 1,517 | 1,716 |
| Total gain on sale | 140 | 0 |
| Total loss on sale | 2 | 5 |

(3) Marketable securities without market price and value stated on consolidated balance sheet:

(Millions of Yen)

| | End of current fiscal year As of March 31, 2002 | End of previous fiscal year As of March 31, 2001 |
|---|---|---|
| | Value stated on consolidated balance sheet | Value stated on consolidated balance sheet |
| Bond in purpose of ownership by expiration period: | | |
| ① National bonds not publicly traded | - | 8 |
| ② Discount bank debentures | - | 0 |
| Total | - | 8 |
| Other marketable securities | | |
| ① Non-listed stocks (excluding OTC stocks) | 2,413 | 1,930 |
| ② National bonds not publicly traded | 8 | - |
| ③ Preferred stocks | 500 | - |
| Total | 2,921 | 1,930 |
| Stock of subsidiaries and affiliated companies | | |
| ① Stock of subsidiaries | 29 | 100 |
| ② Stock of affiliated companies | — | 309 |
| Total | 29 | 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)

| Segment: | End of current fiscal year As of March 31, 2002 | | | | End of previous fiscal year As of March 31, 2001 | | | |
|---|---|---|---|---|---|---|---|---|
| | Within one year | One year to five years | Five years to ten years | Over ten years | Within one year | One year to five years | Five years to ten years | Over ten years |
| Bonds | | | | | | | | |
| National and local bonds | 260 | — | — | — | — | 280 | — | — |
| Corporate bonds | 8 | 10 | — | — | — | 10 | — | — |
| Other | 0 | — | — | — | 0 | — | — | — |
| Total | 268 | 10 | — | — | 0 | 290 | — | — |

# 10. Derivative transactions

Matters pertaining to transaction market values
Contract amounts, market values and gains/losses on evaluations of derivative transactions

| | Type | End of current fiscal year (As of March 31, 2002) | | | | End of previous fiscal year (As of March 31, 2001) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Contract value | | Market value | Evaluation gain/loss | Contract value | | Market value | Evaluation gain/loss |
| | | | Over one year | | | | Over one year | | |
| Non-market transactions | Purchase of interest caps Long | - | - | - | - | 1,500 | 1,000 | 1 | (24) |
| Total | | - | - | - | - | 1,500 | 1,000 | 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 Aiful group companies.

# 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, 2002 | As of March 31, 2001 |
|---|---|---|
| (1) Retirement benefit liabilities | (19,542) | (18,361) |
| (2) Pension assets | 12,350 | 11,424 |
| (3) Unreserved retirement benefit liabilities | (1.394) | - |
| (4) Difference between provisional and actual calculations | 2,627 | 747 |
| (5) Net balance sheet amounts | (5,958) | (6,189) |
| (6) Retirement benefit allowance | (5,958) | (6,189) |

3. Retirement benefit expenses:

(Millions of yen)

| | As of March 31, 2002 | As of March 31, 2001 |
|---|---|---|
| (1) Service expense (Note 1) | 1,373 | 813 |
| (2) Interest expense | 528 | 125 |
| (3) Expected investment income | (291) | (92) |
| (4) Expenses relating to differences due to change of accounting standards (Note 2) | - | 1,024 |
| (5) Number of years to treat past service liability: | (573) | - |
| (6) Difference between provisional and actuarial calculations | 316 | 1,144 |
| (7) Retirement benefit expenses | 1,353 | 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: | 2.5% - 3.0% |
| (3) Expected investment income rate: | 1.5% - 3.5% |
| (4) Number of years to treat difference between provisional and actuarial | Collective treatment in fiscal year of accrual |
| (5) Number of years to treat past service liability: | Mainly collective treatment in fiscal year of accrual |
| (6) Difference between provisional and actuarial calculations | Mainly collective treatment in fiscal year of accrual |

# 12. Results of Operations

## (1) Operating Revenue

(Millions of Yen)

| | | Current fiscal year From April 1,2001 to March 31, 2002 | | Previous fiscal year From April 1,2000 to March 31,2001 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| Interest on loans to customers | Unsecured loans | 311,910 | 78.5 | 234,374 | 83.5 |
| | Secured loans | 43,150 | 10.9 | 34,974 | 12.5 |
| | Small business loans | 4,257 | 1.1 | 2,888 | 1.0 |
| | Sub-total | 359,318 | 90.5 | 272,236 | 97.0 |
| Credit card revenue | | 6,742 | 1.7 | - | - |
| Per-item credit revenue | | 10,353 | 2.6 | - | - |
| Guarantees revenue | | 4,076 | 1.0 | - | - |
| Other financial revenue | Interest on deposits | 86 | 0.0 | 99 | 0.0 |
| | Interest on marketable securities | 1 | 0.0 | 0 | 0.0 |
| | Interest on loans | 199 | 0.1 | 240 | 0.1 |
| | Other | 237 | 0.1 | 1 | 0.0 |
| | Sub-total | 525 | 0.1 | 341 | 0.1 |
| Other operating revenue | Sales of property | 2,823 | 0.7 | 40 | 0.0 |
| | Cost of sales of restaurant business | 1,246 | 0.3 | 1,303 | 0.5 |
| | Bad debt write-off recovery | 5,715 | 1.5 | 3,509 | 1.3 |
| | Other | 6,360 | 1.6 | 3,225 | 1.1 |
| | Sub-total | 16,146 | 4.1 | 8,078 | 2.9 |
| Total | | 397,162 | 100.0 | 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)

| | End of current fiscal year (As of March 31, 2002) | End of previous fiscal year (As of March 31, 2001) |
|---|---|---|
| Total amount of loans outstanding | 1,635,954 | 1,407,636 |
| Unsecured loans | 1,332,218 | 1,167,837 |
| Secured loans | 278,893 | 227,600 |
| Small business loans | 24,843 | 12,198 |
| Number of customer accounts | 3,336,340 | 3,043,022 |
| Unsecured loans | 3,241,575 | 2,971,826 |
| Secured loans | 75,175 | 61,025 |
| Small business loans | 19,590 | 10,171 |
| Number of branches | 1,914 | 1,771 |
| Staffed branches | 752 | 687 |
| Unstaffed branches | 1,147 | 1,067 |
| Branches for secured loans | 4 | 4 |
| Restaurants | 9 | 10 |
| Karaoke parlors | 2 | 3 |
| Number of “Ojidosan” loan-contracting machines | 1,808 | 1,636 |
| Number of ATMs | 93,306 | 79,043 |
| Company-owned | 2,076 | 1,995 |
| Partner-owned | 91,230 | 77,048 |
| Number of employees | 5,810 | 5,750 |
| Bad debt write-off | 80,707 | 41,982 |
| Allowance for bad debts | 109,338 | 98,395 |
| Net income per share (yen) | 390.00 | 569.32 |
| Net assets per share (yen) | 4,523.01 | 3,611.74 |

Notes1. Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy. Furthermore, off-balance sheet operating loans from the liquidation of receivables, which came to 153,158 million yen at the end of the current consolidated fiscal year and 146,594 million yen at the end of the previous consolidated fiscal year have been included.

2. Bad debt write-off does not include claims in bankruptcy and claims in correction, which came to 1,422 million yen in the current consolidated fiscal year, 5,347 million in the previous consolidated fiscal year.
Life Co., Ltd. and Sanyo Shinpan Co., Ltd. have not been included in the scope of consolidation since the current consolidated fiscal year due to the deemed acquisition date is March 31, 2001.