

# 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.*

The 1<sup>st</sup> Quarter of FY2004  
(Ended June 30, 2003)

- 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)

July 24, 2003

# The First Quarter Financial Statements (Consolidated)

For the 1<sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004

## AIFUL Corporation (8515)

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### 1. Items associated with the preparation of quarterly consolidated profit & loss statements

Standards complied with when preparing financial statements, etc. : ( Interim consolidated financial statement regulations )  
 Difference between accounting method and recent method of recognizing consolidated accounting year  
 • Change in accounting method :None  
 • Accounting treatment differing from interim results, etc. :None  
 Change in application range of consolidation and equity method :None  
 Participation of Certified Public Accountant or auditing corporation :None

### 2. Consolidated Business Results for the 1<sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004

(April 1, 2003 – June 30, 2003)

Notes: Amounts shown in the summary of 1<sup>st</sup> quarter results of operations and in the attached documents have been rounded down to the nearest unit.

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

	In millions of yen - except per share data					
	The 1 <sup>st</sup> Quarter of Fiscal Year Ending / Ended March 31,				Fiscal Year Ended	
	2004		2003		March 31, 2003	
Operating Revenue	117,068	-%	-	-%	449,458	13.2%
Operating Income	26,034	-%	-	-%	115,995	4.2%
Ordinary Income	26,140	-%	-	-%	111,797	6.4%
Net Income	14,264	-%	-	-%	59,910	70.9%
Net Income per Share (yen)	151.00 yen		- yen		637.59 yen	
Diluted Net Income per Share (yen)	-		-		-	

#### Notes:

As AIFUL began disclosing percentage figures for operating revenue, operating income, ordinary income, and net income (quarterly) and disclosing quarterly business results in the first quarter of the fiscal year ending March 31, 2004, actual figures for the previous quarter and the rate of change compared with the same quarter of the previous year have not been shown.

## Results of Operations (consolidated)

A summary of the AIFUL Group's operating results for the first quarter of the current fiscal year appears below.

### Summary of operations

In the current first quarter, the Japanese economy showed signs of a slight turnaround in terms of stock prices as the Nikkei Stock Average recovered to the 9,000-yen level in response to the removal of uncertain factors, including the early conclusion of the war in Iraq and the containment of the SARS epidemic, as well as rising expectations of economic recovery in the United States. However, the real economy remained depressed due to such factors as a slump in consumer spending and a rise in the unemployment rate.

Under this operating environment, the AIFUL Group continued to pursue product diversification and channel diversification with the aim of moving forward from the boundary of the consumer finance industry and becoming a comprehensive financial corporate group in the retail area targeting the consumer credit industry in general.

Furthermore, individual Group companies attempted to reinforce the Group by producing synergies through mutual cooperation while establishing brand value, based on the unifying concept of "A Company for Security and Creation", and endeavored to develop efficient business operations.

### Operations

#### 1. AIFUL Corporation

In the loan business, during the quarter under review the company pursued product diversification strategies in unsecured loans especially, as well as real-estate secured loans and business loans, to more comprehensively cater for customer needs. These efforts led to steady growth in loan balances.

In the restructuring of the branch network, AIFUL scrapped nine branches, bringing the number of staffed offices, unstaffed locations, and secured loan specialty locations to 533, 1,034 and 4, respectively, for a total of 1,571 branches.

With regard to the expansion of the cash withdrawal and paying-in channel, AIFUL forged alliances with seven banks and one company (4,569 CD-ATMs), which took the number of CD-ATMs to which AIFUL customers have access to 47,560, including AIFUL's own ATMs.

The number of new customers gained during the current quarter showed signs of recovery in response to 148,000 new applications for unsecured loans (a 2.6% increase compared with a year earlier) and the start of the pet-related TV commercial in August 2002. However, customers tended to continue to postpone borrowing because of the deterioration in income and employment conditions and a general sense of economic uncertainty. In addition, owing to an increase in expenses related to bad debts, AIFUL adopted a cautious stance toward credit provision, and the number of new customers gained amounted to 96,000 (a 4.6% decrease from a year earlier).

The proportion of new customers that signed up to AIFUL services via the Internet, either by PC or mobile phone, was 8.9% of the total, marking a favorable increase.

In the credit card business, AIFUL worked to actively develop business by beginning to issue an affiliated credit card for members of the major auto accessory dealer Driver Stand in April 2003.

In the case of doubtful receivables, however, the amount of doubtful receivables written off during the first quarter was 22.5 billion yen due to a continued increase in personal bankruptcies and continued high unemployment levels.

As a result of the foregoing, AIFUL's loans outstanding stood at 1,419,137 million yen at the end of the first quarter (comprising unsecured loans of 1,069,491 million yen, real-estate secured loans of 325,838 million yen, and business loans of 23,807 million yen).

In the guarantees business, which AIFUL is reinforcing as a new source of income, in addition to unsecured and non-guaranteed personal loans, the company also actively carried out guarantee business for business loans by making effective use of the credit provision and investigation know-how it has fostered. At the end of the first quarter, AIFUL had formed guarantee-related partnerships with 28 financial institutions and the guarantee balance stood at 14,798 million yen.

Even amidst the difficult operating environment outlined above, AIFUL will strive to maintain its focus on the twin goals of providing high-quality customer services and cutting costs by improving efficiency in operations. To this end, the company plans to integrate the marketing operations conducted throughout its 533-strong nationwide network of staffed branches in two contact centers, one each in east and west Japan. In the first quarter as well, AIFUL conducted test operations at the west Japan contact center. (The east Japan contact center is due to commence operations in October 2003.)

#### 2. Life Co., Ltd.

During the current first quarter, with the aim of building a more stable profit base, Life Co., Ltd. continued to shift from a low-profit asset portfolio to a high-profit asset portfolio. For example, the company concentrated management resources in businesses where high profits are projected, such as credit card shopping and cashing loans, and other consumer finance areas.

In the credit card business, Life has endeavored to steadily increase the number of cardholders by beginning to issue an affiliated credit card with the major consumer electronics mass merchandiser Eiden in April 2003, followed by another one with the major home center operator Sanwado. In the case of proper cards (cards issued independently by Life), the company continues to launch new products. As an entertainment card, the company issued "Taka Card", a fan club card promoting the professional soccer player Naoyasu Takahara, and "Odoru Life Card", a card tied up with the movie *Bayside Shakedown*, which is due to be screened this summer.

Regarding channel expansion for cash advance services, Life entered new alliances with five banks, bringing the total number of affiliated financial institutions and card companies to 501 and the number of CD-ATMs available for customer use to approximately 120,000.

As a result of these measures, the total number of credit cardholders at the end of the first quarter stood at 10.16 million, an increase of 330,000 over the same period last year.

In the per-item credit business, Life actively expanded its network of affiliated stores and engaged in aggressive sales promotion activities, while focusing on increasing turnover and building up high-quality assets.

In the consumer finance business, Life opened 12 new unstaffed branches, bringing the total number of Life Cashing Plazas at term-end to 174 (102 staffed locations and 72 unstaffed locations).

In the guarantees business, Life attempted to expand bank loan guarantee products with guarantee rates of just over 8% and entered alliances with 12 new banks, bringing the total number of partner banks and companies to 82 and 24, respectively.

As a result of these endeavors, volume of business during the period was 72,314 million yen for Life's credit card business and 31,725 million yen for the per-item business, while credit guarantees totaled 7,453 million yen and 72,925 million yen for loans outstanding, including credit card cashing and play cards.

Life's total balance of loans to customers and credit guarantee installment receivables at the end of the first quarter stood at 691,967 million yen, a figure which includes 261,359 million yen of off-balance sheet receivables resulting from the liquidization of certain other receivables. The breakdown of this figure was as follows: 73,793 million yen for credit cards, 174,214 million yen for per-item credit, 317,166 million yen for credit card cashing loans, 114,361 million yen for credit guarantee installment receivables, and 12,431 million yen for other businesses.

### 3. Other Group Companies

Businext and City's Co., Ltd., business loan companies, devoted their efforts to marketing activities while maintaining cautious credit investigation in view of the economic environment, and strove to acquire new high-quality customers. Total loan balances at the end of the quarter were 17,020 million yen for Businext and 28,540 million yen for City's.

Turning to other group companies, consumer finance companies Happy Credit Corporation, Sinwa Co., Ltd., and Sanyo Shinpan Co., Ltd. worked to strengthen their credit provision by providing for an increase in expenses for doubtful receivables. As a result, loans at the end of the quarter came to 30,205 million yen, 21,834 million yen, and 11,879 million yen (all including balances of installment receivables) at Happy Credit Corporation, Sinwa Co., Ltd. and Sanyo Shinpan Co., Ltd., respectively.

As a result of the above factors, at the end of the first quarter, AIFUL and its six subsidiaries had 1,845,229 million yen in outstanding loans, 248,795 million yen in installments receivable, 129,161 million yen in credit guarantee receivables and 12,705 million yen in others. These figures include 261,359 million yen in off-balance sheet receivables resulting from liquidation of certain other receivables, which consist of 154,729 million yen in outstanding loans and 106,630 million yen in installment receivables.

## Operating Results

As a result of the above activities, operating revenue for the group in the first quarter was 117,068 million yen.

AIFUL's operating revenue was 83,012 million yen, comprising 70.9% of the Group's revenues. Life recorded operating revenue of 27,479 million yen, accounting for 23.5% of the Group's revenues. Of total consolidated operating revenue, 105,888 million yen, or 90.5%, was accounted for by operating interest on loans, 6,007 million yen, or 5.1%, by revenue from installment receivables, 1,250 million yen, or 1.1%, by guarantee revenue, and 3,921 million yen, or 3.3%, by other revenue.

Operating interest on loans represented 76.5% of AIFUL's consolidated operating revenue. This figure can be broken down into 81.8% in unsecured loans, 16.4% in real estate-secured loans, and 1.8% in business loans.

Operating expenses for the AIFUL Group totaled 91,033 million yen. AIFUL's operating expenses accounted for 66.2%, or 60,229 million yen, of this total, while Life's operating expenses accounted for 27.3%, or 24,888 million yen. Of total group operating expenses, 40,442 million yen, or 44.4%, consisted of expenses for doubtful receivables, 9,523 million yen, or 10.5%, of financing expenses, 5,149 million yen or 5.7%, of advertising expenses, 10,831 million yen, or 11.9%, of personnel expenses, and 5,002 million yen, or 5.5%, of commissions paid.

The 690 million yen in write-down of consolidation adjustment account accrued with the purchases of Life Co., Ltd. and Sinwa Co., Ltd. was recorded as an operating expense.

As a result, in the first quarter on a consolidated basis, operating income was 26,034 million yen, ordinary income was 26,140 million yen, and net income was 14,264 million yen. On a non-consolidated basis, operating income was 22,783 million yen, ordinary income was 23,894 million yen, and net income was 12,030 million yen.

## Basic Stance With Regards to Corporate Governance and Current Status of Related Policies

AIFUL regards speed in decision-making, the establishment of appropriate management-supervision functions, and the reinforcement of compliance systems as its basic policies in the important domain of corporate governance.

On the basis of these underlying policies, the AIFUL Board of Directors meets weekly to discuss the management issues and business opportunities facing the company. These meetings allow investigations to be conducted, and appropriate management strategies to be formulated and swiftly implemented.

Based on the objective of further clarifying management responsibility, AIFUL adopted a resolution to shorten the term of appointment for directors from two years to one year at the 26<sup>th</sup> regular general meeting of shareholders held on June 26, 2003.

With regards to disclosure, AIFUL has adopted as its basic policy the timely delivery of a wide range of company information to investors, shareholders and other interested parties and a commensurate enhancement of external checks of AIFUL's operations. This in turn is intended to give rise to effective corporate governance. AIFUL takes a proactive stance in this

important area, not only disclosing all appropriate information, but also presenting the opinions and desires of shareholders and investors periodically at meetings of the Board of Directors and to departmental heads. This system clearly demonstrates AIFUL's commitment to making corporate governance a concrete reality

On the basis of these kinds of highly transparent management policies, AIFUL is taking a proactive stance on all aspects of disclosure. The company has established the Public Relations and Investor Relations Departments, both of which specialize in this important area, ensure full disclosure of relevant information through a steady stream of press releases, business result data books, and similar materials, whilst also maintaining an active presence in the mass media both in Japan and overseas. In addition to all of this, AIFUL regularly holds meetings to introduce the company to investors and analysts, and is vigilant in providing desired information about the company to such parties. This full range of disclosure activities is illustrative of AIFUL's commitment to timely and appropriate disclosure.

In addition, in April 2003, AIFUL fully renewed the company's IR-dedicated website (<http://www.ir-aiful.com>), with the aim of further enhancing disclosure.

## **Status of Measures Ensuring Compliance**

With regard to company measures to ensure compliance, AIFUL has had a specialist Investigation Department and Legal Department in place for some time, and in April 2002, the company also established a new Compliance Committee, composed of lawyers and other external members, with responsibility for questioning the Board of Directors and matters of import. Meeting monthly to gather information relating to business risks, the Committee's responsibilities include the implementation of preventative measures and employee education. In this way, it plays a vital role in supporting and reinforcing compliance systems throughout the whole company.

Other steps taken here include the distribution of a copy of the "AIFUL Group Ethical Code" to each and every employee, and the creation of a hotline, operated under the auspices of the Personnel and Investigation Departments, by means of which possible breaches of this code can be discussed. In June 2003, the company also set up a new compliance hotline within the Legal Department and formulated regulations for an internal information system. In such ways, AIFUL is establishing a thorough system to proactively prevent legal violation or infringement of company regulations.

## (2) Consolidated Financial Position

	In millions of yen - rounded down, except where noted		
	The 1 <sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004	The 1 <sup>st</sup> Quarter of Fiscal Year Ended March 31, 2003	Fiscal Year Ended March 31, 2003
Total Assets .....	2,319,017	-	2,282,113
Shareholders' Equity .....	498,217	-	485,991
Shareholders' Equity Ratio (%) .....	21.5%	-%	21.3
Shareholders' Equity per Share(Yen).....	5,273.92	-	5,143.45

## (3) Consolidated Cash Flows

	In millions of yen - rounded down, except where noted		
	The 1 <sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004	The 1 <sup>st</sup> Quarter of Fiscal Year Ended March 31, 2003	Fiscal Year Ended March 31, 2003
Cash flow from operating activities .....	(17,435)	-	(90,062)
Cash flow from investing activities.....	41,163	-	(57,172)
Cash flow from financing activities .....	47,516	-	131,652
Cash and cash equivalents at the end of the period .....	202,876	-	131,643

## Status of Changes in Consolidated Financial Situation

### [Assets]

Loans totaled 1,690,500 million yen. This was primarily due to steady increases in group loans. AIFUL's loans amounted to 1,419,137 million yen, Life's loans were 162,437 million yen, and Businext's loan balance stood at 17,020 million yen.

Installment receivables were 142,165 million yen due to steady growth in the credit card shopping and per-item credit businesses of Life Co., Ltd.

Credit guarantee receivables totaled 129,161 million yen, as AIFUL and Life expanded guarantee business alliances with financial institutions.

Allowance for bad debt stood at 138,104 million yen, in consideration of recent economic conditions. (Loans and installment receivables on the consolidated balance sheet do not include off-balance sheet receivables resulting from the liquidation of Life's receivables, which consist of 154,729 million yen in outstanding loans and 106,630 million yen in installment receivables.) Adjustment for consolidated accounts totaled 21,355 million yen.

### [Liabilities]

Total capital procured, including debt, commercial paper, and bonds, amounted to 1,555,594 million yen. This was due to an

increase in financing to correspond with the steady increase in AIFUL, Life and Sinwa's operating receivables.

### [Shareholders' Equity]

Consolidated shareholders' equity at the end of the first quarter was 498,217 million yen, and the equity ratio stood at 21.5%. AIFUL's non-consolidated shareholders' equity totaled 480,840 million yen, and its shareholders' equity ratio stood at 25.2%.

### [Cash Flows]

Consolidated cash and cash equivalents stood at 202,876 million yen at the end of the first quarter due to the collection of loans, etc. and the procurement of capital through the issuance of bonds, etc.

Net cash used in operating activities was minus 17,435 million yen. Although previous quarter net income adjusted for taxes, etc. was 25,836 million yen, operating receivables such as loans outstanding increased and the company paid corporate and other taxes.

Net cash provided by investing activities totaled 41,163 million yen. Although AIFUL made capital investments in contact centers, etc., as in the previous term, it also collected loans, etc.

Net cash provided by financing activities came to 47,516 million yen due to funds procured from borrowings and the issuance of bonds together with the payment of dividends.



**(Reference 1)**

**Non-Consolidated Business Results for the 1<sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004**

**(April 1, 2003 – June 30, 2003)**

	In millions of yen - rounded down, except where noted
	The 1 <sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004
Operating Revenue .....	83,012
Operating Income .....	22,783
Ordinary Income.....	23,894
Net Income (current quarter) .....	12,030
Total Assets.....	1,909,593
Shareholders' Equity.....	480,840

**3. Consolidated Fiscal Year 2004 Full Year Projections**

**(April 1, 2003 - March 31, 2004)**

(In millions of yen, rounded down)

	Interim Period Ending, September 30, 2003	Fiscal Year Ending March 31, 2004
Operating Revenue.....	241,988	494,522
Ordinary Income .....	54,384	122,012
Net Income .....	28,621	65,056
Net Income per Share (yen).....	302.97	688.66

**Fiscal 2004 Outlook**

We have not changed our fiscal 2004 consolidated earnings forecasts for the AIFUL Group or our non-consolidated forecasts, which we disclosed on the announcement of fiscal 2003 business results. We forecast consolidated operating revenue of 241,988 million yen for the first half and 494,522 million yen for the full year, consolidated ordinary income of 54,384 million yen for the first half and 122,012 million yen for the full year, and consolidated net income of 28,621 million yen for the first half and 65,056 million yen for the full year. On a non-consolidated basis, we project operating revenue of 170,406 million yen for the first half and 344,849 million yen for the full year, ordinary income of 49,535 million yen for the first half and 108,000 million yen for the full year, and net income of 25,895 million yen for the first half and 56,532 million yen for the full year.

**(Reference 2)**

**Non-Consolidated Fiscal Year 2004 Full Year Projections**

**(April 1, 2003 - March 31, 2004)**

(In millions of yen, rounded down)

	Interim Period Ending, September 30, 2003	Fiscal Year Ending March 31, 2004
Operating Revenue.....	170,406	344,849
Ordinary Income .....	49,535	108,000
Net Income .....	25,895	56,532
Interim Dividends per Share (yen) .....	30.00	-
Year-end Dividends per Share (yen).....	-	30.00
Annual Dividends per Share (yen) .....	-	60.00

**“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 may differ materially from these projections for a variety of reasons.

**(1) Consolidated Statement of Income**

<i>In millions of yen - rounded down, except where noted</i>						
	<b>The 1<sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004</b>		<b>The 1<sup>st</sup> Quarter of Fiscal Year Ended March 31, 2003</b>		<b>Fiscal Year Ended March 31, 2003</b>	
	[ As of June 30, 2003 ]		[ As of June 30, 2002 ]			
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating Revenue</b> .....	<b>117,068</b>	<b>100.0</b>	-	-	<b>449,458</b>	<b>100.0</b>
Interest on loans to customers .....	105,888	90.5	-	-	406,483	90.4
Credit card revenue .....	1,914	1.6	-	-	7,877	1.8
Per-item credit revenue .....	4,093	3.5	-	-	15,178	3.4
Credit guarantee revenue .....	1,250	1.1	-	-	4,132	0.9
Financial revenue - other .....	42	0.0	-	-	321	0.1
Operating Revenue - other .....	3,879	3.3	-	-	15,463	3.4
<b>Operating Expenses</b> .....	<b>91,033</b>	<b>77.8</b>	-	-	<b>333,462</b>	<b>74.2</b>
Financial expenses .....	9,523	8.1	-	-	38,479	8.6
Cost of sales .....	-	-	-	-	562	0.1
Operating Expenses - other .....	81,510	69.7	-	-	294,420	65.5
<b>Operating Income</b> .....	<b>26,034</b>	<b>22.2</b>	-	-	<b>115,995</b>	<b>25.8</b>
<b>Non-operating income</b> .....	<b>196</b>	<b>0.2</b>	-	-	<b>1,303</b>	<b>0.3</b>
<b>Non-operating expenses</b> .....	<b>91</b>	<b>0.1</b>	-	-	<b>5,501</b>	<b>1.2</b>
<b>Ordinary income</b> .....	<b>26,140</b>	<b>22.3</b>	-	-	<b>111,797</b>	<b>24.9</b>
<b>Extraordinary income</b> .....	<b>48</b>	<b>0.1</b>	-	-	<b>444</b>	<b>0.1</b>
<b>Extraordinary losses</b> .....	<b>351</b>	<b>0.3</b>	-	-	<b>4,788</b>	<b>1.1</b>
<b>Income before taxes</b> .....	<b>25,836</b>	<b>22.1</b>	-	-	<b>107,453</b>	<b>23.9</b>
<b>Corporate tax, local and enterprise taxes</b> .....	<b>11,222</b>	<b>9.6</b>	-	-	<b>57,555</b>	<b>12.8</b>
<b>Adjustment on corporate tax, etc.</b> .....	<b>354</b>	<b>0.3</b>	-	-	<b>(10,129)</b>	<b>(2.2)</b>
<b>Loss of Minority Interests</b> .....	<b>(5)</b>	<b>(0.0)</b>	-	-	<b>116</b>	<b>0.0</b>
<b>Net Income</b> .....	<b>14,264</b>	<b>12.2</b>	-	-	<b>59,910</b>	<b>13.3</b>



**(2) Consolidated Balance Sheets**

<i>In millions of yen - rounded down, except where noted</i>						
(Assets)	The 1 <sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004 [ As of June 30, 2003 ]		The 1 <sup>st</sup> Quarter of Fiscal Year Ended March 31, 2003 [ As of June 30, 2002 ]		Fiscal Year Ended March 31, 2003	
	Amount	%	Amount	%	Amount	%
<b>Current Assets:</b>						
Cash and cash equivalents.....	203,722		-	-	132,296	
Loans.....	1,690,500		-	-	1,670,781	
Installment receivables.....	142,165		-	-	147,857	
Credit guarantee receivables .....	129,161		-	-	128,744	
Other operating receivables.....	12,705		-	-	12,738	
Deferred tax assets .....	24,693		-	-	25,582	
Other .....	62,983		-	-	92,904	
Allowance for bad debts.....	(117,661)		-	-	(113,438)	
<b>Total current assets .....</b>	<b>2,148,269</b>	<b>92.6</b>	<b>-</b>	<b>-</b>	<b>2,097,467</b>	<b>91.9</b>
<b>Fixed Assets:</b>						
<b>Tangible Fixed Assets:</b>						
Land .....	14,823		-	-	14,801	
Other .....	28,767		-	-	27,210	
<b>Tangible fixed assets.....</b>	<b>43,590</b>	<b>1.9</b>	<b>-</b>	<b>-</b>	<b>42,012</b>	<b>1.8</b>
<b>Intangible Fixed Assets:</b>						
Consolidation adjustment account .....	21,355		-	-	22,046	
Other .....	17,922		-	-	17,197	
<b>Total intangible fixed assets.....</b>	<b>39,277</b>	<b>1.7</b>	<b>-</b>	<b>-</b>	<b>39,243</b>	<b>1.8</b>
<b>Investment and Other Fixed Assets:</b>						
Claims in bankruptcy .....	20,772		-	-	17,363	
Deferred tax assets .....	16,518		-	-	16,591	
Other .....	70,330		-	-	11,384	
Allowance for bad debts.....	(20,442)		-	-	(18,691)	
<b>Total investment and other fixed assets.....</b>	<b>87,178</b>	<b>3.8</b>	<b>-</b>	<b>-</b>	<b>102,854</b>	<b>4.5</b>
<b>Total fixed assets: .....</b>	<b>170,046</b>	<b>7.4</b>	<b>-</b>	<b>-</b>	<b>184,110</b>	<b>8.1</b>
<b>Deferred Assets:</b>						
Bond issuing expenses .....	700		-	-	535	
<b>Total deferred assets.....</b>	<b>700</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>535</b>	<b>0.0</b>
<b>Total Assets: .....</b>	<b>2,319,017</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>2,282,113</b>	<b>100.0</b>

**Consolidated Balance Sheet (cont.):**

<i>In millions of yen - rounded down, except where noted</i>						
(Liabilities)	The 1 <sup>st</sup> Quarter of Fiscal Year Ending March 31, 2004 [ As of June 30, 2003 ]		The 1 <sup>st</sup> Quarter of Fiscal Year Ended March 31, 2003 [ As of June 30, 2002 ]		Fiscal Year Ended March 31, 2003	
	Amount	%	Amount	%	Amount	%
<b>Current Liabilities:</b>						
Notes & accounts payable - trade .....	27,265		-		22,932	
Credit guarantees payable.....	129,161		-		128,744	
Short –term loans debt.....	84,741		-		55,365	
Current portion of bonds.....	74,500		-		74,500	
Current portion of long-term debt.....	395,761		-		416,152	
Commercial paper.....	11,500		-		13,500	
Income taxes payable.....	11,217		-		37,627	
Accrued bonuses.....	1,887		-		3,759	
Gains on deferred installments .....	9,182		-		11,089	
Other .....	44,124		-		41,174	
<b>Total Current Liabilities.....</b>	<b>789,339</b>	<b>34.0</b>	<b>-</b>	<b>-</b>	<b>804,845</b>	<b>35.3</b>
<b>Long-term Liabilities:</b>						
Bonds.....	425,000		-		377,500	
Long term debts.....	564,091		-		567,950	
Allowance for retirement benefits for employees .....	7,775		-		7,636	
Allowance for retirement benefits for directors .....	1,115		-		1,150	
Other.....	29,452		-		33,010	
<b>Total Long-term Liabilities .....</b>	<b>1,027,436</b>	<b>44.3</b>	<b>-</b>	<b>-</b>	<b>987,247</b>	<b>43.2</b>
<b>Minority interests:</b>						
Minority Interests .....	<b>4,023</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>4,028</b>	<b>0.2</b>
<b>Shareholders equity:</b>						
Common stock.....	83,317	3.6	-	-	83,317	3.6
Additional paid-in capital .....	104,125	4.5	-	-	104,125	4.6
Consolidated retained earnings.....	312,256	13.5	-	-	300,924	13.2
Differences in evaluation of other marketable securities .....	571	0.0	-	-	(323)	(0.0)
Treasury stock.....	(2,053)	(0.1)	-	-	(2,052)	(0.1)
<b>Total Shareholders' Equity .....</b>	<b>498,217</b>	<b>21.5</b>	<b>-</b>	<b>-</b>	<b>485,991</b>	<b>21.3</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity .....</b>	<b>2,319,017</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>2,282,113</b>	<b>100.0</b>

**(3) Consolidated Statement of Cash Flows**

	<i>In millions of yen - rounded down, except where noted</i>		
	<b>The 1<sup>st</sup> Quarter of Fiscal Year Ending [ March 31, 2004 ] [ As of June 30, 2003 ]</b>	<b>The 1<sup>st</sup> Quarter of Fiscal Year Ended [ March 31, 2003 ] [ As of June 30, 2002 ]</b>	<b>Fiscal Year Ended March 31, 2003</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
<b>I. Cash flow from operating activities:</b>			
Net income before taxes .....	25,836	-	107,453
Depreciation and amortization.....	1,414	-	6,676
Write-down of consolidation adjustment account.....	690	-	3,686
Loss on valuation of investment securities.....	-	-	858
Increase in allowance for bad debts.....	5,974	-	20,908
Increase in accrued bonuses .....	(1,871)	-	(260)
Increase in allowance for retirement benefits for employees .....	139	-	1,545
Increase in allowance for retirement benefits for directors.....	(34)	-	82
Non-operating interest on loans and cash dividends.....	(42)	-	(152)
Amortization of bond issuing expenses .....	109	-	829
Loss on sale of tangible fixed assets .....	0	-	361
Loss on disposal of tangible fixed assets .....	88	-	409
Loss on valuation of fixed assets .....	-	-	540
Increase on liquidation of lease deposits and guarantees ....	(17)	-	(135)
Bonuses paid to directors.....	(98)	-	(103)
Increase in loans to customers .....	(19,718)	-	(160,195)
Installment receivables .....	5,691	-	(27,101)
Other gain (loss) on trade receivables.....	33	-	3,374
Decrease in claims in bankruptcy .....	(3,408)	-	(1,015)
Increase in other current assets .....	233	-	(14,359)
Increase in other current liabilities.....	5,902	-	5,008
Other.....	(766)	-	(1,801)
<b>Subtotal.....</b>	<b>20,156</b>	<b>-</b>	<b>(53,389)</b>
Non-operating interest on loans and cash dividends.....	42	-	152
Payments for corporate and other taxes.....	(37,633)	-	(36,826)
<b>Cash flow from operating activities.....</b>	<b>(17,435)</b>	<b>-</b>	<b>(90,062)</b>

*In millions of yen - rounded down, except where noted*

	The 1 <sup>st</sup> Quarter of Fiscal Year Ending [ March 31, 2004 ] As of June 30, 2003	The 1 <sup>st</sup> Quarter of Fiscal Year Ended [ March 31, 2003 ] As of June 30, 2002	Fiscal Year Ended March 31, 2003
	Amount	Amount	Amount
<b>II. Cash flow from investing activities:</b>			
Disbursements for investments in term deposits.....	(193)	-	(474)
Revenue from payments of term deposits.....	-	-	1,621
Funds used for purchase of investment securities.....	(1,499)	-	-
Funds provided by sales of investment securities.....	-	-	303
Increase in beneficial interest in trusts.....	1,500	-	(1,744)
Funds used for purchase of new subsidiaries.....	-	-	(7,556)
Funds used for purchase of tangible fixed assets.....	(4,349)	-	(17,320)
Gain on sale of tangible fixed assets.....	16	-	596
Funds used for purchase of investment securities.....	(209)	-	(3,459)
Funds provided by sales of investment securities.....	65	-	1,345
Funds provided by sale of paid-in capital.....	1	-	336
Gain on short-term loans receivables.....	30,006	-	(22,999)
Funds used in collections of long-term loans receivables.....	-	-	(8,140)
Gain on collection of long-term loans receivables.....	15,623	-	173
Funds used for purchases of investments and other assets.....	(22)	-	(400)
Funds provided from sales of investments and other assets.....	43	-	505
Others.....	183	-	40
<b>Cash flow from investing activities.....</b>	<b>41,463</b>	<b>-</b>	<b>(57,172)</b>
<b>III. Cash flow from financing activities:</b>			
Increase in short-term debts.....	148,097	-	420,365
Payments for repayment of short-term debt.....	(118,721)	-	(413,452)
Decrease in commercial paper.....	(2,000)	-	(1,500)
Increase in long-term debt.....	146,814	-	553,965
Repayments of long-term debt.....	(171,064)	-	(451,921)
Cash from issue of corporate bonds.....	49,724	-	99,925
Loss on redemption of bonds.....	(2,500)	-	(71,000)
Increase in common stock.....	(0)	-	(6)
Gain on payments from minor shareholders for establishment of subsidiaries/affiliates.....	-	-	400
Cash dividends paid.....	(2,834)	-	(5,123)
<b>Cash flow from financing activities.....</b>	<b>47,516</b>	<b>-</b>	<b>131,652</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>(12)</b>	<b>-</b>	<b>35</b>
<b>V. Increase (Decrease) in cash and cash equivalents.....</b>	<b>71,232</b>	<b>-</b>	<b>(15,547)</b>
<b>VI. Balance of cash and cash equivalents at the beginning of period.....</b>	<b>131,643</b>	<b>-</b>	<b>139,126</b>
. Increase in cash and cash equivalents from new consolidations.....	-	-	8,064
<b>. Balance of cash and cash equivalents at the end of period..</b>	<b>202,876</b>	<b>-</b>	<b>131,643</b>

## Significant Accounting Policies Relating to the Financial Statements

1. Matters pertaining to consolidation
  - (1) No. of consolidated subsidiaries 9  
Names of consolidated subsidiaries Happy Credit Corporation, Sinwa Corporation, Life Co., Ltd., Sanyo Shinpan Co., Ltd., Businext Corporation, AsTry Loan Services Corporation, Marutoh K.K., City Green Co., Ltd. City's Co., Ltd.
  - (2) No. of non-consolidated subsidiaries 3  
Reasons the companies are excluded from consolidation:  
  
Non-consolidated subsidiaries (Life Stock Center Co., Ltd. and two others) 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  
Three non-consolidated subsidiaries and an affiliated company, Hakata Daimaru Card Services Co., Ltd., 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 net profit or loss and retained earnings would have a negligible effect on the consolidated financial statements.
3. Matters pertaining to the quarterly settlement dates of consolidated subsidiaries  
The 1<sup>st</sup> quarter of the fiscal year of consolidated subsidiary, Marutoh K.K., is May 31. The quarterly financial statements as of this date are used in the preparation of the quarterly consolidated financial statements, with significant events taking place between balance sheet dates adjusted for as necessary.

## 2. Results of Operations

### (1) Operating Revenue

(In millions of yen)

		Current Consolidated 1 <sup>st</sup> Quarter From April 1,2003 to June 30,2003		Previous Consolidated 1 <sup>st</sup> Quarter From April 1,2002 to June 30,2002		Previous Consolidated Accounting Period From April 1,2002 to March 31,2003	
		Amount	%	Amount	%	Amount	%
Interest on loans to customers	Unsecured loans	88,772	75.8	-	-	348,887	77.6
	Secured loans	13,333	11.4	-	-	47,650	10.6
	Small business loans	3,783	3.3	-	-	9,945	2.2
	Sub-total	105,888	90.5			406,483	90.4
	Credit card revenue	1,914	1.6	-	-	7,877	1.8
Per-item credit revenue	4,093	3.5	-	-	15,178	3.4	
Credit guarantee revenue	1,250	1.1	-	-	4,132	0.9	
Other financial revenue	Interest on deposits	27	0.0	-	-	18	0.0
	Interest on marketable securities	0	0.0	-	-	1	0.0
	Interest on loans	3	0.0	-	-	267	0.1
	Other	10	0.0	-	-	35	0.0
	Sub-total	42	0.0	-	-	321	0.1
Other operating revenue	Sales of property	-	-	-	-	306	0.1
	Cost of sales of Service business	-	-	-	-	935	0.2
	Bad debt write-off recovery	1,838	1.6	-	-	6,431	1.4
	Other	2,041	1.7	-	-	7,790	1.7
	Sub-total	3,879	3.3	-	-	15,463	3.4
<b>Total</b>		<b>117,068</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>449,458</b>	<b>100.0</b>

Note: "Other" included in "Other operating revenue" consists of guarantee revenues from guarantee contracts and card membership fees.

**(2) Other Operating Indicators**

	(In millions of Yen)		
	Current Consolidated 1 <sup>st</sup> Quarter From April 1,2003 to June 30,2003	Previous Consolidated 1 <sup>st</sup> Quarter From April 1,2002 to June 30,2002	Previous Consolidated Accounting Period From April 1,2002 to March 31,2003
	Amount	Amount	Amount
Total amount of loans outstanding	1,845,229	-	1,833,702
Unsecured loans	1,449,097	-	1,442,980
Secured loans	328,166	-	325,436
Small business loans	67,966	-	65,284
Number of customer accounts	3,523,636	-	3,521,857
Unsecured loans	3,387,056	-	3,389,159
Secured loans	88,584	-	87,459
Small business loans	47,996	-	45,239
Number of branches	1,963	-	1,963
Staffed branches	793	-	796
Unstaffed branches	1,166	-	1,163
Branches for secured loans	4	-	4
Number of "Ojidosan" loan-contracting machines	1,838	-	1,837
Number of ATMs	127,017	-	124,084
Company-owned	2,035	-	2,037
Partner-owned	124,982	-	122,047
Number of employees	6,526	-	6,123

Notes: 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 (to the sum of 154,729 million yen for the current consolidated 1<sup>st</sup> quarter, 162,920 million yen for the previous consolidated 1<sup>st</sup> quarter. have been included as a result of liquidation of claims.