May 10, 2004

Year-End Financial Statements (Consolidated)

For the year ended March 31, 2004

AIFUL Corporation (8515)

Head office:	Kyoto City
Representative:	Yoshitaka Fukuda President and Chief Executive Officer
Inquiries:	Kenichi Kayama, General Manager Public Relations Department TEL (03) 3274-3560
Listing exchanges	Tokyo, Osaka
Date of the Board of Directors' meeting to approve financial statements:	May 10, 2004
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, 2004 (April 1, 2003 – March 31, 2004)

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

(In millions of yen - except per share data)

	Operating Revenue		Operating Income		Ordinary Income	
Fiscal Year Ended March 31, 2004	473,477	5.3%	112,566	(3.0)%	112,446	0.6%
Fiscal Year Ended March 31, 2003	449,458	13.2%	115,995	4.2 %	111,797	6.4%

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Net Income to Shareholders' Equity Ratio	Ordinary Income to Shareholder's Equity Ratio	Operating Revenue to Ordinary Income Ratio
Fiscal Year Ended March 31, 2004	62,548	4.4%	660.98	–	12.1%	4.9%	23.7%
Fiscal Year Ended March 31, 2003	59,910	70.9%	637.59	–	13.2%	5.2%	24.9%

Notes: 1. Equity method investment gain or loss for: Fiscal year ended March 31, 2004: - million yen
Fiscal year ended March 31, 2003: - million yen
2. Average number of shares during: Fiscal year ended March 31, 2004: 94,467,918 shares
Fiscal year ended March 31, 2003: 93,810,102 shares
3. Changes in accounting policies: No
4. Percentage figures shown for operating revenue, operating income, ordinary income and net income show year-on-year change

(2) Consolidated Financial Position

(In millions of yen - rounded down, except where noted)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio (%)	Shareholders' Equity per Share (Yen)
Fiscal Year Ended March 31, 2004	2,332,761	547,503	23.5	5,794.58
Fiscal Year Ended March 31, 2003	2,282,113	485,991	21.3	5,143.45

Note: Number of shares issued and outstanding: As of March 31, 2004: 94,467,134 shares
As of March 31, 2003: 94,468,362 shares

(3) Consolidated Cash Flows

(In millions of yen - rounded down, except where noted)

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalents at the End of the Period
Fiscal Year Ended March 31, 2004	(42,734)	6,370	3,097	98,329
Fiscal Year Ended March 31, 2003	(90,062)	(57,172)	131,652	131,643

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

Number of consolidated subsidiaries:	9 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 in application of consolidated accounting and equity method accounting

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

2. Fiscal Year 2005 Full Year Projections (April 1, 2004 - March 31, 2005)

(In millions of yen, rounded down)

	Operating Revenue	Ordinary Income	Net Income
Interim Period Ending, September 30, 2004	246,223	56,800	29,610
Fiscal Year Ending March 31, 2005	500,685	128,000	65,542

Reference:
Projected earnings per share for fiscal year 2005 (Fiscal year ending March 31, 2005): 693.81 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.

(Supplementary Data)

1. State of the Group

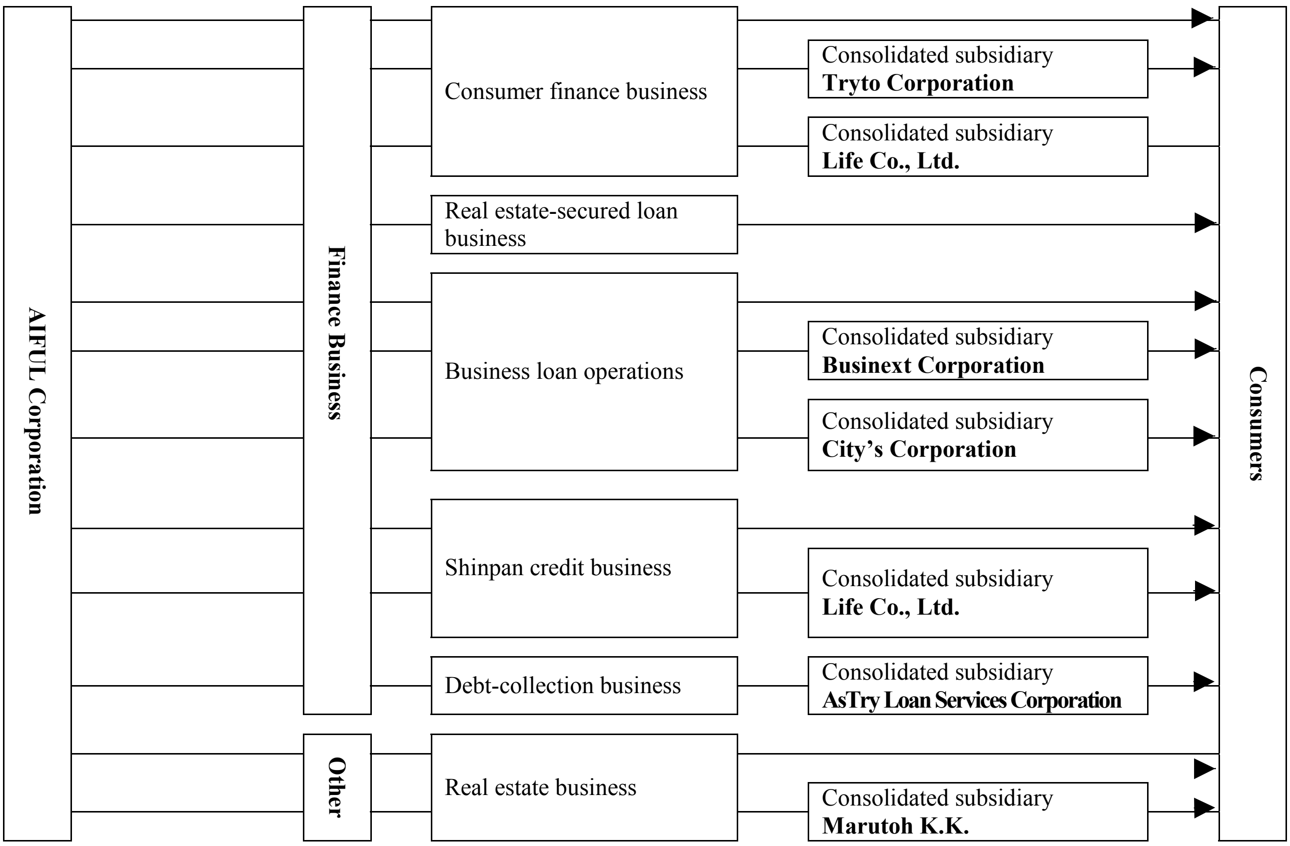
The AIFUL Group is composed of AIFUL Corporation and nine related companies, four non-consolidated subsidiaries and one affiliated company. The principal business of the Company is providing consumer finance services. The Company is also developing its secured loan business, as well as conducting activities in businesses such as real estate-related operations.

Business Classification		AIFUL & subsidiaries	Business Descriptions
Finance Business	Consumer finance business	Aiful Corporation	The Company and its subsidiaries provide small, unsecured loans for consumers.
		Tryto Corporation	
		Life Co., Ltd	
	Real estate-secured loan business	Aiful Corporation	The Company provides real estate-secured loans.
	Business loan operations	Aiful Corporation	The Company and its subsidiaries lend to small businesses.
		Businext Corporation	
		City's Corporation	
	Shinpan credit business	Aiful Corporation	The Company and its subsidiary offer credit card shopping, per-item credit, loans and guarantees for consumers.
		Life Co., Ltd	
	Debt-collection business	AsTry Loan Services Corporation	The Company specializes in the management and collection of a full range of receivables and loans.
Other	Real estate business	Marutoh K.K.	The Company buys, sells, leases, brokers and mediates real estate.
		City Green Co., Ltd.	Holding company for City's Corporation.

*1 On April 1, 2004, Life Co., Ltd., took over operations relating to the credit card and installment sales businesses of Sanyo Shinpan Co., Ltd. in a merger and divestiture, with Life Co., Ltd. as the succeeding company.

*2 Tryto Corporation was created through the April 1, 2004 merger of Happy Credit Corporation, Shinwa Co., Ltd., and Sanyo Shinpan Co., Ltd., following the divestiture of its credit card and installment sales businesses, with Happy Credit Corporation as the surviving company and a change in the company name to Tryto Corporation.

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



*1 City Green Co., Ltd. is not listed above, since it is a holding company of City's Corporation, and is not active in business.

*2 On April 1, 2004, Life Co., Ltd. took over operations relating to the credit card and installment sales businesses of Sanyo Shinpan Co., Ltd. in a merger and divestiture, with Life Co., Ltd. as the succeeding company.

*3 Tryto Corporation was created through the April 1, 2004 merger of Happy Credit Corporation, Shinwa Co., Ltd., and Sanyo Shinpan Co., Ltd., following the divestiture of its credit card and installment sales businesses, with Happy Credit Corporation as the surviving company and a change in the company name to Tryto Corporation.

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

The AIFUL Group's basic dividend policy is to consistently distribute profits to shareholders on the basis of a comprehensive assessment of the economic and financial situation and the Company's own business performance.

Based on this policy, AIFUL aims to distribute profits to shareholders and maximize shareholder value via medium to long-term profit growth. Internal reserves are to be used to extend loans, as well as in strategic investments that contribute to the expansion of the earnings base for the Group as a whole, while working to improve business results and management efficiency so that AIFUL continues to meet the expectations of all its shareholders.

(3) Management Indicator Objectives

AIFUL believes that its position in the financial industry makes it essential for management to increase efficiency in its use of assets and the returns gained on those assets. AIFUL has set 3% as a concrete medium-term goal for ROA.

(4) Medium and Long-Term Business Strategies

Japan's consumer credit market is currently worth approximately 60.7 trillion yen, a total that includes 14.8 trillion yen in retail credit and 35.3 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 9.0% share in 1990 to a 29.0% share, worth some 10.2 trillion yen, in 2001. The consumer loan market seems likely to grow for the next three to five years, 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.

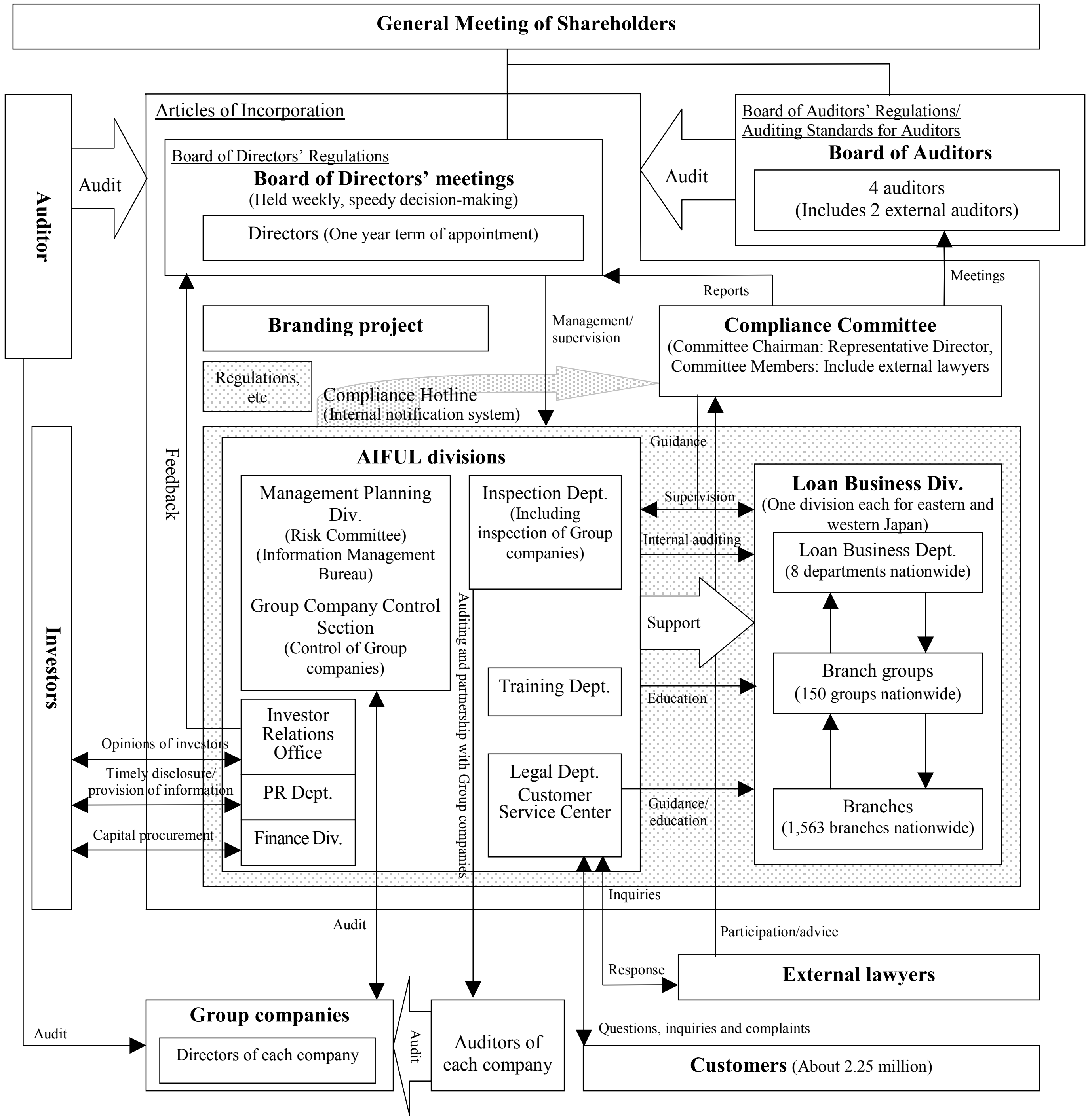
In order to realize this goal, AIFUL is further promoting management strategies geared toward diversifying product lineups and sales channels. The Company will also secure the brand value of each group company while also producing synergistic effects through affiliations and efficient market development. 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.

With regard to product diversification, we are currently working to expand our product and service lineups to cater to the ever-widening needs of our customers. At present, we offer consumer-finance products such as unsecured loans, real estate secured loans, and business loans. At a group-wide level, we are also expanding into such services as credit cards, other credit services, and guarantees. Fundamentally, AIFUL is aiming to put in place a structure in which each group company provides customers with a full selection of products and services in a form that suits the customer best. In so doing, the company will cater to each and every need consumers bring to the retail industry. Moving on to strategies to diversify channels to new customers, in addition to strengthening existing channels at each company, 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.

(5) Basic Stance with Regard to Corporate Governance and Current Status of Related Policies

AIFUL considers speed in decision-making, the establishment of management supervisory functions, and the reinforcement of compliance and disclosure to be its basic policies for the enhancement of corporate governance. Our corporate governance, operations, management supervisory and internal controls, and risk management systems are as indicated below.

Corporate Governance at AIFUL



Status of Corporate Governance Strategies

i) Management Control System and Other Corporate Governance Structures Relating to Management Decision Making, Business Execution and Monitoring at AIFUL

a. Speedy Management Decision-Making

In a measure aimed at speedy management decision-making, the AIFUL Board of Directors meets weekly to fully discuss and examine management issues and business opportunities facing the Company, as well as strategies to address them. Speedy management decisions follow these discussions.

b. Establishment of Management Supervisory Functions

With regard to the management supervisory function, AIFUL employs an auditor system, which has four auditors, including two external auditors. The auditors not only monitor management through attendance at the weekly Board of Directors meetings, but also attend the Compliance Committee and work in close cooperation with the Inspection Department, the internal audit department, to establish a preventative auditing system. Moreover, the auditors of the Company and each Group company work in conjunction with the Company Control Section and the Inspection Department to establish the auditing system at Group companies as well.

c. Enhancement of Compliance System

In its efforts to enhance legal compliance, AIFUL has had an Inspection Department and Legal Department in place for some time. In addition to this, the Company established a Compliance Committee, which includes lawyers and other external members, with responsibility for questioning the Board of Directors, in April 2002. At monthly meetings, the Compliance Committee gathers risk information, implements preventative measures, and conducts employee education based on the committee guidelines, working to reinforce compliance systems throughout the whole company.

Other steps taken here include the formulation and distribution to each and every Group employee of the "AIFUL Group Ethical Code," as well as the establishment of a hotline in the Personnel and Inspection Departments for discussion of breaches of the code. In addition to the establishment of a new Compliance Hotline in the Legal Department in June 2003, the Company standardized its internal notification system, establishing a structure that prevents breaches of the law and internal regulations before they happen.

Moreover, AIFUL has also established a Customer Service Center within the Legal Department to respond promptly to customer inquiries and complaints, with the aim of increasing customer satisfaction and reinforcing the legal compliance system, which includes guidance and education for the Marketing Department in cooperation with the Compliance Committee.

d. Enhancing Disclosure

With regard to enhancing disclosure, AIFUL works to give concrete form to corporate governance not only by publishing information outside of the company, but also by providing regular feedback to Board of Directors' meetings and departmental managers on the opinions and desires of shareholders and investors.

Based on this management policy aiming for highly transparent management, the Public Relations Department and Investor Relations Office specialize in the area of disclosure (Investor Relations became an independent office in October 2003 in order to strengthen its functions). The department and the office consistently work on full disclosure that is easy –to understand. Their activities include the disclosure of information through press releases, settlement data books and similar materials, as well as providing information and briefings for the domestic and foreign mass media, investors and analysts. AIFUL's investor relations website (http://www.ir.aiful.co.jp) was comprehensively revitalized in April 2003 with the aim of further improving disclosure.

e. Establishment Status of Risk Management System

With regard to its risk management system, AIFUL has established a system in which the Risk Management Committee within the Management Planning Division primarily gathers information on latent and apparent risk within the Company, and conducts crisis management in cooperation with related departments, including the Investor Relations Office, Public Relations Department and Legal Department. Moreover, the Company has launched a personal information disclosure project to address this problem, establishing a comprehensive system to prevent the disclosure of personal information.

ii) Existence of Personal, Financial, Business or Any Other Beneficial Relationship Between the Company, and the External Directors, External Auditors and the Auditors of the Company

There is no business or other beneficial relationship between the Company and its external auditors. There is no special beneficial relationship between the Company and its auditing firm, which is the auditor, or its employees who take part in auditing.

(6) Brand Strategy Policies

In October 1999, AIFUL commenced a branding project that cut horizontally across the entire company. To date, this project has been responsible for generating a wide range of proposals related to the company's branding initiatives. From April 2003 onwards, the system has been revitalized by bringing it under the direct control of top management, which has positioned it as its highest priority.

Under the new project, "A Company for Security and Creation" was selected as the concept to unify the large number of different AIFUL brands. Adopting improvement in corporate value, itself based upon progress in customer satisfaction and employee satisfaction, as the primary goal for brand strategies, AIFUL plans to in turn boost investor satisfaction. In this manner, the company will make real 'Prosperity for All,' the management ideal outlined in its corporate principles.

(7) Challenges

During fiscal 2003, the macro-economic indicators for the Japanese economy showed signs of recovery. These signs included a 14.6% reduction in the number of corporate bankruptcies, the first year-on-year decline in four years. There was also an improvement in the Business Conditions Diffusion Index for manufacturing and non-manufacturing industries, large companies and small and medium-sized enterprises in the Bank of Japan's Short-term Economic Survey of Enterprises in Japan (*Tankan*) for March. Share prices also reacted to this, and the Nikkei Average share price rose 46.9% in fiscal 2003. However, uncertainty about the outlook for the economy, including the slump in consumer spending due to anxiety about employment and income, has not been completely eliminated.

In this environment, the consumer finance industry has been unable to avoid a significant increase in loan loss expenses. Although the unemployment rate is falling, it remains high, and while the rate of increase in personal bankruptcy is also dropping, the level is still higher than last year. Moreover, major banking groups have strengthened their strategies in the retail sector, and consequently competition for share will become even fiercer in the overall market, which now extends beyond the retail credit segment.

To prevail in this competition, AIFUL has added subsidiaries such as Life Co., Ltd., a major credit card and installment sales company, and Businext Corporation, a small business loan company, to the Group, and prepared the groundwork to become 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 of thorough, efficient management.

3. Results of Operations

(1) Summary of Operations

Business Environment

During the current consolidated fiscal year, the tone of recovery in the Japanese economy strengthened with the resolution of recessionary factors such as the war in Iraq and SARS. This recovery was evidenced in rising exports backed by an upturn in the global economy, increased corporate earnings due to the progress of restructuring, and an improvement in the unemployment rate, which had been continuing to rise. On the other hand, the environment for consumers continued to be difficult, due to factors including the impact of bird flu, prolonged deflation and flat consumer spending.

In this environment, the AIFUL Group and the consumer finance industry as a whole was confronted by a rise in loan loss expenses due to a higher number of personal bankruptcies than in the previous year, and a decline in demand for borrowing among customers as a result of a feeling of uncertainty about the economic outlook.

Based on this business environment, the AIFUL Group has stepped outside of the consumer finance industry as described earlier, and has been aiming to become a general retail finance company that targets the entire consumer credit market. The Company has continued to promote diversification of products and sales channels. Moreover, each company that belongs to the Group has been establishing a brand value based on the unified concept of "A Company for Security and Creation." At the same time they have been working in cooperation to display synergistic effects and strengthen the Group, they have also been striving to develop efficient operations.

Operations

(1. AIFUL Corporation)

During the fiscal year under review, AIFUL's loan business witnessed the company pursuing product diversification strategies in unsecured loans, real-estate secured loans, and business loans to more comprehensively cater to customer needs. These efforts tied into solid progress in loan balances at the end of the period.

AIFUL also promoted a "scrap and build" policy for the rebuilding of its branch network, opening three branches and closing twenty. This brought the total number of branches to 1563 at the end of the consolidated fiscal year, with 544 staffed branches, 1,018 unstaffed branches, and one branch dedicated to providing secured loans.

In an expansion of deposit and withdrawal facilities, AIFUL forged new alliances with 14 banks and one company with a total of 8,039 CD-ATMs. This brought the number of CD-ATMs to which AIFUL customers have access to 59,717, including AIFUL's own ATMs.

The number of new customers gained during the current consolidated fiscal year was 355,000, a decline of 12.3% over the previous year, and the number of new applications for unsecured loans was 555,000, a reduction of 7.6%. These declines were due to the persistent reluctance of customers to borrow, as a result of deterioration in the income and employment environment and a sense of economic uncertainty, as well as caution in the granting of credit to guard against a future rise in loan loss expenses.

Despite this environment, the proportion of new customers who sign up for AIFUL services via the Internet, be it via personal computer or mobile phone, has risen steadily to 9.1% with the spread of the Internet.

AIFUL MasterCard, the Company's credit card arm, has been proactively developing a variety of affiliate cards with the aim of gaining a wider range of customers. This includes the issue of an affiliate card aimed at members of DriverStand, the major car accessory store, which began in April 2003.

As a result of the foregoing, AIFUL's outstanding loans at the end of the consolidated fiscal year stood at 1,451,638 million yen, with 1,081,057 million yen in unsecured loans, 342,637 million yen in real estate-secured loans, and 27,943 million yen in loans to small businesses.

With regard to bad loans, loan loss expenses were up 20.3% over the previous year to 109,223 million yen due to factors such as the increase in the number of personal bankruptcies and high unemployment rate. The number of applications for personal bankruptcy (reported by the Supreme Court), which has a major impact on bad debts in the consumer finance industry, began to see a decline in the rate of increase in July 2003 and decreased 11.5% compared with the previous year in November 2003. This was the first double-digit decline for about nine years since September 1994, and the figures have subsequently recorded negative year-on-year growth.

In its guarantees business, which is being reinforced as a new source of revenues, in addition to unsecured and unguaranteed personal loans, AIFUL is also active in providing guarantees for loans to small businesses, making use of the expertise the Company has cultivated in the provision of credit and screening for small business loans. At the end of the current consolidated fiscal year, AIFUL had partnerships for the provision of loan guarantees with 38 financial institutions, with 27,317 million yen in guarantees.

In order to reconcile high quality customer service with improving efficiency in operations and cutting costs, AIFUL is promoting the integration of its marketing operations conducted separately throughout its 544 staffed branches nationwide, with the operation of two contact centers, one each in eastern and western Japan, in addition to the operation of automatic loan contract machines and free dial services for inquiries and applications in its inbound operations.

Moreover, to accompany these changes in the marketing structure, AIFUL has also made changes to its organizational structure to enable more efficient operations.

(2. Life Co., Ltd.)

During the current consolidated fiscal year, Life Co., Ltd. continued to concentrate on making the steady shift in its asset portfolio from a low earnings structure to a high earnings structure. This included pouring management resources into credit card shopping, per-item credit, and other consumer loan businesses, with the aim of establishing a stable earnings base. Moreover, Life issued an Unsecured Bond for the first time in March 2003 in order to further consolidate its financial structure by establishing a balanced and stable fund procurement environment and diversifying its fund raising channels.

In its credit card business, Life began the successive issue of joint credit cards with major home appliance retailer Eiden Co., Ltd., and home center major Sanwado Co., Ltd., in April 2003, seeking to steadily increase the number of cardholders. In proper cards, it has also launched new products, which include the issue of the TakaCARD, a fan club card for professional soccer player Naohiro Takahara, and the Odoru LIFECARD, a tie-up card with the popular movie *Bayside Shakedown* (*Odoru Daisosasen*), in the field of entertainment cards. Together with cards that had already been issued, such as the GLAY Card and the ATASHIn'CHI credit card, the new cards form an enhanced product line up.

The number of Life credit card holders topped one million in June 2003. Seizing this opportunity to improve its brand image, Life announced a "Life Card Holders Top One Million Campaign," and ran a promotion offering the largest benefits in the industry. Moreover, in the expansion of its credit card cash advance business, Life commenced new partnerships with 11 banks, bringing the number of partner financial institutions and credit card companies to 493, and enabling Life customers to access about 120,000 CD-ATMs.

As a result of the foregoing, the total number of credit card holders at the end of the current consolidated fiscal year rose 1,190,000 over the same time the previous year to 11,030,000.

In its per-item credit business, Life aggressively expanded its network of affiliated stores and conducted sales promotions, along with strengthening its marketing system through a concentration of branch operations focused on increasing the volume of business and accumulating high quality assets.

In its consumer finance business, Life opened 39 new branches and closed five branches, bringing the total number of Life Cashing Plazas to 198. In January 2004, Life opened the new concept store Life Card Shinjuku Store. In collaboration with other industries, it primarily issues credit cards; its strengths are its ability to attract customers and its immediate issuing functions. Life will continue to boost its acquisition of new customers by enhancing its network of stores.

In its guarantees business, Life sought to expand the bank loan guarantee products for which it can ensure a favorable guarantee rate, and commenced new partnerships with 31 banks, bringing its number of guarantee partners to 97 banks.

As a result of the foregoing, Life's total balance of loans, installment receivables and credit guarantee installment receivables was 702,202 million yen, up 3.9% compared with the previous year. This included 213,981 million yen in off-balance sheet receivables resulting from securitization. The breakdown of this figure was as follows: credit card shopping up 11.6% to 71,508 million yen, per-item credit up 2.8% to 175,635 million yen, credit card cash advances up 9.1% to 339,137 million yen, credit guarantee installment receivables down 9.8% to 106,290 million yen, and other businesses down 23.4% to 9,628 million yen.

Meanwhile, volume of business was up 15.8% to 320,245 million yen for credit card shopping, down 6.9% to 134,512 million yen for per-item credit, down 0.2% to 305,886 million yen for loans, including credit card cash advances and Play Cards, and down 10.7% to 29,823 million yen for the guarantees business.

(3. Other Group Companies)

While continuing to screen their customers carefully in view of the current economic environment, Businext Corporation, a company that provides loans to small business, and City's Corporation, have made efforts to gain new, high quality customers. As a result, the balance of loans at the end of the consolidated fiscal year was 27,591 million yen at Businext, and 31,214 million yen at City's.

In addition, AIFUL acquired the shares of Kokusai Capital Co., Ltd., a venture capital company, during the current consolidated fiscal year, and turned it into a subsidiary on March 31. Turning Kokusai Capital, which has built up expertise in the venture capital business over many years, into a subsidiary will give AIFUL access to expertise in the provision of business funding in the new form of investment. This will make it possible for the Group to be involved in the provision of funds to small and medium-sized enterprises and start up companies, both in terms of loans and investment.

In other developments, three consumer finance subsidiaries, Happy Credit Corporation, Shinwa Co., Ltd., and Sanyo Shinpan Co., Ltd., carried out a merger on April 1, 2004, with Happy Credit Corporation as the surviving company, conducting business under the new name of

Tryto Corporation. The merger took place after Sanyo Shinpan Co., Ltd., had divested its credit card and installment sales businesses to Life Co., Ltd., on April 1, 2004. The objective of the merger was to make the most appropriate allocation of operating assets, including Group company stores and personnel, and to further improve management efficiency.

As a result of the foregoing, AIFUL and it subsidiaries had 1,907,655 million yen in outstanding loans, 247,551 million yen in installment receivables, 133,610 million yen in credit guarantee installment receivables, and 10,205 million yen in other business at the end of the current consolidated fiscal year.

The amounts above include 213,981 million yen in off-balance sheet loans due to securitization (including 120,715 million yen in outstanding loans and 93,266 million yen in installment receivables.)

On April 26, 2004, having obtained the approval of the Tokyo District Court, AIFUL concluded a sponsor agreement with the administrator of TCM. Co. Ltd., a company undergoing reorganization. AIFUL is now providing support for the rapid reorganization of TCM in line with its reorganization plan, and for the development of its business.

Capital Procurement

AIFUL procured capital during the year in a variety of ways: borrowing 109.5 billion yen through securitization methods, issuing standard domestic bonds to the sum of 80 billion yen, and taking out syndicated loans overseas. These activities constituted a continued diversification of the company's capital procurement avenues. In addition to strengthening its relationship with existing business partner financial institutions, AIFUL also added seven new financial institutions as business partners, increasing the soundness of its capital procurement base. Moreover, the Company increased its proportion of fixed interest capital procurement by purchasing interest caps in order to hedge against the risk of future increases in interest rates.

These efforts will continue into the future as AIFUL seeks to develop new classes of investors through active investor relations, and continues to diversify the techniques whereby it obtains access to a low-cost, stable source of capital.

Operating Results

As a result of the above activities, operating revenue for the year jumped 5.3%, to 473,477 million yen for the consolidated fiscal year. AIFUL's operating revenue climbed 3.2% to 334,977 million yen, comprising 70.7% of the Group's revenues. Life recorded operating revenue of 111,575 million yen, an increase of 9.0% year-on-year, comprising 23.6% of the Group's revenues. Of that total, 429,512 million yen, or 90.7%, was accounted for by operating interest on loans, 23,648 million yen, or 5.0%, by revenue from installment receivables, 5,562 million yen, or 1.2%, by guarantees revenue, and 14,754 million yen, or 3.1%, by other revenue.

AIFUL's operating interest on loans accounts for 76.1% of the Group's consolidated operating interest on loans. This figure can be broken down into 81.3% in unsecured loans, 16.7% in real estate-secured loans, and 2.0% in business loans.

Operating expenses for the AIFUL Group totaled 360,911 million yen. AIFUL's operating expenses accounted for 66.4%, or 239,739 million yen, of this total, while Life's operating expenses accounted for 27.6%, or 99,780 million yen. Total Group operating expenses can be broken down into 157,339 million yen, or 43.6%, for loan loss expenses accompanying the continuation of the poor employment and income environment, as well as the high level of unemployment and personal bankruptcy, despite the beginning of some signs of improvement. There was also 38,164 million yen, or 10.6%, in financial expenses, 19,962 million yen, or 5.5%, in advertising expenses, 42,212 million yen, or 11.7%, in personnel expenses, and 21,502 million yen, or 6.0%, in commissions paid.

The 2,061 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 of the foregoing, consolidated operating income for the fiscal year fell 3.0% to 112,566 million yen, ordinary income was up 0.6% to 112,446 million yen, and net income increased 4.4% to 62,548 million yen. AIFUL's operating income fell 10.9% to 95,238 million yen, ordinary income dropped 7.6% to 98,932 million, and net income declined 4.0% to 53,086 million yen.

Fiscal 2005 Outlook

In terms of the outlook for the future, while signs of a recovery for the Japanese economy have been appearing in the GDP growth rate, economic trend indicators and macro-economic indicators, uncertainty seems likely to persist. In the consumer finance industry, although the increase in the unemployment rate and number of personal bankruptcies has stabilized, uncertainty remains at a high level. Therefore, there are currently concerns that the environment with regard to loan losses will remain difficult.

In response to these challenges, AIFUL will continue to set unambiguous goals for itself as it commits the energies of the entire group to increasing its balances for high-quality loans. Working for maximal cost reductions and all-round improvements in management performance, the company will maintain steady flows of income.

In the year ending March 2005, we predict a 5.7% rise to 500,685 million yen in consolidated operating income, a 13.8% increase to 128,000 million yen in ordinary income, and a 4.8% increase to 65,542 million yen in net income. We forecast that AIFUL's non-consolidated operating income will increase 1.9% to 341,287 million yen, ordinary income will grow 13.2% to 112,000 million yen, and net income will rise 10.8% to 58,839 million yen.

(2) Financial Situation

Assets

Loans totaled 1,786,940 million yen, an increase of 7.0% over the previous year. This was primarily due to steady increases in Group loans. AIFUL's loans rose 2.7% to 1,451,638 million yen, Life's loans rose 47.8% to 218,422 million yen, and Businext's loans increased 79.2% to 27,591 million yen.

Installment receivables rose 4.3% year-on-year to 154,285 million yen, due to the steady progress made by the credit card shopping and per-item credit businesses at Life Co., Ltd.

Meanwhile, credit guarantee installment receivables rose 3.8% to 133,610 million yen as a result of AIFUL's active promotion of its guarantees business. Allowance for bad debt was increased 10.3% to 145,757 million yen, in consideration of economic conditions in 2004.

Consolidated loans and installment receivables do not include 120,715 million yen in loans and receivables, down 25.9% year–on-year, and 93,266 million yen in installment receivables, up 6.0% year-on-year, taken off the balance sheet by Life's securitization of receivables.

Adjustment for consolidated accounts fell 34.8%, to 14,370 million yen.

Liabilities

Total capital procured, including debt, commercial paper and bonds, rose 0.6% to 1,513,811 million yen. This was due to an increase in financing to correspond with the steady increase in AIFUL, Life and Businext's operating receivables.

Shareholders' Equity

Shareholders' equity at the end of the consolidated fiscal year rose 12.7% over the previous year to 547,503 million yen, and the equity ratio stood at 23.5%. AIFUL's non-consolidated shareholders' equity rose 11.1% to 522,904 million yen, and AIFUL's shareholders' equity ratio is 28.0%.

Cash Flows

Despite capital procurement through the issuance of bonds, consolidated cash and cash equivalents stood at 98,329 million yen at the end of the fiscal year, a decrease of 33,313 million yen compared with the previous year, due to the rise in outstanding loans through operating activities.

(Cash flow from operating activities)
Despite net income before tax of 103,814 million yen, net cash used in operating activities was minus 42,734 million yen, compared with minus 90,062 million yen in the previous year, due to factors that included an increase in operating receivables, including loans and the payment of corporation tax.

(Cash flow from investing activities)
Net cash used in investing activities totaled 6,370 million yen, compared with minus 57,172 million yen in the previous year, due to collection of loans and other factors.

(Cash flow from financing activities)
Net cash provided by financing activities came to 3,097 million yen, compared with 131,652 million yen in the previous year, due to the payment of dividends.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(In millions of yen - rounded down, except where noted)

Category	Note No.	For the previous fiscal year (As of March 31, 2003) Amount		%	For the current fiscal year (As of March 31, 2004) Amount		%
(Assets)							
I Current assets							
1. Cash and cash equivalents	*2		132,296			99,163	
2. Loans	*2,7,8		1,670,781			1,786,940	
3. Installment receivables	*2,5,7		147,857			154,285	
4. Credit guarantee installment receivables			128,744			133,610	
5. Other operating receivables			12,738			10,205	
6. Marketable securities			510			120	
7. Inventory	*2		723			1,327	
8. Deferred tax assets			25,582			29,311	
9. Short-term loans	*3		30,183			20,178	
10. Other	*2		61,487			55,844	
11. Allowance for bad debts			(113,438)			(126,918)	
Total current assets			2,097,467	91.9		2,164,068	92.8
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	*2	40,811			45,576		
Total accumulated depreciation		(23,361)	17,449		(24,700)	20,875	
(2) Machinery and vehicles	*2	102			220		
Total accumulated depreciation		(63)	38		(59)	160	
(3) Equipment and fixtures		11,989			16,065		
Total accumulated depreciation		(5,362)	6,626		(6,438)	9,626	
(4) Rental assets		22			–		
Total accumulated depreciation		(20)	2		–	–	
(5) Land	*2		14,801			14,635	
(6) Construction in process account			3,093			181	
Total tangible fixed assets			42,012	1.8		45,479	2.0
2. Intangible fixed assets							
(1) Software			16,346			21,050	
(2) Telephone rights			811			667	
(3) Consolidation adjustment account			22,046			14,370	
(4) Other			39			43	
Total intangible fixed assets			39,243	1.8		36,131	1.5
3. Investment and other fixed assets							
(1) Investment in securities	*2,4		11,285			17,016	
(2) Bankruptcy claims	*8		17,363			23,660	
(3) Long-term loans			20,395			8,491	
(4) Lease deposits and guarantees			10,850			10,776	
(5) Deferred tax assets			16,591			14,782	
(6) Loss on deferred hedge			33,674			18,974	
(7) Other	*2		11,384			11,718	
(8) Allowance for bad debts			(18,691)			(18,838)	
Total investment and other fixed assets			102,854	4.5		86,582	3.7
Total fixed assets			184,110	8.1		168,193	7.2
III Deferred assets							
1. Bond issuing expenses			535			499	
Total deferred assets			535	0.0		499	0.0
Total assets			2,282,113	100.0		2,332,761	100.0

Consolidated Balance Sheet (cont.):

(In millions of yen - rounded down, except where noted)

Category	Note No.	For the previous fiscal year (As of March 31, 2003) Amount		%	For the current fiscal year (As of March 31, 2004) Amount		%
(Liabilities)							
I Current liabilities							
1. Notes & accounts payable - trade			22,932			26,251	
2. Credit guarantees payable			128,744			133,610	
3. Short-term debt	*2		55,365			57,034	
4. Current portion of bonds			74,500			90,000	
5. Current portion of long-term debt	*2		416,152			408,204	
6. Commercial paper			13,500			5,000	
7. Income taxes payable			37,627			25,845	
8. Reserve for accrued bonuses			3,759			3,878	
9. Gains on deferred installments	*6		11,089			10,826	
10. Other	*2		41,174			42,680	
Total current liabilities			804,845	35.3		803,332	34.4
II Long-term liabilities							
1. Bonds			377,500			365,000	
2. Long term debts	*2		567,950			588,572	
3. Allowance for retirement benefits for employees			7,636			2,417	
4. Allowance for retirement benefits for directors			1,150			1,262	
5. Interest swaps			32,119			18,832	
6. Other			890			1,157	
Total long-term liabilities			987,247	43.2		977,243	41.9
Total liabilities			1,792,092	78.5		1,780,575	76.3
(Minority interests)							
Minority interests			4,028	0.2		4,681	0.2
(Shareholders equity)							
I Common stock	*9		83,317	3.6		83,317	3.6
II Additional paid-in capital	*1		104,125	4.6		104,125	4.5
III Consolidated retained earnings			300,924	13.2		357,705	15.3
IV Differences in evaluation of other marketable securities			(323)	(0.0)		4,417	0.2
V Treasury stock	*10		(2,052)	(0.1)		(2,062)	(0.1)
Total shareholders' equity			485,991	21.3		547,503	23.5
Total Liabilities, minority interests and shareholders' equity			2,282,113	100.0		2,332,761	100.0

(2) Consolidated Statement of Income

(In millions of yen - rounded down, except where noted)

Category	Note No.	For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003) Amount		%	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004) Amount		%
I Operating revenue							
1. Interest on loans to customers			406,483	90.4		429,512	90.7
2. Credit card revenue			7,877	1.8		8,140	1.7
3. Per-item credit revenue			15,178	3.4		15,508	3.3
4. Credit guarantee revenue			4,132	0.9		5,562	1.2
5. Financial revenue - other							
(1) Interest on bank deposit		18			7		
(2) Interest on marketable securities		1			1		
(3) Interest on loans		267			47		
(4) Other		35	321	0.1	39	95	0.0
6. Operating revenue - other							
(1) Sales of property		306			50		
(2) Revenue from service business		935			–		
(3) Bad debts write-off recovery		6,431			6,778		
(4) Other		7,790	15,463	3.4	7,830	14,658	3.1
Total operating revenue			449,458	100.0		473,477	100.0
II Operating expenses							
1. Financial expenses							
(1) Interest expenses		25,126			24,620		
(2) Interest on bonds		9,985			9,908		
(3) Other		3,367	38,479	8.6	3,635	38,164	8.1
2. Cost of sales							
(1) Cost of sales of property		296			137		
(2) Cost of sales of service business		266	562	0.1	–	137	0.0
3. Operating expenses - other							
(1) Advertising expenses		21,747			19,962		
(2) Commissions		19,291			21,502		
(3) Loan losses		20,963			13,447		
(4) Transfers to allowance for bad debts		113,162			143,892		
(5) Salaries for employees		35,614			37,519		
(6) Transfers to reserve for accrued bonuses		3,759			3,878		
(7) Expenses for retirement benefits for employees		3,186			679		
(8) Transfers to allowance for retirement benefits for directors		104			137		
(9) Consolidation adjustment account write-off		2,638			2,061		
(10) Other		73,952	294,420	65.5	79,530	322,610	68.1
Total operating expenses			333,462	74.2		360,911	76.2
Operating income			115,995	25.8		112,566	23.8

Consolidated Statement of Income (cont.):

(In millions of yen - rounded down, except where noted)

Category	Note No.	For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003) Amount		%	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004) Amount		%
III Non-operating income							
1. Interest on loans		52			45		
2. Dividends received		99			94		
3. Insurance dividends received		325			209		
4. Gain on investment in anonymous association		–			10		
5. Other		825	1,303	0.3	680	1,040	0.2
IV Non-operating expenses							
1. Interest expenses		–			183		
2. Transfer to allowance for bad debts		4,387			–		
3. Loss on investment in anonymous association		–			747		
4. Other		1,114	5,501	1.2	229	1,160	0.3
Ordinary income			111,797	24.9		112,446	23.7
V Extraordinary income							
1. Gain on sale of investment securities		212			738		
2. Allowance for bad debts from previous year		38			2		
3. Liquidation of lease deposits and guarantees		135			31		
4. Gain from transfer of payment obligation for substitutional benefits of employees' pension fund		–			4,025		
5. Other		58	444	0.1	159	4,957	1.0
VI Extraordinary losses							
1. Loss on valuation of fixed assets	*1	540			–		
2. Loss on sale of fixed assets	*2	374			259		
3. Loss on valuation of investment securities		858			601		
4. Loss on reorganization of affiliates		–			126		
5. Loss on withdrawal from auto loan business		–			4,106		
6. Transfer to allowance for bad debts		4			12		
7. Consolidation adjustment account write-off	*3	1,048			5,614		
8. Dissolution fees for cancellation of contract		1,238			1,502		
9. Other		724	4,788	1.1	1,367	13,589	2.8
Income before taxes			107,453	23.9		103,814	21.9
Corporate tax, local and enterprise taxes		57,555			46,173		
Adjustment on corporate tax, etc.		(10,129)	47,426	10.6	(5,157)	41,016	8.7
Gain on minority interests			116	0.0		250	0.0
Net income			59,910	13.3		62,548	13.2

(3) Consolidated Statement of Retained Earnings

(In millions of yen - rounded down, except where noted)

		For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)		For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)	
Category	Note No.	Amount		Amount	
(Capital surplus)					
I Capital surplus at the beginning of the year					
Additional paid-in capital at the beginning of the year		94,047	94,047	104,125	104,125
II Increase in consolidated retained earnings					
Increase in retained earnings by exercise of rights to subscribe for new shares		10,078	10,078	−	−
III Capital surplus at the end of the year			104,125		104,125
(Earned surplus)					
I Earned surplus at the beginning of the year					
Consolidated earned surplus at the beginning of the year		246,239	246,239	300,924	300,924
II Increase in earned surplus					
Net income		59,910	59,910	62,548	62,548
III Decrease in earned surplus					
1. Cash dividends		5,123		5,668	
2. Bonuses to directors		103		98	
3. Loss from price differences in disposal of treasury stock		−	5,226	0	5,766
IV Consolidated retained earnings at the end of the period			300,924		357,705

(4) Consolidated Statement of Cash Flows

(In millions of yen - rounded down, except where noted)

		For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
Category	Note No.	Amount	Amount
I Cash flow from operating activities			
Net income before taxes		107,453	103,814
Depreciation and amortization		6,676	7,863
Write-down of consolidation adjustment account		3,686	7,675
Loss on valuation of investment securities		858	601
Increase (decrease) in allowance for bad debts		20,908	13,626
Increase (decrease) in reserve for accrued bonuses		(260)	119
Increase (decrease) in allowance for retirement benefits for employees		1,545	(1,193)
Increase (decrease) in allowance for retirement benefits for directors		82	112
Non-operating interest on loans and cash dividends		(152)	(139)
Amortization of bond issuing expenses		829	504
Loss on sale of tangible fixed assets		374	259
Loss on disposal of tangible fixed assets		409	667
Loss on valuation of fixed assets		540	–
Increase on liquidation of lease deposits and guarantees		(135)	(31)
Gain from transfer of payment obligation for substitutional benefits of employees’ pension fund		–	(4,025)
Bonuses paid to directors		(103)	(98)
Decrease (increase) in loans to customers		(160,195)	(116,158)
Decrease (increase) in installment receivables		(27,101)	(6,428)
Loss (gain) on other trade receivables		3,374	2,533
Decrease (increase) in bankruptcy claims		(1,015)	(6,297)
Decrease (increase) in inventory		491	(603)
Decrease (increase) in pre-paid expenses		(116)	(120)
Decrease (increase) in long-term pre-paid expenses		(3,147)	(229)
Decrease (increase) in other current assets		(14,359)	3,870
Increase (decrease) in other current liabilities		5,008	4,708
Other		957	4,051
Subtotal		(53,389)	15,081
Non-operating interest on loans and cash dividends		152	139
Payments for corporate and other taxes		(36,826)	(57,955)
Cash flow from operating activities		(90,062)	(42,734)
II Cash flow from investing activities			
Disbursements for investments in term deposits		(474)	(498)
Revenue from payment of term deposits		1,621	492
Funds provided by sales of investment securities		303	509
Change in trust beneficiary rights		(1,744)	2,000
Funds used for purchase of new subsidiaries	*2	(7,556)	–
Funds used for purchase of tangible fixed assets		(5,501)	(8,095)
Gain on sale of tangible fixed assets		596	357
Funds used for purchase of intangible fixed assets		(11,819)	(8,921)
Funds used for purchase of investment securities		(3,459)	(308)
Funds provided by sales of investment securities		1,345	2,555
Funds used for acquisition of paid-in capital		–	(250)
Funds provided by sale of paid-in capital		336	139
Decrease (increase) in short-term receivables		(22,999)	10,004
Funds used in collections of long-term loans receivables		(8,140)	(7,216)
Gain on collection of long-term loans receivables		173	15,735
Funds used for purchases of investments and other assets		(400)	(51)
Funds provided from sales of investments and other assets		505	344
Other		40	(427)
Cash flow from investing activities		(57,172)	6,370

Consolidated Statement of Cash Flows (cont.):

(In millions of yen - rounded down, except where noted)

		For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
Category	Note No.	Amount	Amount
III Cash flow from financing activities			
Increase in short-term debts		420,365	657,558
Repayment of short-term debt		(413,452)	(655,888)
Decrease in commercial paper		(1,500)	(8,500)
Increase in long-term debt		553,965	541,283
Repayments of long-term debt		(451,921)	(528,609)
Cash from issue of corporate bonds		99,925	79,531
Loss on redemption of bonds		(71,000)	(77,000)
Payment for acquisition of treasury stock		(6)	(9)
Gain on payments from minor shareholders for establishment of subsidiaries/affiliates		400	400
Cash dividends paid		(5,123)	(5,668)
Cash flow from financing activities		131,652	3,097
IV Effect of exchange rate changes on cash and cash equivalents		35	(47)
V Increase (decrease) in cash and cash equivalents		(15,547)	(33,313)
VI Balance of cash and cash equivalents at the beginning of period		139,126	131,643
VII Increase in cash and cash equivalents from new consolidations		8,064	–
VIII Balance of cash and cash equivalents at the end of period	*1	131,643	98,329

5. Significant Accounting Policies Relating to the Financial Statements

Item	For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
1. Matters pertaining to consolidation	(1) No. of consolidated subsidiaries: 9 (2) Names of non-consolidated subsidiaries Life Stock Center Co., Ltd. and three others (Reasons the companies are excluded from consolidation) Non-consolidated subsidiaries 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.	(1) No. of consolidated subsidiaries: 9 (2) Names of non-consolidated subsidiaries Life Stock Center Co., Ltd. and three others (Reasons the companies are excluded from consolidation) Non-consolidated subsidiaries 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	Four 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.	Four 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 concerning the settlement dates of consolidated subsidiaries	The fiscal year-end of consolidated subsidiary Marutoh K.K. 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.	As on left
4. Accounting principles used for standard accounting treatment		
(1) Appraisal standards and methods for principal assets i) Marketable securities	Bonds held to maturity Amortized cost method (Fixed amount method) 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	As on left
ii) Inventories	Real estate for sale Lower-of-cost-or-market method, cost being determined by the specific cost method Warehouse goods Latest purchase cost method	Real estate for sale As on left Warehouse goods As on left
(2) Depreciation methods for depreciable assets i) Tangible fixed assets	Diminishing balance depreciation method Major useful lives are as follows: Buildings and structures 3-50 years Machinery and vehicles 2-15 years Equipment and fixtures 2-20 years	As on left
ii) Intangible fixed assets	Software Straight-line method based on the assumed useful life for internal use (5 years) Straight-line method	As on left

Item	For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
(3) Accounting standards for allowances and reserves		
i) Allowance for bad debts	Provision for losses on bad debts is made up to the necessary amount considering the actual percentage of bad loan write-offs for normal claims, and up to the amount forecast to be irrecoverable based on individual assessments of recoverability for doubtful claims.	As on left
ii) 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 fiscal year.	As on left
iii) Allowance for retirement benefits for employees	Provision for employees' retirement benefits is made on the basis of forecast retirement benefit obligations and pension assets at the end of the current consolidated fiscal year. Actuarial differences and past service obligations are generally written off as lump sum expenses in the consolidated fiscal year in which they arise.	Provision for employees' retirement benefits is made on the basis of forecast retirement benefit obligations and pension assets at the end of the current consolidated fiscal year. Actuarial differences and past service obligations are generally written off as lump sum expenses in the consolidated fiscal year in which they arise. (Supplementary Information) With the enforcement of the Defined Benefit Corporate Pension Law, AIFUL and some of its consolidated domestic subsidiaries obtained from the Minister of Health, Labour and Welfare, as of September 25, 2003, an exemption from the obligation to make future payments with respect to the substitutional portion of employees' pension fund. The estimated amount returned (minimum liability) as of the end of the current consolidated fiscal year is 2,509 million yen. If AIFUL were to apply the interim measure set forth in the "Practice Guideline Concerning Retirement Benefit Accounting (Interim Report)" (Report of the Accounting Standards Committee of The Japanese Institute of Certified Public Accountants No. 13, Item 44-2), the amount to be recorded as a profit would be 263 million yen. Some consolidated domestic subsidiaries have applied the interim measures set forth in Item 47-2 of the Practice Guideline, having written off the retirement benefit obligation relating to the substitutional portion, and pension assets equivalent to the returned amount regarded as extinguished on the date of approval of the relevant exemption. The estimated amount returned (minimum liability) at the end of the current consolidated fiscal year is 4,067 million yen.
iv) Allowance for retirement benefits for directors (4) Other Significant Accounting Policies Relating to the Financial Statements	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.	As on left
i) 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.	As on left

Item	For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
ii) Accounting standards for credit revenue	Commission charges from customers and franchised stores based upon add-on systems are treated as “gains on deferred installments” 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.	As on left
iii) Guarantees revenues	Loan guarantee revenues are accounted for with the diminishing-balance method.	As on left
iv) 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 expenses” in non-operating expenses.	As on left
(5) Conversion standards for assets and liabilities in foreign currency	Foreign currency-denominated assets and liabilities are converted into yen using the spot exchange rate on the date of consolidated settlement. Translation disparities are recorded as gains and losses.	–
(6) Accounting treatment of 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*.	As on left
(7) Hedge accounting methods		
i) Hedge accounting methods	The Company uses deferred hedge accounting. However, the Company uses special accounting rules for interest swaps that meet the requirements for special treatment as interest swaps and interest swaps.	As on left
ii) Hedging methods and hedged transactions		
Hedging methods	Interest caps and interest swaps	As on left
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).	As on left
iii) 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.	As on left
iv) Evaluation of hedge effectiveness	The Company determines the effectiveness of its hedging transactions based on a method of ratio analysis covering cumulative changes over a ten-year period.	As on left
(8) 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 fixed assets, and are written off using the straight-line method over a five-year period.	As on left
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.	As on left

Item	For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
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.	As on left
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.	As on left
8. Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows	Cash and cash equivalents include cash on hand, deposits on demand, and short-term, highly liquid investments with maturities of three months or less at the date of acquisition that are readily convertible to cash and cash equivalents and are subject to only insignificant risk of changes in value.	As on left

6. Changes in Accounting Standards

For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
(Accounting Standards for the Elimination of Treasury Stock and Legal Reserve) The company adopted 'Accounting Standards Pertaining to the Elimination of Treasury Stock and Legal Reserve' (Corporate Accounting Standards, No. 1) during the current consolidated fiscal year. This change had no effect on income or losses for the period. "Shareholders' equity" on consolidated balance sheets and consolidated statements of retained earnings for the current year have been formulated in line with the new changes. (Accounting Standards Pertaining to Net Income Per Share) The company adopted 'Accounting Standards Pertaining to Net Income Per Share' (Corporate Accounting Standards, No. 2), and 'Guidelines Relating to Accounting Standards Pertaining to Net Income Per Share' (Corporate Accounting Standards, No. 4) during the current consolidated fiscal year. The effect of these changes on net income per share was as stated in the note on Per Share Information.	–

7. Changes in Labeling Method

For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
–	Because "interest expenses" exceeded 10% of total non-operating expenses, this item was recorded as a category. This item was included as 223 million yen in "miscellaneous" in non-operating expenses in the previous consolidated fiscal year.

8. Notes
(1) Notes to the Consolidated Balance Sheets

For the previous fiscal year (As of March 31, 2003)	For the current fiscal year (As of March 31, 2004)
*1 Additional paid-in capital includes an increase of 18,693 million yen in a simple equity swap. This includes a difference of 13,900 million yen recorded in the valuation of subsidiary's stock incurred in capital consolidation methods.	*1 Additional paid-in capital includes an increase of 18,693 million yen in a simple equity swap. This includes a difference of 13,900 million yen recorded in the valuation of subsidiary's stock incurred in capital consolidation methods.

For the previous fiscal year (As of March 31, 2003)

*2 Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(In millions of yen)
Cash and deposits	642
Loans	707,843
Installment receivables	44,758
Inventory	137
Buildings and structures	1,021
Machinery and vehicles	24
Land	1,618
Investment in securities	265
Investment and other fixed assets (other)	1
Total	756,313

(2) Corresponding liabilities

	(In millions of yen)
Short-term debt	37,265
Current portion of long-term debt	250,231
Long term debts	338,991
Current liabilities (other)	218
Total	626,707

Above amounts include items related to the securitization of loans receivables, 203,482 million yen for outstanding loans receivables, 27,321 million yen for the current portion of long-term debt, and 96,547 million yen for long-term debt.

The items below are included in the above amounts.

- The Company has contracted to offer loans as collateral in response to borrowers' requests to the sum of 2,000 million yen for short term debt, 66,235 million yen for the current portion of long-term debt, and 99,562 million yen in long-term debt, totaling 167,797 million yen.
- The Company has also offered 15,783 million yen in cash and cash equivalents as collateral for swap transactions.

*3 Assets pledged as collateral and corresponding market values

	(In millions of yen)
Transferred accounts	8,001
Commercial paper	19,998
Trust beneficiary rights	2,000
Total	29,999

*4 Value of stock of non-consolidated subsidiaries and affiliates included in investments in securities

29 million yen

*5 Installment receivables

	(In millions of yen)
Card shopping	42,029
Per item shopping	105,826
Other	1
Total	147,857

For the current fiscal year (As of March 31, 2004)

*2 Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(In millions of yen)
Cash and deposits	546
Loans	760,544
Installment receivables	45,367
Inventory	124
Buildings and structures	960
Machinery and vehicles	18
Land	1,470
Investment and other fixed assets (other)	73
Total	809,104

(2) Corresponding liabilities

	(In millions of yen)
Short-term debt	45,320
Current portion of long-term debt	220,249
Long term debts	359,991
Current liabilities (other)	114
Total	625,675

Above amounts include items related to the securitization of loans receivables, 259,797 million yen for outstanding loans receivables, 31,278 million yen for the current portion of long-term debt, and 90,268 million yen for the long-term debt.

The items below are included in the above amounts.

- The Company has contracted to offer loans as collateral in response to borrowers' requests to the sum of 200 million yen for short term debt, 83,946 million yen for the current portion of long-term debt, and 84,087million yen in long-term debt, totaling 168,234 million yen.
- The Company has also offered 6,153 million yen in cash and cash equivalents as collateral for swap transactions.

*3 Assets pledged as collateral and corresponding market values

	(In millions of yen)
Transferred accounts	10,000
Commercial paper	9,998
Total	19,998

*4 Value of stock of non-consolidated subsidiaries and affiliates included in investments in securities

19 million yen

*5 Installment receivables

	(In millions of yen)
Card shopping	46,707
Per item shopping	107,576
Other	1
Total	154,285

For the previous fiscal year (As of March 31, 2003)

*6 Gains on deferred installments

(In millions of yen)

	Balance at end of prior period	Gains during period	Amounts enacted during period	Balance at end of period
Credit card shopping	1,043	7,252	7,758	538 (109)
Per item shopping	6,283	18,247	14,869	9,661 (955)
Guarantees	1,293	2,995	3,619	670 (0)
Loans	258	68,422	68,460	219 (−)
Total	8,878	96,918	94,708	11,089 (1,065)

Note: Amounts in parenthesis are merchant fees.

*7 Securitization of receivables

The amount of loans and installment receivables removed from the balance sheet through the securitization of claims stood at 250,936 million yen at the end of the consolidated fiscal year. The break down was as follows:

(In millions of yen)

Loans	162,920
Installment receivables	88,015
Total	250,936

*8 Bad debts

The bad debts included in loans and bankruptcy claims are shown below:

(In millions of yen)

	Unsecured loans	Other loans	Total
Bankruptcy claims	2,850	17,979	20,830
Loans in arrears	22,171	17,725	39,896
Loans in arrears longer than 3 months	12,130	4,371	16,502
Loans with adjusted terms	42,247	920	43,168
Total	79,401	40,997	120,398

Explanations for each of the above items follow:

(Bankruptcy claims)

"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 bankruptcy claims 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.

For the current fiscal year (As of March 31, 2004)

*6 Gains on deferred installments

(In millions of yen)

	Balance at end of prior period	Gains during period	Amounts enacted during period	Balance at end of period
Credit card shopping	538	7,884	8,044	377 (67)
Per item shopping	9,661	15,428	15,151	9,937 (1,150)
Guarantees	670	3,600	3,842	428 (0)
Loans	219	76,384	76,520	82 (−)
Total	11,089	103,297	103,559	10,826 (1,217)

Note: Amounts in parenthesis are merchant fees.

*7 Securitizationof receivables

The amount of loans and installment receivables removed from the balance sheet through the securitization of claims stood at 213,981 million yen at the end of the consolidated fiscal year. The break down was as follows:

(In millions of yen)

Loans	120,715
Installment receivables	93,266
Total	213,981

*8 Bad debts

The bad debts included in loans and bankruptcy claims are shown below:

(In millions of yen)

	Unsecured loans	Other loans	Total
Bankruptcy claims	6,518	22,118	28,636
Loans in arrears	28,597	23,854	52,452
Loans in arrears longer than 3 months	12,736	5,083	17,819
Loans with adjusted terms	49,856	1,060	50,916
Total	97,709	52,116	149,825

Explanations for each of the above items follow:

(Bankruptcy claims)

As on left

(Loans in arrears)

As on left

For the previous fiscal year (As of March 31, 2003)	For the current fiscal year (As of March 31, 2004)
(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 more months overdue from the day following the scheduled payment date and that are not regarded as bankruptcy claims 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 bankruptcy claims, loans in arrears or loans in arrears longer than 3 months. *9 All issued stocks totaled 94,690,000 shares of common stock. *10 The number of shares of treasury stock held by the AIFUL Group was 221,638 shares of common stock.	(Loans in arrears longer than 3 months) As on left (Loans with adjusted terms) As on left *9 All issued stocks totaled 94,690,000 shares of common stock. *10 The number of shares of treasury stock held by the AIFUL Group was 222,866 shares of common stock.

(2) Notes to the Consolidated Statement of Income

For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
*1 Breakdown of loss on valuation of fixed assets is as follows: (In millions of yen) Buildings and structures 74 Land 464 Machinery 1 Total 540	
*2 Breakdown of loss on sale of fixed assets is as follows: (In millions of yen) Buildings and structures 277 Land 94 Other (Equipment and fixtures) 2 Total 374	*2 Breakdown of loss on sale of fixed assets is as follows: (In millions of yen) Buildings and structures 3 Land 13 Other (Telephone rights) 243 Total 259
*3 The amount of tax losses carried forward at a subsidiary at the time of acquisition of the subsidiary's shares that corresponds to the accrued deferred tax assets at the subsidiary following the acquisition of the subsidiary's shares is written off as a lump sum.	*3 The amount of tax losses carried forward at a subsidiary at the time of acquisition of the subsidiary's shares that corresponds to the accrued deferred tax assets at the subsidiary following the acquisition of the subsidiary's shares is written off as a lump sum.

(3) Note to the Consolidated Statement of Cash Flows

<table>
<tr><th>For the previous fiscal year
(Apr. 1, 2002 to Mar. 31, 2003)</th><th>For the current fiscal year
(Apr. 1, 2003 to Mar. 31, 2004)</th></tr>
<tr><td>*1 Relationship between the balance of cash and cash equivalents at the end of the period and the amounts recorded in the categories shown on the consolidated balance sheets:
(In millions of yen)
Cash and cash equivalents account 132,296
Term deposits with maturity greater than 3 months (653)
Cash and cash equivalents 131,643

*2 Details of the assets and liabilities of City Greens Co., Ltd. and City's Corporation, which became consolidated subsidiaries through an exchange of capital:
(In millions of yen)
Current assets 37,189
Fixed assets 2,808
Consolidation adjustment account 2,493
Current liabilities (20,072)
Long-term liabilities (4,784)
Price of acquisition of City Greens Co., Ltd. and City's Corporation 17,634
Price of new shares issued through the exchange of stock (10,078)
Difference: Expenditures accompanying purchase of stock in City Greens Co., Ltd. and City's Corporation 7,556

3 Other non-cash transactions
In accordance with the regulations laid down in Article 358 of the Commercial Code, the Company issued 1,314,000 new shares through an exchange of stock in order to make City Green Co., Ltd. a wholly owned subsidiary. The following increases were recorded as a result.

Increase in legal reserves (paid-in capital) due to the issue of new shares: 10,078 million yen</td><td>*1 Relationship between the balance of cash and cash equivalents at the end of the period and the amounts recorded in the categories shown on the consolidated balance sheets:
(In millions of yen)
Cash and cash equivalents account 99,163
Term deposits with maturity greater than 3 months (833)
Cash and cash equivalents 98,329</td></tr>
</table>

(4) Notes to Lease Transactions

For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)

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

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

(In millions of yen)

	Acquisition cost	Accumulated depreciation	Period ending balance
Buildings and structures	0	0	0
Machinery and vehicles	388	249	139
Equipment and fixtures	33,096	22,756	10,340
Total	33,486	23,006	10,479

ii) Outstanding balance of future lease payments at the end of the period

(In millions of yen)

Within one year	6,124
Over one year	7,751
Total	13,876

For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)

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

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

(In millions of yen)

	Acquisition cost	Accumulated depreciation	Period ending balance
Buildings and structures	9	1	7
Machinery and vehicles	480	327	153
Equipment and fixtures	27,600	18,648	8,951
Total	28,090	18,977	9,112

ii) Outstanding balance of future lease payments at the end of the period

(In millions of yen)

Within one year	4,729
Over one year	4,497
Total	9,226

For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
iii) Amount of lease fee payments, depreciation expense and interest expense (In millions of yen) Lease fee payments 7,721 Depreciation expenses 7,038 Interest expenses 361	iii) Amount of lease fee payments, depreciation expense and interest expense (In millions of yen) Lease fee payments 6,460 Depreciation expenses 6,214 Interest expenses 207
iv) 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.	iv) 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. The method for calculating the amount equivalent to depreciation expenses was changed from the sum-of-the-years-digits method to the fixed amount method in the current consolidated fiscal year. As a result, the amount equivalent to cumulative depreciation expenses is 1,875 million yen less, and the amount equivalent to depreciation expenses is 703 million yen more.
v) 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.	v) Accounting method for the amount equivalent to interest expenses As on left
2 Operating lease transactions Leases in progress (In millions of yen) Within one year 110 Over one year 324 Total 435	2 Operating lease transactions Leases in progress (In millions of yen) Within one year 104 Over one year 221 Total 325

(5) Marketable securities:

A. For the previous fiscal year (from Apr. 1, 2002 to Mar. 31, 2003)

1. Other marketable securities with market value

(In millions of yen)

Segment	Acquisition	Value stated on consolidated balance sheet	Difference
Market value exceeding amount stated on the consolidated balance sheet			
i) Stocks	1,665	1,831	165
ii) Bonds	130	130	0
Sub total	1,795	1,961	165
Market value not exceeding amount stated on the consolidated balance sheet			
Stocks	5,445	4,490	(954)
Sub total	5,445	4,490	(954)
Total	7,241	6,452	(789)

2. Other marketable securities sold during the current fiscal year

(In millions of yen)

Sales price	Total gain on sale	Total loss on sale
1,605	212	5

3. Marketable securities without market price and value stated on consolidated balance sheet

(1) Other marketable securities

(In millions of yen)

Category	Value stated on consolidated balance sheet
i) Non-listed stocks (excluding OTC stocks)	3,154
ii) Other	2,159

4. Scheduled amount of redemption after the consolidated settlement date for other marketable securities (with an expiration period) and bonds to be held to maturity

(In millions of yen)

Segment	Within one year	One year to five years	Five years to ten years	Over ten years
Other marketable securities Bonds National and local bonds Other	 10 499	 120 –	 – –	 – –

B. For the current fiscal year (from Apr. 1, 2003 to Mar. 31, 2004)

1. Other marketable securities with market value

(In millions of yen)

Segment	Acquisition	Value stated on consolidated balance sheet	Difference
Market value exceeding amount stated on the consolidated balance sheet i) Stocks ii) Bonds	 5,148 120	 12,685 120	 7,537 0
Sub total	5,268	12,805	7,537
Market value not exceeding amount stated on the consolidated balance sheet Stocks	 1,635	 1,289	 (345)
Sub total	1,635	1,289	(345)
Total	6,903	14,095	7,191

2. Other marketable securities sold during the current fiscal year

(In millions of yen)

Sales price	Total gain on sale	Total loss on sale
2,045	738	43

3. Marketable securities without market price and value stated on consolidated balance sheet

(1) Other marketable securities

(In millions of yen)

Category	Value stated on consolidated balance sheet
i) Non-listed stocks (excluding OTC stocks)	1,522
ii) Other	1,500

4. Scheduled amount of redemption after the consolidated settlement date for other marketable securities (with an expiration period) and bonds to be held to maturity

(In millions of yen)

Segment	Within one year	One year to five years	Five years to ten years	Over ten years
Other marketable securities Bonds National and local bonds	 120	 –	 –	 –

(6) Retirement benefits

For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
1. The Company and its consolidated subsidiaries have established employees' pension funds, approved retirement annuities and retirement lump sum grant systems as regular benefit plans.	1. As on left
2. Retirement benefit liabilities (In millions of yen) (1) Retirement benefit liabilities (22,411) (2) Pension assets 13,661 (3) Unreserved retirement benefit liabilities (1,231) (4) Difference between provisional and actual calculations 2,357 (5) Net balance sheet amounts (7,623) (6) Advance pension assets 12 (7) Retirement benefit allowance (7,636)	2. Retirement benefit liabilities (In millions of yen) (1) Retirement benefit liabilities (14,511) (2) Pension assets 10,919 (3) Unreserved retirement benefit liabilities − (4) Difference between provisional and actual calculations 1,212 (5) Net balance sheet amounts (2,379) (6) Advance pension assets 37 (7) Retirement benefit allowance (2,417)
3. Retirement benefit expenses (In millions of yen) (1) Service expenses[Note] 1,486 (2) Interest expenses 503 (3) Expected investment income (264) (4) Number of years to treat past service liability (162) (5) Difference between provisional and actuarial calculations 1,623 (6) Retirement benefit expenses 3,186 Note: Employees' contributions to employees' pension funds have been deducted.	3. Retirement benefit expenses (In millions of yen) (1) Service expenses (Note) 1,168 (2) Interest expenses 306 (3) Expected investment income (146) (4) Number of years to treat past service liability (549) (5) Difference between provisional and actuarial calculations (98) (6) Retirement benefit expenses 679 Note: Employees' contributions to employees' pension funds have been deducted.
4. Calculation standards for retirement benefit liabilities (1) Predicted retirement benefit periodical distribution method: Fixed amount standard (2) Discount rate: 1.5% - 2.5% (3) Expected investment income rate: 1.5% - 2.5% (4) Difference between provisional and actuarial calculations Mainly collective treatment in fiscal year of accrual AIFUL------------------- Collective treatment in fiscal year of accrual Some subsidiaries------ Treatment over ten years from fiscal year following fiscal year of accrual (5) Number of years to treat past service liability Mainly collective treatment in fiscal year of accrual AIFUL------------------- Collective treatment in fiscal year of accrual Some subsidiaries------ Treatment over ten years from fiscal year following fiscal year of accrual	4. Calculation standards for retirement benefit liabilities (1) Predicted retirement benefit periodical distribution method: As on left (2) Discount rate: 1.5% - 2.5% (3) Expected investment income rate: 1.5% - 2.5% (4) Difference between provisional and actuarial calculations As on left (5) Number of years to treat past service liability As on left

(7) Tax effect accounting

	For the previous fiscal year (As of March 31, 2003)	For the current fiscal year (As of March 31, 2004)
1. Principal cause of deferred tax assets and deferred tax liabilities	(In millions of yen)	(In millions of yen)
Deferred tax assets (current)		
Excess amount transferred to allowance for bad debts accounts	9,008	7,930
Denied amount of bad debts depreciation	8,344	11,115
Loss carried forward	3,089	5,378
Accrued income tax	2,106	1,521
Excess amount transferred to reserve for accrued bonuses	1,336	1,575
Unrecorded interest payments due	1,427	1,928
Other	436	295
Sub-total of deferred tax assets (current)	25,748	29,746
Valuation allowance	(151)	(429)
Amount offset against deferred tax liabilities (current)	(15)	(6)
Total deferred tax assets (current)	25,582	29,311
Deferred tax assets (fixed)		
Loss carried forward	20,785	14,278
Transfer allowance for retirement benefits	3,063	966
Excess amount transferred to allowance for bad debts accounts	1,948	712
Excess amount of depreciation and amortization	1,758	2,453
Other	2,283	2,306
Sub-total of deferred tax assets (fixed)	29,839	20,717
Valuation allowance	(13,243)	(2,914)
Amount offset against deferred tax liabilities (fixed)	(5)	(3,020)
Total deferred tax assets (fixed)	16,591	14,782
Total deferred tax assets	42,174	44,093
Deferred tax liabilities (current)		
Other	(15)	(6)
Total of deferred tax liabilities (current)	(15)	(6)
Amount offset against deferred tax assets (current)	15	6
Total deferred tax liabilities (current)	0	0
Deferred tax liabilities (fixed)		
Valuation differences on other marketable securities		(3,004)
Other	(5)	(15)
Total of deferred tax liabilities (fixed)	(5)	(3,020)
Amount offset against deferred tax assets (fixed)	5	3,020
Total deferred tax liabilities (fixed)	0	0
Total deferred tax liabilities	0	0
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%	4.9%
Per capita inhabitant tax	0.3%	0.4%
Depreciation of goodwill not included in losses	1.4%	2.8%
Change in valuation reserve	(5.9)%	(9.7)%
Effect of change in statutory effective tariff	0.5%	
Tax exemption for IT equipment		(1.8)%
Other	(0.0)%	1.0%
Charge rate of income tax after adoption of tax effect accounting	44.1%	39.5%

For the previous fiscal year (As of March 31, 2003)	For the current fiscal year (As of March 31, 2004)
3. On March 31, 2003, Partial Revisions of Regional Tax Laws were published, as a result of which external standard tax systems will be incorporated into corporate taxes from the fiscal year commencing April 1, 2004. With this change, the company has revised deferred tax assets on the basis of legal effective tax rates themselves based upon post-revision tax rates with respect to temporary discrepancies to be eliminated from April 2004 onwards. In line with this revision, deferred tax assets fell 580 million yen, and total adjustment to corporate taxes dealt with as expenses during the current year came to 568 million yen.	

(8) Segment Information

Segment information by type of business

For the previous consolidated accounting period (From April 1, 2002 to March 31, 2003):
The Company has omitted segment information by type of business, as the consumer loan business accounts for more than 90% of total operating revenues, operating income and assets in all of the Company's business segments.

For the current consolidated accounting period (From April 1, 2003 to March 31, 2004):
The Company has omitted segment information by type of business, as the consumer loan business accounts for more than 90% of total operating revenues, operating income and assets in all of the Company's business segments.

Segment information by region

For the previous consolidated accounting period (From April 1, 2002 to March 31, 2003):
The Company did not report segment information by location, as the Company did not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan during the period.

For the current consolidated accounting period (From April 1, 2003 to March 31, 2004):
The Company did not report segment information by location, as the Company did not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan during the period.

Foreign sales

For the previous consolidated accounting period (From April 1, 2002 to March 31, 2003):
The Company did not have any foreign sales during the period.

For the current consolidated accounting period (From April 1, 2003 to March 31, 2004):
The Company did not have any foreign sales during the period.

(9) Transactions with concerned parties

A. For the previous consolidated accounting period (From April 1, 2002 to March 31, 2003)

Directors and major individual shareholders

(Amounts are in millions of yen)

Property	Name	Address	Capital or investment in capital	Operating activities or occupation	Ratio of ownership of voting rights (%)	Transactions	Transaction amounts (Note 3)	Item	Balance at period-end
Director	Yoshitaka Fukuda	–	–	AIFUL representative President, AIFUL	Eligible ownership 26.14% of direct voting rights 0.00% of indirect rights	Land lease	14 (Note 1)	–	–
	Yoshitaka Fukuda	–	–	Representative director, Kyoto Data Center Co., Ltd.	As above	Payment of fees relating to the provision of personal credit information	69 (Note 2)	–	–

Notes:
1. Transactions for the use of land for the Saiin Building are based upon values given by real estate appraisers.
2. Transactions with Kyoto Data Center are so-called third-party transactions.
3. Transaction amounts shown above do not include consumption tax.

B. For the current consolidated accounting period (From April 1, 2003 to March 31, 2004)

Directors and major individual shareholders

(Amounts are in millions of yen)

<table>
<tr><th>Property</th><th>Name</th><th>Address</th><th>Capital or investment in capital</th><th>Operating activities or occupation</th><th>Ratio of ownership of voting rights (%)</th><th>Transactions</th><th>Transaction amounts (Note 3)</th><th>Item</th><th>Balance at period-end</th></tr>
<tr><td rowspan="3">Director</td><td rowspan="2">Yoshitaka Fukuda</td><td rowspan="2">–</td><td rowspan="2">–</td><td>AIFUL representative</td><td>Eligible ownership 26.07% of direct voting rights</td><td rowspan="2">Land lease</td><td rowspan="2">14 (Note 1)</td><td rowspan="2">–</td><td rowspan="2">–</td></tr>
<tr><td>President, AIFUL</td><td>0.00% of indirect rights</td></tr>
<tr><td>Yoshitaka Fukuda</td><td>–</td><td>–</td><td>Representative director, Kyoto Data Center Co., Ltd.</td><td>As above</td><td>Payment of fees relating to the provision of personal credit information</td><td>163 (Note 2)</td><td>–</td><td>–</td></tr>
</table>

Notes: 1. Transactions for the use of land for the Saiin Building are based upon values given by real estate appraisers.
2. Transactions with Kyoto Data Center are so-called third-party transaction.
3. Transaction amounts shown above do not include consumption tax.

(10) Per Share Information

	For the previous fiscal year	For the current fiscal year
Net assets per share	5,143.45 yen	5,794.58 yen
Net income per share	637.59 yen	660.98 yen
Diluted net income per share	Diluted net income per share for the fiscal year under review has not been included here as there was no dilutary effect on income at the end of the period. The “Accounting Standard for Per Share Net Income” (Corporate Accounting Standard No. 2) and the “Application Plan for the Accounting Standard for Per Share Net Income” (Corporate Accounting Standard Application Plan No. 4) have been applied beginning this consolidated fiscal year. The effect of application of the above accounting standard and plan on Per Share Information for the previous fiscal year is as below. (In yen) Net asset per share 4,521.91 Net income per share 388.85 Diluted net income per share –	Diluted net income per share for the fiscal year under review has not been included here as there was no dilutary effect on income at the end of the period.

Note: Basis for calculation of net income per share and diluted income per share

Item	For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003)	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
Net income	59,910 million yen	62,548 million yen
Amount not returned to common stock shareholders	98 million yen	106 million yen
Includes directors’ bonuses distribution of profit	98 million yen	106 million yen
Net income relating to common stock	59,812 million yen	62,441 million yen
Average number of shares of common stock during the period	93,810,102 shares	94,467,918 shares
Outline of stock not included in diluted net income per share due to lack of dilutary effect	Stock options relating to treasury stock acquisition methods 209,000 shares	Stock options relating to treasury stock acquisition methods 204,000 shares

9. Results of Operations

(1) Operating Revenue

(In millions of yen)

Item		For the previous fiscal year (Apr. 1, 2002 to Mar. 31, 2003) Amount	%	For the current fiscal year (Apr. 1, 2003 to Mar. 31, 2004) Amount	%
Interest on loans to customers	Unsecured loans	348,887	77.6	358,142	75.6
	Secured loans	47,650	10.6	55,022	11.6
	Small business loans	9,945	2.2	16,348	3.5
	Sub-total	406,483	90.4	429,512	90.7
Credit card revenue		7,877	1.8	8,140	1.7
Per-item credit revenue		15,178	3.4	15,508	3.3
Guarantees revenues		4,132	0.9	5,562	1.2
Other financial revenue	Interest on deposits	18	0.0	7	0.0
	Interest on marketable securities	1	0.0	1	0.0
	Interest on loans	267	0.1	47	0.0
	Other	35	0.0	39	0.0
	Sub-total	321	0.1	95	0.0
Other operating revenue	Sales of property	306	0.1	50	0.0
	Service business sales	935	0.2	–	–
	Bad debt write-off recovery	6,431	1.4	6,778	1.4
	Other	7,790	1.7	7,830	1.7
	Sub-total	15,463	3.4	14,658	3.1
Total		449,458	100.0	473,477	100.0

Note: "Other" included in other operating revenue is card membership fees.

(2) Other Operating Indicators

(In millions of yen - except per share data)

Item		End of the previous fiscal year (As of March 31, 2003)	End of the current fiscal year (As of March 31, 2004)
Total amount of loans outstanding		1,833,702	1,907,655
	Unsecured loans	1,442,980	1,477,430
	Secured loans	325,436	346,183
	Small business loans	65,284	84,041
Number of customer accounts		3,521,857	3,520,240
	Unsecured loans	3,389,159	3,366,615
	Secured loans	87,459	94,474
	Small business loans	45,239	59,151
Number of branches		1,963	1,978
	Staffed branches	796	813
	Unstaffed branches	1,163	1,164
	Branches for secured loans	4	1
Number of "Ojidosan" loan-contracting machines		1,837	1,855
Number of ATMs		124,084	132,148
	Company-owned	2,037	2,046
	Partner-owned	122,047	130,102
Number of employees		6,123	5,969
Bad debt write-off		114,485	137,172
Allowance for bad debts		132,130	145,757
Net income per share (yen)		637.59	660.98
Net assets per share (yen)		5,143.45	5,794.58

Notes:
1. Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to bankruptcy claims. Furthermore, off-balance sheet operating loans from the securitization of receivables, which came to 162,920 million yen at the end of the previous consolidated fiscal year and 120,715 million yen at the end of the current consolidated fiscal year, have been included.
2. Bad debt write-off does not include bankruptcy claims and claims in correction, which came to 2,498 million yen in the previous consolidated fiscal year, and 2,789 million yen in the current consolidated fiscal year.