

# Summary of First Quarter Consolidated Business Results

For the fiscal year ending March 2006

## AIFUL Corporation

(Securities code: 8515, 1st Section, Tokyo and Osaka Stock Exchanges)

(URL: <http://www.aiful.co.jp>)

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## I. Items Used to Compile Financial Data for the First Quarter

1. Company adopted simplified accounting methods (yes/no): Yes

Details:

Computations of business tax and some reserves are based on estimates taking factors such as past results into account.

2. Any differences between the accounting practices used here and those used in preparing consolidated accounts for the previous business year (yes/no): Yes

Details:

Starting in the first quarter of fiscal 2005, the Company adopted the *Opinion Concerning Establishment of the Accounting Standard for the Impairment of Fixed Assets*, issued by the Business Accounting Council on August 9, 2002, and *Guidance for the Accounting Standard for Impairment of Fixed Assets* (Implementation Guidance for Accounting Standard No. 6), issued by the Accounting Standards Board of Japan on October 31, 2003. The effect of this change was equivalent to a decrease in net income before tax of 743 million yen.

3. Changes in the scope of consolidation and change accounted for by the equity method (yes/no): No

## II. Summary of Business Results for the First Quarter, FY2005 (April 1 – June 30, 2005)

### 1. Consolidated Business Performance

(In millions of yen - rounded down, except per share data)

	Operating Revenue		Operating Income		Ordinary Income		Net income for the quarter	
1st quarter, FY2005	134,675	11.3%	35,385	20.6%	36,018	21.9%	20,205	25.6%
1st quarter, FY2004	121,047	3.4%	29,339	12.7%	29,553	13.1%	16,088	12.8%
Reference: FY2004	518,416	9.5%	134,716	19.7%	135,294	20.3%	75,723	21.1%

	Net Income per Share for the Quarter (Yen)	Diluted Net Income per Share for the Quarter (Yen)
1st quarter, FY2005	142.69	142.66
1st quarter, FY2004	170.29	170.25
Reference: FY2004	800.36	800.30

Notes:

- Percentage figures shown for operating revenue, operating income, ordinary income and net income show year-on-year change
- AIFUL implemented a 1:1.5 stock split on May 23, 2005.

### 2. Qualitative Data Concerning Consolidated Business Performance

#### A. Summary of Results

Although the Japanese economy was characterized by a general tone of moderate recovery, including improvements in personal consumption and the employment environment, during the first quarter of fiscal 2005, the recovery in exports and production was slow, and it appeared that it would take a little more time to break out of the plateau of low growth. In this environment, bad debt expenses in the consumer finance industry are on the decline, with the number of applications for personal bankruptcy as published by the Supreme Court registering year-on-year declines for 17 months in a row. Nevertheless, there is increasingly stiff competition for share in the overall consumer credit market across industry boundaries as major consumer finance companies and mega-banks become involved in operational tie-ups, IT companies enter the finance industry, and credit card companies strengthen their cash advance operations.

Based on this business environment, the AIFUL Group is aiming to step beyond the limits of the niche consumer finance industry and become a comprehensive retail finance company that targets the entire consumer credit market. The Company has continued to promote diversification of products and sales channels to cater to a wider range of customer needs, while diversifying risks to ensure stable growth and profitability.

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, while working together to generate synergistic effects and strengthen the Group, they have also been striving to develop efficient operations.

## B. Operations

### (1) AIFUL Corporation

During the first quarter of fiscal 2005, AIFUL's loan business witnessed the company pursuing product diversification strategies chiefly in unsecured loans as well as home equity loans and small business loans, in order to more comprehensively cater to customer needs.

A summary by product is as below.

#### i) Unsecured Loans

There were 135,000 new applications for unsecured loans during the first quarter of fiscal 2005, a decrease of 5.7% compared to the same quarter last year, and new account acquisitions were 83,000, down 7.2% year-on-year. Among these, the proportion of new account acquisitions via the Internet, including cellular phone and PC, rose steadily to 14.0%, up 10.6% year-on-year, as a result of aggressive use of banner advertisements on websites.

As a result, unsecured loans outstanding stood at 1,101,762 million yen, up 1.8% year-on-year at the end of the first quarter of fiscal 2005.

#### ii) Home Equity Loans and Small Business Loans

AIFUL's diversification strategy involves home equity loans and small business loans, and the Company has positioned these areas as key products in maintaining long term growth potential.

As a result of proactive marketing to cater to a whole range of customer needs, the balance of loans outstanding for these products in the first quarter of fiscal 2005 was 376,965 million yen, up 1.9% year-on-year.

A summary of business other than loan operations is as follows.

#### iii) Credit Guarantees

The guarantee business is a fee business in which AIFUL provides guarantees for loan products handled by financial institutions, and the Company has been developing the business as a new source of earnings. In addition to unsecured personal loans, the Company has also been active in guarantee operations for unsecured small business loans using the expertise it has built up, through product diversification strategies, in the provision and screening of small business loans. The entire financial industry is now taking note of this credit guarantee market, especially loans to small businesses, and AIFUL is becoming more active in it.

As a result of these efforts, at the end of the first quarter of fiscal 2005, AIFUL's guarantee partners numbered 41 unsecured personal loan companies and 36 small business loan companies, and the balance of guarantees stood at 47,588 million yen, marking steady growth of 54.1% compared with the first quarter last year.

#### iv) Credit Cards

With regard to AIFUL's own AIFUL MasterCard credit card operation, card operations were transferred in April 2005 from the credit card division of the Company and merged with LIFE with the aim of conducting a more efficient credit card strategy in the Group.

#### v) Expansion of Channels

To expand customer acquisition channels, AIFUL began the full-scale roll out of the "Suguwaza" a simple auto loan contract machines; 44 machines have been installed, as of the end of the first quarter of fiscal 2005. Moreover, in the rebuilding of its branch network, the Company opened 40 branches and closed six branches, bringing the total number of branches to 1,606, with 545 staffed and 1,061 non-staffed facilities, at the end of the first quarter of fiscal 2005.

AIFUL is stepping up the installation of Suguwaza loan application machines as a new customer acquisition channel and has revised the number of machines to be installed by the end of the current consolidated fiscal year from the 50 in initial projections to 250.

In its expansion of cash deposit and withdrawal services, the Company actively entered partnerships with banks and convenience stores to improve convenience for customers. As a result, customers had access to 77,894 CDs/ATMs, including AIFUL's own ATMs and those of 91 banks and 14 companies.

For AIFUL, bad debt expenses were 23,574 million yen at the end of the first quarter of fiscal 2005, down 10.3% year-on-year, as a result of factors such as the contraction in the number of personal bankruptcies and an improvement in the unemployment rate.

As a result, AIFUL's loans outstanding at the end of the first quarter of fiscal 2005 stood at 1,478,728 million yen, an increase of 1.8% year-on-year.

Apart from this, AIFUL has been working to open up its own nationwide ATMs to other companies in an efficient use of management resources, and it had 14 ATM partner companies at the end of the first quarter of fiscal 2005.

## (2) LIFE Co., Ltd.

In the first quarter of fiscal 2005, LIFE further increased its focus on the credit card business at the same time as improving efficiency in its other businesses, thus seeking to strengthen its high earning structure.

In its credit card business, LIFE has promoted its existing co-branded cards as well as actively expanding into industries other than retail, which has been its main target for co-branded cards in the past. In the first quarter of fiscal 2005, it has been seeking a steady expansion in the number of cardholders based on a wide-ranging co-branded card strategy that includes the launch of TRX Card, a new social contribution card issued in conjunction with a recycling group.

From the customer service perspective, LIFE has sought to broaden its services, including the addition of four times the number of birthday bonus points to basic points in the month of customers' birthdays, in order to make the points program more attractive.

Apart from this, LIFE achieved a big impact as its second round of mixed media commercials were placed on its website, in magazines and so on in April with the aim of establishing its brand image as a credit card company. These results included a three-fold increase in the number of hits on the company's website compared to before the commercials.

Furthermore, LIFE has also been actively involved in social contribution initiatives through the promotion of sport, sponsoring the LifeCard Ladies Golf Tournament 2005, which is recognized by The Ladies Professional Golfers' Association of Japan.

As channels for delivering its cash advance services, the company has 130,000 CD/ATMs at 486 partner financial institutions and credit card companies, as of the end of the first quarter of fiscal 2005.

As a result, the total number of credit card holders at the end of the first quarter of fiscal 2005 rose 250,000 to 12,170,000.

In addition, on July 11, 2005 LIFE began handling the "Higashi Nippon Bank Cash Card – Next to You," a Bank Alliance Card that incorporates a credit card with a cash card issued in conjunction with a financial institution, based on its alliance with Higashi Nippon Bank. In the future, LIFE will promote this business aggressively with the aim of expanding its involvement with other banks.

In its per-item credit business, LIFE is working to increase business volume and accumulate prime assets by strengthening and enhancing the efficiency of its sales organization.

In its consumer finance business, LIFE opened three new unstaffed branches, bringing the number of LIFE Cash Plazas to 114 staffed branches and 91 unstaffed branches. LIFE is continuing to expand its balance of loans by aggressively acquiring new customers and stepping up per-item credit to existing members.

In its guarantee business, LIFE had guarantee partnerships with 123 banks, and it will continue its efforts to expand bank loan guarantee products in the future.

As a result of the foregoing, operating loans outstanding in the first quarter of fiscal 2005 totaled 751,553 million yen, up 6.5% year-on-year (including 177,418 million yen in operating loans taken off the balance sheet by securitization.) This total consisted of credit card shopping up 13.8% year-on-year to 93,368 million yen, per-item credit up 8.6% to 199,015 million yen, credit card cash advances up 8.2% to 374,275 million yen, credit guarantee installment receivables down 7.3% to 96,541 million yen, and other businesses down 4.9% to 8,788 million yen.

Meanwhile, the volume of business was up 24.3% year-on-year to 106,120 million yen for credit card shopping, down 9.1% to 33,950 million yen for per-item credit, up 7.4% to 7,719 million yen for credit guarantees, and up 9.3% to 86,573 million yen for credit card cash advances.

## (3) Other Group Companies

### i) Small Business Loans

Business results at Businext, a joint venture between AIFUL and Sumitomo Trust & Banking Co., Ltd., have been steady with the introduction of the corporate scoring system in April 2004, proactive marketing activities and the improvement in economic sentiment.

Moreover, following the Nagoya Branch and the Sendai Branch last year, Businext's Fukuoka Branch opened in April 2005, aiming to consolidate a new marketing organization that can cater adequately to the financing needs of sole proprietors and small and medium-sized businesses in the Kyushu area. Apart from this, Businext opened new branches based primarily on face-to-face sales visits in Niigata City and Utsunomiya City in May 2005, in an active expansion to meet even more financing needs.

As a result, at the end of the first quarter of fiscal 2005, loans outstanding at Businext stood at 52,521 million yen, up 64.1% year-on-year.

City's Corporation has concentrated on acquiring good quality customers by turning its marketing expertise into manuals and making the most of these manuals to empower its human resources. Due to the improvement in business sentiment at small and medium-sized enterprises, the widening base of economic recovery, and the effect of the new branches opened since last fiscal year (the total number of branches at the end of the first quarter of fiscal 2005 stood at 57), loans outstanding at City's stood at 51,613 million yen at the end of the first quarter of fiscal 2005, up 58.5% year-on-year.

## ii) Consumer Finance

Tryto Corporation is seeking to expand its business in an efficient manner while reducing bad debt expenses. As a result, loans outstanding stood at 59,993 million yen, up 7.8% year-on-year

The company began to offer home equity loans in October 2004, and it will be expanding the acquisition channels for home equity loans within the Group in the future in efforts to meet a wide range of customer needs.

In addition, the company opened the Hakata Eki-Mae Branch in the Kyushu area in June 2005, and is aiming for further growth in its business area.

Wide Corporation is seeking to actively expand its business in eastern Japan and has also recommenced TV commercials. As a result, loans outstanding totaled 97,909 million yen (including 7,000 million yen in off-balance sheet receivables resulting from securitization) at the end of the first quarter of fiscal 2005.

In addition, loans outstanding at TCM Co., Ltd., which became a consolidated subsidiary in fiscal 2004, was 9,138 million yen. TCM will continue to pursue even greater business efficiency and synergistic effects as a member of the AIFUL Group in the future.

## iii) Servicer

AsTry Loan Services Corporation, a joint venture with Aozora Bank, has concentrated diligently on expanding the claims handled in its management and collection of a range of money claims.

## iv) Venture Capital

New Frontier Partners Co., Ltd., a venture capital business, has been active mainly in investing in new ventures as well as secondary and content investment, and its loans outstanding stood at 4,171 million yen at the end of the first quarter of fiscal 2005.

As a result, AIFUL and its subsidiaries had 2,124,180 million yen in loans outstanding, up 10.7% year-on-year, 292,463 million yen in installment receivables, up 10.1%, 144,131 million yen in credit guarantee installment receivables, up 6.8%, and 10,271 million yen in other business, up 2.6%, at the end of the first quarter of fiscal 2005. The amounts above include 184,418 million yen in off-balance sheet loans due to securitization (including 107,242 million yen in loans outstanding and 77,176 million yen in installment receivables.)

Operating revenue of the AIFUL Group for the first quarter of fiscal 2005 increased by 11.3%, to 134,675 million yen. AIFUL's operating revenue grew 1.4% year-on-year to 85,741 million yen, comprising 63.7% of the Group's revenue. LIFE recorded operating revenue of 32,385 million yen, an increase of 9.6% year-on-year, comprising 24.0% of the Group's revenues.

Of consolidated operating revenue, 120,680 million yen, or 89.6%, was accounted for by operating interest on loans, 6,914 million yen or 5.1% by revenue from credit card shopping and per-item credit, 2,027 million yen or 1.5% by credit guarantee revenue and 5,053 million yen or 3.8% by other revenue.

AIFUL's operating interest on loans accounts for 69.0% of the Group's consolidated operating interest on loans. This figure can be broken down into 80.7% in unsecured loans, 16.7% in home equity loans, and 2.6% in small business loans.

Operating expenses for the AIFUL Group totaled 99,289 million yen, up 8.3% year-on-year. Of this amount, AIFUL's non-consolidated operating expenses accounted for 58.8%, or 58,431 million yen, of this total, while LIFE's operating expenses accounted for 27.4%, or 27,254 million yen.

Total Group operating expenses can be broken down into 39,758 million yen (or 40.0%) for bad debt expenses, 9,485 million yen (or 9.6%) in financial expenses, 7,454 million yen (or 7.5%) in advertising expenses, 14,436 million yen (or 14.5%) in personnel expenses, and 6,438 million yen (or 6.5%) in commissions paid.

The 433 million yen in write-down of consolidation adjustment account accrued with the purchase of consolidated companies was recorded as an operating expense.

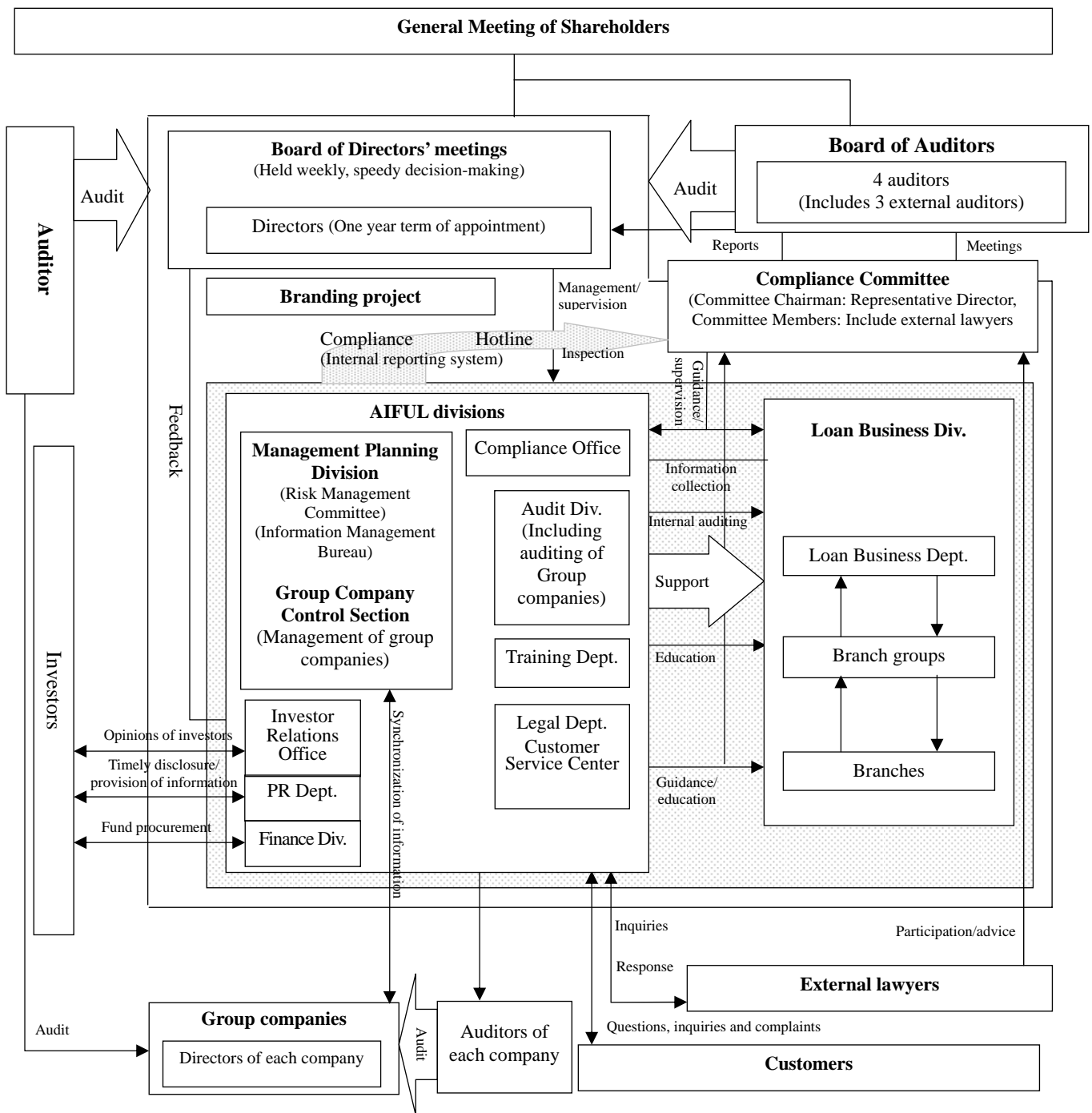
As a result of the foregoing, consolidated operating income for the first quarter of fiscal 2005 rose 20.6% to 35,385 million yen, ordinary income was up 21.9% to 36,018 million yen, and net income increased 25.6% to 20,205 million yen.

AIFUL's non-consolidated operating income rose 7.8% to 27,310 million yen, ordinary income climbed 10.5% to 29,194 million yen, and net income rose 17.7% to 17,145 million yen.

## 3. Basic Stance with Regard to Corporate Governance and Current Status of Related Policies

### A. Basic Stance with Regard to Corporate Governance

The AIFUL Group 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. Its corporate governance, business execution, management supervisory and internal controls, and risk management systems are as indicated in the diagram below.



## B. AIFUL's Business Execution, Management Supervisory and Internal Controls, and Risk Management Systems

In a measure aimed at speedy management decision-making, the AIFUL and LIFE Boards of Directors meet weekly (Boards of Directors meet monthly at other group companies) to fully discuss and examine management issues and business opportunities facing the companies, as well as strategies to address them. Speedy management decisions follow these discussions.

In its efforts to enhance legal compliance, AIFUL has had an Inspection Department, an Internal Audit Department, and Legal Department, in charge of preventative legal affairs, in place for some time. In addition to this, the Company established a Compliance Committee, which includes lawyers and other external members and serves as a consultative body for 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.

In addition, AIFUL has established a new Compliance Office, an organization dedicated to conducting ongoing examination and assessment of these issues on a company-wide basis to ensure that the compliance system continues to improve and that appropriate corporate ethics take root group-wide.

With these efforts, AIFUL is appropriately synchronizing information with other group companies and working to enhance the group's overall compliance system.

## C. Current Status of Corporate Governance Strategies

### (1) Management Control System and Other Corporate Governance Structures Relating to Management Decision Making, Business Execution and Monitoring and Status of Efforts to Enhance Corporate Governance during the Past Year

#### i) Details of Company Organizations and Establishment of Internal Control System

##### a. Details of Company Organizations

In order to respond to the establishment of new legislation and legal amendments that profoundly affect AIFUL's operations, such as the Personal Information Protection Act, as well as to ensure further enhancement of its compliance system and the establishment of appropriate corporate ethics, the Company has established a new Compliance Office in April 2005, as a specialist division to conduct ongoing examination and assessment of these issues on a company-wide basis.

##### b. Training and Establishment of Hotlines

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 hotlines in the Personnel and Inspection Departments for discussion of breaches of the code. 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 sales and marketing staff in cooperation with the Compliance Committee. In addition to the establishment of a new Compliance Hotline in June 2003, the Company standardized its internal reporting system, establishing a structure that prevents breaches of the law and internal regulations before they happen.

##### c. Ensuring Accuracy in Disclosure of Financial Information and Internal Control

The AIFUL Group's system for ensuring the accuracy of financial information consists of the prescribed checking procedures in the Accounting Department and audits based on the Commercial Code and the Securities and Exchange Law. Apart from this, AIFUL has long maintained an organizational structure based on the separation of the division in charge of financial accounting (Accounting Department) and the division in charge of management accounting (Management Planning Department), which provides a system of checks and balances.

Moreover, the Company's efforts to ensure accuracy include additional checks made in advance of the disclosure of financial reports by related departments, including the Investor Relations Office, the Public Relations Department, the Legal Department, and the Management Planning Department.

##### d. Enhancing Disclosure and Internal Control

AIFUL believes that appropriate disclosure of business information will make external monitoring of management more effective. Based on the principle of aiming for transparent management and effective corporate governance, AIFUL strives to provide full disclosure that is timely and easy to understand. Its activities include maintaining an investor relations web site, disclosing 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 also provides regular feedback to the president, Board of Directors' meetings and departmental managers on the opinions and desires of investors in its efforts to enhance the corporate governance system.

#### ii) 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 factors within the Company, and conducts crisis management in cooperation with related departments, including the Investor Relations Office, Public Relations Department and Legal Department. Moreover, in response to the Personal Information Protection Law, which came into force on April 1, 2005, the Company launched a project in April 2004 to prevent the leaking of information, carrying out a review of the proper handling of personal information and company-wide security management measures to prevent the leakage of personal information before it happens in terms of the human, organizational and technical aspects and establishing a system to prevent the disclosure of personal information.

Moreover, AIFUL has prepared an action plan for when problems relating to personal information or corporate information arise at the Company or at Group companies, and has set up a new Information Management Contingency Plan, for which the Information Management and Administration Office within the Management Planning Department is responsible, with the aim of addressing emergencies properly and promptly, thus establishing a strong system for responding to emergencies.

#### iii) Internal Auditing and Auditing System and Status of Auditing

##### a. Internal Auditing and Auditing System

AIFUL established the Inspection Department with the aim of monitoring the appropriateness and legality of business processes, including at Group companies. It works on a day-to-day basis to detect and curb deviations by conducting regular inspections, primarily at the business offices of AIFUL and its Group companies.

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

## b. Auditing

AIFUL employs Deloitte Touche Tohmatsu and Shimbashi & Co. as auditors based on the Commercial Code and for audits based on the Securities and Exchange Law. There are no beneficial relationships between these audit corporations and the employees engaged in conducting audits at AIFUL and AIFUL.

AIFUL concludes an audit agreement regarding auditing under the Commercial Code and auditing under the Securities and Exchange Law with these audit corporations, and it pays the fees based on the contract.

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

There is no business or other beneficial relationship between the Company and its external auditors.

## 4. Consolidated Financial Position

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

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio (%)	Shareholders' Equity per Share (Yen)
1st quarter, FY2005	2,617,471	634,278	24.2	4,479.15
1st quarter, FY2004	2,451,691	561,821	22.9	5,933.27
Reference: FY2004	2,574,286	617,352	24.0	6,538.03

Note: AIFUL implemented a 1:1.5 stock split on May 23, 2005.

## 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
1st quarter, FY2005	(25,963)	3,371	25,564	111,928
1st quarter, FY2004	(31,006)	(7,708)	117,011	176,624
Reference: FY2004	(63,408)	(11,211)	80,318	108,965

## 5. Qualitative Information on Changes in Consolidated Financial Position

### A. Assets

Loans totaled 2,016,938 million yen, an increase of 11.6% year-on-year. This was primarily due to steady increases in Group loans. Wide Corporation's loans amounted to 90,909 million yen, Businext's loans totaled 52,521 million yen, and City's loans were 51,613 million yen.

Installment receivables rose 21.3% year-on-year to 215,287 million yen, due to the steady progress made by the credit card shopping and per-item credit businesses at LIFE Co., Ltd.

Credit guarantee installment receivables rose 6.8% to 144,131 million yen as a result of AIFUL and LIFE's active promotion of their guarantee businesses.

While allowance for bad debts is on the decline at each group company now that bad debts have peaked out, expansion in the scale of the Group increased allowance for bad debts 9.6% year-on-year to 161,651 million yen. Consolidated loans and installment receivables do not include 184,418 million yen in receivables (107,242 million yen in loans and receivables and 77,176 million yen in installment receivables) taken off the balance sheet by securitization of receivables at LIFE and Wide Corporation.

The consolidated adjustment account was 10,573 million yen, down 23.7% year-on-year.

### B. Liabilities

Total capital procured, including debt, commercial paper and bonds, rose 4.2% year-on-year to 1,701,994 million yen. This was due to an increase in the demand for funds corresponding with the steady increase in operating receivables at Wide, Businext, and City's.

### C. Shareholders' Equity

Consolidated shareholders' equity at the end of the consolidated fiscal year under review was 634,278 million yen, and the equity ratio stood at 24.2%. AIFUL's non-consolidated shareholders' equity was 598,117 million yen, and the equity ratio stood at 29.5%.

### D. Cash Flows

Despite a decline due to growth in loans outstanding, cash and cash equivalents ("cash" below) at the end of the first quarter of fiscal 2005 stood at 111,928 million yen, up 2,962 million yen compared with the end of fiscal 2004. This slight increase was a result of investing activities that included the sale of commercial paper with repurchase agreements and financing activities that included the issuance of commercial paper.

(1) Cash flow from operating activities

With net income before taxes of 35,218 million yen, operating activities used net cash of 25,963 million yen, compared to 31,006 million yen for the same quarter last year, due to an increase in loans and other operating receivables (including installment receivables) and to the payment of corporate tax.

(2) Cash flow from investing activities

Despite the acquisition of fixed assets relating to branch facilities, investing activities generated net cash of 3,371 million yen compared with 7,708 million yen in cash used in the same period for the previous year, which was mainly due to the sale of commercial paper with repurchase agreements.

(3) Cash flow from financing activities

Financing activities generated net cash of 25,564 million yen, compared with 117,011 million yen for the same period a year earlier, due to direct and indirect procurement to meet the funding requirements accompanying cash used in operating activities.

**III. Consolidated Results Forecasts for FY2005 (April 1, 2005 – March 31, 2006):  
Qualitative Data Concerning Results Forecasts**

Results in the first quarter of fiscal 2005 represent steady progress in line with the full-year forecasts previously announced on May 10, 2005.



**(Supplementary Data)****I. Summary of Consolidated Balance Sheet for the First Quarter, FY2005**

(In millions of yen, %)

Category	End of current quarter (As of June 30, 2005)	End of same quarter last year (As of June 30, 2004)	Change		Reference: FY2004 (As of Mar. 31, 2005)
	Amount	Amount	Amount	%	Amount
(Assets)					
I. Current assets					
Cash and cash equivalents	112,513	176,725	(64,211)	(36.3)	109,575
Loans	2,016,938	1,807,851	209,086	11.6	1,995,621
Installment receivables	215,287	177,496	37,791	21.3	192,401
Credit guarantee installment receivables	144,131	135,002	9,129	6.8	141,407
Deferred tax assets	28,510	25,894	2,616	10.1	30,809
Other	78,859	70,329	8,530	12.1	79,241
Allowance for bad debts	(139,075)	(127,463)	(11,611)	9.1	(137,935)
Total current assets	2,457,165	2,265,836	191,329	8.4	2,411,119
II. Fixed assets					
Tangible fixed assets	48,293	46,179	2,114	4.6	48,252
Intangible fixed assets	30,446	35,219	(4,772)	(13.6)	31,816
Consolidation adjustment account	10,573	13,855	(3,281)	(23.7)	11,007
Other	19,873	21,363	(1,490)	(7.0)	20,809
Investment and other fixed assets	80,907	103,868	(22,960)	(22.1)	82,453
Claims in bankruptcy	30,400	26,296	4,103	15.6	28,535
Deferred tax assets	3,732	14,816	(11,084)	(74.8)	4,288
Other	69,350	82,838	(13,487)	(16.3)	71,177
Allowance for bad debts	(22,576)	(20,083)	(2,492)	12.4	(21,547)
Total fixed assets	159,647	185,266	(25,619)	(13.8)	162,522
III. Deferred assets	658	588	70	11.9	643
Total assets	2,617,471	2,451,691	165,779	6.8	2,574,286
(Liabilities)					
I. Current liabilities					
Credit guarantees payable	144,131	135,002	9,129	6.8	141,407
Short-term debts	100,225	99,692	532	0.5	71,695
Current portion of bonds	117,500	114,000	3,500	3.1	94,000
Current portion of long-term debts	456,758	414,601	42,157	10.2	436,661
Reserve for accrued bonuses	2,199	1,977	222	11.3	4,243
Gains on deferred installments	15,681	12,389	3,291	26.6	14,523
Other	114,958	94,001	20,957	22.3	96,335
Total current liabilities	951,454	871,663	79,791	9.2	858,865
II. Long-term liabilities					
Bonds	357,390	371,000	(13,610)	(3.7)	384,890
Long-term debts	646,621	623,548	23,072	3.7	686,212
Allowance for retirement benefits for employees	698	2,284	(1,586)	(69.4)	687
Allowance for retirement benefits for directors	1,424	1,199	224	18.8	1,419
Other	19,949	15,407	4,541	29.5	19,474
Total long-term liabilities	1,026,083	1,013,440	12,642	1.2	1,092,683
Total liabilities	1,977,537	1,885,104	92,433	4.9	1,951,548
(Minority interests)					
Minority interests	5,655	4,765	889	18.7	5,384
(Shareholders' equity)					
I. Common stock	83,317	83,317	–	–	83,317
II. Capital surplus	104,125	104,143	(17)	(0.0)	104,125
III. Retained earnings	444,855	370,852	74,002	20.0	427,609
IV. Differences in evaluation of other marketable securities	5,057	5,083	(26)	(0.5)	5,363
V. Treasury stock	(3,077)	(1,575)	(1,502)	95.4	(3,063)
Total shareholders' equity	634,278	561,821	72,456	12.9	617,352
Total Liabilities, minority interests and shareholders' equity	2,617,471	2,451,691	165,779	6.8	2,574,286

## II. Summary of Consolidated Income Statement for the First Quarter, FY2005

(In millions of yen, %)

Category	Current quarter (Apr. 1 to June. 30, 2005)	Same quarter last year (Apr. 1 to June. 30, 2004)	Change		Reference: FY2004 (Apr. 1, 2004 to Mar. 31, 2005)
	Amount	Amount	Amount	%	Amount
I. Operating revenue	134,675	121,047	13,628	11.3	518,416
Interest on loans to customers	120,680	108,930	11,749	10.8	466,429
Credit card revenue	2,338	2,078	260	12.5	9,090
Per-item credit revenue	4,575	4,063	512	12.6	17,200
Credit guarantee revenue	2,027	1,642	384	23.4	7,087
Other	5,053	4,331	721	16.7	18,607
II. Operating expenses	99,289	91,707	7,582	8.3	383,700
Financial expenses	9,485	9,287	197	2.1	39,682
Cost of sales	39	–	39	–	357
Operating expenses - other	89,763	82,419	7,344	8.9	343,660
Operating income	35,385	29,339	6,046	20.6	134,716
III. Non-operating income	655	333	322	96.7	1,493
IV. Non-operating expenses	23	119	(96)	(80.6)	914
Ordinary income	36,018	29,553	6,464	21.9	135,294
V. Extraordinary income	141	360	(218)	(60.6)	1,184
VI. Extraordinary losses	941	236	705	299.1	7,037
Net income for the quarter before taxes	35,218	29,677	5,540	18.7	129,441
Tax expenses	14,743	13,505	1,237	9.2	53,015
Gain on minority interests	269	83	185	221.1	702
Net income for the quarter	20,205	16,088	4,117	25.6	75,723

## III. Summary of Consolidated Cash Flow Statement for the First Quarter, FY2005

(In millions of yen)

Category	Current quarter (Apr. 1 to June. 30, 2005)	Same quarter last year (Apr. 1 to June. 30, 2004)	Reference: FY2004 (Apr. 1, 2004 to Mar. 31, 2005)
	Amount	Amount	Amount
I. Cash flow from operating activities			
Net income for the quarter before taxes	35,218	29,677	129,441
Depreciation expenses	2,540	2,466	11,188
Increase (decrease) in allowance for bad debts	2,168	1,790	5,002
Decrease (increase) in loans to customers	(21,316)	(20,911)	(134,434)
Decrease (increase) in installment receivables	(22,885)	(23,211)	(38,116)
Other	1,697	5,104	7,584
Subtotal	(2,576)	(5,083)	(19,335)
Payments for corporate and other taxes	(23,557)	(26,039)	(44,256)
Other	170	116	182
Cash flow from operating activities	(25,963)	(31,006)	(63,408)
II. Cash flow from investing activities			
Funds used for purchase of intangible fixed assets	(607)	(1,147)	(5,014)
Other	3,978	(6,560)	(6,197)
Cash flow from investing activities	3,371	(7,708)	(11,211)
III. Cash flow from financing activities			
Increase in short-term debts	254,730	238,281	875,186
Repayment of short-term debts	(226,200)	(195,624)	(869,351)
Increase in long-term debts	90,385	145,485	629,726
Repayments of long-term debts	(109,879)	(104,112)	(566,683)
Cash from issue of corporate bonds	19,875	29,811	113,153
Loss on redemption of bonds	(24,000)	–	(90,000)
Other	20,653	3,170	(11,713)
Cash flow from financing activities	25,564	117,011	80,318
IV. Effect of exchange rate changes on cash and cash equivalents	(9)	(2)	(5)
V. Increase (decrease) in cash and cash equivalents	2,962	78,294	5,692
VI. Balance of cash and cash equivalents at the beginning of period	108,965	98,329	98,329
VII. Increase in cash and cash equivalents from new consolidations	–	–	4,943
VIII. Balance of cash and cash equivalents at the end of period	111,928	176,624	108,965

## IV. Results of Operations (Consolidated) for the First Quarter

### 1. Operating Revenue

(In millions of yen, %)

Item	Current quarter (Apr. 1 to June. 30, 2005)		Same quarter last year (Apr. 1 to June. 30, 2004)		Reference: FY2004 (Apr. 1, 2004 to Mar. 31, 2005)	
	Amount	%	Amount	%	Amount	%
Interest on loans to customers	120,680	89.6	108,930	90.0	466,429	90.0
Unsecured loans	99,832	74.1	90,237	74.6	387,839	74.8
Secured loans	14,138	10.5	13,915	11.5	56,531	10.9
Small business loans	6,709	5.0	4,778	3.9	22,059	4.3
Credit card revenue	2,338	1.7	2,078	1.7	9,090	1.7
Per-item credit revenue	4,575	3.4	4,063	3.4	17,200	3.3
Credit guarantee revenue	2,027	1.5	1,642	1.4	7,087	1.4
Financial revenue - other	8	0.0	30	0.0	144	0.0
Interest on deposits	0	0.0	0	0.0	2	0.0
Interest on marketable securities	0	0.0	0	0.0	0	0.0
Interest on loans	–	–	22	0.0	111	0.0
Other	8	0.0	8	0.0	31	0.0
Operating revenue - other	5,044	3.8	4,300	3.5	18,462	3.6
Revenue from operational investment securities	92	0.1	–	–	664	0.1
Collection of bad debts	2,298	1.7	2,061	1.7	7,719	1.5
Other	2,653	2.0	2,239	1.8	10,077	2.0
<b>Total</b>	<b>134,675</b>	<b>100.0</b>	<b>121,047</b>	<b>100.0</b>	<b>518,416</b>	<b>100.0</b>

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

### 2. Other Operating Indicators

(In millions of yen - except where noted)

Item	End of current quarter (As of June 30, 2005)	End of same quarter last year (As of June 30, 2004)	Reference: FY2004 (As of Mar. 31, 2005)
Total amount of loans outstanding	2,124,180	1,918,770	2,095,201
Unsecured loans	1,641,407	1,483,551	1,622,032
Secured loans	351,707	344,439	352,213
Small business loans	131,065	90,779	120,955
Number of customer accounts	3,815,971	3,523,773	3,796,141
Unsecured loans	3,632,510	3,366,124	3,618,577
Secured loans	100,711	94,956	99,827
Small business loans	82,750	62,693	77,737
Number of branches	2,369	1,975	2,326
Staffed branches	891	828	884
Unstaffed branches	1,478	1,147	1,442
Number of loan-contracting machines	2,169	1,850	2,170
Automatic processing machines for loan applications	44	–	7
Number of ATMs	150,330	134,306	148,705
Company-owned	2,290	2,037	2,292
Partner-owned	148,040	132,269	146,413
Number of employees	6,848	6,237	6,510

Note: Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy. However, off-balance sheet operating loans from the securitization of receivables, which came to 107,242 million yen at the end of the current quarter (110,918 million yen at the end of same quarter last year and 99,580 million at the end of the previous consolidated fiscal year) have been included.