

## **Aiful Corporation Announces New Stock Issue**

KYOTO — AIFUL Corporation has announced the following resolutions made at a meeting of its Board of Directors held on July 13, 2001, regarding the issue of new stock in offerings in Japan and overseas.

1. Number of new shares: Along with the total offering in Japan and overseas of 7,500,000 shares, there shall be an additional potential issue of a maximum of 1,000,000 shares, dependent on the exercise of rights by the overseas managing underwriters noted below in item 3(2). However, the target for the offering shall be 3,500,000 shares for subscription in Japan and 4,000,000 shares for overseas subscription. The final breakdown will be decided on the date of determination for the issue price noted in item 2 below, taking factors such as demand into consideration.
  
2. Issue price: The issue price is pending, and is scheduled to be determined on a date between Friday, August 3, 2001, and Thursday, August 8, 2001 (the date of determination for the issue price). It shall be determined taking factors such as demand into consideration, and set at a multiple of 0.90 – 1.00 (rounded up to the nearest whole ¥1) of the closing price on the Tokyo Stock Exchange on the date of determination for the issue price (if there is no closing price on that date, the closing price for the day directly preceding it), as a preliminary condition.
  
3. Method of offering  
(1) Offering in Japan: A public offering. Nomura Securities Co., Ltd., Daiwa Securities SMBC Co., Ltd., Nikko Solomon Smith Barney Limited, Morgan Stanley Dean Witter & Co., Tokyo Branch (the company plans to change its name to Morgan Stanley & Co., Tokyo Branch from August 6, 2001), and Kokusai Securities Co. Ltd., will provide an underwriting commitment for all shares of the offering in Japan.

Note: This document is a press release for the purpose of general publicity concerning the issue of new shares in the company, and was not prepared for the purpose of soliciting investment. AIFUL Corporation asks that investors make their own decisions on investment after being sure to examine the prospectus (and amended sections) prepared by the company concerning the issue of new shares.

Moreover, this document does not constitute an offering of securities in the United States. This issue of new shares has not been registered under the US Securities Act of 1933. Therefore, new issue or sale of shares may not be conducted in the US or with regard to US citizens unless an exemption of the duty to register is obtained.

Additionally, please be aware that actions including (1) distribution of this press release or extracts from it within the US, (2) printing this press release in whole or in part in a newspaper or magazine published within the US, and (3) distribution of this press release in whole or in part via television, radio or other electronic media within the US, may infringe upon the US Securities Act of 1933.

- (2) Overseas offering: All shares in the overseas offering will be covered by an underwriting commitment by overseas underwriters, with Nomura International plc and Morgan Stanley & Co. International Limited as lead managing underwriters.
- (3) Global coordination: Nomura Securities Co., Ltd., and Nomura International plc will carry out the global coordination related to the offerings in Japan and overseas
4. Offering period: Scheduled to take place from Thursday, August 9, 2001 to Monday, August 13, 2001, but may be brought forward depending on demand. In the event that the offerings are brought forward, the offering period will be from Monday, August 6, 2001, to Thursday, August 8, 2001. When-issued settlement for new share certificates is not scheduled for the offerings in Japan and overseas.
5. Payment date: Friday, August 24, 2001
6. Dividend calculation date: Sunday, April 1, 2001
7. Offering unit: 50 shares
8. Other necessary items related to this new stock issue, including the issue price and the non-capitalized amount of the issue price, will be determined at a future Board of Directors' meeting.
9. Each of the preceding items are provisional on the validity of notification under Japan's Securities Exchange Act.

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## Reference Information

### *1. Change in Shares Outstanding due to this Capital Increase by Public Offering*

|   |   |
|---|---|
| Current shares outstanding                    | 84,876,000 shares (As of June 30, 2001) |
| Number of additional shares                   | 8,500,000 shares                        |
| Shares outstanding following capital increase | 93,376,000 shares                       |

Note: Figures for the number of additional shares and shares outstanding following capital increase above are in the event that the maximum of shares to be issued additionally through the exercise of rights by the overseas underwriters are all issued.

### *2. Use of Funds*

#### (1) Use of funds in current procurement

The ¥81,720 million in estimated proceeds from the scheduled offerings in Japan and overseas has been earmarked for a partial repayment of ¥75,000 million of the bank loan allocated as funds for the acquisition of LIFE Co., Ltd., which became an AIFUL Corporation subsidiary on March 28, 2001. The funds remaining after the partial repayment is scheduled to be used for customer loans.

#### (2) Changes in use of funds from previous fund procurement

No relevant changes.

#### (3) Effect on company revenues

In order to improve the consolidated results of the AIFUL Group, the company purchased LIFE Co., Ltd., making it a subsidiary. The AIFUL Group is seeking to become a comprehensive financial company by adding consumer credit and credit card businesses, which are new business sectors for the company. The funds for acquiring LIFE Co., Ltd., were temporarily allocated from long term borrowings and funds on hand. The allocation of the current procurement of funds through new stock issue to the repayment of that long term borrowing and customer loans will lead to an expansion in line with the AIFUL Group's diversification strategy. It will also produce a surplus in the procurement framework for customer loans for AIFUL Corporation and should lead to the stabilization of the procurement base.

### *3. Distribution of Profit to Shareholders*

#### (1) Basic policies on profit distribution

AIFUL's basic dividend policy aims to provide shareholders with a continuous return based on careful considerations of economic and financial conditions, industry trends and the company's business results. Accordingly, AIFUL's first aim is to maximize shareholder returns and shareholder value by maintaining medium- and long-term growth in profits.

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(2) View that determines dividends

Based on the basic policies outlined above, AIFUL Corporation hopes to meet the expectations of its shareholders by taking into account business results and the dividend payout ratio. The dividend for the previous financial year was a total of ¥50 per share, with an interim dividend of ¥20 per share and a final dividend of ¥30 per share. This equates to a dividend payout ratio of 8.75%.

(3) Use of retained earnings

The company uses retained earnings as a strategic resource for new businesses such as reinvesting funds in loans and financing mergers and acquisitions, ensuring that the company is ready to meet its shareholders' expectations.

(4) Dividends for the last three fiscal years

|                                     | FY3/99  | FY3/00  | FY3/01  |
|-------------------------------------|---------|---------|---------|
| Net profit per share                | ¥610.63 | ¥786.13 | ¥572.38 |
| Dividend per share                  | ¥60     | ¥60     | ¥50     |
| Actual dividend payout ratio        | 9.83%   | 7.63%   | 8.75%   |
| Return on equity                    | 16.26%  | 19.32%  | 17.47%  |
| Shareholders' equity dividend ratio | 1.60%   | 1.47%   | 1.53%   |

Notes:

1. A 1:1.2 stock split was conducted on May 20, 1999.
2. A 1:1.5 stock split was conducted on May 22, 2000.
3. Return on equity is net profit divided by shareholders' equity (average of total of equity at beginning of period and total of equity at end of period).
4. Shareholders' equity dividend ratio is the total annual dividend divided by shareholders' equity (average of total equity at beginning of period and total equity at end of period).

4. Other

(1) Designation for allocation

No applicable.

(2) Information on dilution due to potential shares

No applicable.

(3) Status of previous equity finance

(a) Equity finance conducted in last three years

No applicable.

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(b) Last three fiscal years and trends in share price

|       | FY3/99             | FY3/00                 | FY3/01  | FY3/02  |
|-------|--------------------|------------------------|---------|---------|
| Open  | * ¥8,480           | ¥8,250                 | ¥11,600 | ¥10,670 |
| High  | ¥9,700<br>□ ¥8,260 | * ¥23,420<br>□ ¥11,850 | ¥12,500 | ¥13,560 |
| Low   | ¥5,500<br>□ ¥7,820 | * ¥8,030<br>□ ¥9,500   | ¥7,900  | ¥9,940  |
| Close | ¥8,070             | ¥11,400                | ¥10,990 | ¥10,500 |

Notes:

1. The share prices above are according to the Japan Securities Dealers Association until September 30, 1998, the Tokyo Stock Exchange, Second Section from October 1, 1998 and the Tokyo Stock Exchange, First Section from March 1, 2000. Figures marked \* in FY3/99 are according to the Japan Securities Dealers Association, and figures marked \* in FY3/00 are according to the Tokyo Stock Exchange, Second Section.
2. □ indicates highs and lows following post stock split ex rights.
3. Share prices for FY3/02 are as of July 6, 2001.

(c) Trends in price/earnings ratio and return on equity in last three fiscal years

|                      | FY3/99      | FY3/00      | F3/01       |
|----------------------|-------------|-------------|-------------|
| Price/earnings ratio | 13.40 times | 18.66 times | 13.97 times |
| Return on equity     | 16.26%      | 19.32%      | 17.47%      |

Notes:

1. Price/earnings ratio is the share price at the end of the period (closing price) divided by net profit per share for the previous period.
2. Return on equity is net profit divided by shareholders' equity (average of total of equity at beginning of period and total of equity at end of period).

**AIFUL Corporation**

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