

August 27, 2002

AIFUL Corporation Announces Conversion of City Green Co., Ltd., into Subsidiary Through Share Exchange Related to Acquisition of City's Co., Ltd.

KYOTO — AIFUL Corporation announced today that, following a decision by its board of directors' on August 27, 2002, it would acquire City Green Co., Ltd., the holding company of the business finance company, City's Co., Ltd., concluding a share exchange agreement to make City Green a full subsidiary. The share exchange will take effect on October 1, 2002. The details are given below.

AIFUL plans to acquire all the shares in City's held by other shareholders before the completion of the share exchange, such that City's will become a subsidiary after the share exchange is carried out and continue with its business activities as a member of the AIFUL Group.

1. Objectives of Conversion into a Subsidiary through the Share Exchange

AIFUL seeks to become a total financial services company in the retail finance segment and has been diversifying its product portfolio and its channels for customer acquisition, targeting the entire consumer credit market. The company's approach is not limited to traditional consumer finance markets. In the business loan segment, it has been actively marketing business loan products at Businext, a joint venture with Sumitomo Trust & Banking Co., Ltd.

AIFUL is converting City Green into a full subsidiary through the share exchange in order to make City's, which is an outstanding business finance company with solid management that has achieved a sound revenue base, into a subsidiary. As a result, the AIFUL Group will be able to:

- Strengthen its revenue structure, as the Group's loans outstanding will more than double; and,
- Further expand its marketing base in the business loan segment through the acquisition of the expertise and human assets of City's.

After joining the AIFUL Group, City's will be able to:

- Expand its business and operations and improve earning potential based on the creditworthiness and expertise of AIFUL.

2. Terms and Conditions of the Share Exchange

(1) Schedule for the Share Exchange

August 27, 2002: Board of directors approves share exchange agreement

August 27, 2002: Conclusion of share exchange agreement

August 27, 2002: General Meeting of Shareholders (City Green Extraordinary Meeting of Shareholders) approves share exchange agreement

October 1, 2002: Date of share exchange

Note: AIFUL will conduct a simple share exchange based on the provision of Article 358 of the Commercial Code, so the approval of the General Meeting of Shareholders specified in Paragraph 1 of Article 353 of the Commercial Code shall not be required.

(2) Share Exchange ratio

	AIFUL	City Green
Share exchange ratio	1	657

Note:

1. Share allotment ratio
AIFUL will allocate and deliver 657 shares for 1 City Green shares.
2. Basis of calculation for share exchange ratio
AIFUL and City Green selected Nomura Securities Co., Ltd., as a third party institution and requested it to calculate the share exchange ratio. The share exchange ratio above was determined with reference to the results of Nomura's calculations and discussion between the companies involved.
3. Results, method and basis of calculation by third party institution
Nomura Securities conducted a share price appraisal for each company. It used the average market share price method (six month average to August 21, 2002) for AIFUL and a combination of the income return method and the net asset value method for City Green. It calculated the share exchange ratio on the basis of the outcome of this appraisal.
4. Number of new shares to be issued due to the share exchange
Ordinary shares: 1,314,000

(3) Share Exchange Dividend

A share exchange dividend shall not be paid.

3. Profile of Companies Involved in the Share Exchange

Name	AIFUL Corporation (Parent company)	City Green (Full subsidiary)
Type of business	Consumer finance company	Holding company of City's Co., Ltd.
Establishment	February 1978	May 2002
Headquarters	381-1 Takasagocho, Gojo Agaru, Karasumadori, Shimogyo-ku, Kyoto	5-26 Joto-machi, Kumamoto City
Representative	Yoshitaka Fukuda, President	Shinichi Tanizaki, President
Capital	¥83,317 million (As of August 26, 2002)	¥100 million (As of August 26, 2002)
Number of shares issued	93,376,000	2000
Shareholder's equity	¥420,493 million (As of March 31, 2002)	¥581 million (As of March 31, 2002)
Gross assets	¥1,740,868 million (As of March 31, 2002)	¥581 million (As of March 31, 2002)
Fiscal year	Ending March 31	Ending September 30
Number of employees	3576 (As of March 31, 2002)	0 (As of March 31, 2002) Note: The company has no employees as it is a holding company for City's Co., Ltd.
Principal customers	General consumers	Businesses and general consumers
Major shareholders (Holding ratio)	1. Yoshitaka Fukuda 29.64% 2. Yamakatsu Co. 9.53% 3. Marutaka Co. 8.76% 4. Erio Lease Co. 4.07% 5. State Street Bank & Trust Company 2.92%	Shinichi Tanizaki Masae Tanizaki Fumiko Tanizaki
Main banks	Sumitomo Trust & Banking Co., Ltd., Aozora Bank, Ltd., Mizuho Asset Trust & Banking Co., Ltd., Mitsubishi Trust & Banking Corp., Chuo Mitsui Trust & Banking Co., Ltd.	Kumamoto Family Bank, Ltd.
Relationship between companies involved (Personnel, capital, transactions, etc.)	None	None

4. Status Following Share Exchange

- (1) Company name: AIFUL Corporation
- (2) Type of business: Consumer finance business
- (3) Headquarters: 381-1 Takasagocho, Gojo Agaru, Karasumadori, Shimogyo-ku, Kyoto
- (4) Representative: Yoshitaka Fukuda, President
- (5) Capital: ¥83,317 million
- (6) Effect on business results

City's, which will become a new subsidiary as a result of the City Green share exchange, has so far built up a sound revenue base and recorded steady profits on the basis of sound management. In the future, the effects of the acquisition are forecast to be:

- Low-cost fund procurement, taking advantage of the creditworthiness of AIFUL itself;
- Increased efficiency of operations due to business leadership from AIFUL; and
- Increased earning potential due to growth in loans outstanding with the introduction of marketing and business expertise from AIFUL.

As a result, AIFUL's consolidated business results for the year ending March 31, 2003 are forecast to see an increase in both operating income and profit.

<Reference> Current outline of City's, which will become a new AIFUL subsidiary

(1) Company profile

Name	City's Co., Ltd.								
Type of business	Business finance company								
Establishment	October, 1959								
Headquarters	5-26 Joto-machi, Kumamoto City								
Representative	Shinichi Tanizaki, President								
Capital	¥700 million (As of August 26, 2002)								
Number of shares issued	3,050,000								
Shareholder's equity	¥15,122 million (As of September 30, 2001)								
Gross assets	¥55,280 million (As of September 30, 2001)								
Fiscal year	Ending September 30								
Number of employees	447 (As of September 30, 2001)								
Main customers	Businesses and general consumers								
Major shareholders (Holding ratio)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. City Green</td> <td style="text-align: right;">57.80%</td> </tr> <tr> <td>2. AIFUL Corporation</td> <td style="text-align: right;">35.60%</td> </tr> <tr> <td>3. Bank of Fukuoka, Ltd.</td> <td style="text-align: right;">3.30%</td> </tr> <tr> <td>4. Kumamoto Family Bank, Ltd.</td> <td style="text-align: right;">3.30%</td> </tr> </table> <p>Note: AIFUL plans to obtain the transfer of shares from shareholders 3 and 4 on August 28, 2002,</p>	1. City Green	57.80%	2. AIFUL Corporation	35.60%	3. Bank of Fukuoka, Ltd.	3.30%	4. Kumamoto Family Bank, Ltd.	3.30%
1. City Green	57.80%								
2. AIFUL Corporation	35.60%								
3. Bank of Fukuoka, Ltd.	3.30%								
4. Kumamoto Family Bank, Ltd.	3.30%								
Main banks	Bank of Fukuoka, Ltd., Kumamoto Family Bank, Ltd.								

(2) Business results for the last three fiscal years for AIFUL and City's

(Unit: Million yen, yen)

Fiscal year	AIFUL Corporation (Parent)			City's Co., Ltd (subsidiary)		
	FY3/00	FY3/01	FY3/02	FY9/99	FY9/00	FY9/01
Loans outstanding	1,001,080	1,159,734	1,313,690	36,581	35,054	32,513
Operating revenue	238,532	270,827	307,272	10,055	9,626	8,938
Operating income	87,437	103,319	110,442	3,765	3,355	3,067
Ordinary income	85,009	103,372	107,515	3,829	3,404	3,137
Net income	44,104	48,512	38,349	1,900	1,705	1,703
Net income per share	786.13	572.38	426.54	623.27	559.28	558.65
Annual dividend per Share	60.00	50.00	50.00	60.00	60.00	60.00
Shareholder's equity per share	4,507.83	3,565.21	4,513.89	4,013.41	4,486.47	4,958.21
ROE	19.3%	17.5%	10.6%	15.52%	12.46%	11.26%

(3) Business Profile of City's

1) Outline of products

Category	Share of Sales	
	Oct. 1, 1999 - Sept. 30, 2000	Oct. 1, 2000 - Sept. 30, 2001
Business loans	88.7%	88.7%
Real estate secured loans	7.0%	7.1%
Consumer loans	1.9%	1.4%
Other products	2.4%	2.8%
Total	100.0%	100.9%

(2) Significant Business Agreements

With regard to businesses and operations within Kumamoto Prefecture (headquarters) and its assets, City's transferred its business loan operations, consumer loan business, real estate secured loan business and bill discount business to City Trust Co., Ltd., and the building lease business and the real estate holdings sales business to City Building Co., Ltd., on August 19, 2002.

(3) Main customers: Businesses

AIFUL Corporation

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