

Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 31, 2004

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1. Notes to the quarterly financial statements

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|---|---|
| 1) Basis for preparing financial statements | Regulations governing interim consolidated financial statements |
| 2) Differences in recognition methods compared to accounting standards in recent fiscal years | No |
| 3) Changes in scope of consolidation and equity method application | No |
| 4) Participation of certified public accountant or audit corporation | No |

2. Overview of 1Q-3Q FY3/04 results (April 1, 2003 – December 31, 2003)

(1) Consolidated results of operations Note: Amounts in the 1Q-3Q financial statements and supplemental materials are rounded down.

	Operating revenue		Operating income		Ordinary income		Net income	
	¥m	%	¥m	%	¥m	%	¥m	%
1Q-3Q FY3/04	354,540	—	79,169	—	78,907	—	47,473	—
1Q-3Q FY3/03	—	—	—	—	—	—	—	—
(Reference) FY3/03	449,458	13.2	115,995	4.2	111,797	6.4	59,910	70.9

	EPS	Diluted EPS
	¥	¥
1Q-3Q FY3/04	502.53	—
1Q-3Q FY3/03	—	—
(Reference) FY3/03	637.59	—

Note: Percentages for operating revenue, operating income, ordinary income, and net income indicate year-on-year change.

Further, because AIFUL began quarterly disclosure in 1Q FY3/04, last year's results and year-on-year comparisons are not available.

Qualitative information about consolidated results of operations

Overview

Looking at the Japanese economy during the first three quarters of the fiscal year ending March 31, 2004 (1Q-3Q FY3/04), despite a modest rally in stock prices and signs of a bottoming in macroeconomic indicators, including a decline in the number of corporate bankruptcies and improvement in the diffusion index, uncertainty about the country's economic future could not be entirely dispelled given the slump in consumer spending caused by anxiety about employment and income conditions as well as other factors.

In the consumer finance industry, despite an apparent slowing in the growth rate for personal bankruptcies, because the total number of bankruptcies exceeded last year's level, bad debt expenses accordingly increased.

Given this business environment, the AIFUL Group continued to move forward in diversifying its product lineup and sales channels with the goal of stepping beyond the framework of the consumer finance industry to become a comprehensive retail financial services group targeting the overall consumer credit market. Individual group companies endeavored to enhance the efficiency of business operations while seeking to strengthen the overall group by generating synergies through mutual cooperation and establishing brand value based on the unifying concept of "a company for security and creativity."

Operations

1. AIFUL Corporation

During 1Q–3Q FY3/04, the loan business achieved steady growth in loan balances by continuing to pursue a product diversification strategy focusing on real estate secured loans, small business loans, and especially unsecured loans in order to respond to a broader range of customer needs.

AIFUL opened three new branches and closed 19 branches as part of a scrap and build program to restructure its branch network. At the end of 3Q, the company had a total of 1,564 branches, comprised of 544 staffed branches, 1,018 unstaffed branches, and two branches specializing in secured loans.

As part of efforts to expand the number of locations for depositing and withdrawing funds, AIFUL formed new partnerships with 11 banks and one company (6,772 CD/ATMs), and when adding its own ATMs, customers now have access to a total of 59,206 CD/ATMs.

AIFUL received a total of 414,000 new applications for unsecured loans during 1Q–3Q, a decline of 7.3% year-on-year reflecting the ongoing reluctance of consumers to take out loans owing to deterioration in the income and employment environment and to an uncertain economic outlook. Of these applications, the company acquired 265,000 new customers, down 12.8% year-on-year as a result of its cautious credit policy in preparation for future increases in bad debt expenses.

The proportion of new customers acquired through the Internet, either by personal computer or mobile phone, saw a healthy increase to 8.7%.

For AIFUL Master Card, representing AIFUL's independent credit card business, the company is actively developing a variety of co-branded credit cards with a view to acquiring a wider range of customers. One example is the co-branded card for members of Driver Stand, a leading retailer of car accessories, which AIFUL began issuing in April 2003.

As a result of the foregoing, AIFUL's loans outstanding totaled ¥1,436,938 million at the end of 3Q, comprised of ¥1,072,279 million in unsecured loans, ¥337,697 million in real estate secured loans, and ¥26,961 million in small business loans.

Bad debt expenses totaled ¥85,715 million at the end of the 3Q as a result of an increase in the number of personal bankruptcies and the rising unemployment rate. The number of personal bankruptcy applications, as announced by the Supreme Court of Japan, has declined year-on-year since July 2003, and was down 11.5% in November, for the first double-digit decline in about nine years since September 1994.

In the guarantee business, which AIFUL is promoting as a new source of income, in addition to unsecured and non-guaranteed personal loans, the company is utilizing its accumulated credit and screening expertise in the area of small business loans to actively pursue a guarantee business for small business loans. The company has formed guarantee partnerships with 35 financial institutions and its guarantee balance totaled ¥24,126 million at the end of 3Q.

In order to provide high-quality customer service while raising the efficiency of operations and cutting costs, AIFUL is integrating automated loan machine operations, telephone inquiries, applications, and other inbound operations as well as sales-related operations currently dispersed at its nationwide network of 544 staffed branches at two contact centers located in eastern and western Japan. The contact center in western Japan launched full-scale operations in October 2003. For the eastern Japan contact center, integration is steadily moving forward, and the company plans to launch operations by the end of March 2004. Moreover, accompanying this change in the sales structure, the company is revising its organization to facilitate more efficient operations.

2. Life Co., Ltd.

During 1Q–3Q FY3/04, with the aim of developing a stable earnings base, Life continued to focus on steadily transforming its loan portfolio from a low-profit structure to a high-profit structure by concentrating resources in the credit card business, per-item credit business, and consumer finance business.

In the credit card business, Life has been expanding the number of cardholders by issuing co-branded cards with leading home electronics retailer Eiden and then major home center operator Sanwado, beginning in April 2003. The company also enriched its lineup of proper cards by adding to the GLAY Card, Atashin'Chi Card, and other current cards by issuing a variety of entertainment cards, including the Taka Card as a fan club card for professional soccer player Naohiro Takahara, the Bayside Shakedown 2 Card for the widely popular movie of the same name, and the Odoru Life Card as another card associated with Bayside Shakedown. Moreover, Life used the occasion of surpassing 10 million cardholders in June 2003 to hold the Life Card 10 Million Cardholders Campaign, offering the industry's most substantial prizes, with a view to improving its brand image. To expand the availability of cash advance services, Life formed new partnerships with eight banks, bringing the total number of partnering financial institutions and credit card companies to 499 and the number of CD/ATMs to about 120,000.

As a result of these efforts, the number of credit cardholders has increased by 880,000 during the current fiscal year to reach a total of 10,720,000 cardholders.

In the per-item credit business, Life conducted aggressive sales promotion activities and actively expanded its network of affiliated stores by strengthening its sales organization through integrating branch operations. The company also focused on boosting transaction volume and accumulating high-quality assets.

In the consumer finance business, Life sought to bolster customer acquisition by continuing to expand its branch network. The company opened 34 new unstaffed branches and closed three branches, bringing the total number of Life Cash Plaza outlets to 195.

In the guarantee business, Life worked to expand bank loan guarantee products capable of securing advantageous guarantee rates, and it formed new partnerships with 22 banks to bring the total number of guarantee partners to 92 banks.

As a result of the foregoing, Life's transaction volume in 1Q–3Q totaled ¥237,227 million in the credit card business, ¥98,726 million in the per-item credit business, and ¥226,666 million for credit card advances, the Life Play Card, and other loans.

The balance of loans, installment receivables, and credit guarantee receivables totaled ¥700,648 million (includes ¥212,943 million in off-balance-sheet receivables resulting from receivables factoring), comprised of ¥78,658 million for credit cards, ¥172,403 million for per-item credit, ¥328,861 million for credit card cash advances and other loans, ¥108,671 million for credit guarantee receivables, and ¥12,053 million for other items.

3. Other group companies

The small business loan companies Businext Corporation and City's Corporation sought to acquire new high-quality customers while maintaining a cautious credit screening policy in view of the current economic environment. Consequently, loans outstanding totaled ¥23,997 million at Businext and ¥29,825 million at City's at the end of 3Q FY3/04.

The consumer finance companies Happy Credit Corporation, Sinwa Co., Ltd., and Sanyo Shinpan Co., Ltd. worked to bolster credit provision in preparation for an increase in bad debt expenses. As a result, loans outstanding totaled ¥28,097 million at Happy Credit, ¥20,422 million at Sinwa, and ¥11,397 million at Sanyo Shinpan (includes installment receivables).

At the end of 3Q FY3/04, the entire AIFUL Group had loans outstanding of ¥1,879,182 million, installment receivables of ¥251,574 million, credit guarantee receivables of ¥132,799 million, and other receivables of ¥12,520 million. These figures include a total of ¥212,943 million in off-balance-sheet receivables resulting from receivables factoring, comprised of ¥131,030 million in loans and ¥81,912 in installment receivables.

AsTry Loan Services Corporation focused on expanding receivables in order to manage and collect a variety of monetary receivables.

In an effort to improve operating efficiency by optimizing the allocation of branches, personnel, and other resources of group companies, Sanyo Shinpan will divest and transfer its credit card business and installment sales finance business to Life on April 1, 2004 and then merge with the other two consumer finance subsidiaries Happy Credit and Sinwa. Happy Credit will be the surviving company, and it will re-launch operations under the new name Tryto Corporation.

Operating results

As a result of the foregoing activities, group operating revenue totaled ¥354,540 million in 1Q–3Q FY3/04.

AIFUL's operating revenue was ¥251,084 million, accounting for 70.8% of the group total, and Life's operating revenue was ¥83,572 million, or 23.6% of the group total. Looking at breakdown of consolidated operating revenue, loan interest totaled ¥321,395 million, accounting for 90.7% of total operating revenue, credit card and per-item credit revenue totaled ¥18,237 million, accounting for 5.1%, credit guarantee revenue totaled ¥4,045 million, accounting for 1.2%, and other revenue totaled ¥10,861 million, accounting for 3.0%.

Loan interest at AIFUL accounted for 76.3% of consolidated loan interest, and AIFUL's loan interest consisted of 81.5% from unsecured loans, 16.6% from real estate secured loans, and 1.9% from small business loans.

Group operating expenses totaled ¥275,370 million. AIFUL's operating expenses were ¥183,328 million, accounting for 66.6% of the group total, and Life's operating expenses were ¥75,748 million, or 27.5% of the group total. Group operating expenses were comprised mainly of bad debt expenses of ¥123,154 million, accounting for 44.7% of the total, financial expenses of ¥28,776 million, accounting for 10.5%, advertising expenses of ¥15,471 million, accounting for 5.6%, personnel expenses of ¥36,422 million, accounting for 13.2%, and commissions paid of ¥15,582 million, accounting for 5.7%.

Additionally, AIFUL booked ¥2,007 million in operating expenses to amortize consolidation adjustments related to the acquisitions of Life, Sinwa, and other companies.

As a result of the foregoing, the AIFUL Group recorded operating income of ¥79,169 million, ordinary income of ¥78,907 million, and net income of ¥47,473 million in 1Q–3Q FY3/04. On a non-consolidated basis, AIFUL had operating income of ¥67,755 million, ordinary income of ¥70,429 million, and net income of ¥36,321 million.

Basic stance and current policies for corporate governance

AIFUL's basic policies on improving corporate governance call for swift decision-making, enhancing management monitoring functions, providing more complete disclosure, and strengthening its compliance system.

On the basis of these policies, AIFUL's Board of Directors meets weekly to discuss and promptly decide on business strategies for addressing the challenges and opportunities facing the company.

Moreover, with the objective of further clarifying management responsibility, AIFUL adopted a resolution to shorten the appointment term of directors from two years to one at the 26th General Meeting of Shareholders on June 26, 2003.

To strengthen management monitoring functions, AIFUL established a Board of Auditors comprised of four standing corporate auditors, including two outside auditors. In addition to management monitoring through the presence of auditors at weekly meetings of the Board of Directors, AIFUL is working to develop a preventive auditing system through auditor attendance of Compliance Committee meetings and close cooperation with the Inspection Department, which is AIFUL's internal auditing department. Outside auditors do not have business relationships or other interests in AIFUL.

AIFUL's basic stance toward disclosure is to provide shareholders, investors, and other interested parties with a wide range of pertinent information about the company's business in a timely manner in order to enhance external checks and achieve effective corporate governance. AIFUL is working to improve corporate governance, and in addition to information disclosure activities, it regularly presents the opinions and wishes of shareholders and investors to the Board of Directors and department heads.

On the basis of a management philosophy aiming for this type of high transparency management, AIFUL established the Public Relations and Investor Relations Department to specialize in disclosure activities. The Investor Relations Department was made independent in October 2003 in order to strengthen investor relations. AIFUL strives to achieve timely and straightforward disclosure through a variety of means, including publishing press releases, financial statements, and other material, domestic and overseas mass media activities, interviews with investors and analysts, informational briefings, and so forth. Moreover, with the aim of further improving disclosure, the company completely revamped its investor relations website (<http://www.ir-aiful.com>) in April 2003.

Compliance activities

Regarding compliance activities, AIFUL's Inspection Department and Legal Department have been working to ensure compliance for some time, and in April 2002, the company established the Compliance Committee, which includes lawyers and other members from outside the company, as an advisory body to the Board of Directors. The Compliance Committee meets monthly to gather information about risk, implement preventive measures, educate employees, and take other actions to enhance AIFUL's company-wide compliance system.

AIFUL prepared the AIFUL Group Code of Ethics and distributed it to all group employees. It also established a hotline operated by the Personnel and Inspection Departments to allow employees to discuss actions that may be in violation of the Code of Ethics. AIFUL further set up a new compliance hotline within the Legal Department in June 2003, prepared regulations for internal company communications, and developed a system to prevent legal violations and infringements of internal company rules.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	¥m	¥m	%	¥
1Q-3Q FY3/04	2,361,971	530,654	22.5	5,617.31
1Q-3Q FY3/03	—	—	—	—
(Reference) FY3/03	2,282,113	485,991	21.3	5,143.45

Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at term-end
	¥m	¥m	¥m	¥m
1Q-3Q FY3/04	-41,783	36,985	47,237	174,035
1Q-3Q FY3/03	—	—	—	—
(Reference) FY3/03	-90,062	-57,172	131,652	131,643

Qualitative information about changes in the consolidated financial position

Assets

Loans totaled ¥1,748,151 million, with AIFUL accounting for ¥1,436,938 million, Life for ¥197,830 million, Businext for ¥23,997 million, and City's for ¥29,825 million. These companies recorded favorable growth.

Installment receivables totaled ¥169,661 million on steady growth in Life's credit card business and per-item credit business. Credit guarantee receivables totaled ¥132,799 million.

The allowance for bad debts totaled ¥148,521 million in consideration of the recent economic environment.

Figures for loans and installment receivables on the consolidated balance sheets do not include off-balance-sheet items at Life, comprised of ¥131,030 million in loans and ¥81,912 million in installment receivables, resulting from receivables factoring.

Liabilities

AIFUL's balance of funds procured through borrowings, commercial paper, bonds, and other means totaled ¥1,558,215 million on a consolidated basis. AIFUL raised funds in response to favorable growth in receivables at AIFUL, Life, Businext, and City's.

Shareholders' equity

Consolidated shareholders' equity stood at ¥530,654 million, for an equity ratio of 22.5%, at the end of 3Q FY3/04. On a non-consolidated basis, shareholders' equity was ¥504,453 million for an equity ratio of 26.5%.

Cash flows

Cash and cash equivalents totaled ¥174,035 million at the end of 3Q FY3/04, an increase of ¥42,391 million, owing to fund procurement through bond issuances and other means, and despite the decrease caused by growth in loans and other receivables.

Cash flows from operating activities

Net cash used in operating activities totaled ¥41,783 million owing to an increase in loans and other receivables and the payment of income taxes, and despite net income before income taxes of ¥80,352 million in the previous quarter.

Cash flows from investing activities

Net cash provided by investing activities totaled ¥36,985 million due to the collection of loans and other receivables, and despite ongoing capital investment in contact centers and other facilities.

Cash flows from financing activities

Net cash provided by financing activities totaled ¥47,237 million because proceeds from borrowings and bond issuances exceeded repayments of borrowings and payments for bond redemption.

Reference 1. Non-consolidated results of operations for 1Q–3Q FY3/04 (April 1, 2003 – December 31, 2003)

	Operating revenue	Operating income	Ordinary income	Net income
	¥m	¥m	¥m	¥m
1Q–3Q FY3/04	251,084	67,755	70,429	36,321

	Total assets	Shareholders' equity
	¥m	¥m
1Q–3Q FY3/04	1,900,470	504,453

3. FY3/04 consolidated earnings forecast (April 1, 2003 – March 31, 2004)

	Operating revenue	Ordinary income	Net income	EPS
	¥m	¥m	¥m	¥
FY3/04	480,243	112,000	61,215	648.00

Qualitative information about earnings forecasts

Concerning AIFUL Group earnings in FY3/04, the consolidated and non-consolidated earnings forecasts announced along with 1H FY3/04 results are unchanged. These forecasts call for consolidated operating revenue of ¥480,243 million, ordinary income of ¥112,000 million, and net income of ¥61,215 million, and non-consolidated operating revenue of ¥338,814 million, ordinary income of ¥101,000 million, and net income of ¥52,154 million.

Reference 2. FY3/04 non-consolidated earnings forecast (April 1, 2003 – March 31, 2004)

	Operating revenue	Ordinary income	Net income	Annual dividend per share	
				Year-end	
	¥m	¥m	¥m	¥	¥
FY3/04	338,814	101,000	52,154	30.00	60.00

Note: The foregoing earnings forecasts are based on information available at the present time, and actual results may differ for a variety of reasons.

Supplemental material

1. Consolidated financial statements

(1) Consolidated statements of income

(Unit: ¥ million)

Item	Term	1Q-3Q FY3/03 (April 1, 2002 – December 31, 2002)		1Q-3Q FY3/04 (April 1, 2003 – December 31, 2003)		FY3/03 (April 1, 2002 – March 31, 2003)	
		Amount	%	Amount	%	Amount	%
Operating revenue		—	—	354,540	100.0	449,458	100.0
Loan interest		—	—	321,395	90.7	406,483	90.4
Credit card revenue		—	—	6,122	1.7	7,877	1.8
Per-item credit revenue		—	—	12,114	3.4	15,178	3.4
Credit guarantee revenue		—	—	4,045	1.2	4,132	0.9
Other financial revenue		—	—	78	0.0	321	0.1
Other operating revenue		—	—	10,782	3.0	15,463	3.4
Operating expenses		—	—	275,370	77.7	333,462	74.2
Financial expenses		—	—	28,776	8.1	38,479	8.6
Cost of sales		—	—	137	0.1	562	0.1
Other operating expenses		—	—	246,457	69.5	294,420	65.5
Operating income		—	—	79,169	22.3	115,995	25.8
Non-operating income		—	—	747	0.2	1,303	0.3
Non-operating expenses		—	—	1,008	0.2	5,501	1.2
Ordinary income		—	—	78,907	22.3	111,797	24.9
Extraordinary income		—	—	4,824	1.4	444	0.1
Extraordinary losses		—	—	3,379	1.0	4,788	1.1
Net income before income taxes		—	—	80,352	22.7	107,453	23.9
Income taxes		—	—	36,088	10.2	57,555	12.8
Income tax adjustments		—	—	-3,502	-1.0	-10,129	-2.2
Minority interest income/loss		—	—	292	0.1	116	0.0
Net income		—	—	47,473	13.4	59,910	13.3

(2) Consolidated balance sheets

(Unit: ¥ million)

Item	Term	End-3Q FY3/03		End-3Q FY3/04		End-FY3/03	
		(As of December 31, 2002)		(As of December 31, 2003)		(As of March 31, 2003)	
		Amount	%	Amount	%	Amount	%
	(Assets)						
Current assets		—	—	2,194,968	92.9	2,097,467	91.9
Cash and deposits		—		174,623		132,296	
Loans		—		1,748,151		1,670,781	
Installment receivables		—		169,661		147,857	
Credit guarantee receivables		—		132,799		128,744	
Other operating receivables		—		12,520		12,738	
Deferred tax assets		—		26,966		25,582	
Other		—		57,034		92,904	
Allowance for bad debts		—		-126,789		-113,438	
Fixed assets		—	—	166,472	7.1	184,110	8.1
Tangible fixed assets		—	—	46,073	2.0	42,012	1.8
Land		—		14,635		14,801	
Other		—		31,437		27,210	
Intangible fixed assets		—	—	39,777	1.7	39,243	1.8
Consolidation adjustments		—		19,346		22,046	
Other		—		20,431		17,197	
Investments and other assets		—	—	80,622	3.4	102,854	4.5
Claims in bankruptcy		—		23,899		17,363	
Deferred tax assets		—		16,690		16,591	
Other		—		61,764		87,591	
Allowance for bad debts		—		-21,732		-18,691	
Deferred assets		—	—	530	0.0	535	0.0
Bond issuing expenses		—		530		535	
Total assets		—	—	2,361,971	100.0	2,282,113	100.0

(Unit: ¥ million)

Item	Term	End-3Q FY3/03		End-3Q FY3/04		End-FY3/03	
		(As of December 31, 2002)		(As of December 31, 2003)		(As of March 31, 2003)	
		Amount	%	Amount	%	Amount	%
	(Liabilities)						
Current liabilities		—	—	871,570	36.9	804,845	35.3
Notes and accounts payable		—		29,123		22,932	
Credit guarantees payable		—		132,799		128,744	
Short-term borrowings		—		83,811		55,365	
Current portion of bonds		—		135,000		74,500	
Current portion of long-term borrowings		—		396,476		416,152	
Commercial paper		—		12,000		13,500	
Income taxes payable		—		15,797		37,627	
Accrued bonuses		—		1,884		3,759	
Gains on deferred installments		—		12,169		11,089	
Other		—		52,507		41,174	
Fixed liabilities		—	—	955,427	40.4	987,247	43.2
Bonds		—		345,000		377,500	
Long-term borrowings		—		585,928		567,950	
Allowance for retirement benefits for employees		—		2,764		7,636	
Allowance for retirement benefits for directors		—		1,254		1,150	
Other		—		20,479		33,010	
Total liabilities		—	—	1,826,997	77.3	1,792,092	78.5
(Minority interests)		—	—	4,319	0.2	4,028	0.2
Minority interests		—		4,319		4,028	
	(Shareholders' equity)						
Capital stock		—	—	83,317	3.5	83,317	3.6
Additional paid-in capital		—	—	104,124	4.4	104,125	4.6
Retained earnings		—	—	342,630	14.5	300,924	13.2
Gain/losses on valuation of other securities		—	—	2,637	0.1	-323	-0.0
Treasury stock		—	—	-2,056	-0.0	-2,052	-0.1
Total shareholders' equity		—	—	530,654	22.5	485,991	21.3
Total liabilities, shareholders' equity, and minority interests		—	—	2,361,971	100.0	2,282,113	100.0

(3) Consolidated statements of cash flows

(Unit: ¥ million)

Item	Term	1Q-3Q FY3/03	1Q-3Q FY3/04	FY3/03
		(April 1, 2002 – December 31, 2002)	(April 1, 2003 – December 31, 2003)	(April 1, 2002 March 31, 2003)
		Amount	Amount	Amount
I	Cash flows from operating activities			
	Net income before income taxes	—	80,352	107,453
	Depreciation and amortization	—	5,477	6,676
	Amortization of consolidation adjustments	—	2,700	3,686
	Loss on valuation of investment securities	—	196	858
	Increase/decrease (–) in allowance for bad debts	—	16,391	20,908
	Increase/decrease (–) in accrued bonuses	—	–1,874	–260
	Increase/decrease (–) in allowance for retirement benefits for employees	—	–845	1,545
	Increase/decrease (–) in allowance for retirement benefits for directors	—	103	82
	Non-operating interest and dividends received	—	–119	–152
	Amortization of bond issuing expenses	—	342	829
	Gain (–)/loss on sale of fixed assets	—	–102	361
	Loss on retirement of fixed assets	—	423	409
	Loss on valuation of fixed assets	—	—	540
	Gain on liquidation of deposits and guarantees	—	–25	–135
	Gain on return of pension fund assets	—	–4,025	—
	Payment of bonuses to directors	—	–98	–103
	Increase (–)/decrease in loans	—	–77,370	–160,195
	Increase (–)/decrease in installment receivables	—	–21,804	–27,101
	Increase (–)/decrease in other operating receivables	—	218	3,374
	Increase (–)/decrease in claims in bankruptcy	—	–6,536	–1,015
	Increase (–)/decrease in other current assets	—	6,484	–14,359
	Increase/decrease (–) in other current liabilities	—	16,214	5,008
	Other	—	–86	–1,801
	Subtotal	—	16,015	–53,389
	Non-operating interest and dividends received	—	119	152
	Income taxes paid	—	–57,918	–36,826
	Cash flows from operating activities	—	–41,783	–90,062

(Unit: ¥ million)

Item	Term	1Q-3Q FY3/03	1Q-3Q FY3/04	FY3/03
		(April 1, 2002 – December 31, 2002)	(April 1, 2003 – December 31, 2003)	(April 1, 2002 – March 31, 2003)
		Amount	Amount	Amount
II	Cash flows from investing activities			
	Payments into time deposits	—	-198	-474
	Proceeds from withdrawal of time deposits	—	317	1,621
	Payments for purchase of securities	—	-1,499	-499
	Proceeds from sale of securities	—	—	303
	Increase (-)/decrease in trust beneficiary rights	—	1,500	-1,744
	Payments for purchase of new consolidated subsidiaries	—	—	-7,556
	Payments for purchase of fixed assets	—	-10,985	-17,320
	Proceeds from sale of fixed assets	—	384	596
	Payments for purchase of investment securities	—	-308	-3,459
	Proceeds from sale of investment securities	—	1,806	1,345
	Payments for investments	—	-0	—
	Proceeds from withdrawal of investments	—	135	336
	Increase (-)/decrease in short-term loans receivable	—	30,005	-22,999
	Payments for long-term loans receivable	—	-35	-8,140
	Proceeds from collection of long-term loans receivable	—	15,666	173
	Payments for purchase of investments and other assets	—	-34	-400
	Proceeds from sale, etc. of investments and other assets	—	332	505
	Other	—	-101	540
	Cash flows from investing activities	—	36,985	-57,172
III	Cash flows from financing activities			
	Proceeds from short-term borrowings	—	468,138	420,365
	Repayment of short-term borrowings	—	-439,691	-413,452
	Increase/decrease (-) in commercial paper	—	-1,500	-1,500
	Proceeds from long-term borrowings	—	389,743	553,965
	Repayment of long-term borrowings	—	-391,442	-451,921
	Proceeds from bond issuance	—	59,662	99,925
	Payments for bond redemption	—	-32,000	-71,000
	Payments for purchase of treasury stock	—	-4	-6
	Proceeds from payments from minority shareholders	—	—	400
	Dividend payments	—	-5,668	-5,123
	Cash flows from financing activities	—	47,237	131,652
IV	Effect of exchange rate changes on cash and cash equivalents	—	-47	35
V	Increase/decrease (-) in cash and cash equivalents	—	42,391	-15,547
VI	Cash and cash equivalents at beginning of term	—	131,643	139,126
VII	Increase in cash and cash equivalents from new consolidation	—	—	8,064
VIII	Cash and cash equivalents at end of term	—	174,035	131,643

Notes to the quarterly consolidated financial statements

1. Scope of consolidation

- | | |
|---|---|
| (1) Consolidated subsidiaries | Nine companies |
| Company names | Happy Credit Corporation, Sinwa Co., Ltd., Life Co., Ltd., Sanyo Shinpan Co., Ltd., Businext Corporation, AsTry Loan Services Corporation, Marutoh KK, City's Corporation, and City Green Corporation |
| (2) Non-consolidated subsidiaries | Three companies |
| Reason for exclusion from consolidation | Non-consolidated subsidiaries (Life Stock Center Co, Ltd. and two others) are not included within the scope of consolidation because the three companies are small and their total assets, operating revenue, net income (commensurate with equity interest), and retained earnings (commensurate with equity interest) have an immaterial impact on the consolidated financial statements. |

2. Equity method application

Equity method accounting is not applied to the three non-consolidated subsidiaries and an affiliated company (Hakata Daimaru Card Services Co., Ltd.) because the four companies are small and their total net income (commensurate with equity interest) and retained earnings (commensurate with equity interest) have an immaterial impact on the consolidated financial statements.

3. Third quarter settlement dates of consolidated subsidiaries

The third quarter at consolidated subsidiary Marutoh KK ends on November 30. In preparing quarterly consolidated financial statements, Marutoh's financial statements for the relevant quarter are used, and consolidated accounts are adjusted to reflect any significant events that may occur in the time until the quarterly consolidated balance sheet date.

2. Results of operations

(1) Operating revenue

(Units: ¥ million, %)

Item		1Q-3Q FY3/03 (April 1, 2002 – December 31, 2002)		1Q-3Q FY3/04 (April 1, 2003 – December 31, 2003)		FY3/03 (April 1, 2002 – March 31, 2003)	
		Amount	%	Amount	%	Amount	%
Loan interest	Unsecured loans	—	—	268,432	75.7	348,887	77.6
	Secured loans	—	—	41,009	11.6	47,650	10.6
	Small business loans	—	—	11,953	3.4	9,945	2.2
	Subtotal	—	—	321,395	90.7	406,483	90.4
Credit card revenue		—	—	6,122	1.7	7,877	1.8
Per-item credit revenue		—	—	12,114	3.4	15,178	3.4
Credit guarantee revenue		—	—	4,045	1.2	4,132	0.9
Other financial revenue	Interest on deposits	—	—	6	0.0	18	0.0
	Interest on securities	—	—	1	0.0	1	0.0
	Interest on loans	—	—	41	0.0	267	0.1
	Other	—	—	29	0.0	35	0.0
	Subtotal	—	—	78	0.0	321	0.1
Other operating revenue	Real estate sales	—	—	50	0.0	306	0.1
	Service sales	—	—	—	—	935	0.2
	Recovery of bad debts written off	—	—	5,108	1.5	6,431	1.4
	Other	—	—	5,623	1.6	7,790	1.7
	Subtotal	—	—	10,782	3.0	15,463	3.4
Total		—	—	354,540	100.0	449,458	100.0

Note: “Other” within “Other operating revenue” is comprised of card membership fees, etc.

(2) Other information

(Unit: ¥ million)

Item		End-3Q FY3/03 (As of December 31, 2002)	End-3Q FY3/04 (As of December 31, 2003)	End-FY3/03 (As of March 31, 2003)
Loans outstanding	Unsecured loans	—	1,459,830	1,442,980
	Secured loans	—	340,937	325,436
	Small business loans	—	78,414	65,284
	Total	—	1,879,182	1,833,702
Number of accounts	Unsecured loans	—	3,358,332	3,389,159
	Secured loans	—	92,441	87,459
	Small business loans	—	55,597	45,239
	Total	—	3,506,370	3,521,857
Number of branches	Staffed branches	—	812	796
	Unstaffed branches	—	1,160	1,163
	Branches for secured loans	—	2	4
	Total	—	1,974	1,963
Number of automated loan machines		—	1,851	1,837
Number of ATMs	AIFUL ATMs	—	2,045	2,037
	Partnering ATMs	—	128,702	122,047
	Total	—	130,747	124,084
Number of employees		—	6,129	6,123

Note: Figures for loans outstanding and number of accounts do not include claims in bankruptcy, etc. However, figures do include off-balance-sheet loans outstanding worth ¥131,030 million in 3Q FY3/04 and ¥162,920 million in FY3/03 resulting from receivables factoring.