

April 26, 2004

AIFUL to Issue Stock Options

KYOTO - AIFUL Corporation hereby announces that at a meeting of its Board of Directors held April 26, 2004, a resolution was passed to make the following proposal at the 27th Annual General Meeting of Shareholders scheduled for June 25, 2004, seeking approval for the issuance of stock options with favorable terms to persons other than shareholders for the purpose of implementing a stock option system pursuant to Articles 280-20 and 280-21 of the Commercial Code.

1. Reason for issuing stock options

AIFUL will issue stock options without charge to directors and employees at AIFUL and AIFUL subsidiaries for the purpose of increasing motivation to improve the earnings of the AIFUL group and to raise morale.

2. Overview of stock option issuance

(1) Stock option recipients
Directors and employees of AIFUL and AIFUL subsidiaries.

(2) Type and number of shares for stock options
Type of stock: AIFUL common stock
Number of shares: 300,000 shares
In the event of a stock split or reverse stock split following the end of the General Meeting of Shareholders, the number of shares for the stock options shall be adjusted based on the following formula. The said adjustment shall be performed only for the number of shares for stock options exercised at that time. Any fraction of one share resulting from the adjustment shall be rounded down.

Adjusted shares = pre-adjustment shares × ratio of stock split (or reverse stock split)

Additionally, in the event that an adjustment is required as a result of AIFUL merging or consolidating with another company with these stock options remaining in force, or in preparation for such a case, AIFUL shall perform an adjustment as deemed necessary.

(3) Number of stock options to be issued
Maximum of 6,000 stock options. (A total of 50 shares for each stock option. However, in the event of an adjustment in the number of shares as stipulated in (2), the number of stock options shall be similarly adjusted.)

(4) Stock options issue price and calculation basis
No charge.

(5) Amount paid when exercising stock options (exercise price)

The amount paid per stock option shall equal the number of shares for one stock option as stipulated in (2) multiplied by the amount paid per share as determined as follows.

The amount paid per share shall equal 103% of the monthly average (rounded up to the nearest ¥1) of daily (trading holidays excluded) closing prices of AIFUL common stock in regular trading on the Tokyo Stock Exchange during the month prior to the month in which the stock options are issued. However, should this be less than the closing price on the issue date (the nearest day with a closing price in the event there is no closing price on the issue date), then the amount paid per share shall equal the closing price on the issue date.

Following the stock option issuance, the amount paid may be adjusted based on the following formula in the event that AIFUL implements a stock split or reverse stock split. Should the adjustment result in a fraction of ¥1, the figure shall be rounded up.

$$\text{Adjusted amount paid} = \text{pre-adjustment amount paid} \times \frac{1}{\text{Split or reverse split ratio}}$$

AIFUL may also adjust the amount paid (rounded up to the nearest ¥1) based on the following formula in the event that new shares are issued or treasury stock retired for a price less than current market value (except in the cases of converting convertible bonds, exercising stock warrants and stock options, and exercising subscription rights pursuant to Article 280-19 of the Commercial Code prior to revision on April 1, 2002).

$$\text{Adjusted amount paid} = \text{Pre-adjustment amount paid} \times \frac{\text{Shares outstanding} + \frac{\text{Newly issued shares} \times \text{Amount paid per share}}{\text{Market value before new share issuance}}}{\text{Shares outstanding} + \text{Newly issued shares}}$$

(6) Period for exercising stock options

July 1, 2005 to June 30, 2009. However, the exercise of stock options may be restricted during the exercise period based on the Stock Option Grant Agreement concluded individually between stock option recipients and AIFUL.

(7) Conditions for exercising stock options

1) Stock option recipients must be a director or employee at AIFUL or an AIFUL subsidiary when exercising stock options. However, in the event of retirement due to

the expiration of one's term in office, mandatory retirement due to one's age, or for another justifiable reason, AIFUL's Board of Directors may deem the retention of stock options to be appropriate.

- 2) Pledging or otherwise disposing of stock options is not allowed.
 - 3) Other conditions are stipulated in the Stock Option Grant Agreement concluded between AIFUL and stock option recipients based on a resolution of the General Meeting of Shareholders and a resolution of the Board of Directors concerning the stock option issuance.
- (8) Reasons and conditions for canceling stock options
- 1) AIFUL may cancel stock options without charge in the event of the approval of a merger agreement in which AIFUL ceases to exist, or the approval by the General Meeting of Shareholders of a proposal to authorize an agreement for an exchange of shares or a share transfer that would make AIFUL a wholly owned subsidiary.
 - 2) Stock options may be canceled without charge in the event that, prior to exercising their stock options, stock option recipients become unable to exercise their stock options as a result of not fulfilling the conditions stipulated in (7).
- (9) Stock option transfer restrictions
Transferring stock options requires the approval of AIFUL's Board of Directors.
- (10) Specific matters
Specific matters pertaining to the stock options shall be determined by resolution at subsequent meetings of the Board of Directors.
- (Note) The foregoing details are subject to the approval of the "Proposal to Issue Stock Options" at AIFUL's 27th Annual General Meeting of Shareholders.

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