



November 4, 2004

Interim Financial Statements (Consolidated)

For the fiscal year ending March 31, 2005

AIFUL Corporation

Stock Code: 8515

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

Representative:

Inquiries:

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Date of the Board of Directors' meeting to approve financial statements: November 4, 2004

Company adopted G.A.A.P.

No

Note: U.S. accounting standards have not been adopted for the purposes of these statements.

1. Consolidated Results for the Interim Period (April 1, 2004 – September 30, 2004)

(1) Consolidated Operating Results (Note: Figures have been rounded down to the nearest unit.)

(In millions of yen - except per share data)

	Operating Revenue		Operating Income		Ordinary Income	
Interim Period Ended September 30, 2004	256,404	8.9%	65,884	43.3%	65,613	44.3%
Interim Period Ended September 30, 2003	235,400	6.9%	45,977	(25.9)%	45,462	(23.4)%
Fiscal Year Ended March 31, 2004	473,477	5.3%	112,566	(3.0)%	112,446	0.6%

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Interim Period Ended September 30, 2004	32,715	18.6%	346.18	346.12
Interim Period Ended September 30, 2003	27,588	(10.7)%	292.04	–
Fiscal Year Ended March 31, 2004	62,548	4.4%	660.98	–

Notes: 1. Equity method investment gain or loss for: Interim period ended September 30, 2004: - million yen

Interim period ended September 30, 2003: - million yen

Fiscal year ended March 31, 2004: - million yen

2. Average number of shares during:

Interim period ended September 30, 2004: 94,502,580 shares

Interim period ended September 30, 2003: 94,468,199 shares

Fiscal year ended March 31, 2004: 94,467,918 shares

3. Changes in accounting policies:

No

4. Percentage figures shown for operating revenue, operating income, ordinary income and net income show year-on-year change

(2) Consolidated Financial Position

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

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio (%)	Shareholders' Equity per Share (Yen)
Interim Period Ended September 30, 2004	2,506,533	577,377	23.0	6,107.79
Interim Period Ended September 30, 2003	2,324,043	512,828	22.1	5,428.60
Fiscal Year Ended March 31, 2004	2,332,761	547,503	23.5	5,794.58

Note: Number of shares issued and outstanding: As of September 30, 2004: 94,531,358 shares

As of September 30, 2003: 94,468,001 shares

As of March 31, 2004: 94,467,134 shares

(3) 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
Interim Period Ended September 30, 2004	(31,679)	23	78,968	150,590
Interim Period Ended September 30, 2003	(17,185)	36,646	31,869	182,888
Fiscal Year Ended March 31, 2004	(42,734)	6,370	3,097	98,329

(4) Consolidated companies and companies to which equity method accounting applies

Number of consolidated subsidiaries: 9 companies
Number of non-consolidated subsidiaries accounted for by the equity method: 0 companies
Number of affiliated companies accounted for by the equity method: 0 companies

(5) Changes in application of consolidated accounting and equity method accounting

Consolidated subsidiaries (Newly included): 2 companies (Excluded): 2 companies
Equity method accounting (Newly included): 0 companies (Excluded): 0 companies

2. Fiscal Year 2005 Full Year Forecast (April 1, 2004 - March 31, 2005)

(In millions of yen, rounded down)

	Operating Revenue	Ordinary Income	Net Income
Fiscal Year Ending March 31, 2005	517,569	132,000	66,337

Reference:

Forecast for earnings per share for fiscal year 2005 (Fiscal year ending March 31, 2005): 701.75 yen

Caution Relating to Results Forecasts:

The above forecasts are based on the information available to management at the time they were made, and estimates involving uncertain factors thought likely to have an effect on future results. Actual results can differ materially from these forecasts for a variety of reasons.

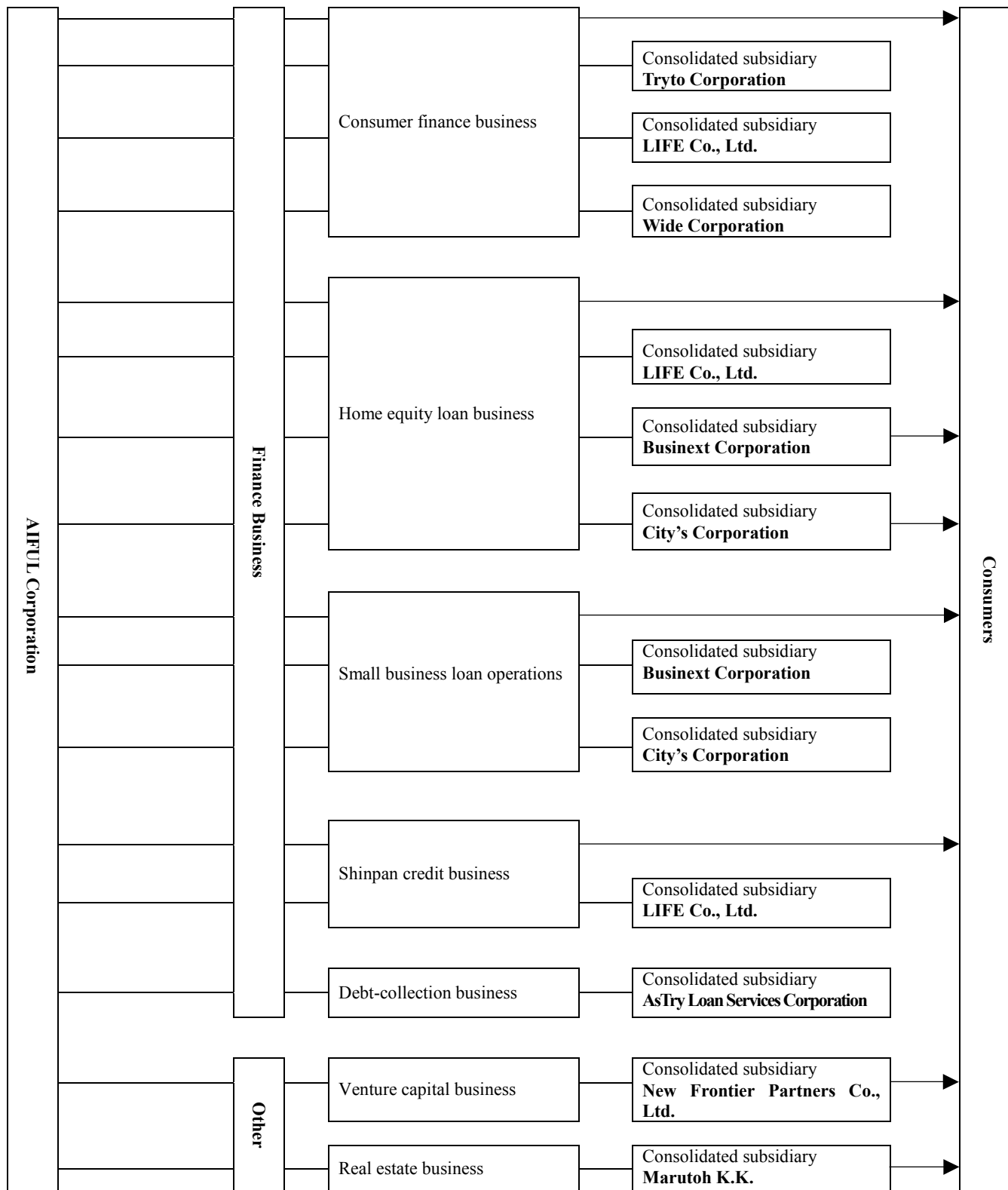
(Supplementary Data)

1. State of the Group

The AIFUL Group is composed of AIFUL Corporation and nine consolidated subsidiaries, two non-consolidated subsidiaries and one affiliated company. The Company is principally engaged in the consumer finance services and credit sales businesses. The Company is also active in the home equity loan business, small business loans, and debt collection and management of debt collection.

Business Classification		AIFUL & subsidiaries	Business Descriptions
Finance Business	Consumer finance business	AIFUL Corporation	The Company and its subsidiaries provide small, unsecured loans for consumers.
		Tryto Corporation	
		LIFE Co., Ltd	
		Wide Corporation	
	Home equity loan business	AIFUL Corporation	The Company provides home equity loans.
		LIFE Co., Ltd	
		Businext Corporation	
	Small business loan operations	AIFUL Corporation	The Company and its subsidiaries lend to small and other businesses.
		Businext Corporation	
		City's Corporation	
	Shinpan credit business	AIFUL Corporation	The Company and its subsidiary offer credit card shopping, per-item credit, loans and guarantees for consumers.
		LIFE Co., Ltd	
Debt-collection business	AsTry Loan Services Corporation	The company specializes in the management and collection of a full range of receivables and loans.	
Other	Venture capital business	New Frontier Partners Co., Ltd.	The company assesses, invests in and supports venture companies.
	Real estate business	Marutoh K.K.	The company buys, sells, leases, brokers and mediates real estate.
		City Green Corporation	Holding company for City's Corporation.

The organizational chart for the Company's businesses is as follows:



* City Green Corporation is not listed above, since it is a holding company of City's Corporation, and is not active in business.

2. Management Policies

(1) Basic Management Policies

AIFUL's primary mission is to earn the support of the general public. The Company's efforts to prioritize customer convenience and become a comprehensive financial group that is reliable and creative are a reflection of this basic stance. This basic policy motivates the Company's endeavors to expand business and become a source of profit for customers, stakeholders and employees into the future.

(2) Basic Policies on Profit Distribution

The AIFUL Group's basic dividend policy is to consistently distribute profits to shareholders on the basis of a comprehensive assessment of the economic and financial situation and the Company's own business performance.

Based on this policy, AIFUL aims to distribute profits to shareholders and maximize shareholder value via medium to long-term profit growth. Internal reserves are to be used to extend loans, as well as in strategic investments that contribute to the expansion of the earnings base for the Group as a whole, while working to improve business results and management efficiency so that AIFUL continues to meet the expectations of all its shareholders.

(3) Management Indicator Objectives

AIFUL believes that its position in the financial industry makes it essential for management to increase efficiency in its use of assets and the returns gained on those assets. AIFUL has set 3% as a concrete medium-term goal for ROA on a consolidated basis.

(4) Medium and Long-Term Business Strategies

Japan's consumer credit market is currently worth approximately 60.7 trillion yen, a total that includes 14.8 trillion yen in retail credit and 35.3 trillion yen in consumer loans (excluding deposit and savings-secured loans). Consumer finance companies in particular have continued to see high growth in the consumer loan market, expanding from a 9.0% share in 1991 to a 29.0% share, worth some 10.2 trillion yen, in 2002. Also, the consumer finance market is expected to grow further in the medium to long term.

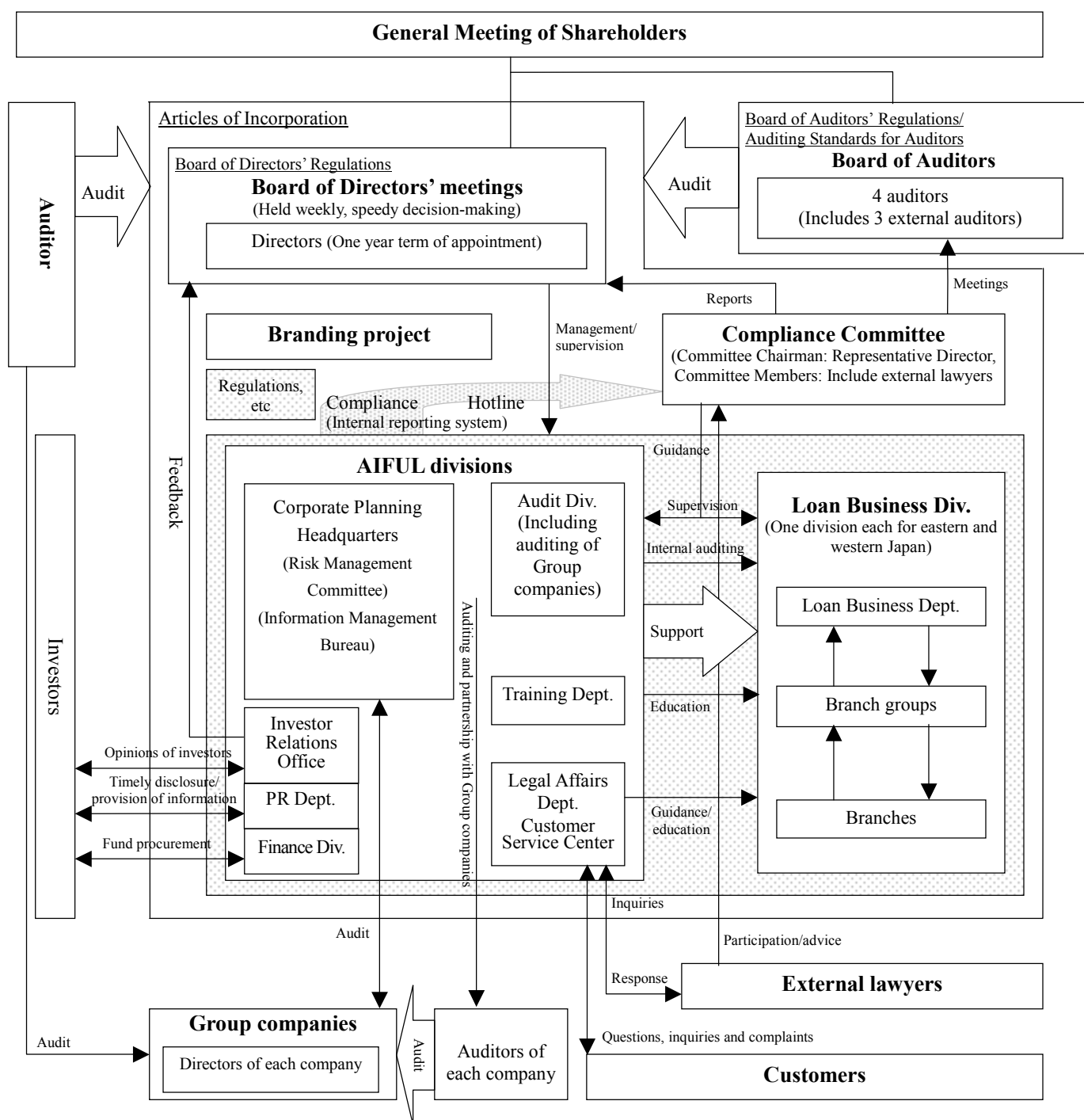
More aggressive strategies to enter the retail sector, primarily on the part of major banking groups, indicate that competition in the overall consumer finance market is heightening and has crossed industry lines.

In this environment, the AIFUL Group aims to expand beyond the boundaries of the traditional consumer finance market to become a comprehensive retail financial services company targeting the entire retail finance market. With credit card and installment sales company LIFE and small-business loan companies Businext and City's within the Group, AIFUL is creating a system offering products and channels meeting the needs of a wide array of customers in its role as a comprehensive retail financial services company. By pursuing synergies generated by the seamless integration of the Group companies and building on the Company's brand concept of "reliability and creative thinking," AIFUL's efficient management will yield stable revenue.

(5) Basic Stance with Regard to Corporate Governance and Current Status of Related Policies

AIFUL 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. Our corporate governance, operations, management supervisory and internal controls, and risk management systems are as indicated below.

Corporate Governance at AIFUL



Status of Corporate Governance Strategies

1. Management Control System and Other Corporate Governance Structures Relating to Management Decision Making, Business Execution and Monitoring
 - i) Details of Company Organizations and Establishment of Internal Control System, Management Control System and Other Corporate Governance Structures Relating to Management Decision Making, Business Execution and Monitoring at AIFUL

a. Speedy Management Decision-Making

In a measure aimed at speedy management decision-making, the AIFUL Board of Directors meets weekly to fully discuss and examine management issues and business opportunities facing the Company, as well as strategies to address them. Speedy management decisions follow these discussions.

b. Establishment of Management Supervisory Functions

With regard to the management supervisory function, AIFUL employs an auditor system, which has four auditors, including three external auditors. The auditors not only monitor management through attendance at the weekly Board of Directors meetings, but also attend the Compliance Committee and work in close cooperation with the Audit Division, the company internal auditing unit, to establish a preventative auditing system. Moreover, the auditors of the Company and each Group company work in conjunction with the Group Management Department and the Audit Division to establish the auditing system at Group companies as well.

c. Enhancement of Compliance System

In its efforts to enhance legal compliance, AIFUL has had an Inspection Department and Legal Affairs Department in place for some time. In addition to this, the Company established a Compliance Committee, which includes lawyers and other external members, with responsibility for questioning 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.

Other steps taken here include the formulation and distribution to each and every Group employee of the “AIFUL Group Ethical Guidelines,” as well as the establishment of a hotline in the Personnel and Inspection Departments for discussion of breaches of the guidelines. In addition to the establishment of a new Compliance Hotline in the Legal Affairs Department 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.

Moreover, AIFUL has also established a Customer Service Center within the Legal Affairs 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 Marketing Department in cooperation with the Compliance Committee.

d. Enhancing Disclosure

AIFUL believes that appropriate disclosure of business information will allow external stakeholders to more effectively exercise their role in monitoring management and will make corporate governance more efficient. Based on this principle of aiming for highly transparent management, 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 Board of Directors’ meetings and departmental managers on the opinions and desires of investors.

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 Corporate Planning Headquarters primarily gathers information on latent and apparent risk within the Company, and conducts crisis management in cooperation with related departments, including the Investor Relations Office, Public Relations Department and Legal Affairs Department. Moreover, the Company has launched a personal information disclosure project to address this problem, establishing a comprehensive system to prevent the disclosure of personal information.

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

There is no business or other beneficial relationship between the Company and its external auditors. There is no special beneficial relationship between the Company and its auditing firm, which is the auditor, or its employees who take part in auditing.

(6) Brand Strategy Policies

In October 1999, AIFUL commenced a company-wide branding project. To date, this project has been responsible for generating a wide range of proposals related to the company’s branding initiatives. From April 2003 onwards, the system has been revitalized by bringing it under the direct control of top management, which has positioned it as its highest priority.

Under the new project, “A Company for Security and Creation” was selected as the concept to unify the large number of different AIFUL brands. Adopting improvement in corporate value itself based upon progress in customer satisfaction and employee satisfaction, as the primary goal for brand strategies, AIFUL plans, in turn, to boost investor satisfaction. In this manner, the company will make real “Prosperity for All,” the management ideal outlined in its corporate principles.

In February 2004, AIFUL established “With Heartful Communication” as its brand statement. The Company intends to expand a variety of communication programs in an integrated manner to further strengthen the AIFUL brand.

The Company is also involved in activities as a good corporate citizen, supporting marathons and other sports events that bring AIFUL and local residents closer together.

3. Results of Operations

(1) Summary of Operations

Business Environment

During the current consolidated interim period, the Bank of Japan's *tankan* survey of business confidence for September showed the sixth consecutive quarterly gain in business sentiment among large manufacturers, an indicator used to predict economic trends. The index for all industries registered a positive figure for the first time in 12 years, suggesting that the economic recovery is spreading throughout the economy. However, the Nikkei average fell 7.6% from 11,715 yen on March 31, 2004 to 10,823 yen on September 30, 2004 on fears that skyrocketing oil prices would cut into corporate profits and slow down exports. Although better employment conditions have led to modest improvements in personal spending, the sense of uncertainty about the economy's future has not been completely eliminated. The industry is being increasingly reorganized as banks and foreign-capital companies enter the consumer finance and credit card markets. Credit card companies and mega-banks are involved in business alliances such as capital tie-ups between major consumer finance companies and mega-banks, and foreign-capital banks are buying up credit sales companies. This expansion across industry boundaries has heightened competition for share in the consumer credit market. At the same time, the number of personal bankruptcies (as reported by the Supreme Court), which has a major effect on bad debts, began to show monthly declines year-on-year from November 2003, halting the rise in bad debt expenses.

In this business environment, the AIFUL Group has expanded beyond the consumer finance industry as described earlier, and is aiming to become a comprehensive retail financial services company that targets the entire consumer credit market. The Company has continued to promote diversification of products and sales channels and will sustain its growth by satisfying a wide array of customer needs. Moreover, each company that belongs to the Group has been building 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.

Operations

(1. AIFUL Corporation)

During the fiscal year under review, AIFUL's loan business witnessed the company pursuing product diversification strategies in unsecured loans, home equity secured loans, and small business loans to more comprehensively cater to customer needs. These efforts tied into solid progress in loan balances at the end of the period.

A summary by product is as below.

i) Unsecured loans

There were 280,000 new applications for unsecured loans during this consolidated interim period, a decrease of 1.1% compared to the same interim period last year. Although the rate of decline has contracted, the number of new customers fell 2.8% compared to the same period last year to 177,000 as a result of continued caution in the granting of credit. The number of new customers acquired rose 0.1% in July and 4.5% in August, the first increase in two years and nine months, raising expectations of a market recovery. AIFUL has been active in web site banner advertising, and the proportion of new customers acquired via the Internet, including personal computers and mobile phones, has expanded steadily to exceed 10.9%.

As a result, unsecured loans outstanding stood at 1,085,579 million yen, up 1.0% year-on-year, at the end of the consolidated interim period.

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, loans outstanding in the consolidated interim period consisted of 343,560 million yen in home equity loans, up 2.3%, and 30,170 million yen in small business loans, up 18.5% year-on-year.

A summary of business other than loan operations follows.

iii) Credit guarantees

The guarantee business is a fee business in which financial institutions guarantee loan products. AIFUL is reinforcing its guarantee business as a new source of revenue. In addition to unsecured and unguaranteed personal loans, the Company has also been active in guarantee operations for small business loans using the expertise it has built up in the provision and screening of small business loans. The entire financial industry is now taking note of the market for loans to small businesses, and AIFUL is becoming more active in it.

As a result of these efforts, at the end of the current consolidated interim period AIFUL's guarantee partners numbered 38 unsecured personal loan companies and 16 small business loan companies, and the balance of guarantees stood at 33,568 million yen, marking steady growth of 67.4% compared with the interim period last year.

iv) Credit cards

With regard to AIFUL's own AIFUL MasterCard credit card operation, the Company has been actively developing a range of co-branded cards with the aim of attracting new customers in their 20s. These include the co-branded card "Fan! MasterCard" (applications accepted from October 2004) for members of the Universal Fan Club.

v) Expansion of channels

The Company has opened four outlets and closed eight outlets as part of its store network restructuring, bringing the total number of stores to 1,559, with 549 staffed stores and 1,010 non-staffed facilities, at the end of interim period. In its expansion of deposit and withdrawal channels, the Company entered new partnerships with three banks and two companies with 1,250 ATMs, giving customers access to 64,251 CD/ATMs, including AIFUL's own ATMs. In June 2004, the Company extended the transaction hours for its ATM partnership with IY Bank, which makes it possible to make deposits and withdrawals until 11:00 pm, increasing convenience for customers.

Bad debt expenses, which rose for a prolonged period, were 49,874 million yen at the end of interim period, down 17.5% compared with the same period last year, as a result of factors such as the impact of a slowdown in the number of personal bankruptcies and an improvement in the unemployment rate. This indicates that bad debt expenses have peaked.

As a result, AIFUL's loans outstanding at the end of the current interim period stood at 1,459,310 million yen, an increase of 1.6% compared to the interim period last year.

(2. LIFE Co., Ltd.)

In the consolidated interim period, LIFE Co., Ltd. continued to concentrate on making the steady shift in its business portfolio from a low earnings structure to a high earnings structure. This included pouring management resources into credit card shopping, per-item credit, and consumer finance businesses, with the aim of establishing a stable earnings base.

In April 2004, LIFE moved the responsibility for the overall management of Cash Plaza from the seven nationwide branch offices to the Marketing Division in the Headquarters to strengthen marketing capabilities. This change reinforced information coordination between branch offices and the Headquarters and enabled LIFE to meet customer needs quickly. In addition, the branch offices have created a new system putting one person in charge of promoting credit cards and per-item credit at the individual branch office level in order to strengthen marketing.

In its credit card business, LIFE has begun issuing co-branded cards with supermarkets and menswear chains and plans to steadily expand the number of members. To strengthen cardholder services, LIFE has updated the design and content of customer invoices to turn them into tools of communication with customers. Moreover, it has been improving its point services into a more active service by introducing a bonus point system that rewards higher spending and a system that automatically carries points over to the following business year.

Moreover, as part of its visual identity (VI), the company made LifeCard its corporate brand and adopted a new brand emblem in April 2004 with the aim of establishing a brand image as a credit card company. The new emblem contains the concept of seeking to be a forward-looking company that goes beyond the existing framework and common sense.

The company has begun a new partnership with two banks in order to expand the channels for its cash advance services, meaning that 126,192 CD/ATMs at 495 partner financial institutions and credit card companies may be used.

As a result, the total number of credit card holders at the end of the interim period rose 440,000 to 11,470,000. The effective use of advertising and the effect of acquiring cards with higher activity rates resulted in a steady rise in card shopping activity rates.

In its per-item credit business, the company has concentrated on increasing business volume and accumulating prime assets by strengthening its marketing structure with concentration of management resources in priority areas, as previously described.

In its consumer finance business, LIFE opened eight new branches, bringing the total number of LIFE Cash Plazas to 203. Also, LIFE followed up its LIFE Card Shinjuku Store, a new concept store that showcases the LIFE Card brand, with four new stores in Umeda, Takadanobaba, Shibuya and Matsuyama in its efforts to accelerate acquisition of new customers.

In its guarantee business, LIFE sought to expand bank loan guarantee products, and commenced new partnerships with 18 banks, bringing its number of guarantee partners to 113 banks.

As a result of the foregoing, LIFE's total balance of loans, installment receivables and credit guarantee installment receivables was 729,081 million yen, up 5.9% compared with the previous year. This included 196,778 million yen in off-balance sheet receivables resulting from securitization. The breakdown of this figure was as follows: credit card shopping up 8.3% to 74,635 million yen, per-item credit up 9.5% to 187,362 million yen, credit card cash advances up 9.5% to 356,011 million yen, credit guarantee installment receivables down 8.1% to 102,201 million yen, and other businesses down 28.4% to 8,870 million yen.

Meanwhile, volume of business was up 17.7% to 179,092 million yen for credit card shopping, up 19.5% to 77,767 million yen for per-item credit, up 10.0% to 166,275 million yen for loans, including credit card cash advances and Play Cards, and down 3.4% to 14,261 million yen for the guarantees business.

(3. Other Group Companies)

i) Small business loans

Businext was formed jointly by AIFUL and Sumitomo Trust & Banking Co., Ltd., and in April 2004 it constructed a scoring system based on data accumulated thus far to enhance the accuracy of its credit screening. In addition, it has made steady progress in gaining new customers as its direct market (DM) campaign and the improvement in business sentiment have coincided. As a result, at the end of the current consolidated interim period, loans outstanding stood at 37,423 million yen, up 85.1% compared with the interim period last year.

Businext's Nagoya branch was opened in October 2004 to better meet the capital needs of sole-proprietors and small and medium-sized businesses in the Chubu area.

City's Corporation has concentrated on acquiring good quality customers by making the most of its human resources and marketing expertise. Due in part to the improvement in business sentiment at small and medium-sized enterprises and the widening base of economic recovery, loans outstanding stood at 36,316 million yen at the end of the current interim period, up 25.4% year-on-year.

ii) Consumer finance

Consumer finance companies Happy Credit Corporation, Sinwa Co., Ltd., and Sanyo Shinpan Co., Ltd., merged in April 2004 and commenced operations as Tryto Corporation. As a result of tightening up the granting of credit to provide for an increase in bad debt expenses, loans outstanding stood at 55,906 million yen in the current interim period.

Tryto Corporation began to offer home equity loans in October 2004, taking advantage of AIFUL's accumulated knowledge to better meet customer needs.

Also, Wide Corporation, a business concentrated in eastern Japan, was made a subsidiary of AIFUL on June 30, 2004. Wide Corporation is a consumer finance company with a network of 293 branches and a loan balance totaling 94,758 million yen (including 17,000 million yen in off-balance sheet receivables resulting from securitization). With the addition of this company to the AIFUL Group, AIFUL intends to enhance earnings and profitability by pursuing greater business efficiency and synergistic effects.

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

Kokusai Capital Co., Ltd. was renamed New Frontier Partners Co., Ltd. on July 1, 2004. In the company's first deal since it became a subsidiary of AIFUL, New Frontier Partners established the "NFP: Strategic Partners Fund" worth 2.21 billion yen with a joint capital injection from the Organization for Small & Medium Enterprises and Regional Innovation and Hitachi Ltd. New Frontier Partners will continue to pursue Group synergies in order to accelerate the development of the AIFUL Group as a comprehensive retail financial services company.

As a result, AIFUL and its subsidiaries had 2,039,725 million yen in outstanding loans, up 9.0% compared to the previous period, 262,150 million yen in installment receivables, up 9.0%, 135,772 million yen in credit guarantee installment receivables, up 3.4%, and 9,861 million yen in other business, down 22.6%, at the end of the current consolidated interim period. The amounts above include 213,778 million yen in off-balance sheet loans due to securitization (including 119,744 million yen in outstanding loans and 94,033 million yen in installment receivables).

Moreover, AIFUL received approval from the Tokyo District Court on April 26, 2004 to conclude a sponsor agreement with the administrator of TCM Co., Ltd., a company undergoing reorganization. AIFUL has sent a business administrator and will do its utmost to support the reorganization of TCM as soon as possible in accordance with its reorganization plan.

Fund Procurement

AIFUL procured funds during the interim period in a variety of ways, borrowing 40 billion yen through securitization methods and issuing standard domestic bonds in the sum of 30 billion yen. AIFUL worked to diversify and expand its fund procurement channels in the current consolidated interim period.

In addition to strengthening its relationship with existing business partner financial institutions, AIFUL also began working with mega-banks, increasing the soundness of its fund procurement base. These efforts will continue into the future as AIFUL seeks to develop new classes of investors and reinforce relationships with business partners through active investor relations in order to gain access to a low-cost, stable source of fund.

Operating Results

As a result of the above activities, operating revenue for the interim period jumped 8.9%, to 256,404 million yen. Of this amount, AIFUL's non-consolidated operating revenue climbed 1.9% to 169,969 million yen, making up 66.3% of the Group's revenues. LIFE recorded operating revenue of 59,856 million yen, an increase of 8.1% year-on-year, for 23.3% of the Group's revenues. Of that total, 231,372 million yen, or 90.3%, was accounted for by operating interest on loans, 12,556 million yen, or 4.9%, by revenue from installment receivables, 3,355 million yen, or 1.3%, by guarantees revenue, and 9,119 million yen, or 3.5%, by other revenue.

AIFUL's operating interest on loans accounts for 71.4% of the Group's consolidated operating interest on loans. This figure can be broken down into 81.0% in unsecured loans, 16.8% in home equity loans, and 2.2% in business loans.

Operating expenses for the AIFUL Group totaled 190,520 million yen, up 0.6% compared to the previous year. Of this amount, AIFUL's non-consolidated operating expenses accounted for 61.4%, or 117,007 million yen, of this total, while LIFE's operating expenses accounted for 27.4%, or 52,122 million yen. Total Group operating expenses can be broken down into 77,945 million yen, or 40.9%, for bad debt expenses, 20,271 million yen, or 10.6%, in financial expenses, 11,669 million yen, or 6.1%, in advertising expenses, 26,783 million yen, or 14.1%, in personnel expenses, and 12,016 million yen, or 6.3%, in commissions paid.

The 867 million yen in write-down of consolidation adjustment account accrued with the purchases of LIFE Co., Ltd. was recorded as an operating expense.

As a result of the foregoing, consolidated operating income for the interim period rose 43.3% to 65,884 million yen, ordinary income was up 44.3% to 65,613 million yen, and net income increased 18.6% to 32,715 million yen. AIFUL's non-consolidated operating income rose 28.6% to 52,961 million yen, ordinary income climbed 28.3% to 54,686 million yen, and net income rose 42.0% to 30,189 million yen.

Fiscal 2005 Outlook

In terms of the outlook for the future, personal spending is showing a gradual recovery buoyed by stronger corporate profits and employment conditions, but high oil prices and other factors suggest that uncertainty seems likely to persist. Despite positive developments in the consumer finance industry such as a rise in the number of new customers and a decline in the unemployment rate and the number of personal bankruptcies, competition for market share caused by industry reorganization is expected to heighten, prompting concern that the business environment will remain difficult.

In response to these challenges, AIFUL will diversify its products and its channels for customer acquisition with clear targets for its goal to become a comprehensive retail financial services company. The Company will strive to increase its balance of high-quality loans, build the Group's brand value and generate synergistic effects. Working for maximal cost reductions and all-round improvements in management performance, the company will maintain steady flows of income.

In the year ending March 2005, we predict a 9.3% rise to 517,569 million yen in consolidated operating income, a 17.4% increase to 132,000 million yen in ordinary income, and a 6.1% increase to 66,337 million yen in net income. We forecast that AIFUL's non-consolidated operating income will increase 1.5% to 340,052 million yen, ordinary income will grow 13.2% to 112,000 million yen, and net income will rise 12.3% to 59,623 million yen.

Qualitative Information on Changes in Consolidated Finances

Assets

Loans totaled 1,919,981 million yen, an increase of 11.1% over the previous year. This was primarily due to steady increases in Group loans. AIFUL's loans amounted to 1,459,310 million yen, LIFE's loans stood at 253,266 million yen, Businext's loans totaled 37,423 million yen, and City's loans were 36,316 million yen. Installment receivables rose 17.8% year-on-year to 168,116 million yen, due to the steady progress made by the credit card shopping and per-item credit businesses at LIFE Co., Ltd.

Meanwhile, credit guarantee installment receivables rose 3.4% to 135,772 million yen as a result of AIFUL and LIFE's active promotion of its guarantees business for loan products handled by financial institutions. While allowance for bad debt decreased due to signs that bad debt had peaked, the acquisition of new consolidated subsidiaries increased allowance for bad debt 5.1%, to 155,196 million yen. (Consolidated loans and installment receivables do not include 119,744 million yen in loans and receivables and 94,033 million yen in installment receivables taken off the balance sheet by LIFE's and Wide Corporation's securitization of receivables.) Adjustment for consolidated accounts was 11,874 million yen.

Liabilities

Total capital procured, including debt, commercial paper and bonds, was 1,657,117 million yen. This was due to an increase in financing to correspond with the steady increase in AIFUL, LIFE, Businext and City's operating receivables.

Shareholders' Equity

Consolidated shareholders' equity at the end of the consolidated interim period was 577,377 million yen, and the equity ratio stood at 23.0%. AIFUL's non-consolidated shareholders' equity was 550,234 million yen, and AIFUL's shareholders' equity ratio is 27.7%.

Cash Flows

Despite a decrease in outstanding loans, consolidated cash and cash equivalents stood at 150,590 million yen at the end of the interim period, an increase of 52,260 million yen compared with the previous year, due to capital procurement through the issuance of bonds.

Cash flow from operating activities

Despite net income before tax of 60,423 million yen, net cash used in operating activities worsened to 31,679 million yen, compared with 17,185 million yen net cash used in operating activities in the previous year, due to an increase in loans and other operating receivables and the payment of corporation tax.

Cash flow from investing activities

Net cash provided by investing activities totaled 23 million yen, compared to 36,646 million yen in the previous period, due to the acquisition of fixed assets and new consolidated subsidiaries as well as the collection of loans.

Cash flow from financing activities

Net cash provided by financing activities came to 78,968 million yen, compared with 31,869 million yen in the previous interim period, due to direct and indirect procurement.

4. Consolidated Interim Financial Statements

(1) Consolidated Interim Balance Sheets

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

Category	Note No.	End of previous consolidated interim period (As of September 30, 2003)		End of current consolidated interim period (As of September 30, 2004)		Condensed consolidated balance sheets for previous fiscal year (As of March 31, 2004)	
		Amount	%	Amount	%	Amount	%
(Assets)							
I Current assets							
1. Cash and cash equivalents	*3	183,725		151,224		99,163	
2. Loans	*3, 7, 8	1,728,688		1,919,981		1,786,940	
3. Installment receivables	*3, 5, 7	142,744		168,116		154,285	
4. Operational investment securities		–		1,862		–	
5. Credit guarantee installment receivables		131,285		135,772		133,610	
6. Other operating receivables		12,744		9,861		10,205	
7. Marketable securities		2,009		–		120	
8. Inventory	*3	697		1,812		1,327	
9. Deferred tax assets		29,614		30,203		29,311	
10. Other	*3, 4	55,041		59,978		76,023	
11. Allowance for bad debts		(127,797)		(134,758)		(126,918)	
Total current assets		2,158,753	92.9	2,344,056	93.5	2,164,068	92.8
II Fixed assets							
1. Tangible fixed assets							
(1) Land	*3	14,768		15,384		14,635	
(2) Other	*2, 3	30,354	45,122	33,493	48,877	30,843	45,479
2. Intangible fixed assets							
(1) Consolidation adjustment account		20,015		11,874		14,370	
(2) Other		20,397	40,412	22,913	34,788	21,760	36,131
3. Investment and other fixed assets							
(1) Bankruptcy claims	*8	20,750		27,878		23,660	
(2) Deferred tax assets		16,636		11,815		14,782	
(3) Other	*3, 9	61,709		59,070		66,978	
(4) Allowance for bad debts		(19,935)	79,160	(20,438)	78,326	(18,838)	86,582
Total fixed assets			164,695		161,992		168,193
			7.1		6.5		7.2
III Deferred assets							
1. Bond issuing expenses		593		485		499	
Total deferred assets			593		485		499
			0.0		0.0		0.0
Total assets			2,324,043		2,506,533		2,332,761
			100.0		100.0		100.0

Category	Note No.	End of previous consolidated interim period (As of September 30, 2003)		End of current consolidated interim period (As of September 30, 2004)		Condensed consolidated balance sheets for previous fiscal year (As of March 31, 2004)	
		Amount	%	Amount	%	Amount	%
(Liabilities)							
I Current liabilities							
1. Notes & accounts payable - trade		27,324		28,822		26,251	
2. Credit guarantees payable		131,285		135,772		133,610	
3. Short-term debt	*3	61,738		67,925		57,034	
4. Current portion of bonds		85,000		124,000		90,000	
5. Current portion of long-term debt	*3	390,812		440,357		408,204	
6. Commercial paper		–		10,000		5,000	
7. Income taxes payable		24,830		21,395		25,845	
8. Reserve for accrued bonuses		3,971		4,029		3,878	
9. Gains on deferred installments	*6	9,831		12,211		10,826	
10. Other	*3	44,863		42,382		42,680	
Total current liabilities		779,657	33.5	886,897	35.4	803,332	34.4
II Long-term liabilities							
1. Bonds		395,000		331,000		365,000	
2. Long term debts	*3	607,401		683,834		588,572	
3. Allowance for retirement benefits for employees		2,881		2,145		2,417	
4. Allowance for retirement benefits for directors		1,229		1,376		1,262	
5. Other		20,864		18,911		19,989	
Total long-term liabilities		1,027,377	44.2	1,037,268	41.4	977,243	41.9
Total liabilities		1,807,034	77.7	1,924,165	76.8	1,780,575	76.3
(Minority interests)							
Minority interests		4,180		4,990		4,681	
		4,180	0.2	4,990	0.2	4,681	0.2
(Shareholders equity)							
I Common stock		83,317	3.6	83,317	3.3	83,317	3.6
II Additional paid-in capital	*1	104,125	4.5	104,147	4.2	104,125	4.5
III Consolidated retained earnings		325,580	14.0	387,480	15.5	357,705	15.3
IV Differences in evaluation of other marketable securities		1,860	0.1	3,902	0.1	4,417	0.2
V Treasury stock		(2,054)	(0.1)	(1,468)	(0.1)	(2,062)	(0.1)
Total shareholders' equity		512,828	22.1	577,377	23.0	547,503	23.5
Total Liabilities, minority interests and shareholders' equity		2,324,043	100.0	2,506,533	100.0	2,332,761	100.0

(2) Consolidated Interim Statement of Income

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

Category	Note No.	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2004)		Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)		Condensed consolidated statement of income for previous fiscal year (Apr. 1, 2003 to Mar. 31, 2004)		
		Amount	%	Amount	%	Amount	%	
I Operating revenue								
1. Interest on loans to customers		213,239	90.6	231,372	90.3	429,512	90.7	
2. Credit card revenue		3,962	1.7	4,274	1.7	8,140	1.7	
3. Per-item credit revenue		8,017	3.4	8,282	3.2	15,508	3.3	
4. Credit guarantee revenue		2,584	1.1	3,355	1.3	5,562	1.2	
5. Financial revenue - other		60	0.0	73	0.0	95	0.0	
6. Operating revenue - other								
Sales of property		25		–		50		
Revenue from operational investment securities		–		227		–		
Bad debts write-off recovery		3,593		3,991		6,778		
Other		3,916	7,535	3.2	4,827	9,045	3.5	
Total operating revenue			235,400	100.0		256,404	100.0	
II Operating expenses								
1. Financial expenses		19,107	8.1	20,271	7.9	38,164	8.1	
2. Cost of sales								
Cost of sales of property		36		–		137		
Cost of sales of operational investment securities		–	36	0.0	93	–	137	
3. Operating expenses - other	*1	170,278	72.4	170,155	66.4	322,610	68.1	
Total operating expenses		189,422	80.5	190,520	74.3	360,911	76.2	
Operating income		45,977	19.5	65,884	25.7	112,566	23.8	
III Non-operating income								
1. Interest on loans		23		10		45		
2. Dividends received		76		108		94		
3. Insurance dividends received		28		54		209		
4. Gain on investment in anonymous association		5		–		10		
5. Other		387	522	0.2	348	521	0.2	
IV Non-operating expenses								
1. Loss on investment in anonymous association		708		597		747		
2. Other		329	1,037	0.4	195	792	0.3	
Ordinary income			45,462	19.3		65,613	25.6	
V Extraordinary income								
1. Allowance for bad debts from previous year		–		67		2		
2. Gain on sale of fixed assets		3		–		157		
3. Gain on sale of investment securities		498		350		738		
4. Liquidation of lease deposits and guarantees		22		–		31		
5. Gain from transfer of payment obligation for substitutional benefits of employees' pension fund		4,025		207		4,025		
6. Other		1	4,551	1.9	28	653	0.3	
						2	4,957	1.0

Category	Note No.	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2004)		Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)		Condensed consolidated statement of income for previous fiscal year (Apr. 1, 2003 to Mar. 31, 2004)		
		Amount	%	Amount	%	Amount		
VI Extraordinary losses								
1. Loss on valuation of fixed assets	*2	81		183		259		
2. Loss on disposal of fixed assets		356		198		667		
3. Loss on sale of investment securities		43		2		43		
4. Loss on valuation of investment securities		11		574		601		
5. Transfer to allowance for bad debts		51		—		12		
6. Consolidation adjustment account write-off	*3	692		3,830		5,614		
7. Dissolution fees for cancellation of contract		1,142		324		1,502		
8. Other		606	2,987	730	5,843	4,889	13,589	2.8
Net income before taxes for interim period			47,026		60,423		103,814	21.9
Corporate tax, local and enterprise taxes		24,843		21,524		46,173		
Adjustment on corporate tax, etc.		(5,557)	19,286	5,872	27,397	(5,157)	41,016	8.7
Gain on minority interests			151		310		250	0.0
Net income for interim period			27,588		32,715		62,548	13.2

(3) Consolidated Interim Statement of Retained Earnings

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

Category	Note No.	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2004)		Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)		Consolidated statement of retained earnings in previous fiscal year (Apr. 1, 2003 to Mar. 31, 2004)	
		Amount	Amount	Amount	Amount	Amount	Amount
(Capital surplus)							
I Capital surplus at the beginning of the year			104,125		104,125		104,125
II Increase in consolidated retained earnings							
Gain from price differences in disposal of treasury stock		—	—	21	21	—	—
III Capital surplus at the end of the interim period			104,125		104,147		104,125
(Earned surplus)							
I Earned surplus at the beginning of the year			300,924		357,705		300,924
II Increase in earned surplus							
1. Net income for the interim period		27,588	27,588	32,715	32,715	62,548	62,548
III Decrease in earned surplus							
1. Cash dividends		2,834		2,834		5,668	
2. Bonuses to directors		98		106		98	
3. Loss from price differences in disposal of treasury stock		0	2,932	—	2,940	0	5,766
IV Consolidated retained earnings at the end of the interim period			325,580		387,480		357,705

(4) Consolidated Interim Statement of Cash Flows

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

Category	Note No.	Previous consolidated interim period (Apr. 1, 2003 to Sep 30, 2004)	Current consolidated interim period (Apr. 1, 2004 to Sep 30, 2004)	Consolidated statement of cash flows in previous fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
		Amount	Amount	Amount
I Cash flow from operating activities				
Net income before taxes for previous interim period		47,026	60,423	103,814
Depreciation and amortization		3,245	5,421	7,863
Write-down of consolidation adjustment account		2,031	4,697	7,675
Loss on valuation of investment securities		11	574	601
Increase (decrease) in allowance for bad debts		15,603	1,518	13,626
Increase (decrease) in reserve for accrued bonuses		212	(15)	119
Increase (decrease) in allowance for retirement benefits for employees		(728)	(259)	(1,193)
Increase (decrease) in allowance for retirement benefits for directors		79	(706)	112
Non-operating interest on loans and cash dividends		(100)	(119)	(139)
Amortization of bond issuing expenses		218	202	504
Foreign exchange loss		99	–	48
Loss (gain) on sale of tangible fixed assets		78	183	101
Loss on disposal of tangible fixed assets		356	198	667
Increase on liquidation of lease deposits and guarantees		(22)	(28)	(31)
Loss (gain) on sale of investment securities		(455)	(348)	(694)
Gain from transfer of payment obligation for substitutional benefits of employees' pension fund		(4,025)	(207)	(4,025)
Bonuses paid to directors		(98)	(106)	(98)
Decrease (increase) in loans to customers		(57,906)	(68,007)	(116,158)
Decrease (increase) in installment receivables		5,112	(13,831)	(6,428)
Decrease (increase) in operational investment securities		–	265	–
Loss (gain) on other trade receivables		(6)	343	2,533
Decrease (increase) in bankruptcy claims		(3,387)	(4,217)	(6,297)
Decrease (increase) in inventory		26	(485)	(603)
Decrease (increase) in pre-paid expenses		(271)	(216)	(120)
Decrease (increase) in long-term pre-paid expenses		(549)	1,002	(229)
Decrease (increase) in other current assets		6,958	5,003	3,870
Increase (decrease) in other current liabilities		5,723	2,980	4,708
Other		1,123	892	4,856
Subtotal		20,355	(4,841)	15,081
Non-operating interest on loans and cash dividends		100	119	139
Payments for corporate and other taxes		(37,641)	(26,956)	(57,955)
Cash flow from operating activities		(17,185)	(31,679)	(42,734)

		Previous consolidated interim period (Apr. 1, 2003 to Sep 30, 2004)	Current consolidated interim period (Apr. 1, 2004 to Sep 30, 2004)	Consolidated statement of cash flows in previous fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
Category	Note No.	Amount	Amount	Amount
II Cash flow from investing activities				
Disbursements for investments in term deposits		(196)	–	(498)
Revenue from payment of term deposits		12	628	492
Funds used for purchase of securities		(1,999)	–	–
Funds provided by sales of investment securities		499	120	509
Decrease (increase) in trust beneficiary rights		2,000	1,000	2,000
Funds used for purchase of tangible fixed assets		(3,945)	(3,157)	(8,095)
Gain on sale of tangible fixed assets		67	199	357
Funds used for purchase of intangible fixed assets		(4,908)	(3,721)	(8,921)
Funds used for purchase of investment securities		(257)	(0)	(308)
Funds provided by sales of investment securities		1,648	551	2,555
Funds used for purchase of new subsidiaries	*2	–	(10,318)	–
Funds provided by sale of paid-in capital		32	308	139
Funds used in providing loans		(35)	–	(7,216)
Gain on collection of loans		43,635	69	15,735
Funds used for purchases of investments and other assets		(33)	(10)	(51)
Funds provided from sales of investments and other assets		178	292	344
Other		(50)	14,063	9,327
Cash flow from investing activities		36,646	23	6,370
III Cash flow from financing activities				
Increase in short-term debts		273,701	430,674	657,558
Repayment of short-term debt		(267,328)	(428,609)	(655,888)
Increase (decrease) in commercial paper		(13,500)	5,000	(8,500)
Increase in long-term debt		310,360	357,511	541,283
Repayments of long-term debt		(296,249)	(283,200)	(528,609)
Cash from issue of corporate bonds		49,722	29,810	79,531
Loss on redemption of bonds		(22,000)	(30,000)	(77,000)
Payment for acquisition of treasury stock		(2)	–	(9)
Gain on retirement of treasury stock		–	614	–
Gain on payments from minor shareholders for establishment of subsidiaries/affiliates		–	–	400
Cash dividends paid		(2,834)	(2,834)	(5,668)
Cash flow from financing activities		31,869	78,968	3,097
IV Effect of exchange rate changes on cash and cash equivalents		(85)	5	(47)
V Increase (decrease) in cash and cash equivalents		51,245	47,317	(33,313)
VI Balance of cash and cash equivalents at the beginning of period		131,643	98,329	131,643
VII Increase in cash and cash equivalents from new consolidations		–	4,943	–
VIII Balance of cash and cash equivalents at the end of the interim period	*1	182,888	150,590	98,329

5. Significant Accounting Policies Relating to the Interim Financial Statements

Item	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
1. Matters pertaining to consolidation	<p>(1) No. of consolidated subsidiaries: 9 Names of consolidated subsidiaries Happy Credit Corporation, Sinwa Co., Ltd., LIFE Co., Ltd, Sanyo Shinpan Co., Businext Corporation, AsTry Loan Services Corporation, Marutoh K.K., City's Corporation, City Green Corporation</p> <p>(2) Names of non-consolidated subsidiaries Stock Center Co., Ltd. and two others (Reasons the companies are excluded from consolidation) Non-consolidated subsidiaries have not been included in the scope of consolidation. This is due to the fact that they are small in size and the total assets, operating income, interim net profit/loss and retained earnings represented in the Company's share of their equity has a small effect on the consolidated financial statements.</p>	<p>(1) No. of consolidated subsidiaries: 9 Names of consolidated subsidiaries Tryto Corporation, LIFE Co., Ltd, Businext Corporation, AsTry Loan Services Corporation, Marutoh K.K., City's Corporation, City Green Corporation, Wide Corporation, New Frontier Partners Co., Ltd.</p> <p>(2) Names of non-consolidated subsidiaries LIFE Stock Center Co., Ltd., and one other (Reasons the companies are excluded from consolidation) Non-consolidated subsidiaries have not been included in the scope of consolidation. This is due to the fact that they are small in size and the total assets, operating income, interim net profit/loss and retained earnings represented in the Company's share of their equity has a small effect on the consolidated financial statements.</p>	<p>(1) No. of consolidated subsidiaries: 9 Names of consolidated subsidiaries Happy Credit Corporation, Sinwa Co., Ltd., LIFE Co., Ltd, Sanyo Shinpan Co., Businext Corporation, AsTry Loan Services Corporation, Marutoh K.K., City's Corporation, City Green Corporation</p> <p>(2) Names of non-consolidated subsidiaries LIFE Stock Center Co., Ltd. and three others (Reasons the companies are excluded from consolidation) Non-consolidated subsidiaries have not been included in the scope of consolidation. This is due to the fact that they are small in size and the total assets, operating income, net profit/loss and retained earnings represented in the Company's share of their equity has a small effect on the consolidated financial statements.</p>
2. Matters concerning the application of equity method accounting	Three non-consolidated subsidiaries and an affiliated company, Hakata Daimaru Card Services Co., Ltd., have not adopted the equity method. This is due to the fact that they are small in size, and the sums of AIFUL's share of their consolidated interim net profit or loss and retained earnings would have a negligible effect on the consolidated financial statements.	Two non-consolidated subsidiaries and an affiliated company, Hakata Daimaru Card Services Co., Ltd., have not adopted the equity method. This is due to the fact that they are small in size, and the sums of AIFUL's share of their consolidated interim net profit or loss and retained earnings would have a negligible effect on the consolidated financial statements.	Four non-consolidated subsidiaries and an affiliated company, Hakata Daimaru Card Services Co., Ltd., have not adopted the equity method. This is due to the fact that they are small in size, and the sums of AIFUL's share of their consolidated net profit or loss and retained earnings would have a negligible effect on the consolidated financial statements.
3. Matters concerning the interim settlement dates of consolidated subsidiaries	The interim fiscal period of Marutoh K.K. ends August 31. Interim financial statements as of this date are used in the preparation of the consolidated interim financial statements, with adjustments made for significant events taking place between balance sheet dates as necessary.	As on left	The fiscal year-end of consolidated subsidiary Marutoh K.K. is February 28. Financial statements as of this date are used in the preparation of the consolidated financial statements, with significant events taking place between balance sheet dates adjusted for as necessary.
4. Accounting principles used for standard accounting treatment	<p>(1) Important asset valuation standards and valuation methods</p> <p>i) Marketable securities Bonds held to maturity Amortized cost method (Fixed amount method)</p>	<p>(1) Important asset valuation standards and valuation methods</p> <p>i) Marketable securities Market value method (sale price computed using the moving average method) Bonds held to maturity As on left</p>	<p>(1) Important asset valuation standards and valuation methods</p> <p>i) Marketable securities Bonds held to maturity As on left</p>

Item	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
	<p>Other marketable securities Securities valued at market: Market value method based on the market price on the settlement date of the consolidated interim period. All valuation differences are reflected directly in shareholders' equity, the sale price being computed using the moving average method.</p> <p>Securities not valued at market: Cost method, cost being determined by the moving average method</p> <p>ii) Inventories Real estate for sale Lower-of-cost-or-market method, cost being determined by the specific cost method Warehouse goods Latest purchase cost method</p> <p>(2) Depreciation methods for depreciable assets</p> <p>i) Tangible fixed assets Diminishing balance depreciation method Major useful lives are as follows: Buildings and structures 3-50 years Machinery and vehicles 2-15 years Equipment and fixtures 2-20 years</p> <p>ii) Intangible fixed assets - Software Straight-line method based on the assumed useful life for internal use (5 years) - Other Straight-line method</p> <p>(3) Accounting standards for allowances and reserves</p> <p>i) Allowance for bad debts Provision for losses on bad debts is made up to the necessary amount considering the actual percentage of bad loan write-offs for normal claims, and up to the amount forecast to be irrecoverable based on individual assessments of recoverability for doubtful claims.</p> <p>ii) Reserve for accrued bonuses Provision for accrued bonuses to employees is made by appropriating an amount based on the estimated total bonuses that will be paid during the interim period.</p>	<p>Other marketable securities Securities valued at market: As on left</p> <p>Securities not valued at market: As on left</p> <p>ii) Inventories As on left</p> <p>(2) Depreciation methods for depreciable assets</p> <p>i) Tangible fixed assets Diminishing balance depreciation method Major useful lives are as follows: Buildings and structures 2-62 years Machinery and vehicles 2-15 years Equipment and fixtures 2-20 years</p> <p>ii) Intangible fixed assets As on left</p> <p>(3) Accounting standards for allowances and reserves</p> <p>i) Allowance for bad debts As on left</p> <p>ii) Reserve for accrued bonuses As on left</p>	<p>Other marketable securities Securities valued at market: Market value method based on the market prices on the settlement date. All valuation differences are reflected directly in shareholders' equity, the sale price being computed using the moving average method.</p> <p>Securities not valued at market: As on left</p> <p>ii) Inventories As on left</p> <p>(2) Depreciation methods for depreciable assets</p> <p>i) Tangible fixed assets Diminishing balance depreciation method Major useful lives are as follows: Buildings and structures 2-62 years Machinery and vehicles 4-15 years Equipment and fixtures 2-20 years</p> <p>ii) Intangible fixed assets As on left</p> <p>(3) Accounting standards for allowances and reserves</p> <p>i) Allowance for bad debts As on left</p> <p>ii) Reserve for accrued bonuses Provision for accrued bonuses to employees is made by appropriating an amount based on the estimated total bonuses that will be paid during the fiscal year.</p>

Item	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
	<p>iii) Allowance for retirement benefits for employees Provision for employees' retirement benefits occurring at the end of the current consolidated interim period is made on the basis of forecast retirement benefit obligations and pension assets at the end of the current consolidated fiscal year. Actuarial differences and past service obligations are generally written off as lump sum expenses in the consolidated fiscal year in which they arise.</p> <p>(Supplementary Information) With the enforcement of the Defined Benefit Corporate Pension Law, AIFUL and some of its consolidated domestic subsidiaries obtained from the Minister of Health, Labour and Welfare, as of September 25, 2003, an exemption from the obligation to make future payments with respect to the substitutional portion of employees' pension fund.</p> <p>The estimated amount returned (minimum liability) as of the end of the current consolidated interim period is 2,527 million yen. If AIFUL were to apply the interim measure set forth in the "Practice Guideline Concerning Retirement Benefit Accounting (Interim Report)" (Report of the Accounting Standards Committee of The Japanese Institute of Certified Public Accountants No. 13, Item 44-2), the amount to be recorded as a profit would be 211 million yen.</p> <p>Some consolidated domestic subsidiaries have applied the interim measures set forth in Item 47-2 of the Practice Guideline, having written off the retirement benefit obligation relating to the substitutional portion, and pension assets equivalent to the returned amount regarded as extinguished on the date of approval of the relevant exemption. The estimated amount returned (minimum liability) at the end of the current consolidated interim period is 3,915 million yen.</p> <p>iv) Allowance for retirement benefits for directors The Company provides for retirement benefits for directors by determining the estimated amount that would be paid if all directors retired on the last day of the current consolidated interim period, based upon the pertinent rules of the Commercial Code.</p>	<p>iii) Allowance for retirement benefits for employees As on left</p> <p>(Supplementary Information) With the enforcement of the Defined Benefit Corporate Pension Law, AIFUL and some of its consolidated domestic subsidiaries received authorization from the Minister of Health, Labour and Welfare on September 20, 2004 to return the past portion of the substitutional portion of the employees' pension fund.</p> <p>The estimated amount returned as of the end of the current consolidated interim period is 207 million yen (extraordinary gain).</p> <p>iv) Allowance for retirement benefits for directors As on left</p>	<p>iii) Allowance for retirement benefits for employees Provision for employees' retirement benefits is made on the basis of forecast retirement benefit obligations and pension assets at the end of the current consolidated fiscal year. Actuarial differences and past service obligations are generally written off as lump sum expenses in the consolidated fiscal year in which they arise.</p> <p>(Supplementary Information) With the enforcement of the Defined Benefit Corporate Pension Law, AIFUL and some of its consolidated domestic subsidiaries obtained from the Minister of Health, Labour and Welfare, as of September 25, 2003, an exemption from the obligation to make future payments with respect to the substitutional portion of employees' pension fund.</p> <p>The estimated amount returned (minimum liability) as of the end of the current consolidated fiscal year is 2,509 million yen. If AIFUL were to apply the interim measure set forth in the "Practice Guideline Concerning Retirement Benefit Accounting (Interim Report)" (Report of the Accounting Standards Committee of The Japanese Institute of Certified Public Accountants No. 13, Item 44-2), the amount to be recorded as a profit would be 263 million yen.</p> <p>Some consolidated domestic subsidiaries have applied the interim measures set forth in Item 47-2 of the Practice Guideline, having written off the retirement benefit obligation relating to the substitutional portion, and pension assets equivalent to the returned amount regarded as extinguished on the date of approval of the relevant exemption. The estimated amount returned (minimum liability) at the end of the current consolidated fiscal year is 4,067 million yen.</p> <p>iv) Allowance for retirement benefits for directors The Company provides for retirement benefits for directors by determining the estimated amount that would be paid if all directors retired on the last day of the current consolidated fiscal year, based upon the pertinent rules of the Commercial Code.</p>

Item	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
	<p>(4) Conversion standards for assets and liabilities in foreign currency Foreign currency-denominated assets and liabilities are converted into yen using the spot exchange rate on the date of consolidated settlement for the interim period. Translation disparities are recorded as gains or losses.</p> <p>(5) Accounting treatment of lease transactions In finance lease transactions, other than those in which the title of the leased asset is deemed to be transferred to the lessee, finance leases are treated according to the method used for ordinary loan transactions, <i>mutatis mutandis</i>.</p> <p>(6) Hedge accounting methods</p> <p>i) Hedge accounting methods The Company uses deferred hedge accounting. However, the Company uses special accounting rules for interest swaps that meet the requirements for special treatment as interest swaps and interest swaps.</p> <p>ii) Hedging methods and hedged transactions - Hedging methods Interest caps and interest swaps - Hedged transactions Borrowing that will change the Company's cash flow depending upon changes in market interest rates (floating rate bank borrowing and corporate bonds).</p> <p>iii) Hedging policy The Company uses hedge transactions to keep the percentage of fixed interest rate capital below a specified percentage of total capital funds procured.</p> <p>iv) Evaluation of hedge effectiveness The Company determines the effectiveness of its hedging transactions based on a method of ratio analysis covering cumulative changes over a ten-year period. However, evaluations of effectiveness are omitted for interest rate swaps conducted through exceptional disposal.</p> <p>(7) Other Significant Accounting Policies Relating to the Interim Financial Statements</p> <p>i) Interest on loans to customers Interest on loans to customers is recorded in accordance with accrual standards. Uncollected interest is recorded at the lower of the maximum legal interest rate and the pertinent Company interest rate.</p>	<p>(4) —</p> <p>(5) Accounting treatment of lease transactions As on left</p> <p>(6) Hedge accounting methods</p> <p>i) Hedge accounting methods As on left</p> <p>ii) Hedging methods and hedged transactions As on left</p> <p>iii) Hedging policy As on left</p> <p>iv) Evaluation of hedge effectiveness As on left</p> <p>(7) Other Significant Accounting Policies Relating to the Interim Financial Statements</p> <p>i) Interest on loans to customers As on left</p>	<p>(4) —</p> <p>(5) Accounting treatment of lease transactions As on left</p> <p>(6) Hedge accounting methods</p> <p>i) Hedge accounting methods As on left</p> <p>ii) Hedging methods and hedged transactions As on left</p> <p>iii) Hedging policy As on left</p> <p>iv) Evaluation of hedge effectiveness As on left</p> <p>(7) Other Significant Accounting Policies Relating to the Financial Statements</p> <p>i) Interest on loans to customers As on left</p>

Item	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
	<p>ii) Accounting standards for credit revenue Commission charges from customers and franchised stores based upon add-on systems are treated as “gains on deferred installments” in a lump sum at the time the credit contract is concluded, and transferred to revenues at the time the bill is made. However, customer commission charges based upon the reserve-on-balance or revolving styles are treated as revenues at the time the bill is made. The segment revenue distribution method, based on the add-on system, is the 7:8 method.</p> <p>iii) Guarantees revenues Loan guarantee revenues are accounted for with the diminishing-balance method.</p> <p>iv) Accounting treatment of interest on debt Interest on debt used to provide consumer loans is accounted for as “financial expenses” and included in operating expenses. All other interest expenses are accounted for as “interest expenses” in non-operating expenses.</p> <p>v) Disposal method for deferred assets Bond issuing expenses Deferred assets are amortized uniformly within the shorter period of either the bonds’ redemption period or the longest period (three years) mandated by the Commercial Code.</p> <p>vi) Accounting treatment of consumption taxes Consumption taxes are taken out of all Statement of Income items and Balance Sheet items. Consumption taxes for fixed assets that are not subject to the exclusion, however, are included in “other” under investment and other fixed assets, and are written off using the straight-line method over a five-year period.</p>	<p>ii) Accounting standards for credit revenue As on left</p> <p>iii) Guarantees revenues As on left</p> <p>iv) Accounting treatment of interest on debt As on left</p> <p>v) Disposal method for deferred assets Bond issuing expenses As on left</p> <p>vi) Accounting treatment of consumption taxes As on left</p>	<p>ii) Accounting standards for credit revenue As on left</p> <p>iii) Guarantees revenues As on left</p> <p>iv) Accounting treatment of interest on debt As on left</p> <p>v) Disposal method for deferred assets Bond issuing expenses As on left</p> <p>vi) Accounting treatment of consumption taxes As on left</p>
5. Scope of Cash and Cash Equivalents in the Consolidated Interim Statement of Cash Flows	Cash and cash equivalents include cash on hand, deposits on demand, and short-term, highly liquid investments with maturities of three months or less at the date of acquisition that are readily convertible to cash and cash equivalents and are subject to only insignificant risk of changes in value.	As on left	Cash and cash equivalents include cash on hand, deposits on demand, and short-term, highly liquid investments with maturities of three months or less at the date of acquisition that are readily convertible to cash and cash equivalents and are subject to only insignificant risk of changes in value.
6. Write-off of the consolidation adjustment account	The Company writes off the consolidation adjustment account using the straight-line method over a ten-year period. Items that do not have a significant effect on the consolidated financial statements, however, are written off completely in the year in which the adjustment is made.	As on left	As on left

6. Notes

(1) Notes to the Consolidated Balance Sheet for the Interim Period

End of previous consolidated interim period (As of September 30, 2003)	End of current consolidated interim period (As of September 30, 2004)	End of previous consolidated fiscal year (As of March 31, 2004)
*1 Additional paid-in capital includes an increase of 18,693 million yen in a simple equity swap. This includes a difference of 13,900 million yen recorded in the valuation of subsidiary's stock incurred in capital consolidation methods.	*1 As on left	*1 As on left
*2 Cumulative amortization of tangible fixed assets 29,902 million yen	*2 Cumulative amortization of tangible fixed assets 35,233 million yen	*2 Cumulative amortization of tangible fixed assets 31,187 million yen
*3 Assets pledged as collateral and corresponding liabilities (1) Assets pledged as collateral (In millions of yen)	*3 Assets pledged as collateral and corresponding liabilities (1) Assets pledged as collateral (In millions of yen)	*3 Assets pledged as collateral and corresponding liabilities (1) Assets pledged as collateral (In millions of yen)
Cash and deposits 642	Cash and deposits 546	Cash and deposits 546
Loans 719,143	Loans 885,864	Loans 760,544
Installment receivables 44,813	Installment receivables 51,508	Installment receivables 45,367
Inventory 128	Inventory 117	Inventory 124
Land 1,563	Land 1,470	Land 1,470
Tangible fixed assets (other) 1,010	Tangible fixed assets (other) 951	Tangible fixed assets (other) 978
Investment and other fixed assets (other) 309	Investment and other fixed assets (other) 25	Investment and other fixed assets (other) 73
<u>Total</u> 767,611	<u>Total</u> 940,483	<u>Total</u> 809,104
(2) Corresponding liabilities (In millions of yen)	(2) Corresponding liabilities (In millions of yen)	(2) Corresponding liabilities (In millions of yen)
Short-term debt 46,526	Short-term debt 47,880	Short-term debt 45,320
Current portion of long-term debt 219,417	Current portion of long-term debt 236,980	Current portion of long-term debt 220,249
Long term debts 363,654	Long term debts 384,236	Long term debts 359,991
<u>Current liabilities (other)</u> 240	<u>Current liabilities (other)</u> 185	<u>Current liabilities (other)</u> 114
<u>Total</u> 629,837	<u>Total</u> 669,282	<u>Total</u> 625,675
Above amounts include items related to the securitization of loans receivables, 215,589 million yen for outstanding loans receivables, 30,882 million yen for the current portion of long-term debt, and 91,106 million yen for the long-term debt. The matters below are not included in the aforementioned amounts.	Above amounts include items related to the securitization of loans receivables, 356,743 million yen for outstanding loans receivables, 34,403 million yen for the current portion of long-term debt, and 101,702 million yen for the long-term debt. The matters below are not included in the aforementioned amounts.	Above amounts include items related to the securitization of loans receivables, 259,797 million yen for outstanding loans receivables, 31,278 million yen for the current portion of long-term debt, and 90,268 million yen for the long-term debt. The matters below are not included in the aforementioned amounts.
<ul style="list-style-type: none"> The Company has contracted to offer loans as collateral in response to borrowers' requests to the sum of 2,200 million yen for short term debt, 79,325 million yen for the current portion of long-term debt, and 91,738 million yen in long-term debt, totaling 173,263 million yen. The Company has also offered 5,315 million yen in cash and cash equivalents as collateral for swap transactions. 	<ul style="list-style-type: none"> The Company has contracted to offer loans as collateral in response to borrowers' requests to the sum of 77,410 million yen for the current portion of long-term debt, and 79,887 million yen in long-term debt, totaling 157,298 million yen. The Company has also offered 4,332 million yen in cash and cash equivalents as collateral for swap transactions. 	<ul style="list-style-type: none"> The Company has contracted to offer loans as collateral in response to borrowers' requests to the sum of 200 million yen for short term debt, 83,946 million yen for the current portion of long-term debt, and 84,087 million yen in long-term debt, totaling 168,234 million yen. The Company has also offered 6,153 million yen in cash and cash equivalents as collateral for swap transactions.

End of previous consolidated interim period (As of September 30, 2003)	End of current consolidated interim period (As of September 30, 2004)	End of previous consolidated fiscal year (As of March 31, 2004)																																																																																										
<p>*4 Assets pledged as collateral and corresponding market values Trust beneficiary rights 2,000 million yen</p>	<p>*4 —</p>	<p>*4 Assets pledged as collateral and corresponding market values (In millions of yen) Negotiable certificate of deposit 10,000 <u>Commercial paper</u> 9,998 Total 19,998</p>																																																																																										
<p>*5 Installment receivables (In millions of yen) Card shopping 42,721 Per item shopping 100,021 <u>Other</u> 1 Total 142,744</p>	<p>*5 Installment receivables (In millions of yen) Card shopping 49,035 Per item shopping 119,080 <u>Other</u> 0 Total 168,116</p>	<p>*5 Installment receivables (In millions of yen) Card shopping 46,707 Per item shopping 107,576 <u>Other</u> 1 Total 154,285</p>																																																																																										
<p>*6 Gains on deferred installments (In millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Balance at end of prior period</th> <th>Gains during period</th> <th>Amounts realized during period</th> <th>Balance at end of period</th> </tr> </thead> <tbody> <tr> <td>Credit card shopping</td> <td>538</td> <td>3,796</td> <td>3,914</td> <td>420 (91)</td> </tr> <tr> <td>Per item shopping</td> <td>9,661</td> <td>6,940</td> <td>7,847</td> <td>8,753 (959)</td> </tr> <tr> <td>Guarantees</td> <td>670</td> <td>1,768</td> <td>1,916</td> <td>521 (0)</td> </tr> <tr> <td>Loans</td> <td>219</td> <td>37,305</td> <td>37,387</td> <td>136 (-)</td> </tr> <tr> <td>Total</td> <td>11,089</td> <td>49,809</td> <td>51,066</td> <td>9,831 (1,050)</td> </tr> </tbody> </table> <p>Note: Amounts in parenthesis are merchant fees.</p>		Balance at end of prior period	Gains during period	Amounts realized during period	Balance at end of period	Credit card shopping	538	3,796	3,914	420 (91)	Per item shopping	9,661	6,940	7,847	8,753 (959)	Guarantees	670	1,768	1,916	521 (0)	Loans	219	37,305	37,387	136 (-)	Total	11,089	49,809	51,066	9,831 (1,050)	<p>*6 Gains on deferred installments (In millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Balance at end of prior period</th> <th>Gains during period</th> <th>Amounts realized during period</th> <th>Balance at end of period</th> </tr> </thead> <tbody> <tr> <td>Credit card shopping</td> <td>377</td> <td>4,233</td> <td>4,237</td> <td>373 (62)</td> </tr> <tr> <td>Per item shopping</td> <td>9,937</td> <td>9,636</td> <td>8,151</td> <td>11,423 (1,218)</td> </tr> <tr> <td>Guarantees</td> <td>428</td> <td>1,947</td> <td>2,011</td> <td>364 (0)</td> </tr> <tr> <td>Loans</td> <td>82</td> <td>40,964</td> <td>40,997</td> <td>49 (-)</td> </tr> <tr> <td>Total</td> <td>10,826</td> <td>56,782</td> <td>55,396</td> <td>12,211 (1,280)</td> </tr> </tbody> </table> <p>Note: Amounts in parenthesis are merchant fees.</p>		Balance at end of prior period	Gains during period	Amounts realized during period	Balance at end of period	Credit card shopping	377	4,233	4,237	373 (62)	Per item shopping	9,937	9,636	8,151	11,423 (1,218)	Guarantees	428	1,947	2,011	364 (0)	Loans	82	40,964	40,997	49 (-)	Total	10,826	56,782	55,396	12,211 (1,280)	<p>*6 Gains on deferred installments (In millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Balance at end of prior period</th> <th>Gains during period</th> <th>Amounts realized during period</th> <th>Balance at end of period</th> </tr> </thead> <tbody> <tr> <td>Credit card shopping</td> <td>538</td> <td>7,884</td> <td>8,044</td> <td>377 (67)</td> </tr> <tr> <td>Per item shopping</td> <td>9,661</td> <td>15,428</td> <td>15,151</td> <td>9,937 (1,150)</td> </tr> <tr> <td>Guarantees</td> <td>670</td> <td>3,600</td> <td>3,842</td> <td>428 (0)</td> </tr> <tr> <td>Loans</td> <td>219</td> <td>76,384</td> <td>76,520</td> <td>82 (-)</td> </tr> <tr> <td>Total</td> <td>11,089</td> <td>103,297</td> <td>103,559</td> <td>10,826 (1,217)</td> </tr> </tbody> </table> <p>Note: Amounts in parenthesis are merchant fees.</p>		Balance at end of prior period	Gains during period	Amounts realized during period	Balance at end of period	Credit card shopping	538	7,884	8,044	377 (67)	Per item shopping	9,661	15,428	15,151	9,937 (1,150)	Guarantees	670	3,600	3,842	428 (0)	Loans	219	76,384	76,520	82 (-)	Total	11,089	103,297	103,559	10,826 (1,217)
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<p>*7 Securitization of receivables The amount of loans and installment receivables removed from the balance sheet through the securitization of claims stood at 240,724 million yen at the end of the current consolidated interim period. The break down was as follows: (In millions of yen) Loans 142,857 <u>Installment receivables</u> 97,867 Total 240,724</p>	<p>*7 Securitization of receivables The amount of loans and installment receivables removed from the balance sheet through the securitization of claims stood at 213,778 million yen at the end of the current consolidated interim period. The break down was as follows: (In millions of yen) Loans 119,744 <u>Installment receivables</u> 94,033 Total 213,778</p>	<p>*7 Securitization of receivables The amount of loans and installment receivables removed from the balance sheet through the securitization of claims stood at 213,981 million yen at the end of the consolidated fiscal year. The break down was as follows: (In millions of yen) Loans 120,715 <u>Installment receivables</u> 93,266 Total 213,981</p>																																																																																										

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(Loans with adjusted terms) “Loans with adjusted terms” refers to loans for which the Company has made arrangements convenient to the borrower for the purpose of reorganization or support of the borrower, such as reduction or exemption of interest or extension of the repayment period on which the Company is periodically receiving payments, and that are not regarded as bankruptcy claims, loans in arrears or loans in arrears longer than 3 months.	(Loans with adjusted terms) As on left	(Loans with adjusted terms) As on left
*9 Gains and losses related to hedging methods are recorded under “other” in “investments and other assets” on a net basis. The total deferred hedge loss before being netted out was 19,861 million yen. Total deferred hedge gains were 178 million yen.	*9 Gains and losses related to hedging methods are recorded under “other” in “investments and other assets” on a net basis. The total deferred hedge loss before being netted out was 19,861 million yen. Total deferred hedge gains were 178 million yen.	*9 Gains and losses related to hedging methods are recorded as deferred hedge loss on a net basis. The total deferred hedge loss before being netted out was 19,273 million yen. Total deferred hedge gains were 298 million yen.

(2) Notes to the Consolidated Interim Statement of Income

Previous consolidated interim period (April 1, 2003 to September 30, 2003)	Current consolidated interim period (April 1, 2004 to September 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)
*1 Breakdown of primary other operating expenses is as follows: (In millions of yen)	*1 Breakdown of primary other operating expenses is as follows: (In millions of yen)	*1 Breakdown of primary other operating expenses is as follows: (In millions of yen)
Advertising expenses 10,679	Advertising expenses 11,669	Advertising expenses 19,962
Transfer to allowance for bad debts e 87,536	Transfer to allowance for bad debts 77,945	Transfer to allowance for bad debts 143,892
Employee salaries and bonuses 16,637	Employee salaries and bonuses 18,659	Employee salaries and bonuses 37,519
Transfer to allowance for bonus payments 3,965	Transfer to allowance for bonus payments 3,908	Transfer to allowance for bonus payments 3,878
Commissions 10,416	Commissions 12,016	Commissions 21,502
*2 Breakdown of loss on sale of fixed assets is as follows: (In millions of yen)	*2 Breakdown of loss on sale of fixed assets is as follows: (In millions of yen)	*2 Breakdown of loss on sale of fixed assets is as follows: (In millions of yen)
Buildings and structures 3	Buildings and structures 82	Buildings and structures 3
Land 13	Land 31	Land 13
Other 65	Other 69	Other 243
Total 81	Total 183	Total 259
*3 The amount of tax losses carried forward at a subsidiary at the time of acquisition of the subsidiary’s shares that corresponds to the accrued deferred tax assets at the subsidiary following the acquisition of the subsidiary’s shares is written off as a lump sum.	*3 As on left	*3 As on left

(3) Note to the Consolidated Statement of Cash Flows for the Interim Period

Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)																		
<p>*1 Relationship between the balance of cash and cash equivalents at the end of the interim period and the amounts recorded in the categories shown on the consolidated balance sheet for the interim period:</p> <p style="text-align: right;">(In millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and cash equivalents account</td> <td style="text-align: right;">183,725</td> </tr> <tr> <td>Term deposits with maturity <u>greater than 3 months</u></td> <td style="text-align: right;"><u>(837)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">182,888</td> </tr> </table>	Cash and cash equivalents account	183,725	Term deposits with maturity <u>greater than 3 months</u>	<u>(837)</u>	Cash and cash equivalents	182,888	<p>*1 Relationship between the balance of cash and cash equivalents at the end of the interim period and the amounts recorded in the categories shown on the consolidated balance sheet for the interim period:</p> <p style="text-align: right;">(In millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and cash equivalents account</td> <td style="text-align: right;">151,224</td> </tr> <tr> <td>Term deposits with maturity <u>greater than 3 months</u></td> <td style="text-align: right;"><u>(633)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">150,590</td> </tr> </table>	Cash and cash equivalents account	151,224	Term deposits with maturity <u>greater than 3 months</u>	<u>(633)</u>	Cash and cash equivalents	150,590	<p>*1 Relationship between the balance of cash and cash equivalents at the end of the fiscal year and the amounts recorded in the categories shown on the consolidated balance sheets:</p> <p style="text-align: right;">(In millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and cash equivalents account</td> <td style="text-align: right;">99,163</td> </tr> <tr> <td>Term deposits with maturity <u>greater than 3 months</u></td> <td style="text-align: right;"><u>(833)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">98,329</td> </tr> </table>	Cash and cash equivalents account	99,163	Term deposits with maturity <u>greater than 3 months</u>	<u>(833)</u>	Cash and cash equivalents	98,329
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	<p>*2 Breakdown of primary assets and liabilities of company that became a new subsidiary due to stock acquisition</p> <p>The breakdown of the assets and liabilities at the start of the consolidated period following the consolidation of Wide Corporation through stock acquisition, the acquisition price of Wide Corporation shares, and the relationship to expenditures (net) made to acquire Wide Corporation are as follows:</p> <p style="text-align: right;">(In millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">71,170</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">6,522</td> </tr> <tr> <td>Consolidation adjustment account</td> <td style="text-align: right;">4,378</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(30,953)</td> </tr> <tr> <td><u>Long-term liabilities</u></td> <td style="text-align: right;"><u>(34,278)</u></td> </tr> <tr> <td>Acquisition price of Wide Corporation's shares</td> <td style="text-align: right;">16,839</td> </tr> <tr> <td>Wide Corporation's balance of cash and cash equivalents at start of fiscal period</td> <td style="text-align: right;"><u>(6,521)</u></td> </tr> <tr> <td>Deduction for expenditures to acquire <u>Wide Corporation</u></td> <td style="text-align: right;"><u>10,318</u></td> </tr> </table>	Current assets	71,170	Fixed assets	6,522	Consolidation adjustment account	4,378	Current liabilities	(30,953)	<u>Long-term liabilities</u>	<u>(34,278)</u>	Acquisition price of Wide Corporation's shares	16,839	Wide Corporation's balance of cash and cash equivalents at start of fiscal period	<u>(6,521)</u>	Deduction for expenditures to acquire <u>Wide Corporation</u>	<u>10,318</u>			
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(4) Notes to Lease Transaction

Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)																																																												
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Depreciation expenses	2,984																																																													
Interest expenses	134																																																													
Lease fee payments	6,460																																																													
Depreciation expenses	6,214																																																													
Interest expenses	207																																																													
<p>iv) Accounting method for the amount equivalent to depreciation expenses</p> <p>Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the sum-of-the-years-digits method.</p> <p>The method for calculating the amount equivalent to depreciation expenses was changed from the sum-of-the-years-digits method to the fixed amount method in the current consolidated interim period. As a result, compared with the earlier method, the amount equivalent to cumulative depreciation expenses is 2,277 million yen less, and the amount equivalent to depreciation expenses is 297 million yen more.</p>	<p>iv) Accounting method for the amount equivalent to depreciation expenses</p> <p>Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the sum-of-the-years-digits method.</p>	<p>iv) Accounting method for the amount equivalent to depreciation expenses</p> <p>Calculated by assuming the lease term is the depreciable life and depreciating the remaining amount to zero using the sum-of-the-years-digits method. The method for calculating the amount equivalent to depreciation expenses was changed from the sum-of-the-years-digits method to the fixed amount method in the current consolidated fiscal year. As a result, the amount equivalent to cumulative depreciation expenses is 1,875 million yen less, and the amount equivalent to depreciation expenses is 703 million yen more.</p>																																																												

Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)	Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)	Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)																		
v) Accounting method for the amount equivalent to interest expenses Interest expense for lease assets is calculated as the difference between the total lease payments and the acquisition price of the leased assets, with the amount allocated to each accounting period using the interest method.	v) Accounting method for the amount equivalent to interest expenses As on left	v) Accounting method for the amount equivalent to interest expenses As on left																		
2. Operating lease transactions i) Leases in progress <p style="text-align: right;">(In millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Within one year</td> <td style="text-align: right;">107</td> </tr> <tr> <td><u>Over one year</u></td> <td style="text-align: right;"><u>272</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">379</td> </tr> </table>	Within one year	107	<u>Over one year</u>	<u>272</u>	Total	379	2. Operating lease transactions i) Leases in progress <p style="text-align: right;">(In millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Within one year</td> <td style="text-align: right;">100</td> </tr> <tr> <td><u>Over one year</u></td> <td style="text-align: right;"><u>174</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">275</td> </tr> </table>	Within one year	100	<u>Over one year</u>	<u>174</u>	Total	275	2. Operating lease transactions i) Leases in progress <p style="text-align: right;">(In millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Within one year</td> <td style="text-align: right;">104</td> </tr> <tr> <td><u>Over one year</u></td> <td style="text-align: right;"><u>221</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">325</td> </tr> </table>	Within one year	104	<u>Over one year</u>	<u>221</u>	Total	325
Within one year	107																			
<u>Over one year</u>	<u>272</u>																			
Total	379																			
Within one year	100																			
<u>Over one year</u>	<u>174</u>																			
Total	275																			
Within one year	104																			
<u>Over one year</u>	<u>221</u>																			
Total	325																			

(5) Marketable securities

A. End of the previous consolidated interim period (Sep. 30, 2003)

1. Marketable securities with market value

(In millions of yen)

Segment	Acquisition	Value stated on interim consolidated balance sheet	Difference
Other marketable securities			
i) Stocks	6,309	9,184	2,874
ii) Bonds			
National and local bonds	120	120	0
Corporate bonds	10	10	0
Total	6,439	9,314	2,874

2. Marketable securities without market price

(In millions of yen)

Segment	Value stated on interim consolidated balance sheet
Other marketable securities	
i) Non-listed stocks (excludes OTC stocks and includes preferred stocks)	3,195
ii) Senior subscription certificates	1,500
iii) Commercial paper	1,999

B. End of the current consolidated interim period (Sep. 30, 2004)

1. Marketable securities with market value

(In millions of yen)

Segment	Acquisition	Value stated on interim consolidated balance sheet	Difference
Other marketable securities			
i) Stocks	6,426	12,821	6,395
ii) Bonds			
National and local bonds	–	–	–
Corporate bonds	–	–	–
Total	6,426	12,821	6,395

2. Marketable securities without market price

(In millions of yen)

Segment	Value stated on interim consolidated balance sheet
Other marketable securities	
i) Non-listed stocks (excludes OTC stocks and includes preferred stocks)	1,503
ii) Senior subscription certificates	1,500
iii) Commercial paper	–

C. End of the previous consolidated fiscal year (Mar. 31, 2004)

1. Marketable securities with market value

(In millions of yen)

Segment	Acquisition	Value stated on interim consolidated balance sheet	Difference
Other marketable securities			
i) Stocks	6,783	13,975	7,191
ii) Bonds			
National and local bonds	120	120	0
Corporate bonds	–	–	–
Total	6,903	14,095	7,191

2. Marketable securities without market price

(In millions of yen)

Segment	Value stated on interim consolidated balance sheet
Other marketable securities	
i) Non-listed stocks (excluding OTC stocks)	1,522
ii) Other	1,500

(6) Derivative Transactions

	End of previous consolidated interim period (September 30, 2003)	End of current consolidated interim period (September 30, 2004)	End of previous consolidated fiscal year (March 31, 2004)
Matters concerning market value of transactions	There are no relevant transactions due to the adoption of hedge accounting.	As on left	As on left

(7) Segment Information

	Previous consolidated interim period (April 1, 2003 to September 30, 2003)	Current consolidated interim period (April 1, 2004 to September 30, 2004)	Previous consolidated fiscal year (April 1, 2003 to March 31, 2004)
By type of business	The Company has omitted segment information by type of business, as the consumer loan business accounts for more than 90% of total operating revenues and operating income in all of the Company's business segments.	As on left	The Company has omitted segment information by type of business, as the consumer loan business accounts for more than 90% of total operating revenues, operating income and assets in all of the Company's business segments.
By region	The Company did not report segment information by location, as the Company did not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan during the period.	As on left	As on left
Foreign sales	The Company did not have any foreign sales during the period.	As on left	As on left

(8) Per Share Information

	Previous consolidated interim period (April 1, 2003 to September 30, 2003)	Current consolidated interim period (April 1, 2004 to September 30, 2004)	Previous consolidated fiscal year (April 1, 2003 to March 31, 2004)
Net assets per share	5,428.60 yen	6,107.79 yen	5,794.58 yen
Net income per share	292.04 yen	346.18 yen	660.98 yen
Diluted net income per share	Diluted net income per share for the interim period under review has not been included here as there was no dilutory effect on income at the end of the interim period.	346.12 yen	Diluted net income per share for the fiscal year under review has not been included here as there was no dilutory effect on income at the end of the period.

Note: Basis for calculation of net income per share and diluted income per share

	Previous consolidated interim period (April 1, 2003 to September 30, 2003)	Current consolidated interim period (April 1, 2004 to September 30, 2004)	Previous consolidated fiscal year (April 1, 2003 to March 31, 2004)
Net income per share for the interim period			
Net income	27,588 million yen	32,715 million yen	62,548 million yen
Amount not returned to common stock shareholders	–	–	106 million yen
Includes directors' bonuses distribution of profit	–	–	106 million yen
Net income relating to common stock	27,588 million yen	32,715 million yen	62,441 million yen
Average number of shares of common stock during the period	94,468,199 shares	94,502,580 shares	94,467,918 shares
Diluted net income per share			
Increase in number of common stock	–	16,064 shares	–
(of which stock options through acquisition of treasury stock)	–	(16,064 shares)	–
Outline of stock not included in diluted net income per share due to lack of dilutory effect	Stock options relating to treasury stock acquisition methods: 206,000 shares	–	Stock options relating to treasury stock acquisition methods: 204,000 shares

(9) Significant Subsequent Events

Previous consolidated interim period	Current consolidated interim period	Current consolidated fiscal year																								
		<p>On June 16, 2004, the Company concluded a stock transfer agreement by which it acquired all the shares issued by Wide Corporation (president: Mitsuo Yanagi). As part of the business strategy to become a comprehensive retail financial services company, this acquisition is intended to boost business efficiency and profitability and reinforce Group earnings with the addition of Wide Corporation to the Group.</p> <table border="1"> <tr><td>Company name</td><td>Wide Corporation</td></tr> <tr><td>Headquarters</td><td>Utsunomiya-shi, Tochigi-ken</td></tr> <tr><td>President</td><td>Mitsuo Yanagi</td></tr> <tr><td>Establishment</td><td>May 1984</td></tr> <tr><td>Main business</td><td>Consumer finance</td></tr> <tr><td>Total assets (see note)</td><td>106,693 million yen (as of Mar. 31, 2004)</td></tr> <tr><td>Net assets</td><td>12,461 million yen (as of Mar. 31, 2004)</td></tr> <tr><td>Capital</td><td>2,555 million yen (as of Mar. 31, 2004)</td></tr> <tr><td>Major shareholders</td><td>Sei Saito and others</td></tr> <tr><td>Stock acquisition date</td><td>June 30, 2004</td></tr> <tr><td>Shares acquired</td><td>32,135 shares</td></tr> <tr><td>Equity share after acquisition</td><td>100%</td></tr> </table> <p>Note: Figure includes 36,811 million yen in loans that were dropped from the balance sheet as a result of securitization.</p>	Company name	Wide Corporation	Headquarters	Utsunomiya-shi, Tochigi-ken	President	Mitsuo Yanagi	Establishment	May 1984	Main business	Consumer finance	Total assets (see note)	106,693 million yen (as of Mar. 31, 2004)	Net assets	12,461 million yen (as of Mar. 31, 2004)	Capital	2,555 million yen (as of Mar. 31, 2004)	Major shareholders	Sei Saito and others	Stock acquisition date	June 30, 2004	Shares acquired	32,135 shares	Equity share after acquisition	100%
Company name	Wide Corporation																									
Headquarters	Utsunomiya-shi, Tochigi-ken																									
President	Mitsuo Yanagi																									
Establishment	May 1984																									
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Major shareholders	Sei Saito and others																									
Stock acquisition date	June 30, 2004																									
Shares acquired	32,135 shares																									
Equity share after acquisition	100%																									

5. Results of Operations

(1) Operating Revenue

Item		Period	Previous consolidated interim period (Apr. 1, 2003 to Sep. 30, 2003)		Current consolidated interim period (Apr. 1, 2004 to Sep. 30, 2004)		Previous consolidated fiscal year (Apr. 1, 2003 to Mar. 31, 2004)	
			Amount	%	Amount	%	Amount	%
Interest on loans to customers	Unsecured loans		178,453	75.8	193,309	75.4	358,142	75.6
	Secured loans		27,075	11.5	27,995	10.9	55,022	11.6
	Small business loans		7,710	3.3	10,067	4.0	16,348	3.5
	Sub-total		213,239	90.6	231,372	90.3	429,512	90.7
Credit card revenue			3,962	1.7	4,274	1.7	8,140	1.7
Per-item credit revenue			8,017	3.4	8,282	3.2	15,508	3.3
Guarantees revenues			2,584	1.1	3,355	1.3	5,562	1.2
Other financial revenue	Interest on deposits		5	0.0	1	0.0	7	0.0
	Interest on marketable securities		0	0.0	0	0.0	1	0.0
	Interest on loans		34	0.0	56	0.0	47	0.0
	Other		20	0.0	16	0.0	39	0.0
Sub-total			60	0.1	73	0.0	95	0.0
Other operating revenue	Sales of property		25	0.0	—	0.0	50	0.0
	Bad debt write-off recovery		3,593	1.5	3,991	1.5	6,778	1.4
	Other		3,916	1.7	5,054	2.0	7,830	1.7
Sub-total			7,535	3.2	9,045	3.5	14,658	3.1
Total			235,400	100.0	256,404	100.0	473,477	100.0

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

(2) Other Operating Indicators

(In millions of yen - except per share data)

Item		Period	End of previous interim period (As of September 30, 2003)	End of current interim period (As of September 30, 2004)	End of previous fiscal year (As of March 31, 2004)
Total amount of loans outstanding	Unsecured loans		1,460,263	1,590,255	1,477,430
	Secured loans		338,755	348,178	346,183
	Small business loans		72,525	101,291	84,041
	Sub-total		1,871,545	2,039,725	1,907,655
Number of customer accounts	Unsecured loans		3,378,322	3,580,569	3,366,615
	Secured loans		91,481	96,809	94,474
	Small business loans		51,587	67,350	59,151
	Sub-total		3,521,390	3,744,728	3,520,240
Number of branches	Staffed branches		804	864	813
	Unstaffed branches		1,168	1,409	1,164
	Branches for secured loans		4	0	1
	Sub-total		1,976	2,273	1,978
Number of "Ojidosan" loan-contracting machines			1,850	2,130	1,855
Number of ATMs	Company-owned		2,049	2,307	2,046
	Partner-owned		127,489	133,497	130,102
	Sub-total		129,538	135,804	132,148
Number of employees			6,310	6,540	5,969
Bad debt write-off			69,600	72,959	137,172
Allowance for bad debts			147,733	155,196	145,757
Net income per share (yen)			292.04	346.18	660.98
Net assets per share (yen)			5,428.60	6,107.79	5,794.58

- Notes: 1. Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to bankruptcy claims. Furthermore, off-balance sheet operating loans from the securitization of receivables, which came to 119,744 million yen at the end of the current interim consolidated period, 142,857 million yen at the end of the previous interim consolidated period, and 120,715 million yen at the end of the previous consolidated fiscal year have been included.
2. Bad debt write-off does not include bankruptcy claims and claims in correction, which came to 3,352 million yen in the current interim consolidated period, 2,078 million yen in the previous interim consolidated period, and 2,789 million yen in the previous consolidated fiscal year.