May 12, 2010

Summary of Year-End Financial Statements (Consolidated)

For the fiscal year ended March 31, 2010

AIFUL Corporation	Stock Listings: 1st Section of Tokyo Stock Exchanges
Stock Code: 8515	URL http://www.aiful.co.jp
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Scheduled date of convention of ordinary general meeting of shareholders: June 25, 2010
Scheduled date of submission of financial report: June 28, 2010
Scheduled date of commencement of dividend payments: —

I. Consolidated Business Results for the Fiscal Year Ended March 31, 2010

(April 1, 2009 – March 31, 2010)

1. Consolidated Operating Results

Note: Amounts in financial statements and the supplementary data are rounded down.

(In millions of yen, except where noted; percentage figures show year-on-year growth.)

	Operating Revenue		Operating Income (loss)		Ordinary Income (loss)		Net Income (loss)	
Fiscal year ended March 31, 2010	218,102	(30.1)%	(265,255)	–	(264,176)	–	(295,141)	–
Fiscal year ended March 31, 2009	312,241	(23.1)%	7,441	(76.5)%	8,608	(73.2)%	4,247	(84.5)%

	Net Income (loss) per Share (Yen)	Diluted Net Income per Share (Yen)	Net Income to Shareholders' Equity Ratio (%)	Ordinary Income to Total Assets Ratio (%)	Operating Income to Operating Revenue Ratio (%)
Fiscal year ended March 31, 2010	(1,238.90)	–	(122.7)	(21.1)	(121.6)
Fiscal year ended March 31, 2009	24.77	—	1.2	0.5	2.4

Reference: Equity method investment gain or loss for: Fiscal year ended March 31, 2010: — million yen
Fiscal year ended March 31, 2009: — million yen

2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended March 31, 2010	1,152,945	97,305	8.1	392.30
Fiscal year ended March 31, 2009	1,644,744	393,334	23.6	1,626.89

Reference: Shareholders' equity for: Fiscal year ended March 31, 2010: 93,456 million yen
Fiscal year ended March 31, 2009: 387,572 million yen

3. Consolidated Cash Flows

(In millions of yen)

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Year
Fiscal year ended March 31, 2010	256,675	10,913	(270,476)	128,748
Fiscal year ended March 31, 2009	240,592	(37)	(366,341)	131,597

II. Dividend Information

(Record date)	Dividend per Share (Yen) End of 1st quarter	End of 1st half	End of 3rd quarter	Year-end	Annual	Total Annual Dividends (Millions of yen)	Dividend Payout Ratio (Consolidated) (%)	Dividend on Equity Ratio (Consolidated) (%)
Fiscal year ended March 31, 2009	–	10.00	–	5.00	15.00	2,861	60.6	0.8
Fiscal year ended March 31, 2010	–	–	–	–	–	–	–	–
Fiscal year ending March 31, 2011 (Forecast)	–	–	–	–	–		–	

III. Full Year Consolidated Forecast (April 1, 2010 - March 31, 2011)

(In millions of yen, except where noted; Percentage figures show year-on-year growth for the full year and growth compared to the same period the previous year for the first half.)

	Operating Revenue		Operating Income		Ordinary Income		Net Income (loss)		Net Income per Share (Yen)
First half	76,271	(37.4)	508	—	764	—	(3,247)	—	(13.63)
Full year	140,832	(35.4)	11,917	—	12,330	—	2,821	—	11.84

IV. Other

(1) Transfers of major subsidiaries during the fiscal year (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
   Newly added to the scope of consolidation: __ companies (Company names: ________________)
   Excluded from the scope of consolidation: __ companies (Company names: ________________)

(2) Changes in accounting principles, procedures and methods of presentation relating to the preparation of consolidated financial statements (Recorded under Changes to Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements)
   (a) Changes accompanying amendments to accounting standards: None
   (b) Changes other than those in (a): None

(3) Number of shares issued and outstanding (Ordinary shares)
   (a) Number of shares issued and outstanding at end of fiscal year (including treasury stock)
      Year ended March 31, 2010: 238,685,568 shares
      Year ended March 31, 2009: 238,685,568 shares
   (b) Number of shares of treasury stock issued and outstanding at end of fiscal year
      Year ended March 31, 2010: 457,058 shares
      Year ended March 31, 2009: 456,724 shares
   Note: Please refer to Per Share Information on page 12 for the number of shares used in the computation of consolidated net income per share

(Reference) Highlights of Non-Consolidated Business Results

I. Non-Consolidated Business Results for the Fiscal Year Ended March 31, 2010
(April 1, 2009 – March 31, 2010)

1. Non-Consolidated Operating Results

(In millions of yen, except where noted; percentage figures show year-on-year growth.)

	Operating Revenue		Operating Income (loss)		Ordinary Income (loss)		Net Income (loss)	
Fiscal year ended March 31, 2010	124,793	(29.6)%	(231,522)	–	226,933	—	261,495	—
Fiscal year ended March 31, 2009	177,216	(24.0)%	(2,805)	–	2,807	(87.3)%	9,657	(64.3)%

	Net Income (loss) per Share (Yen)	Diluted Net Income per Share (Yen)
Fiscal year ended March 31, 2010	(1097.67)	—
Fiscal year ended March 31, 2009	56.31	–

2. Non-Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended March 31, 2010	858,532	135,536	15.8	568.93
Fiscal year ended March 31, 2009	1,241,766	396,232	31.9	1,663.24

Reference: Shareholders' equity for: Fiscal year ended March 31, 2010: ____ million yen
Fiscal year ended March 31, 2009: ____ million yen

II. Full Year Non-Consolidated Forecast (April 1, 2010 - March 31, 2011)

(In millions of yen, except where noted; Percentage figures show year-on-year growth for the full year and growth compared to the same period the previous year for the first half.)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
First half	43,827	(30.3)%	1,986	—	3,467	—	2,581	—	10.83
Full year	80,421	(35.6)%	6,647	—	9,259	—	3,938	—	16.53

* Disclaimer concerning the proper use of business results forecasts
The consolidated and non-consolidated forecasts above are based on information available as of the day of the announcement of this material. The outlook for the business environment surrounding the consumer finance industry continues to be unclear, owing to the impact of the revised money lending law, which will go into full effect on June 18, 2010, a continued high number of interest refund claims, and other factors. Therefore, actual results may vary materially due to various unknown future factors.

1. Qualitative Information, Financial Statements and Other Information

(1) Qualitative Information Regarding Consolidated on Business Result

During the consolidated fiscal year under review, the uncertainty over the outlook for the Japanese economy continued. Although economic sentiment improved in some quarters due to growth in exports and production, and signs began to emerge of a bottoming out in slumping demand, deflation put pressure on corporate earnings. In addition, the environment for employment and wages remained difficult.

In the Japanese consumer finance industry, corporate management is facing demands for interest repayments, which remain high, and many have been forced to pull out of the market. In addition, ahead of the full enforcement of the reduced maximum interest rate under Japan's Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates (the "Capital Subscription Law") and the introduction of the revised Money Lending Business Law, including restrictions on total lending, on June 18, 2010, companies are increasing the rigor of their credit screening. Despite demand for loans from customers, the market is shrinking as the business environment becomes even tougher.

In this environment, the AIFUL Group is reinforcing its system for responding to demands for interest repayments—its most crucial issue—by augmenting personnel in the division handling these demands. At the same time, the Group has been pushing ahead with its restructuring from a perspective of business selection and consolidation. As part of this, AIFUL transferred all shares in the four consumer finance subsidiaries Wide Corporation, Tryto Corporation, TCM Co., Ltd., and Passkey Co., Ltd., as well as loans that the Company had extended to the said companies to Neoline Capital Co., Ltd., in September 2009.

With the demand for interest repayments remaining high and very challenging fund-procurement environment, the AIFUL Group had to confront the fact that it could become impossible for it to continue to serve as a social lifeline, a role that consumer finance companies are expected to fill. Given this, AIFUL Corporation and its subsidiaries LIFE Co., Ltd., Marutoh Co., Ltd., and City's Corporation applied for Business Revitalization Procedures using an alternative dispute resolution (ADR) process on September 24, 2009 in order to build a stronger earnings capacity and dramatically improve their financial position. These efforts are expected to contribute to the goal of revitalizing and continuing the Group's business. An application for the ADR process was submitted to the Japanese Association of Turnaround Professionals on September 24, 2009 and accepted the same day. This was followed by a series of discussions concerning the proposed Business Revitalization Plan with all creditors involved in the ADR process ("Participating Creditors"). At a meeting of creditors on December 24, 2009, the Business Revitalization Plan, which includes financial assistance, was approved and Business Revitalization Procedures were adopted.

Based on the Business Revitalization Plan, the AIFUL Group undertook the large-scale consolidation of its sales branches, contact centers, and corporate staff divisions. Personnel have been reduced by approximately 2,100 persons by offering voluntary retirement. In this way, the Group has worked to improve its financial position and profitability by significantly reducing costs and, endeavored to achieve a cost structure commensurate with the consolidation of business segments and reduction in operating assets and business scale, as its management rationalization strategy.

Looking ahead, the AIFUL Group will do its utmost to measure up to the support and expectations of all interested parties, including Participating Creditors, shareholders, business partners, and customers, by consistently implementing its Business Revitalization Plan.

Results by business for this consolidated fiscal year are described below.

Conditions by Business

(Unsecured loans)

AIFUL Corporation and LIFE have continued to make systematic preparations for the full enforcement of the revised Money Lending Business Law by moving to low interest rate products for trusted customers and tightening up credit screening. As a result, the number of new contracts signed in the unsecured loan category declined 40.7% year on year to 51,000 in the this consolidated fiscal year, with a contract rate of 21.9%, down 7.1% year on year.
The balance of unsecured loans outstanding fell 37.6% compared to the end of fiscal 2008 to 634,249 million yen (this includes 20,834 million yen in off-balance sheet receivables that were securitized).

(Secured loans and small business loans)

The AIFUL Group temporarily suspended sales of personal home equity loans beginning April 2009 to comply with the introduction of restrictions on total lending.
BUSINEXT Corporation remains cautious on providing credit for small business loans, in light of the current deterioration in economic sentiment among small and medium-sized companies.
As a result, the balance of secured loans fell 33.0% year on year to 138,649 million and the balance of small business loans fell 24.9% year on year to 83,864 million yen at the end of this consolidated fiscal year.

In addition to these measures, the waiver of claims accompanying demands for interest repayments, which remained at a high level, also had an effect, and the balance of operating loans at the end of the consolidated fiscal year under review stood at ¥856,762 million, down 35.8% year-on-year. (This figure includes ¥20,834 million in loans removed from the balance sheet through securitization.)

(Credit card business)
In the credit card business, LIFE redoubled its efforts to enhance customer convenience by establishing the online shopping mall L-Mall to meet diverse customer needs, among other initiatives.
This, coupled with a strong performance in the payment of utility bills and e-money using credit cards as well as special demand from such government-led factors as the expansion of the discount for electronic toll collection (ETC) cards for expressway tolls and the offering of Eco-points for environmentally friendly home electrical appliances resulted in an increase of 2.2% year on year in credit card transaction volume to 809,253 million yen.

As a result, the balance of installment receivables stood at 121,995 million yen, up 10.8% year on year (including 8,265 million yen in off-balance sheet installment receivables that were securitized).

(Credit guarantee business)
AIFUL Corporation and LIFE continued their marketing efforts to expand guarantee affiliations, proposed new products to existing clients, and provided support in sales promotions.
As a result, the Group secured affiliations with 182 unsecured personal loan companies, and held guarantees for outstanding loans amounting to 81,401 million yen, down 14.4% year on year, partly due to heightened competition. The Group secured affiliations with 103 unsecured business loan companies, and held guarantees for outstanding loans totaling 18,750 million yen, down 19.0% year on year.

(Loan servicing business)
The loan servicing business run by AsTry Loan Services Corporation suffered from a harsh business environment marked by concerns of prolonged collection times due to the deteriorating economic environment. As a result, the balance of purchased claims was 5,579 million yen at the end of consolidated fiscal year, down 49.0% year on year.

(Overview of Results)
The AIFUL Group's consolidated operating revenue fell 30.1% year-on-year to 218,102 million yen in the this consolidated fiscal year. The primary contributing factors were a 35.3% year-on-year decrease in interest on loans to 170,662 million yen; a 5.6% increase in revenue from the credit card business to 17,824 million yen; a 12.3% decrease in revenue in the credit guarantee business to 7,034 million yen; and a 55.1% jump in bad debt write-off recovery to 11,252 million yen.
Operating expenses stood at ¥483,358 million, up 58.6% year-on-year. The increase was mainly driven by a transfer to the reserve for losses on interest repayments of ¥206,886 million (up 254.8% year-on-year) and a transfer to the allowance for bad debts of ¥164,610 million (up 66.2%), in view of the continued rise in demands for interest repayments and current economic sentiment. The overall increase was tempered by AIFUL's effort to realize a 26.3% year-on-year reduction in general administrative expenses, including personnel expenses, due to the implementation of management rationalization strategies for the achievement of cost structure reforms.
In addition, ¥27,392 million was recorded as an extraordinary loss. This figure includes expenses related to the consolidation of sales branches and business restructuring expenses accompanying the payment of special retirement benefits to voluntary retirees as well as losses on the transfer of subsidiary loans in relation to the sale of the four consumer finance subsidiaries.
As a result, in this fiscal year the AIFUL Group posted a consolidated operating loss of 265,255 million yen; an ordinary loss of 264,176 million yen and a net loss of 295,141 million yen. On a non-consolidated basis, AIFUL Corporation posted operating revenue of 124,793 million yen (decreased by 29.6% from the previous consolidated fiscal year): an operating loss of 231,522 million yen, an ordinary loss totaling 226,933 million yen, and a net loss amounting to 261,495 million yen.

(Forecast for operations in fiscal 2010)
The business environment for the AIFUL Group is expected to remain challenging. A decline in revenue will accompany the fall in the balance of lending due to the impact of the Money Lending Business Law, with full enforcement approaching on June 18, 2010, in addition to demands for interest repayments, which continue at a high level.
In this environment, the Group will improve its financial position and profitability by significantly reducing costs and, at the same time, will achieve a cost structure commensurate with the reduction in operating assets and business scale as it steadily implements the Business Revitalization Plan, shrinking the scales of its assets.
Business results forecasts for the AIFUL Group for the year ending March 2011 are for operating revenue of ¥140,832 million, down 35.4% year-on-year, operating income of ¥11,917 million, ordinary income of ¥12,330 million and net income of ¥2,821 million.
Non-consolidated business results forecasts are for operating revenue of ¥80,421 million, down 35.6% year-on-year, operating income of ¥6,647 million, ordinary income of ¥9,259 million and net income of ¥3,938 million.

(2) Qualitative Information Regarding Consolidated Financial Position

(Analysis on assets, liabilities, net assets and cash flow)

Total assets on a consolidated basis declined 491,799 million yen, or 29.9%, compared to the end of the previous fiscal year to 1,152,945 million yen at the end this fiscal year. This was primarily due to a 454,425 million yen decline in loans outstanding due to stricter lending criteria.

Total liabilities fell 195,770 million yen, or 15.6%, compared to the end of the previous fiscal year to 1055,639 million yen. This can be attributed to 269,285 million yen decline in interest-bearing liabilities due to repayment and redemption, offsetting a 113,744 million yen increase in the reserve for losses on interest repayments.

Net assets decreased 296,028 million yen, or 75.3% compared to the end of the previous fiscal year to 97,305 million yen because net loss posted in this fiscal year.

(Cash Flows

Cash and cash equivalents ("funds") decline 2,849 million yen, or 2.2%, compared to the end of the previous fiscal year to 128,748 million yen.

(Cash flow from operating activities)

Net cash provided by operating activities totaled 256,675 million yen, an increase of 6.7% year on year. The increase in funds reflected the decline in loans outstanding, an increase in the reserve for losses on interest repayments, which exceeded the decrease in funds resulting from the posting of a net loss before taxes for this fiscal year.

(Cash flow from investing activities)

Funds provided by investment activities stood at ¥10,913 million (¥37 million yen used in the previous fiscal year). The main reason for this was that funds used for purchase of intangible fixed assets exceeded funds provided by sale of loans to affiliate companies and funds provided by sale of investment securities.

(Cash flow from financing activities)

Net cash used for financing activities amounted to 270,476 million yen, down 26.2% year-on-year, due to the repayment of borrowings and the redemption of bonds.

(Changes in Cash Flow Related Indicators)

	FY2006	FY2007	FY2008	FY2009	FY2010
Shareholders' Equity Ratio (%)	24.4	11.4	15.6	23.6	8.1
Shareholders' Equity Ratio Based on Market Price (%)	39.5	23.3	13.1	2.0	2.8
Interest Coverage Ratio (times)	2.5	—	0.5	1.3	—

Shareholder's equity ratio: shareholder's equity/total assets

Shareholder's equity ratio based on market price: total market capitalization/total assets

Interest coverage ratio: operating cash flow/interest payments

Notes:

1. All indicators computed using consolidated financial figures.
2. Operating cash flow is the figure obtained by excluding changes in funds due to changes in operating receivables and reserves related to operating receivables (allowance for bad debts and reserve for losses on interest repayments) from cash flow from operating activities on the consolidated statements of cash flows.

(3) Basic Policies on Profit Distribution and Dividend for the Fiscal Year Under Review and Next Fiscal Year

The return of profits to shareholders is a management priority at the AIFUL Group. The Group's basic policy calls for a consistent return of profits in line with business results. The Group aims to maximize shareholder returns and shareholder value while simultaneously securing stable internal reserves through medium to long-term profit growth.

However, the AIFUL Group has recorded a substantial net loss in order to provide for demands for interest repayments, which have remained at a high level. As a result, there is no surplus available for distribution. Thus, the AIFUL Group sincerely regrets that it will not be able to pay a dividend for the current fiscal year and the next fiscal year.

The AIFUL Group will improve its financial position and profitability through the implementation of the Business Revitalization Plan approved by the ADR process and intends to return to the basic policy outlined above.

The AIFUL Group asks all of its shareholders for their understanding of and cooperation with the business revitalization of the Group.

(4) Business Risk

The major factors among those related to the state of the business and its finances that could have a significant impact on the decisions of investors are those below. The AIFUL Group acknowledges that these risks may arise and endeavors to avoid their occurrence and to take countermeasures in the event that they do occur. Moreover, the following statement does not cover every business risk of the AIFUL Group, and new business risks may arise in the future due to unforeseen

factors.
Forward-looking statements are deemed current as of March 31, 2010.

(Business Revitalization Plan)
As stated in “1. Operating Results (1) Analysis of Operating Results,” AIFUL Corporation and its subsidiaries LIFE Co., Ltd., Marutoh Co., Ltd., and City’s Corporation applied for Business Revitalization Procedures using an alternative dispute resolution (ADR) process on September 24, 2009. At a meeting of creditors on December 24, 2009, the Business Revitalization Plan, which includes financial assistance, was approved and Business Revitalization Procedures were adopted.
However, in the event that the process envisaged by business revitalization does not proceed according to plan, the business performance and financial position of the AIFUL Group may be severely adversely affected.

(Risks Arising from the Business Environment)
The profit levels and profit growth rate of the AIFUL Group depend on a large number of factors, including the following major anticipated factors.

- Japanese economic conditions and market trends, especially trends in the consumer credit market
- Intensification of competition with competitors in the consumer finance market
- Changes in the number of borrowers with debts to a number of companies
- Changes in the relevant legislation and regulations for the consumer finance market, and especially changes in the legal framework regarding the statutory maximum interest rate, the enforcement status of such changes and judicial decisions relating to relevant legislation, accompanying changes in accounting standards, and incidence of other lawsuits requesting interest repayments
- Changes in the AIFUL Group’s ability to provide credit, the number of accounts, the average balance per account, the average contracted interest rate, and the default ratio
- Changes in expenses, including various commissions, advertising expenses and personnel expenses, and losses
- Negative media coverage of the AIFUL Group and the consumer finance industry, and the incidence of scandals

In April 2007, AIFUL Corporation established a Risk Management Committee that reports directly to the Board of Directors, and gave it the task of performing cross-divisional control and management of risks that arise in all divisions, threatening corporate activities. This step is expected to reinforce systems for proactive measures to prevent risks before they arise and accelerate the response if any incident should occur. Nevertheless, despite these measures, the AIFUL Group’s financial position and business performance could be adversely affected by changes in the operating environment, including the strengthening or loosening of legislation and regulations, and changes in competitive conditions and the economy. The revision of the AIFUL Group’s strategy may also be unavoidable.

(Legal Regulations)
A. Legal Compliance System
In order to prevent the occurrence of any scandal including the infringement of the Money Lending Business Law and leakage of information, AIFUL Corporation has already established a Compliance Committee as a body directly under the Board of Directors and the Internal Control Department as its secretariat as well as collecting information on compliance and carrying out an examination and assessment of the company-wide compliance framework, taking measures to prevent legal infringements before they occur. In addition, AIFUL further strengthened the legal compliance framework by boosting compliance monitoring functions to include centralizing the compliance hotline, strengthening the function of collecting data on compliance, and centralizing functions related to rewards and penalties in April 2007.
Apart from this, the AFIUL Group is formulating business rules that provide for a legal compliance education function, strengthening the acquisition of knowledge about legislation and the penetration of legal compliance awareness via in-house training, increasing the effectiveness of internal checking to include the monitoring of telephone calls, as well as taking other measures while also establishing structures for the proper review of these measures.
In the event that unlawfulness and scandal, including activities in breach of the law involving the employees of the AIFUL Group, occur despite these reviews and the response made by the Group, this could very likely result in legal punishments such as administrative penalties and other obligations, and could affect confidence in the Group as well as its financial position and business performance.

B. Legal Regulations
i. Regulation of Operations by the Amended Money Lending Business Law and the Amended Installment Sales Act
In terms of the legal regulation of business, the loan business, including the AIFUL Group’s mainstay consumer finance business, is subject to the application of the amended Money Lending Business Law. Under this law, business is subject to a range of regulations. These include the prohibition of specific actions and excessive lending, the publication of loan terms, the advertising of loan terms, the prohibition of exaggerated advertising, duty to provide explanations when concluding a loan agreement, the issue of documents prior to and when concluding a loan agreement, the issue of receipts, the preparation of account books, the inspection of account books, regulation of collection activities, surrender of claim documents, the posting of signs, regulation of the cession of claims, duty to disclose transaction history, the appointment of managers to handle lending operations, the carrying of identification documents, the legal regulation of the items to be entered on payment notices, and regulations on the proper handling of personal information.

Moreover, the AIFUL Group's credit card shopping and per-item credit businesses are subject to a range of regulations based on the application of the amended Installment Sales Act. These regulations include the publications of terms of business, the issue of documents, the limitation of the amount of compensation for damages accompanying the cancellation of contracts, pleas against installment sales service providers, the prevention of purchases that exceed capacity to pay, and the prevention of consumer problems related to continuous service.

Moreover, based on the amended Money Lending Business Law, when AIFUL Group companies which operate a money lending business conclude a loan agreement or a guarantee agreement, and extend a loan, they have an obligation to issue a document that explains the details of the guarantee agreement to the person who will be the guarantor in advance of the conclusion of the agreement as well as documents that record the specified matters concerning the terms of the loan agreement to the customer, who is the borrower, and the terms of the guarantee agreement to the guarantor immediately after the conclusion of the agreements.

ii. Self Regulation by Japan Financial Services Association

The Japan Financial Services Association (JFSA) was set up in December 2007 as the agency overseeing voluntary regulations for the money-lending businesses stipulated by the amended Money Lending Business Law, and it has established the Basic Rules for Voluntary Regulations ("Voluntary Regulations") governing matters related to the prevention of excessive lending, the regulation of advertising, and canvassing. In addition, in order to increase the effectiveness of voluntary regulations, JFSA has been given the authority to conduct surveys and inspections of its members and to impose sanctions that include the levying of fines for negligence and/or expulsion of members who fail to comply with voluntary regulations. AIFUL is a member of JFSA and is thus subject to the application of voluntary regulations.

The AIFUL Group has endeavored to strengthen its compliance framework by establishing in-house regulations based on the matters stipulated by legislation and the voluntary regulations provided for by JFSA and thoroughly educating employees.

However, the AIFUL Group's financial position and business performance could be adversely affected by administrative penalties resulting from legal infringements by its employees or in the event that business regulations are strengthened by new legislative amendments.

C. Lending Rate

The amended Money Lending Business Law will be fully enforced on June 18, 2010. Simultaneous with the enforcement of the Act, the maximum interest rate under the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates will be reduced from 29.2% to 20%, and the system of deemed payments, outlined later in this document, will be abolished.

In response to this, AIFUL has been implementing a reduced interest rate under the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates for customers who conclude a new loan agreement and customers who qualify for a loan agreement under the new lending criteria since August 1, 2007, and the maximum rate is now 18%. The AIFUL Group's financial position and business performance may be adversely affected in the event that the maximum interest rate under the Interest Rate Restriction Act and the Act Regulating the Receipt of Contributions, Receipt of Deposits and Interest Rates is reduced even further than the maximum rate scheduled under the current revisions by future legislative amendments or in the event that further reductions in the interest rate for customers with an existing loan agreement are unavoidable due to social issues, including economic conditions or an increase in the number of consumers requesting legal protection.

D. Increase in Losses on Interest Repayments

Under Paragraph 1 of Article 1 of the Interest Rate Restriction Act, a contract for interest on a cash loan for consumption is considered invalid with regard to the portion in excess of the interest ceiling (20% when the principal is less than ¥100,000, 18% when the principal is ¥100,000 or more but less than ¥1,000,000, and 15% when the principal is ¥1,000,000 or more). When the debtor paid the relevant excess portion voluntarily under paragraph 2 of the same Article, it is considered that he or she shall not be able to claim repayment. However, under Article 43 of the amended Money Lending Business Law, when the document specified in Article 17 of the same Act has been issued to the borrower at the time of the loan and the borrower has voluntarily paid the excess portion as interest, and these payments are based on the contract, which is the document issued immediately at the time of payment as specified by Article 18 of the same Act, this payment is regarded as the repayment of valid interest on the debt based on the agreement for which documents were issued as specified in Article 17 of the same Act, notwithstanding the provision of Paragraph 1 of Article 1 of the Interest Rate Restriction Act (payments under the relevant provision called "deemed payments" below.).

Nevertheless, the Supreme Court ruling on January 13, 2006 ruled that the payment of the portion exceeding the ceiling on interest set in paragraph 1, Article 1 of the Interest Rate Restriction Act under a covenant requiring the lump sum payment of the outstanding loan in the event that the payment of a loan installment is late is effectively compulsion and cannot be deemed a voluntary payment by a borrower. In addition, the court ruled that paragraph 2, Article 15 of the Enforcement Regulations for the Money Lending Business Law under which the entry of the contract date on the receipt can be substituted with the contract number exceeds the scope of legal authorization and is invalid.

The AIFUL Group earnestly accepts these judicial decisions and intends to respond through such means as changing agreements to reflect the decisions. At present, the contracted interest rate for the loan products (with some exceptions) provided by the AIFUL Group includes the excess portion on the interest ceiling stipulated by the Interest Rate Restriction Act. Thus far, a number of lawsuits have been brought for the repayment of the excess portion on the interest ceilings stipulated by the Interest Rate Restriction Act due to a lack of preparation in the industry of the matters to be entered on the contract document specified in the amended Money Lending Business Law, and a number of rulings in favor of these suits have been passed down.

A number of lawsuits for the repayment of excess interest have also been lodged against the AIFUL Group. There have been cases in which the plaintiffs' claims that the Group did not fulfill its obligation as a loan business operator to issue the necessary documents required for the payment to be regarded as "deemed payments" under the amended Money Lending Business Law have been recognized, as well as cases in which the Group has made repayment of excess interest based on settlements. As a result, repayment of excess interest amounted to ¥77,701 million on a consolidated basis during the fiscal year under review. The AIFUL Group's financial position and business performance may be adversely affected in the event that demands for interest repayments rise above expectations or that judicial decisions which are disadvantageous to consumer finance companies are handed down in the future.

On October 13, 2006, the Japanese Institute of Certified Public Accountants (JICPA) published Accounting Treatment for Calculation of Reserves Relating to Losses at Consumer Finance Companies, etc., Resulting from Interest Repayment Claims (Industry Audit Committee Report No. 37, "Report No. 37") to be applicable from the audits of consolidated and non-consolidated accounts for the interim accounting period ending on or after September 1, 2006 (including audits related to the consolidated and non-consolidated accounts for the fiscal year of which the relevant consolidated and non-consolidated accounts for the interim accounting period are each respectively a part).

In accordance with Report No. 37, the AIFUL Group has recorded a reserve for losses on interest repayments of ¥314,899 million. This includes ¥76,990 million in forecast repayments included in the bad debt reserve as estimated to receive priority application to operating loans.

Nevertheless, accounting estimates are made on the basis of factors such as historical repayment and recent repayments, and in the event that a level of repayments arises that exceeds the assumptions based on these estimates, this could adversely affect the financial position and business performance of the AIFUL Group.

E. Restrictions on Total Lending

Restrictions on total lending are scheduled to be introduced when the amended Money Lending Business Law is fully enforced. In view of restrictions on total lending, the AIFUL Group has been providing loans on more rigorous lending criteria. The AIFUL group's financial position and business performance may be adversely affected in the event that the decline in interest income or the balance of loans is greater than expected.

F. Other Legislative Issues

i. Act on the Protection of Personal Information and the Handling of Personal Information

On April 1, 2005, the Act on the Protection of Personal Information and the accompanying guidelines on the protection of personal information established by each government ministry came into force. Under the Act, businesses that handle personal information have specific reporting obligations when judged necessary. In addition, the competent Minister can recommend or order that the necessary measures be taken when deemed necessary to protect the interests of individuals in the event that specific obligations under the Act are breached.

Furthermore, in the guidelines, businesses are required to make notification, clearly state and publish the purpose of use of personal information, obtain the consent of debtors where necessary related to the handling of personal information, to supervise subcontractors when subcontracting the handling of personal information, establish a system for security management from the organizational, personnel and technological perspectives, and publish their basic policy on the handling of personal information.

In accordance with this, as well as reviewing its handling of personal information, the AIFUL Group has formulated a Privacy Policy and has also taken measures to prevent the leaking of personal information before it happens. The credibility, financial condition and business performance of the AIFUL Group may be affected in the event of a leakage of personal information for any reason or in the event that the Group is subject to a recommendation or order from the Financial Services Agency.

ii. Effect of Other Legislative Amendments

The AIFUL Group's financial position and business performance may be adversely affected in the event of amendments to legislation, including the Bankruptcy Act, the Civil Rehabilitation Act, the Act on Special Conciliation Proceedings for Expediting Arrangement of Specified Debts, etc., and the Judicial Scriveners Act, depending on the details of the amendments.

(Bad Debt Risk)

The Japanese economy has deteriorated since the subprime loan problem and the "Lehman Shock." In this environment, the increase in the number of consumers requesting legal protection has become a social issue (AIFUL group customers are included among these consumers).

The AIFUL Group is screening repayment capacity (this includes monitoring credit extended to existing customers) based on data from credit bureaus and its own credit provision systems and tightening up credit criteria. At the same time, AIFUL is reviewing its products to make the maximum repayment term five years in order to promote systematic repayment in revolving credit agreements.

Nevertheless, in the event that the content of receivables deteriorates due to future economic conditions or the establishment of the legislative system, the financial position and business performance of the AIFUL Group may be adversely affected by a contraction in the size of the market or an increase in credit costs, including bad debt write-offs.

(Complications, Breakdowns or Other Damage to Technology Systems, Including Information Network Systems and Internet Services)

The AIFUL Group depends on internal and external information and technology systems to manage its business, and this dependence on software, hardware and networks to manage the branch network and the diversity of information that makes up the Group’s business, including customer and account data, is growing. The hardware and software used by the AIFUL Group could suffer damage or interruption due to human errors, natural disasters, power outages, computer viruses, and other similar phenomena, or be adversely affected by an interruption in support services provided by a third party, such as a telephone company or an Internet service provider.

Such complications, breakdowns, delays or other damage to information or technology systems could reduce the number of accounts established by new customers, delay the repayment of accrued balances, reduce the trust of consumers in the AIFUL Group’s business, or result in other disadvantageous effects, which in turn could adversely affect the financial position and business performance of the AIFUL Group.

The AIFUL Group has installed redundant systems for both its hardware and telecommunications equipment to keep damage to a minimum by switching to backup equipment when damage occurs. However, interruption to the operations of the AIFUL Group may be unavoidable in the event of natural disasters, such as earthquakes or typhoons.

(Holding and Disposal of Stock by Representative Director and Relatives)

As of the end of the fiscal year under review, Yoshitaka Fukuda, the representative director of AIFUL, his relatives, and affiliated companies combined owned about 39% of the Company’s issued shares. As a result, they are able to exercise a controlling influence over the important decisions with an impact on the Company’s business activities which involve important corporate transactions such as the transfer of the Company’s right of control, reorganization and restructuring of the business, investments in other businesses and assets, and terms of future capital procurement. Moreover, these shareholders have thus far maintained a stable shareholding. However, if they dispose of a portion of this shareholding in the future, this could have an impact on the Company’s share price in view of the increase in the supply of the Company’s stock in the market.

(Significant Lawsuits)

The AIFUL Group is aware that a number of lawsuits have been initiated by groups for reasons such as the Group’s debt collection practices. As a result, if further lawsuits arise, new, unforeseen expenses could be incurred, and media coverage of such lawsuits could damage the Group’s credibility. This may result in an impact on customers’ use of the AIFUL Group’s products and services, stock price formation and borrowing of funds, which may adversely affect the financial position and business performance of the AIFUL Group.

(5) Important Events Affecting Premise of Going Concern

The AIFUL Group has traditionally raised short-term and long-term funds through various methods, including borrowing from financial institutions, issuing bonds, and securitizing loan receivables. However, the AIFUL Group’s fund-raising capacity has weakened in the current market environment due to a variety of reasons such as: (1) increased expenses as the result of rising demands for excess interest repayments in accordance with a ruling by Japan’s Supreme Court in 2006; (2) AIFUL’s business operations being subject to an administrative sanction from the Japanese Financial Services Agency on April 14, 2006; and (3) the dramatic deterioration in the fund-raising environment since fiscal 2008 created by the US subprime loan problem and the “Lehman Shock.” In addition, the Group expects the Japanese consumer finance business market to shrink and the business environment to grow even more challenging once the amended Money Lending Business Law comes into full force on June 18, 2010 and restrictions on total lending are implemented.

As a result, there have been concerns that the AIFUL Group may have difficulty in raising sufficient new funds to sustain its business. Accordingly, conditions had arisen which cast significant doubt on the premise of the AIFUL Group as a going concern.

In order to resolve this situation, AIFUL Corporation and its subsidiaries LIFE Co., Ltd., Marutoh Co., Ltd., and City’s Corporation applied for Business Revitalization Procedures through an ADR process on September 24, 2009 as stated in “1. Operating Results (1) Analysis of Operating Results.” At a meeting of creditors on December 24, 2009, the Business Revitalization Plan, which includes financial assistance, was approved and Business Revitalization Procedures adopted.

As a result of the implementation of the concrete strategies compiled in the Business Revitalization Plan, the AIFUL Group has determined that significant uncertainty surrounding the premise of the Group as a going concern is not justified.

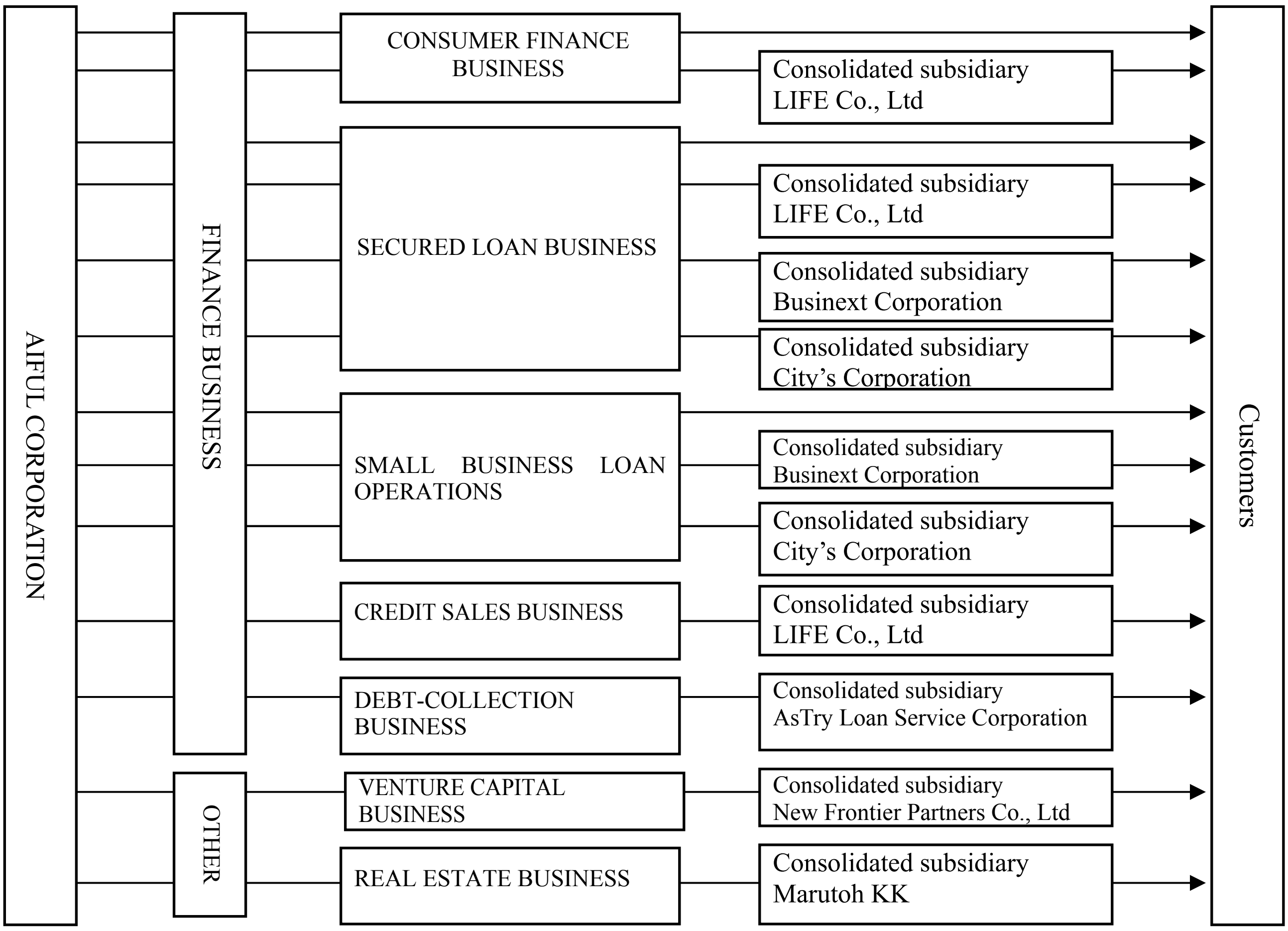
2. State of the Group

(1) The AIFUL Group is composed of AIFUL Corporation (“the Company”) and seven consolidated subsidiaries and 16 non-consolidated subsidiaries. The Group’s main lines of business are consumer finance operations and credit sales. It is also active in the home equity loan business, small business loan business, and debt collection and management.

On September 30, 2009, AIFUL sold all its shares in its former subsidiaries Wide Corporation, Tryto Corporation, TCM Co., Ltd., and Passkey Co., Ltd. Consequently, these companies have been excluded from the scope of consolidation since the first half of the consolidated fiscal year under review.

Business Classification		AIFUL & subsidiaries	Business Descriptions
Finance Business	Consumer finance business	AIFUL Corporation	The Company and its subsidiaries provide small, unsecured loans for consumers.
		LIFE Co., Ltd	
	Secured loan business	AIFUL Corporation	The Company and its subsidiaries provide loans secured by real estate.
		LIFE Co., Ltd	
		Businext Corporation	
		City's Corporation	
	Small business loan operations	AIFUL Corporation	The Company and its subsidiaries lend to small and other businesses.
		Businext Corporation	
		City's Corporation	
	Credit sales business	LIFE Co., Ltd	The Company and its subsidiary offer credit card shopping, per-item credit, loans and guarantees for consumers.
	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 leases real estate.
		City Green Corporation	Holding company for City's Corporation.

(2) The organization chart for the AIFUL Group'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.

Non-consolidated Subsidiary

Company	Business Descriptions
(subsidiary) Sumishin Life Card Co., Ltd., 15 others	Credit card business and Credit sales business

As shown in the table on the proportion of operating revenue by product, the finance business accounts for more than 90% of all operating revenue. Therefore, the components shown in the overview of business relate to the finance business.

Proportion of Operating Revenue by Product

		Previous fiscal year (April 1, 2008– March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
		Ratio (%)	Ratio (%)
Finance business	Interest on loans to customers	84.4	78.2
	Credit card revenue	5.4	8.2
	Per-item credit revenue	1.2	0.8
	Credit guarantee revenue	2.6	3.2
	Other financial revenue	0.2	0.1
	Total	93.8	90.5
Other operating revenue		6.2	9.5
Total operating revenue		100.0	100.0

(3) Affiliated companies are as follows.

Name	Address	Capital (¥ million)	Main Business	Percentage of Voting Rights Held (%)	Details of Relationship
(Consolidated subsidiaries) Businext Corporation	Chiyoda-ku, Tokyo	9,000	Small business loan operations	60.0	No. of concurrent directors…1
LIFE Co., Ltd.[1,2]	Aoba-ku, Yokohama City	70,000	Credit sales business, consumer finance business	95.9	Receives financial assistance from AIFUL No. of concurrent directors: 5
AsTry Loan Services Corporation	Chiyoda-ku, Tokyo	2,500	Debt-collection business	100.0	Receives financial assistance from AIFUL No. of concurrent directors: 1
Marutoh K.K.	Shimogyo-ku, Kyoto City	70	Real estate business	100.0	Leases real estate to AIFUL Receives financial assistance from AIFUL No. of concurrent directors: 1
City's Corporation[3]	Kusatsu City, Shiga Pref.	700	Small business loan operations	100.0 (57.8)	Receives financial assistance from AIFUL No. of concurrent directors: 1
City Green Corporation	Kusatsu City Shiga Pref.	100	Holding company for City's Corporation	100.0	No. of concurrent directors: 1
New Frontier Partners Co., Ltd.	Chiyoda-ku, Tokyo	10	Venture capital business	100.0	Receives financial assistance from AIFUL No. of concurrent directors: 2

Notes:
1. Qualifies as specified subsidiary.
2. AIFUL has submitted a financial report. Consequently, statement of profit and loss data has been omitted for LIFE Co.,

Ltd., even though the company accounts for more than 10% of operating revenue (excluding internal transactions between consolidated companies).

3. The percentage of voting rights held in parenthesis shows the percentage of those held which are held indirectly.

3. Management Policies

(1) Basic Corporate Management Policies and Target Management Indicators

This section has been omitted as there are no significant changes from the details published in the summary of business results for the year ended March 2009 released on May 12, 2009.
This summary of business results can be viewed at the following URLs.
(AIFUL website)
http://www.ir-aiful.com/english/finance01.cfm
(Tokyo Stock Exchange website)
http://www.tse.or.jp/listing/compsearch/index.html

(2) Medium and Long-Term Business Strategies and Challenges to Be Addressed

The business environment for the AIFUL Group is expected to remain difficult. In addition to demands for interest repayments, which remain at a high level, the full enforcement of the amended Money Lending Business Law will lead to a further contraction in credit and reorganization of the industry and competition across industry demarcations will intensify.

The AIFUL Group is reviewing duplicated businesses from a perspective of selection and focus based on the Business Revitalization Plan approved in the business revitalization ADR process to promote business rationalization through Group reorganization. At the same time as reducing asset scale to a level commensurate with its current capacity to raise funds, the AIFUL Group is endeavoring to raise management efficiency through thorough cost structure reforms to improve its financial position and profitability.
Moreover, the AIFUL Group is taking steps to strengthen the in-house regulatory framework and internal control structures ahead of the full enforcement of the amended Money Lending Business Law on June 18, 2010 as it strives to further enhance compliance.

4. Consolidated Financial Statements

1. Consolidated Balance Sheets

(In millions of yen, %)

		End of previous fiscal year (As of March 31, 2009)		End of fiscal year under review (As of March 31, 2010)
Assets				
Current assets				
Cash and cash equivalents		132,825		128,755
Loans	*2,*3,*7,*9	1,290,353	*2,*3,*7,*9	835,928
Installment receivables	*2,*5,*7	142,017	*2,*5,* 7	125,990
Operational investment securities		899		787
Customers' liabilities for acceptances and guarantees		118,206		100,152
Other operating receivables		13,363		12,288
Purchased claims		10,936		5,579
Deferred tax assets		6,783		—
Other	*2	44,903	*2	51,715
Allowance for investment loss		—		(74)
Allowance for bad debts	*10	(209,317)	*10	(203,478)
Total current assets		1,550,973		1,057,644
Fixed assets				
Tangible fixed assets				
Buildings and structures	*2	37,460	*2	32,605
Total accumulated depreciation		(22,983)		(20,300)
Net buildings and structures	*2	14,476	*2	12,304
Machinery	*2	342	*2	338
Total accumulated depreciation		(172)		(195)
Net machinery	*2	169	*2	142
Equipment and fixtures		24,039		17,229
Total accumulated depreciation		(14,442)		(13,158)
Net equipment and fixtures		9,596		4,071
Lease assets		340		340
Total accumulated depreciation		(23)		(89)
Net lease assets		317		251
Land	*2	13,969	*2	13,311
Construction in process account		116		25
Total tangible fixed assets		38,646		30,107
Intangible fixed assets				
Software		19,550		16,137
Other		212		166
Total intangible fixed assets		19,762		16,304
Investment and other fixed assets				
Investment securities	*2, *4	10,983	*2, *4	9,704
Claims in bankruptcy	*9	41,872	*9	50,400
Lease deposits and guarantees		5,658		20,219
Deferred tax assets		1,835		—
Other		3,296		1,879
Allowance for investment loss		—		(628)
Allowance for bad debts		(28,502)		(32,824)
Total investment and other fixed assets		35,143		48,750
Total fixed assets		93,551		95,161
Deferred assets				
Bond issuing expenses		219		138
Total deferred assets		219		138
Total assets		1,644,744		1,152,945

(In millions of yen, %)

		End of previous fiscal year (As of March 31, 2009)		End of fiscal year under review (As of March 31, 2010)
Liabilities				
Current liabilities				
Notes & accounts payable – trade		25,361		20,273
Acceptances and guarantees		118,206		100,152
Short-term debts	*2	102,140	*2	61,205
Current portion of bonds		94,849		105,610
Current portion of long-term debts	*2	230,034	*2	45,231
Commercial paper		10,000		—
Income taxes payable		916		644
Reserve for accrued bonuses		3,027		1,260
Reserve for losses on point program		—		1,456
Reserve for business structure improvement		365		1,323
Deferred installment income	*6	2,558	*6	1,372
Other		52,188		38,656
Total current liabilities		639,648		377,185
Long-term liabilities				
Bonds		258,210		152,600
Long term debts	*2	222,558	*2	283,922
Deferred tax liabilities		—		276
Reserve for losses on interest repayments		124,164		237,909
Interest swaps		2,062		—
Negative goodwill		1,088		870
Other		3,678		2,876
Total long-term liabilities		611,761		678,454
Total liabilities		1,251,409		1,055,639
Net Assets				
Shareholders' equity				
Common stock		143,324		143,324
Capital surplus	*1	164,133	*1	164,133
Retained earnings		86,056		(210,275)
Treasury stock		(3,110)		(3,110)
Total shareholders' equity		390,404		94,071
Evaluation and foreign currency translation adjustments				
Differences in evaluation of other marketable securities		(732)		(615)
Gain (loss) on deferred hedge		(2,098)		—
Total evaluation and foreign currency translation adjustments		(2,831)		(615)
Minority interests		5,761		3,849
Total net assets		393,334		97,305
Total net assets and liabilities		1,644,744		1,152,945

2. Consolidated Statements of Income

(In millions of yen, %)

	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Operating revenue		
Interest on loans to customers	263,797	170,662
Credit card revenue	16,880	17,824
Per-item credit revenue	3,630	1,726
Credit guarantee revenue	8,020	7,034
Financial revenue – other	550	143
Operating revenue – other		
Collection of purchased claims	5,211	3,205
Bad debt write-off recovery	7,256	11,252
Other	6,892	6,252
Total operating revenue – other	19,361	20,711
Total operating revenue	312,241	218,102
Operating expenses		
Financial expenses		
Interest expenses	18,464	11,743
Interest on bonds	6,899	5,807
Other	1,553	826
Total financial expenses	26,917	18,376
Cost of sales		
Cost of sales of operational investment securities	152	61
Cost of purchased claims	3,820	6,060
Total cost of sales	3,972	6,121
Operating expenses – other		
Advertising expenses	6,714	—
Transfer to reserve for losses on point program	—	1,456
Commissions	20,602	16,441
Loan losses	227	1,642
Transfer to allowance for investment loss	—	638
Transfer to allowance for bad debts	99,018	164,610
Transfer to reserve for losses on interest repayments	58,315	206,886
Salaries for employees	29,275	21,410
Transfer to reserve for accrued bonuses	3,027	1,323
Expenses for retirement benefits for employees	1,222	1,095
Goodwill write-offs	855	—
Other	54,650	43,354
Total operating expenses – other	273,909	458,859
Total operating expenses	304,799	483,358
Operating income (loss)	7,441	(265,255)

	Previous fiscal year (April 1, 2008– March 31, 2009)		Fiscal year under review (April 1, 2009 – March 31, 2010)	
			In millions of yen, %)	
Non-operating income				
Dividends received		750		154
Dividends on insurance		—		143
Gain on foreign exchange		—		529
Refunds on corporate income tax		452		—
Negative goodwill write-off		—		147
Other		573		389
Total non-operating income		1,777		1,364
Non-operating expenses				
Loss on investment in anonymous association	*1	121	*1	85
Amortization of stock issuance expenses		388		—
Transfer to allowance for investment loss		—		64
Other		101		134
Total non-operating expenses		610		284
Ordinary income (loss)		8,608		(264,176)
Extraordinary income				
Gain on sales of investment securities		966		1,161
Reversal of reserve for accrued bonuses		—		579
Gain on bond redemption		5,381		—
Other		71		397
Total extraordinary income		6,419		2,138
Extraordinary losses				
Loss on disposal of fixed assets	*2	949		—
Non-recurrent losses		—	*3	4,860
Goodwill impairment loss	*4	2,521		—
Business structure improvement cost		1,599	*5	11,826
Loss on the sales of business		—		6,141
Other	*3	2,241	*6	4,563
Total extraordinary losses		7,312		27,392
Net income (loss) before taxes		7,715		(289,430)
Corporate tax, local and enterprise taxes		646		159
Refunds on corporate and other taxes		(7,527)		—
Prior year corporate tax, etc.		—		103
Adjustment on corporate tax, etc.		10,187		7,368
Total corporate tax, etc.		3,306		7,631
Gain (loss) on minority interests		161		(1,920)
Net income (loss)		4,247		(295,141)

3. Consolidated Statements of Change in Shareholders' Equity

(In millions of yen)

	Previous fiscal year (April 1, 2008 – Mach 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	108,324	143,324
Change during fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	35,000	—
Total change during fiscal year	35,000	—
Balance at end of fiscal year	143,324	143,324
Capital surplus		
Balance at end of previous fiscal year	129,133	164,133
Change during fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	35,000	—
Total change during fiscal year	35,000	—
Balance at end of fiscal year	164,133	164,133
Retained earnings		
Balance at end of previous fiscal year	86,819	86,056
Change during fiscal year		
Distribution of retained earnings	(5,010)	(1,191)
Net income (loss)	4,247	(295,141)
Disposal of treasury stock	(0)	—
Total change during fiscal year	(763)	(296,332)
Balance at end of fiscal year	86,056	(210,275)
Treasury stock		
Balance at end of previous fiscal year	(3,110)	(3,110)
Change during fiscal year		
Acquisition of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Total change during fiscal year	0	(0)
Balance at end of fiscal year	(3,110)	(3,110)
Total shareholders' equity		
Balance at end of previous fiscal year	321,167	390,404
Change during fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	70,000	—
Distribution of retained earnings	(5,010)	(1,191)
Net income (loss)	4,247	(295,141)
Acquisition of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Total change during fiscal year	69,236	(296,332)
Balance at end of fiscal year	390,404	94,071

(In millions of yen)

	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Evaluation and foreign currency adjustments		
Differences in evaluation of other marketable securities		
Balance at end of previous fiscal year	2,080	(732)
Change during fiscal year		
Net change in items other than shareholders' equity during fiscal year	(2,812)	117
Total change during fiscal year	(2,812)	117
Balance at end of fiscal year	(732)	(615)
Gain (loss) on deferred hedge		
Balance at end of previous fiscal year	(4,332)	(2,098)
Change during current fiscal year		
Net change in items other than shareholders' equity during fiscal year	2,233	2,098
Total change during fiscal year	2,233	2,098
Balance at end of fiscal year	(2,098)	—
Total evaluation and foreign currency adjustments		
Balance at end of previous fiscal year	(2,251)	(2,831)
Change during fiscal year		
Net change in items other than shareholders' equity during fiscal year	(579)	2,215
Total change during fiscal year	(579)	2,215
Balance at end of fiscal year	(2,831)	(615)
Minority interests		
Balance at end of previous fiscal year	5,604	5,761
Change during fiscal year		
Net change in items other than shareholders' equity during fiscal year	157	(1,912)
Total change during fiscal year	157	(1,912)
Balance at end of fiscal year	5,761	3,849
Total net assets		
Balance at end of previous fiscal year	324,520	393,334
Change during current fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	70,000	—
Distribution of retained earnings	(5,010)	(1,191)
Net income (loss)	4,247	(295,141)
Acquisition of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Net changes in items other than shareholders' equity during fiscal year	(422)	303
Total change during fiscal year	68,813	(296,028)
Balance at end of fiscal year	393,334	97,305

4. Consolidated Statements of Cash Flows

(In millions of yen)

	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Cash flow from operating activities		
Net income before taxes	7,715	(289,430)
Depreciation expenses	11,198	9,210
Impairment losses	—	4,860
Goodwill write-offs	3,377	(147)
Increase (decrease) in allowance for investment losses	—	703
Increase (decrease) in allowance for bad debts	(92,594)	9,990
Increase (decrease) in reserve for losses on point program	—	353
Increase (decrease) in reserve for losses on interest repayments	(19,585)	121,178
Increase (decrease) in reserve for business structure improvement	—	979
Increase (decrease) in allowance for retirement benefits for directors	(1,063)	—
Interest on loans and cash dividends	(776)	(259)
Gain on bond redemption	(5,381)	—
Loss on disposal of fixed assets	949	639
Loss (gain) on sale of investment securities	(960)	(1,161)
Loss (gain) on the sale of business	—	6,141
Decrease (increase) in loans to customers	308,352	423,149
Decrease (increase) in installment receivables	6,472	16,027
Decrease (increase) in operational investment securities	279	136
Decrease (increase) in other operating receivables	170	1,074
Decrease (increase) in purchased claims	1,910	5,357
Decrease (increase) in claims in bankruptcy	4,477	(9,937)
Decrease (increase) in business security deposits	—	(17,070)
Decrease (increase) in other current assets	300	(8,722)
Increase (decrease) in other current liabilities	5,456	(17,695)
Other	4,505	1,076
Subtotal	234,803	256,452
Interest on loans and cash dividends	776	259
Refunds on corporate income tax	7,154	568
Payments for corporate and other taxes	(2,141)	(604)
Cash flow from operating activities	240,592	256,675
Cash flow from investing activities		
Funds used for purchase of tangible fixed assets	(1,154)	(697)
Funds used for purchase of intangible fixed assets	(4,756)	(3,115)
Funds used for purchase of investment securities	(1,067)	—
Funds provided by sales of investment securities	2,340	1,391
Funds provided by sales of loan to affiliated companies	—	9,627
Funds used for sales of shares of subsidiaries from the change In scope of consolidation	—	*2 (432)
Other	4,600	4,138
Cash flow from investing activities	(37)	10,913

(In millions of yen)

		Previous fiscal year (April 1, 2008 – March 31, 2009)		Fiscal year under review (April 1, 2009 – March 31, 2010)
Cash flow from financing activities				
Proceeds from short-term debts		463,280		259,050
Repayment of short-term debts		(520,070)		(299,094)
Increase (decrease) in commercial paper		5,000		(10,000)
Proceeds from long-term debts		89,400		24,200
Repayments of long-term debts		(332,866)		(148,529)
Redemption of bonds		(65,666)		(94,849)
Payment for acquisition of treasury stock		(0)		(0)
Proceeds from disposal of treasury stock		0		—
Cash dividends paid		(5,010)		(1,191)
Other		(407)		(62)
Cash flow from financing activities		(366,341)		(270,476)
Effect of exchange rate changes on cash and cash equivalents		73		39
Increase (decrease) in cash and cash equivalents		(125,712)		(2,849)
Balance of cash and cash equivalents at the beginning of the year		257,310	*1	131,597
Balance of cash and cash equivalents at the end of the year	*1	131,597	*1	128,748

5. Notes on the Assumptions of Going concern

No relevant matters

6. Significant Items Forming the Basis for the Preparation of the Consolidated Financial Statements

Item	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
1. Matters pertaining to the scope of consolidation	(1) Number of consolidated subsidiaries: 11 Names of the subsidiaries TRYTO Corporation, LIFE Co., Ltd, Businext Corporation, AsTry loan services Corporations, City's Corporation, Wide Corporation and 5 other subsidiaries	(1) Number of consolidated subsidiaries: 11 Names of the subsidiaries LIFE Co., Ltd, Businext Corporation, AsTry loan services Corporations, City's Corporation and 3 other subsidiaries On September 30, 2009, AIFUL sold all its shares in its former subsidiaries Wide Corporation, Tryto Corporation, TCM Co., Ltd., and Passkey Co., Ltd. Consequently, these companies have been excluded from the scope of consolidation since the second half of the consolidated fiscal year. The statements of income are consolidated until the date of sale of the shares (September 30, 2009).
	(2) Names of non-consolidated subsidiaries Sumishin Life Card Co., Ltd., and 17 others (Reason for exclusion from scope of consolidation) The non-consolidated subsidiaries are all small in scale, and the influence of the combined total assets, operating revenues, net incomes (amount proportional to equity) and earned surplus (amount proportional to equity) of the 18 companies on the consolidated balance sheets is minor. As a result, they have been excluded from the scope of consolidation.	(2) Names of non-consolidated subsidiaries Sumishin Life Card Co., Ltd., and 15 others (Reason for exclusion from scope of consolidation) The non-consolidated subsidiaries are all small in scale, and the influence of the combined total assets, operating revenues, net incomes (amount proportional to equity) and earned surplus (amount proportional to equity) of the 16 companies on the consolidated balance sheets is minor. As a result, they have been excluded from the scope of consolidation.
2. Application of equity method	All of the 18 non-consolidated subsidiaries and the one affiliated company (Hakata Daimaru Card Service Co., Ltd.) to which the equity method is not applied are small in scale. The influence of the combined net incomes (amount proportional to equity) and earned surplus (amount proportional to equity) of the 19 companies on the consolidated balance sheets is minor. As a result, they have been excluded from the scope of application of the equity method.	All of the 16 non-consolidated subsidiaries to which the equity method is not applied are small in scale. The influence of the combined net incomes (amount proportional to equity) and earned surplus (amount proportional to equity) of the 19 companies on the consolidated balance sheets is minor. As a result, they have been excluded from the scope of application of the equity method.
3. Accounting principles used for standard accounting treatment		
(1) Depreciation methods for important depreciable assets	Tangible fixed assets AIFUL and its consolidated subsidiaries use mainly Declining balance method. But straight line method is used for buildings (excluding attached facilities) that consolidated subsidiaries acquired on	Tangible fixed assets As on left

	or after April 1, 1998 Major useful lives are as follows: Buildings and structures 2-62 years Machinery 2-17 years Equipment and fixtures 2-20 years	Major useful lives are as follows: Buildings and structures 2-62 years Machinery 3-17 years Equipment and fixtures 2-20 years
(2) Accounting standards for allowances and reserves	i) —	i) Allowance for investment loss The amount required taking into account the financial position of the relevant company and the possibility of recovery is recorded to provide for losses on non-marketable securities.
	ii) —	ii) Reserve for losses on point program The estimated amount of future usage is recorded at the end of the consolidated fiscal year to provide for the use of points that are awarded to customers based on the points program with the aim of promoting credit card use.
	iii). Reserve for business structure improvement The estimated amount of losses is recorded to provide for losses, such as losses on the reorganization of branches that arise in association with business restructuring.	iii) Reserve for business structure improvement The estimated amount of losses is recorded to provide for losses that arise in association with business restructuring.
(3) Principal hedge accounting methods	i) Method of hedge accounting Deferral hedge accounting is applied. Moreover, designation (furiate shori) is applied to exchange rate fluctuation risk hedges that meet the requirements for designation, and exceptional accounting is applied to interest swap contracts and interest cap contracts that meet the requirements for exceptional accounting.	i) Method of hedge accounting Deferral hedge accounting is applied. Moreover, designation (furiate shori) is applied to exchange rate fluctuation risk hedges that meet the requirements for designation, and exceptional accounting is applied to interest swap contracts that meet the requirements for exceptional accounting.
	ii) Hedging instruments and targets a. Hedging instrument…currency swap contracts Hedging target…foreign currency denominated bonds b. Hedging instrument…interest swap contracts and interest cap contracts Hedging target…borrowing and bonds with floating interest rates that have fluctuating cash flow depending on changes in market interest rates, etc.	ii) Hedging instruments and targets a. Hedging instrument…as on left Hedging target…as on left b. Hedging instrument…interest swap contracts Hedging target…bonds with floating interest rates that have fluctuating cash flow depending on changes in market interest rates, etc.
	iii) Hedging policy In its currency swap contracts, the AIFUL Group hedges against the risk of currency fluctuations related to the payment of principal and interest on foreign currency denominated bonds. In its interest swap contracts and interest cap contracts, the AIFUL Group keeps fixed interest fund raising at a certain	iii) Hedging policy In its currency swap contracts, the AIFUL Group hedges against the risk of currency fluctuations related to the payment of principal and interest on foreign currency denominated bonds. In its interest swap contracts the AIFUL Group keeps fixed interest fund raising at a certain level as a proportion of all fund raising.

	level as a proportion of all fund raising. iv) Method of evaluating effectiveness of hedging The AIFUL Group judges the effectiveness of hedging using a proportional analysis of the cumulative fluctuation of hedging targets and hedging instruments over the previous ten years. However, the effectiveness of hedging is not evaluated for interest swap contracts to which exceptional accounting is applied.	 iv) Method of evaluating effectiveness of hedging As on left

Note: With the exception of the above-described items, there have been no significant changes since those listed in the most recent financial report (submitted June 26, 2009). Accordingly, no mention is made of them.

7. Changes in disclosure method

Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
(Consolidated Balance Sheets) 1. Short-term loans (¥180 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Current assets due to its lack of financial significance.	(Consolidated Balance Sheets) 1. Reserve for losses on point program, which was included under Other in Current liabilities until the previous fiscal year, has been presented as a separate item due to its increase in significance. Reserve for losses on point program was ¥1,103 million at the end of the previous fiscal year.
(Consolidated Statements of Income) 1. Revenue from operational investment securities (¥76 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Operating revenue as it accounts for less than 10% of total operating revenue.	(Consolidated Statements of Income) 1. Transfer to reserve for losses on point program, which was included under Advertising expenses until the previous fiscal year, has been presented as a separate item due to its increase in significance. Transfer to reserve for losses on point program was ¥1,103 million at the end of the previous fiscal year.
2. Dividends on insurance (¥104 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Non-operating income as it accounts for less than 10% of total non-operating income.	2. Advertising expenses (¥2,211 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Operating expenses due to its lack of financial significance.
3. Gain on sale of fixed assets (¥19 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary income as it accounts for less than 10% of total extraordinary income.	3. Dividends on insurance, which was included under Other in Non-operating income until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total non-operating income. Dividends on insurance were ¥104 million at the end of the previous fiscal year.
4. Gain on sale of investment securities, which was included under Other in Extraordinary income until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total extraordinary income. Gain on sale of investment securities was ¥27 million at the end of the previous fiscal year.	4. Gain on foreign exchange, which was included under Other in Non-operating income until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total non-operating income. Gain on foreign exchange was ¥72 million at the end of the previous fiscal year.
5. As the introduction of XBRL to EDINET has facilitated the comparison of consolidated balance sheets, the previous item Dissolution fees for cancellation of contract has been presented as Non-recurrent losses from the current fiscal year. This includes the extraordinary write down of initial expenses that accompany the early repayment of borrowing. Non-recurrent losses (¥303 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses as it accounts for less than 10% of total extraordinary losses.	5. Refunds on corporate income tax (¥0 for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Non-operating income as it accounts for less than 10% of total operating revenue.
6. Losses on branch closures (¥32 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses as it accounts for less than 10% of total extraordinary losses.	6. Loss on disposal of fixed assets (¥639 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses as it accounts for less than 10% of total extraordinary losses.

7. Business structure improvement cost, which was included under Other in Extraordinary losses, until the previous fiscal year has been presented as a separate item as it exceeds 10% of total extraordinary losses. Business structure improvement cost was ¥96 million at the end of the previous fiscal year. (Consolidated Statements of Cash Flows) 1. Increase (decrease) in allowance for retirement benefits for directors in Cash flow from operating activities, which was included under Other until the previous fiscal year, has been presented as a separate item due to its increase in financial significance. Decrease in allowance for retirement benefits for directors was ¥275 million in the previous fiscal year. 2. Loss (gain) on sale of fixed assets in Cash flow from operating activities (¥152 million loss for the fiscal year under review) has been included under Other due to its lack of financial significance. 3. Loss (gain) on sale of investment securities in Cash flow from operating activities, which was included under Other until the previous fiscal year, has been presented as a separate item due to its increase in financial significance. Loss on sale of investment securities was ¥6 million in the previous fiscal year. 4. Decrease (increase) in short-term receivables in Cash flow from investing activities (¥6 million decrease for the fiscal year under review) has been included under Other due to its lack of financial significance.	7. Non-recurrent losses, which was included under Other in Extraordinary losses until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total extraordinary losses. Non-recurrent losses were ¥648 million at the end of the previous fiscal year. (Consolidated Statements of Cash Flows) 1. Non-recurrent losses in Cash flow from operating activities, which was included under Other until the previous fiscal year, has been presented as a separate item due to its increase in financial significance. Non-recurrent losses were ¥648 million in the previous fiscal year. 2. Increase (decrease) in reserve for losses on point program in Cash flow from operating activities, which was included under Increase (decrease) in other current liabilities until the previous fiscal year, has been presented as a separate item due to its increase in significance. Increase in reserve for losses on point program was ¥439 million in the previous fiscal year. 3. Increase (decrease) in reserve for business structure improvement in Cash flow from operating activities, which was included under Other until the previous fiscal year, has been presented as a separate item due to its increase in financial significance. Increase in reserve for business structure improvement was ¥171 million in the previous fiscal year. 4. Funds used for purchase of investment securities in Cash flow from investing activities (¥51 million in the previous fiscal year) has been included under Other due to its lack of financial significance.

8. Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

Previous fiscal year (As of March 31, 2009)	Fiscal year under review (As of March 31, 2010)
*1. An increase of ¥18, 693 million (includes ¥13, 900 million in recognized evaluation differences for shares of subsidiaries during the process of capital consolidation) in capital reserves resulting from a simple exchange of shares is included under capital surplus.	*1. As on left
*2. Assets pledged as collateral and corresponding liabilities	*2. Assets pledged as collateral and corresponding liabilities
(1) Assets pledged as collateral Millions of yen Operating loans 453,042 Installment receivables 36,379 Other current assets 84 Buildings and structures 9,440 Machinery 8 Land 9,834 Investment securities 4,928 Total 513,719	(1) Assets pledged as collateral Millions of yen Operating loans 488,669 Installment receivables 50,900 Other current assets 82 Buildings and structures 9,528 Machinery 79 Land 9,814 Investment securities 4,742 Total 563,817
(2) Corresponding liabilities Millions of yen Short-term debt 101,180 Current portion of long-term debt 100,323 Long-term debt 117,289 Total 318,792	(2) Corresponding liabilities Millions of yen Short-term debt 61,205 Current portion of long-term debt 17,723 Long-term debt 262,132 Total 341,060
The above amounts include figures related to securitized claims (¥192,940 million for operating loans, ¥40, 000 million for short-term borrowings, ¥16, 200 million for the current portion of long-term debt, and ¥25,450 million for long-term debt) at the end of the fiscal year. The following items are not included in the above amounts	i) The above amounts include figures related to securitized claims (¥146,462 million for operating loans, ¥11,125 million for short-term borrowings, and ¥7,723 million for the current portion of long-term debt) at the end of the fiscal year.
i) Agreements concluded pledging ¥80,269 million in operating loans as collateral for a total of ¥73,201 million consisting of ¥40,900 million in the current portion of long-term debt and ¥32,301 million in long-term debt at the request of lenders.	ii) The Company has contracted to offer ¥58,470 million in loans as collateral in response to borrowers' requests to the sum of ¥27,320 million for the current portion of long-term debt, and ¥24,246 million for long term debt, totaling ¥51,566 million, which includes ¥2,456 million in long-term debt (includes current portion of long-term debt) included in (2) Corresponding liabilities above.
ii) ¥418 million in cash (Other current assets) supplied as collateral for interest swap transactions.	iii) The Company has offered ¥20,859 million in cash (Other in Current assets) as collateral for swap transactions, which is not included in the above figures.
*3. Includes ¥971,804 million in unsecured personal loans.	*3. Includes ¥613,414 million in unsecured personal loans.
*4. Shares of non-consolidated subsidiaries and affiliated companies and other securities issued by non-consolidated subsidiaries and affiliated companies included in investment securities ¥3,746 million	*4. Shares of non-consolidated subsidiaries and affiliated companies and other securities issued by non-consolidated subsidiaries and affiliated companies included in investment securities ¥2,617 million
*5. Installment receivables Credit card shopping loans ¥113,614 million Per-item shopping loans ¥28,402 million Total ¥142, 017 million	*5. Installment receivables Credit card shopping loans ¥113,729 million Per-item shopping loans ¥12,260 million Total ¥125,990 million

*6. Deferred installment income

In millions of yen

	Balance at the end of previous fiscal year	Current fiscal year receipts	Actual current fiscal year balance	Balance at end of current fiscal year
Credit card shopping loans	763	16,621	16,703	681 (140)
Per-item shopping loans	3,300	1,872	3,400	1,772 (188)
Credit guarantees	137	3,290	3,322	105 (–)
Loans	0	66,043	66,044	0 (–)
Total	4,203	87,827	89,471	2,558 (328)

Note: Figures in parenthesis indicate member store commissions.

*7. Securitization of claims

As of the end of the fiscal year, ¥72,379 million in operating loans and installment receivables was removed from the balance sheet through securitization. The breakdown is as follows

Operating loans	¥43,842 million
Installment receivables	¥28,536 million
Total	¥72,379 million

*8. —

*9. Bad debts

Bad debts from out of operating loans and claims in bankruptcy are as follows.

In millions of yen

	Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	2,820	38,461	41,282
Loans in arrears	87,905	93,919	181,824
Loans in 3-months+ in arrears	18,594	7,384	25,979
Restructured loans	65,937	7,033	72,971
Total	175,258	146,800	322,058

The loan categories in the table above are as follows.

(Loans in legal bankruptcy)

Loans in legal bankruptcy are those loans in which payment of principal or interest remain past due for a

*6. Deferred installment income

In millions of yen

	Balance at the end of previous fiscal year	Current fiscal year receipts	Actual current fiscal year balance	Balance at end of current fiscal year
Credit card shopping loans	681	17,747	17,639	789 (151)
Per-item shopping loans	1,772	203	1,472	503 (42)
Credit guarantees	105	2,799	2,824	79 (-)
Loans	0	40,795	40,795	0 (–)
Total	2,558	61,545	62,732	1,372 (194)

Note: Figures in parenthesis indicate member store commissions.

*7. Securitization of claims

As of the end of the fiscal year, ¥30,696 million in operating loans and installment receivables was removed from the balance sheet through securitization. The breakdown is as follows

Operating loans	¥20,834 million
Installment receivables	¥9,862 million
Total	¥30,696 million

*8. Contingent Liabilities

Guaranty of liabilities

AIFUL has provided guaranty of liabilities related to credit card settlement operations, etc., at Sumishin Life Card Co., Ltd., which is a non-consolidated subsidiary.

Name of guaranteed	Amount
Sumishin Life Card Co., Ltd.	470
Total	470

*9. Bad debts

Bad debts from out of operating loans and claims in bankruptcy are as follows.

In millions of yen

	Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	2,026	46,823	48,849
Loans in arrears	71,328	65,692	137,021
Loans in 3-months+ in arrears	11,691	3,874	15,566
Restructured loans	48,891	6,384	55,276
Total	133,937	122,775	256,713

The loan categories in the table above are as follows.

(Loans in legal bankruptcy)

As on left

considerable period and accruals of interest are discontinued, with the conditions stipulated under (a) through (e) of sub-paragraph 3, paragraph 1, Article 96 or sub-paragraph 4 of the same paragraph of the Corporation Tax Law Enforcement Ordinance (Enforcement Ordinance No. 97 of 1965) arise. Bad debt allowances for claims in bankruptcy are stated at the amount estimated to be non-recoverable based on individual assessment of claims.	
(Loans in arrears) Loans in arrears are loans in which accruals of interest are discontinued, other than loans in legal bankruptcy, excluding those loans receiving regular payments in the case of reduction, waiver or deferral of interest payments for debtors in financial difficulties to assist them in business restructuring.	(Loans in arrears) As on left
(Loans three months or more in arrears) Loans three months or more in arrears are loans for which payments of principal or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payments. Loans classified as loans in legal bankruptcy and loans in arrears are excluded from loans three months or more in arrears.	(Loans three months or more in arrears) As on left
(Restructured loans) Restructured loans are loans in which regular payments are being received on loans with concessions such as reduction, waiver, or deferral of interest granted to debtors in order to assist in business restructuring. Loans classified as loans in legal bankruptcy and loans in arrears are excluded from restructured loans.	(Restructured loans) As on left
*10. ¥88, 490 million in estimated interest repayments forecast to have priority application is included in operating loans.	*10. ¥76,990 million in estimated interest repayments forecast to have priority application is included in operating loans.

(Notes to Statements of Income)

Previous fiscal year (April 1, 2008 – March 31, 2009)

*1. Gain (loss) on investment in anonymous associations is the evaluation gain (loss) based on the financial statements of investment partnerships, etc.

*2. The breakdown of loss on elimination of fixed assets is as follows.

	Millions of yen
Buildings and structures	250
Equipment and fixtures	27
Software	647
Other	24
Total	949

*3. Impairment loss
The AIFUL Group recorded the following impairment losses during the fiscal year under review.

(1) Assets with recognized impairment losses

Use	Type	Impairment loss
Business systems, etc., scheduled for elimination	Buildings, equipment and fixtures, software, etc.	¥648 million

(2) Method of asset grouping
The AIFUL Group uses each operating company, except unused real estate and planned to be sold real estate, in the financial and venture capital businesses, each property for rental in the real estate business as the smallest unit for asset grouping. For assets involved in business reorganization, all of the business offices scheduled for closure at each operating company are used as a single unit for asset grouping.

(3) Background to recognition of impairment loss
The Group recognized impairment losses in conjunction with the promotion of its business reorganization plan.

(4) Amount of impairment loss

	Millions of yen
Buildings and structures	198
Furniture and fixtures	257
Software	153
Other	39
Total	648

Fiscal year under review (April 1, 2009 –March 31, 2010)

*1. As on left

*2. —

*3. Impairment losses
The AIFUL Group recorded the following impairment losses during the fiscal year under review.

(1) Assets with recognized impairment losses

Use	Category	Non-recurrent losses
Real estate for lease	Buildings and structures, land, etc.	¥ 448 million
Business offices scheduled for closure	Buildings and structures, equipment and fixtures, etc	¥ 816 million
Paintings, etc	Equipment and fixtures	¥3,595 million

(2) Method of asset grouping
The AIFUL Group uses each operating company in the financial and venture capital businesses, each property for rental in the real estate business, and each asset with regard to paintings, etc., because of the adoption of a plan for sale from the second quarter of the fiscal year as the smallest unit for asset grouping. For assets involved in business reorganization, all of the business offices scheduled for closure at each operating company are used as a single unit for asset grouping.

(3) Background to recognition of non-recurrent losses
The AIFUL Group recognizes the respective non-recurrent losses when there is a marked decline in the appraisal value of some real estate for lease scheduled for sale and the third party valuation of some paintings, etc., scheduled for sale compared to the book value, and on business offices scheduled for closure accompanying the announcement of the business reorganization plan.

(4) Amount of impairment loss

	Millions of yen
Buildings and structures	990
Machinery	3
Furniture and fixtures	3,614
Land	214
Other	37
Total	4,860

(5) Method of calculation for recoverable amount The recoverable amount is calculated as the value in use at an amount equal to the depreciation through to the point of the closure of outlets.	(5) Method of calculation for recoverable amount Recoverable value is determined based on the appraisal value of real estate for lease scheduled for sale and the third party valuation of paintings, etc., scheduled for sale. Recoverable value of business offices scheduled for closure is determined with an amount corresponding to depreciation and amortization at the time of closure as the use value.
*4. Amortization of goodwill The Group applies a lump sum amortization of goodwill based on its judgment that obtaining the initially expected future excess income is unlikely.	*4. —
*5. —	*5. The components of business structure improvement cost are as follows. Losses on branch reorganization 1,585 Special retirement benefits 8,887 Other 1,353 Total 11,826
*6. —	*6. The components of transfer to reserve for business structure improvement included under Other in Extraordinary losses are as follows. Head office related 302 Losses on branch reorganization 18 Voluntary retirement related 217 Contract cancellation related 771 Other 14 Total 1,323

9. Stock and Dividend Information

Previous fiscal year under review (April 1, 2008 – March 31, 2009, consolidated)

1. Matters pertaining to class and number of issued shares and class and number of treasury stock

	No. of shares at end of previous consolidated fiscal year	Increase in no. of shares during current fiscal year	Decrease in no. of shares during current fiscal year	No. of shares at end of current fiscal year
No. of issued shares				
Common stock (Note 1)	167,475,000	71,210,568	–	238,685,568
Total	167,475,000	71,210,568	–	238,685,568
Treasury stock				
Common stock (Note 2)	455,717	1,102	95	456,724
Total	455,717	1,102	95	456,724

Note1. The increase in common stock issued is due to the issue of new shares accompanying the exercise of convertible bonds.

Note2. The increase of 1,102 in the number of shares of common treasury stock is the result of the purchase of less-than-one-unit shares. The decrease of 95 in the number of shares of common treasury stock is the result of the sale of less-than-one-unit shares.

2. Matters pertaining to new stock subscription rights

No relevant matters

3. Matters pertaining to dividends

(1) Dividend payments

(Resolution)	Class of shares	Aggregate amount of dividend (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Board of directors' meeting, May 19, 2008	Common stock	3,340	20	March 31, 2008	June 25, 2008
Board of directors' meeting, November 6, 2008	Common stock	1,670	10	September 30, 2008	December 10, 2008

(2) Dividends with a date of record during the current fiscal year with an effective date during the following fiscal year

(Scheduled date of resolution)	Class of shares	Aggregate amount of dividend (Millions of yen)	Source of funds for dividend	Dividend per share (Yen)	Date of record	Effective date
Board of directors' meeting, May 18, 2009	Common stock	1,191	Retained earnings	5	March 31, 2009	June 4, 2009

Fiscal year under review (April 1, 2009 – March 31, 2010, consolidated)

1. Matters pertaining to class and number of issued shares and class and number of treasury stock

	No. of shares at end of previous consolidated fiscal year	Increase in no. of shares during current fiscal year	Decrease in no. of shares during current fiscal year	No. of shares at end of current fiscal year
No. of issued shares				
Common stock	238,685,568	–	–	238,685,568
Total	238,685,568	–	–	238,685,568
Treasury stock				
Common stock (Notes)	456,724	334	–	457,058
Total	456,724	334	–	457,058

Note. The increase of 334 in the number of shares of common treasury stock is due to the purchase of less than a unit shares.

2. Matters pertaining to new stock subscription rights

No relevant matters

3. Matters pertaining to dividends

(1) Dividend payments

Resolution	Class of shares	Aggregate amount of dividend (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Board of directors' meeting, May 18, 2009	Common stock	1,191	5	March 31, 2009	June 4, 2009

10. Notes to the Consolidated Statements of Cash Flow

Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
*1. Connection between balance of cash and cash equivalents at the end of the consolidated fiscal year and the amount of items recorded in the consolidated balance sheets	*1. Connection between balance of cash and cash equivalents at the end of the consolidated fiscal year and the amount of items recorded in the consolidated balance sheets

Previous fiscal year:

	Millions of yen
Cash and deposits	132,825
Time deposits with maturities exceeding three months	(1,227)
Cash and cash equivalents	131,597

Fiscal year under review:

	Millions of yen
Cash and deposits	128,755
Time deposits with maturities exceeding three months	(6)
Cash and cash equivalents	128,748

Significant transactions other than funds

Previous fiscal year:

	Millions of yen
Capital increase due to exercise of New share subscription rights	35,000
Increase in capital reserve due to exercise of new share subscription rights	35,000
Decrease in bonds with new share subscription rights due to exercise of new share subscription rights	70,000

Fiscal year under review: —

*2. (Previous fiscal year) —

*2. Main component assets and liabilities of companies that are no longer consolidated subsidiaries due to the sale of shares during the fiscal year under review.

Wide Corporation, Tryto Corporation, TCM Co., Ltd., and Passkey Co., Ltd., are no longer consolidated subsidiaries due to the sale of shares. The component assets and liabilities at the time of the sale, the sale price of the relevant company shares and its relationship to the income from the sale are as follows.

(1) Wide corporation

	Millions of yen
Current assets	11,250
Fixed assets	507
Current liabilities	295
Long-term liabilities	22,696
Gain on sale of shares	(11,233)
Sale price of shares of Wide Corporation	0
Wide Corporation Cash and cash equivalents	(265)
Deduction: expenditure on sale	(265)

(2) TRYTO corporation

	Millions of yen
Current assets	9,376
Fixed assets	438
Current liabilities	2,405
Long-term liabilities	19,535
Gain on sale of shares	(12,126)
Sale price of shares of Tryto Corporation	0
Tryto Corporation Cash and cash equivalents	(116)
Deduction: expenditure on sale	(116)

	(3) TCM Co., Ltd. Millions of yen Current assets 1,645 Fixed assets 133 Current liabilities 152 Long-term liabilities 6,927 Gain on sale of shares (5,301) Sale price of shares of TCM Co., Ltd. 0 TCM Co., Ltd Corporation Cash and cash equivalents (46) Deduction: expenditure on sale (46) (4) PASSKEY Co., Ltd. Millions of yen Current assets 716 Fixed assets 19 Current liabilities 29 Long-term liabilities 3,883 Gain on sale of shares (3,177) Sale price of shares of PASSKEY Co., Ltd. 0 PASSKEY Co., Ltd Corporation Cash and cash equivalents (4) Deduction: expenditure on sale (4)

11. Financial Instruments

Consolidated Fiscal Year under Review (April 1, 2009 – March 31, 2010)

1. Notes Pertaining to Financial Instruments

(1) Policy for Dealing in Financial Instruments

The primary business of the AIFUL Group is finance, and the Group engages in the consumer finance, real estate secured loan, business loan, installment sales and claim management and collection businesses. In order to engage in these businesses, the AIFUL Group raises funds from Japan and overseas, procuring funds directly through bonds and securitization of receivables in addition to indirect procurement based on borrowing from banks, all the while making adjustments for market conditions and maintaining a balance between long-term and short-term borrowing. This fund raising involves financial liabilities accompanying fluctuations in interest and exchange rates, and the AIFUL Group engages in derivative transactions to avoid the disadvantageous effects of fluctuations in interest and exchange rates. When engaging in derivative transactions, such transactions are, as a rule, limited to actual requirements. The AIFUL Group does not engage in individual derivative transactions for the purpose of obtaining short-term gains on sales and purchases.

(2) Details and Risks of Financial Instruments

The financial assets owned by the AIFUL Group are primarily the operating loans and installment receivables of domestic individuals and corporations, and they are exposed to the risk of nonperformance of contract by customers. In addition, the Group also holds operational investment securities and investment securities, which are primarily shares and investments in anonymous associations, for the purpose of business promotion. These assets involve the credit risk of the respective issuer and the risk of fluctuation in market prices.

The financial liabilities of the AIFUL Group are primarily loans and bonds, and the Group also raises funds by securitizing operating loans. These liabilities are subject to liquidity risk involving the inability to make payments on the due date in the event that the Group is unable to utilize the market under certain circumstances. In addition, the AIFUL Group also raises funds that include floating interest rates and foreign currency denominated bonds. These are subject to the risk of fluctuations in interest rates and exchange rates.

Derivative transactions include interest swaps and currency swaps to which the Group applies hedge accounting as well as interest swaps and interest caps that are excluded from the application of hedge accounting. These derivative transactions involve the risk of fluctuations in exchange rates, fluctuations in interest rates and counterparty risk. See the earlier Significant Accounting Policies Relating to the Financial Statements, 3. Notes on Accounting Standards, (3) Principal hedge accounting methods for instruments and targets of hedging, hedging policy and method of evaluating effectiveness of hedging.

(3) Risk Management System for Financial Instruments

a. Credit Risk Management

AIFUL and its Group companies manage credit risk in accordance with the Company’s management regulations. The Company has established credit management structures for operating loans, installment receivables and customers’ liabilities for acceptance and guarantee, its primary financial assets, that include credit screening based on data from credit bureaus and the Group’s own credit systems, the adjustment of credit limits, and the setting of guarantees and collateral. Moreover, the AIFUL Group manages the credit risk of issuers of negotiable securities through regular assessment of credit data and market prices.

The AIFUL Group contracts with reliable domestic and overseas leading financial institutions that have a low credit risk when assessing counterparty risk for derivative transactions. Each department in charge carries out assessments, analysis, and investigates countermeasures in the management of credit risk, reporting to the board of directors when appropriate.

b. Market Risk Management

(i) Management of Interest and Exchange Rate Risk

The AIFUL Group manages interest and exchange rate risk based on the *Risk Management Manual* formulated with the approval of the Risk Management Committee, which reports directly to the board of directors. The Finance Department reports such risks to the Internal Control Office, which assesses the risks, examines the appropriateness and suitability of countermeasures, and reports the board of directors when appropriate. The AIFUL Group uses interest swaps to hedge against the risk of fluctuation in interest rates and currency swaps to hedge against the risk of fluctuation in exchange rates.

(ii) Management of Price Fluctuation Risk

Many of the shares owned by the AIFUL Group are held for the purpose of business promotion, including operational and capital tie-ups, and the department responsible monitors the market environment and financial position of the business partner and examines countermeasures, reporting to the board of directors when appropriate.
The AIFUL Group does not hold financial instruments for trading purposes.

(iii) Derivative Transactions

The AIFUL Group manages derivative transactions in accordance with the Company’s management regulations.

The Group implements an internal checking system in which each department that executes transactions evaluates the effectiveness of hedging, conducts the proper administrative management, and reports to the Accounting Department.

c. Management of Liquidity Risk Related to Fund Raising

The AIFUL Group manages liquidity risk by implementing timely management of the Group's overall funds in addition to diversifying fund raising methods and adjusting the balance of short-term and long-term fund raising, taking account of the market environment.

(4) Supplementary Information on Notes Concerning Current Value of Financial Instruments

The current value of financial instruments includes a value based on the market price and a value calculated rationally when there is no market price. The AIFUL Group adopts certain assumptions in the calculation of the relevant value, so the relevant value may vary when diffe
rent assumptions are used.

2. Notes Concerning the Current Value of Financial Instruments

The value on the consolidated balance sheets as of March 31, 2010, the current value and the difference between these two values is as follows. Financial instruments for which it is extremely difficult to obtain a current value are not included. (See Note 2.)

Notes:

(In millions of yen)	Value on the Consolidated Balance Sheets	Current Value	Difference
(1) Cash and cash equivalents	128,755	128,755	—
(2) Loans	835,928		
Allowance for bad debts and reserve for losses on interest repayments[1]	(200,335)		
	635,592	758,107	122,515
(3) Installment receivables	125,990		
Deferred installment income[2]	(1,098)		
Allowance for bad debts[3]	(7,333)		
	117,558	120,185	2,627
(4) Operational investment securities and investment securities	5,631	5,631	—
(5) Claims in bankruptcy	50,400		
Allowance for bad debts[3]	(32,797)		
	17,603	17,603	—
Total assets	905,141	1,030,283	125,142
(1) Short-term debts	61,205	61,205	—
(2) Bonds[5]	258,210	192,317	(65,892)
(3) Long term debts[4]	57,021	57,021	—
Total liabilities	376,436	310,543	(65,892)
Derivative transactions[5]			
(1) Transactions to which hedge accounting is applied	—	—	—
(2) Transactions to which hedge accounting is not applied	(9)	(9)	—
Total derivative transactions	(9)	(9)	—

1. Excludes the amount of estimated interest repayments expected to be preferentially allocated to operating loans.
2. Excludes deferred gain on installment sales (liabilities).
3. Excludes respective reserves for bad debts corresponding to installment receivables and claims in bankruptcy.
4. Excludes debts covered by financial assistance under the ADR process.
5. Net claims and liabilities arising from derivative transactions are shown as a net amount. Under the totals, net liabilities are shown in parentheses. Derivative transactions to which hedge accounting is applied are accounted for

with bonds that are the target of hedging. Therefore, these transactions are included in the current value of the relevant bonds.

Notes

1. Notes on the Method of Computation of Current Value for Financial Instruments

Assets

(1) Cash and cash equivalents
As all deposits are short term, the current value is very similar to the book value, so current value is computed based on the relevant book value.

(2) Loans
The current value of loans is computed based on the present value of the amount of principal and interest forecast to be received reflecting the possibility of recovery minus the amount of forecast collection expenses discounted by the stable interest rate corresponding to the remaining period of the loan.

(3) Installment receivables
The current value of credit card shopping is very similar to the book value and is computed based on the book value, as lump sum payments in the following month account for the majority of credit card shopping. The current value for per-item credit is computed based on the present value of the amount of principal and commissions forecast to be received reflecting the possibility of recovery minus the amount of forecast collection expenses discounted by the stable interest rate corresponding to the remaining period of the loan.

(4) Operational investment securities and investment securities
The current value of operational investment securities and investment securities is computed based on the price of shares on the stock exchange.

(5) Claims in bankruptcy
For claims in bankruptcy, the estimated amount of bad debts is computed based on the amount expected to be recovered from security. Therefore, the current value is very similar to the amount calculated by subtracting the current estimated amount of bad debts from the amount on the balance sheet on the consolidated settlement date, and the current value of bad debts is computed based on the relevant value.

Liabilities

(1) Short-term debts
As short-term debts will be settled in the near future, the current value is very similar to the book value and is computed based on the relevant book value.

(2) Bonds
The current value of the bonds that the Company issues is computed based on the market price for bonds that have a market price. For bonds without a market price, the current value is computed based on the amount of total principal and interest discounted by an interest rate calculated from remaining period of the relevant bonds and the credit risk. In addition, some bonds, which qualify for designation (*furiate shori*) of exchange contracts and exceptional accounting for interest swaps, are treated as yen-denominated fixed interest bonds in the computation of current value.

(3) Long term debts
Of the long-term debts for which a current value is computed, the current value of long-term debts due within one year is very similar to the book value and is computed based on the relevant book value. Other debt is recorded at the relevant book value because the current value is considered to be similar to the book value for debt with floating interest rates which reflect the market rate in the short term. In addition, the debt is the borrowing of subsidiaries and the financial position of the relevant subsidiary does not change significantly following execution of borrowing.

Derivatives

All derivatives are off-market transactions, so the current value is computed based on the price indicated by the partner financial institution.

2. Financial Instruments for Which It Is Extremely Difficult to Obtain a Current Value

(In millions of yen)

Category	Value on the Consolidated Balance Sheets
Operational investment securities and investment securities[1]	
(1) Unlisted shares	2,804
(2) Investments in investment associations, etc.	2,057
Long term debts[2]	272,132
Total	276,993

As it is extremely difficult to obtain a current value for these financial instruments, they were not included in Assets (4) Operational investment securities and investment securities and Liabilities (3) Long-term debts.

Notes:

1. As there is no market price for unlisted shares, it is extremely difficult to obtain a current value, and they are not covered by disclosure of current value.
2. AIFUL and some of its subsidiaries are receiving financial assistance under the ADR process. The details of the rescheduling under the financial assistance are that partial repayment will be made by June 10, 2014, and that debts remaining after this will be refinanced no later than July 10, 2014 or a proposal will be made to the Participating Creditors by this date regarding the method of repayment and agreement reached.
   In light of this, there is a high level of uncertainty in the estimated future repayment plans for long-term debts that are covered by the financial assistance as well as an increase in credit risk and a prolonged collection period. This has a substantial impact on the discounted current value. As it is not possible to rationally calculate the current value, these long-term debts are not covered by the disclosure of current value.

3. Scheduled Repayment Amounts of Money Claims after Consolidated Settlement Date

(In millions of yen)

Category	Within One Year	More Than One Year and Within Five Years	More Than Five Years
Cash and cash equivalents	128,755	—	—
Loans[1]	288,231	532,879	14,817
Installment receivables	118,216	7,770	2
Total	535,202	540,649	14,819

Note:

1. ¥50,400 million for which the amount of scheduled repayments is not expected, including claims in bankruptcy, is not included in loans.

4. Scheduled Repayment of Bonds, Long-Term Debt and Other Interest Bearing Debt after the Consolidated Settlement Date

(In millions of yen)

Category	Within One Year	More Than One Year and Within Two Years	More Than Two Years and Within Three Years	More Than Three Years and Within Four Years	More Than Four Years and Within Five Years	More Than Five Years
Bonds	105,610	97,600	20,000	10,000	—	25,000
Finance lease claims	65	65	64	51	9	—
Short-term debts	61,205	—	—	—	—	—
Long term debts	35,231	15,270	6,520	—	—	—
Long term debts[1]	10,000	16,500	16,500	16,500	16,500	—
Total	212,111	129,435	43,084	26,551	16,509	25,000

Note:

1. AIFUL and some of its subsidiaries are receiving financial assistance under the ADR process. The details of the rescheduling under the financial assistance are that partial repayment will be made by June 10, 2014, and that debts remaining after this will be refinanced no later than July 10, 2014 or a proposal will be made to the Participating Creditors by this date regarding the method of repayment and agreement reached. In view of this, only debt for which a scheduled repayment date has been set as of the end of the relevant fiscal year are shown for the relevant period, and ¥196,132 million, including debts remaining with undetermined repayment scheduled, is not shown.

Note to real estate properties for rent etc
Note of real estate properties for rent etc have been omitted due to small amount.

12. Tax Effect Accounting

Previous fiscal year (As of March 31, 2009)

1. Breakdown of major components in deferred tax assets and deferred tax liabilities

	Millions of yen
Deferred tax assets	
Allowance for bad debts	42,464
Allowance for losses on interest repayments	50,686
Loan losses	18,565
Accrued revenue	5,837
Tax loss carry forwards	58,027
Accrued interest repayment losses	2,196
Other	10,906
Deferred tax assets subtotal	188,684
Valuation allowance	(179,970)
Deferred tax assets total	8,713
Deferred tax liabilities	
Accrued refund of corporation tax, etc.	(94)
Deferred tax liabilities total	(94)
	8,619

Net deferred tax assets are included in the consolidated balance sheet items below.

	Millions of yen
Current assets – deferred tax assets	6,783
Fixed assets – deferred tax assets	1,835

2. Breakdown of major components of disparity when a significant disparity arises between the effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting.

	(%)
Effective statutory tax rate	40.9
(Adjustments)	
Valuation allowance	(7.0)
Consolidation adjustment account write down	20.2
Prior year corporation tax, etc.	(6.8)
Influence of change in normal effective statutory **tax** rate	(6.7)
Other	(2.3
Actual effective tax rate after application of tax effect accounting	42.9

Fiscal year under review (As of March 31, 2010)

1. Breakdown of major components in deferred tax assets and deferred tax liabilities

	Millions of yen
Deferred tax assets	
Allowance for bad debts	57,268
Allowance for losses on interest repayments	97,226
Loan losses	19,502
Accrued revenue	4,044
Tax loss carry forwards	109,990
Accrued interest repayment losses	3,338
Other	10,326
Deferred tax assets subtotal	301,696
Valuation allowance	(301,696)
Deferred tax assets total	-
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(76)
Foreign currency translation differences related to long-term claims	(200)
Deferred tax liabilities total	(276)
	(276)

Net deferred tax assets are included in the consolidated balance sheet items below.

	Millions of yen
Long-term liabilities – deferred tax liabilities	(276)

2. Breakdown of major components of disparity when a significant disparity arises between the effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting.
Omitted because the Company recorded a net loss before taxes.

Business combinations, etc.,

Previous Consolidated Fiscal Year (April 1, 2009 – March 31, 2010)
No relevant matter

Consolidated Fiscal Year (April 1, 2009 – March 31, 2010)
Business Separation

1. Outline of Business Separation, Including Name of Company Receiving Separated Businesses, Details of Separated Businesses, Rationale for Business Separation, Date of Business Separation, and Legal Form of Separation

(1) Name of company receiving separated businesses
Neoline Capital Co., Ltd.

(2) Details of separated businesses
1) Name of separated subsidiaries
Wide Corporation, Tryto Corporation, TCM Co., Ltd., Passkey Co., Ltd., ("Target Companies" below)
2) Details of separated businesses
The target companies transferred some operating loans to LIFE Co., Ltd., an AIFUL subsidiary, in November 2007 and ceased all lending in December 2007. Since subsequently winding up the loan business by March 2009, the target companies have been engaged in the management and collection of their remaining personal loans.

(3) Rationale for business separation
At present, the business environment for the loan business has become even more difficult. Factors behind this trend include the undermining of the business base caused by the continuing high level of demands for interest repayments and the deterioration in the fund procurement environment, as well as the severe contraction in market size as a result of more rigorous credit screening ahead of the full enforcement of Japan's Money Lending Business Law. In this environment, AIFUL is pushing forward with exhaustive cost structure reforms while also implementing a review of duplicated operations from the perspective of selection and focus as the company concentrates on streamlining its business through group restructuring. It has resolved that the sale of the target companies is necessary as part of these efforts.

(4) Date of business separation
September 30, 2009

(5) Outline of separation including legal form
The transfer of all shares in the target companies and loans to the target companies to the company receiving the separated companies

2. Outline of Accounting Treatment Applied
The difference of ¥31,839 million between the book value of the shares in the target companies and the sale price based on the share transfer agreement that AIFUL concluded with Neoline Capital was recorded a gain on the sale of shares in affiliated companies.
The difference of ¥37,981 million between the value of claims in loans to the target companies and the transfer price based on the claim assignment agreement that AIFUL concluded with Neoline Capital was recorded as a loss on business transfer. AIFUL's consolidated statements of profit and loss offset the gain on the sale of shares in affiliated companies and the loss on business transfer, recording ¥6,141 million as a loss on the sales of business under Extraordinary losses.

(In millions of yen)

	Wide Corporation	TRYTO Corporation	TCM Co. Ltd.	Passkey Co., Ltd.
Transfer price of discontinued businesses	0	0	0	0
Net assets of discontinued businesses	(11,233)	(12,126)	(5,301)	(3,177)
Total	(11,233)	(12,126)	(5,301)	(3,177)

3. Name of Business Category That Separated Businesses Were Included in Under Business Segments
Finance business

4. Estimate of Profit and Loss Related to Separated Businesses Recorded on Consolidated Statement of Profit and Loss Related to the Consolidated Fiscal Year under Review

	Wide Corporation	TRYTO Corporation	TCM Co. Ltd.	Passkey Co., Ltd.
Operating revenue	1,940	1,571	301	147
Operating income (loss)	1,043	892	(31)	44
Ordinary income (loss)	1,068	894	(28)	44

13. Disclosed Special Purpose Companies

Previous Fiscal year under review (April 1, 2008 – March 31, 2009)

1. Outline of disclosed special purpose companies and outline of transactions using disclosed special purpose transactions

Some subsidiaries have securitized trust beneficiary rights backed by installment receivables and operating loans with the aim of diversifying fund procurement and raising stable funds. Such securitization utilizes special purpose companies, which are special purpose companies under the Asset Securitization Law. On securitization, the subsidiaries firstly establish entrusted assets for installment receivables and operating loans respectively before dividing the beneficiary rights into preferred and subordinate portions. Then, the subsidiary transfers the preferred portion only of the beneficiary rights to a special purpose company and receives the funds that the special purpose company raises from the issue of bonds backed by the transferred preferred trust beneficiary rights as the sale fee.

In addition, some subsidiaries carry out collection servicing operations, holding the subordinated beneficiary rights of entrusted assets. The bad debt allowance is established for trust assets for which recovery was inadequate.

As a result of securitization, there were five special purpose companies with a balance of transactions as of March 31, 2009. On the most recent date for financial results at the special purpose companies total assets (net total) stood at ¥93, 917 million and total liabilities (net total) stood at ¥93, 879 million. The subsidiaries did not own any shares with voting rights, etc., in any of the special purpose companies, and did not second any officers or employees to any of the special purpose companies.

2. Amount of transactions, etc., with special purpose companies during fiscal year under review

In millions of yen

	Amount of main transactions or balance at end of consolidated fiscal year under review	Main gain (loss)	
		Category	Amount
Transferred assets (Note) Preferred trust beneficiary rights	15,000	Loss on sale	133

Note: The amount of transactions relating to transferred assets is recorded at book value at the time of transfer. In addition, loss on sale relating to transferred assets is deducted from operating revenue.

Fiscal year under review (April 1, 2009 – March 31, 2010)

1. Outline of disclosed special purpose companies and outline of transactions using disclosed special purpose transactions

Some subsidiaries have securitized trust beneficiary rights backed by installment receivables and operating loans with the aim of diversifying fund procurement and raising stable funds. Such securitization utilizes special purpose companies, which are special purpose companies under the Asset Securitization Law. On securitization, the subsidiaries firstly establish entrusted assets for installment receivables and operating loans respectively before dividing the beneficiary rights into preferred and subordinate portions. Subsequently, the preferred trust beneficiary rights, excluding the seller’s holding, are transferred to a special purpose company, and the subsidiaries receive the funds that the special purpose company raises through the issue of bonds backed by the transferred preferred trust beneficiary rights as its sale fee.
In addition, some subsidiaries carry out collection servicing operations, holding the subordinated beneficiary rights of entrusted assets. The bad debt allowance is established for trust assets for which recovery was inadequate.

As a result of securitization, there were five special purpose companies with a balance of transactions as of March 31, 2010. On the most recent date for financial results at the special purpose companies total assets (net total) stood at ¥63,849 million and total liabilities (net total) stood at ¥63, 827 million. The subsidiaries did not own any shares with voting rights, etc., in any of the special purpose companies, and did not second any officers or employees to any of the special purpose companies.

2. Amount of transactions, etc., with special purpose companies during fiscal year under review
No relevant matters.

14. Per Share Information

Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Net assets per share 1,626.89 yen Net income per share 24.77 yen Diluted net income per share omitted because there were no latent shares with a dilutive effect.	Net assets per share 392.30 yen Net income per share 1,238.90 yen Diluted net income per share omitted because the Company recorded a net loss per share and because there were no latent shares with a dilutive effect.

Note 1: Basis of calculation of net assets per share is as follows In millions of yen, share

	Previous fiscal year (As of March 31, 2009)	Fiscal year under review (As of March 31, 2010)
Total net assets	393,334	97,305
Amount deducted from total net assets	5,761	3,849
(Of which minority interests)	(5,761)	(3,849)
Net assets related to common stock at end of fiscal year	387,572	93,456
Number of shares of common stock at the end of the fiscal year used in the calculation of net assets per share	238,228,844 shares	238,228,510 shares

Note 2: Basis for calculation of net income (loss) per share and diluted net income per share is as follows.

Item	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – Mar 31, 2010)
Net income (loss) per share		
Net income (loss)	4,247 million yen	(295,141) million yen
Amount not attributable to common stock shareholders	—	—
Net income (loss) related to common stock	4,247 million yen	(295,141) million yen
Average number of shares of common stock during the period	171,495,135shares	238,228,688 shares
Diluted net income per share		
Adjusted net income	—	—
Increase in number of common stock	—	—
(of which warrants)	(—)	(—)
Outline of stock not included in diluted net income per share due to lack of dilutive effect	New share subscription-type stock options (No. of shares:246,600) decided upon at the 27th ordinary general meeting of shareholders (June 25, 2004) New share subscription-type stock options (No. of shares: 270,000) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)	New share subscription-type stock options (No. of shares: 263,400) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)

15. Omissions from Disclosure

Notes pertaining to lease transactions, transactions with related parties, marketable securities, derivative transactions, retirement benefits, stock options, etc., and business combinations have been omitted due to lack of strong necessity for disclosure in these brief financial statements.

5. Consolidated Results of Operations

1. Operating Revenue

(In millions of yen, %)

Item \ Period	Previous fiscal year (April 1, 2008 – March 31, 2009)		Fiscal year under review (April 1, 2009 – March 31, 2010)	
	Amount	%	Amount	%
Interest on loans to customers	263,797	84.4	170,662	78.2
Unsecured loans	219,968	70.4	137,394	63.0
Secured loans	25,327	8.1	20,026	9.2
Small business loans	18,501	5.9	13,240	6.0
Credit card revenue	16,880	5.4	17,824	8.2
Per-item credit revenue	3,630	1.2	1,726	0.8
Credit guarantee revenue	8,020	2.6	7,034	3.2
Other financial revenue	550	0.2	143	0.1
Other operating revenue	19,361	6.2	20,711	9.5
Collection of purchased claims	5,211	1.7	3,205	1.5
Revenue from operational investment securities	76	0.0	24	0.0
Other	14,073	4.5	17,481	8.0
Total	312,241	100.0	218,102	100.0

Note: "Other" included in other operating revenue includes bad debt write-off recovery and card membership fees.

2. Other Operating Indicators

Item \ Period	End of previous fiscal year (As of Mar. 31, 2009)	End of fiscal year under review (As of Mar. 31, 2010)
Total amount of loans outstanding (millions of yen)	1,334,196	856,762
Unsecured loans	1,015,647	634,249
Secured loans	206,941	138,649
Small business loans	111,607	83,864
Number of customer accounts	2,629,257	1,966,402
Unsecured loans	2,498,764	1,866,809
Secured loans	62,140	46,075
Small business loans	68,353	53,518
Number of branches	987	670
Staffed branches	133	33
Unstaffed branches	854	637
Number of automatic loan-contracting machines	957	669
Number of ATMs	163,507	154,781
Company-owned	1,040	670
Partner-owned	162,467	154,111
Number of employees	4,895	2,514
Bad debt write-off (millions of yen)	177,989	151,440
Allowance for bad debts (millions of yen)	237,820	236,303
Net income (loss) per share (yen)	24.77	(1,238.90)
Net assets per share (yen)	1,626.89	392.30

Notes: 1. Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy. Furthermore, off-balance sheet operating loans from the securitization of receivables (43,842 million yen at the end of the previous fiscal year and 20,834 million yen at the end of the fiscal year under review) have been included.

2. Bad debt write-off does not include losses on claims in bankruptcy, which came to 10,548 million yen in the previous fiscal year, and 5,038 million yen in the fiscal year under review.

3. The allowance for bad debts includes the expected amount of interest repayments estimated to have priority application to loans outstanding (88,490 million yen at the end of the previous fiscal year and 76,990 million yen at the end of the fiscal year under review).

6. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(In millions of yen, %)

		End of previous fiscal year (As of March 31, 2009)		End of fiscal year under review (As of March 31, 2010)
Assets				
Current assets				
Cash and cash equivalents		106,877		105,836
Loans	*1, *3, *5	842,786	*1, *3, *5	553,476
Customers' liabilities for acceptances and guarantees		54,167		45,248
Pre-paid expenses		1,456		1,110
Deferred tax assets		3,310		—
Accrued income		6,513		4,130
Other	*1	17,717	*1	30,049
Allowance for bad debts	*6	(144,150)	*6	(154,143)
Total current assets		888,678		585,708
Fixed assets				
Tangible fixed assets				
Buildings	*1	16,560	*1	13,705
Total accumulated depreciation		(8,929)		(7,105)
Buildings (net)	*1	7,630	*1	6,599
Structures		2,335		1,781
Total accumulated depreciation		(1,808)		(1,423)
Structures (net)		527		357
Machinery		161		161
Total accumulated depreciation		(97)		(106)
Machinery (net)		63		54
Vehicles		—		1
Total accumulated depreciation		—		(0)
Vehicles (net)		—		1
Equipment and fixtures		22,158		15,749
Total accumulated depreciation		(13,197)		(12,092)
Equipment and fixtures (net)		8,960		3,657
Land	*1	6,762	*1	6,762
Construction in process account		57		25
Total tangible fixed assets		24,001		17,458
Intangible fixed assets				
Software		10,624		8,322
Other		119		79
Total intangible fixed assets		10,744		8,401

(In millions of yen, %)

		End of previous fiscal year (As of March 31, 2009)		End of fiscal year under review (As of March 31, 2010)
Investment and other fixed assets				
Investment securities	*1	6,151	*1	5,827
Stock in affiliated companies		120,721		117,408
Other marketable securities of affiliated companies		375		287
Claims in bankruptcy	*5	35,355	*5	45,399
Long-term loans to affiliated companies		206,841		109,402
Long-term prepaid expenses		678		115
Lease deposits and guarantees		4,664		3,228
Deferred tax assets		1,450		—
Other		1,071		827
Allowance for investment loss		—		(1,674)
Allowance for bad debts	*7	(59,189)	*7	(33,997)
Total investment and other fixed assets		318,122		246,825
Total fixed assets		352,868		272,685
Deferred assets				
Bond issuing expenses		219		138
Total deferred assets		219		138
Total assets		1,241,766		858,532

(In millions of yen, %)

		End of previous fiscal year (As of March 31, 2009)		End of fiscal year under review (As of March 31, 2010)
Liabilities				
Current liabilities				
Acceptances and guarantees		54,167		45,248
Short-term debts	*1	40,000	*1	11,125
Current portion of bonds		94,849		105,610
Current portion of long-term debts	*1	147,276	*1, *2	7,723
Trade accounts payable		10,676		9,945
Accrued expenses payable		3,106		1,780
Income taxes payable		328		269
Reserve for accrued bonuses		1,837		743
Reserve for business structure improvement		–		328
Other		479		556
Total current liabilities		352,721		183,330
Long-term liabilities				
Bonds		258,210		152,600
Long term debts	*1	146,738	*1, *2	188,696
Reserve for losses on interest repayments		84,318		197,160
Interest swaps		2,062		—
Other		1,483		1,208
Total long-term liabilities		492,812		539,665
Total liabilities		845,533		722,995
Net Assets				
Shareholders' equity				
Common stock		143,324		143,324
Capital surplus				
Capital reserves		150,232		150,232
Total capital surplus		150,232		150,232
Retained earnings				
Earned surplus reserves		1,566		1,566
Other retained earnings				
General reserve		102,230		102,230
Retained earnings carried forward		4,646		(258,040)
Total retained earnings		108,442		(154,243)
Treasury stock		(3,110)		(3,110)
Total shareholders' equity		398,889		136,203
Evaluation and foreign currency translation adjustments				
Differences in evaluation of other marketable securities		(558)		(666)
Gain (loss) on deferred hedge		(2,098)		—
Total evaluation and foreign currency translation adjustments		(2,657)		(666)
Total net assets		396,232		135,536
Total net assets and liabilities		1,241,766		858,532

(2) Non-Consolidated Statements of Income

(In millions of yen, %)

	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Operating revenue		
Interest on loans to customers	167,415	113,069
Financial revenue – other	408	72
Operating revenue – other		
Credit guarantee revenue	4,636	4,135
Bad debt write-off recovery	4,295	7,175
Other	460	340
Total operating revenue – other	9,392	11,652
Total operating revenue	177,216	124,793
Operating expenses		
Financial expenses		
Interest expenses	12,022	7,451
Interest on bonds	6,761	5,807
Other	988	540
Total financial expenses	19,771	13,799
Operating expenses – other		
Advertising expenses	3,815	—
Commissions	7,379	5,871
Transfer to allowance for bad debts	65,310	125,177
Transfer to reserve for losses on interest repayments	39,877	176,866
Director’s salaries and remuneration	261	284
Salaries for employees	13,155	10,514
Bonus for employees	1,698	856
Transfer to reserve for accrued bonuses	1,837	743
Welfare expenses	3,116	2,470
Expenses for retirement benefits for employees	698	658
Rent fees	1,964	1,786
Land rent	4,403	3,142
Repairs	3,284	2,460
Depreciation expenses	6,908	5,311
Other	6,538	6,374
Total operating expenses – other	160,250	342,516
Total operating expenses	180,022	356,316
Operating income (loss)	(2,805)	(231,522)

(In millions of yen, %)

	Previous fiscal year (April 1, 2008 to March 31, 2009)		Fiscal year under review (April 1, 2009 to March 31, 2010)	
Non-operating income				
Interest on loans	*1	4,108	*1	3,739
Dividends received		660		—
Miscellaneous		1,408	*1	1,063
Total non-operating income		6,177		4,802
Non-operating expenses				
Loss on investment in anonymous association	*2	121	*2	85
Amortization of stock issuance expenses		388		—
Transfer to allowance for investment loss		—		64
Miscellaneous		54		63
Total non-operating expenses		563		213
Ordinary income (loss)		2,807		(226,933)
Extraordinary income				
Allowance for bad debts from previous year		3,600		—
Reversal of reserve for accrued bonuses		—		407
Gain on liquidation of derivatives		—		100
Liquidation dividends		—		84
Gain on bond redemption		5,381		—
Other		907		89
Total extraordinary income		9,888		681
Extraordinary losses				
Loss on disposal of fixed assets	*3	790		—
Impairment losses	*4	471	*4	4,205
Loss on valuation of securities of affiliated companies		—		7,383
Transfer to allowance for bad debts		—		3,206
Business structure improvement cost		–	*5	8,141
Loss on the sales of business		—		4,081
Non-recurrent losses		303		—
Other		437	*6	4,841
Total extraordinary losses		2,002		31,859
Net income (loss) before taxes		10,694		(258,111)
Corporate tax, local and enterprise taxes		96		74
Refunds on corporate and other taxes		(7,111)		—
Adjustment on corporate tax, etc.		8,051		3,310
Total corporate tax, etc.		1,037		3,384
Net income (loss)		9,657		(261,495)

(3) Statements of Change in Shareholders' Equity

(In millions of yen)

	Previous fiscal year (April 1, 2008 – Mach 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	108,324	143,324
Change during fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	35,000	—
Total change during fiscal year	35,000	—
Balance at end of fiscal year	143,324	143,324
Capital surplus		
Capital reserve		
Balance at end of previous fiscal year	115,232	150,232
Change during fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	35,000	—
Total change during fiscal year	35,000	—
Balance at end of fiscal year	150,232	150,232
Total capital surplus		
Balance at end of previous fiscal year	115,232	150,232
Change during fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	35,000	—
Total change during fiscal year	35,000	—
Balance at end of fiscal year	150,232	150,232
Retained earnings		
Earned surplus reserve		
Balance at end of previous fiscal year	1,566	1,566
Balance at end of fiscal year	1,566	1,566
Other retained earnings		
General reserve		
Balance at end of previous fiscal year	437,296	102,230
Change during fiscal year		
Breakdown of general reserve	(355,065)	—
Total change during fiscal year	(335,065)	—
Balance at end of fiscal year	102,230	102,230
Retained earnings carried forward		
Balance at end of previous year	(335,065)	4,646
Change during fiscal year		
Distribution of retained earnings	(5,010)	(1,191)
Net income (loss)	9,657	(261,495)
Disposal of treasury stock	(0)	—
Breakdown of general reserve	335,065	—
Total change during fiscal year	339,711	(262,686)
Balance at end of fiscal year	4,646	(258,040)

(In millions of yen)

	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Retained earnings		
Balance at end of previous fiscal year	103,796	108,442
Change during fiscal year		
Distribution of retained earnings	(5.010)	(1,191)
Net income (loss)	9,657	(261,495)
Disposal of treasury stock	(0)	—
Total change during fiscal year	4,646	(262,686)
Balance at end of fiscal year	108,442	(154,243)
Treasury stock		
Balance at end of previous fiscal year	(3,110)	(3,110)
Change during fiscal year		
Acquisition of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Total change during fiscal year	0	(0)
Balance at end of fiscal year	(3,110)	(3,110)
Total shareholders' equity		
Balance at end of previous fiscal year	324,243	398,889
Change during fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	70,000	—
Distribution of retained earnings	(5,010)	(1,191)
Net income (loss)	9,657	(261,495)
Acquisition of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Total change during fiscal year	74,646	(262,686)
Balance at end of fiscal year	398,889	136,203
Evaluation and foreign currency adjustments		
Differences in evaluation of other marketable securities		
Balance at end of previous fiscal year	2,104	(558)
Change during fiscal year		
Net change in items other than shareholders' equity during fiscal year	(2,663)	(107)
Total change during fiscal year	(2,663)	(107)
Balance at end of fiscal year	(558)	(666)
Gain (loss) on deferred hedge		
Balance at end of previous fiscal year	(4,332)	(2,098)
Change during current fiscal year		
Net change in items other than shareholders' equity during fiscal year	2,233	2,098
Total change during fiscal year	2,233	2,098
Balance at end of fiscal year	(2,098)	—

(In millions of yen)

	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Evaluation and foreign currency adjustments		
Balance at end of previous fiscal year	(2,227)	(2,657)
Change during fiscal year		
Net change in items other than shareholders' equity during fiscal year	(429)	1,990
Total change during fiscal year	(429)	1,990
Balance at end of fiscal year	(2,657)	(666)
Total net assets		
Balance at end of previous fiscal year	322,015	396,232
Change during current fiscal year		
Issue of new stock (Exercise of new stock subscription rights)	70,000	—
Distribution of retained earnings	(5,010)	(1,191)
Net income (loss)	9,657	(261,495)
Acquisition of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Net changes in items other than shareholders' equity during fiscal year	(429)	1,990
Total change during fiscal year	74,216	(260,695)
Balance at end of fiscal year	396,232	135,536

(4) Significant Doubtful Events or Circumstances in Assumptions for Surviving Company

No relevant matters

(5) Important accountant principle

Item	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
1. Accounting Standards for allowances and reserves	—	Allowance for investment loss AIFUL records the necessary amount, taking into account the financial position of the relevant company and the possibility of recovery, to provide for losses on investments in affiliated companies.
2. Principal hedge accounting method	i) Method of hedge accounting Deferral hedge accounting is applied. Moreover, designation (furiate shori) is applied to exchange rate fluctuation risk hedges that meet the requirements for designation, and exceptional accounting is applied to interest swap contracts and interest cap contracts that meet the requirements for exceptional accounting. ii) Hedging instruments and targets a. Hedging instrument…currency swap contracts Hedging target…foreign currency denominated bonds b. Hedging instrument…interest swap contracts and interest cap contracts Hedging target…borrowing and bonds with floating interest rates that have fluctuating cash flow depending on changes in market interest rates, etc. iii) Hedging policy In its currency swap contracts, the AIFUL Group hedges against the risk of currency fluctuations related to the payment of principal and interest on foreign currency denominated bonds. In its interest swap contracts and interest cap contracts, the AIFUL Group keeps fixed interest fund raising at a certain level as a proportion of all fund raising. iv) Method of evaluating effectiveness of hedging The AIFUL Group judges the effectiveness of hedging using a proportional analysis of the cumulative fluctuation of hedging targets and hedging instruments over the previous ten years. However, the effectiveness of hedging is not evaluated for interest swap contracts to which exceptional accounting is applied.	i) Method of hedge accounting Deferral hedge accounting is applied. Moreover, designation (furiate shori) is applied to exchange rate fluctuation risk hedges that meet the requirements for designation, and exceptional accounting is applied to interest swap contracts that meet the requirements for exceptional accounting. ii) Hedging instruments and targets a. Hedging instrument…as on left Hedging target…as on left b. Hedging instrument…interest swap contracts Hedging target…bonds with floating interest rates that have fluctuating cash flow depending on changes in market interest rates, etc. iii) Hedging policy In its currency swap contracts, the AIFUL Group hedges against the risk of currency fluctuations related to the payment of principal and interest on foreign currency denominated bonds. In its interest swap contracts the AIFUL Group keeps fixed interest fund raising at a certain level as a proportion of all fund raising. iv) Method of evaluating effectiveness of hedging As on left

(6) Changes in disclosure method

Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
(Balance Sheets) 1. Short-term loans (¥105 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Current assets due to its lack of financial significance.	
(Statements of Profit and loss) 1. Dividends received, which was included under Other in Non-operating income until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total non-operating income. Dividends received were ¥335 million in the previous fiscal year. 2. Transfer to allowance for bad debts (¥8 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Non-operating income as it accounts for less than 10% of total non-operating income. 3. Business structure improvement cost (¥1 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses as it accounts for less than 10% of total extraordinary losses.	(Statements of Profit and loss) 1. Advertising expenses (¥1,224 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Operating expenses due to its lack of financial significance. 2. Dividends received (¥115 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Non-operating income as it accounts for less than 10% of total non-operating income. 3. Loss on disposal of fixed assets (¥383 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses as it accounts for less than 10% of total extraordinary losses. 4. Loss on valuation of securities of affiliated companies, which was included under Other in Extraordinary losses until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total extraordinary losses. Loss on valuation of securities of affiliated companies was ¥10 million in the previous fiscal year. 5. Transfer to allowance for bad debts, which was included under Other in Extraordinary losses until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total extraordinary losses. Transfer to allowance for bad debts was ¥18 million in the previous fiscal year. 6. Business structure improvement cost, which was included under Other in Extraordinary losses until the previous fiscal year, has been presented as a separate item as it exceeds 10% of total extraordinary losses. Business structure improvement cost were ¥1 million at the end of the previous fiscal year. 7. Non-recurrent losses (¥576 million for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses as it accounts for less than 10% of total extraordinary losses.

(7) Notes to Non-consolidated financial statements

(Notes to non-consolidated Balance sheet)

Previous fiscal year (As of March 31, 2009)	Fiscal year under review (As of March 31, 2010)
*1. Assets pledged as collateral and corresponding liabilities (1) Assets pledged as collateral Millions of yen Operating loans 314,735 Other current assets 84 Buildings 5,458 Land 6,762 Investment securities 4,928 Total 331,969 (2) Corresponding liabilities Millions of yen Short-term debt 40,000 Current portion of long-term debt 56,344 Long-term debt 69,088 Total 165,432 The above amounts include figures related to securitized claims (¥192,940 million for operating loans, ¥40, 000 million for short-term borrowings, ¥16, 200 million for the current portion of long-term debt, and ¥25,450 million for long-term debt) at the end of the fiscal year. The following items are not included in the above amounts i) Agreements concluded pledging ¥14,040 million in operating loans as collateral for a total of ¥12,764 million consisting of ¥7,452 million in the current portion of long-term debt and ¥5,312 million in long-term debt at the request of lenders. ii) ¥418 million in cash (Other current assets) supplied as collateral for interest swap transactions. iii) The Company has taken Marutoh K.K.'s land and other tangible fixed assets as a pledge for its above debts.	*1. Assets pledged as collateral and corresponding liabilities (1) Assets pledged as collateral Millions of yen Operating loans 383,310 Other current assets 82 Buildings 5,912 Land 6,762 Investment securities 4,742 Total 400,810 (2) Corresponding liabilities Millions of yen Short-term debt 11,125 Current portion of long-term debt 7,723 Long-term debt 188,696 Total 207,545 i) The above amounts include figures related to securitized claims (¥146,462 million for operating loans, ¥11,125 million for short-term borrowings, and ¥7,723 million for the current portion of long-term debt) at the end of the fiscal year. ii) ¥124,773 million in operating loans is included as joint collateral of AIFUL and its subsidiaries under the ADR process, and collateral has also been provided for ¥83,435 million in the long-term borrowings of subsidiaries. iii) The Company has contracted to offer ¥2,701 million in loans as collateral in response to borrowers' requests to the sum of ¥2,456 million long term debt which is included in (2) Corresponding liabilities above. iv) The Company has offered ¥20,859 million in cash (Other in Current assets) as collateral for swap transactions, which is not included in the above figures. v) The Company has taken Marutoh K.K.'s land and other tangible fixed assets as a pledge for its above debts.
*2. —	*2. AIFUL and some of its consolidated subsidiaries are receiving financial assistance under the ADR process. Of the debts that are covered by financial assistance, repayment of a total ¥10 billion by AIFUL and some of its consolidated subsidiaries is scheduled for September 30, 2010. However, for repayments to the same creditors, the priority of allocation between the relevant companies will vary depending on the applicable interest rate on the repayment date. As a result, it is difficult to specify an amount for the current portion of long-term debts. As a result, the relevant debts have all been included under long-term debts.
*3. Includes ¥648,122 million in unsecured personal loans.	*3. Includes ¥423,733 million in unsecured personal loans.

*4. —

*5. Bad debts from out of operating loans and claims in bankruptcy are as follows.

In millions of yen

	Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	2,129	36,158	38,288
Loans in arrears	66,248	74,229	140,478
Loans in 3-months+ in arrears	10,641	2,180	12,822
Restructured loans	30,171	1,374	31,546
Total	109,191	113,944	223,135

The loan categories in the table above are as follows.

(Loans in legal bankruptcy)
Loans in legal bankruptcy are those loans in which payment of principal or interest remain past due for a considerable period and accruals of interest are discontinued, with the conditions stipulated under (a) through (e) of sub-paragraph 3, paragraph 1, Article 96 or sub-paragraph 4 of the same paragraph of the Corporation Tax Law Enforcement Ordinance (Enforcement Ordinance No. 97 of 1965) arise. Bad debt allowances for claims in bankruptcy are stated at the amount estimated to be non-recoverable based on individual assessment of claims.

(Loans in arrears)
Loans in arrears are loans in which accruals of interest are discontinued, other than loans in legal bankruptcy, excluding those loans receiving regular payments in the case of reduction, waiver or deferral of interest payments for debtors in financial difficulties to assist them in business restructuring.

(Loans three months or more in arrears)
Loans three months or more in arrears are loans for which payments of principal or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payments. Loans classified as loans in legal bankruptcy and loans in arrears are excluded from loans three months or more in arrears.

(Restructured loans)
Restructured loans are loans in which regular payments are being received on loans with concessions such as reduction, waiver, or deferral of interest granted to debtors in order to assist in business restructuring. Loans classified as loans in legal bankruptcy and loans in arrears are excluded from restructured loans.

*4. Contingent Liabilities

Guaranty of liabilities

AIFUL has provided joint and several guarantee to LIFE Co., Ltd., a consolidated subsidiary for Agreement Claim Creditors (lending financial institutions, etc.,) under the Business Revitalization Plan and the agreement with creditors.

Name of guaranteed	Amount
Life Co., Ltd.	83,435
Total	83,435

*5. Bad debts from out of operating loans and claims in bankruptcy are as follows.

In millions of yen

	Unsecured loans	Other than unsecured loans	Total
Loans in legal bankruptcy	1,736	44,834	46,571
Loans in arrears	53,963	44,348	98,311
Loans in 3-months+ in arrears	7,087	1,524	8,611
Restructured loans	21,463	1,051	22,515
Total	84,251	91,759	176,010

The loan categories in the table above are as follows.

(Loans in legal bankruptcy)
As on left

(Loans in arrears)
As on left

(Loans three months or more in arrears)
As on left

(Restructured loans)
As on left

*6. ¥79,151 million in estimated interest repayments forecast to have priority application is included in operating loans. *7. Includes ¥35,500 million reserve for bad loans to affiliated companies.	*6. ¥74,094 million in estimated interest repayments forecast to have priority application is included in operating loans. *7. Includes ¥4,800 million reserve for bad loans to affiliated companies.

(Notes to Statements of Income)

Previous fiscal year (April 1, 2008 – March 31, 2009)

*1. Notes related to relevant subsidiaries

	Millions of Yen
Interest on loans	4,097
Non-operating income – others	430

*2. Gain (loss) on investment in anonymous associations is the evaluation gain (loss) based on the financial statements of investment partnerships, etc.

*3. The breakdown of loss on elimination of fixed assets is as follows.

	Millions of yen
Buildings	186
Equipment and fixtures	26
Software	554
Other	23
Total	790

*4. Impairment loss
The AIFUL Group recorded the following impairment losses during the fiscal year under review.

(1) Assets with recognized impairment losses

Use	Type	Impairment loss
Business systems, etc., scheduled for elimination	Buildings, equipment and fixtures, software	¥471 million

(2) Method of asset grouping
AIFUL Corporation uses the finance business as a single unit for asset grouping. For assets involved in business reorganization, all of the centers and business systems scheduled for closure are used as a single unit for asset grouping

(3) Background to recognition of impairment loss
The Group recognized impairment losses in conjunction with the promotion of its business reorganization plan.

(4) Amount of Impairment loss

	Millions of yen
Buildings	87
Equipment and fixtures	229
Software	153
Total	471

(5) Method of calculation for recoverable amount
The recoverable amount is calculated as the value in use at an amount equal to the depreciation through to the point of the closure of outlets.

Fiscal year under review (April 1, 2009 –March 31, 2010)

*1. Notes related to relevant subsidiaries

	Millions of Yen
Interest on loans	3,729
Non-operating income – others	403

*2. As on left

*3. —

*4. Impairment losses
The AIFUL Group recorded the following impairment losses during the fiscal year under review.

(1) Assets with recognized impairment losses

Use	Type	Impairment loss
Business offices scheduled for closure	Buildings, structures, equipment and fixtures etc.,	¥ 612 million
Paintings, etc.	equipment and fixtures etc.,	¥3,593 million

(2) Method of asset grouping
For the finance business and paintings, etc., which it decided to sell in the second half of the fiscal year, AIFUL uses each asset as the smallest unit for asset grouping. Moreover, for assets involved in business restructuring, AIFUL uses all business offices scheduled for closure as a single unit for asset grouping.

(3) Background to recognition of non-recurrent losses
AIFUL recognizes non-recurrent losses for some paintings, etc., which the Company has decided to sell, because the third party valuation is lower than the book value, and for business offices scheduled for closure in conjunction with the Business Revitalization Plan.

(4) Amount of impairment loss

	Millions of yen
Buildings	501
Structures	80
Machinery	0
Equipment and fixture	3,585
Other	37
Total	4,205

(5) Method of calculation for recoverable amount
The recoverable value of paintings that the Company has decided to sell is estimated based on a valuation obtained from a third party. The recoverable value of business offices scheduled for closure is estimated with the amount corresponding to depreciation and

	amortization expenses up to the time of closure as the use value.
*5. —	*5. The components of business structure improvement cost are as follows. Losses on branch reorganization 1,298 Special retirement benefits 5,884 Other 959 Total 8,141
*6. —	*6. The components of transfer to reserve for business structure improvement included under Other in Extraordinary losses are as follows. Head office related 216 Losses on branch reorganization 18 Voluntary retirement related 14 Contract cancellation related 65 Other 14 Total 328

9. Stock and Dividend Information

Previous fiscal year under review (April 1, 2008 – March 31, 2009, consolidated)

1. Matters pertaining to class and number of treasury stock

	No. of shares at end of previous fiscal year	Increase in no. of shares during current fiscal year	Decrease in no. of shares during current fiscal year	No. of shares at end of current fiscal year
Common stock (notes)	455,717	1,102	95	456,724
Total	455,717	1,102	95	456,724

Note. The increase of 1,102 in the number of shares of common treasury stock is due to the purchase of less than a unit shares. The decrease of 95 in the number of shares of treasury stock is due to the sale of less than a unit shares.

Fiscal year under review (April 1, 2009 – March 31, 2010, consolidated)

1. Matters pertaining to class and number of issued shares and class and number of treasury stock

	No. of shares at end of previous fiscal year	Increase in no. of shares during current fiscal year	Decrease in no. of shares during current fiscal year	No. of shares at end of current fiscal year
Common stock (Notes)	456,724	334	–	457,058
Total	456,724	334	–	457,058

Note. The increase of 334 in the number of shares of common treasury stock is due to the purchase of less than a unit shares.

10. Tax Effect Accounting

Previous fiscal year (As of March 31, 2009)

1. Breakdown of major components in deferred tax assets and deferred tax liabilities

	Millions of yen
Deferred tax assets	
Allowance for bad debts	45,591
Allowance for losses on interest repayments	34,461
Losses carried forward	39,037
Loan losses	9,700
Shares in affiliated companies	8,873
Accrued revenue	3,886
Other	7,358
Deferred tax assets subtotal	148,909
Valuation allowance	(144,053)
Deferred tax assets total	4,855
Deferred tax liabilities	
Accrued refund of corporation tax, etc.	(94)
Deferred tax liabilities total	(94)
	4,761

Net deferred tax assets are included in the balance sheet items below.

	Millions of yen
Current assets – deferred tax assets	3,310
Fixed assets – deferred tax assets	1,450

2. Breakdown of major components of disparity when a significant disparity arises between the effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting.

	(%)
Effective statutory tax rate	40.9
(Adjustments)	
Valuation allowance	(19.4)
Influence of change in normal effective statutory **tax** rate	(10.4)
Other	(1.4)
Actual effective tax rate after application of tax effect accounting	9.7

Fiscal year under review (As of March 31, 2010)

1. Breakdown of major components in deferred tax assets and deferred tax liabilities

	Millions of yen
Deferred tax assets	
Allowance for bad debts	48,674
Allowance for losses on interest repayments	80,579
	99,048
Loan losses	9,621
	3,050
Accrued revenue	3,427
Other	8,549
Deferred tax assets subtotal	252,952
Valuation allowance	(252,952)
Deferred tax assets total	—
Deferred tax liabilities	—
Deferred tax liabilities total	—

2. Breakdown of major components of disparity when a significant disparity arises between the effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting.

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12. Per Share Information

Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – March 31, 2010)
Net assets per share 1,663.24 yen Net income per share 56.31 yen Diluted net income per share omitted because there were no latent shares with a dilutive effect.	Net assets per share 568.93 yen Net income per share 1,097.67 yen Diluted net income per share omitted because the Company recorded a net loss per share and because there were no latent shares with a dilutive effect.

Note 2: Basis for calculation of net income (loss) per share and diluted net income per share is as follows.

Item	Previous fiscal year (April 1, 2008 – March 31, 2009)	Fiscal year under review (April 1, 2009 – Mar 31, 2010)
Net income (loss) per share		
Net income (loss)	9,657 million yen	(261,495) million yen
Amount not attributable to common stock shareholders	—	—
Net income (loss) related to common stock	9,657 million yen	(261,495) million yen
Average number of shares of common stock during the period	171,495,135shares	238,228,688 shares
Diluted net income per share		
Adjusted net income	—	—
Increase in number of common stock	—	—
(of which warrants)	—	—
Outline of stock not included in diluted net income per share due to lack of dilutive effect	New share subscription-type stock options (No. of shares:246,600) decided upon at the 27th ordinary general meeting of shareholders (June 25, 2004) New share subscription-type stock options (No. of shares: 270,000) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)	New share subscription-type stock options (No. of shares: 263,400) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)

7. Transfers of Directors

To be published when the information is available.

8. Non-Consolidated Results of Operations

1. Operating Revenue

(In millions of yen, %)

Item \ Period	Previous fiscal year (April 1, 2008 – March 31, 2009)		Fiscal year under review (April 1, 2009 – March 31, 2010)	
	Amount	%	Amount	%
Interest on loans to customers	167,415	94.5	113,069	90.6
Unsecured loans	142,010	80.2	92,854	74.4
Secured loans	22,546	12.7	18,353	14.7
Small business loans	2,858	1.6	1,861	1.5
Other financial revenue	408	0.2	72	0.1
Other operating revenue	9,392	5.3	11,652	9.3
Credit guarantee revenue	4,636	2.6	4,135	3.3
Other	4,755	2.7	7,516	6.0
Total	177,216	100.0	124,793	100.0

Note: "Other" included in other operating revenue includes bad debt write-off recovery and card membership fees.

2. Other Operating Indicators

Item \ Period	End of previous fiscal year (As of Mar. 31, 2009)	End of fiscal year under review (As of Mar. 31, 2010)
Total amount of loans outstanding (millions of yen)	842,786	553,476
Unsecured loans	648,122	423,733
Secured loans	181,394	120,821
Small business loans	13,269	8,921
Number of customer accounts	1,350,534	1,060,693
Unsecured loans	1,280,746	1,009,469
Secured loans	58,793	43,753
Small business loans	10,995	7,471
Number of branches	953	665
Staffed branches	99	28
Unstaffed branches	854	637
Number of automatic loan-contracting machines	957	669
Number of ATMs	102,246	91,824
Company-owned	1,004	665
Partner-owned	101,242	91,159
Number of employees	2,525	1,191
Bad debt write-off (millions of yen)	118,249	105,783
Allowance for bad debts (millions of yen)	203,340	188,140
Net income (loss) per share (yen)	56.31	(1,097.67)
Net assets per share (yen)	1,663.24	568.93

Notes:
1. Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy.
2. Bad debt write-off does not include losses on claims in bankruptcy, which came to 9,541 million yen in the previous fiscal year, and 3,888 million yen in the fiscal year under review.
3. The allowance for bad debts includes the expected amount of interest repayments estimated to have priority application to loans outstanding (79,151 million yen at the end of the previous fiscal year and 74,094 million yen at the end of the fiscal year under review).