The more pieces we add, the better the picture.

AIFUL CORPORATION
ANNUAL REPORT 2002

PROFILE

AIFUL CORPORATION is a leader in Japan's consumer finance industry. Since its establishment, the Company has striven to create value for all its stakeholders—customers, shareholders and employees—in line with its corporate philosophy of obtaining community support for all its activities. Over the years, AIFUL has expanded its operations, while ensuring that it continues to meet the expectations of all its customers.

In fiscal 2001, ended March 31, 2002, AIFUL served its more than two million customers through 1,592 branches and a network of 35,904 cash dispensers and automated teller machines (ATMs). On a consolidated basis, the balance of loans outstanding at March 31, 2002, was ¥1,482,796 million ($11,148,842 thousand).

The Company is listed on the first sections of the Tokyo Stock Exchange (TSE) (Code: 8515) and the Osaka Securities Exchange (OSE).

In March 2001, AIFUL acquired LIFE Co., Ltd., a leading Japanese consumer credit company. At March 31, 2002, this subsidiary had 8,710,000 cardholders and 76,000 member merchants accepting its cards. This broad customer base and extensive marketing channel have allowed AIFUL to accelerate its drive to become a comprehensive provider of financial services. The AIFUL Group comprises the parent company and seven consolidated subsidiaries, including LIFE, which are working together to expand the Group's foundations in comprehensive financial services and build long-term asset value for AIFUL's shareholders.

CONSOLIDATED FINANCIAL HIGHLIGHTS

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

	Millions of Yen		Percentage Change	Thousands of U.S. Dollars
	2002	2001	02/01	**2002**
For the Year:				
Total income	**¥ 400,014**	¥ 281,719	42.0%	**$ 3,007,624**
Total expenses	**338,166**	189,145	78.8	**2,542,601**
Income before income taxes and minority interests	**61,848**	92,574	-33.2	**465,023**
Net income	**35,064**	48,253	-27.3	**263,639**
At Year-End:				
Balance of loans outstanding	**1,482,796**	1,261,042	17.6	**11,148,842**
Installment accounts receivable	**120,756**	86,642	39.4	**907,940**
Total assets	**2,029,634**	1,865,537	8.8	**15,260,406**
Long-term debt, including current portion thereof	**1,291,781**	1,191,942	8.4	**9,712,639**
Total shareholders' equity	**421,343**	306,550	37.4	**3,167,992**
Number of shares outstanding	**93,376,000**	84,876,000	10.0	
Per Share Data:	Yen		Percentage Change	U.S. Dollars
Net income	**¥390.00**	¥569.32	-31.5%	**$2.93**
Cash dividends	**50.00**	50.00	0.0	**0.38**

Notes: 1. The U.S. dollar amounts have been translated, for convenience only, at ¥133=$1, the approximate rate of exchange at March 29, 2002.
2. Net income per share has been computed based on the weighted average number of shares outstanding during each period, after retroactive adjustment for stock splits.

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Cautionary Remark Regarding Forward-Looking Statements

Statements made in this annual report with respect to AIFUL's plans, strategies and beliefs and other statements that are not historical facts are forward-looking statements based on the assumptions and beliefs of the Company's management in light of the information currently available to it and involve risks and uncertainties that may affect the Company's future performance. Potential risks and uncertainties in AIFUL's areas of business include, without limitation, social, economic and financial conditions.

NOTEWORTHY EVENTS

First Quarter

April 2, 2001 — **New Start for LIFE, Businext Launched**

LIFE started operating as a wholly owned subsidiary. Businext Corporation, a joint venture with The Sumitomo Trust & Banking Co., Ltd., began offering financing services for small businesses.

June 4, 2001 — **Sanyo Shinpan Becomes Wholly Owned Subsidiary**

Sanyo Shinpan Co, Ltd., a 100%-owned consumer credit and credit card firm, became a wholly owned subsidiary.

Second Quarter

August 25, 2001 — **New Shares Issued**

AIFUL raised ¥87 billion through a public offering of 3.5 million shares and 5 million shares of common stock in Japan and overseas, respectively. AIFUL used these funds to improve its equity ratio, which had declined as a consequence of its acquisition of LIFE, and reinforce the Company's financial position to support further business expansion.

Third Quarter

November 8, 2001 — **LIFE Share Parcel Transferred**

The Company transferred 4.12% of its stake in LIFE to financial institutions with which it conducts transactions, to help LIFE obtain funding more easily.

November 27, 2001 — **AsTry Loan Services Established**

AIFUL and Aozora Bank, Ltd., jointly created AsTry Loan Services Corporation, a debt-servicing company that harnesses AIFUL's expertise in retail credit management and collections and Aozora Bank's sales network.

December 7, 2001 — **Employee Stock Options Granted**

The Company granted stock options to employees and directors to encourage them to boost revenues and earnings.

Fourth Quarter

January 27, 2002 — **Fixed Assets Transferred to Subsidiary**

AIFUL transferred all its rental and commercial property to MARUTOH Co., Ltd., a wholly owned subsidiary, as part of a drive to optimally allocate Group management resources. At the same time, AIFUL reclassified unused property as held for sale, cutting prices to reflect current market values.

March 20, 2002 — **Businext Buys Lending Business**

In keeping with an expansionary drive, Businext acquired the building contractor lending operations of Misawa Homes Co., Ltd., for ¥3.7 billion.

MESSAGE FROM THE PRESIDENT

Yoshitaka Fukuda
President and CEO

I am pleased to report on our achievements in fiscal 2001. During this period, we continued do our utmost to serve Japan's ¥65 trillion consumer credit market, while building value in line with our long-term management vision of becoming a comprehensive retail financial services group.

Operating Environment

In the final decade of the 20th century, Japan's consumer finance market tripled in size, to around ¥9 trillion. Under our medium-term management plan, we expect the market to continue expanding, before flattening out at ¥13 trillion in 2010. As the market heads toward maturity, we are already witnessing an intense battle for market share that crosses traditional business boundaries. For example, major consumer finance institutions are entering the consumer credit and credit card businesses and establishing joint ventures with banks. Foreign players are entering the industry through mergers and acquisitions (M&A).

The operating environment greatly affected our business performance during the year under review. We strove to overcome unfavorable macroeconomic conditions and attract new customers for our unsecured loans. Despite extensive advertising campaigns, centered on television commercials, unsecured loan volume declined in the second half of the term, as personal consumption stagnated amid concerns about Japan's economic prospects. Bad debt write-offs continued to increase, owing to a surge in bankruptcies and record highs in the unemployment rate. History suggests that our results should recover in line with a pickup in the economy, as new lending and bad loans tend to fluctuate with the economy.

On the legal front, in June 2003 the Japanese government plans to once again review the interest rate ceiling under the Distributions Law. The maximum interest rate under this law has already been reduced from 40.004% to 29.2% in response to concerns over the unethical collection methods of some commercial lenders. AIFUL and other members of the consumer finance industry have continued to lobby lawmakers to enhance their understanding of the sector, and are doing their best to eliminate the collection problems that prompted the previous revision to the regulations.

Management Strategy

The medium-to-long-term management strategy of the AIFUL Group is to strengthen its foundations ahead of the maturation of the consumer finance market by becoming a comprehensive retail financial services provider.

To realize this goal, we are diversifying both our product lineup and distribution channels for securing customers. In addition, we are striving to become a leading player as competition spills across traditional business boundaries by prioritizing M&A and forming alliances that help us bolster Group competitiveness and brand value.

We did much in the year under review as part of our strategic drive to become a comprehensive retail financial services provider. Our achievements included the acquisition of LIFE, a leading Japanese consumer credit company, and the establishment of a joint venture with Sumitomo Trust & Banking to specialize in lending to medium-risk small business owners and corporations.

Through our acquisition of LIFE, we expanded our customer base to more than 8 million people. Immediately after the purchase, we swiftly implemented management improvements to enhance the AIFUL Group's competitiveness in the consumer credit market, while improving LIFE's performance.

Operating Achievements

To complement our diversification strategies under our comprehensive retail financial services vision, we have also focused on reinforcing LIFE's management, launching new businesses and forming partnerships with banks in the assurance field.

Under our product diversification strategy, we are emphasizing unsecured loans, home equity loans and small business loans, and developing products that meet customer needs. These offerings include loans that help to streamline company cash flows.

Through our strategy of diversifying distribution channels to attract more customers, we are working to improve customer convenience by developing the existing distribution channels of Group companies and exploiting the prestige of the AIFUL brand in consumer finance. We are doing this by forging alliances with companies in other fields, pursuing M&A, offering Internet cashing and implementing other new approaches.

Since taking over LIFE, we have concentrated on revamping its poor earnings structure by building a high-return assets portfolio. These efforts led to LIFE posting ¥2.4 billion in ordinary income just a year after bankruptcy. We intend to keep increasing LIFE's profitability by allocating more resources to it so LIFE can become a high-earnings business in the consumer credit and other fields. Examples include shopping and cashing services under the LIFE Credit Card and unsecured loans through the LIFE Play Card.

Future Challenges

Competition between the major players, increased rivalry with foreign firms and banks newly entering the market have led to unprecedented competition in the consumer finance industry. Through our acquisition of LIFE, we have branched out from our roots in consumer finance and entered Japan's ¥65 trillion consumer credit market. In our drive to become a leading player in this market, we are endeavoring to expand our customer base and broaden the scope of our operations, while pursuing an M&A strategy covering consumer finance and credit firms. At the same time, we are pursuing synergies through Group management so that we can streamline operational efficiency and more effectively deploy our resources to greatly reduce costs.

To achieve further progress in the consumer finance market, we have prioritized the building of an AIFUL Group brand over the three years of our medium-term management plan.

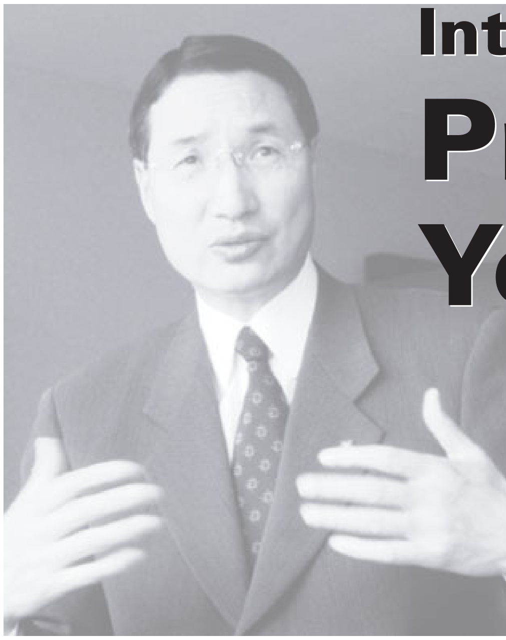
As we prepare to meet new challenges, we will urgently work to bolster LIFE's profitability so it can help drive Group growth.

I look forward to your continuing support and encouragement in the year ahead.

Y. Fukuda

Yoshitaka Fukuda
President and CEO
June 26, 2002

SPECIAL FEATURE



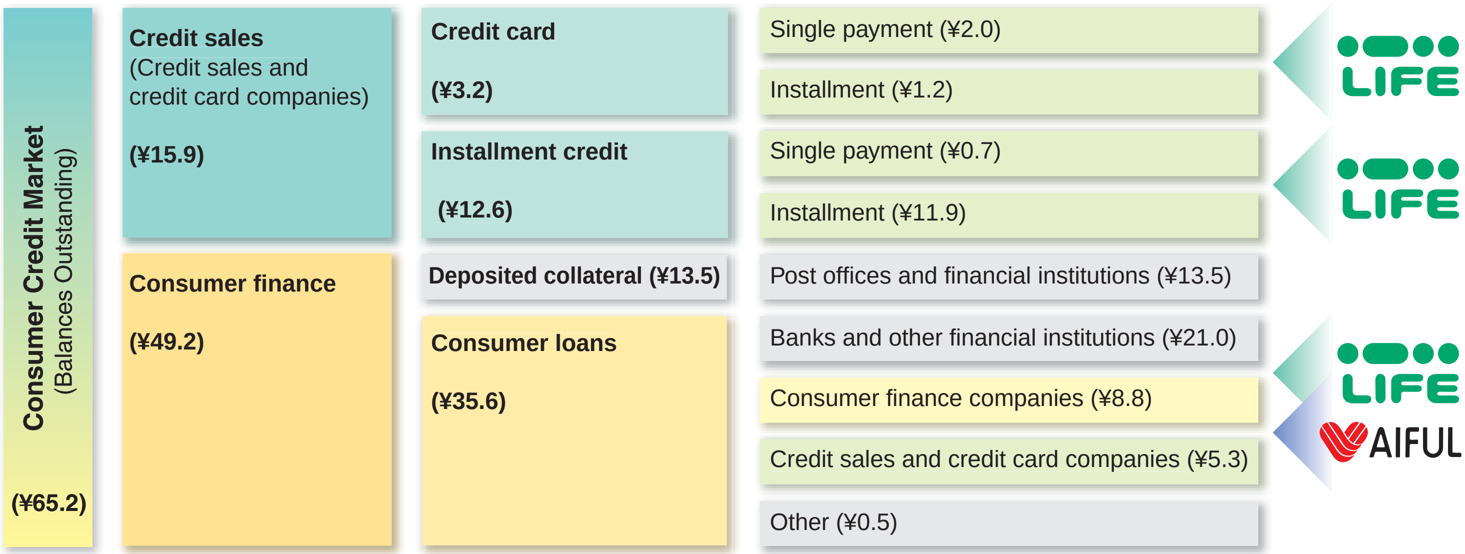
Interview with President Yoshitaka Fukuda

Theme One: Operating Environment

Q *Please outline your views on the consumer finance market. Also, what are your growth targets in that market?*

Overview of Japan's Consumer Credit Market – The Breaking Down of Traditional Business Barriers

(As of the end of calendar 2000; Trillion of yen)



Source: Consumer Credit Market Statistics, Japan Consumer Credit Industry Association

Around 10 years ago, the consumer finance market was worth ¥3 trillion, or just 4.9% of the consumer credit market. By 2000, it had expanded to ¥9 trillion, accounting for 13.6% of the consumer credit market. In the decade since Japan's bubble economy burst, apart from consumer finance, the only growth has been in credit sales and credit cards. But the companies in the latter two fields are relatively small, so I believe that consumer finance players have been the big winners amid these changes.

That said, growth is now stabilizing in the consumer finance market, which has driven consumer credit expansion to date. I think the consumer finance market will mature over the next few years.

Our medium-term management plan assumes that the rate of growth in the industry will decelerate over the next two to three years as customers will probably borrow less in response to the currently poor economic conditions, and falling interest rates should lead to a long-term slowdown in industry growth. In the medium-to-long term, we think that the industry will grow until 2010, when the consumer finance market will be worth ¥13 trillion. The market should remain at that level thereafter.

Q What do you think of the players newly entering the consumer finance industry and the industry's increasingly borderless nature?

A In terms of new entries, it would have been unthinkable just a few years ago that banks would form alliances with players in our industry to start offering cashing services, creating such companies as Mobit Co., Ltd., and At-Loan Co., Ltd. Fiscal 2001 saw the launch of the bank-owned Tokyo-Mitsubishi Cash One Ltd.

Foreign institutions have also made inroads into the Japanese consumer finance market. In 1998, for example, General Electric Capital Corporation acquired Lake Co., Ltd., and deployed aggressive television commercial campaigns aimed particularly at marketing secured loans. The ING Group invested in consumer finance company NICE Co., Ltd., while Ripplewood Holdings LLC invested in Shinki Co., Ltd., the consumer finance arm of Shinsei Bank, Limited, in which Ripplewood is a major investor. Still, the player most in the spotlight has been Citigroup Inc. for its consumer finance acquisitions strategy. Over the past two years, Citigroup has bought a number of small and medium-sized firms, such as AIC Corporation, DIC Finance Corporation and Unimat LIFE Corporation as part of efforts to build a top presence in the consumer finance market in Japan.

Banks are focusing their consumer finance strategies on accepting loan applications through unmanned lending centers, the Internet and fax services. But these setups are merely sales support tools. It is impossible to provide the comprehensive cashing services critical to consumer finance if you do not maintain a branch network. The keys to success in retail finance are a strong brand that highlights a readiness to provide unsecured loans and a solid branch network. Furthermore, we believe that the risk pricing prospects are extremely limited at the 18% interest rates that banks are offering.

Foreign institutions do, admittedly, have global brand names. Nonetheless, they operate through Japanese mid-tier consumer finance firms that they have acquired, and those businesses still use their pre-acquisition names. In other words, the foreign players have not unified their brands.

The new entrants do not seem serious rivals to Japan's well-established, large consumer finance firms, although bank- and foreign-owned companies do have the potential to cultivate and reinvigorate the consumer finance market.

Theme Two: New Customer Trends

Q How is the changing business environment affecting your new customer levels?

A In fiscal 2001, the number of new customers rose just 2.0%, to 462,000 accounts, and we actually posted a decline in the number of new customers in the second half of the term, for the first time in three years.

Our industry suffered an overall drop in new customer numbers mainly because concerns over the economy's prospects prompted people to refrain from borrowing. Possible market saturation was less of a factor. During the year, average worker incomes fell 1.2%, the first drop in three years, which is largely why consumer confidence has been weakened. In addition, the aggressive television commercial campaigns that consumer finance firms mounted from 1999, after lifting a voluntary ban on such advertising, have become less effective.

Another factor—an internal one for AIFUL—is that in the second half of fiscal 2001 we tightened lending to constrain loan write-offs. Accordingly, only 71.8% of loan applications in the second half of the fiscal year were successful, compared with 74.8% in the first half of the fiscal year. In addition, we moved away from "soft-sell" commercials to those presenting more specifics and with greater impact. Consumers did not like the new approach, which likely contributed to the decrease in new loan applications.

I think that our operating environment will remain severe until corporate restructuring run their course and unemployment begins to fall, leading to an improvement in consumer confidence. Because of internal factors, I believe it will be hard for us to raise the percentage of successful loan applications in the current economic climate. Still, we will return to running soft-sell commercials and continue to improve customer service.

Q What are your reflections on AIFUL's change in marketing approach?

A Consumer finance marketing is "pull" oriented, centering on television commercials, newspaper advertising and signboards. Marketing techniques have varied depending on the phase.

The first phase involved the use of branch networks. For example, when Acom Co., Ltd., developed its automated lending machines the company was able to quickly set up a nationwide network of unmanned lending centers. The increased convenience boosted new customer numbers.

The next major development was in 1999, when the ban on consumer finance advertising on prime-time television was lifted. Promise Co., Ltd., ran an intensive soft-sell commercial campaign that highlighted images of traditional Japan. We rolled out our commercial strategy after that. Instead of taking Promise's approach, we opted to present AIFUL as a provider of peace of mind, with our commercials showing employees dealing in person with customers at our loan centers. This more personal technique was a first in the domestic consumer finance industry, and many viewers accepted the message of trustworthiness and reliability, propelling us to the top in terms of new customer numbers.

Today, commercials seem to have lost much of their original impact, indicating that we have overmarketed on television. Our advertising and sales operations are currently working together to develop new products and the next marketing phase.

Theme Three: Loan Write-Offs

Q How do you interpret loan write-off risks?

A The state of the macroeconomy is an increasingly significant factor in the current surge in loan write-offs. Also, changes in the legal framework have prompted more people to seek legal advice in an attempt to avoid discharging their debt obligations.

At the macroeconomic level, unemployment rates and loan write-offs correlate quite closely. A decade ago, when the unemployment rate was 2%, loan write-offs were 2.5%. Now, with unemployment at a record high of 5.6%, loan write-offs have risen to 4.1%. In other words, a one percentage point increase in the unemployment rate boosts loan write-offs approximately half a percentage point.

The legal environment changed with the April 2001 introduction of the Code of Personal Bankruptcy Rehabilitation, which lifted a ban on attorney advertising. With more attorneys becoming active in the bankruptcy field ahead of the government's scheduled June 2003 review of the Distribution Law's interest rate ceiling, we are seeing more personal bankruptcies being declared. Such declarations hit a record high of 160,000 in fiscal 2001.

Personal bankruptcies will probably remain at a high level until the 2003 revision, although the increasing number of loan write-offs owing to macroeconomic factors will probably abate as the Japanese economy recovers. This improvement, combined with revisions to AIFUL's scoring system, should lead to a gradual decline in loan write-offs and delinquencies.

Q *What are your views on changes to the legal framework for consumer finance?*

A The government lowered the Distribution Law's interest rate ceiling in 2000 in response to social uproar about the dubious collection practices of some commercial lenders—which operate in a completely different industry to ours—concluding that high interest rates were the cause of the problem. Neither AIFUL nor other leading consumer finance firms had engaged in contentious collection practices. Since then, we have done our utmost to ensure that society does not again confuse us with these commercial lenders. To improve understanding of our industry's position, we are working with counterpart firms to maintain proactive disclosure through the media, approach lawmakers and act through the Liaison Group of Consumer Finance Companies, which is chaired by a Waseda University professor. Through these efforts, we and other members of our industry have been striving to convince the government that further reinforcing interest rate regulations would make no sense. While there is a risk that the government will cut the interest rate ceiling even further in 2003, we will continue to work with other firms in the industry to prevent this happening.

Theme Four: Management Strategies for a New Operating Environment

Q *Why did you decide to pursue a vision of becoming a comprehensive retail financial services provider?*

A As I mentioned earlier, we expect the rate of growth in the consumer finance market to decelerate, and then stabilize in the near future. Nonetheless, we want to maintain and expand our presence in the consumer finance market, while diversifying our product lineup and customer acquisition channels. Four firms currently dominate the oligopolistic consumer finance market. The need to seek new vehicles for growth beyond this ¥9 trillion market underscored our acquisition of LIFE and our creation of Businext, which serves middle-risk business owners and corporations. These moves have given us greater access to the ¥65 trillion consumer credit market. In other words, we want to build an overall capability in retail finance so we can emerge as a winner from an inevitable restructuring of our industry.

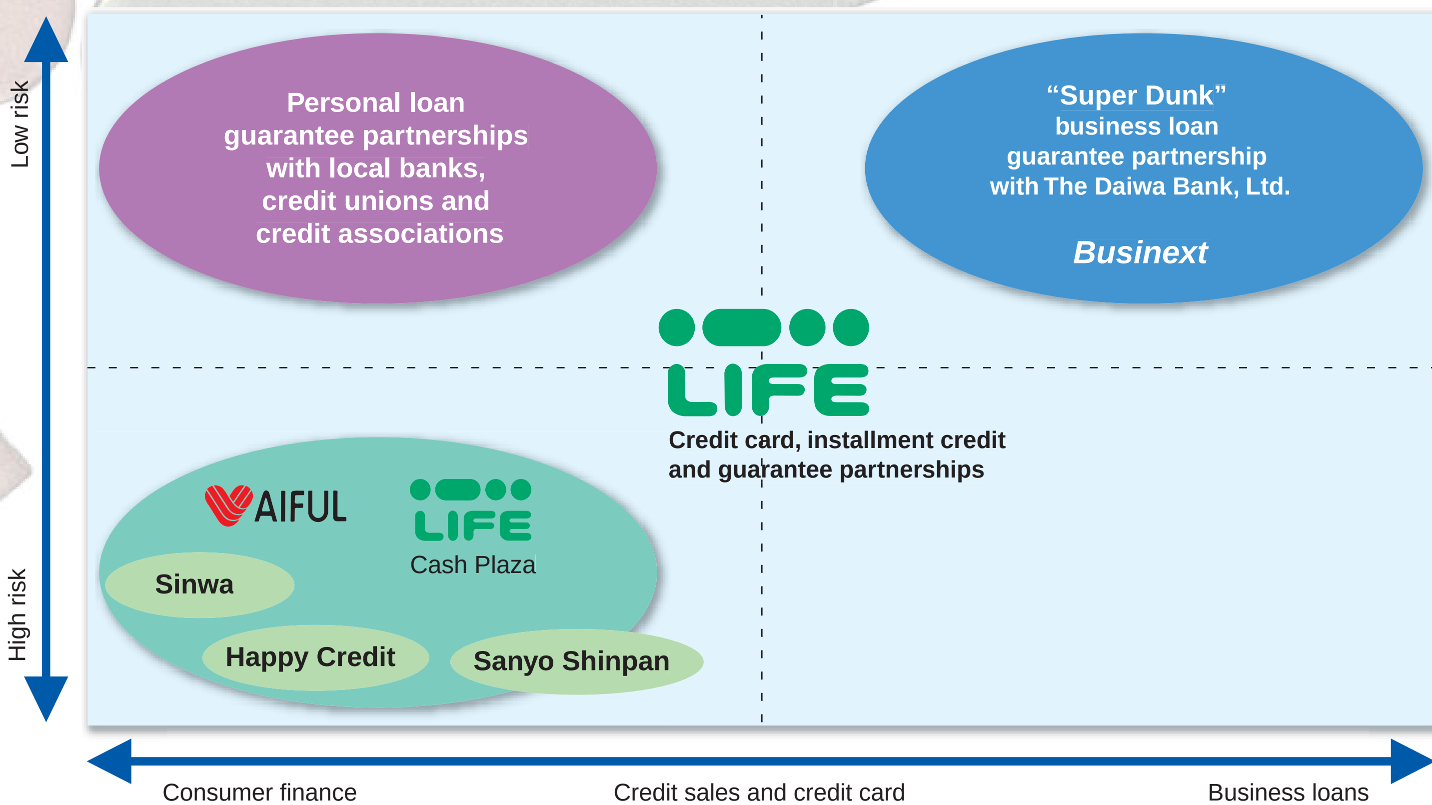
Q What type of comprehensive retail finance player do you aim to become, and what are your main priorities in launching Group management?

A The pursuit of efficiency through selective concentration is very popular at the present time. We believe it is better to duplicate and disperse our resources under our comprehensive retail consumer finance vision.

Selective concentration seems critical for companies facing stagnation in maturing industries. In our view, such a policy would prevent us from seizing the opportunities available to us by expanding beyond consumer finance into the ¥65 trillion consumer credit market.

In the consumer credit market, the boundaries have broken down between consumer finance, credit cards and credit sales, with players scrambling for a share. Rather than limiting our horizons, we are promoting "diffusion and duplication" through M&A and alliances and doing our utmost to broaden our operating base before the battle for market share intensifies. That said, in our next medium-term management plan we intend to harness selective concentration principles in assessing the profitability and efficiency of our expanded businesses.

AIFUL Group Business Activities – Diffusion and Duplication



Q Why is brand image so important for AIFUL, and how are you deploying it?

A As a comprehensive retail finance player, we consider the AIFUL brand an important tool in significantly differentiating ourselves from the competition as we expand into the consumer credit market. The leading consumer finance firms have done much to enhance their brands. Despite all that, they have not yet altered the ratio of male customers to female customers, which currently stands at 7:3. But if you look at credit card companies, such as Credit Saison Co., Ltd., you see that the ratio is fairly balanced. This implies that women do not like to borrow from consumer finance firms, but are quite happy to obtain cash on credit cards, such as the LIFE Card.

Consumer credit firms have formed alliances with a wide range of top companies to help secure new customers, but AIFUL does not have access to such acquisition channels. That is why improving the Group's brand image is central to our medium-term management plan goal of successful expansion as we move beyond our consumer finance roots.

The AIFUL Group is striving to reinforce its corporate brand by holding monthly Groupwide brand meetings. These gatherings encompass debate over policies to improve the clout of our television commercials or sponsorship of sporting and other events as part of our commitment to corporate citizenship.

One unique advantage we have over our consumer finance rivals is the increased brand awareness we secured by taking over leading consumer credit company LIFE. Roughly half of LIFE's customers are female, which is an advantage other consumer finance firms do not enjoy. This acquisition and other moves are part of our strategy to increase overall Group brand value.

Q How did you create the revenues and earnings model you used to rebuild LIFE, and what approaches are you considering to further strengthen LIFE so it can deliver high returns?

A Following our takeover of LIFE, we reshuffled its portfolio so it could provide high returns based on stronger operating assets. The first step was to have LIFE completely withdraw from the low-profit automobile loan and home loan guarantee businesses and focus on the high-return card cashing and consumer finance businesses. Like AIFUL, LIFE offers loan card services, so we had LIFE adopt our scoring system in that area to allow it to achieve high growth in outstanding loans. LIFE also has a card cashing business—in contrast to AIFUL—so it is not so straightforward to apply our expertise to help LIFE increase its usage rates and cashing per customer. That said, LIFE has been able to expand its customer base through alliances for the LIFE Card.

In areas outside the card cashing business, we transferred settlement authority from LIFE's headquarters to its branches. This has allowed LIFE to rapidly increase per-item shopping sales, which offer high returns, thereby enhancing profitability. In its first year of operations under the AIFUL umbrella, LIFE has gone from bankruptcy to ordinary income of ¥2.4 billion. Our target for fiscal 2002 is ordinary income of ¥8.0 billion.

Over the next two to three years, through our initiatives we are aiming for LIFE to build solid earnings foundations. The goal thereafter is for LIFE to expand its core credit sales and credit card businesses. In credit cards, we want LIFE to secure more large merchants and expand its customer base, while diversifying its settlement approaches and usage channels to build value by becoming more attractive, thereby increasing its capacity utilization.

LIFE's Complete Rehabilitation only One Year after Acquisition and Looking to Dominate the Credit Sales and Credit Card Businesses

	LIFE Fiscal 2000 (Acquisition)	LIFE Fiscal 2001 (Results)	LIFE Fiscal 2002 (Targets)
Card membership (Thousands)	7,480	8,710	9,780
Receivables (Millions of yen)	606,313	612,509	687,641
Loans outstanding (Millions of yen)	196,559	250,903	312,550
Operating revenue (Millions of yen)	N.A.[1]	79,824	101,076
Ordinary income (Millions of yen)	N.A.[1]	2,404	8,000

Notes: 1. LIFE filed for bankruptcy during this fiscal year, so there are no audited full-year revenue and income figures, and the company was not included in AIFUL's consolidated accounts.
2. LIFE's figures are on a receivables basis that includes receivables dropped from the balance sheet through securitization.

Q *Please describe your efforts to increase the efficiency and profitability of your business processes.*

A To achieve success in the consumer credit market, the AIFUL Group pursues the benefits possible from the organic synergies between all Group members.

We are cultivating sales synergies by having all Group members diversify their product lineups and customer distribution channels. For example, all Group companies market AIFUL's secured loans and take advantage of LIFE's credit card system to issue credit cards. In these and other ways we are ensuring that Group companies use resources more efficiently.

In terms of cost synergies, we have already transferred the back office operations of Happy Credit Corporation, Sinwa Co., Ltd., and Sanyo Shinpan Co., Ltd., to AIFUL's headquarters. A single advertising company produces all the AIFUL Group's television commercials, which has allowed us to maintain advertising volume at a lower cost.

We are building systems synergies by jointly developing and using new setups. A good example of this is an operating center that we plan to open in October 2002. This facility will centralize everything from applications to collections. Within a very short time frame, all Group companies will transfer their loans and claims management to this new center, thereby cutting costs considerably. By taking a Group approach to developing and sharing products and systems, we are seeking to bolster Group profitability. Through such endeavors, we seek a consolidated return on assets of more than 3.0%.

Q *Please outline your corporate citizenship efforts.*

A We sponsor a variety of sports events throughout Japan as part of our contribution to society.

In fiscal 2001, we sponsored the AIFUL Cup Golf Tournament 2001, which was held at the Ajigasawa Country Club in July 2001 and was the Japan Golf Tour Organization's 16th event for the year. The Ajigasawa Athletics Association helped run the tournament, and we sought other ways to involve the local community.

AIFUL also sponsored the 11th Fukuchiyama Marathon in Kyoto Prefecture, sanctioned by the Japan Association of Athletics Federations. This annual event is one of the few in Japan to attract around 10,000 runners, and has increasingly become a favorite among amateur athletes.

Also in fiscal 2001, we sponsored the International Judo Federation's World Judo Championships, held in Munich, Germany. More than 670 *judoka* from 90 nations competed at this event, which entertained countless fans around the globe.

Our social involvement extends beyond the sponsorship of sporting events. For example, we support group and individual volunteers through the Volunteer Heartful Prize and will continue to support community activities in keeping with the spirit of the United Nations' International Year of Volunteers 2001.

AIFUL plans to continue seeking as many opportunities as possible to interact with society through a variety of activities—centered on sports events—in line with its corporate philosophy of obtaining community support for its operations.

AIFUL

The Company has been pursuing strategies to diversify its product lineup and customer marketing channels in keeping with its vision of becoming a provider of comprehensive retail financial services.

Our product diversification strategy encompasses meeting the sophisticated needs of our customers by developing derivatives for unsecured loans, home equity loans and small business loans.

We are diversifying our distribution channels and enhancing convenience to attract more customers by forming partnerships with companies in other industries, pursuing M&A, engaging in bank assurance and offering cashing services over the Internet.

In fiscal 2001, these efforts helped boost the balance of loans outstanding at year-end 13.3%, to ¥1,313.7 billion. The number of customer accounts was up 5.8%, at 2,244,283 accounts.

Unsecured Loans

At the end of the first half of the fiscal year, the number of new unsecured loans had climbed 11.1% compared with the previous corresponding period, to 245,000 accounts, reflecting the impact of an aggressive television commercial campaign. In the second half of the period, the commercials were less effective, as customers refrained from borrowing in response to worsening economic conditions. The number of new unsecured loans decreased 6.7% year-on-year in the second half of the period, to 216,000 accounts. At the end of fiscal 2001, therefore, the number of new unsecured loans rose just 2.0%, to 462,000 accounts, compared with the end of the previous fiscal year. The number of new accounts declined, owing to changing employment patterns among the young, an unfavorable macroeconomic environment and the Company's tightened lending controls.

The average yield on unsecured loans outstanding decreased 0.3 percentage point compared with the previous term, to 25.7%, as we lowered interest rates for customers with high creditworthiness in response to intensified competition and increased larger loans as a proportion of total lending. Unsecured loans outstanding at year-end averaged ¥472,000 per customer, up 5.2%.

These factors resulted in a 10.6% rise in unsecured loans outstanding at year-end, to a record high of ¥1,019,293 million, with the number of unsecured loan accounts at year-end gaining 5.1%, to 2,155,000 accounts.

Home Equity Loans

We launched home equity loans in 1985, and are currently researching the home equity loans business in the United States. In contrast to unsecured loans, where write-offs are increasing, the write-off ratio for home equity loans in fiscal 2001 remained low, at just over 1%, underlining the advantage of property-secured lending.

Another key factor in the low write-off rate was that AIFUL limited the ratio of unsecured loans to customers in Tokyo, Nagoya, Osaka and Fukuoka to 30% of the nationwide total, as home prices have fluctuated in those four major cities. We distributed the balance among areas where land prices are much more stable. Approximately half our home equity loans use first mortgages. We also reinforced stability by limiting about 80% of secured loans to less than 70% of appraised collateral value.

At the end of the period under review, home equity loans outstanding stood at ¥277,671 million, up 23.1% from the end of the previous period. The number of accounts also rose 23.1%, to 75,000 accounts. These figures show that secured loans are now an important factor in AIFUL's growth.

Small Business Loans

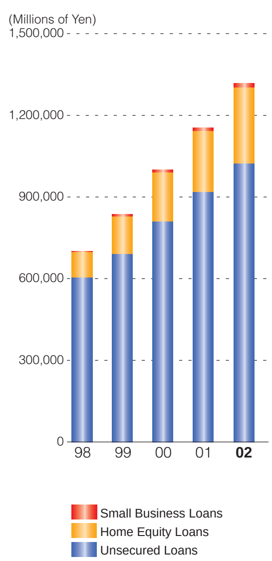
In this third major area, the average loan was relatively low, at ¥1,190,000 per account. We focus on funding small business owners with unsecured and secured loans, after launching operations in this category in 1998 to take advantage of rising discontent among small business owners with regular loan providers and the increasing difficulties the self-employed faced in obtaining finance as the state of the Japanese economy worsened. We have built our funding on solid assessment grounds.

At the end of fiscal 2001, small business loans outstanding rose 37.1% from the end of the previous fiscal year, to ¥16,726 million. The number of accounts increased 37.6%, to 13,000 accounts.

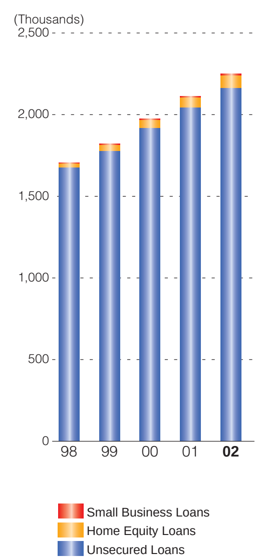
Other Businesses

During the period under review, we pursued guarantee partnerships with banks in line with our drive to diversify our customer distribution channels and lending options. Under these alliances, we screen and guarantee applicants for bank loans and handle claims management, both on a fee basis. At March 31, 2002, we had guarantee partnerships with six banks, with the value of guarantees totaling ¥2,700 million.

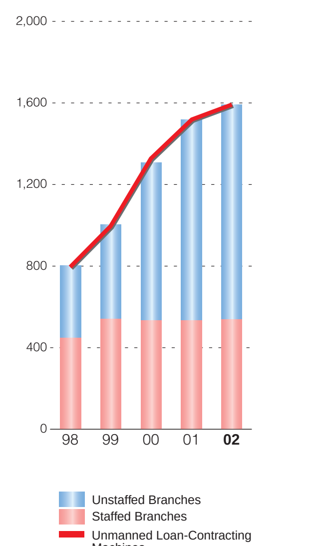
Total Balance of Loans Outstanding



Number of Customer Accounts



Number of Branches and UnsecuredLoan-Contracting Machines



LIFE

This review of LIFE's operations for fiscal 2001 focuses on our four basic strategies for that subsidiary.

Strengthening Consumer Credit Operations through Credit Cards

During the period under review, we continued to strengthen LIFE's credit card and credit sales operations. The number of cardholders rose 1,230,000, to 8,710,000 customers. Cardholders increased their shopping and cashing usage between 15% and 20%. The main driver of this growth was an increase in the number of cards issued on the back of stronger links with such leading retailers as Aoyama Co., Ltd., which sells men's apparel, and DEODEO CORPORATION, a consumer electronics firm. Another factor was the success of a card that features members of the GLAY pop group. In addition, we made LIFE's cards more attractive by increasing loan limits based on our credit expertise and expanded services to cardholders by upgrading LIFE's web site. LIFE's stronger financial position enhanced its standing among its business partners, prompting them to more readily accept LIFE's cards.

In per-item shopping loans, the number of member merchants accepting its cards increased about 3,000 during the year under review, with average monthly purchases increasing more than 30%, to over ¥10 billion. The yield from these operations improved 0.5 percentage point. Our reorganization of LIFE's business structure was the prime driver of this growth. For example, we transferred considerable authority to branches, which helped clarify standard yields when concluding merchant agreements and allowed us to consolidate LIFE's back-office operations. Another benefit was that branch employees were better able to monitor merchants.

Revamping the Portfolio to Enhance Profitability

LIFE has stopped accepting new applications for automobile and home loans, as these businesses are unlikely to become profitable. It is now concentrating its resources on key areas that generate earnings, notably the LIFE Cash Plaza loan card, credit card cashing services and installment sales finance loans. Loans through the LIFE Cash Plaza loan card increased 39.1% in the year under review, reflecting the addition of new loan offices and the introduction of AIFUL's scoring system as well as other benefits derived from the synergies arising from its association with AIFUL. Card cashing advances jumped 23.2%, due to more effective management, which boosted lending precision. Installment sales finance operations performed solidly in the near absence of outstanding automobile loans.

Personnel and Organizational Reforms

LIFE has instituted a performance-based employee remuneration system that balances the responsibilities undertaken by branch managers and other executives with incentives. On the organizational front, LIFE has eliminated the knowledge gap between executives and employees in the field by ensuring the sharing of information at strategic management meetings. In addition, LIFE has strengthened top executives' organizational controls in keeping with efforts to bolster profitability centered on installment sales finance loans.

Cost-Cutting

LIFE's first step in cutting costs was to relocate branches from buildings with high rents to more reasonably priced premises. It also vacated one floor at its Tokyo headquarters and streamlined work flows. These initiatives have lowered annual running costs about ¥3.5 billion. LIFE next focused on improving its collections structure by adopting AIFUL's expertise and installing new computer systems. This endeavor greatly enhanced collections efficiency and halved the number of employees needed for such operations.

LIFE has also greatly reinforced its cost structure by overhauling its sources of funding. In the first half of fiscal 2001, for example, it obtained ¥274.0 billion in funds through high-cost nonrecourse loans. From October 2001, however, LIFE switched to securitizing loans, thus lowering the interest rate on ¥245.0 billion in funding to less than 1%. LIFE also procured a total of ¥52.5 billion from 10 financial institutions with which it regularly does business. As a result of these efforts, Rating and Investment Information, Inc., assigned a BBB+ rating to LIFE immediately after rehabilitation procedures ended, which has allowed the company to greatly diversify its sources of funding.

LIFE's Challenges

In the card business, LIFE is striving to make its offerings even more attractive for customers, thereby building cardholder numbers and usage rates. Growth strategies include diversifying access channels, offering customer-specific interest rates, diversifying repayment options and handling collections more efficiently.

In the installment sales finance loans business, the main efforts are targeted at greater organizational efficiency to improve operating capacity and the cultivation of new markets. LIFE has launched a special web site to increase its attractiveness to merchants. The site offers an array of information, such as information on popular products, and provides timely merchant support services.

The objective of the LIFE Cash Plaza loan card is to achieve high growth by continuing to strengthen lending and expand the office network.

OTHER GROUP COMPANIES

The AIFUL Group includes several other companies that allow it to serve the entire consumer credit market. They include consumer finance subsidiaries Sinwa and Happy Credit. Another is Sanyo Shinpan, which has refocused its business model from credit sales to concentrate on consumer finance. Other key Group members are AsTry Loan Services, which is engaged in debt-servicing, and Businext, which serves middle-risk small business owners and corporations.

Happy Credit and Sinwa both offer unsecured loans and draw on AIFUL's lending expertise and branch network to develop products that take advantage of the synergies with Group operations. They also aim to build new business models and streamline costs to become nonbanks with a superior reputation for customer satisfaction in the retail sector. At the end of fiscal 2001, Happy Credit's loans outstanding increased 19.6% compared with the end of the previous fiscal year, to ¥32,428 million, and the number of customer accounts increased 20.6%, to 105,000 accounts. Loans outstanding for Sinwa jumped 25.5%, to ¥21,169 million, with the number of customer accounts gaining 21.3%, to 57,000 accounts. Sanyo Shinpan boosted its loans outstanding 5.1%, to ¥11,387 million, and the number of customer accounts increased 8.3%, to 26,000 accounts.

At the end of the period under review, Businext's outstanding loans stood at ¥8,116 million, with 5,000 customer accounts. In March 2002, Businext acquired ¥3.7 billion in claims from Misawa Homes, helping Businext become profitable that month. Nevertheless, the operating environment was much harsher than initially expected. One critical factor in Businext's operations in fiscal 2001 was that small business owners and corporations cut capital expenditure and refrained from borrowing in response to the government's economic reform efforts.

Another development was that Businext used the advertising approach that has been so successful for AIFUL over the years in its unsecured loans business. Unfortunately, this "pull" marketing approach attracted more high-risk applicants and fewer medium-risk clientele than envisaged.

Based on that experience, from the start of fiscal 2002 Businext has switched to a "push" marketing program centered on visiting sales representatives who were part of AIFUL's claim acquisition from Misawa Homes, to focus on cultivating business from fewer, higher quality borrowing prospects.

FINANCIAL SECTION

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Management's Discussion and Analysis of Operations and Financial Condition

AIFUL CORPORATION and Consolidated Subsidiaries

Consolidated Performance

Earnings

In fiscal 2001, ended March 31, 2002, total income soared 42.0%, to ¥400,014 million ($3,008 million). Interest on loans accounted for 89.8% of this amount, at ¥359,318 million ($2,702 million). Aggregate interest on credit card shopping loans, per-item shopping loans and loan guarantees was ¥21,171 million ($159 million), representing 5.3% of total income.

The increase in total income was primarily due to the inclusion of the operations of LIFE in the consolidated statements of income from fiscal 2001. Prior to the fiscal year under review, that subsidiary's figures were only reflected in the consolidated balance sheets.

Owing to the consolidation of LIFE's operations, total expenses in fiscal 2001 jumped 78.8%, to ¥338,166 million ($2,543 million).

This increase stemmed partly from extraordinary costs. For example, the Group posted a ¥31,241 million ($235 million) loss on write-down of property, plant and equipment as a result of the sale, at market price, of AIFUL properties (excluding the headquarters building) to MARUTOH, a real estate subsidiary. Another factor was the reclassification of unused real estate as property for sale, which contributed ¥2,147 million ($16 million) to the write-down of inventories.

In addition, AIFUL posted ¥4,235 million ($32 million) in stock issue costs in August 2001.

Depreciation and amortization was ¥19,269 million ($145 million), including ¥12,310 million ($93 million) to amortize goodwill of newly acquired subsidiaries. This amount was significantly higher than in the previous term as the Group wrote down ¥9,131 million ($69 million) in goodwill of LIFE in the consolidated adjustment account to offset deferred tax assets in LIFE's accounts and recognize losses carried forward from that subsidiary after bankruptcy. As a result, goodwill amortization of LIFE in fiscal 2001 was ¥11,869 million ($89 million), comprising ¥2,738 million ($21 million) based on annual straight-line amortization and the goodwill write-down mentioned above. Goodwill amortization of the Group's consumer finance subsidiaries was ¥441 million ($3 million).

As a result of these factors, income before income taxes and minority interests fell 33.2%, to ¥61,848 million ($465 million). Net income dropped 27.3%, to ¥35,064 million ($264 million).

Assets

At the end of the period under review, total assets were up 8.8% from the end of the previous period, at ¥2,029,634 million ($15,260 million). Total current assets rose 11.6%, to ¥1,871,400 million ($14,071 million). Loans jumped 17.6%, to ¥1,482,796 million ($11,149 million), with loans made by AIFUL representing 88.6% of that amount. Installment accounts receivable surged 39.4%, to ¥120,756 million ($908 million).

Loan guarantees fell 24.2%, to ¥140,143 million ($1,054 million), owing to LIFE's withdrawal from the automobile and home loan guarantee businesses. LIFE's installment accounts receivable included ¥153,158 million ($1,152 million) in off-balance sheet securitized loans and ¥89,550 million ($673 million) in off-balance sheet securitized installment accounts receivable.

Within property, plant and equipment, land declined 67.0%, to ¥15,163 million ($114 million). Buildings and structures were down 16.3%, to ¥41,819 million ($314 million), due to the write-down of property mentioned previously.

Within investments and other assets, goodwill, net, dropped 36.9%, to ¥23,240 million ($175 million), mainly as a result of the amortization of goodwill of LIFE. Deferred tax assets jumped 133.2%, to ¥21,264 million ($160 million), reflecting the adoption of tax effect accounting for the loss carryforwards of LIFE.

Liabilities

Total current liabilities increased 5.8%, or ¥39,855 million ($300 million), to ¥729,114 million ($5,482 million). This was mainly the result of a 25.2% jump in the combined amount of short-term borrowings and current portion of long-term debt, to ¥498,763 million ($3,750 million). Obligations under loan guarantees was down 24.2%, to ¥140,143 million ($1,054 million), to offset installment accounts receivable.

Total long-term liabilities increased 0.8%, to ¥875,666 million ($6,584 million). Long-term debt, less the current portion thereof, was up 0.6%, to ¥845,510 million ($6,357 million).

The Group aims to diversify its sources of funding to balance the risks and costs of interest-bearing debt.

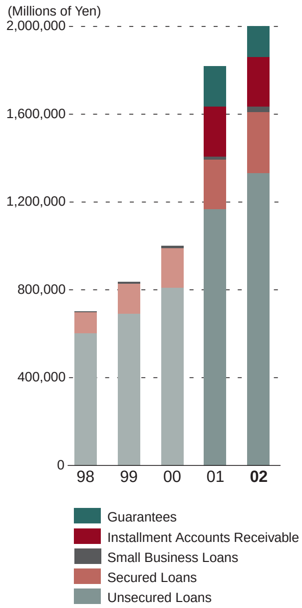
During the term, AIFUL issued ¥81,000 million ($609 million) in bonds, ¥39,000 million ($293 million) in securitized real-estate assets and ¥50,000 million ($376 million) in asset-backed commercial paper. The Company also had commitments of ¥100,000 million ($752 million).

In October 2001, LIFE replaced its high-interest nonrecourse loans with securitizations that lowered the interest rate to less than 1%, thus removing ¥245,000 million ($1,842 million) from the accounts. Despite having filed for bankruptcy only a year earlier, LIFE was able to secure ¥52,500 million ($395 million) in funds from a total of 10 financial institutions. It also obtained a BBB+ rating from Rating and Investment Information, which has allowed that subsidiary to further diversify its funding sources.

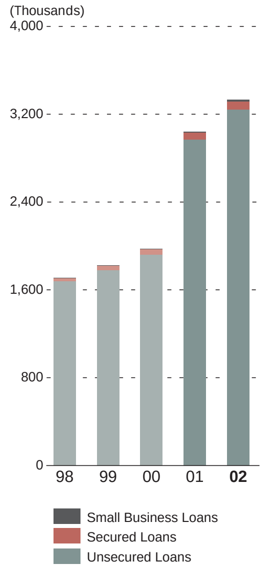
Shareholders' Equity

AIFUL issued new shares in August 2001 to improve its equity ratio, which had declined as a consequence of its acquisition of LIFE. Thanks to the cooperation of investors, this issue raised ¥87,048 million ($654 million), of which ¥43,528 million ($327 million) was credited to common stock and ¥43,520 million ($327 million) to paid-in capital. As a consequence, total shareholders' equity was ¥421,343 million ($3,168 million). The consolidated equity ratio was 20.8% and the return on assets (ROA) was 1.8%.

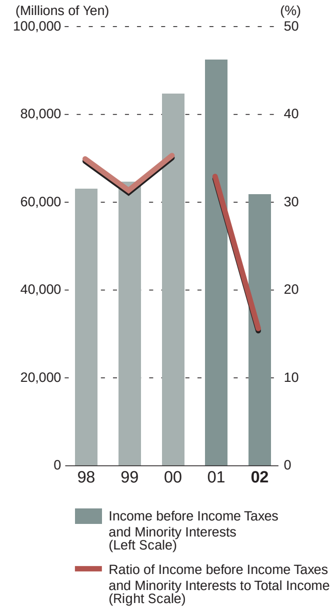
Total Balance of Loans Outstanding



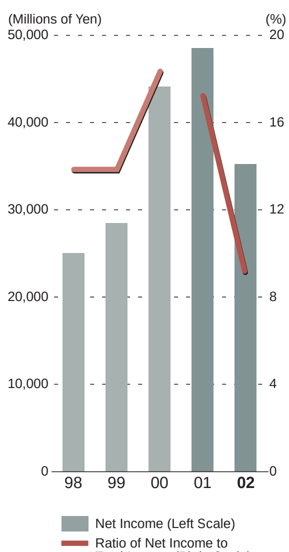
Number of Customer Accounts



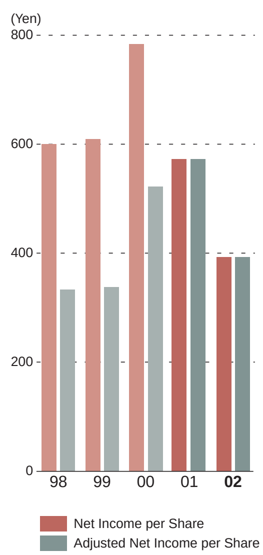
Income before Income Taxes and Minority Interests



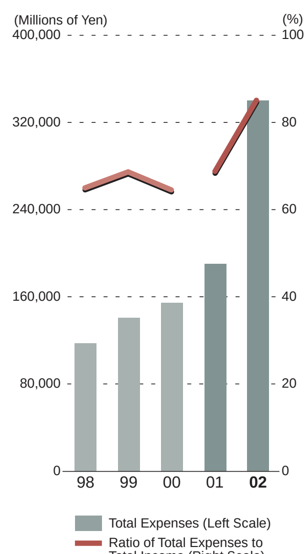
Net Income



Net Income per Share



Total Expenses



Note: Figures from 1998 to 2000 are on a non-consolidated basis. Figures for 2001 and 2002 are on a consolidated basis.

Non-Consolidated Performance

Earnings

In fiscal 2001, interest on loans climbed 12.7%, to ¥296,034 million ($2,226 million). This was the major factor in the increase in total income of 14.4%, which rose to ¥311,843 million ($2,345 million).

Largely owing to a 10.6% increase in the balance of unsecured loans at year-end, to ¥1,019,293 million ($7,664 million), interest on these loans increased 10.8%, to ¥249,088 million ($1,873 million). At the end of the period under review, secured loans were 23.1% higher than at the end of the previous period, at ¥277,671 million ($2,088 million), with interest on these loans climbing 23.1%, to ¥43,054 million ($324 million).

At the end of the period, small business loans were up 37.1% from a year earlier, at ¥16,726 million ($126 million). Interest from these loans increased 34.7%, to ¥3,891 million ($29 million).

Sales of property for sale totaled ¥2,824 million ($21 million), reflecting disposals in line with AIFUL's decision to withdraw from the real estate business. Interest on loans to LIFE and other subsidiaries skyrocketed 348.5%, to ¥3,633 million ($27 million), owing to the significant amount of loans to subsidiaries that was used to replace high interest rate borrowing.

Total expenses were up 32.8%, to ¥239,189 million ($1,798 million). One of the major factors in this change was a 24.0% jump in charge-offs and provision for doubtful loans, advances to subsidiary and claims in bankruptcy, which rose to ¥67,931 million ($511 million). Advertising expenses increased 13.1%, to ¥19,274 million ($145 million), reflecting the mounting of aggressive television commercial campaigns during the period.

Extraordinary expenses included, as explained in the consolidated discussion and analysis, stock issue costs and a net loss on sales of property resulting from the disposal of property at market price and the reclassification of unused real estate as property for sale.

Consequently, income before income taxes fell 21.4%, to ¥72,654 million ($546 million). Total income taxes were down 22.0%, to ¥34,305 million ($258 million), because of the adoption of tax effect accounting. Net income fell 20.9%, to ¥38,349 million ($288 million), while net income per share declined 25.5%, to ¥426.54 ($3.21).

Assets

At the end of fiscal 2001, total assets were up 9.7% compared with the end of the previous fiscal year, at ¥1,740,868 million ($13,089 million). Total current assets increased 12.3%, to ¥1,392,018 million ($10,466 million). This was mainly due to a 13.3% increase in loans, to ¥1,313,690 million ($9,877 million).

The combined amount of land and buildings and structures declined 62.8%, to ¥28,368 million ($213 million), owing to sales at market value to a subsidiary.

Total investments and other assets climbed 16.3%, to ¥325,543 million ($2,448 million). Investments in and advances to subsidiaries and associated companies were up 17.1%, to ¥266,814 million ($2,006 million), principally as a result of the acquisitions of LIFE, Happy Credit and Sinwa.

Liabilities

Total current liabilities climbed 16.7%, to ¥492,370 million ($3,702 million), mainly as a result of a 20.8%, or ¥79,028 million ($594 million), increase in the combined amount of short-term borrowings and current portion of long-term debt. This included repayments of ¥65,000 million ($489 million) in bonds and ¥6,000 million ($45 million) in medium-term notes. Total long-term liabilities declined 3.9%, to ¥828,005 million ($6,226 million).

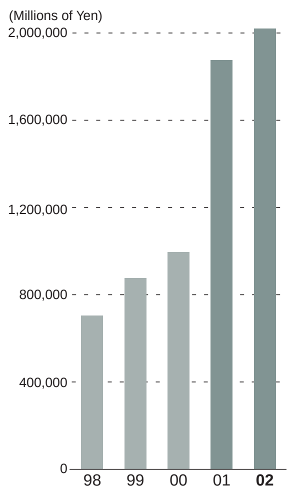
AIFUL's basic interest-bearing debt policy is to diversify its sources of financing, sourcing 40% directly and the rest indirectly. Long-term borrowings, including the current portion thereof, accounted for 97.7% of funding. To minimize interest rate risk, the Company has fixed interest on 65.4% of its borrowings through fixed interest loans, interest rate caps and swaps.

During the term under review, AIFUL securitized its secured loans and established commitment lines to reduce funding costs and lower vulnerability to unforeseen developments.

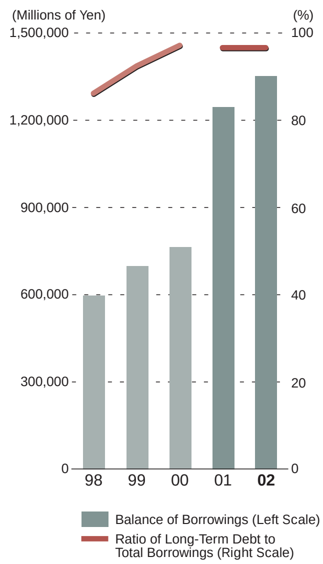
Shareholders' Equity

At the end of fiscal 2001, total shareholders' equity was ¥420,493 million ($3,162 million), up 39.0%, or ¥117,892 million ($886 million), from the end of fiscal 2000. The non-consolidated equity ratio increased 5.1 percentage points, to 24.2%. This was because the Company made a global offering of 8.5 million shares in August 2001 to strengthen capitalization in light of the acquisition of LIFE, thereby raising ¥87,048 million ($654 million). ROA declined 1.2 percentage points, to 2.3%, while return on equity (ROE) fell 6.9 percentage points, to 10.6%, compared with the previous term.

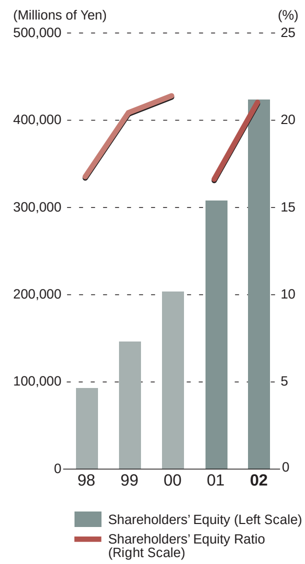
Total Assets



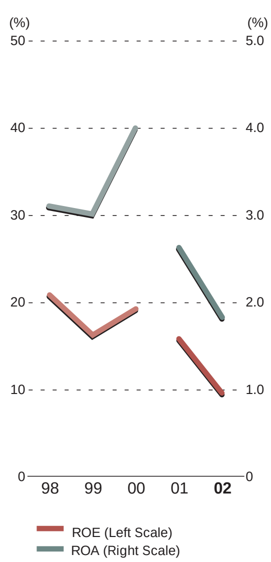
Balance of Borrowings



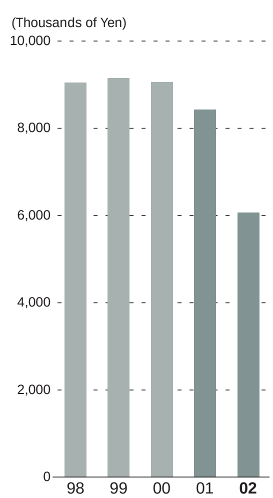
Total Shareholders' Equity



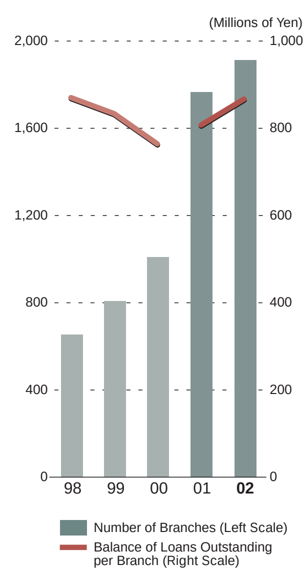
ROE / ROA



Net Income per Employee



Number of Branches/Balance of Loans Outstanding per Branch



Note: Figures from 1998 to 2000 are on a non-consolidated basis. Figures for 2001 and 2002 are on a consolidated basis.

CONSOLIDATED BALANCE SHEETS

AIFUL CORPORATION and Consolidated Subsidiaries
March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 139,126	¥ 153,435	$ 1,046,060
Time deposits (Note 9)	1,632	2,056	12,271
Loans (Notes 4 and 9)	1,482,796	1,261,042	11,148,842
Installment accounts receivable (Notes 5 and 9)	120,756	86,642	907,940
Loan guarantees (Note 6)	140,143	184,778	1,053,707
Other receivables	16,113	23,138	121,150
Allowance for doubtful loans and receivables	(92,117)	(82,562)	(692,609)
Inventories (Notes 7 and 9)	1,215	3,036	9,135
Prepaid expenses	4,075	4,799	30,639
Deferred tax assets (Note 12)	9,971	12,865	74,970
Other current assets (Note 9)	47,690	27,840	358,571
Total current assets	1,871,400	1,677,069	14,070,676
PROPERTY, PLANT AND EQUIPMENT (Note 9):			
Land	15,163	45,956	114,008
Buildings and structures	41,819	49,984	314,429
Machinery and equipment	11,375	12,071	85,526
Construction in progress		25	
Subtotal	68,357	108,036	513,963
Accumulated depreciation	(27,249)	(32,156)	(204,880)
Net property, plant and equipment	41,108	75,880	309,083
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 8 and 9)	9,028	8,232	67,880
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 13)	4,836	4,381	36,361
Claims in bankruptcy (Note 4)	14,268	11,859	107,278
Allowance for advances to an unconsolidated subsidiary and claims in bankruptcy	(17,220)	(15,833)	(129,474)
Goodwill, net	23,240	36,835	174,737
Software, net	7,429	7,178	55,857
Long-term loans receivable (less current portion)	8,727	8,809	65,617
Lease deposits	10,898	10,944	81,940
Long-term prepayments	3,983	2,798	29,947
Deferred tax assets (Note 12)	21,264	9,120	159,880
Deferred losses on hedging instruments, mainly interest rate swaps (Note 2 r.)	22,931	20,091	172,414
Other assets (Note 9)	7,742	8,174	58,210
Total investments and other assets	117,126	112,588	880,647
TOTAL	¥2,029,634	¥1,865,537	$15,260,406

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 9)	**¥ 52,492**	¥ 47,323	**$ 394,677**
Current portion of long-term debt (Note 9)	**446,271**	351,200	**3,355,421**
Trade notes payable	**9,580**	13,048	**72,030**
Trade accounts payable (Note 9)	**23,475**	27,942	**176,503**
Obligations under loan guarantees (Note 6)	**140,143**	184,778	**1,053,707**
Income taxes payable	**16,892**	25,861	**127,008**
Accrued expenses	**9,147**	7,135	**68,774**
Other current liabilities (Notes 5 and 6)	**31,114**	31,972	**233,940**
Total current liabilities	**729,114**	689,259	**5,482,060**
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Note 9)	**845,510**	840,742	**6,357,218**
Liability for retirement benefits (Note 10)	**7,026**	7,144	**52,827**
Interest rate swaps (Note 2 r.)	**22,305**	20,091	**167,707**
Other long-term liabilities	**825**	602	**6,203**
Total long-term liabilities	**875,666**	868,579	**6,583,955**
MINORITY INTERESTS	**3,511**	1,149	**26,399**
SHAREHOLDERS' EQUITY (Notes 11 and 16):			
Common stock, authorized, 224,000,000 shares; issued, 93,376,000 shares at March 31, 2002, 84,876,000 shares at March 31, 2001	**83,317**	39,789	**626,444**
Additional paid-in capital	**94,048**	50,528	**707,128**
Retained earnings	**246,240**	215,978	**1,851,428**
Net unrealized gain (loss) on available-for-sale securities	**(216)**	255	**(1,625)**
Treasury stock, at cost	**(2,046)**	—	**(15,383)**
Total shareholders' equity	**421,343**	306,550	**3,167,992**
TOTAL	**¥2,029,634**	¥1,865,537	**$15,260,406**

CONSOLIDATED STATEMENTS OF INCOME

AIFUL CORPORATION and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
INCOME:			
Interest on loans	**¥359,318**	¥272,237	**$2,701,639**
Interest on credit card shopping loans	**6,742**	—	**50,692**
Interest on per-item shopping loans	**10,353**	—	**77,842**
Interest on loan guarantees	**4,076**	—	**30,647**
Interest on deposits, securities and other	**582**	538	**4,376**
Sales of property for sale	**2,824**	40	**21,233**
Income from restaurant business and other	**1,247**	1,303	**9,376**
Recovery of loans previously charged off	**5,715**	3,510	**42,970**
Other income	**9,157**	4,091	**68,849**
Total income	**400,014**	281,719	**3,007,624**
EXPENSES:			
Interest on borrowings	**31,697**	26,863	**238,323**
Charge-offs and provision for doubtful loans, receivables, advances to an unconsolidated subsidiary and claims in bankruptcy	**92,576**	59,194	**696,060**
Salaries and other employees' benefits	**42,234**	25,402	**317,549**
Advertising expenses	**26,846**	17,653	**201,850**
Rental expenses	**22,961**	15,662	**172,639**
Commissions and fees	**19,667**	10,791	**147,872**
Depreciation and amortization	**19,269**	4,717	**144,880**
Stock issue costs	**4,235**	—	**31,842**
Loss on write-down of property, plant and equipment	**31,241**	—	**234,895**
Provision for accrued pension and severance costs (Note 10)	**1,353**	1,992	**10,173**
Charge for full amount of transitional obligations for retirement benefits	**—**	1,025	**—**
Provision for retirement benefits to directors and corporate auditors	**114**	72	**857**
Other expenses	**45,973**	25,774	**345,661**
Total expenses	**338,166**	189,145	**2,542,601**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**61,848**	92,574	**465,023**
INCOME TAXES (Note 12)**:**			
Current	**36,293**	46,204	**272,880**
Deferred	**(8,908)**	(1,833)	**(66,977)**
Total income taxes	**27,385**	44,371	**205,903**
MINORITY INTERESTS IN NET LOSS	**601**	50	**4,519**
NET INCOME	**¥ 35,064**	¥ 48,253	**$ 263,639**

	Yen		U.S. Dollars (Note 3)
AMOUNTS PER COMMON SHARE (Note 2 s.)**:**			
Net income	**¥390.00**	¥569.32	**$2.93**
Cash dividends applicable to the year	**50.00**	50.00	**0.38**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

AIFUL CORPORATION and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001

	Thousands	Millions of Yen				
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock, at Cost
BALANCE AT APRIL 1, 2000	56,103	¥39,752	¥41,913	¥171,238		¥ (1)
Net income				48,253		
Cash dividends paid, ¥50 per share				(3,381)		
Bonuses to directors and corporate auditors				(132)		
Stock split (Note 11)	28,052					
Acquisition of Sinwa Co., Ltd (Note 11).	721	37	8,615			
Net unrealized gain on available-for-sale securities					¥ 255	
Net decrease in treasury stock						1
BALANCE AT MARCH 31, 2001	84,876	39,789	50,528	215,978	255	Nil
Adjustment of retained earnings for newly consolidated subsidiaries				**166**		
Net income				**35,064**		
Cash dividends paid, ¥50 per share				**(4,881)**		
Bonuses to directors and corporate auditors				**(87)**		
Issuance of common stock (Note 11)	**8,500**	**43,528**	**43,520**			
Net unrealized loss on available-for-sale securities					**(471)**	
Net increase in treasury stock						**(2,046)**
BALANCE AT MARCH 31, 2002	**93,376**	**¥83,317**	**¥94,048**	**¥246,240**	**¥(216)**	**¥(2,046)**

	Thousands of U.S. Dollars (Note 3)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock, at Cost
BALANCE AT MARCH 31, 2001	$299,166	$379,910	$1,623,894	$1,917	Nil
Adjustment of retained earnings for newly consolidated subsidiaries			**1,248**		
Net income			**263,639**		
Cash dividends paid, $0.38 per share			**(36,699)**		
Bonuses to directors and corporate auditors			**(654)**		
Issuance of common stock (Note 11)	**327,278**	**327,218**			
Net unrealized loss on available-for-sale securities				**(3,542)**	
Net increase in treasury stock					**$(15,383)**
BALANCE AT MARCH 31, 2002	**$626,444**	**$707,128**	**$1,851,428**	**$(1,625)**	**$(15,383)**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AIFUL CORPORATION and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 61,848	¥ 92,574	$ 465,023
Adjustments for:			
Income taxes—paid	(45,268)	(46,008)	(340,361)
Depreciation and amortization	19,269	4,717	144,880
Increase in allowance for doubtful loans and receivables, advances to an unconsolidated subsidiary and claims in bankruptcy	10,640	6,463	80,000
Provision for accrued pension and severance costs and retirement benefits	(118)	2,070	(887)
Stock issue costs	4,235	—	31,842
Amortization of bonds issue costs	976	939	7,338
Loss on write-down of investment securities	707	1,531	5,316
Loss on write-down of property, plant and equipment	31,241	—	234,895
Loss on sales of property, plant and equipment	121	1,554	910
Loss on disposal of property, plant and equipment	901	382	6,774
Changes in assets and liabilities:			
Increase in loans	(221,754)	(166,813)	(1,667,323)
Increase in installment accounts receivable and loan guarantees	(34,114)	—	(256,496)
Decrease in other receivables	7,024	—	52,812
Decrease (increase) in claims in bankruptcy	(2,409)	4,167	(18,113)
Decrease (increase) in inventories	2,155	(297)	16,203
Decrease in prepaid expenses	528	434	3,970
Increase in long-term prepayments	(1,615)	(530)	(12,143)
Increase in other current assets	(12,829)	(3,538)	(96,459)
Increase (decrease) in other current liabilities	(7,023)	4,702	(52,805)
Other—net	1,730	93	13,007
Total adjustments	(245,603)	(190,134)	(1,846,640)
Net cash used in operating activities	(183,755)	(97,560)	(1,381,617)
INVESTING ACTIVITIES:			
Capital expenditures	(8,274)	(5,868)	(62,210)
Decrease (increase) in loans	(7,029)	5,495	(52,850)
Purchases of investment securities	(3,666)	(19)	(27,564)
Proceeds from sale of investment in a subsidiary	4,200	—	31,579
Acquisitions of businesses (net of cash acquired)	—	(48,547)	—
Increase in loans by acquisition of business	—	(22,095)	—
Decrease (increase) in investment in trust	(1)	2,000	(8)
Other—net	3,565	(443)	26,805
Net cash used in investing activities—(Forward)	(11,205)	(69,477)	(84,248)

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
Net cash used in investing activities—(Forward)	**(11,205)**	(69,477)	**(84,248)**
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	**5,168**	(74,647)	**38,857**
Proceeds from long-term debt (net of bonds issue costs)	**525,491**	641,688	**3,951,060**
Repayments of long-term debt	**(426,105)**	(326,756)	**(3,203,797)**
Proceeds from public offering (net of stock issue costs)	**82,814**	—	**622,662**
Cash dividends paid	**(4,881)**	(3,413)	**(36,699)**
Acquisition of treasury stock	**(2,046)**	—	**(15,383)**
Proceeds from minority shareholders	**70**	1,200	**526**
Net cash provided by financing activities	**180,511**	238,072	**1,357,226**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**16**	—	**120**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(14,433)**	71,035	**(108,519)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**124**	1,381	**932**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**153,435**	81,019	**1,153,647**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 139,126**	¥ 153,435	**$ 1,046,060**
NONCASH INVESTING ACTIVITIES:			
During the year ended March 31, 2001, the Company acquired LIFE Co., Ltd., Sanyo Shinpan Co., Ltd., Businext Corporation, and Sinwa Co., Ltd. (“Sinwa”) as follows:			
Fair value of assets acquired		¥417,519	
Cash paid for capital stock, less acquired cash and cash equivalents		48,547	
Liabilities assumed		360,320	
Value of 721,500 common shares issued for Sinwa		8,652	

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIFUL CORPORATION and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the classifications used for the year ended March 31, 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2002 include the accounts of AIFUL CORPORATION (the "Company") and its seven (five in 2001, including LIFE Co., Ltd. and Sanyo Shinpan Co., Ltd. for which only the balance sheets were consolidated at March 31, 2001) significant subsidiaries (together, the "Group"). The accounts of AsTry Loan Services Corporation and Marutoh KK are newly consolidated for the year ended March 31, 2002. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements. Investments in four (five in 2001) unconsolidated subsidiaries and one (two in 2001) associated company are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial. Goodwill on acquisition of subsidiaries is amortized using the straight line method over ten years. However, when the excess of cost over net assets of subsidiaries acquired is not material, it is charged to income when incurred. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

As for two subsidiaries, LIFE Co., Ltd. ("LIFE") and Sanyo Shinpan Co., Ltd. ("Sanyo Shinpan"), which are consumer-credit companies, only the balance sheets were consolidated for the year ended March 31, 2001, since the constructive date of acquisition was March 31, 2001. On March 28, 2001, the Company acquired all the shares of LIFE. On March 31, 2001, Sanyo Shinpan was a wholly-owned subsidiary of LIFE. On June 4, 2001, the Company acquired all the shares of Sanyo Shinpan from LIFE, and Sanyo Shinpan became a directly owned subsidiary of the Company.

On November 19, 2001, the Company and Aozora Bank, Ltd. established AsTry Loan Services Corporation, a new joint corporation, which engages in management and collection services for various specified loans.

Marutoh KK, which engages in real estate lease management, has become financially influenced by the Company.

b. Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit which mature or become due within three months of the date of acquisition.

c. Inventories – Inventories include property for sale, property for sale under construction and supplies. Property for sale is stated at the lower of cost or market, cost being determined by the specific identification method. Depreciation of property for sale currently rented is computed by the same method, as applied to property, plant and equipment. Property for sale under construction is stated at cost, cost being determined by the specific identification method. Supplies are stated at the most recent purchase price, which approximates cost determined by the first-in, first-out method.

d. Investment Securities – Held-to-maturity debt securities are reported at amortized cost and available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method. The range of useful lives is from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment.

f. Software – Expenditures for the purchase of software, which meet certain future-tests, are capitalized as software and amortized by the straight-line method over the estimated useful lives of five years.

g. Liability for Retirement Benefits – The Company and certain of its consolidated subsidiaries have contributory and non-contributory funded pension plans covering substantially all employees.

The Group accounted for the net liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

Liability for retirement benefits to directors and corporate auditors are provided at the amount which would be required if they retired at each balance sheet date.

h. Allowances for Doubtful Accounts – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. Leases – All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

j. Income Taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. Appropriations of Retained Earnings – Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

l. Foreign Currency Transactions – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

m. Interest on Loans – Interest on loans is recorded on an accrual basis. In accordance with the practice prevailing in the industry, the Group records accrued interest to the extent that the realization of such income is considered to be certain.

n. Installment Revenue – Fees from customers and member stores applying the add-on method are generally recorded collectively as unearned income when credit contracts become effective and are recognized in equal installments over the lives of contracts. Fees from customers applying the remaining principal method or revolving method are generally recognized in equal installments over the lives of contracts.

No installment revenue is recorded in the consolidated statement of income for the year ended March 31, 2001 since the constructive date of acquisition of the two consumer credit subsidiaries was March 31, 2001.

o. Interest on Borrowings – Interest on financial liabilities is accounted for as operating expenses while other interest is included in other expenses.

p. Stock Issue Costs – Stock issue costs are charged to income as incurred.

q. Bonds Issue Costs – Bonds issue costs, which are included in other assets, are amortized ratably over periods up to three years.

r. Derivatives and Hedging Activities – The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps and caps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes. The accounting standard for derivative financial instruments requires that: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps and caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap or cap agreements is recognized and included in interest expense or income.

s. Per Share Information – The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each period retroactively adjusted for stock splits. The weighted average number of common shares used in the computation for the years ended March 31, 2002 and 2001 was as follows:

	Average Number of Shares
2002	**89,908,062**
2001	84,775,313

Diluted net income per share is not presented because no dilutive securities were outstanding for the years ended March 31, 2002 and 2001.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year without giving retroactive adjustment for any subsequent stock split.

3. TRANSLATION INTO U.S. DOLLARS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133=$1, the approximate rate of exchange at March 29, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

4. LOANS

Loans at March 31, 2002 and 2001 consisted of the following (before allowance for doubtful loans):

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Unsecured	**¥1,332,218**	¥1,167,837	**$10,016,677**
Secured	**278,893**	227,601	**2,096,940**
Small business loans	**24,843**	12,198	**186,789**
Subotal	**1,635,954**	1,407,636	**12,300,406**
Off-balance sheet securitized loans	**(153,158)**	(146,594)	**(1,151,564)**
Net	**¥1,482,796**	¥1,261,042	**$11,148,842**

Registered moneylenders are required to disclose the following information under the Non-Bank Bond Law.

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Loans in legal bankruptcy	**¥16,457**	¥13,071	**$123,737**
Nonaccrual loans	**28,723**	25,644	**215,962**
Accruing loans contractually past due three months or more as to principal or interest payments	**11,945**	7,196	**89,812**
Restructured loans	**37,729**	34,002	**283,677**
Total	**¥94,854**	¥79,913	**$713,188**

Loans in legal bankruptcy are loans in which accruals of interest are discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectibility of principal or interest resulting from the past due payment of interest or principal and other factors. Allowance for claims in bankruptcy is stated at such amount less net realizable value of collateral.

Nonaccrual loans are loans in which accruals of interest are discontinued and those other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery where such deferred payments are regularly received. Accruing loans contractually past due three months or more as to principal or interest payments 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 nonaccrual loans are excluded from accruing loans contractually past due three months or more.

Restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

The securitized loans, which were not recognized on the consolidated balance sheets, amounted to ¥153,158 million ($1,151,564 thousand) and ¥146,594 million at March 31, 2002 and 2001, respectively.

At March 31, 2002, the Group had a balance related to revolving loan contracts of ¥1,326,652 million ($9,974,827 thousand) whereby a commitment was set up for each loan customer and the Group was obligated to advance funds up to a predetermined amount upon request. At March 31, 2002, the balance of unadvanced commitments was ¥3,680,028 million ($27,669,383 thousand). The loan contract contains provisions that allow the Group to reduce the contract amount of the commitment or refuse to advance funds to loan customers under certain conditions.

5. INSTALLMENT ACCOUNTS RECEIVABLE

Installment accounts receivable and unearned income, included in other current liabilities at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2002		2001		2002	
	Receivables	Unearned Income	Receivables	Unearned Income	Receivables	Unearned Income
Credit card shopping loans	**¥ 61,687**	**¥1,044**	¥ 63,490	¥ 164	**$ 463,812**	**$ 7,850**
Per-item shopping loans	**148,592**	**6,283**	142,798	1,968	**1,117,233**	**47,241**
Other	**27**	**—**	35	—	**203**	**—**
Subotal	**210,306**	**7,327**	206,323	2,132	**1,581,248**	**55,091**
Off-balance sheet securitized installment accounts receivable	**(89,550)**	**—**	(119,681)	—	**(673,308)**	**—**
Net	**¥120,756**	**¥7,327**	¥ 86,642	¥2,132	**$ 907,940**	**$55,091**

In addition, the Group has unearned income of ¥258 million ($1,940 thousand) and ¥201 million at March 31, 2002 and 2001, respectively, related to loans other than those shown in the above table.

The securitized installment accounts receivable, which were not recognized in the balance sheets, amounted to ¥89,550 million ($673,308 thousand) and ¥119,681 million at March 31, 2002 and 2001, respectively.

6. LOAN GUARANTEES AND OBLIGATIONS UNDER LOAN GUARANTEES

The Group, as guarantor, recorded loan guarantees as a contra account of obligations under loan guarantees. Unearned income relating to loan guarantees was ¥1,294 million ($9,279 thousand) and ¥2,949 million at March 31, 2002 and 2001, respectively.

7. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Property for sale	**¥1,025**	¥1,175	**$7,707**
Property for sale under construction	**—**	1,622	**—**
Supplies	**190**	239	**1,428**
Total	**¥1,215**	¥3,036	**$9,135**

8. INVESTMENT SECURITIES

Investment securities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Current:			
Government and corporate bonds	**¥ 269**	¥ —	**$ 2,023**
Non-current:			
Marketable equity securities	**¥9,018**	¥7,942	**$67,805**
Government and corporate bonds	**10**	290	**75**
Total	**¥9,028**	¥8,232	**$67,880**

Information on the marketable securities classified as available-for-sale at March 31, 2002 and 2001 is as follows:

	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥6,679**	**¥267**	**¥842**	**¥6,104**
Debt securities	**270**	**—**	**—**	**270**
	¥6,949	**¥267**	**¥842**	**¥6,374**

	Millions of Yen			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥5,773	¥830	¥591	¥6,012
Debt securities	280	1	—	281
	¥6,053	¥831	¥591	¥6,293

	Thousands of U.S. Dollars			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$50,218**	**$2,008**	**$6,331**	**$45,895**
Debt securities	**2,030**	**—**	**—**	**2,030**
	$52,248	**$2,008**	**$6,331**	**$47,925**

Available-for-sale securities and held-to-maturity securities whose fair values are not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Available-for-sale equity securities	**¥2,913**	¥1,930	**$21,902**
Held-to-maturity securities	**9**	9	**68**
Total	**¥2,922**	¥1,939	**$21,970**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥1,517 million ($11,406 thousand) and ¥11 million, respectively. Gross realized gains on these sales, computed on the moving average cost method, were ¥140 million ($1,053 thousand) for the year ended March 31, 2002, and gross realized losses were ¥2 million ($15 thousand) and ¥5 million for the years ended March 31, 2002 and 2001, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
Due within one year	**¥260**	**¥9**	**$1,955**	**$68**
Due after one year through five years	**10**	**—**	**75**	**—**

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Commercial paper, 0.7880% (0.828% to 0.912% at March 31, 2001)	**¥15,000**	¥15,000	**$112,782**
Loans from banks, 0.8363% to 2.600% (1.12% to 3.0% at March 31, 2001)	**15,211**	24,800	**114,368**
Loans from other financial institutions, 1.475% (1.6% to 2.45% at March 31, 2001)	**2,000**	2,500	**15,038**
Other (principally from leasing and factoring companies), 2.5% to 3.3% (2.4% to 2.9% at March 31, 2001)	**20,281**	5,023	**152,489**
Total	**¥52,492**	¥47,323	**$394,677**

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loans from banks, 1.0846% to 4.200%, due serially to 2007 (1.001% to 4.2%, due serially to 2006 at March 31, 2001)	**¥ 463,160**	¥ 400,165	**$ 3,482,406**
Loans from other financial institutions, 1.750% to 4.200%, due serially to 2007 (1.6% to 2.45%, due serially to 2006 at March 31, 2001)	**219,885**	245,434	**1,653,271**
Syndicated loans, 2.5%, due 2004 (2.1%, due 2004 at March 31, 2001)	**46,667**	70,000	**350,880**
Unsecured 2.6% yen straight bonds, due 2001	**—**	6,000	**—**
Unsecured 2.425% yen straight bonds, due 2002 (2.35% to 2.425% at March 31, 2001)	**10,000**	40,000	**75,188**
Unsecured 1.5% to 3.2% yen straight bonds, due 2003	**75,000**	75,000	**563,910**
Unsecured 2.0% to 2.53% yen straight bonds, due 2004	**135,000**	135,000	**1,015,037**
Unsecured 1.75% to 1.86% yen straight bonds, due 2005 (1.86% at March 31, 2001)	**30,000**	10,000	**225,564**
Unsecured 1.7% to 3.27% yen straight bonds, due 2006 (3.27% at March 31, 2001)	**60,000**	15,000	**451,128**
Unsecured 2.51% yen straight bonds, due 2007	**20,000**	20,000	**150,376**
Unsecured 2.48% yen straight bonds, due 2008	**15,000**	—	**112,782**
Unsecured 3.28% yen straight bonds, due 2009	**8,000**	8,000	**60,150**
Unsecured 2.93% to 3.0% yen straight bonds, due 2010	**20,000**	20,000	**150,376**
Unsecured 3.65% Euro-yen straight bonds, due 2003	**9,500**	9,500	**71,429**
Unsecured variable rate Euro-yen straight bonds, due 2006 (1.825% at March 31, 2002, 2.136% at March 31, 2001)	**15,000**	15,000	**112,782**
Unsecured 1.73% medium-term notes, due 2002	**3,000**	3,000	**22,556**
Unsecured variable rate medium-term notes, due 2002 (1.75% at March 31, 2002 and 2001)	**3,000**	3,000	**22,556**
Unsecured 2.21% medium-term notes, due 2007	**1,000**	—	**7,519**
Unsecured 3.0% medium-term notes, due 2008	**3,000**	3,000	**22,556**
Unsecured 3.5% medium-term notes, due 2015	**15,000**	15,000	**112,782**
Other (principally from leasing and factoring companies), 2.0% to 4.8%, due serially to 2008 (0.98% to 5.4%, due serially to 2006 at March 31, 2001)	**139,569**	98,843	**1,049,391**
Subtotal	**1,291,781**	1,191,942	**9,712,639**
Less current portion	**(446,271)**	(351,200)	**(3,355,421)**
Long-term debt, less current portion	**¥ 845,510**	¥ 840,742	**$ 6,357,218**

The Company has an interest rate swap agreement that effectively converts variable rate interest payable on ¥3,000 million ($22,556 thousand) of medium-term notes, due 2002, to a fixed rate of 1.75%.

The aggregate annual maturities of long-term debt at March 31, 2002 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 446,271	$3,355,421
2004	336,830	2,532,556
2005	232,490	1,748,045
2006	67,657	508,699
2007	75,333	566,414
2008 and thereafter	133,200	1,001,504
Total	¥1,291,781	$9,712,639

At March 31, 2002, the following assets were pledged as collateral for short-term borrowings and long-term debt (including current portion of long-term debt):

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 351	$ 2,639
Loans	559,827	4,209,226
Installment accounts receivable	50,918	382,842
Property for sale	153	1,150
Investment securities	413	3,105
Property, plant and equipment, net of accumulated depreciation	2,744	20,632
Other assets	2	15
Total	¥614,408	$4,619,609
Related liabilities:		
Short-term borrowings	¥ 20,210	$ 151,955
Long-term debt (including current portion of long-term debt)	497,083	3,737,466
Trade accounts payable	274	2,060
Total	¥517,567	$3,891,481

In addition, if requested by lending financial institutions the Group has committed to pledge collateral for loans other than those shown in the above table. At March 31, 2002, related liabilities for which lending financial institutions can request the Group to pledge collateral consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Short-term borrowings	¥ 5,211	$ 39,180
Long-term debt (including current portion of long-term debt)	140,257	1,054,564
Total	¥145,468	$1,093,744

At March 31, 2002, other current assets amounting to ¥6,764 million ($50,857 thousand) were pledged as collateral for the interest rate swap contracts.

10. RETIREMENT AND PENSION PLANS

The Company and certain of its consolidated subsidiaries have contributory and non-contributory funded pension plans covering substantially all employees. Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. If the termination is involuntary, employees are usually entitled to larger payments than in the case of voluntary termination.

The liability for retirement benefits includes retirement benefits to directors and corporate auditors of ¥1,068 million ($8,030 thousand) and ¥954 million at March 31, 2002 and 2001, respectively.

The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Projected benefit obligation	**¥ 19,542**	¥ 18,361	**$146,932**
Fair value of plan assets	**(12,350)**	(11,424)	**(92,857)**
Unrecognized prior service cost	**1,394**	—	**10,481**
Unrecognized actuarial loss	**(2,628)**	(747)	**(19,759)**
Net liability	**¥ 5,958**	¥ 6,190	**$ 44,797**

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Service cost	**¥1,373**	¥ 814	**$10,323**
Interest cost	**528**	125	**3,970**
Expected return on plan assets	**(291)**	(92)	**(2,188)**
Amortization of prior service cost	**(573)**	—	**(4,308)**
Recognized actuarial loss	**316**	1,145	**2,376**
Net periodic benefit costs	**¥1,353**	¥1,992	**$10,173**

Assumptions used for the years ended March 31, 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate	2.5% to 3.0%	3.0%
Expected rate of return on plan assets	1.5% to 2.5%	3.0% to 3.5%
Amortization period of prior service cost	Full amount charged to income as incurred	—
Recognition period of actuarial gain/loss:		
Company	Full amount charged to income as incurred	Full amount charged to income as incurred
One consolidated subsidiary	10 years	10 years
Amortization period of transitional obligation	—	Full amount charged to income as incurred

11. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the ''Code'') to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The excess of total additional paid-in capital and legal reserve over 25% of the stated capital can be available for dividends by resolution of the shareholders. The Company's legal reserve amount, which is included in retained earnings, totals ¥1,566 million ($11,774 thousand) and ¥1,301 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥1,000 for the Company. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the amount available for dividends is based on retained earning as recorded on the Company's books, subject to the approval of the shareholders and legal reserve requirements.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 22, 2000, the Company made a three-for-two stock split to shareholders of record on March 31, 2000. As a result, the number of shares issued increased by 28,051,500 shares.

On June 1, 2000, the Company acquired all 650,000 shares of the common stock of Sinwa Co., Ltd. in exchange for 721,500 shares of the Company's common stock, according to an agreement dated April 27, 2000. On the exchange of common stock, ¥37 million and ¥4,398 million were credited to common stock and additional paid-in capital, respectively, based on the book value of the acquired net assets. In addition, effective June 1, 2000, the above shares were revalued at market in accordance with the purchase method of accounting which resulted in an increase to additional paid-in capital of ¥4,217 million.

At the Shareholders' General Meeting held on June 27, 2001, the Company's shareholders approved the following stock option plan for the Company's directors and key employees.

The plan provides for granting options to directors and key employees to purchase up to 223 thousand shares of the Company's common stock. The options were granted to purchase common stock at the higher of 103% of the average fair market price for the month previous to the grant, or the fair market price at the time of grant. The stock options are exercisable from July 1, 2003 to June 30, 2006. The Company plans to issue acquired treasury stock upon exercise of the stock options. The treasury stock will be purchased from the open market for a total consideration not to exceed ¥4,100 million ($30,827 thousand). No options have been granted at March 31, 2002.

On August 25, 2001, the Company issued 8,500 thousand shares of its common stock at ¥10,241 ($77) per share, for gross proceeds of approximately ¥87,048 million ($654,496 thousand). On the issuance of common stock, ¥43,528 million ($327,278 thousand) and ¥43,520 million ($327,218 thousand) were credited to common stock and additional paid-in capital, respectively.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.9% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Current deferred tax assets:			
Tax loss carryforwards	—	¥ 229	—
Provision for doubtful loans	**¥ 6,629**	8,565	**$49,842**
Enterprise tax payable	**940**	1,846	**7,068**
Accrued bonuses	**1,145**	937	**8,609**
Charge-offs for doubtful loans	**1,058**	516	**7,955**
Other	**452**	826	**3,398**
Total	**10,224**	12,919	**76,872**
Less valuation allowance	**(253)**	(53)	**(1,902)**
Net	**9,971**	12,866	**74,970**
Current deferred tax liabilities:			
Other	—	1	—
Net deferred tax assets	**¥ 9,971**	¥12,865	**$74,970**

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Non-current deferred tax assets:			
Tax loss carryforwards	¥32,657	¥30,215	$245,541
Provision for doubtful loans	1,995	—	15,000
Provision for employees' retirement benefits	2,462	2,499	18,511
Depreciation and amortization	2,489	2,287	18,714
Other	1,579	2,084	11,873
Subtotal	41,182	37,085	309,639
Less valuation allowance	(19,918)	(27,781)	(149,759)
Net	21,264	9,304	159,880
Non-current deferred tax liabilities:			
Unrealized gain on available-for-sale securities	—	184	—
Net deferred tax assets	¥21,264	¥ 9,120	$159,880

A valuation allowance is established to reduce certain deferred tax assets with respect to deductible temporary differences and net operating loss carryforwards where it is more likely than not that they will not be realized.

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2002	2001
Normal effective statutory tax rates	41.9%	41.9%
Additional taxation on undistributed income	5.8	4.5
Inhabitant's taxes	0.5	0.9
Expenses not deductible for income taxes purposes	8.3	0.2
Decrease of valuation allowance	(12.6)	—
Other, net	0.2	0.4
Actual effective tax rates	44.2%	47.9%

13. RELATED PARTY TRANSACTIONS

The balance due from an unconsolidated subsidiary at March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Advances to an unconsolidated subsidiary	¥4,305	¥4,003	$32,368

An allowance has been provided for the entire amount of the advances to this unconsolidated subsidiary.

In consideration of the unconsolidated subsidiary's financial condition, the Company does not charge interest on such advances.

14. LEASES

The Group leases vehicles, computer equipment, furniture and fixtures, office space and other assets.

Total rental expense including lease payments under finance leases for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Total Rental Expenses	Lease Payments under Finance Leases	Total Rental Expenses	Lease Payments under Finance Leases
Year Ended March 31:				
2002	**¥22,961**	**¥7,014**	**$172,639**	**$52,737**
2001	15,662	6,322		

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Machinery and Equipment		Machinery and Equipment
	2002	**2001**	**2002**
Acquisition cost	**¥33,146**	¥30,213	**$249,218**
Accumulated depreciation	**21,921**	21,481	**164,820**
Net leased property	**¥11,225**	¥ 8,732	**$ 84,398**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Due within one year	**¥ 6,086**	¥ 5,251	**$ 45,759**
Due after one year	**8,181**	6,505	**61,512**
Total	**¥14,267**	¥11,756	**$107,271**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, computed under a declining-balance method and the interest method, respectively for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Depreciation expense	**¥6,704**	¥5,533	**$50,406**
Interest expense	**488**	414	**3,669**

The minimum rental commitments under noncancellable operating leases at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Due within one year	**¥15**	¥ 51	**$113**
Due after one year	**17**	93	**128**
Total	**¥32**	¥144	**$241**

15. DERIVATIVES

The Group enters into interest rate swap and interest rate cap contracts as a means of managing its interest rate exposures on certain liabilities.

Such derivative transactions are entered into to hedge interest exposures incorporated within its business. Accordingly, market risk in these derivatives is theoretically offset by opposite movements in the value of hedged liabilities. The Group does not hold or issue derivatives for trading and speculative purposes.

Because the counterparties to these derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization and credit limit amount.

The fair value of the Group's derivative financial instruments at March 31, 2001, other than those to which hedge accounting is applied, is as follows:

	Millions of Yen		
	2001		
	Notional Amount	Fair Value	Unrealized Loss
Interest rate caps:			
Purchased interest rate caps	¥1,500	¥2	¥24

The Group had no derivative instruments outstanding at March 31, 2002.

Estimated fair values were obtained from banks.

A portion of interest rate caps which either qualify for hedge accounting or meet specific matching criteria is excluded from the disclosure of market value information.

The notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16. SUBSEQUENT EVENTS

a. On May 27, 2002, the Board of Directors of the Company resolved to propose the following plan of appropriation of retained earnings for the year ended March 31, 2002 for approval at the Shareholders' General Meeting held on June 26, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥25 ($0.19) per share	**¥2,329**	**$17,511**
Bonuses to directors and corporate auditors	**103**	**774**

b. At the Shareholders' General Meeting held on June 26, 2002, the Company's shareholders approved the purchase of treasury stock for retirement and the related reduction of retained earnings. The Company is authorized to repurchase up to 9 million shares of the Company's common stock (aggregate amount of ¥90,000 million ($676,692 thousand)) in the period from the closing of this Shareholders' General Meeting to that of the next Shareholders' General Meeting.

c. On May 27, 2002, the Board of Directors resolved that the number of common shares the Company is authorized to issue was increased from 224 million shares to 373.5 million shares. This resolution was approved at the Shareholders' General Meeting held on June 26, 2002.

17. SEGMENT INFORMATION

Most of the Group's business is related to a single segment, lending. The Group does not operate outside Japan. Accordingly, information about industry and geographic segments was not presented.

INDEPENDENT AUDITORS' REPORT

Deloitte Touche Tohmatsu

Shimbashi & Co.

To the Board of Directors and Shareholders of
AIFUL CORPORATION:

We have examined the consolidated balance sheets of AIFUL CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of AIFUL CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Kyoto, Japan

Shimbashi & Co.

SHIMBASHI & CO.
Osaka, Japan

June 26, 2002

NON-CONSOLIDATED STATEMENTS OF INCOME

AIFUL CORPORATION

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
INCOME:			
Interest on loans	¥296,034	¥262,581	$2,225,820
Interest on deposits, securities and other	3,912	1,237	29,413
Sales of property for sale	2,824	40	21,233
Income from restaurant business and other	1,247	1,303	9,376
Recovery of loans previously charged off	3,779	3,325	28,414
Other income	4,047	4,067	30,428
Total income	311,843	272,553	2,344,684
EXPENSES:			
Interest on borrowings	30,829	26,767	231,797
Cost of sales of property for sale	2,678	57	20,135
Charge-offs and provision for doubtful loans, advances to subsidiary and claims in bankruptcy	67,931	54,772	510,759
Salaries and other employees' benefits	23,114	24,065	173,790
Advertising expenses	19,274	17,043	144,917
Rental expenses	15,004	15,001	112,812
Commissions and fees	9,723	10,463	73,105
Supplies	1,295	1,166	9,737
Loss on write-down of investment securities	549	1,531	4,128
Loss on write-down of inventories	2,195	103	16,504
Depreciation and amortization	4,515	4,205	33,947
Provision for accrued pension and severance costs	369	1,982	2,774
Charge for full amount of transitional obligations for retirement benefits	—	992	—
Provision for retirement benefits to directors and corporate auditors	111	67	835
Stock issue costs	4,235	—	31,842
Loss on sales of property, net	31,185	1,552	234,474
Other expenses	26,182	20,312	196,857
Total expenses	239,189	180,078	1,798,413
INCOME BEFORE INCOME TAXES	72,654	92,475	546,271
INCOME TAXES (Note 8)**:**			
Current	35,001	45,011	263,166
Deferred	(696)	(1,048)	(5,233)
Total income taxes	34,305	43,963	257,933
NET INCOME	¥ 38,349	¥ 48,512	$ 288,338

	Yen		U.S. Dollars (Note 3)
AMOUNTS PER COMMON SHARE (Note 2 s.)**:**			
Net income	¥426.54	¥572.38	$3.21
Cash dividends applicable to the year	50.00	50.00	0.38

See Notes to Non-Consolidated Financial Statements.

NON-CONSOLIDATED BALANCE SHEETS

AIFUL CORPORATION

March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 93,255	¥ 95,391	$ 701,165
Time deposits	138	378	1,038
Loans (Notes 4 and 7)	1,313,690	1,159,734	9,877,369
Allowance for doubtful loans	(58,689)	(45,115)	(441,271)
Net loans	1,255,001	1,114,619	9,436,098
Inventories (Notes 5 and 7)	680	2,454	5,113
Prepaid expenses	3,495	4,172	26,278
Deferred tax assets (Note 8)	7,589	9,240	57,060
Advances to associated company	—	200	—
Other current assets (Note 7)	31,860	12,763	239,549
Total current assets	1,392,018	1,239,217	10,466,301
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,284	41,212	39,729
Buildings and structures	23,084	35,146	173,564
Machinery, vehicles and equipment	10,007	10,576	75,241
Construction in progress	—	25	—
Subtotal	38,375	86,959	288,534
Accumulated depreciation	(15,068)	(19,569)	(113,293)
Net property, plant and equipment	23,307	67,390	175,241
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 7)	6,539	4,888	49,165
Investments in and advances to subsidiaries and associated companies	266,814	227,805	2,006,120
Claims in bankruptcy (Note 4)	14,267	11,845	107,271
Allowance for advances to subsidiary and claims in bankruptcy	(17,220)	(15,829)	(129,474)
Software, net	2,354	2,365	17,699
Long-term loans (less current portion)	8,671	8,706	65,195
Lease deposits	8,652	8,549	65,053
Long-term prepayments	1,566	2,172	11,774
Deferred tax assets (Note 8)	4,348	1,645	32,692
Deferred losses on hedging instruments, mainly interest rate swaps (Note 2 r.)	22,931	20,091	172,414
Other assets	6,621	7,566	49,782
Total investments and other assets	325,543	279,803	2,447,691
TOTAL	¥1,740,868	¥1,586,410	$13,089,233

See Notes to Non-Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 29,000	¥ 32,500	$ 218,045
Current portion of long-term debt (Note 7)	430,785	348,257	3,238,984
Trade notes payable	3,572	3,774	26,857
Trade accounts payable	5,408	5,449	40,662
Income taxes payable	15,912	25,530	119,639
Accrued expenses	6,449	5,040	48,489
Other current liabilities	1,244	1,345	9,354
Total current liabilities	492,370	421,895	3,702,030
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Note 7)	803,194	838,417	6,039,053
Liability for retirement benefits (Note 2 g.)	2,395	3,061	18,007
Interest rate swaps (Note 2 r.)	22,305	20,091	167,707
Other long-term liabilities	111	345	834
Total long-term liabilities	828,005	861,914	6,225,601
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY (Notes 9 and 12)**:**			
Common stock, authorized, 224,000,000 shares; issued, 93,376,000 shares at March 31, 2002 and 84,876,000 shares at March 31, 2001	83,317	39,789	626,444
Additional paid-in capital	89,831	46,311	675,421
Legal reserve	1,566	1,301	11,774
Retained earnings	248,086	214,969	1,865,308
Net unrealized gain (loss) on available-for-sale securities	(261)	231	(1,962)
Treasury stock, at cost—220,585 shares in 2002	(2,046)	—	(15,383)
Total shareholders' equity	420,493	302,601	3,161,602
TOTAL	¥1,740,868	¥1,586,410	$13,089,233

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

AIFUL CORPORATION

Years Ended March 31, 2002 and 2001

	Thousands	Millions of Yen					
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock, at Cost
BALANCE AT APRIL 1, 2000	56,103	¥39,752	¥41,913	¥ 952	¥170,286		Nil
Net income					48,512		
Cash dividends paid, ¥50 per share					(3,381)		
Transfer to legal reserve				349	(349)		
Bonuses to directors and corporate auditors					(99)		
Stock split (Note 9)	28,052						
Acquisition of Sinwa Co., Ltd. (Note 9)	721	37	4,398				
Net unrealized gain on available-for-sale securities						¥ 231	
BALANCE AT MARCH 31, 2001	84,876	39,789	46,311	1,301	214,969	231	Nil
Net income					**38,349**		
Cash dividends paid, ¥50 per share					**(4,880)**		
Transfer to legal reserve				**265**	**(265)**		
Bonuses to directors and corporate auditors					**(87)**		
Net increase in treasury stock (220,585 shares) (Note 9)							**¥(2,046)**
Public offering (Note 9)	**8,500**	**43,528**	**43,520**				
Net unrealized loss on available-for-sale securities						**(492)**	
BALANCE AT MARCH 31, 2002	**93,376**	**¥83,317**	**¥89,831**	**¥1,566**	**¥248,086**	**¥(261)**	**¥(2,046)**

	Thousands of U.S. Dollars (Note 3)					
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock, at Cost
BALANCE AT MARCH 31, 2001	$299,166	$348,203	$ 9,782	$1,616,308	$1,737	Nil
Net income				**288,338**		
Cash dividends paid, $0.38 per share				**(36,692)**		
Transfer to legal reserve			**1,992**	**(1,992)**		
Bonuses to directors and corporate auditors				**(654)**		
Net increase in treasury stock (220,585 shares) (Note 9)						**$(15,383)**
Public offering (Note 9)	**327,278**	**327,218**				
Net unrealized loss on available-for-sale securities					**(3,699)**	
BALANCE AT MARCH 31, 2002	**$626,444**	**$675,421**	**$11,774**	**$1,865,308**	**$(1,962)**	**$(15,383)**

See Notes to Non-Consolidated Financial Statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AIFUL CORPORATION

Years Ended March 31, 2002 and 2001

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements of AIFUL CORPORATION (the "Company") have been prepared from the Company's non-consolidated financial statements issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Securities and Exchange Law. The Company maintains its accounts and records in accordance with the provisions set forth in the Commercial Code of Japan (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting procedures generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's non-consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications have been made to the prior year's non-consolidated financial statements to conform to the classifications used for the year ended March 31, 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Non-Consolidation – The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificates of deposit which mature or become due within three months of the date of acquisition.

c. Inventories – Inventories include property for sale, property for sale under construction and supplies. Property for sale is stated at the lower of cost or market, cost being determined by the specific identification method. Depreciation of property for sale currently rented is computed by the same method, as applied to property, plant and equipment. Property for sale under construction is stated at cost, cost being determined by the specific identification method. Supplies are stated at the most recent purchase price, which approximates cost determined by the first-in, first-out method.

d. Investment Securities – Held-to-maturity debt securities are reported at amortized cost and available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method. The range of useful lives is from 7 to 50 years (3 to 50 years in 2001) for buildings and structures and from 2 to 20 years for machinery, vehicles and equipment.

f. Software – Expenditures for the purchase of software, which meet certain future-tests, are capitalized as software and amortized by the straight-line method over the estimated useful lives of five years.

g. Liability for Retirement Benefits - The Company has contributory and non-contributory funded pension plans covering substantially all employees. Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. If the termination is involuntary, employees are usually entitled to larger payments than in the case of voluntary termination.

The Company accounted for the net liability for retirement benefits based on projected benefit obligation and plan assets at the balance sheet date.

Liability for retirement benefits to directors and corporate auditors are provided at the amount which would be required if they retired at each balance sheet date.

The balances of retirement benefits include those to directors and corporate auditors in the amount of ¥1,056 million ($7,940 thousand) and ¥945 million for the years ended March 31, 2002 and 2001, respectively.

h. **Allowances for Doubtful Loans** – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. **Leases** – All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's non-consolidated financial statements.

j. **Income Taxes** – The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. **Related Party Transactions** – Related party transactions other than those with subsidiaries and associated companies are not presented herein, as they are disclosed in the consolidated financial statements of the Company.

l. **Appropriations of Retained Earnings** – Appropriations of retained earnings are reflected in the non-consolidated financial statements for the following year upon shareholders' approval.

m. **Foreign Currency Transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statements of income.

n. **Interest on Loans** – Interest on loans is recorded on an accrual basis. In accordance with the practice prevailing in the industry, the Company records accrued interest to the extent that the realization of such income is considered to be certain.

o. **Interest on Borrowings** – Interest on financial liabilities is accounted for as operating expenses while other interest is included in other expenses.

p. **Stock Issue Costs** – Stock issue costs are charged to income as incurred.

q. **Bonds Issue Costs** – Bonds issue costs, which are included in other assets, are amortized ratably over periods up to three years.

r. **Derivatives and Hedging Activitie**s – The Company uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps and caps are utilized by the Company to reduce interest rate risks. The Company does not enter into derivatives for trading or speculative purposes. The accounting standard for derivative financial instruments requires that: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the non-consolidated statements of income, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps and caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap or cap agreements is recognized and included in interest expense or income.

s. **Per Share Information** – The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of common shares used in the computation for the years ended March 31, 2002 and 2001 was as follows:

	Average Number of Shares
2002	**89,908,062**
2001	84,755,420

Diluted net income per share is not presented because no dilutive securities were outstanding for the years ended March 31, 2002 and 2001.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year without giving retroactive adjustment for any subsequent stock split.

3. TRANSLATION INTO U.S. DOLLARS

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133=$1, the approximate rate of exchange at March 29, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

4. LOANS

Loans at March 31, 2002 and 2001 consisted of the following (before allowance for doubtful loans):

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Unsecured	**¥1,019,293**	¥ 921,891	**$7,663,857**
Secured	**277,671**	225,645	**2,087,752**
Small business loans	**16,726**	12,198	**125,760**
Total	**¥1,313,690**	¥1,159,734	**$9,877,369**

Registered moneylenders are required to disclose the following information under the Non-Bank Bond Law.

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Loans in legal bankruptcy	**¥16,457**	¥13,058	**$123,737**
Nonaccrual loans	**23,334**	20,137	**175,444**
Accruing loans contractually past due three months or more as to principal or interest payments	**8,931**	6,874	**67,150**
Restructured loans	**29,305**	23,814	**220,338**
Total	**¥78,027**	¥63,883	**$586,669**

Loans in legal bankruptcy are loans in which accruals of interest are discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectibility of principal or interest resulting from the past due payment of interest or principal and other factors. Allowances for claims in bankruptcy are stated at such amount less net realizable value of collateral.

Nonaccrual loans are loans in which accruals of interest are discontinued and those other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery where such deferred payments are regularly received. Accruing loans contractually past due three months or more as to principal or interest payments 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 nonaccrual loans are excluded from accruing loans contractually past due three months or more.

Restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

At March 31, 2002, the Company had a balance related to revolving loan contracts of ¥1,023,875 million ($7,698,308 thousand) whereby a commitment was set up for each loan customer, and the Company was obligated to advance funds up to a predetermined amount upon request. At March 31, 2002, the balance of unadvanced commitments was ¥444,662 million ($3,343,323 thousand). The loan contract contains provisions that allow the Company to reduce the contract amount of the commitment or refuse to advance funds to loan customers under certain conditions.

5. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Property for sale	**¥668**	¥ 819	**$5,023**
Property for sale under construction	**—**	1,622	**—**
Supplies	**12**	13	**90**
Total	**¥680**	¥2,454	**$5,113**

6. INVESTMENT SECURITIES

Disclosure of cost and fair value of marketable securities at March 31, 2002 and 2001 is not presented herein, as such information is not required in non-consolidated financial statements.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Commercial paper, 0.7880% (0.828% to 0.912% at March 31, 2001)	**¥15,000**	¥15,000	**$112,782**
Loans from banks, 0.8363% to 1.1100% (1.12% to 2.375% at March 31, 2001)	**12,000**	15,000	**90,225**
Loans from other financial institutions, 1.475% (1.6% to 2.45% at March 31, 2001)	**2,000**	2,500	**15,038**
Total	**¥29,000**	¥32,500	**$218,045**

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loans from banks, 1.0846% to 4.200%, due serially to 2007 (1.001% to 4.2%, due serially to 2006 at March 31, 2001)	**¥ 420,031**	¥ 398,990	**$ 3,158,128**
Loans from other financial institutions, 1.750% to 4.200%, due serially to 2007 (1.9% to 4.7%, due serially to 2006 at March 31, 2001	**219,047**	245,434	**1,646,970**
Syndicated loans, 2.5%, due 2004 (1.7% to 2.6%, due 2004 at March 31, 2001)	**46,666**	70,000	**350,872**
Unsecured 2.6% yen straight bonds, due 2001	**—**	6,000	**—**
Unsecured 2.425% yen straight bonds, due 2002 (2.35% to 2.425%, due 2002 at March 31, 2001)	**10,000**	40,000	**75,188**
Unsecured 1.5% to 3.2% yen straight bonds, due 2003	**75,000**	75,000	**563,910**
Unsecured 2.0% to 2.53% yen straight bonds, due 2004	**135,000**	135,000	**1,015,037**
Unsecured 1.75% to 1.86% yen straight bonds, due 2005 (1.86%, due 2005 at March 31, 2001)	**30,000**	10,000	**225,564**
Unsecured 1.7% to 3.27% yen straight bonds, due 2006 (3.27% at March 31, 2001)	**60,000**	15,000	**451,128**
Unsecured 2.51% yen straight bonds, due 2007	**20,000**	20,000	**150,376**
Unsecured 2.48% yen straight bonds, due 2008	**15,000**	—	**112,782**
Unsecured 3.28% yen straight bonds, due 2009	**8,000**	8,000	**60,150**
Unsecured 2.93% to 3.0% yen straight bonds, due 2010	**20,000**	20,000	**150,376**
Unsecured 3.65% Euro-yen straight bonds, due 2003	**9,500**	9,500	**71,429**
Unsecured variable rate Euro-yen straight bonds, due 2006 (1.825% at March 31, 2002 and 2.136% at March 31, 2001)	**15,000**	15,000	**112,782**
Unsecured 1.73% medium-term notes, due 2002	**3,000**	3,000	**22,556**
Unsecured variable rate Euro-yen medium-term notes, due 2002 (1.75% at March 31, 2002 and 2001)	**3,000**	3,000	**22,556**
Unsecured 2.21% medium-term notes, due 2007	**1,000**	—	**7,519**
Unsecured 3.0% medium-term notes, due 2008	**3,000**	3,000	**22,556**
Unsecured 3.5% medium-term notes, due 2015	**15,000**	15,000	**112,782**
Other (principally from leasing and factoring companies), 2.0% to 4.3%, due serially to 2008 (0.98% to 4.5%, due serially to 2006 at March 31, 2001)	**125,735**	94,750	**945,376**
Subtotal	**1,233,979**	1,186,674	**9,278,037**
Less current portion	**(430,785)**	(348,257)	**(3,238,984)**
Long-term debt, less current portion	**¥ 803,194**	¥ 838,417	**$ 6,039,053**

The Company has an interest rate swap agreement that effectively converts variable rate interest payable on ¥3,000 million ($22,556 thousand) of medium-term notes, due 2002, to a fixed rate of 1.75%.

The aggregate annual maturities of long-term debt at March 31, 2002 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 430,785	$3,238,984
2004	321,700	2,418,797
2005	205,304	1,543,639
2006	67,657	508,699
2007	75,333	566,414
2008 and thereafter	133,200	1,001,504
Total	¥1,233,979	$9,278,037

At March 31, 2002, the following assets were pledged as collateral for short-term borrowings and long-term debt (including current portion of long-term debt):

	Millions of Yen	Thousands of U.S. Dollars
Loans	¥559,240	$4,204,813
Investment securities	153	1,150
Property for sale	153	1,150
Total	¥559,546	$4,207,113
Related liabilities:		
Long-term debt (including current portion of long-term debt)	¥467,766	$3,517,038

In addition, if requested by lending financial institutions, the Company has committed to pledge collateral for loans other than those shown in the above table.

At March 31, 2002, related liabilities for which lending financial institutions can request the Company to pledge collateral consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Short-term borrowings	¥ 2,000	$ 15,038
Long-term debt (including current portion of long-term debt)	125,186	941,248
Total	¥127,186	$956,286

At March 31, 2002, other current assets, which were pledged as collateral for interest rate swap contracts, amounted to ¥6,764 million ($50,857 thousand).

8. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.9% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Current deferred tax assets:			
Charge-offs for doubtful loans	**¥ 862**	¥ 516	**$ 6,481**
Provision for doubtful loans	**4,896**	6,164	**36,812**
Unrecorded accrued interest on loans	**—**	122	**—**
Accrued bonuses	**716**	501	**5,383**
Enterprise tax payable	**888**	1,839	**6,677**
Other	**227**	98	**1,707**
Current deferred tax assets	**¥7,589**	¥9,240	**$57,060**
Non-current deferred tax assets:			
Depreciation and amortization	**¥ 816**	¥ 402	**¥ 6,135**
Provision for doubtful loans	**1,995**	—	**15,000**
Provision for employees' retirement benefits	**544**	851	**4,090**
Provision for retirement benefits to directors and corporate auditors	**443**	396	**3,331**
Unrealized loss on available-for-sale securities	**188**	—	**1,414**
Other	**362**	163	**2,722**
Total	**4,348**	1,812	**32,692**
Non-current deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**—**	167	**—**
Net deferred tax assets	**¥4,348**	¥1,645	**$32,692**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001 and the actual effective tax rates reflected in the accompanying non-consolidated statements of income is as follows:

	2002	2001
Normal effective statutory tax rates	**41.9%**	41.9%
Increase in tax rate resulting from:		
Additional taxation on undistributed income	**4.7**	4.4
Other, net	**0.6**	1.2
Actual effective tax rates	**47.2%**	47.5%

9. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The excess of total additional paid-in capital and legal reserve over 25% of the stated capital can be available for dividends by resolution of the shareholders. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥1,000. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the amount available for dividends is based on retained earning as recorded on the Company's books, subject to the approval of the shareholders and legal reserve requirements.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 22, 2000, the Company made a three-for-two stock split to shareholders of record on March 31, 2000. As a result, the number of shares issued increased by 28,051,500 shares.

On June 1, 2000, the Company acquired all 650,000 shares of the common stock of Sinwa Co., Ltd. in exchange for 721,500 shares of the Company's common stock, according to an agreement dated April 27, 2000. On the exchange of common stock, ¥37 million and ¥4,398 million were credited to common stock and additional paid-in capital, respectively, based on the book value of the acquired net assets. In addition, effective June 1, 2000, the above shares were revalued at market in accordance with the purchase method of accounting which resulted in an increase to additional paid-in capital of ¥4,217 million.

At the Shareholders' General Meeting held on June 27, 2001, the Company's shareholders approved the following stock option plan for the Company's directors and key employees.

The plan provides for granting options to directors and key employees to purchase up to 223 thousand shares of the Company's common stock. The options were granted to purchase common stock at the higher of 103% of the average fair market price for the month previous to the grant, or the fair market price at the time of grant. The stock options are exercisable from July 1, 2003 to June 30, 2006. The Company plans to issue acquired treasury stock upon exercise of the stock options. The treasury stock will be purchased from the open market for a total consideration not to exceed ¥4,100 million ($30,827 thousand). No options have been granted at March 31, 2002.

On August 25, 2001, the Company issued 8,500 thousand shares of its common stock at ¥10,241 ($77) per share, for gross proceeds of approximately ¥87,048 million ($654,496 thousand). On the issuance of common stock, ¥43,528 million ($327,278 thousand) and ¥43,520 million ($327,218 thousand) were credited to common stock and additional paid-in capital, respectively.

10. LEASES

The Company leases vehicles, computer equipment, furniture and fixtures, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Total Rental Expenses	Lease Payments under Finance Leases	Total Rental Expenses	Lease Payments under Finance Leases
Year Ended March 31:				
2002	**¥15,004**	**¥5,738**	**$112,812**	**$43,143**
2001	15,001	6,117		

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Machinery, Vehicles and Equipment		Machinery, Vehicles and Equipment
	2002	**2001**	**2002**
Acquisition cost	**¥26,570**	¥25,727	**$199,774**
Accumulated depreciation	**18,586**	18,933	**139,744**
Net leased property	**¥ 7,984**	¥ 6,794	**$ 60,030**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Due within one year	**¥ 4,811**	¥4,390	**$36,173**
Due after one year	**5,792**	5,139	**43,549**
Total	**¥10,603**	¥9,529	**$79,722**

Depreciation expense and interest expense, which are not reflected in the accompanying non-consolidated statements of income, computed under a declining-balance method and the interest method, respectively, for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	**2001**	**2002**
Depreciation expense	**¥5,474**	¥5,360	**$41,158**
Interest expense	**339**	388	**2,549**

11. CONTINGENT LIABILITIES

At March 31, 2002, contingent liabilities were ¥12,246 million ($92,075 thousand) of guarantees and similar items of bank loans.

12. SUBSEQUENT EVENTS

a. On May 27, 2002, the Board of Directors resolved to propose the following plan of appropriations of retained earnings for the year ended March 31, 2002 for approval at the Shareholders' General Meeting held on June 26, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥25 ($0.19) per share	**¥2,329**	**$17,511**
Bonuses to directors and corporate auditors	**103**	**774**

b. At the Shareholders' General Meeting held on June 26, 2002, the Company's shareholders approved the purchase of treasury stock for retirement and the related reduction of retained earnings. The Company is authorized to repurchase up to 9 million shares of the Company's common stock (aggregate amount of ¥90,000 million ($676,692 thousand)) in the period from the closing of this Shareholders' General Meeting to that of the next Shareholders' General Meeting.

c. On May 27, 2002, the Board of Directors resolved that the number of common shares the Company is authorized to issue was increased from 224 million shares to 373.5 million shares. This resolution was approved at the Shareholders' General Meeting held on June 26, 2002.

INDEPENDENT AUDITORS' REPORT

Deloitte Touche Tohmatsu

Shimbashi & Co.

To the Board of Directors and Shareholders of
AIFUL CORPORATION:

We have examined the non-consolidated balance sheets of AIFUL CORPORATION as of March 31, 2002 and 2001, and the related non-consolidated statements of income and shareholders' equity for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of AIFUL CORPORATION as of March 31, 2002 and 2001, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Kyoto, Japan

Shimbashi & Co.

SHIMBASHI & CO.
Osaka, Japan

June 26, 2002

NON-CONSOLIDATED SIX-YEAR SUMMARY

AIFUL CORPORATION

	Millions of Yen		
	2002	2001	2000
Results for the Fiscal Year:			
Total income	**¥ 311,843**	¥ 272,553	¥ 239,200
Total expenses	**239,189**	180,078	154,490
Income before income taxes	**72,654**	92,475	84,710
Income taxes	**35,001**	45,011	42,399
Deferred income taxes	**696**	1,048	1,793
Net income	**38,349**	48,512	44,104
At Year-End:			
Balance of loans outstanding	**¥ 1,313,690**	¥ 1,159,734	¥ 1,001,080
Total assets	**1,740,868**	1,586,410	1,182,468
Short-term borrowings	**29,000**	32,500	28,700
Long-term debt, including current portion thereof	**1,233,979**	1,186,674	863,469
Total shareholders' equity	**420,493**	302,601	252,903
Per Share Data (Yen)**:**			
Net income	**¥ 426**	¥ 572	¥ 786
Adjusted for stock splits	**—**	—	524
Shareholders' equity	**4,514**	3,565	4,508
Adjusted for stock splits	**—**	—	3,005
Cash dividends	**50**	50	60
Adjusted for stock splits	**—**	—	40
Other Data:			
Number of shares outstanding at year-end	**93,376,000**	84,876,000	56,103,000
Number of customer accounts at year-end	**2,244,293**	2,121,446	1,975,068
Number of branches at year-end	**1,601**	1,529	1,311
Number of employees at year-end	**3,576**	3,477	3,263

Millions of Yen		
1999	1998	1997
¥ 205,536	¥ 180,181	¥ 150,176
140,777	117,080	94,276
64,759	63,101	55,900
36,311	38,097	33,095
—	—	—
28,448	25,004	22,805
¥ 837,982	¥ 702,446	¥ 591,630
996,524	876,727	724,314
58,900	98,000	39,548
704,275	600,505	557,963
203,749	146,255	93,055
¥ 611	¥ 602	¥ 1,548
339	334	344
4,358	3,421	5,957
2,421	1,901	1,324
60	60	10
33	33	2
46,752,500	42,752,500	15,621,000
1,822,261	1,706,030	1,530,094
1,009	807	654
3,141	2,731	2,521

Notes:

1. Net income per share has been computed based on the weighted average number of shares outstanding during each period, and shareholders' equity per share is based on the number of shares outstanding at the end of each period.
2. Stock split (10 for 1) on August 1, 1996.
3. Warrant exercised on September 27, 1996 (1,818,000 shares, ¥2,750).
4. Stock split (2.5 for 1) on May 20, 1997.
5. On June 18, 1997, by resolution of the Shareholders' General Meeting, the number of common shares issued was increased from 55 million to 150 million.
6. Capital increased through issuance of shares by public offering on July 30, 1997 (3,700,000 shares, ¥56,832).
7. On April 16, 1998, the Company issued 4,000,000 shares of common stock in the amount of ¥33,084 million, in offshore transactions under regulations of the U.S. Securities Act of 1993 ("the Securities Act"), and in the United States in accordance with Rule 144A of the Securities Act. Of the total, ¥16,544 million and ¥16,540 million were credited to common stock and additional paid-in capital, respectively.
8. Stock split (1.2 for 1) on May 20, 1999.
9. Stock split (1.5 for 1) on May 22, 2000.
10. Capital increased through issuance of shares by public offering on August 25, 2001 (8,500,000 shares, ¥10,241).

BOARD OF DIRECTORS

AIFUL CORPORATION

As of June 26, 2002

President/Representative Director	**Yoshitaka Fukuda**	
Senior Managing Director/ Representative Director	**Taichi Kawakita**	Restaurant & Entertainment Department
Senior Managing Directors	**Katsuhide Horiba**	General Manager – Finance Division
		Guarantee Business Department
	Sadatoshi Kobayashi	Information Systems Department
		Administration Office
Managing Director	**Yuji Kataoka**	General Manager – Personnel Division
Directors	**Yasutaka Fukuda**	Deputy General Manager – Finance Division
		General Manager – Finance Department
	Yoshimasa Nishimura	Inspection Department
	Koji Imada	Administration Department
		Credit Risk Management
		Operations Department
	Shintaro Hashima	General Affairs Department
		Legal Department
	Takashi Koumoto	General Manager – Accounting Department
	Yoshinori Sogabe	Public Relations Department
	Masami Munetake	General Manager – Management Planning Division
	Yasuo Yanagibashi	General Manager – Loan Business Division
	Masayuki Sato	
	Hiroshi Abe	General Manager – Business Management Department
		Corporate Governance Department
		Office of the President
		Business Development Division
	Kazumitsu Oishi	
	Takashi Noda	
Standing Corporate Auditors	**Masanobu Hidaka**	
	Tadao Mushiake	
	Yoshitaka Ebisuzaki	
Corporate Auditor	**Yoshinobu Azuma**	

INVESTOR INFORMATION

AIFUL CORPORATION
As of March 31, 2002

Corporate Name	**AIFUL CORPORATION**
Date of Establishment	**April 1967**
Financial Year	**April 1 to March 31**
Independent Auditors	**Deloitte Touche Tohmatsu/Shimbashi & Co.**
Transfer Agent and Registrar	**The Sumitomo Trust & Banking Co., Ltd.**
Paid-in Capital	**¥83,317 million**
Number of Shares of Common Stock	**Authorized: 224,000,000 shares**
	Issued and Outstanding: 93,376,000 shares
Number of Shareholders	**7,857**
Number of Employees	**3,576**

For further information and additional copies of this annual report, please contact:

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Corporate Headquarters
381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Phone: 075-201-2000

Common Stock Price Range

Fiscal year	2000 (1st)	2000 (2nd)	2000 (3rd)	2000 (4th)	2001 (1st)	2001 (2nd)	2001 (3rd)	2001 (4th)	2002 (1st)
High (¥)	12,450	12,450	10,460	10,370	11,400	12,150	11,140	8,710	9,290
Low (¥)	8,840	8,840	8,430	8,040	8,850	9,550	8,380	6,680	7,130

*Stock split (1.5 for 1) on May 22, 2000.