Annual Report

2009

The year ended March 31, 2009

Innovate and Improve

Streamline and Strengthen

Select and Concentrate

Control and Enhance

AIFUL CORPORATION

Corporate Profile

AIFUL was founded by President and CEO Yoshitaka Fukuda in 1967 as a sole proprietorship consumer finance business and established as a corporation in 1978 to bolster its creditworthiness. In 1982 the corporate name was changed to the current AIFUL CORPORATION. AIFUL has grown into a comprehensive financial group handling such diverse businesses as credit cards, business lending, guarantees, loan servicing and venture capital in addition to consumer finance.

Based on the corporate philosophy "Earn the support of the public with sincerity and hard work," AIFUL aims to be a company that is truly trusted by society.

Contents

Message from President and CEO Yoshitaka Fukuda

In an uncertain operating environment, AIFUL is shoring up defenses and converting to a robust earnings structure. In this section, President and CEO Yoshitaka Fukuda explains the tasks facing the company and management's policies toward them.

Feature

The consumer finance industry is facing difficult responses to issues including interest refund claims and stage 4 of enforcement of the Money Lending Business Law amid unprecedentedly challenging changes in the operating environment. This section explains the outlook for the industry and AIFUL's initiatives to strengthen its financial fundamentals.

Corporate Governance

In order to deepen its relationships of trust with stakeholders, AIFUL is working to increase transparency. This section introduces initiatives to strengthen the management foundation, including the management framework, corporate governance and compliance.

Financial Section

This section presents financial data for the past 11 years and operating data for the past five years. In addition to management's analysis of operations and results, it reports on the status of non-performing loans and fund procurement, dividend policy and other matters.

Forward-Looking Statements

The figures contained in this Annual Report with respect to AIFUL's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of AIFUL, which are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties and actual results that may differ from those in the forward-looking statements as a result of various factors. Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL's market and changes in the overall market for consumer loans, the rate of default by customers, and the level of interest rates charged by AIFUL.

Financial Highlights

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

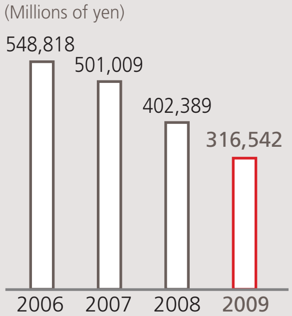
Total income ¥316,542 million | **Net income ¥4,247 million** | **Total equity ¥393,334 million**

	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2009	2008	2007	2009/2008	2009
For the Year:					
Total income	¥316,542	¥402,389	¥501,009	(21.3)%	$3,230,020
Total expenses	308,826	371,491	873,272	(16.9)	3,151,286
Credit costs	99,273	155,930	447,375	(36.3)	1,012,990
Income (loss) before income taxes and minority interests	7,716	30,898	(372,263)	(75.0)	78,735
Net income (loss)	4,247	27,434	(411,251)	(84.5)	43,337
At Year-End:					
Loans	¥1,290,354	¥1,598,706	¥1,912,689	(19.3)%	$13,166,878
Installment accounts receivable	142,017	148,490	174,923	(4.4)	1,449,153
Bad debts	322,058	343,768	328,046	(6.3)	3,286,306
Total assets	1,644,744	2,041,128	2,214,559	(19.4)	16,783,102
Allowance for bad debts	237,820	330,415	407,573	(28.0)	2,426,735
Long-term debt, including current portion thereof	805,651	1,190,159	1,438,892	(32.3)	8,220,929
Total equity	393,334	324,521	257,145	21.2	4,013,612
Number of shares issued	238,685,568	167,475,000	142,035,000	42.5	—
Per Share Data (Yen/U.S. Dollars):					
Basic net income (loss)	¥ 24.77	¥ 190.77	¥(2,903.85)	(87.0)%	$ 0.25
Diluted net income	—	186.86	—	—	—
Total equity	1,626.89	1,909.46	1,777.44	(14.8)	16.60
Cash dividends	15.00	40.00	60.00	(62.5)	0.15
Ratios (%):					
Equity ratio	23.6	15.6	11.4	8.0 pts	—
ROE	1.2	9.6	(88.1)	(8.4) pts	—
ROA	0.2	1.3	(16.4)	(1.1) pts	—

Notes: 1. The U.S. dollar amounts have been translated, for convenience only, at ¥98 = $1, the approximate rate of exchange at March 31, 2009.

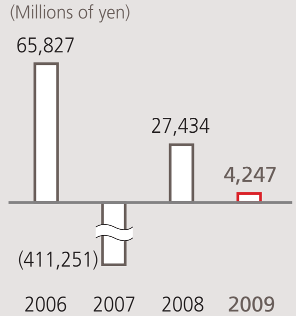
2. Figures in the financial section are based on audited English-language statements. Figures in the Message from President and CEO Yoshitaka Fukuda and the feature section are based on Japanese financial statements. Due to certain reclassifications, some figures and items do not match.

Total Income
(Millions of yen)



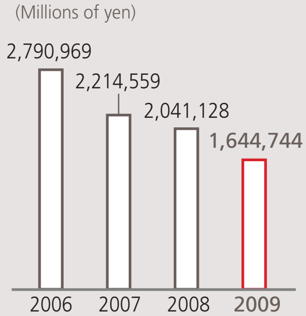
(Years ended March 31)

Net Income (Loss)
(Millions of yen)



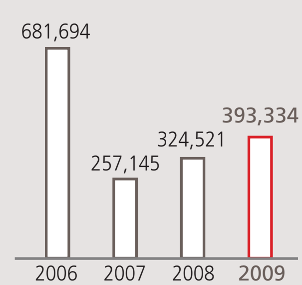
(Years ended March 31)

Total Assets
(Millions of yen)



(As of March 31)

Total Equity
(Millions of yen)



(As of March 31)

Message from President and CEO Yoshitaka Fukuda

Innovate and Improve

Shoring up defenses and converting to a robust earnings structure that can secure 1.5% ROA.

Yoshitaka Fukuda
President and CEO

Overview of Consolidated Results for the Year Ended March 2009

For the year ended March 2009, the AIFUL Group's consolidated operating revenue declined 23.1% year on year to ¥312,241 million, ordinary income declined 73.2% to ¥8,608 million and net income declined 84.5% to ¥4,247 million.

Changes in the external environment consisted of rapid deterioration in economic and employment conditions, as well as market turmoil due to the failure of financial markets and the enforcement of the Money Lending Business Law. The AIFUL Group responded by further tightening lending criteria and scaling back operations. As a result, the balance of outstanding loans declined by 19.9% year on year to ¥1,334,196 million.* Moreover, AIFUL CORPORATION reduced its interest rates for quality customers in preparation for stage 4 of enforcement of the Money Lending Business Law, resulting in a 1.5 percentage point reduction in the effective average interest rate from 19.1% to 17.6%. The percentage of customers with interest rates of less than 18% for AIFUL CORPORATION's main products, unsecured loans, thus rose from 31% to 46% as of March 31, 2009. As a result, consolidated operating revenue declined by 23%.

However, in operating expenses, the AIFUL Group provided an additional ¥100,120 million to allowances related to interest refunds (consisting of ¥58,315 million for losses on interest refunds and ¥41,805 million for loans abandoned because of interest refund claims) based on the high level of such claims. Profits decreased because this allowance was greater than the reductions in bad debt costs that resulted from the tightening of lending criteria and in labor expenses and other general expenses from reforms to Group companies' cost structures.

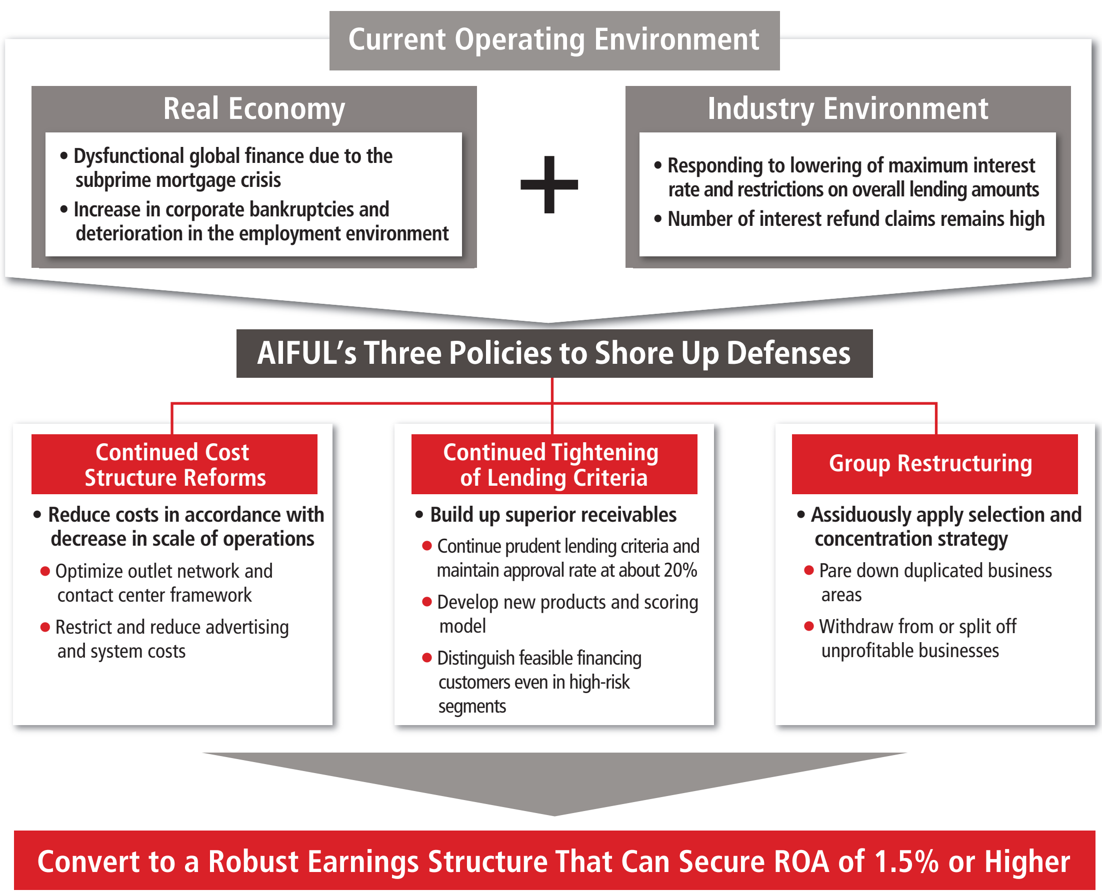
* Includes ¥43,842 million in securitized loan receivables that are not on the balance sheet.

Current Management Issues and Measures

With an increase in corporate bankruptcies and deterioration in the employment environment, the real economy is sluggish and current economic sentiment is at a historic low. In addition, abnormal and challenging conditions continue as the market for funds, which is a lifeline for consumer finance companies, has become dysfunctional as a result of the turmoil in global financial markets following the collapse of Lehman Brothers in September 2008. Moreover, following the announcement of the amended Money Lending Business Law in December 2006, most consumer finance companies are accelerating efforts to tighten lending criteria in preparation for stage 4 of enforcement of the Money Lending Business Law, which will lower the maximum interest rate and introduce restrictions on overall lending amounts by June 2010. Under these conditions, the consumer finance market is forecast to continue to shrink despite customers' deep-rooted funding needs.

Following the Supreme Court decision in January 2006, interest refund claims to consumer finance companies and credit card companies have rapidly increased. Due to active advertising by lawyers and judicial scriveners and other factors, the number of claims remains high, with no signs of peaking soon. For the year ended March 2009, the four major consumer finance companies alone recorded losses from interest refund claims totaling ¥656.7 billion. These massive refund costs are pressuring the management of consumer finance companies and forcing the withdrawal from the market of weak small and medium-sized lenders.

■ **Management Strategy: Key Measures to Achieve ROA of 1.5% or Higher**



Future Management Policies

Management intends to shore up defenses in the uncertain operating environment. We will assiduously implement the following three policies to that end.

First, we will continuously promote cost structure reforms. So far we have reduced costs through initiatives including optimizing personnel by eliminating and consolidating outlets and offering early retirement, as well as reviewing system development and other expenses. However, we will take these developments one step further and conduct drastic revisions to our cost structure. We also plan to reduce the loan balance in light of the impending stage 4 of enforcement of the Money Lending Business Law. By drastically revising our branch and contact center structure in response to this reduction in the scale of our business, we will focus on consolidating, eliminating and streamlining our operating framework.

Second is tightening lending criteria in preparation for changes in the operating environment and uncertainties. Simply tightening credit is easy. What is important is to build up superior receivables. We will do so by developing new products and a new scoring model to distinguish feasible financing customers even in high-risk segments, while continuing with prudent credit limits in order to minimize non-performing loans.

Third is Group restructuring based on selection and concentration. We are already proceeding with measures, including suspending lending and strengthening recovery at a consumer finance subsidiary, withdrawing from unprofitable businesses such as per-item shopping loans at LIFE Co., Ltd. and reorganizing lending to small and medium-sized enterprises. We will investigate options including paring down duplicated business areas and withdrawing from or splitting off unprofitable businesses through further resolute selection and concentration.

We believe that implementing these reforms will convert the AIFUL Group to a robust structure that will prevail in severe competition, and we are aiming to change to an earnings structure that can secure ROA (net income / average total assets) of 1.5% over the medium to long term.

Outlook

Article 1 of the amended Money Lending Business Law sets its purpose as ensuring the appropriate operation of companies engaged in the lending business, protecting the interests of borrowers and contributing appropriately to the national economy. This clearly affirms the social significance of the consumer finance business as part of the national economy.

With more than 23 million customers and a nearly ¥8 trillion market, our industry is integrated into various aspects of people's daily lives and deeply tied to the real economy. Currently, we are facing a time of unprecedented upheavals. However, society's need for the consumer finance business is an indisputable fact, and I believe we will contribute to society through our rebirth.

Our shareholders and investors can expect our reforms to continue, and I would like to thank them for their support.

June 2009

Yoshitaka Fukuda
President and CEO

Y. Fukuda

How AIFUL Is Dealing with Its Operating Environment

The enforcement of the amended Money Lending Business Law, interest refund claims, a challenging fund procurement environment — these are all part of the unprecedented challenges confronting the consumer finance industry today. This section explains the changes in our operating environment and how the AIFUL Group is dealing with them.

I. Changes in the Operating Environment

Turmoil in the Consumer Finance Market

Japan's consumer finance market is undergoing a major shakeout. Both the scale of the market and the number of finance companies are shrinking.

According to *Japanese Consumer Credit Statistics* published by the Japan Consumer Credit Industry Association, the balance of credit outstanding among consumer finance companies in Japan's consumer loan market stood at approximately ¥10 trillion from 2002 to 2005. This figure shrank sharply from 2006, however, decreasing more than 20% from its peak to ¥8 trillion at the end of 2007. Similarly, the amount of credit provided decreased 22% from its peak of ¥10.6 trillion in 2001 to ¥8.2 trillion at the end of 2007.

At the same time, the number of market participants has decreased sharply. According to statistics published by the Financial Services Agency, the number of registered money lenders decreased steadily from 14,236 companies at the end of March 2006 to 5,478 companies at the end of June 2009. As interest refund issues and amendments to the Money Lending Business Law have made the operating environment more challenging, the number of market participants has successively decreased by approximately 60% over the past three years. For example, large foreign corporations have sold their money lending businesses in Japan, small and medium-size companies have withdrawn from the market or entered bankruptcy, and credit card firms affiliated with railroad and automobile companies have withdrawn from the cashing loan business.

Japan's consumer finance market has therefore undergone a major shakeout since the Supreme Court's January 2006 ruling on interest refund claims and the amendment of the Money Lending Business Law in December 2006. Market shrinkage due to regulatory amendments that reduced maximum interest rates and put limits on total lending, interest refund claims that have put pressure on the financial resources of consumer finance companies, the recession, and the increasingly difficult fund procurement environment are all among the factors that have created unprecedented challenges for the consumer finance industry.

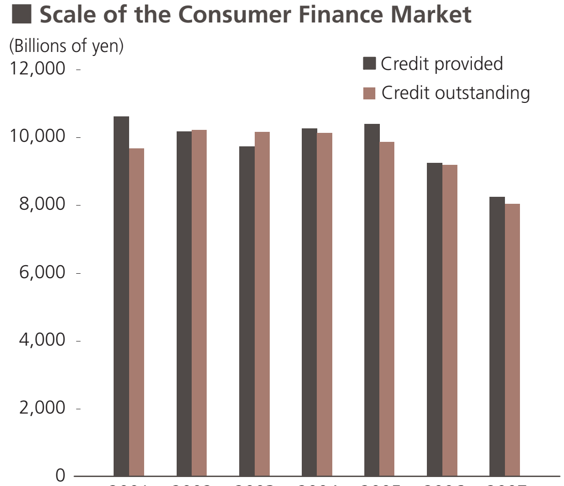
The Impact of Interest Refund Claims

Interest refund issues have created a major operating risk for consumer finance companies.

Interest refund claims for loans carrying rates within the so-called "voluntary interest rate zone" have increased rapidly since the January 2006 Supreme Court ruling (see page 11 for details), and this has put intense pressure on the financial resources of consumer finance companies. During the three years ended March 2009, Japan's four largest consumer finance companies have already made payments exceeding ¥800 billion for interest refund claims. For loans abandoned because of interest refund claims, consumer finance companies first apply interest refunds to repayment of loan principal and then charge-off the loan. Adding the cost of these charge-offs, losses related to interest refunds have totaled approximately ¥1.4 trillion.

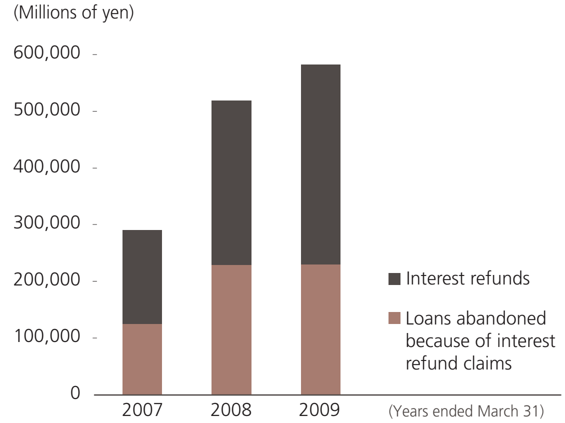
The large consumer finance companies handled the risk of massive losses related to interest refunds by making one-time provisions to allowances for losses on interest refunds

■ **Scale of the Consumer Finance Market**



Source: *Japanese Consumer Credit Statistics*, Japan Consumer Credit Industry Association

■ **Total Interest Refund Losses for the Four Major Consumer Finance Companies**



Prepared by AIFUL CORPORATION based on publicly disclosed materials of other companies.

based on guidelines that the Japanese Institute of Certified Public Accountants (JICPA) issued in October 2006. Consequently, for the year ended March 31, 2007, each company recorded large net losses for the first time since going public. Subsequently, each company has continued to make additional provisions to its allowance for losses on interest refunds because interest refund claims have continued to rise, and the total of these reserves for the four major consumer finance companies was approximately ¥1.2 trillion as of March 31, 2009.

Losses related to interest refunds and provision to associated allowances have significantly impacted the financial base of consumer finance companies. Total equity for the four major consumer finance companies has decreased ¥2.1 trillion during the three years ended March 31, 2009, or 62% compared with total equity as of March 31, 2006. Viewed in terms of the depletion of financial resources, interest refund issues have become the greatest risk that consumer finance companies must deal with.

Given the risk of interest refunds, banks and other financial institutions have tightened lending to consumer finance companies. A succession of small and medium-size companies with comparatively weaker financial bases and fund procurement capabilities have either gone bankrupt or withdrawn from the industry. In addition, the companies that remain in the industry have scaled back operations and tightened credit standards in response to the burden associated with interest refunds. Consequently, consumers have fewer opportunities to make sound use of the services of consumer finance companies, whether now or in the future.

The Amended Money Lending Business Law

The amendments with the greatest impact have been the reduction of maximum interest rates and the limits on total lending.

The Law to Partially Amend the Money Lending Business Control and Regulation Law (now called the Money Lending Business Law) was passed in December 2006 with the primary goal of solving the problem of borrowers with multiple debts, and promulgated on December 20, 2006. This amendment was designed to bring more balance to the money lending business, restrain excessive lending and reduce interest rates. The amendment significantly strengthened regulation in ways such as establishing an authorized credit bureau system, strengthening the industry's voluntary regulatory functions, reducing maximum interest rates and placing limits on total lending. Given the major impact the widely ranging content of the amendment would have on the market, the authorities decided to enforce the Money Lending Business Law in four stages. The table below (Enforcement Schedule for the Money Lending Business Law) presents the content of each stage of enforcement of the amendment.

The biggest impact that the amended law will have will come from stage 4 of enforcement, which regulates pricing through reduction of maximum interest rates and regulates volume through limits on total lending.

A succession of legal amendments have reduced the maximum interest rate allowed under the Capital Subscription Law in stages from an initial annual rate of 109.5% to the current 29.2%. Stage 4 of enforcement will abolish the current deemed repayment system and reduce the maximum

■ Enforcement Schedule for the Money Lending Business Law

Stage 1 of Enforcement: January 20, 2007	Stage 2 of Enforcement: December 19, 2007	Stage 3 of Enforcement: June 18, 2009	Stage 4 of Enforcement: June 2010
■ Strengthening of criminal penalties for unregistered lending	■ Name of the law changed to the Money Lending Business Law ■ Japan Financial Services Association established as a sanctioned corporation →JFSA self-regulatory rules set ■ Business improvement order received	■ Creation of a qualification system for money lending managers ■ Authorized credit bureau system	■ Reduction of maximum interest rate (Capital Subscription Law) ■ Introduction of restrictions on total lending ■ Responsibility for reviewing repayment ability ■ Abolition of the deemed repayment system

interest rate to 20%. For reference, the maximum interest rate under the Interest Rate Restriction Law now ranges from 20% to 15% depending on principal, and loans with interest rates at variance with the maximum interest rate under the Capital Subscription Law of 20% will be subject to administrative penalties.

At the same time, a limit on total lending restricting the total of all loans to one-third of the borrower's annual income will be introduced as a measure to restrain excessive borrowing. The limit on total lending will entail strengthening the review of the ability of borrowers to repay loans, such as verifying income prior to making loans exceeding ¥500 thousand. Moreover, consumer finance companies will become responsible for using the authorized credit bureau established pursuant to stage 3 of enforcement in June 2009 to regularly check on customer balances, including borrowings from other companies, and controlling the amount of credit extended. Based on past experience with reduction in maximum interest rates, the consumer finance industry will be able to respond relatively smoothly to issues such as updating contracts. However, the limit on total lending is unprecedented and is forecast to temporarily disrupt the market when it is enforced.

The Market Impact of the Amended Law

Decreases in the approval rate for new loans and in loans outstanding are likely to reduce the profitability of consumer finance companies.

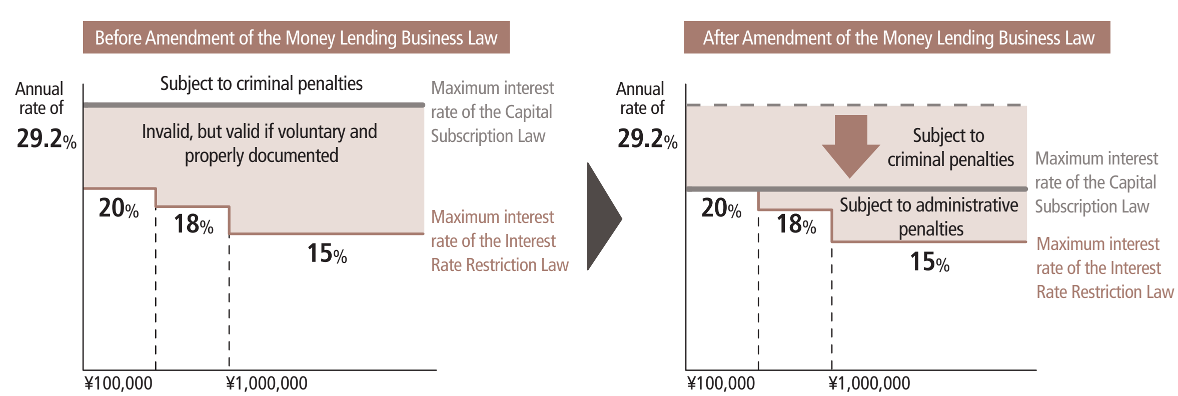
Based on the principle of free competition in a market economy, large consumer finance companies have employed their cumulative lending know-how and innovative marketing techniques to voluntarily reduce interest rates on loans in advance of the reduction of maximum interest rates under the Capital Subscription Law. For example, a legal amendment enforced in June 2000 reduced the maximum interest rate to 29.2% from 40.004%, but large consumer finance companies had already reduced their average interest rate on loans to approximately 25.5%.

However, the current amendment will regulate pricing while placing unprecedented restrictions on volume. The overall market impact is therefore likely to be significant.

Pricing risk is fundamental to the consumer finance business. Conventionally, companies conduct appropriate credit management using a scoring system to extend credit in small amounts at high interest to customers who are a high credit risk, and larger amounts at lower interest to low-risk customers. Reduction in maximum interest rates and the introduction of restrictions on total lending will therefore reduce the risk tolerance of consumer finance companies and the conventional framework will cease to function. Consequently, money lenders will no longer be able to respond to consumer demand, which will lead to a decrease in the approval rate for new loans and in loans outstanding. In fact, the four major consumer finance companies are already marketing products with interest rates below the limits of the Interest Rate Restriction Law. However, they have also tightened lending criteria, which has caused the approval rate to decrease from 63% for the year ended March 31, 2006 to 34% for the year ended March 31, 2009.

Moreover, interest income will decrease as a direct function of lower yields due to reduced interest rates and the decrease in loans due to the restriction on total lending, thus

■ **Maximum Interest Rates Before and After Amendment of the Money Lending Business Law**



substantially reducing the profitability of money lenders. Many small and medium-size companies operating at the current maximum interest rate of 29.2% will be forced to exit the market because their revenue model will no longer be tenable. At the same time, even large consumer finance companies will need to rapidly build new revenue models while emphasizing cost reductions through means such as closing branches and reducing personnel. The operating revenue of the four major consumer finance companies for the year ended March 31, 2009 decreased ¥431.6 billion, or 33%, compared with the year ended March 31, 2007, when the amendments were passed. The substantial decrease over the same period of ¥410.5 billion, or 35%, in interest income from unsecured loans among the four major consumer finance companies was especially pronounced. Looking forward, consumer finance companies are forecast to further tighten lending as part of their full-scale response to the restriction on total lending, which has the potential to further reduce the profitability of each company.

Thus the reduction in maximum interest rates and restrictions on total lending will substantially affect the core of the consumer finance business.

Market Outlook

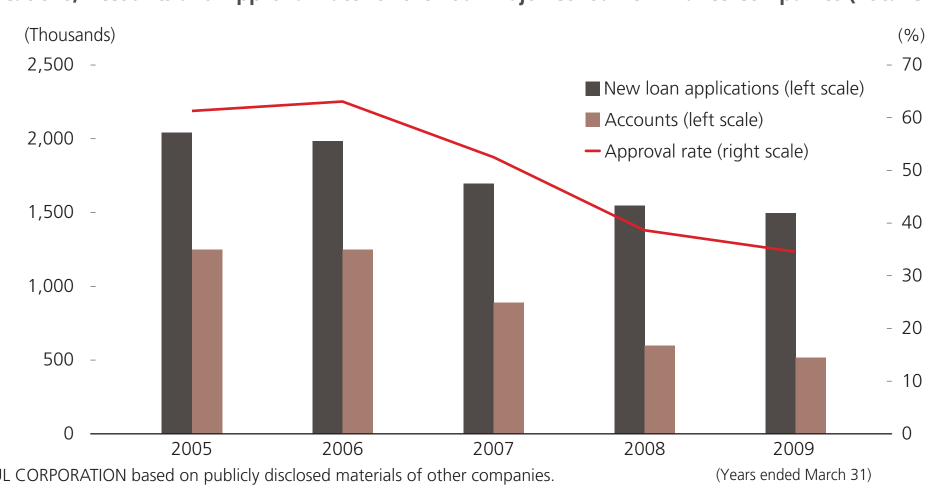
The consumer finance market is forecast to begin expanding moderately after bottoming out in the year ending March 31, 2011.

Interest refund claims have reduced the ability of consumer finance companies to lend, and stage 4 of enforcement of the Money Lending Business Law will cause them to maintain tight lending. Moreover, the impact of the recession and the challenging fund procurement environment will be other factors precluding a recovery in the results of consumer finance companies over the short term. The market is therefore forecast to continue shrinking.

However, over the medium-to-long term, the full-scale enforcement of the Money Lending Business Law will significantly reduce the credit costs and increase the risk tolerance of consumer finance companies by reducing the number of borrowers with multiple debts. The abolition of the voluntary interest rate zone and continued tight lending will allow consumer finance companies to replace the receivables in their portfolio while leading to the resolution of interest refund claims, which are increasing at present. Banks and other financial institutions will relax their tight lending stance with the decrease in potential business risk, which will ease the procurement of operating capital. As a result, consumer finance companies will be able to begin focusing on growth again.

In light of these factors, the consumer finance market is forecast to bottom out from the effects of stage 4 of enforcement in the year ending March 31, 2011 and subsequently enter a phase of moderate expansion. The AIFUL Group will overcome the current challenging operating environment by meeting customer needs. We will contribute to the creation and development of a sound consumer finance market and fulfill our social responsibilities as a consumer finance company.

New Applications, Accounts and Approval Rate for the Four Major Consumer Finance Companies (Total Unsecured Loans)



Prepared by AIFUL CORPORATION based on publicly disclosed materials of other companies.

II. Interest Refund Claims

The Voluntary Interest Rate Zone and Deemed Repayment System

> Loan interest rates are mainly regulated by the Capital Subscription Law, the Interest Rate Restriction Law and the Money Lending Business Law.

The issue of interest refund claims is exerting a major impact on consumer finance companies. This section explains a key to understanding this issue, which is the legal framework that has historically regulated the interest rates on loans extended by consumer finance companies.

Today, the interest rates on loans extended by Japanese consumer finance companies are mainly regulated by the Capital Subscription Law, the Interest Rate Restriction Law and the Money Lending Business Law (formerly the Money Lending Business Control and Regulation Law). Among these laws, the maximum interest rate stipulated by Article 5, Paragraph 2 of the Capital Subscription Law has been reduced in stages from 109.5% from the enforcement of the law in 1954 until October 1983, to 73.0% from November 1983 to October 1986, to 54.75% from November 1986 to October 1991, to 40.004% from November 1991 to May 2000, and to 29.2% from June 2000 to June 2010 (projected). Consumer finance companies have set interest rates within the scope of the maximum interest rate because they would be subject to criminal penalties for charging customers more than the maximum interest rate under the Capital Subscription Law.

In addition, Article 1, Paragraph 1 of the Interest Rate Restriction Law, which was enacted in 1954, stipulates that the maximum interest rate is 20% where the principal is less than ¥100,000, 18% where the principal is ¥100,000 or more but less than ¥1 million, and 15% where the principal is ¥1 million or more, and that contracts bearing interest exceeding these stipulated levels (excessive interest) are invalid. However, Article 1, Paragraph 2 of this law states that debtors who have voluntarily paid excess amounts are not entitled to claim refunds. Moreover, the Interest Rate Restriction Law does not stipulate civil penalties for charging interest that is greater than the maximum rate set by the law. Consumer finance companies, including AIFUL therefore considered contracts for cash loans to consumers as voluntary from their inception and made loans in the so-called voluntary interest rate zone with interest rates above the maximum rate stipulated by the Interest Rate Restriction Law but below the maximum rate stipulated by the Capital Subscription Law.

In sum, although routine operations were not problematic until the enactment of the Money Lending Business Control and Regulation Law in 1983, more than one interpretation of the validity of excess interest was possible when litigation occurred. To a certain extent, the legal framework of the money lending business was therefore unstable.

Subsequently, in the first half of the 1980s the problem of multiple debts became serious, and institutions such as the mass media used the oppressive actions of certain money lenders and other events to transform it into a social issue. As a result, legal amendments gained momentum among the public and the Diet. In 1983, money lenders became required to register with the national or relevant prefectural government. The Money Lending Business Control and Regulation Law was also enacted as a legal framework for the money lending business rather than regulating it within the legal framework for financial institutions. At the same time, amendments to the Capital Subscription Law reduced the maximum interest rate in stages to 40.004%, and Article 43, Paragraph 1 of the Money Lending Business Control and Regulation Law clearly defined the conditions that legally validated the so-called deemed repayment, or the voluntary payment of excess interest. The defined conditions were as follows.

1. The money lender was registered.
2. Documents as stipulated in Article 17 of the Money Lending Business Control and Regulation Law were issued to customers when the loan was provided (documents clearly specifying the conditions of the contract and the loan, including the interest rate on the loan).
3. The documents stipulated in Article 18 of the Money Lending Business Control and Regulation Law were issued upon receipt of repayments from the customer (documents clearly specifying issues such as amount received and the amounts applied to principal and interest).
4. The customer made the payment voluntarily.

If these four conditions were met, even if a borrower made a claim for an excess interest refund, in principle the lender was considered not to be obligated to make an excess interest refund.

Many consumer finance companies, including AIFUL, developed the money lending business as registered money lenders under the Money Lending Business Control and Regulation Law. Based on assumptions about the interest rate system resulting from the enactment of Article 43 of the Money Lending Business Control and Regulation Law, these consumer finance companies created contracts and other customer documentation as well as the specifications for equipment such as automatic contract machines and automated teller machines (ATMs) under the supervision and guidance of the regulatory authorities, first the Ministry of Finance and then the Financial Services Agency. As a result, until the Supreme Court ruling of January 2006 negated deemed repayment as non-voluntary in cases where customers were saddled with multiple debts, although companies refunded interest following litigation or a settlement, it was the exception, and did not exert a significant impact on results.

With a clear legal framework and a steady business base, large consumer finance companies generated stable profits and went public in succession during the 1990s. The equity alliances concluded by two large consumer finance companies with respective megabanks in 2004 exemplified the steady performance of the industry.

The Supreme Court Ruling of January 2006

A Supreme Court ruling triggered a rapid increase in interest refund claims and led to the amendment of the Money Lending Business Law.

On January 13, 2006, AIFUL Group business loan subsidiary City's Corporation lost a case brought before the Supreme Court. The ruling in this case resulted in the substantial impact of the issue of interest refunds.

Conventionally, consumer finance companies including the AIFUL Group and customers borrowing money concluded a consumer cash loan contract similar to the contract banks and other financial institutions generally use for consumer cash loans, which contained an acceleration clause requiring a customer unable to make principal and interest payments on a loan that is in arrears to repay principal, accrued interest and late fees in a lump sum.

However, the Supreme Court ruled that the routine use of acceleration clauses in effect coerced payments in the voluntary interest rate zone that the debtor was not obliged to make. Therefore, the Supreme Court further ruled that these payments could not be regarded as voluntary, and do not satisfy the conditions of deemed repayment under Article 43 of the Money Lending Business Control and Regulation Law.

Moreover, in connection with the delivery of receipts by consumer finance companies that had received payments from customers (Article 18 documentation), the Supreme Court ruled that Article 15, Paragraph 2 of the Enforcement Regulations of the Money Lending Business Control and Regulation Law, a Cabinet Office Ordinance clearly specifying that information such as the date of the agreement can be substituted for an agreement number on receipts, is invalid since it is outside the mandate of the law. The Supreme Court also ruled that the content of any documentation that consumer finance companies conventionally provided to customers based on governmental and administrative guidance could not require deemed repayment under Article 43 of the Money Lending Business Control and Regulation Law.

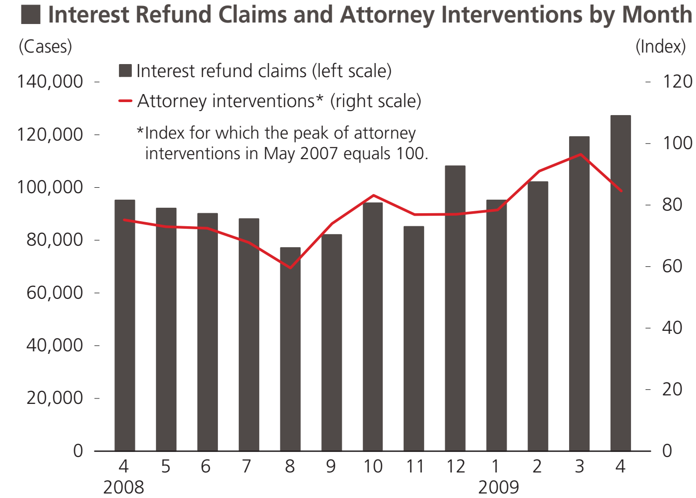
Regardless of the debate about the pros and cons of these decisions and whether they were appropriate that has continued to the present, the Supreme Court's ruling has been a major catalyst driving the rapid increase in petitions by attorneys and judicial scriveners for the refund of excess interest payments that they claim were not required under the Article 43 system of deemed repayment. These petitions are known as interest refund claims or excess payment refund claims. Moreover, coverage of the ruling and consequent issues such as the administrative penalties to which the AIFUL Group was subject made money lenders seem as if they had illegally obtained interest payments through illegal loans. Consequently, public opinion was critical of consumer finance companies, with the result that the Money Lending Business Law was amended in December 2006 in the same spirit as the Supreme Court ruling.

Impact on the AIFUL Group

The AIFUL Group continues to experience losses related to interest refund claims, and the number of attorney interventions remains at a high level.

Given the effect of the Supreme Court ruling, in March 2006 JICPA announced guidelines on auditing consumer finance companies that take into account the Supreme Court ruling concerning the application of repayment rules stipulated under the Money Lending Business Control and Regulation Law. It established the accounting treatment money lenders such as consumer finance and credit card companies should use in recording an allowance for losses on interest refunds equivalent to projected future interest refunds as of the balance sheet date. Accordingly, the AIFUL Group recorded an allowance for losses on interest refunds beginning with the year ended March 31, 2006, which at that time totaled ¥21.0 billion. With the subsequent increase in interest refund claims, in October 2006 JICPA announced new accounting guidelines, "Application of Auditing for Provision of Allowance for Losses for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies," and required early adoption by the subject companies. These guidelines direct lenders to classify loans by payment status (paid off or in process) and then determine loan attributes including the number of refund claims that have resulted in actual refunds

■ **Interest Refund Claims and Attorney Interventions by Month**



and the average refund amount to calculate an estimate of future refunds and make a one-time provision to the allowance for them. The AIFUL Group therefore recorded an allowance in accordance with the new standard beginning with the six-month period ended September 30, 2006. Ultimately, for the year ended March 31, 2007 the AIFUL Group recorded an allowance for losses on interest refunds totaling ¥362.6 billion, and as a result recorded its first major net loss since going public.

Prior to the Supreme Court's ruling, the AIFUL Group paid interest refunds totaling ¥4.1 billion during the year ended March 31, 2005. However, one year after the ruling, the AIFUL Group's interest refunds had increased by nearly a factor of nine to ¥36.3 billion for the year ended March 31, 2007. Interest refunds then doubled to ¥73.2 billion for the year ended March 31, 2008. This did not represent a peak as interest refunds for the year ended March 31, 2009 were essentially unchanged at ¥72.8 billion. Also during the year ended March 31, 2009, loans abandoned because of interest refund claims totaled ¥68.6 billion and the AIFUL Group's losses associated with interest refunds increased 2.5% year on year to ¥141.5 billion. These were major factors depressing results for the fiscal year.

In addition, the AIFUL Group looks at the number of attorney interventions as a leading indicator of interest refunds. This indicator trended downward for the 20 months to January 2009 from its peak in May 2007, but the trend reversed from February 2009 and the indicator began rising. The number of attorney interventions appears to be dropping somewhat, but remains high. Factors that have kept interest refund claims at a high level include the recession, the bankruptcy of several consumer finance companies, and an increase in advertising in venues such as television and mass transit by attorneys and judicial scriveners who handle interest refund claims.

Based on these conditions, during the year ended March 31, 2009 the AIFUL Group provided an additional ¥100.1 billion to allowances related to interest refunds, consisting of provision of ¥58.3 billion to the allowance for losses on interest refunds and ¥41.8 billion to the allowance for loans abandoned because of interest refund claims. As of March 31, 2009, allowances related to interest refunds totaled ¥212.6 billion, consisting of an allowance for losses on interest refunds totaling ¥124.1 billion and an allowance for loans abandoned because of interest refunds totaling ¥88.4 billion.

The amount of interest refunds is proportional to excess interest received in the past, and is therefore related to factors including customer transaction periods and the volume of loans outstanding. The AIFUL Group is a relative newcomer among Japan's four large consumer finance companies, and experienced rapid growth during the second half of the 1990s. As a result, our average loan balance is about 60% to 70% of the loan balances of our large competitors and the amount of actual refunds is comparatively lower. Given this situation, we believe we have rationally estimated the amount of interest refunds and the allowances for them based on factors such as the historical amount of refunds and recent refund trends, and we will maintain our allowances according to appropriate standards.

Outlook

Over the medium-to-long term, we will resolve interest refunds through tighter lending and improvement in the quality of receivables.

The burden of interest refunds is a significant issue for consumer finance companies including the AIFUL Group. However, the AIFUL Group is now proactively dealing with the reduction in maximum interest rates by providing new loan products with interest rates of 18% or less to high-quality new and existing customers. AIFUL CORPORATION has made steady progress in replacing the receivables in its portfolio, and as of March 31, 2009, 46% of its unsecured loans carried an interest rate of 18% or less. The number of loans that are readily subject to interest refund claims will decrease in the future because of tighter lending, leading to the resolution of interest refunds over the medium-to-long term.

Conversely, the financial resources and shareholder value of consumer finance companies including the AIFUL Group will continue to decrease if interest refunds continue unabated or increase as a moral hazard that is a business opportunity for certain attorneys and judicial scriveners driven by excessive advertising, more akin to ambulance chasing in the United States than a method of relief for multiple debtors. In this case, rather than contributing to the functioning of the national economy as per Article 1 of the Money Lending Business Law, the consumer finance industry could cease to exist in Japan.

This would run counter to the purpose of current legislation. In other words, it would take away the opportunity for customers to make use of sound consumer finance services in the future, and that could in fact harm the national economy. Going forward, the AIFUL Group will therefore deal with the issue of interest refunds by putting every possible effort into resolving the problem of multiple debts and providing relief to customers who have taken on multiple debts while also asserting claims we feel are valid through means such negotiated settlements that reduce interest refund losses and individual lawsuits. This will allow the AIFUL Group to continue fulfilling its social purpose and mission of providing credit opportunities as it fulfills its obligation to preserve shareholder and corporate value.

III. Response to Stage 4 of Enforcement of the Money Lending Business Law

Response to the Reduction of the Maximum Interest Rate

The AIFUL Group is proactively accommodating stage 4 of enforcement in ways such as aggressively marketing low-interest products.

The schedule for implementation of the Money Lending Business Law calls for stage 4 of enforcement by June 2010. The AIFUL Group considers the proactive execution of a systematic response to stage 4 of enforcement as an important management priority in view of the market turmoil likely to result when it is implemented.

The AIFUL Group has moved more rapidly than competitors in dealing with the reduction in the maximum interest rate. Since August 2007 we have been offering new customers low-interest products at rates below the new maximum interest rate, and since the end of March 2008 we have been marketing reduced interest rates to current high-quality customers.

As a result of our aggressive efforts to market low-interest products, as of March 31, 2009 unsecured loans carrying interest rates of 18% or less accounted for 46% of loans held by AIFUL CORPORATION, a significant increase from 15% of loans as of September 30, 2007. On the other hand, the reduction in interest rates has reduced the yield on unsecured loans 2.2 percentage points from 21.6% as of September 30, 2007 to 19.6% as of March 31, 2009.

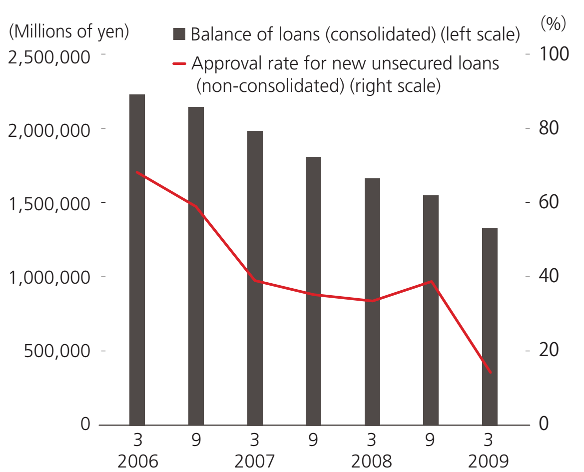
Status of Response to Restrictions on Total Lending

The AIFUL Group has been revising its lending criteria in stages, and during the year ended March 31, 2009 further tightened lending and restrained loans.

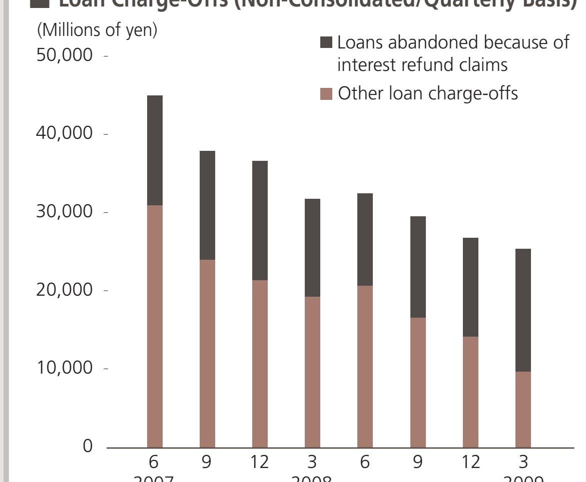
Total lending, including loans by consumer finance companies as well as cashing loans by credit card companies, will be restricted to one-third of the borrower's annual income. Consequently, the AIFUL Group estimates that no more than 20% to 30% of new customers and 30% to 50% of existing customers will be able to assume additional debt, which will inevitably cause the market to shrink. Currently, the AIFUL Group is proactively responding to the restrictions on total lending. However, a large number of borrowers will suddenly lose access to credit if the consumer finance and credit card industries as a whole cut lending at once in the near future, which would likely result in market turmoil.

The AIFUL Group is working to preclude this turmoil. In 2007, we continued to tighten credit as a result of the reduction of interest rates on new loans and revised our lending criteria in stages. From November 2008 we further tightened lending and resolutely restrained new loans. As a result, the approval rate for new unsecured loans at AIFUL CORPORATION for the year ended March 31, 2009 decreased to under 20%, compared to the 60% range in 2006 prior to the legal

■ Balance of Loans (Consolidated) and Approval Rate for New Unsecured Loans (Non-Consolidated)



■ Loan Charge-Offs (Non-Consolidated/Quarterly Basis)



amendments. On a consolidated basis, loans decreased to ¥1.3 trillion as of March 31, 2009 from their peak of ¥2.2 trillion three years earlier. For the year ending March 31, 2010, we forecast that loans will decrease an additional 30% to below ¥1 trillion.

Improving the Quality of Receivables

> Our proactive response to stage 4 of enforcement is to steadily improve the quality of receivables.

We have begun to see improvement in the quality of receivables as a result of credit tightening in preparation for stage 4 of enforcement.

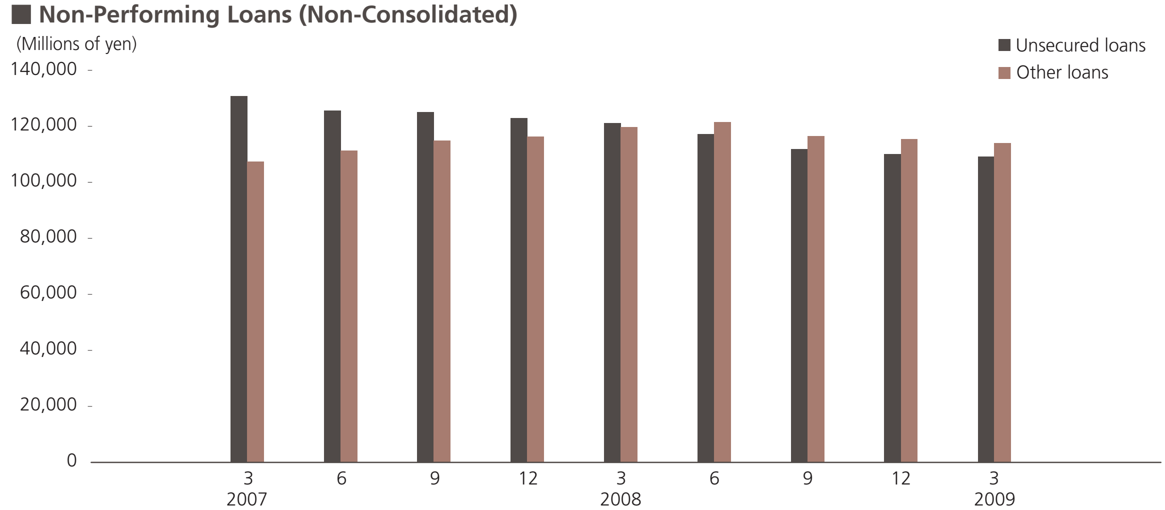
First, the ratio of new customers for AIFUL CORPORATION unsecured loans that have no borrowings from other companies has increased while the loan approval rate has decreased. Compared with 37% in October 2008, it improved 12 percentage points to 49% in November 2008 prior to credit tightening, and increased to 51% as of March 31, 2009. Moreover, we have tightened credit for existing customers in stages, with the result that the average number of loans our customers have with other companies based on branch balances decreased to 2.25 as of March 31, 2008 from 2.42 as of March 31, 2007, and decreased to 2.04 as of March 31, 2009. The ratio of customers with four or more loans with other companies has continued to trend downward to 20% from 30% as of March 31, 2007 prior to credit tightening.

Moreover, non-performing loans are improving. A leading indicator of non-performing loans, loans five or more months past due as of March 31, 2009 decreased ¥28.3 billion, or 28%, from a year earlier to ¥73.5 billion. While loans abandoned because of interest refund claims remains at a high level, charge-offs of non-performing loans at AIFUL CORPORATION for the year ended March 31, 2009 decreased ¥41.1 billion, or 26%, year on year to ¥119.0 billion.

Furthermore, non-performing loans are also decreasing in terms of total capital. Non-performing loans as of March 31, 2009 on a non-consolidated basis decreased ¥17.5 billion, or 7%, from a year earlier to ¥223.1 billion. Unsecured loans have been an area of particular improvement, with non-performing unsecured loans as of March 31, 2009 decreasing ¥11.8 billion, or 10%, from a year earlier to ¥109.1 billion.

The AIFUL Group has therefore demonstrated the effectiveness of its conservative policies for tightening credit in preparation for stage 4 of enforcement.

Non-Performing Loans (Non-Consolidated)



IV. Short-Term Liquidity and Our Financial Base

Market Turmoil

The fund procurement environment for Japan's non-bank industry is challenging for both direct and indirect financing.

During the year ended March 31, 2009, the ongoing turmoil in global financial markets stemming from the subprime loan crisis created a persistently challenging fund procurement environment for Japan's nonbanks. Direct financing in the form of bond issues and securitization of receivables was dysfunctional, and banks and other financial institutions tightened the provision of indirect financing in the form of loans. As a result, the market closely monitored the short-term liquidity risk of independent consumer finance companies such as the AIFUL Group.

Consequently, the AIFUL Group's spreads in the credit default swap (CDS) market were abnormally volatile and largely decoupled from the Group's actual creditworthiness. While this situation could be construed as reflecting the funding problems of nonbanks, in actuality it was mainly the result of problems with the CDS market itself, including the low liquidity of the market and the prevalence of speculative transactions in it.

Securing Short-Term Liquidity

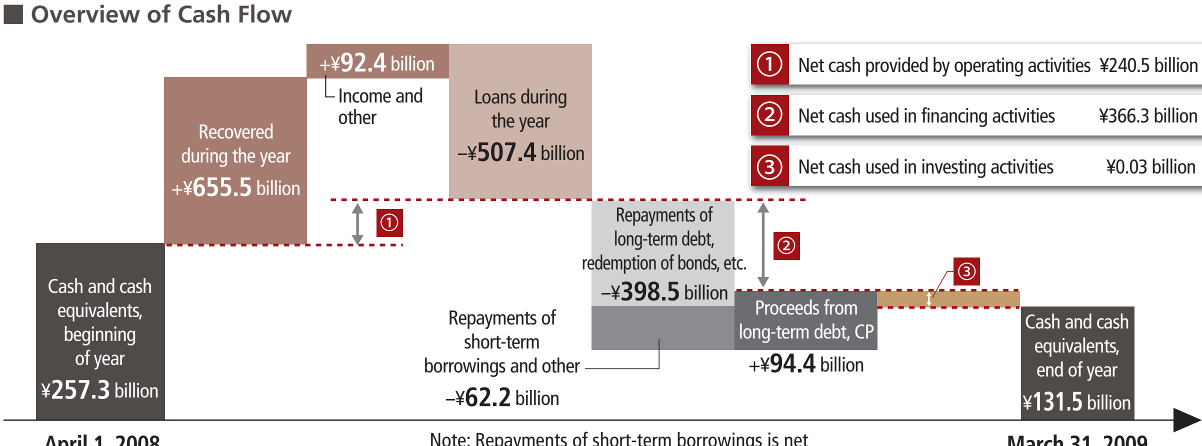
The consumer finance business is characterized by good access to favorable financing based on flexible, frequent funding.

Consumer finance is a capital intensive business that is largely characterized by flexible, frequent funding. Consumer finance companies receive a steady stream of principal and interest payments each month based on revolving credit agreements with customers. The ability to control lending therefore enables favorable funding.

During the year ended March 31, 2009, the AIFUL Group's operations generated cash totaling ¥919.2 billion from ¥655.5 billion in principal payments and ¥263.7 billion in interest payments. At the same time, the Group made loans totaling ¥507.4 billion. Complemented by sources of cash such as interest on installment receivables, net cash provided by the AIFUL Group's operations totaled ¥240.5 billion. The Group used this cash in reducing interest-bearing debt by ¥436.2 billion.

At the start of the year ending March 31, 2010, the AIFUL Group is well positioned to fund the current portion of long-term debt totaling ¥437.0 billion. We forecast that we will reduce loans as of March 31, 2010 by 27% from a year earlier through our continuing focus on restraining loans, which will complement cash and cash equivalents totaling ¥131.5 billion as of March 31, 2009 and funding available from the AIFUL Group's primary financial institutions. The Group will therefore have adequate operating cash flow.

■ Overview of Cash Flow



Note: Repayments of short-term borrowings is net of proceeds from short-term borrowings.

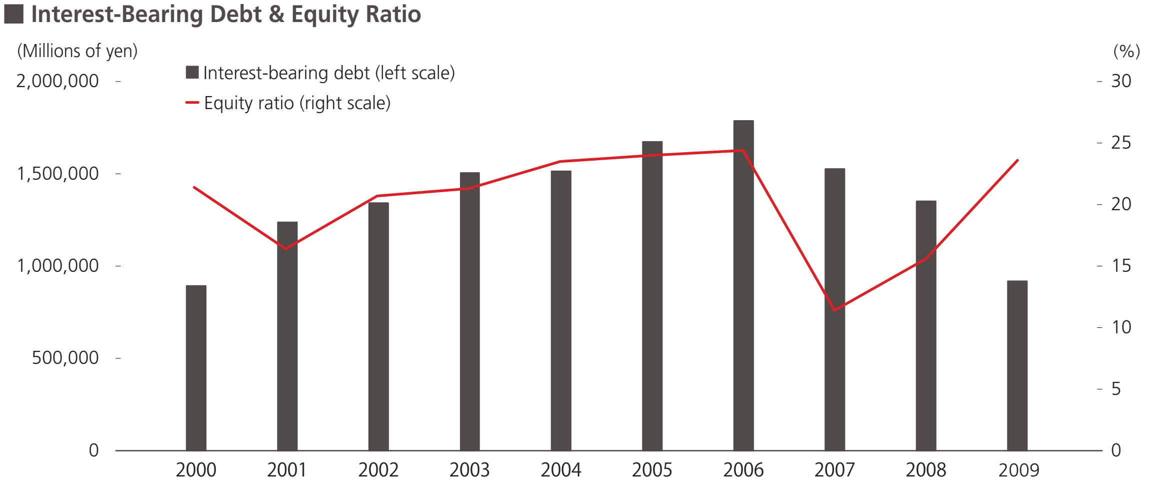
Strengthening Our Financial Base

The AIFUL Group is enhancing the stability of its financial base and securing liquidity so that it is prepared for the uncertainties of financial markets.

During the year ended March 31, 2009, the AIFUL Group strengthened its financial base by restraining lending to reduce interest-bearing debt and enhance total equity. By March 18, 2009 investors had converted the entire February 2008 issue of ¥70.0 billion in convertible bonds with stock acquisition rights into shares, resulting in the issue of 71,210,568 shares at a conversion price of ¥983 per share. As a result, the equity ratio as of March 31, 2009 increased 8 percentage points from a year earlier to 23.6%.

During the so-called "Sarakin Panic" of the 1980s, banks and other financial institutions stopped lending capital all at once. This experience led consumer finance companies to diversify sources of capital while diversifying and lengthening loan maturities to stabilize their financial bases and ensure liquidity. Today, given the ongoing dysfunction of global fund procurement markets the AIFUL Group is identifying and preparing against various quantifiable risks in creating and executing funding plans for its business. While we continue to temper any optimism, we assume that we will be able to deal with possible market turmoil in the future.

Interest-Bearing Debt & Equity Ratio



Corporate Governance

(As of June 25, 2009)

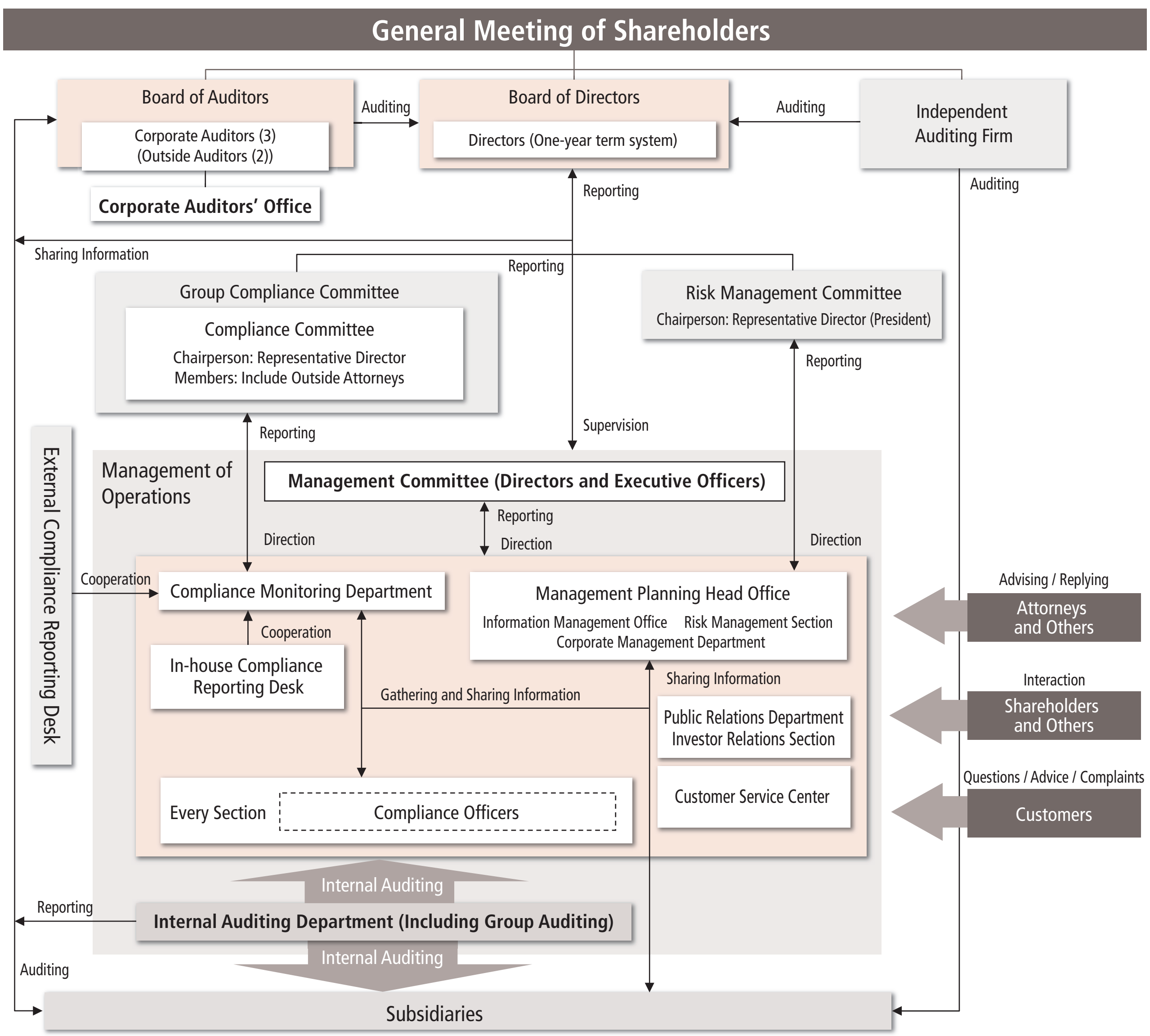
Basic Policy on Corporate Governance

Based on the corporate philosophy "Earn the support of the public with sincerity and hard work," the AIFUL Group is enhancing its management framework and implementing necessary measures in order to build relationships of trust with customers, shareholders, investors and other stakeholders. The Group is also working to upgrade corporate governance, recognizing creating highly transparent management through appropriate disclosure as a key management issue.

Management Framework

AIFUL CORPORATION has separated its supervisory and management functions, and has introduced an executive officer system as an initiative to speed management decision making and strengthen the supervisory function.

The Board of Directors, comprising eight directors including four members who joined the Company in mid-career as of June 25, 2009, meets monthly and holds extraordinary Board meetings as necessary. The Board makes decisions regarding items that are legally designated as requiring such



attention or are otherwise important, and supervises directors' management of operations. Directors have one-year terms. There were 30 Board meetings including extraordinary meetings in the year ended March 2009, and the attendance rate was 99.7%. Moreover, AIFUL CORPORATION's Articles of Incorporation provide for a Board of Directors with 11 or fewer members.

In addition, AIFUL CORPORATION has established the Management Committee, which comprises directors and executive officers and meets weekly in principle. The Management Committee discusses and verifies management issues, strategies and other matters based on items debated and management policies determined by the Board of Directors.

The Compliance Committee has been established to directly supervise and advise the Board of Directors in order to enhance compliance-related structures, and the Risk Management Committee has been established to directly supervise it. These two committees cooperate in setting policies and making decisions that apply across departments.

Audit Framework

AIFUL CORPORATION employs a corporate auditor system. The Internal Auditing Department and an independent auditing firm cooperate under a framework consisting of three corporate auditors, including two outside auditors, to audit directors' management of operations.

Corporate auditors work to enhance the audit framework by attending the monthly meetings of the Board of Directors and the weekly Management Committee meetings as a management oversight function, as well as attending key meetings of the Compliance Committee and other bodies and cooperating with the Internal Auditing Department. In addition, the Corporate Auditors' Office, which consisted of five assistant auditors as of March 31, 2009, has been established as a specialized support organization for auditing work in order to strengthen the audit function. There is also a framework in which the auditors of AIFUL CORPORATION and each Group company cooperate with the Corporate Auditors' Office and Internal Auditing Department in audits of Group companies.

The Internal Auditing Department, which had a staff of 48 as of March 31, 2009, has been established to audit the appropriateness and legal compliance of all business processes, including at Group companies. Its members work every day for appropriate operations by carrying out periodic internal audits centered on branches.

AIFUL CORPORATION entrusts Deloitte Touche Tohmatsu LLC as an independent auditing firm with performing financial audits under the Corporate Law of Japan and the Japanese Financial Instruments and Exchange Law. The Company has signed a contract with Deloitte Touche Tohmatsu regarding these audits and pays compensation based on the contract.

Names of the certified public auditors who performed audits for the year ended March 31, 2009 and the professional affiliations of the assistant auditors are as follows.

1) Names of the certified public auditors who performed audits

Kazuhiro Takahashi and Tokuichi Nishino, Partners, Deloitte Touche Tohmatsu

2) Composition of the assistants in the auditing work

Certified public accountants: 4, Junior accountants, etc.: 6, Others: 4

AIFUL CORPORATION has no particular common interests with the independent accounting firm or its operating staff.

Internal Controls

In order to reliably fulfill its management philosophy, AIFUL CORPORATION has established basic policies for its internal control systems based on surrounding circumstances. These include market conditions, economic trends, amendments to relevant laws and other factors in the Company's operating environment.

The Board of Directors suitably revises these basic policies in response to factors such as changes in the operating environment and works constantly to maintain and improve their efficiency.

In the year ended March 2009, which was the first year that the Internal Control Report System was adopted, AIFUL CORPORATION strengthened its application. In addition, the Company established basic policies to ensure appropriate financial reporting and evaluation policies for internal controls of financial reporting in preparation for this system. Briefly, evaluation procedures for internal controls of financial reporting consist of analysis of business processes within the scope of evaluation based on an assessment of the Company-wide application of internal controls. The Company also selected key control issues that substantially impact the reliability of financial reporting and evaluated if their basic internal control elements were functioning. A report on internal controls is disclosed on the Company's website.

Risk Management

In order to perceive and consider responses to risk factors, in April 2007 AIFUL CORPORATION positioned the Risk Management Committee as a direct advisory body to the Board of Directors and positioned the Risk Management Section within the Management Planning Division.

The Risk Management Committee regularly obtains risk information from the Compliance Committee and other departments and reports it to directors. In addition, it has a cooperative crisis framework that includes directors, auditors and related departments.

Further, as preparations allowing appropriate and rapid responses to large-scale disasters, problems related to corporate information and other emergency situations, the Risk Management Committee has established manuals and is working to upgrade its emergency-response framework.

Number of Meetings Held by Organization

The number of meetings held by organization for the year ended March 2009 was as follows.

Board of Directors	30
Board of Auditors	14
Compliance Committee	12
Risk Management Committee	4

Compensation for Directors and Corporate Auditors

Compensation for directors and corporate auditors for the year ended March 2009 was as follows.

◇ Compensation for Directors and Corporate Auditors

(Millions of yen)

	Number Receiving Compensation	Compensation for the Year Ended March 31, 2009
Directors	10	261
Corporate auditors (Outside auditors)	5 (2)	64 (42)
Total	15	325

Notes: 1. The above figures for directors and corporate auditors include one director and two corporate auditors who retired as of the conclusion of the June 25, 2008 Regular General Meeting of Shareholders. They exclude one director who received no compensation.
2. Maximum compensation is ¥500 million for directors and ¥80 million for corporate auditors.
3. The above compensation amounts include a scheduled provision for directors' compensation of ¥47 million for the year ended March 31, 2009.

◇ Retirement Benefits for Directors and Corporate Auditors

Based on a resolution of the General Meeting of Shareholders during the year ended March 31, 2009, retirement benefits for directors and corporate auditors was ¥33 million for one director and ¥9 million for two corporate auditors, and based on another resolution the reserve for retirement benefits was dissolved and ¥1,188 million was assigned to eight directors and ¥16 million was assigned to two outside auditors to be paid upon their retirement.

Initiatives to Enhance Disclosure

AIFUL CORPORATION is upgrading its disclosure framework, centered on the Investor Relations Office, in an effort to provide timely and easy-to-understand disclosure. This is aimed at increasing management transparency to make the external check function for management more effective, and establishing efficient corporate governance. Specifically, we disclose materials including press releases, financial data books and annual reports; hold appropriate meetings for Japanese and overseas investors and analysts; and publish on our website in Japanese and English financial presentation materials, videos of earnings release conferences, monthly operational data and notices to shareholders.

In addition, we have established a framework for regular feedback to the president, directors and persons in charge of each department regarding investors' opinions and requests relating to management.

Basic Thinking on Establishing a Compliance Structure

AIFUL CORPORATION is implementing wide-ranging activities across the Company, from changing the corporate philosophy to the current level of changing employees' thinking, in order to establish a compliance structure. Compliance is not limited simply to legal compliance, but incorporates thorough reforms based on meeting the expectations of all stakeholders.

Upgrading the Framework for Establishing the Compliance Structure

AIFUL CORPORATION has positioned the Compliance Committee, including outside attorneys and chaired by the representative director, as a direct advisory body to the Board of Directors. The Committee meets regularly to carry out decision making and management of the compliance program, continuous management of compliance within departments through the compliance managers positioned there, other information gathering and protective measures and decision making regarding employee training policies. In addition, the Company established the Compliance Coordination Department as an office of the Compliance Committee for continuous and interdepartmental investigations and understanding of legal compliance structures. Moreover, the Company established the Group Compliance Committee in order to create a Group-wide compliance structure by sharing common corporate ethics. AIFUL CORPORATION has further worked to make the internal environment more conducive to reporting and consultation regarding violations through measures including establishing an in-house compliance reporting desk for consultation in instances when management is inconsistent with the corporate philosophy or regulations, and setting up internal reporting regulations.

Initiatives to Strengthen the Compliance Structure

◇ Conducting the "Executive Caravan" Program

Since December 2006, AIFUL CORPORATION has been conducting the "Executive Caravan" program to take people at the executive officer level and above directly to workplaces for exchanges of opinions with employees for the direct transmission of management policies and conditions and to reflect employees' opinions in management. The Company has conducted this program 277 times for a total of 2,434 people, and will continue going forward.

◇ Thorough Internal Guidance and Education

Study meetings on the same subjects throughout the Group are held once a month on compliance days. In addition, each business site had independent compliance-related meetings to study relevant laws and regulations. In total, the Group held 455 meeting during the year ended March 2009. AIFUL CORPORATION also worked to strengthen employee education through measures including implementing internal regulations for job certification that concern legal and job knowledge, and making external certifications such as Compliance Officer and Personal Information Protection Officer prerequisites for promotion.

◇ Enhancing the Compliance Structure

In June 2007, AIFUL CORPORATION appointed compliance managers in every section in order to strengthen the compliance structure in workplaces. In the year ended March 2009, the workplace self-correction function further improved due revisions of compliance managers' operational checkpoints, internal information sharing and preventive instruction concerning areas of habitual concern, and other factors. In addition, from August 2008 the Compliance Monitoring Department has gone directly to workplaces for purposes including raising of compliance awareness, specific measures to prevent issues recurring, proposing precautionary measures and follow up to the compliance managers.

AIFUL CSR

Basic Stance on CSR

Based on the corporate philosophy to earn the support of the public with sincerity and hard work, AIFUL CORPORATION works to harmoniously coexist with and contribute to local communities through actions in response to environmental problems and support of disaster relief. We consider implementing the corporate philosophy as the practice of CSR, and we have been praised by third parties as a result of our progress in CSR activities. One example is the Company's inclusion in the FTSE4Good Index Series[1] in the year ended March 2009. We will continue sincere corporate activities in order to gain trust as a good corporate citizen.

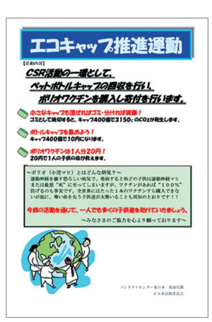
1. FTSE4Good Index Series: An exemplary series of global socially responsible investing (SRI) indexes. It consists of businesses that are recognized globally for fulfilling corporate responsibility criteria.

Constructing a Nursery School Overseas

AIFUL CORPORATION has been supporting improvements to living conditions in Africa and Asia since 1999 through the non-governmental organization Plan Japan. In 2008, we supported a project to establish a sage educational environment for children through a grant for the construction of a nursery school and the provision of furnishings such as tables and chairs in Dell, San Roque, the Philippines. Construction was completed in September, and the nursery school was delivered.

Ecocap Movement Initiatives

The AIFUL Group is approves of and is working with the Ecocap Movement, which gathers plastic bottle caps for sale to recyclers and uses the gain on sales[2] to send vaccines to the world's children. From May 2007 to the end of March 2009, we collected more that one million bottle caps. This converts to 1,250 vaccinations and about 7.9 tons of CO_2 emissions.



2. The gain on sales is donated to the Japan Committee for Vaccines for the World's Children (JCV), which allocates it to the cost of purchasing vaccines.

Participation in Team Minus 6%

The AIFUL Group is working on activities to prevent global warming including participating in the national CO_2 reduction movement Team Minus 6% and in Cool Biz. We have achieved a substantial CO_2 reduction of about 262 tons compared with 2005, before the introduction of Cool Biz.

みんなで止めよう温暖化
「アイフル」チーム・マイナス6%

Other Major Social Contribution and Volunteer Activities

◇ Continuous Long-Term Initiatives

Since 1994	Support nature-preservation activities through World Wide Fund for Nature (WWF) Japan
Since 1995	Support the Kansai Guide Dogs for the Blind Association
Since 1995	Support the Kyoto City Council of Social Welfare
Since 1996	Support the Committee to Create a Corporate Licensing Facility in Kyoto
Since 1999	Support Kyoto Lighthouse
Since 2000	Support Japan Rescue Association
Since 2008	Support Japan Rescue Association International Volunteer University Student Association

◇ Main Initiatives for the Year Ended March 31, 2009

May 2008	Supported disaster relief in Myanmar following Cyclone Nargis
May 2008	Supported disaster relief in China following Sichuan earthquake
July 2008	Sponsored the 18th Gion festival Clean Campaign
Jan. 2009	Invited blood donation bus to collect blood

Board of Directors, Corporate Auditors and Executive Officers

(As of June 25, 2009)

Directors/Executive Officers

President and Representative Director

Chief Executive Officer, Chairman of Risk Management Committee

Yoshitaka Fukuda

Apr. 1967: Founded Matsubara Sangyo as a sole proprietorship consumer finance business
Apr. 1980: Director of Marutaka, Inc. (now AIFUL CORPORATION, established in 1978)
May 1982: President and Representative Director (Current)
Apr. 2001: Chairman and Representative Director of LIFE Co., Ltd. (Current)
Jun. 2007: Chief Executive Officer (Current)
Chairman of Risk Management Committee (Current)

Representative Director

Senior Managing Executive Officer, Chairman of Compliance Committee, Supervisor of Loan Business Division and Credit Management Division

Taichi Kawakita

Jan. 1973: Joined Matsubara Sangyo (Yoshitaka Fukuda's sole proprietorship)
May 1982: Representative Managing Director
Apr. 1989: Representative Senior Director
Jun. 2007: Representative Director and First Senior Executive Officer (Current)
In charge of Loan Business Division and Credit Management Division
Jun. 2009: Supervisor of Loan Business Division and Credit Management Division (Current)

Director

Kazuyuki Isono

Apr. 1971: Joined The Sumitomo Trust & Banking Co., Ltd.
Aug. 2001: Executive Officer and Manager of the Main Branch of The Sumitomo Trust & Banking Co., Ltd.
Mar. 2005: President and Representative Director of LIFE Co., Ltd. (Current)
Jun. 2007: Director of AIFUL CORPORATION (Current)

Director

Managing Executive Officer, In Charge of Business Development Department

Masayuki Sato

Aug. 1982: Joined AIFUL CORPORATION
Jun. 1999: Director, Assistant General Manager of Sales Division and Manager of Promotion Department, Loan Business Division
Apr. 2005: Director and in charge of Marketing Department
Jun. 2008: Director and Senior Executive Officer (Current)
In charge of Business Development Department (Current)

Director

Managing Executive Officer, In Charge of Finance Department, Public Relations Department and Guarantee Business Department and Investor Relations Office, Supervisor of Coordination Department

Tsuneo Sakai

Apr. 1972: Joined The Nippon Fudosan Bank, Limited (now Aozora Bank, Ltd.)
Jun. 2000: Executive Officer, Nippon Credit Bank, Ltd. (formerly Nippon Fudosan Bank, now Aozora Bank, Ltd.)
Jun. 2003: Director and in charge of Public Relations Department
Jun. 2007: Director and Senior Executive Officer (Current)
In charge of Public Relations Department, Coordination Department, Investor Relations Office, Head of Investor Relations Office
Jun. 2009: In charge of Finance Department, Public Relations Department, Guarantee Business Department, Investor Relations Office, Supervisor of Coordination Department (Current)

Director

Managing Executive Officer, General Manager, Management Planning Division, Manager of Management Planning Department, Supervisor of Corporate Management Department

Nobuyuki Wakuta

Apr. 1975: Joined The Sumitomo Trust & Banking Co., Ltd.
Jun. 2004: Executive Officer and Assistant Sales Manager of the Main Branch of The Sumitomo Trust & Banking Co., Ltd.
Jun. 2006: Senior Director and General Manager of Management Planning Division, in charge of IT Planning Division
Jun. 2007: Director and Senior Executive Officer (Current)
Nov. 2008: General Manager of Management Planning Division and Manager of Management Planning Department (Current)
Jun. 2009: Supervisor of Corporate Management Department (Current)

Director

Executive Officer, General Manager of Personnel Division, In Charge of Credit Assessment Department, Supervisor of Information Systems Division

Masami Munetake

Jan. 1978: Joined Oasa Shoji (Yoshitaka Fukuda's sole proprietorship)
Jun. 1998: Director and Head of Tokyo Koshinetsu Branch, Loan Business Division
Apr. 2005: Director and General Manager of Personnel Division
Jun. 2007: Director and Executive Officer (Current)
Jun. 2009: General Manager of Personnel Division, in charge of Credit Assessment Department, Supervisor of Information Systems Division (Current)

Director

Executive Officer, In Charge of Accounting Department and General Affairs Department, Supervisor of Legal Department and Compliance Monitoring Department

Yasuo Hotta

Apr. 1971: Joined The Mitsubishi Trust and Banking Corporation (now Mitsubishi UFJ Trust and Banking Corporation)
Jun. 2002: Director of The Master Trust Bank of Japan, Ltd.
Jun. 2004: Corporate Auditor
Jun. 2006: Director and in charge of Accounting Department
Jun. 2008: Director and Executive Officer (Current)
Jun. 2009: In charge of Accounting Department and General Affairs Department, Supervisor of Legal Department and Compliance Monitoring Department (Current)

Corporate Auditors

Masanobu Hidaka
(Outside)

Norio Onishi
(Outside)

Kenichi Kayama

Executive Officers

Kazumitsu Oishi
Head of Loan Business Division

Tsuguo Nakagawa
Head of Credit Management Division

Yasuo Shiozawa
Corporate Management Department

Minoru Kobayashi
Coordination Department

Isao Okada
Head of Information System Division

Masayuki Noda
Legal Department and Compliance Monitoring Department
Manager of Compliance Monitoring Department

Akihiko Okazaki
Internal Auditing Department

Financial Section

Eleven-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000 and 1999

	2009	2008	2007	2006
For the Year:				
Total income	316,542	402,389	501,009	548,818
Total expenses	308,826	371,491	873,272	436,045
Credit costs	99,273	155,930	447,375	166,047
Income (loss) before income taxes and minority interests	7,716	30,898	(372,263)	112,773
Net income (loss)	4,247	27,434	(411,251)	65,827
At Year-End:				
Loans	1,290,354	1,598,706	1,912,689	2,124,017
Bad debts	322,058	343,768	328,046	203,800
Loans in legal bankruptcy	41,282	46,895	43,008	33,446
Nonaccrual loans	181,825	189,721	180,819	80,721
Accruing loans contractually past due three months or more as to principal or interest payments	25,979	29,351	36,665	27,564
Restructured loans	72,972	77,801	67,554	62,069
Total assets	1,644,744	2,041,128	2,214,559	2,790,969
Allowance for bad debts	237,819	330,415	407,573	171,715
Total liabilities	1,251,410	1,716,608	1,957,415	2,102,310
Interest-bearing debt	917,791	1,354,089	1,530,262	1,792,746
Total equity	393,334	324,521	257,145	681,694
Minority interests	5,761	5,604	5,420	6,965
Per Share Data (Yen):				
Basic net income (loss)	24.77	190.77	(2,903.85)	464.84
Diluted net income	—	186.86	—	464.69
Total equity	1,626.89	1,909.46	1,777.44	4,813.45
Cash dividends	15.00	40.00	60.00	60.00
Ratios (%):				
Equity ratio	23.6	15.6	11.4	24.4
ROE	1.2	9.6	(88.1)	10.1
ROA	0.2	1.3	(16.4)	2.5
Payout ratio	60.6	21.0	—	12.9
Other Data:				
Number of shares outstanding at year-end	238,685,568	167,475,000	142,035,000	142,035,000
Number of employees at year-end	4,895	5,138	6,477	6,675

Note: 1. Figures in the financial section are based on audited English-language statements. Figures in the Message from President and CEO Yoshitaka Fukuda and the feature section are based on Japanese financial statements. Due to certain reclassifications, some figures and items do not match.
2. Financial statements have been prepared on a consolidated basis from the year ended March 31, 2001. Figures for earlier fiscal years are non-consolidated.
3. In accordance with the provisions of Article 218 of the Commercial Code of Japan, AIFUL CORPORATION conducted splits of its common shares of 1.2 to 1 on May 20, 1999, 1.5 to 1 on May 22, 2000 and 1.5 to 1 on May 23, 2005.

(Millions of yen)

	2005	2004	2003	2002	2001	2000	1999
	520,737	479,473	451,168	400,014	281,719	239,200	205,536
	391,295	375,659	343,715	338,166	189,145	154,490	140,777
	155,466	157,349	138,479	92,576	59,194	40,307	33,967
	129,442	103,814	107,453	61,848	92,574	84,710	64,759
	75,723	62,548	59,911	35,064	48,253	44,104	28,448
	1,995,622	1,786,940	1,670,782	1,482,796	1,261,042	1,001,080	837,982
	175,136	149,826	120,399	94,854	79,913	57,688	—
	31,020	28,637	20,830	16,457	13,071	16,299	—
	60,283	52,452	39,897	28,723	25,644	15,797	—
	21,049	17,820	16,503	11,945	7,196	5,521	—
	62,784	50,917	43,169	37,729	34,002	20,321	—
	2,574,286	2,332,761	2,282,113	2,029,634	1,865,537	1,182,468	996,524
	159,483	145,757	132,130	109,337	98,395	56,720	48,009
	1,951,548	1,780,575	1,792,093	1,604,780	1,557,838	929,565	792,775
	1,673,458	1,513,812	1,504,969	1,344,273	1,239,265	892,169	763,175
	617,353	547,504	485,991	421,343	306,550	252,903	203,749
	5,385	4,682	4,029	3,511	1,149	—	—
	800.36	660.98	637.59	390.00	569.32	786.13	610.63
	800.30	—	—	—	—	—	—
	6,538.03	5,794.58	5,143.45	4,523.01	3,611.74	4,507.83	2,905.40
	60.00	60.00	60.00	50.00	50.00	60.00	60.00
	24.0	23.5	21.3	20.7	16.4	21.4	20.4
	13.0	12.1	13.2	9.6	15.7	19.3	16.3
	3.1	2.7	2.8	1.8	2.6	4.0	3.0
	7.5	9.1	9.4	12.8	8.8	7.6	9.8
	94,690,000	94,690,000	94,690,000	93,376,000	84,876,000	56,103,000	46,752,500
	6,510	5,969	6,123	5,810	5,750	3,263	3,141

Business Data

AIFUL GROUP

TOTAL RECEIVABLES OUTSTANDING (Managed Asset Basis)

(Millions of yen)

	2005	2006	2007	2008	2009
Total Receivables Outstanding	2,523,947	2,681,746	2,369,586	1,999,414	1,636,320
Loans	2,095,202	2,232,418	1,985,263	1,665,682	1,334,196
Unsecured	1,622,032	1,708,119	1,537,905	1,278,001	1,015,647
Home Equity	352,214	357,025	291,716	246,520	206,941
Small Business	120,956	167,274	155,642	141,161	111,608
Credit Card Shopping Loans	79,623	101,135	127,222	127,678	136,763
Per-item Shopping Loans	197,226	183,907	112,518	62,808	33,791
Loan Guarantees	141,407	153,767	141,930	129,713	118,207
Other	10,489	10,520	12,652	13,534	13,364

TOTAL INCOME/NET INCOME (LOSS)

(Millions of yen)

	2005	2006	2007	2008	2009
Total Income	520,737	548,818	501,009	402,389	316,542
Interest on Loans	466,430	491,358	448,662	356,435	263,797
Unsecured	387,839	405,308	374,839	300,887	219,969
Home Equity	56,531	56,144	43,575	31,959	25,327
Small Business	22,059	29,904	30,247	23,590	18,501
Credit Card Shopping Loans	9,091	11,275	12,754	14,948	16,881
Per-item Shopping Loans	17,201	17,676	12,998	6,912	3,631
Loan Guarantees	7,088	8,668	9,187	8,548	8,021
Other	20,927	19,841	17,408	15,546	24,212
Net Income (Loss)	75,723	65,827	(411,251)	27,434	4,247

AVERAGE RATE OF BORROWINGS

(%)

	2005	2006	2007	2008	2009
Average Rate of Borrowings	1.60	1.55	1.80	1.78	2.03
Indirect	1.68	1.71	2.03	2.15	2.25
Direct	1.48	1.33	1.51	1.44	1.84
Long-term Prime Rate (Reference)	1.65	2.10	2.20	2.10	2.25
Share of Indirect	60.2	56.8	55.7	46.8	46.5
Share of Direct	39.8	43.2	44.3	53.2	53.5

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2005	2006	2007	2008	2009
Number of Customer Accounts	3,796	3,899	3,548	3,067	2,629
Unsecured	3,619	3,696	3,367	2,911	2,499
Home Equity	100	105	87	73	62
Small Business	78	99	93	83	68
Credit Card Holders	11,967	13,096	14,066	14,819	15,252
Per-item Shopping Loans Accounts	810	634	459	292	178

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of yen)

	2005	2006	2007	2008	2009
Total Assets	2,574,286	2,790,969	2,214,559	2,041,128	1,644,744
ROA (%)	3.1	2.5	(16.4)	1.3	0.2
Total Equity	617,353	681,694	257,145	324,521	393,334
ROE (%)	13.0	10.1	(88.1)	9.6	1.2

AIFUL CORPORATION

LOANS OUTSTANDING

(Millions of yen)

	2005	2006	2007	2008	2009
Loans Outstanding	1,471,767	1,512,717	1,298,612	1,058,880	842,786
Unsecured	1,093,663	1,133,083	995,077	817,825	648,123
Home Equity	345,180	341,153	274,787	221,577	181,394
Small Business	32,924	38,481	28,747	19,478	13,269

TOTAL INCOME/NET INCOME (LOSS)

(Millions of yen)

	2005	2006	2007	2008	2009
Total Income	347,157	350,933	309,698	239,629	189,682
Interest on Loans	330,529	333,541	292,669	224,707	167,415
Unsecured	266,930	269,986	243,614	190,230	142,010
Home Equity	55,875	54,560	41,424	29,809	22,546
Small Business	7,722	8,994	7,631	4,668	2,859
Other	16,628	17,392	17,029	14,922	22,267
Net Income (Loss)	67,301	50,382	(359,399)	27,069	9,658

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2005	2006	2007	2008	2009
Number of Customer Accounts	2,215	2,187	1,894	1,593	1,351
Unsecured	2,091	2,058	1,789	1,509	1,281
Home Equity	99	102	84	70	59
Small Business	25	28	22	15	11

AVERAGE INTEREST RATIO

(%)

	2005	2006	2007	2008	2009
Average Interest Ratio	22.6	22.4	20.8	19.1	17.6
Unsecured	24.6	24.2	22.9	21.0	19.4
Home Equity	16.3	15.9	13.5	12.0	11.2
Small Business	25.4	25.2	22.7	19.4	17.5

BAD DEBT CHARGE-OFFS/RATIO OF BAD DEBT CHARGE-OFFS

(Millions of yen)

	2005	2006	2007	2008	2009
Bad Debt Charge-offs	96,224	98,256	138,602	160,168	119,068
Unsecured	83,436	83,143	121,558	138,799	103,473
Ratio of Bad Debt Charge-offs (%)	6.54	6.50	10.67	15.13	14.13
Unsecured	7.63	7.34	12.22	16.97	15.97

NEW ACCOUNTS

(Accounts)

	2005	2006	2007	2008	2009
New Accounts	376,024	370,593	156,350	115,629	87,392
Unsecured*	343,536	334,141	149,549	112,693	85,916
Acceptance Ratio of Unsecured* (%)	63.4	64.3	48.3	34.7	28.6

*Affinity cards are not included.

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of yen)

	2005	2006	2007	2008	2009
Total Assets	2,033,547	2,204,483	1,660,827	1,535,958	1,241,766
ROA (%)	3.4	2.4	(18.6)	1.7	0.7
Total Equity	584,308	632,917	255,005	322,016	396,233
ROE (%)	12.2	8.3	(81.0)	9.4	2.7

LIFE Co., Ltd. (Managed Asset Basis)

TOTAL RECEIVABLES OUTSTANDING

(Millions of yen)

	2005	2006	2007	2008	2009
Total Receivables Outstanding	751,553	779,560	717,884	653,045	570,668
Installment Receivables	276,745	285,018	229,735	190,485	170,553
Loans (Cash Advance)	367,459	394,776	396,260	380,191	327,493
Loan Guarantees	98,226	91,450	83,013	73,486	64,038
Other	9,121	8,315	8,876	8,882	8,582

OPERATING REVENUE/NET INCOME (LOSS)

(Millions of yen)

	2005	2006	2007	2008	2009
Operating Revenue	123,881	133,936	129,479	120,667	100,355
Installment Receivables	26,870	29,493	26,618	22,516	21,611
Loans (Cash Advance)	84,919	91,305	91,342	86,436	67,154
Loan Guarantees	4,044	4,241	4,134	3,809	3,384
Other	8,045	8,894	7,383	7,904	8,205
Net Income (Loss)	10,679	14,028	(43,313)	3,427	217

AVERAGE YIELD

(%)

	2005	2006	2007	2008	2009
Average Yield	16.9	17.3	17.1	17.4	16.1
Installment Receivables	9.8	9.8	9.9	10.5	11.2
Loans (Cash Advance)	24.0	24.0	23.0	21.7	18.4
Loan Guarantees	4.0	4.5	4.7	4.9	4.9

PURCHASE RESULTS

(Millions of yen)

	2005	2006	2007	2008	2009
Per-item Shopping Loans	135,646	107,974	32,528	11,341	7,841
Credit Card	597,314	706,274	796,600	877,126	963,926
Credit Card Shopping Loans	373,130	470,896	561,299	664,791	775,779
Credit Card Cashing Loans	224,184	235,378	235,301	212,335	188,147

NUMBER OF CARDHOLDERS

(Thousands)

	2005	2006	2007	2008	2009
Number of Cardholders	11,916	13,096	14,065	14,819	15,252
LIFE Proper Card	1,710	1,820	1,961	2,071	2,239
Affinity Cards	10,205	11,276	12,103	12,748	13,012

BAD DEBT CHARGE-OFFS/RATIO OF BAD DEBT CHARGE-OFFS

(Millions of yen)

	2005	2006	2007	2008	2009
Bad Debt Charge-offs	36,658	37,266	44,498	48,275	43,064
Credit Card Shopping Loans	2,115	1,978	2,451	2,986	3,132
Credit Card Cashing Loans	13,141	12,636	15,220	19,494	18,165
Per-item Shopping Loans	4,994	5,363	7,029	4,026	2,370
LIFE Cash Plaza (Unsecured Loans)	11,445	12,182	15,302	18,814	16,574
Ratio of Bad Debt Charge-offs (%)	4.88	4.78	6.20	7.39	7.55
Credit Card Shopping Loans	2.66	1.96	2.09	2.34	2.29
Credit Card Cashing Loans	6.28	5.72	6.62	8.79	9.00
Per-item Shopping Loans	2.53	2.92	6.25	6.41	7.02
LIFE Cash Plaza (Unsecured Loans)	7.26	7.03	9.28	12.01	13.36

Management's Discussion and Analysis of Finances

Consolidated Results of Operations

During the year ended March 31, 2009, the AIFUL Group further tightened credit and restrained lending in response to turmoil and change in its business environment brought on by the rapid deterioration of the economy and employment conditions as well as the dysfunction of capital markets and the enforcement of the Money Lending Business Law. As a result, total receivables outstanding as of March 31, 2009 decreased ¥363,094 million, or 18.2%, from a year earlier to ¥1,636,320 million. This figure includes a total of ¥72,379 million in securitized receivables that are not on the balance sheet, consisting of ¥43,842 million in loan receivables and ¥28,536 million in installment receivables.

■ Loans

Loans are the AIFUL Group's core business. As of March 31, 2009, loans (managed asset basis) decreased ¥331,486 million, or 19.9%, from a year earlier to ¥1,334,196 million, and accounted for 81.5% of total receivables outstanding.

Unsecured Loans

The AIFUL Group accelerated its response to stage 4 of enforcement of the Money Lending Business Law by further tightening credit standards for unsecured loans, a core product, at AIFUL CORPORATION in November 2008. In addition, the AIFUL Group halted the issue of new loans at the Cashing Plazas operated by the consumer finance division of credit card company LIFE Co., Ltd., and from December 2007 suspended all lending and focused on collection at four consumer finance subsidiaries. Reflecting these factors, the number of new unsecured loans approved during the year ended March 31, 2009 decreased 34.7% year on year to 89 thousand, and the number of accounts as of March 31, 2009 decreased 412 thousand, or 14.2%, from a year earlier to 2,498 thousand. Consequently, unsecured loans decreased ¥262,354 million, or 20.5%, to ¥1,015,647 million, and the balance per account decreased ¥32 thousand to ¥406 thousand.

Secured Loans

Subsidiary BUSINEXT CORPORATION generated solid performance in offering loans secured by real estate and loans secured by medical fee receivables to small and medium-size enterprises (SME). However, AIFUL CORPORATION tightened credit standards for the home equity loans it provides to individuals in preparation for stage 4 of enforcement of the Money Lending Business Law and its restrictions on overall lending amounts. As a result, the number of accounts as of March 31, 2009 decreased 10 thousand, or 14.9%, from a year earlier to 62 thousand, consolidated secured loans decreased ¥39,579 million, or 16.1%, to ¥206,941 million, and the balance per account decreased ¥44 thousand to ¥3,330 thousand.

Small Business Loans

The AIFUL Group maintained a conservative lending stance toward small business loans given the rapidly deteriorating business outlook for SMEs due to factors including a sharp rise in bankruptcies. Moreover, from the perspective of selection and concentration, during the year ended March 31, 2008 AIFUL CORPORATION stopped marketing small business loans, and during the year ended March 31, 2009, subsidiary City's Corporation, which specializes in small business loans in the high-risk segment, closed all of its branches as the AIFUL Group moved to consolidate its small business loan resources in BUSINEXT, which specializes in the middle-risk segment. As a result, the number of new small business loans approved during the year ended March 31, 2009 decreased 60.2% year on year to 3 thousand, and the number of accounts as of March 31, 2009 decreased 14 thousand, or 17.8%, from a year earlier to 68 thousand. Consolidated small business loans decreased ¥29,553 million, or 20.9%, to ¥111,608 million, and the balance per account decreased ¥64 thousand to ¥1,632 thousand.

■ Credit Card Shopping Loans and Per-Item Shopping Loans

In LIFE's credit card shopping loan and the per-item shopping loan businesses, installment accounts receivable (managed asset basis) as of March 31, 2009 decreased ¥19,932 million, or 10.5%, from a year earlier to ¥170,554 million.

LIFE continued to generate solid results in the credit card shopping loan business because it has consolidated its resources in a single division. During the year ended March 31, 2009, LIFE issued 1,440 thousand new affinity cards and proprietary LIFE cards, and the number of effective cardholders as of March 31, 2009 increased by approximately 432 thousand, or 2.9%, from a year earlier to 15,252 thousand. Moreover, LIFE moved to raise the card utilization rate in ways such as conducting various marketing campaigns and adding to its diversified array of member merchants, including public utilities. As a result, credit card transaction volume increased ¥115,956 million, or 17.2%, year on year to ¥791,474 million. Credit card shopping loan receivables increased ¥9,085 million, or 7.1%, from a year earlier to ¥136,763 million.

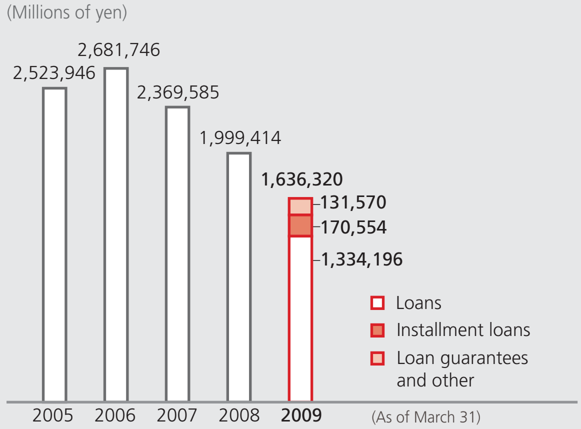
On the other hand, in the per-item shopping loan business LIFE focused on profitability in view of the changes in the business environment, such the revision of the Installment Sales Law. While specializing in discrete transactions with large-scale card tie-up partners, LIFE continued to conduct careful credit checks based on stringent credit standards for member merchants. As a result, per-item shopping loan transaction volume decreased 30.4% year on year to ¥8,396 million, and per-item shopping loan receivables as of March 31, 2009 decreased 46.2% from a year earlier to ¥33,791 million.

■ Loan Guarantees

AIFUL CORPORATION and LIFE operate in the loan guarantee business. During the year ended March 31, 2009, AIFUL CORPORATION concluded new agreements with 22 companies, and LIFE with 8 companies.

As of March 31, 2009, the AIFUL Group provided guarantees of unsecured loans to individuals for 167 companies. Affected by intensifying competition, guarantees of unsecured loans to individuals decreased 11.6% from a year earlier to ¥95,049 million. Moreover, 102 companies employed the AIFUL Group's unique credit know-how for small business loan guarantees, and guarantees of small business loans increased 4.1% from a year earlier to ¥23,156 million.

Receivables Outstanding (Managed Asset Basis)
(Millions of yen)



Income and Expenses

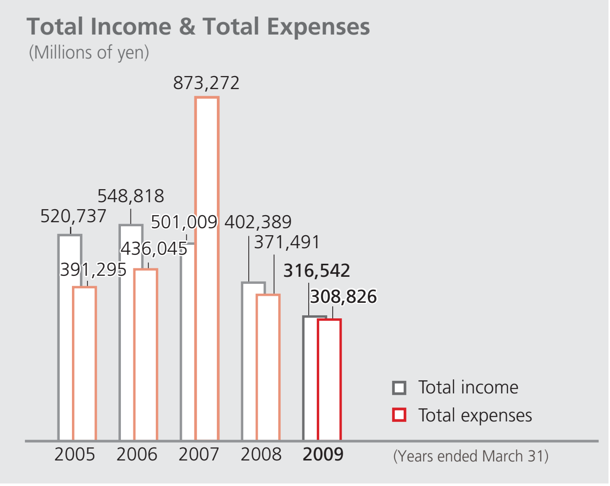
For the year ended March 31, 2009, total income decreased ¥85,847 million, or 21.3%, year on year to ¥316,542 million.

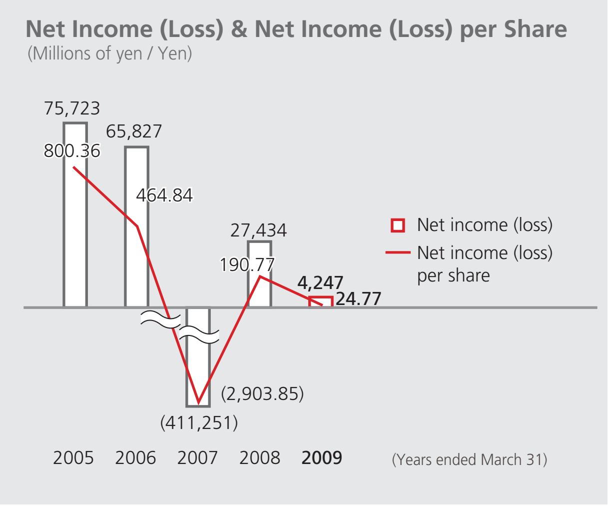
Interest on loans decreased ¥92,638 million, or 26.0%, year on year to ¥263,797 million, and accounted for 83.3% of total income. Interest income decreased because the AIFUL Group reduced interest rates ahead of stage 4 of enforcement of the Money Lending Business Law, tightened credit and scaled back new loans, which caused loan receivables and yields to decrease.

Interest on credit card shopping loans remained solid, increasing ¥1,933 million, or 12.9%, year on year to ¥16,881 million because of double-digit growth in credit card shopping loan transaction volume. However, interest on per-item shopping loans decreased 47.5% year on year to ¥3,631 million because the AIFUL Group has scaled back this business, resulting in a substantial drop in transaction volume. Interest on loan guarantees decreased 6.2% year on year to ¥8,021 million because intensifying competition caused receivables in the loan guarantee business to decrease. Recovery of loans previously charged off increased ¥2,861 million, or 65.1%, year on year to ¥7,256 million because the AIFUL Group strengthened loan recovery operations.

Total expenses decreased ¥62,665 million, or 16.9% year on year to ¥308,826 million. Provision for losses on interest refunds increased 17.1% year on year to ¥58,315 million. However, proactive moves to tighten credit restrained bad debt. Charge-offs and provision for doubtful accounts therefore decreased ¥56,657 million, or 36.3%, year on year to ¥99,273 million, despite provision for losses on loans abandoned because of interest refund claims totaling ¥41,805 million. Moreover, interest on borrowings decreased ¥5,282 million, or 17.2%, year on year to ¥25,364 million. The AIFUL Group also steadily reduced personnel expenses and other overhead by improving its overall cost structure. As a result, advertising expenses decreased ¥714 million, or 9.6%, year on year to ¥6,715 million, salaries and other employees' benefits decreased ¥4,981 million, or 11.5%, to ¥38,201 million, and commissions and fees decreased ¥2,300 million, or 10.0%, to ¥20,602 million. Other expenses decreased ¥4,110 million, or 11.5%, year on year. These expense reductions were offset by an increase of ¥2,652 million, or 22.2%, year on year in depreciation and amortization to ¥14,576 million, primarily because of an impairment charge of ¥2,521 million related to goodwill at LIFE and City's. The AIFUL Group recognized this charge after determining that it was not likely to obtain future excess earnings from acquisitions as initially assumed because of amendments to the Money Lending Business Law and other changes in the operating environment. In addition, the AIFUL Group incurred loss from and provision for business restructuring totaling ¥1,905 million in connection with programs to improve the AIFUL Group's cost structure.

The reduction in total expenses did not fully compensate for the decrease in total income. As a result, income before income taxes and minority interests decreased ¥23,182 million, or 75.0%, year on year to ¥7,716 million. Total income taxes increased to ¥3,307 million from ¥3,275 million for the previous fiscal year. The AIFUL Group reversed deferred tax assets totaling ¥10,188 million as a conservative measure given the uncertainty of the external operating environment, compared with recognition of deferred tax assets totaling ¥3,251 million in the previous fiscal year. The resulting tax payments were offset by a refund totaling ¥7,527 million. Consequently, net income decreased ¥23,187 million, or 84.5%, year on year to ¥4,247 million. Net income per share decreased 87.0% year on year to ¥24.77.





Financial Position

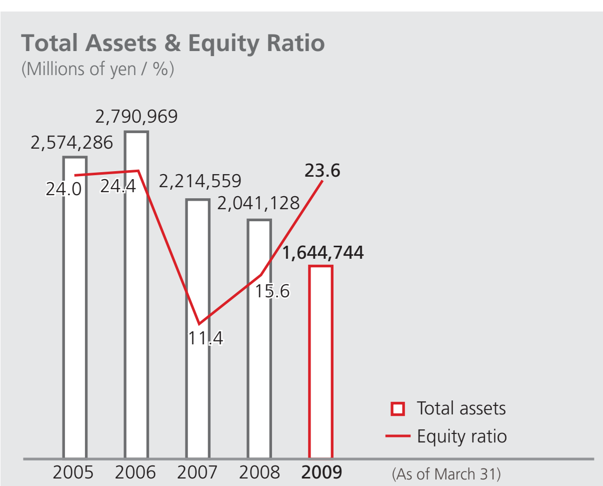
As of March 31, 2009, total assets decreased ¥396,384 million, or 19.4%, from a year earlier to ¥1,644,744 million.

Current assets decreased ¥378,229 million, or 19.6%, from a year earlier to ¥1,550,973 million. Cash and cash equivalents decreased ¥125,713 million, or 48.9%, from a year earlier primarily because the AIFUL Group used cash to repay interest-bearing debt. Loans decreased ¥308,352 million, or 19.3%, from a year earlier to ¥1,290,354 million because the AIFUL Group further tightened credit standards ahead of stage 4 of enforcement of the Money Lending Business Law and restrained lending. Despite the increase in credit card shopping loan receivables due to the solid performance of LIFE's credit card business, installment accounts receivable decreased ¥6,473 million, or 4.4%, from a year earlier to ¥142,017 million due to the substantial decrease in per-item shopping loan receivables. The portion of allowance for doubtful accounts that is subtracted from current assets decreased ¥88,067 million, or 29.6%, from a year earlier to ¥209,317 million. This item includes allowance for losses on loans abandoned because of interest refund claims, which decreased ¥20,484 million, or 18.8%, from a year earlier to ¥88,490 million. On the other hand, the AIFUL Group has strengthened programs to protect asset quality and tightened lending, which has helped to restrain bad debt other than interest refund claims. The decrease in receivables has also resulted in a decrease in the allowance for doubtful accounts.

Property and equipment decreased ¥3,767 million, or 8.9%, from a year earlier to ¥38,646 million. Investments and other assets decreased ¥14,388 million, or 20.7%, to ¥55,125 million. Factors included the AIFUL Group's decision to amortize goodwill totaling ¥2,289 million due to impairment and a decrease of ¥5,194 million in investment securities.

As of March 31, 2009, total liabilities decreased ¥465,197 million, or 27.1%, from a year earlier to ¥1,251,410 million. Interest-bearing debt decreased ¥436,298 million, or 32.2%, from a year earlier to ¥917,791 million as a result of repayment of loans, redemption of bonds, and the conversion of convertible bonds with stock acquisition rights into shares. Moreover, the allowance for losses on interest refunds, which is included in long-term liabilities, decreased ¥19,585 million, or 13.6%, from a year earlier to ¥124,165 million because appropriations from this allowance for interest refunds exceeded provisions.

As of March 31, 2009, total equity increased ¥68,813 million, or 21.2%, from a year earlier to ¥393,334 million. This was primarily due to an increase in common stock and additional paid-in capital because investors converted ¥70,000 million in convertible bonds with stock acquisition rights to shares. The AIFUL Group issued these bonds in February 2008 to enhance its financial base through stable access to capital resources. As a result, the equity ratio increased 8.0 percentage points to 23.6%. Total equity per share decreased 14.8% from a year earlier to ¥1,626.89 because of the addition of 71,211 thousand shares to shares issued and outstanding as a result of the conversion of convertible bonds.



Cash Flows

As of March 31, 2009, cash and cash equivalents decreased ¥125,713 million, or 48.9%, from a year earlier to ¥131,598 million despite the increase in cash resulting from the decrease in receivables because of the use of cash to repay loans and redeem bonds.

Net cash provided by operating activities totaled ¥240,592 million, compared to ¥247,525 million for the previous fiscal year. Sources of cash included income before income taxes and minority interests of ¥7,716 million, income taxes - refund of ¥7,154 million, and decrease in loans of ¥308,352 million. Decrease in allowance for doubtful accounts totaling ¥92,595 million and decrease in allowance for losses on interest refunds totaling ¥19,586 million were non-cash accruals to income before income taxes and minority interests and therefore did not contribute to cash provided by operating activities.

Net cash used in investing activities totaled ¥37 million, compared to ¥13,547 million for the previous fiscal year. Proceeds from sale of investment securities and other items included in the ¥7,080 million contribution to cash flow from other – net compensated for the use of cash totaling ¥5,911 million for capital expenditures.

Net cash used in financing activities totaled ¥366,342 million, compared to ¥133,734 million for the previous fiscal year. While proceeds from long-term debt totaled ¥89,400 million, repayments of long-term debt, which includes redemption of bonds, totaled ¥398,533 million and net decrease in short-term borrowings totaled ¥51,790 million.

Status of Non-Performing Loans

■ Bad Debts

Although statistics published by the Supreme Court indicate that the number of personal bankruptcy applications has declined relative to the same month a year earlier for 53 consecutive months since November 2003, debt restructuring through legal means, including interest refund claims and other actions initiated by attorneys and judicial scriveners remain at a persistently high level. In addition, the recession and stage 4 of enforcement of the Money Lending Business Law are projected to result in temporary market turmoil. As a result, conditions in the claim recovery market remain challenging and unpredictable.

As of March 31, 2009, consolidated bad debts decreased ¥21,710 million, or 6.3%, from a year earlier to ¥322,058 million. The sub-total for unsecured loans, a core product, decreased ¥19,123 million, or 9.8%, from a year earlier to ¥175,258 million. This reflected the consistent effect of the AIFUL Group's staged implementation of tighter lending criteria in preparation for stage 4 of enforcement of the Money Lending Business Law. At the same time, bad debts other than unsecured loans, consisting mainly of home equity loans, decreased ¥2,586 million, or 1.7%, to ¥146,800 million. This type of bad debt typically decreases more slowly because time is required to dispose of the properties that collateralize it. However, bad debts other than unsecured loans appears to have peaked because the AIFUL Group has implemented measures such as assigning more personnel to collection and strengthening legal means of recovery.

■ Bad Debt Charge-Offs

In the year ended March 31, 2009, consolidated bad debt charge-offs, including loans abandoned because of interest refund claims, decreased ¥48,993 million, or 20.9%, year on year to ¥185,714 million. Charge-off of loans abandoned because of interest refund claims decreased ¥3,197 million, or 4.4%, year on year to ¥68,665 million, but remain at a high level. On the other hand, charge-off of other loans decreased ¥45,796 million, or 28.1%, year on year to ¥117,048 million. This significant improvement reflected a decline from the peak in loan charge-offs in the previous fiscal year and the contribution of the AIFUL Group's proactive moves to tighten lending.

Bad debts other than interest refund claims have been trending lower. Provision for doubtful accounts decreased 36.4% year on year to ¥99,018 million, and as of March 31, 2009, the total of allowance for doubtful accounts accounted for in current assets and in investments and other assets decreased ¥92,595 million, or 28.0%, from a year earlier to ¥237,820 million. This figure includes allowance for loans abandoned because of interest refund claims of ¥88,490 million.

■ Interest Refund Claims

Interest refund claims increased 10.0% year on year to ¥72,875 million. Loans abandoned because of interest refund claims decreased 4.5% year on year to ¥68,665 million, and total losses on interest refund claims increased 2.5% year on year to ¥141,540 million.

On the other hand, AIFUL CORPORATION uses the number of loans involving the intervention of attorneys and judicial scriveners as a leading indicator for interest refund claims. This indicator had continued to trend downward for the 20 months from May 2007 to January 2009, but from February 2009 the trend reversed and this indicator began rising moderately. Factors in the increase include the rapid deterioration of the economy, the bankruptcy of several companies involved in the money lending business and advertising related to interest refund claims by attorneys and judicial scriveners.

Based on these circumstances, during the year ended March 31, 2009 the AIFUL Group provided a total of ¥100,120 million to allowances related to interest refunds, consisting of ¥58,315 million to the allowance for losses on interest refunds and ¥41,805 million to the allowance for loans abandoned because of interest refund claims. As of March 31, 2009, allowances related to interest refunds totaled ¥212,654 million, consisting of the allowance for losses on interest refunds totaling ¥124,165 million and the allowance for loans abandoned because of interest refund claims totaling ¥88,490 million.

Bad Debts

(Millions of yen)

	2008		2009	
As of March 31	Unsecured Loans	Other Loans	Unsecured Loans	Other Loans
Loans in legal bankruptcy	5,143	41,752	**2,820**	**38,461**
Non-accrual loans	96,644	93,076	**87,905**	**93,919**
Accruing loans contractually past due three months or more as to principal or interest payments	21,247	8,103	**18,594**	**7,384**
Restructured loans	71,346	6,455	**65,937**	**7,033**
Total	194,381	149,386	**175,258**	**146,800**

Allowance for Doubtful Accounts

(Millions of yen)

As of March 31	2008	2009
Allowance for doubtful accounts (current assets)	297,384	**209,317**
Allowance for doubtful accounts (investments and other assets)	33,031	**28,503**
Total	330,415	**237,820**

Losses Related to Interest Refunds

(Millions of yen)

Year ended / As of March 31	2008	2009
Interest refunds	66,241	**72,875**
Abandoned loans	71,863	**68,665**
Total	138,104	**141,541**
Allowances related to interest refunds	252,724	**212,654**
Allowance for losses on interest refunds	143,750	**124,165**
Allowance for loans abandoned because of interest refund claims*	108,974	**88,490**

*The allowance for loans abandoned because of interest refund claims is included in the allowance for doubtful accounts in current assets.

Fund Procurement

The AIFUL Group employs techniques such as diversifying its procurement methods, sources and maturities to ensure reliable access to funds. During the year ended March 31, 2009, non-banks experienced persistent and pronounced difficulties procuring funds due to the turmoil in global financial markets. The AIFUL Group responded to the external environment by restraining new lending to enhance liquidity while moving to reduce interest-bearing debt. As a result of these policies, consolidated interest-bearing debt as of March 31, 2009 decreased ¥436,298 million, or 32.2%, from a year earlier to ¥917,791 million.

Indirect financing in the form of loans as of March 31, 2009 decreased ¥221,805 million, or 31.9%, from a year earlier to ¥473,082 million, and accounted for 51.5% of total interest-bearing debt. The average interest rate on indirect financing increased 0.1 percentage points from a year earlier to 2.25%.

On the other hand, funds procured through direct financing as of March 31, 2009 decreased ¥214,491 million, or 32.5%, from a year earlier to ¥444,709 million, and accounted for 48.5% of total interest-bearing debt. Direct financing consisted of ¥353,059 million in straight bonds, which accounted for 38.5% of total interest-bearing debt; ¥81,650 million from securitization of receivables, which accounted for 8.9% of total interest-bearing debt; and ¥10,000 million in commercial paper, which accounted for 1.1% of total interest-bearing debt. The average interest rate on direct financing increased 0.47 percentage points from a year earlier to 1.96%.

As of March 31, 2009, the total of short-term borrowings and long-term debt due within one year decreased ¥85,725 million, or 16.4%, from a year earlier to ¥437,023 million, and accounted for 47.6% of total interest-bearing debt. This consisted of short-term borrowings totaling ¥112,140 million, which included commercial paper totaling ¥10,000 million, and the current portion of long-term debt totaling ¥324,883 million. Short-term borrowings included loans from main business partners totaling ¥62,140 million, and the AIFUL Group procured ¥40,000 million through securitization of receivables.

Annual Maturities of Long-Term Debt

(Millions of yen)

Year ending March 31	2010	2011	2012	2013	2014	2015 and thereafter
Long-term loans	230,034	147,317	62,579	12,512	150	0
Bonds	94,849	105,610	97,600	20,000	10,000	25,000
Total	324,883	252,927	160,179	32,512	10,150	25,000

Dividend Policy

AIFUL regards shareholder returns as one of its most important priorities. Our basic policy is to maximize shareholder returns and shareholder value through medium-to-long-term income growth, while also maintaining stable internal reserves and providing consistent returns based on business performance. In accordance with this basic policy, and with the aim of providing stable returns despite the continuing challenging environment, cash dividends for the year ended March 31, 2009 totaled ¥15.00 per share, consisting of an interim dividend of ¥10.00 per share and a year-end dividend of ¥5.00 per share. Please note that the Board of Directors decides on distributions of retained earnings.

The AIFUL Group's policy on internal reserves is to consider factors such as the market environment, economic trends, relevant regulations and the operating environment of other businesses in making strategic investments that strengthen the Group's financial structure and expand its earnings base to increase shareholder value through future business development and generate shareholder returns.

Total Dividend and Dividend per Share for the Year Ended March 31, 2009

Date of Resolution	Total Dividend (Millions of yen)	Dividend per Share (Yen)
November 6, 2008 Resolution of the Board of Directors	¥1,670	¥10.00
May 18, 2009 Resolution of the Board of Directors	¥1,191	¥5.00

Risk Factors

The following is a list of the major risk factors that could affect the AIFUL Group's operating results, stock price and financial position. This is not a complete list of the risk factors that, in the opinion of management, have the potential to significantly affect the Group. Other than the risk factors listed below, there are a number of risk factors that are difficult to predict. Management is aware of the possibility of a negative impact on the Group's operating results, stock price and financial position due to these risk factors, and has a policy of taking actions to prevent these problems and to respond properly in the event a problem occurs. However, there is no assurance that the Group can avoid all risk factors or can respond properly to a problem. Forward-looking statements in this section are based on judgments of the Group as of June 26, 2009, the date on which the Ministry of Finance Securities Report (Yukashoken Hokokusho) was submitted.

Risk Factors Involving the Operating Environment

Many factors influence the ability of the AIFUL Group to maintain past levels of income and growth or improve on those levels. Those discussed here are seen as the most significant ones.

(1) Economic conditions and market trends in Japan, especially in the consumer credit market
(2) Escalation of competition in the consumer finance market
(3) Changes in laws and regulations relating to consumer credit, especially the regulatory framework relating to statutory maximum interest rates, and the enforcement of those laws and regulations, as well as court decisions concerning the related laws and regulations, the resulting changes to accounting standards, and the incidence of litigation, including lawsuits demanding interest refunds
(4) Changes in the Group's capacity to provide credit, in the number of accounts, in the average balance per account, in the average interest rate on loans, and in the delinquency ratio
(5) Changes in the Group's ability to procure funds because of market interest rates, bond and securitization trends, changes in the Group's credit status, and other factors
(6) Changes in expenses and losses, such as fees and commissions, advertising expenses, and labor costs
(7) Unfavorable media reporting or scandals concerning the AIFUL Group or the consumer finance industry

In April 2007, AIFUL CORPORATION established a Risk Management Committee, which reports directly to the Board of Directors. Its task is to coordinate risk management across the entire organization and develop systems to avoid risk and ensure an appropriate response in the event problems arise. However, the AIFUL Group's financial position or business performance may be adversely affected by a range of factors, such as changes in the business environment, including the tightening or easing of regulatory systems, the competitive environment, or economic fluctuations.

Risks Concerning Multiple Debtors, etc.

Changes in consumer protection laws and regulations have supported a decrease in the number of consumers that incur debts with multiple lending institutions or by using multiple credit cards. However, the number of consumers, including AIFUL Group customers, seeking legal protection from their creditors has increased due to recent economic and employment conditions.

The AIFUL Group is taking various steps, including the introduction of tighter credit criteria, and the use of personal credit rating agencies and the Group's own screening systems to check the repayment capacity of borrowers, including ongoing analyses of customers' credit situation during the period of loans. We have also modified our products to encourage systematic repayment under revolving credit agreements by setting a maximum repayment period of five years.

However, if these measures fail to alleviate the problem of multiple indebtedness because of future developments in the economic environment, changes to legal systems or other factors, it is possible that a credit crunch will occur, leading to deterioration in the cash flow positions of our customers. Problems such as these could cause a market contraction that affects the entire industry, as well as increased credit costs resulting from loan write-downs and other factors. These outcomes could affect the financial position and business performance of the AIFUL Group.

Laws and Regulations

1. Compliance with Laws and Regulations

Prior to April 2007, AIFUL CORPORATION moved to verify and monitor compliance company-wide by establishing the Compliance Committee with the Compliance Coordination Office serving as its secretariat. The Compliance Committee reports directly to the Board of Directors, providing advice on the development of compliance systems and measures to prevent inappropriate activities, such as violations of laws and regulations relating to the money lending business, and unauthorized disclosure of information. In April 2007, the Company changed the name of the Compliance Coordination Office to the Compliance Monitoring Department, and strengthened its functions and enhanced compliance by integrating management of hotlines, strengthening the gathering of compliance-related information, and integrating systems relating to disciplinary measures.

We have also formulated operating rules as part of our efforts to inform staff about the importance of regulatory compliance. Staff members acquire legal knowledge through in-house educational programs, and we are working to strengthen awareness of compliance. The effectiveness of internal auditing systems, including telephone monitoring, has also been improved. In addition, we have established structures to ensure that these and other systems are reviewed at appropriate intervals. Despite these efforts, there is a possibility that employees or other persons in the AIFUL Group may violate laws and regulations or engage in inappropriate behavior. In such cases, the AIFUL Group will be required to take responsibility through the imposition of administrative penalties or other measures. Such situations may affect the financial position and business performance of the AIFUL Group.

2. Business Restrictions

The loan business of the AIFUL Group, including its core consumer finance business, is subject to regulation under the Money Lending Business Law and the Capital Subscription Law. Business restrictions and prohibitions under these laws include the prohibition of excessive lending, a requirement to disclose and advertise loan terms and other information, the prohibition of exaggerated claims in advertising, a requirement to provide explanatory information when contracts are signed and at other times, obligations to provide documents before guarantee contracts are signed, obligations to provide documents when contracts are signed, obligations to provide documents and receipts, maintain proper accounts and make accounts available for inspection, restrictions on debt collection activities, requirements concerning the return of claim documents and the display of business licenses, and restrictions on the sale of receivables and the delegation of authority. There are also requirements concerning the disclosure of transaction histories, the appointment of registered money lending officers, the carrying of identification documents, as well as requirements concerning the appropriate handling of personal information, including statutory requirements relating to the information shown in payment demands.

AIFUL CORPORATION is also subject to supervision by the Financial Services Agency, which on December 19, 2007 issued restrictions on overall lending amounts for money lenders. Under these restrictions, lenders are required to verify the borrower's income, such as by obtaining documentary evidence of annual income, if the amount borrowed is more than ¥500,000 from one lender or more than ¥1,500,000 from multiple lenders. Lenders are also required to establish specific objective lending criteria to ensure that the repayment burden is not excessive, such as by ensuring that total monthly repayments, including repayments to other lenders, do not exceed one-third of the borrower's monthly income, as determined from the borrower's annual income, existing debt and other evidence.

The AIFUL Group's shopping loan business, including credit card shopping loans and per-item shopping loans, is subject to restrictions under the Installment Sales Law. These include requirements concerning the disclosure of transaction terms and the provision of documents, and restrictions on the amount of compensation that can be demanded in the event of a contract cancellation or other situation. There are also provisions concerning the right to make complaints to a party arranging installment purchases, the prevention of purchasing beyond the purchasers' ability to pay, and the prevention of consumer problems relating to continuous services. The AIFUL Group is now operating in accordance with the partially amended Installment Sales Law enacted in June 2008.

Under the Money Lending Business Law, whenever the AIFUL Group, as a money lender, enters into a guarantee agreement, it must first provide the person intending to become a guarantor with documents explaining the content of the guarantee agreement. Whenever a loan agreement or guarantee agreement is signed, the borrower must be provided with documents clearly explaining the terms of the agreement, and the guarantor with documents clearly explaining the terms of the guarantee. These documents must be provided without delay.

The lender is required to provide specified documents when agreements are signed, and to issue documents (or forward them by mail without delay) containing all information required by law, whenever a debtor borrows funds through an ATOM or manned branch. The AIFUL Group has installed software in all of its ATMs that issue the documents containing all the information required by law. When customers obtain loans through the ATMs of partner institutions, documents containing the information required by law are mailed individually to those customers without delay, provided that the customers have given prior consent for this service. The Financial Services Agency has the authority to impose administrative penalties, including orders to totally or partially suspend business operations, if a money lender fails to comply with regulatory requirements concerning the provision of documents and information.

The Financial Services Agency can also restrict the use of ATMs owned by partner institutions and has the authority to cancel registration as a money-lender. There are issues concerning the provision of documents and related matters, the Group's financial position and business performance could be affected if this situation were to result in administrative action against the AIFUL Group. It would also be necessary to review the Group's operating methods.

An act partially amending laws and regulations governing the money lending business was promulgated in December 2006, resulting in the changes to the Interest Rate Restriction Law, the Capital Subscription Law and the Money Lending Business Control and Regulation Law (now called the Money Lending Business Law). The changes will be phased in over a period of approximately three years from the date of promulgation, and some of the changes took effect on December 19, 2007. The functions of the amendments include (a) imposing more stringent restrictions on lenders, (b) introducing a system of business improvement orders, and (c) strengthening the voluntary regulatory functions of the Financial Services Association. As a result of this measure, the Japan Financial Services Association was established in December 2007 as a voluntary regulatory organization. Voluntary regulations have since been established under the auspices of that organization, including rules against excessive lending, and advertising and solicitation rules. To enhance the effectiveness of these voluntary regulations, the Association has been given powers to investigate and audit members, and to fine or expel members who fail to comply. As a member of the Japan Financial Services Association, AIFUL CORPORATION is subject to these voluntary regulations.

Moreover, the business improvement orders are designed to enable measures that are needed to improve operating procedures and other operational management issues upon recognition of the need to protect borrower interests, even in the absence of violations of laws and regulations. As such, the system of business orders is a more flexible method than the current system of orders to suspend business operations.

When the act partially amending laws and regulations governing the money lending business (promulgated in December 2006) takes full effect, the maximum interest rate under the Capital Subscription Law will be reduced to the level of the Interest Rate Restriction Law (to 20% per annum). There will also be restrictions on total lending. For example, a lender will be prohibited in principle from making a loan if the total amount owed, including loans from other lenders, would exceed one-third of the borrower's annual income. The AIFUL Group has responded proactively by lowering interest rates and tightening lending, and forecasts that loans will decrease as a result.

The AIFUL Group is determined to make the necessary adaptations and is currently considering group restructuring measures and business portfolio diversification. We will also develop new products and modify our operations to reflect changes in related laws and regulations. At the same time, we aim to improve management efficiency through cost reductions achieved by closing and amalgamating branches and optimizing workforce efficiency. However, we may be unable to implement these measures as planned because of other changes, such as further escalation of competition or a credit crunch, which might require us to review our group business strategies.

3. Interest Rates on Loans and Deemed Repayment

An act partially amending the laws and regulations governing the money lending business came into force in December 2006, as described earlier in this report. Changes to the related laws will result in the lowering of the maximum interest rate from 29.2% to 20%, and the abolition of the deemed repayment system under the Money Lending Business Law. These changes are being implemented over a period of approximately three years from the date of promulgation.

Since August 1, 2007, AIFUL CORPORATION has complied with these requirements by reducing its maximum interest rate for customers entering into new loan agreements, and for customers eligible to enter into contracts under our new loan criteria. Our maximum rate is currently below 18.0%. It is possible that the tightening of these restrictions will have a negative effect on the financial position and business performance of the AIFUL Group if its earning potential is reduced, or if other unforeseen costs are incurred. Under the Interest Rate Restriction Law, the maximum interest rate under interest agreements for cash loans to consumers is 20% where the principal is less than ¥100,000, 18% where the principal is ¥100,000 or more but less than ¥1 million, and 15% where the principal is ¥1 million or more. Article 1, Paragraph 1 of the same law states that any amount in excess of these limits is invalid, but Paragraph 2 states that debtors who have voluntarily paid excess amounts are not entitled to demand refunds. Article 43 of the Money Lending Business Law states that if documents as stipulated in Article 17 of the same law were issued to debtors, etc., when the loan was provided, and the debtor has voluntarily paid excess interest that constitutes a payment under the Agreement for which documents were issued under the provisions of Article 17, such amounts will be deemed to be legally valid interest payments ("deemed repayment"), irrespective of the provisions of Article 1, Paragraph 1 of the Interest Rate Restriction Law. This assumes that documents as stipulated in Article 18 of the same law were issued immediately after payment.

However, the Japanese Supreme Court ruled on January 13, 2006, that special contract provisions requiring full payment of the entire amount outstanding in the event that the borrower fails to make interest payments by the due date are in effect mandatory payment requirements covering amounts above the maximum rate stipulated in Article 1, Paragraph 1 of the Interest Rate Restriction Law, and that such payments by the debtor could not be regarded as voluntary. This includes amounts above the maximum rate stipulated in the Interest Rate Restriction Law. The court further ruled that Article 15, Paragraph 2 of the Enforcement Regulations of the Money Lending Business Control and Regulation Law, which states that other information, such as the date of the agreement, can be substituted for an agreement number on receipts, is invalid since it is outside the mandate of the law.

The AIFUL Group takes these rulings very seriously and is implementing appropriate actions, including the introduction of agreement forms that reflect these rulings. Some loan products currently provided by the AIFUL Group include contractual interest rates in excess of the maximum interest rates stipulated in the Interest Rate Restriction Law.

There have been cases in which companies in the consumer finance industry have been targeted by lawsuits demanding refunds of excess interest on the grounds that agreement documents did not meet the requirements stipulated in the Money Lending Business Law. There have been also court rulings in favor of these claims.

There have been lawsuits against the AIFUL Group demanding refunds of excess interest. Courts have accepted the plaintiffs' argument that the AIFUL Group, as a moneylender, failed to fulfill the requirements for deemed repayment under the Money Lending Business Law. In some cases the excess interest has been refunded under out-of-court settlements. Refunds of excess interest in the consolidated accounting period ended March 31, 2009 amounted to ¥72,875 million.

On October 13, 2006, the Japanese Institute of Certified Public Accountants issued the "Application of Auditing for Provision of Allowance for Losses for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies" of the Industry Audit Practice Committee Report No. 37 ("Report 37"), applicable to consolidated interim fiscal periods, consolidated fiscal years and associated audits beginning on or after September 1, 2006.

In accordance with Report 37, as of March 31, 2009 the AIFUL Group's allowances related to interest refunds totaled ¥212,654 million. This consisted of ¥124,164 million in the allowance for losses on interest refunds, and ¥88,490 million included in the allowance for doubtful accounts for loans that are expected to be recoverable because the AIFUL Group estimates that this amount will be preferentially set off against loans.

However, the premises on which these accounting estimates are based include historical refund data and current trends in interest refunds. The financial position and business performance of the AIFUL Group may be adversely affected if refund demands exceed these premises.

4. Other Laws and Regulations

(1) Handling and Protection of Personal Information

Japan's Personal Information Protection Law, together with related guidelines established by various government agencies, took effect on April 1, 2005. Under the Personal Information Protection Law, businesses that handle personal information are required to submit reports when necessary. If obligations under the law are violated, the minister in charge is empowered to issue warnings or directives requiring the necessary steps to be taken to protect the rights and interests of individuals.

The guidelines state that the purposes for which personal information will be used must be disclosed and published, and where necessary the consent of borrowers must be obtained for the handling of personal information, and that if the handling of personal information is outsourced, the service providers must be properly supervised. Other requirements include the establishment of security management systems from the organizational, human and technical perspectives, and the publication of basic policies on the handling of personal information. The AIFUL Group has reviewed its procedures for handling personal information according to these requirements, and we have also adopted a privacy policy and taken steps to prevent leaks of personal information from the AIFUL Group. However, in the unlikely event that personal information is leaked, resulting in a warning or directive from the Financial Services Agency, the reputation, financial position or business performance of the AIFUL Group could be adversely affected.

(2) Effect of Other Regulatory Amendments

Amendments to laws including the Bankruptcy Law, the Civil Rehabilitation Law, the Special Mediation Law and the Judicial Scrivener Law could affect the AIFUL Group's financial position and business performance, depending on the content of such amendments.

Fund Procurement Risks

1. Interest Rate Fluctuation Risk

Interest rates on funds procured by the AIFUL Group fluctuate according to market conditions and other factors. To minimize its exposure to this risk, the AIFUL Group uses interest swaps and caps to hedge against interest rate rises. However, future interest rate increases could affect the fund procurement activities of the AIFUL Group, depending on the extent of such increases.

2. Changes in Credit Ratings

AIFUL CORPORATION has been rated by credit rating agencies. If these ratings change, the AIFUL Group's fund procurement activities may be affected.

3. Diversification of Fund Procurement

The AIFUL Group is diversifying its procurement methods, which include direct borrowing from financial institutions, syndicated loans, domestic and overseas bonds, commercial paper and asset securitization. The financial position and business performance of the AIFUL Group could be affected in certain situations, such as if a decline in the Group's credit rating affects borrowing terms or causes a decline in the amount that can be borrowed, preventing the Group from procuring funds under terms similar to those prevailing at present.

Disruptions, Malfunctions and Other Problems Concerning Data, Network Systems, Internet Systems and Other Technological Systems

The AIFUL Group uses internal and external information and technology systems to manage its business operations. The Group is becoming increasingly reliant on software, systems and networks to control the various information resources, including branch network data and account data, on which its business activities are based. Hardware and software used by the Group could be affected by human error, natural disasters, power cuts, computer viruses and similar situations, as well as by interruptions to support services provided by third parties, such as telephone companies and Internet service providers. Disruptions, faults, delays or other problems affecting information and technology systems could have an adverse impact on the AIFUL Group's financial position or business performance, including a reduction in the number of accounts opened, delays in settling receivables, and a loss of consumer confidence in the services provided by the AIFUL Group.

The AIFUL Group maintains redundancy in both its hardware and telecommunications equipment so that it can minimize the damage resulting from failures by switching to back-up systems. However, a natural disaster, such as an earthquake or typhoon, could necessitate the suspension of the Group's business operations.

Possession and Sale of AIFUL CORPORATION Stock by the Representative Director and Family Members

As of March 31, 2007, Yoshitaka Fukuda, the representative director of AIFUL CORPORATION, members of his family, and associated corporations owned approximately 40% of all shares outstanding. These shareholders are able to exercise a controlling influence over important decisions that will affect AIFUL CORPORATION's business activities, including important corporate transactions, such as the sale of a controlling interest in AIFUL CORPORATION, business restructuring and reorganization, investment in other businesses or assets, and the establishment of terms for future fund procurement activities. While these shareholders have so far maintained their shareholdings, it is possible that they will dispose of shares in the future. This would increase the supply of AIFUL CORPORATION shares in the market, possibly affecting the share price.

Significant Lawsuits and Litigation

The AIFUL Group is aware that multiple lawsuits have been filed by certain organizations concerning the claim recovery activities of AIFUL CORPORATION. If there are further lawsuits, etc., in the future, it is possible that additional unplanned expenses will be incurred, and that reporting of these lawsuits, etc., in the mass media will influence the ways in which customers use our services, the formation of our share price, our ability to procure funds, and other factors, with the result that the financial position and business performance of the AIFUL Group will be affected.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

Aiful Corporation and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 131,598	¥ 257,311	$ 1,342,837
Time deposits	1,228	3,088	12,531
Operational investment securities (Note 7)	899	1,175	9,173
Loans, loan guarantees and receivables			
Loans (Notes 4 and 9)	1,290,354	1,598,706	13,166,878
Installment accounts receivable (Notes 5 and 9)	142,017	148,490	1,449,153
Loan guarantees (Note 6)	118,207	129,713	1,206,194
Other receivables	24,300	26,382	247,959
Allowance for doubtful accounts (Note 2.k)	(209,317)	(297,384)	(2,135,888)
Prepaid expenses	2,305	2,848	23,520
Deferred tax assets (Note 13)	6,784	16,997	69,224
Other current assets (Note 9)	42,598	41,876	434,674
Total current assets	1,550,973	1,929,202	15,826,255
PROPERTY AND EQUIPMENT (Note 9):			
Land (Note 9)	13,969	14,363	142,541
Buildings and structures (Notes 8 and 9)	37,461	38,922	382,255
Machinery and equipment (Note 9)	343	265	3,500
Furniture and fixtures (Note 8)	24,039	21,112	245,296
Lease assets	341		3,480
Construction in progress	116	2,921	1,184
Total	76,269	77,583	778,256
Accumulated depreciation	(37,623)	(35,170)	(383,908)
Net property and equipment	38,646	42,413	394,348
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 9)	7,237	12,431	73,847
Investments in and advances to unconsolidated subsidiaries and associated companies	3,920	4,620	40,000
Claims in bankruptcy (Note 4)	41,873	46,350	427,276
Goodwill, net		2,289	
Software, net (Note 8)	19,550	22,793	199,490
Lease deposits	5,659	7,639	57,745
Long-term prepayments	1,797	2,300	18,337
Deferred tax assets (Note 13)	1,835	2,151	18,724
Other assets (Note 8)	1,757	1,971	17,927
Allowance for doubtful accounts	(28,503)	(33,031)	(290,847)
Total investments and other assets	55,125	69,513	562,499
TOTAL	¥1,644,744	¥2,041,128	$16,783,102

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 9)	¥ 112,140	¥ 163,930	$ 1,144,286
Current portion of long-term debt (Note 9)	324,883	358,819	3,315,133
Trade notes payable	709	1,778	7,235
Trade accounts payable (Note 17)	37,778	31,616	385,490
Obligation under loan guarantees (Note 6)	118,207	129,713	1,206,194
Income taxes payable	917	2,204	9,357
Accrued expenses (Note 17)	7,802	8,840	79,612
Allowance for losses from business restructuring	365	193	3,724
Other current liabilities (Notes 5 and 6)	36,847	34,737	375,989
Total current liabilities	639,648	731,830	6,527,020
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Note 9)	480,768	831,340	4,905,796
Deferred tax liabilities (Note 13)		8	
Liability for retirement benefits (Note 2.h)		1,063	
Allowance for losses on interest refunds (Note 2.k)	124,165	143,750	1,266,990
Interest rate swaps (Note 15)	2,062	6,417	21,041
Negative goodwill, net	1,088		11,102
Other long-term liabilities (Note 2.h)	3,679	2,199	37,541
Total long-term liabilities	611,762	984,777	6,242,470
EQUITY (Notes 11 and 17):			
Common stock, authorized, 568,140,000 shares; issued, 238,685,568 shares in 2009 and 167,475,000 shares in 2008	143,325	108,325	1,462,500
Capital surplus:			
Additional paid-in capital	164,134	129,134	1,674,837
Retained earnings	86,056	86,820	878,122
Unrealized gain (loss) on available-for-sale securities	(733)	2,080	(7,480)
Deferred loss on derivatives under hedge accounting (Note 15)	(2,099)	(4,332)	(21,418)
Treasury stock, at cost 456,724 shares in 2009 and 455,717 shares in 2008	(3,110)	(3,110)	(31,735)
Total	387,573	318,917	3,954,826
Minority interests	5,761	5,604	58,786
Total equity	393,334	324,521	4,013,612
TOTAL	¥1,644,744	¥2,041,128	$16,783,102

CONSOLIDATED STATEMENTS OF INCOME

Aiful Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
INCOME:			
Interest on loans	¥263,797	¥356,435	$2,691,806
Interest on credit card shopping loans	16,881	14,948	172,255
Interest on per-item shopping loans	3,631	6,912	37,051
Interest on loan guarantees	8,021	8,548	81,847
Interest on deposits, securities and other	1,327	952	13,541
Recovery of loans previously charged off	7,256	4,395	74,041
Gain on retirement of bonds	5,382		54,918
Gain on sale of investment securities	967	28	9,867
Other income	9,280	10,171	94,694
Total income	316,542	402,389	3,230,020
EXPENSES:			
Interest on borrowings	25,364	30,646	258,816
Charge-offs and provision for doubtful accounts	99,273	155,930	1,012,990
Salaries and other employees' benefits	38,201	43,182	389,806
Advertising expenses	6,715	7,429	68,520
Rental expenses (Note 14)	9,539	11,858	97,337
Commissions and fees	20,602	22,902	210,224
Loss on impairment of long-lived assets (Note 8)	649	175	6,622
Depreciation and amortization (Note 2.a)	14,576	11,924	148,735
Net periodic benefit costs (Note 10)	1,223	1,169	12,480
Provision for losses on interest refunds	58,315	49,819	595,051
Loss from and provision for business restructuring	1,905	97	19,439
Loss on disposal of property and equipment	949	735	9,684
Other expenses	31,515	35,625	321,581
Total expenses	308,826	371,491	3,151,285
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,716	30,898	78,735
INCOME TAXES (Note 13):			
Current	646	3,074	6,592
Refund	(7,527)		(76,806)
Prior periods		3,452	
Deferred	10,188	(3,251)	103,959
Total income taxes	3,307	3,275	33,745
MINORITY INTERESTS IN NET INCOME	162	189	1,653
NET INCOME	¥ 4,247	¥ 27,434	$ 43,337

	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Notes 2.t and 16):			
Basic net income	¥24.77	¥190.77	$0.25
Diluted net income		186.86	
Cash dividends applicable to the year	15.00	40.00	0.15

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Aiful Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Thousands	Millions of Yen								
			Capital Surplus							
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2007	142,035	¥ 83,317	¥104,126	¥66,466	¥ 6,536	¥(5,752)	¥(2,968)	¥251,725	¥5,420	¥257,145
Issuance of common stock through a third-party capital allotment (Note 11)	25,440	25,008	25,008					50,016		50,016
Net income				27,434				27,434		27,434
Cash dividends paid, ¥50 per share				(7,080)				(7,080)		(7,080)
Net increase in treasury stock (42,882 shares)							(142)	(142)		(142)
Net change in the year					(4,456)	1,420		(3,036)	184	(2,852)
BALANCE AT MARCH 31, 2008	167,475	108,325	129,134	86,820	2,080	(4,332)	(3,110)	318,917	5,604	324,521
Net income				4,247				4,247		4,247
Cash dividends paid, ¥30 per share				(5,011)				(5,011)		(5,011)
Net increase in treasury stock (1,007 shares)										
Conversion of convertible bonds (Note 11)	71,211	35,000	35,000					70,000		70,000
Net change in the year					(2,813)	2,233		(580)	157	(423)
BALANCE AT MARCH 31, 2009	238,686	¥143,325	¥164,134	¥86,056	¥ (733)	¥(2,099)	¥(3,110)	¥387,573	¥5,761	¥393,334

	Thousands of U.S. Dollars (Note 3)								
		Capital Surplus							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2008	$1,105,357	$1,317,694	$885,918	$ 21,224	$(44,204)	$(31,735)	$3,254,254	$57,184	$3,311,438
Net income			43,337				43,337		43,337
Cash dividends paid, $0.31 per share			(51,133)				(51,133)		(51,133)
Net increase in treasury stock (1,007 shares)									
Conversion of convertible bonds (Note 11)	357,143	357,143					714,286		714,286
Net change in the year				(28,704)	22,786		(5,918)	1,602	(4,316)
BALANCE AT MARCH 31, 2009	$1,462,500	$1,674,837	$878,122	$ (7,480)	$(21,418)	$(31,735)	$3,954,826	$58,786	$4,013,612

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Aiful Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,716	¥ 30,898	$ 78,735
Adjustments for:			
Income taxes – paid	(2,141)	(12,313)	(21,847)
Income taxes – refund	7,154		73,000
Depreciation and amortization	14,576	11,928	148,735
Decrease in allowance for doubtful accounts	(92,595)	(77,158)	(944,847)
Decrease in allowance for losses on interest refunds	(19,586)	(23,403)	(199,857)
Decrease in liability for retirement benefits	(1,063)	(274)	(10,847)
Gain on sale of investments in securities, net	(961)	(6)	(9,806)
Loss on disposal of property and equipment	949	735	9,684
Gain on retirement of bonds	(5,382)		(54,918)
Changes in assets and liabilities			
Decrease in loans	308,352	313,984	3,146,449
Decrease in installment accounts receivable	6,473	26,431	66,051
Decrease in operational investment securities	280	597	2,857
Decrease (increase) in purchased receivables	1,910	(94)	19,490
Decrease (increase) in other operating receivables	171	(882)	1,745
Decrease (increase) in claims in bankruptcy	4,477	(7,362)	45,684
Decrease in other current assets	301	3,032	3,071
Increase (decrease) in other current liabilities	5,456	(19,961)	55,673
Other – net	4,505	1,373	45,969
Total adjustments	232,876	216,627	2,376,286
Net cash provided by operating activities	240,592	247,525	2,455,021
INVESTING ACTIVITIES:			
Capital expenditures	(5,911)	(14,191)	(60,316)
Increase in loans	(138)	(33)	(1,408)
Purchases of investment securities	(1,068)	(1,969)	(10,898)
Other – net	7,080	2,646	72,244
Net cash used in investing activities	(37)	(13,547)	(378)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	(51,790)	72,560	(528,469)
Proceeds from long-term debt (net of bond issue costs)	89,400	174,227	912,245
Repayments of long-term debt	(398,533)	(423,063)	(4,066,663)
Proceeds from issuance of common stock		49,764	
Cash dividends paid	(5,011)	(7,080)	(51,133)
Acquisition of treasury stock		(142)	
Other – net	(408)		(4,163)
Net cash used in financing activities	(366,342)	(133,734)	(3,738,183)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	74	10	755
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(125,713)	100,254	(1,282,785)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	257,311	157,057	2,625,622
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 131,598	¥ 257,311	$ 1,342,837
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Subordinated zero-coupon yen convertible bonds converted into common stock	¥ 70,000		$ 714,286

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aiful Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

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 Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and accounting principles generally accepted in the United States of America.

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.

In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classification used in 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation** — The consolidated financial statements include the accounts of Aiful Corporation (the "Company") and its eleven significant subsidiaries (together, the "Group"). Consolidation of the remaining eighteen unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

In March, 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No. 15, "Implementation Guidance on Disclosures about Certain Special Purpose Entities". This standard permits companies to avoid consolidation of certain special purpose entities which were established and are being operated for the purpose of securitization of receivables.

A consolidated subsidiary securitizes its trust beneficiary backed by installment accounts receivable and loans to diversify its funding sources and ensure stable funding. In the securitization structures, the consolidated subsidiary uses special purpose entities, which include special purpose entities and other entities under the Asset Securitization Law (SPC Law). The consolidated subsidiary transfers the preferred portion of the trust beneficiary to the special purpose entities in the securitization structures. The special purpose entities raise funds by issuing corporate bonds backed by the transferred preferred assets and these funds flow back to the consolidated subsidiary as sales proceeds of the transferred assets. The consolidated subsidiary also provides collection services to the special purpose entities. The consolidated subsidiary retains the subordinated portion of the trust beneficiary, and an allowance is provided for the estimated uncollectable amount. As a result of such securitizations, the Company had six special purpose entities which are not consolidated under Guidance No. 15 as of March 31, 2009. The total (simply added up) assets and liabilities of such special purpose entities as of March 31, 2009 and 2008 were ¥93,917 million ($958,337 thousand) and ¥98,514 million, ¥93,879 million ($957,949 thousand) and ¥98,520 million, respectively. Total amount of the preferred portion of the trust beneficiary transferred from the Company to the special purpose entities in the year ended March 31, 2009 was ¥15,000 million ($153,061 thousand) with a loss on the transfer of such preferred portion of ¥133 million ($1,357 thousand). Such total amounts are stated at the carrying amount of the transferred assets as of the date of transfer. Loss on the transfer is directly deducted from the related income of the transferred asset. The Company retains no shares with shareholder voting rights of these special purpose entities nor provides directors or employees.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in six unconsolidated subsidiaries (five in 2008) and one (two in 2008) associated companies are stated at cost. Investments in the remaining twelve unconsolidated subsidiaries (thirteen in 2008), which are limited liability investment partnerships and similar partnerships, are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the recent available financial statements of the partnerships. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is reported as goodwill or negative goodwill in the accompanying consolidated balance sheets.

Goodwill or negative goodwill on acquisition of subsidiaries is amortized using the straight line method over the estimated period (not to exceed 20 years), in which economic benefits are expected to be realized. However, when the excess of cost over net assets of subsidiaries acquired is not material, it is charged to income when incurred. Accounting for impairment on long-lived assets as discussed in Note 2.f. also applies to goodwill. As the Company determined that it would be difficult to obtain future excess earnings as initially assumed, the Group recorded an impairment charge related to goodwill of ¥2,521 million ($25,724 thousand) for the year ended March 31, 2009, which was included in "Depreciation and amortization".

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.

b. **Business Combination** — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "*Accounting for Business Combinations*", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "*Accounting Standard for Business Divestitures*" and ASBJ Guidance No. 10, "*Guidance for Accounting Standard for Business Combinations and Business Divestitures*". The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

c. **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 certificate of deposits which mature or become due within three months of the date of acquisition and securities purchased under resale agreements.

d. **Operational Investment Securities Held by Venture Capital Subsidiary and Investment Securities** — Operational investment securities held by a venture capital company and investment securities, all of which are classified as available-for-sale securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average cost 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, operational investment securities and investment securities are reduced to net realizable value by a charge to income.

Investments in limited liability investment partnerships and similar partnerships are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the recent available financial statements of the partnerships.

e. **Property and Equipment** — Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its consolidated subsidiaries is computed by the declining-balance method except that the straight-line method is applied to the buildings of the Company's consolidated subsidiaries acquired on and after April 1, 1998. The range of useful lives is principally from 2 to 62 years for buildings and structures, from 2 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

f. **Long-lived Assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. **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.

h. **Liability for Retirement Benefits** — The Company and certain consolidated subsidiaries have a defined contribution pension plan and a prepaid retirement benefits plan. Contributions to the defined contribution plan and payments to the prepaid retirement benefits plan are charged to income when made.

For the year ended March 31, 2008, a liability for retirement benefits to directors and corporate auditors was provided at the amount which would be required if they retired at the balance sheet date. The liability for retirement benefits in the consolidated balance sheet was for directors and corporate auditors. The Company and certain consolidated subsidiaries decided to terminate their retirement benefits plan to directors and corporate auditors as of the closure of each company's shareholders meeting held in June 2008. Retirement benefits based on the terminated plan will be paid at each director's or corporate auditor's retirement date according to their service period up to the termination date of the plan. The outstanding balance of the liability for retirement benefits to directors and corporate auditors of ¥1,022 million ($10,429 thousand) was reclassified and included in long-term liabilities – other in the year ended March 31, 2009.

i. **Allowance 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 accounts outstanding.

j. **Allowance for Losses from Business Restructuring —** The allowance for losses from business restructuring is provided at an estimated amount of future costs related to closure of outlets and other restructuring activities.

k. **Allowance for Losses on Interest Refunds —** The limit of interest rates is regulated by two laws – "Contributions Law" and "Interest Rate Restriction Law". Under the former law, interest rates on loans should not exceed 29.2% and the violation of law is considered to be a criminal penalty. The latter law stipulates that interest payments for interest rates that exceed the legal limit (20% for principal amounts under ¥100 thousand, 18% for principals not less than ¥100 thousand and under ¥1 million and 15% for principals not less than ¥1 million) are void. However, under the "Moneylending Business Restriction Law", such interest payments are nonetheless considered to be valid if money lenders issue notices as prescribed by the law to debtors and debtors pay voluntarily. Strict interpretation by the courts of these requirements has led to decisions against money lenders and resulted in more debtors claiming for the return of excess interest payments.

The Company and certain consolidated subsidiaries have loaned money at rates between the limits set by the two laws. Allowance for losses on interest refunds is stated in amounts considered to be appropriate based on the Company's and certain consolidated subsidiaries' past refund loss experience, the recent situation regarding interest refunds and other factors.

At March 31, 2009 and 2008, the Group recorded an allowance of ¥124,165 million ($1,266,990 thousand) and ¥143,750 million, respectively, as "Allowance for losses on interest refunds." In addition, the estimated amount of interest refunds of ¥88,490 million ($902,959 thousand) and ¥108,974 million which were expected to be preferentially set off against loans was recorded as "Allowance for doubtful accounts" for the Company and certain consolidated subsidiaries at March 31, 2009 and 2008, respectively.

l. **Leases —** In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change on income before income taxes and minority interests for the year ended March 31, 2009 is immaterial.

Lease assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, over the leased periods as their useful lives and with no residual value.

All other leases are accounted for as operating leases.

m. **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.

n. **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 to extent that they are not hedged by forward exchange contracts.

o. **Revenue Recognition:**

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 at either the interest rate stipulated in the Interest Rate Restriction Law or the contracted interest rate, whichever is lower.

Interest on credit card shopping loans, Interest on per-item shopping loans — 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.

Interest on loan guarantees — Interest on loan guarantees is recorded by the remaining principal method.

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

q. **Stock Issue Costs** — Stock issue costs are charged to income as incurred.

r. **Bond Issue Costs** — Amortization is calculated by the straight-line method over the term of the related bond issue. Bond issue costs related to bonds which were issued on or before March 31, 2006 are amortized ratably over periods up to three years. Bond issue costs are included in other assets.

s. **Derivatives and Hedging Activities** — The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates and foreign exchange. Interest rate swaps, interest rate caps and currency swaps contracts are utilized by the Group to reduce interest rate and foreign currency exchange 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 be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be 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 be deferred until maturity of the hedged transactions.

Currency swaps contracts are utilized to hedge foreign currency exposure in principal and interest payments of U.S. dollar straight bonds. U.S. dollar straight bonds are translated at the contracted rates.

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 contracts is recognized and included in interest expenses or income.

t. **Per Share Information** — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share of common stock reflects the potential dilution that could occur if securities were converted into common stock and assumes full conversion of the outstanding convertible bonds at the time of issuance and full exercise of outstanding stock options.

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 and have not been retroactively adjusted for stock splits.

u. **New Accounting Pronouncements:**

Business Combinations — On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations — On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3 TRANSLATION INTO UNITED STATES 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 is included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. 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, 2009 and 2008 consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Unsecured	¥1,015,647	¥1,278,001	$10,363,745
Secured	206,941	246,520	2,111,643
Small business loans	111,608	141,161	1,138,857
Total	¥1,334,196	¥1,665,682	$13,614,245
Off-balance sheet securitized loans	(43,842)	(66,976)	(447,367)
Net	¥1,290,354	¥1,598,706	$13,166,878

Registered money lenders are required to disclose the following information under the Non-Bank Bond Issuing Law.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans in legal bankruptcy	¥ 41,282	¥ 46,895	$ 421,245
Nonaccrual loans	181,825	189,721	1,855,357
Accruing loans contractually past due three months or more as to principal or interest payments	25,979	29,351	265,092
Restructured loans	72,972	77,801	744,612
Total	¥322,058	¥343,768	$3,286,306

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, other than loans in legal bankruptcy as well as loans receiving regular payments in case of granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

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 are not recognized on the balance sheets, amounted to ¥43,842 million ($447,367 thousand) and ¥66,976 million at March 31, 2009 and 2008, respectively.

At March 31, 2009 and 2008, the Group had balances related to revolving loan contracts aggregating ¥1,235,686 million ($12,609,041 thousand) and ¥1,544,978 million, respectively, whereby the Group is obligated to advance funds up to a predetermined amount upon request. At March 31, 2009 and 2008, the balances of unadvanced commitments were ¥2,781,803 million ($28,385,745 thousand) and ¥5,761,394 million, respectively. 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, 2009 and 2008 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
	Receivables	Unearned Income	Receivables	Unearned income	Receivables	Unearned income
Credit card shopping loans	¥136,763	¥ 681	¥127,678	¥ 763	$1,395,541	$ 6,949
Per-item shopping loans	33,791	1,772	62,808	3,301	344,806	18,082
Total	¥170,554	¥2,453	¥190,486	¥4,064	$1,740,347	$25,031
Off-balance sheet securitized installment accounts receivable	(28,537)		(41,996)		(291,194)	
Net	¥142,017	¥2,453	¥148,490	¥4,064	$1,449,153	$25,031

In addition, the Group had unearned income of an immaterial amount and ¥1 million at March 31, 2009 and 2008, respectively, which was included in other current liabilities, related to loans other than those shown in the above table.

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 ¥105 million ($1,071 thousand) and ¥138 million at March 31, 2009 and 2008, respectively, which was included in other current liabilities.

7 OPERATIONAL INVESTMENT SECURITIES HELD BY VENTURE CAPITAL SUBSIDIARY AND INVESTMENT SECURITIES

Operational investment and investment securities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Current:			
Equity securities	**¥ 899**	¥ 1,175	**$ 9,173**
Non-current:			
Equity securities	**¥6,795**	¥11,319	**$69,337**
Other	**442**	1,112	**4,510**
Total	**¥7,237**	¥12,431	**$73,847**

The carrying amounts and fair values of operational investment and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale-Equity securities	**¥ 6,148**	**¥ 86**	**¥ 729**	**¥ 5,505**

	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale-Equity securities	¥ 7,489	¥3,447	¥ 163	¥10,773

	Thousands of U.S. Dollars			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale-Equity securities	**$62,735**	**$ 877**	**$7,439**	**$56,173**

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Available-for-sale:			
Equity securities	**¥2,189**	¥1,721	**$22,337**
Investments in limited liability investment partnerships	**442**	612	**4,510**
Other		500	
Total	**¥2,631**	¥2,833	**$26,847**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥2,139 million ($21,827 thousand) and ¥1,019 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥967 million ($9,867 thousand) and ¥28 million for the years ended March 31, 2009 and 2008, respectively, and gross realized losses were ¥6 million ($61 thousand) and ¥22 million for the years ended March 31, 2009 and 2008, respectively.

8 LONG-LIVED ASSETS

Year ended March 31, 2009

The Group reviewed its long-lived assets for impairment as of March 31, 2009. As a result, the Group recognized an impairment loss for a business system which was planned to be retired and other assets related to the "Center" which the Company decided to close. The carrying amount of the relevant assets was written down to the recoverable amount. The recoverable amount of the assets was measured at its value in use, which is the aggregated depreciation expense up to the point of disposal.

		March 31, 2009	
		Impairment loss	
Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Business system which the Company decided to retire and other	Buildings and structures, Furniture and fixtures, software and other	¥649	$6,622

The following table summarizes the Group's asset grouping:

Business Classification	Asset grouping
Financial services and venture capital	Each business entity except for idle real estate and real estate held for sale is the minimum unit. Outlets which the Group has decided to close are grouped in another unit.
Real estate business	Each real estate for rent is the minimum unit.

The following table summarizes the components of the Group's loss on impairment of long-lived assets:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2009	March 31, 2009
Buildings and structures	¥198	$2,020
Furniture and fixtures	257	2,623
Software	154	1,571
Other	40	408
Total	¥649	$6,622

Disclosure of impairment loss recognized for the year ended March 31, 2008 was not required, and therefore not presented herein, under Japanese GAAP.

9 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Commercial paper, 2.50% to 2.80% (1.00% to 1.15% at March 31, 2008)	¥ 10,000	¥ 5,000	$ 102,041
Loans from banks, 2.12% (1.62% to 2.13% at March 31, 2008)	960	7,840	9,796
Loans from other financial institutions, 1.88% to 1.98%		12,000	
Other (principally from factoring companies and securitized loan), 2.45% to 4.53% (1.51% to 2.30% at March 31, 2008)	101,180	139,090	1,032,449
Total	¥112,140	¥163,930	$1,144,286

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans from banks, 1.18% to 4.64%, due serially to 2013 (0.95% to 3.16%, due serially to 2012 at March 31, 2008)	¥ 331,779	¥ 490,141	$ 3,385,500
Loans from other financial institutions, 1.35% to 2.92%, due serially to 2013 (1.35% to 2.92%, due serially to 2012 at March 31, 2008)	69,267	118,349	706,806
Syndicated loans, 0.79%, due serially to 2010		2,701	
Unsecured 0.45% to 2.48% yen straight bonds, due 2008		35,000	
Unsecured 1.01% to 3.28% yen straight bonds, due 2009	41,400	68,000	422,449
Unsecured 0.80% to 3.00% yen straight bonds, due 2010	58,600	60,000	597,959
Unsecured 1.50% to 1.58 % yen straight bonds, due 2011	20,000	20,000	204,082
Unsecured 1.20% to 1.99% yen straight bonds, due 2012	40,000	40,000	408,163
Unsecured 1.74% yen straight bonds, due 2013	10,000	10,000	102,041
Unsecured 1.99% yen straight bonds, due 2015	10,000	10,000	102,041
Unsecured 4.45% to 5.00% U.S. dollar straight bonds, due 2010	100,459	108,500	1,025,092
Unsecured 6.00% U.S. dollar straight bonds, due 2011	57,600	57,600	587,755
Subordinated zero-coupon yen convertible bonds, due 2010		70,000	
Unsecured 3.50% medium-term notes, due 2015	15,000	15,000	153,061
Other (principally from leasing companies and securitized loan), 1.09% to 2.30%, due serially to 2012 (1.10% to 2.30%, due serially to 2012 at March 31, 2008)	51,546	84,868	525,980
Total	¥ 805,651	¥1,190,159	$ 8,220,929
Less current portion	(324,883)	(358,819)	(3,315,133)
Long-term debt, less current portion	¥ 480,768	¥ 831,340	$ 4,905,796

Annual maturities of long-term debt at March 31, 2009 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥324,883	$3,315,133
2011	252,927	2,580,888
2012	160,179	1,634,480
2013	32,512	331,755
2014	10,150	103,571
2015 and thereafter	25,000	255,102
Total	¥805,651	$8,220,929

At March 31, 2009, 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	¥453,043	$4,622,888
Installment accounts receivable	36,380	371,225
Other current assets	84	857
Land	9,835	100,357
Buildings and structures	9,440	96,326
Machinery and equipment	8	82
Investment securities	4,929	50,296
Total	¥513,719	$5,242,031
Related liabilities:		
Short-term borrowings	¥101,180	$1,032,449
Long-term debt (including current portion of long-term debt)	217,613	2,220,541
Total	¥318,793	$3,252,990

The above table includes loans related to securitized loans of ¥192,940 million ($1,968,776 thousand), and related liabilities (short-term borrowings and long-term debt including current portion) of ¥81,650 million ($833,163 thousand).

If requested by lending financial institutions, the Group has committed to pledge loans and installment loans and other of ¥80,269 million ($819,071 thousand) as collateral in addition to those shown in the above table. At March 31, 2009, related liabilities for which lending financial institutions can request the Group to pledge additional collateral consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Long-term debt (including current portion of long-term debt)	¥73,201	$746,949

At March 31, 2009, other current assets amounting to ¥419 million ($4,276 thousand) were pledged as collateral for the interest rate swap contracts.

Certain portion of the Company's and the Company's subsidiary, Life Co., Ltd.'s ("Life"), loans from banks and securitized borrowings are subject to accelerated repayment if the Company or Life fails to meet certain covenants including the minimum equity, the capital to asset ratio and covenants based on specified operational indices such as the ratio of loss on interest refunds to equity and covenants based on the rating of the Company's unsecured long term debts. As of March 31, 2009, the Company and Life were in compliance with all these covenants.

10 RETIREMENT AND PENSION PLANS

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Payments for prepaid retirement benefits plan	¥ 530	¥ 460	$ 5,408
Premiums for defined contribution pension plan	693	709	7,071
Net periodic benefit costs	¥1,223	¥1,169	$12,480

11 EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights, are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On February 28, 2008, the Company issued 25,440 thousand shares of common stock through a third-party capital allotment. The issue price of common stock was ¥1,966 per share and proceeds from issuance of the shares were ¥50,015 million. Recorded amounts as common stock and additional paid-in capital were ¥25,008 million and ¥25,008 million, respectively.

In March 2009, holders of subordinated zero-coupon yen convertible bonds exercised their rights to convert their bonds into 71,211 thousand shares of common stock. The conversion price of the convertible bonds was ¥983 ($10.03) per share and total amounts of the conversion were ¥70,000 million ($714,286 thousand). Recorded amounts as common stock and additional paid-in capital were ¥35,000 million ($357,143 thousand) and ¥35,000 million ($357,143 thousand), respectively.

12 STOCK OPTIONS

The stock options outstanding as of March 31, 2009 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option	26 Company's and subsidiaries' directors 426 Company's and subsidiaries' key employees	347,400 shares	June 25, 2004	¥7,774 ($79.33)	From July 1, 2006 to June 30, 2009
2005 Stock Option	31 Company's and subsidiaries' directors 454 Company's and subsidiaries' key employees	374,400 shares	June 24, 2005	¥8,420 ($85.92)	From July 1, 2007 to June 30, 2010

The stock option activity is as follows:

	2004 Stock Option	2005 Stock Option
	(Shares)	
For the year ended March 31, 2008		
Non-vested		
March 31, 2007 - Outstanding		351,600
Granted		
Canceled		(71,400)
Vested		(280,200)
March 31, 2008 - Outstanding		
Vested		
March 31, 2007 - Outstanding	325,800	
Vested		280,200
Exercised		
Canceled	(73,800)	(3,600)
March 31, 2008 - Outstanding	252,000	276,600
For the year ended March 31, 2009		
Non-vested		
March 31, 2008 - Outstanding		
Granted		
Canceled		
Vested		
March 31, 2009 - Outstanding		
Vested		
March 31, 2008 - Outstanding	252,000	276,600
Vested		
Exercised		
Canceled	5,400	6,600
March 31, 2009 - Outstanding	246,600	270,000
Exercise price	¥ 7,774	¥ 8,420
	$ (79.33)	$ (85.92)

13 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 40.9% and 40.6% for the years ended March 31, 2009 and 2008, respectively. The change in normal effective statutory tax rate was due to the change in enterprise tax (local tax) rates in Kyoto Prefecture, where the Company's main business establishment is located. The effect of this change on deferred taxes in the consolidated statements of income for the year ended March 31, 2009 is immaterial.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred Tax Assets:			
Allowance for doubtful accounts	¥ 42,464	¥ 69,984	$ 433,306
Allowance for losses on interest refunds	50,687	58,420	517,214
Charge-offs for doubtful accounts	18,565	19,872	189,439
Accrued interest on loans	5,838	5,727	59,571
Tax loss carryforwards	58,028	34,079	592,122
Deferred loss on derivatives under hedge accounting		2,959	
Interest refunds payable	2,196		22,408
Other	10,906	10,925	111,286
Total	188,684	201,966	1,925,346
Less valuation allowance	(179,970)	(181,652)	(1,836,428)
Total deferred tax assets	¥ 8,714	¥ 20,314	$ 88,918
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities		¥ (1,174)	
Income taxes receivable	¥ (95)		$ (969)
Total deferred tax liabilities	¥ (95)	¥ (1,174)	$ (969)
Net deferred tax assets	¥ 8,619	¥ 19,140	$ 87,949

Net deferred tax assets included in the consolidated balance sheet at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current assets - Deferred tax assets	¥6,784	¥16,997	$69,224
Investment and other assets - Deferred tax assets	1,835	2,151	18,724
Long-term liabilities - Deferred tax liabilities		(8)	

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 and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2008 is as follows:

	2008
Normal effective statutory tax rate	40.6%
Inhabitants tax per capita basis	0.7
Valuation allowance	(32.8)
Amortization of goodwill	1.1
Other – net	1.0
Actual effective tax rate	10.6%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2009 is not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed.

At March 31, 2009, the Group have tax loss carryforwards aggregating approximately ¥142,296 million ($1,452,000 thousand) which are available for offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 318	$ 3,245
2011	1,872	19,102
2012	609	6,214
2013	463	4,724
2014	7,892	80,531
2015	56,403	575,541
2016	74,739	762,643
Total	¥142,296	$1,452,000

14 LEASES

The Group leases machinery and equipment, furniture and fixtures, buildings and structures.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2009 and 2008 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:				
2009	**¥ 9,539**	**¥369**	**$97,337**	**$3,765**
2008	11,858	684		

As discussed in Note 2.l., the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense and other information, on a "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	As of March 31, 2009		
	Millions of Yen		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥24	¥980	¥1,004
Accumulated depreciation	19	579	598
Net leased property	¥ 5	¥401	¥ 406

	As of March 31, 2008			
	Millions of Yen			
	Machinery and Equipment	Furniture and Fixtures	Buildings and Structures	Total
Acquisition cost	¥40	¥2,470	¥8	¥2,518
Accumulated depreciation	29	1,706	8	1,743
Net leased property	¥11	¥ 764	NIL	¥ 775

	As of March 31, 2009		
	Thousands of U.S. Dollars		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$245	$10,000	$10,245
Accumulated depreciation	194	5,908	6,102
Net leased property	$ 51	$ 4,092	$ 4,143

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥202	¥364	$2,061
Due after one year	221	431	2,255
Total	¥423	¥795	$4,316

Depreciation expense and interest expense under finance leases, which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method and the interest method, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Depreciation expense	¥352	¥672	$3,592
Interest expense	17	17	173

The minimum rental commitments under noncancelable operating leases at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥26	¥28	$265
Due after one year	32	30	327
Total	¥58	¥58	$592

15 DERIVATIVES

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

Such derivative transactions are entered into to hedge interest exposures and foreign currency exposures inherent within its business. Accordingly, market and foreign exchange risks in these derivatives are theoretically offset by opposite movements in the value of hedged liabilities. The Group does not hold or issue derivatives for trading or 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 process and credit limit amount.

Market value information about derivative instruments at March 31, 2009 was as follows:

	Millions of Yen			
	Notional amount			
	Total	Due after one year	Fair value	Unrealized loss
Interest rate caps agreements Buying	¥119,000	¥69,000	¥5	¥332

	Thousands of U.S. Dollars			
	Notional amount			
	Total	Due after one year	Fair value	Unrealized loss
Interest rate caps agreements Buying	$1,214,286	$704,082	$51	$3,388

Market value information about derivative instruments at March 31, 2008 was as follows:

	Millions of Yen			
	Notional amount			
	Total	Due after one year	Fair value	Unrealized loss
Interest rate caps agreements Buying	¥150,000	¥90,000	¥11	¥413

16 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥ 4,247	171,495	¥ 24.77	$0.25
For the year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	¥27,434	143,806	¥190.77	
Effect of Dilutive Securities				
Subordinated zero-coupon yen convertible bonds		3,016		
Diluted EPS				
Net income for computation	¥27,434	146,822	¥186.86	

Diluted EPS for the year ended March 31, 2009 was not disclosed because no dilutive securities were outstanding.

17 SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2009 was approved by the Board of Directors on May 18, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5 ($0.05) per share	**¥1,191**	**$12,153**

b. Reversal of Accrued Bonuses and Other

At each respective Board of Directors' meeting, the Company and certain consolidated subsidiaries resolved to reduce the payment of performance related bonuses scheduled in June 2009. As a result of this bonus reduction, a gain on reversal of accrued bonuses and related accrued legal welfare expenses will be recorded for the year ending March 31, 2010. The total estimated amount of gain is approximately ¥645 million ($6,582 thousand) for reversal of accrued bonuses and related accrued legal welfare expenses.

18 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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
AIFUL CORPORATION:

We have audited the accompanying consolidated balance sheet of AIFUL CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of the Company and consolidated subsidiaries for the year ended March 31, 2008 were jointly audited by us and Shimbashi & Co. The joint report, dated June 24, 2008, expressed an unqualified opinion on those statements and included an explanatory paragraph that described a subsequent event regarding a tax refund in accordance with a notice of tax assessment from the tax authority.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIFUL CORPORATION and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit 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

June 23, 2009

Member of
Deloitte Touche Tohmatsu

Group Network

(As of March 31, 2009)

AIFUL CORPORATION

http://aiful.jp (Japanese only)

http://www.ir-aiful.com/english

Business Classification

Unsecured loans / Home equity loans

Small business loans / Loan guarantees

LIFE Co., Ltd.

http://www.lifecard.co.jp (Japanese only)

Business Classification

Credit card shopping / Shopping loans

Unsecured loans / Loan guarantees

Home equity loans

Consolidated Equity

95.9%

BUSINEXT CORPORATION

http://www.businext.co.jp (Japanese only)

Business Classification

Small business loans /

Home equity loans

Consolidated Equity

60.0%

Companies	Business Classification	Consolidated Equity (%)
City's Corporation	Small business loans / Home equity loans	100.0
TRYTO CORPORATION	Unsecured loans / Home equity loans	100.0
Wide Corporation	Unsecured loans / Home equity loans	100.0
TCM. Co. Ltd.	Unsecured loans	100.0
Passkey Co., Ltd.	Unsecured loans / Home equity loans	100.0
AsTry Loan Services Corporation	Debt collection (Servicer)	86.0
New Frontier Partners Co., Ltd.	Venture capital	100.0
Marutoh KK	Real estate business	100.0

Investor Information

(As of March 31, 2009)

Corporate Profile

Corporate Name	AIFUL CORPORATION
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Date of Establishment	April 1967
Common Stock	¥143,324 million
Number of Employees	Non-consolidated: 2,525 Consolidated: 4,895

Stock Listing

Tokyo Stock Exchange	The First Section
Osaka Securities Exchange	The First Section
Securities Code	8515

Shareholder Information

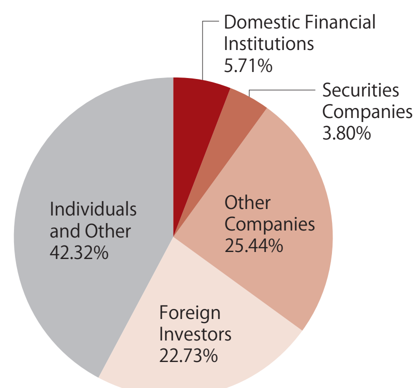
Number of Shares of Common Stock

Authorized	568,140,000 shares
Issued and Outstanding	238,685,568 shares
Number of Shareholders	33,434
Independent Auditors	Deloitte Touche Tohmatsu LLC
Transfer Agent and Registrar	The Sumitomo Trust & Banking Co., Ltd.

Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Yamakatsu Co., Ltd.	37,211	15.59
Yoshitaka Fukuda	29,603	12.40
Marutaka Co., Ltd.	12,271	5.14
Erio Lease Co., Ltd.	10,195	4.27
Japan Trustee Services Bank, Ltd. (Trust account 4G)	5,379	2.25
Yasutaka Fukuda	3,633	1.52
Deutsche Securities Inc.	3,450	1.45
The Bank of New York, Treaty JASDEC Account	2,582	1.08
Deutsche Bank AG London-PB Non Treaty Client 613	2,494	1.04
Japan Trustee Services Bank, Ltd. (Trust account)	2,450	1.03

Composition of Shareholders



Investor Relations Website

To improve its disclosure activities, AIFUL maintains an IR section within its website that contains not only operating results and other statistics, but also the corporate philosophy, management strategy, data on the consumer finance market and business alliances, and other types of information that goes beyond financial statements.

http://www.ir-aiful.com/english

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AIFUL CORPORATION

http://www.ir-aiful.com/english

PRINTED WITH SOY INK

This catalog is printed with environmentally friendly soy ink.

Printed in Japan