AIFUL CORPORATION

ANNUAL REPORT 2010

The year ended March 31, 2010

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, small business lending, credit 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.

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.

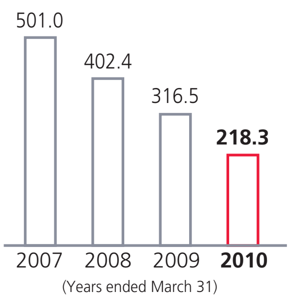
Financial Highlights

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

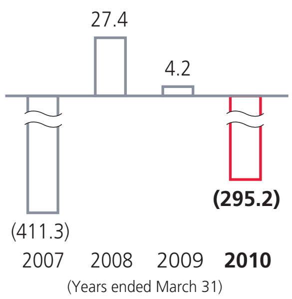
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars
	2010	2009	2008	2010/2009	2010
For the Year:					
Total income	¥ 218,227	¥316,542	¥402,389	(31.1)%	$ 2,346,527
Total expenses	507,657	308,826	371,491	64.4	5,458,678
Charge-offs and provision for doubtful accounts	166,268	99,273	155,930	67.5	1,787,828
Income (loss) before income taxes and minority interests	(289,430)	7,716	30,898	—	(3,112,151)
Net income (loss)	(295,141)	4,247	27,434	—	(3,173,559)
At Year-End:					
Loans	¥ 835,928	¥1,290,354	¥1,598,706	(35.2)%	$ 8,988,473
Installment accounts receivable	125,990	142,017	148,490	(11.3)	1,354,731
Nonperforming loans	256,713	322,058	343,768	(20.3)	2,760,354
Total assets	1,152,945	1,644,744	2,041,128	(29.9)	12,397,258
Allowance for doubtful accounts	236,303	237,820	330,415	(0.6)	2,540,892
Long-term debt, including current portion thereof	587,363	805,651	1,190,159	(27.1)	6,315,731
Total equity	97,306	393,334	324,521	(75.3)	1,046,301
Number of shares issued	238,685,568	238,685,568	167,475,000	—	—
Per Share Data (Yen/U.S. Dollars):					
Net income (loss), basic	¥(1,238.90)	¥ 24.77	¥ 190.77	—	$(13.32)
Diluted net income	—	—	186.86	—	—
Total equity	392.30	1,626.89	1,909.46	(75.9)%	4.22
Cash dividends	—	15.00	40.00	—	—
Ratios (%):					
Equity ratio	8.1	23.6	15.6	(15.5) pts	—
ROE	(122.7)	1.2	9.6	(123.9) pts	—
ROA	(21.1)	0.2	1.3	(21.3) pts	—

Note: The U.S. dollar amounts have been translated, for convenience only, at ¥93 = $1, the approximate rate of exchange at March 31, 2010.

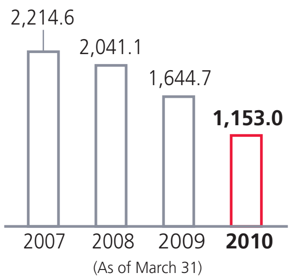
Total Income
(Billions of yen)



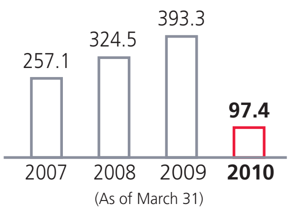
Net Income (Loss)
(Billions of yen)



Total Assets
(Billions of yen)



Total Equity
(Billions of yen)



Business Revitalization Procedures

AIFUL CORPORATION and its subsidiaries LIFE Co., Ltd., Marutoh KK, and City's Corporation applied for Business Revitalization Procedures using alternative dispute resolution (ADR) on September 24, 2009 because of the increasing pressure on capital from interest refund claims and difficulties procuring funds since the collapse of Lehman Brothers. The AIFUL Group petitioned participating creditors for financial support that primarily involves a new schedule for loan repayment over a specified period. Following discussions with participating creditors, the AIFUL Group's Business Revitalization Plan was approved at a meeting of creditors held on December 24, 2009.

The fundamental restructuring policy of the Business Revitalization Plan has three points: reduction of loans and other assets to a level commensurate with the current ability to procure funds; reduction of costs in response to reduced income and scale of operations; and Group reorganization that includes withdrawal from unprofitable businesses. Based on this fundamental policy, the AIFUL Group has reduced assets by scaling back lending, consolidated its network of sales branches, and reduced personnel through voluntary retirement. Looking ahead, the AIFUL Group intends to move forward with business restructuring through Group reorganization while paying close attention to trends in the consumer finance market following stage four of enforcement of the Money Lending Business Act.

Yoshitaka Fukuda
President and CEO

Financial Results for the Fiscal Year Ended March 2010

For the fiscal year ended March 2010, consolidated total income decreased 31% year on year to ¥218.3 billion. Interest on loans continued to decrease, due to factors including a decrease in the balance of outstanding loans and reductions in interest rates. The total of loans, installment accounts receivable and other receivables decreased ¥476.9 billion from a year earlier due to tighter credit and reduced lending ahead of stage four of enforcement of the Money Lending Business Act.

Total expenses increased 64% year on year to ¥507.7 billion. The AIFUL Group reduced the total of interest on borrowings, salaries and other employees' benefits, advertising expenses, rental expenses, and commissions and fees by ¥30.2 billion. However, provision for losses on interest refunds increased to ¥206.9 billion as a result of the high level of claims for interest refunds; including loans abandoned, it totaled ¥257.4 billion. In addition, provision for doubtful accounts other than losses on interest refunds totaled ¥115.8 billion. The Group also incurred loss from and provision for business restructuring totaling ¥13.2 billion that included the costs associated with branch closures and the voluntary retirement program, and loss on transfer of business resulting from the sale of four consumer finance subsidiaries. As a result, loss before income taxes and minority interests was ¥289.5 billion, compared to income before income taxes and minority interests of ¥7.8 billion for the previous fiscal year, and net loss was ¥295.2 billion, compared to net income of ¥4.3 billion for the previous fiscal year.

Management Stance

The AIFUL Group forecasts that challenging conditions will continue for the consumer finance industry. Among other issues, income is likely to decrease substantially because of lower interest rates and reduced lending resulting from tighter credit standards due to the burden of interest refund claims and stage four of enforcement of the Money Lending Business Act.

Given these conditions, the AIFUL Group will strengthen its finances and improve profitability by continuing to prudently extend credit while developing new products and a new credit-scoring model as it works to build a portfolio of quality loans with no risk of interest refund claims. The AIFUL Group expects to refocus management resources for consumer finance businesses operating under the "AIFUL" brand and consumer credit businesses operating under the "LIFE" brand. In making these changes, we expect to enhance our consumer finance business by taking fuller advantage of the "AIFUL" brand and enhance our consumer credit business through broader use of the "LIFE" brand.

The AIFUL Group sincerely requests that its shareholders understand its situation and strategies and continue to provide their support.

August 2010

Yoshitaka Fukuda
President and CEO

Eleven-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001 and 2000

	2010	2009	2008	2007
For the Year:				
Total income	218,227	316,542	402,389	501,009
Total expenses	507,657	308,826	371,491	873,272
Charge-offs and provision for doubtful accounts	166,268	99,273	155,930	447,375
Income (loss) before income taxes and minority interests	(289,430)	7,716	30,898	(372,263)
Net income (loss)	(295,141)	4,247	27,434	(411,251)
At Year-End:				
Loans	835,928	1,290,354	1,598,706	1,912,689
Nonperforming loans	256,713	322,058	343,768	328,046
Loans in legal bankruptcy	48,849	41,282	46,895	43,008
Nonaccrual loans	137,021	181,825	189,721	180,819
Accruing loans contractually past due three months or more as to principal or interest payments	15,566	25,979	29,351	36,665
Restructured loans	55,277	72,972	77,801	67,554
Total assets	1,152,945	1,644,744	2,041,128	2,214,559
Allowance for doubtful accounts	236,303	237,820	330,415	407,573
Total liabilities	1,055,639	1,251,410	1,716,608	1,957,415
Interest-bearing debt	648,557	917,792	1,354,089	1,530,262
Total equity	97,306	393,334	324,521	257,145
Minority interests	3,849	5,761	5,604	5,420
Per Share Data (Yen):				
Net income (loss), basic	(1,238.90)	24.77	190.77	(2,903.85)
Diluted net income	—	—	186.86	—
Total equity	392.30	1,626.89	1,909.46	1,777.44
Cash dividends	—	15.00	40.00	60.00
Ratios (%):				
Equity ratio	8.1	23.6	15.6	11.4
ROE	(122.7)	1.2	9.6	(88.1)
ROA	(21.1)	0.2	1.3	(16.4)
Payout ratio	—	60.6	21.0	—
Other Data:				
Number of shares outstanding at year-end	238,685,568	238,685,568	167,475,000	142,035,000
Number of employees at year-end	2,514	4,895	5,138	6,477

Notes: 1. Figures in the financial section are based on audited English-language statements.
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 1.5 to 1 on May 22, 2000 and 1.5 to 1 on May 23, 2005.

(Millions of yen)

2006	2005	2004	2003	2002	2001	2000
548,818	520,737	479,473	451,168	400,014	281,719	239,200
436,045	391,295	375,659	343,715	338,166	189,145	154,490
166,047	155,466	157,349	138,479	92,576	59,194	40,307
112,773	129,442	103,814	107,453	61,848	92,574	84,710
65,827	75,723	62,548	59,911	35,064	48,253	44,104
2,124,017	1,995,622	1,786,940	1,670,782	1,482,796	1,261,042	1,001,080
203,800	175,136	149,826	120,399	94,854	79,913	57,688
33,446	31,020	28,637	20,830	16,457	13,071	16,299
80,721	60,283	52,452	39,897	28,723	25,644	15,797
27,564	21,049	17,820	16,503	11,945	7,196	5,521
62,069	62,784	50,917	43,169	37,729	34,002	20,321
2,790,969	2,574,286	2,332,761	2,282,113	2,029,634	1,865,537	1,182,468
171,715	159,483	145,757	132,130	109,337	98,395	56,720
2,102,310	1,951,548	1,780,575	1,792,093	1,604,780	1,557,838	929,565
1,792,746	1,673,458	1,513,812	1,504,969	1,344,273	1,239,265	892,169
681,694	617,353	547,504	485,991	421,343	306,550	252,903
6,965	5,385	4,682	4,029	3,511	1,149	—
464.84	800.36	660.98	637.59	390.00	569.32	786.13
464.69	800.30	—	—	—	—	—
4,813.45	6,538.03	5,794.58	5,143.45	4,523.01	3,611.74	4,507.83
60.00	60.00	60.00	60.00	50.00	50.00	60.00
24.4	24.0	23.5	21.3	20.7	16.4	21.4
10.1	13.0	12.1	13.2	9.6	15.7	19.3
2.5	3.1	2.7	2.8	1.8	2.6	4.0
12.9	7.5	9.1	9.4	12.8	8.8	7.6
142,035,000	94,690,000	94,690,000	94,690,000	93,376,000	84,876,000	56,103,000
6,675	6,510	5,969	6,123	5,810	5,750	3,263

Business Data

AIFUL GROUP

TOTAL RECEIVABLES OUTSTANDING (Managed Asset Basis)

(Millions of Yen)

	2006	2007	2008	2009	2010
Total Receivables Outstanding	2,681,746	2,369,586	1,999,414	1,636,320	**1,105,056**
Loans	2,232,418	1,985,263	1,665,682	1,334,196	**856,763**
Unsecured	1,708,119	1,537,905	1,278,001	1,015,647	**634,249**
Secured	357,025	291,716	246,520	206,941	**138,650**
Small Business	167,274	155,642	141,161	111,608	**83,864**
Credit Card Business*	101,135	127,222	127,678	136,763	**121,995**
Installment Sales Finance Business	183,907	112,518	62,808	33,791	**13,856**
Credit Guarantees	153,767	141,930	129,713	118,207	**100,153**
Other	10,520	12,652	13,534	13,364	**12,288**

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2006	2007	2008	2009	2010
Total Income	548,818	501,009	402,389	316,542	**218,227**
Interest on Loans	491,358	448,662	356,435	263,797	**170,662**
Unsecured	405,308	374,839	300,887	219,969	**137,394**
Secured	56,144	43,575	31,959	25,327	**20,027**
Small Business	29,904	30,247	23,590	18,501	**13,240**
Credit Card Business*	11,275	12,754	14,948	16,881	**17,824**
Installment Sales Finance Business	17,676	12,998	6,912	3,631	**1,726**
Credit Guarantees	8,668	9,187	8,548	8,021	**7,035**
Other	19,841	17,408	15,546	24,212	**20,980**
Net Income (Loss)	65,827	(411,251)	27,434	4,247	**(295,141)**

* "Credit Card Business" (*hokatsu shinyo konyu assen* in Japanese) consists of credit card shopping loans.

AVERAGE RATE OF BORROWINGS

(%)

	2006	2007	2008	2009	2010
Average Rate of Borrowings	1.55	1.80	1.78	2.03	**2.01**
Indirect	1.71	2.03	2.15	2.25	**2.15**
Direct	1.33	1.51	1.44	1.84	**1.84**
Long-term Prime Rate (Reference)	2.10	2.20	2.10	2.25	**1.60**

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2006	2007	2008	2009	2010
Number of Customer Accounts	3,899	3,548	3,067	2,629	**1,966**
Unsecured	3,696	3,367	2,911	2,499	**1,867**
Secured	105	87	73	62	**46**
Small Business	99	93	83	68	**54**
Credit Card Holders	13,096	14,066	14,819	15,252	**12,719**
Accounts of Installment Sales Finance Business	634	459	292	178	**87**

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2006	2007	2008	2009	2010
Total Assets	2,790,969	2,214,559	2,041,128	1,644,744	**1,152,945**
ROA (%)	2.5	(16.4)	1.3	0.2	**(21.1)**
Total Equity	681,694	257,145	324,521	393,334	**97,306**
ROE (%)	10.1	(88.1)	9.6	1.2	**(122.7)**

AIFUL CORPORATION

LOANS OUTSTANDING

(Millions of Yen)

	2006	2007	2008	2009	2010
Loans Outstanding	1,512,717	1,298,612	1,058,880	842,786	**553,476**
Unsecured	1,133,083	995,077	817,825	648,123	**423,733**
Secured	341,153	274,787	221,577	181,394	**120,821**
Small Business	38,481	28,747	19,478	13,269	**8,922**

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2006	2007	2008	2009	2010
Total Income	350,933	309,698	239,629	189,682	**130,278**
Interest on Loans	333,541	292,669	224,707	167,415	**113,069**
Unsecured	269,986	243,614	190,230	142,010	**92,854**
Secured	54,560	41,424	29,809	22,546	**18,353**
Small Business	8,994	7,631	4,668	2,859	**1,862**
Other	17,392	17,029	14,922	22,267	**17,209**
Net Income (Loss)	50,382	(359,399)	27,069	9,658	**(261,496)**

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2006	2007	2008	2009	2010
Number of Customer Accounts	2,187	1,894	1,593	1,351	**1,061**
Unsecured	2,058	1,789	1,509	1,281	**1,009**
Secured	102	84	70	59	**44**
Small Business	28	22	15	11	**7**

AVERAGE LENDING INTEREST RATE

(%)

	2006	2007	2008	2009	2010
Average Lending Interest Rate	22.4	20.8	19.1	17.6	**16.2**
Unsecured	24.2	22.9	21.0	19.4	**17.3**
Secured	15.9	13.5	12.0	11.2	**12.1**
Small Business	25.2	22.7	19.4	17.5	**16.8**

DOUBTFUL ACCOUNTS CHARGE-OFFS/RATIO OF DOUBTFUL ACCOUNTS CHARGE-OFFS

(Millions of Yen)

	2006	2007	2008	2009	2010
Doubtful Accounts Charge-offs	98,256	138,602	160,168	119,068	111,651
Unsecured	83,143	121,558	138,799	103,473	89,451
Ratio of Doubtful Accounts Charge-offs (%)	6.50	10.67	15.13	14.13	20.17
Unsecured	7.34	12.22	16.97	15.97	21.11

NEW ACCOUNTS

(Accounts)

	2006	2007	2008	2009	2010
New Accounts	370,593	156,350	115,629	87,392	51,757
Unsecured*	334,141	149,549	112,693	85,916	51,757
Acceptance Ratio of Unsecured* (%)	64.3	48.3	34.7	28.6	21.9

*Affinity cards are not included.

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2006	2007	2008	2009	2010
Total Assets	2,204,483	1,660,827	1,535,958	1,241,766	858,532
ROA (%)	2.4	(18.6)	1.7	0.7	(24.9)
Total Equity	632,917	255,005	322,016	396,233	135,536
ROE (%)	8.3	(81.0)	9.4	2.7	(98.3)

LIFE Co., Ltd. (Managed Asset Basis)

TOTAL RECEIVABLES OUTSTANDING

(Millions of Yen)

	2006	2007	2008	2009	2010
Total Receivables Outstanding	779,560	717,884	653,045	570,668	410,315
Installment Receivables	285,018	229,735	190,485	170,553	135,852
Loans (Cash Advance)	394,776	396,260	380,191	327,493	211,632
Credit Guarantees	91,450	83,013	73,486	64,038	54,904
Other	8,315	8,876	8,882	8,582	7,926

OPERATING REVENUE/NET INCOME (LOSS)

(Millions of Yen)

	2006	2007	2008	2009	2010
Operating Revenue	133,936	129,479	120,667	100,356	73,371
Installment Receivables	29,493	26,618	22,516	21,612	19,955
Loans (Cash Advance)	91,305	91,342	86,436	67,154	41,265
Credit Guarantees	4,241	4,134	3,809	3,384	2,899
Other	8,894	7,383	7,904	8,205	9,252
Net Income (Loss)	14,028	(43,313)	3,427	217	(27,750)

AVERAGE YIELD

(%)

	2006	2007	2008	2009	2010
Average Yield	17.3	17.1	17.4	16.1	14.6
Installment Receivables	9.8	9.9	10.5	11.2	11.5
Loans (Cash Advance)	24.0	23.0	21.7	18.4	15.4
Credit Guarantees	4.5	4.7	4.9	4.9	4.8

PURCHASE RESULTS

(Millions of Yen)

	2006	2007	2008	2009	2010
Installment Sales Finance Business	107,974	32,528	11,341	7,842	526
Credit Card	706,274	796,600	877,126	963,926	863,975
Credit Card Shopping Loans	470,896	561,299	664,791	775,779	796,376
Credit Card Cashing Loans	235,378	235,301	212,335	188,147	67,599

NUMBER OF CARDHOLDERS

(Thousands)

	2006	2007	2008	2009	2010
Number of Cardholders	13,096	14,065	14,819	15,252	12,719
LIFE Proper Card	1,820	1,961	2,071	2,239	2,219
Affinity Cards	11,276	12,103	12,748	13,013	10,499

DOUBTFUL ACCOUNTS CHARGE-OFFS/RATIO OF DOUBTFUL ACCOUNTS CHARGE-OFFS

(Millions of Yen)

	2006	2007	2008	2009	2010
Doubtful Accounts Charge-offs	37,266	44,498	48,275	43,064	38,716
Credit Card Shopping Loans	1,978	2,451	2,986	3,132	3,401
Credit Card Cashing Loans	12,636	15,220	19,494	18,165	15,632
Installment Sales Finance Business	5,363	7,029	4,026	2,370	2,609
LIFE Cash Plaza (Unsecured Loans)	12,182	15,302	18,814	16,574	14,768
Ratio of Doubtful Accounts Charge-offs (%)	4.78	6.20	7.39	7.55	9.44
Credit Card Shopping Loans	1.96	2.09	2.34	2.29	2.79
Credit Card Cashing Loans	5.72	6.62	8.79	9.00	12.00
Installment Sales Finance Business	2.92	6.25	6.41	7.02	18.83
LIFE Cash Plaza (Unsecured Loans)	7.03	9.28	12.01	13.36	18.44

Consolidated Results of Operations

During the year ended March 31, 2010, total income for the AIFUL Group decreased 31% year on year to ¥218,227 million. Interest on loans decreased 35% year on year to ¥170,662 million. Revenue from the credit card business increased 6% year on year to ¥17,824 million. Revenue from credit guarantees decreased 12% year on year to ¥7,035 million. Recovery of loans previously charged off increased 55% year on year to ¥11,253 million.

Total expenses increased 64% year on year to ¥507,657 million. The AIFUL Group reduced general and administrative expenses, including salaries and other employees' benefits, 26% by implementing management rationalization measures to reform its cost structure. However, provision for losses on interest refunds increased 255% year on year to ¥206,887 million and charge-offs and provision for doubtful accounts increased 67% year on year to ¥166,268 million.

In addition, the AIFUL Group also incurred non-recurring losses that included loss from and provision for business restructuring, which included cost related to closure of outlets and special severance payments for employees who have accepted voluntary retirement, and loss on transfer of business resulting from the divestiture of four consumer finance subsidiaries.

As a result of the above, for the year ended March 31, 2010 loss before income taxes and minority interests for the AIFUL Group was ¥289,430 million, and net loss was ¥295,141 million.

Unsecured Loans

During the year ended March 31, 2010, AIFUL Corporation and subsidiary LIFE Co., Ltd. prepared for stage four of enforcement of the Money Lending Business Act by continuing their systematic response that included shifting to lower interest products for quality customers and tightening credit. As a result, the number of new accounts approved during the year ended March 31, 2010 decreased 41% year on year to 52 thousand, and the acceptance ratio decreased 7 percentage points to 22%.

Moreover, as of March 31, 2010 the balance of unsecured loans outstanding fell 38% from a year earlier to ¥634,249 million. This figure includes ¥20,834 million in loans removed from the balance sheet though securitization.

Secured Loans and Small Business Loans

In April 2009, the AIFUL Group temporarily suspended sales of personal home equity loans that it had been handling to comply with the introduction of restrictions on total lending. BUSINEXT CORPORATION remained cautious when providing small business loans because of deteriorating economic conditions for small and medium-sized companies.

As a result, as of March 31, 2010 the balance of secured loans decreased 33% from a year earlier to ¥138,650 million and the balance of small business loans decreased 25% from a year earlier to ¥83,864 million.

In addition to the above measures, loans abandoned because of the continued high level of interest refund claims also impacted results. Consequently, the balance of outstanding loans decreased 36% from a year earlier to ¥856,763 million. This figure includes ¥20,834 million in loans removed from the balance sheet though securitization.

Credit Card Business

In the credit card business (credit card shopping), in order to meet diverse customer needs, LIFE Co., Ltd. established the online shopping mall "L-Mall" as part of its efforts to further enhance customer convenience.

Credit card transaction volume increased 2% year on year to ¥809,253 million, supported by special demand associated with government-led measures such as expanding electronic toll collection (ETC) discounts for expressway tolls and offering "eco-points" for purchases of products that combat global warming, as well as by robust use of credit cards to pay for utility bills and electronic money.

As a result, credit card receivables decreased 11% from a year earlier to ¥121,995 million. This figures includes ¥8,265 million in receivables removed from the balance sheet though securitization.

Credit Guarantees

AIFUL CORPORATION and LIFE Co., Ltd. conducted sales for continued expansion of guarantee agreements while proposing new products and supporting sales promotions for existing clients.

As of March 31, 2010, the AIFUL Group provided guarantees of unsecured loans to individuals for 182 companies. Impacted by intensifying competition, the balance of guarantees of unsecured loans to individuals decreased 14% from a year earlier to ¥81,401 million. Moreover, the AIFUL Group provided guarantees of unsecured business loans to 103 companies, and the balance of guarantees of unsecured business loans decreased 19% from a year earlier to ¥18,750 million.

Loan Servicing

AsTry Loan Services Corporation operates the AIFUL Group's loan servicing business. Its operating environment remained difficult due to factors including concerns about longer collection periods due to the deteriorating economic environment. As a result, the balance of purchased claims as of March 31, 2010 decreased 49% from a year earlier to ¥5,579 million.

Financial Position

As of March 31, 2010, total assets decreased ¥491,799 million, or 30%, from a year earlier to ¥1,152,945 million. This was primarily due to a ¥454,426 million decrease in loans due to tighter lending.

Total liabilities decreased ¥195,771 million, or 16%, from a year earlier to ¥1,055,639 million. Key factors included a decrease of ¥269,235 million in interest-bearing debt as a result of repayment of loans and redemption of bonds, which more than offset an increase of ¥113,744 million in the allowance for losses on interest refunds.

Total equity decreased ¥296,028 million, or 75%, from a year earlier to ¥97,306 million. This was primarily due to the net loss for the year ended March 31, 2010.

Cash Flows

As of March 31, 2010, cash and cash equivalents decreased ¥2,850 million, or 2%, from a year earlier to ¥128,748 million.

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased 7% year on year to ¥256,675 million. Decreases in loans and other receivables provided cash that more than offset the loss before income taxes and minority interests. Moreover, increase in allowance for losses on interest refunds was a non-cash accrual to income before income taxes and therefore did not use cash.

Net Cash Provided by Investing Activities

Net cash provided by investing activities totaled ¥10,913 million. In the previous fiscal year, investing activities used net cash totaling ¥37 million. Proceeds from transfer of investments in and advances to associated companies and proceeds from sales of investment securities more than offset capital expenditures.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased 26% year on year to ¥270,477 million, primarily because of repayments of long-term debt.

Consolidated Balance Sheets

AIFUL CORPORATION and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	2010
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 128,748	¥ 131,598	$ 1,384,387
Time deposits (Note 17)	7	1,228	75
Operational investment securities (Notes 7 and 17)	788	899	8,473
Allowance for investment loss	(75)		(806)
Loans, credit guarantees and receivables:			
Loans (Notes 4, 10 and 17)	835,928	1,290,354	8,988,473
Installment accounts receivable (Notes 5, 10 and 17)	125,990	142,017	1,354,731
Credit guarantees (Note 6)	100,153	118,207	1,076,914
Other receivables	17,868	24,300	192,129
Allowance for doubtful accounts (Notes 2.l and 17)	(203,478)	(209,317)	(2,187,935)
Prepaid expenses	1,786	2,305	19,204
Deferred tax assets (Note 15)		6,784	
Other current assets (Note 10)	49,930	42,598	536,882
Total current assets	1,057,645	1,550,973	11,372,527
PROPERTY AND EQUIPMENT (Note 10):			
Land (Notes 8 and 10)	13,311	13,969	143,129
Buildings and structures (Notes 8 and 10)	32,606	37,461	350,602
Machinery, equipment and vehicles (Notes 8 and 10)	338	343	3,634
Furniture and fixtures (Note 8)	17,230	24,039	185,269
Lease assets	341	341	3,667
Construction in progress	25	116	269
Total	63,851	76,269	686,570
Accumulated depreciation	(33,744)	(37,623)	(362,839)
Net property and equipment	30,107	38,646	323,731
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7, 10 and 17)	7,088	7,237	76,215
Allowance for investment loss	(628)		(6,753)
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 17)	2,725	3,920	29,301
Claims in bankruptcy (Notes 4 and 17)	50,401	41,873	541,946
Software, net (Note 8)	16,138	19,550	173,527
Lease and guarantee deposits	20,219	5,659	217,409
Long-term prepayments	853	1,797	9,172
Deferred tax assets (Note 15)		1,835	
Other assets (Note 8)	1,222	1,757	13,140
Allowance for doubtful accounts (Note 17)	(32,825)	(28,503)	(352,957)
Total investments and other assets	65,193	55,125	701,000
TOTAL	¥1,152,945	¥1,644,744	$12,397,258

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	2010
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 10 and 17)	¥ 61,205	¥ 112,140	$ 658,118
Current portion of long-term debt (Notes 10 and 17)	150,906	324,946	1,622,645
Trade notes payable	704	709	7,570
Trade accounts payable	33,111	37,778	356,032
Obligation under credit guarantees (Note 6)	100,153	118,207	1,076,914
Income taxes payable	644	917	6,925
Accrued expenses	3,421	7,802	36,785
Allowance for credit card point redemption	1,456	1,103	15,656
Allowance for losses from business restructuring (Note 14)	1,324	365	14,237
Other current liabilities (Notes 5 and 6)	24,261	35,681	260,871
Total current liabilities	377,185	639,648	4,055,753
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Notes 10 and 17)	436,712	481,023	4,695,828
Allowance for losses on interest refunds (Note 2.l)	237,909	124,165	2,558,161
Interest rate swaps		2,062	
Negative goodwill, net	871	1,088	9,365
Deferred tax liabilities (Note 15)	276		2,968
Other long-term liabilities	2,686	3,424	28,882
Total long-term liabilities	678,454	611,762	7,295,204
EQUITY (Note 12):			
Common stock,			
authorized, 568,140,000 shares;			
issued, 238,685,568 shares	143,325	143,325	1,541,129
Capital surplus:			
Additional paid-in capital	164,134	164,134	1,764,882
Retained earnings	(210,276)	86,056	(2,261,032)
Unrealized loss on available-for-sale securities	(616)	(733)	(6,624)
Deferred loss on derivatives under hedge			
accounting		(2,099)	
Treasury stock, at cost			
457,058 shares in 2010 and 456,724 shares in 2009	(3,110)	(3,110)	(33,441)
Total	93,457	387,573	1,004,914
Minority interests	3,849	5,761	41,387
Total equity	97,306	393,334	1,046,301
TOTAL	¥1,152,945	¥1,644,744	$12,397,258

Consolidated Statements of Operations

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	2010
INCOME:			
Interest on loans	¥ 170,662	¥263,797	$ 1,835,075
Revenue from credit card business	17,824	16,881	191,656
Revenue from installment sales finance business	1,726	3,631	18,559
Revenue from credit guarantees	7,035	8,021	75,645
Interest on deposits, securities and other	319	1,327	3,430
Recovery of loans previously charged off	11,253	7,256	121,000
Gain on retirement of bond		5,382	
Gain on sale of investment securities	1,161	967	12,484
Reversal of provision for bonuses	580		6,237
Other income	7,667	9,280	82,441
Total income	218,227	316,542	2,346,527
EXPENSES:			
Interest on borrowings	17,551	25,364	188,721
Charge-offs and provision for doubtful accounts	166,268	99,273	1,787,828
Provision for losses on interest refunds	206,887	58,315	2,224,591
Salaries and other employees' benefits	27,229	38,201	292,785
Net periodic benefit costs (Note 11)	1,096	1,223	11,785
Advertising expenses	2,211	6,715	23,774
Provision for credit card point redemption	1,456	1,103	15,656
Rental expenses (Note 16)	6,804	9,539	73,161
Commissions and fees	16,441	20,602	176,785
Depreciation and amortization (Note 2.a)	9,063	14,576	97,452
Provision for investment loss	703		7,559
Loss on impairment of long-lived assets (Note 8)	4,860	649	52,258
Loss from and provision for business restructuring (Note 14)	13,150	1,905	141,398
Loss on transfer of business (Note 21)	6,142		66,043
Loss on disposal of property and equipment	639	949	6,871
Other expenses	27,157	30,412	292,011
Total expenses	507,657	308,826	5,458,678
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(289,430)	7,716	(3,112,151)
INCOME TAXES (Note 15):			
Current	159	646	1,710
Refund		(7,527)	
Prior periods	104		1,118
Deferred	7,369	10,188	79,236
Total income taxes	7,632	3,307	82,064
MINORITY INTERESTS IN NET INCOME (LOSS)	(1,921)	162	(20,656)
NET INCOME (LOSS)	¥ (295,141)	¥ 4,247	$(3,173,559)
	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Notes 2.u and 20):			
Basic net income (loss)	¥(1,238.90)	¥24.77	$(13.32)
Cash dividends applicable to the year		15.00	

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus: 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, 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 12)	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
Net loss				(295,141)				(295,141)		(295,141)
Cash dividends paid, ¥5 per share				(1,191)				(1,191)		(1,191)
Net increase in treasury stock (334 shares)										
Net change in the year					117	2,099		2,216	(1,912)	304
BALANCE AT MARCH 31, 2010	238,686	¥143,325	¥164,134	¥(210,276)	¥ (616)	¥ Nil	¥(3,110)	¥ 93,457	¥ 3,849	¥ 97,306

	Thousands of U.S. Dollars (Note 3)								
	Common Stock	Capital Surplus: 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, 2009	$1,541,129	$1,764,882	$ 925,333	$(7,882)	$(22,570)	$(33,441)	$ 4,167,451	$ 61,946	$ 4,229,397
Net loss			(3,173,559)				(3,173,559)		(3,173,559)
Cash dividends paid, $0.05 per share			(12,806)				(12,806)		(12,806)
Net increase in treasury stock (334 shares)									
Net change in the year				1,258	22,570		23,828	(20,559)	3,269
BALANCE AT MARCH 31, 2010	$1,541,129	$1,764,882	$(2,261,032)	$(6,624)	$ Nil	$(33,441)	$ 1,004,914	$ 41,387	$ 1,046,301

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥(289,430)	¥ 7,716	$(3,112,151)
Adjustments for:			
Income taxes – paid	(605)	(2,141)	(6,505)
Income taxes – refund	568	7,154	6,108
Depreciation and amortization	9,063	14,576	97,452
Impairment loss	4,860	649	52,258
Increase in allowance for investment loss	703		7,559
Increase (decrease) in allowance for doubtful accounts	9,990	(92,595)	107,419
Increase in provision for point card certificates	353	439	3,796
Increase (decrease) in allowance for losses on interest refunds	121,178	(19,586)	1,302,989
Decrease in liability for retirement benefits		(1,063)	
Increase in allowance for losses from business restructuring	980	171	10,538
Gain on sale of investments in securities, net	(1,161)	(961)	(12,484)
Loss on disposal of property and equipment	639	949	6,871
Gain on retirement of bonds		(5,382)	
Loss on transfer of business	6,142		66,043
Changes in assets and liabilities:			
Decrease in loans	423,149	308,352	4,549,989
Decrease in installment accounts receivable	16,027	6,473	172,333
Decrease in operational investment securities	136	280	1,462
Decrease in purchased receivables	5,357	1,910	57,602
Decrease in other operating receivables	1,075	171	11,559
(Increase) decrease in claims in bankruptcy	(9,937)	4,477	(106,849)
Increase in operating guarantee deposits	(17,071)		(183,559)
(Increase) decrease in other current assets	(8,723)	301	(93,796)
(Decrease) increase in other current liabilities	(17,696)	5,456	(190,280)
Other, net	1,078	3,246	11,592
Total adjustments	546,105	232,876	5,872,097
Net cash provided by operating activities	256,675	240,592	2,759,946
INVESTING ACTIVITIES:			
Capital expenditures	(3,813)	(5,911)	(41,000)
Purchases of investment securities	(51)	(1,068)	(548)
Proceeds from sales of investment securities	1,391	2,341	14,957
Proceeds from transfer of investments in and advances to associated companies	9,628		103,527
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation	(432)		(4,645)
Other, net	4,190	4,601	45,053
Net cash provided by (used in) investing activities	10,913	(37)	117,344
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(50,045)	(51,790)	(538,118)
Proceeds from long-term debt (net of bond issue costs)	24,200	89,400	260,215
Repayments of long-term debt	(243,378)	(398,533)	(2,616,968)
Cash dividends paid	(1,191)	(5,011)	(12,806)
Other, net	(63)	(408)	(678)
Net cash used in financing activities	(270,477)	(366,342)	(2,908,355)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	39	74	420
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,850)	(125,713)	(30,645)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	131,598	257,311	1,415,032
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 128,748	¥ 131,598	$ 1,384,387
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Subordinated zero-coupon yen convertible bonds converted into common stock		¥ 70,000	

(Supplemental Disclosure of Cash Flow Information)
For the year ended March 31, 2010, Wide Corporation, TRYTO CORPORATION, TCM. Co. Ltd. and Passkey Co., Ltd. were excluded from consolidation due to sale of shares. Assets and liabilities of these companies at the time of consolidation exclusion were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Assets sold	¥ 24,088	$ 259,011
Liabilities relinquished	(55,927)	(601,366)
Gain on sale	31,839	342,355
Sale value	0	0
Cash relinquished	(432)	(4,645)
Cash paid in sales of subsidiaries	¥ (432)	$ (4,645)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

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 2009 financial statements to conform to the classification used in 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements include the accounts of AIFUL CORPORATION (the "Company") and its seven (eleven in 2009) significant subsidiaries (together, the "Group"). Consolidation of the remaining sixteen (eighteen in 2009) unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

The Company sold all its shares of Wide Corporation, TRYTO CORPORATION, TCM. Co. Ltd. and Passkey Co., Ltd. on September 30, 2009. Accordingly, these four companies were eliminated from the scope of consolidation as of March 31, 2010. The results of these four companies' operations up to the sale date of September 30, 2009 were included in the consolidated statements of operations for the year ended March 31, 2010.

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 five (six in 2009) special purpose entities which are not consolidated under Guidance No. 15 as of March 31, 2010 and 2009. The total assets and liabilities of such special purpose entities as of March 31, 2010 and 2009 were ¥63,850 million ($686,559 thousand) and ¥93,917 million, ¥63,828 million ($686,323 thousand) and ¥93,879 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 with a loss on the transfer of such preferred portion of ¥133 million. 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. There were no transactions between the Company and the special purpose entities in the year ended March 31, 2010. 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 (and one associated company in 2009) are stated at cost. Investments in the remaining ten unconsolidated subsidiaries (twelve in 2009), 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 most 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 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 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 most 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 3 to 17 years for machinery, equipment and vehicles, 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. **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.

i. **Allowance for Investment Losses** — The allowance for investment losses is stated in amounts considered to be appropriate based on the financial position of the investment destination and an evaluation of potential losses on non-marketable investment securities.

j. **Allowance for Credit Card Point Redemption** — The allowance for credit card point redemption is provided at an estimated amount of future costs related to credit card point redemption. These points are granted to card members according to the point system that is intended to promote the usage of cards.

k. **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.

l. **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% (20.0% for customers who get loans after June 18, 2010) 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 (20.0% for principal amounts under ¥100 thousand, 18.0% for principals not less than ¥100 thousand and under ¥1 million and 15.0%

for principals not less than ¥1 million) are void. However, under the "Money Lending Business Control and Regulation 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. (For customers who get loans after June 18, 2010, such system is abolished.) 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, 2010 and 2009, the Group recorded an allowance of ¥237,909 million ($2,558,161 thousand) and ¥124,165 million, respectively, as "Allowance for losses on interest refunds". In addition, the estimated amount of interest refunds of ¥76,991 million ($827,860 thousand) and ¥88,490 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, 2010 and 2009, respectively.

m. 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.

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.

n. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

o. 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 operations to the extent that they are not hedged by forward exchange contracts.

p. 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.

Revenue from Credit Card Business, Revenue from Installment Sales Finance Business — 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.

Revenue from Credit Guarantees — Revenue from credit guarantees is recorded by the remaining principal method.

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

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

s. Bond Issue Costs — Amortization is calculated by the straight-line method over the term of the related bond issue. Bond issue costs are included in other assets.

t. 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 operations, 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.

u. **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 operations 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.

v. **New Accounting Pronouncements:**

Business Combinations — In December, 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 accounting 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 requires research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in a business combination is capitalized as an intangible asset.

(3) The current accounting standard requires 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 — In March 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.

Accounting Changes and Error Corrections — In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures — In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 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 ¥93 to $1, the approximate rate of exchange at March 31, 2010. 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, 2010 and 2009 consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Unsecured	¥634,249	¥1,015,647	$6,819,882
Secured	138,650	206,941	1,490,860
Small business loans	83,864	111,608	901,763
Total	¥856,763	¥1,334,196	$9,212,505
Off-balance sheet securitized loans	(20,835)	(43,842)	(224,032)
Net	¥835,928	¥1,290,354	$8,988,473

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
	2010	2009	2010
Loans in legal bankruptcy	¥ 48,849	¥ 41,282	$ 525,258
Nonaccrual loans	137,021	181,825	1,473,344
Accruing loans contractually past due three months or more as to principal or interest payments	15,566	25,979	167,376
Restructured loans	55,277	72,972	594,376
Total	¥256,713	¥322,058	$2,760,354

Loans in legal bankruptcy are loans in which accrual of interest is discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectability 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 accrual of interest is discontinued, other than loans in legal bankruptcy as well as loans receiving regular payments in the 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 ¥20,835 million ($224,032 thousand) and ¥43,842 million at March 31, 2010 and 2009, respectively.

At March 31, 2010 and 2009, the Group had balances related to revolving loan contracts aggregating ¥790,012 million ($8,494,753 thousand) and ¥1,235,686 million, respectively, whereby the Group is obligated to advance funds up to a predetermined amount upon request. At March 31, 2010 and 2009, the balances of unadvanced commitments were ¥836,316 million ($8,992,645 thousand) and ¥2,781,803 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, 2010 and 2009 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2010		2009		2010	
	Receivables	Unearned Income	Receivables	Unearned Income	Receivables	Unearned Income
Credit card business	¥121,995	¥ 789	¥136,763	¥ 681	$1,311,774	$ 8,484
Installment sales finance business	13,857	503	33,791	1,772	149,000	5,409
Total	¥135,852	¥1,292	¥170,554	¥2,453	$1,460,774	$13,893
Off-balance sheet securitized installment accounts receivable	(9,862)		(28,537)		(106,043)	
Net	¥125,990	¥1,292	¥142,017	¥2,453	$1,354,731	$13,893

In addition, the Group had unearned income of immaterial amounts at March 31, 2010 and 2009 which was included in other current liabilities, related to loans other than those shown in the above table.

6 CREDIT GUARANTEES AND OBLIGATIONS UNDER CREDIT GUARANTEES

The Group, as guarantor, recorded credit guarantees as a contra account of obligations under credit guarantees. Unearned income relating to credit guarantees was ¥80 million ($860 thousand) and ¥105 million at March 31, 2010 and 2009, 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Current –			
Equity securities	¥ 788	¥ 899	$ 8,473
Non-current:			
Equity securities	¥6,799	¥6,795	$73,107
Other	289	442	3,108
Total	¥7,088	¥7,237	$76,215

The cost and aggregate fair values of operational investment and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale-Equity securities	¥6,085	¥698	¥1,151	¥5,632

	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

	Thousands of U.S. Dollars			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale-Equity securities	$65,430	$7,505	$12,376	$60,559

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 17.

March 31, 2009	Carrying Amount Millions of Yen
Available-for-sale:	
Equity securities	¥2,189
Investments in limited liability investment partnerships	442
Total	¥2,631

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were ¥1,221 million ($13,129 thousand) and ¥2,139 million, respectively. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥1,206 million ($12,968 thousand) and ¥967 million for the years ended March 31, 2010 and 2009, respectively, and gross realized losses were immaterial and ¥6 million for the years ended March 31, 2010 and 2009, respectively.

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥159 million ($1,710 thousand) and ¥119 million, respectively.

8 LONG-LIVED ASSETS

Year ended March 31, 2010

The following table summarizes the Group's asset grouping:

Business Classification	Asset Grouping
Financial services and venture capital	Each business entity is the minimum unit. For assets related to business restructuring, each outlet which each company has decided to close or each branch which each company has decided to transfer is the minimum unit.
Real estate business	Each real estate for rent is the minimum unit.
Works of art	Each work of art is the minimum unit.

The Group reviewed its long-lived assets for impairment for the three months ended September 30, 2009. As a result, the Group recognized an impairment loss for rental properties, works of art which were intended to be sold and outlets which the Group decided to close. The carrying amount of the relevant assets was written down to the estimated recoverable amount. The estimated recoverable amount of each asset grouping was measured as follows:

Rental properties — Quotation from a real-estate appraiser

Works of art — Quotation from a third party appraiser

Outlets which the Group decided to close — The asset group was measured at its value in use, which is the aggregated depreciation expense up to the point of disposal.

		Impairment Loss	
Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Rental properties	Buildings and structures, land and other	¥ 448	$ 4,817
Outlets which the Group decided to close	Buildings and structures, furniture and fixtures and other	817	8,785
Works of art	Furniture and fixtures	3,397	36,527

The Group reviewed its long-lived assets for impairment for the three months ended March 31, 2010. As a result, the Group recognized an impairment loss for branch offices and other which were planned to be transferred. The carrying amount of the relevant assets was written down to the estimated recoverable amount. The estimated recoverable amount was measured as follows:

Branch offices and other — The estimated recoverable amount of the assets was measured at its value in use, which reflects the aggregated depreciation expense up to the point of disposal.

		Impairment Loss	
Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Branch offices and other	Buildings and structures, and other	¥198	$2,129

The following table summarizes the components of the Group's loss on impairment of long-lived assets for the year ended March 31, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 990	$10,645
Machinery, equipment and vehicles	4	43
Furniture and fixtures	3,614	38,860
Land	214	2,301
Other	38	409
Total	¥4,860	$52,258

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.

Description	Classification	Impairment Loss Millions of Yen
Business system which the Company decided to retire and other	Buildings and structures, furniture and fixtures, software and other	¥649

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 for the year ended March 31, 2009:

	Millions of Yen
Buildings and structures	¥198
Furniture and fixtures	257
Software	154
Other	40
Total	¥649

9 INVESTMENT PROPERTY

On November 28, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the new accounting standard and guidance effective March 31, 2010.

The Group held some investment property for the fiscal year ended March 31, 2010, but related disclosures were omitted due to immateriality.

10 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Commercial paper (2.50% to 2.80% at March 31, 2009)		¥ 10,000	
Loans from banks (2.12% at March 31, 2009)		960	
Other (principally from factoring companies and securitized loan), 1.80% to 4.66% (2.45% to 4.53% at March 31, 2009)	**¥61,205**	101,180	**$658,118**
Total	**¥61,205**	¥112,140	**$658,118**

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Loans from banks, 1.90% to 3.58%* (1.18% to 4.64%, due serially to 2013 at March 31, 2009)	¥ 250,002	¥ 331,779	$ 2,688,194
Loans from other financial institutions, 1.90% to 2.92%* (1.35% to 2.92%, due serially to 2013 at March 31, 2009)	55,323	69,267	594,871
Unsecured 1.01% to 3.28% yen straight bonds, due 2009		41,400	
Unsecured 0.80% to 2.93% yen straight bonds, due 2010 (0.80% to 3.00%, due serially to 2010 at March 31, 2009)	50,000	58,600	537,634
Unsecured 1.50% to 1.58 % yen straight bonds, due 2011	20,000	20,000	215,054
Unsecured 1.20% to 1.99% yen straight bonds, due 2012	40,000	40,000	430,108
Unsecured 1.74% yen straight bonds, due 2013	10,000	10,000	107,527
Unsecured 1.99% yen straight bonds, due 2015	10,000	10,000	107,527
Unsecured 5.00% U.S. dollar straight bonds, due 2010 (4.45% to 5.00%, due serially to 2010 at March 31, 2009)	55,610	100,459	597,957
Unsecured 6.00% U.S. dollar straight bonds, due 2011	57,600	57,600	619,355
Unsecured 3.50% medium-term notes, due 2015	15,000	15,000	161,290
Other (principally from leasing companies and securitized loan), 0.76% to 2.30%* (1.09% to 2.30%, due serially to 2012 at March 31, 2009)	23,828	51,546	256,214
Obligations under finance leases	255	318	2,742
Total	¥ 587,618	¥ 805,969	$ 6,318,473
Less current portion	(150,906)	(324,946)	(1,622,645)
Long-term debt, less current portion	¥ 436,712	¥ 481,023	$ 4,695,828

* The Company and certain consolidated subsidiaries receive financial assistance based on consensual business revitalization alternative dispute resolution procedures prescribed in the Act on Special Measures for Industrial Revitalization (the "Business Revitalization Procedures"). Financial assistance is obtained through modification to repayment schedules for loan obligations, the content of which will be to make partial payments until June 10, 2014, and with regard to the obligations remaining after June 10, 2014, to receive refinancing by no later than July 10, 2014 or to make a proposal to the participating creditors regarding the payment method in the period after July 10, 2014 and to reach an agreement thereon.

Therefore, the final due dates for long-term debts subject to financial assistance mentioned above cannot be identified.

At March 31, 2010, long-term debts subject to the financial assistance of ¥200,892 million ($2,160,129 thousand) were included in "Loans from banks", ¥55,323 million ($594,871 thousand) were included in "Loans from other financial institutions", and ¥15,917 million ($171,151 thousand) were included in "Other" in the table above.

The final due date for "Loans from banks" other than those subject to financial assistance is 2013. The final due date for "Other" other than those subject to financial assistance is 2010.

Annual maturities of long-term debt, excluding finance leases (see Note 16) at March 31, 2010 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥150,841	$1,621,946
2012	129,370	1,391,075
2013	43,020	462,581
2014	26,500	284,946
2015	16,500	177,420
2016 and thereafter	25,000	268,817
Total	¥391,231	$4,206,785

Long-term debt whose repayment schedule is determined is included in the table above.

Long-term debt of ¥196,132 million ($2,108,946 thousand) whose repayment schedule is undetermined, such as obligations remaining after June 10, 2014, is not included in the table above.

At March 31, 2010, 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	¥488,669	$5,254,505
Installment accounts receivable	50,900	547,312
Other current assets	82	882
Land	9,815	105,538
Buildings and structures	9,528	102,451
Machinery, equipment and vehicles	80	860
Investment securities	4,743	51,000
Total	¥563,817	$6,062,548
Related liabilities:		
Short-term borrowings	¥ 61,205	$ 658,118
Long-term debt (including current portion of long-term debt)	279,855	3,009,194
Total	¥341,060	$3,667,312

The above table includes loans related to securitized loans of ¥146,463 million ($1,574,871 thousand), and related liabilities (short-term borrowings and long-term debt including current portion) of ¥18,848 million ($202,667 thousand).

If requested by lending financial institutions, the Group has committed to pledge loans of ¥58,471 million ($628,720 thousand) as collateral in addition to those shown in the above table. At March 31, 2010, lending financial institutions can request the Group to pledge additional collateral for long-term debt (including current portion of long-term debt) of ¥51,566 million ($554,473 thousand). In this amount, ¥2,456 million ($26,409 thousand) of related liabilities shown in the above table is included.

At March 31, 2010, other current assets amounting to ¥20,860 million ($224,301 thousand) were pledged as collateral for the currency swap contracts in addition to those shown in the above table.

11 RETIREMENT AND PENSION PLANS

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.

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Payments for prepaid retirement benefits plan	¥ 485	¥ 530	$ 5,215
Premiums for defined contribution pension plan	595	693	6,398
Other	16		172
Net periodic benefit costs	¥1,096	¥1,223	$11,785

12 EQUITY

Japanese companies are 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.

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 per share and total amounts of the conversion were ¥70,000 million. Recorded amounts as common stock and additional paid-in capital were ¥35,000 million and ¥35,000 million, respectively.

13 STOCK OPTION

The stock options outstanding as of March 31, 2010 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option	31 Company's and subsidiaries' directors 454 Company's and subsidiaries' key employees	374,400 shares	June 24, 2005	¥8,420 ($90.54)	From July 1, 2007 to June 30, 2010

The stock option activity is as follows:

	2004 Stock Option	2005 Stock Option
For the year ended March 31, 2009	(Shares)	
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
For the year ended March 31, 2010		
Non-vested		
March 31, 2009 - Outstanding		
Granted		
Canceled		
Vested		
March 31, 2010 - Outstanding		
Vested		
March 31, 2009 - Outstanding		**270,000**
Vested		
Exercised		
Canceled		**6,600**
March 31, 2010 - Outstanding		**263,400**
Exercise price		**¥8,420**
		($90.54)

14 LOSS FROM AND PROVISION FOR BUSINESS RESTRUCTURING

The following table summarizes the components of the Group's loss from business restructuring for the year ended March 31, 2010.

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Loss from business restructuring:		
Special severance payments	¥ 8,887	$ 95,559
Cost related to closure of outlets	1,585	17,043
Other	1,354	14,559
Total	¥11,826	$127,161

The following table summarizes the components of the Group's provision for business restructuring for the year ended March 31, 2010.

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Provision for business restructuring:		
Cost related to headquarter restructuring	¥ 303	$ 3,258
Cost related to closure of outlets	19	205
Voluntary retirement cost	217	2,333
Termination fee	771	8,290
Other	14	151
Total	¥1,324	$14,237

15 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% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Allowance for doubtful accounts	¥ 57,269	¥ 42,464	$ 615,796
Allowance for losses on interest refunds	97,226	50,687	1,045,441
Charge-offs for doubtful accounts	19,503	18,565	209,710
Accrued interest on loans	4,044	5,838	43,484
Tax loss carryforwards	109,990	58,028	1,182,688
Interest refunds payable	3,338	2,196	35,892
Other	10,326	10,906	111,032
Total	301,696	188,684	3,244,043
Less valuation allowance	(301,696)	(179,970)	(3,244,043)
Total deferred tax assets	¥ Nil	¥ 8,714	$ Nil
Deferred tax liabilities:			
Income taxes receivable		¥ (95)	
Exchange differences related to lease deposits	¥ (200)		$ (2,151)
Unrealized gain on available-for-sale securities	(76)		(817)
Total deferred tax liabilities	¥ (276)	¥ (95)	$ (2,968)
Net deferred tax assets	¥ (276)	¥ 8,619	$ (2,968)

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

	Millions of Yen
	2009
Current assets - Deferred tax assets	¥6,784
Investment and other assets - Deferred tax assets	1,835

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 operations for the year ended March 31, 2010 has not been disclosed because of the Group's net loss position.

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations 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, 2010, the Company and certain consolidated subsidiaries had tax loss carryforwards aggregating approximately ¥271,432 million ($2,918,624 thousand) which were available for offset against taxable income of the Company and 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
2011		
2012	¥ 67	$ 720
2013	238	2,559
2014	29	312
2015	39,866	428,667
2016 and thereafter	231,232	2,486,366
Total	¥271,432	$2,918,624

16 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, 2010 and 2009 were ¥6,804 million ($73,161 thousand) and ¥9,539 million, respectively.

Obligations under finance leases at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Due within one year	¥ 65	$ 699
Due after one year	190	2,043
Total	¥255	$2,742

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

	Millions of Yen
	2009
Due within one year	¥26
Due after one year	32
Total	¥58

Information regarding the minimum rental commitments under noncancellable operating leases at March 31, 2010 is omitted due to immateriality.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied the ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	As of March 31, 2010
	Millions of Yen
	Furniture and Fixtures
Acquisition cost	¥734
Accumulated depreciation	522
Net leased property	¥212

	As of March 31, 2009		
	Millions of Yen		
	Machinery, Equipment and Vehicles	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, 2010
	Thousands of U.S. Dollars
	Furniture and Fixtures
Acquisition cost	$7,893
Accumulated depreciation	5,613
Net leased property	$2,280

Obligations under finance leases as of March 31:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥143	¥202	$1,538
Due after one year	87	221	935
Total	¥230	¥423	$2,473

Depreciation expense and interest expense under finance leases and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Depreciation expense	¥221	¥352	$2,376
Interest expense	8	17	86
Total	¥229	¥369	$2,462
Lease payments	¥232	¥369	$2,495

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

17 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The main business of the Group is finance. The Group is engaged in the provision of unsecured loans for individual consumers, secured loans, small business loans, shopping loans, debt collection and so on. To run these businesses, the Group raises funds domestically and internationally. Indirect financing by loans from banks and direct financing by bond issue and loan securitization are used. The Group enters into derivative transactions as means of managing its 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. The Group does not hold or issue derivatives for trading or speculative purposes.

(2) Nature and extent of risks arising from financial instruments

Loans and installment accounts receivable for domestic consumers and small businesses are the main financial assets of the Group and are exposed to credit risk through default of contract by customers. Other financial assets such as operational investment securities and investment securities are mainly stock and investments in limited liability investment partnerships. The Group holds these securities to develop these businesses. The securities are exposed to the issuer's credit risk and the risk of market price fluctuations.

Borrowings and debt including bonds are the main financial liabilities of the Group. The Group also raises funds by loan securitization. These liabilities are exposed to liquidity risks, or risk that liabilities cannot be met when they fall due if the Group is unable to participate in fund-raising markets in certain circumstances. In addition, the Group raises funds in variable interest rates or by bonds in foreign currency, and these are exposed to the market risks of fluctuation in interest rates and foreign currency exchange rates.

Derivatives include interest rate swaps and currency swaps which are applicable to hedge accounting, and interest rate swaps and caps which are not applicable to hedge accounting. These derivatives are exposed to the market risks of fluctuation in interest rates and foreign currency exchange rates, and counterparty risks. See Note 18 for more details about derivatives and hedging activities.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risks according to internal guidelines. In relation to loans, installments accounts receivable and credit guarantees which are the Group's major financial assets, the Group conducts credit checks for each contract based on data of the consumer data industry and its own credit standards, maintaining its system to modify credit ceilings, set guarantees or collateral. The Group manages its credit risks of issuers of securities by checking credit information and market prices periodically.

Because the counterparties to derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk. The Group manages such credit risks by relevant sections evaluating, analyzing and deliberating countermeasures and reporting to the board of directors accordingly.

See Note 18 for details regarding derivatives.

Market risk management (foreign exchange risk and interest rate risk)

The Group manages foreign exchange risk and interest rate risk based on a "risk management manual" which was endorsed by the Group's risk management committee. The risk management committee is directly controlled by the board of directors. The finance department reports the conditions of foreign exchange risk and interest rate risk to the internal control department. The internal control department examines the reasonability and adequacy of the finance department's risk evaluation and countermeasures, and reports to the board of directors. Also, the Group utilizes interest rate swaps in order to hedge exposure to risks from changes in interest rates and currency swaps to manage exposure to risks from changes in foreign currency.

Market risk management (stock price volatility risk)

Most of the operational investment securities and investment securities the Group holds are intended to develop business including business alliances and capital alliances. Relevant sections monitor the market environment and the financial situation of the issuers, deliberate countermeasures and report to the board of directors accordingly. The Group does not hold trading securities, which are held for the purpose of earning capital gains in the near term.

Market risk management (derivatives)

The Group manages market risk of derivatives according to internal guidelines. Relevant sections conduct internal checks to make sure that transactions, valuations of effectiveness of hedging and management of affairs are performed in accordance with internal guidelines.

Liquidity risk management regarding fund-raising

The Group manages liquidity risk by adequate financial planning of the Group on a timely basis, diversifying means of fund-raising and adjusting the ratio of long-term and short-term debt in the light of market environment.

(4) Fair value of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used. There are possibilities that fair value calculation results may differ when different assumptions are used. Also please see Note 18 for details of fair value for derivatives.

(a) Fair value of financial instruments

Note that the following table does not include non-listed equity securities and certain other securities for which fair value is difficult to determine (see Note 4 (b) below).

	Millions of Yen		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥128,748	¥ 128,748	
Time deposits	7	7	
Loans	835,928		
Allowance for doubtful accounts and losses on interest refunds *1	(200,336)		
	635,592	758,107	¥122,515
Installment accounts receivable	125,990		
Unearned income *2	(1,099)		
Allowance for doubtful accounts *3	(7,333)		
	117,558	120,186	2,628
Operational investment securities, investment securities and investments in unconsolidated subsidiaries and associated companies	5,632	5,632	
Claims in bankruptcy	50,401		
Allowance for doubtful accounts *3	(32,797)		
	17,604	17,604	
Total	¥905,141	¥1,030,284	¥125,143
Short-term borrowings	¥61,205	¥ 61,205	
Long-term debt *4 *5	315,231	249,339	¥ 65,892
Total	¥376,436	¥ 310,544	¥ 65,892
Derivative transactions: *5			
to which hedge accounting is applied			
to which hedge accounting is not applied	¥ (9)	¥ (9)	
Total	¥ (9)	¥ (9)	

March 31, 2010	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,384,387	$ 1,384,387	
Time deposits	75	75	
Loans	8,988,473		
Allowance for doubtful accounts and losses on interest refunds *1	(2,154,150)		
	6,834,323	8,151,689	$1,317,366
Installment accounts receivable	1,354,731		
Unearned income *2	(11,817)		
Allowance for doubtful accounts *3	(78,849)		
	1,264,065	1,292,323	28,258
Operational investment securities, investment securities and investments in unconsolidated subsidiaries and associated companies	60,559	60,559	
Claims in bankruptcy	541,946		
Allowance for doubtful accounts *3	(352,656)		
	189,290	189,290	
Total	$ 9,732,699	$11,078,323	$1,345,624
Short-term borrowings	$ 658,118	$ 658,118	
Long-term debt *4 *5	3,389,581	2,681,065	$ 708,516
Total	$ 4,047,699	$ 3,339,183	$ 708,516
Derivative transactions: *5			
to which hedge accounting is applied			
to which hedge accounting is not applied	$ (97)	$ (97)	
Total	$ (97)	$ (97)	

*1. Allowance for doubtful accounts which correspond to loans and allowance for losses on interest refunds which is expected to be preferentially set off against loans is deducted.
*2. Unearned income of installment accounts receivable, included in other current liabilities, is deducted.
*3. Allowance for doubtful accounts which correspond to installment accounts receivable or claims in bankruptcy is deducted.
*4. Long-term debt which is subject to the financial assistance based on the Business Revitalization Procedures is excluded. Obligations under finance leases are excluded.
*5. Assets and liabilities generated from derivatives transactions are indicated on a net basis, and those items which turn out to be liabilities on a net basis are bracketed. Also, the fair value of derivatives transactions which qualify for hedge accounting is included in the fair value of the hedged item (i.e. long-term debt).

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Loans

The fair value of loans is determined based on the present value of expected future cash flow, which consists of expected inflows of principal and interest which is adjusted to reflect collectability and outflows of costs of collection. The expected future cash flow is discounted at a low-risk interest rate based on maturity length.

Installment accounts receivable

The carrying values of installment accounts receivables related to the credit card business approximate fair value because most transactions are single payments in the following month. The fair value of installment accounts receivable related to installment sales finance business is determined based on the present value of expected future cash flow, which consists of expected inflows of principal and fees which is adjusted to reflect collectability and outflows of costs of collection. The expected future cash flow is discounted at a low-risk interest rate based on maturity length.

Operational investment securities, investment securities and investments in unconsolidated subsidiaries

The fair value of operational investment securities, investment securities and investments in unconsolidated subsidiaries are measured at the quoted market price of the stock exchange.

Claims in bankruptcy

The carrying values of claims in bankruptcy less allowances for claims in bankruptcy approximate fair value because allowances for claims in bankruptcy are stated taking net realizable value of collateral into account.

Short-term borrowings

The carrying values of short-term borrowings approximate fair value because of their short maturities.

Long-term debt

The fair values of marketable bonds issued by the Company are measured at the quoted market price and those of nonmarketable bonds issued by the Company are determined by discounting cash flows of principal and interest, discounted at the rate which reflects credit risk and the maturities of the bond. The fair values of certain bonds are determined as fixed interest rate, yen-denominated bonds, because forward exchange contracts and interest rate swaps qualify for hedge accounting and are assigned to the associated bond. Carrying values of the current portion of long-term debt approximate fair value because of their short maturities. The carrying values of long-term debt other than the current portion of long-term debt approximate fair value because the variable rate reflects the market interest rate in a short period of time and also all of the debt are those of a consolidated subsidiary whose credit conditions has not significantly changed since the initial date of borrowing.

Derivatives

The fair values of derivatives are measured at prices indicated by the correspondent financial institution because all derivatives transactions are nonmarketable. The information regarding the fair value for derivatives is included in Note 18.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: *1		
Unlisted stocks	¥ 2,804	$ 30,151
Investments in limited liability investment partnerships	2,057	22,118
Long-term debt *2	272,132	2,926,151

Since the fair values of the items in the table above cannot be reliably determined, they are not included in operational investment securities, investment securities and investments in unconsolidated subsidiaries and long-term debt in (4) (a).

*1. Unlisted stocks and investments in limited liability investment partnerships do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.
*2. The Company and certain consolidated subsidiaries receive financial assistance based on the Business Revitalization Procedures. Financial assistance is obtained through modification to repayment schedules for loan obligations, the content of which will be to make partial payments until June 10, 2014, and with regard to the obligations remaining after June 10, 2014, to receive refinancing by no later than July 10, 2014 or to make a proposal to the participating creditors regarding the payment method in the period after July 10, 2014 and to reach an agreement thereon. Under such circumstances, long-term borrowings which are subject to the financial assistance have significant uncertainties in estimates of future repayment plans. Also, increased credit risks and long repayment periods have substantial impact on discounted cash flows. Since it is difficult to make reasonable fair value calculations for such long-term borrowings, they are not subject to fair value disclosure.

(5) Maturity analysis for financial assets with contractual maturities

	Millions of Yen		
March 31, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥128,748		
Time deposits	7		
Loans *1	288,232	¥532,879	¥14,817
Installment accounts receivable	118,217	7,771	2
Total	¥535,204	¥540,650	¥14,819

	Thousands of U.S. Dollars		
March 31, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	$1,384,387		
Time deposits	75		
Loans *1	3,099,269	$5,729,882	$159,322
Installment accounts receivable	1,271,151	83,559	21
Total	$5,754,882	$5,813,441	$159,343

*1. Loans of ¥50,400 million ($541,935 thousand) whose amount of redemption cannot be determined, such as claims in bankruptcy, are not included in the table above.

Please see Note 10 for annual maturities of short-term borrowings and long-term debt and Note 16 for obligations under finance leases, respectively.

18 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.

As noted in Note 17, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010

	Millions of Yen			
At March 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Interest rate swaps: (fixed rate payment, floating rate receipt)	¥ 3,615		¥(13)	¥ (13)
Interest rate caps agreements: (Buying)	144,000	¥94,000	4	(538)
Total	¥147,615	¥94,000	¥ (9)	¥(551)

	Thousands of U.S. Dollars			
At March 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Interest rate swaps: (fixed rate payment, floating rate receipt)	$ 38,871		$(140)	$ (140)
Interest rate caps agreements: (Buying)	1,548,387	$1,010,753	43	(5,785)
Total	$1,587,258	$1,010,753	$ (97)	$(5,925)

The fair value of derivative transactions is measured at the quoted price obtained from the correspondent financial institution.

Derivative transactions to which hedge accounting is applied at March 31, 2010

	Millions of Yen			
At March 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 11,520	¥11,520	*
Currency swap contracts	Long-term debt	113,210	57,600	*
Total		¥124,730	¥69,120	*

	Thousands of U.S. Dollars			
At March 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	$ 123,871	$123,871	*
Currency swap contracts	Long-term debt	1,217,312	619,355	*
Total		$1,341,183	$743,226	*

Note * The above interest rate swaps and currency swaps 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 agreements is recognized and included in interest expense or income. In addition, the fair value information of such interest rate swaps and currency swaps in Note 17 is included in that of the hedged items (i.e. long-term debt).

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

The following is the fair value information for interest rate cap agreements to which hedge accounting is not applied at March 31, 2009. The fair value of derivative transactions is measured at the quoted price obtained from the correspondent financial institution. Interest rate swaps, currency swaps and interest rate caps which qualify for hedge accounting are excluded from the information below.

	Millions of Yen			
	Notional Amount			
	Total	Due after One Year	Fair Value	Unrealized Gain (Loss)
Interest rate caps agreements – Buying	¥119,000	¥69,000	¥5	¥(332)

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

19 CONTINGENT LIABILITIES

At March 31, 2010, the Group was contingently liable for guarantees and items for a similar nature of loans of an unconsolidated subsidiary, Sumishin Life Card Company, Limited, amounting to ¥470 million ($5,054 thousand) .

20 NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income (Loss)	Weighted Average Shares	EPS	
For the year ended March 31, 2010:				
Basic EPS				
Net loss attributable to common shareholders	**¥(295,141)**	**238,229**	**¥(1,238.90)**	**$(13.32)**
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥ 4,247	171,495	¥ 24.77	

Diluted net loss per share for the year ended March 31, 2010 was not disclosed because of the Company's net loss position and also because no dilutive securities were outstanding.

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

21 BUSINESS DIVESTITURES

On September 30, 2009, the Company divested Wide Corporation, TRYTO CORPORATION, TCM. Co. Ltd. and Passkey Co., Ltd. to NEOLINE CAPITAL Co., Ltd. These divestitures were conducted by selling all the shares the Company owned in the four divested companies and by selling investments in and advances to the four divested companies. Due to these divestitures, the Company realized ¥31,839 million ($342,355 thousand) as gain on sales of shares of subsidiaries, which is the difference between the book value of the four divested companies and the sale value according to the transfer contract entered into with NEOLINE CAPITAL Co., Ltd. and ¥37,981 million ($408,398 thousand) as loss on transfer of business, which is the difference between the book value of investments in and advances to the four divested companies and the sale value according to the transfer contract entered into with NEOLINE CAPITAL Co., Ltd. As a result, the Group recognized ¥6,142 million ($66,043 thousand) as "Loss on transfer of business" in the consolidated statements of operations for the year ended March 31, 2010, which was the difference from offsetting gain and loss mentioned above.

22 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 is not presented.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
AIFUL CORPORATION:

We have audited the accompanying consolidated balance sheets of AIFUL CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, 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.

We conducted our audits 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 audits provide 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits 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 LLC

June 22, 2010

Member of
Deloitte Touche Tohmatsu

Group Network

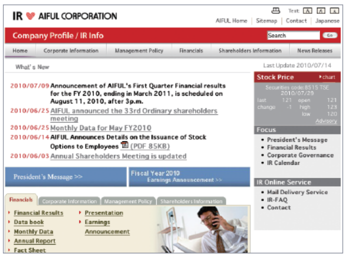
(As of March 31, 2010)

AIFUL CORPORATION

http://aiful.jp (Japanese only)

Business Classification
Unsecured loans / Secured loans
Small business loans / Credit guarantees

Investor Relations Website
http://www.ir-aiful.com/english



LIFE Co., Ltd.

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

Business Classification
Credit card shopping /
Installment sales finance /
Unsecured loans / Secured loans
Credit guarantees

Voting Rights Held
95.9%

BUSINEXT CORPORATION

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

Business Classification
Secured loans / Small business loans

Voting Rights Held
60.0%

Companies	Business Classification	Voting Rights Held (%)
City's Corporation	Secured loans / Small business loans	100.0
AsTry Loan Services Corporation	Debt collection (Servicer)	100.0
New Frontier Partners Co., Ltd.	Venture capital	100.0
Marutoh KK	Real estate business	100.0

Investor Information

(As of March 31, 2010)

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: 1,191 Consolidated: 2,514

Corporate Officers (As of June 25, 2010)

President and Representative Director	Yoshitaka Fukuda
Representative Director	Taichi Kawakita
Directors	Masayuki Sato Tsuneo Sakai Nobuyuki Wakuta
Standing Corporate Auditors	Masanobu Hidaka (outside) Norio Onishi (outside) Kenichi Kayama

Stock Listing

Tokyo Stock Exchange	The First Section
Securities Code	8515

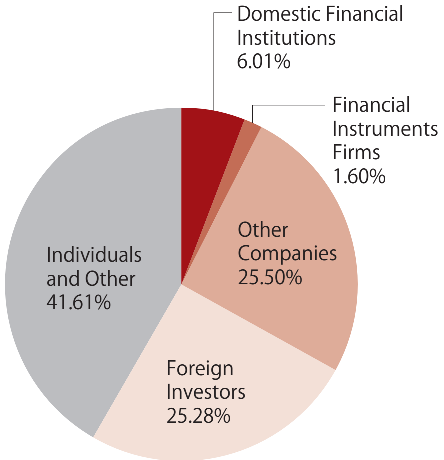
Shareholder Information

Number of Shares of Common Stock	
Authorized	568,140,000 shares
Issued and Outstanding	238,685,568 shares
Number of Shareholders	33,379
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
J.P. MORGAN CLEARING CORP-SEC	12,419	5.20
Marutaka Co., Ltd.	12,271	5.14
Erio Lease Co., Ltd.	10,195	4.27
GOLDMAN, SACHS & CO. REG	8,923	3.74
MORGAN STANLEY & CO. INTERNATIONAL PLC	5,517	2.31
Japan Securities Finance Co., Ltd.	4,806	2.01
Yasutaka Fukuda	3,639	1.52
ML INTL EQUITY DERIVATIVES	3,046	1.28

Composition of Shareholders



Contact Address

Investor Relations Section
Tokyo Office
2-31-19 Shiba, Minato-ku, Tokyo 105-0014, Japan
E-mail: spokesperson@aiful.co.jp

AIFUL CORPORATION