ANNUAL REPORT 2011

The year ended March 31, 2011

AIFUL CORPORATION

Corporate Philosophy

Earn the support of the public

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.

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with sincerity and hard work

AIFUL CORPORATION

To raise the efficiency of the Group as a whole, on July 1, 2011 the AIFUL Group consolidated its consumer finance businesses under the "AIFUL" brand and its installment sales finance and credit card businesses under the "LIFE" brand, based on the business restructuring policy of the Group's Business Revitalization Plan approved under the alternative dispute resolution (ADR) process.

In addition, the AIFUL Group is involved in businesses including small business lending and credit guarantees in affiliation with banks and other financial institutions.

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

Life Card Co., Ltd.

Business Classification
- Credit card shopping
- Installment sales finance
- Credit guarantees

Businext Corporation

Business Classification
- Secured loans
- Small business loans

AsTry Loan Services Corporation

Business Classification
- Debt collection (Servicer)

New Frontier Partners Co., Ltd.

Business Classification
- Venture capital business

(As of July 1, 2011)

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.

Message from President and CEO Yoshitaka Fukuda

I thank you for your continuing interest in and support for the AIFUL Group. I would like to present the financial results of AIFUL CORPORATION and its consolidated subsidiaries for the fiscal year ended March 2011. In addition, I will explain the steps we have taken to restructure our business.

Financial Results for the Fiscal Year Ended March 2011

Consolidated total income decreased 34% year on year to ¥144.9 billion. Full enforcement of the Money Lending Business Act resulted in reduced lending, and debt waivers associated with interest refund claims remained at a high level. As a result, total loans outstanding decreased ¥262.2 billion, or 31%, from a year earlier. In addition, interest on loans continued to decrease due to the effect of reductions in interest rates.

Based on the Business Revitalization Plan approved under the ADR process, the AIFUL Group reduced fixed costs including personnel and rental expenses through voluntary retirement and other business restructuring initiatives. The Group also scaled back loans and other assets to reduce variable costs. As a result, general and administrative expenses decreased ¥23.8 billion, or 28%, year on year to ¥61.8 billion.

On the other hand, AIFUL CORPORATION expects that interest refund claims will rise to a certain degree because a major consumer finance company is undergoing corporate reorganization proceedings, and therefore recognized charge-offs and provision for doubtful accounts related to interest refunds of ¥49.7 billion and provision for losses on interest refunds of ¥27.2 billion, which together totaled ¥76.9 billion. As a result, operating loss was ¥24.1 billion, and ordinary loss was ¥24.9 billion.

Further, AIFUL recognized losses from a natural disaster of ¥6.6 billion to cover the estimated impact of the Great East Japan Earthquake. Consequently, net loss was ¥31.9 billion.

Yoshitaka Fukuda
President and CEO

Business Restructuring

The AIFUL Group is undertaking steps to restructure its business to address a challenging operating environment resulting from such factors as an increase in interest refund claims following a ruling of Japan's Supreme Court in January 2006, financial turmoil triggered by the subprime loan crisis, and restrictions on total lending following full enforcement of the Money Lending Business Act in June 2010. These steps include full-fledged reform of the Group's cost structure with measures including reductions in personnel through organizational integration and the elimination and consolidation of sales branches, complemented by the sale of consumer finance subsidiaries and the receipt of financial support through business revitalization procedures approved under the ADR process.

In addition to implementing full-fledged cost structure reform, on July 1, 2011, the AIFUL Group consolidated its consumer finance businesses under the "AIFUL" brand and its installment sales finance and credit card businesses under the "LIFE" brand based on the business restructuring policy of the Group's Business Revitalization Plan approved under the ADR process. The new organization will take full advantage of each brand's recognition to develop business. In addition, head office operations were consolidated, and debt collection divisions were integrated to further improve business efficiencies across the entire Group.

The AIFUL Group forecasts that its operating environment will remain challenging because of the slower-than-expected decrease in interest refund claims and the significant decline in loans outstanding due to the enforcement of the Money Lending Business Act. However, the AIFUL Group is strengthening its operating base by building a quality portfolio of loans, reducing costs by meticulously reforming its cost structure, and reorganizing the Group through business restructuring. We intend to devote all of our capabilities to steadily implementing our Business Revitalization Plan so that we can earn the support and meet the expectations of stakeholders.

September 2011

Yoshitaka Fukuda
President and CEO

Eleven-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002 and 2001

	2011	2010	2009	2008	2007
For the Year:					
Total income	¥145,215	¥ 218,375	¥ 316,542	¥ 402,389	¥ 501,009
Total expenses	178,239	507,805	308,826	371,491	873,272
Charge-offs and provision for doubtful accounts	65,069	166,259	99,273	155,930	447,375
Income (loss) before income taxes and minority interests	(33,024)	(289,430)	7,716	30,898	(372,263)
Net income (loss)	(31,936)	(295,141)	4,247	27,434	(411,251)
At Year-End:					
Loans	¥594,527	¥ 835,928	¥1,290,354	¥1,598,706	¥1,912,689
Nonperforming loans	182,607	256,713	322,058	343,768	328,046
Loans in legal bankruptcy	44,136	48,849	41,282	46,895	43,008
Nonaccrual loans	88,221	137,021	181,825	189,721	180,819
Accruing loans contractually past due three months or more as to principal or interest payments	9,489	15,566	25,979	29,351	36,665
Restructured loans	40,761	55,277	72,972	77,801	67,554
Total assets	858,017	1,152,945	1,644,744	2,041,128	2,214,559
Allowance for doubtful accounts	192,434	236,303	237,820	330,415	407,573
Total liabilities	794,412	1,055,639	1,251,410	1,716,608	1,957,415
Interest-bearing debt	492,610	648,823	917,792	1,354,089	1,530,262
Total equity	63,605	97,306	393,334	324,521	257,145
Minority interests	2,757	3,849	5,761	5,604	5,420
Per Share Data (Yen/U.S. dollars (Note 2)):					
Net income (loss), basic	¥(134.05)	¥(1,238.90)	¥ 24.77	¥ 190.77	¥(2,903.85)
Diluted net income	—	—	—	186.86	—
Total equity	255.32	392.30	1,626.89	1,909.46	1,777.44
Cash dividends	—	—	15.00	40.00	60.00
Ratios (%):					
Equity ratio	7.1	8.1	23.6	15.6	11.4
ROE	(41.4)	(122.7)	1.2	9.6	(88.1)
ROA	(3.2)	(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	238,685,568	167,475,000	142,035,000
Number of employees at year-end	2,073	2,514	4,895	5,138	6,477

Notes: 1. Figures in the financial section are based on audited English-language statements.
2. The U.S. dollar amounts have been translated, for convenience only, at ¥83=$1, the approximate rate of exchange at March 31, 2011.
3. In accordance with the provisions of Article 218 of the Commercial Code of Japan, AIFUL CORPORATION conducted a split of its common shares of 1.5 to 1 on May 23, 2005.

Million of yen						Thousands of U.S. dollars (Note 2)
2006	2005	2004	2003	2002	2001	2011
¥ 548,818	¥ 520,737	¥ 479,473	¥ 451,168	¥ 400,014	¥ 281,719	$ 1,749,578
436,045	391,295	375,659	343,715	338,166	189,145	2,147,458
166,047	155,466	157,349	138,479	92,576	59,194	783,964
112,773	129,442	103,814	107,453	61,848	92,574	(397,880)
65,827	75,723	62,548	59,911	35,064	48,253	(384,772)
¥2,124,017	¥1,995,622	¥1,786,940	¥1,670,782	¥1,482,796	¥1,261,042	$ 7,162,976
203,800	175,136	149,826	120,399	94,854	79,913	2,200,084
33,446	31,020	28,637	20,830	16,457	13,071	531,759
80,721	60,283	52,452	39,897	28,723	25,644	1,062,904
27,564	21,049	17,820	16,503	11,945	7,196	114,325
62,069	62,784	50,917	43,169	37,729	34,002	491,096
2,790,969	2,574,286	2,332,761	2,282,113	2,029,634	1,865,537	10,337,554
171,715	159,483	145,757	132,130	109,337	98,395	2,318,482
2,102,310	1,951,548	1,780,575	1,792,093	1,604,780	1,557,838	9,571,229
1,792,746	1,673,458	1,513,812	1,504,969	1,344,273	1,239,265	5,935,060
681,694	617,353	547,504	485,991	421,343	306,550	766,325
6,965	5,385	4,682	4,029	3,511	1,149	33,217
¥ 464.84	¥ 800.36	¥ 660.98	¥ 637.59	¥ 390.00	¥ 569.32	$(1.62)
464.69	800.30	—	—	—	—	—
4,813.45	6,538.03	5,794.58	5,143.45	4,523.01	3,611.74	3.08
60.00	60.00	60.00	60.00	50.00	50.00	—
24.4	24.0	23.5	21.3	20.7	16.4	
10.1	13.0	12.1	13.2	9.6	15.7	
2.5	3.1	2.7	2.8	1.8	2.6	
12.9	7.5	9.1	9.4	12.8	8.8	
142,035,000	94,690,000	94,690,000	94,690,000	93,376,000	84,876,000	
6,675	6,510	5,969	6,123	5,810	5,750	

Business Data

AIFUL GROUP

TOTAL RECEIVABLES OUTSTANDING (Managed Asset Basis)

(Millions of Yen)

	2007	2008	2009	2010	2011
Total Receivables Outstanding	2,369,586	1,999,414	1,636,320	1,105,056	768,342
Loans	1,985,263	1,665,682	1,334,196	856,763	594,527
Unsecured	1,537,905	1,278,001	1,015,647	634,249	425,400
Secured	291,716	246,520	206,941	138,650	99,650
Small Business	155,642	141,161	111,608	83,864	69,477
Credit Card Business*	127,222	127,678	136,763	121,995	74,677
Installment Sales Finance Business	112,518	62,808	33,791	13,856	6,313
Credit Guarantees	141,930	129,713	118,207	100,153	82,134
Other	12,652	13,534	13,364	12,288	10,690

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2007	2008	2009	2010	2011
Total Income	501,009	402,389	316,542	218,375	145,215
Interest on Loans	448,662	356,435	263,797	170,662	103,784
Unsecured	374,839	300,887	219,969	137,394	79,543
Secured	43,575	31,959	25,327	20,027	13,976
Small Business	30,247	23,590	18,501	13,240	10,265
Credit Card Business*	12,754	14,948	16,881	17,824	12,328
Installment Sales Finance Business	12,998	6,912	3,631	1,726	692
Credit Guarantees	9,187	8,548	8,021	7,035	5,759
Other	17,408	15,546	24,212	21,128	22,652
Net Income (Loss)	(411,251)	27,434	4,247	(295,141)	(31,936)

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

AVERAGE RATE OF BORROWINGS

(%)

	2007	2008	2009	2010	2011
Average Rate of Borrowings	1.80	1.78	2.03	2.01	2.18
Indirect	2.03	2.15	2.25	2.15	2.15
Direct	1.51	1.44	1.84	1.84	2.26
Long-term Prime Rate (Reference)	2.20	2.10	2.25	1.60	1.60

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2007	2008	2009	2010	2011
Number of Customer Accounts	3,548	3,067	2,629	1,966	1,515
Unsecured	3,367	2,911	2,499	1,867	1,432
Secured	87	73	62	46	36
Small Business	93	83	68	54	47
Credit Card Holders	14,066	14,819	15,252	12,719	6,746
Accounts of Installment Sales Finance Business	459	292	178	87	39

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2007	2008	2009	2010	2011
Total Assets	2,214,559	2,041,128	1,644,744	1,152,945	858,017
ROA (%)	(16.4)	1.3	0.2	(21.1)	(3.2)
Total Equity	257,145	324,521	393,334	97,306	63,605
ROE (%)	(88.1)	9.6	1.2	(122.7)	(41.4)

AIFUL CORPORATION

LOANS OUTSTANDING

(Millions of Yen)

	2007	2008	2009	2010	2011
Loans Outstanding	1,298,612	1,058,880	842,786	553,476	381,368
Unsecured	995,077	817,825	648,123	423,733	289,361
Secured	274,787	221,577	181,394	120,821	83,422
Small Business	28,747	19,478	13,269	8,922	8,585

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2007	2008	2009	2010	2011
Total Income	309,698	239,629	189,682	130,278	90,750
Interest on Loans	292,669	224,707	167,415	113,069	74,020
Unsecured	243,614	190,230	142,010	92,854	60,194
Secured	41,424	29,809	22,546	18,353	12,511
Small Business	7,631	4,668	2,859	1,862	1,315
Other	17,029	14,922	22,267	17,209	16,730
Net Income (Loss)	(359,399)	27,069	9,658	(261,496)	(70,169)

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2007	2008	2009	2010	2011
Number of Customer Accounts	1,894	1,593	1,351	1,061	815
Unsecured	1,789	1,509	1,281	1,009	772
Secured	84	70	59	44	34
Small Business	22	15	11	7	9

AVERAGE LENDING INTEREST RATE

(%)

	2007	2008	2009	2010	2011
Average Lending Interest Rate	20.8	19.1	17.6	16.2	15.8
Unsecured	22.9	21.0	19.4	17.3	16.9
Secured	13.5	12.0	11.2	12.1	12.3
Small Business	22.7	19.4	17.5	16.8	15.0

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

(Millions of Yen)

	2007	2008	2009	2010	2011
Doubtful Accounts Charge-offs	138,602	160,168	119,068	111,651	81,666
Unsecured	121,558	138,799	103,473	89,452	63,779
Ratio of Doubtful Accounts Charge-offs (%)	10.67	15.13	14.13	20.17	21.41
Unsecured	12.22	16.97	15.97	21.11	22.04

NEW ACCOUNTS

(Accounts)

	2007	2008	2009	2010	2011
New Accounts	156,350	115,629	87,392	51,757	60,434
Unsecured*	149,549	112,693	85,916	51,757	55,986
Acceptance Ratio of Unsecured* (%)	48.3	34.7	28.6	21.9	27.3

*Affinity cards are not included.

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2007	2008	2009	2010	2011
Total Assets	1,660,827	1,535,958	1,241,766	858,532	578,153
ROA (%)	(18.6)	1.7	0.7	(24.9)	(9.8)
Total Equity	255,005	322,016	396,233	135,536	64,835
ROE (%)	(81.0)	9.4	2.7	(98.3)	(70.0)

Life Card Co., Ltd. (Managed Asset Basis)

TOTAL RECEIVABLES OUTSTANDING

(Millions of Yen)

	2007	2008	2009	2010	2011
Total Receivables Outstanding	717,884	653,045	570,668	410,315	270,201
Installment Receivables	229,735	190,485	170,553	135,852	80,990
Loans (Cash Advance)	396,260	380,191	327,493	211,632	137,023
Credit Guarantees	83,013	73,486	64,038	54,904	45,165
Other	8,876	8,882	8,582	7,926	7,023

OPERATING REVENUE/NET INCOME (LOSS)

(Millions of Yen)

	2007	2008	2009	2010	2011
Operating Revenue	129,479	120,667	100,356	73,371	44,675
Installment Receivables	26,618	22,516	21,612	19,955	13,267
Loans (Cash Advance)	91,342	86,436	67,154	41,265	19,559
Credit Guarantees	4,134	3,809	3,384	2,899	2,410
Other	7,383	7,904	8,205	9,252	9,439
Net Income (Loss)	(43,313)	3,427	217	(27,750)	(31,148)

AVERAGE YIELD

(%)

	2007	2008	2009	2010	2011
Average Yield	17.1	17.4	16.1	14.6	13.4
Installment Receivables	9.9	10.5	11.2	11.5	11.6
Loans (Cash Advance)	23.0	21.7	18.4	15.4	11.4
Credit Guarantees	4.7	4.9	4.9	4.8	4.7

PURCHASE RESULTS

(Millions of Yen)

	2007	2008	2009	2010	2011
Credit Card	796,600	877,126	963,926	863,975	491,804
Credit Card Shopping Loans	561,299	664,791	775,779	796,376	446,540
Credit Card Cashing Loans	235,301	212,335	188,147	67,599	45,263

NUMBER OF CARDHOLDERS

(Thousands)

	2007	2008	2009	2010	2011
Number of Cardholders	14,065	14,819	15,252	12,719	6,746
LIFE Proper Card	1,961	2,071	2,239	2,219	2,762
Affinity Cards	12,103	12,748	13,013	10,499	3,984

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

(Millions of Yen)

	2007	2008	2009	2010	2011
Doubtful Accounts Charge-offs	44,498	48,275	43,064	38,716	30,308
Credit Card Shopping Loans	2,451	2,986	3,132	3,401	3,784
Credit Card Cashing Loans	15,220	19,494	18,165	15,632	12,259
Installment Sales Finance Business	7,029	4,026	2,370	2,609	1,059
LIFE Cash Plaza (Unsecured Loans)	15,302	18,814	16,574	14,768	11,285
Ratio of Doubtful Accounts Charge-offs (%)	6.20	7.39	7.55	9.44	11.22
Credit Card Shopping Loans	2.09	2.34	2.29	2.79	5.07
Credit Card Cashing Loans	6.62	8.79	9.00	12.00	14.58
Installment Sales Finance Business	6.25	6.41	7.02	18.83	16.79
LIFE Cash Plaza (Unsecured Loans)	9.28	12.01	13.36	18.44	23.48

Consolidated Results of Operations

During the year ended March 31, 2011, total income for the AIFUL Group decreased 34% year on year to ¥145,215 million. Interest on loans decreased 39% year on year to ¥103,784 million. Revenue from the credit card business decreased 31% year on year to ¥12,328 million. Revenue from credit guarantees decreased 18% year on year to ¥5,759 million. Collection of purchased receivables increased 17% year on year to ¥3,752 million. Recovery of loans previously charged off increased 12% year on year to ¥12,632 million.

Total expenses decreased 65% year on year to ¥178,239 million. Provision for losses on interest refunds decreased 87% year on year to ¥27,211 million, and charge-offs and provision for doubtful accounts decreased 61% year on year to ¥65,069 million. The AIFUL Group also reduced general and administrative expenses, including salaries and other employees' benefits, 28% year on year to ¥61,880 million by implementing management rationalization measures to reform its cost structure.

In addition, the AIFUL Group incurred extraordinary losses totaling ¥10,607 million that included a ¥6,602 million loss from the estimated damage attributable to the Great East Japan Earthquake and a ¥1,278 million loss on adjustment for application of accounting standard for asset retirement obligations.

As a result of the above, for the year ended March 31, 2011, loss before income taxes and minority interests for the AIFUL Group was ¥33,024 million and net loss was ¥31,936 million.

Unsecured Loans

New loan applications declined 13% year on year due to full enforcement of the Money Lending Business Act. On the other hand, the AIFUL Group stabilized fund raising by gaining agreement for business revitalization using the alternative dispute resolution process in the previous fiscal year. As a result, the new account acceptance ratio increased 5 percentage points to 27% and the number of new accounts approved during the year ended March 31, 2011 increased 8% year on year to 55 thousand.

However, the number of accounts as of March 31, 2011 decreased 23% compared with a year earlier to 1,432 thousand and the balance of unsecured loans outstanding decreased 33% to ¥425,400 million due to a persistently high level of debt waivers associated with claims for the refund of interest, in addition to the effect of restrictions on total lending.

Secured Loans and Small Business Loans

In response to the introduction of restrictions on total lending, AIFUL CORPORATION temporarily suspended sales of secured loans, but in September 2010 resumed sales of home equity loans to sole proprietors and corporate customers. The balance of secured loans as of March 31, 2011 decreased 28% from a year earlier to ¥99,650 million.

Businext Corporation, an AIFUL Group company in the field of small-business finance, remained cautious in lending because of deteriorating economic conditions for small and medium-sized companies. As a result, the balance of small business loans as of March 31, 2011 decreased 17% from a year earlier to ¥69,477 million.

Credit Card Business

In the credit card business (credit card shopping), conducted by subsidiary Life Card Co., Ltd., the AIFUL Group enhanced web-based sales channels and bolstered efforts to acquire new customers with an emphasis on proper cards (issued by LIFE only) and Aoyama cards. However, the number of cardholders as of March 31, 2011 decreased by 5.97 million from a year earlier to 6.74 million, and credit card transaction volume decreased 44% year on year to ¥457,545 million due to termination of tie-ups with certain tie-up partners in accordance with the basic policies of the Business Revitalization Plan, the effects of weak consumption and other factors.

As a result, credit card receivables decreased 39% from a year earlier to ¥74,677 million. This figure includes ¥3,655 million in off-balance sheet securitized installment accounts receivable.

Credit Guarantees

In the credit guarantee business conducted by AIFUL CORPORATION and Life Card Co., Ltd., in addition to initiatives to add new tie-up partners, the AIFUL Group focused on proposing new products and supporting sales promotions for existing tie-up partners. As a result, as of March 31, 2011, the AIFUL Group provided guarantees of unsecured loans to individuals for 179 companies and the balance of guarantees of unsecured loans to individuals totaled ¥67,653 million, down 17% from a year earlier due to factors such as intensifying competition. Moreover, the AIFUL Group provided guarantees of unsecured business loans to 100 companies, and the balance of guarantees of unsecured business loans decreased 23% from a year earlier to ¥14,480 million.

Financial Position

As of March 31, 2011, total assets decreased ¥294,928 million, or 26%, from a year earlier to ¥858,017 million. This was primarily due to a ¥241,401 million decrease in loans due to tighter lending.

Total liabilities decreased ¥261,227 million, or 25%, from a year earlier to ¥794,412 million. Key factors included a decrease of ¥156,147 million due to repayment of loans and redemption of bonds and a decrease of ¥59,139 million in the allowance for losses on interest refunds.

Total equity decreased ¥33,701 million, or 35%, from a year earlier to ¥63,605 million. This was primarily due to the net loss for the year ended March 31, 2011.

Cash Flows

As of March 31, 2011, cash and cash equivalents increased ¥11,223 million, or 9%, from a year earlier to ¥139,971 million.

Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased 38% year on year to ¥160,100 million. Cash was mainly provided by decreases in loans and other receivables. Decreases in the allowance for doubtful accounts and the allowance for losses on interest refunds were non-cash accruals to income before income taxes and therefore did not provide cash.

Net Cash Provided by Investing Activities

Net cash provided by investing activities decreased 50% year on year to ¥5,495 million. The primary sources of cash were proceeds from sales of investment securities and proceeds from sales of property and equipment.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased 43% year on year to ¥154,347 million, primarily because of repayments of long-term debt and redemption of bonds.

Important Matters

The AIFUL Group has traditionally raised short-term and long-term funds through various methods, including borrowing from financial institutions, issuing bonds, and securitizing loan receivables. However, the AIFUL Group's fund-raising capacity has been confronted by difficult conditions in the current market environment due to a variety of reasons including increased expenses as the result of rising demands for interest refunds in accordance with a ruling by Japan's Supreme Court in 2006 as well as the rapid and sharp deterioration in the fund-raising environment. Accordingly, there have been concerns that the AIFUL Group may have difficulty in raising sufficient new funds to sustain its business.

As a result, since the fiscal year ended March 31, 2010, conditions have arisen to cast a substantial doubt about the AIFUL Group's ability to continue as a going concern.

In order to resolve this situation, the AIFUL Group applied on September 24, 2009 for Business Revitalization Procedures using the Alternative Dispute Resolution (the "ADR") process in order to improve its earning capacity and financial strength with the goal of revitalizing and reinforcing its business. At the meeting of participating creditors held on December 24, 2009, the AIFUL Group obtained an approval for its Business Revitalization Plan, which includes the provision of financial support. As a result, Business Revitalization Procedures using the ADR process were adopted.

In the fiscal year ended March 31, 2011, the AIFUL Group undertook its first repayment of ¥10,000 million to creditors on September 30, 2010 in accordance with its Business Revitalization Plan.

By implementing concrete measures stipulated under the Business Revitalization Plan, the AIFUL Group considers that there is no substantial uncertainty about its ability to continue as a going concern.

Consolidated Balance Sheets

AIFUL CORPORATION and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	2011
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 139,971	¥ 128,748	$ 1,686,398
Time deposits (Note 18)	5	7	60
Operational investment securities (Notes 7 and 18)	725	788	8,735
Allowance for investment losses	(65)	(75)	(783)
Loans, credit guarantees and receivables:			
Loans (Notes 4, 10 and 18)	594,527	835,928	7,162,976
Installment accounts receivable (Notes 5, 10 and 18)	77,335	125,990	931,747
Credit guarantees (Note 6)	82,134	100,153	989,566
Other receivables	14,902	17,868	179,542
Allowance for doubtful accounts (Notes 2.m and 18)	(160,191)	(203,478)	(1,930,012)
Prepaid expenses	2,086	1,786	25,133
Other current assets (Note 10)	31,316	49,930	377,301
Total current assets	782,745	1,057,645	9,430,663
PROPERTY AND EQUIPMENT (Note 10):			
Land (Notes 8 and 10)	9,541	13,311	114,952
Buildings and structures (Notes 8 and 10)	26,414	32,606	318,240
Machinery, equipment and vehicles (Notes 8 and 10)	330	338	3,976
Furniture and fixtures (Note 8)	17,522	17,230	211,109
Lease assets	341	341	4,108
Construction in progress	256	25	3,084
Total	54,404	63,851	655,469
Accumulated depreciation	(31,838)	(33,744)	(383,590)
Net property and equipment	22,566	30,107	271,879
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7, 10 and 18)	5,417	7,088	65,265
Allowance for investment losses	(639)	(628)	(7,699)
Investments in and advances to unconsolidated subsidiaries (Note 18)	2,377	2,725	28,639
Claims in bankruptcy (Notes 4 and 18)	46,838	50,401	564,313
Software, net (Note 8)	11,589	16,138	139,627
Lease and guarantee deposits	17,850	20,219	215,060
Long-term prepayments	562	853	6,771
Other assets (Note 8)	955	1,222	11,506
Allowance for doubtful accounts (Note 18)	(32,243)	(32,825)	(388,470)
Total investments and other assets	52,706	65,193	635,012
TOTAL	¥ 858,017	¥1,152,945	$10,337,554

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 10 and 18)	¥ 42,580	¥ 61,205	$ 513,012
Current portion of long-term debt (Notes 10 and 18)	132,703	150,906	1,598,831
Trade notes payable	462	704	5,566
Trade accounts payable	21,003	33,111	253,048
Obligation under credit guarantees (Note 6)	82,134	100,153	989,566
Income taxes payable	412	644	4,964
Accrued expenses	2,904	3,421	34,988
Allowance for credit card point redemption	2,006	1,456	24,169
Allowance for losses from business restructuring (Note 14)	196	1,324	2,361
Allowance for losses from a natural disaster	51		614
Other current liabilities (Notes 5 and 6)	9,521	24,261	114,712
Total current liabilities	293,972	377,185	3,541,831
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Notes 10 and 18)	317,327	436,712	3,823,217
Allowance for losses on interest refunds (Note 2.m)	178,770	237,909	2,153,855
Negative goodwill, net	653	871	7,867
Deferred tax liabilities (Note 16)	129	276	1,554
Other long-term liabilities	3,561	2,686	42,905
Total long-term liabilities	500,440	678,454	6,029,398
EQUITY (Note 12):			
Common stock,			
authorized, 568,140,000 shares;			
issued, 238,685,568 shares	143,325	143,325	1,726,807
Capital surplus:			
Additional paid-in capital	164,134	164,134	1,977,518
Stock acquisition rights	24		289
Retained earnings	(242,212)	(210,276)	(2,918,217)
Treasury stock, at cost 457,178 shares in 2011			
and 457,058 shares in 2010	(3,110)	(3,110)	(37,470)
Accumulated other comprehensive income (loss)			
Unrealized loss on available-for-sale securities	(1,313)	(616)	(15,819)
Total	60,848	93,457	733,108
Minority interests	2,757	3,849	33,217
Total equity	63,605	97,306	766,325
TOTAL	¥ 858,017	¥1,152,945	$10,337,554

Consolidated Statements of Operations

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	2011
INCOME:			
Interest on loans	¥103,784	¥ 170,662	$1,250,410
Revenue from credit card business	12,328	17,824	148,530
Revenue from installment sales finance business	692	1,726	8,337
Revenue from credit guarantee	5,759	7,035	69,386
Interest on deposits, securities and other	283	319	3,410
Recovery of loans previously charged off	12,632	11,253	152,193
Amortization of negative goodwill (Note 24)	218	148	2,627
Gain on retirement of bonds (Note 24)	1,537		18,518
Gain on sale of investment securities (Note 24)	549	1,161	6,614
Reversal of provision for bonuses		580	
Other income	7,433	7,667	89,553
Total income	145,215	218,375	1,749,578
EXPENSES:			
Interest on borrowings	11,549	17,551	139,145
Charge-offs and provision for doubtful accounts (Note 24)	65,069	166,259	783,964
Provision for losses on interest refunds (Note 24)	27,211	206,887	327,843
Salaries and other employees' benefits	18,106	27,229	218,145
Net periodic benefit costs (Note 11)	628	1,096	7,566
Advertising expenses	1,719	2,211	20,711
Provision for credit card point redemption (Note 24)	2,006	1,456	24,169
Rental expenses (Note 17)	4,230	6,804	50,964
Commissions and fees	12,514	16,441	150,771
Depreciation and amortization (Notes 2.a and 24)	7,808	9,210	94,072
Provision for investment losses (Note 24)	271	703	3,265
Foreign exchange loss	1,548		18,651
Loss on impairment of long-lived assets (Notes 8 and 24)	1,243	4,860	14,976
Loss from and provision for business restructuring (Note 14)	389	13,150	4,687
Losses from a natural disaster (Notes 15 and 24)	6,602		79,542
Loss on adjustment for application of accounting standard for asset retirement obligations (Note 24)	1,278		15,398
Loss on transfer of business (Note 22)		6,142	
Loss on disposal of property and equipment	604	639	7,277
Other expenses	15,464	27,167	186,312
Total expenses	178,239	507,805	2,147,458
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(33,024)	(289,430)	(397,880)
INCOME TAXES (Notes 16 and 24):			
Current	78	159	940
Prior periods		104	
Deferred	(79)	7,369	(952)
Total income taxes	(1)	7,632	(12)
NET LOSS BEFORE MINORITY INTERESTS	(33,023)		(397,868)
MINORITY INTERESTS IN NET LOSS	(1,087)	(1,921)	(13,096)
NET LOSS	¥ (31,936)	¥(295,141)	$ (384,772)
	Yen		U.S. Dollars (Note 3)
AMOUNTS PER COMMON SHARE (Notes 2.w and 21):			
Basic net loss	¥(134.05)	¥(1,238.90)	$(1.62)
Cash dividends applicable to the year	nil	nil	nil

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income (Loss)

AIFUL CORPORATION and Consolidated Subsidiaries
Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
NET LOSS BEFORE MINORITY INTERESTS	¥(33,023)	$(397,868)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):		
Unrealized loss on available-for-sale securities	(701)	(8,445)
Total other comprehensive income (loss)	(701)	(8,445)
COMPREHENSIVE INCOME (LOSS) (Note 20):	¥(33,724)	$(406,313)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO (Note 20):		
Owners of the parent	¥(32,633)	$(393,169)
Minority interests	(1,091)	(13,144)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen									
			Capital Surplus				Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2009	238,686	¥143,325	¥164,134	¥	¥ 86,056	¥(3,110)	¥ (733)	¥(2,099)	¥ 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	Nil	(210,276)	(3,110)	(616)	Nil	93,457	3,849	97,306
Net loss					(31,936)				(31,936)		(31,936)
Net increase in treasury stock (120 shares)											
Net change in the year				24			(697)		(673)	(1,092)	(1,765)
BALANCE AT MARCH 31, 2011	238,686	¥143,325	¥164,134	¥24	¥(242,212)	¥(3,110)	¥(1,313)	¥ Nil	¥ 60,848	¥ 2,757	¥ 63,605

	Thousands of U.S. Dollars (Note 3)									
		Capital Surplus				Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Additional Paid-in Capital	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2010	$1,726,807	$1,977,518	$	$(2,533,445)	$(37,470)	$ (7,421)	$	$1,125,988	$ 46,373	$1,172,361
Net loss				(384,772)				(384,772)		(384,772)
Net increase in treasury stock (120 shares)										
Net change in the year			289			(8,397)		(8,108)	(13,156)	(21,264)
BALANCE AT MARCH 31, 2011	$1,726,807	$1,977,518	$289	$(2,918,217)	$(37,470)	$(15,819)	$Nil	$ 733,108	$ 33,217	$ 766,325

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2011	2010	2011
OPERATING ACTIVITIES:			
Loss before income taxes and minority interests	¥ (33,024)	¥(289,430)	$ (397,880)
Adjustments for:			
Income taxes — paid	(367)	(605)	(4,422)
Income taxes — refund	155	568	1,867
Loss on adjustment for application of accounting standard for asset retirement obligations	1,278		15,398
Depreciation and amortization	7,808	9,210	94,072
Amortization of negative goodwill	(218)	(148)	(2,627)
Loss on impairment of long-lived assets	1,243	4,860	14,976
Increase in allowance for investment losses	1	703	12
(Decrease) increase in allowance for doubtful accounts	(43,869)	9,990	(528,542)
Increase in provision for point card certificates	550	353	6,627
(Decrease) increase in allowance for losses on interest refunds	(59,139)	121,178	(712,518)
(Decrease) increase in allowance for losses from business restructuring	(1,127)	980	(13,578)
Gain on sale of investments in securities, net	(485)	(1,161)	(5,843)
Loss on disposal of property and equipment	604	639	7,277
Gain on retirement of bonds	(1,537)		(18,518)
Loss on transfer of business		6,142	
Changes in assets and liabilities:			
Decrease in loans	241,401	423,149	2,908,446
Decrease in installment accounts receivable	48,655	16,027	586,205
Decrease in operational investment securities	71	136	855
Decrease in purchased receivables	1,368	5,357	16,482
Decrease in other operating receivables	1,598	1,075	19,253
Decrease (increase) in claims in bankruptcy	3,563	(9,937)	42,928
Decrease (increase) in operating guarantee deposits	1,090	(17,071)	13,133
Decrease (increase) in other current assets	18,098	(8,723)	218,048
Decrease in other current liabilities	(27,762)	(17,696)	(334,482)
Other, net	145	1,079	1,746
Total adjustments	193,124	546,105	2,326,795
Net cash provided by operating activities	160,100	256,675	1,928,915
INVESTING ACTIVITIES:			
Capital expenditures	(3,231)	(3,813)	(38,928)
Proceeds from sale of property, plant and equipment	6,138		73,952
Proceeds from sales of investment securities	1,328	1,391	16,000
Proceeds from transfer of investments in and advances to subsidiaries		9,628	
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation		(432)	
Other, net	1,260	4,139	15,181
Net cash provided by investing activities	5,495	10,913	66,205
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(18,625)	(50,045)	(224,398)
Proceeds from long-term debt	23,100	24,200	278,313
Repayments of long-term debt	(158,743)	(243,378)	(1,912,566)
Cash dividends paid		(1,191)	
Other, net	(79)	(63)	(951)
Net cash used in financing activities	(154,347)	(270,477)	(1,859,602)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(25)	39	(301)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,223	(2,850)	135,217
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	128,748	131,598	1,551,181
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 139,971	¥ 128,748	$ 1,686,398

(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
Assets sold	¥ 24,088
Liabilities relinquished	(55,927)
Gain on sale	31,839
Sale value	0
Cash relinquished	(432)
Cash paid in sales of subsidiaries	¥ (432)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

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. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Under Japanese GAAP, a consolidated statement of comprehensive income (loss) is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income (loss) is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income (loss) for the year ended March 31, 2010 is disclosed in Note 20. In addition, "net loss before minority interests" is disclosed in the consolidated statement of operations from the year ended March 31, 2011.

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 2010 financial statements to conform to the classification used in 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation** — The consolidated financial statements include the accounts of AIFUL CORPORATION (the "Company") and its eight (seven in 2010) significant subsidiaries (together, the "Group"). Consolidation of the remaining fourteen (sixteen in 2010) unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

On July 29, 2010, Life Card Co., Ltd. was established. The accounts of Life Card Co., Ltd. are newly consolidated for the year ended March 31, 2011.

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" ("Guidance No. 15"). 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, a consolidated subsidiary had two (five in 2010) special purpose entities which are not consolidated under Guidance No. 15 as of March 31, 2011 and 2010. Related disclosures for the fiscal year ended March 31, 2011 were omitted due to immateriality. The total assets and liabilities of such special purpose entities as of March 31, 2010 were ¥63,850 million and ¥63,828 million, respectively. There were no transactions between the consolidated subsidiary and the special purpose entities in the year ended March 31, 2010. The consolidated subsidiary retained no shares with shareholder voting rights of these special purpose entities nor provided directors or employees for the fiscal year ended March 31, 2010.

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 are stated at cost. Investments in the remaining eight unconsolidated subsidiaries (ten in 2010), 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 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. Negative goodwill on acquisition of subsidiaries prior to March 31, 2010 is amortized using the straight-line method over ten years.

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 Combinations —** 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.

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 revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was 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.

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.

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 from a Natural Disaster** — The allowance for losses from a natural disaster is provided at an estimated amount of future costs for removal, restoration and other related to the damage of assets caused by the Great East Japan Earthquake in March 2011.

m. **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 principal amounts not less than ¥100 thousand and under ¥1 million and 15.0% for principal amounts not less than ¥1 million) are void. However, under the "Moneylending Business Control and Regulation Law", such interest payments are nonetheless considered to be valid if moneylenders 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 moneylenders 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, 2011 and 2010, the Group recorded an allowance of ¥178,770 million ($2,153,855 thousand) and ¥237,909 million, respectively, as "Allowance for losses on interest refunds". In addition, the estimated amount of interest refunds of ¥77,013 million ($927,867 thousand) and ¥76,991 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, 2011 and 2010, respectively.

n. **Asset Retirement Obligations** — In March 2008, the ASBJ published the 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 was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to increase loss before income taxes and minority interests by ¥1,266 million ($15,253 thousand).

o. **Stock Options** — In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

p. **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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were 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 continues to account 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.

q. **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.

r. **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.

s. **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.

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

u. **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.

v. **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.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of 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 are 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.

w. **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.

x. **New Accounting Pronouncements:**

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, the 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.

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 ¥83 to $1, the approximate rate of exchange at March 31, 2011. 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, 2011 and 2010 consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Unsecured	¥425,400	¥634,249	$5,125,301
Secured	99,650	138,650	1,200,602
Small business loans	69,477	83,864	837,073
Total	¥594,527	¥856,763	$7,162,976
Off-balance sheet securitized loans		(20,835)	
Net	¥594,527	¥835,928	$7,162,976

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans in legal bankruptcy	¥ 44,136	¥ 48,849	$ 531,759
Nonaccrual loans	88,221	137,021	1,062,904
Accruing loans contractually past due three months or more as to principal or interest payments	9,489	15,566	114,325
Restructured loans	40,761	55,277	491,096
Total	¥182,607	¥256,713	$2,200,084

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 nil and ¥20,835 million at March 31, 2011 and 2010, respectively.

At March 31, 2011 and 2010, the Group had balances related to revolving loan contracts aggregating ¥538,711 million ($6,490,494 thousand) and ¥790,012 million, respectively, whereby the Group is obligated to advance funds up to a predetermined amount upon request. At March 31, 2011 and 2010, the balances of unadvanced commitments were ¥759,699 million ($9,153,000 thousand) and ¥836,316 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, 2011 and 2010 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2011		2010		2011	
	Receivables	Unearned Income	Receivables	Unearned Income	Receivables	Unearned Income
Credit card business	¥74,677	¥441	¥121,995	¥ 789	$899,723	$5,313
Installment sales finance business	6,313	220	13,857	503	76,060	2,651
Total	¥80,990	¥661	¥135,852	¥1,292	$975,783	$7,964
Off-balance sheet securitized installment accounts receivable	(3,655)		(9,862)		(44,036)	
Net	¥77,335	¥661	¥125,990	¥1,292	$931,747	$7,964

In addition, the Group had unearned income of immaterial amounts at March 31, 2011 and 2010 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 ¥63 million ($759 thousand) and ¥80 million at March 31, 2011 and 2010, 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, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current:			
Equity securities	¥ 725	¥ 788	$ 8,735
Non-current:			
Equity securities	¥5,223	¥6,799	$62,928
Other	194	289	2,337
Total	¥5,417	¥7,088	$65,265

The costs and aggregate fair values of operational investment and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale — Equity securities	**¥5,302**	**¥127**	**¥1,307**	**¥4,122**

	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

	Thousands of U.S. Dollars			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale — Equity securities	**$63,880**	**$1,530**	**$15,747**	**$49,663**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥1,367 million ($16,470 thousand) and ¥1,221 million, respectively. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥565 million ($6,807 thousand) and ¥1,206 million for the years ended March 31, 2011 and 2010, respectively, and gross realized losses were ¥77 million ($928 thousand) and immaterial amounts for the years ended March 31, 2011 and 2010, respectively.

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥48 million ($578 thousand) and ¥159 million, respectively.

8 LONG-LIVED ASSETS

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 headquarters or branch which each company has decided to transfer is the minimum unit.
Real estate business	Each real estate for rent (rental property) is the minimum unit.
Works of art	Each work of art is the minimum unit.
System related equipment	Each system related equipment which each company has decided to sell is the minimum unit.

Year ended March 31, 2011

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2011. As a result, the Group recognized an impairment loss for rental properties, system related equipment and other which were intended to be sold, outlets and other which the Group decided to close and headquarters of consolidated subsidiaries and other which the Group decided to transfer. 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 — The amount of sales contract and other
System related equipment and other — The expected amount of sale
Outlets and Headquarters of consolidated subsidiaries which the Group decided to close or transfer and other — The asset group was measured at its value in use, which is the aggregated depreciation expense up to the point of disposal or transfer.

Description	Classification	Location	Impairment Loss Millions of Yen	Impairment Loss Thousands of U.S. Dollars
Rental properties	Buildings and structures, land, and other	Kyoto prefecture and other	¥1,020	$12,289
Outlets and other	Buildings and structures, and furniture and fixtures	Tokyo metropolitan area and other	122	1,470
System related equipment and other	Furniture and fixtures, and software	Kyoto prefecture	93	1,120
Headquarters of consolidated subsidiaries and other	Buildings and structures, furniture and fixtures, and software	Tokyo metropolitan area, Kyoto prefecture and other	8	96

The following table summarizes the components of the Group's loss on impairment of long-lived assets for the year ended March 31, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 516	$ 6,217
Furniture and fixtures	145	1,747
Land	569	6,855
Other	13	157
Total	¥1,243	$14,976

Year ended March 31, 2010

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.

Description	Classification	Impairment Loss Millions of Yen
Rental properties	Buildings and structures, land, and other	¥ 448
Outlets which the Group decided to close	Buildings and structures, furniture and fixtures, and other	817
Works of art	Furniture and fixtures	3,397

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.

Description	Classification	Impairment Loss Millions of Yen
Branch offices and other	Buildings and structures, and other	¥198

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
Buildings and structures	¥ 990
Machinery, equipment and vehicles	4
Furniture and fixtures	3,614
Land	214
Other	38
Total	¥4,860

9 INVESTMENT PROPERTY

In November 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 were 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 accounting standard and guidance effective March 31, 2010.

The Group held some investment property for the fiscal years ended March 31, 2011 and 2010, but related disclosures were omitted due to immateriality.

10 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Other (principally from a credit card company and securitized loan), 1.80% to 2.00% (1.80% to 4.66% at March 31, 2010)	¥42,580	¥61,205	$513,012

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from banks, 1.90% to 3.58% *	¥ 221,447	¥ 250,002	$ 2,668,036
Loans from other financial institutions, 1.90% to 2.92% *	49,761	55,323	599,530
Unsecured 0.80% to 2.93% yen straight bonds, due 2010		50,000	
Unsecured 1.50% to 1.58% yen straight bonds, due 2011	17,900	20,000	215,663
Unsecured 1.20% to 1.99% yen straight bonds, due 2012	35,900	40,000	432,530
Unsecured 1.74% yen straight bonds, due 2013	10,000	10,000	120,482
Unsecured 1.99% yen straight bonds, due 2015	10,000	10,000	120,482
Unsecured 5.00% U.S. dollar straight bonds, due 2010		55,610	
Unsecured 6.00% U.S. dollar straight bonds, due 2011	57,600	57,600	693,976
Unsecured 3.50% medium-term notes, due 2015	15,000	15,000	180,723
Other (principally from securities companies and securitized loan), 1.90% to 2.30% (0.76% to 2.30% at March 31, 2010) *	32,232	23,828	388,337
Obligations under finance leases	190	255	2,289
Total	¥ 450,030	¥ 587,618	$ 5,422,048
Less current portion	(132,703)	(150,906)	(1,598,831)
Long-term debt, less current portion	¥ 317,327	¥ 436,712	$ 3,823,217

* 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, 2011 and 2010, long-term debts subject to the financial assistance of ¥177,657 million ($2,140,446 thousand) and ¥200,892 million were included in "Loans from banks", ¥49,761 million ($599,530 thousand) and ¥55,323 million were included in "Loans from other financial institutions", and ¥32,232 million ($388,337 thousand) and ¥15,917 million were included in "Other" in the table above.

The final due date for "Loans from banks" other than those subject to financial assistance is 2014 (due 2013 at March 31, 2010). The final due date for "Other" other than those subject to financial assistance at March 31, 2010 was 2010 (no such amount outstanding at March 31, 2011).

Annual maturities of long-term debt, excluding finance leases (see Note 17) at March 31, 2011 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥132,638	$1,598,048
2013	50,920	613,494
2014	32,700	393,976
2015	16,500	198,795
2016	25,000	301,205
Total	¥257,758	$3,105,518

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

Long-term debt of ¥192,082 million ($2,314,241 thousand) whose repayment schedule is undetermined, such as obligations remaining after June 10, 2014, is not included in the table above.

At March 31, 2011, 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	¥325,632	$3,923,277
Installment accounts receivable	49,074	591,253
Other current assets	36	434
Land	8,924	107,518
Buildings and structures	7,204	86,795
Machinery, equipment and vehicles	62	747
Investment securities	3,928	47,325
Total	¥394,860	$4,757,349
Related liabilities:		
Short-term borrowings	¥ 42,580	$ 513,012
Long-term debt (including current portion of long-term debt)	259,651	3,128,325
Total	¥302,231	$3,641,337

If requested by lending financial institutions, the Group has committed to pledge loans of ¥53,033 million ($638,952 thousand) as collateral in addition to those shown in the above table. At March 31, 2011, lending financial institutions can request the Group to pledge additional collateral for long-term debt (including current portion of long-term debt) of ¥43,815 million ($527,892 thousand). In this amount, ¥25 million ($301 thousand) of related liabilities shown in the above table is included.

At March 31, 2011, other current assets amounting to ¥17,660 million ($212,771 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, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Payments for prepaid retirement benefits plan	¥260	¥ 485	$3,132
Premiums for defined contribution pension plan	368	595	4,434
Other		16	
Net periodic benefit costs	¥628	¥1,096	$7,566

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.

13 STOCK OPTION

The stock options outstanding as of March 31, 2011 and 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 ($101.45)	From July 1, 2007 to June 30, 2010
2010 Stock Option	2,206 Company's and subsidiaries' key employees	2,192,650 shares	July 1, 2010	¥128 ($1.54)	From August 1, 2014 to July 31, 2016

The stock option activity is as follows:

	2005 Stock Option (shares)	2010 Stock Option (shares)
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	
For the year ended March 31, 2011		
Non-vested		
March 31, 2010 - Outstanding		
Granted		2,192,650
Canceled		97,050
Vested		
March 31, 2011 - Outstanding		2,095,600
Vested		
March 31, 2010 - Outstanding	263,400	
Vested		
Exercised		
Canceled	263,400	
March 31, 2011 - Outstanding		
Exercise price	¥8,420 ($101.45)	¥128 ($1.54)
Fair value price at grant date		¥61 ($0.73)

The assumptions used to measure fair value of 2010 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	77.936%
Estimated remaining outstanding period:	5.08 years
Estimated dividend:	¥0 per share
Risk free interest rate:	0.3577%

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
Loss from business restructuring:	
Special severance payments	¥ 8,887
Cost related to closure of outlets	1,585
Other	1,354
Total	¥11,826

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

	Millions of Yen
Provision for business restructuring:	
Cost related to headquarter restructuring	¥ 303
Cost related to closure of outlets	19
Voluntary retirement cost	217
Termination fee	771
Other	14
Total	¥1,324

Disclosure of the components of the Group's loss from and provision for business restructuring for the year ended March 31, 2011 was not presented herein, since the amount recognized was immaterial.

15 LOSSES FROM A NATURAL DISASTER

The following table summarizes the components of the Group's losses from a natural disaster for the year ended March 31, 2011. The disaster was caused by the Great East Japan Earthquake which occurred on March 11, 2011.

	Millions of Yen	Thousands of U.S. Dollars
Losses from a natural disaster:		
Provision for doubtful accounts	¥6,544	$78,843
Provision for losses from a natural disaster	51	614
Other	7	85
Total	¥6,602	$79,542

16 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for doubtful accounts	¥ 47,338	¥ 57,269	$ 570,337
Allowance for losses on interest refunds	72,539	97,226	873,964
Charge-offs for doubtful accounts	16,863	19,503	203,169
Accrued interest on loans	4,537	4,044	54,663
Tax loss carryforwards	156,622	109,990	1,887,012
Interest refunds payable	4,563	3,338	54,976
Other	9,979	10,326	120,228
Total	312,441	301,696	3,764,349
Less valuation allowance	(312,441)	(301,696)	(3,764,349)
Total deferred tax assets	¥ Nil	¥ Nil	$ Nil
Deferred tax liabilities:			
Exchange differences related to lease deposits		¥ (200)	
Unrealized gain on available-for-sale securities	¥ (8)	(76)	$ (96)
Costs of removal related to asset retirement obligations	(121)		(1,458)
Total deferred tax liabilities	¥ (129)	¥ (276)	$ (1,554)
Net deferred tax assets	¥ (129)	¥ (276)	$ (1,554)

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 years ended March 31, 2011 and 2010 has not been disclosed because of the Group's net loss position.

At March 31, 2011, the Company and certain consolidated subsidiaries had tax loss carryforwards aggregating approximately ¥385,878 million ($4,649,133 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
2012	¥ 67	$ 807
2013	238	2,868
2014		
2015	39,866	480,313
2016	60,556	729,591
2017 and thereafter	285,151	3,435,554
Total	¥385,878	$4,649,133

17 LEASES

The Group leases furniture and fixtures.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2011 and 2010 were ¥4,230 million ($50,964 thousand) and ¥6,804 million, respectively.

Obligations under finance leases at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 65	$ 783
Due after one year	125	1,506
Total	¥190	$2,289

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 continue 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 was as follows:

	Furniture and Fixtures		
	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2011	As of March 31, 2010	As of March 31, 2011
Acquisition cost	¥402	¥734	$4,843
Accumulated depreciation	329	522	3,963
Net leased property	¥ 73	¥212	$ 880

Obligations under finance leases as of March 31:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥87	¥143	$1,048
Due after one year		87	
Total	¥87	¥230	$1,048

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense	¥139	¥221	$1,675
Interest expense	7	8	84
Total	¥146	¥229	$1,759
Lease payments	¥149	¥232	$1,795

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.

18 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 were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the 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, credit guarantee, 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 at 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 19 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 19 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.

Quantitative information of market risk

The Group does not perform quantitative analysis of the market risk.

(Interest rate risk)

The main financial instruments in the Group which are affected by interest rate risk, the typical risk parameter, are "Loans", "Installment accounts receivable", "Short-term borrowings" and "Long-term debt". Fair values under movements of the risk parameter of long-term debts, including those subject to the financial assistance based on consensual business revitalization alternative dispute resolution procedures which accounts for a large portion of long-term debt, cannot be reasonably estimated. Therefore, changes in fair value as of March 31, 2011 affected by movements of the risk parameter assumed within a normal range and related information is not disclosed herein.

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 19 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, 2011	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 139,971	¥139,971	
Time deposits	5	5	
Loans	594,527		
Allowance for doubtful accounts and losses on interest refunds *1	(158,249)		
	436,278	513,978	¥ 77,700
Installment accounts receivable	77,335		
Unearned income *2	(589)		
Allowance for doubtful accounts *3	(6,666)		
	70,080	71,165	1,085
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	4,122	4,122	
Claims in bankruptcy	46,838		
Allowance for doubtful accounts *3	(32,177)		
	14,661	14,661	
Total	¥ 665,117	¥743,902	¥ 78,785
Short-term borrowings	¥ 42,580	¥ 42,580	
Long-term debt*4 *5	190,190	145,778	¥(44,412)
Total	¥ 232,770	¥188,358	¥(44,412)

March 31, 2011	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,686,398	$1,686,398	
Time deposits	60	60	
Loans	7,162,976		
Allowance for doubtful accounts and losses on interest refunds *1	(1,906,615)		
	5,256,361	6,192,506	$ 936,145
Installment accounts receivable	931,747		
Unearned income *2	(7,097)		
Allowance for doubtful accounts *3	(80,313)		
	844,337	857,409	13,072
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	49,663	49,663	
Claims in bankruptcy	564,313		
Allowance for doubtful accounts *3	(387,674)		
	176,639	176,639	
Total	$ 8,013,458	$8,962,675	$ 949,217
Short-term borrowings	$ 513,012	$ 513,012	
Long-term debt*4 *5	2,291,446	1,756,361	$(535,085)
Total	$ 2,804,458	$2,269,373	$(535,085)

*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. 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).

March 31, 2010	Millions of Yen 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	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)	

*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.

Time deposits

The carrying values of time deposits 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 risk free 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 debts are those of a consolidated subsidiary whose credit condition 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 19.

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

	Carrying Amount	
March 31, 2011	Millions of Yen	Thousands of U.S. Dollars
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: *1		
Unlisted stocks	¥ 2,675	$ 32,229
Investments in limited liability investment partnerships	1,298	15,639
Long-term debt *2	259,651	3,128,325

	Carrying Amount
March 31, 2010	Millions of Yen
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: *1	
Unlisted stocks	¥ 2,804
Investments in limited liability investment partnerships	2,057
Long-term debt *2	272,132

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, 2011	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥139,971		
Time deposits	5		
Loans *1	238,718	¥332,071	¥23,738
Installment accounts receivable	72,815	4,520	1
Total	¥451,509	¥336,591	¥23,739

March 31, 2011	Thousands of U.S. Dollars Due in One Year or Less	 Due after One Year through Five Years	 Due after Five Years
Cash and cash equivalents	$1,686,398		
Time deposits	60		
Loans *1	2,876,120	$4,000,855	$286,000
Installment accounts receivable	877,289	54,458	12
Total	$5,439,867	$4,055,313	$286,012

*1. Loans of ¥46,838 million ($564,313 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 17 for obligations under finance leases, respectively

19 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.

Derivative transactions to which hedge accounting is not applied

At March 31, 2011	Millions of Yen Contract Amount	 Contract Amount due after One Year	 Fair Value	 Unrealized Gain (Loss)
Interest rate caps agreements: (Buying)	¥52,500	¥2,500		¥(150)

At March 31, 2010	Millions of Yen 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)

At March 31, 2011	Thousands of U.S. Dollars Contract Amount	 Contract Amount due after One Year	 Fair Value	 Unrealized Gain (Loss)
Interest rate caps agreements: (Buying)	$632,530	$30,120		$(1,807)

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, 2011	Millions of Yen 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		*
Currency swap contracts	Long-term debt	57,600		*
Total		¥69,120		*

At March 31, 2010	Hedged Item (Millions of Yen)	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	*

At March 31, 2011	Hedged Item (Thousands of U.S. Dollars)	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	**Long-term debt**	**$138,795**		*
Currency swap contracts	**Long-term debt**	**693,976**		*
Total		**$832,771**		*

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 18 is included in that of the hedged items (i.e. long-term debt).

20 COMPREHENSIVE INCOME (LOSS)

For the year ended March 31, 2010

Total comprehensive income (loss) for the year ended March 31, 2010 was the following:

	Millions of Yen
Total comprehensive income (loss) attributable to:	
Owners of the parent	¥(292,925)
Minority interests	(1,913)
Total comprehensive income (loss)	¥(294,838)

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 125
Deferred gain on derivatives under hedge accounting	2,099
Total other comprehensive income	¥2,224

21 NET LOSS PER SHARE

Basic net loss per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income (Loss)	Weighted Average Shares	EPS	
For the year ended March 31, 2011:				
Basic EPS				
Net loss attributable to common shareholders	**¥ (31,936)**	**238,228**	**¥ (134.05)**	**$(1.62)**
For the year ended March 31, 2010:				
Basic EPS				
Net loss attributable to common shareholders	¥(295,141)	238,229	¥(1,238.90)	

Diluted net loss per share for the years ended March 31, 2011 and 2010 was not disclosed because of the Company's net loss position and also because no dilutive securities were outstanding.

22 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 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 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 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.

23 SUBSEQUENT EVENTS

AIFUL Corporation ("AIFUL" or "the Company") announced its decision to set the effective date for subsidiary spin-off and merger as July 1, 2011 in accordance with the relevant resolution of the Company's Board of Directors at a meeting held on April 28, 2011. The basic policy called for Life Co., Ltd. ("LIFE"), a consolidated subsidiary of the Company, to be spun off and merged. In this context, Life Card Co., Ltd. ("Life Card") would acquire by way of corporate spin-off and merger LIFE's Consumer Credit business (Credit card and Installment sales finance) as well as the credit guarantee and insurance businesses previously transferred to LIFE. Furthermore, the basic policy stipulates the business integration ("Merger") of four consolidated subsidiaries comprising LIFE, following its corporate spin-off, City's Corporation ("City's"), City Green Corporation ("City Green") and Marutoh KK ("Marutoh") by way of merger with the Company as the surviving company.

I. Objectives of the Group Reorganization

Confronted by a very challenging operating environment due largely to such factors as an increase in interest refund claims following a ruling of the Japanese Supreme Court in January 2006, financial turmoil triggered by the sub-prime loan crisis, and controls on the total amount an individual can borrow following comprehensive implementation of amendments to Japan's Money Lending Business Act in June 2010, the Group is undertaking steps to restructure its business. These steps include a full-fledged reform of the Group's cost structure encompassing cutbacks in personnel and other measures in line with organizational integration and the elimination and consolidation of bases, and are complemented by the sale of consumer finance subsidiaries and the application of financial support entailing the consensual business revitalization alternative dispute resolution procedures ("the ADR process"). In addition to implementing this full-fledged cost structure reform, the Group is also maximizing efforts to consolidate its organization and business by implementing this subsidiary spin-off and merger. These efforts take into consideration each of the selection and concentration perspectives and are based on a business reorganization policy consistent with the Group's Business Revitalization Plan approved under the ADR process. By implementing Group reorganization, the Group will consolidate its consumer finance businesses to the "AIFUL" brand and Installment sales finance and Credit card businesses to the "Life" brand to take full advantage of each brand's recognition across their business activities and operations. In addition, steps will be taken to consolidate head office operations, back office divisions and credit management as well as debt collection divisions, and to further improve business efficiencies across the entire Group.

II. Overview of the Spin-off

(1) Spin-off Schedule

Date of spin-off approval at meetings of the boards of directors (LIFE and Life Card): April 28, 2011

Date of spin-off agreement execution (LIFE and Life Card): April 28, 2011

Date of extraordinary shareholders meetings (LIFE and Life Card): May 30, 2011

Scheduled effective date of the spin-off: July 1, 2011

The extraordinary shareholders meetings of LIFE and Life Card were held in the case where resolution of a general shareholders meeting was deemed to exist pursuant to the provisions of Article 319, Paragraph 1 of the Companies Act of Japan.

(2) The Method of Spin-off

LIFE will transfer by way of corporate spin-off (absorption-type corporate spin-off method) its Consumer Credit business (Credit card and Installment sales finance) as well as the credit guarantee and insurance businesses previously transferred to LIFE to Life Card, a wholly owned LIFE subsidiary established in July 2010, on the scheduled effective date of July 1, 2011.

(3) Details of the Allocation Relating to the Corporate Spin-off

At the time of the corporate spin-off, Life Card will allocate and deliver one share of its common stock to LIFE.

Profiles of the Companies Involved in the Corporate Spin-off

	Splitting Company	Successor Company
Trade Name	LIFE Co., Ltd.	Life Card Co., Ltd.
Principal business	Consumer credit business and Consumer finance business	Consumer credit business and Credit guarantee business

(4) Summary of Accounting Procedures

This corporate spin-off is classified as a transaction under common control in accordance with accounting standards for business combinations.

III. Overview of the Merger

(1) Merger Schedule

Date of Merger approval by the boards of directors (AIFUL, LIFE, City's, City Green and Marutoh): April 28, 2011

Date of Merger agreement execution (AIFUL, LIFE, City's, City Green and Marutoh): April 28, 2011

Scheduled effective date of the Merger: July 1, 2011

Plans are for the Merger to be conducted without AIFUL obtaining approval at a general meeting of its shareholders in accordance with the simplified merger procedures set forth in Article 796, Paragraph 3 of the Companies Act of Japan and without LIFE, City's, City Green and Marutoh obtaining approvals at general meetings of their shareholders in accordance with the short form merger procedures set forth in Article 784, Paragraph 1 of the Companies Act of Japan.

(2) The Method of the Merger

The absorption-type merger shall be undertaken with AIFUL as the surviving company and the four companies comprising LIFE, following its corporate spin-off, identified in II. above, City's, City Green and Marutoh, as the absorbed companies.

(3) Details of the Allocation Relating to the Merger

With respect to the Merger, at the time each merger of City's, City Green and Marutoh takes effect, AIFUL shall not make any payment upon the merger of City's, City Green and Marutoh reflecting that nature of each absorbed company as AIFUL's wholly owned subsidiaries.

With respect to the Merger, details of the allocation relating to the merger with LIFE are presented as follows.

Company Name	AIFUL Corporation (The Absorption-Type Merger Surviving Company)	LIFE Co., Ltd. (The Absorption-Type Merger Absorbed Company)
Details of the allocation relating to the Merger	1	39
Number of shares to be delivered as a result of the Merger	Common Stock: 2,248,350 shares (scheduled)	

Note: At the time of the Merger with LIFE, plans are in place for AIFUL to issue and allocate 39 shares of its common stock for each share of LIFE common stock. However, no shares will be allocated for the 1,342,418 shares of LIFE common stock currently held by AIFUL in the course of the Merger.

(4) Profiles of the Merging Companies

		The Absorption-Type Merger Absorbed Company		
Trade Name	LIFE Co., Ltd.	City's Corporation	City Green Corporation	Marutoh KK
Principal business	Consumer finance business and Consumer credit business	Small business loan	Holding company for City's Corporation	Real estate business

(5) Summary of Accounting Procedures

The Merger is classified as a transaction under common control in accordance with accounting standards for business combinations.

24 SEGMENT INFORMATION

For the years ended March 31, 2011 and 2010

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.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the Group's major operating company, "AIFUL Corporation" and "LIFE Co., Ltd.". AIFUL Corporation engages mainly in the loan business and the credit guarantee business. LIFE Co., Ltd. engages mainly in the loan business, the credit card business and the credit guarantee business.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies".

3. Information about sales, profit (loss), assets, liabilities and other items is as follows

	Millions of Yen						
	2011						
	Reportable Segment						
	AIFUL	LIFE	Total	Other (Note 1)	Total	Reconciliations	Consolidated
Operating revenue:							
Operating revenue from external customers	¥ 86,203	¥ 44,033	¥ 130,236	¥14,726	¥ 144,962		¥144,962
Intersegment operating revenue or transfers	20	76	96	127	223	¥ (223)	
Total	86,223	44,109	130,332	14,853	145,185	(223)	144,962
Segment loss (Note 2)	(70,169)	(31,148)	(101,317)	(3,528)	(104,845)	72,909	(31,936)
Segment assets (Note 3)	578,153	281,340	859,493	73,961	933,454	(75,437)	858,017
Segment liabilities (Note 4)	513,318	248,736	762,054	68,273	830,327	(35,915)	794,412
Other:							
Provision for credit card point redemption		2,006	2,006		2,006		2,006
Provision for investment losses	244		244	27	271		271
Charge-offs and provision for doubtful accounts	48,539	13,106	61,645	7,245	68,890	(3,821)	65,069
Provision for losses on interest refunds		27,211	27,211		27,211		27,211
Provision for accrued bonuses	735	373	1,108	86	1,194		1,194
Depreciation and amortization	4,219	3,468	7,687	121	7,808		7,808
Interest on advances to subsidiaries and other	1,678	4	1,682	8	1,690	(1,680)	10
Dividends income	159	35	194	5	199		199
Amortization of negative goodwill						218	218
Interest on advances from parent company and other				268	268	(268)	
Gain on sale of investment securities	372	174	546		546	3	549
Gain on retirement of bonds	1,537		1,537		1,537		1,537
Loss on impairment of long-lived assets	211		211	1,032	1,243		1,243
Losses from a natural disaster	3,613	2,484	6,097	505	6,602		6,602
Loss on adjustment for application of accounting standard for asset retirement obligations	1,277		1,277	1	1,278		1,278
Income taxes:							
Current	43	16	59	19	78		78
Deferred	119	(200)	(81)	2	(79)		(79)
Increase in property, plant and equipment and intangible assets	2,437	1,960	4,397	28	4,425		4,425

(Notes)
1. "Other" items are business segments excluded from reportable segments and include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
2. "Reconciliations" include elimination of intersegment transactions of ¥72,691 million (Loss on write-down of investments in subsidiaries of ¥67,782 million) and amortization of goodwill of ¥218 million.
3. "Reconciliations" are elimination of intersegment assets.
4. "Reconciliations" are elimination of intersegment liabilities.

	Millions of Yen						
	2010						
	Reportable Segment						
	AIFUL	LIFE	Total	Other (Note 1)	Total	Reconciliations	Consolidated
Operating revenue:							
Operating revenue from external customers	¥ 124,745	¥ 72,537	¥ 197,282	¥ 20,821	¥ 218,103		¥ 218,103
Intersegment operating revenue or transfers	49	140	189	169	358	¥ (358)	
Total	124,794	72,677	197,471	20,990	218,461	(358)	218,103
Segment loss (Note 2)	(261,496)	(27,750)	(289,246)	(18,313)	(307,559)	12,418	(295,141)
Segment assets (Note 3)	858,532	414,232	1,272,764	101,066	1,373,830	(220,885)	1,152,945
Segment liabilities (Note 4)	722,996	350,374	1,073,370	91,915	1,165,285	(109,646)	1,055,639
Other:							
Provision for credit card point redemption		1,456	1,456		1,456		1,456
Provision for investment losses	1,674		1,674	639	2,313	(1,610)	703
Charge-offs and provision for doubtful accounts	128,383	25,816	154,199	15,364	169,563	(3,304)	166,259
Provision for losses on interest refunds	176,867	25,927	202,794	4,093	206,887		206,887
Provision for accrued bonuses	743	407	1,150	173	1,323		1,323
Depreciation and amortization	5,312	3,722	9,034	176	9,210		9,210
Interest on advances to subsidiaries and other	3,739	11	3,750	8	3,758	(3,738)	20
Dividends income	116	29	145	9	154		154
Amortization of negative goodwill						148	148
Interest on advances from parent company and other				373	373	(373)	
Gain on sale of investment securities	13	1,140	1,153	8	1,161		1,161
Reversal of provision for bonuses	408	112	520	60	580		580
Loss on impairment of long-lived assets	4,206	204	4,410	450	4,860		4,860
Loss from business restructuring	8,142	3,767	11,909		11,909	(83)	11,826
Loss on transfer of business	4,081		4,081		4,081	2,061	6,142
Income taxes:							
Current	74	31	105	54	159		159
Prior periods		164	164	(60)	104		104
Deferred	3,310	1,470	4,780	2,589	7,369		7,369
Increase in property, plant and equipment and intangible assets	1,046	2,330	3,376	48	3,424		3,424

(Notes)

1. “Other” items are business segments excluded from reportable segments and include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
2. “Reconciliations” include elimination of intersegment transactions of ¥12,270 million (Loss on write-down of investments in subsidiaries of ¥7,554 million) and amortization of goodwill of ¥148 million.
3. “Reconciliations” are elimination of intersegment assets.
4. “Reconciliations” are elimination of intersegment liabilities.

	Thousands of U.S. Dollars						
	2011						
	Reportable Segment						
	AIFUL	LIFE	Total	Other (Note 1)	Total	Reconciliations	Consolidated
Operating revenue:							
Operating revenue from external customers	$1,038,590	$ 530,518	$ 1,569,108	$177,422	$ 1,746,530		$ 1,746,530
Intersegment operating revenue or transfers	241	916	1,157	1,530	2,687	$ (2,687)	
Total	1,038,831	531,434	1,570,265	178,952	1,749,217	(2,687)	1,746,530
Segment loss (Note 2)	(845,410)	(375,277)	(1,220,687)	(42,506)	(1,263,193)	878,421	(384,772)
Segment assets (Note 3)	6,965,699	3,389,638	10,355,337	891,097	11,246,434	(908,880)	10,337,554
Segment liabilities (Note 4)	6,184,554	2,996,819	9,181,373	822,567	10,003,940	(432,711)	9,571,229
Other:							
Provision for credit card point redemption		24,169	24,169		24,169		24,169
Provision for investment losses	2,940		2,940	325	3,265		3,265
Charge-offs and provision for doubtful accounts	584,807	157,904	742,711	87,289	830,000	(46,036)	783,964
Provision for losses on interest refunds		327,843	327,843		327,843		327,843
Provision for accrued bonuses	8,855	4,494	13,349	1,037	14,386		14,386
Depreciation and amortization	50,831	41,783	92,614	1,458	94,072		94,072
Interest on advances to subsidiaries and other	20,217	48	20,265	96	20,361	(20,241)	120
Dividends income	1,916	421	2,337	61	2,398		2,398
Amortization of negative goodwill						2,627	2,627
Interest on advances from parent company and other				3,229	3,229	(3,229)	
Gain on sale of investment securities	4,482	2,096	6,578		6,578	36	6,614
Gain on retirement of bonds	18,518		18,518		18,518		18,518
Loss on impairment of long-lived assets	2,542		2,542	12,434	14,976		14,976
Losses from a natural disaster	43,530	29,928	73,458	6,084	79,542		79,542
Loss on adjustment for application of accounting standard for asset retirement obligations	15,386		15,386	12	15,398		15,398
Income taxes:							
Current	518	193	711	229	940		940
Deferred	1,434	(2,410)	(976)	24	(952)		(952)
Increase in property, plant and equipment and intangible assets	29,362	23,615	52,977	337	53,314		53,314

(Notes)
1. "Other" items are business segments excluded from reportable segments and include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
2. "Reconciliations" include elimination of intersegment transactions of $875,795 thousand (Loss on write-down of investments in subsidiaries of $816,651 thousand) and amortization of goodwill of $2,626 thousand.
3. "Reconciliations" are elimination of intersegment assets.
4. "Reconciliations" are elimination of intersegment liabilities.

Related Information

1. Information about products and services

	Millions of Yen		
	2011		
	Loan Business	Other	Total
Operating revenue from external customers	¥103,784	¥41,178	¥144,962

	Millions of Yen		
	2010		
	Loan Business	Other	Total
Operating revenue from external customers	¥170,662	¥47,441	¥218,103

	Thousands of U.S. Dollars		
	2011		
	Loan Business	Other	Total
Operating revenue from external customers	$1,250,410	$496,120	$1,746,530

2. Information about geographical areas

(1) Operating revenue

Information about geographic area is omitted, as the Group does not operate outside Japan for the years ended March 31, 2011 and 2010.

(2) Property, plant and equipment

Information about geographic area is omitted, as there are no property, plant and equipment located outside Japan for the years ended March 31, 2011 and 2010.

3. Information about major customers

Information about major customers is omitted, as no single external customer accounted for more than 10% of operating revenue for the years ended March 31, 2011 and 2010.

(Information regarding amortization of goodwill and unamortized amount of each reportable segment)

	Millions of Yen				
	2011				
	AIFUL	LIFE	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥	¥	¥218	¥	¥218
Goodwill at March 31, 2011 (Note)			653		653

	Millions of Yen				
	2010				
	AIFUL	LIFE	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥	¥	¥148	¥	¥148
Goodwill at March 31, 2010 (Note)			871		871

	Thousands of U.S. Dollars				
	2011				
	AIFUL	LIFE	Other	Elimination/ Corporate	Total
Amortization of goodwill	$	$	$2,627	$	$2,627
Goodwill at March 31, 2011 (Note)			7,867		7,867

(Note) "Other" is negative goodwill of New Frontier Partners Co., Ltd.

For the year ended March 31, 2010

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.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
AIFUL CORPORATION:

We have audited the accompanying consolidated balance sheets of AIFUL CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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, 2011

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.
The standards to audit such financial statements are those which are generally accepted in Japan.

Member of
Deloitte Touche Tohmatsu Limited

Group Network

(As of July 1, 2011)

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 Card Co., Ltd.

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

Business Classification

- Credit card shopping
- Installment sales finance
- Credit guarantees

Voting Rights Held
100%

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 (%)
AsTry Loan Services Corporation	Debt collection (Servicer)	100.0
New Frontier Partners Co., Ltd.	Venture capital	100.0

Investor Information

(As of March 31, 2011)

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: 1,164 Consolidated: 2,073

Corporate Officers (As of June 28, 2011)

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

Stock Listing

Tokyo Stock Exchange	The First Section
Securities Code	8515

Shareholder Information

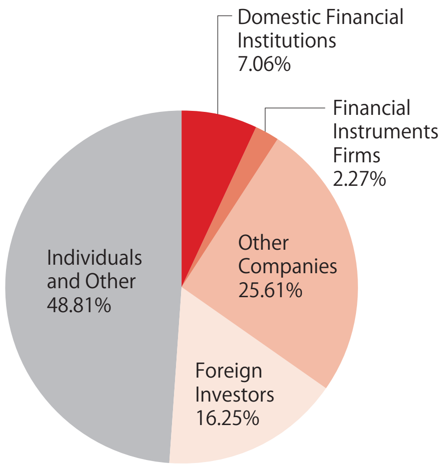
Number of Shares of Common Stock

Authorized	568,140,000 shares
Issued and Outstanding	238,685,568 shares
Number of Shareholders	30,657
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
AMG Co., Ltd.	47,407	19.86
Mitsuhide Fukuda	31,067	13.02
Marutaka Co., Ltd.	12,271	5.14
J.P. MORGAN CLEARING CORP-CLEARING	11,680	4.89
Japan Securities Finance Co., Ltd.	6,932	2.90
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	4,070	1.71

Composition of Shareholders



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Investor Relations Section
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AIFUL CORPORATION