ANNUAL REPORT 2013

The year ended March 31, 2013

AIFUL CORPORATION

Corporate Philosophy

Earn the trust of society through corporate activity based in integrity

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 trust of society through corporate activity based in integrity" AIFUL aims to be a company that is truly trusted by society.

Forward-Looking Statements

The figures contained in this Annual Report with respect to AIFUL's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of AIFUL, which are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties and actual results that may differ from those in the forward-looking statements as a result of various factors.

Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL's market and changes in the overall market for consumer loans, the rate of default by customers, and the level of interest rates charged by AIFUL.

Contents

Five-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013, 2012, 2011, 2010 and 2009

	Millions of Yen					Thousands of U.S. Dollars
	2013	2012	2011	2010	2009	2013
For the Year:						
Total income	¥108,683	¥120,034	¥145,215	¥218,375	¥316,542	$1,156,203
Total expenses	85,082	101,940	178,239	507,805	308,826	905,128
Provision for doubtful accounts	8,177	32,937	65,069	166,259	99,273	86,989
Income (loss) before income taxes and minority interests	23,601	18,094	(33,024)	(289,430)	7,716	251,075
Net income (loss)	22,706	17,392	(31,936)	(295,141)	4,247	241,553
At Year-End:						
Loans	¥390,635	¥455,012	¥594,527	¥835,928	¥1,290,354	$4,155,691
Nonperforming loans	98,628	131,807	182,607	256,713	322,058	1,049,234
Loans in legal bankruptcy	37,598	43,033	44,136	48,849	41,282	399,979
Nonaccrual loans	36,906	55,427	88,221	137,021	181,825	392,617
Accruing loans contractually past due three months or more as to principal or interest payments	2,610	4,475	9,489	15,566	25,979	27,766
Restructured loans	21,514	28,872	40,761	55,277	72,972	228,872
Total assets	607,181	665,185	858,017	1,152,945	1,644,744	6,459,372
Allowance for doubtful accounts	119,428	156,346	192,434	236,303	237,820	1,270,510
Total liabilities	502,173	583,541	794,412	1,055,639	1,251,410	5,342,266
Interest-bearing debt	308,747	360,569	492,610	648,823	917,792	3,284,542
Total equity	105,008	81,644	63,605	97,306	393,334	1,117,106
Minority interests	2,305	1,854	2,757	3,849	5,761	24,521
Per Share Data (Yen/U.S. dollars (Note 2)):						
Net income (loss), basic	¥94.42	¥72.49	¥(134.05)	¥(1,238.90)	¥24.77	$1.00
Diluted net income	94.04	—	—	—	—	1.00
Total equity	426.82	331.59	255.32	392.30	1,626.89	4.54
Cash dividends	—	—	—	—	15.00	—
Ratios (%):						
Equity ratio	16.9	12.0	7.1	8.1	23.6	—
ROE	24.9	24.7	(41.4)	(122.7)	1.2	—
ROA	3.6	2.3	(3.2)	(21.1)	0.2	—
Payout ratio	—	—	—	—	60.6	—
Other Data:						
Number of shares outstanding at year-end	240,933,918	240,933,918	238,685,568	238,685,568	238,685,568	—
Number of employees at year-end	1,437	1,898	2,073	2,514	4,895	—

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 ¥94=$1, the approximate rate of exchange at March 31, 2013.

Message from President and CEO Yoshitaka Fukuda

I would like to take this opportunity to express my gratitude to our stakeholders for their support. It is my pleasure to report our financial results for the fiscal year ended March 31, 2013.

Financial Results for the Fiscal Year Ended March 31, 2013

The AIFUL Group's consolidated operating revenue for the fiscal year ended March 31, 2013 fell 13% from the previous year, to 99.6 billion yen. The total amount of loans outstanding declined 14% year on year, to 390.6 billion yen, mainly due to the effects of restrictions on total lending limits and the high level of waiver of principal due to interest repayments, among other factors. Interest income from loans outstanding also continued to decrease, partly influenced by the reduction in lending interest rates, amounting to 61.6 billion for a 19% decrease.

In other results, credit card business earnings increased 10% to 12.5 billion yen, credit guarantee earnings were down 4% to 4.6 billion yen, collection of purchased receivables dropped 13% to 3.9 billion yen, while recovery of loans previously charged off slipped 5% to 10.8 billion yen.

With respect to operating expenses, the Company allocated 17.2 billion yen to an allowance for losses on interest repayments amidst ongoing uncertainty regarding the direction of interest repayment claims, our greatest management issue. On the other hand, due to an improvement in the content of loans, expenses for doubtful accounts shrank 8.1 billion yen, a reduction of 75% year on year, reflecting stricter controls over extending credit. General and administrative costs also dropped to 49.3 billion yen for a decrease of 5% as a result of greater business efficiency brought on by Group restructuring. Because of this, consolidated operating expenses were reduced by 13% year on year to 84.9 billion yen, and operating income came to 14.7 billion yen, a decrease of 11% over the previous fiscal year.

In addition, ordinary income increased 5% year on year to 17.6 billion yen because of the posting of non-operating income of 3.0 billion yen, an increase of 253% year on year, as a result of foreign exchange gains and other factors, and net income increased 31% year on year to 22.7 billion yen owing to extraordinary income of 6.0 billion yen, an increase of 17% over the previous fiscal year, which includes a gain on loan extinguishment under the Business Revitalization Plan.

Yoshitaka Fukuda
President and CEO

Current Business Outlook

The AIFUL Group is finally beginning to see signs of improvement thanks to more positive business sentiment and aggressive advertising by major players in the consumer finance industry, bringing new loan contracts as well as a higher-quality loan portfolio, resulting in a bottoming out of the shrinking operating loan balance and other factors. At the same time, the situation continues to remain uncertain with respect to interest repayment claims, which constitute the industry's greatest risk factor, since the number of claims is decreasing only slightly.

In this business environment, the AIFUL Group is systematically implementing its Business Revitalization Plan according to the alternative dispute resolution (ADR) process, downsizing personnel by 341 through voluntary retirement appeals and making organizational changes such as consolidating loan management departments. Moreover, we made strides in further accumulating quality loans and improving our loan portfolio, such as by outsourcing our system development and operation business to LIFECARD CO., LTD. to further reduce costs and improve operational efficiency, and reinforcing efforts to attract new customers by recalibrating our advertising to match our current business scale.

While continuing to respond to our greatest management challenge regarding interest repayment claims, the AIFUL Group is fully committed to thorough implementation of the Business Revitalization Plan, and strives to further increase Groupwide business efficiency to justify and respond to the ongoing support and expectations of all our stakeholders.

It is with this in mind that I thank all of our stakeholders for your ongoing support and encouragement.

Yoshitaka Fukuda
President and CEO
Representative Director

Y. Fukuda

Important Matters

The AIFUL Group has traditionally raised short-term and long-term funds through various methods, including borrowings 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 repayment 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, 2013, the AIFUL Group undertook its repayment of ¥34,245 million to creditors on June 11, 2012 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.

Trends in the Industry

With the interest repayment issue and full implementation of the Money Lending Business Act and Capital Subscription Law in June 2010, restructuring and attrition in the industry have continued, with a rapid shrinking of the consumer finance market. Loans outstanding have decreased by over 70% to 3 trillion yen since 2005, while the number of registered lenders has plummeted by over 80% to roughly 2,000.

With respect to interest repayment claims, the largest business risk, these amounted to roughly 2.9 trillion yen over the last six years, and waiver of principal came to approximately 2.0 trillion yen. Interest repayments have steadily decreased since hitting a peak, but even in fiscal year 2011 interest repayments were 560.9 billion yen, while waiver of principal amounted to 213.1 billion yen, causing major financial strain on lending companies and still posing the greatest risk in the industry.

With respect to new contracts for unsecured loans for the top three firms in the industry, extension of credit tightened in anticipation of the full implementation of the Money Lending Business Act, customers refrained from borrowing, and advertising expenditures for all firms were regulated, resulting in ongoing decreases in new applications and contracts. However, through improving industry sentiment and proactive advertising campaigns by all three firms, new applications and contracts for loans have both begun to increase from fiscal year 2011.

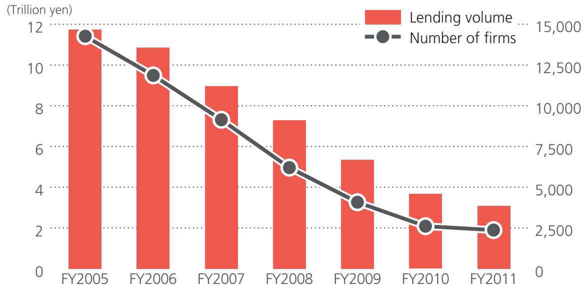
Loans outstanding for the top three firms continue to decrease through the impact caused by waiver of principal due to ongoing interest repayments and restrictions on total lending limits, but finally there are signs of improvement, as this decline gradually slows and the balances bottom out.

Conversely, as a benefit of restrictions on total lending limits, improvement in the quality of our loan portfolio continues, and loan write-offs and non-performing loans (NPL) are steadily decreasing.

In fiscal year 2012, loan write-offs decreased 43% compared with the previous period, far above the 9% rate of decline for loans outstanding.

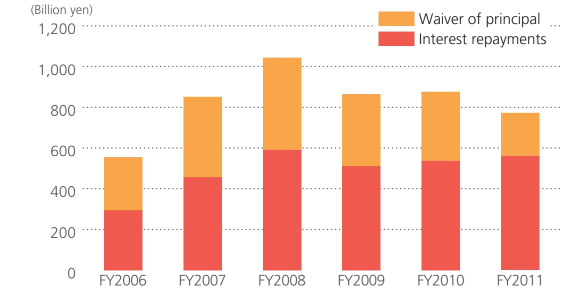
Moreover, the NPL ratio has now decreased to levels before the Money Lending Business Act came into full effect, and it currently continues to decrease still further.

Lending volume and number of registerd learders



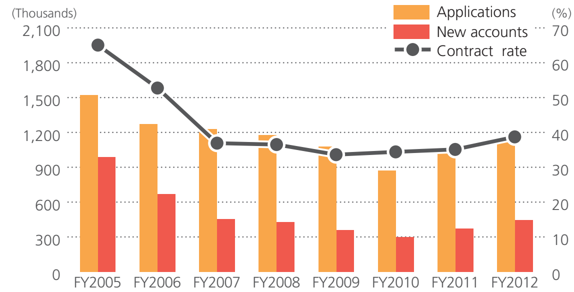
(Source: Financial Services Agency)

Interest repayments and waiver of principal (for industry)



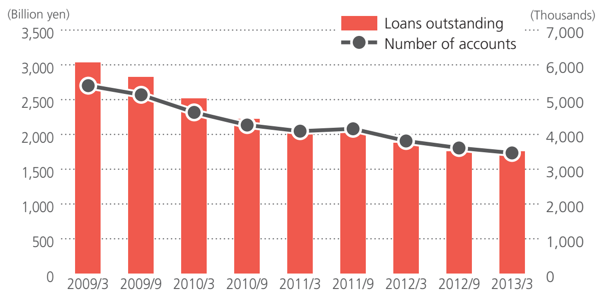
Source: The Japanese Financial Services Association

Number of applications and new accounts for top three firms



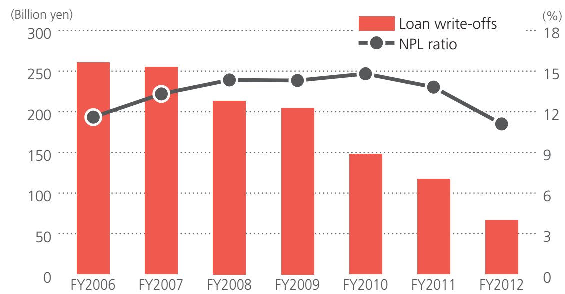
Source: Compiled by Aiful from financial data of each company

Loans outstanding for top three firms



Source: Compiled by Aiful from financial data of each company

Loan write-offs and NPL ratio for top three firms



Source: Compiled by Aiful from financial data of each company

Business Overview of the AIFUL GROUP

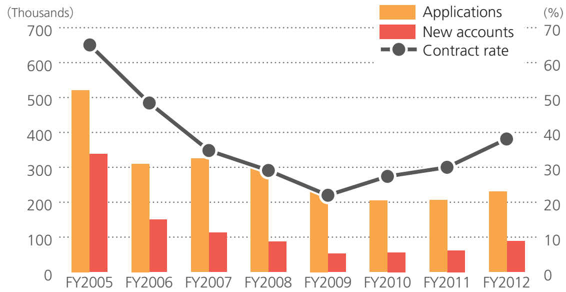
The AIFUL Group's consolidated operating revenue for the fiscal year 2012 fell 13% compared with the previous fiscal year to 99,619 million yen. The principal components of operating revenue were interest on loans, which contracted 19% year on year to 61,607 million yen, revenue from the credit card business, which increased 10% to 12,514 million yen and revenue from the credit guarantee business, which decreased 4% to 4,610 million yen. In contrast, the collection of purchased receivables contracted 13% to 3,908 million yen while the recovery of loans previously charged off edged down 5% to 10,840 million yen.

Operating expenses fell 13% compared with the previous fiscal year to 84,901 million yen. This is mainly due to a provision for losses on interest repayments, which had not been posted in the previous fiscal year, of 17,297 million yen, and a provision for doubtful accounts of 8,136 million yen, down 75% year on year.

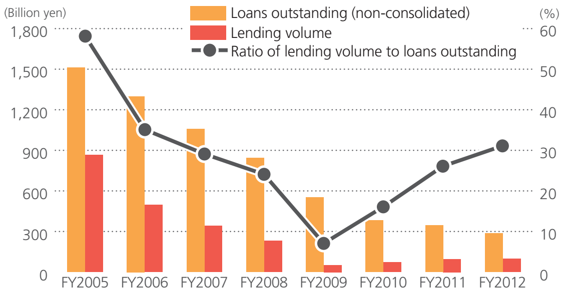
In addition, the recording of 5,948 million yen in gain on loan extinguishment following upon the Business Revitalization Plan, resulted in the posting of 6,037 million yen (up 17% year on year) of extraordinary income.

As a result of the above factors, the AIFUL Group's operating income for the consolidated fiscal year under review was 14,719 million yen (down 11% year on year), ordinary income was 17,647 million yen (up 5% year on year) and net income was 22,706 million yen (up 31% year on year).

New lending of unsecured loans (non-consolidated)



Lending volume and loans outstanding (non-consolidated)



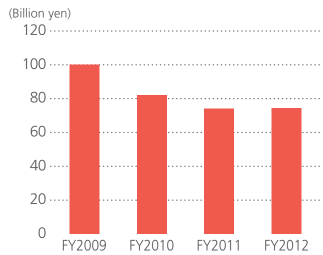
With the effects of restrictions on total lending limits set by the Money Lending Business Act and the Capital Subscription Law, the number of new accounts by the Company has continued to decline since its peak in fiscal 2005. However, with the passage of time since the enactment of these laws, improving industry sentiment, and proactive advertising campaigns by top firms, fiscal 2010 showed a positive outlook compared with the previous fiscal year. In fiscal 2012, the number of new accounts for unsecured loans was 87,000 for an increase of 42% year on year, while the contract rate to applications increased by eight points over the previous period to 38%.

Moreover, although the balance of loans outstanding has been declining since its peak in fiscal 2005 because of waiver of principal due to interest repayments, the extent of the decrease has steadily narrowed to the point that the balance of loans outstanding for the period ended March 31, 2013 was only 17% less than the previous fiscal year, at 286,316 million yen. On the other hand, the lending volume bottomed out in the fiscal year ended March 31, 2010, and in the fiscal year ended March 31, 2013 the ratio of lending volume to loans outstanding for the period had recovered to fiscal 2007 levels, at 31%.

In the credit guarantee business, the number of guarantee tie-ups increased by 11 new partners, while the Group further pursued marketing to expand credit guarantee tie-ups, as well as new product proposals and sales promotion support.

As a result of these efforts, the Group forged affiliations with 191 unsecured personal loan companies, and held guarantees for outstanding loans amounting to 64,971 million yen, up 4% year on year. The Group also forged affiliations with 108 unsecured business loan companies, and held guarantees for outstanding loans totaling 9,469 million yen, down 17% year on year, which amounts to a total of guarantees held of 74,441 million yen, up 0.4%, which is the first increase in the last seven years.

Credit guarantee outstanding (consolidated)

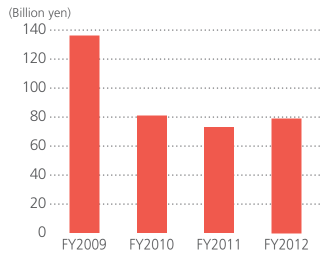


In the credit card business operated by LIFECARD, a wholly owned subsidiary of AIFUL, efforts are being focused on greater convenience for cardholders and on increasing the number of transactions mainly through online marketing, by enhancing the homepage function and implementing campaigns aimed at existing members.

As a result, transactions at the end of the consolidated fiscal year under review were 468,273 million yen, up 46% year on year, and the balance of installment receivables stood at 79,216 million yen, up 9% year on year.

The total amount of loans outstanding for LIFECARD's cash advance business stood at 35,053 million yen, down 18% year on year.

Installment receivables (LIFECARD)



*Commenced business on July 1, 2011.

As a benefit of restrictions on total lending limits, the quality of our loan portfolio continues to improve, and write-offs and non-performing loans (NPL) are decreasing steadily.

The amount of total receivables write-offs for the fiscal year ended March 31, 2013 was down 44% year on year, far greater than the 14% reduction in loans outstanding.

In addition, write-offs ratio in the fiscal year ended March 31, 2013 was only about half that of the previous year at 7% compared with 13% in the previous period, and excluding the portion of waiver of principal due to interest repayments, the so-called general write-offs were at 5%, dropping to levels not seen since 2006.

The balance of non-performing loans (NPL) was 25% less than in the previous period, a far greater drop than the percentage decrease in the balance of loans outstanding, and the ratio of unsecured loans NPL was also down four points, to 13%, making for steady improvements both in write-offs and in non-performing loans (NPL).

On the other hand, with regard to interest repayments, where the number of claims and attorney involvements are major indicators, the situation remains uncertain, with the number of claims decreasing by about half since the fourth quarter of fiscal 2010 influenced by the bankruptcy of Takefuji Corporation and still decreasing, but current trends remain virtually flat.

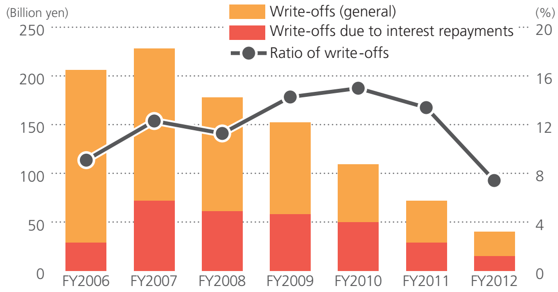
Moreover, interest repayments (cash-out basis) and amount of debt waived due to interest repayments have decreased by roughly half since their peak, but continue to exert major financial pressure, amounting to a monthly average of over 3,000 million yen.

The magnitude of financial pressure from interest repayment claims has caused Aiful to implement voluntary retirement four times over the seven years since fiscal year 2005, and the number of employees has been reduced from 6,675 in fiscal 2005 to 1,437 in fiscal 2012.

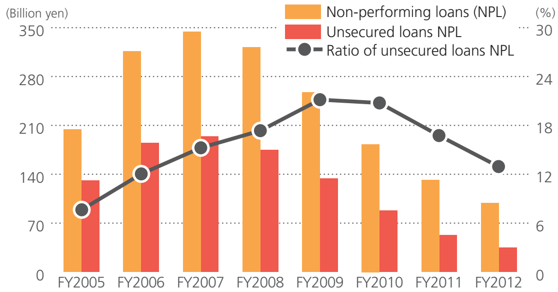
As well, the number of lending outlet locations has been reduced from 2,722 in fiscal year 2005 to 651 locations in fiscal year 2012, as the Company tried to radically reduce costs and streamline operations by consolidating and eliminating bases and departments and restructuring the Group.

Going forward, we will pour all our efforts into improving our financial position and profitability by continuing to pursue business efficiency and cost structure reforms throughout the Group.

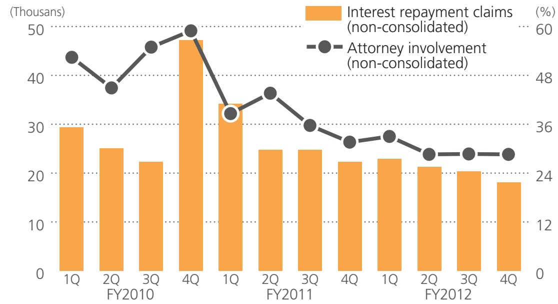
Total receivables write-offs (consolidated)



Non-performing loans (NPL) (consolidated)

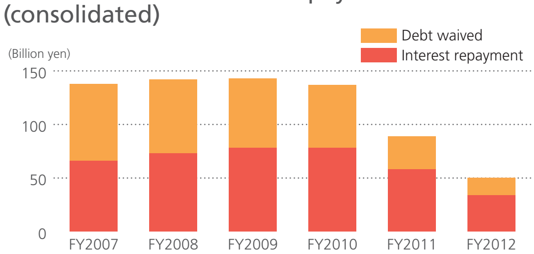


Interest repayment claims and attorney involvement (non-consolidated)

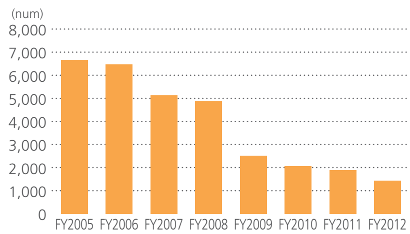


*Attorney involvement is based on comparison with the May 2007 peak value of 100%.
*Since July 1, 2011 portions of former LIFE and the other three firms were absorbed and amalgamated

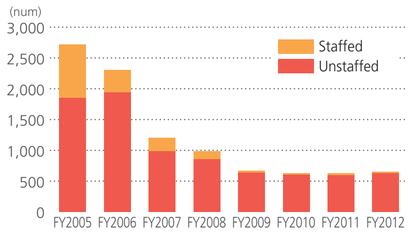
Losses related to interest repayment claims (consolidated)



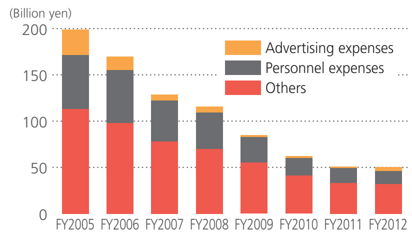
Number of full-time employees (consolidated)



Number of branches (consolidated)



General and administrative expenses (consolidated)

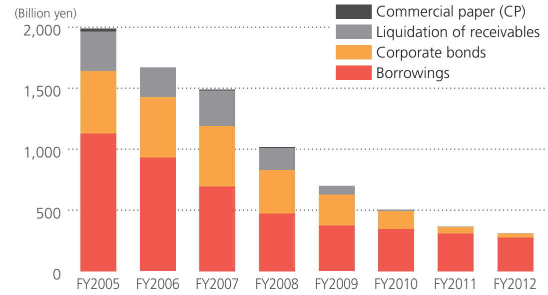


With respect to interest-bearing debt, payment has been made within the framework of ADR, both to ADR creditors and creditors not covered by ADR, such as by corporate bonds, in accordance with our Business Revitalization Plan.

As a result, interest-bearing debt amounting to 698,556 million yen in fiscal year 2009 was reduced over a three-year period by 56% or 390,205 million yen, with the remaining interest-bearing debt outstanding at 308,351 million yen as of March 31, 2013.

The portion of outstanding liabilities covered by ADR out of outstanding interest-bearing debt as of March 31, 2013 was 198,100 million yen, and the balance of corporate bonds was 33,700 million yen.

Interest-bearing debt (consolidated)



Cash and cash equivalents ("funds") declined 25,497 million yen, or 29%, compared to the end of the previous fiscal year to 61,198 million yen.

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to 21,813 million yen, a decrease of 70% compared with the corresponding period of the previous fiscal year. During the period under review, the increase in funds caused by the decline in operating receivables including loans to customers exceeded the decline in funds due to the drop in the allowance for doubtful accounts and the decrease in allowance for losses on interest repayments.

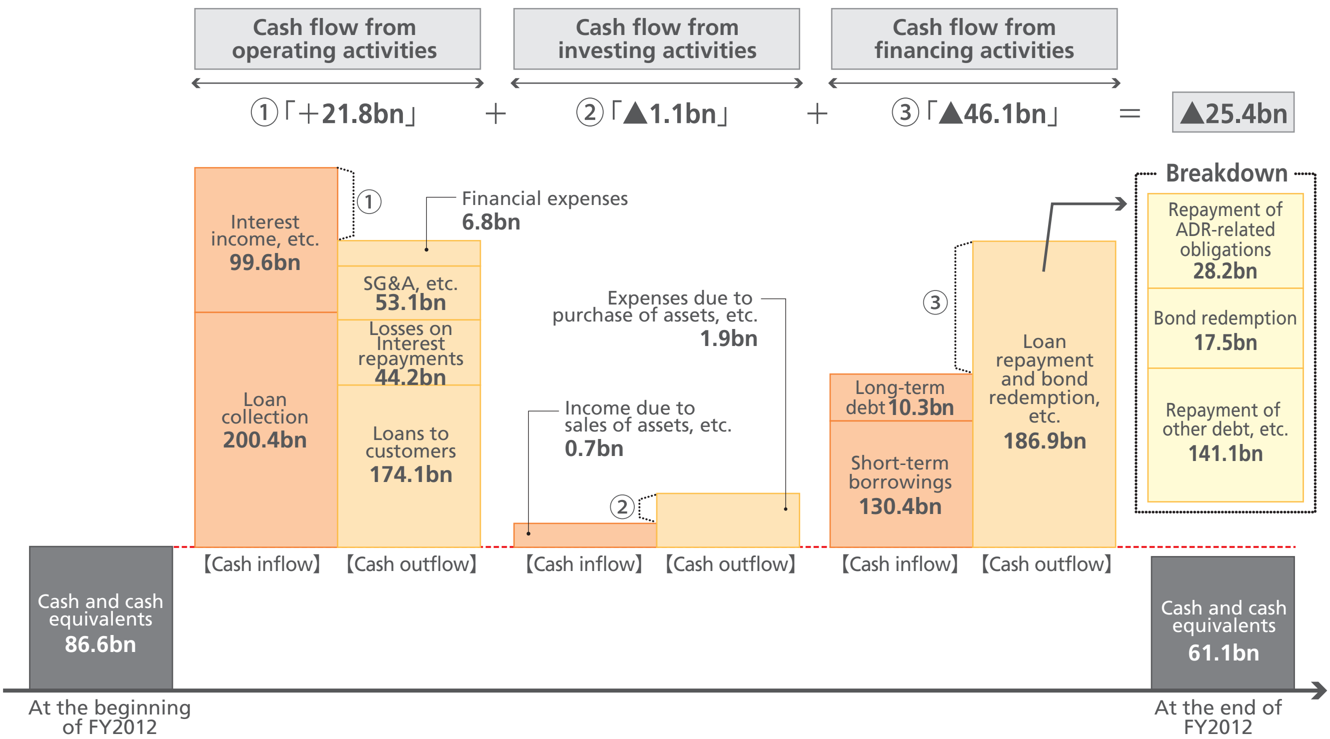
Net Cash Used in Investing Activities

Net cash used in investing activities totaled 1,176 million yen (2,654 million yen provided by investing activities in the previous fiscal year). This was mainly attributable to the purchase of tangible fixed assets and the payment of long-term loans.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to 46,181 million yen, down 64% year on year, due to the repayment of borrowings and the redemption of bonds.

Cash Flows and Funding (Consolidated)



AIFUL GROUP

TOTAL RECEIVABLES OUTSTANDING (Managed Asset Basis)

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Receivables Outstanding	1,636,320	1,105,057	768,342	618,220	556,032
Loans	1,334,196	856,763	594,527	455,012	390,635
Unsecured	1,015,647	634,249	425,400	318,785	272,980
Secured	206,941	138,650	99,650	77,115	64,345
Small Business	111,608	83,864	69,478	59,112	53,310
Installment Receivables	170,554	135,852	80,990	80,614	83,885
Credit Guarantees	118,207	100,153	82,134	74,148	74,441
Other	13,364	12,289	10,690	8,446	7,071

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Income	316,542	218,375	145,215	120,034	108,683
Interest on Loans	263,797	170,662	103,784	75,993	61,607
Unsecured	219,969	137,395	79,543	56,886	45,028
Secured	25,327	20,027	13,976	10,581	8,690
Small Business	18,501	13,241	10,265	8,526	7,889
Installment Receivables	20,512	19,550	13,021	11,719	12,746
Credit Guarantees	8,021	7,035	5,759	4,798	4,610
Other	24,212	21,128	22,652	27,524	29,720
Net Income (Loss)	4,247	(295,141)	(31,936)	17,392	22,706

AVERAGE RATE OF BORROWINGS

(%)

	2009	2010	2011	2012	2013
Average Rate of Borrowings	2.03	2.01	2.18	2.09	2.05
Indirect	2.25	2.15	2.15	2.07	1.99
Direct	1.84	1.84	2.26	2.19	2.60
Long-term Prime Rate (Reference)	2.25	1.60	1.60	1.35	1.15

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2009	2010	2011	2012	2013
Number of Customer Accounts	2,629	1,966	1,515	1,130	888
Unsecured	2,499	1,867	1,432	1,062	830
Secured	62	46	36	28	23
Small Business	68	54	47	40	36
Credit Card Holders	15,252	12,719	6,746	6,357	5,811

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Assets	1,644,744	1,152,945	858,017	665,185	607,181
ROA (%)	0.2	(21.1)	(3.2)	2.3	3.6
Total Equity	393,334	97,306	63,605	81,644	105,008
ROE (%)	1.2	(122.7)	(41.4)	24.7	24.9

AIFUL CORPORATION

LOANS OUTSTANDING

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Receivables Outstanding	901,734	603,088	422,004	408,167	348,353
Loans	842,786	553,476	381,368	344,455	286,316
Unsecured	648,123	423,733	289,361	265,617	224,669
Secured	181,394	120,821	83,422	66,607	52,708
Small Business	13,269	8,922	8,585	12,231	8,939
Installment Receivables	–	–	–	7,202	4,433
Credit Guarantees	54,167	45,249	36,969	48,397	51,078
Other	4,781	4,363	3,667	8,113	6,526

TOTAL INCOME/NET INCOME (LOSS)

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Income	193,282	130,278	90,751	79,757	69,655
Interest on Loans	167,415	113,069	74,020	57,657	47,402
Unsecured	142,010	92,854	60,194	46,374	38,126
Secured	22,546	18,353	12,511	9,554	7,655
Small Business	2,859	1,862	1,315	1,729	1,621
Credit Guarantees	4,636	4,136	3,349	3,051	3,215
Installment Receivables	–	–	–	316	306
Other	21,231	13,073	13,382	18,732	18,733
Net Income (Loss)	9,657	(261,496)	(70,169)	13,407	10,649

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

	2009	2010	2011	2012	2013
Number of Customer Accounts	1,351	1,061	815	805	631
Unsecured	1,281	1,009	772	767	601
Secured	59	44	34	27	22
Small Business	11	7	9	12	9

AVERAGE LENDING INTEREST RATE

(%)

	2009	2010	2011	2012	2013
Average Lending Interest Rate	17.6	16.2	15.8	15.9	15.0

AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Receivables Write-offs	119,068	111,651	81,666	68,352	31,591
Unsecured Loans Write-offs	103,473	89,452	63,779	46,333	25,194
Ratio of Total Receivables Write-offs (%)	14.13	20.17	21.41	19.84	11.03
Ratio of Unsecured Loans Write-offs(%)	15.97	21.11	22.04	17.44	11.21

*On July 1, 2011, Group companies, formerly known as Life Co., Ltd. and Cities Co., Ltd., were absorbed by merger into AIFUL

NEW ACCOUNTS

(Accounts)

	2009	2010	2011	2012	2013
New Accounts	87,392	51,757	60,434	63,296	87,575
Unsecured Loans	85,916	51,757	55,986	61,734	87,515
Contract Rate of Unsecured Loans (%)	28.6	21.9	27.3	29.9	38.0

TOTAL ASSETS/ROA/TOTAL EQUITY/ROE

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Assets	1,241,766	858,532	578,153	533,713	466,542
ROA (%)	0.7	(24.9)	(9.8)	2.4	2.1
Total Equity	396,232	135,536	64,835	79,761	90,411
ROE (%)	2.7	(98.3)	(70.0)	18.6	12.5

LIFECARD CO., LTD. (Managed Asset Basis)

TOTAL RECEIVABLES OUTSTANDING

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Receivables Outstanding	570,668	410,315	270,201	152,663	151,736
Installment Receivables	170,554	135,852	80,990	73,412	79,452
Loans (Cash Advance)	327,493	211,632	137,023	53,168	48,375
Credit Guarantees	64,038	54,904	45,165	25,750	23,363
Other	8,583	7,926	7,023	333	545

PURCHASE RESULTS

(Millions of Yen)

	2009	2010	2011	2012	2013
Credit Card	963,926	863,975	491,804	341,491	496,088
Credit Card Shopping Loans	775,779	796,376	446,540	310,754	455,181
Credit Card Cashing Loans	188,147	67,599	45,263	30,737	40,906

OPERATING REVENUE/NET INCOME (LOSS)

(Millions of Yen)

	2009	2010	2011	2012	2013
Operating Revenue	100,356	73,371	44,675	19,711	26,402
Installment Receivables	21,612	19,955	13,267	8,657	12,509
Loans (Cash Advance)	67,154	41,265	19,559	6,084	6,904
Credit Guarantees	3,384	2,899	2,410	1,240	1,395
Other	8,205	9,252	9,439	3,730	5,593
Net Income (Loss)	218	(27,750)	(31,148)	2,207	3,320

NUMBER OF CARDHOLDERS

(Thousands)

	2009	2010	2011	2012	2013
Number of Cardholders	15,252	12,719	6,746	6,357	5,811
LIFE Proper Card	2,239	2,219	2,762	2,489	2,021
Affinity Cards	13,013	10,499	3,984	3,869	3,790

AVERAGE YIELD

(%)

	2009	2010	2011	2012	2013
Average Yield	16.1	14.6	13.4	17.1	17.5

AMOUNT OF WRITE-OFFS/RATIO OF WRITE-OFFS

(Millions of Yen)

	2009	2010	2011	2012	2013
Total Receivables Write-offs	43,064	38,716	30,308	1,665	2,961
Ratio of Total Receivables Write-offs (%)	7.55	9.44	11.22	1.09	1.95

* LIFECARD CO., LTD. commenced business on July 1, 2011. As a result, performance figures for the fiscal year ended March 31, 2012 are for a nine-month period.

* Figures prior to the fiscal year ended March 31, 2011 are for Life Co., Ltd.

Consolidated Balance Sheet

March 31, 2013

AIFUL CORPORATION and Consolidated Subsidiaries

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 61,198	¥ 86,696	$ 651,043
Time deposits (Note 15)	4	5	43
Operational investment securities (Notes 6 and 15)	926	662	9,851
Allowance for investment losses	(19)	(50)	(202)
Loans, credit guarantees and receivables:			
Loans (Notes 3, 8 and 15)	390,635	455,012	4,155,691
Installment accounts receivable (Notes 4, 8 and 15)	83,885	78,950	892,394
Credit guarantees (Note 5)	74,441	74,148	791,926
Other receivables	10,215	13,031	108,669
Allowance for doubtful accounts (Notes 2.l and 15)	(84,715)	(117,604)	(901,223)
Prepaid expenses	1,612	3,169	17,149
Other current assets (Note 8)	15,697	14,050	166,988
Total current assets	553,879	608,069	5,892,329
PROPERTY AND EQUIPMENT:			
Land (Notes 7 and 8)	8,895	8,960	94,628
Buildings and structures (Notes 7 and 8)	23,496	24,255	249,957
Machinery and equipment (Notes 7 and 8)	356	385	3,787
Furniture and fixtures (Note 7)	10,680	17,166	113,617
Lease assets	607	338	6,457
Construction in progress	673	140	7,160
Total	44,707	51,244	475,606
Accumulated depreciation	(25,906)	(31,886)	(275,595)
Net property and equipment	18,801	19,358	200,011
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 15)	1,136	1,490	12,085
Allowance for investment losses	(16)	(42)	(170)
Investments in and advances to unconsolidated subsidiaries (Note 15)	2,402	2,480	25,553
Claims in bankruptcy (Notes 3 and 15)	39,832	45,232	423,745
Software, net	4,659	8,510	49,564
Lease and guarantee deposits	20,182	17,642	214,702
Long-term prepayments	535	513	5,691
Other assets (Note 7)	484	675	5,149
Allowance for doubtful accounts (Note 15)	(34,713)	(38,742)	(369,287)
Total investments and other assets	34,501	37,758	367,032
TOTAL	¥ 607,181	¥ 665,185	$ 6,459,372

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 15)	¥ 40,900	¥ 35,000	$ 435,106
Current portion of long-term debt (Notes 8, 14 and 15)	52,772	61,812	561,404
Trade notes payable	124	144	1,319
Trade accounts payable	14,307	22,209	152,202
Obligation under credit guarantees (Note 5)	74,441	74,148	791,926
Income taxes payable	987	426	10,500
Accrued expenses	1,756	1,654	18,681
Allowance for credit card point redemption	2,830	2,310	30,106
Allowance for losses from business restructuring (Note 12)		2,127	
Other current liabilities (Notes 4, 5 and 19)	3,814	7,296	40,575
Total current liabilities	191,931	207,126	2,041,819
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Notes 8, 14 and 15)	215,075	263,757	2,288,032
Allowance for losses on interest refunds (Note 2.l)	91,422	108,668	972,574
Negative goodwill, net (Note 20)	218	435	2,319
Deferred tax liabilities (Note 13)	149	124	1,585
Other long-term liabilities	3,378	3,431	35,937
Total long-term liabilities	310,242	376,415	3,300,447
EQUITY (Note 10):			
Common stock, authorized, 568,140,000 shares;			
issued, 240,933,918 shares	143,325	143,325	1,524,734
Capital surplus	164,392	164,392	1,748,851
Stock acquisition rights (Note 11)	62	51	660
Retained earnings	(202,114)	(224,820)	(2,150,149)
Treasury stock, at cost 457,966 shares in 2013 and 457,895 shares in 2012	(3,110)	(3,110)	(33,085)
Accumulated other comprehensive income (loss)			
Unrealized gain (loss) on available-for-sale securities	148	(48)	1,574
Total	102,703	79,790	1,092,585
Minority interests	2,305	1,854	24,521
Total equity	105,008	81,644	1,117,106
TOTAL	¥ 607,181	¥ 665,185	$ 6,459,372

Consolidated Statement of Income

Year Ended March 31, 2013

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
INCOME:			
Operating revenue:			
Interest on loans	¥ 61,607	¥ 75,993	$ 655,394
Revenue from credit card business	12,514	11,344	133,128
Revenue from credit guarantee	4,610	4,798	49,043
Recovery of loans previously charged off	10,840	11,431	115,319
Other operating revenue	10,048	10,436	106,893
Total operating revenue	99,619	114,002	1,059,777
Amortization of negative goodwill (Note 21)	218	218	2,319
Reversal of allowance for investment losses	40	154	426
Gain on purchase of borrowings	5,948	2,902	63,277
Gain on negative goodwill (Note 21)		1,115	
Other income	2,858	1,643	30,404
Total income	108,683	120,034	1,156,203
EXPENSES:			
Interest on borrowings and bonds	6,878	9,353	73,170
Provision for doubtful accounts (Note 21)	8,177	32,937	86,989
Provision for losses on interest refunds (Note 21)	17,297		184,011
Salaries and other employees' benefits	13,129	15,380	139,670
Net periodic benefit costs (Note 9)	518	617	5,511
Advertising expenses	3,814	2,416	40,574
Provision for credit card point redemption (Note 21)	2,347	1,392	24,968
Rental expenses (Note 14)	2,448	3,122	26,043
Commissions and fees	9,753	10,000	103,755
Depreciation and amortization (Note 21)	6,021	6,902	64,053
Foreign exchange loss		347	
Loss on sales of investment securities (Note 6)		1,453	
Loss on impairment of long-lived assets	52	322	553
Loss from and provision for business restructuring (Note 12)		2,156	
Other expenses	14,648	15,543	155,831
Total expenses	85,082	101,940	905,128
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	23,601	18,094	251,075
INCOME TAXES (Notes 13 and 21):			
Current	414	241	4,404
Deferred	30	(9)	320
Total income taxes	444	232	4,724
NET INCOME BEFORE MINORITY INTERESTS	23,157	17,862	246,351
MINORITY INTERESTS IN NET INCOME	451	470	4,798
NET INCOME	¥ 22,706	¥ 17,392	$ 241,553

	Yen		U.S. Dollars (Note 1)
AMOUNTS PER COMMON SHARE (Notes 2.u and 18):			
Basic net income	¥ 94.42	¥ 72.49	$1.00
Diluted net income	94.04	nil	1.00
Cash dividends applicable to the year	nil	nil	nil

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2013

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥ 23,157	¥ 17,862	$ 246,351
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain (loss) on available-for-sale securities	196	1,265	2,085
Total other comprehensive income	196	1,265	2,085
COMPREHENSIVE INCOME	¥ 23,353	¥ 19,127	$ 248,436
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 22,902	¥ 18,657	$ 243,638
Minority interests	451	470	4,798

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2013

AIFUL CORPORATION and Consolidated Subsidiaries

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss) Unrealized Gain (Loss) on Available-for-sale Securities	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2011	238,686	¥ 143,325	¥ 164,134	¥ 24	¥ (242,212)	¥ (3,110)	¥ (1,313)	¥ 60,848	¥ 2,757	¥ 63,605
Net income					17,392			17,392	(903)	17,392
Net increase in treasury stock (717 shares)						(0)		(0)		(0)
Issuance of new shares	2,248		258					258		258
Net change in the year				27			1,265	1,292		389
BALANCE AT MARCH 31, 2012	240,934	143,325	164,392	51	(224,820)	(3,110)	(48)	79,790	1,854	81,644
Net income					22,706			22,706	451	22,706
Net increase in treasury stock (71 shares)						(0)		(0)		(0)
Net change in the year				11			196	207		658
BALANCE AT MARCH 31, 2013	240,934	¥ 143,325	¥ 164,392	¥ 62	¥ (202,114)	¥ (3,110)	¥ 148	¥ 102,703	¥ 2,305	¥ 105,008

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss) Unrealized Gain (Loss) on Available-for-sale Securities	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2012	$1,524,734	$1,748,851	$543	$ (2,391,702)	$ (33,085)	$ (511)	$848,830	$19,723	$868,553
Net income				241,553			241,553	4,798	241,553
Net increase in treasury stock (71 shares)					(0)		(0)		(0)
Net change in the year			117			2,085	2,202		7,000
BALANCE AT MARCH 31, 2013	$1,524,734	$1,748,851	$660	$ (2,150,149)	$ (33,085)	$ 1,574	$1,092,585	$24,521	$1,117,106

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2013

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 23,601	¥ 18,094	$ 251,075
Adjustments for:			
Income taxes - paid	(288)	(132)	(3,064)
Income taxes - refund	423	48	4,500
Depreciation and amortization	6,021	6,902	64,053
Amortization of negative goodwill	(218)	(218)	(2,319)
Loss on impairment of long-lived assets	52	322	553
Decrease in allowance for investment losses	(55)	(358)	(585)
Decrease in allowance for doubtful accounts	(36,919)	(36,088)	(392,755)
Increase (decrease) in allowance for bonuses	52	(343)	553
Increase in allowance for point card certificates	520	304	5,532
Decrease in allowance for losses on interest refunds	(17,246)	(70,102)	(183,468)
(Decrease) increase in allowance for losses from business restructuring	(2,127)	1,931	(22,628)
(Gain) loss on sale of investments in securities, net	(32)	1,398	(340)
Gain on purchase of borrowings	(5,948)	(2,902)	(63,277)
Gain on negative goodwill		(1,115)	
Changes in assets and liabilities:			
Decrease in loans	64,377	139,515	684,862
Increase in installment accounts receivable	(4,935)	(1,615)	(52,500)
Decrease (increase) in purchased receivables	1,442	(374)	15,340
Decrease in other operating receivables	1,375	2,245	14,628
Decrease in claims in bankruptcy	5,400	1,606	57,447
(Increase) decrease in operating guarantee deposits	(2,640)	86	(28,085)
Decrease in other current assets	223	16,161	2,372
Decrease in other current liabilities	(11,367)	(2,083)	(120,926)
Other, net	102	(542)	1,086
Total adjustments	(1,788)	54,646	(19,021)
Net cash provided by operating activities	21,813	72,740	232,054
INVESTING ACTIVITIES:			
Capital expenditures	(1,606)	(2,343)	(17,085)
Proceeds from sale of property, plant and equipment	221	1,742	2,351
Proceeds from sales of investment securities	532	3,776	5,660
Other, net	(323)	(521)	(3,437)
Net cash (used in) provided by investing activities	(1,176)	2,654	(12,511)
FORWARD	¥ 20,637	¥ 75,394	$ 219,543

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
FORWARD	¥ 20,637	75,394	$ 219,543
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	5,900	(7,580)	62,766
Proceeds from long-term debt	10,351	21,556	110,117
Repayments of long-term debt	(62,369)	(142,587)	(663,500)
Other, net	(63)	(65)	(670)
Net cash used in financing activities	(46,181)	(128,676)	(491,287)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	46	7	488
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,498)	(53,275)	(271,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	86,696	139,971	922,299
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 61,198	¥ 86,696	$ 651,043

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2013

AIFUL CORPORATION and Consolidated Subsidiaries

1 BASIS OF PRESENTATION OF 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 accordance 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. The consolidated 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.

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 2012 financial statements to conform to the classification used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94 to $1, the approximate rate of exchange at March 31, 2013. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2013, include the accounts of AIFUL CORPORATION (the "Company") and its four (four in 2012) significant subsidiaries (together, the "Group"). Consolidation of the remaining twelve (thirteen in 2012) unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

In March, 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No. 15, "Implementation Guidance on Disclosures about Certain Special Purpose Entities" ("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. As a result of such securitizations, a consolidated subsidiary had one special purpose entity which is not consolidated under Guidance No. 15 as of March 31, 2013. Related disclosures for the fiscal years ended March 31, 2013 and 2012, were omitted due to immateriality.

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 six unconsolidated subsidiaries (seven in 2012), 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.

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 sheet.

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. See Note 2.b for the new accounting standard of business combinations undertaken on or after April 1, 2010.

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 allowed 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 previous accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are 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 price allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010.

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. Nonmarketable 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 4 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

f. Long-lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is 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 nonmarketable investment securities.

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

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

l. Allowance for Losses on Interest Refunds — The limit of interest rates in Japan is regulated by two laws - "Capital Subscription Law" and "Interest Rate Restriction Act". Under the former law, interest rates on loans should not exceed 29.2% (20.0% for customers who originate 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 originate loans after June 18, 2010, such system is abolished.). Strict judgement by the Supreme Court 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 its 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 its certain consolidated subsidiaries' past refund loss experience, the recent situation regarding interest refunds and other factors.

At March 31, 2013 and 2012, the Group recorded an allowance of ¥91,422 million ($972,574 thousand) and ¥108,668 million, respectively, as "Allowance for losses on interest refunds". In addition, the estimated amount of interest refunds of ¥42,826 million ($455,596 thousand) and ¥58,112 million which were expected to be preferentially set off against loans was recorded as "Allowance for doubtful accounts" for the Company and its certain consolidated subsidiaries at March 31, 2013 and 2012, respectively.

m. Asset Retirement Obligations — In March 2008, the ASBJ published 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 the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Stock Options — ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense 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.

o. 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. 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 by recognizing lease assets and lease obligations in the balance sheet.

In addition, the revised 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 does not transfer ownership of the leased property to the lessee as operating lease transactions.

Lease assets related to finance lease transactions with ownership transfer are depreciated on the methods which are applied to the assets owned by the Group. Lease assets related to finance lease transactions without ownership transfer are depreciated on a straight-line basis, over the leased periods with no residual value.

All other leases are accounted for as operating leases.

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

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

q. 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 statement of income to the extent that they are not hedged by forward exchange contracts.

r. 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 Act 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.

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

t. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates and foreign exchange. Interest rate swaps, interest rate caps and currency swaps contracts are utilized by the Group to reduce interest rate and foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments 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 statement of income, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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

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

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

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year and have not been retroactively adjusted for stock splits.

v. 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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - 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.

3 LOANS

Loans at March 31, 2013 and 2012, consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unsecured	¥ 272,980	¥ 318,785	$ 2,904,042
Secured	64,345	77,115	684,521
Small business loans	53,310	59,112	567,128
Total	¥ 390,635	¥ 455,012	$ 4,155,691

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loans in legal bankruptcy	¥ 37,598	¥ 43,033	$ 399,979
Nonaccrual loans	36,906	55,427	392,617
Accruing loans contractually past due three months or more as to principal or interest payments	2,610	4,475	27,766
Restructured loans	21,514	28,872	228,872
Total	¥ 98,628	¥ 131,807	$1,049,234

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.

At March 31, 2013 and 2012, the Group had balances related to revolving loan contracts aggregating ¥301,487 million ($3,207,309 thousand) and ¥382,972 million, respectively, whereby the Group is obligated to advance funds up to a predetermined amount upon request. At March 31, 2013 and 2012, the balances of unadvanced commitments were ¥678,908 million ($7,222,426 thousand) and ¥688,926 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.

4 INSTALLMENT ACCOUNTS RECEIVABLE

Installment accounts receivable and unearned income, included in other current liabilities, at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
	Receivables	Unearned Income	Receivables	Unearned Income	Receivables	Unearned Income
Credit card business	¥ 82,439	¥ 399	¥ 77,755	¥ 365	$ 877,011	$ 4,245
Installment sales finance business	1,446	8	2,859	54	15,383	85
Total	¥ 83,885	¥ 407	¥ 80,614	¥ 419	$ 892,394	$ 4,330
Off-balance sheet securitized installment accounts receivable			(1,664)			
Net	¥ 83,885	¥ 407	¥ 78,950	¥ 419	$ 892,394	$ 4,330

In addition, the Group had unearned income of immaterial amounts at March 31, 2013 and 2012, which was included in other current liabilities, related to loans other than those shown in the above table.

5 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 ¥40 million ($426 thousand) and ¥49 million at March 31, 2013 and 2012, respectively, which was included in other current liabilities.

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

Operational investment and investment securities at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Current — Equity securities	¥ 926	¥ 662	$ 9,851
Non-current:			
Equity securities	¥ 840	¥ 1,344	$ 8,936
Government and corporate bonds	152		1,617
Other	144	146	1,532
Total	¥ 1,136	¥ 1,490	$ 12,085

The costs and aggregate fair values of available-for-sale securities included in investment securities with reliable determined fair value at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale securities	¥ 427	¥ 234	¥ 12	¥ 649

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale securities	¥ 221	¥ 43	¥ 17	¥ 247

	Thousands of U.S. Dollars			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale securities	$ 4,543	$ 2,489	$ 128	$ 6,904

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥84 million ($894 thousand) and ¥3,755 million, respectively. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥38 million ($404 thousand) and ¥56 million for the years ended March 31, 2013 and 2012, respectively, and gross realized losses were ¥1,457 million for the year ended March 31, 2012. There was no gross realized loss for the year ended March 31, 2013.

The impairment losses on available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥31 million ($330 thousand) and ¥339 million, respectively.

7 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 and department which each company has decided to close is the minimum unit.
Right of telephone	Each right of telephone which each company has decided to sell is the minimum unit.

Year ended March 31, 2013

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2013. As a result, the Group recognized an impairment loss for right of telephone which the Group decided to sell. 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 at the expected amount of sale.

			Impairment Loss	
Description	Classification	Location	Millions of Yen	Thousands of U.S. Dollars
The assets of expected sale	Other assets (Right of telephone)	Kyoto Prefecture	¥ 52	$ 553

The following table summarizes the components of the Group's loss on impairment of long-lived assets for the year ended March 31, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Other assets	¥ 52	$ 553

Year ended March 31, 2012

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2012. As a result, the Group recognized an impairment loss for outlets and the department (called, "Contact Center") and other 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 at its value in use, which is the equivalent to the depreciation expense up to the point of disposal.

			Impairment Loss
Description	Classification	Location	Millions of Yen
Outlets and other	Buildings and structures, and furniture and fixtures	Miyagi prefecture and other	¥ 5
The department and other	Buildings and structures and machinery and equipment, and furniture and fixtures	Tokyo metropolitan area and other	317

The following table summarizes the components of the Group's loss on impairment of long-lived assets for the year ended March 31, 2012:

	Millions of Yen
Buildings and structures	¥ 312
Machinery and equipment	1
Furniture and fixtures	9
Total	¥ 322

8 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Borrowings principally from certain credit card company, 1.35% to 2.95% (1.55% at March 31, 2012)	**¥ 40,900**	¥ 35,000	**$ 435,106**

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Loans from banks, 1.90% to 3.275%*	**¥ 155,926**	¥ 183,108	**$1,658,787**
Loans from other financial institutions, 1.90% to 2.92%*	**24,928**	39,739	**265,192**
Unsecured 1.22% to 1.63% yen straight bonds, due 2012		17,000	
Unsecured 1.74% yen straight bonds, due 2013	**8,700**	9,300	**92,553**
Unsecured 1.99% yen straight bonds, due 2015	**10,000**	10,000	**106,383**
Unsecured 3.50% medium-term notes, due 2015	**15,000**	15,000	**159,574**
Other debt (principally from securities companies), 1.90% to 2.675%*	**52,896**	51,298	**562,724**
Obligations under finance leases	**397**	124	**4,223**
Total	**¥ 267,847**	¥ 325,569	**$2,849,436**
Less current portion	**(52,772)**	(61,812)	**(561,404)**
Long-term debt, less current portion	**¥ 215,075**	¥ 263,757	**$2,288,032**

* The Company and its 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, 2013 and 2012, long-term debts subject to the financial assistance of ¥120,280 million ($1,279,574 thousand) and ¥141,312 million were included in "Loans from banks", ¥24,928 million ($265,192 thousand) and ¥39,739 million were included in "Loans from other financial institutions", and ¥52,896 million ($562,724 thousand) and ¥51,298 million were included in "Other debt" in the table above.

The final due date for "Loans from banks" other than those subject to financial assistance is 2015 (2015 at March 31, 2012).

Annual maturities of long-term debt, excluding finance leases (see Note 14) at March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 52,412	$ 557,574
2015	26,406	280,915
2016	26,891	286,075
Total	¥ 105,709	$ 1,124,564

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

Long-term debt of ¥161,741 million ($1,720,649 thousand) whose repayment schedule is undetermined, such as obligations remaining after June 10, 2014, is not included in the table above.

At March 31, 2013, 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	¥ 229,911	$2,445,862
Installment accounts receivable	79,694	847,809
Other current assets	139	1,479
Land	8,523	90,670
Buildings and structures	5,103	54,287
Machinery and equipment	49	521
Total	¥ 323,419	$3,440,628
Related liabilities:		
Short-term borrowings	¥ 35,000	$372,340
Long-term debt (including current portion of long-term debt)	198,104	2,107,490
Total	¥ 233,104	$2,479,830

If requested by lending financial institutions, the Group has committed to pledge loans of ¥52,345 million ($556,862 thousand) as collateral for ¥40,547 million ($431,351 thousand) debt of short-term borrowings and long-term debt as of March 31, 2013, in addition to those shown in the above table.

9 RETIREMENT AND PENSION PLANS

The Company and its 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, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Payments for prepaid retirement benefits plan	¥ 223	¥ 259	$ 2,372
Premiums for defined contribution pension plan	292	357	3,106
Other	3	1	33
Net periodic benefit costs	¥ 518	¥ 617	$ 5,511

10 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 an Audit & Supervisory Board, 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 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 (noncash 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 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.

11 STOCK OPTION

The stock options outstanding as of March 31, 2013 and 2012, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2010 Stock Option	2,206 Company's and Subsidiaries' key employees	2,192,650 shares	July 1, 2010	¥128 ($1.36)	From August 1, 2014 to July 31, 2016

The stock option activity is as follows:

	2010 Stock Option (shares)
For the year ended March 31, 2012	
Non-vested	
April 1, 2011 - Outstanding	2,192,650
Granted	
Canceled	
Vested	
March 31, 2012 - Outstanding	2,192,650
Vested	
April 1, 2011 - Outstanding	
Vested	
Exercised	
Canceled	
March 31, 2012 - Outstanding	

	2010 Stock Option (shares)
For the year ended March 31, 2013	
Non-vested	
March 31, 2012 - Outstanding	2,192,650
Granted	
Canceled	
Vested	
March 31, 2013 - Outstanding	2,192,650
Vested	
March 31, 2012 - Outstanding	
Vested	
Exercised	
Canceled	
March 31, 2013 - Outstanding	
Exercise price	¥ 128 ($ 1.36)
Fair value price at grant date	¥ 61 ($ 0.65)

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%

12 PROVISION FOR BUSINESS RESTRUCTURING

The following table summarizes the components of the Group's provision for business restructuring for the year ended March 31, 2012:

	Millions of Yen
Provision for business restructuring: Voluntary retirement cost and other	¥ 2,065

13 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 36% and 41% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carry forward which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Allowance for doubtful accounts	¥ 24,410	¥ 39,580	¥ 259,681
Allowance for losses on interest refunds	32,547	42,664	346,245
Charge-offs for doubtful accounts	8,798	11,565	93,596
Accrued interest on loans	2,459	3,257	26,159
Tax loss carry forwards	182,348	166,422	1,939,872
Interest refunds payable	326	3,650	3,468
Other	7,360	11,722	78,298
Total	258,248	228,860	2,747,319
Less valuation allowance	(258,248)	(278,860)	(2,747,319)
Total deferred tax assets	¥ Nil	¥ Nil	¥ Nil
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (9)	¥ (12)	$ (96)
Costs of removal related to asset retirement obligations	(140)	(112)	(1,489)
Total deferred tax liabilities	¥ (149)	¥ (124)	$ (1,585)
Net deferred tax liabilities	¥ (149)	¥ (124)	$ (1,585)

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

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2013 and 2012, is as follows:

	2013	2012
Normal effective statutory tax rate	36%	41%
Expenses not deductible for income tax purposes		13
Income not taxable for income tax purposes		(2)
Less valuation allowance	(33)	(258)
Effect of tax rate reduction	Nil	210
Others, net	(1)	(3)
Actual effective tax rate	2%	1%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the Group's normal effective statutory tax rate of the fiscal 2013 as noted in the table above.

At March 31, 2013, the Company and its wholly-owned domestic subsidiaries had tax loss carry forwards aggregating approximately ¥509,157 million ($5,416,564 thousand) which were available for offset against taxable income of the Company and such subsidiaries in future years. These tax loss carry forwards, if not utilized, will expire as follows.

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 39,866	$424,106
2015	59,408	632,000
2016	155,254	1,651,638
2017	113,429	1,206,691
2018	95,798	1,019,128
2019 and thereafter	45,402	483,001
Total	¥ 509,157	$5,416,564

14 LEASES

The Group leases furniture and fixtures.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2013 and 2012, were ¥2,448 million ($26,043 thousand) and ¥3,122 million, respectively.

Obligations under finance leases at March 31, 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 360	$ 3,830
Due after one year	37	393
Total	¥ 397	$ 4,223

15 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 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. 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 16 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 16 for details regarding derivatives.

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

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

Market risk management (stock price volatility risk)

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

Market risk management (derivatives)

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

Liquidity risk management regarding fund-raising

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

(4) Fair value of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used. There are possibilities that fair value calculation results may differ when different assumptions are used. Also please see Note 16 for details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 61,198	¥ 61,198	
Time deposits	4	4	
Loans	390,635		
Allowance for doubtful accounts	(73,522)		
	317,113	378,171	¥ 61,058
Installment accounts receivable	83,885		
Unearned income	(361)		
Allowance for doubtful accounts	(5,167)		
	78,357	79,469	1,112
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	649	649	
Claims in bankruptcy	39,832		
Allowance for doubtful accounts	(34,573)		
	5,259	5,259	
Total	¥ 462,580	¥ 524,750	¥ 62,170
Short-term borrowings	¥ 40,900	¥ 40,900	
Long-term debt	69,347	59,355	¥ 9,992
Total	¥ 110,247	¥ 100,255	¥ 9,992

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 86,696	¥ 86,696	
Time deposits	5	5	
Loans	455,012		
Allowance for doubtful accounts	(106,374)		
	348,638	413,320	¥ 64,862
Installment accounts receivable	78,950		
Unearned income	(374)		
Allowance for doubtful accounts	(6,203)		
	72,373	74,158	1,785
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	247	247	
Claims in bankruptcy	45,232		
Allowance for doubtful accounts	(38,643)		
	6,589	6,589	
Total	¥ 514,548	¥ 581,015	¥ 66,467
Short-term borrowings	¥ 35,000	¥ 35,000	
Long-term debt	93,096	77,954	¥ 15,142
Total	¥ 128,096	¥ 112,954	¥ 15,142

	Thousands of U.S. Dollars		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	$ 651,043	$ 651,043	
Time deposits	43	43	
Loans	4,155,691		
Allowance for doubtful accounts	(782,148)		
	3,373,543	4,023,096	$ 649,553
Installment accounts receivable	892,394		
Unearned income	(3,840)		
Allowance for doubtful accounts	(54,969)		
	833,585	845,415	11,830
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	6,904	6,904	
Claims in bankruptcy	423,745		
Allowance for doubtful accounts	(367,799)		
	55,946	55,946	
Total	$ 4,921,064	$ 5,582,447	$661,383
Short-term borrowings	$ 435,106	$ 435,106	
Long-term debt	737,734	631,436	$ 106,298
Total	$ 1,172,840	$ 1,066,543	$ 106,298

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 low-risk interest rate based on maturity length.

Installment accounts receivable

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

Operational investment securities, investment securities and investments in unconsolidated subsidiaries

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

Claims in bankruptcy

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

Short-term borrowings

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

Long-term debt

The fair values of marketable bonds issued by the Company are measured at the quoted market price and those of nonmarketable bonds issued by the Company are determined by discounting cash flows of principal and interest, discounted at the rate which reflects credit risk and the maturities of the bond. The carrying values of long-term borrowings approximate fair value because the variable rate reflects the market interest rate in a short period of time and also all of the borrowings 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 16.

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

	Carrying Amount	
March 31, 2013	Millions of Yen	Thousands of U.S. Dollars
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: *1		
Unlisted stocks	¥ 1,843	$ 19,606
Investments in limited liability investment partnerships	475	5,053
Long-term debt *2	198,104	2,107,490

	Carrying Amount
March 31, 2012	Millions of Yen
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: *1	
Unlisted stocks	¥ 2,333
Investments in limited liability investment partnerships	828
Long-term debt *2	232,349

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 its 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, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥ 61,198		
Time deposits	4		
Loans	156,616	¥ 208,857	¥ 25,162
Installment accounts receivable	79,734	4,151	
Government bonds in operational investment securities, investment securities and available-for-sale securities	152		
Total	¥ 297,704	¥ 213,008	¥ 25,162

	Thousands of U.S. Dollars		
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	$ 651,043		
Time deposits	43		
Loans	1,666,127	$ 2,221,883	$ 267,681
Installment accounts receivable	848,234	44,160	
Government bonds in operational investment securities, investment securities and available-for-sale securities	1,616		
Total	$ 3,167,064	$ 2,266,043	$ 267,681

Claims in bankruptcy of ¥39,832 million ($423,745 thousand) whose amount of redemption cannot be determined are not included in the table above.

Please see Note 8 for annual maturities of long-term debt and Note 14 for obligations under finance leases, respectively.

16 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

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
At March 31, 2012				
Interest rate caps agreements	**¥ 2,500**	**¥ Nil**		**¥ (3)**

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

There were no derivative transactions to which hedge accounting is not applied at March 31, 2013.

17 COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 136	¥ (140)	$1,447
Reclassification adjustments to profit or loss	57	1,410	606
Amount before income tax effect	193	1,270	2,053
Income tax effect	3	(5)	32
Total	¥ 196	¥ 1,265	$ 2,085
Total other comprehensive income	¥ 196	¥ 1,265	$ 2,085

18 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012, is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
Year ended March 31, 2013				
Basic EPS – Net income available to common shareholders	**¥ 22,706**	**240,476**	**¥ 94.42**	**$ 1.00**
Effect of dilutive securities: Stock acquisition rights		**963**		
Diluted EPS – Net income for computation	¥ 22,706	241,439	¥ 94.04	$ 1.00
Year ended March 31, 2012				
Basic EPS – Net income available to common shareholders	¥ 17,392	239,917	¥ 72.49	

Diluted net income per share for the year ended March 31, 2012, was not disclosed because there was no dilutive securities.

19 RELATED PARTY DISCLOSURES

Transactions of the Company with a related party for the year ended March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Fine art sales	¥ 60	$ 638

The balances due to a related party at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other current liabilities	¥ 60	$ 638

A related party is "AMG Co., Ltd." which is wholly owned by directors of the Company and their family members.

20 SUBSEQUENT EVENT

Effective March 29, 2013, the Company entered into the agreement with Sumitomo Mitsui Trust Bank to dissolve their joint venture business of BUSINEXT CORPORATION ("BN") by transferring all shares and borrowings of BN to its consolidated subsidiary of New Frontier Partners, which was completed on April 3, 2013. The gain on negative goodwill of ¥2,305 million ($24,521 thousand) and the gain on purchase of borrowings of ¥3,840 million ($40,851 thousand) will be recognized in fiscal year 2014.

21 SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures", 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.

1. Description of reportable segments

The Group's reportable segments are those for which separate 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 companies, "AIFUL Corporation" and "LIFECARD Co., Ltd.". AIFUL Corporation engages mainly in the loan business and the credit guarantee business. LIFECARD Co., Ltd. engages mainly in the credit card business and the credit guarantee business.

Effective July 1, 2011, the Group changed its reportable segments from "AIFUL Corporation", "LIFE Co., Ltd." and "LIFECARD Co., Ltd." to "AIFUL Corporation" and "LIFECARD Co., Ltd." which was caused by the business combination among the Group. The segment information prior to July 1, 2011 has not been restated using the new operating segments due to practical difficulties in reclassifying figures in "LIFE Co., Ltd." into the segments of "AIFUL Corporation" and "LIFECARD Co., Ltd." The difficulties result from a lack of data required to restate prior periods.

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						
	2013						
	Reportable Segment			Other *1			
	AIFUL	LIFECARD	Total		Total	Reconciliations	Consolidated
Operating revenue:							
Interest on loans	¥ 47,402	¥ 6,904	¥ 54,306	¥ 7,301	¥61,607		¥ 61,607
Revenue from credit card business	116	12,398	12,514		12,514		12,514
Revenue from credit guarantee	3,215	1,395	4,610		4,610		4,610
Recovery of loans previously charged off	10,789	22	10,811	29	10,840		10,840
Other operating revenue	776	5,221	5,997	4,051	10,048		10,048
Operating revenue from external customers	62,298	25,940	88,238	11,381	99,619		99,619
Intersegment operating revenue or transfers	12	375	387		387	¥ (387)	
Total	62,310	26,315	88,625	11,381	100,006	(387)	99,619
Segment profit (loss) *2	10,649	3,319	13,968	1,156	15,124	7,582	22,706
Segment assets *3	466,542	185,639	652,181	63,006	715,247	(108,066)	607,181
Segment liabilities *4	376,131	95,434	471,565	48,956	520,521	(18,348)	502,173
Other:							
Provision for credit card point redemption		2,347	2,347		2,347		2,347
Reversal of allowance (provision) for investment losses	(760)		(760)	38	(722)	762	40
Provision for doubtful accounts	513	2,616	3,129	3,343	6,472	1,705	8,177
Provision for losses on interest refunds	15,877	1,420	17,297		17,297		17,297
Provision for accrued bonuses	584	4	588	28	616	260	876
Depreciation and amortization	3,621	2,387	6,008	13	6,021		6,021
Interest on advances to subsidiaries and other	456		456		456	(452)	4
Dividends income	16	19	35		35		35
Amortization of negative goodwill						218	218
Interest on advances from parent company and other				71	71	(71)	
Gain on purchase of borrowings	5,948		5,948		5,948		5,948
Loss on impairment of investment securities			28		28		28
Loss on impairment of long-lived assets	52		52		52		52
Loss on write-down of investments in subsidiaries	8,760		8,760		8,760	(8,760)	
Income taxes:							
Current	(1,393)	1,611	218	196	414		414
Deferred	30		30		30		30
Increase in property, plant and equipment and intangible assets	1,648	449	2,097	6	2,103		2,103

*1 "Other" items are business segments excluded from reportable segments, which include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
*2 "Reconciliations" are elimination of intersegment transactions.
*3 "Reconciliations" are elimination of intersegment assets.
*4 "Reconciliations" are elimination of intersegment liabilities.

	Millions of Yen							
	2012							
	Reportable Segment				Other [*1]			
	AIFUL	LIFE	LIFECARD	Total		Total	Reconciliations	Consolidated
Operating revenue:								
Interest on loans	¥ 57,657	¥ 4,436	¥ 6,084	¥ 68,177	¥ 7,816	¥ 75,993		¥ 75,993
Revenue from credit card business	105	2,802	8,437	11,344		11,344		11,344
Revenue from credit guarantee	3,051	507	1,240	4,798		4,798		4,798
Recovery of loans previously charged off	10,522	873	5	11,400	31	11,431		11,431
Other operating revenue	846	1,461	3,511	5,818	4,618	10,436		10,436
Operating revenue from external customers	72,181	10,079	19,277	101,537	12,465	114,002		114,002
Intersegment operating revenue or transfers	11	9	293	313	20	333	¥ (333)	
Total	72,192	10,088	19,570	101,850	12,485	114,335	(333)	114,002
Segment profit (loss) [*2]	13,407	766	2,207	16,380	1,836	18,216	(824)	17,392
Segment assets [*3]	533,713		181,829	715,542	63,248	778,790	(113,605)	665,185
Segment liabilities [*4]	453,952		94,956	548,908	50,487	599,395	(15,854)	583,541
Other:								
Provision for credit card point redemption			1,393	1,393		1,393	(1)	1,392
Reversal of allowance (provision) for investment losses	(520)			(520)	131	(389)	543	154
Provision for doubtful accounts	23,935	2,643	2,529	29,107	3,453	32,560	377	32,937
Provision for accrued bonuses	592	183	5	780	51	831	1	832
Depreciation and amortization	3,688	805	2,409	6,882	20	6,902		6,902
Interest on advances to subsidiaries and other	612			612	3	615	(610)	5
Dividends income	98	9	11	118	11	129		129
Amortization of negative goodwill							218	218
Interest on advances from parent company and other					102	102	(102)	
Gain on retirement of bonds	815			815		815		815
Gain on purchase of borrowings	2,902			2,902		2,902		2,902
Gain on negative goodwill	1,115			1,115		1,115		1,115
Loss on impairment of long-lived assets	322			322		322		322
Loss on sales of investment securities	1,453			1,453		1,453		1,453
Loss from and provision for business restructuring	2,008	91	36	2,135	21	2,156		2,156
Income taxes:								
Current	41	3	186	230	11	241		241
Deferred	(9)			(9)		(9)		(9)
Increase in property, plant and equipment and intangible assets	1,352	37	999	2,388	20	2,408		2,408

*1 "Other" items are business segments excluded from reportable segments, which include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
*2 "Reconciliations" are elimination of intersegment transactions.
*3 "Reconciliations" are elimination of intersegment assets.
*4 "Reconciliations" are elimination of intersegment liabilities

	Thousands of U.S. Dollars						
	2013						
	Reportable Segment			Other *1			
	AIFUL	LIFECARD	Total		Total	Reconciliations	Consolidated
Operating revenue:							
Interest on loans	$ 504,276	$ 73,446	$ 577,722	$ 77,672	$ 655,394		$ 655,394
Revenue from credit card business	1,234	131,894	133,128		133,128		133,128
Revenue from credit guarantee	34,202	14,841	49,043		49,043		49,043
Recovery of loans previously charged off	114,777	234	115,011	308	115,319		115,319
Other operating revenue	8,256	55,542	63,798	43,095	106,893		106,893
Operating revenue from external customers	662,745	275,957	938,702	121,075	1,059,777		1,059,777
Intersegment operating revenue or transfers	127	3,990	4,117		4,117	$ (4,117)	
Total	662,872	279,947	942,819	121,075	1,063,894	(4,117)	1,059,777
Segment profit (loss) *2	113,287	35,309	148,596	12,298	160,894	80,659	241,553
Segment assets *3	4,963,213	1,974,883	6,938,096	670,915	7,609,011	(1,149,639)	6,459,372
Segment liabilities *4	4,001,394	1,015,255	5,016,649	520,808	5,537,457	(195,191)	5,342,266
Other:							
Provision for credit card point redemption		24,968	24,968		24,968		24,968
Reversal of allowance (provision) for investment losses	(8,085)		(8,085)	405	(7,680)	8,106	426
Provision for doubtful accounts	5,457	27,830	33,287	35,564	68,851	18,138	86,989
Provision for losses on interest refunds	168,904	15,107	184,011		184,011		184,011
Provision for accrued bonuses	6,213	42	6,255	298	6,553	2,766	9,319
Depreciation and amortization	38,521	25,394	63,915	138	64,053		64,053
Interest on advances to subsidiaries and other	4,851		4,851		4,851	(4,809)	42
Dividends income	170	202	372		372		372
Amortization of negative goodwill						2,319	2,319
Interest on advances from parent company and other				755	755	(755)	
Gain on retirement of bonds							
Gain on purchase of borrowings	63,277		63,277		63,277		63,277
Gain on negative goodwill							
Loss on impairment of investment securities		298	298		298		298
Loss on impairment of long-lived assets	553		553		553		553
Loss on write-down of investments in subsidiaries	93,191		93,191		93,191	(93,191)	
Income taxes:							
Current	(14,819)	17,138	2,319	2,085	4,404		4,404
Deferred	320		320		320		320
Increase in property, plant and equipment and intangible assets	17,532	4,777	22,309	64	22,373		22,373

*1 "Other" items are business segments excluded from reportable segments, which include BUSINEXT CORPORATION, AsTry Loan Services Corporation, and other.
*2 "Reconciliations" are elimination of intersegment transactions.
*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			
	2013			
	Loan Business	Credit Card Business	Other	Total
Operating revenue from external customers	**¥ 71,290**	**¥ 12,929**	**¥ 15,400**	**¥ 99,619**

	Millions of Yen			
	2012			
	Loan Business	Credit Card Business	Other	Total
Operating revenue from external customers	¥ 86,133	¥ 11,737	¥ 16,132	¥ 144,002

	Thousands of U.S. Dollars			
	2013			
	Loan Business	Credit Card Business	Other	Total
Operating revenue from external customers	**$ 758,404**	**$ 137,543**	**$ 163,830**	**$ 1,059,777**

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, 2013 and 2012.

(2) Property, plant and equipment

Information about geographic area is omitted, as no property, plant and equipment are located outside Japan for the years ended March 31, 2013 and 2012.

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, 2013 and 2012.

4. Information regarding amortization of negative goodwill and unamortized amount of each reportable segment.

	Millions of Yen				
	2013				
	AIFUL	LIFECARD	Other *1	Elimination/ Corporate	Total
Amortization of negative goodwill			**¥ 218**		**¥ 218**
Negative goodwill at March 31, 2013			**218**		**218**

	Millions of Yen					
	2012					
	AIFUL *2	LIFE	LIFECARD	Other *1	Elimination/ Corporate	Total
Amortization of negative goodwill	¥ 1,115			¥ 218		¥ 1,333
Negative goodwill at March 31, 2012				435		435

	Thousands of U.S. Dollars				
	2013				
	AIFUL	LIFECARD	Other *1	Elimination/ Corporate	Total
Amortization of negative goodwill			$ 2,319		¥ 2,319
Negative goodwill at March 31, 2013			2,319		2,319

*1 Negative goodwill in other segment relates to New Frontier Partners.
*2 Amortization of negative goodwill in AIFUL segment relates to the merger of LIFE on July 1, 2011.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AIFUL CORPORATION:

We have audited the accompanying consolidated balance sheet of AIFUL CORPORATION (the "Company") and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 20 to the consolidated financial statements, effective March 29, 2013, the Company entered into the agreement with Sumitomo Mitsui Trust Bank to dissolve their joint venture business of BUSINEXT CORPORATION ("BN") by transferring all shares and borrowings of BN to its consolidated subsidiary of New Frontier Partners, which was completed on April 3, 2013. Our opinion is not qualified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 19, 2013

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 used to audit such financial statements are those which are generally accepted in Japan.

Member of
Deloitte Touche Tohmatsu Limited

Group Network (As of March 31, 2013)

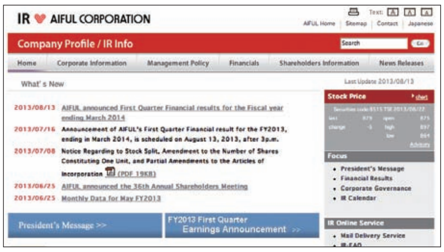
AIFUL CORPORATION

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



LIFECARD CO., LTD.

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

■ Business Classification
- Credit card shopping
- Credit guarantees

BUSINEXT CORPORATION

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

■ Business Classification
- Secured loans
- Small business loans

Astry Loan Services Corporation

http://www.astry-s.co.jp (Japanese only)

■ Business Classification
- Debt collection (Servicer)

New Frontier Partners Co., Ltd.

http://www.nf-partners.co.jp (Japanese only)

■ Business Classification
- Venture capital

Investor Information (As of March 31, 2013)

Principal Shareholders

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: 972 Consolidated: 1,437

Corporate Officers (As of June 25, 2013)

President and Representative Director	Yoshitaka Fukuda
Representative Director	Taichi Kawakita
Directors	Masayuki Sato Nobuyuki Wakuta Kazumitsu Oishi Tsuguo Nakagawa Toshikazu Moriwaki Mitsuhide Fukuda
Full-time Corporate Auditors	Masanobu Hidaka Minoru Kobayashi
Corporate Auditor	Masanori Nagasawa (outside)

Stock Listing

Tokyo Stock Exchange	The First Section
Securities Code	8515

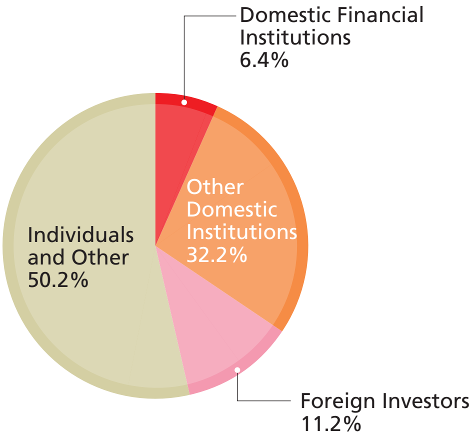
Shareholder Information

Number of Shares of Common Stock	
Authorized	568,140,000 shares
Issued and Outstanding	240,933,918 shares
Number of Shareholders	37,309
Independent Auditors	Deloitte Touche Tohmatsu LLC
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited

Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
AMG Co., Ltd.	47,407	19.68
Mitsuhide Fukuda	31,075	12.90
Marutaka Co., Ltd.	12,271	5.09
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	7,344	3.05
Japan Securities Finance Co., Ltd.	4,199	1.74

Composition of Shareholders



Contact Address

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E-mail: spokesperson@aiful.co.jp

AIFUL CORPORATION