ANNUAL REPORT 2012

The year ended March 31, 2012

AIFUL CORPORATION

Corporate Philosophy

Earn the support of the public with sincerity and hard work

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

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

Contents

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.

Five-Year Summary

AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2012, 2011, 2010, 2009 and 2008

	2012	2011	2010	2009	2008
For the Year:					
Total income	**¥116,666**	¥145,215	¥ 218,375	¥316,542	¥402,389
Total expenses	**98,572**	178,239	507,805	308,826	371,491
Charge-offs and provision for doubtful accounts	**32,937**	65,069	166,259	99,273	155,930
Income (loss) before income taxes and minority interests	**18,094**	(33,024)	(289,430)	7,716	30,898
Net income (loss)	**17,392**	(31,936)	(295,141)	4,247	27,434
At Year-End:					
Loans	**¥455,012**	¥594,527	¥ 835,928	¥1,290,354	¥1,598,706
Nonperforming loans	**131,807**	182,607	256,713	322,058	343,768
Loans in legal bankruptcy	**43,033**	44,136	48,849	41,282	46,895
Nonaccrual loans	**55,427**	88,221	137,021	181,825	189,721
Accruing loans contractually past due three months or more as to principal or interest payments	**4,475**	9,489	15,566	25,979	29,351
Restructured loans	**28,872**	40,761	55,277	72,972	77,801
Total assets	**665,185**	858,017	1,152,945	1,644,744	2,041,128
Allowance for doubtful accounts	**156,346**	192,434	236,303	237,820	330,415
Total liabilities	**583,541**	794,412	1,055,639	1,251,410	1,716,608
Interest-bearing debt	**360,569**	492,610	648,823	917,792	1,354,089
Total equity	**81,644**	63,605	97,306	393,334	324,521
Minority interests	**1,854**	2,757	3,849	5,761	5,604
Per Share Data (Yen/U.S. dollars (Note 2)):					
Net income (loss), basic	**¥ 72.49**	¥(134.05)	¥(1,238.90)	¥ 24.77	¥ 190.77
Diluted net income	**—**	—	—	—	186.86
Total equity	**331.59**	255.32	392.30	1,626.89	1,909.46
Cash dividends	**—**	—	—	15.00	40.00
Ratios (%):					
Equity ratio	**12.0**	7.1	8.1	23.6	15.6
ROE	**24.7**	(41.4)	(122.7)	1.2	9.6
ROA	**2.3**	(3.2)	(21.1)	0.2	1.3
Payout ratio	**—**	—	—	60.6	21.0
Other Data:					
Number of shares outstanding at year-end	**240,933,918**	238,685,568	238,685,568	238,685,568	167,475,000
Number of employees at year-end	**1,898**	2,073	2,514	4,895	5,138

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 ¥xx=$1, the approximate rate of exchange at March 31, 2012.
3. In accordance with the provisions of Article 218 of the Commercial Code of Japan, AIFUL CORPORATION conducted a split of its common shares of 1.5 to 1 on May 23, 2005.

Message from President and CEO Yoshitaka Fukuda

I would like to take this opportunity to express my gratitude to our shareholders for their support. I'm pleased to report our financial results for the fiscal year ended March 31, 2012.

Financial Results for the Fiscal Year Ended March 31, 2012

The AIFUL Group's consolidated operating revenue for the fiscal year ended March 31, 2012 fell 21% from the previous fiscal year, to 114.0 billion yen. The total amount of loans outstanding declined 24% year on year, to 455.0 billion yen, mainly due to the effects of restrictions on total lending limits for two years after their introduction in June 2010, and the high level of waiver of principal due to interest repayments. Interest income from loans outstanding also continued to decrease, partly influenced by the reduction in lending interest rates.

Looking at operating expenses, the allowance for doubtful accounts fell 49% year on year, to 32.8 billion yen. This was chiefly attributable to an allowance for doubtful accounts related to interest repayments not being recorded, unlike in the previous fiscal year, and a decline in credit losses. Variable costs also fell in line with a decline in the outstanding balance, and personnel expenses, equipment costs, and other costs also decreased, reflecting the streamlining of operations in July 2011, after the reorganization of the Group. As a result, operating expenses fell 42% year on year, to 97.5 billion yen. Consequently, operating income and ordinary income amounted to 16.4 billion yen and 16.8 billion yen, respectively.

Meanwhile, the Group recorded extraordinary income of 5.1 billion yen, chiefly reflecting a gain on the Alternative Dispute Resolution (ADR) loan extinguishment and a gain on retirement of bonds based on the Group's Business Revitalization Plan, although it also posted extraordinary losses of 3.9 billion yen, mainly due to a provision for business restructuring from the solicitation of voluntary retirement.

Yoshitaka Fukuda
President and CEO

Current Management Situation

The management environment facing the AIFUL Group continues to be severe, principally reflecting the current level of claims for interest repayments, which directly impacts the management of the Group, a contraction in the scale of the market and a decline in profitability following restrictions on total lending limits under the Money Lending Business Act, which was fully enforced on June 18, 2010, and reductions in maximum interest rates pursuant to the capital subscription law.

Under these circumstances, the AIFUL Group is working diligently to build a quality loan portfolio and improve its financial standing and profitability. By aiming to steadily execute its Business Revitalization Plan, utilizing consensual business revitalization alternative dispute resolution, which went into effect on December 24, 2009, the Group is endeavoring to slash operating overhead and improve operating efficiency through rigorous structural reforms. These include the closure and amalgamation of sales and administrative offices and the reorganization of the Group, including the consolidation of the credit sales and credit card businesses into the Life Card brand and the consumer finance businesses into the AIFUL brand, based on the basic policy for business restructuring.

The AIFUL Group will continue to make every effort to reduce costs through comprehensive structural reforms, increase the number of high-quality loans, and further improve business efficiencies across the entire Group. The Group will do its best to respond to the support and expectations of all stakeholders by steadily executing its Business Revitalization Plan.

AIFUL would like to ask all shareholders for their assistance and support in these efforts.

June 2012
Yoshitaka Fukuda
President and CEO

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 refunds in accordance with a ruling by Japan's Supreme Court in 2006 as well as the rapid and sharp deterioration in the fund-raising environment. Accordingly, there have been concerns that the AIFUL Group may have difficulty in raising sufficient new funds to sustain its business.

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

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

In the fiscal year ended March 31, 2012, the AIFUL Group undertook its repayment of ¥27,301 million to creditors on June 10, 2011 in accordance with its Business Revitalization Plan.

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

Consolidated Balance Sheet

March 31, 2012

AIFUL CORPORATION and Consolidated Subsidiaries

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	¥ 86,696	¥ 139,971	$1,057,268
Time deposits (Note 16)	5	5	61
Operational investment securities (Notes 6 and 16)	662	725	8,073
Allowance for investment losses	(50)	(65)	(610)
Loans, credit guarantees and receivables:			
Loans (Notes 3, 8 and 16)	455,012	594,527	5,548,927
Installment accounts receivable (Notes 4, 8 and 16)	78,950	77,335	962,805
Credit guarantees (Note 5)	74,148	82,134	904,244
Other receivables	13,031	14,902	158,914
Allowance for doubtful accounts (Notes 2.l and 16)	(117,604)	(160,191)	(1,434,195)
Prepaid expenses	3,169	2,086	38,646
Other current assets (Note 8)	14,050	31,316	171,343
Total current assets	608,069	782,745	7,415,476
PROPERTY AND EQUIPMENT:			
Land (Notes 7 and 8)	8,960	9,541	109,268
Buildings and structures (Notes 7 and 8)	24,255	26,414	295,793
Machinery and equipment (Notes 7 and 8)	385	330	4,695
Furniture and fixtures (Note 7)	17,166	17,522	209,341
Lease assets	338	341	4,122
Construction in progress	140	256	1,708
Total	51,244	54,404	624,927
Accumulated depreciation	(31,886)	(31,838)	(388,854)
Net property and equipment	19,358	22,566	236,073
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 16)	1,490	5,417	18,171
Allowance for investment losses	(42)	(639)	(512)
Investments in and advances to unconsolidated subsidiaries (Note 16)	2,480	2,377	30,244
Claims in bankruptcy (Notes 3 and 16)	45,232	46,838	551,610
Software, net (Note 7)	8,510	11,589	103,780
Lease and guarantee deposits	17,642	17,850	215,146
Long-term prepayments	513	562	6,256
Other assets (Note 7)	675	955	8,231
Allowance for doubtful accounts (Note 16)	(38,742)	(32,243)	(472,463)
Total investments and other assets	37,758	52,706	460,463
TOTAL	¥ 665,185	¥ 858,017	$8,112,012

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 16)	¥ 35,000	¥ 42,580	$426,829
Current portion of long-term debt (Notes 8, 15 and 16)	61,812	132,703	753,805
Trade notes payable	144	462	1,756
Trade accounts payable	22,209	21,003	270,841
Obligation under credit guarantees (Note 5)	74,148	82,134	904,244
Income taxes payable	426	412	5,195
Accrued expenses	1,654	2,904	20,171
Allowance for credit card point redemption	2,310	2,006	28,171
Allowance for losses from business restructuring (Note 12)	2,127	196	25,939
Allowance for losses from a natural disaster		51	
Other current liabilities (Notes 4, 5 and 16)	7,296	9,521	88,976
Total current liabilities	207,126	293,972	2,525,927
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Notes 8, 15 and 16)	263,757	317,327	3,216,549
Allowance for losses on interest refunds (Note 2.l)	108,668	178,770	1,325,220
Negative goodwill, net (Note 20)	435	653	5,305
Deferred tax liabilities (Note 14)	124	129	1,512
Other long-term liabilities	3,431	3,561	41,841
Total long-term liabilities	376,415	500,440	4,590,427
EQUITY (Note 10):			
Common stock, authorized, 568,140,000 shares; issued, 240,933,918 shares in 2012 and 238,685,000 shares in 2011	143,325	143,325	1,747,866
Capital surplus	164,392	164,134	2,004,780
Stock acquisition rights	51	24	622
Retained earnings	(224,820)	(242,212)	(2,741,707)
Treasury stock, at cost 457,895 shares in 2012 and 457,178 shares in 2011	(3,110)	(3,110)	(37,927)
Accumulated other comprehensive income (loss)			
Unrealized loss on available-for-sale securities	(48)	(1,313)	(585)
Total	79,790	60,848	973,049
Minority interests	1,854	2,757	22,609
Total equity	81,644	63,605	995,658
TOTAL	¥ 665,185	¥ 858,017	$8,112,012

Consolidated Statement of Operations

Year Ended March 31, 2012

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
INCOME:			
Interest on loans	¥ 75,993	¥ 103,784	$926,744
Revenue from credit card business	11,344	12,328	138,341
Revenue from installment sales finance business	375	692	4,573
Revenue from credit guarantee	4,798	5,759	58,512
Interest on deposits, securities and other	169	283	2,061
Recovery of loans previously charged off	11,431	12,632	139,402
Amortization of negative goodwill (Note 21)	218	218	2,658
Gain on retirement of bonds (Note 21)	815	1,537	9,939
Reversal of allowance for investment losses	154		1,878
Gain on purchase of borrowings	2,902		35,390
Gain on negative goodwill (Notes 20 and 21)	1,115		13,598
Other income	7,352	7,982	89,660
Total income	116,666	145,215	1,422,756
EXPENSES:			
Interest on borrowings and bonds	9,353	11,549	114,061
Provision for doubtful accounts (Note 21)	32,937	65,069	401,671
Provision for losses on interest refunds (Note 21)		27,211	
Salaries and other employees' benefits	15,380	18,106	187,561
Net periodic benefit costs (Note 9)	617	628	7,524
Advertising expenses	2,416	1,719	29,463
Provision for credit card point redemption (Note 21)	1,392	2,006	16,976
Rental expenses (Note 15)	3,122	4,230	38,073
Commissions and fees	10,000	12,514	121,951
Depreciation and amortization (Note 21)	6,902	7,808	84,171
Provision for investment losses (Note 21)		271	
Foreign exchange loss	347	1,548	4,232
Loss on sales of investment securities (Note 6)	1,453	64	17,720
Loss from and provision for business restructuring (Note 12)	2,156	389	26,293
Losses from a natural disaster (Note 13)		6,602	
Loss on adjustment for application of accounting standard for asset retirement obligations		1,278	
Other expenses	12,497	17,247	152,402
Total expenses	98,572	178,239	1,202,098
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	18,094	(33,024)	220,658
INCOME TAXES (Notes 14 and 21):			
Current	241	78	2,939
Deferred	(9)	(79)	(110)
Total income taxes	232	(1)	2,829
NET INCOME (LOSS) before minority interests	17,862	(33,023)	217,829
MINORITY INTERESTS IN NET INCOME (LOSS)	470	(1,087)	5,731
NET INCOME (LOSS)	¥ 17,392	¥ (31,936)	$212,098
	Yen		U.S. Dollars (Note 1)
AMOUNTS PER COMMON SHARE (Notes 2.v and 19):			
Basic net income (loss)	¥ 72.49	¥ (134.05)	$0. 88
Cash dividends applicable to the year	nil	nil	

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2012

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	¥ 17,862	¥ (33,023)	$ 217,829
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	1,265	(701)	15,427
Total other comprehensive income (loss)	1,265	(701)	15,427
COMPREHENSIVE INCOME (LOSS)	¥ 19,127	¥ (33,724)	$ 233,256
OTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ 18,657	¥ (32,633)	$ 227,524
Minority interests	470	(1,091)	5,732

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2012

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, 2010	238,686	¥ 143,325	¥ 164,134	¥ Nil	¥ (210,276)	¥ (3,110)	¥ (616)	¥ 93,457	¥ 3,849	¥ 97,306
Net loss					(31,936)			(31,936)		(31,936)
Net increase in treasury stock (120 shares)										
Net change in the year				24			(697)	(673)	(1,092)	(1,765)
BALANCE AT MARCH 31, 2011	238,686	143,325	164,134	24	(242,212)	(3,110)	(1,313)	60,848	2,757	63,605
Net income					17,392			17,392		17,392
Net increase in treasury stock (717 shares)										
Issuance of new shares (Notes 10 and 20)	2,248		258					258		258
Net change in the year				27			1,265	1,292	(903)	389
BALANCE AT MARCH 31, 2012	240,934	¥ 143,325	¥ 164,392	¥ 51	¥ (224,820)	¥ (3,110)	¥ (48)	¥ 79,790	¥ 1,854	¥ 81,644

	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, 2011	$1,747,866	$2,001,634	$293	$ (2,953,805)	$ (37,927)	$ (16,012)	$742,049	$33,622	$775,671
Net income				212,098			212,098		212,098
Net increase in treasury stock (717 shares)									
Issuance of new shares (Notes 10 and 20)		3,146					3,146		3,146
Net change in the year			329			15,427	15,756	(11,013)	4,743
BALANCE AT MARCH 31, 2012	$1,747,866	$2,004,780	$622	$ (2,741,707)	$ (37,927)	$ (585)	$973,049	$22,609	$995,658

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2012

AIFUL CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 18,094	(33,024)	$ 220,658
Adjustments for:			
Income taxes - paid	(132)	(367)	(1,610)
Income taxes - refund	48	155	585
Loss on adjustment for application of accounting standard for asset retirement obligations		1,278	
Depreciation and amortization	6,902	7,808	84,171
Amortization of negative goodwill	(218)	(218)	(2,658)
(Decrease) increase in allowance for investment losses	(358)	1	(4,366)
Decrease in allowance for doubtful accounts	(36,088)	(43,869)	(440,098)
Decrease in allowance for bonuses	(343)	(66)	(4,183)
Increase in allowance for point card certificates	304	550	3,707
Decrease in allowance for losses on interest refunds	(70,102)	(59,139)	(854,902)
Increase (decrease) in allowance for losses from business restructuring	1,931	(1,127)	23,549
Loss (gain) on sale of investments in securities, net	1,398	(485)	17,049
Gain on retirement of bonds	(815)	(1,537)	(9,939)
Gain on purchase of borrowings	(2,902)		(35,390)
Gain on negative goodwill	(1,115)		(13,598)
Changes in assets and liabilities:			
Decrease in loans	139,515	241,401	1,701,402
(Increase) decrease in installment accounts receivable	(1,615)	48,655	(19,695)
(Increase) decrease in purchased receivables	(374)	1,368	(4,561)
Decrease in other operating receivables	2,245	1,598	27,378
Decrease in claims in bankruptcy	1,606	3,563	19,585
Decrease in operating guarantee deposits	86	1,090	1,049
Decrease in other current assets	16,161	18,098	197,085
Decrease in other current liabilities	(2,083)	(27,762)	(25,402)
Other, net	595	2,129	7,257
Total adjustments	54,646	193,124	666,415
Net cash provided by operating activities	72,740	160,100	887,073
INVESTING ACTIVITIES:			
Capital expenditures	(2,343)	(3,231)	(28,573)
Proceeds from sale of property, plant and equipment	1,742	6,138	21,244
Proceeds from sales of investment securities	3,776	1,328	46,049
Other, net	(521)	1,260	(6,354)
Net cash provided by investing activities	2,654	5,495	32,366
FORWARD	¥ 75,394	165,595	$ 919,439

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
FORWARD	¥ 75,394	165,595	$ 919,439
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(7,580)	(18,625)	(92,439)
Proceeds from long-term debt	21,556	23,100	262,878
Repayments of long-term debt	(142,587)	(158,743)	(1,738,866)
Other, net	(65)	(79)	(793)
Net cash used in financing activities	(128,676)	(154,347)	(1,569,220)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	7	(25)	84
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(53,275)	11,223	(649,697)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	139,971	128,748	1,706,965
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 86,696	¥ 139,971	$ 1,057,268

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2012

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 conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and accounting principles generally accepted in the United States of America. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles 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 2011 financial statements to conform to the classification used in 2012.

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 ¥82 to $1, the approximate rate of exchange at March 31, 2012. 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 include the accounts of AIFUL CORPORATION (the "Company") and its four (eight in 2011) significant subsidiaries (together, the "Group"). Consolidation of the remaining thirteen (fourteen in 2011) unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

On July 1, 2011, four consolidated subsidiaries (LIFE Co., Ltd. (following its spin-off), City's Corporation, City Green Corporation and Marutoh KK) were absorbed by the Company (Note 20), and excluded from the scope of consolidation. As well, the results of operations of these four subsidiaries were consolidated up to June 30, 2011.

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 (two in 2011) special purpose entity which is not consolidated under Guidance No. 15 as of March 31, 2012. Related disclosures for the fiscal years ended March 31, 2012 and 2011 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 seven unconsolidated subsidiaries (eight in 2011), which are limited liability investment partnerships and similar partnerships, are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the most recent available financial statements of the partnerships. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business Combinations — In October 2003, the Business

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

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The 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 (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010.

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

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

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

e. Property and Equipment — Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its consolidated subsidiaries is computed by the declining-balance method except that the straight-line method is applied to the buildings of the Company's consolidated subsidiaries acquired on and after April 1, 1998. The range of useful lives is principally from 2 to 62 years for buildings and structures, from 3 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

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

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

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

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

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

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

l. Allowance for Losses on Interest Refunds — The limit of interest rates is regulated by two laws - "Contributions Law" and "Interest Rate Restriction Law". Under the former law, interest rates on loans should not exceed 29.2% (20.0% for customers who 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 interpretation by the courts of these requirements has led to decisions against moneylenders and resulted in more debtors claiming for the return of excess interest payments.

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

At March 31, 2012 and 2011, the Group recorded an allowance of ¥108,668 million ($1,325,220 thousand) and ¥178,770 million, respectively, as "Allowance for losses on interest refunds". In addition, the estimated amount of interest refunds of ¥58,112 million ($708,683 thousand) and ¥77,013 million which were expected to be preferentially set off against loans was recorded as "Allowance for doubtful accounts" for the Company and certain consolidated subsidiaries at March 31, 2012 and 2011, 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 asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

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 issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

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

All other leases are accounted for as operating leases.

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

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 statements of operations 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 Law or the contracted interest rate, whichever is lower.

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

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

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

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

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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

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

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

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

w. Accounting Changes and Error Corrections — In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:
(1) Changes in Accounting Policies - When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) Changes in 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. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal years that begins on or after April 1, 2011.

3 LOANS

Loans at March 31, 2012 and 2011 consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Unsecured	¥ 318,785	¥ 425,400	$ 3,887,622
Secured	77,115	99,650	940,427
Small business loans	59,112	69,477	720,878
Total	¥ 455,012	¥ 594,527	$ 5,548,927

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans in legal bankruptcy	¥ 43,033	¥ 44,136	$ 524,793
Nonaccrual loans	55,427	88,221	675,939
Accruing loans contractually past due three months or more as to principal or interest payments	4,475	9,489	54,573
Restructured loans	28,872	40,761	352,097
Total	¥ 131,807	¥ 182,607	$ 1,607,402

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, 2012 and 2011, the Group had balances related to revolving loan contracts aggregating ¥382,972 million ($4,670,390 thousand) and ¥538,711 million, respectively, whereby the Group is obligated to advance funds up to a predetermined amount upon request. At March 31, 2012 and 2011, the balances of unadvanced commitments were ¥688,926 million ($8,401,537 thousand) and ¥759,699 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, 2012 and 2011 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2012		2011		2012	
	Receivables	Unearned Income	Receivables	Unearned Income	Receivables	Unearned Income
Credit card business	¥ 77,755	¥ 365	¥ 74,677	¥ 441	$ 948,232	$ 4,451
Installment sales finance business	2,859	54	6,313	220	34,866	659
Total	¥ 80,614	¥419	¥ 80,990	¥ 661	¥ 983,098	$ 5,110
Off-balance sheet securitized installment accounts receivable	(1,664)		(3,655)		(20,293)	
Net	¥ 78,950	¥ 419	¥ 77,335	¥ 661	$ 962,805	$ 5,110

In addition, the Group had unearned income of immaterial amounts at March 31, 2012 and 2011 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 ¥49 million ($598 thousand) and ¥63 million at March 31, 2012 and 2011, 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, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Current — Equity securities	¥ 662	¥ 725	$ 8,073
Non-current:			
Equity securities	¥ 1,344	¥ 5,223	$ 16,390
Other	146	194	1,781
Total	¥ 1,490	¥ 5,417	$ 18,171

The costs and aggregate fair values of operational investment and investment securities at March 31, 2012 and 2011 were as follows:

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

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale — Equity securities	¥ 5.302	¥ 127	¥ 1,307	¥ 4,122

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale — Equity securities	$ 2,695	$ 524	$ 207	$ 3,012

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011 were ¥3,755 million ($45,793 thousand) and ¥1,367 million, respectively. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥56 million ($683 thousand) and ¥565 million for the years ended March 31, 2012 and 2011, respectively, and gross realized losses were ¥1,457 million ($17,768 thousand) and ¥77 million for the years ended March 31, 2012 and 2011, respectively.

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥339 million ($4,134 thousand) and ¥48 million, respectively. And they were setoff against allowance for investment losses of ¥243 million ($2,963 thousand) for the year ended March 31, 2012.

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

Year ended March 31, 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	Thousands of U.S. Dollars
Outlets and other	Buildings and structures, and furniture and fixtures	Miyagi prefecture and other	¥ 5	$ 61
The department and other	Buildings and structures and machinery and equipment, and furniture and fixtures	Tokyo metropolitan area and other	318	3,878

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

	Impairment Loss	
	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 312	$ 3,805
Machinery and equipment	1	12
Furniture and fixtures	9	110
Total	¥ 322	$ 3,927

Year ended March 31, 2011

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2011. As a result, the Group recognized an impairment loss for rental properties, system related equipment and other which were intended to be sold, outlets and other which the Group decided to close and headquarters of consolidated subsidiaries and other which the Group decided to transfer. The carrying amount of the relevant assets was written down to the estimated recoverable amount. The estimated recoverable amount of each asset grouping was measured as follows:

Rental properties - The amount of sales contract and other

System related equipment and other - The expected amount of sale

Outlets and Headquarters of consolidated subsidiaries which the Group decided to close or transfer and other - The asset group was measured at its value in use, which is the equivalent to the depreciation expense up to the point of disposal or transfer.

Description	Classification	Location	Impairment Loss Millions of Yen
Rental properties	Buildings and structures, land, and other	Kyoto prefecture and other	¥ 1,020
Outlets and other	Buildings and structures, and furniture and fixtures	Tokyo metropolitan area and other	122
System related equipment and other	Furniture and fixtures, and software	Kyoto prefecture	93
Headquarters of consolidated subsidiaries and other	Buildings and structures, furniture and fixtures, and software	Tokyo metropolitan area, Kyoto Prefecture and other	8

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

	Millions of Yen
Buildings and structures	¥ 516
Furniture and fixtures	145
Land	569
Other	13
Total	¥ 1,243

8 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Other (from a credit card company), 1.55% (1.80% to 2.00% at March 31, 2011)	¥ 35,000	¥ 42,580	$ 426,829

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans from banks, 1.90% to 3.58% *	¥ 183,108	¥ 221,447	$ 2,233,024
Loans from other financial institutions, 1.90% to 2.92% *	39,739	49,761	484,622
Unsecured 1.50% to 1.58% yen straight bonds, due 2011		17,900	
Unsecured 1.22% to 1.63% (1.20% to 1.99% at March 31, 2011) yen straight bonds, due 2012	17,000	35,900	207,317
Unsecured 1.74% yen straight bonds, due 2013	9,300	10,000	113,414
Unsecured 1.99% yen straight bonds, due 2015	10,000	10,000	121,951
Unsecured 6.00% U.S. dollar straight bonds, due 2011		57,600	
Unsecured 3.50% medium-term notes, due 2015	15,000	15,000	182,927
Other (principally from securities companies), 1.90% to 2.675% (0.90% to 2.30% at March 31, 2011) *	51,298	32,232	625,585
Obligations under finance leases	124	190	1,512
Total	¥ 325,569	¥ 450,030	$ 3,970,354
Less current portion	(61,812)	(132,703)	(753,805)
Long-term debt, less current portion	¥ 263,757	¥ 317,327	$ 3,216,549

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

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

At March 31, 2012 and 2011, long-term debts subject to the financial assistance of ¥141,312 million ($1,723,317 thousand) and ¥177,657 million were included in "Loans from banks", ¥39,739 million ($484,622 thousand) and ¥49,761 million were included in "Loans from other financial institutions", and ¥51,298 million ($625,585 thousand) and ¥32,232 million were included in "Other" in the table above.

The final due date for "Loans from banks" other than those subject to financial assistance is 2015 (due 2014 at March 31, 2011).

Annual maturities of long-term debt, excluding finance leases (see Note 16) at March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 61,748	$ 753,024
2014	39,800	485,366
2015	22,646	276,171
2016	25,000	304,878
Total	¥ 149,194	$ 1,819,439

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

Long-term debt of ¥176,251 million ($2,149,402 thousand) whose repayment schedule is undetermined, such as obligations remaining after June 10, 2014, is not included in the table above.

At March 31, 2012, 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	¥ 276,426	$ 3,371,049
Installment accounts receivable	68,726	838,122
Other current assets	276	3,365
Land	8,577	104,597
Buildings and structures	5,589	68,159
Machinery and equipments	50	610
Total	¥ 359,644	$ 4,385,902
Related liabilities:		
Short-term borrowings	¥ 35,000	$ 426,829
Long-term debt (including current portion of long-term debt)	232,349	2,833,525
Total	¥ 267,349	$ 3,260,354

If requested by lending financial institutions, the Group has committed to pledge loans of ¥52,732 million ($643,073 thousand) as collateral in addition to those shown in the above table. At March 31, 2012, lending financial institutions can request the Group to pledge additional collateral for long-term debt (including current portion of long-term debt) of ¥41,819 million ($509,988 thousand). In this amount, ¥23 million ($280 thousand) of related liabilities shown in the above table is included.

9 RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have a defined contribution pension plan and a prepaid retirement benefits plan. Contributions to the defined contribution plan and payments to the prepaid retirement benefits plan are charged to income when made.

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Payments for prepaid retirement benefits plan	¥ 259	¥ 260	$ 3,158
Premiums for defined contribution pension plan	357	368	4,354
Other	1		12
Net periodic benefit costs	¥ 617	¥ 628	$ 7,524

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 a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

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

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the 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.

When the Company merged with LIFE Co., Ltd., a consolidated subsidiary, on July 1, 2011, the Company issued 2,248 thousand of new shares to the shareholders of LIFE Co., Ltd. excluding the Company.

An amount equivalent to the market value of common stock of the Company to be issued as of the date of the Merger was ¥258 million ($3,146 thousand), and other capital surplus was increased by the same amount (described in more detail in Note 20. III).

11 STOCK OPTION

The stock options outstanding as of March 31, 2012 and 2011 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option	31 Company's and Subsidiaries' directors 454 Company's and Subsidiaries' key employees	374,400 shares	June 24, 2005	¥8,420 ($102.68)	From July 1, 2007 to June 30, 2010
2010 Stock Option	2,206 Company's and Subsidiaries' key employees	2,192,650 shares	July 1, 2010	¥128 ($1.56)	From August 1, 2014 to July 31, 2016

The stock option activity is as follows:

	2005 Stock Option	2010 Stock Option
For the year ended March 31, 2011		
Non-vested		
April 1, 2010 - Outstanding		
Granted		2,192,650
Canceled		97,050
Vested		
March 31, 2011 - Outstanding		2,095,600
Vested		
April 1, 2010 - Outstanding	263,400	
Vested		
Exercised		
Canceled	263,400	
March 31, 2011 - Outstanding		
Exercise price	¥ 8,420	¥ 128
Fair value price at grant date		¥ 61

	2010 Stock Option
	(Shares)
For the year ended March 31, 2012	
Non-vested	
March 31, 2011 - Outstanding	2,095,600
Granted	
Canceled	151,000
Vested	
March 31, 2012 - Outstanding	1,944,600
Vested	
March 31, 2011 - Outstanding	
Vested	
Exercised	
Canceled	
March 31, 2012 - Outstanding	
Exercise price	¥ 128
	($1.56)
Fair value price at grant date	¥ 61
	($0.74)

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	Thousands of U.S. Dollars
Provision for business restructuring:		
Voluntary retirement cost and other	¥ 2,065	$ 25,183
Total	¥ 2,065	$ 25,183

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

13 LOSSES FROM A NATURAL DISASTER

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

	Millions of Yen
Losses from a natural disaster:	
Provision for doubtful accounts	¥ 6,544
Provision for losses from a natural disaster	51
Other	7
Total	¥ 6,602

14 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for doubtful accounts	¥ 39,580	¥ 47,338	$ 482,683
Allowance for losses on interest refunds	42,664	72,539	520,293
Charge-offs for doubtful accounts	11,565	16,863	141,037
Accrued interest on loans	3,257	4,537	39,720
Tax loss carryforwards	166,422	156,622	2,029,537
Interest refunds payable	3,650	4,563	44,512
Other	11,722	9,979	142,950
Total	278,860	312,441	3,400,732
Less valuation allowance	(278,860)	(312,441)	(3,400,732)
Total deferred tax assets	¥ Nil	¥ Nil	¥ Nil
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (12)	¥ (8)	$ (146)
Costs of removal related to asset retirement obligations	(112)	(121)	(1,366)
Total deferred tax liabilities	¥ (124)	¥ (129)	$ (1,512)
Net deferred tax assets	¥ (124)	¥ (129)	$ (1,512)

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

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2012 is as follows - one for the year ended March 31, 2011 has not been disclosed because of the Group's net loss position:

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

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 36% afterwards. The effect of this change on deferred taxes in the consolidated statement of operations for the year ended March 31, 2012 is immaterial.

At March 31, 2012, the Company and certain consolidated subsidiaries had tax loss carryforwards aggregating approximately ¥468,103 million ($5,708,574 thousand) which were available for offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows.

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 238	$ 2,902
2014		
2015	39,866	486,171
2016	59,408	724,488
2017	158,479	1,932,671
2018 and thereafter	210,112	2,562,342
Total	¥ 468,103	$ 5,708,574

15 LEASES

The Group leases furniture and fixtures.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2012 and 2011 were ¥3,122 million ($38,073 thousand) and ¥4,230 million, respectively.

Obligations under finance leases at March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 64	$ 780
Due after one year	60	732
Total	¥ 124	$ 1,512

16 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 17 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 17 for details regarding derivatives.

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

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

Market risk management (stock price volatility risk)

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

Market risk management (derivatives)

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

Quantitative information of market risk

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

(Interest rate risk)

The main financial instruments in the Group which are affected by interest rate risk, the typical risk parameter, are "Loans", "Installment accounts receivable", "Short-term borrowings" and "Long-term debt". Fair values under movements of the risk parameter of long-term debts, including those subject to the financial assistance based on consensual business revitalization alternative dispute resolution procedures which accounts for a large portion of long-term debt, cannot be reasonably estimated. Therefore, changes in fair value as of March 31, 2012 and 2011 affected by movements of the risk parameter assumed within a normal range and related information is not disclosed herein.

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

(4) Fair value of financial instruments
Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used. There are possibilities that fair value calculation results may differ when different assumptions are used. Also please see Note 17 for details of fair value for derivatives.

(a) Fair value of financial instruments

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

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 86,696	¥ 86,696	
Time deposits	5	5	
Loans	455,012		
Allowance for doubtful accounts and losses on interest refunds *1	(106,374)		
	348,638	413,320	¥ 64,862
Installment accounts receivable	78,950		
Unearned income *2	(374)		
Allowance for doubtful accounts *3	(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 *3	(38,643)		
	6,589	6,589	
Total	¥ 514,548	¥ 581,015	¥ 66,467
Short-term borrowings	¥ 35,000	¥ 35,000	
Long-term debt *4	93,096	77,954	¥ 15,412
Total	¥ 128,096	¥ 112,954	¥ 15,412

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,057,268	$ 1,057,268	
Time deposits	61	61	
Loans	5,548,927		
Allowance for doubtful accounts and losses on interest refunds *1	(1,297,244)		
	4,251,683	5,040,488	$ 788,805
Installment accounts receivable	962,805		
Unearned income *2	(4,561)		
Allowance for doubtful accounts *3	(75,646)		
	882,598	904,366	21,768
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	3,012	3,012	
Claims in bankruptcy	551,610		
Allowance for doubtful accounts *3	(471,256)		
	80,354	80,354	
Total	$ 6,274,976	$ 7,085,549	$ 810,573

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Short-term borrowings	$ 426,829	$ 426,829	
Long-term debt *4	1,135,317	950,659	$ 184,659
Total	$ 1,562,146	$ 1,377,488	$ 184,659

*1. Allowance for doubtful accounts which correspond to loans and allowance for losses on interest refunds which is expected to be preferentially set off against loans is deducted.
*2. Unearned income of installment accounts receivable, included in other current liabilities, is deducted.
*3. Allowance for doubtful accounts which correspond to installment accounts receivable or claims in bankruptcy is deducted.
*4. Long-term debt which is subject to the financial assistance based on the Business Revitalization Procedures is excluded. Obligations under finance leases are excluded.

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 139,971	¥ 139,971	
Time deposits	5	5	
Loans	594,527		
Allowance for doubtful accounts and losses on interest refunds *1	(158,249)		
	436,278	513,978	¥ 77,700
Installment accounts receivable	77,335		
Unearned income *2	(589)		
Allowance for doubtful accounts *3	(6,666)		
	70,080	71,165	1,085
Operational investment securities, investment securities and investments in unconsolidated subsidiaries	4,122	4,122	
Claims in bankruptcy	46,838		
Allowance for doubtful accounts *3	(32,177)		
	14,661	14,661	
Total	¥ 665,117	¥ 743,902	¥ 78,785
Short-term borrowings	¥ 42,580	¥ 42,580	
Long-term debt *4*5	190,190	145,778	¥ 44,412
Total	¥ 232,770	¥ 188,358	¥ 44,412

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

Cash and cash equivalents

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

Time deposits

The carrying values of time deposits approximate fair value because of their short maturities.

Loans

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

Installment accounts receivable

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

Operational investment securities, investment securities and investments in unconsolidated subsidiaries

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

Claims in bankruptcy

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

Short-term borrowings

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

Long-term debt

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

Derivatives

The fair values of derivatives are measured at prices indicated by the correspondent financial institution because all derivatives transactions are nonmarketable. The information regarding the fair value for derivatives is included in Note 17.

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

	Carrying Amount	
March 31, 2012	Millions of Yen	Thousands of U.S. Dollars
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: *1		
Unlisted stocks	¥ 2,333	$ 28,451
Investments in limited liability investment partnerships	828	10,098
Long-term debt *2	232,349	2,833,524

	Carrying Amount
March 31, 2011	Millions of Yen
Operational investment securities, investment securities and investments in unconsolidated subsidiaries: *1	
Unlisted stocks	¥ 2,675
Investments in limited liability investment partnerships	1,298
Long-term debt *2	259,651

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

*1. Unlisted stocks and investments in limited liability investment partnerships do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.

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

(5) Maturity analysis for financial assets with contractual maturities

	Millions of Yen		
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥ 86,696		
Time deposits	5		
Loans *1	193,351	¥ 236,971	¥ 24,690
Installment accounts receivable	75,254	3,696	
Total	¥ 355,306	¥ 240,667	¥ 24,690

	Thousands of U.S. Dollars		
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	$ 1,057,268		
Time deposits	61		
Loans *1	2,357,939	$ 2,889,890	$ 301,098
Installment accounts receivable	917,732	45,073	
Total	$ 4,333,000	$ 2,934,963	$ 301,098

*1. Loans of ¥45,232 million ($551,610 thousand) whose amount of redemption cannot be determined, such as claims in bankruptcy, are not included in the table above.

Please see Note 8 for annual maturities of short-term borrowings and long-term debt and Note 15 for obligations under finance leases, respectively.

17 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 Gain (Loss)
March 31, 2012				
Interest rate caps agreements	¥ 2,500	¥ Nil		¥ (3)
At March 31, 2011				
Interest rate caps agreements (Buying)	¥ 52,500	¥ 2,500		¥ (150)

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
March 31, 2012				
Interest rate caps agreements	¥ 30,488	$ Nil		$ (37)

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

Derivative transactions to which hedge accounting is applied

	Millions of Yen			
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	**Long-term debt**	**¥ Nil**		*
Currency swap contracts	**Long-term debt**	**Nil**		*
Total		**¥ Nil**		*

	Millions of Yen			
At March 31, 2011	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥ 11,520		*
Currency swap contracts	Long-term debt	57,600		*
Total		¥ 69,120		*

	Thousands of U.S. Dollars			
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	**Long-term debt**	**$ Nil**		*
Currency swap contracts	**Long-term debt**	**Nil**		*
Total		**$ Nil**		*

Note * The above interest rate swaps and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value information of such interest rate swaps and currency swaps in Note 16 is included in that of the hedged items (i.e. long-term debt).

18 COMPREHENSIVE INCOME

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

	Millions of Yen	Thousands of U.S. Dollars
Unrealized gain (loss) on available-for-sale securities:		
Gains arising during the year	¥ (140)	$ (1,707)
Reclassification adjustments to profit or loss	1,410	17,195
Amount before income tax effect	1,270	15,488
Income tax effect	(5)	(61)
Total	¥ 1,265	$ 15,427
Total other comprehensive income	¥ 1,265	$ 15,427

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

19 NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income (Loss)	Weighted Average Shares	EPS	
For the year ended March 31, 2012:				
Basic EPS Net income attributable to common shareholders	¥ 17,392	239,917	¥ 72.49	$ 0.88
For the year ended March 31, 2011:				
Basic EPS Net income attributable to common shareholders	¥ (31,936)	238,228	¥ (134.05)	

Diluted net loss per share for the years ended March 31, 2012 and 2011 was not disclosed because of the Company's net loss position or because no dilutive securities were outstanding.

20 BUSINESS COMBINATIONS

Transactions under common control for the year ended March 31, 2012

Spin-off and Merger

I. Objectives of the Spin-off and Merger

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

II. Spin-off

(1) Overview

❶ Profiles of the Companies Involved in the Spin-off

	Splitting Company	Successor Company
Trade Name	LIFE Co., Ltd. ("LIFE")	LIFECARD Co., Ltd. ("LIFECARD")
Principal business	Consumer credit business and Consumer finance business	Consumer credit business and Credit guarantee business

❷ Scheduled Effective Date of the Spin-off

July 1, 2011

❸ The Method of the Spin-off

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

❹ Trade Name after the Spin-off
LIFECARD Co., Ltd.

❺ Summary of Accounting Treatments
This spin-off is accounted for as a transaction under common control in accordance with accounting standards, "Accounting Standard for Business Combinations (ASBJ Statement No. 21 December 26, 2008)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 December 26, 2008)".

III. Merger

(1) Overview

❶ Profiles of the Merging Companies

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

❷ Scheduled Effective Date of the Merger
July 1, 2011

❸ The Method of the Merger
The absorption-type merger was undertaken with the Company as the surviving company and the four companies comprising LIFE, following its corporate spin-off, identified in II. above, City's, City Green and Marutoh, as the absorbed companies.

❹ Trade Name after the Merger
AIFUL Corporation

❺ Summary of Accounting Treatments
TThis corporate spin-off is accounted for as a transaction under common control in accordance with accounting standards, "Accounting Standard for Business Combinations (ASBJ Statement No. 21 December 26, 2008)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 December 26, 2008)".

(2) Details of acquisition costs

❶ Amount of Consideration
Market value of the common stock of the Company to be delivered as of the date of the Merger was ¥258 million ($3,146 thousand).

❷ Direct Expenses Incurred for the Acquisition
Advisory fees and other were ¥5 million ($61 thousand).

❸ Acquisition Costs
The sum of the above was ¥263 million ($3,207 thousand).

(3) Exchange ratio for different types of stock and the method of calculation, and number of shares to be delivered

❶ Exchange Ratio for Different Types of Stock

Company Name	AIFUL Corporation (The Absorption-Type Merger Surviving Company)	AIFUL Corporation (The Absorption-Type Merger Surviving Company)
Exchange ratio	1	39
Types of stock	Common stock	Common stock

❷ The Method of Calculation
The Company and LIFE asked each external independent financial advisor to calculate the share exchange ratio, and determined the final share exchange ratio after the discussion between the parties based on the reports submitted by them.

❸ Number of Shares to be Delivered
2,248,350 shares

(3) Details of gain on negative goodwill

➊ Amount of Gain on Negative Goodwill

¥1,115 million ($13,598 thousand)

➋ Cause of Occurrence

Difference between the amount equivalent to minority interests of LIFE and the market value of shares of the Company to be delivered

21 SEGMENT INFORMATION

For the years ended March 31, 2012 and 2011

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information, 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", "LIFE Co., Ltd." and "LIFECARD Co., Ltd.". AIFUL Corporation engages mainly in the loan business and the credit guarantee business. LIFE Co., Ltd. engages mainly in the loan business, the credit card business and the credit guarantee business. Effective July 1, 2011, the Group changed its operating segments from "AIFUL Corporation" and "LIFE Co., Ltd." to "AIFUL Corporation", "LIFE Co., Ltd." and "LIFECARD Co., Ltd." because AIFUL Corporation implemented subsidiary spin-off and merger. The segment information for the year ended March 31, 2011 is also disclosed using the new operating segments. LIFECARD Co., Ltd. engages mainly in the credit card business and the credit guarantee business.

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

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

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

	Millions of Yen							
	2012							
	Reportable Segment				Other (Note 1)	Total	Reconciliations	Consolidated
	AIFUL	LIFE	LIFECARD	Total				
Operating revenue:								
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) (Note 2)	13,407	766	2,207	16,380	1,836	18,216	(824)	17,392
Segment assets (Note 3)	533,713		181,829	715,542	63,248	778,790	(113,605)	665,185
Segment liabilities (Note 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 (reversal) for doubtful accounts	23,935	2,643	2,529	29,107	3,453	32,560	377	32,937
Provision for losses on interest refunds								
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
Losses from a natural disaster								
Loss on adjustment for application of accounting standard for asset retirement obligations								
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

(Notes)
1. "Other" items are business segments excluded from reportable segments and 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							
	2011							
	Reportable Segment				Other (Note 1)			
	AIFUL	LIFE	LIFECARD	Total		Total	Reconciliations	Consolidated
Operating revenue:								
Operating revenue from external customers	¥ 86,203	¥ 44,033		¥ 130,236	¥ 14,726	¥ 144,962		¥ 144,962
Intersegment operating revenue or transfers	20	76		96	127	223	¥ (223)	
Total	86,223	44,109		130,332	14,853	145,185	(223)	144,962
Segment profit (loss) (Note 2)	(70,169)	(31,148)	¥ (5)	(101,322)	(3,523)	(104,845)	72,909	(31,936)
Segment assets (Note 3)	578,153	281,340	192	859,685	73,769	933,454	(75,437)	858,017
Segment liabilities (Note 4)	513,318	248,736	97	762,151	68,176	830,327	(35,915)	794,412
Other:								
Provision for credit card point redemption		2,006		2,006		2,006		2,006
Reversal of allowance (provision) for investment losses	244			244	27	271		271
Provision (reversal) for doubtful accounts	48,539	13,106		61,645	7,245	68,890	(3,821)	65,069
Provision for losses on interest refunds		27,211		27,211		27,211		27,211
Provision for accrued bonuses	735	373		1,108	86	1,194		1,194
Depreciation and amortization	4,219	3,468		7,687	121	7,808		7,808
Interest on advances to subsidiaries and other	1,678	4		1,682	8	1,690	(1,680)	10
Dividends income	159	35		194	5	199		199
Amortization of negative goodwill							218	218
Interest on advances from parent company and other					268	268	(268)	
Gain on retirement of bonds	1,537			1,537		1,537		1,537
Gain on purchase of borrowings								
Loss on impairment of long-lived assets	211			211	1,032	1,243		1,243
Loss on sales of investment securities	54	10		64		64		64
Loss from and provision for business restructuring	173	132		305	56	361	28	389
Losses from a natural disaster	3,613	2,484		6,097	505	6,602		6,602
Loss on adjustment for application of accounting standard for asset retirement obligations	1,277			1,277	1	1,278		1,278
Income taxes:								
Current	43	16		59	19	78		78
Deferred	119	(200)		(81)	2	(79)		(79)
Increase in property, plant and equipment and intangible assets	2,437	1,960		4,397	28	4,425		4,425

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

	Thousands of U.S. Dollars							
	2012							
	Reportable Segment				Other (Note 1)			
	AIFUL	LIFE	LIFECARD	Total		Total	Reconciliations	Consolidated
Operating revenue:								
Operating revenue from external customers	$ 880,256	$ 122,914	$ 235,086	$1,238,256	$ 152,012	$ 1,390,268		$ 1,390,268
Intersegment operating revenue or transfers	134	110	3,573	3,817	244	4,061	$ (4,061)	
Total	880,390	123,024	238,659	1,242,073	152,256	1,394,329	(4,061)	1,390,268
Segment profit (loss) (Note 2)	163,500	9,341	26,915	199,756	22,390	222,146	(10,048)	212,098
Segment assets (Note 3)	6,508,695		2,217,427	8,726,122	771,317	9,497,439	(1,385,427)	8,112,012
Segment liabilities (Note 4)	5,536,000		1,158,000	6,694,000	615,695	7,309,695	(193,341)	7,116,354
Other:								
Provision for credit card point redemption			16,988	16,988		16,988	(12)	16,976
Reversal of allowance (provision) for investment losses	(6,341)			(6,341)	1,597	(4,744)	6,622	1,878
Provision (reversal) for doubtful accounts	291,890	32,232	30,841	354,963	42,110	397,073	4,598	401,671
Provision for losses on interest refunds								
Provision for accrued bonuses	7,220	2,232	60	9,512	622	10,134	12	10,146
Depreciation and amortization	44,732	9,817	29,378	83,927	244	84,171		84,171
Interest on advances to subsidiaries and other	7,463			7,463	37	7,500	(7,439)	61
Dividends income	1,195	110	134	1,439	134	1,573		1,573
Amortization of negative goodwill							2,658	2,658
Interest on advances from parent company and other					1,244	1,244	(1,244)	
Gain on retirement of bonds	9,939			9,939		9,939		9,939
Gain on purchase of borrowings	35,390			35,390		35,390		35,390
Gain on negative goodwill	13,598			13,598		13,598		13,598
Loss on impairment of long-lived assets	3,927			3,927		3,927		3,927
Loss on sales of investment securities	17,720			17,720		17,720		17,720
Loss from and provision for business restructuring	24,488	1,110	439	26,037	256	26,293		26,293
Losses from a natural disaster								
Loss on adjustment for application of accounting standard for asset retirement obligations								
Income taxes:								
Current	500	37	2,268	2,805	134	2,939		2,939
Deferred	(110)			(110)		(110)		(110)
Increase in property, plant and equipment and intangible assets	16,488	451	12,183	29,122	244	29,366		29,366

(Notes)
1. "Other" items are business segments excluded from reportable segments and 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		
	2012		
	Loan Business	Other	Total
Operating revenue from external customers	¥ 75,993	¥ 38,009	¥ 114,002

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

	Thousands of U.S. Dollars		
	2012		
	Loan Business	Other	Total
Operating revenue from external customers	$ 926,744	$ 463,524	$ 1,390,268

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, 2012 and 2011.

(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, 2012 and 2011.

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, 2012 and 2011.

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

	Millions of Yen					
	2012					
	AIFUL	LIFE	LIFECARD	Other	Elimination/ Corporate	Total
Amortization of goodwill (Note 1)	¥ 1,115	¥	¥	¥ 218	¥	¥ 1,333
Goodwill at March 31, 2012 (Note 2)				435		435

	Millions of Yen					
	2011					
	AIFUL	LIFE	LIFECARD	Other	Elimination/ Corporate	Total
Amortization of goodwill (Note 1)	¥	¥	¥	¥ 218	¥	¥218
Goodwill at March 31, 2012 (Note 2)				653		653

	Thousands of U.S. Dollars					
	2012					
	AIFUL	LIFE	LIFECARD	Other	Elimination/ Corporate	Total
Amortization of goodwill (Note 1)	$ 13,598	$	$	$ 2,658	$	$ 16,256
Goodwill at March 31, 2012 (Note 2)				5,305		5,305

(Notes)
1. One of AIFUL is amortization of negative goodwill that arise as a result of the merger of LIFE on July 1, 2011.
2. "Other" is negative goodwill of New Frontier Partners Co., Ltd.

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20, Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of AIFUL CORPORATION:

We have audited the accompanying consolidated balance sheet of AIFUL CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of operations, 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 conformity 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 conformity 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 consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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 conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 21, 2012

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

Member of
Deloitte Touche Tohmatsu Limited

Group Network

(As of July 1, 2012)

AIFUL CORPORATION

http://aiful.jp (Japanese only)

Business Classification

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

Investor Relations Website

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

Life Card Co., Ltd.

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

Business Classification

- Credit card shopping
- Credit guarantees

Voting Rights Held

100%

Businext Corporation

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

Business Classification

- Secured loans
- Small business loans

Voting Rights Held

60.0%

Companies	Business Classification	Voting Rights Held (%)
AsTry Loan Services Corporation	Debt collection (Servicer)	100.0
New Frontier Partners Co., Ltd.	Venture capital	100.0

Investor Information

(As of March 31, 2012)

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: 1,340 Consolidated: 1,898

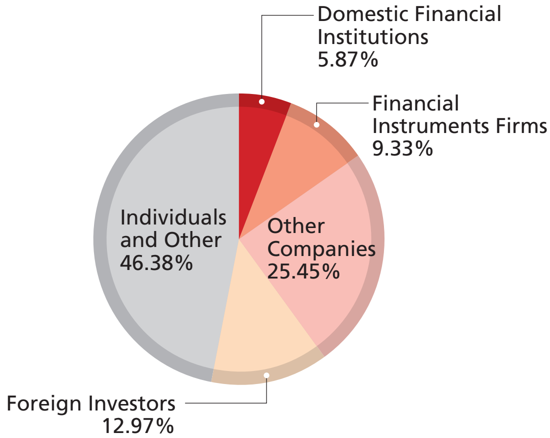
Principal Shareholders

	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
AMG Co., Ltd.	47,407	19.68
Mitsuhide Fukuda	31,072	12.90
Marutaka Co., Ltd.	12,271	5.09
Daiwa Securities Capital Markets Co., Ltd.	10,044	4.17
J.P. MORGAN CLEARING CORP-CLEARING	4,670	1.94

Corporate Officers (As of June 26, 2012)

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

Composition of Shareholders



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	26,849
Independent Auditors	Deloitte Touche Tohmatsu LLC
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited

Contact Address

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

AIFUL CORPORATION