

# First Half Business Results

For the fiscal year ending March 2009

AIFUL Corporation      Stock Listings: 1st Section of Tokyo and Osaka Stock Exchanges  
 Stock Code: 8515      URL <http://www.aiful.co.jp>  
 Representative:      Yoshitaka Fukuda, President and Chief Executive Officer  
 Inquiries:            Katsuyuki Komiya, General Manager, Public Relations Department  
                              TEL (03) 4503 - 6050

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## I. Consolidated Business Results for the First Half of Fiscal 2008 (April 1, 2008 – September 30, 2008)

### 1. Consolidated Operating Results

Note: Amounts in financial statements and the supplementary data are rounded down.

(In millions of yen, except where noted; percentage figures show year-on-year change.)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
First half, FY2008	165,685	–	7,962	–	9,054	–	7,171	–
First half, FY2007	216,502	(17.5)%	21,068	(24.1)%	21,504	(23.5)%	21,475	–

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
First half, FY2008	42.94	35.39
First half, FY2007	151.68	–

### 2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
End of first half, FY2008	1,862,330	329,118	17.4	1,936.07
End of FY2007	2,041,128	324,520	15.6	1,909.46

Reference: Shareholders' equity for: End of first half, FY2008: 323,360 million yen  
 End of FY2007: 318,915 million yen

## II. Dividend Information

(Record date)	Dividend per share (Yen)				
	End of First quarter	End of First half	End of Third quarter	Year-end	Annual
FY2007	–	20.00	–	20.00	40.00
FY2008	–	10.00			20.00
FY2008 (Forecast)			–	10.00	

Note: Revisions to quarterly dividend forecasts: None

### III. Consolidated Results Forecasts for Fiscal 2008 (April 1, 2008 – March 31, 2009):

(In millions of yen, except where noted; Percentage figures show year-on-year change.)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Full year	311,140 (23.3)%	11,383 (64.1)%	12,000 (62.6)%	8,599 (68.7)%	51.49

Note: Revisions to consolidated earnings forecasts: None

### IV. Other

- (1) Transfers of leading subsidiaries during the fiscal period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Application of simplified accounting procedures and specific accounting procedures in preparing consolidated financial statements: None
- (3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements (Recorded under Changes to Significant Matters Forming the Basis for the Preparation of Quarterly Consolidated Financial Statements)
  - (a) Changes accompanying amendments to accounting standards: Yes
  - (b) Changes other than those in (a): None
- (4) Number of shares issued and outstanding (Ordinary shares)
  - (a) Number of shares issued and outstanding at end of fiscal period (including treasury stock)
    - End of first half, FY2008: 167,475,000 shares
    - End of FY2007: 167,475,000 shares
  - (b) Number of shares of treasury stock issued and outstanding at end of fiscal period
    - End of first half, FY2008: 455,907 shares
    - End of FY2007: 455,717 shares
  - (c) Average number of shares during fiscal period: (year-to-date)
    - First half, FY2008: 167,019,196 shares
    - First half, FY2007: 141,584,803 shares

## Qualitative Information, Financial Statements and Other Information

### 1. Qualitative Information Regarding Consolidated Operating Results

In the period under review, the slowdown in the Japanese economy took hold more strongly with heightened uncertainty over the economic outlook as a result of the disruption to international financial and capital markets originating in the US sub-prime loan problem in addition to the continued downturn in personal consumption due to such factors as an increase in prices caused by the hike in the prices of raw materials and food. Moreover, the business environment for the AIFUL Group remained difficult, with moves toward industry reorganization heating up due to the impact of Japan's revised Money Lending Business Control Law and demand for interest repayments.

In this environment, the AIFUL Group continued to reform its cost structure and strived to clarify management responsibility by discontinuing its system of retirement benefits for directors in June 2008 and adopting in its place a director compensation system that reflects factors such as earnings and results in each term in office. The Group also took steps to reinforce its internal management structure and worked to solidify its management foundation by establishing internal regulations, systems, employee training and organizational structures with the aim of boosting the compliance framework.

In the loan business, in addition to lowering its minimum lending rate from the previous 12.775% to 6.8% beginning in June 2008, making this the lowest rate in the industry in Japan, the AIFUL Group initiated active advertising and publicity activities that included a campaign offering preferential interest rates for Internet applications via personal computer for a limited period running for three months from August to October, as well as making innovations to transport and newspaper advertising and conducting a campaign giving out premium-quality black tissues. As a result, the number of new unsecured loan agreements rose year-on-year from July. Apart from this, the Group has been making efforts to strengthen its business base to cater to a wider range of customer needs than in the past by commencing sales of new products that include the mortgage-backed loan launched in August as a product to assist sole proprietors and small and medium sized businesses.

In the credit card business, the Group has made efforts to increase convenience for customers by introducing a new "Ato kara bunkatsu" (determine installment payments later) service to meet the needs of customers in addition to commencing the issue of new co-branded credit cards with rental car companies. As a result, the number of credit card holders stood at 15.01 million, up 196,000 compared with the end of the previous fiscal year, and transaction volume amounted to 384,076 million yen, up 21.4% year-on-year.

In the per-item credit business, transaction volume fell 18.7% year-on-year to 5,409 million yen as the Group continued to conduct this business under more rigorous screening criteria.

In the credit guarantee business, AIFUL Corporation initiated new affiliations with 7 companies, and LIFE Co., Ltd., formed affiliations with 5 companies. As a result, the Group has product-specific guarantee affiliations with 180 unsecured personal loan companies and 90 unsecured business loan companies. In addition, the Group initiated a credit guarantee business affiliation in October that uses Chambers of Commerce and Industry throughout Miyazaki Prefecture as points of application in order to support small and medium sized businesses within the prefecture and make a contribution to the development and revitalization of the regional economy.

As a result of these measures, at the end of the first half the AIFUL Group had 1,550,815 million yen in loans outstanding, down 6.9% compared to the end of the previous fiscal year, 180,244 million yen in installment receivables, down 5.4%, 125,626 million yen in customers' liabilities for acceptances and guarantees, down 3.2% (these amounts include 90,537 million yen removed from the balance sheet due to securitization, consisting of 54,843 million yen in loans outstanding and 35,693 million yen in installment receivables).

Accordingly, the Group's consolidated operating revenue at the end of the first half stood at 165,685 million yen, down 23.5% year-on-year, operating income was 7,962 million yen, down 62.2%, ordinary income amounted to 9,054 million yen, down 57.9%, and net income was 7,171 million yen, down 66.6%. This was the result of conservative provision for the reserve for losses on interest repayments despite the decline in expenses related to bad debts and a fall in operating expenses due to the effect of cost reductions.

On a non-consolidated basis, operating revenue was 94,122 million yen, down 24.8% year-on-year, operating income amounted to 1,579 million yen, down 84.7%, ordinary income was 4,739 million yen, down 64.0%, and net income for the quarter totaled 7,609 million yen, down 58.7%. Comparisons with the same period last year are included for reference.

The AIFUL Group believes that the practice of corporate social responsibility (CSR) is the embodiment of its management philosophy, which is "Earn the support of the public with sincerity and hard work." As a result of the Group's efforts to strengthen its corporate governance structure and promote social contribution activities, it was selected for inclusion in the FTSE 4 Good Index, one of the world's leading socially responsible investment (SRI) indices, in September. In the future, AIFUL will continue to take a proactive approach to CSR, strengthen its compliance system and reform its cost structure,

and vigorously pursue its business activities to earn the trust of all of its stakeholders and realize its management philosophy.

## 2. Qualitative Information Regarding Consolidated Financial Position

Total assets on a consolidated basis declined 178,797 million yen, or 8.8%, compared to the end of the previous fiscal year to 1,862,330 million yen at the end of the first half. This was primarily due to a 70,315 million yen reduction in cash and cash equivalents and a 102,734 million yen decline in loans outstanding. Total liabilities fell 183,395 million yen, or 10.7%, compared to the end of the previous fiscal year to 1,533,212 million yen. This can be attributed to a 182,170 million yen decline in interest-bearing debt. Net assets rose 4,597 million yen, or 1.4%, compared to the end of the previous fiscal year to 329,118 million yen as a result of 7,171 million yen in net income for the quarter despite a 3,340 million yen decrease from the distribution of retained earnings.

### Cash Flows

Cash and cash equivalents (“funds”) fell 100,280 million yen, or 39.0%, compared to the end of the previous fiscal year to 157,029 million yen. Net cash provided by operating activities increased 85,514 million yen as the increase in funds resulting from a decline in loans outstanding exceeded the decline in funds resulting from the decrease in allowance for bad debts. Net cash provided by investing activities decreased 428 million yen as the decrease in funds due to the acquisition of fixed assets exceeded the increase in funds due to the repayment of fixed term deposits. Net cash provided by financing activities decreased 185,405 million yen due to debt repayments and the redemption of bonds.

## 3. Qualitative Information on Consolidated Earnings Forecasts

As published in “AIFUL Announces Revisions to Earnings Forecasts and Interim and Forecast Dividends” dated November 6, 2008, earnings forecasts for the year ending March 31, 2009 anticipate operating income of 11,383 million yen, down 64.1%, ordinary income of 12,000 million yen, down 62.6% year-on-year, and net income of 8,599 million yen, down 68.7%, even though operating revenue is in line with initial projections because of conservative provision for the reserve for losses on interest repayments and 41,321 million yen recorded in expenses related to interest repayments.

## 4. Other

- (1) Transfers of leading subsidiaries during the fiscal period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation):

None

- (2) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly financial statements

### Changes in accounting principles

1. Effective from the period under review, the Company has adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and the Guidance on Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial report is prepared in accordance with the Regulation for Quarterly Consolidated Financial Statements.

2. Non-ownership transfer (*shoyuken iten gai*) finance lease transactions have hitherto been accounted for in accordance with the method for lease transactions. However, the Accounting Standards for Lease Transactions Accounting Standard No. 13 (June 17, 1993, Accounting Standards Committee, Sub-committee No.1) Revised March 30, 2007) and the Implementation Guidance on the Accounting Standards for Lease Transactions (Accounting Standard Implementation Guidance No. 16 (January 18, 1994 (Japan Institute of Certified Public Accountants, Accounting System Committee) Revised March 30, 2007) are applicable to quarterly consolidated financial statements relating to consolidated fiscal years starting on or after April 1, 2008. Accordingly, the Company has adopted these accounting standards from the first consolidated quarter of the fiscal year under review, treating these leases in accordance with the accounting treatment relating to ordinary sale and purchase transaction. In addition, with regard to the method of depreciation of lease assets related to non-ownership transfer finance lease transactions, the Company employs the straight-line method over the residual period using the period of the lease as the service life.

The Company will continue to account for non-ownership transfer finance lease transactions for which the date of commencement of the lease transaction falls prior to the commencement of the applicable fiscal year in accordance with the method used for ordinary lease transactions. This will have no major impact on the company’s earnings.

## V. Consolidated Financial Statements for the First Half of Fiscal 2008

### 1. Consolidated Balance Sheets for the First Half of Fiscal 2008

	End of first half (As of September 30, 2008)	(In millions of yen) Condensed consolidated balance sheets for previous fiscal year (As of March 31, 2008)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	158,107	228,422
Loans	1,495,971	1,598,705
Installment receivables	144,550	148,490
Operational investment securities	1,043	1,174
Customers' liabilities for acceptances and guarantees	125,626	129,712
Marketable securities	–	2,000
Purchased claims	12,550	12,847
Other current assets	63,639	105,232
Allowance for bad debts	(244,878)	(297,383)
Total current assets	1,756,611	1,929,201
Fixed assets		
Tangible fixed assets	40,889	42,413
Intangible fixed assets	22,624	25,400
Investment and other fixed assets	41,876	43,718
Total fixed assets	105,390	111,532
Deferred assets	329	393
Total assets	1,862,330	2,041,128
<b>Liabilities</b>		
Current liabilities		
Notes & accounts payable - trade	25,380	24,892
Acceptances and guarantees	125,626	129,712
Short-term debts	105,310	158,930
Commercial paper	16,000	5,000
Current portion of bonds	46,400	55,000
Current portion of long-term debts	278,953	303,818
Income taxes payable	1,255	2,204
Reserves	4,571	3,851
Other current liabilities	49,123	48,420
Total current liabilities	652,622	731,830
Long-term liabilities		
Bonds	349,100	369,100
Bonds with warrants	70,000	70,000
Long term debts	306,154	392,240
Reserve for losses on interest repayments	147,573	143,750
Allowance for retirement benefits for directors	–	1,063
Other long-term liabilities	7,761	8,623
Total long-term liabilities	880,590	984,777
Total liabilities	1,533,212	1,716,607
<b>Net Assets</b>		
Shareholders' equity		
Common stock	108,324	108,324
Capital surplus	129,133	129,133
Retained earnings	90,650	86,819
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	324,998	321,167
Evaluation and foreign currency translation adjustments		
Differences in evaluation of other marketable securities	1,308	2,080
Gain (loss) on deferred hedge	(2,946)	(4,332)
Total evaluation and foreign currency translation adjustments	(1,637)	(2,251)
Minority interests	5,757	5,604
Total net assets	329,118	324,520
Total net assets and liabilities	1,862,330	2,041,128

## 2. Consolidated Statements of Income for the First Half of Fiscal 2008

(In millions of yen)

	First half (Apr. 1 to September 30, 2008)
Operating revenue	
Interest on loans to customers	141,375
Credit card revenue	8,112
Per-item credit revenue	2,219
Credit guarantee revenue	4,087
Financial revenue - other	371
Operating revenue - other	9,519
Total operating revenue	<u>165,685</u>
Operating expenses	
Financial expenses	14,010
Cost of sales	1,921
Operating expenses - other	141,791
Total operating expenses	<u>157,723</u>
Operating income	<u>7,962</u>
Non-operating income	
Dividends received	645
Interest on refund of corporate taxes and other taxes	377
Non-operating income - other	193
Total non-operating income	<u>1,217</u>
Non-operating expenses	
Loss on investment association fund management	96
Non-operating expenses - other	28
Total non-operating expenses	<u>125</u>
Ordinary income	<u>9,054</u>
Extraordinary income	
Gain on bond redemption	109
Total extraordinary income	<u>109</u>
Extraordinary losses	
Losses on disposal of fixed assets	558
Transfer to allowance for business reorganization	867
Other	475
Total extraordinary losses	<u>1,902</u>
Net income before taxes	<u>7,261</u>
Corporate tax, local and enterprise taxes	550
Refunds on corporate and other taxes	(7,119)
Adjustment on corporate tax, etc.	6,503
Total corporate and other taxes	<u>(65)</u>
Gain on minority interests	156
Net income	<u>7,171</u>

Consolidated Statements of Income for the Second Quarter of Fiscal 2008

(In millions of yen)

	Second quarter (July 1 to September 30, 2008)
<b>Operating revenue</b>	
Interest on loans to customers	68,823
Credit card revenue	4,268
Per-item credit revenue	1,006
Credit guarantee revenue	2,028
Financial revenue - other	186
Operating revenue - other	4,345
<b>Total operating revenue</b>	<b>80,657</b>
<b>Operating expenses</b>	
Financial expenses	6,769
Cost of sales	810
Operating expenses - other	78,438
<b>Total operating expenses</b>	<b>86,018</b>
<b>Operating loss</b>	<b>(5,360)</b>
<b>Non-operating income</b>	
Interest on refund of corporate taxes and other taxes	49
Non-operating income - other	143
<b>Total non-operating income</b>	<b>192</b>
<b>Non-operating expenses</b>	
Loss on Investment Association fund management	96
Non-operating expenses - other	14
<b>Total non-operating expenses</b>	<b>110</b>
<b>Ordinary loss</b>	<b>(5,278)</b>
<b>Extraordinary income</b>	
Gain on bond redemption	109
<b>Total extraordinary income</b>	<b>109</b>
<b>Extraordinary losses</b>	
Losses on disposal of fixed assets	545
Transfer to allowance for business reorganization	867
Other	161
<b>Total extraordinary losses</b>	<b>1,575</b>
<b>Net loss before taxes</b>	<b>(6,745)</b>
Corporate tax, local and enterprise taxes	395
Refunds on corporate and other taxes	(2,272)
Adjustment on corporate tax, etc.	6,109
<b>Total corporate and other taxes</b>	<b>4,232</b>
Gain on minority interests	133
<b>Net loss</b>	<b>(11,111)</b>

### 3. Consolidated Statements of Cash Flows for the First Half of Fiscal 2008

(In millions of yen)

	First half (Apr. 1 to September 30, 2008)
<b>Cash flow from operating activities</b>	
Net income before taxes	7,261
Depreciation expenses	5,652
Goodwill write-offs	427
Increase (decrease) in allowance for bad debts	(57,734)
Increase (decrease) in reserve for losses on interest repayments	3,823
Interest on loans and cash dividends	(658)
Losses on disposal of fixed assets	558
Decrease (increase) in loans to customers	102,734
Decrease (increase) in installment receivables	3,939
Decrease (increase) in operational investment securities	134
Decrease (increase) in operating receivables	(115)
Decrease (increase) in claims in bankruptcy	4,747
Decrease (increase) in other current assets	6,377
Increase (decrease) in other current liabilities	2,298
Increase (decrease) due to other operating activities	802
Subtotal	<u>80,249</u>
Interest on loans and cash dividends	658
Payments for corporate and other taxes	(1,656)
Refunds on corporate and other taxes	6,262
Cash flow from operating activities	<u>85,514</u>
<b>Cash flow from investing activities</b>	
Funds used for fixed term deposits	(1,000)
Income from repayment of fixed term deposits	3,010
Funds used for purchase of tangible fixed assets	(500)
Funds used for purchase of intangible fixed assets	(2,049)
Funds used for purchase of investment securities	(359)
Funds provided by sales of investment securities	135
Funds used for long-term loan receivables	(205)
Increase (decrease) due to other investment activities	540
Cash flow from investing activities	<u>(428)</u>
<b>Cash flow from financing activities</b>	
Proceeds from short-term debts	247,260
Repayment of short-term debts	(300,880)
Increase (decrease) in commercial paper	11,000
Proceeds from long-term debts	56,282
Repayments of long-term debts	(167,232)
Redemption of bonds	(28,493)
Payment for acquisition of treasury stock	(0)
Cash dividends paid	(3,340)
Cash flow from financing activities	<u>(185,405)</u>
Effect of exchange rate changes on cash and cash equivalents	39
Increase (decrease) in cash and cash equivalents	<u>(100,280)</u>
Balance of cash and cash equivalents at the beginning of period	257,310
Balance of cash and cash equivalents at the end of period	<u>150,029</u>

Effective from the fiscal period under review, the Company has adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and the Guidance on Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial report is prepared in accordance with the Regulation for Quarterly Consolidated Financial Statements.



4. Notes on premise of going concern  
None
5. Notes in event of significant changes in shareholders' equity  
None
6. Results of Operations (Consolidated)

#### Operating Revenue

(In millions of yen, %)

Item	Period		First half		Reference: FY2007	
	First half, FY2007 (Apr. 1 to Sept. 30, 2007)		First half (Apr. 1 to Sept. 30, 2008)		(Apr. 1, 2007 to Mar. 31, 2008)	
	Amount	%	Amount	%	Amount	%
Interest on loans to customers	191,345	88.4	141,375	85.3	356,435	87.9
Unsecured loans	161,883	74.8	118,227	71.4	300,886	74.2
Secured loans	17,142	7.9	13,216	7.9	31,958	7.9
Small business loans	12,319	5.7	9,931	6.0	23,590	5.8
Credit card revenue	7,111	3.3	8,112	4.9	14,948	3.7
Per-item credit revenue	3,934	1.8	2,219	1.3	6,912	1.7
Credit guarantee revenue	4,348	2.0	4,087	2.5	8,547	2.1
Other financial revenue	237	0.1	371	0.2	561	0.1
Other operating revenue	9,523	4.4	9,519	5.8	18,378	4.5
Collection of purchased claims	3,398	1.6	2,543	1.6	6,633	1.6
Revenue from operational investment securities	415	0.2	65	0.0	515	0.1
Other	5,709	2.6	6,911	4.2	11,229	2.8
<b>Total</b>	<b>216,502</b>	<b>100.0</b>	<b>165,685</b>	<b>100.0</b>	<b>405,784</b>	<b>100.0</b>

Note: "Other" included in other operating revenue includes bad debt write-off recovery and card membership fees.

#### Other Operating Indicators

Item	Period		End of first half		Reference:	
	End of first half, FY2007 (As of Sept. 30, 2007)		End of first half (As of Sept. 30, 2008)		End of FY2007 (As of Mar. 31, 2008)	
Total amount of loans outstanding (millions of yen)	1,810,833		1,550,815		1,665,682	
Unsecured loans	1,397,591		1,190,623		1,278,001	
Secured loans	265,597		230,826		246,519	
Small business loans	147,644		129,365		141,161	
Number of customer accounts	3,291,426		2,866,622		3,067,440	
Unsecured loans	3,122,806		2,722,658		2,911,227	
Secured loans	80,449		67,275		73,039	
Small business loans	88,171		76,689		83,174	
Number of branches	1,224		1,129		1,205	
Staffed branches	232		224		223	
Unstaffed branches	992		905		982	
Number of automatic loan-contracting machines	1,100		1,019		1,096	
Number of loan application processing machines	39		37		38	
Number of ATMs	169,671		152,409		151,392	
Company-owned	1,231		1,089		1,174	
Partner-owned	168,440		151,320		150,218	
Number of employees	5,306		5,146		5,138	

Notes: Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy. Furthermore, off-balance sheet operating loans from the securitization of receivables (82,373 million yen at the end of the first half of the previous fiscal year, 54,843 million yen at the end of the first half, and 66,976 million yen at the end of the previous fiscal year) have been included.

Reference: Consolidated First Half Statements of Income, Fiscal 2007  
(In millions of yen, except where noted)

Category	First half (Apr. 1, 2007 to Sep. 30, 2007)	
	Amount	%
I. Operating revenue		
1. Interest on loans to customers	191,345	88.4
2. Credit card revenue	7,111	3.3
3. Per-item credit revenue	3,934	1.8
4. Credit guarantee revenue	4,348	2.0
5. Financial revenue - other	237	0.1
6. Operating revenue - other		
Revenue from operational investment securities	415	
Collection of purchased claims	3,398	
Collection of bad debts	2,374	
Other	3,334	4.4
Total operating revenue	216,502	100.0
II Operating expenses		
1. Financial expenses	16,985	7.8
2. Cost of sales		
Cost of sales of operational investment securities	125	
Cost of purchased claims	2,601	1.3
3. Operating expenses - other	175,720	81.2
Total operating expenses	195,433	90.3
Operating income	21,068	9.7
III. Non-operating income		
1. Dividends received	315	
2. Other	218	0.2
IV Non-operating expenses		
1. Loss on investment in anonymous association	40	
2. Other	57	0.0
Ordinary income	21,504	9.9
V. Extraordinary income		
1. Gain on sale of fixed assets	870	
2. Other	94	0.5
VI Extraordinary losses		
1. Loss on disposal of fixed assets	486	
2. Other	214	0.3
Net income before taxes	21,769	10.1
Corporate tax, local and enterprise taxes	1,191	
Prior-year corporate tax, local and enterprise taxes	3,451	
Adjustment on corporate tax, etc.	(4,512)	0.1
Gain on minority interests	163	0.1
Net income	21,475	9.9

## Consolidated First Half Statements of Cash Flows

(In millions of yen)

	First half (Apr. 1, 2007 to Sep. 30, 2007)
Category	Amount
I. Cash flow from operating activities	
Net income before taxes	21,769
Depreciation expenses	5,744
Goodwill write-offs	427
Increase (decrease) in allowance for bad debts	(58,116)
Increase (decrease) in reserve for losses on interest repayments	406
Non-operating interest on loans and cash dividends	(326)
Loss (gain) on disposal of fixed assets	486
Decrease (increase) in loans to customers	184,229
Decrease (increase) in installment receivables	20,390
Decrease (increase) in operational investment securities	452
Decrease (increase) in other operating receivables	(49)
Decrease (increase) in purchased claims	974
Decrease (increase) in claims in bankruptcy	(1,963)
Decrease (increase) in other current assets	6,525
Increase (decrease) in other current liabilities	(16,244)
Other	(36)
Subtotal	164,671
Non-operating interest on loans and cash dividends	326
Payments for corporate and other taxes	(11,171)
Cash flow from operating activities	153,825
II. Cash flow from investing activities	
Funds used for purchase of tangible fixed assets	(2,578)
Funds provided by sale of tangible fixed assets	379
Funds used for purchase of intangible fixed assets	(4,457)
Funds used for purchase of investment securities	(953)
Funds provided by sales of investment securities	392
Decrease (increase) in short-term loans	29,984
Other	(15)
Cash flow from investing activities	22,751
III. Cash flow from financing activities	
Increase in short-term debts	261,780
Repayment of short-term debts	(266,380)
Proceeds from long-term debts	58,500
Repayments of long-term debts	(192,283)
Redemption of bonds	(43,000)
Payment for acquisition of treasury stock	(142)
Cash dividends paid	(4,248)
Cash flow from financing activities	(185,773)
IV. Effect of exchange rate changes on cash and cash equivalents	24
V. Increase (decrease) in cash and cash equivalents	(9,171)
VI. Balance of cash and cash equivalents at the beginning of the year	127,089
VII. Balance of cash and cash equivalents at the end of the first half	117,917

## Reference

**Non-Consolidated Financial Statements for the First Half of Fiscal 2008**

## 1. Non-Consolidated Balance Sheets for the First Half of Fiscal 2008

	End of first half (As of September 30, 2008)	(In millions of yen) Condensed non-consolidated balance sheets for previous fiscal year (As of March 31, 2008)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	104,800	171,563
Loans	980,933	1,058,879
Customers' liabilities for acceptances and guarantees	56,745	56,224
Marketable securities	—	2,000
Other current assets	25,075	65,331
Allowance for bad debts	(157,028)	(201,897)
Total current assets	1,010,526	1,152,101
Fixed assets		
Tangible fixed assets	25,766	26,963
Intangible fixed assets	11,922	13,633
Investment and other fixed assets	344,704	342,864
Total fixed assets	382,392	383,462
Deferred assets	329	393
Total assets	1,393,248	1,535,957
<b>Liabilities</b>		
Current liabilities		
Acceptances and guarantees	56,745	56,224
Short-term debts	38,000	90,000
Current portion of bonds	36,400	45,000
Current portion of long-term debts	186,612	195,207
Income taxes payable	210	236
Reserves	2,280	2,069
Other current liabilities	7,892	9,999
Total current liabilities	328,141	398,736
Long-term liabilities		
Bonds	349,100	369,100
Bonds with warrants	70,000	70,000
Long term debts	208,104	268,984
Reserve for losses on interest repayments	105,191	99,467
Allowance for retirement benefits for directors	—	969
Other long-term liabilities	5,759	6,684
Total long-term liabilities	738,155	815,205
Total liabilities	1,066,296	1,213,942
<b>Net Assets</b>		
Shareholders' equity		
Common stock	108,324	108,324
Capital surplus	115,232	115,232
Retained earnings	108,065	103,796
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	328,511	324,243
Evaluation and foreign currency translation adjustments		
Differences in evaluation of other marketable securities	1,386	2,104
Gain (loss) on deferred hedge	(2,946)	(4,332)
Total evaluation and foreign currency translation adjustments	(1,560)	(2,227)
Total net assets	326,951	322,015
Total net assets and liabilities	1,393,248	1,535,957

Note: These balance sheets were prepared in accordance with the Regulation for Quarterly Financial Statements but are not reviewed as part of legally mandated disclosure.

## 2. Non-Consolidated Statements of Income for the First Half of Fiscal 2008

(In millions of yen)

	First half (Apr. 1 to September 30, 2008)
Operating revenue	
Interest on loans to customers	89,302
Financial revenue - other	290
Operating revenue - other	4,529
Total operating revenue	94,122
Operating expenses	
Financial expenses	10,155
Operating expenses - other	82,387
Total operating expenses	92,542
Operating income	1,579
Non-operating income	
Interest on loans	1,971
Non-operating income - other	1,303
Total non-operating income	3,275
Non-operating expenses	
Loss on investment association fund management	96
Non-operating expenses - other	18
Total non-operating expenses	115
Ordinary income	4,739
Extraordinary income	
Allowance for bad debts from previous year	2,100
Gain on bond redemption	109
Total extraordinary income	2,209
Extraordinary losses	
Losses on disposal of fixed assets	496
Non-recurrent losses	202
Transfer to allowance for business reorganization	194
Other	69
Total extraordinary losses	963
Net income before taxes	5,985
Corporate tax, local and enterprise taxes	49
Refunds on corporate and other taxes	(7,111)
Income tax adjustments	5,437
Total corporate and other taxes	(1,623)
Net income	7,609

Note: These statements of income were prepared in accordance with the Regulation for Quarterly Financial Statements but are not reviewed as part of legally mandated disclosure.

## Non-Consolidated Statements of Income for the Second Quarter of Fiscal 2008

(In millions of yen)

	Current quarter (July 1 to September 30, 2008)
Operating revenue	
Interest on loans to customers	43,509
Financial revenue - other	134
Operating revenue - other	2,259
Total operating revenue	45,902
Operating expenses	
Financial expenses	4,858
Operating expenses - other	48,694
Total operating expenses	53,553
Operating loss	(7,650)
Non-operating income	
Interest on loans	956
Non-operating income - other	256
Total non-operating income	1,211
Non-operating expenses	
Loss on Investment Association fund management	96
Non-operating expenses - other	8
Total non-operating expenses	105
Ordinary loss	(6,545)
Extraordinary income	
Gain on bond redemption	109
Total extraordinary income	109
Extraordinary losses	
Loss on disposal of fixed assets	484
Transfer to allowance for business reorganization	194
Other	129
Total extraordinary losses	807
Net loss before taxes	(7,243)
Corporate tax, local and enterprise taxes	24
Refunds on corporate and other taxes	(2,267)
Income tax adjustments	5,437
Total corporate and other taxes	3,194
Net loss	(10,438)

Note: These quarterly statements of income were prepared in accordance with the Regulation for Quarterly Financial Statements but are not reviewed as part of legally mandated disclosure.