Summary of Interim Financial Results for the Term ended January 31, 2006

March 23, 2006

[1] Review of Interim Financial Results: Successfully overcame the impact of last December's business suspension.

	Consolidated Revenue	Consolidated Recurring Profit	Consolidated Net Income	Non-consolidated Revenue	Non-consolidated Recurring Profit	Non-consolidated Net Income
January 2006	¥48.6 bn	¥12.9 bn	¥6.9 bn	¥33.4 bn	¥11.1 bn	¥6.2 bn
January 2005	41.5 bn	9.7 bn	5.2 bn	30.0 bn	8.8 bn	4.9 bn
(YoY changes)	+7.1bn/＋17.1%	＋3.2 bn/＋33.0%	＋1.7bn/＋32.7%	+3.4 bn /＋11.3%	＋2.3 bn/＋26.1%	＋1.3 bn/＋26.5%

[2] Full Year Forecast: Will achieve financial results projected at the beginning of term irrespective of the impact of business suspension.

	Consolidated Revenue	Consolidated Recurring Profit	Consolidated Net Income	Non-consolidated Revenue	Non-consolidated Recurring Profit	Non-consolidated Net Income
FY2006 Forecast as of start of term	¥95.0 bn	¥24.5 bn	¥13.5 bn	¥67.0 bn	¥22.0 bn	¥12.2 bn
FY2005 Results	86.0 bn	20.3 bn	12.6 bn	60.8 bn	18.1 bn	10.1 bn
(YoY changes)	＋9.0 bn/＋10.5%	＋4.2 bn/＋20.7%	＋0.9 bn/＋7.1%	＋6.2 bn/＋10.2%	＋3.9 bn/＋21.5%	＋2.1 bn/＋20.8%

[3] Outlook on Year-end Balance by Product

Products	Previous Fiscal Year-end Balance	Interim Term-end Balance	Changes since Previous Fiscal Year-end	Forecasted Current Fiscal Year-end Balance	Projected YoY Changes	Outlook for Current Fiscal Year
Shohkoh Loans	¥290.4 bn	¥315.3 bn	＋¥24.9 bn/＋8.6%	¥325.0 bn	＋34.6 bn/＋11.9%	Showing steady growth.
Real Estate Loans	63.9 bn	76.9 bn	＋13.0 bn/＋20.3%	65.0 bn	＋1.1 bn/＋1.7%	Already achieved forecasted fiscal year-end balance as of end of first half year.
Bill Discounting	29.6 bn	28.4 bn	－1.2 bn/－4.1%	30.0 bn	＋0.4 bn/＋1.4%	Basically unchanged.
Total	384.0 bn	420.6 bn	＋36.6 bn/＋9.5%	420.0 bn	＋36.1 bn/＋9.4%	－

[4] Five Key Initiatives for the Fiscal Year 2006

1. Expansion of Sales Staff and Branches

(1) **Target number of sales staff for fiscal year-end set at 1,800 (including telephone appointers):** Addition of 300 new graduates in April will bring total to 1,700. Possible to achieve target of 1,800 by the end of fiscal year.

(2) **Target number of branches for fiscal year-end set at 146:** Already achieved year-end target of 146 branches with the opening of 32 new branches during the first half year (including Shunan Call Center).

(3) **Future store launches:** Following the establishment of aforementioned (2), call center in Shunan City, Yamaguchi-prefecture, plans are underway to launch additional call centers in regions where support grants are obtainable.

2. Further Reinforcement of Collection System

(1) **Restoration of collection system:** While 2Q (Nov./Dec./Jan.) experienced chaos due to impact of business suspension, restoration of normal state perceived to be achievable in 3Q (Feb./March/April).

(2) **Payment monitoring by telephone appointers:** Made possible for telephone appointers to monitor payments through implementation of job enlargement program.

(3) **Commencement of appointment of outstanding "silver-aged" part-timers or female part-timers with collection responsibilities to executive positions:** "Operation Silver Eggs" and "Operation Madame Butterfly".
⇒ Implementation of the SFCG policy of absolute meritocracy where age, gender, education, lineage, or nationality is not a consideration.

3. Conversion of Back-Office Functions to Profit Centers

(1) **BOS:** basic general affairs and accounting operations consolidated under BOS, Inc. □ certain to become powerful infrastructure for future factoring business.

(2) **IPO and IR Research Institute, Inc. :** in addition to supporting IPO of group companies, began accepting business from outside companies.

(3) **J&B Resources, Inc.:** began full-scale operation centering on the recruitment and dispatching of the "silver-aged" resources (Jack) and female sales and collection staff (Betty).

(4) **Risk Management, Inc.:** began dispatching former government tax officers to audit SFCG branches nation-wide. Also intend to begin accepting external business.

4. Further Enhancement of Funding Base

(1) **Expansion of core funding sources:** in addition to the existing five main banks (namely (1) Citibank, (2) Lehman Brothers, (3) HypoVereins, (4) West LB, and (5) Mizuho Securities, Bear Stearns became a new funding source for SFCG (commitment line of ¥20 billion).

(2) **Securement of funds for future growth:** already secured a total commitment line of ¥150 billion from the six principal funding sources.

(3) **Measures against potential rise in interest rate:** of the current total borrowings amounting to ¥207 billion, ¥197 billion (95%) are long-term fixed rate borrowings (average remaining term: approximately 3 years). Of the ¥197 billion long-term fixed rate borrowings, the fixed interest rate period for ¥90 billion (approximately 46%) has already been extended through execution of interest rate swaps and caps: namely ¥10 billion extended to 2009, ¥70 billion extended to 2011, and another ¥10 billion extended to 2016.

5. Subsidiaries

(1) **Further reinforcement of Group's management platform:** as previously reported, President Oshima of SFCG assumed position of Chairman of T-ZONE HOLDINGS, Inc.

(2) **Number of principal subsidiaries increased to seven:** T-ZONE CALL CENTER positioned as SFCG's seventh main subsidiary with the potential to go public began operation during the first half year. Including the already-listed Maruman, and the five companies scheduled to go public within the next three years; namely (1) e-MAX (real estate sale), (2) TZ STRATEGY (sale of PC components/system development), (3) Midas (wholesale financing), (4) MAG (real estate appraisal/rent guarantee), and (5) Justice (servicer), the number of core subsidiaries increased to a total of seven.

(3) **Number of equity-method affiliates increased to five:** Addition of MIYAKO, Inc. (JASDAQ; 20.1% ownership) during the first half year. Including the existing four companies of (1) Biofermin Pharmaceutical Co., Ltd. (OSE 1st Section; 28.1% ownership), (2) Sato Foods Industries Co., Ltd. (JASDAQ; 25.5% ownership), (3) Riken Vitamin Co., Ltd. (TSE 2nd Section; 22.8% ownership), and (4) Nippon Kanzai Co., Ltd. (TSE 1st Section; 21.2% ownership), the number of equity-method affiliates increased to a total of five.

[5] Issues Surrounding the Lowering of the Maximum Lending Rate

1. Anticipated Probabilities of Each Interest Rate Level to be Adopted upon Reduction of the Maximum Lending Rate

Estimated Maximum Lending Rate	Previous Probability	Current Probability	Positions of Money Lenders, Financial Services Agency and Lawyers Defending the Debtors
29.2%	80%	40%	Mid- and small-scale money lenders prefer to maintain the current 29.2% lending rate and at the same time to eliminate the gray zone lending rate. While it is discussed to raise the maximum lending rate to either 40.004% or 36.5%, we perceive that such increase is out of the question and is very unlikely to occur.
25.55%	19%	50%	The bottom line preference for major money lenders is the elimination of the gray zone lending rate even if the maximum lending rate is to be lowered to 25.55%. (25.55% is the lending rate level that the Democratic Party of Japan strongly advocated in year 2000 when the maximum lending rate was previously lowered to 29.2%.
21.9%	1%	5%	The FSA's stance is to eliminate the gray zone lending rate whether the maximum lending rate is lowered or not.
20.0%	0%	5%	While public stance of lawyers defending debtors is that the maximum lending rate should be unified to that under the Interest Restriction Law, which would consequently eliminate gray zone lending rate their bottom line preference is perceived to be the maintenance of gray zone lending rate.

2. Mid-term Plan Simulating Adaptation to the Maximum Lending Rate of 20%:

Even if the maximum lending rate was to be lowered to 20%, in terms of the ongoing 5-year mid-term plan which targets achievement of ¥50 billion in consolidated recurring profit (SFCG: ¥42 billion, TZHD: ¥8 billion) by fiscal year ending 2009, it is possible to get back on track in additional two years, provided the target annual growth in Shohkoh Loan balance is raised to ¥60 billion increase per year (monthly increase by ¥5 billion) starting with the next fiscal term (fiscal year ending July 2007). The basis of assumption is as follows. In essence, assuming that balance of real estate loans and bill discounting remains unchanged, it will take approximately 2 years more to achieve the same level of earnings as that of the original plan if the initial revenue decrease from the lending rate reduction that is caused by the reduction of the maximum lending rate (if the maximum lending rate is reduced to 20%, estimated average lending rate for Shohkoh Loans would be 15%) is compensated solely by the realization of average annual net increase in Shohkoh Loan balance by ¥60 billion.

(Unit: in billions of yen)

	Initial 5-year Mid-Term Plan Balance/Revenue Projections for the Fiscal Year ending July 2009 (Final Year)				Revised 5-Year Mid-Term Plan Balance/Revenue Projection for Fiscal Year Ending "X" (July 2011)(Final Year)			
	Beginning Balance	Year-end Balance	Average Balance	Revenues (Average Lending Rate)	Beginning Balance	Year-end Balance	Average Balance	Revenues (Average Lending Rate)
Shohkoh Loans	400	450	425	85 (20%)	540	600	570	85.5 (15%)
Real Estate Loans	70	70	70	6.3 (9%)	70	70	70	6.3 (9%)
Bill Discounting	30	30	30	3.3 (11%)	30	30	30	3.3 (11%)
Total	500	550	525	94.6	640	700	670	95.1

1. Difference between year-end balance for fiscal year ending "X "(July 2011) and the projected year-end balance for the current term (July 2006): ¥600 billion－¥325 billion = ¥275 billion
2. Number of years necessary to generate ¥275 billion assuming an average annual net growth in loan balance by ¥60.0 billion: ¥275 billion ÷ ¥60.0 billion = 4.58 years

⇒ 4 years and 7 months from the end of the current term (July 2006). Therefore, fiscal year ending "X" Fiscal year ending July 2011.

(1) **Annual net growth by ¥60 billion starting next fiscal year:** to accelerate annual net growth in Shohkoh Loan balance from the ¥36 billion increase projected for the current fiscal year-end to a ¥60 billion increase in the next fiscal year and onward is a challenge for SCFG but since the small company loan market is not oversaturated, the goal is perceived as certainly achievable once the business promotion structure becomes strengthened further.

(2) **Accelerated increase in real estate loan and bill discounting balance will serve as insurance:** the revised mid-term plan above assumes that there will be absolutely no increase in real estate loan and bill discounting balance. If the balance displays increase, revenues will naturally increase.

(3) **Revenue increase at TZHD will also serve as insurance:** (explanation omitted)

3. SFCG Prepares for the Worst Case Scenario of the Maximum Lending Rate Reduction to 20%

(1) **Preparation for reduction of maximum allowable rate to 20% now underway:** while there are optimistic views dismissing the possibility of rate reduction, SFCG began preparation with the worst case scenario in mind.

(2) **Forecast on earliest implementation of rate reduction (in 1 year and 2 months):** Pertinent law passed at this fall's extraordinary Diet session, public announcement in January 2007, and enforcement as of June 1, 2007.

(3) **SFCG has already learned from past experience ("Wise men learn from history while fools are awed by reality"):** The maximum lending rate in 1979 when SFCG first began operation was 109.5%. Four years later in 1983, the rate was brought down from 109.5% to 73%. The year before, almost all money lenders shared an optimistic view and did not anticipate forthcoming rate reduction, but SFCG took on a more pessimistic outlook, prepared itself, and successfully adapted to the change. Thereafter, SFCG marked steady growth in tandem with the interest rate reductions that followed: namely, reduction to 54.75% in 1986, (1989：JASDAQ listing), to 40.004% in 1991, (1996：TSE 2nd Section listing), (1999：TSE 1st Section listing), and to 29.2% in 2000.

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