



November 7, 2006

Interim Financial Statements (Non-Consolidated)

For the fiscal year ending March 31, 2007

AIFUL Corporation

Stock Code: 8515

(URL <http://www.aiful.co.jp>)

Representative:

Inquiries:

Stock Exchange: Tokyo, Osaka

Headquarters: Kyoto City

Yoshitaka Fukuda, President and Chief Executive Officer

Kenichi Kayama, General Manager, Public Relations

Department

TEL (03) 4503 - 6050

Date of the Board of Directors' meeting to approve financial statements:

November 7, 2006

Interim dividends payment:

Yes

Commencement of the interim dividends payment:

December 11, 2005

The Company adopted the "Tangen" stock unit system:

Yes (one Tangen of stock at AIFUL Corporation is equivalent to 50 shares)

I. Non-Consolidated Business Results for the Interim Period (April 1, 2006 – September 30, 2006)

1. Non-Consolidated Operating Results

(In millions of yen – rounded down, except where noted)

	Operating Revenue		Operating Income		Ordinary Income	
Interim Period Ended September 30, 2006	159,524	(7.6)%	19,428	(65.5)%	22,283	(62.7)%
Interim Period Ended September 30, 2005	172,607	1.6%	56,376	6.4%	59,663	9.1%
Fiscal Year Ended March 31, 2006	343,515	0.9%	87,548	(18.6)%	94,632	(15.9)%

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Interim Period Ended September 30, 2006	(159,647)	–	(1,127.27)	–
Interim Period Ended September 30, 2005	35,569	17.8%	251.18	251.12
Fiscal Year Ended March 31, 2006	50,381	(25.1)%	355.77	355.65

Notes: (1) Average number of shares during: Interim period ended September 30, 2006: 141,622,661 shares
Interim period ended September 30, 2005: 141,608,423 shares
Fiscal year ended March 31, 2006: 141,613,814 shares

(2) Changes in accounting policies: None

(3) Percentage figures shown for operating revenue, operating income, etc., show year-on-year change.

2. Non-Consolidated Financial Position

(In millions of yen – rounded down, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Interim Period Ended September 30, 2006	1,906,636	459,395	24.1	3,243.80
Interim Period Ended September 30, 2005	2,129,976	619,847	29.1	4,377.15
Fiscal Year Ended March 31, 2006	2,204,482	632,917	28.7	4,469.03

Notes: (1) Number of shares issued and outstanding: Interim period ended September 30, 2006: 141,622,498 shares
Interim period ended September 30, 2005: 141,610,000 shares
Fiscal year ended March 31, 2006: 141,622,876 shares

(2) Total number of treasury stocks at the end of: Interim period ended September 30, 2006: 412,502 shares
Interim period ended September 30, 2005: 425,000 shares
Fiscal year ended March 31, 2006: 412,124 shares

II. Full Year Forecast (April 1, 2006 - March 31, 2007)

(In millions of yen – rounded down, except where noted)

	Operating Revenue	Ordinary Income	Net Income (Loss)
Fiscal Year Ending March 31, 2007	305,864	12,500	(163,442)

Reference:

Forecast for earnings (loss) per share for fiscal year ending March 31, 2007: (1,154.07) yen

Caution Relating to Results Forecasts

The above forecasts are based on the information available to management at the time they were made, and are estimates involving uncertain factors thought likely to have an effect on future results. Actual results can differ materially from these forecasts for a variety of reasons.

III. Dividend Information

Cash Dividends	Dividends per Share (Yen)		
	Interim	Year-end	Annual
Interim Period Ended September 30, 2006	30.00	30.00	60.00
Interim Period Ended September 30, 2005	30.00	–	60.00
Fiscal Year Ended March 31, 2006	–	30.00	

(Supplementary Data)

I. Interim Non-Consolidated Financial Statements

1. Interim Non-Consolidated Balance Sheets

(In millions of yen – rounded down, %)

Category	Note No.	End of previous interim period (As of September 30, 2005)		End of current interim period (As of September 30, 2006)		Condensed balance sheets for previous fiscal year (As of March 31, 2006)				
		Amount	%	Amount	%	Amount	%			
(Assets)										
I. Current assets										
1. Cash and cash equivalents		80,166		78,251		86,093				
2. Loans	*2, 3, 5	1,492,898		1,425,810		1,512,717				
3. Customers' liabilities for acceptances and guarantees		52,668		61,437		62,313				
4. Property for sale	*2	163		134		138				
5. Deferred tax assets		9,444		8,440		16,501				
6. Short-term loans	*4	139		140		50,128				
7. Other	*2	31,784		29,412		32,686				
8. Allowance for bad debts		(78,392)		(187,668)		(85,659)				
Total current assets			1,588,874	74.6		1,415,960	74.3		1,674,920	76.0
II. Fixed assets										
1. Tangible fixed assets										
(1) Land		6,762		6,762		6,762				
(2) Other	*1	23,380		26,388		28,172				
Total tangible fixed assets		30,143		33,151		34,934				
2. Intangible fixed assets		10,945		11,449		12,006				
3. Investment and other fixed assets										
(1) Stock in affiliated companies		135,255		133,929		135,335				
(2) Claims in bankruptcy	*5	28,315		27,769		28,541				
(3) Long-term loans to affiliated companies		302,864		269,866		288,524				
(4) Loss on deferred hedge		15,888		—		10,229				
(5) Other		37,247		34,149		40,582				
(6) Allowance for bad debts		(20,483)		(20,136)		(21,339)				
Total investment and other fixed assets		499,088		445,578		481,875				
Total fixed assets			540,176	25.4		490,179	25.7		528,817	24.0
III. Deferred assets										
Bond issuing expenses		925		497		744				
Total deferred assets			925	0.0		497	0.0		744	0.0
Total assets			2,129,976	100.0		1,906,636	100.0		2,204,482	100.0

Category	Note No.	End of previous interim period (As of September 30, 2005)		End of current interim period (As of September 30, 2006)		Condensed balance sheets for previous fiscal year (As of March 31, 2006)	
		Amount	%	Amount	%	Amount	%
(Liabilities)							
I. Current liabilities							
1. Notes payable - trade		5,063		2,647		3,990	
2. Acceptance and guarantees		52,668		61,437		62,313	
3. Short-term debts	*2	10,000		33,000		53,000	
4. Current portion of bonds		92,500		62,500		82,000	
5. Current portion of long-term debts	*2	354,428		286,649		326,797	
6. Income taxes payable		25,573		11,571		21,162	
7. Reserve for accrued bonuses		2,379		2,346		2,251	
8. Allowance for losses on interest refunds		–		–		17,019	
9. Other		12,750		10,176		12,608	
Total current liabilities		555,364	26.1	470,328	24.7	581,144	26.4
II. Long-term liabilities							
1. Bonds		408,000		375,500		418,500	
2. Long term debts	*2	528,370		510,006		557,264	
3. Deferred tax liabilities		2,105		691		3,759	
4. Allowance for retirement benefits for directors		1,262		1,222		1,279	
5. Reserve for losses on interest repayments		–		79,757		–	
6. Interest swaps		14,843		9,598		9,462	
7. Other		182		136		155	
Total long-term liabilities		954,764	44.8	976,912	51.2	990,420	44.9
Total liabilities		1,510,129	70.9	1,447,241	75.9	1,571,565	71.3
(Shareholders' equity)							
I. Common stock		83,317	3.9	–	–	83,317	3.8
II. Capital surplus							
1. Capital reserves		90,225		–		90,225	
Total capital surplus		90,225	4.2	–	–	90,225	4.0
III. Retained earnings							
1. Earned surplus reserves		1,566		–		1,566	
2. Voluntary reserves		395,496		–		395,496	
3. Unappropriated retained earnings for the period		44,088		–		54,641	
Total retained earnings		441,150	20.7	–	–	451,704	20.5
IV. Differences in evaluation of other marketable securities		8,210	0.4	–	–	10,636	0.5
V. Treasury stock		(3,056)	(0.1)	–	–	(2,964)	(0.1)
Total shareholders' equity		619,847	29.1	–	–	632,917	28.7
Total liabilities and shareholders' equity		2,129,976	100.0	–	–	2,204,482	100.0

Category (Net Assets)	Note No.	End of previous interim period (As of September 30, 2005)		End of current interim period (As of September 30, 2006)		Condensed balance sheets for previous fiscal year (As of March 31, 2006)	
		Amount	%	Amount	%	Amount	%
I. Shareholders' equity							
1. Common stock			—	83,317	4.4		—
2. Capital surplus							
(1) Capital reserves		—		90,225		—	
Total capital surplus			—	90,225	4.7		—
3. Retained earnings							
(1) Earned surplus reserves		—		1,566		—	
(2) Other retained earnings							
General reserve		—		437,296		—	
Retained earnings carried forward		—		(151,054)		—	
Total retained earnings			—	287,808	15.1		—
4. Treasury stock			—	(2,967)	(0.2)		—
Total shareholders' equity			—	458,383	(24.0)		—
II. Evaluation and foreign currency translation adjustments							
1. Differences in evaluation of other marketable securities			—	7,381	0.4		—
2. Loss on deferred hedge			—	(6,369)	(0.3)		—
Total evaluation and foreign currency translation adjustments			—	1,011	0.1		—
Total net assets			—	459,395	24.1		—
Total net assets and liabilities			—	1,906,636	100.0		—

2. Interim Non-Consolidated Statements of Income

(In millions of yen – rounded down, %)

Category	Note No.	End of previous interim period (As of September 30, 2005)		End of current interim period (As of September 30, 2006)		Condensed balance sheets for previous fiscal year (As of March 31, 2006)	
		Amount	%	Amount	%	Amount	%
I. Operating revenue							
1. Interest on loans to customers		167,521	97.1	155,281	97.3	333,541	97.1
2. Financial revenue - other		1	0.0	12	0.0	1	0.0
3. Operating revenue - other		5,085	2.9	4,230	2.7	9,972	2.9
Total operating revenue			100.0		100.0	343,515	100.0
II. Operating expenses							
1. Financial expenses		15,771	9.1	14,537	9.1	31,218	9.1
2. Cost of sales		–	–	–	–	24	0.0
3. Operating expenses - other		100,459	58.2	125,558	78.7	224,723	65.4
Total operating expenses			67.3		87.8		74.5
Operating income			32.7		12.2		25.5
III. Non-operating income	*1	3,406	2.0	3,040	1.9	7,154	2.0
IV. Non-operating expenses	*2	119	0.1	185	0.1	70	0.0
Ordinary income		59,663	34.6	22,283	14.0	94,632	27.5
V. Extraordinary income		286	0.1	4	0.0	287	0.1
VI. Extraordinary losses	*3	224	0.1	158,419	99.3	11,141	3.2
Net income (loss) before taxes for interim period		59,726	34.6	(136,132)	(85.3)	83,778	24.4
Corporate tax, local and enterprise taxes		25,277		11,949		41,576	
Adjustment on corporate tax, etc.		(1,120)	14.0	11,565	14.8	(8,179)	9.7
Net income (loss) for interim period		35,569	20.6	(159,647)	(100.1)	50,381	14.7
Retained earnings carried forward		8,523		–		8,523	
Loss on price differences in disposal of treasury stock		4		–		15	
Interim dividends		–		–		4,248	
Unappropriated retained earnings for the period		44,088		–		54,641	

3. Non-consolidated Interim Statements of Changes in Shareholders' Equity

Current Non-Consolidated Interim Period (April 1, 2006 – September 30, 2006)

(In millions of yen – rounded down)

	Shareholders' equity		
	Common stock	Capital surplus	
		Capital reserves	Total capital surplus
Balance at March 31, 2006	83,317	90,225	90,225
Changes during current non-consolidated interim period			
Total changes during current non-consolidated interim period	–	–	–
Balance at September 30, 2006	83,317	90,225	90,225

(In millions of yen – rounded down)

	Shareholders' equity					Treasury stock	Total shareholders' equity
	Capital surplus				Total retained earnings		
	Earned surplus reserves	Other retained earnings		Total retained earnings			
		General reserve	Retained earnings carried forward				
Balance at March 31, 2006	1,566	395,496	54,641	451,704	(2,964)	622,281	
Changes during current non-consolidated interim period							
Distribution of retained earnings			(4,248)	(4,248)		(4,248)	
Addition to general reserve		41,800	(41,800)			–	
Net loss for the current non-consolidated interim period			(159,647)	(159,647)		(159,647)	
Acquisition of treasury stock					(2)	(2)	
Total changes during current non-consolidated interim period	–	41,800	(205,695)	(163,895)	(2)	(163,898)	
Balance at September 30, 2006	1,566	437,296	(151,054)	287,808	(2,967)	458,383	

(In millions of yen – rounded down)

	Evaluation and foreign currency translation adjustments			Total net assets
	Differences in evaluation of other marketable securities	Loss on deferred hedge	Total evaluation and foreign currency translation adjustments	
Balance at March 31, 2006	10,636	–	10,636	632,917
Changes during current non-consolidated interim period				
Distribution of retained earnings				(4,248)
Addition to general reserve				–
Net loss for the current non-consolidated interim period				(159,647)
Acquisition of treasury stock				(2)
Net changes during current non-consolidated interim period excluding items related to shareholders' equity	(3,254)	(6,369)	(9,624)	(9,624)
Total changes during current non-consolidated interim period	(3,254)	(6,369)	(9,624)	(173,522)
Balance at September 30, 2006	7,381	(6,369)	1,011	459,395

4. Significant Accounting Policies Relating to the Interim Financial Statements

Item	Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
1. Appraisal standards and methods for principal assets	<p>(1) Marketable securities Subsidiaries stock and stock in affiliated companies Cost method, cost being determined by the moving average method Other marketable securities - Securities valued at market: Market value method based on the market price on the settlement date of the interim period All valuation differences are reflected directly in shareholders' equity, the sale price being computed using the moving average method. Securities not valued at market: - Cost method, cost being determined by the moving average method. Investments in limited liability investment partnerships and other similar partnerships (regarded as marketable securities under paragraph 2, Article 2 of the Securities and Exchange Law) take the net holding based on the most recent available report depending on the date for the statement of accounts specified in the partnership agreement.</p> <p>(2) Inventories Real estate for sale Lower-of-cost-or-market method, cost being determined by the specific cost method</p>	<p>(1) Marketable securities Subsidiaries stock and stock in affiliated companies As on left Other marketable securities - Securities valued at market: Market value method based on the market prices on the settlement date of the interim period All valuation differences are reflected directly in shareholders' equity, the sale price being computed using the moving average method. - Securities not valued at market: As on left</p> <p>(2) Derivatives Market value method</p> <p>(3) Inventories As on left</p>	<p>(1) Marketable securities Subsidiaries stock and stock in affiliated companies As on left Other marketable securities - Securities valued at market: Market value method based on the market prices on the settlement date of the fiscal year. All valuation differences are reflected directly in shareholders' equity, the sale price being computed using the moving average method. - Securities not valued at market: As on left</p> <p>(2) Inventories As on left</p>
2. Depreciation methods for depreciable assets	<p>(1) Tangible fixed assets: Diminishing balance depreciation method Major useful lives are as follows: Buildings and structures 3-50 years Machinery and vehicles 13-15 years Equipment and fittings 3-20 years</p> <p>(2) Intangible fixed assets: Software: Straight-line method based on the assumed useful life for internal use (5 years) Other: Straight-line method</p>	<p>(1) Tangible fixed assets: As on left</p> <p>(2) Intangible fixed assets: As on left</p>	<p>(1) Tangible fixed assets: As on left</p> <p>(2) Intangible fixed assets: As on left</p>
3. Accounting standards for allowances and reserves	<p>(1) Allowance for bad debts Provision for losses on bad debts is made up to the necessary amount considering the actual percentage of bad loan write-offs for normal claims, and up to the amount forecast to be irrecoverable based on individual assessments of recoverability for doubtful claims.</p>	<p>(1) Allowance for bad debts As on left</p>	<p>(1) Allowance for bad debts As on left</p>

Item	Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
	<p>(2) Reserve for accrued bonuses Provision for accrued bonuses to employees is made by appropriating an amount based on the estimated total bonuses that will be paid during the interim period.</p>	<p>(2) Reserve for accrued bonuses As on left</p> <p>(3) Reserve for losses on interest repayments The Company makes a reasonable estimate of the amount of expected repayments based on actual past repayments and taking into account the recent circumstance for repayments in order to provide for interest repayments that arise in the future. 120,609 million yen of the amount of estimated repayments which is estimated to be given priority application to operating loans is included in the allowance for bad debts (Supplementary Information) Previously, the Company recorded an amount corresponding to future interest repayments expected as of the end of the fiscal year as the reserve for losses on interest repayments in accordance with the Accounting Treatment for Consumer Finance Firms Based on the Supreme Court Ruling on the Application of Deemed Payment Regulations in the Money Lending Business Control Law, Japan Institute of Certified Public Accountants (JICPA) Inquiry Report No. 24 (JICPA, March 15, 2006). However, the Company has changed the method for estimating the reserve in accordance with the Accounting Treatment for Calculation of Reserves Relating to Losses at Consumer Finance Companies, etc., Resulting from Interest Repayment Claims, Industry Specific Committee Report, No. 37 (JIPCA, October 13, 2006). Accompanying this change, the difference between the amount of the reserve recorded based on the method of estimation after the change as of the beginning of the current interim period and the amount of the reserve based on the method of estimation used in the previous fiscal year has been treated as a 99,197 million yen transfer to the allowance for bad debts (extraordinary loss) and a 57,070 million yen transfer to the reserve for losses on interest repayments (extraordinary loss).</p>	<p>(2) Reserve for accrued bonuses Provision for accrued bonuses to employees is made by appropriating an amount based on the estimated total bonuses that will be paid during the fiscal year.</p> <p>(3) Reserve for losses on interest repayments The Company makes a reasonable estimate of the amount of expected repayments based on actual past repayments and taking into account the recent circumstance for repayments in order to provide for interest repayments that arise in the future.</p> <p>(Supplementary Information) Previously, the Company recorded interest repayments as an expense at the time of the expenditure. However, they have recorded an amount corresponding to future interest repayments expected as of the end of the fiscal year as the reserve for losses on interest repayments in accordance with Accounting Treatment for Consumer Finance Firms Based on the Supreme Court Ruling on the Application of Deemed Payment Regulations in the Money Lending Business Control Law, Japan Institute of Certified Public Accountants (JICPA) Inquiry Report No. 24 (JICPA, March 15, 2006). As a result of this change, current liabilities have risen by 17,019 million yen. In conjunction with the calculation of a reserve for losses on interest repayments, Interest Repayments (3,514 million yen in the previous fiscal year) recorded under Other in Operating Expenses until the previous fiscal year has been disposed of as an extraordinary loss. As a result of this change, operating expenses have increased by 6,416 million yen while operating income and ordinary income have fallen by an equivalent amount. At the same time, extraordinary losses have increased by 10,603 million yen and net income before tax has declined by 17,019 million yen.</p>

Item	Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
	<p>(3) Allowance for retirement benefits for employees (Supplementary Information) AIFUL obtained authorization on September 30, 2004 from the Minister of Health, Welfare and Labour to dissolve the AIFUL employees' pension fund and to introduce defined contribution pensions, and a new defined contribution pension system and advance retirement benefit system were adopted on October 1, 2004.</p> <p>However, the amount of assets under management per individual to be transferred to the defined contribution pension system with respect to the portion relating to past service, which had not been determined as of March 31, 2005, has been determined during the current interim period.</p> <p>With the determination of the amount, AIFUL has applied the accounting rules in Accounting for Transfers among Retirement Benefit Plans (Financial Accounting Standard Implementation Guidance No. 1).</p> <p>The impact of these transfers on profit and loss in the interim period is 283 million yen recorded as "Gain on transfer to defined contribution pension system" under extraordinary income.</p> <p>(4) Allowance for retirement benefits for directors The Company provides for retirement benefits for directors by determining the amount to be paid at the end of the interim period based on the regulation for the payment of directors' retirement benefits.</p>	<p>—</p> <p>(4) Allowance for retirement benefits for directors As on left</p>	<p>(3) Allowance for retirement benefits for employees (Supplementary Information) AIFUL obtained authorization on September 30, 2004 from the Minister of Health, Welfare and Labour to dissolve the AIFUL employees' pension fund and to introduce defined contribution pensions, and a new defined contribution pension system and advance retirement benefit system were adopted on October 1, 2004.</p> <p>However, the amount of assets under management per individual to be transferred to the defined contribution pension system with respect to the portion relating to past service, which had not been determined as of March 31, 2005, has been determined during the current interim period.</p> <p>With the determination of the amount, AIFUL has applied the accounting rules in Accounting for Transfers among Retirement Benefit Plans (Financial Accounting Standard Implementation Guidance No. 1).</p> <p>The impact of these transfers on profit and loss in the interim period is 283 million yen recorded as "Gain on transfer to defined contribution pension system" under extraordinary income.</p> <p>(4) Allowance for retirement benefits for directors The Company provides for retirement benefits for directors by determining the amount to be paid at the end of the fiscal year based on the regulation for the payment of directors' retirement benefits.</p>
4. Accounting treatment of lease transactions	In finance lease transactions, other than those in which the title of the leased asset is deemed to be transferred to the lessee, finance leases are treated according to the method used for ordinary loan transactions, <i>mutatis mutandis</i> .	As on left	As on left
5. Hedge accounting methods	<p>(1) Hedge accounting methods The Company uses deferred hedge accounting.</p> <p>The Company also applies appropriation treatment to exchange rate fluctuation risk hedge transactions that meet the requirements for appropriation treatment, and exceptional accounting rules for interest swaps that meet the requirements for exceptional treatment as interest swaps and interest caps.</p>	<p>(1) Hedging policy As on left</p>	<p>(1) Hedging policy As on left</p>

Item	Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
6. Other significant accounting policies relating to the interim financial statements	<p>(2) Hedging methods and hedged transactions</p> <p>a. Hedging methods: Currency swaps Hedged transactions: Foreign currency-denominated bonds</p> <p>b. Hedging methods: Interest caps and interest swaps Hedged transactions: Borrowing that will change the Company's cash flow depending upon changes in market interest rates (floating rate bank borrowing and corporate bonds)</p> <p>(3) Hedging policy The Company uses currency swaps as hedge transactions for exchange rate fluctuation risk related to the payment of principal and interest on foreign currency denominated corporate bonds. The Company uses hedge transactions for interest caps and interest swaps to keep the percentage of fixed interest rate capital at a specified percentage of total capital funds procured.</p> <p>(4) Evaluation of hedge effectiveness The Company determines the effectiveness of its hedging transactions based on a method of ratio analysis covering cumulative changes over a ten-year period. However, no evaluation of the effectiveness of interest swaps based on exceptional accounting rules is conducted.</p>	<p>(2) Hedging methods and hedged transactions As on left</p> <p>(3) Hedging policy As on left</p> <p>(4) Evaluation of hedge effectiveness As on left</p>	<p>(2) Hedging methods and hedged transactions As on left</p> <p>(3) Hedging policy As on left</p> <p>(4) Evaluation of hedge effectiveness As on left</p>
	<p>(1) Accounting methods for income and expenses Interest on loans to customers is recorded in accordance with accrual standards. Uncollected interest is recorded at the lower of the maximum legal interest rate and the pertinent Company interest rate.</p>	<p>(1) Accounting methods for income and expenses As on left</p>	<p>(1) Accounting methods for income and expenses As on left</p>
	<p>(2) Accounting treatment of interest on debt Interest on debt used to provide consumer loans is accounted for as "financial expenses" and included in operating expenses. All other interest expenses are accounted for as "interest expenses" in non-operating expenses.</p>	<p>(2) Accounting treatment of interest on debt } As on left</p>	<p>(2) Accounting treatment of interest on debt As on left</p>
	<p>(3) Accounting treatment of consumption taxes Consumption taxes are taken out of all Statements of Income items and Balance Sheet items. Consumption taxes for fixed assets that are not subject to the exclusion, however, are included in "other" under investment and other fixed assets, and are written off using the straight-line method over a five-year period.</p>	<p>(3) Accounting treatment of consumption taxes As on left</p>	<p>(3) Accounting treatment of consumption taxes As on left</p>

5. Changes to Significant Matters Forming the Basis for the Preparation of Interim Financial Statements

Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
<p>(Accounting Standard for Impairment of Fixed Assets) AIFUL adopted the Accounting Standard for Impairment of Fixed Assets (Opinion Concerning Establishment of Accounting Standard for the Impairment of Fixed Assets, Business Accounting Council, August 9, 2002 and Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (Financial Accounting Standard Implementation Guidance No. 6) Accounting Standards Board of Japan, October 31, 2003) from the current interim period. There has been no effect on income as a result.</p> <p>(Guarantee Obligations) The balances of guarantee obligations related to guarantee operations were hitherto recorded in Notes to the Non-Consolidated Balance Sheets for Interim Period (Liabilities for guarantee). However, the method of recording has been changed to record Customers' liabilities for acceptance and guarantees under Current Assets and Acceptance and guarantees under Current Liabilities on the interim balance sheets from the current interim period. The change is due to consideration of the linkage between the balance of Customers' liabilities for acceptance and guarantees and the amount recorded as Operating revenue for the credit guarantee business. As a result of the change, current assets and liabilities have each increased by 52,668 million yen.</p>	<p>—</p> <p>—</p>	<p>(Accounting Standard for Impairment of Fixed Assets) AIFUL adopted the Accounting Standard for Impairment of Fixed Assets (Opinion Concerning Establishment of Accounting Standard for the Impairment of Fixed Assets, Business Accounting Council, August 9, 2002 and Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (Financial Accounting Standard Implementation Guidance No. 6) Accounting Standards Board of Japan, October 31, 2003) from the current interim period. There has been no effect on income as a result.</p> <p>(Guarantee Obligations) The balances of guarantee obligations related to guarantee operations were hitherto recorded in Notes to the Non-Consolidated Balance Sheets for Interim Period (Liabilities for guarantee). However, the method of recording has been changed to record Customers' liabilities for acceptance and guarantees under Current Assets and Acceptance and guarantees under Current Liabilities on the interim balance sheets from the current interim period. The change is due to consideration of the linkage between the balance of Customers' liabilities for acceptance and guarantees and the amount recorded as Operating revenue for the credit guarantee business. As a result of the change, current assets and liabilities have each increased by 52,668 million yen.</p>
<p>—</p>	<p>(Accounting Standards for Presentation of Net Assets in the Balance Sheets) The Company adopted the Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, December 9, 2005) and Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, December 9, 2005) starting in the current interim period. The amount of shareholders' equity under former accounting standards was 465,765 million yen. With the amendment of the regulations for interim financial statements, the Company has presented net assets in the interim balance sheets for the current interim period on the basis of the regulations for interim consolidated financial statements after amendment.</p>	<p>—</p>

6. Notes

A. Notes to the Non-Consolidated Balance Sheets for Interim Period

Previous interim period (As of Sep. 30, 2005)	Current interim period (As of Sep. 30, 2006)	Previous fiscal year (As of Mar. 31, 2006)
*1. Accumulated depreciation of tangible fixed assets 22,558 million yen	*1. Accumulated depreciation of tangible fixed assets 26,480 million yen	*1. Accumulated depreciation of tangible fixed assets 24,379 million yen
*2. Assets pledged as collateral and corresponding liabilities as below: (1) Assets pledged as collateral	*2. Assets pledged as collateral and corresponding liabilities as below: (1) Assets pledged as collateral	*2. Assets pledged as collateral and corresponding liabilities as below: (1) Assets pledged as collateral
(In millions of yen)	(In millions of yen)	(In millions of yen)
Loans 523,530	Loans 714,457	Loans 510,708
Real estate for sale 109	Real estate for sale 104	Real estate for sale 107
Total 523,639	Total 714,562	Total 510,815
(2) Corresponding liabilities	(2) Corresponding liabilities	(2) Corresponding liabilities
(In millions of yen)	(In millions of yen)	(In millions of yen)
Current portion of long-term debt 129,707	Current portion of long-term debt 96,649	Current portion of long-term debt 106,872
Long-term debt 182,402	Long-term debt 165,397	Long-term debt 167,040
Total 312,109	Total 282,046	Total 273,912
Above amounts include items related to the securitization of loans receivables, 310,485 million yen for outstanding loans receivables, 35,026 million yen for the current portion of long-term debt, and 81,675 million yen for the long-term debt. The items below are not included in the above amounts.	Above amounts include items related to the securitization of loans receivables, 605,826 million yen for outstanding loans receivables, 20,000 million yen for the short-term debt, 39,216 million yen for the current portion of long-term debt, and 122,103 million yen for the long-term debt. The items below are not included in the above amounts.	Above amounts include items related to the securitization of loans receivables, 346,796 million yen for outstanding loans receivables, 30,284 million yen for the current portion of long-term debt, and 98,056 million yen for the long-term debt. The items below are not included in the above amounts.
<ul style="list-style-type: none"> The Company has contracted to offer loans as collateral in response to creditors' requests to the sum of 77,298 million yen for the current portion of long-term debt, and 125,864 million yen in long-term debt, totaling 203,162 million yen. The Company has also offered 3,466 million yen in cash and cash equivalents as collateral for swap transactions. Marutoh K.K. has offered its land, etc., as collateral for AIFUL's loans. 	<ul style="list-style-type: none"> The Company has contracted to offer loans as collateral in response to creditors' requests to the sum of 69,331 million yen for the current portion of long-term debt, and 106,409 million yen in long-term debt, totaling 190,945 million yen. The Company has also offered 1,907 million yen in cash and cash equivalents as collateral for swap transactions. Marutoh K.K. has offered its land, etc., as collateral for AIFUL's loans. 	<ul style="list-style-type: none"> The Company has contracted to offer 214,443 million yen in outstanding loans receivables as collateral in response to creditors' requests to the sum of 73,239 million yen for the current portion of long-term debt, and 124,317 million yen in long-term debt, totaling 197,557 million yen. The Company has also offered 1,919 million yen in cash and cash equivalents as collateral for swap transactions. Marutoh K.K. has offered its land, etc., as collateral for AIFUL's loans.
*3. Includes 1,115,158 million yen in personal unsecured loans.	*3. Includes 1,083,031 million yen in personal unsecured loans.	*3. Includes 1,133,083 million yen in personal unsecured loans.
—	—	*4. Assets pledged as collateral and corresponding market values Commercial paper 4,999 million yen

Previous interim period (As of Sep. 30, 2005)	Current interim period (As of Sep. 30, 2006)	Previous fiscal year (As of Mar. 31, 2006)																																																																								
<p>*5. The bad debts included in loans and claims in bankruptcy are shown below:</p> <p style="text-align: center;">(In millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Unsecured loans</th> <th>Other loans</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Claims in bankruptcy</td> <td>4,088</td> <td>26,265</td> <td>30,354</td> </tr> <tr> <td>Loans in arrears</td> <td>21,983</td> <td>26,938</td> <td>48,921</td> </tr> <tr> <td>Loans in arrears longer than 3 months</td> <td>10,255</td> <td>3,115</td> <td>13,370</td> </tr> <tr> <td>Loans with adjusted terms</td> <td>39,200</td> <td>477</td> <td>39,678</td> </tr> <tr> <td>Total</td> <td>75,527</td> <td>56,797</td> <td>132,324</td> </tr> </tbody> </table> <p>Explanations for each of the above items follow:</p> <p>(Claims in bankruptcy) “Claims in bankruptcy” refers to loans that are included in loans on which principal or interest payments have been continuously late for a considerable period of time for the reasons cited in Article 96, Paragraph 1, Number 3, Items A through E of the Corporate Income Tax Law Execution Ordinance (1965, Ordinance No. 97), or for the reasons set forth in Number 4 of the same paragraph. The Company sets aside a reserve for bad debts that is equivalent to the amount the Company believes it will be unable to recover based on an evaluation of each loan.</p> <p>(Loans in arrears) “Loans in arrears” refers to loans other than claims in bankruptcy for which unpaid interest is not accrued. This excludes loans, however, that are included in loans for which the Company has made arrangements convenient to the borrower for the purpose of reorganization or support of the borrower, such as reduction or exemption of interest or extension of the repayment period on which the Company is periodically receiving payments.</p> <p>(Loans in arrears longer than 3 months) “Loans in arrears longer than 3 months” refers to loans for which the principal or interest payment is three or more months overdue from the day following the scheduled payment date and that are not regarded as claims in bankruptcy or loans in arrears.</p>		Unsecured loans	Other loans	Total	Claims in bankruptcy	4,088	26,265	30,354	Loans in arrears	21,983	26,938	48,921	Loans in arrears longer than 3 months	10,255	3,115	13,370	Loans with adjusted terms	39,200	477	39,678	Total	75,527	56,797	132,324	<p>*5. The bad debts included in loans and claims in bankruptcy are shown below:</p> <p style="text-align: center;">(In millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Unsecured loans</th> <th>Other loans</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Claims in bankruptcy</td> <td>3,877</td> <td>27,203</td> <td>31,081</td> </tr> <tr> <td>Loans in arrears</td> <td>62,244</td> <td>57,462</td> <td>119,706</td> </tr> <tr> <td>Loans in arrears longer than 3 months</td> <td>21,682</td> <td>7,534</td> <td>29,036</td> </tr> <tr> <td>Loans with adjusted terms</td> <td>31,544</td> <td>898</td> <td>32,442</td> </tr> <tr> <td>Total</td> <td>119,349</td> <td>92,918</td> <td>212,267</td> </tr> </tbody> </table> <p>Explanations for each of the above items follow:</p> <p>(Claims in bankruptcy) As on left</p> <p>(Loans in arrears) As on left</p> <p>(Loans in arrears longer than 3 months) As on left</p>		Unsecured loans	Other loans	Total	Claims in bankruptcy	3,877	27,203	31,081	Loans in arrears	62,244	57,462	119,706	Loans in arrears longer than 3 months	21,682	7,534	29,036	Loans with adjusted terms	31,544	898	32,442	Total	119,349	92,918	212,267	<p>*5. The bad debts included in loans and claims in bankruptcy are shown below:</p> <p style="text-align: center;">(In millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Unsecured loans</th> <th>Other loans</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Claims in bankruptcy</td> <td>4,169</td> <td>26,140</td> <td>30,309</td> </tr> <tr> <td>Loans in arrears</td> <td>32,548</td> <td>31,328</td> <td>63,877</td> </tr> <tr> <td>Loans in arrears longer than 3 months</td> <td>11,899</td> <td>3,767</td> <td>15,666</td> </tr> <tr> <td>Loans with adjusted terms</td> <td>35,617</td> <td>766</td> <td>36,383</td> </tr> <tr> <td>Total</td> <td>84,234</td> <td>62,001</td> <td>146,236</td> </tr> </tbody> </table> <p>Explanations for each of the above items follow:</p> <p>(Claims in bankruptcy) As on left</p> <p>(Loans in arrears) As on left</p> <p>(Loans in arrears longer than 3 months) As on left</p>		Unsecured loans	Other loans	Total	Claims in bankruptcy	4,169	26,140	30,309	Loans in arrears	32,548	31,328	63,877	Loans in arrears longer than 3 months	11,899	3,767	15,666	Loans with adjusted terms	35,617	766	36,383	Total	84,234	62,001	146,236
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(Loans with adjusted terms) “Loans with adjusted terms” refers to loans for which the Company has made arrangements convenient to the borrower for the purpose of reorganization or support of the borrower, such as reduction or exemption of interest or extension of the repayment period on which the Company is periodically receiving payments, and that are not regarded as claims in bankruptcy, loans in arrears or loans in arrears longer than 3 months.	(Loans with adjusted terms) As on left	(Loans with adjusted terms) As on left
—	*9 120,609 million yen of the allowance for bad debts is the estimated amount of interest repayments expected to be given priority application to operating loans.	—

B. Notes to the Non-Consolidated Interim Income Statement

Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
*1. Primary item for non-operating income Interest on loans 2,506 million yen	*1. Primary item for non-operating income Interest on loans 2,506 million yen	*1. Primary item for non-operating income Interest on loans 5,027 million yen
*2. Primary item for non-operating expenses Loss on investment in anonymous association 78 million yen	*2. Primary item for non-operating expenses Loss on investment in anonymous association 139 million yen	*2. Primary item for non-operating expenses Loss on investment in anonymous association 0 million yen
—	*3 Primary items in extraordinary loss Transfer to allowance for bad debts 99,197 million yen Transfer to reserve for losses on interest repayments 57,070 million yen	—
*4. Depreciation expenses Tangible fixed assets 1,611 million yen Intangible fixed assets 1,606	*4. Depreciation expenses Tangible fixed assets 2,404 million yen Intangible fixed assets 1,906	*4. Depreciation expenses Tangible fixed assets 4,199 million yen Intangible fixed assets 3,388

C. Note to the Statements of Changes in Shareholders' Equity for the Interim Period

Current interim period (Apr. 1, 2006 to Sep. 30, 2006)

Matters pertaining to treasury stock and issued shares

	Number of shares at end of previous fiscal year	Increase in number of shares during current interim period	Decrease in number of shares during current interim period	Number of shares at end of current interim period
Common stock				
Total				

Note: The increase of 378 in the number of common shares of treasury stock is the result of the purchase of less-than-one-unit shares.

D. Notes to Lease Transactions

The semi-annual report is disclosed via EDINET, so is omitted.

E. Marketable Securities

Subsidiaries' shares and the shares of affiliated companies at the end of the previous interim period or at the end of the current interim period do not have a market price.

F. Details of Increase in Number of Shares Issued and Outstanding during the Current Interim Period (Current Fiscal Year)

Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
Issue of new shares due to stock split dated May 23, 2005 1. Ratio of split 1:1.5 2. No. of shares issued 47,345,000 shares	—	Issue of new shares due to stock split dated May 23, 2005 1. Ratio of split 1:1.5 2. No. of shares issued 47,345,000 shares

G. Significant Subsequent Events

Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)	Current interim period (Apr. 1, 2006 to Sep. 30, 2006)	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)
—	—	On April 14, 2006, the Kinki Finance Bureau imposed administrative penalties on AIFUL Corporation, suspending operations except for the receipt of repayments and operations related to protective attachment, for a specific period at all branches based on the provision of item 1, Article 36 of the Money Lending Business Control and Regulation Law (Law No. 32 of 1983). The effect of the administrative penalties on the Company's financial position and business performance beginning in the next fiscal year is not known.

7. Results of Operations

A. Operating Revenue

(In millions of yen)

Item		Previous interim period (Apr. 1, 2005 to Sep. 30, 2005)		Current interim period (Apr. 1 2006 to Sep. 30 2006)		Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	
		Amount	%	Amount	%	Amount	%
Interest on loans to customers	Unsecured loans	135,306	78.4	128,529	80.5	269,986	78.6
	Secured loans	27,826	16.1	22,447	14.1	54,560	15.9
	Small business loans	4,388	2.6	4,303	2.7	8,994	2.6
	Sub-total	167,521	97.1	155,281	97.3	333,541	97.1
Other financial revenue		1	0.0	12	0.0	1	0.0
Other operating revenue	Credit guarantee revenue	2,032	1.2	2,574	1.6	4,425	1.3
	Other	3,053	1.7	1,656	1.1	5,546	1.6
	Sub-total	5,085	2.9	4,230	2.7	9,972	2.9
Total		172,607	100.0	159,524	100.0	343,515	100.0

Note: "Other" included in "Other operating revenue" consists of clerical fees and guarantee fees.

B. Other Operating Indicators

(In millions of yen)

Item		Previous interim period (As of Sep. 30, 2005)	Current interim period (As of Sep. 30, 2006)	Previous fiscal year (As of Mar. 31, 2006)
Total amount of loans outstanding	Unsecured loans	1,115,158	1,083,031	1,133,083
	Secured loans	342,265	308,446	341,152
	Small business loans	35,474	34,332	38,480
	Sub-total	1,492,898	1,425,810	1,512,717
Number of customer accounts	Unsecured loans	2,068,002	1,942,320	2,057,920
	Secured loans	100,298	92,995	101,682
	Small business loans	26,452	25,050	27,780
	Sub-total	2,194,752	2,060,365	2,187,382
Number of branches	Staffed branches	541	463	515
	Unstaffed branches	1,126	1,440	1,397
	Sub-total	1,667	1,903	1,912
Number of "Ojidosan" loan-contracting machines		1,562	1,588	1,595
Number of Automatic processing machines for loan applications		100	310	310
Number of ATMs	Company-owned	1,760	1,809	1,803
	Partner-owned	82,714	85,510	84,836
	Sub-total	84,474	87,319	86,639
Number of employees		3,202	3,216	3,066
Bad debt write-off		45,264	57,432	93,422
Allowance for bad debts		98,875	207,804	106,998
Net income (loss) per share for the interim period (yen)		251.18	1,127.27	355.77
Net assets per share (yen)		4,377.15	3,243.80	4,469.03

Notes: (1) Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy.

(2) Bad debt write-off does not include losses on claims in bankruptcy, which came to 3,676 million yen in the current interim period, 2,078 million yen in previous interim period, and 4,152 million yen in the previous fiscal year.

(3) The allowance for bad debts for the current interim period includes 129,609 million yen in expected repayments estimated to have priority application to operating loans.