

Consolidated Business Results for the First Three Quarters of Fiscal 2006

For the fiscal year ending March 2007

AIFUL Corporation

(Securities code: 8515, 1st Section, Tokyo and Osaka Stock Exchanges)

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I. Items Used to Compile Financial Data for the Quarter

- Company adopted simplified accounting methods (yes/no): Yes
Details:
Computation of some business taxes is based on estimates taking factors such as past results into account.
- Any differences between the accounting practices used here and those used in preparing consolidated accounts for the previous business year (yes/no): No
- Changes in the scope of consolidation and application of the equity method (yes/no): No

II. Summary of Business Results for the First Three Quarters, FY2006 (April 1 – December 31, 2006)

1. Consolidated Business Performance

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

	Operating Revenue		Operating Income		Ordinary Income		Net Income (loss)	
First three quarters, FY2006	384,853	(6.5)%	23,432	(78.5)%	23,925	(78.3)%	(186,414)	–
First three quarters, FY2005	411,779	6.3%	108,878	6.2%	110,057	6.9%	64,290	13.6%
Reference: FY2005	549,547	6.0%	125,116	(7.1)%	126,964	(6.2)%	65,827	(13.1)%

	Net Income (loss) per Share for the Quarter (Yen)	Diluted Net Income per Share for the Quarter (Yen)
First three quarters, FY2006	(1,316.28)	–
First three quarters, FY2005	453.99	453.84
Reference: FY2005	464.84	464.69

Notes:

- Percentage figures shown for operating revenue, operating income, etc., show year-on-year growth.
- Diluted net income per share for the quarter is not shown for the first three quarters of fiscal 2006, as there was a net loss per share for the quarter and there were no latent shares with dilutive effect.

A. Qualitative Information Concerning Consolidated Business Performance: Overview of Performance

AIFUL regards the administrative penalties that were imposed on it in April 2006 with the utmost gravity. In addition to promoting such measures as the review and amendment of relevant regulations and reinforcement of internal structures, the Company has been making efforts such as investigating the fundamental causes of the legal infringements and formulating a plan for reform, drawing on the perspectives of third parties such as outside experts, under its Confidence Restoration Project set up in June 2006.

Looking to the future, with the basic management policies of a “focus on compliance” and a “total customer-first orientation” as priorities, AIFUL will continue to push forward with reform to transform itself into a company that can reflect the views of all customers and the whole of society, working to be reborn as a company that everyone trusts.

(1) Business Environment

During the third quarter, Japan’s economy continued its moderate expansion driven by strong corporate earnings and capital expenditure, despite the appearance of weakness in the recovery in personal consumption.

On the other hand, the business environment for the consumer finance industry has been difficult, with an increase in debt adjustments by attorneys and others and claims for interest repayments as well as a decline in interest income and a rise in bad debt-related costs despite the fall in the number of personal bankruptcy applications (published by the Supreme Court).

(2) Results of Operations

The consolidated balance of loans outstanding for the first three quarters in the AIFUL Group's loan business stood at 2,067,134 million yen, down 7.4% compared to the end of the previous fiscal year, due to such factors as self restraint in some marketing activities, including advertising.

In the credit card business, transaction volume stood at 416,420 million yen, up 19.8% year-on-year, as a result of efforts to further extend the business base. Transaction volume in the per-item credit business was down by 66.7% year-on-year to 32,154 million yen due to the tightening of member outlet screening criteria. As a result of the foregoing, at the end of the current consolidated third quarter, the AIFUL Group had 253,937 million yen in installment receivables, down 10.9% compared to the end of the previous fiscal year, and 145,682 million yen in customers' liabilities for acceptances and guarantees, down 5.3% compared to the end of the previous fiscal year. (These amounts included 133,665 million yen in off-balance sheet loans due to securitization comprised of 75,521 in loans outstanding and 58,144 million yen in installment receivables.)

As a result of the foregoing, total consolidated operating revenue for the first three quarters fell 6.5% year-on-year to 384,853 million yen, operating income was down 78.5% year-on-year to 23,432 million yen, and ordinary income was down 78.3% year-on-year to 23,925 million yen. In the third quarter, there was a net loss of 186,414 million yen. The main factor in the decline in revenue and income was that the Company recorded a total of 176,324 million yen in extraordinary losses, comprised of 107,021 million yen in transfers to the allowance for bad debts and 69,312 million yen in transfers to the allowance for losses on interest refunds accompanying the change in the method for estimating the allowance for losses on interest refunds in accordance with Accounting Treatment for Calculations of Reserves Relating to Losses at Consumer Finance Companies, etc., Resulting from Interest Repayment Claims published by the Japanese Institute of Certified Public Accountants (JICPA) in October 2006.

Non-consolidated operating revenue for the first three quarters decreased 10.1% year-on-year to 232,985 million yen, operating income fell 82.8% year-on-year to 13,450 million yen, and ordinary income fell 78.7% year-on-year to 17,699 million yen. In the third quarter, the Company posted a net loss of 165,138 million yen.

In December 2006, a law to partially amend legislation relating to the regulation of the money lending business stipulating such measures as the lowering of the interest ceiling under the Capital Subscription Law, restrictions on aggregate amounts, regulation of practices and other entry restrictions was approved and promulgated, and the business environment for the industry is expected to remain extremely challenging for some time.

In this environment, the AIFUL group will concentrate on a range of efforts aimed at the restoration of confidence, focusing mainly on strengthening its compliance framework. Apart from this, the Company is striving earnestly to create a structure that can adapt to changing legislation and meet the expectations of all stakeholders, including all of its customers and shareholders. To do so, AIFUL is working to achieve greater diversification in its business portfolio, to realize thorough cost reductions by reorganizing group companies, rationalizing operations, and reducing the number of outlets, and to optimize allocation of management resources. These steps are described in two press releases published on January 20, 2007, entitled "AIFUL Group Announces Reorganization and Cost Structure Reform" and "AIFUL Offers Voluntary Retirement to Employees."

2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio (%)	Shareholders' Equity per Share (Yen)
First three quarters, FY2006	2,506,808	483,871	19.0	3,364.84
First three quarters, FY2005	2,728,375	680,295	24.9	4,803.67
Reference: FY2005	2,790,969	681,694	24.4	4,813.45

Note: Minority interests are deducted from shareholders' equity in computations of shareholders' equity ratio and shareholders' equity per share in the first three quarters of the fiscal year under review.

Consolidated Cash Flows

(In millions of yen)

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Period
First three quarters, FY2006	170,156	21,931	(134,761)	191,735
First three quarters, FY2005	(48,925)	(2,479)	70,081	127,837
Reference: FY2005	(25,944)	(60,019)	111,185	134,376

B. Qualitative Information on Changes in Consolidated Financial Position

Total assets at the end of the third quarter were down by 273,931 million yen, or 9.9%, to 2,506,808 million yen, compared to the end of the previous fiscal year. The main components in the decline were a 132,404 million yen decrease in the balance of loans outstanding and a

14,151 million yen fall in deferred tax assets recorded under current assets, as well as a 123,804 million yen increase in the reserve for bad debts recorded under current assets. Total liabilities fell by 79,373 million yen, or 3.8%, to 2,102,310 million yen, compared to the end of the previous fiscal year. This was because the 125,983 million yen decline due to the repayment and redemption of interest bearing debt and the 16,658 million yen fall in corporate and other taxes payable exceeded the 82,115 million yen increase in the allowance for losses on interest refunds, in addition to other factors.

Net assets fell by 197,822 million yen, or 29.0%, compared to the end of the previous fiscal year, due to the net loss of 186,414 million yen posted in the third quarter.

The amount corresponding to the former total shareholders' equity stood at 476,636 million yen.

C. Cash Flows

Cash and cash equivalents ("funds" below) for the first three quarters rose 57,358 million yen compared to the end of the previous consolidated fiscal year to 191,735 million yen. This was because the increase in funds from the decline in receivables outstanding, including the balance of loans, and the increase in the allowance for losses on interest refunds exceeded the decline in funds due to the net pre-tax loss for the quarter and financing activities including the repayment of borrowings and redemption of corporate bonds.

III. Consolidated Results Forecasts for FY2006 (April 1, 2006 – March 31, 2007):

Qualitative Data Concerning Results Forecasts

There is no change to the full-year consolidated forecasts from the previous forecasts announced on November 7, 2006. Actual results, however, may differ due to the implementation of the various measures announced in the two press releases issued on January 20, 2007 entitled, "AIFUL Group Announces Reorganization and Cost Structure Reform" and "AIFUL Offers Voluntary Retirement to Employees."

I. Summary of Consolidated Balance Sheet for the First Three Quarters, FY2006

(In millions of yen, %)

Category	End of current quarter (As of Dec. 31, 2006)	End of same quarter last year (As of Dec. 31, 2005)	Change		Reference: FY2005 (As of Mar. 31, 2006)
	Amount	Amount	Amount	%	Amount
(Assets)					
I Current assets					
Cash and cash equivalents	191,813	128,140	63,673	49.7	134,454
Loans	1,991,612	2,076,286	(84,674)	(4.1)	2,124,017
Installment receivables	195,793	243,294	(47,500)	(19.5)	209,581
Customers' liabilities for acceptances and guarantees	145,682	150,308	(4,625)	(3.1)	153,766
Deferred tax assets	18,111	23,615	(5,504)	(23.3)	32,262
Other	98,019	82,123	15,896	19.4	125,894
Allowance for bad debts	(270,766)	(137,633)	(133,132)	96.7	(146,961)
Total current assets	2,370,266	2,566,134	(195,867)	(7.6)	2,633,014
II Fixed assets					
Tangible fixed assets	50,126	52,982	(2,855)	(5.4)	53,676
Intangible fixed assets	27,840	30,883	(3,043)	(9.9)	30,965
Good will	7,971	—	7,971	—	—
Consolidation adjustment account	—	9,706	(9,706)	(100.0)	9,272
Other	19,868	21,177	(1,309)	(6.2)	21,692
Investment and other fixed assets	57,927	77,434	(19,507)	(25.2)	72,567
Claims in bankruptcy	34,028	32,512	1,515	4.7	33,031
Other	48,490	68,612	(20,121)	(29.3)	64,290
Allowance for bad debts	(24,591)	(23,689)	(902)	3.8	(24,753)
Total fixed assets	135,893	161,300	(25,406)	(15.8)	157,209
III Deferred assets	647	940	(292)	31.1	744
Total assets	2,506,808	2,728,375	221,567	(8.1)	2,790,969
(Liabilities)					
I Current liabilities					
Acceptances and guarantees	145,682	150,308	(4,625)	(3.1)	153,766
Short-term debts	99,680	93,385	6,295	6.7	113,200
Current portion of bonds	44,000	91,000	(47,000)	(51.6)	82,000
Current portion of long-term debts	364,324	473,507	(109,182)	(23.1)	434,325
Allowance for losses on interest refunds	—	—	—	—	21,074
Other	129,705	135,878	(6,173)	(4.5)	142,851
Total current liabilities	783,393	944,079	(160,686)	(17.0)	947,218
II Long-term liabilities					
Bonds	443,100	429,500	13,600	3.2	428,500
Long-term debts	680,658	647,267	33,391	5.2	709,721
Allowance for losses on interest refunds	103,189	—	103,189	—	—
Other	12,595	20,493	(7,897)	(38.5)	16,871
Total long-term liabilities	1,239,543	1,097,260	142,283	13.0	1,155,092
Total liabilities	2,022,936	2,041,339	(18,403)	(0.9)	2,102,310
(Minority interests)					
Minority interests	—	6,740	(6,740)	(100.0)	6,964
(Shareholders' equity)					
I Common stock	—	83,317	(83,317)	(100.0)	83,317
II Capital surplus	—	104,125	(104,125)	(100.0)	104,125
III Retained earnings	—	484,680	(484,680)	(100.0)	486,214
IV Differences in evaluation of other marketable securities	—	11,158	(11,158)	(100.0)	11,001
V Treasury stock	—	(2,986)	2,986	(100.0)	(2,964)
Total shareholders' equity	—	680,295	(680,295)	(100.0)	681,694
Total liabilities, minority interests and shareholders' equity	—	2,728,375	(2,728,375)	(100.0)	2,790,969

Category	End of current quarter (As of Dec. 31, 2006)	End of same quarter last year (As of Dec. 31, 2005)	Change		Reference: FY2005 (As of Mar. 31, 2006)
	Amount	Amount	Amount	%	Amount
(Net Assets)					
I. Shareholders' equity					
Common stock	83,317	—	83,317	—	—
Capital surplus	104,125	—	104,125	—	—
Retained earnings	291,301	—	291,301	—	—
Treasury stock	(2,967)	—	(2,967)	—	—
Total shareholders' equity	475,777	—	475,777	—	—
II. Evaluation and foreign currency translation adjustments					
Differences in evaluation of other marketable securities	6,796	—	6,796	—	—
Loss on deferred hedge	(6,036)	—	(6,036)	—	—
Total evaluation and foreign currency translation adjustments	759	—	759	—	—
III. Minority interests	7,334	—	7,334	—	—
Total net assets	483,871	—	483,871	—	—
Total net assets and liabilities	2,506,808	—	2,506,808	—	—

II. Summary of Consolidated Income Statement for the First Three Quarters, FY2006

(In millions of yen, %)

Category	First three quarters (Apr. 1 to Dec. 31, 2006)	Same period last year (Apr. 1 to Dec. 31, 2005)	Change		Reference: FY2005 (Apr. 1, 2005 to Mar. 31, 2006)
	Amount	Amount	Amount	%	Amount
I Operating revenue	384,853	411,779	(26,926)	(6.5)	549,547
Interest on loans to customers	346,268	369,341	(23,072)	(6.2)	491,357
Credit card revenue	9,501	8,005	1,496	18.7	11,275
Per-item credit revenue	10,456	13,220	(2,763)	(20.9)	17,675
Credit guarantee revenue	6,958	6,367	590	9.3	8,667
Other	11,667	14,845	(3,177)	(21.4)	20,571
II Operating expenses	361,420	302,901	58,518	19.3	424,431
Financial expenses	27,479	28,394	(915)	(3.2)	37,762
Cost of sales	2,032	92	1,940	—	173
Operating expenses - other	331,908	274,414	57,493	21.0	386,495
Operating income	23,432	108,878	(85,445)	(78.5)	125,116
III Non-operating income	747	1,344	(597)	(44.4)	2,007
IV Non-operating expenses	254	165	89	53.8	159
Ordinary income	23,925	110,057	(86,132)	(78.3)	126,964
V Extraordinary income	3,213	795	2,418	303.9	803
VI Extraordinary losses	178,382	1,419	176,963	—	14,994
Net income (loss) for the quarter before taxes	(151,243)	109,433	(260,677)	—	112,773
Tax expenses	34,797	43,794	(8,997)	(20.5)	45,374
Gain on minority interests	374	1,348	(974)	(72.3)	1,571
Net income (loss) for the quarter	(186,414)	64,290	(250,705)	—	65,827

III. Summary of Consolidated Statements of Changes in Shareholders' Equity Over the First Three Quarters, FY2006 (April 1 – December 31, 2006)

(In millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	83,317	104,125	486,214	(2,964)	670,692
Change during current quarter					
Distribution of surplus			(8,497)		(8,497)
Net income (loss) for the quarter			(186,414)		(186,414)
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock			(0)	0	0
Total change during current quarter	–	–	(194,912)	(2)	(194,915)
Balance at December 31, 2006	83,317	104,125	291,301	(2,967)	475,777

	Valuation and translation adjustments			Minority interests	Total net assets
	Differences in evaluation of other marketable securities	Deferred hedge losses	Total valuation and translation adjustments		
Balance at March 31, 2006	11,001	–	11,001	6,964	688,658
Change during current quarter					
Distribution of surplus			–		(8,497)
Net income (loss) for the quarter			–		(186,414)
Acquisition of treasury stock			–		(2)
Disposal of treasury stock			–		0
Net change for the quarter in items other than shareholders' equity	(4,205)	(6,036)	(10,242)	370	(9,872)
Total change during current quarter	(4,205)	(6,036)	(10,242)	370	(204,787)
Balance at December 31, 2006	6,796	(6,036)	759	7,334	483,871

IV. Summary of Consolidated Cash Flow Statement for the First Three Quarters, FY2006

(In millions of yen)

Category	First three quarters (Apr. 1 to Dec. 31, 2006)	Same period last year (Apr. 1 to Dec. 31, 2005)	Reference: FY2005 (Apr. 1, 2005 to Mar. 31, 2006)
	Amount	Amount	Amount
I Cash flow from operating activities			
Net income for the quarter before taxes	(151,243)	109,433	112,773
Depreciation expenses	9,724	8,254	11,836
Increase (decrease) in allowance for bad debts	123,643	1,169	11,561
Increase (decrease) in reserve for losses on interest repayments	82,115	–	21,074
Decrease (increase) in loans to customers	132,404	(73,269)	(121,000)
Decrease (increase) in installment receivables	13,790	(50,891)	(17,178)
Other	(3,821)	464	(1,246)
Subtotal	206,613	(4,839)	17,819
Payments for corporate and other taxes	(36,680)	(44,381)	(44,078)
Other	224	295	314
Cash flow from operating activities	170,156	(48,925)	(25,944)
II Cash flow from investing activities			
Funds used for purchases of fixed assets	(6,327)	(11,128)	(19,322)
Decrease (increase) in short-term receivables	25,004	5,037	(44,940)
Other	3,255	3,611	4,243
Cash flow from investing activities	21,931	(2,479)	(60,019)
III Cash flow from financing activities			
Increase in short-term debts	642,690	713,240	989,210
Repayment of short-term debts	(656,210)	(691,550)	(947,705)
Increase in long-term debts	276,336	343,093	514,473
Repayments of long-term debts	(375,399)	(345,545)	(493,654)
Cash from issue of corporate bonds	57,321	124,860	124,859
Cash used for redemption of bonds	(81,000)	(84,000)	(94,000)
Other	1,499	9,983	18,002
Cash flow from financing activities	(134,761)	70,081	111,185
IV Effect of exchange rate changes on cash and cash equivalents	31	22	16
V Increase (decrease) in cash and cash equivalents	57,358	18,698	25,238
IV Balance of cash and cash equivalents at the beginning of period	134,376	108,965	108,965
VII Increase in cash and cash equivalents from new consolidations	–	173	173
VIII Balance of cash and cash equivalents at the end of period	191,735	127,837	134,376

V. Results of Operations (Consolidated) for the First Three Quarters, FY2006

1. Operating Revenue

(In millions of yen, %)

Item	First three quarters (Apr. 1 to Dec. 31, 2007)		Same period last year (Apr. 1 to Dec. 31, 2006)		Reference: FY2005 (Apr. 1, 2005 to Mar. 31, 2006)	
	Amount	%	Amount	%	Amount	%
Interest on loans to customers	346,268	90.0	369,341	89.7	491,357	89.4
Unsecured loans	288,701	75.0	304,763	74.0	405,308	73.8
Secured loans	34,040	8.9	42,485	10.3	56,144	10.2
Small business loans	23,526	6.1	22,091	5.4	29,904	5.4
Credit card revenue	9,501	2.5	8,005	1.9	11,275	2.1
Per-item credit revenue	10,456	2.7	13,220	3.2	17,675	3.2
Credit guarantee revenue	6,958	1.8	6,367	1.6	8,667	1.6
Financial revenue - other	56	0.0	26	0.0	35	0.0
Operating revenue - other	11,611	3.0	14,819	3.6	20,535	3.7
Collection of purchased claims	2,675	0.7	2,912	0.7	4,744	0.9
Revenue from operational investment securities	497	0.1	206	0.1	436	0.0
Other	8,438	2.2	11,700	2.8	15,354	2.8
Total	384,853	100.0	411,779	100.0	549,547	100.0

Note: "Other" included in other operating revenue includes collection of purchased claims and card membership fees.

2. Other Operating Indicators

Item	End of current quarter (As of Dec. 31, 2006)	End of same quarter last year (As of Dec. 31, 2005)	Reference: FY2005 (As of Mar. 31, 2006)
Total amount of loans outstanding (millions of yen)	2,067,134	2,193,668	2,232,417
Unsecured loans	1,595,554	1,682,539	1,709,184
Secured loans	309,761	355,489	357,025
Small business loans	161,818	155,639	166,208
Number of customer accounts	3,660,172	3,869,561	3,898,954
Unsecured loans	3,471,298	3,671,770	3,695,792
Secured loans	92,352	103,761	104,656
Small business loans	96,522	94,030	98,506
Number of branches	2,629	2,584	2,722
Staffed branches	687	871	873
Unstaffed branches	1,942	1,713	1,849
Number of automatic loan-contracting machines	2,165	2,222	2,249
Number of loan application processing machines	310	191	310
Number of ATMs	166,474	158,258	159,083
Company-owned	2,285	2,330	2,361
Partner-owned	164,189	155,928	156,722
Number of employees	6,702	6,793	6,675

Note: 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 (75,521 million yen at the end of the current quarter, 117,381 million yen at the end of same quarter last year and 108,400 million yen at the end of the previous consolidated fiscal year) have been included.