FASF MEMBERSHIP

May 9, 2007

Year-End Financial Statements (Consolidated)

For the fiscal year ended March 2007

AIFUL Corporation — Stock Listings: 1st Section of Tokyo and Osaka Stock Exchanges
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Scheduled date of convention of ordinary general meeting of shareholders: June 27, 2007
Scheduled date of commencement of dividend payments: June 28, 2007
Scheduled date of submission of financial report: June 28, 2007

I. Consolidated Business Results for the Year Ended March 31, 2007

(April 1, 2006 – March 31, 2007)

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 growth.)

	Operating Revenue		Operating Income (loss)		Ordinary Income (loss)		Net Income (loss)	
Fiscal year ended March 31, 2007	499,031	(9.2)%	(163,801)	–	(163,092)	–	(411,250)	–
Fiscal year ended March 31, 2006	549,547	6.0%	125,116	(7.1)%	126,964	(6.2)%	65,827	(13.1)%

	Net Income (loss) per Share (Yen)	Diluted Net Income per Share (Yen)	Net Income to Shareholders' Equity Ratio (%)	Ordinary Income to Total Assets Ratio (%)	Operating Income to Operating Revenue Ratio (%)
Fiscal year ended March 31, 2007	(2,903.85)	–	(88.1)	(6.5)	(32.8)
Fiscal year ended March 31, 2006	464.84	464.69	8.2	4.7	22.8

Reference: Equity method investment gain or loss for: Fiscal year ended March 31, 2007: - million yen
Fiscal year ended March 31, 2006: - million yen

2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended March 31, 2007	2,214,559	257,144	11.4	1,777.44
Fiscal year ended March 31, 2006	2,790,969	681,694	24.4	4,813.45

Reference: Shareholders' equity for: Fiscal year ended March 31, 2007: 251,724 million yen
Fiscal year ended March 31, 2006: - million yen

3. 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 Year
Fiscal year ended March 31, 2007	250,558	13,498	(271,390)	127,089
Fiscal year ended March 31, 2006	(25,944)	(60,019)	111,185	134,376

II. Dividend Information

(Record date)	Dividend per Share (Yen) Interim	Year-end	Annual	Total Annual Dividends (Million Yen)	Dividend Payout Ratio (Consolidated, %)	Dividend on Equity Ratio (Consolidated, %)
Fiscal year ended March 31, 2006	30.00	30.00	60.00	8,496	12.9	1.1
Fiscal year ended March 31, 2007	30.00	30.00	60.00	8,497	–	1.8
Fiscal year ending March 31, 2008 (Forecast)	20.00	20.00	40.00		17.7	

III. Full Year Consolidated Forecast (April 1, 2007 - March 31, 2008)

(In millions of yen, except where noted; Percentage figures show year-on-year growth for the full year and growth compared to the same period the previous year for the interim period.)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Interim	218,919	(16.5)%	19,297	(30.4)%	19,301	(31.4)%	20,756	–	146.56
Full year	409,858	(17.9)%	29,997	–	30,000	–	32,049	–	226.30

IV. Other

(1) Transfers of leading subsidiaries during the fiscal year (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 consolidated financial statements (Recorded under Changes to Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements)

(a) Changes accompanying amendments to accounting standards: Yes
(b) Changes other than those in (a): None
Note: Please refer to Changes to Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements on page 26 for details.

(3) Number of shares issued and outstanding (Common stock)

(a) Number of shares issued and outstanding at end of fiscal year (including treasury stock)

Year ended March 31, 2007: 142,035,000 shares
Year ended March 31, 2006: 142,035,000 shares

(b) Number of shares of treasury stock issued and outstanding at end of fiscal year

Year ended March 31, 2007: 412,835 shares
Year ended March 31, 2006: 412,124 shares

Note: Please refer to Per Share Information on page 37 for the number of shares used in the computation of consolidated net income per share.

(Reference) Highlights of Non-Consolidated Business Results

I. Non-Consolidated Business Results for the Year Ended March 31, 2007
(April 1, 2006 – March 31, 2007)

1. Non-Consolidated Operating Results

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

	Operating Revenue		Operating Income (loss)		Ordinary Income (loss)		Net Income (loss)	
Fiscal year ended March 31, 2007	300,755	(12.4)%	(106,937)	–	(101,225)	–	(359,399)	–
Fiscal year ended March 31, 2006	343,515	0.9%	87,548	(18.6)%	94,632	(15.9)%	50,381	(25.1)%

	Net Income (loss) per Share (Yen)	Diluted Net Income per Share (Yen)
Fiscal year ended March 31, 2007	(2,537.73)	–
Fiscal year ended March 31, 2006	355.77	355.65

2. Non-Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended March 31, 2007	1,660,826	255,005	15.4	1,800.60
Fiscal year ended March 31, 2006	2,204,482	632,917	28.7	4,469.03

Reference: Shareholders' equity for: Fiscal year ended March 31, 2007: 255,005 million yen
Fiscal year ended March 31, 2006: - million yen

II. Full Year Non-Consolidated Forecast (April 1, 2007 - March 31, 2008)

(In millions of yen, except where noted; Percentage figures show year-on-year growth for the full year and growth compared to the same period the previous year for the interim period.)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Interim	127,470	(20.1)%	9,810	(49.5)%	12,543	(43.7)%	18,910	–	133.52
Full year	241,860	(19.6)%	14,381	–	20,000	–	38,136	–	269.28

* Explanation and other important precautions concerning the proper use of business results forecasts
(Precautions concerning forward-looking statements)
The forward-looking statements, including business results forecasts, contained in these materials are based on data that is currently available and certain assumptions that the Company deems to be reasonable. Actual results may vary significantly for a number of reasons. Please refer to 1. Operating Results (1) Analysis of Operating Results on page 4 for the assumptions that form the basis of business results forecasts and for precautions regarding the use of business results forecasts.

Supplementary Data

I. Operating Results

1. Analysis of Operating Results

The Japanese economy continued its tone of moderate recovery during the fiscal year under review, with private-sector investment maintaining a high level backed by strong corporate earnings, and with an improving employment environment, although personal consumption did not see enough strength to achieve a full recovery.

Meanwhile, in the consumer finance industry, Japan's Law to Partially Amend the Money Lending Business Control and Regulation Law ("Money Lending Business Control Law") was approved and promulgated in December 2006, and is scheduled to be fully enforced by June 2010. It includes the lowering of the maximum interest rate under Japan's Capital Subscription Law, restrictions on aggregate loan amounts, and restrictions on practices. Moreover, with the response to claims for interest repayments that are continuing to rise, the operating environment has become increasingly challenging.

In this environment, the AIFUL Group earnestly accepts the administrative penalties imposed in April 2004 and has been concentrating on a range of efforts aimed at restoring confidence based on the strengthening of its compliance framework. At the same time, AIFUL is undertaking radical reform of its cost structure, including the restructuring of Group organizations and the recruitment of voluntary retirees, in order to deliver even more secure and reliable low-interest rate products to customers.

A. Operations

(1) AIFUL Corporation

During the fiscal year under review, the entire Company has been united in taking such steps as boosting internal control and establishing various regulations and rules to prevent a recurrence of legal infringements and strengthen its compliance framework.

In addition, in its response to the going into force of Japan's Money Lending Business Control Law, the AIFUL Group will realize a 1000-outlet structure by September 2007 through large-scale closure and amalgamation of outlets as well as undertaking cost structure reform.

Consolidated operating results during the fiscal year under review in the loan business by product are as follows.

i) Unsecured Loans
There were 309,000 new applications during the fiscal year under review, a decrease of 40.5% compared to last year as a result of self-restraint in advertising in response to the administrative penalties, and new account acquisitions were 155,000, down 54.1% year-on-year. Unsecured loans outstanding stood at 995,077 million yen, down 12.2% compared to the end of the previous fiscal year.

ii) Home Equity Loans and Small Business Loans
The balance of loans outstanding at the end of the fiscal year for the Company's other products stood at 274,787 million yen, down 19.5% compared to the end of the previous fiscal year, for home equity loans, and 28,747 million yen, down 25.3%, for small business loans.

iii) Credit Guarantees Business
At the end of the fiscal year, AIFUL's guarantee partners numbered 43 unsecured personal loan companies and 58 small business unsecured loan companies, and the balance of customers' liabilities for acceptances and guarantees stood at 58,914 million yen, marking a decline of 5.5% compared with the end of the previous fiscal year.

(2) LIFE Co., Ltd.

During the fiscal year under review, following on from the last fiscal year, LIFE has continued working to further strengthen its business capabilities, focusing on the credit card operations that the company has positioned as its core business.

i) Credit Cards Business
In the credit card business, LIFE has been seeking to strengthen its own cards through such means as commencing the issue of LIFE Card Gold, the company's first premium card offering the highest level of indemnity and enhanced care and support functions. Meanwhile, the company has further expanded its credit card operations through the issue of a range of co-branded cards. As a result, the total number of credit card holders at the end of the fiscal year rose 960,000 to 14,060,000.

ii) Per-item Credit Business
In its per-item credit business, LIFE has taken measures to make screening standards for affiliated outlets more rigorous in light of social problems that include deceptive trade practices by home renovators that target the elderly.

iii) Credit Guarantees Business
At the end of the fiscal year, the number of guarantee partners stood at 129, and LIFE has continued to boost sales of bank loan guarantee products. In addition, in the area of new guarantee products, the company began handling the LIFE Business Loan, a new product aimed at small business, in November 2006.

iv) Consumer Finance Business
As new products in its consumer finance business, LIFE commenced the Real Estate Secured Loan for Business Proprietors in December 2006 and the LIFE Special Purpose in March 2007, and the company is aiming to further increase its acquisition of new cardholders by enhancing the product lineup at its outlets in the future.

v) Branch Network
The company's cash services channels allow access to 142,246 cash dispensers and ATMs at 471 partner companies.

In order to adapt to the changes in the industry environment, which has become increasing challenging as a result of legal amendments and other factors, LIFE has embarked on business structure reform, and the company completed the reorganization of its outlets as of March 31, 2007. As a result, from April 1, the branch network consists of 11 branches, 12 LIFE Card outlets, and 41 staffed and 74 unstaffed Cash Plaza outlets.

Meanwhile, the volume of business during the fiscal year was up 19.2% year-on-year to 568,026 million yen for credit card shopping, down 70.3% to 36,268 million yen for per-item credit, down 18.8% to 24,390 million yen for credit guarantees, and down 8.0% to 319,871 million yen for credit card cash advances.

(3) Other Group Companies

i) Small Business Finance Business
Businext has been striving to further enhance its services with the opening of the Yokohama branch (Kanagawa Prefecture) and the Omiya Branch (Saitama Prefecture) in April 2006 and the Kobe Branch (Hyogo Prefecture) in July as well as commencing an ATM withdrawal tie-up with Tokyo Star Bank in January 2007. As a result, the balance of operating loans outstanding stood at 82,328 million yen at the end of the fiscal year under review, up 12.6% year-on-year.

Moreover, in addition to closures and amalgamation reducing the number of business outlets from 63 to 47, City's has pushed forward with greater personnel efficiency, including the voluntary retirement of permanent employees, and carried out a review of the cost structure. The balance of operating loans outstanding at City's stood at 58,316 million yen at the end of the fiscal year, down 14.1% year-on-year.

ii) Consumer Finance Business
TCM and Passkey will be integrated into AIFUL by March 2008 while Tryto and Wide will be integrated into AIFUL by March 2009. Ahead of this, the consumer finance companies have been reducing the number of their business centers through the closure and amalgamation of outlets and implementing greater efficiency in personnel. The balance of operating loans outstanding at the four consumer finance companies was 149,745 million yen at the end of the fiscal year, down 18.4% year-on-year.

Furthermore, Internet loan companies id Credit and Net One Club were merged with AIFUL on March 26, 2007 with the aim of raising business and management efficiency in view of the changes in the environment for the consumer finance business.

iii) Other Business
AsTry Loan Services obtained an "Average (Outlook: Stable)" rating as an unsecured business loan special servicer from Standard & Poor's in December 2006. The company has been striving to strengthen its compliance framework and internal control structures, and it became the first in the servicing industry to receive approval from Japan Information Processing Development Corporation for the privacy mark based on the new standard (JISQ15001:2006) in February 2007.

The balance of purchased claims stood at 12,753 million yen at the end of the fiscal year under review, up 16.7% compared to the end of the previous fiscal year.

Investment by New Frontier Partners Co., Ltd., totaled 4,829 million yen (including investment through funds) at the end of the fiscal year, up 4.3% compared to the end of the previous fiscal year.

As a result of the foregoing, at the end of the fiscal year, the AIFUL Group had 1,985,263 million yen in loans outstanding on a consolidated basis, down 11.1% compared to the end of the previous fiscal year, 229,740 million yen in installment receivables, down 19.4% compared to the end of the previous fiscal year, and 141,929 million yen in customers' liabilities for acceptances and guarantees, down 7.7% compared to the end of the previous fiscal year. (These amounts included 127,390 million yen in off-balance sheet loans due to securitization comprised of 72,573 in loans outstanding and 54,817 million yen in installment receivables.)

B. Overview of Performance

Consolidated operating revenue for the AIFUL Group for the fiscal year under review decreased by 9.2%, to 499,031 million yen, of which 448,662 million yen, or 89.9%, was accounted for by interest on loans to customers, 25,752 million yen, or 5.2%, by revenue from credit card shopping and per-item credit, and 9,186 million yen, or 1.8%, by credit guarantee revenue.

Meanwhile, operating expenses for the AIFUL Group totaled 662,832 million yen, up 56.2% year-on-year. This amount can be broken down into 340,363 million yen, or 51.3%, for bad debt expenses, 113,074 million yen, or 17.1%, in expenses related to interest repayments, 25,584 million yen, or 3.9%, in advertising expenses and commissions paid, and 56,631 million yen, or 8.5%, in personnel expenses.

The consolidated net loss for the fiscal year under review was due to a transfer to the allowance for bad debts of 107,012 million yen and a transfer of 69,312 million yen to the reserve for losses on interest repayments with the change in the method for estimating reserve for losses on interest repayments from the consolidated interim period in accordance with the Accounting Treatment for Calculation of Reserves Relating to Losses at Consumer Finance Companies, etc., Resulting From Interest Repayment Claims (Industry Audit Committee Report No. 37) published by the Japanese Institute of Certified Public Accountants (JICPA) in October 2006. Other factors included expenses related to special retirement benefits for voluntary retirees and expenses related to business restructuring such as group reorganization and closure and amalgamation of outlets which were recorded as extraordinary loss of 27,296 million yen.

As a result of the foregoing, consolidated operating loss for the fiscal year under review was 163,801 million yen, ordinary loss was 163,092 million yen, and there was a net loss of 411,250 million yen.

AIFUL's non-consolidated operating loss was 106,937 million yen, ordinary loss was 101,225 million yen, and there was a net loss of 359,399 million yen.

C. Outlook for Next Fiscal Year

The environment for the AIFUL Group is expected to remain difficult with factors such as the tightening up of credit and competition to secure premium customers as a result of the lowering of the maximum interest rate accompanying the enforcement of the Money Lending Business Control Law in addition to the increase in expenses related to claims for interest repayments and bad debts.

Nevertheless, the AIFUL Group responded prudently to the areas of concern by increasing reserves during the fiscal year under review to provide for an increase in interest repayments and making structures targeted for the reduction in the lending rate under the revised Money Lending Business Control Law fully operational.

In the year ending March 2008, AIFUL forecasts a 17.9% decline in consolidated operating revenue to 409,858 million yen, 30,000 million yen in ordinary income, and net income of 32,049 million yen.

AIFUL forecasts that non-consolidated operating revenue will decrease 19.6% to 241,860 million yen, ordinary income will be 20,000 million yen, and net income will be 38,136 million yen.

2. Analysis of Financial Position

A. Assets, Liabilities, Net Assets, Cash Flows

Total assets on a consolidated basis declined by 576,410 million yen, or 20.7%, compared to the end of the previous fiscal year to 2,214,559 million yen at the end of the fiscal year under review. The main components of this were loans outstanding, which fell by 211,327 million yen, and a decrease of 18,491 million yen in deferred tax assets recorded as current assets as well as a 232,886 million yen increase in the allowance for bad debts recorded as current assets. Total liabilities fell by 144,896 million yen, or 6.9%, compared to the previous fiscal year to 1,957,414 million yen. This was mainly because the 262,484 million yen decline in the repayment and redemption of interest bearing debt and the 17,048 million yen fall in corporation tax payable exceeded the 146,078 million yen increase in the reserve for losses on interest repayments.

Net assets fell by 424,549 million yen or 62.3% compared to the previous fiscal year due to factors that included the recording of a 411,250 million yen net loss.

The amount corresponding to the former total shareholders' equity stood at 257,477 million yen.

B. Cash Flows

Cash and cash equivalents ("Funds") on a consolidated basis fell by 7,287 million yen from the end of the previous fiscal year to 127,089 million yen at the end of the fiscal year. This was because the increase in funds due to the decline in operating receivables such as loans outstanding and the increase in the allowance for bad debts and reserve for losses on interest repayments was less than the decrease in funds due to the net loss before taxes for the year and financing activities such as the repayment of borrowings and redemption of bonds.

Changes in Cash Flow Related Indicators

	Year ended March 2003	Year ended March 2004	Year ended March 2005	Year ended March 2006	Year ended March 2007
Shareholders' Equity Ratio (%)	21.3	23.5	24.0	24.4	11.4
Shareholders' Equity Ratio Based on Market Price (%)	16.1	43.2	47.3	39.5	23.0
Interest coverage ratio (times)	2.1	2.0	3.1	2.5	–

Shareholder's equity ratio: shareholder's equity/total assets
Shareholder's equity ratio based on market price: total market capitalization/total assets
Interest coverage ratio: operating cash flow/interest payments
Notes: 1. All indicators computed using consolidated financial figures.
2. Operating cash flow is the figure obtained by excluding changes in funds due to changes in operating receivables and reserves related to operating receivables (allowance for bad debts and reserve for losses on interest repayments) from cash flow from operating activities on the consolidated statements of cash flows.

3. Basic Policies on Profit Distribution and Dividend for the Fiscal Year Under Review and Next Fiscal Year

The AIFUL Group's basic dividend policy is to consistently distribute profits to shareholders in a stable manner on the basis of a comprehensive assessment of the economic and financial situation and the Company's own business performance.

Based on this basic policy, the AIFUL Group aims to increase returns for shareholders and shareholder value by moving back into long-term profit growth. In the fiscal year, although a significant net loss was posted due to radical changes in the operating environment, with a view to maintaining a stable distribution of profit, AIFUL plans to pay an annual dividend of 60 yen per share (total of interim and year-end dividends), the same as in the previous fiscal year. Internal reserves are to be used effectively, considering market conditions and other factors, in strategic investments that contribute to the rebuilding of the earnings base, as well as in the reconstruction of corporate infrastructure, including the strengthening of compliance, and strategies for reinforcing a variety of internal control functions.

AIFUL projects that the annual dividend for the next fiscal year will be 40 yen (includes an interim dividend of 20 yen).

4. Business Risk

The main factors concerning the financial position and business performance of the AIFUL Group recorded in the financial statements that could significantly impact the decisions of investors are those described below.

Factors in the text relating to the future are based on judgements as of the end of the fiscal year under review.

A. Risks Arising from the Business Environment

Whether the AIFUL Group maintains and improves past profit levels and rates of profit growth depends on a number of factors, and those that are expected to be the main factors are described below. In April 2007, AIFUL Corporation established a Risk Management Committee that reports directly to the Board of Directors, and gave it the task of performing cross-divisional control and management of risks. This step is expected to reinforce systems for proactive measures to eliminate risks and accelerate the response if any incident should occur. Nevertheless, the AIFUL Group's financial position and business performance could be adversely affected by changes in the operating environment, including the strengthening or loosening of legislation and regulations, and changes in competitive conditions and the economy. The revision of the AIFUL Group's strategy may also be unavoidable.

・Japanese economic conditions and market trends, especially trends in the consumer credit market
・Intensification of competition with competitors in the consumer finance market
・Changes in the relevant legislation and regulations for the consumer finance market, and especially changes in the legal framework, the enforcement status of such changes and judicial decisions relating to relevant legislation, accompanying changes in accounting standards, and incidence of other lawsuits requesting interest repayments
・Changes in the AIFUL Group's ability to provide credit, the number of accounts, the average balance per account, the average contracted interest rate, and the default ratio
・Changes in fund procurement capabilities due to factors such as market interest rate trends, and changes in the creditworthiness of the AIFUL Group
・Changes in expenses, including various commissions, advertising expenses and personnel expenses, and losses
・Negative media coverage of the AIFUL Group and the consumer finance industry, and the incidence of scandals

B. Risk Arising from the Problem of Borrowers with Multiple Debts

Against the background of recent economic conditions and the establishment of a legislative system for consumer protection, the increase in the number of consumers with multiple debts from borrowing from a number of credit providers and the use of credit cards, and the accompanying growth in the number of consumers requesting legal protection, have become social problems. (Some customers of the AIFUL Group may also fall into this category.)

In response to this problem, the consumer finance industry set up the Liaison Group of Consumer Finance Companies in January 1997 to work on educational activities for consumers through TV commercials and pamphlets at the same time as carrying out activities to support financial education such as the production of video teaching materials for high schools. Moreover, in June 1997, 14 consumer finance companies invested 1,722 million yen to establish the Japan Consumer Counseling Fund, providing funding aid for a range of counseling programs
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Apart from this, seven major consumer finance companies and the Liaison Group of Consumer Finance Companies jointly announced the "Voluntary Initiatives for a Sounder Consumer Finance Market" in March 2006 based on the three main areas of supporting sound household budget management, disseminating information for safe usage, and working for the creation of a safety net. At the same time as running the "Stop! Karisugi" media campaign since June 2006, the measures undertaken include the introduction of the Support Services for Sound Household Budget Management Site in October 2006 as a site to provide consumer behavior diagnostic services and household budget management diagnostic services.

The AIFUL Group is working to avoid the risk of excessive lending through such means as screening repayment capacity (includes monitoring credit extended to existing customers) based on data from personal credit bureaus and its own credit provision systems and tightening up of credit criteria. At the same time, AIFUL is reviewing its products to make the maximum repayment term five years in order to promote systematic repayment in revolving credit agreements.
Nevertheless, in the event that the content of receivables deteriorates due to future economic conditions or the establishment of the legislative system, the number of customers requesting legal debt adjustment increases, or other regulations and restrictions related to the consumer credit market are strengthened, the financial position and business performance of the AIFUL Group may be adversely affected by a contraction in the size of the market or an increase in credit costs, including bad debt write-offs.

C. Legal Regulations

(1) Legal Compliance System

On April 14, 2006, AIFUL Corporation was deemed in breach of the Money Lending Business Control and Regulation Law (Money Lending Business Control Law) with respect to the unlawful preparation and exercise of letters of attorney, demanding claims against borrowers who had received judgments for the commencement of assistance, the frequent demanding of claims through telephone calls to the debtor's workplace, persistently requesting cooperation from third parties in the demanding of claims, and inadequate entries in the records of negotiations as a result of on-the-spot inspections by the Kinki Finance Bureau of the Financial Services Agency. The Company was penalized with the halting of operations for between 20 and 25 days from May 8, 2006 at five of its branches and offices and for three days from May 8, 2006 at all of its other branches and offices.

In order to prevent the occurrence of any scandal including the infringement of the Money Lending Business Control Law and leakage of information, AIFUL Corporation has already established a Compliance Committee as a body directly under the Board of Directors and a Compliance Office as its secretariat as well as collecting information on compliance and carrying out an examination and assessment of the company-wide compliance framework, taking measures to prevent legal infringements before they occur. In addition, AIFUL aims to further strengthen the legal compliance framework by boosting the functions of the Compliance Office (name changed to Compliance Monitoring Department) to include centralizing the compliance hotline, strengthening the function of collecting data on compliance, and centralizing functions related to rewards and penalties in April 2007. Apart from this, the AFIUL Group is formulating business rules that provide for a legal compliance education function, strengthening the acquisition of knowledge about legislation and the penetration of legal compliance awareness via in-house training, increasing the effectiveness of internal checking to include the monitoring of telephone calls, as well as taking other measures while also establishing structures for the proper review of these measures.

In the event that unlawfulness and scandal, including activities in breach of the law involving the employees of the AIFUL Group, occur despite these reviews and the response made by the Company, this will result in legal punishments such as administrative penalties and other obligations, and could affect confidence in the Group as well as its financial position and business performance.

(2) Legal Regulations

In terms of the legal regulation of business, the loan business, including the AIFUL Group's mainstay consumer finance business, is subject to the application of the Money Lending Business Control Law and the Law concerning the Regulation of Receiving Capital Subscription, Deposits, and Interest on Deposits (Capital Subscription Law). Under these laws, business is subject to a range of regulations. These include the prohibition of excessive lending, the publication of loan terms, the advertising of loan terms, the prohibition of exaggerated advertising, duty to provide explanations when concluding a loan agreement, the issue of documents, the issue of receipts, the preparation of account books, limitations on the acquisition of blank powers of attorney, regulation of collection activities, surrender of claim documents, the posting of signs, regulation of the cession of claims, duty to disclose transaction history, the appointment of managers to handle lending operations, the carrying of identification documents, the legal regulation of the items to be entered on payment notices, and regulations on the proper handling of personal information.

In addition, the Administrative Guidelines for Precautions Regarding Financial Supervision (Administrative Guidelines) dated October 29, 2003 of the Financial Services Agency of Japan, the supervisory agency for AIFUL Corporation, set standards for preventing excessive lending. The amount that one lender can lend to a borrower with a brief screening at a counter in unsecured, non-guaranteed loans is 500,000 yen or an amount equivalent to 10% of the annual income of the borrower. Moreover, the AIFUL Group's credit card shopping and per-item credit businesses are subject to a range of regulations based on the application of the Installment Sales Law. These regulations include the publications of terms of business, the issue of documents, the limitation of the amount of compensation for damages accompanying the cancellation of contracts, pleas against installment sales service providers, the prevention of purchases that exceed capacity to pay, and the prevention of consumer problems related to continuous service.

Moreover, based on the Money Lending Business Control Law, when AIFUL Group companies which operate a money lending business conclude a loan agreement or a guarantee agreement, and extend a loan, they have an obligation to issue a document that records the specified matters concerning the terms of the loan immediately to the customer, who is the borrower, and the guarantor.

The Administrative Guidelines require lenders to issue a document that records all the statutory matters immediately whenever a customer borrows funds from an ATM or staffed office (includes mailing the document immediately) in addition to issuing the prescribed document when the contract is concluded. AIFUL Corporation changed the software for its ATMs and has been issuing the document described above that records all the statutory matters since August 2003, and it is taking measures to make the required changes based on the amendments to the Enforcement Regulations for the Money Lending Business Control Law as described later with relation to the statutory matters to be recorded on the relevant document. In addition, for the ATM's of partner financial institutions, the Company obtains the prior consent of customers to mail the document that records the statutory matters to the customer separately immediately after a loan. However, the Company does not mail the document to customers from which it has not obtained prior consent.

The Financial Services Agency has statutory authority to impose administrative penalties for non-compliance by lenders with such obligations as issuing documents and providing explanations, including an order to completely or partially suspend business, to restrict the use of ATMs at partner financial institutions, as well as to cancel registration as a lender. The imposition of such administrative penalties on the AIFUL Group could affect the Group's financial position and business performance in addition to necessitating a revision of the Group's management policy.

On May 1, 2005, the Administrative Guidelines were partially amended to (a) add failure to take the necessary and appropriate measures to ensure that the duty to provide explanations is fulfilled when engaged in the operation of a money lending business (such as specifying in internal regulations and operations manuals that it is necessary to provide explanations when concluding a loan contract or a guarantee contract so that the opposite party can understand the details of the contract) as an example of an action that could very likely correspond to a violation of paragraph 2, Article 13 of the Money Lending Business Control Law, which prohibits lending based on unlawful or clearly unfair methods, (b) stress the supervisory policy concerning the duty of money lenders to provide explanations, (c) reinforce the duty of money lenders to provide explanations relating to guarantees (they should provide an explanation of the legal consequences and risks for the guarantor if they are actually forced to fulfill the guaranteed obligation in accordance with the details of the individual contract and the ability of the opposite party to understand), and (d) establish a new provision concerning the duty of money lenders to provide an explanation regarding letters of attorney authorizing creation of notarized documents (they should provide an explanation so that the essential details, including the legal consequences of preparing a notarized document with a compulsory execution agreement attached, in accordance with the details of the individual letter of attorney and the ability of the opposite party to understand. Moreover, the Administrative Guidelines were partially amended on November 14, 2005 to clarify the duty of the money lender to disclose transaction histories. Furthermore, the Cabinet Order for Partial Amendment of the Enforcement Regulations of the Money Lending Business Control Law was promulgated and implemented on April 11, 2006 to change the provisions for the mandatory matters to be recorded on the receipts and payment advice documents provided when a money lender receives a repayment. In addition, matters to be entered related to acceleration in an agreement were added to come into force on July 1, 2006. In addition, the Administrative Guidelines were partially amended on June 14, 2006 to (a) clarify that demands by the money lender for the debtor to maintain the amount of a debt through refusal of repayments and blanket increases in the borrowing limit despite not having been requested by the customer fall under "solicitations to borrow more than necessary," and to clarify the need to examine and record in writing whether a debtor can make repayments without converting the relevant property into cash when seeking collateral on property for lending and the need to record the results of screening of a guarantor's ability to fulfill the guaranteed obligation in writing in order to prevent excessive lending, and (b) clarify that the actions listed in the Administrative Guidelines as examples of acts that very likely constitute infringements of paragraph 2, Article 13 of the Money Lending Business Control Law must not be committed when changing an agreement, including requiring a customer to make automatic transfers from an account into which a public benefit is paid, except when requested by the customer himself or herself for his or her own convenience, in the relevant examples.

Subsequently, the Administrative Guidelines were amended and implemented on November 1, 2006 to clarify examples of practices that very likely fall under "threats and menaces" under paragraph 1, Article 21 of the Money Lending Business Control Law and what money shall be regarded as interest under paragraph 7, Article 5 of the Capital Subscription Law. Apart from this, the Guidelines were further amended on December 28, 2006 with an enforcement date of February 1, 2007 to establish the communication of information and other regulations relating to transferred claims obtained through notice, including business closure. The AIFUL Group is currently taking appropriate and lawful responses for each of these various amendments.

Under the draft Law to Partially Amend the Money Lending Business Control and Regulation Law, which was approved in the Lower House on November 30, 2006 and the Upper House on December 13, 2006 and promulgated on December 20, the Interest Limitation Law, the Capital Subscription Law, and the Money Lending Business Control and Regulation Law are all partially amended with the amendments to be generally enforced gradually in stages within three years of promulgation. As a result, the lowering of the maximum interest rate under the Capital Subscription Law to the level under the Interest Restriction Law, the introduction of restrictions on aggregate loan amounts that include a general prohibition on combined lending of the balance of loans from AIFUL and the balance of loans from other money lenders that exceeds 1/3 of annual income, the tightening up of restrictions on the practices of money lenders including solicitation activities and the duty to provide documentation, the strengthening of monitoring by supervisory agencies including the establishment of business improvement orders and officer dismissal orders as well as various other regulations have been strengthened. The amendments are predicted to make a major impact on Japan's consumer finance industry.

The AIFUL Group intends to adapt by looking into the restructuring of the Group, diversifying its business portfolio and developing new products that comply with the relevant legal amendments as well as by changing the management of its operation and raising business efficiency through thorough cost cutting that includes the closure and amalgamation of outlets and greater personnel efficiency. Nevertheless, in the event that these strategies do not proceed as planned due to a further intensification in competition and contraction of credit, a review of the AIFUL Group's business strategy may be necessary as a result of a decline in earning potential from the fall in customer drawing power or a drop in sales capabilities as a result of the fall in human resources.

In the event that there is a decline in earning potential due to the lowering of the interest rate, an increase in credit costs because of a contraction in the size of the market, or that other new, unanticipated expenses rise, this could have an adverse impact on the financial position and business performance of the AIFUL Group.

(3) Lending Rate and Deemed Payments

The Law to Partially Amend the Money Lending Business Control Law came into force on June 1, 2000, and under the Capital Subscription Law, the maximum lending rate for when money lenders make loans as part of business operations was reduced from 40.004% per annum to 29.2% per annum, and infringements are subject to criminal penalties. However, the maximum lending rate at the AIFUL Group is lower than this.

In addition, Paragraph 2 of Article 12 of the Supplementary Provisions of the Law to Partially Amend the Money Lending Business Control Law and the Law concerning the Regulation of Receiving Capital Subscription, Deposits and Interest on Deposits (Amended Money Lending Business Control Law and Capital Subscription Law) promulgated on August 1, 2003 sets a target of three years after the enforcement of the Amended Money Lending Business Control Law and Capital Subscription Law for the necessary review of Paragraph 2, Article 5 (Ceiling Interest Rate) of the Capital Subscription Law, taking into consideration demand for funds and other economic and financial conditions, the financial resources of borrowers, the progress in the establishment of lending rates in accordance with creditworthiness, and other circumstances in the business of money lenders. Given this kind of stipulation in the Supplementary Provisions, if, accompanying the amendment of the Capital Subscription Law and the Interest Limitation Law, the maximum interest rate under the Capital Subscription Law is reduced to a level lower than the current rate, it could adversely affect the financial position and business performance of lending-related businesses at the AIFUL Group.

In addition, under Paragraph 1 of Article 1 of the Interest Limitation Law, a contract for interest on a cash loan for consumption is considered invalid with regard to the portion in excess of the interest ceiling (20% when the principal is less than 100,000 yen, 18% when the principal is 100,000 or more but less than 1,000,000 yen, and 15% when the principal is 1,000,000 yen or more). When the debtor paid the relevant excess portion voluntarily under paragraph 2 of the same Article, it is considered that he or she shall not be able to claim repayment. However, under Article 43 of the Money Lending Business Control Law, when the document specified in Article 17 of the same Law has been issued to the borrower at the time of the loan and the borrower has voluntarily paid the excess portion as interest, and these payments are based on the contract, which is the document issued immediately at the time of payment as specified by Article 18 of the same Law, this payment is regarded as the repayment of valid interest on the debt based on the agreement for which documents were issued as specified in Article 17 of the same Law, notwithstanding the provision of Paragraph 1 of Article 1 of the Interest Limitation Law (payments under the relevant provision called "deemed payments" below.).

Nevertheless, the Supreme Court ruling on January 13, 2006 ruled that the payment of the portion exceeding the ceiling on interest set in paragraph 1, Article 1 of the Interest Limitation Law under a covenant requiring the lump sum payment of the outstanding loan in the event that the payment of a loan installment is late is effectively compulsion and can not be deemed as a voluntary payment by a borrower. In addition, the court ruled that paragraph 2, Article 15 of the Enforcement Regulations for the Money Lending Business Control Law under which the entry of the contract date on the receipt can be substituted with the contract number exceeds the scope of legal authorization and is invalid. The AIFUL Group earnestly accepts these judicial decisions and intends to respond through such means as changing agreements to reflect the decisions. At present, the contracted interest rate for the loan products (with some exceptions) provided by the AIFUL Group includes the excess portion on the interest ceiling stipulated by the Interest Limitation Law. Thus far, a number of lawsuits have been brought for the repayment of the excess portion on the interest ceilings stipulated by the Interest Limitation Law due to a lack of preparation in the industry of the matters to be entered on the contract document specified in the Money Lending Business Control Law, and a number of rulings in favor of these suits have been passed down. A number of lawsuits for the repayment of excess interest have also been lodged against the AIFUL Group. There have been cases in which the plaintiffs' claims that the Group did not fulfill its obligation as a loan business operator to issue the necessary documents required for the payment to be regarded as "deemed payments" under the Money Lending Business Control Law have been recognized, as well as cases in which the Company has made repayment of excess interest based on settlements. As a result, repayment of excess interest amounted to 36,308 million yen on a consolidated basis during the fiscal year under review.

On October 13, 2006, the Japanese Institute of Certified Public Accountants (JICPA) published Accounting Treatment for Calculation of Reserves Relating to Losses at Consumer Finance Companies, etc., Resulting from Interest Repayment Claims (Industry Audit Committee Report No. 37, "Report No. 37") to be applicable from the audits of consolidated and non-consolidated accounts for the interim accounting period ending on or after September 1, 2006 (including audits related to the consolidated and non-consolidated accounts for the fiscal year of which the relevant consolidated and non-consolidated accounts for the interim accounting period are each respectively a part). From the perspective of providing a reasonable estimate of the amount of future losses on interest repayments under Report No. 37, the reserve for losses on interest repayments is, in principle, calculated based on the amount obtained by multiplying (a) the number of loan accounts of each type for each borrower account (the number of normal accounts, the number of accounts in arrears, and the historical number of accounts paid off/written off) by (b) the actual rate of repayments relating to the period of the reasonable estimate and (c) average amount of repayment with certain corrections as needed.

In accordance with Report No. 37, the AIFUL Group has recorded a reserve for losses on interest repayments of 362,698 million yen. This includes 195,545 million yen in forecast repayments included in the bad debt reserve as estimated to receive priority application to operating loans.

Nevertheless, accounting estimates are made on the basis of factors such as historical repayment and recent repayments, and in the event that a level of repayments arises that exceeds the assumptions based on these estimates, this could adversely affect the financial position and business performance of the AIFUL Group.

(4) Other Laws

i) Personal Information Protection Law and the Handling of Personal Information

On April 1, 2005, the Personal Information Protection Law and the accompanying guidelines on the protection of personal information established by each government ministry came into force. Under the Law, businesses that handle personal information have specific reporting obligations when judged necessary. In addition, the competent Minister can recommend or order that the necessary measures be taken when deemed necessary to protect the interests of individuals in the event that specific obligations under the Law are breached. Furthermore, in the guidelines, businesses are required to make notification, clearly state and publish the purpose of use of personal information, obtain the consent of customers where necessary related to the handling of personal information, to supervise sub-contractors when subcontracting the handling of personal information, establish a system for security management from the organizational, personnel and technological perspectives, and publish their basic policy on the handling of personal information. In accordance with this, as well as reviewing its handling of personal information, the AIFUL Group has formulated a Privacy Policy and has also taken measures to prevent the leaking of personal information before it happens. The credibility, financial condition and business performance of the AIFUL Group may be affected in the event of a leakage of personal information for any reason or in the event that the Group is subject to a recommendation or order from the Financial Services Agency.

ii) Amendment of the Judicial Scrivener Law

Effective April 1, 2003, the Judicial Scrivener Law was amended to expand the scope of judicial scrivener services, making it possible for judicial scriveners to appear as representatives in court like lawyers in cases such as arbitration and civil lawsuits (maximum claim of 1.4 million yen) that can be handled by a summary court. If these revisions, future trends and further expansion in the scope of services bring about a further increase in lawsuits and adjustments of debt, it may lead to longer repayment plans for the Group's loans and a rise in bad debts. This could adversely affect the financial position and business performance of the AIFUL Group.

iii) Impact from Amendment of Bankruptcy Law

The amendments to the Bankruptcy Law came into force on January 1, 2005. The amendments seek to streamline and accelerate bankruptcy proceedings by integrating bankruptcy and discharge proceedings and shortening the period during which it is not possible to obtain approval for discharge. In addition, the free assets remaining available to a bankrupt have been extended, and protection of the rights of individual bankrupts has been strengthened. If the amendments are accompanied by a rise in the number of bankruptcies, it could lead to an increase in bad debts, and this could adversely affect the financial position and business performance of the AIFUL Group.

iv) Possibility of Increase in Adjustment of Debts due to Formulation of the Special Conciliation Law and Amendments to Civil Rehabilitation Law

Under the Law concerning Special Conciliation to Promote the Liquidation of Specified Debts that came into force on February 17, 2000, debtors who are likely to be unable to pay off their debts, are now able to negotiate with creditors via arbitration by an arbitration committee composed of a judge and civil conciliators with specialist knowledge and experience in the necessary laws, taxes, finances, corporate finances, and asset appraisal, depending on the nature of the business operated by the debtor to adjust the debt, such as by changing the due date for payment. In addition, the amendments also made it possible for a debtor to request a suspension of civil execution proceedings against personal assets during the special conciliation proceedings.

Moreover, under the amended Civil Rehabilitation Law, which came into force on April 1, 2001, a number of optional proceedings were adopted to allow the postponement of loan repayments, without adjudication of bankruptcy, for personal loans to bankrupt borrowers. One of the procedures based on the Law does not require the approval of creditors for a draft rehabilitation plan. In addition, in certain circumstances, it makes it possible to avoid losing a personal residence covered by a home loan through the application of the special provisions for home funds.

Thus far, large numbers of AIFUL Group customers have not requested legal protection from creditors as a result of these introductions to the legal system. However, in the event of an increase in the future due to economic trends and so on, it could lead to longer repayment plans for the Group's loans and a rise in bad debts. These developments could adversely affect the financial position and business performance of the AIFUL Group.

v) Impact of Enforcement of Law concerning Promotion of Alternative Dispute Resolution

On April 1, 2007, Japan's Law concerning Promotion of Alternative Dispute Resolution came into force, expanding the functions of out-of-court dispute resolution proceedings to include Minister of Justice approval in out-of-court dispute resolution proceedings (refers to the resolution of civil disputes without litigation involving specified third parties) for a dispute resolution operator as an adequate third party to take part in the relevant proceedings, and giving a specified legal effect to operations in brokering conciliation conducted in out-of-court proceedings by the relevant operators. In the event that the use of out-of-court dispute resolution proceedings rises in the future, this could lead to longer repayment plans for the Group's loans and a rise in bad debts. These developments could adversely affect the financial position and business performance of the AIFUL Group.

D. Risk in Capital Procurement Environment

(1) Interest Rate Fluctuation Risk

The interest rate for the capital procurement of the AIFUL Group varies depending on the market environment and other factors. In order to minimize the risk of interest rate fluctuation, AIFUL hedges against increases in interest rates using interest caps and swaps. However, there could be a negative impact on the capital procurement costs of the AIFUL Group depending on the extent of future increases in interest rates.

(2) Changes in Credit Rating

AIFUL has obtained credit ratings from the credit rating agencies listed below. Future changes in the Company's credit rating could have an adverse effect on capital procurement.

Name of Credit Rating Agency	Rating
Rating and Investment Information, Inc.	A- / Stable
Japan Credit Rating Agency, Ltd.	BBB+ / Negative
Moody's Japan K.K.	Baa2/ Positive
Standard & Poor's Rating Services	BBB+ / Negative
Fitch Ratings Ltd.	BBB+ / Negative

(3) Status of Capital Procurement and Diversification

The AIFUL Group has been seeking to diversify its fund raising methods to include borrowing from financial institutions, syndicate loans, domestic and foreign corporate bonds, commercial paper and asset securitization. Capital procurement on the same terms as at present may become difficult if borrowing terms deteriorate and the amount of borrowings falls due to a decline in the Company's creditworthiness, and this could affect the financial position and business performance of the AIFUL Group.

E. Dislocation, Breakdown and Other Damage to Technology Systems, including Information Network System and Internet Services

The AIFUL Group depends on internal and external information and technology systems to manage its business, and this dependence on software, hardware and networks to manage the branch network and the diversity of information that makes up the Group's business, including customer and account data, is growing. The hardware and software used by the AIFUL Group could suffer damage or interruption due to human errors, natural disasters, power outages, computer viruses, and other similar phenomena, or be adversely affected by an interruption in support services provided by a third party, such as a telephone company or an Internet service provider. Such dislocation, breakdown, delay or other damage in information or technology systems could reduce the number of accounts established by new customers, delay the repayment of accrued balances, reduce the trust of consumers in the AIFUL Group's business, or result in other disadvantageous effects, which in turn could adversely affect the financial position and business performance of the AIFUL Group.

The AIFUL Group seeks to duplicate both its hardware and telecommunications equipment to keep damage to a minimum by replacing equipment with backups when damage occurs. However, interruption to the operations of the AIFUL Group may be unavoidable in the event of natural disasters, such as earthquakes or typhoons.

F. Holding and Disposal of Stock by Representative Director and Relatives

As of the end of the fiscal year under review, Yoshitaka Fukuda, the representative director of AIFUL, his relatives (including Yasutaka Fukuda, a director of the Company), and affiliated companies combined owned about 47% of the Company's issued shares. As a result, they are able to exercise a controlling influence over the important decisions with an impact on the Company's business activities which involve important corporate transactions such as the transfer of the Company's right of control, reorganization and restructuring of the business, investments in other businesses and assets, and terms of future capital procurement. Moreover, these shareholders have thus far maintained a stable shareholding. However, if they dispose of a portion of this shareholding in the future, this could have an impact on the Company's share price in view of the increase in the supply of the Company's stock in the market.

G. Significant Lawsuits

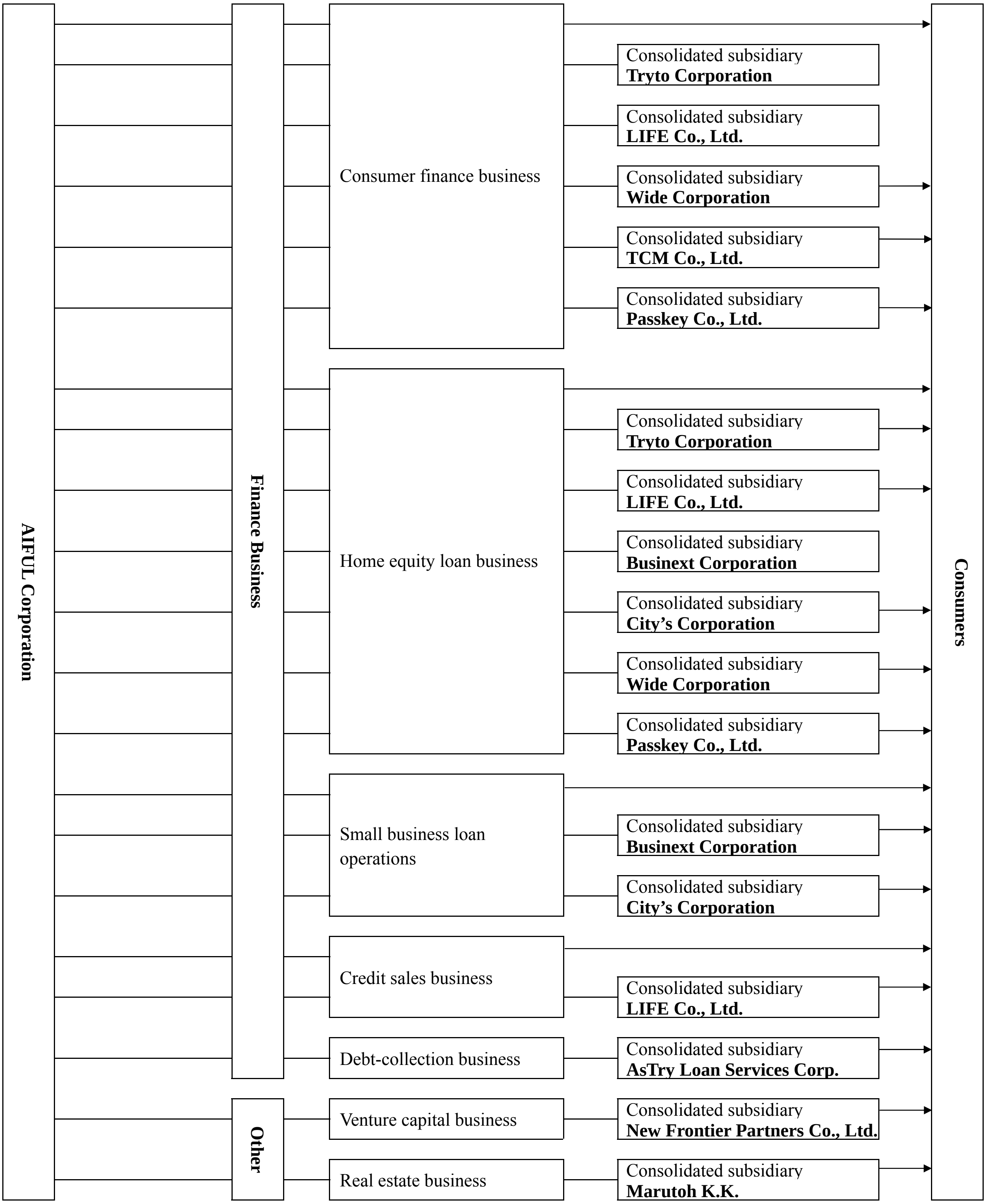
The AIFUL Group is aware that a number of lawsuits have been initiated by groups for reasons such as the Company's debt collection practices. As a result, if further lawsuits arise, new, unforeseen expenses could be incurred, and media coverage of such lawsuits could damage the Group's credibility. This may result in an impact on customers' use of the AIFUL Group's products and services, stock price formation and borrowing of funds, which may adversely affect the financial position and business performance of the AIFUL Group.

II. State of the Group

The AIFUL Group is composed of AIFUL Corporation ("the Company") and 11 consolidated subsidiaries, 18 non-consolidated subsidiaries, and two affiliated companies. The Group's main lines of business are consumer finance operations and credit sales. It is also active in the home equity loan business, small business loan business, and debt collection and management. (Fifteen of the non-consolidated subsidiaries mentioned above are included as subsidiaries from the fiscal year under review under the application of Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associates [Accounting Standard Board of Japan {ASBJ}, PITF No. 20]).

Business Classification		AIFUL & subsidiaries	Business Descriptions
Finance Business	Consumer finance business	AIFUL Corporation	The Company and its subsidiaries provide small, unsecured loans for consumers.
		Tryto Corporation	
		LIFE Co., Ltd	
		Wide Corporation	
		TCM Co., Ltd.	
		Passkey Co., Ltd.	
	Home equity loan business	AIFUL Corporation	The Company and its subsidiaries provide home equity loans.
		Tryto Corporation	
		LIFE Co., Ltd	
		Businext Corporation	
		City's Corporation	
		Wide Corporation	
		Passkey Co., Ltd.	
	Small business loan operations	AIFUL Corporation	The Company and its subsidiaries lend to small and other businesses.
		Businext Corporation	
		City's Corporation	
	Credit sales business	AIFUL Corporation	The Company and its subsidiary offer credit card shopping, per-item credit, loans and guarantees for consumers.
		LIFE Co., Ltd	
	Debt-collection business	AsTry Loan Services Corporation	The company specializes in the management and collection of a full range of receivables and loans.
Other	Venture capital business	New Frontier Partners Co., Ltd.	The company assesses, invests in and supports venture companies.
	Real estate business	Marutoh K.K.	The company leases real estate.
		City Green Corporation	Holding company for City's Corporation.

The organization chart for the Company’s businesses is as follows:



* City Green Corporation is not listed above, since it is a holding company of City’s Corporation, and is not active in business.

III. Management Policies

1. Basic Corporate Management Policies

In order to gain the support of all of its stakeholders, the AIFUL Group has been promoting a strategy to become a comprehensive retail financial services company based on its corporate philosophy, which is “Earn the support of the public with sincerity and hard work.” Going forward, the Group will actively expand its business activities in areas such as consumer finance, credit cards, small business loans and the bank loan guarantee business to raise its earning potential as a comprehensive financial services group that is able to meet the diverse needs of even more customers. At the same time, the Group is endeavoring to raise corporate value through its development into a corporate group that has appeal.

2. Management Indicator Objectives

The AIFUL Group is building a structure that is capable of securing ROA on a consolidated basis of at least 1.5% as a management indicator objective from the perspective of seeking to raise management efficiency. This will be achieved through business rationalization and reduction in the number of outlets, and the reorganization of the Group and thorough cost cutting that includes the optimum allocation of management resources described in the press releases, “AIFUL Group Announces Reorganization and Cost Structure Reform” and “AIFUL Offers Voluntary Retirement to Employees,” issued on January 20, 2007, in addition to the diversification of the Group’s business portfolio.

3. Medium and Long-Term Business Strategies

In fiscal 2005, Japan’s consumer credit market was worth approximately 55.9 trillion yen (based on the balance of credit extended), a total that includes 15.0 trillion yen in retail credit and 33.0 trillion yen in consumer loans (excluding deposit and savings-secured loans). The size of the market for specialized consumer finance companies within the consumer loan market stood at 9.9 trillion yen, expanding from a 14.0% share of the overall consumer loan market ten years earlier in fiscal 1995 to a 29.9% share in fiscal 2004.

Meanwhile, the Money Lending Business Control Law, which stipulates the lowering of the maximum interest rate under the Capital Subscription Law, restrictions on aggregate loan amounts, restrictions on practices and other entry restrictions, was promulgated in December 2006.

In this operating environment, the AIFUL Group will seek to gain the true confidence of all of its stakeholders including customers, thus contributing to the overall development of a sound consumer credit market through its sincerity and hard work, while also striving to diversify its financial services in order to meet the expectations of even more customers.

4. Issues to be Addressed by the Company

With recovery as the undertone of the Japanese economy and bright signs visible in the market environment, such as the improvement in the unemployment rate and the decline in the number of personal bankruptcies, the environment is challenging yet promising. Meanwhile, there are concerns over the impact of the business environment, including the amendment of business-related legislation on the performance and financial results of the industry and the AIFUL Group.

As issues to be addressed in this business environment, the AIFUL Group is responding promptly and properly when change arises as it monitors the developments in the reform of business-related legislation, while also endeavoring to make exhaustive cost reductions.

Moreover, in addition to putting into practice the matters raised in “Voluntary Initiatives for a Sounder Consumer Finance Market,” which seven consumer finance companies, including AIFUL, published on March 28, 2006 to respond to the current challenging market environment, the AIFUL Group is united in its efforts to push forward “total compliance” and “customer first” as priority policies in order to contribute to the sound development of the overall consumer credit market.

5. Other important management issues

There are no relevant matters.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(In millions of yen, except where noted)

Category	Note No.	End of previous fiscal year (As of March 31, 2006) Amount		%	End of fiscal year under review (As of March 31, 2007) Amount		%
(Assets)							
I. Current assets							
1. Cash and cash equivalents	*2		134,454			127,166	
2. Loans	*2, 3, 7, 8, 9		2,124,017			1,912,689	
3. Installment receivables	*2, 6, 8		209,581			174,923	
4. Operational investment securities			1,788			1,836	
5. Customers' liabilities for acceptances and guarantees			153,766			141,929	
6. Other operating receivables			10,520			12,652	
7. Purchased claims			–			12,753	
8. Inventory	*2		11,285			–	
9. Deferred tax assets			32,262			13,770	
10. Short-term loans	*4		50,128			30,099	
11. Other	*2		52,171			47,459	
Allowance for bad debts	*13		(146,961)			(379,848)	
Total current assets			2,633,014	94.4		2,095,434	94.6
II. Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	*2	51,070			44,118		
Total accumulated depreciation		(28,729)	22,341		(28,317)	15,800	
(2) Machinery and vehicles	*2	230			267		
Total accumulated depreciation		(113)	117		(130)	137	
(3) Equipment and fixtures		26,673			24,878		
Total accumulated depreciation		(11,754)	14,919		(13,891)	10,987	
(4) Land	*2		15,899			14,463	
(5) Construction in process account			398			1,016	
Total tangible fixed assets			53,676	1.9		42,405	1.9
2. Intangible fixed assets							
(1) Software			20,976			21,337	
(2) Telephone rights			688			–	
(3) Good will			–			3,144	
(4) Consolidation adjustment account			9,272			–	
(5) Other			27			386	
Total intangible fixed assets			30,965	1.1		24,868	1.2
3. Investment and other fixed assets							
(1) Investment securities	*5		32,859			24,129	
(2) Claims in bankruptcy	*9		33,031			38,988	
(3) Long-term loans			140			–	
(4) Lease deposits and guarantees			12,118			11,492	
(5) Deferred tax assets			2,904			334	
(6) Loss on deferred hedge	*10		10,229			–	
(7) Other			6,036			3,999	
Allowance for bad debts			(24,753)			(27,725)	
Total investment and other fixed assets			72,567	2.6		51,219	2.3
Total fixed assets			157,209	5.6		118,493	5.4
III. Deferred assets							
Bond issuing expenses			744			631	
Total deferred assets			744	0.0		631	0.0
Total assets			2,790,969	100.0		2,214,559	100.0

Category	Note No.	End of previous fiscal year (As of March 31, 2006) Amount	%	End of fiscal year under review (As of March 31, 2007) Amount	%
(Liabilities)					
I. Current liabilities					
1. Notes & accounts payable - trade		28,070		24,621	
2. Acceptances and guarantees		153,766		141,929	
3. Short-term debts	*2	113,200		91,370	
4. Current portion of bonds		82,000		72,000	
5. Current portion of long-term debts	*2	434,325		332,241	
6. Commercial paper		25,000		–	
7. Income taxes payable		25,040		7,991	
8. Reserve for accrued bonuses		4,153		3,783	
9. Reserve for losses on interest repayments		21,074		–	
10. Reserve for losses on treatment of soil contamination		–		630	
11. Business reorganization reserve		–		11,316	
12. Gains on deferred installments	*7	14,021		8,453	
13. Lease assets impairment account		–		134	
14. Other		46,565		48,916	
Total current liabilities		947,218	33.9	743,389	33.6
II. Long-term liabilities					
1. Bonds		428,500		424,100	
2. Long term debts	*2	709,721		610,551	
3. Deferred tax liabilities		3,759		525	
4. Allowance for retirement benefits for directors		1,328		1,338	
5. Reserve for losses on interest repayments		–		167,153	
6. Interest swaps		9,462		8,193	
7. Other		2,321		2,163	
Total long-term liabilities		1,155,092	41.4	1,214,025	54.8
Total liabilities		2,102,310	75.3	1,957,414	88.4
(Minority interests)					
Minority interests		6,964	0.3	–	–
(Shareholders equity)					
I. Common stock	*11	83,317	3.0	–	–
II. Capital surplus	*1	104,125	3.7	–	–
III. Retained earnings		486,214	17.4	–	–
IV. Differences in evaluation of other marketable securities		11,001	0.4	–	–
V. Treasury stock	*12	(2,964)	(0.1)	–	–
Total shareholders' equity		681,694	24.4	–	–
Total liabilities, minority interests and shareholders' equity		2,790,969	100.0	–	–

Category	Note No.	End of previous fiscal year (As of March 31, 2006)		End of fiscal year under review (As of March 31, 2007)	
		Amount	%	Amount	%
(Net Assets)					
I. Shareholders' equity	*1				
1. Common stock		–	–	83,317	3.7
2. Capital surplus		–	–	104,125	4.7
3. Retained earnings		–	–	66,465	3.0
4. Treasury stock		–	–	(2,968)	(0.1)
Total shareholders' equity		–	–	250,940	11.3
II. Evaluation and foreign currency translation adjustments					
1. Differences in evaluation of other marketable securities		–	–	6,536	0.3
2. Loss on deferred hedge		–	–	(5,752)	(0.3)
Total evaluation and foreign currency translation adjustments		–	–	784	0.0
III. Minority interests		–	–	5,419	0.3
Total net assets		–	–	257,144	11.6
Total net assets and liabilities		–	–	2,214,559	100.0

2. Consolidated Statements of Income

(In millions of yen, except where noted)

Category	Note No.	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006) Amount		%	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007) Amount		%
I. Operating revenue							
1. Interest on loans to customers			491,357	89.4		448,662	89.9
2. Credit card revenue			11,275	2.1		12,754	2.6
3. Per-item credit revenue			17,675	3.2		12,998	2.6
4. Credit guarantee revenue			8,667	1.6		9,186	1.8
5. Financial revenue - other							
(1) Interest on deposits		2			–		
(2) Interest on marketable securities		0			–		
(3) Interest on loans		0			–		
(4) Other		33	35	0.0	229	229	0.0
6. Operating revenue - other							
(1) Sales of real estate		23			–		
(2) Revenue from operational investment securities		436			527		
(3) Collection of purchased claims		–			3,725		
(4) Collection of bad debts		8,535			4,022		
(5) Other		11,539	20,535	3.7	6,924	15,200	3.1
Total operating revenue			549,547	100.0		499,031	100.0
II. Operating expenses							
1. Financial expenses							
(1) Interest expenses		25,163			24,980		
(2) Interest on bonds		8,629			7,916		
(3) Other		3,968	37,762	6.9	3,718	36,615	7.3
2. Cost of sales							
(1) Cost of sales of real estate		24			–		
(2) Cost of sales of operational investment securities		149			163		
(3) Cost of purchased claims		–	173	0.0	2,666	2,829	0.6
3. Operating expenses - other							
(1) Advertising expenses		28,018			15,073		
(2) Commissions		28,490			25,584		
(3) Loan losses		12,331			59,745		
(4) Transfer to allowance for bad debts		153,862			280,618		
(5) Interest repayments		–			15,239		
(6) Transfer to reserve for losses on interest repayments		21,074			97,835		
(7) Salaries for employees		44,931			43,651		
(8) Transfer to reserve for accrued bonuses		4,148			3,782		
(9) Expenses for retirement benefits for employees		1,284			1,371		
(10) Transfers to allowance for retirement benefits for directors		100			123		
(11) Write-down of consolidation adjustment account		2,055			–		
(12) Goodwill write-offs		–			1,734		
(13) Other		90,199	386,495	70.3	78,626	623,387	124.9
Total operating expenses			424,431	77.2		662,832	132.8
Operating income (loss)			125,116	22.8		(163,801)	(32.8)

		Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)			Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)		
Category	Note No.	Amount		%	Amount		%
III. Non-operating income							
1. Interest on loans		28			–		
2. Dividends received		286			217		
3. Dividends on insurance		607			292		
4. Gain on investment in anonymous association		652			–		
5. Other		432	2,007	0.3	554	1,064	0.2
IV. Non-operating expenses							
1. Interest expenses		4			–		
2. Loss on investment in anonymous association		0			213		
3. Amortization of business establishment expenses		41			–		
4. Other		113	159	0.0	141	354	0.1
Ordinary income (loss)			126,964	23.1		(163,092)	(32.7)
V. Extraordinary income							
1. Gain on sale of fixed assets	*1	176			–		
2. Gain on sale of investment securities		60			3,286		
3. Allowance for bad debts from previous year		0			–		
4. Gain on liquidation of lease deposits and guarantees		144			–		
5. Gain on transfer to defined contribution pension system		421			–		
6. Other		1	803	0.1	458	3,744	0.8
VI. Extraordinary losses							
1. Loss on sale of fixed assets	*2	102			–		
2. Impairment losses	*3	743			6,804		
3. Goodwill write-offs	*4	–			4,393		
4. Loss on valuation of investment securities		65			–		
5. Interest repayments		13,108			–		
6. Transfer to allowance for bad debts		–			107,012		
7. Transfer to reserve for losses on interest repayments		–			69,312		
8. Transfer to reserve for losses on treatment of soil contamination		–			630		
9. Business reorganization losses		–			7,211		
10. Transfer to business reorganization reserve		–			11,316		
11. Dissolution fees for cancellation of contract		135			2,210		
12. Other		838	14,994	2.7	4,023	212,914	42.7
Net income (loss) before taxes			112,773	20.5		(372,262)	(74.6)
Corporate tax, local and enterprise taxes		45,520			15,795		
Adjustment on corporate tax, etc.		(145)	45,374	8.2	24,733	40,529	8.1
Gain (loss) on minority interests			1,571	0.3		(1,540)	(0.3)
Net income (loss)			65,827	12.0		(411,250)	(82.4)

3. Consolidated Statements of Retained Earnings and Consolidated Statements of Change in Shareholders' Equity

Consolidated Statements of Retained Earnings

(In millions of yen)

Category	Note No.	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006) Amount	
(Capital surplus)			
I. Capital surplus at the beginning of the year			104,125
II. Capital surplus at the end of the year			104,125
(Retained earnings)			
I. Retained earnings at the beginning of the year			427,609
II. Increase in retained earnings			
Net income		65,827	65,827
III. Decrease in retained earnings			
1. Cash dividends		7,080	
2. Bonuses to directors		126	
3. Loss on price differences in disposal of treasury stock		15	7,222
IV. Retained earnings at the end of the year			486,214

Consolidated Statements of Change in Shareholders' Equity

Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)

(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 fiscal year					
Distribution of retained earnings*			(4,248)		(4,248)
Distribution of retained earnings			(4,248)		(4,248)
Net loss			(411,250)		(411,250)
Acquisition of treasury stock			–	(3)	(3)
Sale of treasury stock			(0)	0	0
Total change during fiscal year	–	–	(419,748)	(3)	(419,751)
Balance at March 31, 2007	83,317	104,125	66,465	(2,968)	250,940

(In millions of yen)

	Evaluation and foreign currency translation adjustments			Minority interests	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	11,001	–	11,001	6,964	688,658
Change during fiscal year					
Distribution of retained earnings*			–		(4,248)
Distribution of retained earnings					(4,248)
Net loss			–		(411,250)
Acquisition of treasury stock			–		(3)
Sale of treasury stock			–		0
Net change in items other than shareholders' equity during fiscal year	(4,465)	(5,752)	(10,217)	(1,544)	(11,762)
Total change during fiscal year	(4,465)	(5,752)	(10,217)	(1,544)	(431,514)
Balance at March 31, 2007	6,536	(5,752)	784	5,419	257,144

Note: Distribution of retained earnings approved by the ordinary general meeting of shareholders in June 2006.

4. Consolidated Statements of Cash Flows

(In millions of yen)

Category	Note No.	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006) Amount	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007) Amount
I. Cash flow from operating activities			
Net income (loss) before taxes		112,773	(372,262)
Depreciation expenses		11,836	13,122
Impairment losses		743	6,804
Goodwill write-offs		–	6,128
Write-down of consolidation adjustment account		2,055	–
Loss on valuation of investment securities		65	–
Increase (decrease) in allowance for bad debts		11,561	235,857
Increase (decrease) in reserve for accrued bonuses		(103)	–
Increase (decrease) in reserve for losses on interest repayments		21,074	146,078
Increase (decrease) in allowance for retirement benefits for employees		(266)	–
Increase (decrease) in allowance for retirement benefits for directors		(91)	–
Non-operating interest on loans and cash dividends		(314)	(242)
Amortization of bond issuing expenses		650	–
Loss (gain) on sale of fixed assets		(73)	–
Loss on disposal of fixed assets		346	1,964
Increase on liquidation of lease deposits and guarantees		(144)	–
Loss (gain) on sale of investment securities		–	(3,241)
Gain on transfer to defined contribution pension system		(421)	–
Bonuses paid to directors		(126)	–
Decrease (increase) in loans to customers		(121,000)	211,327
Decrease (increase) in installment receivables		(17,178)	34,661
Decrease (increase) in purchased claims		–	(1,821)
Decrease (increase) in operational investment securities		(121)	(12)
Loss (gain) on other trade receivables		(30)	(2,132)
Decrease (increase) in claims in bankruptcy		(4,495)	(5,957)
Decrease (increase) in inventory		(2,896)	–
Decrease (increase) in pre-paid expenses		(275)	–
Decrease (increase) in long-term pre-paid expenses		1,584	–
Decrease (increase) in other current assets		1,693	5,114
Increase (decrease) in other current liabilities		972	5,620
Other		2	2,148
Subtotal		17,819	283,160
Non-operating interest on loans and cash dividends		314	242
Payments for corporate and other taxes		(44,078)	(32,843)
Cash flow from operating activities		(25,944)	250,558
II. Cash flow from investing activities			
Revenue from payment of term deposits		547	–
Funds used for purchase of tangible fixed assets		(11,800)	(3,043)
Gain on sale of tangible fixed assets		719	457
Funds used for purchase of intangible fixed assets		(7,522)	(8,224)
Funds used for purchase of investment securities		(1,663)	(1,676)
Funds provided by sales of investment securities		2,867	5,087

Category	Note No.	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006) Amount	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007) Amount
Decrease (increase) in short-term receivables		(44,940)	20,028
Funds used for long-term loan receivables		(36)	–
Funds provided from collection of long-term loan receivables		1,130	–
Funds used for purchases of investments and other assets		(74)	–
Funds provided from sales of investments and other assets		222	–
Other		531	870
Cash flow from investing activities		(60,019)	13,498
III. Cash flow from financing activities			
Increase in short-term debts		989,210	746,500
Repayment of short-term debts		(947,705)	(768,330)
Increase (decrease) in commercial paper		25,000	(25,000)
Increase in long-term debts		514,473	374,710
Repayments of long-term debts		(493,654)	(575,964)
Cash from issue of corporate bonds		124,859	67,194
Loss on redemption of bonds		(94,000)	(82,000)
Payment for acquisition of treasury stock		(46)	(3)
Cash from disposal of treasury stock		129	0
Cash dividends paid		(7,080)	(8,497)
Cash flow from financing activities		111,185	(271,390)
IV. Effect of exchange rate changes on cash and cash equivalents		16	45
V. Increase (decrease) in cash and cash equivalents		25,238	(7,287)
VI. Balance of cash and cash equivalents at the beginning of the year		108,965	134,376
VII. Increase in cash and cash equivalents from new consolidations		173	–
VIII. Balance of cash and cash equivalents at the end of the year	*1	134,376	127,089

5. Significant Accounting Policies Relating to the Financial Statements

Item	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
1. Matters pertaining to consolidation	(1) No. of consolidated subsidiaries: 13 Names of consolidated subsidiaries Tryto Corporation, LIFE Co., Ltd, Businext Corporation, AsTry Loan Services Corporation, City's Corporation, Wide Corporation, New Frontier Partners Co., Ltd., TCM Co., Ltd, Passkey Co., Ltd., id Credit Corporation, Net One Club Corporation, and two others Passkey Co., Ltd., was included in the scope of consolidation from this fiscal year in view of its importance while id Credit Corporation and Net One Club Corporation were included in the scope of consolidation from this fiscal year because they were newly established in this fiscal year.	(1) No. of consolidated subsidiaries: 11 Names of consolidated subsidiaries Tryto Corporation, LIFE Co., Ltd, Businext Corporation, AsTry Loan Services Corporation, City's Corporation, Wide Corporation, New Frontier Partners Co., Ltd., TCM Co., Ltd, Passkey Co., Ltd., and two others On March 26, 2007, id Credit Corporation and Net One Club Corporation merged with AIFUL Corporation, with AIFUL as the surviving company.
	(2) Names of non-consolidated subsidiaries Life Stock Center Co., Ltd., and one other (Reasons the companies are excluded from consolidation) Non-consolidated subsidiaries have not been included in the scope of consolidation. This is due to the fact that they are small in size and the total assets, operating income, net profit/loss and retained earnings represented in the Company's share of their equity has a small effect on the consolidated financial statements.	(2) Names of non-consolidated subsidiaries Life Stock Center Co., Ltd., and 17 others (Reasons the companies are excluded from consolidation) Non-consolidated subsidiaries have not been included in the scope of consolidation. This is due to the fact that they are small in size and the total assets, operating income, net profit/loss and retained earnings represented in the Company's share of their equity has a small effect on the consolidated financial statements. (Change in accounting policy) The Company applied the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associates (Accounting Standards Board of Japan [ASBJ], PITF No. 20) from the fiscal year under review. As a result, 15 of the non-consolidated subsidiaries above became subsidiaries in the fiscal year.
2 Accounting principles used for standard accounting treatment (1) Accounting standards for allowances and reserves i) Reserve for losses on treatment of soil contamination	—	The Company calculated the amount estimated to be paid to provide for losses relating to the treatment of soil contamination to restore soil to its original condition with the discovery of soil contamination on some of the land for sale owned by the Company.
ii) Business reorganization reserve	—	The Company calculated the amount of the estimated losses, including outlet liquidation losses, to provide for losses arising accompanying business reorganization.

Item	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
iii) Reserve for losses on interest repayments	Provision for future interest repayments is made by estimating the forecast amount of repayments based on actual repayments to date and taking into account the recent status of repayments. (Supplementary Information) In the past, AIFUL Corporation and some of its consolidated subsidiaries treated interest repayments as an expense at the time of the expenditure. However, the impact on consolidated financial statements has increased because of the more rigorous application of deemed payment provisions. Therefore, the Company has decided to record an amount equivalent to future interest repayments forecast as of the last day of the fiscal year as a reserve for losses on interest repayments in accordance with the Japanese Institute of Certified Public Accountants Hearing Data No. 24, “Considerations for Accounting at Consumer Finance Companies based on the Supreme Court Decision regarding the Application of the Deemed Payment Provisions of the Money Lending Business Control Law” (Japanese Institute of Certified Public Accountants, March 15, 2006). As a result, current liabilities have increased by 21,074 million yen. Accompanying the calculation of the reserve for losses on interest repayments, “Interest repayments” (4,153 million yen in the previous fiscal year), which were previously recorded in “Other” under Operating expenses, has been treated as an extraordinary loss. As a result, operating expenses rose 7,965 million yen, while operating income and ordinary income both declined by the same amount. At the same time, extraordinary losses have risen by 13,108 million yen, and net income before taxes has declined 21,074 million yen.	As on left (Supplementary Information) Previously, the Company and some of its consolidated subsidiaries 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). However, the Company has changed the method for estimating the reserve in accordance with 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 fiscal year under review and the amount of the reserve based on the method of estimation used in the previous fiscal year has been treated as a 107,012 million yen transfer to the allowance for bad debts (extraordinary loss) and a 69,312 million yen transfer to the reserve for losses on interest repayments (extraordinary loss). With the exception of some consolidated subsidiaries, 195,545 million yen in the expected amount of repayments that are estimated to have priority application to operating loans is included in the allowance for bad debts.
3 Write-off of the consolidation adjustment account	The Company writes off the consolidation adjustment account using the straight-line method over a ten-year period. Items that do not have a significant effect on the consolidated financial statements, however, are written off completely in the year in which the adjustment is made	—
4 Write-off of goodwill and negative goodwill	—	The Company writes off goodwill and negative goodwill using the straight-line method over a period of benefit no longer than twenty years. Items that do not have a significant effect on the consolidated financial statements are written off as a loss in the year in which they occur.

Note: The standards for the calculation of reserves other than those noted above have been omitted, as there have been no significant changes since they were recorded in the Company’s most recent financial report (submitted June 28, 2006).

6. Changes to Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
(Accounting Standard for Impairment of Fixed Assets) The AIFUL Group 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 this fiscal year. As a result, net income before taxes declined 743 million yen. Cumulative impairment losses are deducted directly from the value of assets based on the amended consolidated financial statement regulations.	—
—	(Accounting Standards for Presentation of Net Assets in the Balance Sheets) The Company adopted 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 fiscal year under review. The amount of shareholders' equity under former accounting standards was 257,477 million yen. With the amendment of the regulations for consolidated financial statements, the Company has presented net assets in the consolidated balance sheets for the fiscal year under review on the basis of the regulations for consolidated financial statements after amendment.
—	(Accounting Standards for Business Combinations, etc.) The Company adopted Accounting Standard for Business Combinations (Business Accounting Council, October 31, 2003) and Accounting Standard for Business Separations (ASBJ Statement No. 7, December 27, 2005) as well as Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Separations (ASBJ Guidance No. 10, December 27, 2005) starting in the fiscal year under review.

7. Changes in Labeling Method

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
(Consolidated Balance Sheets) The balances of guarantee obligations related to guarantee operations were hitherto recorded as Credit guarantee installment receivables under Current assets and Credit guarantees payable under Current liabilities on the consolidated balance sheets. However, with the change in the method of recording the balance of guarantee obligations on the balance sheets to Customers' liabilities for acceptance and guarantees under Current assets and Acceptance and guarantees under Current liabilities on the balance sheets of AIFUL, and the same method has been adopted for the consolidated balance sheets.	—

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
—	(Consolidated Balance Sheets) 1. In the previous fiscal year, Purchased claims were included under Inventory in Current assets, but have been presented as a separate item due to an increase in significance. The amount of Purchased claims in the previous fiscal year was 10,932 million yen. 2. Inventory (398 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Current assets due to its lack of financial significance. 3. Telephone rights (366 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Intangible fixed assets due to its lack of financial significance. 4. As a result of amendments to the regulations on consolidated financial statements, items presented under the Consolidation Adjustment Account in the previous fiscal year are presented as Goodwill from the fiscal year under review. 5. Long-term loans (183 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Investment and other fixed assets due to its lack of financial significance.
—	(Consolidated Statements of Income) 1. The component items of Interest on deposits (110 million yen for the fiscal year under review) and Interest on marketable securities (19 million yen for the fiscal year under review) presented under Financial revenue – other until the previous fiscal year have been included under Other in Financial revenue – other due to their lack of financial significance. 2. Collection of purchased claims was presented under Other in Operating revenue – other until the previous fiscal year, but it is presented as an item on the Consolidated Statements of Income accompanying the presentation of Purchased claims as an item on the Consolidated Balance Sheets. Collection of purchased claims was 4,744 million yen in the previous fiscal year. 3. Cost of purchased claims was included under Other in Operating expenses – other until the previous fiscal year, but it is presented as an item on the Consolidated Statements of Income accompanying the presentation of Purchased claims as an item on the Consolidated Balance Sheets. Cost of purchased claims was 3,222 in the previous fiscal year. 4. As a result of amendments to the regulations on consolidated financial statements, items presented as Consolidation Adjustment Account Write-offs in the previous fiscal year are presented as Goodwill Write-offs from the fiscal year under review. 5. Interest on loans (25 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Non-operating income due to its lack of financial significance. 6. Gain on investment in anonymous association (95 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Non-operating income because it amounts to no more than 10/100 of total non-operating income. 7. Interest expenses (0 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Non-operating expenses due to its lack of financial significance.

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
	8. Gain on sale of fixed assets (229 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary income because it amounts to no more than 10/100 of total extraordinary income. 9. Allowance for bad debts from previous year (1 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary income due to its lack of financial significance. 10. Gain on liquidation of lease deposits and guarantees (26 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary income because it amounts to no more than 10/100 of total extraordinary income. 11. Loss on sale of fixed assets (122 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses due to its lack of financial significance. 12. Loss on valuation of investment securities (620 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses due to its lack of financial significance.
—	(Consolidated Statements of Cash Flows) 1. As a result of amendments to the regulations on consolidated financial statements, items presented as Consolidation Adjustment Account Write-offs in the previous fiscal year are presented as Goodwill Write-offs from the fiscal year under review. 2. Loss on valuation of investment securities (620 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 3. Increase (decrease) in reserve for accrued bonuses (-370 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 4. Increase (decrease) in allowance for retirement benefits for directors (10 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 5. Amortization of bond issuing expenses (519 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 6. Loss (gain) on sale of fixed assets (-106 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 7. Increase on liquidation of lease deposits and guarantees (-26 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 8. Loss (gain) on sale of investment securities (20 million yen for the previous fiscal year) under Cash flow from operating activities, which was included in Other, is presented as a separate item due to the increase in its financial significance.

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
—	9. Decrease (increase) in purchased claims (-2,892 million yen for the previous fiscal year), which was included under Decrease (increase) in inventory in Cash flow from operating activities in the previous fiscal year, is presented as a separate item on the Consolidated Statements of Cash Flows accompanying the presentation of Purchased claims as a separate item on the Consolidated Balance Sheets. 10. Decrease (increase) in inventory (-44 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 11. Decrease (increase) in pre-paid expenses (742 million yen for the fiscal year under review) under Cash flow from operating activities is included in Decrease (increase) in other current assets due to its lack of financial significance. 12. Decrease (increase) in long-term pre-paid expenses (1,153 million yen for the fiscal year under review) under Cash flow from operating activities is included in Other due to its lack of financial significance. 13. Funds used for long-term loan receivables (-69 million yen for the fiscal year under review) under Cash flow from investing activities are included in Other due to its lack of financial significance. 14. Funds provided from collection of long-term loan receivables (26 million yen for the fiscal year under review) under Cash flow from investing activities are included in Other due to its lack of financial significance. 15. Funds used for purchases of investments and other assets (-69 million yen for the fiscal year under review) under Cash flow from investing activities are included in Other due to its lack of financial significance. 16. Funds provided from sales of investments and other assets (74 million yen for the fiscal year under review) under Cash flow from investing activities are included in Other due to its lack of financial significance.

8. Notes

A. Notes to the Consolidated Balance Sheets

End of previous fiscal year (As of March 31, 2006)	End of fiscal year under review (As of March 31, 2007)
*1 Capital surplus includes an increase of 18,693 million yen in a simple equity swap. This includes a difference of 13,900 million yen recorded in the valuation of subsidiary's stock incurred in capital consolidation methods.	*1 As on left
*2 Assets pledged as collateral and corresponding liabilities (1) Assets pledged as collateral (In millions of yen) Loans 620,035 Installment receivables 56,922 Inventory 107 Buildings and structures 814 Machinery and vehicles 10 Land 563 Total 678,453	*2 Assets pledged as collateral and corresponding liabilities (1) Assets pledged as collateral (In millions of yen) Loans 423,753 Installment receivables 39,983 Current assets (other) 100 Buildings and structures 774 Machinery and vehicles 7 Land 501 Total 465,121
(2) Corresponding liabilities (In millions of yen) Short-term debts 56,640 Current portion of long-term debts 153,524 Long term debts 222,268 Total 432,432	(3) Corresponding liabilities (In millions of yen) Short-term debts 60,360 Current portion of long-term debts 87,774 Long term debts 163,954 Total 312,089
Above amounts include items related to the securitization of loans receivables, 349,796 million yen for outstanding loans receivables, 30,284 million yen for the current portion of long-term debts, and 98,056 million yen for the long-term debts. The matters below are not included in the aforementioned amounts. • The Company has contracted to offer 284,025 million yen in loans as collateral in response to borrowers' requests to the sum of 300 million yen for short term debts, 103,438 million yen for the current portion of long-term debts, and 163,479 million yen in long-term debts, totaling 267,218 million yen. • The Company has also offered 1,919 million yen in cash and cash equivalents as collateral for swap transactions.	Above amounts include items related to the securitization of loans receivables, 240,426 million yen for outstanding loans receivables, 11,846 million yen for the current portion of long-term debts, and 92,036 million yen for the long-term debts. The matters below are not included in the aforementioned amounts. • The Company has contracted to offer 248,077 million yen in loans as collateral in response to borrowers' requests to the sum of 400 million yen for short term debts, 98,623 million yen for the current portion of long-term debts, and 135,508 million yen in long-term debts, totaling 234,531 million yen. • The Company has also offered 1,734 million yen in cash and cash equivalents as collateral for swap transactions.
—	*3 Includes 1,465,330 million yen in personal unsecured loans.
*4 Financial assets accepted as collateral with full rights of disposal and corresponding market values Commercial paper 49,999 million yen	*4 Financial assets accepted as collateral with full rights of disposal and corresponding market values Commercial paper 29,968 million yen
*5 Amount of shares in non-consolidated subsidiaries and affiliated companies included in Investment securities 117 million yen	*5 Amount of shares in non-consolidated subsidiaries and affiliated companies and amount of other marketable securities issued by non-consolidated subsidiaries and affiliated companies included in Investment securities 3,146 million yen
*6 Installment receivables (In millions of yen) Card shopping 76,767 Per item shopping 132,813 Total 209,581	*6 Installment receivables (In millions of yen) Card shopping 94,541 Per item shopping 80,382 Total 174,923

End of previous fiscal year (As of March 31, 2006)	End of fiscal year under review (As of March 31, 2007)

End of previous fiscal year (As of March 31, 2006)

*7 Gains on deferred installments

(In millions of yen)

	Balance at end of prior period	Gains during period	Amounts realized during period	Balance at end of period
Credit card shopping	532	11,305	11,175	663 (240)
Per item shopping	13,646	16,858	17,395	13,108 (1,545)
Guarantees	315	4,165	4,241	239 (-)
Loans	29	89,807	89,826	10 (-)
Total	14,523	122,137	122,639	14,021 (1,785)

Note: Amounts in parenthesis are merchant fees.

*8 Securitization of receivables

The amount of loans and installment receivables removed from the balance sheets through the securitization of claims stood at 183,861 million yen at the end of the fiscal year. The break down was as follows:

(In millions of yen)

Loans	108,400
Installment receivables	75,460
Total	183,861

*9 Bad debts

The bad debts included in loans and claims in bankruptcy are shown below:

(In millions of yen)

	Unsecured loans	Other loans	Total
Claims in bankruptcy	6,507	26,938	33,445
Loans in arrears	45,561	35,160	80,721
Loans in arrears longer than 3 months	20,134	7,429	27,564
Loans with adjusted terms	58,518	3,550	62,068
Total	130,722	73,078	203,800

Explanations for each of the above items follow:

(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.

(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.

End of fiscal year under review (As of March 31, 2007)

*7 Gains on deferred installments

(In millions of yen)

	Balance at end of prior period	Gains during period	Amounts realized during period	Balance at end of period
Credit card shopping	663	13,058	12,633	1,087 (160)
Per item shopping	13,108	6,830	12,757	7,181 (750)
Guarantees	239	4,076	4,134	181 (-)
Loans	10	89,802	89,809	3 (-)
Total	14,021	113,768	119,335	8,453 (911)

Note: Amounts in parenthesis are merchant fees.

*8 Securitization of receivables

The amount of loans and installment receivables removed from the balance sheets through the securitization of claims stood at 127,390 million yen at the end of the fiscal year. The break down was as follows:

(In millions of yen)

Loans	72,573
Installment receivables	54,817
Total	127,390

*9 Bad debts

The bad debts included in loans and claims in bankruptcy are shown below:

(In millions of yen)

	Unsecured loans	Other loans	Total
Claims in bankruptcy	6,057	36,913	42,970
Loans in arrears	100,173	80,645	180,819
Loans in arrears longer than 3 months	28,250	8,414	36,664
Loans with adjusted terms	50,469	4,653	55,122
Total	184,949	130,627	315,577

Explanations for each of the above items follow:

(Claims in bankruptcy)

As on left

(Loans in arrears)

As on left

End of previous fiscal year (As of March 31, 2006)	End of fiscal year under review (As of March 31, 2007)
(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.	(Loans in arrears longer than 3 months) As on left
(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
*10 Gains and losses related to hedging methods are recorded under Loss on deferred hedge on a net basis. The total deferred hedge loss before being netted out was 10,297 million yen. Total deferred hedge gains were 67 million yen.	—
*11 The total number of shares issued and outstanding in the Company was 142,035,000 shares of common stock.	—
*12 The Company held 412,124 shares of its common stock as treasury shares.	—
—	*13 195,545 million yen out of the allowance for bad debts is the forecast amount of interest repayments estimated to receive priority application to operating loans.

B. Notes to the Consolidated Statement of Income

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
*1 Breakdown of gains on sale of fixed assets is as follows: (In millions of yen) Land 172 Other 3 Total 176	—
*2 Breakdown of loss on sale of fixed assets is as follows: (In millions of yen) Buildings and structures 17 Land 71 Other (Telephone rights, etc.) 14 Total 102	—

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)

*3 Impairment losses
The AIFUL Group recorded the following impairment losses in this fiscal year.

(1) Assets with recognized impairment losses

Location (Pref.)	Use	Category
Kyoto (Kyoto)	Buildings for lease	Land and buildings, etc.
Osaka (Osaka)	Rental apartments	Land and buildings, etc.
Utsunomiya (Tochigi)	Idle real estate	Land and buildings, etc.
Nasu-gun (Tochigi)	Idle real estate	Land
Tamatsukuri-gun (Miyagi)	Idle real estate	Land

(2) Asset grouping method
The AIFUL Group uses each operating company in the financial and venture capital businesses, with the exception of idle real estate and real estate for sale, and each property for rental in the real estate business as the smallest unit for asset grouping.

(3) Background to recognition of impairment losses
The AIFUL Group recognizes impairment losses due to a marked fall in the market price or a deterioration in income from operating activities with respect to some real estate for lease or due to a marked decline in the net sale value from the book value for idle real estate.

(4) Amount of Impairment Losses

	(In millions of yen)
Buildings and structures	227
Equipment and fittings	0
Land	516
Total	743

(5) Method of calculation for recoverable value
Recoverable value is measured using net sale value for idle real estate and the higher of use value or net sale value for real estate for lease.
When use value is used, future cash flow is discounted by 1.85%, and when net sale value is used, the calculation is based on an appraised value by a real estate appraiser.

Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)

*3 Impairment losses
The AIFUL Group recorded the following impairment losses in the fiscal year under review.

(1) Assets with recognized impairment losses
(In millions of yen)

Use	Category	Impairment losses
Real estate for lease	Land and buildings, etc.	1,306
Idle real estate	Land and buildings, etc.	179
Business offices scheduled for closure	Structures, buildings, equipment and fittings, and finance leasing assets, etc.	5,318

(2) Asset grouping method
The AIFUL Group uses each operating company in the financial and venture capital businesses, with the exception of idle real estate and real estate for sale, and each property for rental in the real estate business as the smallest unit for asset grouping. For assets involved in business reorganization, all of the business offices scheduled for closure at each operating company are used as a single unit for asset grouping.

(3) Background to recognition of impairment losses
The AIFUL Group recognizes the respective impairment losses when there is a marked decline in the net sales value of some real estate for lease and idle real estate compared to the book value, and on business offices scheduled for closure accompanying the announcement of the business reorganization plan.

(4) Amount of Impairment Losses

	(In millions of yen)
Buildings and structures	3,794
Equipment and fittings	1,223
Land	1,319
Real estate for lease	134
Other	332
Total	6,804

(5) Method of calculation for recoverable value
The AIFUL Group calculates the recoverable value of real estate for lease and idle real estate from the net sale value computed on the basis of the saleable value estimated individually. Moreover, for business offices scheduled for closure, the AIFUL Group calculates recoverable value with an amount corresponding to depreciation and amortization at the time of closure as the use value.

*4 Amortization of goodwill
The AIFUL Group conducts a lump sum amortization of goodwill in conjunction with accounting for the impairment losses of consolidated subsidiaries.

C. Note to the Consolidated Statements of Change in Shareholders' Equity

Fiscal year under review (Apr. 1, 2006 to March 31, 2007)

(1) Matters pertaining to the type and number of issued shares and the type and number of treasury shares

	Number of shares at end of previous fiscal year	Increase in number of shares during fiscal year under review	Decrease in number of shares during fiscal year under review	Number of shares at end of fiscal year under review
Number of issued shares				
Common stock	142,035,000	—	—	142,035,000
Total	142,035,000	—	—	142,035,000
Treasury stock				
Common stock (Note)	412,124	754	43	412,835
Total	412,124	754	43	412,835

Note: The increase of 754 in the number of common shares of treasury stock is the result of the purchase of less-than-one-unit shares.
The decrease of 43 in the number of common shares of treasury stock is the result of the sale of less-than-one-unit shares.

(2) Matters pertaining to warrants, etc.

There are no relevant matters.

(3) Matters pertaining to dividends

i) Amount of dividend payment

Resolution	Type of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders, June 27, 2006	Common stock	4,248	30	Mar. 31, 2006	Jun. 28, 2006
Board of directors meeting, November 7, 2006	Common stock	4,248	30	Sep. 30, 2006	Dec. 11, 2006

ii) Dividends with a record date during the fiscal year under review for which the effective date is during the next fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors meeting, May 21, 2007	Common stock	Retained earnings	4,248	30	Mar. 31, 2007	Jun. 28, 2007

D. Note to the Consolidated Statement of Cash Flows

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
*1 Relationship between the balance of cash and cash equivalents at the end of the fiscal year and the amounts recorded in the categories shown on the consolidated balance sheet: (In millions of yen) Cash and cash equivalents account 134,454 Term deposits with maturity greater than 3 months (77) Cash and cash equivalents 134,376	*1 Relationship between the balance of cash and cash equivalents at the end of the fiscal year and the amounts recorded in the categories shown on the consolidated balance sheet: (In millions of yen) Cash and cash equivalents account 127,166 Term deposits with maturity greater than 3 months (77) Cash and cash equivalents 127,089

E. Segment Information

Segment Information by Type of Business, Location, and Foreign Sales

	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
By type of business	The Company has omitted segment information by type of business, as the consumer loan business accounts for more than 90% of total operating revenues, operating income and assets in all of the Company’s business segments.	As on left
By location	The Company did not report segment information by location, as the Company did not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan during the period.	As on left
Foreign sales	The Company did not have any foreign sales during the period.	As on left

F. Tax Effect Accounting

End of previous fiscal year (As of March 31, 2006)	End of fiscal year under review (As of March 31, 2007)
1. Principal cause of deferred tax assets and deferred tax liabilities	1. Principal cause of deferred tax assets and deferred tax liabilities

End of previous fiscal year (As of March 31, 2006)

1. Principal cause of deferred tax assets and deferred tax liabilities

Deferred tax assets (current)

	(In millions of yen)
Reserve for losses on interest repayments	8,562
Excess amount transferred to allowance for bad debt accounts	853
Denied amount of bad debt depreciation	12,291
Loss carried forward	2,183
Accrued enterprise tax	1,736
Reserve for accrued bonuses	1,687
Unrecorded interest payments due	3,804
Other	1,254
Sub-total of deferred tax assets (current)	32,373
Valuation allowance	(111)
Total deferred tax assets (current)	32,262

Deferred tax assets (fixed)

	(In millions of yen)
Loss carried forward	1,459
Excess amount transferred to allowance for bad debt accounts	734
Excess amount of depreciation and amortization	2,837
Valuation differences of other marketable securities	1,168
Other	2,735
Sub-total of deferred tax assets (fixed)	8,935
Valuation allowance	(2,357)
Amount offset against deferred tax liabilities (fixed)	(3,673)
Total deferred tax assets (fixed)	2,904
Total deferred tax assets	35,167

Deferred tax liabilities (fixed)

	(In millions of yen)
Valuation differences of other marketable securities	7,432
Total deferred tax liabilities (fixed)	7,432
Amount offset against deferred tax assets (fixed)	(3,673)
Total deferred tax liabilities (fixed)	3,759
Total deferred tax liabilities	3,759

2. Principal items which caused differences between statutory effective tax rate and income tax charge rate after adoption of tax effect accounting
Omitted because the difference between the statutory effective tax rate and income tax charge rate after adoption of tax effect accounting is 5% or less of the statutory effective tax rate.

End of fiscal year under review (As of March 31, 2007)

1. Principal cause of deferred tax assets and deferred tax liabilities

Deferred tax assets (current)

	(In millions of yen)
Excess amount transferred to allowance for bad debt accounts	93,876
Denied amount of bad debt depreciation	14,557
Unrecorded interest payments due	5,207
Other	9,334
Sub-total of deferred tax assets (current)	122,976
Valuation allowance	(109,006)
Total deferred tax assets (current)	13,969
Amount offset against deferred tax liabilities (current)	(198)
Net deferred tax assets (current)	13,770

Deferred tax assets (fixed)

	(In millions of yen)
Transfer to reserve for losses on interest repayments	67,949
Loss carried forward	4,343
Valuation differences on financial instruments	3,928
Other	10,812
Sub-total of deferred tax assets (fixed)	87,034
Valuation allowance	(82,771)
Total deferred tax assets (fixed)	4,262
Amount offset against deferred tax liabilities (current)	(3,928)
Net deferred tax assets (fixed)	334
Total deferred tax assets	14,105

Deferred tax liabilities (current)

	(In millions of yen)
Accrued enterprise tax	198
Total deferred tax liabilities (current)	198
Amount offset against deferred tax assets (current)	(198)
Net deferred tax liabilities (current)	—

Deferred tax liabilities (fixed)

	(In millions of yen)
Valuation differences of other marketable securities	4,454
Total deferred tax liabilities (fixed)	4,454
Amount offset against deferred tax assets (fixed)	(3,928)
Net deferred tax liabilities (fixed)	525
Total deferred tax assets (fixed)	525

2. Principal items which caused differences between statutory effective tax rate and income tax charge rate after adoption of tax effect accounting
Omitted because the Company recorded a net loss for the year after tax.

G. Per Share Information

Item	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
Net assets per share	4,813.45 yen	1,777.44 yen
Net income (loss) per share	464.84 yen	(2,903. 85 yen)
Diluted net income per share	464.69 yen	Diluted net income per share omitted because the Company recorded a net loss per share and because there were no latent shares with a dilutive effect.
	The Company conducted a 1:1.5 stock split on May 23, 2005. Assuming that the stock split was conducted at the beginning of the previous fiscal year, per share information is as follows. (Yen) Previous fiscal year Net assets per share 4,358.69 Net income per share 533.57 Diluted net income per share 533.53	

Note: Basis for calculation

(1) Net assets per share

	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
Total net assets	—	257,144 million yen
Amount deducted from total net assets	—	5,419 million yen
(Of which minority interests)	(—)	(5,419 million yen)
Net assets related to common stock at end of fiscal year	—	251,724 million yen
Number of shares of common stock at the end of the fiscal year used in the calculation of net assets per share	—	141,622,165 shares

(2) Net income (loss) per share and diluted net income per share

Item	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
Net income (loss) per share		
Net income (loss)	65,827 million yen	(411,250 million yen)
Amount not attributable to common stock shareholders	—	—
Net income (loss) related to common stock	65,827 million yen	(411,250 million yen)
Average number of shares of common stock during the period	141,613,814 shares	141,622,497 shares
Diluted net income per share		
Adjusted net income	—	—
Increase in number of common stock	45,044 shares	—
(of which stock options through acquisition of treasury stock)	(14,460 shares)	(—)
(of which warrants)	(30,584 shares)	(—)
Outline of stock not included in diluted net income per share due to lack of dilutive effect	New share subscription-type stock options (No. of shares: 357,900) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)	New share subscription-type stock options (No. of shares: 325,800) decided upon at the 27th ordinary general meeting of shareholders (June 25, 2006) New share subscription-type stock options (No. of shares: 351,600) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)

H. Significant Subsequent Events

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
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 impact of the administrative penalties on the Company's financial position and business performance for next fiscal year and beyond is not known.	—

(Omissions from disclosure)

Notes pertaining to lease transactions, transactions with related parties, marketable securities, derivative transactions, retirement benefits, stock options, etc., and business combinations have been omitted because there is not considered to be a strong necessity for disclosure in these brief financial statements.

V. Consolidated Results of Operations

1. Operating Revenue

(In millions of yen)

Item \ Period	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)		Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)	
	Amount	%	Amount	%
Interest on loans to customers	491,357	89.4	448,662	89.9
Unsecured loans	405,308	73.8	374,839	75.1
Secured loans	56,144	10.2	43,575	8.7
Small business loans	29,904	5.4	30,247	6.1
Credit card revenue	11,275	2.1	12,754	2.6
Per-item credit revenue	17,675	3.2	12,998	2.6
Credit guarantee revenue	8,667	1.6	9,186	1.8
Other financial revenue	35	0.0	229	0.0
Other operating revenue	20,535	3.7	15,200	3.1
Collection of purchased claims	4,744	0.9	3,725	0.8
Revenue from operational investment securities	436	0.0	527	0.1
Other	15,354	2.8	10,947	2.2
Total	549,547	100.0	499,031	100.0

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

2. Other Operating Indicators

Item \ Period	End of previous fiscal year (As of Mar. 31, 2006)	End of fiscal year under review (As of Mar. 31, 2007)
Total amount of loans outstanding (millions of yen)	2,232,417	1,985,263
Unsecured loans	1,708,118	1,537,904
Secured loans	357,025	291,716
Small business loans	167,273	155,642
Number of customer accounts	3,898,954	3,547,633
Unsecured loans	3,694,796	3,366,873
Secured loans	104,656	87,384
Small business loans	99,502	93,376
Number of branches	2,722	2,307
Staffed branches	873	364
Unstaffed branches	1,849	1,943
Number of automatic loan-contracting machines	2,249	1,872
Number of loan application processing machines	310	304
Number of ATMs	159,083	167,238
Company-owned	2,361	1,998
Partner-owned	156,722	165,240
Number of employees	6,675	6,477
Bad debt write-off (millions of yen)	149,830	205,980
Allowance for bad debts (millions of yen)	171,715	407,573
Net income (loss) per share (yen)	464.84	(2,903.85)
Net assets per share (yen)	4,813.45	1,777.44

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. Furthermore, off-balance sheet operating loans from the securitization of receivables (108,400 million yen at the end of the previous fiscal year and 72,573 million yen at the end of the fiscal year under review) have been included.

2. Bad debt write-off does not include losses on claims in bankruptcy, which came to 4,808 million yen in the previous fiscal year, and 5,505 million yen in the fiscal year under review.

3. The allowance for bad debts for the fiscal year under review includes 195,545 million yen in expected repayment estimated to have priority application to operating loans.

VI. Non-Consolidated Financial Statements

1. Non-Consolidated Balance Sheets

(In millions of yen, except where noted)

Category	Note No.	End of previous fiscal year (As of March 31, 2006) Amount		%	End of fiscal year under review (As of March 31, 2007) Amount		%
(Assets)							
I. Current assets							
1. Cash and cash equivalents			86,093			75,255	
2. Loans	*1, 2, 4		1,512,717			1,298,611	
3. Customers' liabilities for acceptances and guarantees			62,313			58,914	
4. Real estate for sale	*1		138			–	
5. Pre-paid expenses			3,342			2,577	
6. Deferred tax assets			16,501			9,333	
7. Accrued income			11,954			11,063	
8. Short-term loans	*3		50,128			30,099	
9. Other	*1		17,389			14,824	
Allowance for bad debts	*9		(85,659)			(262,185)	
Total current assets			1,674,920	76.0		1,238,494	74.6
II. Fixed assets							
1. Tangible fixed assets							
(1) Buildings		24,081			21,044		
Total accumulated depreciation		(11,791)	12,290		(11,792)	9,251	
(2) Structures		4,763			3,721		
Total accumulated depreciation		(3,127)	1,636		(2,928)	792	
(3) Machinery		161			161		
Total accumulated depreciation		(60)	100		(74)	86	
(4) Equipment and fixtures		23,146			22,066		
Total accumulated depreciation		(9,401)	13,745		(11,901)	10,165	
(5) Land			6,762			6,762	
(6) Construction in process account			398			759	
Total tangible fixed assets			34,934	1.6		27,818	1.7
2. Intangible fixed assets							
(1) Software			11,637			11,992	
(2) Telephone rights			360			–	
(3) Other			8			224	
Total intangible fixed assets			12,006	0.5		12,217	0.7
3. Investment and other fixed assets							
(1) Investment securities			27,763			18,879	
(2) Stock in affiliated companies			135,335			110,144	
(3) Other marketable securities of affiliated companies			–			448	
(4) Claims in bankruptcy	*4		28,541			33,517	
(5) Long-term loans to shareholders and employees			14			–	
(6) Long-term loans to affiliated companies			288,524			277,502	
(7) Long-term prepaid expenses			2,756			1,544	
(8) Lease deposits and guarantees			8,832			8,468	
(11) Loss on deferred hedge	*6		10,229			–	
(10) Other			1,215			922	
Allowance for bad debts			(21,339)			(69,765)	
Total investment and other fixed assets			481,875	21.9		381,664	23.0
Total fixed assets			528,817	24.0		421,700	25.4
III. Deferred assets							
Bond issuing expenses			744			631	
Total deferred assets			744	0.0		631	0.0
Total assets			2,204,482	100.0		1,660,826	100.0

Category	Note No	End of previous fiscal year (As of March 31, 2006) Amount		%	End of fiscal year under review (As of March 31, 2007) Amount		%
(Liabilities)							
I. Current liabilities							
1. Notes payable - trade			3,990			–	
2. Acceptances and guarantees			62,313			58,914	
3. Short-term debts			53,000			16,000	
4. Current portion of bonds			82,000			72,000	
5. Current portion of long-term debts	*1		326,797			228,600	
6. Trade accounts payable			7,556			11,523	
7. Income taxes payable			21,162			37	
8. Accrued expenses payable			4,454			3,881	
9. Deposits			374			–	
10. Income in advance			2			–	
11. Reserve for accrued bonuses			2,251			2,042	
12. Reserve for losses on interest repayments			17,019			–	
13 Reserve for losses on treatment of soil contamination			–			630	
14 Business reorganization reserve			–			4,381	
15. Other			219			517	
Total current liabilities			581,144	26.4		398,529	24.0
II. Long-term liabilities							
1. Bonds			418,500			414,100	
2. Long term debts	*1		557,264			460,259	
3. Deferred tax liabilities			3,759			425	
4. Allowance for retirement benefits for directors			1,279			1,255	
5. Reserve for losses on interest repayments			–			122,956	
6. Interest swaps			9,462			8,193	
7. Other			155			101	
Total long-term liabilities			990,420	44.9		1,007,292	60.6
Total liabilities			1,571,565	71.3		1,405,821	84.6
(Shareholders' equity)							
I. Common stock	*5		83,317	3.8		–	–
II. Capital surplus							
Capital reserves		90,225			–		
Total Capital surplus			90,225	4.0		–	–
III. Retained earnings							
1. Earned surplus reserves		1,566			–		
2. Voluntary reserves							
General reserve		395,496			–		
3. Unappropriated retained earnings		54,641			–		
Total retained earnings			451,704	20.5		–	–
IV. Differences in evaluation of other marketable securities			10,636	0.5		–	–
V. Treasury stock	*7		(2,964)	(0.1)		–	–
Total shareholders' equity			632,917	28.7		–	–
Total liabilities and shareholders' equity			2,204,482	100.0		–	–

Category	Note No	End of previous fiscal year (As of March 31, 2006) Amount		%	End of fiscal year under review (As of March 31, 2007) Amount		%
(Net Assets)							
I. Shareholders' equity							
1. Common stock			–	–		83,317	5.0
2. Capital surplus							
(1) Capital reserves		–			90,225		
Total capital surplus			–	–		90,225	5.4
3. Retained earnings							
(1) Earned surplus reserves		–			1,566		
(2) Other retained earnings							
General reserve		–			437,296		
Retained earnings carried forward		–			(355,054)		
Total retained earnings			–	–		83,807	5.0
4. Treasury stock			–	–		(2,968)	(0.1)
Total shareholders' equity			–	–		254,381	15.3
II. Evaluation and foreign currency translation adjustments							
1. Differences in evaluation of other marketable securities			–	–		6,376	0.4
2. Loss on deferred hedge			–	–		(5,752)	(0.3)
Total evaluation and foreign currency translation adjustments			–	–		623	0.1
Total net assets			–	–		255,005	15.4
Total net assets and liabilities			–	–		1,660,826	100.0

2. Non-Consolidated Statements of Income

(In millions of yen, except where noted)

Category	Note No.	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006) Amount		%	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007) Amount		%
I. Operating revenue							
1. Interest on loans to customers			333,541	97.1		292,668	97.3
2. Financial revenue - other							
(1) Interest on deposits		1			–		
(2) Interest on marketable securities		0			–		
(3) Other		0	1	0.0	179	179	0.1
3. Operating revenue – other							
(1) Sales of real estate		23			–		
(2) Credit guarantee revenue		–			5,052		
(3) Bad debt write-off recovery		4,299			1,840		
(3) Other		5,648	9,972	2.9	1,014	7,907	2.6
Total operating revenue			343,515	100.0		300,755	100.0
II. Operating expenses							
1. Financial expenses							
(1) Interest expenses		19,861			18,257		
(2) Interest on bonds		8,485			7,772		
(3) Other		2,871	31,218	9.1	2,828	28,858	9.6
2. Cost of sales							
(1)Cost of sales of real estate		24	24	0.0	–	–	–
3. Operating expenses - other							
(1) Advertising expenses		16,533			5,733		
(2) Commissions		14,024			11,449		
(3) Loan losses		11,494			48,469		
(4) Transfer to allowance for bad debts		92,025			169,616		
(5) Interest repayments		–			11,195		
(6) Transfer to reserve for losses on interest repayments		17,019			65,886		
(7) Director's salaries and remuneration		539			354		
(8) Salaries for employees		19,699			19,037		
(9) Bonus for employees		2,393			2,458		
(10) Transfer to reserve for accrued bonuses		2,251			2,042		
(11) Transfers to allowance for retirement benefits for directors		71			88		
(12) Welfare expenses		3,826			3,905		
(13) Expenses for retirement benefits for employees		729			742		
(14) Rent fees		4,893			3,910		
(15) Land rent		7,729			7,701		
(16) Supplies		2,017			–		
(17) Repairs		5,125			4,139		
(18) Communication expenses		2,458			–		
(19) Insurance premiums		4,181			–		
(20) Depreciation expenses		7,587			8,641		
(21) Consumption tax		3,766			–		
(22) Other		6,354	224,723	65.4	13,461	378,834	126.0
Total operating expenses			255,966	74.5		407,693	135.6
Operating income (loss)			87,548	25.5		(106,937)	(35.6)

Category	Note No	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006) Amount		%	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007) Amount		%
III. Non-operating income							
1. Interest on loans	*5	5,027			4,495		
2. Dividends received		244			–		
3. Dividends on insurance		607			–		
4. Gain on investment in anonymous association	*1	611			–		
5. Miscellaneous		662	7,154	2.0	1,506	6,002	2.0
IV. Non-operating expenses							
1. Loss on valuation of real estate for sale		5			–		
2. Loss on investment in anonymous association	*6	0			209		
3. Miscellaneous		65	70	0.0	80	289	0.1
Ordinary income (loss)			94,632	27.5		(101,225)	(33.7)
V. Extraordinary income							
1. Gain on sale of fixed assets	*2	0			–		
2. Gain on sale of investment securities		2			2,940		
3. Allowance for bad debts from previous year		0			–		
5. Gain on transfer to defined contribution pension system		283			–		
6. Other		–	287	0.1	1	2,941	1.0
VI. Extraordinary losses							
1. Loss on sale of fixed assets	*3	2			–		
2. Loss on disposal of fixed assets	*4	223			–		
3. Impairment losses	*7	–			3,128		
4. Loss on cancellation of leases		63			–		
5. Loss on valuation of stock in affiliated companies		–			21,700		
6. Loss on liquidation of shares in absorbed companies		–			2,549		
7. Expenses accompanying replacement of automatic loan-contracting machines		111			–		
8. Interest repayments		10,603			–		
9. Transfer to allowance for bad debts		–			145,397		
10. Transfer to reserve for losses on interest repayment		–			57,070		
11. Transfer to reserve for losses on treatment of soil contamination		–			630		
12. Business reorganization losses		–			4,416		
13. Transfer to business reorganization reserve		–			4,381		
14. Loss on cancellation of real estate deposits		83			–		
15. Loss on valuation of golf club memberships		15			–		
16. Dissolution fees for cancellation of contract		39			1,546		
17. Other		–	11,141	3.2	2,059	242,879	80.7
Net income (loss) before taxes			83,778	24.4		(341,163)	(113.4)
Corporate tax, local and enterprise taxes		41,576			7,563		
Adjustment on corporate tax, etc.		(8,179)	33,397	9.7	10,672	18,235	6.1
Net income (loss)			50,381	14.7		(359,399)	(119.5)
Retained earnings brought forward			8,523			–	
Loss on price differences in disposal of treasury stock			15			–	
Interim dividends			4,248			–	
Unappropriated retained earnings			54,641			–	

3. Statement on Appropriation of Profits and Statements of Change in Shareholders' Equity

Statement on Appropriation of Profits

(In millions of yen)

Approval date of general shareholders' meeting		Previous fiscal year ended March 31, 2006 (June 27, 2006)	
Category	Note No.	Amount	
I. Retained earnings at the end of the year			54,641
II. Appropriation of profits			
1. Cash dividends		4,248	
2. Voluntary reserves			
General reserve		41,800	46,048
III. Retained earnings carried forward			8,592

Notes: During the previous fiscal year, AIFUL paid interim dividends amounting to 4,248 million yen (30 yen per share) on December 9, 2005.

Statements of Change in Shareholders' Equity

Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)

(In millions of yen)

	Shareholders' equity		
	Common stock	Capital surplus	
		Capital reserves	Total capital surplus
Balance at March 31, 2006	83,317	90,225	90,225
Change during fiscal year			
Total change during fiscal year	–	–	–
Balance at March 31, 2007	83,317	90,225	90,225

(In millions of yen)

	Shareholders' equity					
	Capital surplus				Treasury stock	Total shareholders' equity
	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
Change during fiscal year						
Distribution of retained earnings*			(4,248)	(4,248)		(4,248)
Distribution of retained earnings			(4,248)	(4,248)		(4,248)
Addition to general reserve		41,800	(41,800)	–		–
Net loss			(359,399)	(359,399)		(359,399)
Acquisition of treasury stock				–	(3)	(3)
Disposal of treasury stock			(0)	(0)	0	0
Total change during fiscal year	–	41,800	(409,696)	(367,896)	(3)	(367,899)
Balance at March 31, 2007	1,566	437,296	(355,054)	83,807	(2,968)	254,381

(In millions of yen)

	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
Change during fiscal year				
Distribution of retained earnings*			–	(4,248)
Distribution of retained earnings			–	(4,248)
Addition to general reserve			–	–
Net loss			–	(359,399)
Acquisition of treasury stock			–	(3)
Disposal of treasury stock			–	0
Net change in items other than shareholders' equity during fiscal year	(4,260)	(5,752)	(10,012)	(10,012)
Total change during fiscal year	(4,260)	(5,752)	(10,012)	(377,912)
Balance at March 31, 2007	6,376	(5,752)	623	255,005

Note: Distribution of retained earnings approved by the ordinary general meeting of shareholders in June 2006.

4. Significant Accounting Policies Relating to the Financial Statements

Item	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
1. Disposal method for deferred assets	Bond issuing expenses Bond issuing expenses are amortized uniformly within the shorter period of either the bonds' redemption period or the longest period (three years) mandated by the Commercial Code Enforcement Regulations.	Bond issuing expenses Bond issuing expenses are amortized using the straight-line method over the period until the bonds' redemption. Bond issuing expenses relating to bonds issued before March 31, 2006 are amortized uniformly within the shorter period of either the bonds' redemption period or the longest period (three years) mandated by the former Commercial Code Enforcement Regulations.
2. Accounting standards for allowances and reserves		
(1) Reserve for losses on treatment of soil contamination	—	The Company calculated the amount estimated to be paid to provide for losses relating to the treatment of soil contamination to restore soil to its original condition with the discovery of soil contamination on some of the land for sale owned by the Company.
(2) Business reorganization reserve	—	The Company calculated the amount of the estimated losses, including outlet liquidation losses, to provide for losses arising accompanying business reorganization.
(3) Reserve for losses on interest repayments	Provision for future interest repayments is made by estimating the forecast amount of repayments based on actual repayments to date and taking into account the recent status of repayments. (Supplementary Information) In the past, AIFUL Corporation treated interest repayments as an expense at the time of the expenditure. However, the impact on financial statements has increased because of the more rigorous application of deemed payment provisions. Therefore, the Company has decided to record an amount equivalent to future interest repayments forecast as of the last day of the fiscal year as a reserve for losses on interest repayments in accordance with the Japanese Institute of Certified Public Accountants Hearing Data No. 24, "Considerations for Accounting at Consumer Finance Companies based on the Supreme Court Decision regarding the Application of the Deemed Payment Provisions of the Money Lending Business Control Law" (Japanese Institute of Certified Public Accountants, March 15, 2006). As a result, current liabilities have increased by 17,019 million yen. Accompanying the calculation of the reserve for losses on interest repayments, "Interest repayments" (3,514 million yen in the previous fiscal year), which were previously recorded in "Other" under Operating expenses, has been treated as an extraordinary loss. As a result, operating expenses rose 6,416 million yen, while operating income and ordinary income both declined by the same amount. At the same time, extraordinary losses have risen by 10,603 million yen, and net income before taxes has declined 17,019 million yen.	As on left (Supplementary Information) In the past, 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 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 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 fiscal year under review 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). 167,530 million yen in the expected amount of repayments that are estimated to have priority application to operating loans is included in the allowance for bad debts.

Note: Treatment of deferred assets and accounting standards for the calculation of reserves other than those noted above have been omitted as there have been no significant changes since they were recorded in the Company's most recent financial report (submitted June 28, 2006).

5. Changes in Accounting Methods

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
(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 this fiscal year. There has been no effect on income as a result.	—
(Guarantee Obligations) The balances of guarantee obligations related to guarantee operations were hitherto recorded in Notes to the Non-Consolidated Balance Sheets (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 this fiscal year. 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 62,313 yen.	—
—	(Accounting Standards for Presentation of Net Assets in the Balance Sheets) The Company adopted 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 fiscal year under review. The amount of shareholders' equity under former accounting standards was 260,757 million yen. With the amendment of the regulations for financial statements, the Company has presented net assets in the balance sheets for the fiscal year under review on the basis of the regulations for financial statements after amendment.
—	(Accounting Standards for Business Combinations, etc.) The Company adopted Accounting Standard for Business Combinations (Business Accounting Council, October 31, 2003) and Accounting Standard for Business Separations (ASBJ Statement No. 7, December 27, 2005) as well as Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Separations (ASBJ Guidance No. 10, December 27, 2005) starting in the fiscal year under review.

6. Changes in Labeling Method

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
—	(Balance Sheets) 1. Real estate for sale (130 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other in Current assets due to its lack of financial significance. 2. Telephone rights (217 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Intangible fixed assets due to its lack of financial significance. 3. Long-term loans to shareholders and employees (11 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other in Investments and the fixed assets due to its lack of financial significance. 4. Notes payable - trade (31 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other in Current liabilities due to its lack of financial significance. 5. Deposits (214 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other in Current liabilities due to its lack of financial significance. 6. Income in advance (1 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Current liabilities due to its lack of financial significance.
—	(Statements of Income) 1. The component items of Interest on deposits (102 million yen for the fiscal year under review) and Interest on marketable securities (19 million yen for the fiscal year under review) presented under Financial revenue – other until the previous fiscal year have been included under Other in Financial revenue – other due to their lack of financial significance. 2. Credit guarantee revenue was included under Other in Operating revenue – other in the previous fiscal year, but it is presented as a separate item due to the increase in its significance. Credit guarantee revenue for the previous fiscal year was 4,425 million yen. 3. Supplies (903 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included Other under Operating expenses - other due to its lack of financial significance. 4. Communication expenses (1,583 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Operating expenses - other due to its lack of financial significance. 5. Insurance premiums (2,771 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Operating expenses - other due to its lack of financial significance.

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
	6. Consumption tax (2,650 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Operating expenses – other due to its lack of financial significance. 7. Dividends received (188 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Miscellaneous under Non-operating income due to its lack of financial significance. 8. Dividends on insurance (292 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Miscellaneous under Non-operating income due to its lack of financial significance. 9. Gain on investment in anonymous association (95 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Miscellaneous under Non-operating income due to its lack of financial significance. 10. Loss on valuation of real estate for sale (7 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Miscellaneous under Non-operating expenses due to its lack of financial significance. 11. Gain on sale of fixed assets (0 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Extraordinary income due to its lack of financial significance. 12. Allowance for bad debts from previous year (1 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary income due to its lack of financial significance. 13. Loss on sale of fixed assets (44 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, has been included under Other in Extraordinary losses due to its lack of financial significance. 14. Loss on disposal of fixed assets (1,073 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Extraordinary losses due to its lack of financial significance. 15. Loss on cancellation of leases (0 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Extraordinary losses due to its lack of financial significance. 16. Loss on cancellation of real estate deposits (165 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Extraordinary losses due to its lack of financial significance. 17. Loss on valuation of golf club memberships (1 million yen for the fiscal year under review), which was presented as a separate item until the previous fiscal year, is included in Other under Extraordinary losses due to its lack of financial significance.

7. Notes

A. Notes to the Balance Sheets

End of previous fiscal year (As of March 31, 2006)

*1 Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(In millions of yen)
Loans	510,708
Real estate for sale	107
Total	510,815

(2) Corresponding liabilities

	(In millions of yen)
Current portion of long-term debts	106,872
Long-term debts	167,040
Total	273,912

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 debts, and 98,056 million yen for the long-term debts.

The matters below are not included in the aforementioned amounts.

- The Company has contracted to offer loans of 214,443 million yen as collateral in response to borrowers' requests to the sum of 73,239 million yen for the current portion of long-term debts and 124,317 million yen in long-term debts, totaling 197,557 million yen.
- The Company has also offered 1,919 million yen in cash and cash equivalents as collateral for swap transactions.
- The Company has taken Marutoh K.K.'s land and other tangible fixed assets as a pledge for its borrowings.

*2 Includes 1,133,083 million yen in personal unsecured loans.

*3 Financial assets accepted as collateral with full rights of disposal and corresponding market values

Commercial paper 49,999 million yen

*4 The bad debts included in loans and claims in bankruptcy are shown below:

(In millions of yen)

	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

End of fiscal year under review (As of March 31, 2007)

*1 Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(In millions of yen)
Loans	314,882
Current assets - other	100
Total	314,982

(2) Corresponding liabilities

	(In millions of yen)
Current portion of long-term debts	54,042
Long-term debts	118,823
Total	172,866

Above amounts include items related to the securitization of loans receivables, 240,426 million yen for outstanding loans receivables, 11,846 million yen for the current portion of long-term debts, and 92,036 million yen for the long-term debts.

The matters below are not included in the aforementioned amounts.

- The Company has contracted to offer loans of 171,158 million yen as collateral in response to borrowers' requests to the sum of 60,756 million yen for the current portion of long-term debts and 96,713 million yen in long-term debts, totaling 157,469 million yen.
- The Company has also offered 1,734 million yen in cash and cash equivalents as collateral for swap transactions.
- The Company has taken Marutoh K.K.'s land and other tangible fixed assets as a pledge for its borrowings.

*2 Includes 995,077 million yen in personal unsecured loans.

*3 Financial assets accepted as collateral with full rights of disposal and corresponding market values

Commercial paper 29,968 million yen

*4 The bad debts included in loans and claims in bankruptcy are shown below:

(In millions of yen)

	Unsecured loans	Other loans	Total
Claims in bankruptcy	4,152	32,783	36,935
Loans in arrears	74,402	68,529	142,932
Loans in arrears longer than 3 months	16,056	4,305	20,361
Loans with adjusted terms	36,207	1,695	37,903
Total	130,819	107,313	238,132

End of previous fiscal year (As of March 31, 2006)	End of fiscal year under review (As of March 31, 2007)
Explanations for each of the above items follow: (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.	Explanations for each of the above items follow: (Claims in bankruptcy) As on left
(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.	(Loans in arrears) As on left
(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.	(Loans in arrears longer than 3 months) As on left
(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
*5 Number of shares authorized and total number of shares outstanding Number of shares authorized: 373,500,000 shares of common stock However, the articles of incorporation specify that "AIFUL Corporation shall reduce the number of shares by the equivalent when stock is retired." Total number of shares outstanding: 142,035,000 shares of common stock	—
*6 Gains and losses related to hedging methods are recorded as deferred hedge loss on a net basis. The total deferred hedge loss before being netted out was 10,297 million yen. Total deferred hedge gains were 67 million yen.	—
*7 The number of treasury shares held by the Company is 412,124 shares of common stock.	—
*8 Limitation on dividend The increase in net assets as result of setting a market price for assets specified in Item 3 of Article 124 of the Enforcement Regulations of the Commercial Code was 10,636 million yen.	—
—	*9 167,530 million yen out of the allowance for bad debts is the forecast amount of interest repayments estimated to receive priority application to operating loans.

B. Notes to the Statement of Income

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
*1 Gains on investments in anonymous associations are appraisal gains based on the financial statements of investment partnerships, etc.	—
*2 The breakdown of Gains on sale of fixed assets is as follows. Buildings, etc. 0 million yen	—
*3 Breakdown of Loss on sale of tangible fixed assets is as follows. Telephone rights 2 million yen	—
*4 Breakdown of Loss on disposal of fixed assets is as follows: (In millions of yen) Buildings 150 Structures 34 Equipment and fixtures 35 Other 2 Total 223	—
*5 Matters relating to affiliated companies Interest on loans 5,013 million yen	*5 Matters relating to affiliated companies Interest on loans 4,482 million yen
*6 Loss on investments in anonymous associations is appraised loss based on the financial statements of investment partnerships, etc.	*6 As on left
	*7 Impairment losses AIFUL Corporation recorded the following impairment losses in the fiscal year under review. (1) Assets with recognized impairment losses (In millions of yen) Use: Business offices scheduled for closure; Category: Structures, buildings, equipment and fittings, etc.; Impairment losses: 3,128 (2) Asset grouping method AIFUL Corporation uses the finance business as a single unit for asset grouping. For assets involved in business reorganization, all of the business offices scheduled for closure are used as a single unit for asset grouping. (3) Background to recognition of impairment losses AIFUL Corporation recognizes impairment losses accompanying the announcement of the business reorganization plan. (4) Amount of impairment losses (In millions of yen) Buildings 1,667 Structures 438 Equipment and fittings 885 Other 136 Total 3,128 (5) Method of calculation for recoverable value AIFUL Corporation calculates recoverable value with an amount corresponding to depreciation and amortization at the time of closure as the use value.

C. Note to the Statements of Change in Shareholders' Equity

Fiscal year under review (Apr. 1, 2006 to March 31, 2007)

1. Matters pertaining to treasury stock

	Number of shares at end of previous fiscal year	Increase in number of shares during fiscal year under review	Decrease in number of shares during fiscal year under review	Number of shares at end of fiscal year under review
Common stock (Note)	412,124	754	43	412,835
Total	412,124	754	43	412,835

Note: The increase of 754 in the number of common shares of treasury stock is the result of the purchase of less-than-one-unit shares.
The decrease of 43 in the number of common shares of treasury stock is the result of the sale of less-than-one-unit shares.

D. Tax Effect Accounting

End of previous fiscal year (As of March 31, 2006)	End of fiscal year under review (As of March 31, 2007)
1. Principal cause of deferred tax assets and deferred tax liabilities	1. Principal cause of deferred tax assets and deferred tax liabilities

End of previous fiscal year (As of March 31, 2006)

1. Principal cause of deferred tax assets and deferred tax liabilities

Deferred tax assets (current)

	(In millions of yen)
Reserve for losses on interest repayments	6,906
Denied amount of bad debt depreciation	4,309
Accrued enterprise tax	1,342
Unrecorded interest payments due	2,624
Reserve for accrued bonuses	913
Other	404
Total deferred tax assets (current)	16,501

Deferred tax assets (fixed)

	(In millions of yen)
Excess amount of depreciation and amortization	1,747
Excess amount transferred to allowance for bad debt accounts	596
Amount transferred to allowance for retirement benefits for directors	519
Other	641
Total deferred tax assets (fixed)	3,504
Amount offset against deferred tax liabilities (fixed)	(3,504)
Net deferred tax assets (fixed)	—
Total deferred tax assets	16,501

Deferred tax liabilities (fixed)

	(In millions of yen)
Valuation differences of other marketable securities	7,263
Total deferred tax liabilities (fixed)	7,263
Amount offset against deferred tax assets (fixed)	(3,504)
Net deferred tax liabilities (fixed)	3,759
Total deferred tax liabilities	3,759

2. Principal items which caused differences between statutory effective tax rate and income tax charge rate after adoption of tax effect accounting
Omitted because the difference between the statutory effective tax rate and income tax charge rate after adoption of tax effect accounting is 5% or less of the statutory effective tax rate.

End of fiscal year under review (As of March 31, 2007)

1. Principal cause of deferred tax assets and deferred tax liabilities

Deferred tax assets (current)

	(In millions of yen)
Excess amount transferred to allowance for bad debt accounts	70,715
Denied amount of bad debt depreciation	6,065
Unrecorded interest payments due	3,736
Other	3,213
Sub-total of deferred tax assets (current)	83,731
Valuation allowance	(74,198)
Total deferred tax assets (current)	9,532
Amount offset against deferred tax liabilities (current)	(198)
Net deferred tax assets (current)	9,333

Deferred tax assets (fixed)

	(In millions of yen)
Transfer to reserve for losses on interest repayments	49,895
Excess amount transferred to allowance for bad debt accounts	19,394
Loss on valuation of investment securities	9,136
Other	7,443
Sub-total of deferred tax assets (fixed)	85,870
Valuation allowance	(81,942)
Total deferred tax assets (fixed)	3,928
Amount offset against deferred tax liabilities (fixed)	(3,928)
Net deferred tax assets (fixed)	—
Total deferred tax assets	9,333

Deferred tax liabilities (current)

	(In millions of yen)
Accrued enterprise tax	198
Total deferred tax liabilities (current)	198
Amount offset against deferred tax assets (current)	(198)
Net deferred tax liabilities (current)	—

Deferred tax liabilities (fixed)

	(In millions of yen)
Valuation differences of other marketable securities	4,354
Total deferred tax liabilities (fixed)	4,354
Amount offset against deferred tax assets (fixed)	(3,928)
Net deferred tax liabilities (fixed)	425
Total deferred tax assets (fixed)	425

2. Principal items which caused differences between statutory effective tax rate and income tax charge rate after adoption of tax effect accounting
Omitted because the Company recorded a net loss for the year after tax.

E. Per Share Information

Item	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
Net assets per share	4,469.03 yen	1,800.60 yen
Net income (loss) per share	355.77 yen	(2,537.73 yen)
Diluted net income per share	355.65 yen	Diluted net income per share omitted because the Company recorded a net loss per share and because there were no latent shares with a dilutive effect.
	The Company conducted a 1:1.5 stock split on May 23, 2005. Assuming that the stock split was conducted at the beginning of the previous fiscal year, per share information is as follows. (Yen) Previous fiscal year Net assets per share 4,125.33 Net income per share 474.13 Diluted net income per share 474.09	

Basis for calculation of net income (loss) per share and diluted income per share

Item	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
Net income (loss) per share		
Net income (loss)	50,381 million yen	(359,399 million yen)
Amount not attributable to common stock shareholders	—	—
Net income (loss) related to common stock	50,381 million yen	(359,399 million yen)
Average number of shares of common stock during the period	141,613,814 shares	141,622,497 shares
Diluted net income per share		
Adjusted net income	—	—
Increase in number of common stock	45,044 shares	—
(of which stock options through acquisition of treasury stock)	(14,460 shares)	(—)
(of which warrants)	(30,584 shares)	(—)
Outline of stock not included in diluted net income per share due to lack of dilutive effect	New share subscription-type stock options (No. of shares: 357,900) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)	New share subscription-type stock options (No. of shares: 325,800) decided upon at the 27th ordinary general meeting of shareholders (June 25, 2006) New share subscription-type stock options (No. of shares: 351,600) decided upon at the 28th ordinary general meeting of shareholders (June 24, 2005)

F. Significant Subsequent Events

Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)	Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)
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 impact of the administrative penalties on the Company’s financial position and business performance for next fiscal year and beyond is not known.	—

VII. Non-Consolidated Results of Operations

1. Operating Revenue

(In millions of yen)

Item \ Period	Previous fiscal year (Apr. 1, 2005 to Mar. 31, 2006)		Fiscal year under review (Apr. 1, 2006 to Mar. 31, 2007)	
	Amount	%	Amount	%
Interest on loans to customers	333,541	97.1	292,668	97.3
Unsecured loans	269,986	78.6	243,614	81.0
Secured loans	54,560	15.9	41,423	13.8
Small business loans	8,994	2.6	7,630	2.5
Other financial revenue	1	0.0	179	0.1
Other operating revenue	9,972	2.9	7,907	2.6
Credit guarantee revenue	4,425	1.3	5,052	1.7
Other	5,546	1.6	2,855	0.9
Total	343,515	100.0	300,755	100.0

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

2. Other Operating Indicators

Item \ Period	End of previous fiscal year (As of Mar. 31, 2006)	End of fiscal year under review (As of Mar. 31, 2007)
Total amount of loans outstanding (millions of yen)	1,512,717	1,298,611
Unsecured loans	1,133,083	995,077
Secured loans	341,152	274,787
Small business loans	38,480	28,747
Number of customer accounts	2,187,382	1,894,105
Unsecured loans	2,057,920	1,788,545
Secured loans	101,682	84,047
Small business loans	27,780	21,513
Number of branches	1,912	1,805
Staffed branches	515	101
Unstaffed branches	1,397	1,704
Number of "Ojidosan" automatic loan-contracting machines	1,595	1,501
Number of loan application processing machines	310	304
Number of ATMs	86,639	89,058
Company-owned	1,803	1,668
Partner-owned	84,836	87,390
Number of employees	3,066	3,046
Bad debt write-off (millions of yen)	93,422	134,128
Allowance for bad debts (millions of yen)	106,998	331,951
Net income (loss) per share (yen)	355.77	(2,537.73)
Net assets per share (yen)	4,469.03	(1,800.60)

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 4,152 million yen in the previous fiscal year, and 4,663 million yen in the fiscal year under review.
3. The allowance for bad debts for the fiscal year under review includes 167,530 million yen in expected repayment estimated to have priority application to operating loans.

VIII. Changes to the Board of Directors

1. Changes to the Responsibilities of Directors: As of April 1, 2007

Name	New areas of responsibility	Former areas of responsibility
Taichi Kawakita	Senior Managing Director / Representative Director Chairman, Compliance Committee overseeing Credit Assessment Department and Inspection Department	Senior Managing Director / Representative Director Chairman, Compliance Committee
Shintaro Hashima	Managing Director overseeing General Affairs Department and Legal Department	Managing Director overseeing General Affairs Department, Legal Department and Compliance Office
Koji Imada	Director	Director overseeing East Japan Loan Recovery Department and West Japan Loan Recovery Department
Hiroshi Abe	Director Senior General Manager, Information Systems Division concurrently overseeing Compliance Monitoring Division	Director Senior General Manager, Information Systems Division
Akira Takami	Director overseeing Business Development Department, Guarantee Business Department and Marketing Department General Manager, Business Development Department	Director overseeing Business Development Department and Guarantee Business Department General Manager, Business Development Department
Tsuguo Nakagawa	Director Senior General Manager, Credit Management Division	Director overseeing Inspection Department and Credit Assessment Department