

September 1, 2006

### **AIFUL Announces Progress on Achieving Full Legal Compliance**

KYOTO — AIFUL Corporation once again offers its deepest apologies for the considerable inconvenience and concern caused for its shareholders and other stakeholders, as well as for its customers, as a result of the Company's legal violations and the following penalties imposed in response by the Kinki Finance Bureau.

Based on the Business Operation Improvement Plan submitted to the Bureau, AIFUL is now diligently promoting the creation of internal structures. To prevent any recurrence of legal violations, improvements include a revision of regulations directly related to the legal violations that have occurred. Moreover, the Company is making strenuous efforts to investigate the underlying cause of the legal misconduct, while simultaneously drawing on proposals that are based on the viewpoints of external experts to further strengthen its legal compliance structures and restore public trust.

AIFUL hereby announces the progress made in the areas described above.

#### **1. Response to Cases Related to Administrative Penalties**

To prevent any recurrence of the legal violations seen in the recent administrative penalties, AIFUL has conducted an exhaustive, company-wide review of operations, regulations, and rules directly related to these cases.

##### (1) Organizational

###### **● Strengthening of company-wide checking structures**

AIFUL has strengthened the legal compliance checking structures and inspection structures at all of its branches and call centers.

##### (a) Establishment of a new Business Administration Department

- Company-wide assessment and management of responses to legal amendments and revisions of internal regulations, as well as penetration of legal compliance strategies
- Checking and training related to legal compliance for departments that carry out debt collection (Counseling Center and Administration Department)

##### (b) Substantial increase in Inspection Department personnel

##### (2) Regulations

###### **● Change to a new evaluation system**

Since April 2006, AIFUL has changed from its traditional result-oriented evaluation system to one that focuses on legal compliance. AIFUL has created a model that does not link evaluation criteria to the performance of individuals and branches, so that fairer business practices are implemented at the Company's business offices and call centers.

● Tighter regulations and rules related to lending

AIFUL has strengthened the rules surrounding information dissemination to customers, as well as other regulations, making regulations even tighter than in the past. This will help eliminate superfluous information, further ensure appropriate provision of credit, and prevent an array of other problems.

● Stricter regulations for debt collection

AIFUL has previously reviewed regulations for debt collection, and the Company has further strengthened and revised its regulations, including a complete ban on telephone calls to the workplaces of customers.

(3) Employee Training

● Running training sessions for all employees

AIFUL has been running training sessions on the five legal violations involved in the administrative penalties. Additionally, AIFUL has been providing training sessions on the Money-Lending Business Control Law and legal compliance. The aim is to assess the underlying causes of the legal violations, to prevent a recurrence, and to raise awareness of legal compliance.

● Introduction of compliance certification

- (a) External certification: AIFUL now requires the successful completion of the Compliance Officer Certification and the Personal Information Protection Officer Certification from all of its officers as a condition of promotion to management posts.
- (b) In-house certification 1: AIFUL now regards acquisition of the Laws and Regulations Manager Certification as compulsory for all of its officers with the aim of assigning a legal compliance manager to each branch and department.
- (c) In-house certification 2: AIFUL aims to employ staff for all operations involving customer contact after confirming that they have the necessary knowledge and skills, and is targeting ordinary employees with the Business Competence Certification.

(4) Inspection and Monitoring

● Strengthening inspection functions

AIFUL has shortened the regular inspection cycle from 12 months to six months, and has also strengthened company-wide checking functions.

Reference: Number of inspections between April and August

- Number of on-site branch inspections by the Inspection Department: 431
- Number of internal inspections of call center offices by the Inspection Department: 18 (completed for all offices)
- Number of on-site branch inspections by the Loan Business Division: 115

● Strengthening of monitoring for debt collection departments

AIFUL has established a new Business Administration Section II to specialize in the monitoring of debt collection departments. The Company is strengthening monitoring functions by recording and going over all telephone conversations in debt collection departments.

## **2. Investigation of Underlying Causes of Legal Violations and Introduction of Radical Reforms**

In addition to its direct response to preventing the recurrence of legal violations through reviewing and strengthening regulations and rules, AIFUL launched the company-wide Confidence Restoration Project on June 5, 2006. The project aims to establish a corporate culture that harbors a genuine respect for legal compliance. The purpose of the project is to investigate the underlying causes of the occurred legal violations through a methodical examination of AIFUL's organizational climate and culture, which is difficult to grasp from the inside. The Company has begun to formulate proposals for radical reforms, while bringing in "third party perspectives" as much as possible through the support of the external experts listed below.

(1) Cooperation received from external experts

● Conclusion of agreement on legal consulting with Shigeru Nakajima, attorney

AIFUL has signed an agreement on legal consulting with Nakajima Transactional Law Office (representative attorney: Shigeru Nakajima) from July 2006 to March 31, 2007 (planned). The agreement is designed to implement reforms based on a strictly external perspective, securing objectivity. Mr. Nakajima has an extensive track record in legal compliance and corporate crisis management, and will provide the Company with advice and support aimed at preventing the recurrence of legal violations and establishing its legal compliance structure.

● Conclusion of consulting agreement with external advisor

To reflect a third party perspective as much as possible in the reforms, AIFUL has engaged a consulting company to participate in the plans as an external advisor. The company not only offers analyses of factors in the occurred legal violations and strategies for response, but also provides examination and advice. This applies to the stance and form of the AIFUL legal compliance structure, as well as to business operations, organization, and communication.

(2) Details of Studies and Status of Progress to the Present

● Implementation of interviews and questionnaires for officers at assistant section chief level and higher, including management

Third party bodies (the advisory companies above) have interviewed officers and department managers about the underlying causes of the occurred legal violations and the current circumstances and challenges for AIFUL. They have also conducted a questionnaire for all employees in section chief and assistance section chief level positions regarding the underlying causes of the legal misconduct. A report on conclusions and findings is now in progress.

● Administering of in-house questionnaire for all employees from section chief and branch manager level down

AIFUL conducted questionnaires for all employees at section chief and branch manager level down, between August 9 – 15 and August 17 – 23. The aim was to exhaustively examine the causes of the occurred legal violations.

● Interviews with AIFUL business partners

Interviews on assessing the problems as seen from the outside have been conducted with the financial institutions from which AIFUL procures funding, the Company's business partners and the media, identifying the issues faced by the Company.

● Cross examination of underlying causes of legal violations and current challenges

As a result of the above in-house studies, "the result-first orientation based on the target system (targets)" was identified as the main cause of the occurred legal violations. Factors such as "the personnel system (personnel)," "the lack of compliance training (training)" and "the lack of internal checking functions (inspection)" were also mentioned. AIFUL is currently conducting a cross examination of the underlying causes of the occurred legal violations, and with inclusion of these factors, AIFUL is endeavoring to identify current challenges.

**3. Future Measures**

After identifying the underlying causes of the occurred legal violations, AIFUL is committed to the creation of a corporate shared consciousness surrounding recent problem areas and issues among all of its officers and department managers. Based on this, AIFUL will consider company-wide strategies for response, and put them into action.

Status reports on AIFUL's progress can be found on the Company website.

**AIFUL Corporation**

Headquarters: 381-1 Takasago-cho, Gojo-Agaru,  
Karasuma-Dori, Shimogyo-ku, Kyoto  
President: Yoshitaka Fukuda  
Stock code: 8515  
Exchanges: TSE 1st Section; OSE 1st Section  
Fiscal year: Ending March 31  
Inquiries: Kenichi Kayama, General Manager,  
Public Relations Department  
Telephone: (03) 4503-6050 (Public Relations)  
(03) 3274-6100 (Investor Relations)