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AIFUL Group Announces Reorganization and Cost Structure Reform
New Commitment to Providing Low-Priced Products

1. Objectives

Amendments to laws related to Japan's Moneylending Business Restriction Law have made AIFUL's business environment much more challenging. The AIFUL Group is responding by pursuing reorganization and sweeping cost structure reforms in an effort to position itself to provide safe, reliable products at a low price to an ever greater number of customers. Through these reforms, AIFUL seeks to expand sales of low-priced products with interest rates of 20% or lower to preferred customers and to be a comprehensive financial services group supported by its customers. The company is working to create a framework to ensure a return on assets of 1.5% or higher. The company's plans are listed below.

Overview of AIFUL Group reorganization and cost structure reforms

- AIFUL to reduce number of outlets to 1,000 on a non-consolidated basis
(Reduce staffed outlets from 463 to 100 and unstaffed outlets and automated contract machines from 1,440 to 900)
Note: On a group-wide basis, reduce number of outlets from 2,713 to 1,193
(Reduce staffed outlets from 820 to 213 and unstaffed outlets and automated contract machines from 1,893 to 980)
- Enhance group personnel efficiency through the voluntary retirement of about 400 regular employees and reduction of about 900 temporary employees
- Successively integrate the four consumer finance subsidiaries—TRYTO, Wide, TCM, and Passkey—into AIFUL by March 2009

2. Details

(1) AIFUL cost structure reforms

Implement the following cost structure reforms to provide low-priced products. Target reduction in selling, general and administrative expenses, not including financial expenses and credit costs, of ¥40 billion or more.

1) Consolidate outlets

AIFUL seeks to create an organization with 1,000 outlets, comprising 100 staffed outlets and 900 unstaffed outlets, by June–September 2007 by eliminating staff from or closing 363 staffed outlets, mainly unprofitable outlets, and closing 540 unstaffed outlets and automated contract machines. This will allow it to provide high-quality customer services on a stable basis.

2) Enhance personnel efficiency

Recruit about 100 employees for voluntary retirement in conjunction with the planned integration of the four consumer finance subsidiaries as part of efforts to consolidate outlets, enhance efficiency in collection departments, and streamline staffing departments. Reduce an additional 330 employees, mainly temporary employees at loan business departments and in head office departments.

Note: See the separate release entitled, “AIFUL Offers Voluntary Retirement to Employees,” for further details.

3) Review system development and various expenses

- Reduce costs by optimizing system sharing within the group, curtailing new system development, reviewing maintenance costs, reducing redundant operations, disposing of unneeded assets, and internalizing operations.
- 4) Remove rooftop signs
Reduce the current 460 rooftop signs by 277 to have 183 signs at the end of March 2007. Remove the remaining rooftop signs during the process of consolidating outlets.
- (2) Approaches to reorganization and streamlining at group companies
Take the following approaches in the reorganization and streamlining of group companies with the goal of optimizing the business resources of the group. Further details will be made public when available.
- 1) Integrate consumer finance subsidiaries TRYTO, Wide, TCM, and Passkey into AIFUL
Close all 449 sales outlets of consumer finance subsidiaries TRYTO, Wide, TCM, and Passkey as a result of anticipating a decline in profitability due to legal revisions. Integrate TCM and Passkey into AIFUL by March 2008. Seek to enhance efficiency by concentrating the operations of TRYTO and Wide at one location for each company by September 2007 and then integrating these companies into AIFUL by March 2009. Enhance personnel efficiency through the voluntary retirement of about 100 regular employees, including at AIFUL, and the reduction of about 110 temporary employees.
 - 2) Small business loan subsidiary City's
Consolidate sales outlets as a result of anticipating a decline in profitability due to legal revisions. Reduce the current 63 offices to 11 offices and the number of sales outlets to 34. Enhance personnel efficiency by recruiting about 200 employees for voluntary retirement and reducing about 100 temporary employees. Review earnings structure. Shift from previous visitation sales to mass marketing and to a sales approach with a view toward various partnerships.
 - 3) Shopping loan (*shinpan*) and credit card company LIFE
Reorganize from the previous community-based multiple outlet organization to an organization with outlets concentrated in target commercial areas in order to enhance competitiveness as a credit card company. As part of this reorganization, reduce the current 69 offices to 11 offices and the current 217 LIFE Cash Plaza and Life Card outlets to 127 outlets. Enhance personnel efficiency by recruiting about 100 regular employees for voluntary retirement and reducing about 400 temporary employees. Increase business efficiency.
- (3) Approach to future growth strategies
- 1) Unsecured loan business
Enhance business efficiency by integrating consumer finance subsidiaries into AIFUL and consolidating outlets, develop a new credit scoring model, and prepare to provide safe and reliable products to a greater number of customers.
 - 2) Home equity loan business
Conduct a thorough review of current products and pursue the development and sale of low-priced products at all group companies.
 - 3) Small business loan business
At group company City's, decrease the number of outlets, enhance personnel efficiency, and operate as a loan company targeting middle-risk small businesses. At BUSINEXT, a joint venture with Sumitomo Trust & Banking, examine a growth strategy that includes a variety of partnerships.
 - 4) Credit card and shopping loan business
At group company LIFE, position the credit card business (shopping and cash advance) as a growth business and the installment credit business as a business to maintain, reallocate

- business resources, and create an organization capable of selling low-priced products by reducing the number of outlets and enhancing personnel efficiency.
- 5) Loan guarantee business
Seek to increase balances further by pursuing additional partnerships with financial institutions across Japan, including regional banks, credit unions, and credit cooperatives, and by focusing on the small business loan guarantee segment.
 - 6) Servicer business
At debt servicer AsTry Loan Services, a joint venture with Aozora Bank, conduct a review of the personnel organization and consider entering the debt collection services market.

AIFUL seeks to create a framework to ensure a return on assets of 1.5% or higher through the foregoing reorganization of group companies, cost structure reforms, and growth strategies. It aspires to be a comprehensive financial services group that provides safe, reliable products at a low price to a greater number of customers.

3. Impact on earnings

AIFUL is currently calculating the impact this will have on earnings in fiscal 2007 and will disclose this information when available.

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