

Revision to Full-term Earnings Forecast

KYOTO — In view of recent trends in performance, AIFUL announced today the following changes to its forecasts for the fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007), which were released on November 7, 2006.

1. Revision to full-term earnings forecast (April 1, 2006 to March 31, 2007)

(1) Consolidated

(Units: ¥ million)

	Operating revenue	Ordinary income	Net income
Previous forecast (A)	508,714	20,000	185,476
Revised forecast (B)	499,000	163,000	411,200
Change (B - A)	9,714	183,000	225,724
Percentage change (%)	1.9	-	-
Reference: Results for previous fiscal year (ended March 31, 2006)	549,547	126,964	65,827

(2) Non-consolidated

(Units: ¥ million)

	Operating revenue	Ordinary income	Net income
Previous forecast (A)	305,864	12,500	163,442
Revised forecast (B)	300,700	101,200	359,300
Change (B - A)	5,164	113,700	195,858
Percentage change (%)	1.7	-	-
Reference: Results for previous fiscal year (ended March 31, 2006)	343,515	94,632	50,381

2. Reasons for revisions to full-term earnings forecast

(1) Non-consolidated forecasts

AIFUL anticipates that its interest on loans will be lower than initial forecasts as a result of recent trends in performance and evolving social conditions. In addition, additional expenses of ¥90,000 million in transfers to the allowance for losses on interest repayments and reserves for bad debts in response to an increase in interest repayments will be posted to operating expenses. This is expected to bring the allowance for losses on interest repayments to ¥290,000 million at the end of the fiscal year ended March 31, 2007. Further, as announced in the January 20 release, “AIFUL Group Announces Reorganization and Cost Structure Reform,” restructuring costs of ¥13,000 million, composed of lump-sum retirement annuities and losses on branch closings, will be posted as an extraordinary loss. Finally, in anticipation of management integration with consumer finance subsidiaries TRYTO Corporation, Wide Corporation, TCM, and Passkey Co., Ltd. in the fiscal year ending March 31, 2009, AIFUL will post ¥46,000 million in transfers to the reserve for losses on liquidation of subsidiaries and ¥22,000 million in impairment losses on subsidiaries as extraordinary losses.

The above factors necessitate revisions to the company’s full-term earnings forecast.

(2) Consolidated forecasts

As with the revisions to non-consolidated forecasts, recent trends in the performance of group companies and lower than planned interest on loans as a result of evolving social conditions will influence performance. Together with this, TRYTO Corporation, Wide Corporation, TCM Co., Ltd, Passkey Co., Ltd., credit card subsidiary LIFE Co., Ltd., and business loan subsidiary City’s will post ¥44,500 million in transfers to the allowance for losses on interest repayments and reserves for bad debts in response to an increase in interest repayments to operating expenses. This will bring the consolidated allowance for losses on interest repayments to ¥362,600 million at March 31, 2007. Further, as announced in the January 20 release, “AIFUL Group Announces Reorganization and Cost Structure Reform,” restructuring costs of ¥14,000 million, composed of lump-sum retirement annuities and losses on branch closings, will be posted as extraordinary losses. A lump-sum write-off of the amortization costs of TRYTO Corporation and Wide Corporation in the amount of ¥4,400 million will also be posted as an extraordinary loss. Finally, in accordance with the Amendments to Money-lending Business Restriction Law, ¥10,000 million in deferred tax assets of LIFE Co., Ltd. is anticipated to be reversed.

As a result of the above, forecasts of consolidated operating revenue, ordinary income, and net income have been revised downward.

3. Dividend forecast

No change to year-end dividends is anticipated.

The above forecasts of performance are based on the best information available on the date of publication. It is possible that actual performance may differ from forecast values as a result of various factors.

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