

January 31, 2007

AIFUL Announces Progress Report on Strengthening of Compliance Structure

KYOTO — AIFUL Corporation has announced progress on strengthening its compliance structure, revising its internal regulations, systems, organizations and employee education programs in efforts to prevent recurrence of any legal violations. The efforts that AIFUL has taken since the previous announcement on October 26, 2006, are summarized below. Underlined texts indicate the new initiatives and their current status.

1. New Commitment Expressed as Advertising Resumes

On January 9, 2007, AIFUL placed full-page advertisements in nine national and major regional newspapers. The main thrust of the content was reflected by the catchphrase “Rebirth of AIFUL as a corporation that you can trust,” conveying how the company will reestablish its business, determined to earn the trust of the public.

2. Revision of Internal Regulations

AIFUL has made its internal rules even more rigorous, tightening up its regulations relating to loan and agreement practices and debt collection practices. Specific steps taken include:

- Changes to telephone calling regulations
- Review of credit assessment procedures
- Formulation of the Loans Code of Conduct to clarify prohibited practices when concluding loans and agreements
- Tightening of age limitations on loans
- Introduction of approval by Credit Assessment Department for flow of operations in reissue of credit cards
- Tightening of the screening criteria for home equity loans and small business loans
- Total abolition of letters of attorney for obtaining documents from government offices
- Tightening of the rules when providing product information to customers
- Tightening of rules on telephone calls and dispatch of debt collection documents.

3. System Construction

Omitted display of telephone number in work telephone number column

In order to eliminate telephone calls placed accidentally to the workplaces of customers, work telephone numbers are no longer displayed on terminals for the management of debt collection.

Recording progress of negotiations

AIFUL has rebuilt its system for inputting the progress of negotiations with the aim of improving accuracy, such as by expanding the number of input characters.

4. Comprehensive Guidance and Training for Employees

Strengthened telephone service monitoring at all call centers, targeting debt collection departments

The frequency of monitoring of telephone service at administration departments and counseling centers that specialize in debt collection has been stepped up.

AIFUL monitored a total of 63,786 telephone calls involving 1,436 employees in the first three quarters of the current fiscal year (April - December 2006). Going forward, the company will continue to maintain a similar level of monitoring.

Starting November 1, 2006, telephones in all branches were fitted with IC recorders to monitor conversations with customers and to improve the quality of telephone etiquette. Through this effort, our branches have been making steady progress on improving telephone services.

In November and December 2006, monitoring of telephone calls was conducted for 1,504 employees.

Held Compliance Training Sessions at all branches

From May 8 to 10, 2006, AIFUL ran training sessions for all employees to raise awareness about legal compliance. In addition, since July, the company has designated the fifth business day of each month as a compliance day when all employees participate in training sessions with standardized content.

In addition, we have conducted 666 training sessions on compliance and legal matters by our branch managers, section chiefs, and Loan Business Advertising Department.

Introduced new qualification system to ensure complete penetration of a compliance mindset

In addition to making successful completion of the Laws and Regulations Manager Certification (in-house certification), Compliance Officer Certification and the Personal Information Protection Officer Certification (external certifications) a condition of promotion to management posts, AIFUL has made the attainment of these qualifications compulsory for all current managers.

In the current fiscal year, employees sat for the Compliance Officer Certification and the Personal Information Protection Officer Certification on September 10, 2006 — 1,680 employees passed the Compliance Officer Certification and 1,512 employees passed the Personal Information Protection Officer Certification.

Introduced Operations Manager System

AIFUL will introduce Operations Manager Certification (in-house certification) for employees at all branches and call centers who have contact with customers through loan and debt collection services with the aim of ensuring they acquire the necessary legal knowledge and business expertise for each service conducted.

Implementation of In-House Counseling Education

AIFUL has introduced training on a trial basis for staff working in debt collection departments. The aim is to enable employees to go beyond mere debt collection duties to also give money management counseling and help resolve customer issues. The full-scale training is planned to start April 1.

Issued AIFUL Group Handbook

AIFUL prepared the AIFUL Group Handbook and distributed it to Group employees on August 31, 2006 in order to facilitate even deeper understanding and awareness by individuals that they must conduct themselves in a worthy manner as employees of the AIFUL Group. The Handbook also emphasizes compliance and the customer-first principle.

5. Strengthening and Expansion of In-house Checking Structures

Reviewed and strengthened Inspection Department structures

AIFUL has revised all the inspection requirements for the Inspection Department by better aligning the items for inspection with the key categories of Financial Services Agency inspections since April 1, 2006. At the same time, the number of personnel in the Inspection Department has been increased by 25, creating an organization with 61 members of staff that has been carrying out regular inspections. As a result of these changes, the regular inspection cycle for all branches, which was previously 12 months, has been shortened to six months.

Regular inspections were conducted at all of the target 494 branches and call centers in the first half of the current fiscal year (April - September 2006). In the second half, starting October 2006, AIFUL strengthened the procedures for inspections based on results of inspections conducted in the first half, and completed 310 of 534 planned branch inspections.

Revised procedures for on-site checks of offices by the Loan Business Department Manager and the Support Section of the Loan Business Advertising Department

AIFUL has revised the on-site checklist managed by the Loan Business Department Manager and the Support Section of the Loan Business Advertising Department in order to strengthen the checking system related to compliance for loan offices.

Furthermore, in the first half, April-September 2006, on-site checks were conducted in all of the 115 target groups. In the second half, October-December 2006, of the 108 target

groups, loan business department managers conducted on-site checks of 40 groups, and the loan business advertising department conducted on-site checks of 64 groups.

Note: Branch group refers generally to the staffed and unstaffed branches in an area, which are managed overall by a branch.

Revised system of branch checking by branch managers (assistant branch managers)
Legal Compliance Checks by branch managers (assistant branch managers) had been conducted in six-month cycles, but the company has accelerated the checking cycle to three months as well as revising the checks relating to compliance.

Checks were conducted twice at all 477 branches in the first half, April - September 2006, and so far in the first two months (October – December 2006) of the second half, AIFUL has completed checks at 433 branches.

6. Enhancement of Compliance Structures

Compliance audit implemented by external organization

AIFUL has concluded a legal consulting agreement with Nakajima Transactional Law Office (representative attorney: Shigeru Nakajima) for the period from July 2006 to the end of March 2007. Mr. Nakajima has an extensive track record in the fields of compliance and corporate crisis management, and AIFUL is receiving advice and support aimed at preventing any recurrence of the company's legal violations and establishing solid compliance structures.

In addition, AFIUL requested a consulting company to undertake an internal audit, which that company has now completed, identifying issues relating to a variety of areas such as organization and structures, human resources, and corporate culture.

7. Revision of Personnel Evaluation System

Elimination of excessively target-driven management system

The company-wide target management system based on performance targets was eliminated at all loan offices and call centers as of April 2006.

Added requirements for appointment to assistant branch manager and leader positions

The company has added acquisition of the qualification for a Lending Operations Manager specified in the Money Lending Business Restriction Law to the requirements for appointment as assistant branch manager, supervisor and leader.

As of December 31, 2006, 2,462 employees had passed the Lending Operations Manager examination. This is an increase of 867 employees compared with the end of June 2006.

8. Establishment of Other Internal Structures

Complete centralization of debt recovery operations

AIFUL completed the full centralization of all debt recovery operations with the aim of preventing problems and ensuring thorough compliance in April 2006.

Holding of Inspection Commendations

The company has set up Inspection Commendations with the aim of embedding a corporate climate that prioritizes compliance with laws and regulations.

AIFUL will continue to revise its internal regulations, systems, organizations, and employee education programs as necessary in the future to establish a firm compliance structure for the company, and will also continue to report on the status of implementation of these revisions.

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