

September 21, 2007

AIFUL Issues New Update on Strengthening of Compliance Structure

KYOTO — AIFUL Corporation has issued a new update on its efforts to strengthen its compliance structure and revise its internal regulations, systems, organizations and employee education programs in efforts to prevent recurrence of any legal violations. The progress that AIFUL has made since the previous announcement on May 21, 2007 is summarized below. Underlined texts indicate the new initiatives and their current status.

1. Reform of Management Framework

In order to accelerate management decision-making and to strengthen the management functions of the board of directors, AIFUL has reduced the number of directors (changed from no more than 20 to no more than 11 in the articles of incorporation) and adopted an executive officer system with the aim of accelerating executive functions and clarifying authority and responsibility.

2. Assignment of Compliance Officers

In order to achieve even more exhaustive compliance by strengthening the self-rectification function of each department, a Compliance Officer has been assigned to all departments, and the Compliance Monitoring Department put in charge.

The Compliance Monitoring Department promptly implements the necessary measures after collecting and analyzing the monthly reports submitted by the Compliance Officers in order to ensure prompt resolution of problems.

3. 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.

4. System Construction

AIFUL has built the system described below, adhering to the customer-first principle.

<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.

5. Thorough Employee Guidance and Training

In addition to its focus on customers, AIFUL has been making even more exhaustive efforts in employee guidance and training, including those outlined below, in order to foster a corporate culture that values compliance even more.

<Strengthening of telephone service monitoring>

AIFUL has increased the frequency of telephone service monitoring, aiming to further improve the quality of its service via telephone. In the five months from April to August 2007, the company monitored a total of 46,909 calls involving 1,495 employees at its counseling centers and loan recovery departments, a total of 3,391 calls involving 344 employees at its toll-free customer service department, Heartful Center, and a total of 1,848 calls involving 317 employees at its customer center, which is responsible for ATM applications.

Moreover, the company has also carried out monitoring for a total of 4,362 calls involving 985 employees at all of its loan offices. Looking to the future, AIFUL will continue this monitoring with the objectives of raising the quality of customer service and ensuring exhaustive compliance.

<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 2006, 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.

Apart from this, AIFUL ran a total of 445 study sessions, which were held by the managers of loan offices during the five-month period between April and August 2007, on such areas as compliance, legislation, and service.

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

The company has made the acquisition of the Law and Regulations Manager Certification (in-house qualification), Compliance Officer Certification (external qualification), and the Personal Information Protection Officer Certification (external qualification) conditions for promotion to management positions. In addition, currently serving managers are required to obtain these qualifications.

In results to date, 672 employees passed the Personal Information Protection Officer Certification exam held on May 27, 2007, bringing the overall number of employees who have acquired certification to 2,184. The number of employees who have passed the Compliance Officer Certification exam stands at 1,680, unchanged since the previous report.

Moreover, the company implemented the Law and Regulations Manager Certification (in-house qualification), which mainly includes Japan's revised Money Lending Business Control and Regulation Law, data handling, and in-house regulations for all assistant branch managers (section chiefs), supervisors, and all loan office leaders and higher ranking positions in March 2007. As a result, 15 employees acquired the qualification this time, bringing the total number of employees who have acquired the qualification to 1,240.

<Introduced operations manager system>

AIFUL has introduced Operations Manager Certification (in-house qualification) 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.

Examinations have been held for the Credit Product Handling Operations Certification, the Secured Product Handling Operations Certification, and the Counseling Operations Certification for loan office employees, and the Counseling Operations Certification and the Inbound Operations Certification for employees in specialist debt collection departments and counseling centers. One-hundred ninety employees newly acquired the qualification in this round, bringing the total number of employees who have acquired it to 5,894.

<Implementation of in-house counseling education>

AIFUL has launched counselor training 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.

AIFUL's training department and an outside consulting company jointly formulated a training curriculum, and carried out training at the departments specializing in debt collection in East and West Japan. A total of 393 employees have completed training—111 in East Japan and 282 in West Japan. AIFUL is planning for all employees at the East and West Japan Counseling Centers to have completed training by March 2008.

In parallel with this, starting the end of August, AIFUL has been developing the curriculum content of counselor training for the East and West Japan Loan Recovery Departments, which it plans to roll out gradually next fiscal year.

<Revised AIFUL Group Handbook and provided new compliance tools>

In conjunction with the revision of the management philosophy and the formulation of regulations and general rules, the company has made a major revision to the AIFUL GROUP HANDBOOK, which it distributed to Group employees on August 31, 2006, and distributed the handbook again on August 20, 2007.

Moreover, with the aim of further increasing awareness of the management philosophy, compliance regulations and general personnel rules, the company is distributing a philosophy card that employees can carry for easy reference. The company has also distributed tabletop stands and philosophy stickers to increase opportunities for all employees to come into contact with the philosophy, compliance and behavior guidelines and general personnel rules. The company has also posted its statements and pledges on its website and increased recognition of these commitments outside the company.

6. 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 regular inspection cycle for all branches, which was previously 12 months, has been shortened to six months.

Moreover, since April 2007, AIFUL has conducted regular inspections that have been strengthened since last fiscal year and include checks from the perspective of the Money Lending Business Restriction Law and detection of irregularities, accounting, personal data management and unstaffed offices. As of August 2007, inspections at 189 sites out of 231 sites targeted have been completed.

<On-site checks of compliance implemented by Compliance Monitoring Department>

In June 2007, AIFUL established an on-site compliance section within the Compliance Monitoring Department with the aim of strengthening internal compliance management at all loan offices, contact centers, and the Credit Management Division.

The on-site compliance section conducts tasks including ascertaining compliance with laws and regulations, reviewing and assessing the on-site situation, provision of guidance

for immediately rectifying risk areas, and providing training and follow up for Compliance Officers.

<Monitoring and checking functions for branches>

The 476 staffed branches as of April 1, 2006 were reduced to 101 branches as of April 1, 2007 through closures and amalgamations. AIFUL has appointed a permanent branch manager and assistant branch manager to be the responsible parties at each of the 101 branches, strengthening the monitoring and checking functions for employees compared with the past.

Furthermore, in a new strategy, the company has assigned a Compliance Officer to all departments since May 2007 with the aim of correcting and improving inadequacies and strengthening the self-rectification function of each department.

The Compliance Officers conduct checks on loan ledgers, branch management, the handling of personal information, and security based on reports to check operations, and they provide reports to the Compliance Monitoring Department every month. Moreover, they carry out interviews with employees on such areas as whether abuse of workplace authority, sexual harassment and other labor-management problems are taking place based on a work environment check list, and they provide a report to the Compliance Monitoring Department every month.

7. 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.

AIFUL has decided to continue the consulting agreement with Nakajima Transactional Law Office until March 31, 2008 in order to further consolidate the compliance structure.

8. 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 August 31, 2007, the number of employees who successfully completed the Loan Operations Manager training stood at 1,834.

9. 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.

<Implementation of compliance commendations>

The company has set up Inspection Commendations as a system to commend departments that have an outstanding track record on compliance, with the aim of facilitating the establishment of a corporate culture that prioritizes compliance with laws and regulations.

Looking to the future, AIFUL will continue to be united in efforts to establish a firm compliance structure, and will also continue to report on the status of progress of these revisions.

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) 4503-6100 (Investor Relations)