

December 27, 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 September 21, 2007 is summarized below. Underlined texts indicate the current status of the initiatives the company has implemented thus far as well as new initiatives.

### **1. Increasing the Group's Auditing Capacity**

To strengthen auditing systems, AIFUL and the AIFUL Group abolished the Management Planning Division's Group Audit Department on October 1, 2007, and established a new organization, the Auditor's Office, to support auditors in the performance of their functions.

### **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
- 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**

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.

*<Building highly reliable web-based services>*

To deliver enhanced security and convenience when customers use AIFUL's web site to apply for services, or when AIFUL members use member services via the web site, AIFUL has become the first in Japan's consumer finance industry to adopt the mobile phone-compatible "Global Server ID EV for Mobile" EV SSL certificate.

#### **4. 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.

*<Held study sessions on Japan's Money Lending Business Control Law>*

As a last step in preparation for the implementation of the Money Lending Business Control Law that became effective on December 19, 2007, a four-day study session on the law was held from December 10 to 13 for the senior general managers, the general managers of all loan business departments, and the managers, assistant managers and branch managers of all centers and branches. The study session covered topics including the structure of the law, the significance of the revision of the law, internal control systems, changes mandated by the law, and self-regulation. Attendees were later tested on the material. In addition, assistant managers and branch managers held study sessions and tests at all loan business departments and centers.

*<Strengthened telephone service monitoring>*

AIFUL has increased the frequency of telephone service monitoring, aiming to further improve the quality of its phone-based services. In the eight months from April to November 2007, the company monitored a total of 67,679 calls involving 1,493 employees at its counseling centers, secured loan management department and the assistance center, a total of 5,283 calls involving 317 employees at its toll-free customer service department, Heartful Center, and a total of 3,548 calls involving 281 employees at its customer center, which is responsible for ATM applications. Moreover, the company has also carried out monitoring for a total of 9,552 calls involving 886 employees at all of its loan business offices. Looking to the future, AIFUL will continue this monitoring with the objectives of raising the quality of customer service and ensuring total 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 826 study sessions, which were held by the managers of loan offices during the eight-month period from April to November 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.

To sum up results to date, 219 employees passed the Compliance Officer Certification exam held on September 9, 2007, bringing the overall number of employees who have acquired certification to 1,899. The number of employees who have passed the Personal Information Protection Officer Certification exam stands at 2,184, 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. The total number of employees who have acquired the qualification is now 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. Thirty seven employees newly acquired the qualification in this round, bringing the total number of employees who have acquired it to 5,931.

<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 552 employees have completed training—249 in East Japan and 303 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 December, AIFUL has conducted counselor training programs for the East and West Japan Loan Recovery Departments.

<Revised AIFUL Group Handbook and provided new compliance tools>

The company originally distributed the *AIFUL GROUP HANDBOOK* to Group employees on August 31, 2006. With the establishment of its new management philosophy and the formulation of regulations and general rules, the company made a major revision to the *AIFUL GROUP HANDBOOK* and distributed the handbook again on August 20, 2007.

Moreover, with the aim of further increasing awareness of the new management philosophy, regulations and general 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 access the philosophy, guidelines and general rules. The company has posted the declarations and pledges of its new management philosophy on its website and worked to increase recognition of this new commitment outside the company.

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

Since April 2007, AIFUL has conducted even stricter regular inspections than in the previous term, including checks from the perspective of the Money Lending Business Restriction Law and detection of irregularities, and checks of accounting, personal data management and unstaffed offices. As of September 30, 2007, all 231 targeted sites had been inspected. In addition, AIFUL has, since October, been conducting a second round of regular inspections for this year. As of November 30, 55 of the 239 targeted sites had received a second inspection.

*<Compliance Monitoring Department conducted on-site checks of compliance>*

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. As of November 30, the On-Site Compliance Section had conducted inspections at 27 locations nationwide.

The On-Site Compliance Section seeks to identify risk-prone areas that might disadvantage customers in any way, inspects for latent risks, and conducts operational improvement, guidance, and training on site to increase knowledge and awareness of compliance issues.

The On-Site Compliance Section also provides training and follow up for the Compliance Officers that are stationed at sites nationwide, in an effort to build an organizational framework that minimizes risk.

*<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.

## **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, AIFUL 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.

## 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 November 30, 2007, the number of employees who successfully completed the Loan Operations Manager training stood at 1,774.

## 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.

*<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.

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