



AIFUL Corporation

Press Release

April 28, 2011

Notice Regarding the AIFUL Group's Reorganization (Subsidiary Spinoff and Merger)

KYOTO, April 28, 2011 — AIFUL Corporation (“AIFUL” or “the Company”) today announced details of its decision to set the effective date for subsidiary spinoff and merger as July 1, 2011 in accordance with the relevant resolution of the Company’s Board of Directors at a meeting held on April 28, 2011.

Details of the basic policy on reorganization were initially announced in the press release *AIFUL Group Sets Basic Policy on Reorganization (Subsidiary Spinoff and Merger)* issued on December 1, 2010. Details of the partial revision of this basic policy were then later announced in the press release *Partial Revision to the AIFUL Group's Basic Policy on Reorganization (Subsidiary Spinoff and Merger)* issued on February 28, 2011. When first announced and later revised, the basic policy called for Life Co., Ltd. (“LIFE”), an AIFUL consolidated subsidiary, to be spun off and merged. In this context, Life Card Co., Ltd. (“Life Card”) would acquire by way of corporate spinoff and merger LIFE’s credit sales (credit card and installment sales finance) business as well as the credit guarantee and insurance businesses previously transferred to LIFE. Furthermore, the basic policy stipulates the business integration (“Merger”) of four consolidated subsidiaries comprising LIFE, following its corporate spinoff, City’s Corporation (“City’s”), City Green Corporation (“City Green”) and Marutoh KK (“Marutoh”) by way of merger with AIFUL as the surviving company.

The merger is to be conducted under the simplified absorption-type merger method involving each of the aforementioned consolidated subsidiaries. Accordingly, certain disclosure items and details have been partially omitted.

I. Objectives of the Group Reorganization

Confronted by a very challenging operating environment due largely to such factors as an increase in interest refund claims following a ruling of the Japanese Supreme Court in January 2006, financial turmoil triggered by the sub-prime loan crisis, and controls on the total amount an individual can borrow following comprehensive implementation of amendments to Japan’s Money lending business act in June 2010, the AIFUL Group is undertaking steps to restructure its business. These steps include a full-fledged reform of the Group’s cost structure encompassing cutbacks in personnel and other measures in line with organizational integration and the elimination and consolidation of bases, and are complemented by the sale of consumer finance subsidiaries and the application of financial support entailing the consensual business revitalization alternative dispute resolution procedures (“the ADR process”).

In addition to implementing this full-fledged cost structure reform, the Group is also maximizing efforts to consolidate its organization and business by implementing this subsidiary spinoff and merger. These efforts take into consideration each of the selection and concentration perspectives and are based on a business reorganization policy consistent with the Group’s Business Revitalization Plan approved under the ADR process.

By implementing Group reorganization, the Group will consolidate its consumer finance businesses to AIFUL and credit sales and credit card businesses to Life to take full advantage of each brand’s recognition across their business activities and operations. In addition, steps will be taken to consolidate head office operations, back office divisions and credit management as well as debt collection divisions, and to further improve business efficiencies across the entire Group.

II. Overview of the Spinoff

1. Summary of the Spinoff

(1) Spinoff Schedule

Date of spinoff approval at meetings of the boards of directors (LIFE and Life Card)	April 28, 2011
Date of spinoff agreement execution (LIFE and Life Card)	April 28, 2011
Scheduled date of extraordinary shareholders meetings (LIFE and Life Card)	May 30, 2011
Scheduled effective date of the spinoff	July 1, 2011

The extraordinary shareholders meetings of LIFE and Life Card are scheduled to be held in the case where resolution of a general shareholders meeting is deemed to exist pursuant to the provisions of Article 319, Paragraph 1 of the Company Act of Japan.

(2) The Method of Spinoff

LIFE will transfer by way of corporate spinoff (absorption-type corporate spinoff method) its credit sales (credit card and installment sales finance) business as well as the credit guarantee and insurance businesses previously transferred to LIFE to Life Card, a wholly owned LIFE subsidiary established in July 2010, on the scheduled effective date of July 1, 2011.

(3) Details of the Allocation Relating to the Corporate Spinoff

At the time of the corporate spinoff, Life Card will allocate and deliver one share of its common stock to LIFE.

(4) The Treatment and Handling of New Stock Subscription Rights and Bonds with Stock Acquisition Rights in accordance with the Corporate Spinoff

LIFE has not issued new stock subscription rights or bonds with stock acquisition rights. Accordingly, this item is not applicable.

(5) Rights and Obligations to be Assumed by the Transferee Company

Life Card shall assume the rights and obligations, such as the assets, liabilities, and contractual responsibilities from LIFE as a result of the corporate spinoff. The transfer of obligations shall be undertaken based on the concomitant assumption method.

2. Profiles of the Companies Involved in the Corporate Spinoff (As of September 30, 2010)

	Splitting company	Successor Company
1. Trade Name	LIFE Co.,Ltd	Life Card Co.,Ltd.
2. Location	1-3-20, Eda-nishi, Aoba-ku, Yokohama city, Kanagawa	1-3-20, Eda-nishi, Aoba-ku, Yokohama city, Kanagawa
3. Representative	Kazuyuki Isono, President and Representative Director	Kazuyuki Isono, President and Representative Director
4. Principal business	Consumer credit business Consumer finance business	Consumer credit business
5. Capital	¥ 70,000 million	¥ 50 million
6. Date of establishment	March 4, 1948	July 29, 2010
7. Total shares issued and outstanding	1,400,068 Shares	2,000 Shares
8. Fiscal year-end	March 31.	March 31.
9. Principal shareholders (% of ownership)	AIFUL Corporation : 95.88%	LIFE Co.,Ltd : 100.00%
10. Financial results for, and financial condition as of, the most recent fiscal year	Fiscal Year ended March 31, 2010 (Non consolidated)	This company was established on July 29, 2010. Accordingly, there are no figures available.
Net assets	¥ 63,858 million	
Total assets	¥ 414,231 million	
Net assets per share	¥ 45,610.83	
Operating revenue	¥ 72,706 million	
Operating income (loss)	¥ (22,829) million	
Ordinary income (loss)	¥ (22,148) million	
Net income (loss)	¥ (27,749) million	
Net income (loss) per share	¥ (19,820.46)	

3. Outline of the Businesses Being Spun Off

(1) Details of the Businesses Being Spun Off

Credit sales, credit guarantee, insurance, and other businesses

(2) Financial Results for the Business Being Spun Off (the Fiscal Year Ended March 31, 2010)

Operating revenue: ¥50,549 million

(3) Book Values of the Assets and Liabilities Being Spun Off (As of September 30, 2010)

Assets (millions of yen)		Liabilities (millions of yen)	
Item	Book value	Item	Book Value
Current assets	¥ 203,932	Current liabilities	¥ 107,756
Fixed assets	¥ 29,122	Long-term liabilities	¥ 14,733
Total	¥ 233,055	Total	¥ 122,489

4. Status of the Company Being Spun Off After Corporate Spinoff

There will be no change in the corporate name, head office address, name and title of the representative, business activities and fiscal year of Life Card as a result of the corporate spinoff. Paid-in capital is scheduled to increase ¥50 million.

LIFE will merge with the Company by way of the Merger outlined in III that follows after the corporate spinoff.

5. Summary of Accounting Procedures

This corporate spinoff is classified as a transaction under common control in accordance with standards relating to accounting for business combinations.

III. Overview of the Merger

1. Summary of the Merger

(1) Merger Schedule

Date of Merger approval by the boards of directors (AIFUL, LIFE, City's, City Green and Marutoh)	April 28, 2011
Date of Merger agreement execution (AIFUL, LIFE, City's, City Green and Marutoh)	April 28, 2011
Scheduled effective date of the Merger	July 1, 2011

Plans are for the Merger to be conducted without AIFUL obtaining approval at a general meeting of its shareholders in accordance with the simplified merger procedures set forth in Article 796, Paragraph 3 of the Companies Act of Japan and without LIFE, City's, City Green, and Marutoh obtaining approvals at general meetings of their shareholders in accordance with the short form merger procedures set forth in Article 784, Paragraph 1 of the Companies Act of Japan.

(2) The Method of the Merger

The absorption-type merger shall be undertaken with AIFUL as the surviving company and the four companies comprising LIFE, following its corporate spinoff, identified in II. above, City's, City Green, and Marutoh, as the absorbed companies.

(3) Details of the Allocation Relating to the Merger

With respect to the Merger, at the time each merger of City's, City Green, and Marutoh takes effect, AIFUL shall not make any payment upon the merger of City's, City Green, and Marutoh reflecting that nature of each absorbed company as AIFUL wholly owned subsidiaries.

With respect to the Merger, details of the allocation relating to the merger with LIFE are presented as follows.

Company Name	AIFUL Corporation (The Absorption-Type Merger Surviving Company)	LIFE Co., Ltd. (The Absorption-Type Merger Absorbed Company)
Details of the Allocation Relating to the Merger	1	39
Number of Shares to be Delivered as a Result of the Merger	Common Stock: 2,248,350 shares (scheduled)	

Note: At the time of the Merger with LIFE, plans are in place for AIFUL to issue and allocate 39 shares of its common stock for each share of LIFE common stock. However, no shares will be allocated for the 1,342,418 shares of LIFE common stock currently held by AIFUL in the course of the Merger. Furthermore, the aforementioned merger ratio may be revised subject to consultation between the Company and LIFE should a major change in the terms and conditions relating to the basis for merger ratio calculation arise.

(4) The Treatment and Handling of New Stock Subscription Rights and Bonds with Stock Acquisition Rights in Accordance with the Merger

LIFE, City's, City Green, and Marutoh have not issued new stock subscription rights or bonds with stock acquisition rights. Accordingly, this item is not applicable.

2. Basis for the Calculation of Allocation Details Relating to the Merger with LIFE

(1) The Basis for the Calculation

To ensure the fairness and appropriateness of the merger ratio applicable to the merger with LIFE, AIFUL and LIFE determined that each company would separately request calculations by an independent third-party valuation institution. AIFUL selected Frontier Management Inc. ("Frontier Management") and LIFE selected Nomura Securities Co., Ltd. ("Nomura Securities") as each company's independent third-party valuation institution.

Taking into consideration the existence of a market share price for AIFUL, Frontier Management undertook a calculation of the Company's shares utilizing the market stock price average method. At the same time, Frontier Management utilized the Dividend Discount Model ("DDM") method as a valuation method common to the both AIFUL and LIFE. The results of calculations utilizing each of the aforementioned methods are presented as follows. In addition, the merger ratio valuation range listed below is the valuation range for the number of AIFUL shares allocated for each share of LIFE common stock.

Method Adopted		Merger Ratio Valuation Range
AIFUL Corporation	LIFE Co., Ltd.	
Market Stock Price Average Method	DDM Method	30-69
DDM Method	DDM Method	36-42

With respect to the market stock price average method, the valuation base date was set at April 25, 2011, and simple arithmetic averages of the closing stock price for each of the one week (from April 19, 2011 to April 25, 2011) and one month (from March 26, 2011 to April 25, 2011) periods prior to the valuation base date used as the basis for share value calculation.

In calculating the merger ratio with respect to the merger with LIFE, Frontier Management basically adopted the information provided by both AIFUL and LIFE as well as publicly disclosed information. Frontier Management relied on the accuracy and completeness of all such information in calculating the merger ratio. Frontier Management did not independently verify the accuracy and completeness of said information. Moreover, Frontier Management has not undertaken any independent evaluation, appraisal or assessment of any assets or liabilities (including contingent liabilities) of AIFUL, LIFE or their respective affiliates, including an analysis of evaluation of their individual assets and liabilities, and has not requested any such appraisal or assessment from any third-party institution. With respect to the merger ratio relating to the merger with LIFE by Frontier Management, the calculation is based on

information and economic conditions up to April 25, 2011 as well as financial forecasts of both company including business plans and other information. At the same time, Frontier Management assumed that such financial forecasts and outlook were reasonably prepared based on the best estimates and judgment currently available to the managements of both companies.

For its part, Nomura Securities undertook a calculation of AIFUL's and LIFE's common stock utilizing the DDM method. The results of the calculation of the number of allocated shares of AIFUL's common stock for each share of LIFE common stock utilizing the aforementioned evaluation method is presented as follows.

Method Adopted		Merger Ratio Valuation Range
AIFUL Corporation	Life Co., Ltd.	
DDM Method	DDM Method	36.05-41.31

In calculating the merger ratio, Nomura Securities basically adopted the information provided by both AIFUL and LIFE as well as publicly disclosed information. Nomura Securities relied on the accuracy and completeness of all such information in calculating the merger ratio. Nomura Securities did not independently verify the accuracy and completeness of said information. Moreover, Nomura Securities has not undertaken any independent evaluation, appraisal or assessment of any assets or liabilities (including contingent liabilities) of AIFUL, LIFE or their respective affiliates, including an analysis of evaluation of their individual assets and liabilities, and has not requested any such appraisal or assessment from any third-party institution. With respect to the merger ratio calculated by Nomura Securities, the calculation is based on information and economic conditions up to April 25, 2011 as well as financial forecasts of both company including business plans and other information. At the same time, Nomura Securities assumed that such financial forecasts and outlook were reasonably prepared based on the best estimates and judgment currently available to the managements of both companies.

With respect to AIFUL's future financial forecast and outlook that formed the underlying basis of the DDM methods utilized by Frontier Management and Nomura Securities, a substantial drop in operating expenses on a comparative basis between the fiscal years ended March 31, 2012 and March 31, 2013 and the previous fiscal year has been factored into calculations due to such factors as the decrease in the transfer to allowance for bad debts and provision to the allowance for losses on interest repayments. In addition, With respect to LIFE's future financial forecast and outlook that formed the underlying basis of the DDM methods utilized by Frontier Management and Nomura Securities, a substantial drop in operating expenses on a comparative basis between the fiscal year ended March 31, 2012 and the previous fiscal year has been factored into calculations due to such factors as the decrease in the allowance for losses on interest repayments.

(2) Background of the Calculation

In accordance with the aforementioned, AIFUL and LIFE requested each of the third-party calculation institutions to undertake calculation of the merger ratio based on the Merger. AIFUL and LIFE placed considerable weight on the results of calculations provided by each subject third-party calculation institution. After considerable negotiation and discussion between AIFUL and LIFE, both companies determined that the evaluations provided by Frontier Management and Nomura Securities were a fair and appropriate evaluation of the merger ratio with respect to the Merger.

(3) Relationships with the Valuation Institutions

With respect to Frontier Management, the third-party calculation institution adopted by AIFUL, and Nomura Securities, the third-party calculation institution adopted by LIFE, both third-party calculation institutions are independent calculation institutions unrelated to either AIFUL or LIFE. Accordingly, Frontier Management and Nomura Securities do not constitute related parties with respect to AIFUL and LIFE.

3. Profiles of the Merging Companies (As of September 30, 2010)

	The Absorption-Type Merger Surviving Company	The Absorption-Type Merger Absorbed Company	The Absorption-Type Merger Absorbed Company	The Absorption-Type Merger Absorbed Company	The Absorption-Type Merger Absorbed Company
1. Trade Name	AIFUL Corporation	LIFE Co.,Ltd.	Marutoh KK	City's Corporation	City Green Corporation
2. Location	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto	1-3-20, Eda-nishi, Aoba-ku, Yokohama city, Kanagawa	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto	1-1 Nishi-Oji-cho, Kusatsu City, Shiga	1-1 Nishi-Oji-cho, Kusatsu City, Shiga
3. Representative	Yoshitaka Fukuda, President and Representative Director	Kazuyuki Isono, President and Representative Director	Masami Munetake, President and Representative Director	Masami Munetake, President and Representative Director	Masami Munetake, President and Representative Director
4. Principal business	Consumer finance business	Consumer credit business Consumer finance business	Real estate business	Small business loan	Holding Company for City's Corporation
5. Capital	¥ 143,324 million	¥ 70,000 million	¥ 70 million	¥ 700 million	¥ 100 million
6. Date of establishment	February 1, 1978	March 4, 1948	May 21, 1981	May 29, 1969	March 1, 1989
7. Total shares issued and outstanding	238,685,568 Shares	1,400,068 Shares	140,000 Shares	3,050,000 Shares	2,000 Shares
8. Fiscal year-end	March 31.	March 31.	March 31.	March 31.	March 31.
9. Principal shareholders and shareholding ratio (As of September 30, 2010)	Adtime Co.,Ltd. : 19.86% Yoshitaka Fukuda : 12.40% Marutaka Co.,Ltd. : 5.14%	AIFUL Corporation : 95.88%	AIFUL Corporation: 100%	City Green Corporation : 57.80% AIFUL Corporation: 42.20%	AIFUL Corporation : 100%
10. Financial results for, and financial condition as of, the most recent fiscal year	March 31, 2010 (Consolidated)	March 31, 2010 (Non-consolidated)	March 31, 2010 (Non consolidated)	March 31, 2010 (Non consolidated)	March 31, 2010 (Non consolidated)
Net assets	¥ 97,305 million	¥ 63,858 million	¥ (1,647) million	¥ (996) million	¥ 393 million
Total assets	¥ 1,152,945 million	¥ 414,231 million	¥ 6,609 million	¥ 19,831 million	¥ 393 million
Net assets per share	¥ 392.30	¥ 45,610.83	¥ (11,767.59)	¥ (326.76)	¥ 196,607.97
Operating revenue	¥ 218,102 million	¥ 72,706 million	¥ 717 million	¥ 4,103 million	¥ 10 thousand
Operating loss	¥ (265,255) million	¥ (22,829) million	¥ 312 million	¥ (12,341) million	¥ (50) thousand
Ordinary loss	¥ (264,176) million	¥ (22,148) million	¥ 188 million	¥ (12,302) million	¥ 7 million
Net loss	¥ (295,141) million	¥ (27,749) million	¥ (295) million	¥ (12,205) million	¥ (187) million
Net loss per share	¥ (1,238.90)	¥ (19,820.46)	¥ (2,114.27)	¥ (4,001.71)	¥ (93,723.12)

Notes:

- Operating revenue has been posted as the item that corresponds to net sales.
- As of December 3, 2010, Mitsuhide Fukuda has acquired a portion of the Company's shares from Yoshitaka Fukuda and Yasutaka Fukuda. As a result, the percentage share of the Company's total issued and outstanding shares held by Mitsuhide Fukuda increased to 13.02% while the percentage shares of the Company's total issued and outstanding shares held by Yoshitaka Fukuda and Yasutaka Fukuda decreased by 0.67% and 0.27%, respectively, as of December 3, 2010.

4. Status after the Merger

1. Trade Name	AIFUL Corporation
2. Location	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto
3. Representative	Yoshitaka Fukuda, President and Representative Director
4. Principal business	Consumer finance business
5. Capital	¥ 143,324 million
6. Fiscal year-end	March 31.

5. Summary of Accounting Procedures

The Merger is classified as a transaction under common control in accordance with standards relating to accounting for business combinations.

IV. Outlook

The Group reorganization involves Group consolidated subsidiaries. As a result, the impact of the Group reorganization on the business results consolidated earnings results of the Company is expected to be immaterial.