

Preparation for Utilization of Business Revitalization Procedures

AIFUL CORPORATION (“**Aiful**”) and certain of our subsidiaries¹ (collectively with our other subsidiaries, the “**Aiful Group**”), are preparing to apply for commencement of consensual business revitalization alternative dispute resolution procedures as prescribed in the Act on Special Measures for Industrial Revitalization (the “**Business Revitalization Procedures**”) with certain of our creditors in order to improve our earning capacity and financial strength with the goal of revitalizing and strengthening our business. In preparation for the Business Revitalization Procedures, we have begun preliminary consultations with the Japanese Association of Turnaround Professionals (“**JATP**”) and the JATP has provisionally accepted our preliminary application to work with us in utilizing Business Revitalization Procedures.

As one of Japan’s leading consumer finance companies, the Aiful Group expanded its asset portfolio and fund-raising activities in recent years. The Aiful Group has traditionally raised short-term and long-term funds through various methods, including borrowing from financial institutions, issuing bonds, and the securitization of loan receivables. However, the Aiful Group’s fund-raising capacity has weakened in the current market environment due to a variety of reasons such as (1) increased expenses as the result of continuing demands for returns of excess interest payments (gray-zone interest refunds), (2) Aiful’s business operations being subject to an administrative sanction from the Japanese Financial Services Agency in 2006 and (3) the global economic downturn and severe credit conditions that have been present since fiscal 2008. As a result, it is becoming more difficult to raise sufficient funds to maintain our current asset size. In addition, we are expecting the Japanese consumer finance business market will shrink, and the business environment will grow more competitive and severe once the phase-in period for enactment of the amended Moneylending Business Act ends and individual borrower total volume controls are implemented.

In response to the worsening business environment, we have been implementing structural reform policies since March 2007, including labor reductions by voluntary retirement, elimination and consolidation of office locations, and the closure of Life Cash Plazas along with an accompanying reduction in employees. The current market environment has placed us in a situation, however, where we believe it is necessary to implement additional and more thorough structural reforms in order to address the present difficulties. In order to implement these reforms and to establish a revised structure in preparation for the complete implementation of the amended Moneylending Business Act, we have come to the conclusion that cooperation from certain of

¹ LIFE Co., LTD., MARUTOH CO., LTD., and City’s Corporation.

our financial institution creditors will be an essential part of this process and we have decided to make use of Business Revitalization Procedures.

As we move forward in working with JATP professionals in developing a business revitalization plan, we may request financial support and cooperation from certain of our financial institution creditors with respect to modifying certain maturity and principal repayment schedules of our existing borrowings from the relevant creditor institutions. We do not currently contemplate that our business revitalization plan will request debt forgiveness or debt for equity swaps.

We believe that by utilizing Business Revitalization Procedures we will be able to continue operating our business as normal and expect our customer services and business operations will continue without any noticeable effect. We envision that our business revitalization plan proposal which may include requests for financial support and cooperation through modifications to the repayment schedules for loans from certain of our financial institution creditors, will not affect the terms and conditions of transactions for our borrowers, credit card users, and member stores.

Aiful believes that compared to other options available to it, proactively utilizing the Business Revitalization Procedures is more likely to minimize negative impacts on our financial creditors as a whole, while preserving the business value in the company. Likewise, with Japan's financial markets beginning to show signs of recovery and having passed the worst of the financial crisis, a decision to commence Business Revitalization Procedures is one that will allow the Aiful Group to address its problems while minimizing potential negative effects on Japanese society as a whole.