

April 14, 2006

AIFUL Makes Announcement Concerning Administrative Penalties

KYOTO — AIFUL Corporation has announced that the Kinki Finance Bureau of the Ministry of Finance today imposed penalties halting all operations of AIFUL Corporation, except for the receipt of repayments and operations related to protective attachment, based on the provision of item 1, Article 36 of the Money Lending Business Control and Regulation Law (Law No. 32 of 1983). The penalties apply to all of the company's business offices from May 8 to May 10, 2006, the Isahaya Branch and Counseling Center, Kyushu from May 8 to May 27, 2006, and the Goryokaku Branch, the Niihama Branch, and one business office affiliated with the West Japan Loan Recovery Department from May 8 to June 1, 2006.

AIFUL Corporation has expressed its deepest apologies for the tremendous inconvenience and concern these administrative penalties cause for all of our stakeholders, including of course our customers as well as our shareholders. The company takes the penalties in this case seriously. AIFUL Corporation is determined to enhance its compliance system and be even more thorough in employee training than in the past in order to prevent the recurrence of legal infringements and to completely ensure the proper management of operations, as the company unites in its endeavors to regain public confidence quickly.

1. Internal penalties for parties concerned

AIFUL Corporation takes the fact that the current situation has arisen seriously, and it has imposed rigorous penalties based on internal rules on the relevant personnel and employees in charge of management and supervision in order to clarify responsibility and set an example to prevent a recurrence in the future.

The directors accept overall management responsibility for the current situation, and the company has decided on the penalties below for all active directors.

President: 30% reduction in monthly salary x 3 months

Five directors in charge of departments to which the administrative penalties in the case relate: 20% reduction in monthly salary x 3 months

Ten other directors: 10% reduction in monthly salary x 3 months

2. AIFUL Corporation has taken the following measures to prevent the recurrence of legal infringements and to strengthen legal compliance.

(i) Establishment of Internal Rules and Systems

(a) Review of rules concerning collections

AIFUL Corporation has conducted a radical review of its rules relating to collections with the aim of making them more rigorous, and it completed the formulation of new rules related to collections that rigorously set out rules for telephoning customers and other issues as of April 1, 2006.

(b) Review of lending rules

Since the incidence of this case, AIFUL Corporation has distributed an internal circular with the aim of raising awareness relating to the handling of letters of attorney for delegating the acquisition of documents at government offices throughout the company. At the same time, the company completed the formulation of lending rules that make clear the prohibitions in activities related to lending and the conclusion of agreements, effective as of April 1, 2006.

(c) Review of the rules and entry system relating to recording the progress of negotiations

On August 8, 2005, AIFUL Corporation completed the revision of its internal rules related to recording the progress of negotiations. Moreover, the company is carrying out a system reorganization with regard to the entry system for recording the progress of negotiations, and the development of the system is scheduled for completion in stages starting in July 2006.

(ii) Thorough Guidance and Training for Employees

AIFUL Corporation conducts the following training and education for employees with the aim of widely disseminating legal compliance and operational rules to all of its employees.

(a) Legislation study groups for branch managers

Between January 20 and February 25, 2006, AIFUL Corporation held a total of 48 Study Groups on the Money Lending Business Control and Regulation Law and Related Legislation for 858 employees in charge of management and supervision, primarily consisting of branch managers, and lending operations managers. Going forward, the company plans to hold regular legislation study groups for all of its employees.

(b) Introduction of Lending Operations Manager Qualification Authorization System

AIFUL Corporation has formulated a new internal Lending Operations Manager Qualification Authorization System with the aim of further raising consciousness about legal compliance among its lending operations managers. The company will introduce this as a new internal qualification system in June 2006.

(c) Training for departments specializing in reminders

AIFUL Corporation has conducted a review of the training curriculum for employees in departments that specialize in reminders, and training carried out from April 2006 onwards is based on the new curriculum.

(d) Stepping up monitoring of telephone service at call centers, primarily including departments that specialize in reminders

Since March 2006, AIFUL Corporation has increased the frequency of monitoring for customer telephone service content at all of its call centers, primarily including departments that specialize in reminders, and the company is aiming for improvements in the quality of customer service and thorough compliance.

(iii) Enhancement and Strengthening of System of Internal Checks

In terms of its system of internal checks on its business offices, AIFUL Corporation carries out on-the-spot inspections by the Inspection Department, on-the-spot checks by loan business department managers and the Loan Business Advertising Department, and checks on legal compliance by branch managers (assistant branch managers). AIFUL Corporation has made the following changes, effective as of April 1, 2006, with the aim of strengthening its system of checks with regard to compliance.

(a) Review of Inspection Department's Inspection Manual

AIFUL Corporation has reviewed all items in the Inspection Manual, amending the content to conform to Financial Services Agency inspections.

(b) Review of items checked in on-the-spot checks by loan business department managers and the Loan Business Advertising Department

AIFUL Corporation has reviewed each item in on-the-spot checks, and on-the-spot checks are conducted according to a new checklist.

(c) Review of branch checking system by branch managers (assistant managers)

Legal compliance checks by branch managers (assistant branch managers) were previously conducted in a six-monthly cycle. However, in addition to reviewing the items for checking with regard to compliance, AIFUL Corporation has shortened the branch checking cycle to three months.

(iv) Enhancement of Compliance System

(a) Establishment of Compliance Office

AIFUL Corporation established the Compliance Committee in April 2002 with the aims of fostering a corporate culture that values compliance and reshaping corporate ethics. The company set up the Compliance Office in April 2005 with the aim of further enhancing its compliance system.

(b) Establishment of Business Administration Section

In April 2006, AIFUL Corporation set up a new Business Administration Section within the Management Planning Department, Management Planning Division. It provides company-wide assessment and management for the response of business offices to legislative amendments and revisions of internal rules and the penetration of compliance strategy.

(v) Organizational Changes and Changes in Internal Systems

AIFUL Corporation has made changes to the following organizational and internal systems with the aim of preventing problems and ensuring thorough compliance.

(a) Abolition of home calling for debt collection

AIFUL Corporation completely abolished home calling for debt collection, effective as of October 1, 2005, except for when there is a request from a customer.

(b) Partial abolition of target indicators for debt collection

In October 2005, AIFUL Corporation abolished some of its target indicators relating to debt collection in its loan business departments, facilitating a flexible response to customers' inquiries and consultations regarding repayments.

(c) Centralization of all reminder operations in call centers

AIFUL Corporation had already centralized its reminder operations, and it transferred reminder operations relating to home equity loans from its business offices to the counseling centers in April 2006, completing the centralization of all reminder operations in May 2006.

3. Review of Rules for Home Equity Products

AIFUL Corporation has also been advised by the Kinki Finance Bureau that some of the company's home equity loans are deemed excessive lending in infringement of the Money Lending Business Control and Regulation Law.

This advice is based on certain cases among the home equity loans that AIFUL Corporation has hitherto provided in which the company appears to have concluded a loan agreement that is deemed to exceed the customer's repayment capacity, since there is no reasonable prospect of repayment, judging from the income of the customer, other than through the realization of the mortgaged property.

Based on this advice, AIFUL Corporation has amended its lending criteria to emphasize repayment capacity, including customer income. In addition, the company has conducted a comprehensive review and establishment of relevant rules since last year with the aim of being exhaustive in making adequate confirmation of the intentions of customers, and it has changed all its home equity loan products from the method of setting a monthly repayable sum calculated on the basis of disposable income to setting a loan ceiling amount without the surplus value of the mortgaged real estate being taken. At the same time, the company has established a new product exclusively for customers who want to make repayments through the sale of the property.

4. Marketing disciplinary measures

In consideration of the penalties, AIFUL Corporation has decided to exercise self-discipline with regard to some of its advertising (television commercials, newspaper and magazine advertising, on-street tissue handouts) beginning today (April 14) and ending two months from now.

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