A new age

Japan's consumer finance industry has changed; customer expectations have changed, and AIFUL is changing with them.

07

Annual Report

The year ended March 31, 2007

AIFUL CORPORATION

"Customers come first." AIFUL Group is applying this philosophy to every aspect of its activities in a comprehensive reform process that includes the establishment of compliance systems. We have also accelerated our efforts to perfect a business model that is transforming AIFUL into a comprehensive finance group equipped to thrive in the radically changed environment created by consumer finance industry reforms. In pursuing these aims, we are advancing along a new path as a company that operates and grows with the genuine confidence of the public. We are totally committed to these reforms, and we have already taken our first resolute steps toward a new beginning for AIFUL.

A new direction

Following the path of a comprehensive retail financial service group prepared to thrive in a radically changed lending environment

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Forward-Looking Statements

The figures contained in this Annual Report with respect to AIFUL's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of AIFUL, which are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties and actual results that may differ from those in the forward-looking statements as a result of various factors. Potential risks and uncertainties include, without limitation, general economic conditions in AIFUL's market and changes in the overall market for consumer loans, the rate of default by customers, and the level of interest rates charged by AIFUL.

Serving

Every employee will return to the basics of service by implementing our "customer first" philosophy and heeding the views and needs of customers in our business operations.

A new commitment

Transforming ourselves into a company that operates and grows with the genuine confidence of the public

Our Pledge as the New AIFUL—to be a Truly Dependable Company
Every AIFUL employee is firmly committed to reforms that constitute a new beginning for AIFUL through the reform of our corporate culture and the creation of a new business model.

Contributing

Every employee will work with dedication to build a new corporate culture through personal and organizational renewal.

Building

We will prepare for a new growth phase by pursuing a strategy that will drive AIFUL's evolution as a comprehensive finance group, primarily through the diversification of our business portfolio.


Serving

Finding the Best Ways to Serve Our Customers

From Bottom to Top, Putting Customers First in Everything We Do

We will earn support and confidence by always thinking about customers first and responding in good faith to customers' needs.

Customers are obviously the most important participants in the business activities of the AIFUL Group. Our staff will implement our "customer first" philosophy by constantly questioning whether our conduct brings value to customers.

The AIFUL Group is currently implementing reforms that will modify employee attitudes through established compliance systems. This reform process will result in the creation of an organization that is able to meet the expectations of all stakeholders while fully complying with laws and regulations. Obviously, our customers are our most important stakeholders, and the "customer first" philosophy is the starting point for all activities by the AIFUL Group. The thrust of our current reforms is to consider how we could have done better, and to return to basics by applying the "customer first" philosophy to every facet of our activities. This initiative will not be limited to our business activities. The process will affect many areas, including our systems, branch environments, compliance systems and employee education programs. It will result in the creation of a new corporate culture. Our employees will implement our "customer first" philosophy by constantly asking themselves if our conduct brings value to customers.

Assuring Stable Growth through New Business Operations

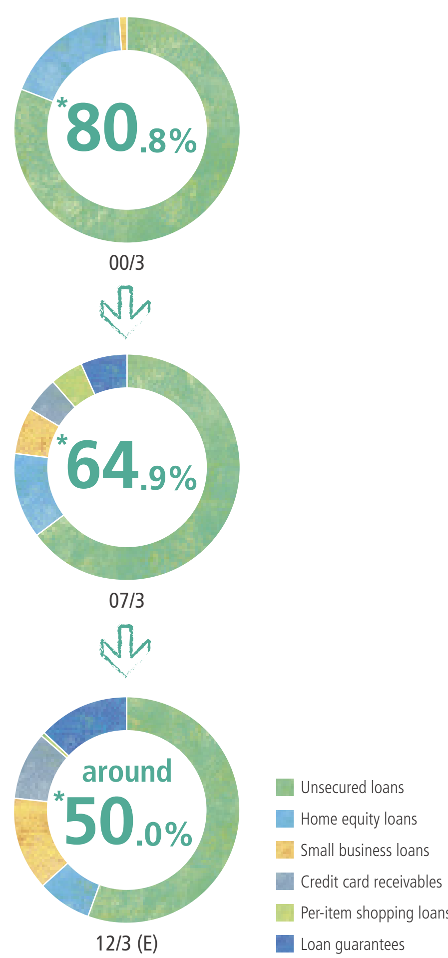
Diversifying Our Business Operations, Pursuing Unique Business Opportunities

The AIFUL Group exists to increase its corporate value and meet the expectations of its stakeholders. Our priority now is to ensure our survival in a competitive environment and secure new growth opportunities by rebuilding our business model.

This is a time of unprecedented change for the consumer finance industry. The industry has also been affected by the Law to Partially Amend the Money Lending Business Control and Regulation Law, which was passed by the National Diet and promulgated in December 2006. There is now fierce competition among companies vying for survival in this new environment. However, based on its diverse business base, the AIFUL Group sees this crisis as an excellent opportunity for new growth. So, we are working quickly to restructure our group, reform our cost structure and build a new business model. Our fundamental policy in this situation is to capitalize on the unique advantages provided by our comprehensive financial services strategy. In the area of consumer services, including unsecured loans and credit card services, we are concentrating our business resources and improving our efficiency as the core business in the AIFUL Group. Through our involvement in business lending, we have built up a resource of knowledge about lending to SMEs and business owners. We will build integrated systems to maximize the synergy benefits of our group's customer attraction and marketing capabilities so that we can develop and strengthen our corporate lending services as a new second income base. We will also develop new business areas, including overseas expansion and diversification into activities relating to our existing segments. By diversifying our business portfolio through these strategies, we will spread our business risks and build a platform for sustainable growth. We will accelerate this reform process in preparation for a new growth phase as an organization capable of meeting the expectations of all stakeholders.

Changes in the Consolidated Receivables Portfolio

*Percentage of unsecured loans outstanding




Building


Contributing

Creating a New Corporate Culture

Building a Corporate Culture that Spreads Benefits to All with Satisfied and Motivated Employees

Our entire organization is united in a reform process targeted toward the creation of a new corporate culture through personal and organizational renewal. We want to create an environment in which our employees can work with pride and build AIFUL as a company that truly merits the confidence of the public.

In June 2006, the AIFUL Group established a "confidence restoration project" involving its entire organization. The project consists of activities designed to create compliance systems and ensure the thorough implementation of the "customer first" philosophy. Since then, all employees have worked together with a shared awareness to implement a process that began addressing existing problems. This has been followed by the formulation and implementation of reform measures. These initiatives have resulted in personal and organizational renewal and in-depth changes to our corporate culture. Our first priority is to restore public confidence in AIFUL. In April 2007, we announced a new corporate philosophy. All employees share our unswerving determination to implement these changes. Our new corporate philosophy makes it clear to every AIFUL employee how essential it is to work with relentless dedication on the reforms that will build AIFUL into a company capable of earning the true confidence of the public.

Envisioning the Ideal Corporate Culture

AIFUL CORPORATE CULTURE

CONSOLIDATED FINANCIAL HIGHLIGHTS

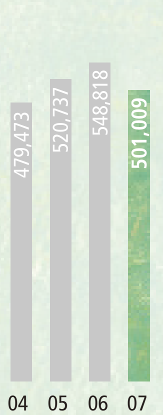
AIFUL CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Percentage of Change	Thousands of U.S. Dollars
	2007	2006	2005	07/06	**2007**
For the Year:					
Total income	**¥ 501,009**	¥ 548,818	¥ 520,737	(8.7)	**$ 4,245,839**
Total expenses	**873,272**	436,045	391,295	100.3	**7,400,610**
Credit costs	**447,375**	166,047	155,466	169.4	**3,791,314**
Income (Loss) before income taxes and minority interests	**(372,263)**	112,773	129,442	—	**(3,154,771)**
Net income (loss)	**(411,251)**	65,827	75,723	—	**(3,485,178)**
At Year-End:					
Loans	**1,912,689**	2,124,017	1,995,622	(9.9)	**16,209,229**
Installment accounts receivable	**174,923**	209,581	192,402	(16.5)	**1,482,398**
Bad debts	**328,046**	203,800	175,136	61.0	**2,780,051**
Total assets	**2,214,559**	2,790,969	2,574,286	(20.7)	**18,767,449**
Allowance for bad debts	**407,573**	171,715	159,483	137.4	**3,454,009**
Long-term debt, including current portion thereof	**1,438,892**	1,654,546	1,601,763	(13.0)	**12,194,000**
Total equity	**257,145**	681,694	617,353	(62.3)	**2,179,194**
Number of shares issued	**142,035,000**	142,035,000	142,035,000	0.0	**—**

	Yen			Percentage of Change	U.S. Dollars
Per Share Data:					
Basic net income (loss)	**¥ (2,903.85)**	¥ 464.84	¥ 533.57	—	**$ (24.61)**
Diluted net income	**—**	464.69	533.53	—	**—**
Total equity	**1,777.44**	4,813.45	4,358.69	(63.1)	**15.06**
Cash dividends	**60.00**	60.00	60.00	0.0	**0.51**

Notes: 1. The U.S. dollar amounts have been translated, for convenience only, at ¥118=$1, the approximate rate of exchange at March 31, 2007.
2. Net income per share has been computed based on the weighted average number of shares outstanding during each period, after retroactive adjustment for stock splits.
3. Figures in the financial section are based on audited English-language statements. Figures in the feature section and review of operations are based on Japanese financial statements. Due to certain reclassifications, some figures and items do not match.
4. On May 23, 2005, each common, par value share held as of March 31, 2005, was split into 1.5 shares, according to the provisions of Article 218 of the Japanese Commercial Code.

Total Income
(Millions of Yen)



Net Income
(Millions of Yen)

Total Assets
(Millions of Yen)

Total Equity
(Millions of Yen)

Our New Path as a Company Worthy of Public Confidence

The entire AIFUL organization is engaged in a reform process designed to transform AIFUL into a company capable of advancing into a new growth phase as an enterprise that enjoys real public confidence. This process includes the establishment of new compliance systems and the application of our "customer first" philosophy to all aspects of our activities.

Compliance-Related Reforms

In April 2007, we took our first steps toward a new future by reappraising our corporate philosophy. Our new philosophy is to earn the support of the public with sincerity and hard work.

Since the administrative penalties invoked against us in April 2006, we have literally devoted our total corporate resources to strengthening compliance systems and the application of our corporate philosophy to all facets of our business operations. In June 2006, we also launched a project to restore public confidence through organization-wide efforts to apply the reforms in that plan to all of our corporate activities. This was the start of a sustained reform process that has included the investigation of the root causes of our regulatory violations, the company-wide sharing and integration of perceptions about basic issues, and the formulation and implementation of fundamental reforms. Throughout this period, we have actively sought the views of third parties, including experts from outside of the AIFUL organization.

In addition to personal and organizational renewal, our comprehensive reforms have also brought about a renewal of our corporate culture. We believe that we have already implemented substantial reforms that include changes to our internal regulations and systems, the provision of consistent guidance and education to all employees, the reinforcement of internal checking systems, and the abolition of target management systems. In addition, we have strengthened our compliance systems by establishing the Risk Management Committee under the direct jurisdiction of the Board of Directors.

The rewriting of our corporate philosophy was part of this comprehensive reform package. In keeping with the words of that philosophy, our first priority will be the restoration of public confidence in AIFUL. We are determined to earn the trust of the public by continuing to implement reforms leading to the establishment of effective compliance systems.

Yoshitaka Fukuda
President and CEO

“We recorded the costs relating to business restructuring in this fiscal year, and have strengthened our operating foundation.”

Consolidated Results for the AIFUL Group

In the year ended March 31, 2007, the continuing strength of business earnings was reflected in the consistently high level of capital investment and an improvement in the employment environment. The Japanese economy continued to follow a gradual recovery trend, albeit not strong enough to drive a recovery in consumer spending.

A key event for the consumer finance industry was the passage and promulgation in December 2006 of the Money-Lending Business Control Law, which partially amended laws relating to the money lending business. The resulting changes included the lowering of the maximum interest rate under the Capital Subscription Law, the imposition of limits on total lending, and regulations governing behavior. The new law will be fully enforced by 2010.

The business environment for the consumer finance industry became increasingly challenging in the year under review. One of the challenges was the need to deal with a growing number of demands for interest refunds.

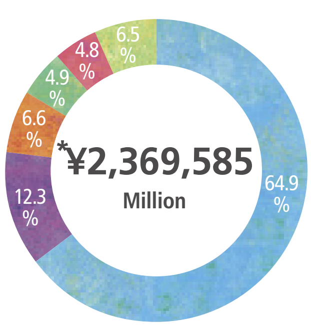
These conditions were reflected in the AIFUL Group's consolidated results for the year ended March 31, 2007, and there were declines in both revenues and income. Consolidated operating revenues were 9.2% lower year on year at ¥499 billion. There was a consolidated ordinary loss of ¥163 billion, and net loss of ¥411.2 billion.

The main reasons for these results were a reduced top line resulting from voluntary restraints on some of our operating activities, including television advertising, after the imposition of administrative penalties, and a tightening of credit criteria. We also faced increased interest refunds and a rise in bad debt costs due to voluntary restraints on our loan recovery operations. Another factor was restructuring costs associated with cost structure reforms.

In October 2006, the Japanese Institute of Certified Public Accountants (JICPA) issued audit guidelines for reserves relating to losses incurred by consumer finance companies and others as a result of demands for interest refunds. In accordance with these guidelines, we have modified the method used to estimate the reserve for losses on interest refunds. The effect of this change is shown in the accounts as an extraordinary loss of ¥176.3 billion.

Diversification of Receivables

*Total Receivables Outstanding (07/3)



Performance of AIFUL Group Companies

LIFE Co., Ltd., which is involved in the per-item shopping loans and credit card areas, issued more than 2 million new credit cards for the fifth consecutive year. The total number of effective cardholders increased by 7.4% year on year to 14.06 million. However, income was lower because of business restructuring costs, bad debt costs and other factors.

BUSINEXT CORPORATION is involved in business lending. The loan balance increased by 12.6% over the previous year's level to ¥82.3 billion, and is growing steadily. Our consumer finance subsidiaries, TRYTO CORPORATION and Wide Corporation, reported declines in both revenues and income. Reasons for these outcomes included the tightening of credit criteria, increased bad loan costs, and the need to provide reserves for interest refunds.

In the year ended March 2007, we brought forward provision for costs relating to group restructuring and business restructuring, including the amalgamation and closure of branches. While this has resulted in a substantial reduction in income, it means that we have already dealt with our negative legacy and are ready for a return to growth. We believe that we have established a group management framework that will equip us for an era of severe competition under the new laws relating to the money lending business.

Bad Debt Costs and Interest Refunds

We expect the situation surrounding bad debt costs and interest refunds to return to normal over the medium- and long-term future. These problems had a significant impact on business performance in the year ended March 2007, and for this reason we will examine them in greater detail.

The number of personal bankruptcies published by the supreme court has fallen year on year for 43 consecutive months since November 2003. However, there has been an upward trend in legal debt restructuring, including actions by attorneys. This has resulted in increased bad debt costs for consumer finance companies. In the year under review, AIFUL's non-consolidated bad debt charge-offs ratio rose by 4.2% year on year to 10.7%. This resulted in part from a rise in non-accrual loans due to the aforementioned voluntary restraints on our loan recovery operations, and an increase in the amount of claims written off in association with interest refunds.

At the non-consolidated level, interest refunds in the year ended March 2007 amounted to ¥28.2 billion. Refunds are expected to remain in the balance. In accordance with guidelines published by the JICPA, we provided an ample reserve to cover these refunds in the year under review. On a non-consolidated basis, AIFUL provided an interest refund reserve of ¥122.9 billion, and a loan-loss reserve of ¥167.5 billion to cover claims written off in association with interest refunds, making a total of ¥290.4 billion. This figure is equivalent to approximately 5.7 years of interest refunds and written off in the year ended March 2007.

If interest refunds and bad debt write-offs are classed as broadly defined credit costs, then interest refund costs, including interest refunds and claims written off as a result of refunds, make up about 40% of total credit costs. While these costs are tending to rise in the short-term view, the other cost items, that make up about 60% of the total, are tending to decline. One indicator of this is the amount of debt in arrears for six months or longer. At the non-consolidated level, this figure reached a peak in September 2006 and has since followed a downward trend. Based on these trends, in the medium-term and long-term perspective, we anticipate a shift to a downward trend and a return to normalcy, reflecting the contribution from tighter credit standards and the impact of other factors, including the full enforcement of the new laws relating to the money lending business.

Consumer Finance Market Transformed by New Laws

In December 2006, the government passed and promulgated the new laws relating to the money lending business. The new laws are starting to cause unprecedented changes in the consumer finance industry, and consumer finance companies are already starting to reduce their interest rates in readiness for the full enforcement of the laws in 2010. We are already in a new era in which interest rates are capped at 20%. Another factor that will have a major impact on escalating competition is the introduction of limits on total lending. Under these rules, the amount that can be lent to any one person will be limited to one-third of that person's annual income.

This fiercely competitive environment will drive many consumer finance companies, especially small and medium-sized operators, out of the industry. In the future the industry is likely to be dominated by a few large companies. Even the larger companies are expected to experience temporary declines in their loan balances and increases in their bad debt costs as a result of these dramatic changes in market conditions.

However, I predict that this situation will be temporary, lasting two or perhaps three years. Thereafter, the introduction of limits on total lending and other factors are expected to result in a dramatic reduction in credit costs. Demands for interest refunds remain high at present, but the situation is expected to return to normal with the elimination of "gray zone" interest rates. In the short term, we have certainly entered a period of rapid change. However, I am confident

"New laws bring dramatic changes to the consumer finance market. We are confident that we can survive in a fiercely competitive environment and move toward a new growth phase."

that we can survive this period and enter a new growth phase by securing the benefits of our status as a major player in a market dominated by major players.

Lower maximum interest rates and restrictions on total lending will intensify competition for quality borrowers. The key to success in this new era will be our ability to respond quickly to customer needs by supplying products that match those needs. In the past Japanese consumer finance companies have sold mass-produced products, such as unsecured revolving loans based on their own scoring systems. Now the environment has changed, and there is concern about the effectiveness of the scoring systems used in the past. Our most important task is to differentiate ourselves from our competitors by developing and marketing a wide range of products that can be modified to meet the needs of individual customers.

Building a Business Model Capable of Sustaining ROA of 1.5% or Higher

We excel as a comprehensive finance group serving the retail sector, and our business model restructuring is based on a policy calling for further progress under this strategy. While unsecured loans still make up 90% or more of our competitors' portfolios, our unsecured loan ratio fell to around 65% in the year ended March 2007. This is a reflection of progress under our comprehensive financial services strategy. The contribution made to earnings by our subsidiaries is apparent from the fact that our consolidated operating revenues are now equivalent to 1.7 times our non-consolidated figure. Our diversified business portfolio has given us a stable income structure in today's challenging business environment, and it is functioning effectively as a risk hedging mechanism. We plan further diversification.

Our medium- to long-term goal is to reduce our unsecured loan ratio to around 50% through the prioritized investment of management resources in middle-risk business lending, which is expected to show major growth, and in the credit card business and the bank loan guarantee business. This will result in a reduced emphasis on consumer finance, which will be affected by escalating competition and reduced income potential.

Through our involvement in business lending we have built up a resource of knowledge about lending to SMEs and business owners. We will build integrated systems to maximize the synergy benefits of our group's customer attraction and marketing capabilities so that we can develop and strengthen our corporate lending services as a new driving force for business growth.

Under our comprehensive finance service strategy, we will also shift from a management stance based on duplication and diffusion to a new emphasis on selection and concentration. We will move quickly to optimize our group management resources by restructuring our group companies and modifying our cost structure.

Our group restructuring will include the progressive merger of our consumer finance subsidiaries TCM. Co. Ltd. and Passkey Co., Ltd. by March 2008, followed by TRYTO CORPORATION and Wide Corporation by March 2009. These plans reflect the reduced income potential of this segment under the new laws relating to the money lending business. Reforms targeting our business loan subsidiary City's Corporation, will focus on the improvement of its income structure through the amalgamation and closure of branches and measures to enhance human resource efficiency. We see the credit card company, LIFE Co., Ltd., as a key driving force for the future growth of the AIFUL Group. LIFE's competitiveness will be enhanced through branch restructuring and other measures, while its efficiency will be optimized by means of changes to its cost structure.

Cost restructuring is an essential aspect of our adaptation to a new competitive environment and will involve our entire group.

"Restructuring our business model—Changes to our group structure and cost structure. We aim to move rapidly to a structure capable of providing ROA of at least 1.5%."

Rationalization measures will include a wide-ranging program of branch closures and amalgamations, the implementation of a voluntary retirement scheme, and the lower use of temporary staff. We will review costs in all areas of our operations, including advertising and systems development. Our goal is to reduce selling, general and administrative expenses by at least ¥40 billion at the non-consolidated level.

We started to tighten our credit criteria in the year ended March 2007, and this process will continue. We will implement measures designed to attract quality customers and reduce our credit costs as rapidly as possible.

The 20% interest rate ceiling will cause competition to intensify. To survive in this environment, I believe that we need to build a robust business model capable of generating ROA of at least 1.5%. The entire AIFUL Group will work to implement the reforms needed to create this structure.

Reducing the Cost of Funds, Hedging Risk through Diversification

With long-term interest rates trending upwards, we will increasingly need to reduce our procurement expenses and secure access to liquidity by diversifying our sources of funds. In the current year, our need for funds were reduced by a decline in our loan balance. This trend is expected to continue in the short term.

To minimize the risks of interest rate fluctuations, we have effectively fixed interest rates on 81.8% of our borrowings using various methods, including interest caps and interest swaps. We have maintained good relationships with our main banks, and at a consolidated level the AIFUL Group has unused commitment lines amounting to ¥340 billion at the end of March 2007.

Our loan portfolio diversification strategy has allowed us to establish multiple master trusts based on the securitization of unsecured loans, home equity loans, credit card shopping loans and per-item installment loans. We have also diversified our methods of procurement, which include bank loans, straight bonds and foreign bond issues, and our sources of funds. We will continue to spread our risk through developing new methods of procurement.

Consolidated	06/3	07/3	08/3 (E)
Operating Revenue (Millions of Yen)	549,547	499,031	409,858
Ordinary Income (Millions of Yen)	126,964	(163,092)	30,000
Net Income (Millions of Yen)	65,827	(411,250)	32,049

> “Our determination to live up to the expectations of all stakeholders is manifested in our total commitment to our reform process.”

Income Growth Predicted in the Year Ending March 2008

Business conditions are expected to remain difficult in the year ending March 2008, and we expect our top line to decline. In addition to escalating competition for quality customers and the impact of tighter credit criteria, we expect interest refunds and bad debt costs to remain high. However, we provided ample reserves in the accounts for the year ended March 2007 to cover interest refunds and other costs, and we also provided for the future cost of group restructuring and cost structure reforms. We have already dealt with our negative legacy through these measures, and we are ready to make a new start.

These conditions are reflected in our forecasts for the year ending March 2008. Consolidated operating revenues are expected to decline by 17.9% year on year to ¥409.8 billion, but we are predicting consolidated ordinary income of ¥30.0 billion and consolidated net income of ¥32.0 billion.

The enforcement of the new laws relating to the money lending business will cause major changes in the business environment for the finance industry. We are preparing for these changes by implementing a comprehensive corporate reform process consisting of the establishment of effective compliance systems and the creation of a new business model. As president I will work with the board of directors to lead our employees in our mission to build a new future for AIFUL as a company capable of earning the confidence of the public and achieving new growth in a new era. I look forward to the continuing guidance and support of our shareholders for these efforts by the AIFUL Group.

June 2007

Yoshitaka Fukuda
President and CEO

New Business Strategy

From Duplication and Dispersal to Selection and Focus

Amendments to the laws relating to the money lending business are starting to cause radical changes in the business environment for our industry. The AIFUL Group is leading the industry in the development of a business model for an era in which the maximum interest rate will be 20%. We will achieve this through the timely implementation of four strategies. First, we will restructure our group companies and improve our cost structure. Second, we will reduce credit costs by tightening our lending criteria. Third, we will modify our scoring system and develop new products. Fourth, we will further promote a comprehensive finance service strategy.

Preparing for a New Growth Phase in a New Competitive Era

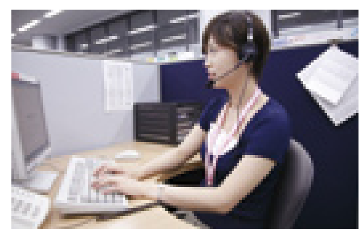
Japan's consumer finance market has entered a period of unprecedented change, following the passage and enforcement of the new laws relating to the money lending business. Our analysis of these changes at the macro-level indicates that the introduction of an upper limit on interest rates and restrictions on total lending will result in fierce competition, with specialist consumer finance companies, banks, credit card companies and other players all vying for shares of the same market.

Banks have attempted to move into the consumer finance market many times in the past, always without success. This is because banks had different customer bases than consumer finance companies and lacked the necessary lending skills for this market. Subsequently banks took shareholdings in major consumer finance companies or established joint ventures with them in an attempt to acquire the necessary know-how. However, they still basically followed business models that limited lending to middle-risk borrowers.

With the lowering of the interest rate ceiling, specialist consumer finance companies will also start to target medium-risk borrowers in earnest because of their need to build new customer bases. Specialist firms are in a good position to compete successfully with banks because of their unique ability to provide the "four S" combination: speed, simplicity, secrecy and safety.

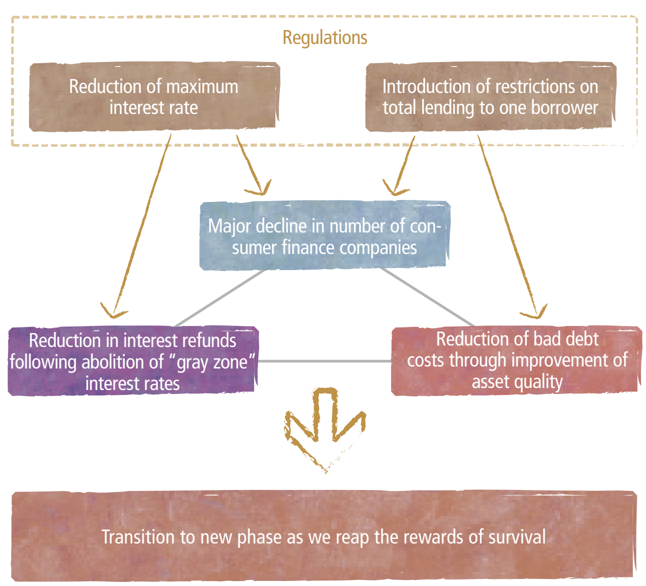
Until now credit card companies have been able to generate income through financial services, such as cash advances. However, the introduction of limits on total lending to each borrower will also apply to cash advances, and this will seriously erode the inherent convenience of credit cards. Because credit card companies have based their business activities primarily on non-face-to-face sales activities, they have few branches or other business outlets. As a result, their marketing structures are relatively weak compared with the nationwide branch networks of consumer finance companies that specialize in face-to-face business.

From a micro-level perspective, the recent changes to the law will cause a dramatic reduction in the number of consumer finance companies, from around 14,000 at the end of March 2006 to about 12,000 at the end of March 2007, and eventually to 2,000, as small and medium lenders with weak financial structures are squeezed out of the market by competition. A small number of major companies will rapidly emerge as dominant forces in the market, and there is also likely to be a period of turmoil in the market, resulting in a temporary reduction in the amount of credit available. Even major companies will probably



The Contact Center — An important asset in our efforts to strengthen our management vitality

Our Transition to a New Growth Stage



experience temporary declines in their loans outstanding and higher loan-loss costs resulting from an increase in bad loans.

However, this period of difficulty will be brief, and it will be followed by an easing of competitive pressure because of the reduced number of credit suppliers. Restrictions on total lending to each borrower will meanwhile bring a dramatic reduction in credit costs. Interest refunds resulting from the abolition of "gray zone" interest rates are also expected to come to an end.

While business conditions will remain difficult in the short term, the survivors will reap the rewards in the medium- to long-term perspective. We believe that AIFUL will be able to make a transition to a new growth phase. The AIFUL Group will prepare itself to weather the immediate challenges and break through into a new phase of growth by building a new business model based on the following four strategies, and by strengthening its marketing systems.

Group Restructuring and In-Depth Cost Structure Reform

In January 2007, we announced the AIFUL Group Restructuring and Cost Structure Reform program. We are currently making rapid progress toward the implementation of this reform process. The aim of the process is to optimize group-level management resources through the following restructuring and rationalization measures.

Restructuring and Integration of Consumer Finance Subsidiaries

In the area of consumer finance, AIFUL's traditional strategy of duplication and diffusion will be replaced by a management stance based on selection and concentration. This will be achieved through the progressive restructuring and merger of our consumer finance subsidiaries. TCM. Co. Ltd. and Passkey Co., Ltd. will merge by March 2008, while TRYTO CORPORATION and Wide Corporation will be absorbed into AIFUL by March 2009. Two consumer finance companies specializing in Internet lending, id CREDIT CORPORATION and NET ONE CLUB CORPORATION, were absorbed by AIFUL at the end of March 2007.

Rationalization of City's Corporation

Our business loan subsidiary, City's Corporation, which specializes in high-risk business lending, will shift from door-to-door marketing to a mass-marketing approach. Other reforms will include the development of various types of partnerships and alliances. City's will also consolidate its network, from 63 branches at the end of March 2006 to 11 branches and 34 sales offices. Income structure reforms will include a voluntary retirement scheme for full-time employees, as well as rationalization measures affecting temporary staff and others.

Reinforcement of LIFE Co., Ltd.

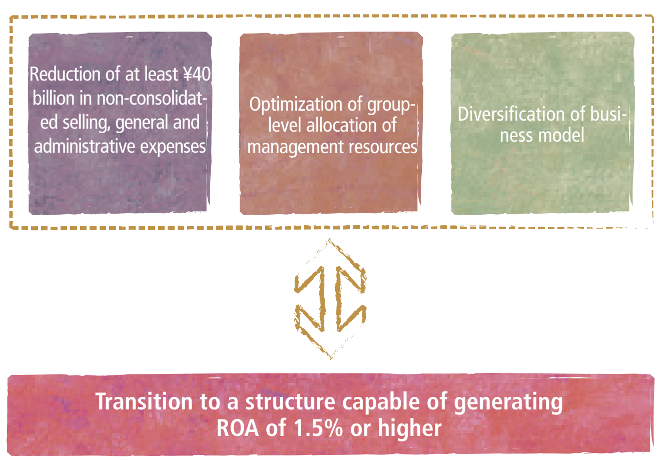
LIFE Co., Ltd., the AIFUL Group's credit sales and credit card company, will systematically curtail its per-item shopping loan business because of risk and profitability factors. Management resources will instead be channeled into credit card shopping and cash advance services. LIFE will also restructure its branch network, which currently consists of a large number of regionally-based outlets. It will instead build a more compact branch network focused in target areas. The number of branches will be reduced from 69 to 11, and the number of LIFE Cashing Plazas and LIFE Card Outlets from 217 to 127. Cost structure reforms and management efficiency measures will include a voluntary retirement scheme for full-time employees, and rationalization measures affecting temporary staff and other employees.

The AIFUL Group is moving quickly to build a new business model that will ensure its survival and success under the 20% interest ceiling. We aim to reduce non-consolidated selling, general and administrative expenses, excluding financing and loan-loss costs, by at least ¥40 billion, through a process that will include the following cost restructuring measures.

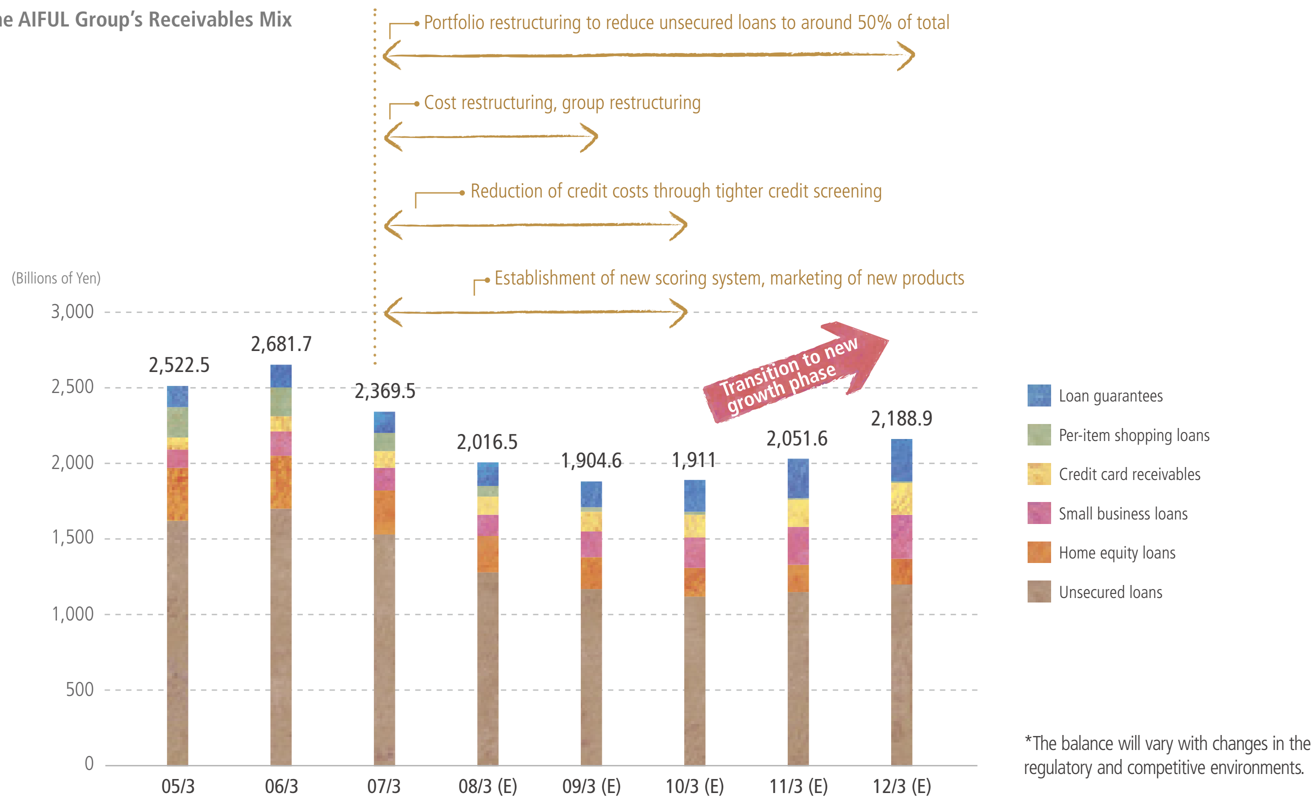
Amalgamation and Closure of Outlets

The total number of outlets operated by the AIFUL Group will be reduced from 2,713, including 820 manned branches and 1,893 unmanned outlets and simplified auto application machines, to

Cost reduction through improved branch operating efficiency



The AIFUL Group's Receivables Mix



*The balance will vary with changes in the regulatory and competitive environments.

1,193. This will be achieved through a process of amalgamation and closures, especially for unprofitable outlets. Some manned outlets will become unmanned, and other outlets will be closed or amalgamated. This will leave 213 manned outlets and 980 unmanned outlets and auto application machines.

Voluntary Retirement Schemes and Work Force Efficiency Measures

To facilitate branch network consolidation, improved efficiency in recovery operations, and work force streamlining, AIFUL will implement voluntary retirement schemes and measures to improve the efficiency of its human resources. There have already been 644 applications for voluntary retirement, mainly from employees in the four financial subsidiaries targeted for mergers. We plan to rationalize 900 jobs, including temporary staff jobs in sales outlets and head office departments.

Review of Advertising and Systems Development Expenditure

We will reduce advertising expenditure, primarily through the removal of rooftop signs and changes to the screening frequency of television commercials. Expenditure relating to systems development will also be reduced, mainly through the sharing and optimization of systems within the AIFUL Group, curbs on the development of new systems, and a review of maintenance expenditure.

Reduction of Credit Costs through Tighter Lending Criteria

To maintain our earnings in the new competitive era, we will need not only to reduce selling, general and administrative expenses, but also to minimize loan-loss costs. We must also cope with market changes, including a temporary decline in the availability of finance due to a rapid reduction in the number of companies, resulting mainly from closures among small and medium lenders. For these reasons, the AIFUL Group will tighten its lending criteria and work to build a portfolio of quality assets. We aim to improve both customer satisfaction and earnings through early action to minimize anticipated credit costs, and through the provision of preferential interest rates to reliable borrowers.


Responding to customer needs in step with market changes

Restructuring of Scoring System, Development of New Products

Consumer finance companies in Japan have been able to achieve major growth because of the extreme accuracy of their credit scoring systems. This factor has given them a competitive edge over other types of lenders. However, there is concern that recent changes in the business environment will render existing scoring systems ineffective.

The AIFUL Group is currently taking urgent and radical steps to review and restructure its scoring system.

Competition for new reliable borrowers is expected to intensify in the future. The key to survival in this business environment will be the ability to respond appropriately to the needs of individual customers. In line with our "customer first" philosophy, the AIFUL Group will shift from standardized mass-produced products to the development of a wide variety of semi-customized products designed to meet customer needs through its knowledge of lending.

Comprehensive Financial Services Strategy

Under a strategy adopted six years ago, the AIFUL Group has been evolving into a provider of comprehensive retail financial services. One of our key policies has been the diversification of our loan portfolio, and we believe that this approach has been successful both in terms of supporting sustained growth and steady income, and also as a way of spreading risk. We will adapt to a rapidly changing external business environment by applying our total group resources to the achievement of further progress under our comprehensive financial services strategy.

Consumer services, including unsecured lending and credit card services, remain our core business segment. We aim to concentrate our management resources into this area, and to improve operating efficiency. One of our key goals is the reduction of operating costs, which we are achieving through measures that include group restructuring and a review of our branch strategy. By going back to the basics of the consumer finance business, we aim to strengthen our income structure by improving credit management and enhancing customer services.

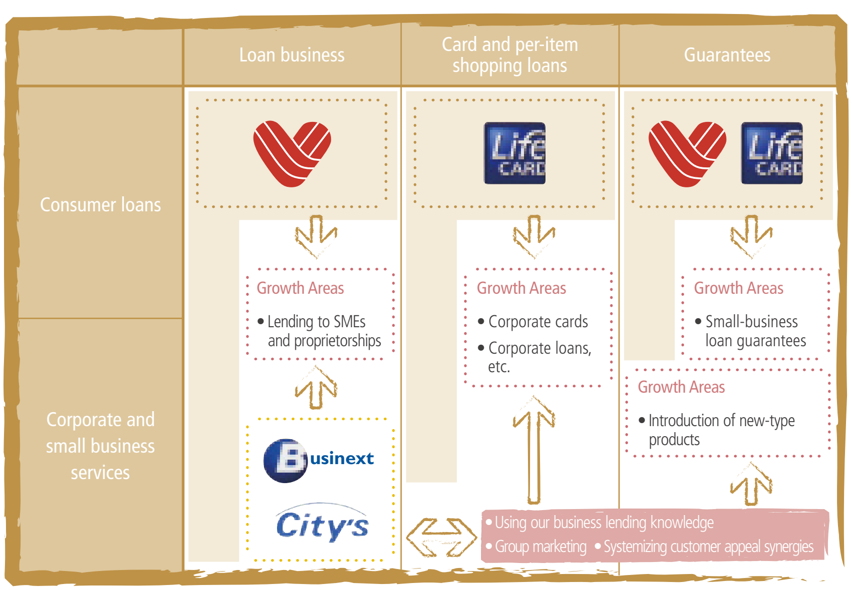
By systemizing group-level synergies in the areas of marketing and customer attraction, we will apply our accumulated knowledge of lending to small and medium-sized enterprises and sole proprietors to the expansion of our corporate lending business. We will also expand the scope of our activities by actively responding to a wide range of business needs. The companies that make up the AIFUL Group have an extensive variety of resources and sales channels, as well as capabilities that include the issuance of corporate cards based on integrated lending and repayment systems, the creation of new types of guarantee products, and the development of partnerships. By making optimal use of these group-level resources, we will build this area of activity into our second income base.

We will further expand the scope of our business diversification by undertaking overseas market research and actively studying the potential for new business activities based on offshoots from our existing operations.

The consumer finance industry is experiencing a period of unprecedented change. We see this important transitional phase as an excellent opportunity to achieve further growth. We will focus our total group resources on our comprehensive financial services strategy, so that we can quickly establish a new business model and build a robust corporate structure. We will also work to enhance the corporate value of the AIFUL Group by accelerating our restructuring.

The Future of the AIFUL Group under the Comprehensive Finance Group Strategy

- We will improve the efficiency of consumer financing business through a process of selection and concentration.
- WE will strengthen our corporate financing business as a growth driver for the AIFUL Group.



Rebuilding Confidence

with a Corporate Culture Based on Compliance

The entire AIFUL Group is working to build effective compliance systems through activities ranging from changes to our corporate philosophy to measures designed to modify attitudes in the workplace. We believe that compliance requires us not only to comply with laws and regulations, but also to live up to the expectations of all stakeholders.

Corporate Philosophy

Earn the support of the public with sincerity and hard work

Four Cornerstones

Sincerity	Hard work
Trust	Gratitude

AIFUL Group Core Employee Values

1. **Independence**
   Do not rely on others — think independently, act independently.
2. **Discipline**
   Always remain aware that you are a member of society and this organization — strictly follow regulations.
3. **Ambition**
   Always stay motivated to improve yourself and actively take on new challenges.
4. **Creativity**
   Avoid stereotyping and enhance your work through creative solutions.
5. **Cooperative spirit**
   Leverage the organization's competencies through collaboration and cooperation.
6. **Numerical awareness**
   Appraise the facts using numerical data and make objective decisions.

A Corporate Philosophy for the New AIFUL

We have restructured the corporate philosophy on which all of the AIFUL Group's business activities are based. This process represents a clear statement of our determination to be a business organization capable of truly earning the trust of the public.

Our new corporate philosophy is to earn the support of the public with sincerity and hard work. This philosophy is the apex of a structure that rests on four fundamental guiding principles, a 10-point code of conduct, and six values for employees. We are also formulating a code of conduct consisting of compliance standards, employment principles, operating standards and others.

Group-Wide Project to Rebuild Public Confidence

At the core of our work to build a compliance structure is a group-wide project to restore public confidence in AIFUL. This project has included the identification of the root causes of our regulatory violations, the company-wide sharing and integration of perceptions about basic issues, and the formulation and implementation of fundamental reforms. We are currently implementing in-depth reforms with four key goals: organizational renewal, personal renewal, improved external communications and the reform of our corporate culture.

Organizational Renewal—Corporate Officer System

In April 2007, we strengthened group-wide compliance functions by expanding the Compliance Office into the Compliance Coordination Department. The aim of this change was to strengthen compliance-related information-gathering systems, and to integrate related functions, including penalty and reward systems.

We have also strengthened risk management systems across the entire AIFUL Group and improved our ability to prevent risk and ensure prompt action in the event of a crisis by creating the Risk Management Committee, which reports directly to the Board of Directors, and by establishing the Risk Management Office within the Management Planning Division.

In June 2007 we reformed our corporate governance systems. Changes included the establishment of an executive officer system to speed up decision-making by separating management and executive functions. We have also taken steps to improve the efficiency of our management systems, including the reduction of the number of directors by one-half.

Personal Renewal—Reforming Appraisal Systems

Under the 10-point code of conduct, we have established employment principles that will be the foundation for our human resource management systems. This will result in a radical change in the basis of appraisal, from a total emphasis on business performance, to a process-centered approach.

There will also be fundamental changes in employee education. We will introduce education policies that emphasize compliance, long-term perspectives, ethics and human rights. We will provide comprehensive education for people at all levels, including compliance seminars for all employees, and risk management training for executives from department manager rank to board level.

Restoring Public Confidence—Optimizing External Communications

On January 9, 2007, we placed a corporate notice in nine major daily newspapers. In this notice, we issued a declaration, on behalf of all AIFUL Group employees, of our strong determination to rebuild AIFUL as a company capable of earning the trust of the public. We also produced a new television commercial based on our corporate philosophy of always putting the customer first. This commercial has been screening since January 20. From time to time, we submit reports to the director of the Kinki Finance Bureau of the Ministry of Finance and issue news releases concerning our progress on the development of compliance systems.

Corporate Culture Reforms Based on Bottom-up Activities

We are currently implementing an "Executive Caravan" program, the aim of which is to build dialog between management and employees, and to provide a way to reflect workplace feedback in management policies. Under this program, executives visit workplaces and engage in face-to-face dialog with small groups of employees. By the end of June 2007, a total of 4,052 employees had participated in dialogs in 322 locations. This initiative has already produced numerous ideas for improvements. This information is being published on our internal network as part of efforts to

Thorough employee training based on the "customer first" principle

AIFUL's 10-Point Code of Conduct

1 Customer first policy
The customer is our number-one priority — we will strive to provide appropriate services that offer customers peace of mind.

2 Accountability to customers
We will clearly and concisely explain the details and conditions related to our products and transactions to customers.

3 Respect views both inside and outside the Company
We will humbly listen to the opinions of customers, members of the public and shareholders as well as our colleagues within the Company, and apply their views to the benefit of the Company.

4 Legal compliance
We pledge to act in accordance with laws, Company rules and regulations, and the standards of public decency.

5 Contribution to society
We will delight in contributing to the betterment of society through our work.

6 Information disclosure
We will accurately and expediently disclose information on our corporate activities to shareholders, investors and society as a whole.

7 Building a fulfilling workplace
We will create a workplace that provides a sense of purpose by respecting our co-workers as individuals and working to continue our own personal development.

8 Commitment to shareholders
We will meet the expectations of our shareholders and strive to increase corporate value.

9 Sound corporate activities
We will have no relationship with antisocial forces of any kind.

10 Group compliance
We will do our utmost to build an AIFUL Group that is respected by customers and society as a whole.

build a shared awareness of the reform process.

Another initiative designed to foster understanding and acceptance of compliance and the "customer first" philosophy was the compilation of the AIFUL Group Handbook, which has been distributed to all employees.

Strengthen the "Customer First" Philosophy

At the heart of our efforts to build compliance systems through our reform process is the "customer first" philosophy. AIFUL exists to meet the expectations of its customers. We aim to consolidate this perception as part of our corporate culture, and we advance wide-ranging efforts through three basic themes, which are customer satisfaction activities, education and regulatory compliance.

Customer Satisfaction Activities

Our three key areas for customer-focused activities are sales activities, functions and the environment.

In our sales activities, we will shift from the results-based approach of the past to an emphasis on processes, especially customer-related compliance. This will include a consistent commitment to the provision of reliable information, friendly and polite service based on a one-stop approach, and activities that accord with the behavior guidelines.

Efforts relating to functions will focus on the development of new products. We will also improve our application channels and systems, including auto contract machines, the Internet and ATM networks.

The aim of environment-related initiatives is to provide environments that are amenable and convenient from the customer's perspective. Specific measures will include the enhancement of branch infrastructure, and the development of our branch network.

Education

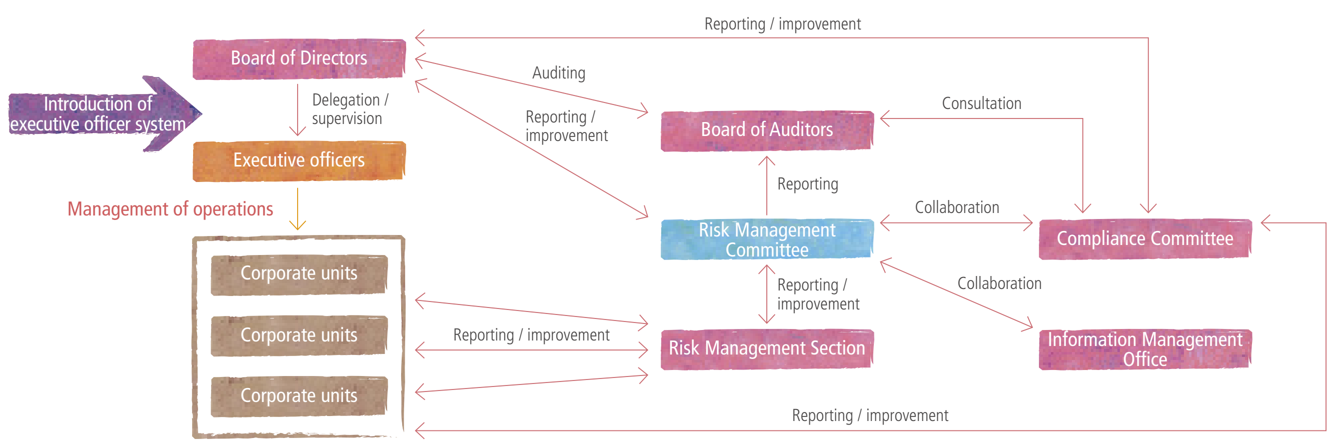
Priorities for our education-related initiatives include employee upskilling with the emphasis on customer satisfaction. We also aim to foster a strong sense of community in our employees, and to provide them with the knowledge that they need to understand laws, regulations and corporate rules and apply them to business operations. We are currently undertaking an in-depth review of our education systems.

Regulatory Compliance

Employees in every area of our organization will be encouraged to earn compliance-related qualifications, including compliance officer qualifications. We will establish and implement checking systems designed to prevent regulatory violations and other inappropriate behavior. Attitude reform measures will focus on team work, including regular workplace meetings.

The entire AIFUL organization is involved in the development of compliance systems. We will continue our efforts to consolidate these systems as part of our corporate culture, and to link workplace ideas to further improvement in our activities.

Reinforcement of Corporate Governance



We have strengthened our corporate governance structure by introducing an executive officer system to separate management and executive functions, and by building risk management and compliance systems based on the Risk Management Committee and the Compliance Committee.

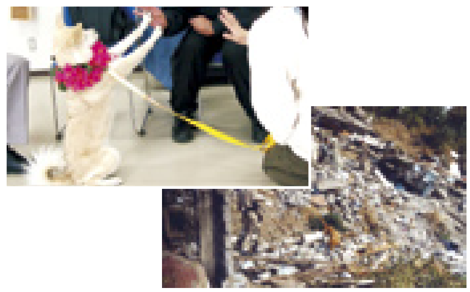
Commitment to Community

Involvement and Support for Social Activities

The corporate philosophy of the AIFUL Group is to earn the support of society by acting in good faith. In keeping with this philosophy we work in partnership with local communities to support a wide range of activities, including environmental protection, humanitarian assistance and community welfare. In the year ended March 2007, we undertook a comprehensive review of our corporate social responsibility (CSR) activities, and we took a more active stance in this area. As part of our activities, we donated funds to a total of nine organizations, including those listed below.

Kyoto Lighthouse

This organization was founded in 1961 to realize a cherished goal of handicapped people by providing a library for blind students in Kyoto. In 2001 it established a non-residential occupational facility to provide day services for people with physical disabilities. It now operates as an integrated welfare facility for visually handicapped people, from babies to elderly people and people with multiple disabilities.



Japan Rescue Association

This international rescue organization was founded in 1995. Its activities include the training and provision of rescue dogs and therapy dogs. Rescue dogs trained at its training center, where a wide range of disaster scenes can be simulated, are extremely effective in locating missing people in disaster areas.

Kansai Guide Dogs for the Blind Association

This organization was founded in January 1980 as a citizen's group dedicated to the training and improved availability of guide dogs. The organization has made a major contribution to guide dog services in Japan. Currently it trains 10-20 dogs a year at its guide dog training center in Kameoka City, Kyoto Prefecture, which was completed in 1989.

LIFE Card Ladies Golf Tournament 2007

LIFE and Kumamoto Kenmin Television (KKT) co-sponsored the LIFE Card Ladies Golf Tournament 2007, which was held at the Kumamoto Kuko Country Club between April 13 and 15, 2007. The tournament was an official event of the Ladies Professional Golfers' Association of Japan (LPGA). Charity income from the tournament was donated to the Kumamoto Goodwill Bank and the Kumamoto Prefectural Council of Social Welfare.

©David Carmichael

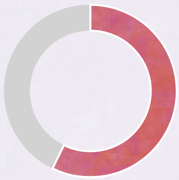
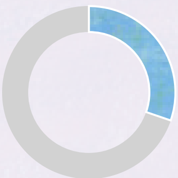
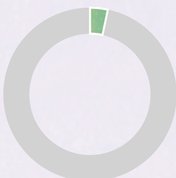
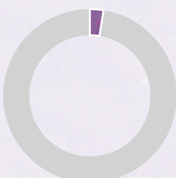
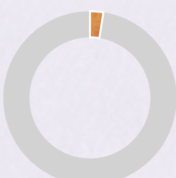
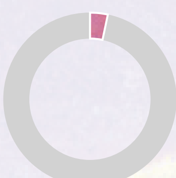
Support for ISU World Figure Skating Championships 2007, Tokyo

LIFE was a sponsor of the ISU World Figure Skating Championships 2007, which were held in the Tokyo Metropolitan Gymnasium between March 20 and 25, 2007. There was intense competition among leading male and female skaters from around 40 countries.

Special Sponsorship of All-Japan University Women's Invitational Relay Race

LIFE was a special sponsor of the All-Japan University Women's Invitational Relay Race, which was held on January 8, 2007. This is one of two major relays for university women in Japan and has gained a reputation for the high standard of participants. Twenty carefully selected teams competed in a spectacular race covering a total distance of 30.67 kilometers divided into six sections.

Group Profile

	SHARE OF RECEIVABLES (As of March 31, 2007)	BUSINESS CLASSIFICATION
AIFUL CORPORATION AIFUL CORPORATION	 57.4%	AIFUL's core segment is unsecured loans. Other segments are home equity loans, small business loans and loan guarantees provided under agreements with banks and other financial institutions. AIFUL is stabilizing its income and spreading its risks under a unique product diversification strategy.
LIFE Co., Ltd. Life CARD	 30.3%	This shopping loan and credit card company has been an AIFUL subsidiary since March 2001. Its core credit card business is expanding steadily, and the number of new cardholders has exceeded 2 million in each of the past five years, bringing the total number of effective cardholders to 14.06 million.
BUSINEXT CORPORATION Businext	 3.5%	This small business loan provider was established in January 2001 as a joint venture between AIFUL and Sumitomo Trust & Banking. It uses its own scoring system to provide unsecured and non-guaranteed loans, mainly to medium-risk borrowers, including sole proprietorships and small and medium enterprises.
City's Corporation City's	 2.5%	City's was acquired by AIFUL in October 2002. It specializes in small business loans for high-risk borrowers. In addition to guaranteed small business loans, City's is actively introducing new products, such as home equity loans and low-interest loans, with the aim of changing its income model.
TRYTO CORPORATION TRYTO	 2.3%	This consumer finance company was formed in April 2004 through the merger of Happy Credit, Sinwa and Sanyo Shinpan. It will be absorbed into AIFUL by March 2009 as part of the AIFUL Group's restructuring.
Wide Corporation WIDE	 3.4%	One of Japan's larger consumer finance companies, Wide was acquired by AIFUL in June 2004. It is based mainly in eastern Japan. By March 2009 Wide will be absorbed into AIFUL.

	OPERATING REVENUE (Millions of Yen)	ORDINARY INCOME (Millions of Yen)	NET INCOME (Millions of Yen)
05	340,615	112,533	67,301
06	343,515	94,632	50,381
07	300,755	(101,225)	(359,399)

	OPERATING REVENUE (Millions of Yen)	ORDINARY INCOME (Millions of Yen)	NET INCOME (Millions of Yen)
05	123,881	16,524	10,679
06	133,936	25,032	14,028
07	129,479	(18,957)	(43,313)

	OPERATING REVENUE (Millions of Yen)	ORDINARY INCOME (Millions of Yen)	NET INCOME (Millions of Yen)
05	5,445	633	601
06	8,635	1,533	2,425
07	11,159	1,122	651

	OPERATING REVENUE (Millions of Yen)	ORDINARY INCOME (Millions of Yen)	NET INCOME (Millions of Yen)
05	9,579	2,585	1,494
06	13,998	127	36
07	13,550	(51)	(3,322)

	OPERATING REVENUE (Millions of Yen)	ORDINARY INCOME (Millions of Yen)	NET INCOME (Millions of Yen)
05	14,539	2,807	1,407
06	16,238	3,594	1,828
07	15,000	(15,537)	(24,465)

	OPERATING REVENUE (Millions of Yen)	ORDINARY INCOME (Millions of Yen)	NET INCOME (Millions of Yen)
05	23,849	1,692	361
06	25,463	4,241	1,935
07	22,752	(18,366)	(35,040)

AIFUL CORPORATION

Our efforts to build a new future for AIFUL include the establishment of compliance systems and the reform of our cost structure. We will improve the efficiency of our business operations by maintaining a basic stance of selection and concentration.

Profile

Our Strategy for Asset Portfolio Diversification

AIFUL provides consumer finance services as the core company of the AIFUL Group. Our core product is unsecured loans, but we also provide home equity loans and business loans for sole proprietorships. Another activity is the provision of loan guarantees in partnership with regional banks and other financial institutions.

AIFUL's most important characteristic is its diversification, which forms the core of our management strategy. While most major consumer finance companies specialize exclusively in unsecured loan products, our loan business consists of three major categories: unsecured loans, home equity loans, and small business loans. In recent years, market maturation and an influx of new players from other sectors have caused competition to intensify in the unsecured loan market. The potential customer base has also tended to shrink because of Japan's falling birthrate and aging population. Changes to Japan's new laws relating to the money lending business are also affecting the market environment. We anticipate a temporary period of confusion and market shrinkage. Furthermore, we believe that the prospects for business activities based solely on unsecured lending are limited.

AIFUL anticipated these changes, and we have led the industry in diversifying our loan repertoire to provide a basis for sustainable growth and business risk diversification. By offering multiple products, we can better meet the needs of our customers and improve the operating efficiency of our branches. We can also diversify our income streams. Our future plans call for the diversification of our asset portfolio, including a review of the product characteristics of business loans and home equity loans, the introduction of new products and the further development of the loan guarantee business.

Policies and Performance in the Year Ended March 31, 2007

Compliance-Related Reforms

In the fiscal year under review, we took steps to prevent recurrences of regulatory violations and other problems by strengthening our internal control systems as the foundation of a strong compliance structure. Every element of the AIFUL organization was involved in this effort, which also involved the development of various rules and regulations. We also moved quickly to adapt to changes in Japan's new laws relating to the money lending business, which, by 2010, will include the introduction of an interest rate ceiling and limit on total lending to individual borrowers. Other measures, including a review of our channel strategy and reforms relating to human resources and sales, were designed to bring radical changes in our cost structure.

These initiatives also affected AIFUL's business performance in the year ended March 2007, and both revenues and income were below the previous year's levels. Loans outstanding declined by 14.2% year on year to ¥1,298,611 million, while operating revenues were 12.4% lower at ¥300,755 million. There was an ordinary loss of ¥101,225 million, and a net loss of ¥359,399 million.

One major reason for these results was the tightening of our lending criteria. Another factor was a decline in our top-line results due to voluntary curbs on some aspects of our operations, including television advertising, following the imposition of administrative penalties. We also faced higher credit costs, and interest refunds, as well as expenses relating to cost restructuring measures. In accordance with guidelines issued by the Japan Institute of Certified Public Accountants, we changed the method used to estimate our interest refund reserve. This change resulted in an extraordinary loss of ¥156.2 billion.

Overview of Business Operations in the Year ended March 2007

Unsecured Consumer Loans

Our voluntary curbs on advertising was reflected in a 40.5% year on year decline in new applications, which totaled 309,000, while the number of loan approvals was down 54.1% at 155,000. Anticipating a temporary period of market confusion caused by changes to the law governing the consumer finance industry, we took preemptive steps to limit future loan losses by tightening our lending criteria. As a result, the balance of loans outstanding declined by 12.2% year on year to ¥995,077 million.

Home Equity and Small Business Loans

We reviewed our products and sales methods and maintained a cautious lending stance. These policies were reflected in our loan portfolio. The balance of home equity loans declined by 19.5% year on year to ¥274,787 million, and the business loan balance was 25.3% lower at ¥28,747 million.

Loan Guarantees

We have targeted this segment for future growth, and we are working to strengthen our business base. In the year ended March 2007 we provided unsecured consumer loan guarantees for 43 companies and unsecured business loan guarantees for 58 companies. Results were affected by the administrative penalties imposed on AIFUL, and the balance of guarantees provided declined by 5.5% year on year to ¥58,914 million.

Cost Restructuring

Savings in Excess of ¥40 Billion through Branch Restructuring and Other Measures

We are radically reforming our cost structure through measures that included the merger and closure of outlets, to create a structure that will allow us to provide our products more economically. Our total network will be reduced from 363 manned outlets and 540 unmanned outlets and simplified auto application machines, to a total of around 1,000 outlets. This process, which is scheduled for completion by September 2007, will be achieved through progressive closures or conversion to unmanned operation, especially at unprofitable outlets.

We are also working to improve the efficiency of our human resources by implementing a voluntary retirement scheme. Other cost-cutting measures have included reductions in expenditure on advertising and systems development. Our goal is to reduce selling, general and administrative expenses, excluding financing and credit costs, by at least ¥40 billion.

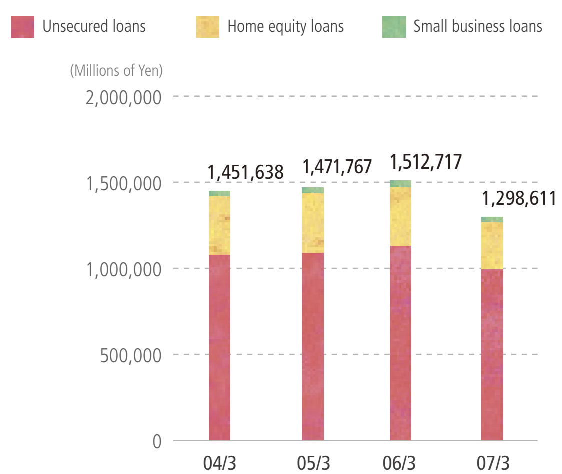
Outlook for the Year Ending March 2008

Cost Restructuring Expected to Bring Higher Income

A number of uncertainties cloud the outlook for the year to March 2008, including the tightening of lending criteria, escalating competition for reliable borrowers, and persistently high levels of interest refunds and loan losses.

Conditions are likely to remain difficult, and we expect the balance of loans outstanding to decline by 18.2% to ¥1,062,558 million, and operating revenues by 19.6% to ¥241,860 million. However, income will benefit from our cost restructuring measures and other factors. We are projecting higher results, including ordinary income of ¥20,000 million, and net income of ¥38,136 million.

AIFUL Loans Outstanding



LIFE Co., Ltd.

**LIFE is strengthening its business base by concentrating its management resources on the credit card business.
It is dynamically developing its business activities as a key player in the AIFUL Group's comprehensive financial services strategy.**

Profile

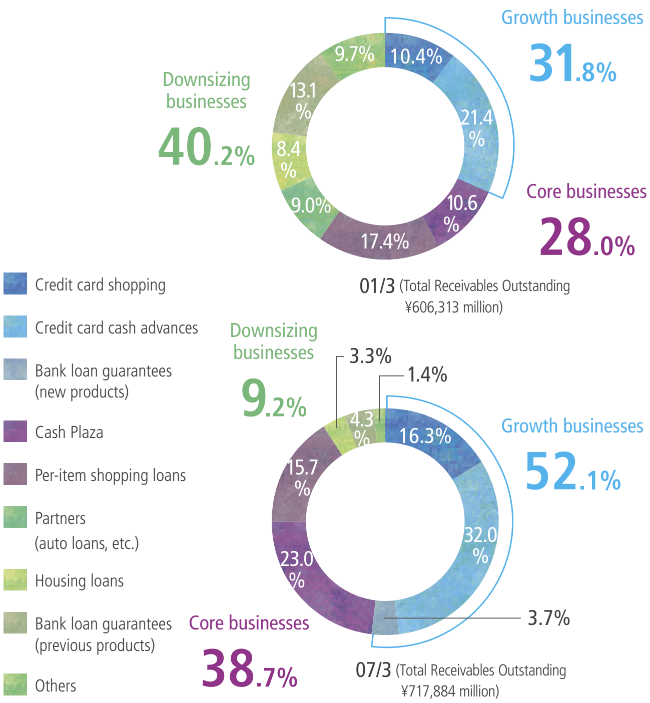
New Card Issues in Excess of 2 Million for Five Consecutive Years

A subsidiary of AIFUL CORPORATION since March 2001, LIFE is involved in the credit sales and credit card areas. The addition of its credit card, per-item shopping loans, bank loan guarantees and consumer loan operations to AIFUL's lines has helped to accelerate the AIFUL Group's comprehensive financial services strategy.

Since becoming part of the AIFUL Group, LIFE has begun to restructure its business portfolio with the aim of enhancing its potential for earnings and growth. It has selected credit card shopping, card cash advances and the new bank loan guarantees as its core segments and is working to strengthen and expand its business base by channeling management resources into these areas on a prioritized basis. In the year ended March 2007, the contribution of growth businesses to total receivables outstanding increased to approximately 52%. In addition, new card issues have exceeded 2 million for five consecutive years, bringing the active cardholder base to 14.06 million. LIFE's network of affiliated retailers and tie-up partners is now in excess of 101,000 locations.

LIFE has become a core contributor to the AIFUL Group's comprehensive financial services strategy. In the year under review, it accounted for 30.3% of the AIFUL Group's outstanding receivables and 25.5% of its operating revenues.

Changes in Business Portfolio



Policies and Results in the Year Ended March 2007

Sustained Expansion of Credit Card Business

LIFE's priority in the year ended March 2007 was to strengthen its operating base in its core credit card segment. It also launched a radical business restructuring of its business activities in preparation for changes in competitive environment under the new laws relating to the money lending business. LIFE has launched the restructuring of the branch network and is implementing a voluntary retirement scheme. In addition to these cost-cutting measures, LIFE is also working to strengthen its business structure by shifting to a business model that is not excessively reliant on lending.

★ Credit Cards

In its core credit card segment, LIFE worked to attract new affiliated retailers and tie-up partners while strengthening relationships with existing locations. Another priority was the diversification of application channels, including the use of the Internet. LIFE continued to expand and develop products for specific customer segments. It launched sign-up campaigns and began to sign up cardholders for new products, including a student card and the new proprietary card, LIFE Card Gold. Initiatives to promote card use included a registration campaign for cardholders wishing to use their cards to pay public utility charges, a web-linked television commercial campaign, and the provision of attractive points-based services. As a result of these efforts, the card utilization rate improved by 3.6 percentage points year-on-year to 30.1%, indicating that more cardholders are using LIFE products as their main cards. Credit card shopping transaction volume increased by 19.2% to ¥568,026 million.

Per-item Shopping Loans

LIFE made major changes in its transaction policy for affiliated merchants, following public concern about the sales practices of some home improvement firms with regard to the elderly. It also further tightened criteria for affiliated merchants, as well as implementing regular credit checks part-way through contract periods. As a result of these measures, the transaction of per-item shopping loans declined by 70.3% year on year to ¥36,268 million.

Loan Guarantees

LIFE established new relationships with three financial institutions, bringing the total number to 129. In November 2006 it began to provide LIFE Business Loans, a new business loan guarantee product based on AIFUL's knowledge of business loan guarantees. In the year ended March 31, 2007, the balance of loan guarantees declined by 9.2% year on year to ¥83,013 million. The decline resulted in part from the replacement of old-type bank guarantees, which made a limited contribution to earnings, with new products that provide higher returns.

Loans

LIFE continued to expand its product line-up. In year under review it began to market several new products, included business loans secured by real estate, and loans for specific purposes. LIFE exercised voluntary restraints on its marketing activities as a result of the administrative penalties imposed on AIFUL. It also tightened its lending criteria. These and other factors were reflected in loans outstanding, which increased by 0.4% year on year to ¥396,260 million.

LIFE's business results for the year ended March 2007 included operating receivables of ¥717,884 million, a year-on-year decline 7.9%. Operating revenues were 3.3% lower at ¥129,479 million. There was also a substantial increase in the reserves for interest refunds and loan losses. This resulted in an ordinary loss of ¥18,957 million. Extraordinary losses included business restructuring costs, as well as tax-related costs resulting from the liquidation of deferred tax assets. These factors were reflected in a net loss of ¥43,313 million.

Outlook for the Year Ending March 2008

Strengthening our Services to Corporations and Business Owners

LIFE will continue to restructure its business operations as it moves toward the development of a new business model. In the core credit card segment, its basic policies are to expand its cardholder base through a diversified affinity card strategy, and to increase the use of its cards. LIFE's target is to increase the number of cards issued to 20 million so that it can achieve economies of scale as a financial services business. It will continue to work toward this goal by strengthening its business operations.

In the area of per-item shopping loans and other financial services, LIFE will continue to tighten its lending criteria as the basis for the accumulation of quality assets. At the same time, it will develop new revenue streams by strengthening and expanding financial services for corporations and business owners. In addition to its expertise in the area of consumer financial services, LIFE also has settlement systems for corporate cards, and a corporate customer foundation comprised principally of registered retailers. It plans to apply AIFUL Group's corporate scoring technology to the development of this market.

LIFE is projecting declines in both revenues and income in the year ending March 2008. The balance of receivables outstanding is expected to decline by 11.7% year on year to ¥633,919 million, and operating revenues by 13.3% to ¥112,200 million. Ordinary income of ¥5,000 million and net income of ¥2,681 million are predicted.

BUSINEXT CORPORATION

Lending to medium-risk business owners is a priority element in the AIFUL Group's comprehensive financial services strategy. The Group's core company in this area is BUSINEXT.

Profile

Financial Services for Medium-Risk Business Owners

BUSINEXT was established in January 2001 as a joint venture between AIFUL and Sumitomo Trust & Banking. AIFUL owns 60% of its shares, and Sumitomo Trust & Banking 40%. Its main activity is medium-risk lending to sole proprietorships and small and medium-sized businesses at rates not exceeding 18% per annum, as prescribed in the Interest Rate Restriction Law. In the period since its establishment, BUSINEXT has achieved sustained growth in step with growth in the need for this type of financial services. Currently it provides financial services to approximately 44,000 small and medium-sized businesses.

Like the credit card business, the medium-risk business lending services provided by BUSINEXT have been identified as a growth area in the AIFUL Group's comprehensive financial services group strategy. The Group's management resources will be concentrated into this area with the aim of achieving further expansion.

The Market for Lending to Business Owners

Substantial Latent Demand for Medium-Risk Business Lending

Current estimates place the number of enterprises in Japan at around 7 million. Approximately 80% of these enterprises are small and medium-sized businesses. After a prolonged recession, small and medium-sized businesses are at last starting to enjoy the benefits of economic expansion. As their earnings improve, there has also been steady recovery in business confidence.

However, mega-banks, regional banks and other types of financial institutions have less tolerance for risk and impose demanding credit criteria. As a result, the finance available to meet the huge potential demand for medium-risk business lending is far from adequate. BUSINEXT has established a unique business model to develop this latent demand.

BUSINEXT's Advantages

Unique Business Model Geared toward Customer Needs

BUSINEXT's most important advantage is a unique business model based on the timely provision of unsecured, non-guaranteed loans. Since its establishment, BUSINEXT has developed a highly sophisticated scoring system for sole proprietorships and small and medium-sized businesses. This system allows it to meet the time-sensitive needs of its customers by making prompt lending decisions based on clearly defined credit criteria, while also maintaining a reasonable standard of precision. Its flagship products include the Card Loan, which is often arranged in one day, and the Business Loan, which can be usually provided within three days.

Another feature that differentiates BUSINEXT from other specialists in small business lending is its reliance on direct mail rather than face-to-face marketing. As of March 31, 2007, BUSINEXT had just ten offices and 101 employees, each managing an average of 445 accounts. This high level of productivity is the key to BUSINEXT's continuing efforts to keep its operating costs low and meet the needs of customers by providing low-interest finance.

Policies and Results in the Year Ended March 2007

Three New Branches, More ATM Partnerships

In the year ended March 2007, BUSINEXT continued to expand its channel strategy. It added more outlets to its branch network, especially in major cities. New branches were opened in Yokohama and Omiya in response to the growth of the customer base in the Kanto region, while in the Kansai region a new branch was added in Kobe. BUSINEXT also continued to enhance its services, including the establishment of a partnership that allows BUSINEXT customers to make withdrawals from Tokyo Star Bank ATMs.

Changes to Japan's Money-Lending Business Control Law have triggered a temporary phase of market confusion and shrinkage, and the cash flow positions of some existing customers have deteriorated, leading to an increase in loans in arrears. BUSINEXT has taken prompt action in response to this situation, including the introduction of more stringent lending criteria, the addition of more staff to its credit control department, and the reinforcement of preliminary recovery operations at branch level.

BUSINEXT continued to achieve high revenue growth in the year ended March 2007. The balance of loans outstanding increased by 12.6% year on year to ¥82,328 million, and operating revenues by 29.2% to ¥11,159 million. However, the company took a conservative stance with regard to its loan-loss reserve, with the result that ordinary income declined by 26.8% to ¥1,122 million, and net income by 73.1% to ¥651 million.

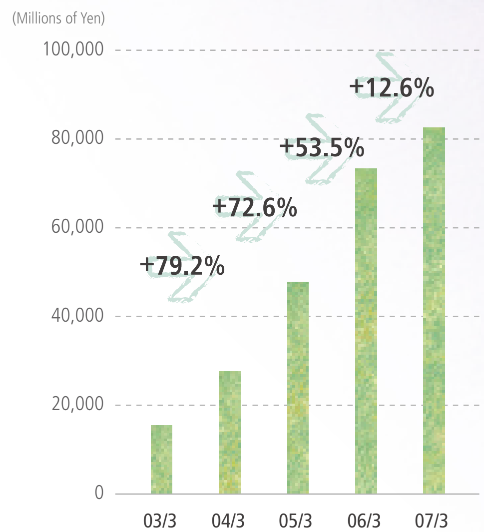
Outlook for the Year Ending March 2008

Emphasis on Expansion of Business Base and Improvement of Customer Satisfaction

In the year to March 2008, BUSINEXT will continue to develop synergies with the AIFUL Group while strengthening its business infrastructure, including the expansion of its network of tie-up partners and further improvement in the accuracy of its credit systems. Another focus will be brand development and the improvement of customer satisfaction through further service enhancements.

These efforts are expected to result in revenue growth in the year ending March 2008, but income is likely to be lower. The balance of loans outstanding is expected to increase by 8.6% year on year to ¥89,414 million, and operating revenues by 5.2% to ¥11,736 million. However, income estimates indicate that ordinary income will be 39.3% below the previous year's level at ¥681 million, and net income 38.4% lower at ¥401 million.

Loans Outstanding



Customer Accounts and Per Account

City's Corporation

City's has developed unique expertise through its involvement in lending to sole proprietorships and small and medium-sized businesses. It is now using this knowledge as the basis for a new approach to business lending.

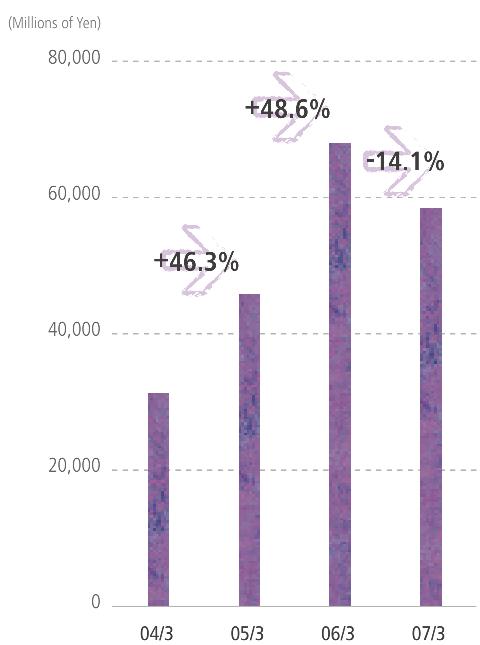
Profile

Specialist in High-Risk Business Lending

City's became a consolidated subsidiary of AIFUL in October 2002. As a specialist in business lending to sole proprietorships and small and medium-sized businesses, it offers an attractive range of convenient, customer-focused financial products designed for borrowers who would otherwise be unable to obtain the financial services that they need because of credit risk or other issues.

This company's core product is the Business Loan, which makes up over 80% of its total balance of loans outstanding. The Business Loan is backed by analysis techniques developed by City's over many years. City's has used the corporate scoring method to develop the Super Business Loan, a low-interest product for which no guarantor is required. Another area in which City's has achieved steady growth is home equity lending. In the year ended March 2007, this category accounted for approximately 17% of the total balance of loans outstanding.

Loans Outstanding



Policies and Results for the Year Ended March 2007

Cost Restructuring for a Changing Business Environment

The lowering of the interest rate ceiling under the new laws relating to the money lending business will have an unprecedented impact on City's, which specializes primarily in lending to high-risk borrowers. In the year ended March 2007, City's implemented major reforms, including cost restructuring, in preparation for this change.

It closed 16 branches, reducing its total network to 11 branches and 36 offices, and introduced a voluntary retirement scheme for full-time employees. By the end of March 2007, it had reduced its work force by approximately 150.

Results for the year ended March 2007 show declines in both revenues and income. The balance of loans outstanding was 14.1% below the previous year's level at ¥58,316 million, and operating revenues were 3.2% lower at ¥13,550 million. There was an ordinary loss of ¥51 million and a net loss of ¥3,322 million. The main reasons for these results were reduced interest income resulting from the use of more stringent lending criteria, an increase in bad debt costs, and business restructuring charges.

Outlook for the Year Ending March 2008

New Approach Based on Unique Expertise

City's will continue to modify its cost structure. It also plans to shift from door-to-door marketing to other methods, including mass-marketing and the establishment of various types of alliances. The profitability of high-risk lending is expected to decline, and while implementing cost restructuring measures, City's also plans to move from that area into medium-risk lending, which will be affected less by interest rate cuts. By applying its accumulated knowledge and experience, it aims to start a new growth phase.

Though the business environment is still challenging, City' s is predicting lower revenues and higher income in the year to March 2008. Operating revenues are expected to decrease by 28.6% year on year to ¥9,678 million, ordinary income to rise to ¥1,603 million and net income to ¥867 million. This forecast reflects the benefits of cost restructuring measures.

Consumer Finance Subsidiaries

TCM. Co. Ltd.
Passkey Co., Ltd.
TRYTO CORPORATION
Wide Corporation

These companies will be progressively absorbed by AIFUL as part of the group restructuring process. TCM and Passkey will merge with AIFUL by March 2008, followed by TRYTO and Wide by March 2009. They will close and amalgamate their branches and rationalize their work forces in preparation for these changes. In the year ended March 2007, the total balance of loans outstanding held by these four companies declined by 18.4% to ¥149,745 million.

id CREDIT CORPORATION and
NET ONE CLUB CORPORATION

These two companies specialized in Internet lending. They were absorbed by AIFUL on March 26, 2007, with the aim of improving marketing and management efficiency in this area.

Other Companies

AsTry Loan Services CORPORATION

AsTry is a debt servicer. According to a rating provided by Standard & Poors in December 2006, AsTry has ample capacity as a special loan service, and its outlook is stable. It is strengthening its compliance systems, and in February 2007, it became the first debt servicer to acquire the Privacy Mark under the new JISQ15001:2006 standard. In the year ended March 2007, it purchased receivables amounting to ¥12,753 million, an increase of 16.7% over the previous year's total.

New Frontier Partners Co., Ltd. (NFP)

New Frontier Partners is a venture capital company. In addition to its investment capabilities as a supplier of growth capital to medium-sized companies and ventures, it also helps to build corporate value through its consultation and diagnostic capabilities as a "business doctor." It is steadily expanding its business by aggressively developing new investment targets and strengthening its secondary investment activities. In the year ended March 2007, its total investments increased by 4.3% year on year to ¥4,829 million, including investments in funds.

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

Directors

	Director Hiroshi Abe	Director Masami Munetake	Director Masayuki Sato	Director Kazuyuki Isono

Director Nobuyuki Wakuta	Director Shintaro Hashima	President and CEO Representative Director Yoshitaka Fukuda	Representative Director Taichi Kawakita	Director Tsuneo Sakai	Director Yoshinobu Takaishi

Corporate Auditors

Standing Corporate Auditor: Sadayuki Matsuoka

Outside Standing Corporate Auditors: Masanobu Hidaka, Norio Onishi

Corporate Auditor: Yoshinobu Azuma

Executive Officers

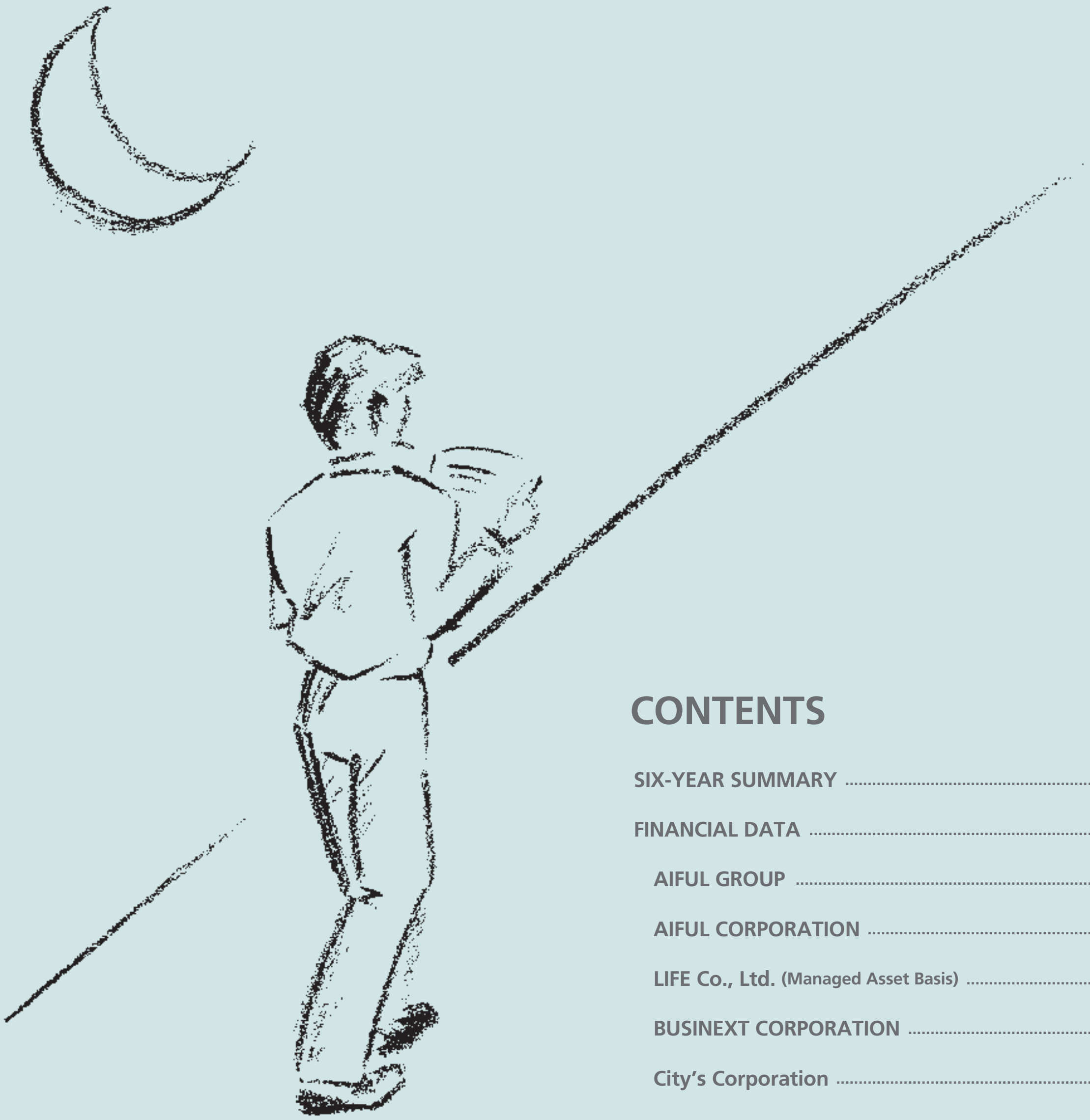
President and CEO: Yoshitaka Fukuda

Senior Executive Officer: Taichi Kawakita

Managing Executive Officers: Shintaro Hashima, Tsuneo Sakai, Nobuyuki Wakuta, Yoshinobu Takaishi

Executive Officers: Masami Munetake, Hiroshi Abe, Yasutaka Fukuda, Kazumitsu Oishi, Yasuo Hotta, Akira Takami, Tsuguo Nakagawa, Yasuo Shiozawa, Minoru Kobayashi, Isao Okada, Itaru Sato

Management's Discussion and Analysis



CONTENTS

AIFUL Corporation and Consolidated Subsidiaries Years ended March 31	2002	2003	2004
FOR THE YEAR:			
Total income	400,014	451,168	479,473
Total expenses	338,166	343,715	375,659
Credit costs	42,576	138,479	157,349
Income (Loss) before income taxes and minority interests	61,848	107,453	103,814
Income taxes	27,385	47,426	41,016
Deferred income taxes	(8,908)	(10,129)	(5,158)
Net income (loss)	35,064	59,911	62,548
AT YEAR-END:			
Loans	1,482,796	1,670,782	1,786,940
Bad debts	94,854	120,399	149,826
Loans in legal bankruptcy	16,457	20,830	28,637
Nonaccrual loans	28,723	39,897	52,452
Accruing loans contractually past due three months or more as to principal or interest payments	11,945	16,503	17,820
Restructured loans	37,729	43,169	50,917
Total assets	2,029,634	2,282,113	2,332,761
Allowance for bad debts	109,337	132,130	145,757
Total liabilities	1,604,780	1,792,093	1,780,575
Interest-bearing debt	1,344,273	1,504,969	1,513,812
Minority interests	3,511	4,029	4,682
Total equity	421,343	485,991	547,504
PER SHARE DATA (YEN):			
Basic net income (loss)	260.00	425.06	440.65
Diluted net income	—	—	—
Total equity	3,015.34	3,428.97	3,863.06
Cash dividends	50	60	60
RATIO (%):			
Equity ratio	20.7	21.3	23.5
ROE	9.6	13.2	12.1
ROA	1.8	2.8	2.7
OTHER DATA:			
Number of shares outstanding at year-end	93,376,000	94,690,000	94,690,000
Number of employees at year-end	5,810	6,123	5,969

(Reference)	2002	2003	2004
Operating revenue	397,162	449,458	473,458
Ordinary income (loss)	105,067	111,797	112,446

(Millions of yen)

2005	2006	2007
520,737	548,818	**501,009**
391,295	436,045	**873,272**
155,466	166,047	**447,375**
129,442	112,773	**(372,263)**
53,015	45,375	**40,529**
11,990	(145)	**24,734**
75,723	65,827	**(411,251)**
1,995,622	2,124,017	**1,912,689**
175,136	203,800	**328,046**
31,020	33,446	**43,008**
60,283	80,721	**180,819**
21,049	27,564	**36,665**
62,784	62,069	**67,554**
2,574,286	2,790,969	**2,214,559**
159,483	171,715	**407,573**
1,951,548	2,102,310	**1,957,414**
1,673,458	1,792,746	**1,530,262**
5,385	6,965	**5,420**
617,353	681,694	**257,145**
533.57	464.84	**(2,903.85)**
533.53	464.69	**—**
4,358.69	4,813.45	**1,777.44**
60	60	**60**
24.0	24.4	**11.4**
13.0	10.1	**(88.1)**
3.1	2.5	**(16.4)**
142,035,000	142,035,000	**142,035,000**
6,510	6,675	**6,477**

(Millions of yen)

2005	2006	2007
518,416	549,548	499,031
135,294	126,964	(163,092)

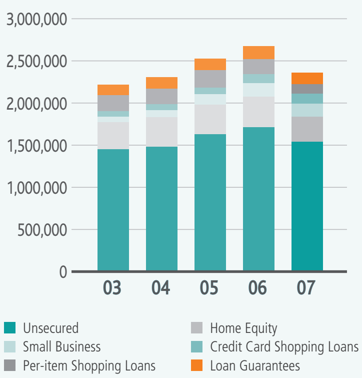
Notes

1. On October 1, 2002, 1,314,000 new shares were issued through an exchange of shares agreement concluded with City Green Corporation in connection with the October 2002 acquisition of City's, a small business loan company.
2. Starting in 2003, equity per share, net income per share, and diluted net income per share were calculated based on the Accounting Standard for Earnings Per Share (Accounting Standard No. 2) and the Implementation Guidance for Accounting Standard for Earnings Per Share (Implementation Guidance for Accounting Standard No. 4).
3. On May 23, 2005, each common, par value share held as of March 31, 2005, was split into 1.5 shares according to the provisions of Article 218 of the Japanese Commercial Code. As a result, the outstanding stock volume increased by 47,345,000 shares.
4. Net income and total equity per share for all the fiscal years shown in the table through March 2005 were calculated as if the May 23, 2005 stock split had been implemented at the beginning of the term.

AIFUL GROUP

TOTAL RECEIVABLES OUTSTANDING

(Millions of yen)



(Millions of yen)

	2003	2004	2005	2006	2007
Total Receivables Outstanding	2,210,889	2,298,444	2,522,579	2,681,746	**2,369,585**
Loans	1,833,702	1,907,655	2,095,202	2,232,418	**1,985,263**
Unsecured	1,442,980	1,477,430	1,622,032	1,709,185	**1,537,905**
Home Equity	325,437	346,183	352,214	357,025	**291,716**
Small Business	65,285	84,042	120,956	166,208	**155,642**
Credit Card Shopping Loans	64,117	71,528	79,623	101,135	**117,222**
Per-item Shopping Loans	184,324	185,650	206,348	183,907	**112,518**
Loan Guarantees	128,745	133,610	141,407	153,767	**141,930**

TOTAL INCOME/NET INCOME

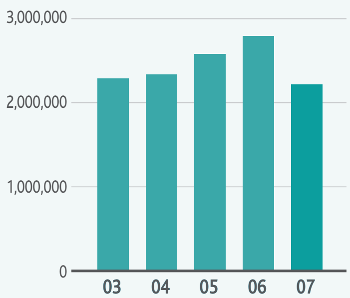
(Millions of yen)

(Millions of yen)

	2003	2004	2005	2006	2007
Total Income	451,168	479,473	520,737	548,818	**501,009**
Interest on Loans	406,484	429,513	466,430	491,358	**448,662**
Unsecured	348,887	358,142	387,839	405,308	**374,839**
Home Equity	47,650	55,022	56,531	56,144	**43,575**
Small Business	9,945	16,348	22,059	29,904	**30,247**
Credit Card Shopping Loans	7,878	8,140	9,091	11,275	**12,754**
Per-item Shopping Loans	15,179	15,508	17,201	17,676	**12,998**
Loan Guarantees	4,133	5,562	7,088	8,668	**9,187**
Other	17,494	20,750	20,927	19,841	**17,408**
Net Income (Loss)	59,911	62,548	75,723	65,827	**(411,251)**

TOTAL ASSETS

(Millions of yen)



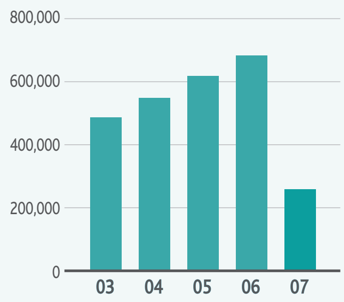
(Millions of yen)

	2003	2004	2005	2006	2007
Total Assets	2,282,113	2,332,761	2,574,286	2,790,969	**2,214,559**
ROA (%)	2.8	2.7	3.1	2.5	**(16.4)**

ROA = Net Income/Total Assets (average) x 100 (%)

TOTAL EQUITY

(Millions of yen)



(Millions of yen)

	2003	2004	2005	2006	2007
Total Equity	485,991	547,504	617,353	681,694	**257,145**
ROE (%)	13.2	12.1	13.0	10.1	**(88.1)**

ROE = Net Income/Total Equity (average) x 100 (%)

AVERAGE RATE OF BORROWINGS

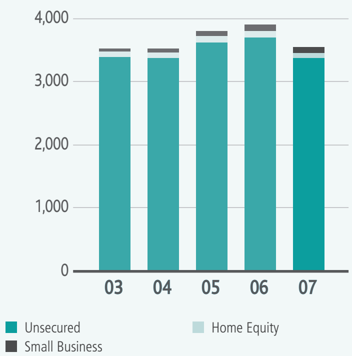
(%)

(%)

	2003	2004	2005	2006	2007
Average Rate of Borrowings	1.78	1.72	1.60	1.55	**1.80**
Indirect	1.97	1.86	1.68	1.71	**2.03**
Direct	1.57	1.55	1.48	1.33	**1.51**
Long-Term Prime Rate (Reference)	1.50	1.65	1.65	2.10	**2.20**
Share of Indirect	53.5	56.2	60.2	56.8	**55.7**
Share of Direct	46.5	43.8	39.8	43.2	**44.3**

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)



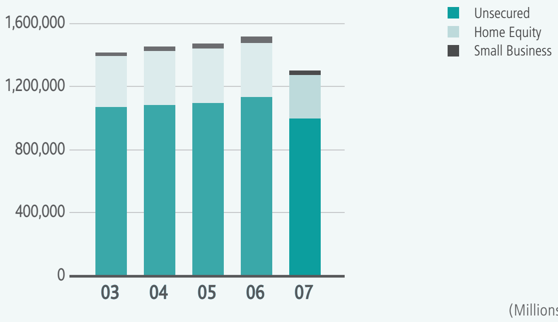
(Thousands)

	2003	2004	2005	2006	2007
Number of Customer Accounts	3,521	3,520	3,796	3,898	**3,547**
Unsecured	3,389	3,366	3,618	3,694	**3,366**
Home Equity	87	94	99	104	**87**
Small Business	45	59	77	99	**93**
Credit Card Holders	9,837	11,051	11,967	13,096	**14,065**
Per-item Shopping Loans Accounts	697	740	809	634	**458**

AIFUL CORPORATION

LOANS OUTSTANDING

(Millions of yen)

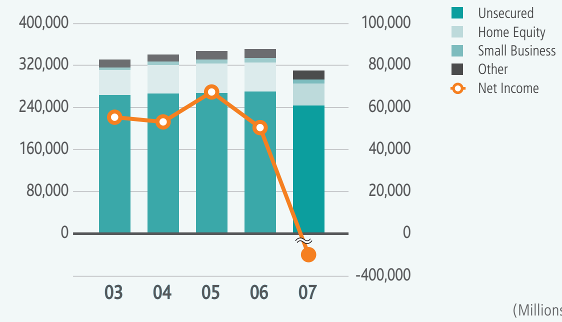


(Millions of yen)

	2003	2004	2005	2006	2007
Loans Outstanding	1,413,340	1,451,638	1,471,767	1,512,717	**1,298,612**
Unsecured	1,068,151	1,081,058	1,093,663	1,133,083	**995,077**
Home Equity	322,840	342,637	345,180	341,153	**274,788**
Small Business	22,349	27,943	32,924	38,481	**28,747**

TOTAL INCOME/NET INCOME

(Millions of yen)

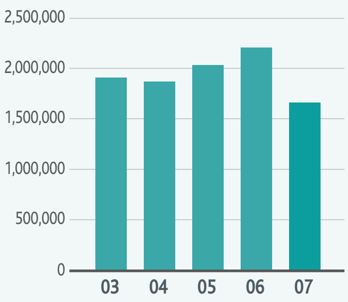


(Millions of yen)

	2003	2004	2005	2006	2007
Total Income	330,147	340,224	347,157	350,933	**309,698**
Interest on Loans	315,600	326,979	330,529	333,541	**292,669**
Unsecured	263,262	265,959	266,930	269,986	**243,614**
Home Equity	47,483	54,663	55,875	54,560	**41,424**
Small Business	4,854	6,355	7,722	8,994	**7,631**
Other	14,547	13,245	16,628	17,392	**17,029**
Net Income (Loss)	55,318	53,086	67,301	50,382	**(359,399)**

TOTAL ASSETS

(Millions of yen)

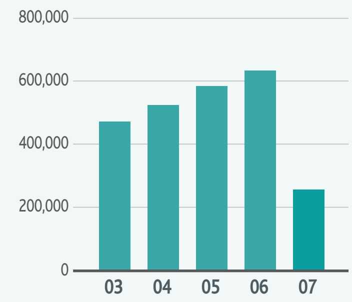


(Millions of yen)

	2003	2004	2005	2006	2007
Total Assets	1,906,212	1,870,076	2,033,547	2,204,483	**1,660,827**
ROA (%)	3.0	2.8	3.4	2.4	**(18.6)**

TOTAL EQUITY

(Millions of yen)

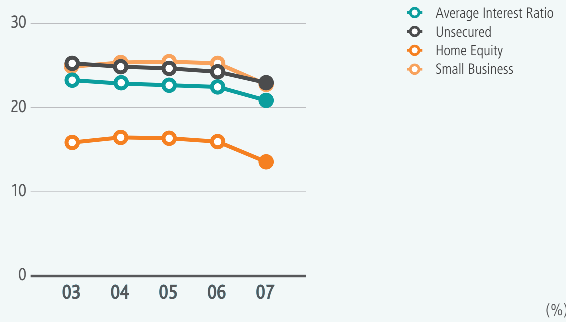


(Millions of yen)

	2003	2004	2005	2006	2007
Total Equity	470,834	522,905	584,308	632,917	**255,005**
ROE (%)	12.4	10.7	12.2	8.3	**(81.0)**

AVERAGE INTEREST RATIO

(%)

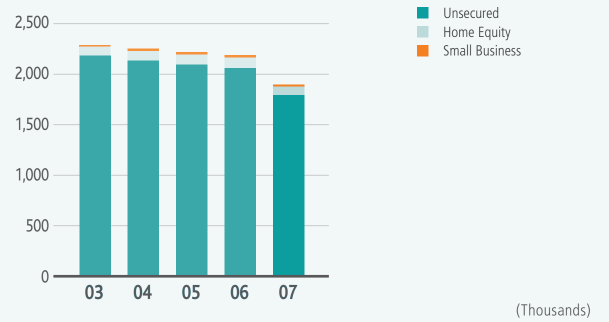


(%)

	2003	2004	2005	2006	2007
Average Interest Ratio	23.2	22.8	22.6	22.4	**20.8**
Unsecured	25.2	24.8	24.6	24.2	**22.9**
Home Equity	15.8	16.4	16.3	15.9	**13.5**
Small Business	24.8	25.3	25.4	25.2	**22.7**

NUMBER OF CUSTOMER ACCOUNTS

(Thousands)

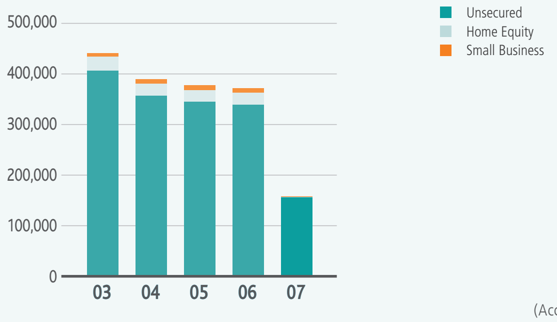


(Thousands)

	2003	2004	2005	2006	2007
Number of Customer Accounts	2,284	2,246	2,214	2,187	**1,894**
Unsecured	2,180	2,131	2,091	2,057	**1,788**
Home Equity	87	93	98	101	**84**
Small Business	17	21	24	27	**21**

NEW ACCOUNTS

(Accounts)

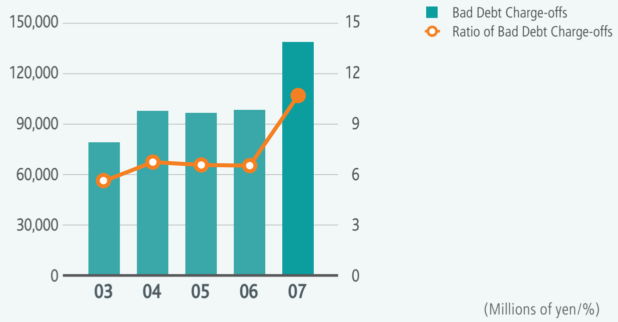


(Accounts)

	2003	2004	2005	2006	2007
New Accounts	440,254	388,036	376,024	370,593	**156,350**
Unsecured	405,275	355,619	343,536	338,052	**155,182**
Home Equity	27,542	24,222	23,405	23,258	**770**
Small Business	7,437	8,195	9,083	9,283	**398**

BAD DEBT CHARGE-OFFS/RATIO OF BAD DEBT CHARGE-OFFS

(Millions of yen/%)



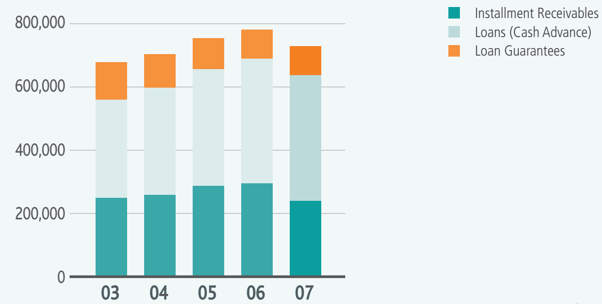
(Millions of yen/%)

	2003	2004	2005	2006	2007
Bad Debt Charge-offs	78,986	97,458	96,224	98,256	**138,601**
Unsecured	71,968	86,507	83,436	83,143	**121,558**
Home Equity	6,313	9,612	10,800	12,645	**12,930**
Small Business	704	1,339	1,987	2,467	**4,113**
Ratio of Bad Debt Charge-offs (%)	5.59	6.71	6.54	6.50	**10.67**
Unsecured	6.74	8.00	7.63	7.34	**12.22**
Home Equity	1.96	2.81	3.13	3.71	**4.71**
Small Business	3.15	4.79	6.04	6.41	**14.31**

LIFE Co., Ltd. (Managed Asset Basis)

TOTAL RECEIVABLES OUTSTANDING

(Millions of yen)

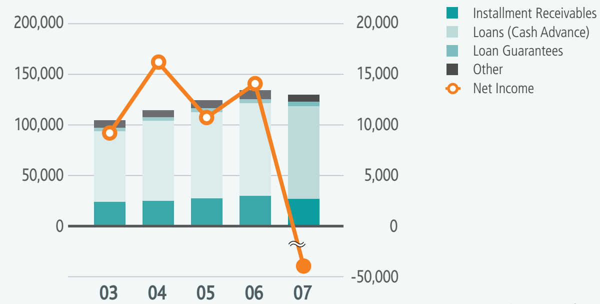


(Millions of yen)

	2003	2004	2005	2006	2007
Total Receivables Outstanding	676,093	702,202	751,553	779,560	**717,884**
Installment Receivables	247,494	256,773	285,867	293,333	**238,611**
Loans (Cash Advance)	310,749	339,137	367,459	394,776	**396,260**
Loan Guarantees	117,849	106,290	98,226	91,450	**83,013**

OPERATING REVENUE/NET INCOME

(Millions of yen)

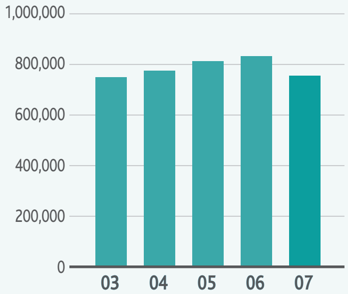


(Millions of yen)

	2003	2004	2005	2006	2007
Operating Revenue	103,880	113,738	123,881	133,936	**129,479**
Installment Receivables	23,566	24,415	26,870	29,493	**26,618**
Loans (Cash Advance)	69,578	78,815	84,919	91,305	**91,342**
Loan Guarantees	3,622	3,842	4,044	4,241	**4,134**
Other	7,113	6,664	8,045	8,894	**7,383**
Net Income (Loss)	9,149	16,131	10,679	14,028	**(43,313)**

TOTAL ASSETS

(Millions of yen)

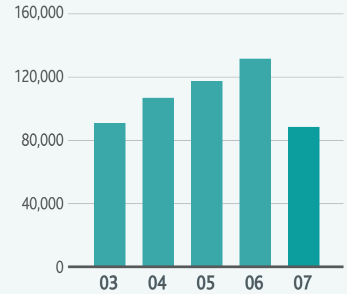


(Millions of yen)

	2003	2004	2005	2006	2007
Total Assets	747,718	772,658	810,567	830,548	**753,464**
ROA (%)	1.3	2.1	1.3	1.7	**(5.5)**

TOTAL EQUITY

(Millions of yen)

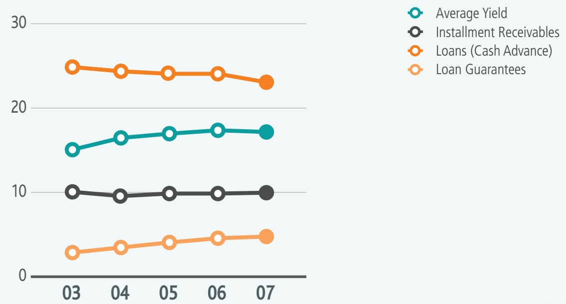


(Millions of yen)

	2003	2004	2005	2006	2007
Total Equity	90,284	106,486	117,163	131,407	**87,992**
ROE (%)	10.7	16.4	9.5	11.3	**(39.5)**

AVERAGE YIELD

(%)

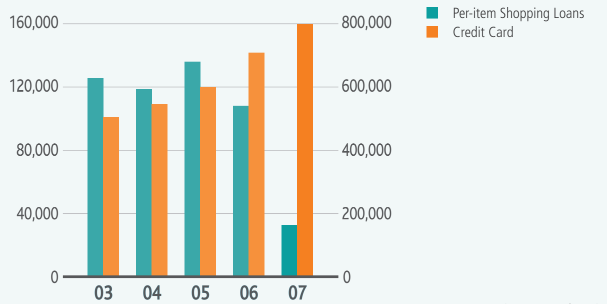


(%)

	2003	2004	2005	2006	2007
Average Yield	15.0	16.4	16.9	17.3	**17.1**
Installment Receivables	10.0	9.5	9.8	9.8	**9.9**
Loans (Cash Advance)	24.8	24.3	24.0	24.0	**23.0**
Loan Guarantees	2.8	3.4	4.0	4.5	**4.7**

PURCHASE RESULTS

(Millions of yen)

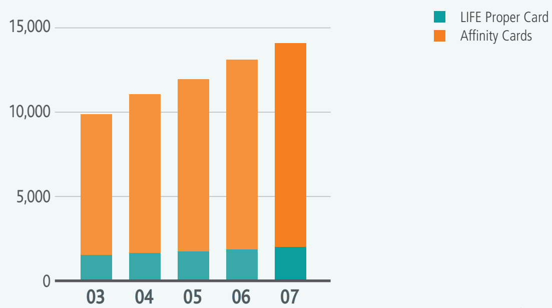


(Millions of yen)

	2003	2004	2005	2006	2007
Purchase Results					
Per-item Shopping Loans	125,246	118,131	135,646	107,974	**32,528**
Credit Card	503,448	543,507	597,314	706,274	**796,600**
Credit Card Shopping Loans	274,479	318,115	373,130	470,896	**561,299**
Credit Card Cashing Loans	228,968	225,392	224,184	235,378	**235,301**

NUMBER OF CARDHOLDERS

(Thousands)

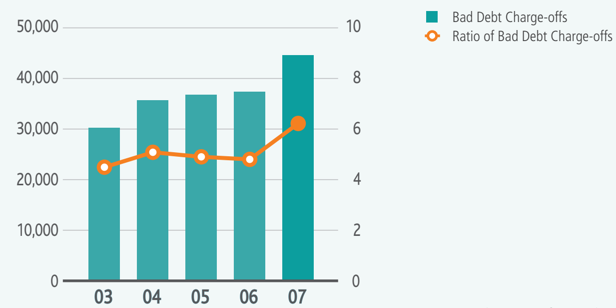


(Thousands)

	2003	2004	2005	2006	2007
Number of Cardholders	9,834	11,032	11,916	13,096	**14,065**
LIFE Proper Card	1,509	1,625	1,710	1,820	**1,961**
Affinity Cards	8,324	9,406	10,205	11,276	**12,103**

BAD DEBT CHARGE-OFFS/RATIO OF BAD DEBT CHARGE-OFFS

(Millions of yen/%)



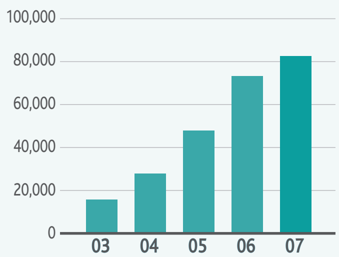
(Millions of yen/%)

	2003	2004	2005	2006	2007
Bad Debt Charge-offs	30,190	35,566	36,658	37,266	**44,498**
Credit Card Shopping Loans	2,337	2,412	2,115	1,978	**2,451**
Credit Card Cashing Loans	8,688	12,823	13,141	12,636	**15,220**
Per-item Shopping Loans	5,229	6,067	4,994	5,363	**7,029**
LIFE Cash Plaza (Unsecured Loans)	6,432	10,570	11,445	12,182	**15,302**
Ratio of Bad Debt Charge-offs (%)	4.47	5.06	4.88	4.78	**6.20**
Credit Card Shopping Loans	3.65	3.37	2.66	1.96	**2.09**
Credit Card Cashing Loans	4.52	6.32	6.28	5.72	**6.62**
Per-item Shopping Loans	3.06	3.45	2.53	2.92	**6.25**
LIFE Cash Plaza (Unsecured Loans)	5.47	7.80	7.26	7.03	**9.28**

BUSINEXT CORPORATION

LOANS OUTSTANDING

(Millions of yen)

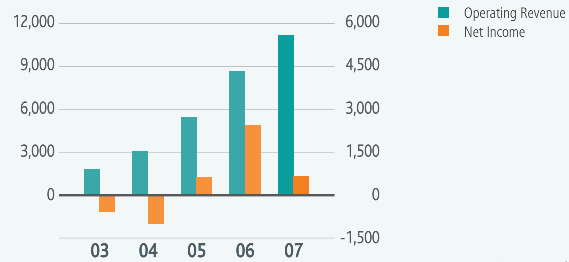


(Millions of yen)

	2003	2004	2005	2006	2007
Loans Outstanding	15,397	27,591	47,622	73,110	**82,328**

OPERATING REVENUE/NET INCOME

(Millions of yen)

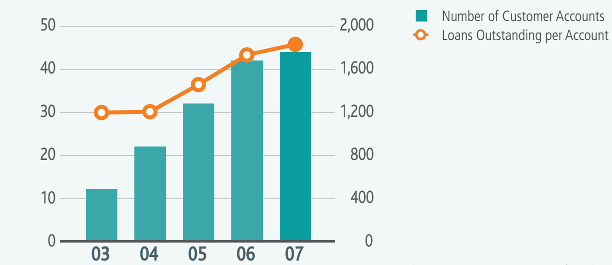


(Millions of yen)

	2003	2004	2005	2006	2007
Operating Revenue	1,749	3,014	5,445	8,635	**11,159**
Net Income (Loss)	(601)	(1,036)	601	2,425	**651**

NUMBER OF CUSTOMER ACCOUNTS/LOANS OUTSTANDING PER ACCOUNT

(Thousands/Thousands of yen)

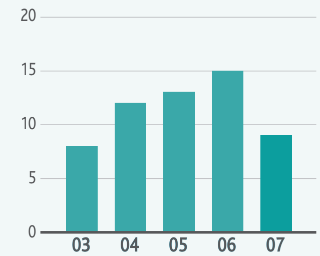


(Thousands/Thousands of yen)

	2003	2004	2005	2006	2007
Number of Customer Accounts	12	22	32	42	**44**
Loans Outstanding per Account	1,194	1,203	1,455	1,732	**1,830**

NEW ACCOUNTS

(Thousands)

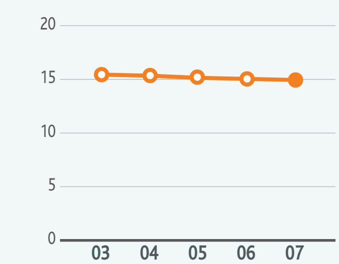


(Thousands)

	2003	2004	2005	2006	2007
New Accounts	8	12	13	15	**9**

AVERAGE INTEREST RATE

(%)

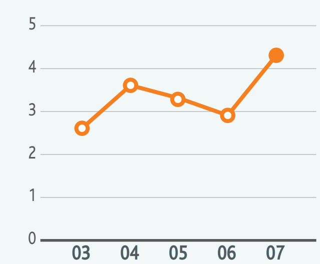


(%)

	2003	2004	2005	2006	2007
Average Interest Rate	15.4	15.3	15.1	15.0	**14.9**

RATIO OF BAD DEBT CHARGE-OFFS

(%)



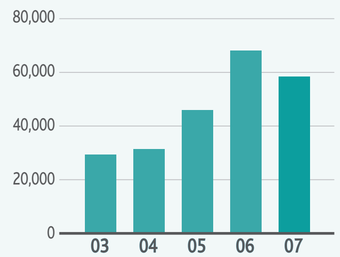
(%)

	2003	2004	2005	2006	2007
Ratio of Bad Debt Charge-offs	2.6	3.6	3.3	2.9	**4.3**

City's Corporation

LOANS OUTSTANDING

(Millions of yen)

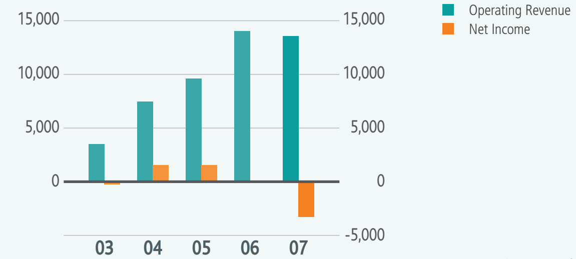


(Millions of yen)

	2003	2004	2005	2006	2007
Loans Outstanding	29,176	31,214	45,673	67,857	58,316

OPERATING REVENUE/NET INCOME

(Millions of yen)

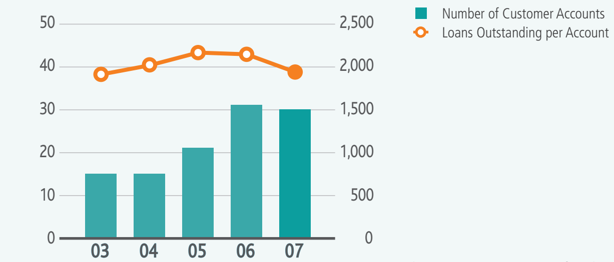


(Millions of yen)

	2003	2004	2005	2006	2007
Operating Revenue	3,470	7,414	9,579	13,998	13,550
Net Income (Loss)	(299)	1,535	1,494	36	(3,322)

NUMBER OF CUSTOMER ACCOUNTS/LOANS OUTSTANDING PER ACCOUNT

(Thousands/Thousands of yen)

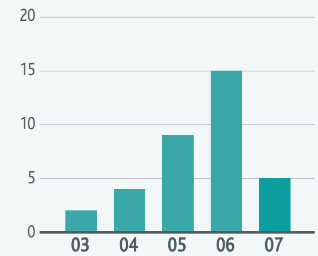


(Thousands/Thousands of yen)

	2003	2004	2005	2006	2007
Number of Customer Accounts	15	15	21	31	30
Loans Outstanding per Account	1,908	2,014	2,163	2,143	1,936

NEW ACCOUNTS

(Thousands)

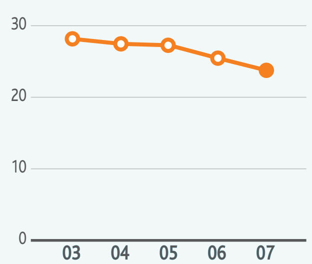


(Thousands)

	2003	2004	2005	2006	2007
New Accounts	2	4	9	15	5

AVERAGE INTEREST RATE

(%)

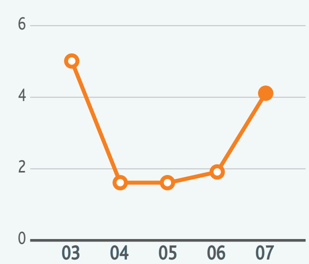


(%)

	2003	2004	2005	2006	2007
Average Interest Rate	28.1	27.4	27.2	25.4	23.7

RATIO OF BAD DEBT CHARGE-OFFS

(%)



(%)

	2003	2004	2005	2006	2007
Ratio of Bad Debt Charge-offs	5.0	1.6	1.6	1.9	4.1

Consolidated Results of Operations

As of March 31, 2007, the outstanding loans of AIFUL and its 11 consolidated subsidiaries totaled ¥1,985,263 million, a year-on-year decline of ¥247,155 million, or 11.1%. A breakdown of this total shows that unsecured loans declined by ¥171,280 million, or 10.0%, to ¥1,537,905 million, home equity loans by ¥65,309 million, or 18.3%, to ¥291,716 million, and small business loans by ¥10,566 million, or 6.4%, to ¥155,642 million. These lower figures were primarily the result of the changes in the wake of administrative penalties imposed on AIFUL in April 2006, including voluntary curbs on advertising and other aspects of the non-consolidated business activities of AIFUL Corporation, an increase in bad debt charge-offs caused by deterioration in the recovery market, and the introduction of tighter credit criteria by the AIFUL Group as a whole.

The balance of installment accounts receivable in the credit card and per-item shopping loan categories amounted to ¥229,740 million as of March 31, 2007, a year-on-year decline of ¥55,301 million, or 19.4%. The balance of credit card shopping loans was 15.9% higher at ¥117,222 million. This reflects an increase in the effective number of LIFE cardholders and a rise in card utilization rates. However, the balance of per-item shopping loans fell by 38.8% to ¥112,518 million because of tighter credit criteria for member stores.

Results for the loan guarantee business of AIFUL Corporation and LIFE Co., Ltd. show that the balance of guarantees for partner financial institutions stood at ¥141,930 million as of March 2007, a decline of ¥11,837 million, or 7.7%, compared with the position at the end of the previous fiscal year.

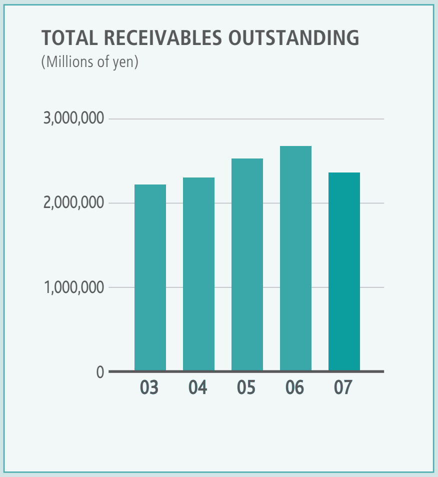
Other receivables amounted to ¥12,652 million. This brought the total receivables of the AIFUL Group as of March 31, 2007, to ¥2,369,585 million, a year-on-year decline of ¥312,161 million, or 11.6%. This total includes ¥127,390 million in off-balance-sheet receivables that were securitized and sold, consisting of ¥72,573 million in loans and ¥54,817 million in installment receivables.

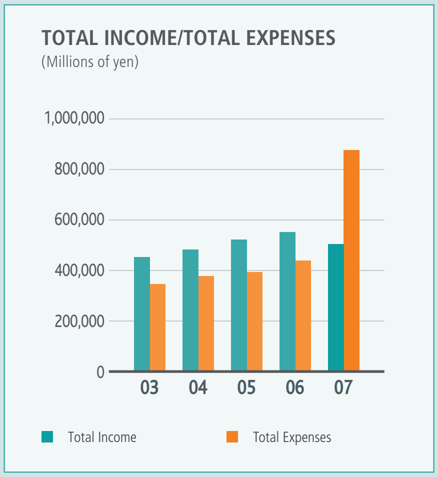
Earnings and Expenses

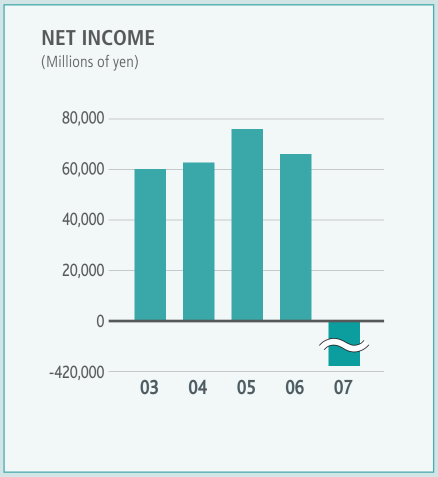
Total income in the year ended March 31, 2007 amounted to ¥501,009 million, a year-on-year decline of ¥47,809 million, or 8.7%. Interest on loans declined by 8.7% year on year to ¥448,662 million, equivalent to 89.6% of total income. Revenues from credit card and per-item shopping loans were 11.0% lower at ¥25,752 million, but revenues from loan guarantees increased by 6.0% to ¥9,187 million. Other operating revenues amounted to ¥17,408 million, a year-on-year decline of 12.3%.

We tightened credit criteria across the entire AIFUL Group in anticipation of changes resulting from the amendment of the Money-Lending Business Control and Regulation Law. This caused a decline in top-line results. The interest recovery rate was also lower because of the temporary imposition of voluntary curbs on debt recovery activities. These factors were the main causes of the decline in total income.

Total expenses increased by ¥437,227, or 100.3%, to ¥873,272 million. This total includes ¥447,375 million in charge-offs and provision for doubtful loans, a year-on-year increase of ¥281,328 million, or 169.4%. The main reason for this increase was the provision of ¥195,545 million as a reserve for principal written off in association with interest refunds. Interest refund-related costs were sharply higher with a year-on-year increase of ¥148,205 million, or 433.6%, to ¥182,388 million. This total includes the provision of ¥167,148 million



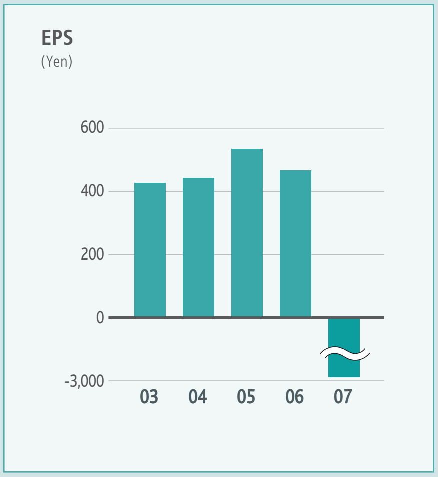




as a reserve for interest refunds, in accordance with audit guidelines issued by the Japanese Institute of Certified Public Accountants for losses incurred by consumer finance companies and others as a result of demands for interest refunds (Industry Committee Report No. 37). However, interest on borrowings were ¥900 million, or 2.7%, lower at ¥32,898 million. This reflects lower borrowing because of our reduced need for funds as a result of the decline in loans outstanding. Advertising expenditure was reduced by ¥12,944 million, or 46.2%, year on year to ¥15,074 million because of voluntary curbs on television commercials and other forms of advertising. Cost-cutting measures brought significant reductions in a number of categories. Commissions and fees paid declined by ¥2,905 million, or 10.2%, to ¥25,585 million, labor costs by ¥1,751 million, or 3.0%, to ¥56,508 million. The total expenses also includes restructuring costs of ¥27,296 million, including of special severance payments to employees who accepted voluntary retirement as part of the AIFUL Group's organizational and cost restructuring measures, and business restructuring costs relating to the closure and amalgamation of branches.

Tax expenses were ¥4,846 million, or 10.7%, below the previous year's level at ¥40,529 million. The amount of income taxes deferred was ¥24,734 million. This reflects a conservative stance, based in part on uncertainty about the outlook for external business conditions, that resulted in the reversal of the majority of deferred tax assets.

The net loss was ¥411,251 million. This is equivalent to ¥2,903.85 per share.



Segment Information

For detailed segment information, please refer to the analyses of operating results for individual group companies.

TOTAL RECEIVABLES OUTSTANDING

(Millions of yen)

	2006	2007	% of change
Unsecured loans	1,709,185	**1,537,905**	–10.0%
Home equity loans	357,025	**291,716**	–18.3%
Small business loans	166,208	**155,642**	–6.4%
Credit card shopping loans	101,135	**117,222**	15.9%
Per-item shopping loans	183,907	**112,518**	–38.8%
Loan guarantees	153,767	**141,930**	–7.7%

INCOME

(Millions of yen)

	2006	2007	% of change
Unsecured loans	405,308	**374,839**	–7.5%
Home equity loans	56,144	**43,575**	–22.4%
Small business loans	29,904	**30,247**	1.1%
Credit card shopping loans	11,275	**12,754**	13.1%
Per-item shopping loans	17,676	**12,998**	–26.5%
Loan guarantees	8,668	**9,187**	6.0%

Unsecured Loans

The unsecured loan business of the AIFUL Group involves several group companies. AIFUL Corporation provides unsecured loans, while LIFE provides credit card cash advances. LIFE Cash Plaza issues unsecured cashing cards. Unsecured loans are also provided by TRYTO, Wide, TCM and Passkey, which operate mainly in western Japan, eastern Japan, Nagano Prefecture and Hokkaido, respectively.

In the consolidated accounting period ended March 2007, the number of unsecured loan applications approved by the AIFUL Group declined by 54.5% year on year to 242 thousand, as a result of voluntary curbs on business advertising and a general tightening of credit criteria following the imposition of administrative penalties on AIFUL. The number of accounts as of March 31, 2007 was 3,366 thousand, a reduction of 328 thousand, or 8.9%. The consolidated balance of unsecured loans outstanding declined by ¥171,280 million, or 10.0%, to ¥1,537,905 million, and the average balance per account by ¥5 thousand to ¥456 thousand. The AIFUL Group actively offered preferential interest rates to reliable borrowers, with the result that interest yield declined by 1.3 percentage points to 23.2%, and total interest on loans by ¥30,469 million, or 7.5%, to ¥374,839 million.

Home Equity Loans (Secured Loans)

At the consolidated level, the AIFUL Group has established a structure that allows it to target a wide range of customers through its home equity loan business. In addition to home equity loans provided by AIFUL Corporation, there are also products sold by subsidiaries, including LIFE, Wide, TRYTO, City's and BUSINEXT.

In the consolidated accounting period ended March 2007, the AIFUL Group reviewed both its products and its marketing methods and adopted a more conservative approach to lending. As a result, the number of home equity loan accounts as of March 31, 2007 was 17,000, or 16.5%, below the previous year's level at 87,000, and the balance of loans outstanding fell by ¥65,309 million, or 18.3%, to ¥291,716 million. The balance per account was ¥73,000 lower at ¥3,338,000, and the interest yield declined by 2.4 percentage points to 13.4%. Total interest on loans was ¥12,569 million, or 22.4%, below the previous year's level at ¥43,575 million.

Small Business Loans

The AIFUL Group’s business loan services are provided by BUSINEXT, City’s and AIFUL. BUSINEXT specializes in medium-risk lending and City’s in high-risk lending.

In the consolidated accounting period ended March 2007, BUSINEXT achieved sustained growth in its balance of loans outstanding by improving customer services, including the establishment of new branches in major cities, and the expansion of its partner ATM network. At the consolidated level, however, the number of small business loan accounts declined by 5 thousand year on year to 93 thousand, and the consolidated balance of loans outstanding by ¥10,565 million, or 6.4%, to ¥155,642 million. Reasons for this reduction included the tightening of credit criteria by City's and AIFUL Corporation, and a review of marketing methods. The balance per account was ¥20 thousand lower at ¥1,666 thousand, and the interest yield declined by 2.0 percentage points to 18.7%. Total interest on loans increased by ¥343 million, or 1.1%, to ¥30,247 million.

Credit Card Shopping Loans

The consolidated credit card shopping loan business of the AIFUL Group consists of the credit card business of LIFE Co., Ltd. In the year ended March 2007, the effective number of cardholders increased by 969 thousand, or 7.4%, to 14,065 thousand. This growth reflects the recruitment of new affiliated merchants and the development of closer links with existing merchants, as well as the start of advertising for and issues of a new proper card, the LIFE Card Gold.

In addition to this growth in the cardholder base, there was also an increase in card utilization ratios, reflecting the consolidation of the brand image of LIFE Cards. Outstanding loans increased by ¥16,087 million, or 15.9%, to ¥117,222 million. The interest yield declined by 0.6 percentage points to 12.2%, but revenues from credit card shopping loans increased by ¥1,478 million, or 13.1%, to ¥12,754 million.

Per-Item Shopping Loans

The consolidated per-item shopping loan business consists mainly of per-item installment plan services provided by LIFE.

In the consolidated accounting period ended March 2007, the AIFUL Group undertook a major review of its policy toward affiliated merchants after the sales methods of some home improvement companies toward elderly customers became a focus of public concern. In addition to regular credit reviews of affiliated merchants, the AIFUL Group also tightened its credit criteria for merchants and cancelled its contracts with a small number of merchants that failed to meet those criteria.

As a result, the balance of per-item shopping loans declined by ¥71,389 million, or 38.8%, year on year to ¥112,518 million, and the interest yield to 9.0%. Revenues from per-item shopping loans were ¥4,677 million, or 26.5%, lower at ¥12,998 million.

Loan Guarantees

The loan guarantee business of the AIFUL Group consists of credit guarantee services provided by AIFUL Corporation and LIFE. AIFUL Corporation provides guarantees on unsecured loans to individuals and businesses, mainly under agreements with regional banks and *shinkin* banks. In the past LIFE sold guarantee products for unsecured loans to individuals. In November 2006, however, it also began to offer LIFE Business Loans, a new type of product for businesses. Before joining the AIFUL Group, LIFE sold bank guarantees under an earlier system that offered limited potential for earnings. It has since withdrawn from this area and now provides guarantees under a new system and is working to replace its portfolio of outstanding claims and improve earning performance.

The consolidated balance of loan guarantees as of March 31, 2007 stood at ¥141,930 million, a year-on-year decline of ¥11,837 million, or 7.7%. The total for AIFUL Corporation was ¥3,399 million, or 5.5%, lower at ¥58,914 million, while LIFE's total declined by ¥8,346 million, or 9.2%, to ¥83,013 million, in part because of the effects of portfolio restructuring. The interest yield rose by 0.3 percentage points to ¥6.2%, and total revenues from credit guarantees were ¥519 million, or 6.0%, higher at ¥9,187 million.

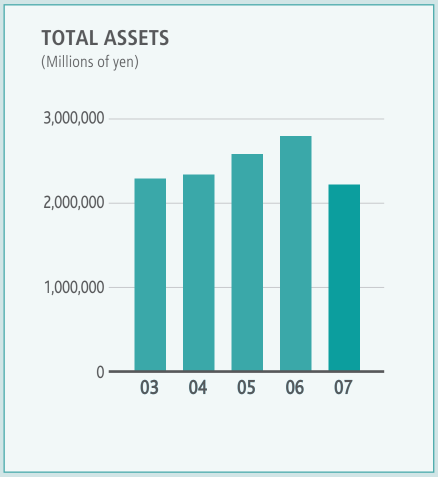
Balance Sheet

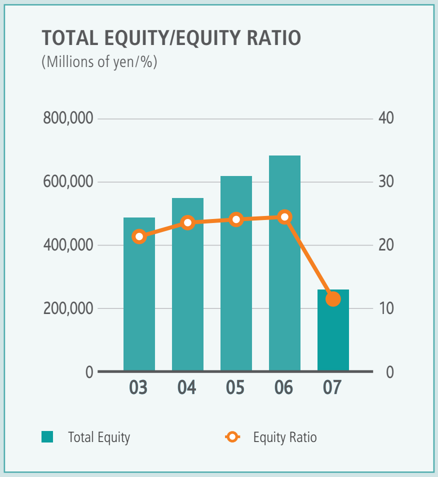
As of March 31, 2007, consolidated total assets amounted to ¥2,214,559 million, a decline of ¥576,410 million, or 20.7%, compared with the level at the end of the previous consolidated accounting period. Current assets were reduced by ¥537,581 million, or 20.4%, to ¥2,095,434 million. The balance of loans was ¥211,327 million, or 9.9%, lower at ¥1,912,689 million, because of voluntary curbs on television advertising and the adoption of tighter lending criteria by the entire AIFUL Group. There was also a substantial reduction in the balance of per-item shopping loans held by LIFE, with the result that installment receivables declined by ¥34,657 million, or 16.5%, to ¥174,923 million. Deferred tax assets were partially reversed, resulting in a reduction of ¥18,492 million, or 57.3%, to ¥13,771 million. The loan loss reserve was increased by ¥232,886 million, or 158.5%, to ¥379,848 million. This includes provision of ¥195,545 million to cover claims abandoned as a result of interest refund claims. This amount was estimated according to the audit guidelines issued by the Japanese Institute of Certified Public Accountants for losses incurred by consumer finance companies and others as a result of demands for interest refunds.

Property and equipment declined by ¥11,271 million, or 21.0%, to ¥42,406 million, while investments and other assets decreased by ¥27,558 million, or 26.4%, to ¥76,719 million. Reasons for the decline included not only depreciation, but also asset impairment relating to branches scheduled for closure as part of the AIFUL Group's organizational and cost restructuring programs. Goodwill for the consumer finance companies TRYTO and Wide was fully amortized as a result of their restructuring and consolidation into AIFUL Corporation. This reduced goodwill (formerly referred to as "goodwill, net") by ¥6,128 million to ¥3,145 million. Reasons for the decline in investments and other assets included a decline in unrealized gains on investment securities and sales of investment securities. Another factor was a change in the positioning of losses on deferred hedges in the accounts because of a change in the accounting standards. This change is contained in ASBJ Statements No. 5 and No. 8 ("Accounting Standard for Presentation of Net Assets in the Balance Sheet"), which were issued by the Accounting Standards Board of Japan on December 9, 2005.

Consolidated liabilities as of March 31, 2007 amounted to ¥1,957,414 million, a reduction of ¥144,896 million, or 6.9%, compared with the position a year earlier. The balance of funds raised, including loans and bonds, declined by ¥262,484 million, or 14.6%, to ¥1,530,262 million. This reflects a reduction in the amount of funds required because of the decline in the balance of loans outstanding. A business restructuring reserve of ¥11,316 million was included in current liabilities. This was based on the AIFUL Group's organizational and cost restructuring plans. Long-term liabilities include an interest refund loss reserve of ¥167,153 million to cover future interest refunds. This amount, which reflects past refund statistics and current trends, was provided in accordance with audit guidelines issued by the Japanese Institute of Certified Public Accountants for losses incurred by consumer finance companies and others as a result of demands for interest refunds.

As of March 31, 2007, consolidated total equity amounted to ¥257,145 million. This figure reflects a net loss of ¥411,251 million, and a ¥5,752 million loss on deferred hedges. After deduction of minority interest, equity totaled ¥251,725 million, and the equity ratio was 11.4%.





Bad Debts

Loan charge-offs in the year ended March 2007 totaled ¥205,980 million, a year-on-year increase of ¥56,150 million, or 37.5%. The balance of the allowance for bad debts was ¥235,858 million, or 137.4%, higher at ¥407,573 million. This amount includes ¥195,545 million to provide for claims abandoned as a result of interest refund demands.

The number of personal bankruptcy applications filed in the high court has declined in each of the 43 months since November 2003. However, there has been an upward trend in debt restructuring by legal means, including actions by attorneys. The rapid rise in demands for interest refunds has also led to a sharp increase in the amount of claims abandoned. These factors are reflected in the increase in loans written off and the loan loss reserve. Following the imposition of administrative penalties on AIFUL Corporation, we have implemented voluntary restraints on claim recovery activities. This has caused the ratio of bad debt charge-offs for the AIFUL Group to increase by 3.1 percentage points to 8.69%.

(Millions of yen)

	2005	2006	**2007**
Bad debt charge-offs	145,327	149,830	**205,980**
Allowance for bad debts	159,483	171,715	**407,573**
Ratio of bad debt charge-offs (%)	5.76	5.59	**8.69**

Goodwill

Goodwill (formerly "Goodwill, Net") amounted to ¥3,145 million as of March 31, 2007. This is ¥6,128 million, or 66.1%, below the level a year earlier.

AIFUL's basic policy is to amortize goodwill associated with the acquisition of subsidiaries using the straight-line method over a 10-year period. In income statements, goodwill amortization is included in other operating expenses. Based on the straight-line method, total amortization amounted to ¥1,734 million, consisting of ¥824 million for LIFE Co., Ltd., ¥434 million for Sinwa Co., Ltd. (now part of TRYTO CORPORATION), ¥249 million for City's Corporation, and ¥437 million for Wide Corporation.

In the year ended March 2007, we applied impairment accounting to the shares of consolidated subsidiaries to reflect their restructuring and consolidation into AIFUL Corporation. Goodwill associated with TRYTO and Wide was fully amortized. There was a one-off amortization of ¥4,393 million, consisting of ¥1,304 million for Sinwa Co., Ltd. (now TRYTO) and ¥3,065 million for Wide. This amount was treated as an extraordinary loss item. The plans for future goodwill amortization are as follows.

GOODWILL AMORTIZATION

(Millions of yen)

(Acquisition period) (Millions of yen) Figures=Goodwill when acquired (est.)	Change during fiscal year Balance at end of fiscal year	2006	2007	2008 (Plan)	2009 (Plan)	2010 (Plan)
TRYTO (formerly Sinwa) (June 2000)	Normal amortization	434	434	—	—	—
4,347	One-off amortization	—	1,304	—	—	—
	Year-end balance	1,739	0	—	—	—
LIFE (March 2001)	Normal amortization	824	824	824	824	824
32,861	Year-end balance	4,120	3,296	2,472	1,648	824
City's (October 2002)	Normal amortization	249	249	249	249	249
2,493	Year-end balance	1,620	1,371	1,122	872	623
NFP (March 2004)	Normal amortization	(217)	(217)	(217)	(217)	(217)
–2,176	Year-end balance	(1,741)	(1,523)	(1,306)	(1,088)	(870)
Wide (June 2004)	Normal amortization	437	437	—	—	—
4,378	One-off amortization	—	3,065	—	—	—
	Year-end balance	3,502	0	—	—	—
Passkey (March 2005)	Normal amortization	320	—	—	—	—
320	Year-end balance	0	—	—	—	—
Total	Total amortization	2,055	6,128	855	855	855
	Total year-end balance	9,273	3,145	2,288	1,432	576

Liquidity and Capital Resources

Fund Procurement Policy

The AIFUL Group aims to ensure reliable access to funds and reduce the cost of funds by diversifying its procurement methods and sources. We flexibly modify our procurement mix from time to time to reflect changes in the financial environment. We also monitor market risks, including the interest rate fluctuation risk and liquidity risk, so that we can adapt to shifts in the external environment.

Interest-Rate Hedges

To minimize its exposure to the risk of interest rate fluctuations, the AIFUL Group maintains a policy of applying derivatives, such as interest rate swaps and caps, to fix interest rates on at least 70% of the balance of funds procured. As of March 31, 2007, 50.7% of funds were covered by fixed interest rates. This is 2.9 percentage points higher than the ratio at the end of the previous accounting period. When funds hedged against interest rate increases by caps and swaps are included, 81.8% of funds are effectively covered by fixed interest rates, a year-on-year increase of 4.6 percentage points.

Preservation of Liquidity and Diversification of Funding Methods

To ensure adequate liquidity, AIFUL Corporation has a policy of maintaining supplementary deposits, cash and commitment lines equivalent to at least 50% of short-term funds procured, including long-term loans repayable within one year. As of March 31, 2007, AIFUL Corporation had commitment lines amounting to ¥310,000 million. In addition, LIFE Co., Ltd. had commitment lines totaling ¥30,000 million, making a consolidated total of ¥340,000 million.

To provide security and reduce costs, AIFUL is working to procure funds under longer maturities and diversify its repayment periods. The aim is to achieve a 50-50 split between direct and indirect procurement. As of March 31, 2007, the direct procurement ratio was 49.5% for AIFUL Corporation and 44.3% for the AIFUL Group.

Procurement methods used by the AIFUL Group include borrowing from financial institutions, bond issues, and claim liquidation. In December 2006, we further diversified our methods by implementing our third issue of U.S. dollar-denominated unsecured straight bonds. The $500 million issue will mature in five years.

SHORT- AND LONG-TERM BORROWINGS

(Millions of yen)

	2005	2006	**2007**
Short-term borrowings	71,695	138,200	**91,370**
Borrowings	71,695	113,200	**91,370**
Commercial paper	—	25,000	**—**
Long-term borrowings	1,793,712	1,850,276	**1,578,855**
Borrowings	1,051,380	1,015,704	**838,909**
Straight bonds	478,890	510,500	**496,100**
Asset-backed securities	263,441	324,070	**243,845**

Cash Flows

Despite a reduction in loans outstanding and an increase in loan-related reserves, cash and cash equivalents declined by ¥7,287 million, or 5.4%, to ¥127,089 million in the year ended March 31, 2007. This resulted from a net loss before adjustments for income taxes and minority interests, and the use of funds for loan repayments, bond redemptions and other purposes.

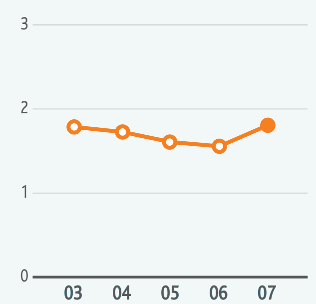
Net cash provided by operating activities was ¥250,558 million, compared with net cash used in operating activities totaling ¥25,944 million in the previous year. This figure reflects the fact that the reduction in funds resulting from the net loss before adjustments for income taxes and minority interests was outweighed by an increase in funds resulting from a reduction in loans and increases in reserves.

Net cash provided by investing activities amounted to ¥13,499 million, compared with net cash used in investing activities of ¥60,019 million in the previous year. This reflects an increase in funds resulting from a reduction in short-term lending through financial products, specifically bond purchasing under repurchase agreements.

Funds provided by operating and investing activities were applied to debt repayment, bond redemption and other purposes, with the result that net cash used in financing activities amounted to ¥271,391 million, compared with net cash provided by financing activities of ¥111,186 million in the previous year.

AVERAGE RATE OF BORROWINGS

(%)



Dividend Policy

Our basic dividend policy is to provide stable and consistent returns based on a comprehensive analysis of economic and financial conditions, especially the business performance of the AIFUL Group. We distribute surpluses twice yearly in the form of interim and final dividends. Decisions on the interim and final dividends are made by the Board of Directors.

We aim to work under this basic policy to bring about a return to long-term growth while maximizing returns to shareholders and shareholder value. Though dramatic changes in the business environment caused a substantial net loss in the year ended March 2007, the Board of Directors resolved at its meeting on May 21, 2007 to maintain dividend stability by setting the annual dividend at ¥60 per share, including the ¥30 interim dividend, as in the previous year.

Retained earnings are used for strategic investment that will contribute to the renewal of our business structure. We will also invest in corporate infrastructure, including the reinforcement of compliance systems. Our policy also calls for the effective utilization of funds to strengthen our internal control systems.

DIVIDENDS IN THE YEAR ENDED MARCH 31, 2007

Date of Resolution	Total Dividend (Millions of Yen)	Dividend Per Share (Yen)
Resolution of Board of Directors on November 7, 2006	4,248	30
Resolution of Board of Directors on May 21, 2007	4,248	30

Non-consolidated Results of Operations

AIFUL Corporation

Overview

In the year ended March 2007, AIFUL implemented a company-wide initiative to strengthen its internal management systems and develop internal standards and rules to prevent recurrences of regulatory violations and other problems, and to build a compliance structure. AIFUL also took preemptive steps to adapt to changes in the Money-Lending Business Control and Regulation Law, which by 2010 will result in the reduction of maximum interest rates and the introduction of limits on total lending to individual borrowers. We undertook a major restructuring of our branch network, including the closure or amalgamation of branches. We also introduced a voluntary retirement scheme for employees and implemented a radical restructuring of our costs, including the reduction of advertising expenses, system development expenses and other operating expenses.

As of March 31, 2007, the non-consolidated balance of loans outstanding, including loan guarantees and other receivables, was ¥1,361,303 million, a year-on-year reduction of ¥215,943 million, or 13.7%. The balance of loans outstanding in our core business segment declined by ¥214,105 million, or 14.2%, to ¥1,298,612 million. Our top-line results were affected by several factors, including voluntary curbs on some aspects of our business operations, including television advertising, as well as the introduction of tighter lending criteria, and an increase in loan charge-offs.

Total income declined by ¥41,235 million, or 11.8%, year on year to ¥309,698 million. The decline in the balance of loans outstanding was reflected in lower interest income, which fell by ¥40,872 million, or 12.3%, to ¥292,669 million. Income from loan guarantees increased by ¥626 million, or 14.2%, to ¥5,052 million.

Outstanding unsecured loans declined by 12.2% to ¥995,077 million, and interest income was 9.8% lower at ¥243,614 million. Outstanding secured loans declined by 19.5% to ¥274,788 million, and interest from that category by 24.1% to ¥41,423 million. Outstanding small business loans were 25.3% lower at ¥28,747 million, and interest declined by 15.2% to ¥7,630 million.

Total income includes extraordinary gains amounting to ¥2,941 million. This includes ¥2,940 million in gains on sales of investment securities resulting from a decision to accept a take-over bid from Sumitomo Trust & Banking Co., Ltd. for STB Leasing Co., Ltd.

Total expenses increased by ¥383,707 million, or 143.6%, year on year to ¥650,861 million. This total includes ¥26,030 million in interest on borrowing, which were ¥2,317 million, or 8.2%, below the previous year's level because of the reduced level of total funds procured resulting from a decline in the amount required. Charge-offs and provision for doubtful accounts increased by ¥259,962 million, or 151.1%, to ¥363,482 million. This includes a loan-loss reserve of ¥167,530 million to cover claims written off in association with interest refunds. The main reasons for these results were voluntary restraints on recovery activities following the imposition of administrative penalties on AIFUL, an upward trend in the use of legal debt adjustment mechanisms, including actions by attorneys, an increase in interest refund demands, and the resulting increase in provision for abandoned claims. Negative reporting in the media was reflected in increased public awareness of interest refund demands. Losses on interest refunds increased by ¥592 million or 5.6% to ¥11,195 million. Provision of a reserve for interest refund losses, amounted to ¥122,956 million, an increase of 622.4% over the previous year's level.

There were also restructuring costs, including unrealized losses of ¥21,701 million on shares in consumer finance subsidiaries and other affiliated companies, ¥46,200 million for the reserve for losses on long-term loans to affiliated companies, a ¥4,416 million business restructuring loss, and provision of ¥4,381 million as a business restructuring reserve. These items resulted from group restructuring and cost restructuring measures. All cost items with the potential to become a negative legacy for a future return to growth have been charged.

The net loss before income taxes was ¥341,163 million. We made conservative use of deferred tax assets, with the result that there was an increase in income taxes, etc. However, total tax expenses were ¥15,161 million, or 45.4%, below the previous year's level at ¥18,236 million because of reductions in corporation taxes, local taxes and enterprise taxes. This left a net loss of ¥359,399 million, or ¥2,537.73 per share.

Segment Information

Unsecured Loans

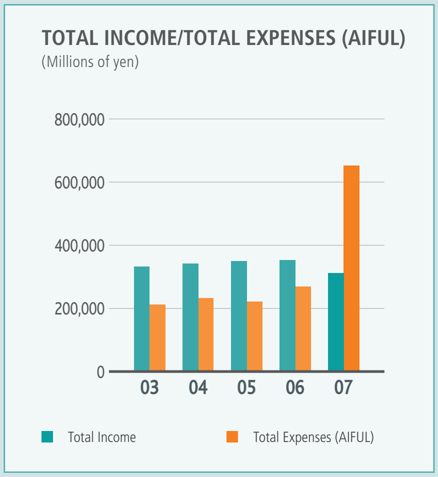
In the year ended March 2007, the number of new applications for unsecured loans (excluding affinity cards) declined by 40.4% year on year to 309 thousand. Reasons for this lower figure include voluntary curbs on advertising as a result of the administrative penalties imposed on AIFUL. The number of approved applications fell by 54.1% to 155 thousand, and the annual approval rate, calculated by dividing approved applications by total new applications, was 16.1 percentage points lower at 48.3%. This reflects the tightening of our credit criteria.

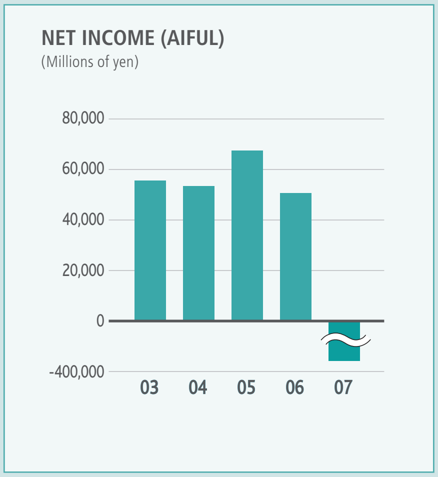
On January 20, 2007, we launched a new television advertising campaign based on our philosophy of always putting the customer first. This produced a moderate recovery trend, and new applications in the fourth quarter (January-March) rose by 22.1% compared with the total in the third quarter (October-December).

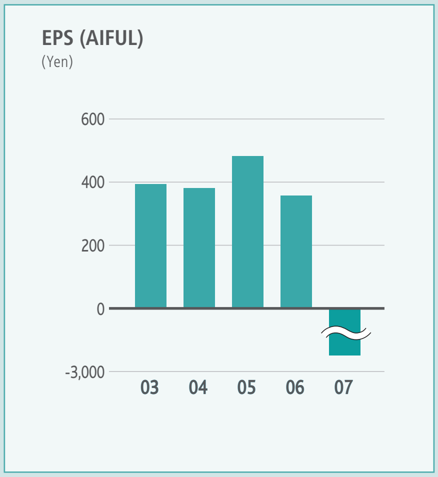
Loans outstanding declined by ¥138,006 million, or 12.2%, year on year to ¥955,077 million, and the number of accounts by 269 thousand, or 13.1%, to 1,788 thousand. This reduction in the number of accounts in use caused the average amount used per account to increase by ¥6 thousand to ¥556 thousand. In anticipation of changes resulting from amendments to the Money-Lending Business Control and Regulation Law, we worked to retain reliable customers by actively offering them preferential interest rates. As a result, the average yield on unsecured loans declined by 1.3 percentage points to 22.9%.

Home Equity Loans (Secured Loans)

In the year ended March 2007, AIFUL took a conservative approach







to this type of lending. We strengthened our compliance systems and undertook an in-depth review of our products and marketing methods. As a result, the number of new applications fell by 96.2% to 1,133, and the number of approved applications by 96.7% to 770. Loans outstanding declined by ¥66,365 million, or 19.5%, to ¥274,788 million, and the number of accounts in use as of March 31, 2007 was 17.3% lower at 84 thousand. These declines in outstanding loans and the number of accounts were accompanied by a decline in the average amount used per account, which was ¥85 thousand lower at ¥3,269 thousand. The average yield on loans declined by 2.5 percentage points to 13.5%.

Small Business Loans

At the non-consolidated level, small business lending activities consist of unsecured and non-guaranteed loans and supplementary financing based on the use of guarantors. These loans are provided mainly to sole proprietorships. The amount borrowed per loan is small compared with our subsidiary specializing in small business loans. Our emphasis is on flexible financing services to meet the needs of small businesses.

As in the home equity loan segment, products and marketing method in this segment were reviewed in the year ended March 2007. We also tightened our lending criteria. As a result, the number of new applications declined by 92.3% year on year to 1,667, while the number of approved applications was 95.7% lower at 398. As of March 31, 2007, loans outstanding amounted to ¥28,747 million, a year-on-year decline of ¥9,733 million, or 25.3%, and the number accounts was 22.6% lower at 21 thousand. The amount outstanding per account declined by ¥48 thousand to ¥1,336 thousand, and the average effective yield was 2.5 points lower at 22.7%.

Loan Guarantees

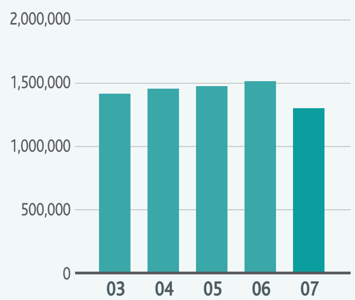
In this segment, AIFUL enters into operating agreements with regional banks, credit cooperatives and other institutions. Under these agreements, the financial institutions process and action loan applications, while AIFUL provides credit screening of individual applications and business proprietors and takes over non-performing loans. AIFUL earns guarantee income fees through these activities. As of March 31, 2007, AIFUL was holding guarantees for outstanding loans amounting to ¥58,914 million, a decline of ¥3,399 million, or 5.5%, from the previous year's level. Loan guarantees for individuals were arranged under agreements with 43 financial institutions, and the balance of guarantees declined by 8.0% year on year to ¥38,179 million. Guarantees for small business loans were arranged under agreements with 58 financial institutions. The balance of guarantees was 0.4% lower at ¥20,734 million.

Balance Sheet

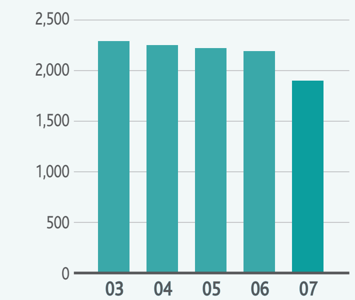
Total assets as of March 31, 2007, amounted to ¥1,660,827 million, a year-on-year decline of ¥543,656 million, or 24.7%. Current assets declined by ¥436,426 million, or 26.1%, to ¥1,238,495 million, and net property and equipment decreased by ¥7,116 million, or 20.3%, to ¥27,819 million. Investments and other assets also declined by ¥100,114 million, or 20.2%, to ¥394,513 million.

One reason for the decline in current assets was a reduction in loans outstanding, which were ¥214,105 million, or 14.2%, lower year on year at ¥1,298,612 million. This resulted from voluntary restraints on advertising expenditure, and the tightening of lending criteria. Another factor was our conservative estimation of loan losses to reflect recent trends. The amount provided as of March 31, 2007, was ¥176,526 million, or 206.1%, above the previous year's level at ¥262,186 million,

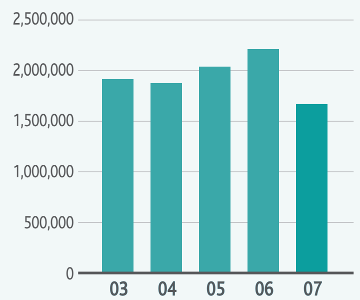
LOANS OUTSTANDING (AIFUL)
(Millions of yen)



NUMBER OF ACCOUNTS (AIFUL)
(Thousands)



TOTAL ASSETS (AIFUL)
(Millions of yen)

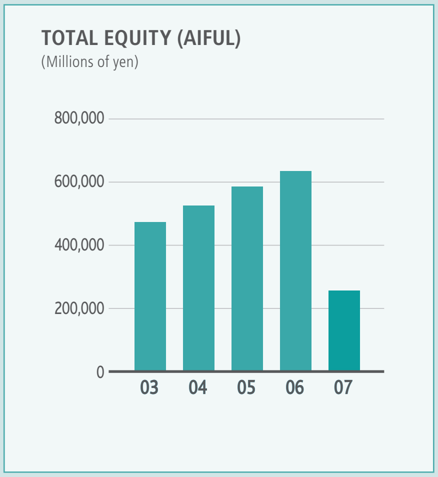


including ¥167,530 million to cover claims written off in association with interest refunds. Cash and bank deposits from loan repayments, bond redemptions and other sources amounted to ¥75,256 million, a year-on-year reduction of ¥10,838 million, or 12.6%. Deferred tax assets were reviewed conservatively to reflect uncertainty about the outlook for business conditions, resulting in a year-on-year reduction of ¥7,168 million, or 43.4%, to ¥9,333 million.

The lower figure for fixed assets resulted mainly from reductions in investments and other assets. Investment securities declined by ¥8,884 million, or 32.0%, to ¥18,879 million, shares in affiliated companies by ¥25,190 million, or 18.6%, to ¥110,144, and long-term loans to affiliated companies declined by ¥11,022 million, or 3.8%, to ¥277,503 million. The allowance for doubtful accounts was increased by ¥48,426 million, or 226.9%, to ¥69,765 million, in part because of a ¥46,200 million charge-off of long-term loans to affiliated companies, including consumer finance subsidiaries, as a result of group restructuring.

Current liabilities declined by ¥182,615 million, or 31.4%, year on year to ¥398,530 million, while long-term liabilities increased by ¥16,871 million, or 1.7%, to ¥1,007,292 million. The balance of funds procured, including loans and bonds, declined by ¥246,600 million, or 17.2%, to ¥1,190,960 million, reflecting reduced funding requirements because of the decline in loans outstanding. A business restructuring reserve of ¥4,381 million was also included in current liabilities. The allowance for losses on interest refunds, which was shown under current liabilities in the previous year, was included in long-term liabilities. The amount provided was ¥122,956 million. This figure reflects past interest repayments and recent trends and is in accordance with guidelines issued by the Japanese Institute of Certified Public Accountants. The reserve will be used to provide for future interest refunds.

Total equity as of March 31, 2007 amounted to ¥255,005 million. This figure reflects the net loss of ¥359,399 million, and a ¥5,752 million loss on deferred hedges. The equity ratio was 15.4%, a decline of 13.3 percentage points from the position as of March 31, 2006.



Bad Debts

Bad debts increased by ¥91,896 million, or 18.3%, to ¥238,133 million as of March 31, 2007. This temporary rise in the amount of bad debt resulted mainly from an increase in non-accrual loans. This was attributable to voluntary restraints on collection activities following the imposition of administrative penalties on AIFUL, and a review of the relevant operating rules.

(Millions of yen)

	2005	2006	2007
Loans in legal bankruptcy	28,144	30,309	**36,936**
Non-accrual loans	48,221	63,877	**142,932**
Accruing loans contractually past due three months or more as to principal or interest payments	12,100	15,667	**20,362**
Restructured loans	40,196	36,383	**37,903**
Total for four categories of disclosed loans	128,662	146,236	**238,133**

Bad debt charge-offs increased by ¥39,793 million, or 43.3%, to ¥131,683 million, and charge-offs and provision for doubtful loans, advances to subsidiaries and claims in bankruptcy by ¥114,565 million, or 110.7%, to ¥218,085 million. The allowance for doubtful loans, a current asset, amounted to ¥262,186 million, including ¥167,530 million for claims abandoned as a result of interest refunds.

(Millions of yen)

	2005	2006	2007
Allowance for bad debt at beginning of fiscal year	81,693	81,928	**85,659**
Bad debt charge-offs	90,316	91,890	**131,683**
Direct charge-offs	9,549	11,494	**48,469**
Allowance for bad debt	87,835	92,025	**169,616**
Charge-offs and provision for doubtful loans, advances to subsidiary and claims in bankruptcy	97,385	103,520	**218,085**

Charge-offs in excess of the amount provided in the loan loss reserve at the beginning of the period are treated as bad debt losses in the income statement. The amount provided for the loan loss reserve in the financial statement will be used to provide for bad debts in the next period. There will be implications for business performance, since the sum of bad debt losses and provision for the loan loss reserve will be treated as bad debt expenses in the year ended March 2007.

AIFUL has three charge-off schedules. Loans to bankrupt borrowers are charged off immediately. Where a borrower cannot be contacted, such as in the case of disappearance or death, loans are charge off after six months. In other cases, such as non-performing loans, the amounts are charged off after 12 months. An analysis of total charge-offs of unsecured loans in the year ended March 2007 shows that the percentage of loans to bankrupt borrowers declined by 13.6 percentage points to 18.3%. Loans to borrowers who had disappeared or died accounted for 10.1%, a reduction of 4.9% percentage points, and non-performing loans (including cases in which lawyers intervened) and debt charge-offs for 71.6%, an increase of 18.5%. Charge-offs for loans to borrowers who are bankrupt or have disappeared or died are declining, in part because of a continuing downward trend in personal bankruptcy applications. However, debt arrangements resulting from intervention by attorneys, including interest refunds, continue to increase. The resulting rapid rise in debt charge-offs is responsible for the substantial increase in total bad debts.

(%)

	2005	2006	**2007**
Bankrupt	35.6	31.9	**18.3**
Disappeared	18.8	15.0	**10.1**
Non-performing	12.5	13.5	**28.1**
Abandoned	33.1	39.6	**43.5**

LIFE Co., Ltd.
Overview (Managed Asset Basis)

LIFE's main area of activity is credit card shopping and per-item shopping loans. Currently it is restructuring its business portfolio to build a foundation for sustained income growth. Through this process, LIFE is withdrawing from low-margin areas, such as auto loans and housing loans, and concentrating its management resources into priority areas with growth potential, such as credit card shopping, cash advances and new-type bank loan guarantees.

In the current year, LIFE has strengthened its business base in the credit card area and commenced a radical restructuring of its business activities in preparation for changes in the competitive environment under the amended Money-Lending Business Control and Regulation Law. LIFE's response has included changes to its branch network, the introduction of a voluntary retirement scheme, and a review of operating costs.

In the year ended March 31, 2007, total receivables outstanding declined by ¥61,675 million, or 7.9%, to ¥717,884 million. However, there was sustained growth in the business segments that LIFE is actively expanding. Credit card shopping receivables increased by ¥16,088 million, or 15.9%, to ¥117,222 million, and the balance of credit card cash advances by ¥9,181 million, or 4.2%, to ¥229,984 million. The balance of LIFE's new-type credit guarantees was ¥149 million, or 0.6%, higher at ¥26,914 million. In the foundation segments of consumer finance services, which are provided mainly through LIFE Cash Plaza outlets, voluntary curbs on the distribution of marketing information and tighter credit criteria caused the balance of loans to decline by ¥8,377 million, or 4.8%, year on year to ¥164,880 million. The introduction of new credit criteria and transaction policies for member merchants were reflected in the balance of per-item shopping loans, which was ¥71,370 million, or 38.8%, lower at ¥112,512 million. Lower results were recorded in the areas from which LIFE is withdrawing. The balance of Partner loans (auto loans) declined by 31.2% to ¥560 million, the balance of housing loans by 13.5% to ¥24,373 million, and the balance of old-type bank loan guarantees by 12.7% to ¥31,164 million.

RECEIVABLES

(%)

	2005	2006	**2007**
Expanding segments	41.6	44.7	**52.1**
Foundation segments	47.2	45.8	**38.7**
Shrinking segments	11.2	9.5	**9.2**

Operating revenues were ¥4,457 million, or 3.3%, below the previous year's level at ¥129,479 million. Operating expenses increased by ¥39,518 million, or 36.2%, to ¥148,559 million, mainly because of higher bad debt costs, which increased by ¥16,372 million, or 41.9%, to ¥55,443 million, because of increased bad debt charge-offs and conservative provision for loan losses. Another factor was interest refund expenses, which totaled ¥24,936 million.

There was an operating loss of ¥19,079 million, and an ordinary loss of ¥18,957 million. Extraordinary losses included branch closure and amalgamation expenses resulting from business restructuring, lump-sum severance payments under the voluntary retirement scheme, and tax expenses caused by the reversal of deferred tax assets. After adjustment for these items, there was a net loss of ¥43,313 million.

Segment Information

Credit Cards

LIFE's basic policies are to expand its cardholder base through a diversified affinity card strategy, and to raise card utilization rates. By continuing to strengthen its marketing systems under these policies, LIFE is achieving sustained growth in its core credit card business.

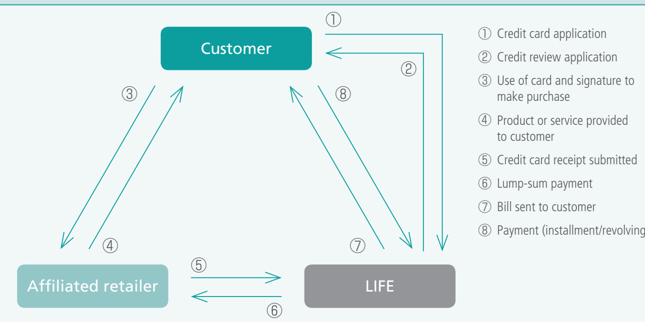
In the year ended March 2007, LIFE launched sign-up campaigns and began to sign up cardholders for its new proprietary card, *LIFE Card Gold*. It also expanded its cardholder base by issuing a variety of affinity cards, including not only retailer affinity cards, but also cards linked to non-profit organizations. In addition, LIFE continued to diversify its card application channels, which now include on-line applications, and expanded its product range to meet the needs of each customer segment. It also worked to raise the profile of LIFE Cards through television advertising and co-sponsorship of events. In the year under review, LIFE issued 2,180 thousand new cards, making this the fifth successive year in which issues have exceeded 2,000 thousand. The number of effective cardholders increased by 969 thousand, or 7.4%, year on year to 14,065 thousand.

LIFE sought to raise card utilization rates by continuing its efforts to develop new affiliated merchants. It also offered attractive points programs and implemented various programs to encourage increased card use, including the use of cards to pay mobile phone bills, utility charges and other monthly expenses. These initiatives brought significant growth in both the number of card users and card utilization. The card utilization rate for the year ended March 2007 was 30.1%, a year-on-year increase of 3.6 percentage points.

An expanded cardholder base and higher card utilization rate

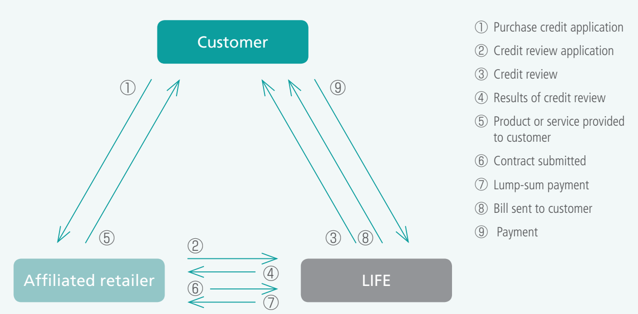
1. CREDIT CARD SHOPPING LOANS

LIFE's cards allow consumers to use credit to shop at or get cash advances from affiliated retailers and merchants that accept MasterCard, JCB, or Visa cards. Unlike shopping, credit cards involve a credit check only at the time they are issued and not at each time of purchase. They are also convenient because consumers can freely make purchases up to their credit limits, and attractive since they include a host of card member services. LIFE's credit cards include ones issued with partner companies, which benefit from added convenience for their customers, improved customer management capabilities, and another way to promote sales.



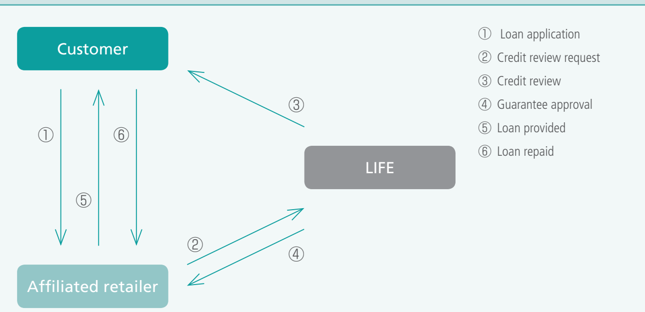
2. PER-ITEM SHOPPING LOANS

Under this system, consumers without credit cards or the required cash are able to purchase the goods they want with financing from LIFE. Credit reviews are conducted at the time of purchase. Consumers can choose to make a one-time payment, installment payments, or payments out of future bonuses, depending on whichever financing option fits their lifestyle. The system is also attractive to affiliated retailers since LIFE services the loans, thereby freeing the retailers from customers' credit risk and allowing them to streamline their operations.



3. LOAN GUARANTEES

Under this system, LIFE conducts credit reviews on behalf of partner financial institutions that provide financing to customers, and guarantees the financing. This system allows banks to quickly provide their customers with unsecured loans, with the help of LIFE's scoring system. At the same time, banks can minimize their credit risks and benefit from having another source of stable earnings. LIFE's expertise comes heavily into play in the credit guarantee business, which requires strong risk-management capabilities based on access to a voluminous amount of consumer credit information and the ability to manage customers' credit.



were reflected in the level of credit card shopping transaction volume, which increased by ¥90,403 million, or 19.2%, to ¥561,299 million, while cash advances declined by ¥77 million to ¥235,301 million. The balance of credit card shopping increased by ¥16,087 million, or 15.9%, to ¥117,222 million, and the balance of cash advances by ¥9,181 million, or 4.2%, to ¥229,984 million. The yield on credit card shopping declined by 0.1 percentage points to 11.9%, and the yield on credit card cash advances by 0.6 percentage points to 22.8%.

Per-Item Shopping Loans

LIFE implemented major changes in its transaction policy for affiliated merchants, following public concern about the methods used by some home improvement firms to market their services to elderly customers. It also further tightened its screening criteria for affiliated merchants, as well as implementing regular credit checks part-way through contract periods.

As a result of these measures, the transaction volume of per-item shopping loans declined by ¥85,643 million, or 70.3%, year on year to ¥36,268 million, and the balance of receivables by ¥71,371 million, or 38.8%, to ¥112,512 million. The interest yield was 0.2 percentage points lower at 9.0%. Revenue from per-item loans amounted to ¥13,289 million, a year-on-year decline of ¥4,644 million, or 25.9%.

Loan Guarantees

LIFE wound down its involvement in old-type bank loan guarantees because of their limited profitability and focused instead on the marketing of new high-margin products. As a result, the balance of old-type products shrank by 12.7% year on year to ¥31,164 million, while the balance of new-type products increased by 0.6% to ¥26,914 million. The total balance of loan guarantees, including housing loan guarantees, was 9.2% lower at ¥83,013 million, but the yield improved by 0.3 percentage points year on year to 4.7%, indicating that the restructuring of LIFE's portfolio is steadily producing benefits.

In developing its new-type bank loan guarantee business, LIFE strengthened its presence in the area of high-margin guarantees for loans to individual borrowers. In November 2006, it also began to handle LIFE Business Loans, a new guarantee product for business borrowers. In this area, LIFE will be able to draw on the business lending expertise of other AIFUL Group companies. Another priority was the development of new guarantee customers. In the year under review, LIFE formed alliances with three financial institutions, bringing the total to 129.

LIFE Cash Plaza

LIFE provides unsecured cash advances to consumers through special cards issued under the *LIFE Cash Plaza* brand. In the year ended March 2007, it undertook an in-depth review of its branch strategy following amendments to the Money-Lending Business Control and Regulation Law. This resulted in the reduction of the network by 95 locations compared with the total as of March 2006, to 115. Of these, 41 are manned and 74 unmanned. Like other AIFUL Group companies, LIFE has tightened its credit criteria. As a result, the number of new contracts approved was reduced by 36.9% to 47 thousand, and the balance of loans outstanding by ¥8,377 million, or 4.8%, to ¥164,880 million. LIFE actively offered preferential rates to existing customers with proven track records, with the result that the yield declined by 1.3% to 23.4%.

Bad Debts

In the year ended March 2007, LIFE wrote off loans amounting to ¥44,498 million, an increase of ¥7,232 million, or 19.4%, over the previous year's level. The loan-loss reserve was increased by ¥10,945 million, or 27.3%, to ¥51,107 million. As part of its compliance efforts, LIFE reviewed some of its recovery procedures. This caused a temporary rise in the amount of non-performing loans, and the charge-off ratio increased by 1.4 percentage points to 6.2%.

(Millions of yen)

	2005	2006	**2007**
Bad debt charge-offs	36,658	37,266	**44,498**
Ratio of bad debt charge-offs (%)	4.88	4.78	**6.20**
Allowance for bad debts	38,358	40,162	**51,107**

Other Subsidiaries

Small Business Loans

BUSINEXT CORPORATION

BUSINEXT CORPORATION was established as a joint venture with The Sumitomo Trust & Banking Co., Ltd. Its main area of activity is financial services to moderate-risk businesses. Since commencing operations in April 2001, it has achieved steady growth in its loan balance by providing loans under its own corporate scoring system. To date over 44,000 companies have used BUSINEXT card loans and business loans, which are the company's core segments.

BUSINEXT is steadily adding new locations to its network, especially in major cities. New branches were opened in Yokohama and Omiya in April 2006, and another was added in Kobe in July, bringing the total to 10. Another priority for BUSINEXT is the enhancement of customer services. Recent improvements include the signing of an ATM sharing agreement with The Tokyo Star Bank in January 2007.

As in the previous year, BUSINEXT continued to maintain high growth rates in the year ended March 2007. The balance of loans outstanding increased by ¥9,217 million, or 12.6%, year on year to ¥82,328 million, and operating income by ¥2,523 million, or 29.2%, to ¥11,159 million. However, conservative provision for non-performing loans caused ordinary income to decline by ¥410 million, or 26.8%, to ¥1,122 million, while net income was ¥1,773 million, or 73.1%, lower at ¥651 million.

City's Corporation

Acquired by AIFUL in October 2002, City's provides loans to high-risk business borrowers. In the year ended March 2007, it implemented measures to improve its cost structure, including the reduction of its branch network from 63 to 47 locations through a process of closure and amalgamation. City's also raised the efficiency of its work force by introducing a voluntary retirement scheme for full-time employees. The balance of loans outstanding as of March 31, 2007 was ¥58,316 million, a reduction of ¥9,540 million, or 14.1%, compared with the level a year earlier. The lower figure reflects the tightening of credit criteria. This reduced top-line figure was reflected in lower interest income, which caused operating income to decline by ¥447 million, or 3.2%, to ¥13,550 million. An increase in bad debt costs and other factors resulted in an ordinary loss of ¥51 million. The addition of extraordinary losses relating to business restructuring brought the net loss to ¥3,322 million.

Consumer Loans

The four consumer finance subsidiaries in the AIFUL Group are being progressively restructured and absorbed into AIFUL Corporation. This plan was adopted mainly as a way of adapting to changes in the business environment for the consumer finance industry by reallocating the Group's management resources and improving operating efficiency. TCM. Co. Ltd., which operates mainly in Nagano Prefecture, and Passkey Co., Ltd., which is based in Hokkaido, will be restructured and absorbed by March 2008. Based primarily in western Japan, TRYTO CORPORATION was established in April 2004 through the merger of three consumer finance subsidies. Wide Corporation, which mainly serves customers in eastern Japan, was acquired in June 2004. Both companies are currently amalgamating and closing branches and improving their work force efficiency in preparation for restructuring and integration by March 2009.

In the year ended March 2007, the activities of these four companies were affected by the introduction of tighter credit criteria. Their aggregate balance of loans outstanding declined by 18.4% year on year to ¥149,745 million. TRYTO's loan balance was 17.4% lower than the level a year earlier at ¥54,947 million, while Wide's declined by 19.0% to ¥80,953 million. An income analysis shows that TRYTO's operating income was 7.6% lower year on year at ¥15,000 million, and it recorded an ordinary loss of ¥15,537 million, reflecting conservative provision for loan-loss and interest refund reserves. There were also extraordinary losses of ¥1,250 million. This figure consists of business restructuring losses and a reserve for business restructuring losses, relating to the aforementioned group restructuring and integration process. As a result, the net loss was ¥24,465 million. Wide's operating income fell by 10.6% year on year to ¥22,752 million. There was an operating loss of ¥18,366 million, resulting from a substantial increase in loan-loss and interest refund reserves. Extraordinary losses, including business restructuring losses and the business restructuring reserve, totaled ¥1,875 million, and the net loss was ¥35,040 million.

The AIFUL Group's two companies specializing in Internet lending, id CREDIT CORPORATION and NET ONE CLUB CORPORATION, were both absorbed by AIFUL Corporation on March 26, 2007.

Other Subsidiaries

AsTry Loan Services Corporation

AsTry Loan Services Corporation was established by AIFUL and Aozora Bank, Ltd., According to a rating issued by Standard & Poors in December 2006, AsTry has ample capacity as a special loan servicer, and its outlook is stable. The company has earned an excellent reputation for its ability to carry out servicing contracts. As of March 31, 2007, the balance for receivables purchased amounted to ¥12,753 million, a year-on-year increase of 16.7%. Operating income declined by ¥1,019 million, or 21.5%, to ¥3,726 million, and there was an ordinary loss of ¥138 million and a net loss of ¥126 million.

New Frontier Partners Co., Ltd. (NFP)

New Frontier Partners is a venture capital company. It became an AIFUL subsidiary on March 31, 2004. In addition to its investment role as a supplier of growth capital to medium-sized companies and ventures, it also helps to build corporate value through its consultation and diagnostic role as a "business doctor." In the year ended March 2007, it continued to implement aggressive strategies, including the development of new investment targets and the expansion of its secondary investment activities. As of March 31, 2007, the company's total investment portfolio, including amounts invested through funds, amounted to ¥4,829 million, a year-on-year increase of 4.3%. Operating income was 15.7% higher at ¥780 million. There was an ordinary loss of ¥357 million, and a net loss of ¥361 million.

Risk Factors

The following is a list of the major risk factors that can have an effect on the AIFUL Group's operating results, stock price and financial position. This is not a complete list of the risk factors that, in the opinion of management, have the potential of significantly affecting the Group. Other than the risk factors listed below, there are a number of risk factors that are difficult to predict. Management is aware of the possibility of a negative impact on the Group's operating results, stock price and financial position due to these risk factors, and has a policy of taking actions to prevent these problems and to respond properly in the event a problem occurs. However, there is no assurance that the Group can avoid all risk factors or can respond properly to a problem. Forward-looking statements in this section are based on judgments of the Group as of June 28, 2007, the date on which the Ministry of Finance Securities Report *(Yukashoken Hokokusho)* was submitted.

Risk Factors Involving the Operating Environment

Many factors influence the ability of the AIFUL Group to maintain past levels of income and growth or improve on those levels. Those discussed here are seen as the most significant ones. In April 2007, AIFUL Corporation established a Risk Management Committee, which reports directly to the Board of Directors. Its task is to coordinate risk management across the entire organization and develop systems to avoid risk and ensure an appropriate response in the event problems arise. However, the AIFUL Group's financial position or business performance may be adversely affected by a range of factors, such as changes in the business environment, including the tightening or easing of regulatory systems, the competitive environment, or economic fluctuations.

(1) Economic conditions and market trends in Japan, especially in the consumer finance market
(2) Escalation of competition in the consumer finance market
(3) Changes in laws and regulations relating to consumer finance, especially the regulatory framework relating to statutory maximum interest rates, and the enforcement of those laws and regulations, as well as court decisions concerning the related laws and regulations, the resulting changes to accounting standards, and the incidence of litigation, including lawsuits demanding interest refunds
(4) Changes in the Group's capacity to provide credit, in the number of accounts, in the average balance per account, in the average interest rate on loans, and in the delinquency ratio
(5) Changes in the Group's ability to procure funds because of market interest rate trends, changes in the Group's credit status, and other factors
(6) Changes in expenses and losses, such as fees and commissions, advertising expenses, and labor costs
(7) Unfavorable media reporting or scandals concerning the AIFUL Group or the consumer finance industry

Risks Concerning Multiple Debtors, etc.

In recent years, a growing number of consumers have become heavily indebted by borrowing from multiple lending institutions or by using multiple credit cards. There has also been an increase in the number of consumers, including AIFUL Group customers, seeking legal protection. These social problems are linked to the economic situation, as well as to changes to legal systems in the area of consumer protection.

In January 1997, the consumer finance industry responded to these issues by establishing the Liaison Group of Consumer Finance Companies. This group has since worked to inform consumers using television advertising, pamphlets and other methods. It has also contributed to financial education, including the production of video teaching materials for use in senior high schools. In June 1997, 14 consumer finance companies contributed a total of ¥1,722 million to establish the Japan Consumer Counseling Fund, which provides financial grants and other support for a variety of counseling programs.

In March 2006, seven major consumer finance companies, including the Liaison Group members, jointly announced a package of voluntary initiatives designed to improve the soundness of the consumer finance market. The three key initiatives were support for sound household financial management, the distribution of information about the safe use of finance, and actions leading to the creation of safety net mechanisms. This announcement was followed in June 2006 by the launch of a media campaign explaining the risks of accumulating excessive debt. In October, the industry also introduced a support site for sound household financial management. Services offered on this website include diagnostic systems for consumer behavior and household financial management.

The AIFUL Group is taking various steps to avoid excessive credit risk, including the introduction of tighter credit criteria, and the use of personal credit rating agencies and the Group's own screening systems to check the repayment capacity of borrowers, including ongoing analyses of customers' credit situation during the period of loans. We have also modified our products to encourage systematic repayment under revolving credit agreements by setting a maximum repayment period of five years.

However, there remains the possibility that the financial position or business performance of the AIFUL Group may be affected despite these efforts, because of such factors as deterioration in the Group's loan portfolio resulting from future changes in economic conditions or the regulatory environment, an increase in the number of customers seeking debt restructuring through legal actions, a reduction in the size of the market due to the imposition of tighter restrictions and limits on the consumer finance industry, or an increase in credit costs, including charge-offs of non-performing loans.

Laws and Regulations

1. Compliance with Laws and Regulations

On April 14, 2006, the Kinki Finance Bureau of the Ministry of Finance conducted a search of AIFUL Group premises. This action resulted in the discovery of various regulatory violations, including the fraudulent preparation and exercise of powers of attorney, demands for repayment from persons subject to orders for the commencement of assistance, repeated telephone calls to borrowers' places of employment with the aim of soliciting repayment, persistent requests to third parties for assistance in the recovery of claims, and improper recording of negotiations. As a result of these violations, the authorities ordered AIFUL to suspend business operations at five branches for a period of 20 to 25 days, and at other branches and premises for a period of three days from May 8, 2006.

Past initiatives by AIFUL to ensure compliance with money-lending laws and regulations and curb inappropriate behavior have included the establishment of a Compliance Committee reporting directly to the Board of Directors, and the creation of a Compliance Department to act as its secretariat. The Compliance Committee gathers compliance-related information and monitors the compliance situation throughout the AIFUL Group. In April 2007 we further strengthened our compliance systems by strengthening the functions of the Compliance Department, now the Compliance Coordination Department. The changes include the introduction of integrated management for hot-line systems and rewards and penalties, and improvement of information-gathering functions in the compliance area. We have also formulated operating rules as part of our efforts to inform staff about the importance of regulatory compliance. Staff acquire legal knowledge through in-house educational programs, and we are working to strengthen awareness of compliance. The effectiveness of internal auditing systems, including telephone monitoring, has also been improved. In addition, we have established structures to ensure that these and other systems are reviewed at appropriate intervals.

Despite these efforts, there is a possibility that employees or other persons in the AIFUL Group may violate laws and regulations or engage in inappropriate behavior. In such cases, AIFUL will be required to take responsibility through the imposition of administrative penalties or other measures. Such situations may affect the financial position and business performance of the AIFUL Group.

2. Business Restrictions

The loan business of the AIFUL Group, including its core consumer finance business, is subject to regulation under the Money-Lending Business Control and Regulation Law and the Investment Deposit and Interest Rate Law. Business restrictions under these laws include the prohibition of excessive lending, a requirement to disclose and advertise loan terms and other information, the prohibition of exaggerated claims in advertising, a requirement to provide explanatory information when contracts are signed and at other times, obligations to provide documents and receipts and maintain proper accounts, restrictions on the acquisition of blank powers of attorney, restrictions on debt collection activities, requirements concerning the return of claim documents and the display of business licenses, and restrictions on the sale of receivables and the delegation of authority. There are also requirements concerning the disclosure of transaction histories, the appointment of registered money-lending officers, the carrying of identification documents, and the appropriate handling of personal information, as well as statutory requirements relating to the information shown in payment demands.

AIFUL is also subject to supervision by the Financial Services Agency, which on October 29, 2003 issued administrative guidelines concerning important aspects of financial supervision and related matters. Under these guidelines, a loan is regarded as excessive if it exceeds ¥500,000 or 10% of the borrower's annual income, as determined solely on the basis of a simple screening at the counter.

The AIFUL Group's shopping loan business, including credit card loans and per-item shopping loans, is subject to restrictions under the Installment Sales Law. These include requirements concerning the disclosure of transaction terms and the provision of documents, and restrictions on the amount of compensation that can be demanded in the event of a contract cancellation or other situation. There are also provisions concerning the right to make complaints to a party arranging installment purchases, the prevention of purchasing beyond the purchasers' ability to pay, and the prevention of consumer problems relating to the continuous services.

Under the Money-Lending Business Control and Regulation Law, whenever the AIFUL Group, as a money-lender, enters into a loan agreement or guarantee agreement and extends a loan, it is required to provide the borrower, as the customer, and the guarantor with documents containing specified information concerning the terms of the loan. These documents must be provided without delay.

According to the administrative guidelines of the Financial Services

Agency, the lender must provide specified documents when agreements are signed. In addition, documents containing all information required by law must be provided, or forwarded by mail without delay, whenever a customer borrows money using an ATM or at a manned branch. In August 2003, AIFUL modified its ATM software to support the provision of documents containing all information required by law. We are currently modifying our systems to reflect changes to the Enforcement Regulations for the Money-Lending Business Control and Regulation Law, as described later in this report.

When customers obtain loans through the ATMs of partner institutions, documents containing the information required by law are mailed individually to those customers without delay, provided that the customers have given prior consent for this service. The Financial Services Agency has the authority to impose administrative penalties, including orders to totally or partially suspend business operations, if a money-lender fails to comply with regulatory requirements concerning the provision of documents and information. It can also restrict the use of ATMs owned by partner institutions and has the authority to cancel registration as a money-lender. There are issues concerning the provision of documents and related matters, and if this situation results in administrative action against the AIFUL Group, the Group's financial position and business performance could be affected. It would also be necessary to review the Group's operating methods.

On May 1, 2005, the administrative guidelines were partially amended as follows. (a) Examples were added to illustrate actions likely to contravene Article 13 Paragraph 2 of the Money-Lending Business Control and Regulation Law, which prohibits lending by means of fraudulent or seriously inappropriate methods. These include situations in which the money-lender fails to take necessary and appropriate steps to provide proper explanatory information, such as formulating internal rules or operating manuals stipulating the need to provide explanatory information so that the other party can fully understand the content of loan or guarantee agreements when these documents are signed. (b) Supervisory policies concerning the responsibility of the money-lender to provide explanatory information were strengthened. (c) The responsibility of the money-lender to provide explanatory information about guarantees was expanded. Now the money-lender is required to explain the content of the specific agreement and indicate the legal benefits and risks to the guarantor in the event that guarantee obligations actually needed to be enforced, taking into account the ability of the other party to understand this information. (d) A new provision was added concerning the responsibility of the money-lender to provide explanatory information about powers of attorney for the preparation of notarized documents. Now the money-lender is required to explain the legal effect of creating a notarized document containing a clause approving mandatory enforcement, taking into account the ability of the other party to understand that information. On November 14, 2005, the administrative guidelines were again amended. These changes included clarification of the money-lender's obligation to disclose transaction histories.

On April 11, 2006 a Cabinet Office ordinance was promulgated, partially amending the enforcement regulations for the Money-Lending Business Control and Regulation Law. The ordinance changed the provisions concerning the information that money-lenders are required by law to include in receipts issued when payments are received, and in payment demands. This change took effect on the same date. Another change, which came into effect on July 1, 2006, resulted in the addition of provisions concerning the loss of term benefits in agreements.

The administrative guidelines were again partially amended on June 14, 2006. The following changes were made. (a) To prevent excessive lending, it was stipulated that a money-lender would be deemed to have induced a borrower to borrow more than was required if the money-lender asks the debtor to maintain the level of debt, such as by refusing to make repayments, or if the money-lender raises the lending limit under a comprehensive agreement even though the customer has requested such actions. Another change introduced a requirement to maintain written records of investigations carried out to ascertain the ability of the customer to repay a loan for which physical collateral has been received, without converting that collateral into cash, and to ascertain the ability of guarantor to perform guarantee obligations. (b) A provision was added stipulating that changes to agreements were also covered by the requirement to avoid the situations described in the administrative guidelines as examples of actions that would be highly likely to contravene Article 13, Paragraph 2 of the Money-Lending Business Control and Regulation Law. The action of demanding that customers establish automatic payments from accounts used for the receipt of public benefits, except where the customer has so requested for the sake of convenience, was also added to the list of examples of situations that must be avoided.

Further changes were made to the administrative guidelines on November 1, 2006. Effective from that date, examples were added to clarify the types of behavior likely to be classed as intimidation under the provisions of Article 21 Paragraph 1 of the Money-Lending Business Control and Regulation Law, and the types of money that would be classed as interest under the provisions of Article 5 Paragraph 7 of the Investment Deposit and Interest Rate Law. On December 28, 2006, there was a further change. This resulted in the establishment of new regulations, including regulations covering the types of information to be released concerning the transfer of receivables, such as after a notice of cessation of business. These new regulations took effect from February 1, 2007. The AIFUL Group is adapting to these changes appropriately and in compliance with the law.

An act partially amending regulations and other requirements concerning the money-lending business was passed by the House of Representatives on November 30, 2006 and the House of Councillors on December 13, 2006. Promulgated on December 20, 2006, the new law provides for partial changes to the Interest Limitation Law, the Investment Deposit and Interest Rate Law and the Money-Lending Business Control and Regulation Law. The changes will be phased in over a period of approximately three years from the date of promulgation.

One consequence will be the lowering of the maximum interest rate under the Investment Deposit and Interest Rate Law to the level stipulated in the Interest Limitation Law. Another will be the introduction of a restriction on total lending, which in principle will prohibit lending that would increase the total balance owed, including amounts owed to other money-lenders, to more than one-third of the borrower's yearly income. Additionally, tighter restrictions will be placed on the activities of money-lenders, including solicitation and the obligation to provide documents. Other regulations will also be strengthened, and supervisory agencies will be given stronger supervisory powers, including the authority to implement operational improvement orders and order the dismissal of directors. These changes are expected to have a significant impact on the industry.

The AIFUL Group is determined to make the necessary adaptations and is currently considering group restructuring measures and business portfolio diversification. We will also develop new products and modify our operations to reflect changes in related laws and regulations. At the same time, we aim to improve management efficiency through cost reductions achieved by closing and amalgamating branches and optimizing work force efficiency. However, we may be unable to implement these measures as planned because of other changes, such as further escalation of competition or a credit squeeze, our ability to attract customers being adversely affected by other factors, leading to a decline in our earning capacity, or marketing capacity declines because of a reduction in our human resources. If this occurs, it is possible that we will be forced to review our group business strategies.

3. Interest Rates on Loans and Deemed Payments

A law partially amending the Money-Lending Business Control and Regulation Law came into effect on June 1, 2000. This new law reduced the maximum interest rate that can be charged by a party engaged in money-lending as a business from 40.0004% to 29.2%. It also introduced criminal penalties for violations of this rule. The maximum interest rates charged by the AIFUL Group are below this limit.

The Money-Lending Business Control and Regulation Law and the Investment Deposit and Interest Rate Law was again amended by an act promulgated on August 1, 2003. Article 12 Paragraph 2 of the supplementary provisions to this act stated that Article 5 Paragraph 2 of the Investment Deposit and Interest Rate Law, which sets maximum interest rates, should be reviewed three years after promulgation. Changes would be made as required according to the results of an analysis of prevailing conditions, including the demand for funds and other aspects of the economic and financial situation, and conditions in the money-lending business, such as the levels of interest rates according to the financial and credit status of borrowers. This review resulted in the passage and promulgation of an act partially amending the laws and regulations governing the money-lending business in December 2006, as described earlier in this report. Changes to the related laws will result in the lowering of the maximum interest rate from 29.2% to 20%, and the abolition of the deemed repayment system under the Money-Lending Business Control and Regulation Law. These changes will be implemented over a period of approximately three years from the date of promulgation.

The financial position and business performance of the AIFUL Group could be adversely affected by the possible consequences of tightening regulations, including a decline in earning potential resulting from the reduction of interest rates and other factors, higher credit costs caused by market contraction, and other unexpected costs.

Under the Interest Limitation Law, the maximum interest rate under interest agreements for cash loans to consumers is 20% where the principal is less than ¥100,000, 18% where the principal is ¥100,000 or more but less than ¥1 million, and 15% where the principal is ¥1 million or more. Article 1 Paragraph 1 of the same law states that any amount in excess of these limits is invalid, but Paragraph 2 states that debtors who have voluntarily paid excess amounts are not entitled to demand refunds. Article 43 of the Money-Lending Business Control and Regulation Law states that if documents as stipulated in Article 17 of the same law were issued to debtors, etc., when the loan was provided, and the debtor has voluntarily paid excess interest that constitutes a payment under the Agreement for which documents were issued under the provisions of Article 17, such amounts will be deemed to be legally valid interest payments ("deemed payments"), irrespective of the provisions of Article 1 Paragraph 1 of the Interest Limitation Law. This assumes that documents as stipulated in Article 18 of the same law were issued immediately after payment.

However, the Japanese Supreme Court ruled on January 13, 2006, that special contract provisions requiring full payment of the entire amount outstanding in the event that the borrower fails to make interest payments by the due date are in effect mandatory payment requirements covering amounts above the maximum rate stipulated in the Interest Limitation Law, and that such payments by the debtor could not be regarded as voluntary. This includes amounts above the maximum rate stipulated in the Interest Limitation Law. The court further ruled that Article 15 Paragraph 2 of the Enforcement Regulations of the Money-Lending Business Control and Regulation Law, which states that other information, such as the date of the agreement, can be substituted for an agreement number on receipts, is invalid since it is outside the mandate of the law. The AIFUL Group takes these rulings very seriously and is implementing appropriate actions, including the introduction of agreement forms that reflect these rulings.

With some exceptions, the loan products currently provided by the AIFUL Group include contractual interest rates in excess of the maximum interest rates stipulated in the Interest Limitation Law. There have been cases in which companies in the consumer finance industry have been targeted by lawsuits demanding refunds of excess interest on the grounds that agreement documents did not meet the requirements stipulated in the Money-Lending Business Control and Regulation Law. There have been also court rulings in favor of these claims.

There have been lawsuits against the AIFUL Group demanding refunds of excess interest. Courts have accepted the plaintiffs' argument that the AIFUL Group, as a money-lender, failed to fulfill the requirements for deemed payments under Money-Lending Business Control and Regulation Law. In some cases the excess interest has been refunded under out-of-court settlements. Refunds of excess interest in the consolidated accounting period ended March 31, 2007 amounted to ¥36,308 million.

On October 13, 2006, the Japanese Institute of Certified Public Accountants issued audit guidelines for reserves for losses incurred by consumer finance companies and others as a result of demands for interest refunds. These guidelines ("Industry Committee Report No. 37") apply to audits covering the interim consolidated accounting period and interim accounting period ended September 1, 2006 (and audits covering consolidated accounting years and business years that include this interim consolidated accounting period or interim accounting period).

Industry Committee Report No. 37 states that the reserve for interest refund losses should be based on a reasonable estimate of future interest refund losses. This is calculated by multiplying (a) the number of borrower accounts in each category (normal accounts, delinquent accounts, accounts fully repaid or written off), by (b) the actual refund ratio during the period covered by the reasonable estimate, and (c) the average amount refunded, and applying the necessary adjustments to the resulting amount.

Using the procedure defined in Industry Committee Report No. 37, the AIFUL Group provided an interest refund loss reserve of ¥362,698 million. This amount includes ¥195,545 million that was included in the loan-loss reserve, since it was estimated that this amount would be applied preferentially to loans.

However, the premises on which these accounting estimates were based include historical refund data and current trends in interest refunds. If refund demands exceed these premises, there is a possibility that the financial position and business performance of the AIFUL Group will be adversely affected.

4. Other Laws and Regulations

(1) Handling and Protection of Personal Information

Japan's Personal Information Protection Law, together with related guidelines established by various government agencies, took effect on April 1, 2005. Under the Personal Information Protection Law, businesses that handle personal information are required to submit reports when necessary. If obligations under the law are violated, the minister in charge is empowered to issue warnings or directives requiring the necessary steps to be taken to protect the rights and interests of individuals. The guidelines state that the purposes for which personal information will be used must be disclosed and published, and where necessary the consent of customers must be obtained for the handling of personal information, and that if the handling of personal information is outsourced, the service providers must be properly supervised. Other requirements include the establishment of security management systems from the organizational, human and technical perspectives, and the publication of basic policies on the handling of personal information.

The AIFUL Group has reviewed its procedures for handling personal information according to these requirements, and we have also adopted a privacy policy and taken steps to prevent leaks of personal information from the AIFUL Group. However, in the unlikely event that personal information is leaked, resulting in a warning or directive from the Financial Services Agency, there is a possibility that the reputation, financial position or business performance of the AIFUL Group could be adversely affected.

(2) Amendment of the Judicial Scrivener Law

On April 1, 2003, the Judicial Scrivener Law was amended to expand the range of situations in which judicial scriveners (shiho shoshi) can act as legal representatives. Judicial scriveners can now represent clients in mediations, civil suits and other types of cases that can be heard in summary courts, provided that the amount of any claim does not exceed ¥1.4 million. If this amendment, future developments or a further expansion of the scope of services that can be provided by judicial scriveners result in further increases in the incidence of lawsuits and debt restructuring, the consequences could include longer repayment schedules and increased bad debts. These factors could affect the financial position or business performance of the AIFUL Group.

(3) Amendment of the Bankruptcy Law

Amendments to the Bankruptcy Law, which took effect on January 1, 2005, were designed to simplify and speed up bankruptcy proceedings by integrating bankruptcy and discharge procedures and shortening the period during which a bankrupt cannot be discharged. The range of assets that bankrupts can keep (free assets) was expanded, and safeguards for the rights of personal bankrupts were strengthened.

If these changes lead to an increase in the number of bankruptcies or other consequences, the resulting increase in bad debts could impact on the financial position and business performance of the AIFUL Group.

(4) Possibility of Increased Customer Debt Restructuring Following the Enactment of the Special Mediation Law and Amendments to the Civil Rehabilitation Law

Under the Law Concerning Special Mediation to Promote the Adjustment of Special Debts, etc. (the "Special Mediation Law"), which took effect on February 17, 2000, a debtor at risk of becoming unable to repay debts can seek debt restructuring, including changes to payment dates. This can be done by negotiating with creditors through a civil mediation committee made up of a judge and experts in fields that are appropriate based on the business activities of the debtors, such as law, taxation, corporate finance and asset valuation. While special mediation procedures are in progress, the debtor can also seek a stay of other civil enforcement procedures targeting the debtors' assets.

Under the amended Civil Rehabilitation Law of April 1, 2001, a number of options were introduced allowing an individual who is economically bankrupt to defer repayment of a loan without becoming subject to a bankruptcy declaration. One of the options available under this law does not require the approval of creditors for rehabilitation plans. Under certain circumstances, it is also possible to avoid the loss of a house covered by a home equity loan by applying special housing finance provisions.

To date few AIFUL Group customers have sought protection under these legal systems. However, if the number increases because of economic trends or other factors, the financial position and business performance of the AIFUL Group could be affected by the resulting extension of loan repayment timetables, increased bad debts or other factors.

(5) The Law Concerning the Promotion of the Use of Out-of-Court Dispute Settlement Procedures

The Law Concerning the Promotion of the Use of Out-of-Court Dispute Settlement Procedures, which came into effect on April 1, 2007, expands the functionality of out-of-court settlement procedures (procedures for the settlement of civil disputes without recourse to litigation, with the participation of specified third parties). The Minster of Justice is now able to certify dispute resolution contractors as third parties capable of participating in these procedures. The law also accords legal status to out-of-court settlement services provided by these contractors. If the use of out-of-court settlement procedures increases, the financial position and business performance of the AIFUL Group could be affected by the resulting extension of loan repayment timetables, increased bad debts or other factors.

Fund Procurement Risks

1. Interest Rate Fluctuation Risk

Interest rates on funds procured by the AIFUL Group fluctuate according to market conditions and other factors. To minimize its exposure to this risk, the AIFUL Group uses interest swaps and caps to hedge against interest rate rises. However, depending on the extent of future interest rate increases, it is possible that the procurement activities of the AIFUL Group may be affected.

2. Changes in Credit Ratings

AIFUL has been rated by the following rating agencies. If these ratings change, AIFUL's procurement activities may be affected.

Rating Agency	Rating
Rating and Investment Information	A–/Stable
Japan Credit Rating Agency	BBB+/Negative
Moody's Japan	Baa2/Positive
Standard & Poor's	BBB+/Negative
Fitch Ratings	BBB+/Negative

3. Diversification of Fund Procurement

The AIFUL Group is diversifying its procurement methods, which include direct borrowing from financial institutions, syndicated loans, domestic and overseas bonds, commercial paper and asset securitization. The financial position and business performance of the AIFUL Group could be affected in certain situations, such as if a decline in the Group's credit rating affects borrowing terms or causes a decline in the amount that can be borrowed, preventing the Group from procuring funds under terms similar to those prevailing at present.

Disruptions, Malfunctions and Other Problems Concerning Data, Network Systems, Internet Systems and Other Technological Systems

The AIFUL Group uses internal and external information and technology systems to manage its business operations. The Group is becoming increasingly reliant on software, systems and networks to control the various information resources, including branch network data and account data, on which its business activities are based. Hardware and software used by the Group could be affected by human error, natural disasters, power cuts, computer viruses and similar situations, as well as by interruptions to support services provided by third parties, such as telephone companies and Internet service providers. Disruptions, faults, delays or other problems affecting information and technology systems could have an adverse impact on the AIFUL Group's financial position or business performance, including a reduction in the number of accounts opened, delays in settling receivables, and a loss of consumer confidence in the services provided by the AIFUL Group.

The AIFUL Group maintains redundancy in both its hardware and telecommunications equipment so that it can minimize the damage resulting from failures by switching to back-up systems. However, a natural disaster, such as an earthquake or typhoon, could necessitate the suspension of the Group's business operations.

Possession and Sale of AIFUL Stock by the Representative Director and Family Members

As of March 31, 2007, Yoshitaka Fukuda, the representative director of AIFUL, members of his family, including Yasutaka Fukuda, who is also an AIFUL director, and associated corporations owned approximately 47% of all shares outstanding. These shareholders are able to exercise a controlling influence over important decisions that will affect AIFUL's business activities, including important corporate transactions, such as the sale of a controlling interest in AIFUL, business restructuring and reorganization, investment in other businesses or assets, and the establishment of terms for future fund procurement activities. While these shareholders have so far maintained their shareholdings, it is possible that they will dispose of shares in the future. This would increase the supply of AIFUL shares in the market, possibly affecting the share price.

Significant Lawsuits and Litigation

The AIFUL Group is aware that multiple lawsuits have been filed by certain organizations concerning the claim recovery activities of AIFUL. If there are further lawsuits, etc., in the future, it is possible that additional unplanned expenses will be incurred, and that reporting of these lawsuits, etc., in the mass media will influence the ways in which customers use our services, the formation of our share price, our ability to procure funds, and other factors, with the result that the financial position and business performance of the AIFUL Group will be affected.

Financial Section

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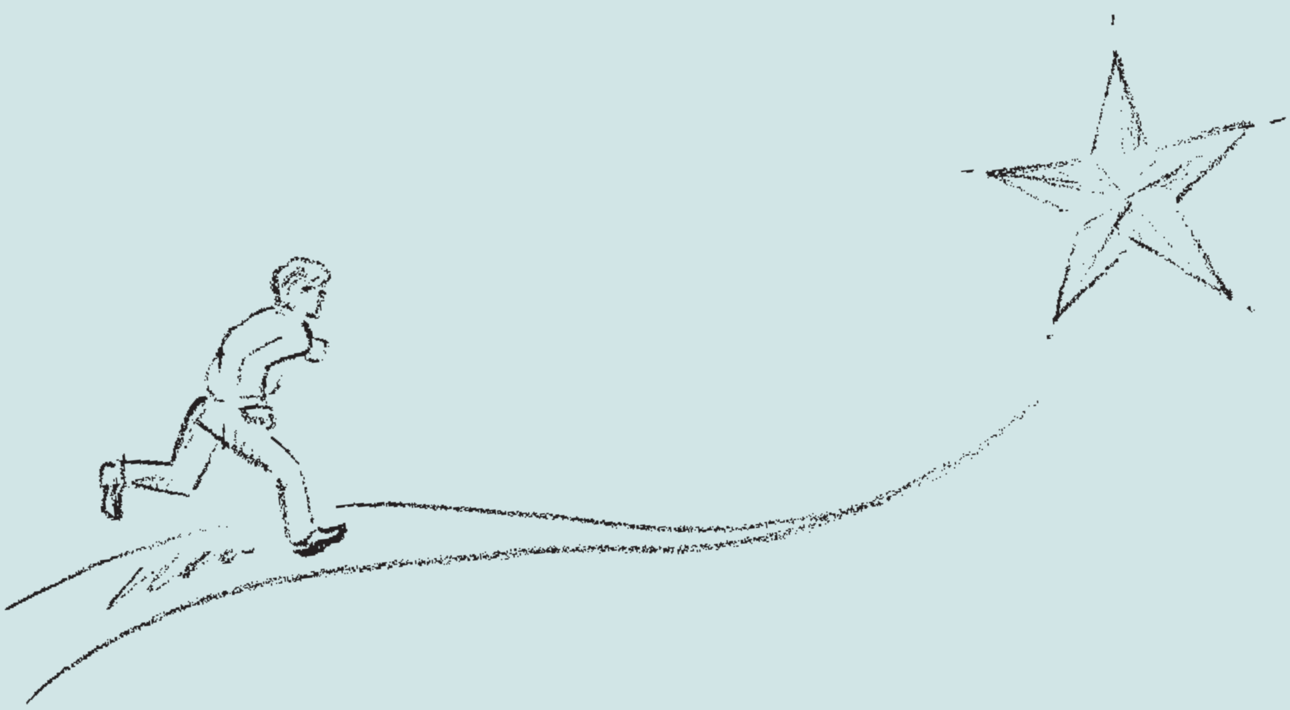


CONSOLIDATED BALANCE SHEETS

AIFUL Corporation and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 127,089**	¥ 134,377	**$ 1,077,025**
Time deposits	**78**	78	**661**
Operational investment securities (Note 7)	**1,837**	1,789	**15,568**
Loans, loan guarantees and receivables			
Loans (Notes 4 and 9)	**1,912,689**	2,124,017	**16,209,229**
Installment accounts receivable (Notes 5 and 9)	**174,923**	209,581	**1,482,398**
Loan guarantees (Note 6)	**141,930**	153,767	**1,202,797**
Other receivables	**25,406**	21,452	**215,305**
Allowance for doubtful accounts (Note 2.*l*)	**(379,848)**	(146,962)	**(3,219,051)**
Prepaid expenses	**4,018**	4,757	**34,051**
Deferred tax assets (Note 14)	**13,771**	32,263	**116,703**
Other current assets (Note 9)	**73,541**	97,896	**623,229**
Total current assets	**2,095,434**	2,633,015	**17,757,915**
PROPERTY AND EQUIPMENT (Note 9):			
Land (Note 8)	**14,464**	15,899	**122,576**
Buildings and structures (Note 8)	**44,118**	51,071	**373,882**
Machinery and equipment	**268**	230	**2,271**
Furniture and fixtures (Note 8)	**24,879**	26,674	**210,839**
Construction in progress (Note 8)	**1,016**	399	**8,610**
Total	**84,745**	94,273	**718,178**
Accumulated depreciation	**(42,339)**	(40,596)	**(358,805)**
Net property and equipment	**42,406**	53,677	**359,373**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 7)	**20,983**	32,742	**177,822**
Investments in and advances to unconsolidated subsidiaries and associated companies	**3,311**	235	**28,059**
Claims in bankruptcy (Note 4)	**38,988**	33,031	**330,407**
Goodwill, net	**3,145**	9,273	**26,653**
Software, net	**21,337**	20,976	**180,822**
Long-term loans receivables (less current portion)	**19**	23	**161**
Lease deposits	**11,493**	12,119	**97,398**
Long-term prepayments	**2,766**	4,660	**23,441**
Deferred tax assets (Note 14)	**334**	2,905	**2,831**
Deferred losses on hedging instruments, mainly interest rate swaps (Note 16)		10,230	
Other assets (Note 8)	**2,068**	2,836	**17,525**
Allowance for doubtful accounts	**(27,725)**	(24,753)	**(234,958)**
Total investments and other assets	**76,719**	104,277	**650,161**
TOTAL	**¥ 2,214,559**	¥ 2,790,969	**$ 18,767,449**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
LIABILITIES AND EQUITY	**2007**	2006	**2007**
CURRENT LIABILITIES:			
Short-term borrowings (Note 9)	**¥ 91,370**	¥ 138,200	**$ 774,322**
Current portion of long-term debt (Note 9)	**404,241**	516,325	**3,425,771**
Trade notes payable	**6,021**	10,564	**51,026**
Trade accounts payable	**36,823**	28,293	**312,059**
Obligation under loan guarantees (Note 6)	**141,930**	153,767	**1,202,797**
Income taxes payable	**7,992**	25,040	**67,729**
Accrued expenses	**9,219**	10,223	**78,127**
Allowance for losses on interest refunds (Note 2.*l*)		21,074	
Allowance for losses from business restructuring (Note 13)	**11,316**		**95,898**
Allowance for clean-up costs of contaminated land	**630**		**5,339**
Other current liabilities (Notes 5 and 6)	**33,847**	43,732	**286,839**
Total current liabilities	**743,389**	947,218	**6,299,907**
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Note 9)	**1,034,651**	1,138,221	**8,768,229**
Deferred tax liabilities (Note 14)	**526**	3,760	**4,458**
Liability for retirement benefits (Notes 2.*h* and 10)	**1,339**	1,328	**11,347**
Allowance for losses on interest refunds (Note 2.*l*)	**167,153**		**1,416,551**
Interest rate swaps (Note 16)	**8,193**	9,462	**69,432**
Other long-term liabilities	**2,163**	2,321	**18,331**
Total long-term liabilities	**1,214,025**	1,155,092	**10,288,348**
MINORITY INTERESTS		6,965	
EQUITY (Notes 11 and 18):			
Common stock,			
authorized, 568,140,000 shares in 2007 and 373,500,000 shares in 2006; issued, 142,035,000 shares in 2007 and 2006	**83,317**	83,317	**706,076**
Capital surplus:			
Additional paid-in capital	**104,126**	104,126	**882,424**
Retained earnings	**66,466**	486,214	**563,271**
Net unrealized gain on available-for-sale securities	**6,536**	11,002	**55,390**
Deferred loss on derivatives under hedge accounting (Note 16)	**(5,752)**		**(48,746)**
Treasury stock—at cost			
412,835 shares in 2007 and 412,502 shares in 2006	**(2,968)**	(2,965)	**(25,153)**
Total	**251,725**	681,694	**2,133,262**
Minority interests	**5,420**		**45,932**
Total equity	**257,145**	681,694	**2,179,194**
TOTAL	**¥ 2,214,559**	¥ 2,790,969	**$ 18,767,449**

CONSOLIDATED STATEMENTS OF OPERATIONS

AIFUL Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2007	2006	**2007**
INCOME:			
Interest on loans	**¥ 448,662**	¥ 491,358	**$ 3,802,220**
Interest on credit card shopping loans	**12,754**	11,275	**108,085**
Interest on per-item shopping loans	**12,998**	17,676	**110,153**
Interest on loan guarantees	**9,187**	8,668	**77,856**
Interest on deposits, securities and other	**471**	350	**3,992**
Recovery of loans previously charged off	**4,023**	8,536	**34,093**
Gain on transfer of pension plan (Note 10)		421	
Other income	**12,914**	10,534	**109,440**
Total income	**501,009**	548,818	**4,245,839**
EXPENSES:			
Interest on borrowings	**32,898**	33,798	**278,797**
Charge-offs and provision for doubtful accounts	**447,375**	166,047	**3,791,314**
Salaries and other employees' benefits	**55,136**	56,975	**467,254**
Advertising expenses	**15,074**	28,018	**127,746**
Rental expenses	**19,415**	21,318	**164,534**
Commissions and fees	**25,585**	28,490	**216,822**
Loss on impairment of long-lived assets (Note 8)	**6,805**	744	**57,669**
Depreciation and amortization	**19,251**	13,892	**163,144**
Provision for employees' retirement benefits (Note 10)	**1,372**	1,284	**11,627**
Provision for losses on interest refunds (Note 2.*l*)	**167,148**	21,074	**1,416,508**
Loss on interest refunds	**15,240**	13,109	**129,153**
Loss from and provision for business restructuring (Note 13)	**18,528**		**157,017**
Provision for clean-up costs of contaminated land	**630**		**5,339**
Other expenses	**48,815**	51,296	**413,686**
Total expenses	**873,272**	436,045	**7,400,610**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**(372,263)**	112,773	**(3,154,771)**
INCOME TAXES (Note 14)**:**			
Current	**15,795**	45,520	**133,856**
Deferred	**24,734**	(145)	**209,610**
Total income taxes	**40,529**	45,375	**343,466**
MINORITY INTERESTS IN NET INCOME (LOSS)	**(1,541)**	1,571	**(13,059)**
NET INCOME (LOSS)	**¥ (411,251)**	¥ 65,827	**$ (3,485,178)**

	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Notes 2.*v* and 17)**:**			
Basic net income (loss)	**¥ (2,903.85)**	¥ 464.84	**$ (24.61)**
Diluted net income		464.69	
Cash dividends applicable to the year	**60.00**	60.00	**0.51**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AIFUL Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus: Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2005	94,690	¥83,317	¥104,126	¥427,610	¥ 5,364		¥(3,064)	¥617,353		¥617,353
Net income				65,827				65,827		65,827
Cash dividends paid, ¥60 per share				(7,080)				(7,080)		(7,080)
Bonuses to directors and corporate auditors				(127)				(127)		(127)
Net unrealized gain on available-for-sale securities					5,638			5,638		5,638
Net decrease in treasury stock (14,573 shares)				(16)			99	83		83
Stock split (Note 11)	47,345									
BALANCE AT MARCH 31, 2006	142,035	¥83,317	¥104,126	¥486,214	¥11,002		¥(2,965)	¥681,694		¥681,694
Reclassified balance as of March 31, 2006 (Note 2.o)									¥ 6,965	6,965
Net loss				(411,251)				(411,251)		(411,251)
Cash dividends paid, ¥60 per share				(8,497)				(8,497)		(8,497)
Net increase in treasury stock (711 shares)							(3)	(3)		(3)
Net change in the period					(4,466)	¥(5,752)		(10,218)	(1,545)	(11,763)
BALANCE AT MARCH 31, 2007	**142,035**	**¥83,317**	**¥104,126**	**¥ 66,466**	**¥ 6,536**	**¥(5,752)**	**¥(2,968)**	**¥251,725**	**¥ 5,420**	**¥257,145**

	Thousands of U.S. Dollars								
	Common Stock	Capital Surplus: Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2006	$706,076	$882,424	$4,120,457	$ 93,237		$(25,127)	$5,777,067		$5,777,067
Reclassified balance as of March 31, 2006 (Note 2.o)								$ 59,025	59,025
Net loss			(3,485,178)				(3,485,178)		(3,485,178)
Cash dividends paid, $0.51 per share			(72,008)				(72,008)		(72,008)
Net increase in treasury stock (711 shares)						(26)	(26)		(26)
Net change in the period				(37,847)	$(48,746)		(86,593)	(13,093)	(99,686)
BALANCE AT MARCH 31, 2007	**$706,076**	**$882,424**	**$ 563,271**	**$ 55,390**	**$(48,746)**	**$(25,153)**	**$2,133,262**	**$ 45,932**	**$2,179,194**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AIFUL Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2007	2006	**2007**
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ (372,263)**	¥ 112,773	**$ (3,154,771)**
Adjustments for:			
Income taxes - paid	**(32,844)**	(44,079)	**(278,339)**
Depreciation and amortization	**19,251**	13,892	**163,144**
Loss on impairment of long-lived assets	**6,805**	744	**57,669**
Increase in allowance for doubtful accounts	**235,858**	11,561	**1,998,797**
Increase in allowance for losses on interest refunds	**146,079**	21,074	**1,237,958**
Increase (decrease) in liability for employees' retirement benefits	**10**	(358)	**85**
Amortization of bonds issue costs	**519**	650	**4,398**
Loss on write-down of investment securities	**620**	65	**5,254**
Loss on sales of property and equipment, net	**123**	103	**1,042**
Loss on disposal of property and equipment	**1,965**	346	**16,653**
Gain on transfer of pension plans		(421)	
Changes in assets and liabilities:			
Decrease (increase) in loans	**211,328**	(121,000)	**1,790,915**
Decrease (increase) in installment accounts receivable	**34,661**	(17,179)	**293,737**
Increase in operational investment securities	**(13)**	(121)	**(110)**
Increase in other receivables	**(3,954)**	(2,923)	**(33,508)**
Increase in claims in bankruptcy	**(5,957)**	(4,495)	**(50,483)**
Increase in inventories	**(45)**	(4)	**(381)**
Decrease (increase) in prepaid expenses	**743**	(276)	**6,297**
Decrease in long-term prepayments	**1,154**	1,585	**9,780**
Decrease in other current assets	**4,371**	1,694	**37,042**
Increase in other current liabilities	**5,621**	973	**47,635**
Other — net	**(3,474)**	(548)	**(29,441)**
Total adjustments	**622,821**	(138,717)	**5,278,144**
Net cash provided by (used in) operating activities	**250,558**	(25,944)	**2,123,373**
INVESTING ACTIVITIES:			
Capital expenditures	**(11,269)**	(19,322)	**(95,500)**
Decrease (increase) in loans	**19,986**	(43,847)	**169,373**
Purchases of investment securities	**(1,676)**	(1,663)	**(14,203)**
Other — net	**6,458**	4,813	**54,728**
Net cash provided by (used in) investing activities - (Forward)	**¥ 13,499**	¥ (60,019)	**$ 114,398**

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2007	2006	**2007**
Net cash provided by (used in) investing activities - (Forward)	**¥ 13,499**	¥ (60,019)	**$ 114,398**
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	**(46,830)**	66,505	**(396,865)**
Proceeds from long-term debt (net of bonds issue costs)	**441,905**	639,333	**3,744,958**
Repayments of long-term debt	**(657,965)**	(587,655)	**(5,575,975)**
Cash dividends paid	**(8,497)**	(7,080)	**(72,008)**
Acquisition of treasury stock	**(4)**	(46)	**(34)**
Disposal of treasury stock		129	
Net cash (used in) provided by financing activities	**(271,391)**	111,186	**(2,299,924)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**46**	16	**390**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(7,288)**	25,239	**(61,763)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		173	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**134,377**	108,965	**1,138,788**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 127,089**	¥ 134,377	**$ 1,077,025**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AIFUL Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

01 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and accounting principles generally accepted in the United States of America.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statements of shareholders' equity, which were previously voluntarily prepared in line with the international accounting practice, are now required under Japanese GAAP and have been renamed "the consolidated statements of changes in equity" from the current fiscal year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classification used in 2007.

02 Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements include the accounts of AIFUL Corporation (the "Company") and its significant subsidiaries (eleven in 2007 and thirteen in 2006) (together, the "Group"). Consolidation of the remaining eighteen (two in 2006) unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

In March 2005, the Company acquired Passkey Co., Ltd. ("Passkey"), a consumer finance company with operations in Hokkaido, Japan. The accounts of Passkey were newly consolidated for the year ended March 31, 2006 due to materiality.

On September 30, 2005 the Company established id CREDIT CORPORATION ("id CREDIT") and NET ONE CLUB CORPORATION ("NET ONE CLUB"), which are both consumer finance companies. The accounts of id CREDIT and NET ONE CLUB were newly consolidated for the year ended March 31, 2006.

On March 26, 2007, the Company merged id CREDIT and NET ONE CLUB.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three unconsolidated subsidiaries (two in 2006) and two associated companies are stated at cost. Investments in the remaining fifteen unconsolidated subsidiaries, which are limited liability investment partnerships and similar partnerships, are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the recent available financial statements of the partnerships. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

On September 8, 2006, the ASBJ issued Practical Issues Task Force (PITF) No. 20, "*Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations*". The Group adopted this new accounting standard as of April 1, 2006. 15 investment partnerships are treated as new subsidiaries of the Company for the year ended March 31, 2007 under such change in accounting policy. However, these 15 new subsidiaries have not been consolidated because consolidation of these subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Goodwill on acquisition of subsidiaries is amortized using the straight line method over the estimated period (not to exceed 20 years), in which economic benefits are expected to be realized. However, when the excess of cost over net assets of subsidiaries acquired is not material, it is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business Combination — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "*Accounting for Business Combinations*", and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "*Accounting Standard for Business Separations*" and ASBJ Guidance No.10, "*Guidance for Accounting Standard for Business Combinations and Business Separations*". These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006. The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

On March 26, 2007, the Company merged id CREDIT and NET ONE CLUB, which were wholly owned subsidiaries of the Company. The accounting for combinations of entities under common control prescribed by the new accounting standard for business combinations was applied to it.

c. **Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits which mature or become due within three months of the date of acquisition.

d. **Operational Investment Securities Held by Venture Capital Subsidiary and Investment Securities** — Operational investment securities held by a venture capital company and investment securities, all of which are classified as available-for-sale securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average cost method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, operational investment securities and investment securities are reduced to net realizable value by a charge to income.

Investments in limited liability investment partnerships and similar partnerships are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the recent available financial statements of the partnerships.

e. **Property and Equipment** — Property and equipment are stated at cost. Depreciation is computed by the declining-balance method. The range of useful lives is principally from 2 to 62 years for buildings and structures, from 2 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

f. **Long-lived Assets** — In August 2002, the BAC issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the ASBJ issued ASBJ Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets. These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. **Software** — Expenditures for the purchase of software, which meet certain future-tests, are capitalized as software and amortized by the straight-line method over the estimated useful lives of five years.

h. **Liability for Retirement Benefits** — The Company and certain consolidated subsidiaries have a defined contribution pension plan and a prepaid retirement benefits plan. Contributions to the defined contribution plan and payments to the prepaid retirement benefits plan are charged to income when made. (See Note 10.)

Liability for retirement benefits to directors and corporate auditors is provided at the amount which would be required if they retired at each balance sheet date.

The liability for retirement benefits in the consolidated balance sheet is for directors and corporate auditors.

i. **Allowances for Doubtful Accounts** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the accounts outstanding.

j. **Allowance for Clean-up Costs of Contaminated Land** — The allowance for clean-up costs of contaminated land is provided for losses on cleaning up soil contamination discovered in some portion of the Company's land for sale and is based on the estimated amount of future costs to be paid.

k. **Allowance for Losses from Business Restructuring** — The allowance for losses from business restructuring is provided at an estimated amount of future costs related to closure of outlets and other restructuring activities.

l. **Allowance for Losses on Interest Refunds** — The limit of interest rates is regulated by two laws — "Contributions Law" and "Interest Rate Restriction Law". Under the former law, interest rates on loans should not exceed 29.2% and the violation is considered to be a criminal penalty. The latter law stipulates that interest payments for interest rates that exceed the legal limit (20% for principal amounts under ¥100 thousand, 18% for principals between ¥100 thousand and ¥1 million and 15% for principals over ¥1 million) are void. However, under the "Moneylending Business Restriction Law", such interest payments are nonetheless considered to be valid if moneylenders issue notices as prescribed by the law to debtors and debtors pay voluntarily. Recent strict interpretation by the courts of these requirements has led to decisions against moneylenders and resulted in more debtors claiming for the return of excess interest payments.

On March 15, 2006, the Japanese Institute of Certified Public Accountants (the "JICPA") issued a report requiring moneylenders to make an accounting provision for losses on interest refunds for interest rates that exceeded the limit set by the Interest Rate Restriction Law. The Company and certain consolidated subsidiaries have loaned money at rates between the limit set by the two laws, and have in the past charged refund costs to income as incurred. However, the growing number of claims against the Company and certain consolidated subsidiaries has increased the materiality of the financial effects of the situation. So, the Company and certain consolidated subsidiaries decided to record a provision of ¥21,074 million ("Allowance for losses on interest refunds") for interest refunds for the fiscal year ended March 31, 2006.

On October 13, 2006, the industry practice committee of the JICPA issued its Report No. 37 "Audit Guidance for Consumer Finance Companies" Recording of Provisions for Losses on Interest Refunds," which became effective for accounting periods ending on or after September 1, 2006. The Group changed the method of estimating allowance for losses on interest refunds in accordance with the new guidelines.

The differences between the amount of allowance for losses on interest refunds estimated and recorded as of the beginning of the current fiscal year ended March 31, 2007 in accordance with the report issued on March 15, 2006 and the amount estimated as of the beginning of the current fiscal year ended March 31, 2007 in accordance with Report No. 37, is recorded as "Charge-offs and provision for doubtful accounts" in the amount of ¥107,013 million ($906,890 thousand) and "Provision for losses on interest refunds" in the amount of ¥69,312 million ($587,390 thousand) in the consolidated statements of operations for the year ended March 31, 2007. At March 31, 2007, the Group recorded an allowance of ¥167,153 million ($1,416,551 thousand) as "Allowance for losses on interest refunds." In addition, the estimated amount of interest refunds of ¥195,546 million ($1,657,169 thousand) which are expected to be preferentially set off against loans is recorded as "Allowance for doubtful accounts" for the Company and certain consolidated subsidiaries.

Allowance for losses on interest refunds is stated in amounts considered to be appropriate based on the Company's and certain consolidated subsidiaries' past refund loss experience and the recent situation regarding interest refunds.

m. Leases — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

n. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

p. Appropriations of Retained Earnings — Appropriations of retained earnings are reflected in the consolidated financial statements for the year following the Board of Directors' approval.

q. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to extent that they are not hedged by forward exchange contracts.

r. Revenue Recognition:

Interest on loans — Interest on loans is recorded on an accrual basis. In accordance with the practice prevailing in the industry, the Company records accrued interest at either the interest rate stipulated in the Interest Rate Restriction Law or the contracted interest rate, whichever is lower.

Interest on credit card shopping loans, Interest on per-item shopping loans — Fees from customers and member stores applying the add-on method are generally recorded collectively as unearned income when credit contracts become effective and are recognized in equal installments over the lives of contracts. Fees from customers applying the remaining principal method or revolving method are generally recognized in equal installments over the lives of contracts.

Interest on loan guarantees — Interest on loan guarantees is recorded by the remaining principal method.

s. Interest on Borrowings — Interest on financial liabilities is accounted for as operating expenses while other interest is included in other expenses.

t. Bond Issue Costs — Amortization is calculated by the straight-line method over the term of the related bond issue. Bond issue costs related to bonds which were issued by March 31, 2006 are amortized ratably over periods up to three years. Bond issue costs are included in other assets.

u. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates and foreign exchange. Interest rate swaps, interest rate caps and currency swaps contracts are utilized by the Group to reduce interest rate and foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes. The accounting standard for derivative financial instruments requires that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognized in the consolidated statements of operations, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives be deferred until maturity of the hedged transactions.

Currency swaps contracts are utilized to hedge foreign currency exposure in principal and interest payments of U.S. dollar straight bonds. U.S. dollar straight bonds are translated at the contracted rates.

The interest rate swaps and caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap or cap contracts is recognized and included in interest expenses or income.

v. **Per Share Information** — Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share of common stock reflects the potential dilution that could occur if securities were converted into common stock and assumes full exercise of outstanding stock options.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

w. **New Accounting Pronouncements:**

Lease accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

03 Translation into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

04 Loans

Loans at March 31, 2007 and 2006 consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unsecured	**¥ 1,537,905**	¥ 1,709,185	**$ 13,033,093**
Secured	**291,716**	357,025	**2,472,170**
Small business loans	**155,642**	166,208	**1,319,000**
Total	**¥ 1,985,263**	¥ 2,232,418	**$ 16,824,263**
Off-balance sheet securitized loans	**(72,574)**	(108,401)	**(615,034)**
Net	**¥ 1,912,689**	¥ 2,124,017	**$ 16,209,229**

Registered moneylenders are required to disclose the following information under the Non-Bank Bond Issuing Law.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Loans in legal bankruptcy	**¥ 43,008**	¥ 33,446	**$ 364,475**
Nonaccrual loans	**180,819**	80,721	**1,532,364**
Accruing loans contractually past due three months or more as to principal or interest payments	**36,665**	27,564	**310,720**
Restructured loans	**67,554**	62,069	**572,492**
Total	**¥ 328,046**	¥ 203,800	**$ 2,780,051**

Loans in legal bankruptcy are loans in which accruals of interest are discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectibility of principal or interest resulting from the past due payment of interest or principal and other factors. Allowances for claims in bankruptcy are stated at such amount less net realizable value of collateral.

Nonaccrual loans are loans in which accruals of interest are discontinued, other than loans in legal bankruptcy as well as loans receiving regular payments in case of granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments are loans for which payments of principal or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payments. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded from accruing loans contractually past due three months or more.

Restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

The securitized loans, which are not recognized on the balance sheets, amounted to ¥72,574 million ($615,034 thousand) and ¥108,401 million at March 31, 2007 and 2006, respectively.

At March 31, 2007 and 2006, the Group had balances related to revolving loan contracts aggregating ¥1,853,125 million ($15,704,449 thousand) and ¥2,068,225 million, respectively, whereby the Group is obligated to advance funds up to a predetermined amount upon request. At March 31, 2007 and 2006, the balances of unadvanced commitments were ¥5,745,183 million ($48,687,992 thousand) and ¥5,598,686 million, respectively. The loan contract contains provisions that allow the Group to reduce the contract amount of the commitment or refuse to advance funds to loan customers under certain conditions.

05 Installment Accounts Receivable

Installment accounts receivable and unearned income, included in other current liabilities, at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2006		**2007**	
	Receivables	Unearned Income	Receivables	Unearned Income	Receivables	Unearned Income
Credit card shopping loans	**¥ 117,222**	**¥ 1,088**	¥ 101,135	¥ 663	**$ 993,407**	**$ 9,220**
Per-item shopping loans	**112,518**	**7,181**	183,907	13,109	**953,542**	**60,856**
Total	**¥ 229,740**	**¥ 8,269**	¥ 285,042	¥ 13,772	**$ 1,946,949**	**$ 70,076**
Off-balance sheet securitized installment accounts receivable	**(54,817)**		(75,461)		**(464,551)**	
Net	**¥ 174,923**	**¥ 8,269**	¥ 209,581	¥ 13,772	**$ 1,482,398**	**$ 70,076**

In addition, the Group has unearned income of ¥3 million ($25 thousand) and ¥10 million at March 31, 2007 and 2006, respectively, which was included in other current liabilities, related to loans other than those shown in the above table.

06 Loan Guarantees and Obligations under Loan Guarantees

The Group, as guarantor, recorded loan guarantees as a contra account of obligations under loan guarantees.

Unearned income relating to loan guarantees was ¥181 million ($1,534 thousand) and ¥239 million at March 31, 2007 and 2006, respectively, which was included in other current liabilities.

07 Operational Investment Securities Held by Venture Capital Subsidiary and Investment Securities

Operational investment and investment securities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Current-			
Equity securities	**¥ 1,837**	¥ 1,789	**$ 15,568**
Non-current:			
Equity securities	**¥ 19,591**	¥ 28,452	**$166,025**
Other	**1,392**	4,290	**11,797**
Total	**¥ 20,983**	¥ 32,742	**$177,822**

The carrying amounts and fair values of operational investment and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	**¥7,559**	**¥11,020**	**¥59**	**¥18,520**

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	¥8,552	¥18,209	¥33	¥26,728

	Thousands of U.S. Dollars			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	**$64,059**	**$93,390**	**$500**	**$156,949**

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities	**¥ 2,908**	¥ 3,513	**$ 24,644**
Investments in limited liability investment partnerships	**892**	3,790	**7,560**
Other	**500**	500	**4,237**
Total	**¥ 4,300**	¥ 7,803	**$ 36,441**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥5,070 million ($42,966 thousand) and ¥1,195 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥3,510 million ($29,746 thousand) and ¥346 million for the years ended March 31, 2007 and 2006, respectively, and gross realized losses were ¥92 million ($780 thousand) and ¥98 million for the years ended March 31, 2007 and 2006, respectively.

08 Long-Lived Assets

Year ended March 31, 2007

The Group reviewed their long-lived assets for impairment and, as a result, recognized an impairment loss for the following long-lived assets for the year ended March 31, 2007.

		March 31, 2007	
		Impairment Loss	
Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Office building and residential apartment, for rent	Land, Buildings and structures, Furniture and fixtures and other	¥ 1,307	$ 11,076
Idle real estate	Land, Buildings and structures and other	180	1,525
Outlets which the Company decided to close	Buildings and structures, Furniture and fixtures, Leased property and other	5,318	45,068

The following table summarizes the Group's asset grouping:

Business Classification	Asset Grouping
Financial services and venture capital	Each business entity except for idle real estate and real estate held for sale is the minimum unit. Outlets which the Group decided to close are grouped in another unit.
Real estate business	Each real estate for rent is the minimum unit.

The Group recognized an impairment loss for certain real estate business and idle real estate since the carrying value significantly exceeded the net selling price.

The following table summarizes the components of the Group's loss on impairment of long-lived assets:

	March 31, 2007	
	Loss on Impairment of Long-Lived Assets	
	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 3,795	$ 32,161
Furniture and fixtures	1,223	10,364
Land	1,319	11,178
Leased assets	135	1,144
Other	333	2,822
Total	¥ 6,805	$ 57,669

The recoverable amount of each asset grouping was measured as follows;

Real estate for rent and idle real estate — Net selling price calculated based on evaluation of salable price for each asset.

Outlets which the Group decided to close — Their value in use, calculated as the amount equal to the depreciation expenses to be charged through the point of the closure of outlets.

Year ended March 31, 2006

The Group reviewed their long-lived assets for impairment and, as a result, recognized an impairment loss for the following long-lived assets for the year ended March 31, 2006.

March 31, 2006		
Location	Description	Classification
Kyoto-shi, Kyoto Prefecture	Office building for rent	Land, buildings and structures
Osaka-shi, Osaka Prefecture	Residential apartment for rent	Land, buildings and structures
Utsunomiya-shi, Tochigi Prefecture	Idle real estate	Land, buildings and structures
Nasu-gun, Tochigi Prefecture	Idle real estate	Land
Tamatsukuri-gun, Miyagi Prefecture	Idle real estate	Land

The following table summarizes the Group's asset grouping:

Business Classification	Asset Grouping
Financial services and venture capital	Each business entity except for idle real estate and real estate held for sale is the minimum unit.
Real estate business	Each real estate for rent is the minimum unit.

The Group recognized an impairment loss for certain real estate business due to a significant decline in market value of the relevant real estate for rent or operating loss of that unit. The Group also recognized an impairment loss for certain idle real estate since the carrying value significantly exceeded the net selling price.

The following table summarizes the components of the Group's loss on impairment of long-lived assets:

	March 31, 2006
	Loss on Impairment of Long-Lived Assets
	Millions of Yen
Buildings and structures	¥228
Land	516
Total	¥744

The recoverable amount of each asset grouping was measured as follows:

Idle real estate — Net selling price determined by quotation from a real-estate appraiser, agents or others.

Real estate for rent — The higher of its value in use (discount rate used for computation of present value of future cash flows was 1.85%) or net selling price determined by quotation from a real-estate appraiser.

09 Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Commercial paper, 0.23% to 0.28% at March 31, 2006		¥ 25,000	
Loans from banks, 1.18% to 2.18% (0.71% to 1.68% at March 31, 2006)	¥ 16,010	50,560	$ 135,678
Loans from other financial institutions, 1.63% to 1.88% (1.38% at March 31, 2006)	15,000	9,000	127,119
Other (principally from factoring companies and securitized loan), 2.40% (2.30% at March 31, 2006)	60,360	53,640	511,525
Total	¥ 91,370	¥ 138,200	$ 774,322

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans from banks, 0.95% to 2.72%, due serially to 2012 (0.69% to 2.88%, due serially to 2011 at March 31, 2006)	¥ 654,443	¥ 737,068	$ 5,546,127
Loans from other financial institutions, 1.27% to 2.85%, due serially to 2012 (0.69% to 2.90%, due serially to 2011 at March 31, 2006)	173,335	244,416	1,468,940
Syndicated loans, 0.79%, due serially to 2010 (0.62% to 1.48%, due serially to 2010 at March 31, 2006)	11,243	78,068	95,280
Unsecured 1.30% to 3.27% yen straight bonds, due 2006		68,500	
Unsecured 1.66% to 2.51% yen straight bonds, due 2007	43,000	43,000	364,407
Unsecured 0.45% to 2.48% yen straight bonds, due 2008	61,000	61,000	516,949
Unsecured 1.01% to 3.28% yen straight bonds, due 2009	68,000	68,000	576,271
Unsecured 0.80% to 3.00% yen straight bonds, due 2010	70,000	70,000	593,220
Unsecured 1.50% to 1.58 % yen straight bonds, due 2011	20,000	20,000	169,492
Unsecured 1.20% to 1.99% yen straight bonds, due 2012 (1.20% to 1.63% at March 31, 2006)	30,000	20,000	254,237
Unsecured 1.74% yen straight bonds, due 2013	10,000	10,000	84,746
Unsecured 1.99% yen straight bonds, due 2015	10,000	10,000	84,746
Unsecured variable rate Euro-yen straight bonds, due 2006 (1.82% at March 31, 2006)		12,500	
Unsecured 4.45% to 5.00% U.S. dollar straight bonds, due 2010	108,500	108,500	919,492
Unsecured 6.00% U.S. dollar straight bonds, due 2011	57,600		488,136
Unsecured 2.21% medium-term notes, due 2007		1,000	
Unsecured 3.00% medium-term notes, due 2008	3,000	3,000	25,424
Unsecured 3.50% medium-term notes, due 2015	15,000	15,000	127,119
Other (principally from leasing companies and securitized loan), 0.79% to 2.30%, due serially to 2012 (0.32% to 2.30%, due serially to 2011 at March 31, 2006)	103,771	84,494	879,414
Total	¥ 1,438,892	¥ 1,654,546	$12,194,000
Less current portion	(404,241)	(516,325)	(3,425,771)
Long-term debt, less current portion	¥ 1,034,651	¥ 1,138,221	$ 8,768,229

Annual maturities of long-term debt at March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 404,241	$ 3,425,771
2009	334,682	2,836,288
2010	296,178	2,509,983
2011	221,748	1,879,220
2012	132,178	1,120,153
2013 and thereafter	49,865	422,585
Total	¥ 1,438,892	$ 12,194,000

At March 31, 2007, the following assets were pledged as collateral for short-term borrowings and long-term debt (including current portion of long-term debt):

	Millions of Yen	Thousands of U.S. Dollars
Loans	¥ 423,754	$ 3,591,136
Installment accounts receivable	39,983	338,839
Other current assets	101	856
Property and equipment, net of accumulated depreciation	1,284	10,881
Total	¥ 465,122	$ 3,941,712
Related liabilities:		
Short-term borrowings	¥ 60,360	$ 511,525
Long-term debt (including current portion of long-term debt)	251,729	2,133,297
Total	¥ 312,089	$ 2,644,822

The above table includes loans related to securitized loans of ¥240,427 million ($2,037,517 thousand), and related liabilities (long-term debt including current portion) of ¥103,883 million ($880,364 thousand).

If requested by lending financial institutions, the Group has committed to pledge loans and installment accounts receivables of ¥248,077 million ($2,102,347 thousand) as collateral in addition to those shown in the above table. At March 31, 2007, related liabilities for which lending financial institutions can request the Group to pledge additional collateral consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Short-term borrowings	¥ 400	$ 3,390
Long-term debt (including current portion of long-term debt)	234,132	1,984,169
Total	¥ 234,532	$ 1,987,559

At March 31, 2007, other current assets amounting to ¥1,735 million ($14,703 thousand) were pledged as collateral for the interest rate swap contracts.

A portion of the Company's loans from banks and securitized borrowings is subject to accelerated repayment if the Company fails to meet certain financial covenants, including the amount of equity, the equity ratio and those based on specified operational indexes such as the ratio of loss on interest refunds to equity. As of March 31, 2007, the Company has violated the covenants of one or more securitized borrowings. These securitized borrowings are to be redeemed early in accordance with their contracts, but this will not have a direct impact on the Company's cash flow since the redemptions are funded by collections of loans which are collateral for the securitized borrowings.

10 Retirement and Pension Plans

On September 30, 2004, the Company and a consolidated subsidiary obtained approval from the Ministry of Health, Labor and Welfare for termination of the contributory defined benefit pension plan (Employee's Pension Fund ("EPF") pursuant to the Japanese Welfare Pension Insurance Law) which consisted of a portion of the governmental welfare pension program ("substitutional portion") and a portion representing a non-contributory defined benefit plan which the companies had originally set ("additional portion"). As the termination process, the Company and the consolidated subsidiary transferred pension obligations related to past employee services on the substitutional portion and related assets to the government on March 16, 2005.

Also, according to the enactment of the Defined Contribution Pension Plan Law in October 2001, a consolidated subsidiary terminated its qualified defined benefit pension plan on March 31, 2005 and implemented a defined contribution pension plan and prepaid retirement benefits plan on April 1, 2005. Another consolidated subsidiary terminated its severance lump-sum payment plan and implemented a defined contribution pension plan and prepaid retirement benefits plan during the year ended March 31, 2005. The consolidated subsidiaries accounted for these transfers from the qualified defined benefit pension plan and severance lump-sum payment plan to defined contribution pension plans in accordance with the provisions specified in the guidance issued by the ASBJ.

During the year ended March 31, 2006, the Company and consolidated subsidiary completed the transfer of the pension obligation on the additional portion of the EPF and related assets to the defined contribution pension plan and prepaid retirement benefits plan based on the determination of the amount of benefit obligation which was to be allocated to each beneficiary account. Also a consolidated subsidiary completed the transfer of a defined benefit plan (unfunded severance lump-sum payment plan) to a defined contribution pension plan and prepaid retirement benefits plan, and terminated the defined benefit plan for the year ended March 31, 2006.

As a result, the Company and certain consolidated subsidiaries recorded a gain on transfer of pension plans of ¥421 million for the year ended March 31, 2006 in accordance with the provisions specified in the guidance issued by the ASBJ.

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost		¥ 47	
Payments for prepaid retirement benefits plan	**¥ 661**	454	**$ 5,602**
Premiums for defined contribution pension plan	**711**	783	**6,025**
Net periodic benefit costs	**1,372**	1,284	**11,627**
Gain on transfer of pension plans		(421)	
Total	**¥ 1,372**	¥ 863	**$ 11,627**

11 Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On May 23, 2005, the Company made a three for two stock split and 47,345,000 shares were issued to shareholders of record on March 31, 2005. The number of shares to be issued upon the option grants mentioned above and the exercise price were adjusted based upon a defined formula.

12 Stock Option

The stock option outstanding as of March 31, 2007 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option	26 Company's and subsidiaries' directors 426 Company's and subsidiaries' key employees	347,400 shares	June 25, 2004	¥7,774 ($65.88)	From July 1, 2006 To June 30, 2009
2005 Stock Option	31 Company's and subsidiaries' directors 454 Company's and subsidiaries' key employees	374,400 shares	June 24, 2005	¥8,420 ($71.36)	From July 1, 2007 To June 30, 2010

The stock option activity is as follows:

For the year ended March 31, 2007	2001 Stock Option	2004 Stock Option	2005 Stock Option
		(Shares)	
Non-vested			
March 31, 2006 - Outstanding		330,600	357,600
Granted			
Canceled		(1,200)	(6,000)
Vested		(329,400)	
March 31, 2007 - Outstanding			351,600
Vested			
March 31, 2006 - Outstanding	47,000		
Vested		329,400	
Exercised			
Canceled	47,000	(3,600)	
March 31, 2007 - Outstanding		325,800	
Exercise price	¥6,386 ($54.12)	¥7,774 ($65.88)	¥8,420 ($71.36)

13 Loss from and Provision for Business Restructuring

The following table summarizes the components of the Group's loss from business restructuring for the year ended March 31, 2007.

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Loss from business restructuring:		
Special severance payments	¥ 4,058	$ 34,390
Cost related to closure of outlets	2,110	17,881
Other	1,043	8,839
Total	¥ 7,211	$ 61,110

The following table summarizes the components of the Group's provision for business restructuring for the year ended March 31, 2007.

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Provision for business restructuring:		
Cost related to closure of outlets	¥ 5,819	$ 49,314
Re-employment support cost and other	5,498	46,593
Total	¥ 11,317	$ 95,907

14 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for both of the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred Tax Assets:			
Allowance for doubtful accounts	¥ 94,944	¥ 1,588	$ 804,610
Allowance for losses on interest refunds	67,950	8,562	575,847
Charge-offs for doubtful accounts	15,442	12,346	130,864
Accrued interest on loans	5,208	3,804	44,136
Tax loss carryforwards	4,415	3,643	37,415
Deferred loss on derivatives under hedge accounting	3,928		33,288
Other	18,123	11,366	153,585
Total	210,010	41,309	1,779,745
Less valuation allowance	(191,778)	(2,468)	(1,625,237)
Total deferred tax assets	18,232	38,841	154,508
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	(4,454)	(7,433)	(37,746)
Other	(199)		(1,686)
Total deferred tax liabilities	(4,653)	(7,433)	(39,432)
Net deferred tax assets	¥ 13,579	¥ 31,408	$ 115,076

Net deferred tax assets included in the consolidated balance sheet at March 31, 2007 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets — Deferred tax assets	¥ 13,771	$ 116,703
Investment and other assets — Deferred tax assets	334	2,831
Long-term liabilities — Deferred tax liabilities	(526)	(4,458)

A valuation allowance is established to reduce certain deferred tax assets with respect to deductible temporary differences and net operating loss carryforwards where it is more likely than not that they will not be realized.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the year ended March 31, 2007 has not been disclosed because of the Group's net loss position.

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2006 is not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed as permitted under Japanese GAAP.

At March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥10,720 million ($90,848 thousand) which are available for offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 349	$ 2,958
2011	1,872	15,864
2012	609	5,161
2013	463	3,924
2014	7,427	62,941
Total	¥ 10,720	$ 90,848

15 Leases

The Group leases vehicles, computer equipment, furniture and fixtures, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Total Rental Expenses	Lease Payments under Finance Leases	Total Rental Expenses	Lease Payments under Finance Leases
Year Ended March 31:				
2007	¥ 19,415	¥ 2,326	$ 164,533	$ 19,712
2006	21,318	3,940		

For the year ended March 31, 2007, the Group recorded an impairment loss on certain leased property held under finance leases that do not transfer ownership as follows:

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Impairment loss	¥135	$1,144

An allowance for impairment loss on leased property is included in other current liabilities.

Pro forma information of leased property including acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	As of March 31, 2007			
	Millions of Yen			
	Machinery and Equipment	Furniture and Fixtures	Buildings and Structures	Total
Acquisition cost	**¥64**	**¥7,304**	**¥9**	**¥7,377**
Accumulated depreciation	**47**	**6,085**	**7**	**6,139**
Accumulated impairment loss		**135**		**135**
Net leased property	**¥17**	**¥1,084**	**¥2**	**¥1,103**

	As of March 31, 2006			
	Millions of Yen			
	Machinery and Equipment	Furniture and Fixtures	Buildings and Structures	Total
Acquisition cost	¥96	¥12,879	¥9	¥12,984
Accumulated depreciation	55	9,446	5	9,506
Net leased property	¥41	¥ 3,433	¥4	¥ 3,478

	As of March 31, 2007			
	Thousands of U.S. Dollars			
	Machinery and Equipment	Furniture and Fixtures	Buildings and Structures	Total
Acquisition cost	**$542**	**$61,898**	**$76**	**$62,516**
Accumulated depreciation	**398**	**51,568**	**59**	**52,025**
Accumulated impairment loss		**1,144**		**1,144**
Net leased property	**$144**	**$ 9,186**	**$17**	**$ 9,347**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 771**	¥ 2,366	**$ 6,534**
Due after one year	**495**	1,261	**4,195**
Total	**¥ 1,266**	¥ 3,627	**$ 10,729**

An allowance for impairment loss on leased property of ¥135 million ($1,144 thousand) as of March 31, 2007 is included in obligations under finance leases.

Depreciation expense and interest expense under finance leases, which are not reflected in the accompanying consolidated statements of operations, computed by the straight-line method and the interest method, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥ 2,195**	¥ 3,721	**$ 18,602**
Interest expense	**52**	122	**441**

The minimum rental commitments under noncancellable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 77**	¥ 349	**$ 653**
Due after one year	**9**	211	**76**
Total	**¥ 86**	¥ 560	**$ 729**

16 Derivatives

The Group enters into interest rate swap and cap, and currency swap contracts as a means of managing its principal and interest rate exposures and foreign currency exposures on certain liabilities.

Such derivative transactions are entered into to hedge interest exposures and foreign currency exposures inherent within its business. Accordingly, market and foreign exchange risks in these derivatives are theoretically offset by opposite movements in the value of hedged liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to these derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization process and credit limit amount.

Market value information about derivative instruments at March 31, 2007 was as follows:

	Millions of Yen			
	Notional Amount			
	Total	Due after one year	Fair value	Unrealized loss
Interest rate caps agreements				
Buying	**¥60,000**	**¥60,000**		**¥68**

	Thousands of U.S. Dollars			
	Notional Amount			
	Total	Due after one year	Fair value	Unrealized loss
Interest rate caps agreements				
Buying	**$508,475**	**$508,475**		**$576**

The Group did not disclose market value information about derivative instruments for March 31, 2006 because all derivative instruments qualified for hedge accounting and met specific matching criteria at March 31, 2006. Such derivative instruments may be omitted from disclosure of market value information under Japanese GAAP.

17 Net Income (Loss) Per Share

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Yen in millions	Thousands of Shares	Yen	Dollars
	Net Income (loss)	Weighted-Average Shares	EPS	
For the year ended March 31, 2007:				
Basic EPS				
Net loss available to common shareholders	**¥(411,251)**	**141,622**	**¥(2,903.85)**	**$(24.61)**
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥ 65,827	141,614	¥ 464.84	
Effect of Dilutive Securities -				
Stock Options		45		
Diluted EPS				
Net income for computation	¥ 65,827	141,659	¥ 464.69	

Diluted net loss per share for the year ended March 31, 2007 was not disclosed because of the Group's net loss position and also because no dilutive securities were outstanding.

18 Subsequent Events

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2007 were approved by the Board of Directors on May 21, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 ($0.25) per share	**¥4,249**	**$36,008**

19 Segment Information

Most of the Group's business is related to a single segment, lending. The Group does not operate outside Japan. Accordingly, information about industry and geographic segments was not presented.

Deloitte.

Shimbashi & Co.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
AIFUL CORPORATION:

We have audited the accompanying consolidated balance sheets of AIFUL CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIFUL CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Kyoto, Japan

June 27, 2007

Shimbashi & Co.
SHIMBASHI & CO.
Osaka, Japan

June 27, 2007

NON-CONSOLIDATED BALANCE SHEETS

AIFUL Corporation
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 75,178**	¥ 86,016	**$ 637,102**
Time deposits	**78**	78	**661**
Loans, loan guarantees and receivables			
Loans (Notes 4 and 7)	**1,298,612**	1,512,717	**11,005,186**
Loan guarantees	**58,914**	62,314	**499,271**
Other receivables	**3,776**	2,204	**32,000**
Allowance for doubtful accounts (Note 2.*l*)	**(262,186)**	(85,659)	**(2,221,915)**
Prepaid expenses	**2,578**	3,343	**21,847**
Deferred tax assets (Note 11)	**9,333**	16,502	**79,093**
Other current assets (Note 7)	**52,212**	77,406	**442,475**
Total current assets	**1,238,495**	1,674,921	**10,495,720**
PROPERTY AND EQUIPMENT:			
Land	**6,762**	6,762	**57,305**
Buildings and structures (Note 6)	**24,766**	28,846	**209,881**
Machinery and equipment	**161**	161	**1,364**
Furniture and fixtures (Note 6)	**22,067**	23,146	**187,009**
Construction in progress (Note 6)	**760**	399	**6,441**
Total	**54,516**	59,314	**462,000**
Accumulated depreciation	**(26,697)**	(24,379)	**(226,246)**
Net property and equipment	**27,819**	34,935	**235,754**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	**18,879**	27,764	**159,992**
Investments in and advances to subsidiaries (Note 12)	**388,096**	423,860	**3,288,949**
Claims in bankruptcy (Note 4)	**33,518**	28,542	**284,051**
Software, net	**11,993**	11,638	**101,636**
Lease deposits	**8,469**	8,833	**71,771**
Long-term prepayments	**1,545**	2,756	**13,093**
Deferred losses on hedging instruments, mainly interest rate swaps		10,230	
Other assets (Note 6)	**1,778**	2,343	**15,068**
Allowance for doubtful accounts	**(69,765)**	(21,339)	**(591,229)**
Total investments and other assets	**394,513**	494,627	**3,343,331**
TOTAL	**¥ 1,660,827**	¥ 2,204,483	**$ 14,074,805**

See notes to non-consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 3) 2007
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 16,000	¥ 53,000	$ 135,593
Current portion of long-term debt (Note 7)	300,601	408,797	2,547,466
Trade notes payable	31	3,991	263
Trade accounts payable	10,698	6,483	90,661
Obligation under loan guarantees	58,914	62,314	499,271
Income taxes payable	38	21,163	322
Accrued expenses	5,924	6,707	50,203
Allowance for losses on interest refunds (Note 2.*l*)		17,020	
Allowance for losses from business restructuring (Note 10)	4,381		37,127
Allowance for clean-up costs of contaminated land	630		5,339
Other current liabilities	1,313	1,670	11,128
Total current liabilities	398,530	581,145	3,377,373
LONG-TERM LIABILITIES:			
Long-term debt (less current portion) (Note 7)	874,360	975,764	7,409,831
Liability for retirement benefits (Note 2.*h*)	1,255	1,279	10,636
Deferred tax liabilities (Note 11)	426	3,760	3,610
Allowance for losses on interest refunds (Note 2.*l*)	122,956		1,042,000
Interest rate swaps	8,193	9,462	69,432
Other long-term liabilities	102	156	864
Total long-term liabilities	1,007,292	990,421	8,536,373
EQUITY (Notes 8 and 15)**:**			
Common stock, authorized, 568,140,000 shares in 2007, and 373,500,000 shares in 2006; issued, 142,035,000 shares in 2007 and 2006	83,317	83,317	706,076
Capital surplus -			
Additional paid-in capital	90,225	90,225	764,619
Retained earnings:			
Legal reserve	1,566	1,566	13,271
Unappropriated	82,241	450,138	696,958
Net unrealized gain on available-for-sale-securities	6,376	10,636	54,034
Deferred loss on derivatives under hedge accounting	(5,752)		(48,746)
Treasury stock, at cost— 412,835 shares in 2007 and 412,124 shares in 2006	(2,968)	(2,965)	(25,153)
Total equity	255,005	632,917	2,161,059
TOTAL	¥ 1,660,827	¥ 2,204,483	$ 14,074,805

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

AIFUL Corporation
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2007	2006	**2007**
INCOME:			
Interest on loans	**¥ 292,669**	¥ 333,541	**$ 2,480,246**
Interest on loan guarantees	**5,052**	4,426	**42,813**
Interest on deposits, securities and other	**4,863**	5,274	**41,212**
Recovery of loans previously charged off	**1,841**	4,299	**15,602**
Gain on transfer of pension plan (Note 2.*h*)		284	
Other income	**5,273**	3,109	**44,686**
Total income	**309,698**	350,933	**2,624,559**
EXPENSES:			
Interest on borrowings	**26,030**	28,347	**220,593**
Charge-offs and provision for doubtful accounts	**363,482**	103,520	**3,080,356**
Salaries and other employees' benefits	**27,819**	28,710	**235,754**
Advertising expenses	**5,733**	16,534	**48,585**
Rental expenses (Note 13)	**11,613**	12,622	**98,415**
Commissions and fees	**11,450**	14,024	**97,034**
Depreciation and amortization	**8,641**	7,588	**73,229**
Loss on write-down of investments in subsidiaries	**21,701**		**183,907**
Provision for losses on interest refunds (Note 2.*l*)	**122,956**	17,020	**1,042,000**
Loss on interest refunds	**11,195**	10,603	**94,873**
Loss on impairment of long-lived assets (Note 6)	**3,128**		**26,508**
Loss from and provision for business restructuring (Note 10)	**8,798**		**74,559**
Provision for clean-up costs of contaminated land	**630**		**5,339**
Other expenses	**27,685**	28,186	**234,619**
Total expenses	**650,861**	267,154	**5,515,771**
INCOME (LOSS) BEFORE INCOME TAXES	**(341,163)**	83,779	**(2,891,212)**
INCOME TAXES (Note 11)**:**			
Current	**7,564**	41,576	**64,101**
Deferred	**10,672**	(8,179)	**90,441**
Total income taxes	**18,236**	33,397	**154,542**
NET INCOME (LOSS)	**¥ (359,399)**	¥ 50,382	**$ (3,045,754)**

	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Notes 2.*v* and 14)**:**			
Basic net income (loss)	**¥ (2,537.73)**	¥ 355.77	**$ (21.51)**
Diluted net income		355.65	
Cash dividends applicable to the year	**60.00**	60.00	**0.51**

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AIFUL Corporation
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen							
			Capital Surplus	Retained Earnings					
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealized Gain on Available-for-sale Securities	Deferred loss on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
BALANCE AT APRIL 1, 2005	94,690	¥83,317	¥90,225	¥1,566	¥406,979	¥5,285		¥(3,064)	¥584,308
Net income					50,382				50,382
Cash dividends paid, ¥60 per share					(7,080)				(7,080)
Bonuses to directors and corporate auditors					(127)				(127)
Net unrealized gain on available-for-sale securities						5,351			5,351
Net decrease in treasury stock (14,573 shares)					(16)			99	83
Stock split (Note 8)	47,345								
BALANCE AT MARCH 31, 2006	142,035	¥83,317	¥90,225	¥1,566	¥450,138	¥10,636		¥(2,965)	¥632,917
Net loss					(359,399)				(359,399)
Cash dividends paid, ¥60 per share					(8,498)				(8,498)
Net increase in treasury stock (711 shares)								(3)	(3)
Net change in the period						(4,260)	¥(5,752)		(10,012)
BALANCE AT MARCH 31, 2007	**142,035**	**¥83,317**	**¥90,225**	**¥1,566**	**¥82,241**	**¥6,376**	**¥(5,752)**	**¥(2,968)**	**¥255,005**

	Thousands of U.S. Dollars (Note 3)							
		Capital Surplus	Retained Earnings					
	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealized Gain on Available-for-sale Securities	Deferred loss on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
BALANCE AT MARCH 31, 2006	$706,076	$764,619	$13,271	$3,814,729	$90,136		$(25,127)	$5,363,704
Net loss				(3,045,754)				(3,045,754)
Cash dividends paid, $0.51 per share				(72,017)				(72,017)
Net increase in treasury stock (711 shares)							(26)	(26)
Net change in the period					(36,102)	$(48,746)		(84,848)
BALANCE AT MARCH 31, 2007	**$706,076**	**$764,619**	**$13,271**	**$696,958**	**$54,034**	**$(48,746)**	**$(25,153)**	**$2,161,059**

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AIFUL Corporation
Years Ended March 31, 2007 and 2006

01 Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements of AIFUL Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and accounting principles generally accepted in the United States of America.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with Japanese GAAP.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The non-consolidated statements of shareholders' equity, which were previously voluntarily prepared in line with the international accounting practice, are now required under Japanese GAAP and have been renamed "the non-consolidated statements of changes in equity" from the current fiscal year.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's non-consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

02 Summary of Significant Accounting Policies

a. Non-Consolidation — The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost, except for investments in subsidiaries which are limited liability investment partnerships and other similar partnerships (see Note 2.*d*).

b. Business Combination — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "*Accounting for Business Combinations*", and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "*Accounting Standard for Business Separations*" and ASBJ Guidance No. 10, "*Guidance for Accounting Standard for Business Combinations and Business Separations*". These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006. The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

On March 26, 2007, the Company merged id CREDIT CORPORATION and NET ONE CLUB CORPORATION, which were wholly owned subsidiaries of the Company. The accounting for combinations of entities under common control prescribed by the new accounting standard for business combinations was applied to it.

c. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificate of deposits which mature or become due within three months of the date of acquisition.

d. Investment Securities — Investment securities are classified and accounted for, depending on management's intent, as follows: i) investment securities in subsidiaries and associated companies, are reported at cost, and ii) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Investments in limited liability investment partnerships and other similar partnerships are initially recorded at cost, and the carrying amount is adjusted to recognize the Company's interests in earnings or losses in such partnerships based on the recent available financial statements of the partnerships.

e. Property and Equipment — Property and equipment are stated at cost. Depreciation is computed by the declining-balance method. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 13 to 15 years for machinery and equipment, and from 3 to 20 years for furniture and fixtures.

f. Long-Lived Assets — In August 2002, the BAC issued a Statement of Opinion, *Accounting for Impairment of Fixed Assets*, and in October 2003 the ASBJ issued ASBJ Guidance No. 6, *Guidance for Accounting Standard for Impairment of Fixed Assets*. These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Company adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. **Software** — Expenditures for the purchase of software, which meet certain future-tests, are capitalized as software and amortized by the straight-line method over the estimated useful lives of five years.

h. **Liability for Retirement Benefits** — The Company has a defined contribution pension plan and a prepaid retirement benefits plan which were established on October 1, 2004. Contributions to the defined contribution plan and payments to the prepaid retirement benefits plan are charged to income when made.

On September 30, 2004, the Company obtained approval from the Ministry of Health, Labour and Welfare for termination of the contributory defined benefit pension plan (Employee's Pension Fund ("EPF") pursuant to the Japanese Welfare Pension Insurance Law) which consisted of a portion of the governmental welfare pension program ("substitutional portion") and a pension portion representing a non-contributory defined benefit plan which the Company has originally set ("additional portion").

As the termination process, the Company transferred pension obligation related to past employee services on the substitutional portion and related assets to the government on March 16, 2005.

During the year ended March 31, 2006, the Company completed the transfer of pension obligation on the additional portion of the EPF and related assets to the defined contribution pension plan and prepaid retirement benefits plan based on the determination of the amount of benefit obligation which are to be allocated to each beneficiary account. As a result, the Company recorded a gain on transfer of pension plans of ¥284 million in accordance with the provisions specified in the guidance issued by ASBJ for the year ended March 31, 2006.

Liability for retirement benefits to directors and corporate auditors is provided at the amount which would be required if they retired at each balance sheet date. The liability for retirement benefits in the non-consolidated balance sheet is for directors and corporate auditors.

i. **Allowance for Doubtful Accounts** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

j. **Allowance for Clean-up Costs of Contaminated Land** — The allowance for clean-up costs of contaminated land is provided for losses on cleaning up soil contamination discovered in some portion of the Company's land for sale and is based on the estimated amount of future costs to be paid.

k. **Allowance for Losses from Business Restructuring** — The allowance for losses from business restructuring is provided at an estimated amount of future costs related to liquidation of outlets and other restructuring activities.

l. **Allowance for Losses on Interest Refunds** — The limit of interest rates is regulated by two laws — "Contributions Law" and "Interest Rate Restriction Law". Under the former law, interest rates on loans should not exceed 29.2% and the violation is considered to be a criminal penalty. The latter law stipulates that interest payments for interest rates that exceed the legal limit (20% for principal amounts under ¥100 thousand, 18% for principals between ¥100 thousand and ¥1 million and 15% for principals over ¥1 million) are void. However, under the "Moneylending Business Restriction Law", such interest payments are nonetheless considered to be valid if moneylenders issue notices as prescribed by the law to debtors and debtors pay voluntarily. Recent strict interpretation by the courts of these requirements has led to decisions against moneylenders and resulted in more debtors claiming for the return of excess interest payments.

On March 15, 2006, the Japanese Institute of Certified Public Accountants (the "JICPA") issued a report requiring moneylenders to make an accounting provision for losses on interest refunds for interest rates that exceeded the limit set by the Interest Rate Restriction Law. The Company has loaned money at rates between the limit set by the two laws, and has in the past charged refund costs to income as incurred. However, the growing number of claims against the Company has increased the materiality of the financial effects of the situation. So, the Company decided to record a provision of ¥17,020 million ("Allowance for losses on interest refunds") for interest refunds for the fiscal year ended March 31, 2006.

On October 13, 2006, the industry practice committee of the JICPA issued its Report No. 37 "Audit Guidelines for Consumer Finance Companies' Recording of Provision for Losses on Interest Refunds," which became effective for accounting periods ending on or after September 1, 2006. The Company changed the method of estimating allowance for losses on interest refunds in accordance with the new audit guidelines.

The difference between the amount of allowance for losses on interest refunds estimated and recorded as of the beginning of the current fiscal year ending March 31, 2007 in accordance with the report issued on March 15, 2006 and the amount estimated as of the beginning of the current fiscal year ending March 31, 2007 in accordance with Report No. 37, is recorded as "Charge-offs and provision for doubtful accounts" in the amount of ¥99,179 million ($840,500 thousand) and "Provision for loss on interest refunds" in the amount of ¥57,070 million ($483,644 thousand) in the non-consolidated statements of operations for the year ended March 31, 2007. At March 31, 2007, the Company recorded an allowance of ¥122,956 million ($1,042,000 thousand) as "Allowance for losses on interest refunds". In addition, the estimated amount of interest refunds of ¥167,530 million ($1,419,746 thousand) which are expected to be preferentially set off against loans is recorded as "Allowance for doubtful accounts" for the Company.

Allowance for losses on interest refunds is stated in amounts considered to be appropriate based on the Company's past refund loss experience and the recent situation regarding interest refunds.

m. **Leases** — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's non-consolidated financial statements.

n. **Income Taxes** — The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. **Presentation of Equity** — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets are now presented as components of equity. Such items include stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

The non-consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

p. **Appropriations of Retained Earnings** — Appropriations of retained earnings are reflected in the non-consolidated financial statements for the year following the Board of Directors' approval.

q. **Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

r. **Interest on Loans** — Interest on loans is recorded on an accrual basis. In accordance with the practice prevailing in the industry, the Company records accrued interest at either the interest rate stipulated in the Interest Rate Restriction Law or the contracted interest rate, whichever is lower.

s. **Interest on Borrowings** — Interest on financial liabilities is accounted for as operating expenses while other interest is included in other expenses.

t. **Bond Issue Costs** — Amortization is calculated by the straight-line method over the term of the related bond issue. Bond issue costs related to bonds which were issued by March 31, 2006 are amortized ratably over periods up to three years. Bond issue costs are included in other assets.

u. **Derivatives and Hedging Activities** — The Company uses derivative financial instruments to manage its exposures to fluctuations in interest rates and foreign exchange. Interest rate swaps, interest rate caps and currency swaps contracts are utilized by the Company to reduce interest rate and foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes. The accounting standard for derivative financial instruments requires that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognized in the non-consolidated statements of operations, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives be deferred until maturity of the hedged transactions.

Currency swaps contracts are utilized to hedge foreign currency exposures in principal and interest payment of U.S. dollar straight bonds. U.S. dollar straight bonds are translated at the contracted rates.

The interest rate swaps and caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap or cap contracts is recognized and included in interest expenses or income.

v. **Per Share Information** — Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share of common stock reflects the potential dilution that could occur if securities were converted into common stock and assumes full exercise of outstanding stock options.

Cash dividends per share presented in the accompanying non-consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year, which is not retroactively adjusted for stock splits.

w. **New Accounting Pronouncements**

Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

03 Translation into United States Dollars

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

04 Loans

Loans at March 31, 2007 and 2006 consisted of the following (before allowance for doubtful accounts):

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Unsecured	¥ 995,077	¥ 1,133,083	$ 8,432,856
Secured	274,788	341,153	2,328,712
Small business loans	28,747	38,481	243,618
Total	¥ 1,298,612	¥ 1,512,717	$ 11,005,186

Registered moneylenders are required to disclose the following information under the Non-Bank Bond Issuing Law.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans in legal bankruptcy	¥ 36,936	¥ 30,309	$ 313,017
Nonaccrual loans	142,932	63,877	1,211,288
Accruing loans contractually past due three months or more as to principal or interest payments	20,362	15,667	172,559
Restructured loans	37,903	36,383	321,212
Total	¥ 238,133	¥ 146,236	$ 2,018,076

Loans in legal bankruptcy are loans in which accruals of interest are discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectibility of principal or interest resulting from the past due payment of interest or principal and other factors. Allowances for claims in bankruptcy are stated at such amount less net realizable value of collateral.

Nonaccrual loans are loans in which accruals of interest are discontinued, other than loans in legal bankruptcy as well as loans receiving regular payments in case of granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments are loans for which payments of principal or interest have not been received for a period of three months or more beginning with the next business day following the last due date for such payments. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded from accruing loans contractually past due three months or more.

Restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors in financial difficulties to assist them in their recovery and eventually enable them to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

At March 31, 2007 and 2006, the Company had balances related to revolving loan contracts aggregating ¥1,232,448 million ($10,444,475 thousand) and ¥1,423,276 million, respectively, whereby the Company is obligated to advance funds up to a predetermined amount upon request. At March 31, 2007 and 2006, the balances of unadvanced commitments were ¥330,213 million ($2,798,415 thousand) and ¥569,218 million, respectively. The loan contract contains provisions that allow the Company to reduce the contract amount of the commitment or refuse to advance funds to loan customers under certain conditions.

05 Investment Securities

Disclosure of cost and fair value of investment securities at March 31, 2007 and 2006 is not presented herein, as such information is permitted to be omitted if disclosed in consolidated financial statements under Japanese GAAP.

06 Long-Lived Assets

The Company reviewed their long-lived assets for impairment, and as a result, recognized an impairment loss for the following long-lived assets related to its business-restructuring program for the year ended March 31, 2007.

		March 31, 2007	
		Impairment loss	
Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Outlets which the Company decided to close	Buildings and structures, Furniture and fixtures and other	¥ 3,128	$26,508

The following table summarizes the Company's asset grouping:

Business Classification	Asset Grouping
Financial services	Financial services are one unit. Outlets which the Company decided to close are grouped in another separate unit.

The following table summarizes the components of the Company's loss on impairment of long-lived assets:

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 2,106	$ 17,847
Furniture and fixtures	885	7,500
Other	137	1,161
Total	¥ 3,128	$26,508

The recoverable amount was measured at their value in use, calculated as the amount equal to the depreciation expense to be charged through the point of the closure of outlets.

No impairment loss was recognized for the year ended March 31, 2006.

07 Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans from banks, 1.18% to 1.37% (0.71% to 1.38% at March 31, 2006)	¥ 13,000	¥ 50,000	$ 110,169
Loans from other financial institutions, 1.88% (1.38% at March 31, 2006)	3,000	3,000	25,424
Total	¥ 16,000	¥ 53,000	$ 135,593

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Loans from banks, 0.95% to 2.65%, due serially to 2012 (0.69% to 2.88%, due serially to 2011 at March 31, 2006)	**¥ 446,011**	¥ 528,144	**$ 3,779,754**
Loans from other financial institutions, 1.27% to 2.85%, due serially to 2012 (0.69% to 2.90%, due serially to 2011 at March 31, 2006)	**133,043**	202,052	**1,127,483**
Syndicated Loans, 0.79%, due serially to 2010 (0.62% to 1.48%, due serially to 2010 at March 31, 2006)	**11,243**	73,368	**95,280**
Unsecured 1.30% to 3.27% yen straight bonds, due 2006		68,500	
Unsecured 1.66% to 2.51% yen straight bonds, due 2007	**43,000**	43,000	**364,407**
Unsecured 0.45% to 2.48% yen straight bonds, due 2008	**61,000**	61,000	**516,949**
Unsecured 1.01% to 3.28% yen straight bonds, due 2009	**58,000**	58,000	**491,525**
Unsecured 0.80% to 3.00% yen straight bonds, due 2010	**70,000**	70,000	**593,220**
Unsecured 1.50% to 1.58% yen straight bonds, due 2011	**20,000**	20,000	**169,492**
Unsecured 1.20% to 1.99% yen straight bonds, due 2012 (1.20% to 1.63% at March 31, 2006)	**30,000**	20,000	**254,237**
Unsecured 1.99% yen straight bonds, due 2013	**10,000**	10,000	**84,746**
Unsecured 1.99% yen straight bonds, due 2015	**10,000**	10,000	**84,746**
Unsecured variable rate Euro-yen straight bonds, due 2006 (1.82% at March 31, 2006)		12,500	
Unsecured 4.45% to 5.00% U.S. dollar straight bonds, due 2010	**108,500**	108,500	**919,492**
Unsecured 6.00% U.S. dollar straight bonds, due 2011	**57,600**		**488,136**
Unsecured 2.21% medium-term notes, due 2007		1,000	
Unsecured 3.00% medium-term notes, due 2008	**3,000**	3,000	**25,424**
Unsecured 3.50% medium-term notes, due 2015	**15,000**	15,000	**127,119**
Other (principally from leasing companies and securitized loan), 0.79% to 2.30%, due serially to 2012 (0.32% to 2.30%, due serially to 2011 at March 31, 2006)	**¥ 98,564**	¥ 80,497	**$ 835,287**
Total	**1,174,961**	1,384,561	**9,957,297**
Less current portion	**(300,601)**	(408,797)	**(2,547,466)**
Long-term debt, less current portion	**¥ 874,360**	¥ 975,764	**$ 7,409,831**

Annual maturities of long-term debt at March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	**¥ 300,601**	**$ 2,547,466**
2009	**241,028**	**2,042,610**
2010	**251,124**	**2,128,170**
2011	**203,628**	**1,725,661**
2012	**128,715**	**1,090,805**
2013 and thereafter	**49,865**	**422,585**
Total	**¥ 1,174,961**	**$ 9,957,297**

At March 31, 2007, the following assets were pledged as collateral for short-term borrowings and long-term debt (including current portion of long-term debt):

	Millions of Yen	Thousands of U.S. Dollars
Loans	**¥ 314,882**	**$ 2,668,492**
Other current assets	**101**	**856**
Total	**¥ 314,983**	**$ 2,669,348**
Related liabilities -		
Long-term debt (including current portion of long-term debt)	**¥ 172,866**	**$ 1,464,966**

The above table includes loans related to securitized loans of ¥240,427 million ($2,037,517 thousand), and related liabilities (long-term debt including current portion) of ¥103,883 million ($880,364 thousand).

Property and equipment of Marutoh KK, the Company's subsidiary, were pledged as collateral for the above liabilities.

If requested by lending financial institutions, the Company has committed to pledge loans of ¥171,159 million ($1,450,500 thousand) as collateral in addition to those shown in the above table. At March 31, 2007, related liabilities for which lending financial institutions can request the Company to pledge additional collateral consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Long-term debt (including current portion of long-term debt)	**¥157,470**	**$1,334,492**

At March 31, 2007, other current assets amounting to ¥1,735 million ($14,703 thousand), were pledged as collateral for the interest rate swap contracts.

A portion of the Company's loans from banks and securitized borrowings is subject to accelerated repayment if the Company fails to meet certain financial covenants including the amount of equity, the equity ratio and those based on specified operational indexes such as the ratio of loss on interest refunds to equity. As of March 31, 2007, the Company has violated the covenants of one or more securitized borrowings. These securitized borrowings are to be redeemed early in accordance with their contracts, but this will not have a direct impact on the Company's cash flow since the redemptions are funded by collections of loans which are collateral for the securitized borrowings.

08 Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On May 23, 2005, the Company made a three for two stock split and 47,345,000 shares were issued to shareholders of record on March 31, 2005. The number of shares to be issued upon the option grants mentioned above and the exercise price were adjusted based upon a defined formula.

09 Stock Option

Disclosure of stock option outstanding at March 31, 2007 is not presented herein, as such information is permitted to be omitted if disclosed in consolidated financial statements under Japanese GAAP.

10 Loss from and Provision for Business Restructuring

The following table summarizes the components of the Company's loss from business restructuring for the year ended March 31, 2007.

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Loss from business restructuring:		
Special severance payments	¥ 2,753	$ 23,331
Cost related to closure of outlets	1,267	10,737
Other	397	3,364
Total	¥ 4,417	$ 37,432

The following table summarizes the components of the Company's provision for business restructuring for the year ended March 31, 2007.

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Provision for business restructuring:		
Cost related to closure of outlets	¥ 4,115	$ 34,873
Re-employment support cost and other	266	2,254
Total	¥ 4,381	$ 37,127

11 Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for both of the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred Tax Assets:			
Allowance for doubtful accounts	**¥ 90,111**	¥ 597	**$ 763,653**
Allowance for losses on interest refunds	**49,896**	6,907	**422,847**
Investments in subsidiaries	**8,806**		**74,627**
Charge-offs for doubtful loans	**6,065**	4,310	**51,398**
Deferred loss on derivatives under hedge accounting	**3,929**		**33,297**
Accrued interest on loans	**3,737**	2,625	**31,669**
Other	**7,058**	5,567	**59,814**
Less valuation allowance	**(156,141)**		**(1,323,229)**
Deferred tax assets	**¥ 13,461**	¥ 20,006	**$ 114,076**
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	**¥ (4,355)**	¥ (7,264)	**$ (36,907)**
Other	**(199)**		**(1,686)**
Deferred tax liabilities	**¥ (4,554)**	¥ (7,264)	**$ (38,593)**
Net deferred tax assets	**¥ 8,907**	¥ 12,742	**$ 75,483**

Net deferred tax assets included in the non-consolidated balance sheet at March 31, 2007 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets — Deferred tax assets	**¥ 9,333**	**$ 79,093**
Long-term liabilities — Deferred tax liabilities	**(426)**	**(3,610)**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of operation for the year ended March 31, 2007 has not been disclosed because of the Company's net loss position.

As the differences between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of operations for the year ended March 31, 2006 are not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed as permitted under Japanese GAAP.

12 Related Party Transactions

The balances due from subsidiaries at March 31, 2007 and 2006 and transactions of the Company with subsidiaries for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Advances to subsidiaries	**¥ 277,503**	¥ 288,525	**$ 2,351,720**
Interest income	**4,482**	5,013	**37,983**

13 Leases

The Company leases vehicles, computer equipment, furniture and fixtures, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Total Rental Expenses	Lease Payments under Finance Leases	Total Rental Expenses	Lease Payments under Finance Leases
Year Ended March 31:				
2007	**¥ 11,613**	**¥ 250**	**$ 98,415**	**$ 2,119**
2006	12,622	832		

Pro forma information of leased property including acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
	Furniture and Fixtures	Furniture and Fixtures	Furniture and Fixtures
Acquisition cost	**¥ 277**	¥ 1,357	**$ 2,348**
Accumulated depreciation	**219**	1,166	**1,856**
Net leased property	**¥ 58**	¥ 191	**$ 492**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 44**	¥ 180	**$ 373**
Due after one year	**18**	16	**152**
Total	**¥ 62**	¥ 196	**$ 525**

Depreciation expense and interest expense, which are not reflected in the accompanying non-consolidated statements of operations, computed under a straight-line method and the interest method, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥ 240**	¥ 803	**$ 2,034**
Interest expense	**3**	9	**25**

The minimum rental commitments under non-cancelable operating leases at March 31, 2007 were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 20**	¥ 241	**$ 170**
Due after one year	**5**	147	**42**
Total	**¥ 25**	¥ 388	**$ 212**

14 Net Income (Loss) Per Share

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
	Net Income (loss)	Weighted-Average Shares	EPS	
For the year ended March 31, 2007:				
Basic EPS				
Net loss available to common shareholders	**¥(359,399)**	**141,622**	**¥(2,537.73)**	**$(21.51)**
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥ 50,382	141,614	¥ 355.77	
Effect of Dilutive Securities -				
Stock Options		45		
Diluted EPS				
Net income for computation	¥ 50,382	141,659	¥ 355.65	

Diluted net loss per share for the year ended March 31, 2007 was not disclosed because of the Company's net loss position and also because no dilutive securities were outstanding.

15 Subsequent Events

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2007 were approved by the Board of Directors on May 21, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 ($0.25) per share	**¥4,249**	**$36,008**

Deloitte. Shimbashi & Co.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
AIFUL CORPORATION:

We have audited the accompanying non-consolidated balance sheets of AIFUL CORPORATION as of March 31, 2007 and 2006, and the related non-consolidated statements of operations and changes in equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of AIFUL CORPORATION as of March 31, 2007 and 2006, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

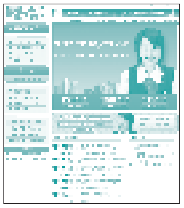
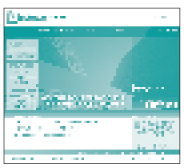
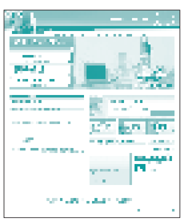
Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Kyoto, Japan

June 27, 2007

Shimbashi & Co.
SHIMBASHI & CO.
Osaka, Japan

June 27, 2007

GROUP NETWORK (AS OF MARCH 31, 2007)

Companies / URL (Japanese only)		Business Classification	Equity Position (%)
AIFUL CORPORATION http://www.aiful.jp http://www.ir-aiful.com	 	Unsecured loans / Home equity loans / Small business loans (High risk) / Loan guarantees	—
LIFE Co., Ltd. http://www.lifecard.co.jp		Credit card shopping / Shopping loans / Unsecured loans / Loan guarantees / Home equity loans	95.9
BUSINEXT CORPORATION http://www.businext.co.jp		Small business loans (Middle risk) / Home equity loans	60.0
City's Corporation http://www.citys.co.jp		Small business loans (High risk) / Home equity loans	100.0

Companies	URL (Japanese only)	Business Classification	Equity Position (%)
TRYTO CORPORATION	http://www.365157.jp	Unsecured loans (High risk) / Home equity loans	100.0
Wide Corporation	http://www.wide-net.co.jp	Unsecured loans (High risk) / Home equity loans	100.0
TCM. Co. Ltd.	http://e-tcm.jp	Unsecured loans (High risk)	100.0
Passkey Co., Ltd.	http://www.passkey.co.jp	Unsecured loans (High risk) / Home equity loans	100.0
AsTry Loan Services Corporation	http://www.astry-s.co.jp	Debt collection (Servicer)	86.0
New Frontier Partners Co., Ltd.	http://www.nf-partners.co.jp	Venture capital	100.0
Marutoh KK	http://www.marutoh.com	Real estate business	100.0

Corporate Profile

Corporate Name	AIFUL CORPORATION
Address of Head Office	381-1, Takasago-cho, Gojo-Agaru, Karasuma-Dori, Shimogyo-ku, Kyoto 600-8420, Japan
Date of Establishment	April 1967
Common Stock	¥83,317 million
Number of Employee	Non Consolidated: 3,046 Consolidated: 6,477

Stock Listing

Tokyo Stock Exchange	The First Section
Osaka Securities Exchange	The First Section
Securities Code	8515

Shareholders Information

Number of Shares of Common Stock

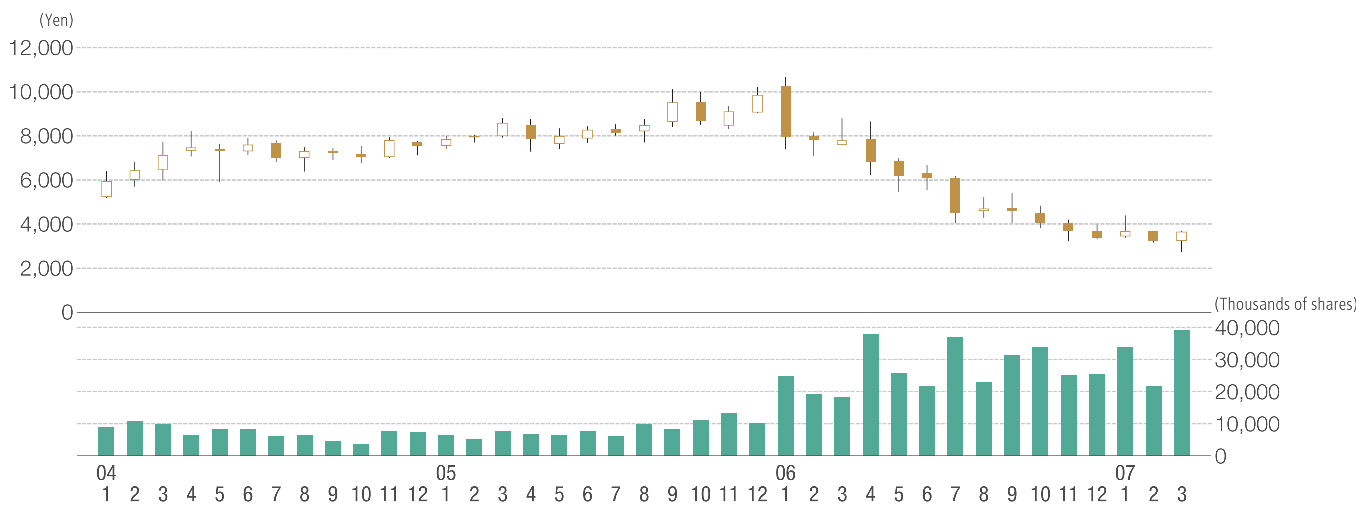
Authorized	568,140,000 shares
Issued and Outstanding	142,035,000 shares
Number of Shareholders	14,245
Independent Auditors	Deloitte Touche Tohmatsu Shimbashi & Co.
Transfer Agent and Registar	The Sumitomo Trust & Banking Co., Ltd.

For Further Information and Additional Copies of This Annual Report, Please Contact

Investor Relation Section
Tokyo Office 8th-Floor Toho-Hibiya Bldg.
(Hibiya Chanter), 1-2-2
Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan

Phone: +81-3-4503-6100 Facsimile: +81-3-4503-6109
E-mail: ir@aiful.co.jp

Transition of a Stock Price and Volume of Trading (January 2004–March 2007)



Investor Relations Website

To improve its disclosure activities, AIFUL maintains an IR section within its website that contains not only operating results and other statistics, but also the corporate philosophy, management strategy, data on the consumer finance market and business alliances, and other types of information that go beyond financial statements.

http://www.ir-aiful.com/english

AIFUL CORPORATION

http://www.ir-aiful.com/english