

First Half Business Results

For the fiscal year ending March 2010

AIFUL Corporation Stock Listings: 1st Section of Tokyo and Osaka Stock Exchanges
 Stock Code: 8515 URL <http://www.aiful.co.jp>
 Representative: Yoshitaka Fukuda, President and Chief Executive Officer
 Inquiries: Katsuyuki Komiya, General Manager, Public Relations Department
 TEL (03) 4503 - 6050

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Scheduled date of commencement of dividend payments: -

I. Consolidated Business Results for the First Half of Fiscal 2009 (April 1, 2009 – September 30, 2009)

1. Consolidated Operating Results

Note: Amounts in financial statements and the supplementary data are rounded down.

(In millions of yen, except where noted; percentage figures show year-on-year change.)

	Operating Revenue	Operating Income	Ordinary Income	Net Income
First half, FY2009	121,813 (26.5)%	(259,110) -	(258,858) -	(282,318) -
First half, FY2008	165,685 -	7,962 -	9,054 -	7,171 -

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
First half, FY2009	(1,185.07)	-
First half, FY2008	42.94	35.39

2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
End of first half, FY2009	1,351,196	109,001	7.7	435.93
End of FY2008	1,644,744	393,334	23.6	1,626.89

Reference: Shareholders' equity for: End of first half, FY2009: 103,851 million yen
 End of FY2008: 387,572 million yen

II. Dividend Information

(Record date)	Dividend per share (Yen)				
	End of First quarter	End of First half	End of Third quarter	Year-end	Annual
FY2008	-	10.00	-	5.00	15.00
FY2009	-	0.00			0.00
FY2009 (Forecast)			-	0.00	

Note: Revisions to quarterly dividend forecasts: None

III. Consolidated Results Forecasts for Fiscal 2009 (April 1, 2009 – March 31, 2010):

(In millions of yen, except where noted; Percentage figures show year-on-year change.)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Full year	216,531 (30.7)%	(280,206) –	(279,326) –	(308,258) –	(1,293.96)

Note: Revisions to consolidated earnings forecasts: Yes

IV. Other

- (1) Transfers of leading subsidiaries during the fiscal period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Application of simplified accounting procedures and specific accounting procedures in preparing consolidated financial statements: None
- (3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements (Recorded under Changes to Significant Matters Forming the Basis for the Preparation of Quarterly Consolidated Financial Statements)
 - (a) Changes accompanying amendments to accounting standards: None
 - (b) Changes other than those in (a): None
- (4) Number of shares issued and outstanding (Ordinary shares)
 - (a) Number of shares issued and outstanding at end of fiscal period (including treasury stock)
 - End of first half, FY2009: 238,685,568 shares
 - End of FY2008: 238,685,568 shares
 - (b) Number of shares of treasury stock issued and outstanding at end of fiscal period
 - End of first half, FY2009: 456,821 shares
 - End of FY2008: 456,724 shares
 - (c) Average number of shares during fiscal period: (year-to-date)
 - First half, FY2009: 238,685,568 shares
 - First half, FY2008: 167,019,196 shares

* Disclaimer concerning the proper use of business results forecasts

The consolidated forecasts above are based on information available as of the day of the announcement of this material. Actual results may vary materially due to various unknown future factors.

As stated in a press release dated September 24, 2009 entitled “Summary of Proposed Business Revitalization Plan,” AIFUL Corporation and its subsidiaries LIFE Co., Ltd., MARUTOH Co., Ltd., and City’s Corporation are rebuilding their businesses through the consensual business revitalization alternative dispute resolution procedures prescribed in Japan’s Act on Special Measures for Industrial Revitalization (the “Business Revitalization Procedures”) and as such are currently negotiating with certain of their creditors. As a result, actual earnings may differ from the forecast values due to a variety of factors.

(Reference)

Non-consolidated Results Forecasts for Fiscal 2009 (April 1, 2009 – March 31, 2010):

(In millions of yen, except where noted; Percentage figures show year-on-year change.)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Full year	122,680 (30.8)%	(255,568) –	(250,970) –	(282,759) –	(1,186.92)

Note: Revisions to consolidated earnings forecasts: Yes

Qualitative Information, Financial Statements and Other Information

1. Qualitative Information Regarding Consolidated Operating Results

In the first half of the fiscal year, the outlook for the Japanese economy remained uncertain. Although there is a sense that inventory adjustments in the corporate sector and the government's economic stimulus measures were helping the economy bottom out since it began to weaken in 2008, the employment and income environment as indicated by the highest recorded unemployment rate remains very challenging.

In the consumer finance industry, corporate management is facing the demands for interest repayments, which remain high, and many have been forced to pull out of the market. In addition, the fund-raising market, which is the lifeline of the consumer finance industry, remains dysfunctional. Moreover, the AIFUL Group's business environment became increasingly difficult in the term under review. Japan's Money Lending Business Control and Regulation Law, including the reduced maximum interest rate under the Capital Subscription Law and the introduction of restrictions on total lending, will be enforced starting June 2010, and companies are increasing the rigor of their credit screening. Despite demand for loans from customers, the market is shrinking due to a shortfall in the credit provided by consumer finance companies.

In this environment, the AIFUL Group is reinforcing its system for responding to demands for interest repayments—its most crucial issue—by augmenting personnel in the division handling these demands. In addition, the Group is working to protect its receivables by setting up a collection system, including strengthening its legal collection methods, and is also enhancing the efficiency of its network of retail stores and contact centers.

AIFUL Corporation is restructuring the Group by focusing its resources on carefully selected businesses. As part of this effort, the Group transferred all of its shareholdings in consumer finance subsidiaries Wide Corporation, TRYTO Corporation, TCM Co. Ltd., and Passkey Co., Ltd. (not specified subsidiaries), as well as its loans to these subsidiaries, to NEOLINE CAPITAL Co., Ltd.

Nevertheless, the impact of the continuing rise in interest repayment demands and the difficult fund-raising environment suggests that the AIFUL Group may be unable to continue to perform its role as a social lifeline. Accordingly, AIFUL Corporation and its subsidiaries LIFE, MARUTOH, and City's are rebuilding their businesses through the Business Revitalization Procedures and as such are currently negotiating with certain of their creditors.

These Business Revitalization Procedures will not affect the terms and conditions for the Group's borrowers, credit card users and member stores.

Results by business in the first half are described below.

Conditions by Business

Unsecured loans

AIFUL Corporation and LIFE continue to make systematic preparations for the full enforcement of the Money Lending Business Control and Regulation Law, which lowers the maximum interest rate under the Capital Subscription Law and introduces restrictions on total lending, by selling products with low interest rates to trusted customers and increasing the rigor of its credit screening. The number of new contracts signed in the unsecured loan category declined by 60.7% year-on-year to 24,000 in the first half of the current fiscal year, for a signing rate of 18.8%, down 18.7 points year-on-year.

As a result, the balance of unsecured loans outstanding fell 21.6% compared to the end of fiscal 2008 to 796,671 million yen (this includes 31,033 million yen in off-balance sheet receivables that were securitized), which is partly due to loan forgiveness resulting from interest repayments, which remain high.

Home equity loans and small business loans

The AIFUL Group temporarily suspended sales of personal home equity loans beginning April 2009 to comply with the introduction of restrictions on total lending. As a result, the balance of home equity loans fell 13.3% over the end of fiscal 2008 to 179,489 million yen at the end of the first half.

BUSINEXT Corporation remains cautious on providing credit for small business loans, in light of the current deterioration in economic sentiment among small and medium-sized companies. As a result, the balance of small business loans fell 13.4% over the end of fiscal 2008 to 96,682 million yen at the end of the first half.

As a result, the total balance of loans outstanding was down 19.6% over the end of fiscal 2008 to 1,072,843 million yen at the end of the first half (including 31,033 million yen in off-balance sheet receivables that were securitized).

Credit card business

In the credit card business, LIFE redoubled its efforts to enhance customer convenience by establishing the online shopping mall L-Mall to meet customer needs, among other initiatives. This, coupled with the strong performance in the payment of

utility bills using cards and the issuance of electronic toll correction (ETC) cards, resulted in an increase of more than 60,000 cardholders over the end of fiscal 2008 to 15,310,000, and 8.4% year-on-year growth in credit card transaction volume to 416,414 million yen.

As a result, the balance of installment receivables stood at 137,889 million yen, up 0.8% over the end of fiscal 2008 (including 15,967 million yen in off-balance sheet installment receivables that were securitized).

Credit guarantee business

AIFUL Corporation and LIFE continued their marketing efforts to expand guarantee affiliations, proposed new products to existing clients, and provided support in sales promotions. As a result, the Group secured affiliations with 171 unsecured personal loan companies, and held guarantees for outstanding loans amounting to 89,022 million yen, down 6.3% over the end of fiscal 2008, partly due to heightened competition. The Group secured affiliations with 104 unsecured business loan companies, and held guarantees for outstanding loans totaling 21,470 million yen, down 7.3% over the end of fiscal 2008.

Loan servicing business

The loan servicing business run by AsTry Loan Services Corporation suffered from a harsh business environment marked by concerns of prolonged collection times due to the deteriorating economic environment. As a result, the balance of purchased claims was 9,584 million yen at the end of the first half, down 12.4% over the end of fiscal 2008.

Overview of Results

The AIFUL Group's consolidated operating revenue fell 26.5% year-on-year to 121,813 million yen in the first half of the fiscal year. The primary contributing factors were a 31.4% year-on-year decrease in interest on loans to 96,947 million yen; a 11.1% increase in revenue from the credit card business to 9,012 million yen; a 10.3% decrease in revenue in the credit guarantee business to 3,664 million yen; a 32.8% decrease in money collected from purchased claims to 1,709 million yen; and a 74.6% jump in bad debt write-off recovery to 6,020 million yen.

Operating expenses rose 141.5% year-on-year to 380,924 million yen. This was primarily due to the transfer of 191,999 million yen to the reserve for losses on interest repayments and 128,606 million yen to the allowance for bad debts.

As a result, in the first half the AIFUL Group posted a consolidated operating loss of 259,110 million yen and an ordinary loss of 258,858 million yen. The Group recorded a net loss of 282,318 million yen because of a 20,470 million yen extraordinary loss for the second quarter resulting from losses on the transfer of loans to subsidiaries related to the sale of the four consumer finance subsidiaries, and expenses related to business reorganization. On a non-consolidated basis, AIFUL Corporation posted an operating loss of 246,748 million yen, an ordinary loss totaling 244,167 million yen, and a net loss for the first half amounting to 271,922 million yen.

2. Qualitative Information Regarding Consolidated Financial Position

Total assets on a consolidated basis declined 293,547 million yen, or 17.8%, compared to the end of the previous fiscal year to 1,351,196 million yen at the end of the first half. This was primarily due to a 248,543 million yen decline in loans outstanding due to stricter lending criteria and a 43,693 million yen increase in allowance for bad debts.

Total liabilities fell 9,214 million yen, or 0.7%, compared to the end of the previous fiscal year to 1,242,195 million yen. This can be attributed to a 134,515 million yen decline in interest-bearing liabilities due to repayment and redemption, offsetting a 141,769 million yen increase in the reserve for losses on interest repayments.

Net assets decreased 284,332 million yen, or 72.3% compared to the end of the previous fiscal year to 109,001 million yen because of the 282,318 million yen net loss posted in this quarter.

Cash Flows

Cash and cash equivalents ("funds") rose 3,254 million yen, or 2.5%, compared to the end of the previous fiscal year to 134,852 million yen.

Net cash provided by operating activities totaled 136,605 million yen, an increase of 59.7% year-on-year, as the increase in funds caused by the decline in loans outstanding and the increase in the allowance for bad debts and the reserve for losses on interest repayments exceeded the decrease in funds resulting from the posting of a net loss before taxes for the second quarter.

Net cash provided by investing activities stood at 2,367 million yen, compared to 428 million yen used in the same period in the previous year, as the increase in funds from the sale of loans made to subsidiaries and funds from the sale of investment securities exceeded the decrease in funds from the purchase of fixed assets.

Net cash used for financing activities amounted to 135,706 million yen, down 26.8% year-on-year, due to the repayment of

borrowings and the redemption of bonds.

3. Qualitative Information on Consolidated Earnings Forecasts

Operating revenue for the full year is expected to decline 30.7% year-on-year to 216.5 billion yen. This is mainly due to the fall in interest income as a result of stricter credit screening and the sale of the four consumer credit subsidiaries on September 30, 2009. Operating expenses are expected to total 496.7 billion yen due to such factors as the 203.0 billion yen reserve for losses on interest repayments and a 176.2 billion yen allowance for bad debts. In addition, the AIFUL Group expects to record about 25.4 billion yen in extraordinary losses, including losses on the transfer of loans to subsidiaries related to the sale of the four consumer finance subsidiaries as well as expenses related to business reorganization. As a result, the company expects to record an operating loss of 280.2 billion yen and an ordinary loss of 279.3 billion with a net loss of 308.2 billion yen on a consolidated basis.

As stated in a press release dated September 24, 2009 entitled "Summary of Proposed Business Revitalization Plan," AIFUL Corporation and its subsidiaries LIFE, MARUTOH, and City's are rebuilding their business through the Business Revitalization Procedures and as such are currently negotiating with certain of their creditors. As a result, actual earnings may differ from the forecast values due to a variety of factors.

4. Other

- (1) Transfers of leading subsidiaries during the fiscal period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation):

None

- (2) Application of simplified accounting procedures and specific procedures in preparing quarterly consolidated financial statements:

None

- (3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly financial statements:

None

- (4) Important events affecting premise of going concern:

The AIFUL Group has traditionally raised short-term and long-term funds through various methods, including borrowing from financial institutions, issuing bonds, and securitizing loan receivables. However, the AIFUL Group's fund-raising capacity has weakened in the current market environment due to a variety of reasons such as: (1) increased expenses as the result of rising demands for returns of excess interest payments in accordance with a ruling by Japan's Supreme Court in 2006; (2) AIFUL's business operations being subject to an administrative sanction from the Japanese Financial Services Agency on April 14, 2006; and (3) the dramatic deterioration in the fund-raising environment since fiscal 2008 created by the subprime loan problem and the Lehman shock. In addition, the Group expects the Japanese consumer finance business market to shrink and the business environment to grow even more challenging once the amended Money Lending Business Control and Regulation Law comes into full force and restrictions on total lending are implemented.

AIFUL Corporation and its subsidiaries LIFE, MARUTOH, and City's applied to the Japanese Association of Turnaround Professionals (JATP) for commencement of Business Revitalization Procedures on September 24, 2009, and JATP formally accepted the application on the same day. The Group believes that this move will help it to build a stronger earning capacity and dramatically improve its financial position, contributing to the goal of revitalizing and continuing its business.

While continuing its business activities as before, under the Business Revitalization Procedure the Group will negotiate a business revitalization plan with its creditors, which will primarily consist of business reorganization, maintenance of the balance of principal on loans over a certain period and modification of subsequent principal repayment schedules, on the premise that AIFUL will remain a listed company, receiving neutral and objective advice from JATP. A meeting with creditors is scheduled for December 24, 2009, to adopt a resolution on the proposed business revitalization plan based on the consensus of all relevant creditors.

This is expected to have a significant impact on the Group's management (for details, please refer to "Notes on premise of going concern" on page 10 of the First Half Business Results for the Fiscal Year Ending March 2010).

V. Consolidated Financial Statements for the First Half of Fiscal 2009

1. Consolidated Balance Sheets for the First Half of Fiscal 2009

	End of first half (As of September 30, 2009)	Condensed consolidated balance sheets for previous fiscal year (As of March 31, 2009)	(In millions of yen)
Assets			
Current assets			
Cash and cash equivalents	135,583	132,825	
Loans	1,041,809	1,290,353	
Installment receivables	142,248	142,017	
Operational investment securities	916	899	
Customers' liabilities for acceptances and guarantees	110,492	118,206	
Purchased claims	9,584	10,936	
Others	86,709	65,051	
Allowance for investment loss	(175)		
Allowance for bad debts	(254,856)	(209,317)	
Total current assets	<u>1,272,312</u>	<u>1,550,973</u>	
Fixed assets			
Tangible fixed assets	31,744	38,646	
Intangible fixed assets	17,836	19,762	
Investment and other fixed assets	29,124	35,143	
Total fixed assets	<u>78,705</u>	<u>93,551</u>	
Deferred assets			
Total assets	<u>1,351,196</u>	<u>1,644,744</u>	
Liabilities			
Current liabilities			
Notes & accounts payable - trade	25,576	25,361	
Acceptances and guarantees	110,492	118,206	
Short-term debts	80,957	102,140	
Commercial paper			10,000
Current portion of bonds	173,659	94,849	
Current portion of long-term debts	233,310	230,034	
Income taxes payable	717	916	
Reserves	9,334	3,392	
Others	42,351	54,747	
Total current liabilities	<u>676,399</u>	<u>639,648</u>	
Long-term liabilities			
Bonds	162,600	258,210	
Long term debts	132,779	222,558	
Reserve for losses on interest repayments	265,933	124,164	
Negative goodwill	979	1,088	
Others	3,502	5,740	
Total long-term liabilities	<u>565,795</u>	<u>611,761</u>	
Total liabilities	<u>1,242,195</u>	<u>1,251,409</u>	
Net Assets			
Shareholders' equity			
Common stock	143,324	143,324	
Capital surplus	164,133	164,133	
Retained earnings	(197,453)	86,056	
Treasury stock	(3,110)	(3,110)	
Total shareholders' equity	<u>106,894</u>	<u>390,404</u>	
Evaluation and foreign currency translation adjustments			
Differences in evaluation of other marketable securities	(1,032)	(732)	
Gain (loss) on deferred hedge	(2,009)	(2,098)	
Total evaluation and foreign currency translation adjustments	<u>(3,042)</u>	<u>(2,831)</u>	
Minority interests	5,150	5,761	
Total net assets	<u>109,001</u>	<u>393,334</u>	
Total net assets and liabilities	<u>1,351,196</u>	<u>1,644,744</u>	

2. Consolidated Statements of Income for the First Half of Fiscal 2009

(In millions of yen)

	First half (Apr. 1 to September 30, 2008)	First half (Apr. 1 to September 30, 2009)
Operating revenue		
Interest on loans to customers	141,375	96,947
Credit card revenue	8,112	9,012
Per-item credit revenue	2,912	1,116
Credit guarantee revenue	4,087	3,664
Financial revenue – other	371	83
Operating revenue – other	9,519	10,989
Total operating revenue	<u>165,685</u>	<u>121,813</u>
Operating expenses		
Financial expenses	14,010	10,707
Cost of sales	1,921	1,455
Operating expenses – other	141,791	368,761
Total operating expenses	<u>157,723</u>	<u>380,924</u>
Operating income (loss)	7,962	(259,110)
Non-operating income		
Dividends received	645	113
Interest on refund of corporate taxes and other taxes	377	
Negative goodwill write-offs		108
Others	193	233
Total non-operating income	<u>1,217</u>	<u>455</u>
Non-operating expenses		
Loss on investment association fund management	96	
Cost of investment securities		115
Others	28	86
Total non-operating expenses	<u>125</u>	<u>202</u>
Ordinary income (loss)	9,054	(258,858)
Extraordinary income		
Gain on sales of investment securities		1,114
Gain on bond redemption	109	
Reversal of Reserve for Bonuses		579
Others		162
Total extraordinary income	<u>109</u>	<u>1,856</u>
Extraordinary losses		
Losses on disposal of fixed assets	558	
Impairment losses		4,662
Transfer to allowance for business reorganization	867	7,878
Loss on the sales of business		6,141
Others	475	1,787
Total extraordinary losses	<u>1,902</u>	<u>20,470</u>
Net income (loss) before taxes	7,261	(277,471)
Corporate tax, local and enterprise taxes	550	366
Refunds on corporate and other taxes	(7,119)	
Adjustment on corporate tax, etc.	6,503	5,099
Total corporate and other taxes	<u>(65)</u>	<u>5,465</u>
Gain (loss) on minority interests	156	(618)
Net income (loss)	<u>7,171</u>	<u>(282,318)</u>

Consolidated Statements of Income for the Second Quarter of Fiscal 2009

(In millions of yen)

	Second quarter (July 1 to September 30, 2008)	Second quarter (July 1 to September 30, 2009)
Operating revenue		
Interest on loans to customers	68,823	45,202
Credit card revenue	4,268	4,592
Per-item credit revenue	1,006	485
Credit guarantee revenue	2,028	1,798
Financial revenue – other	186	47
Operating revenue – other	4,345	5,220
Total operating revenue	<u>80,657</u>	<u>57,347</u>
Operating expenses		
Financial expenses	6,769	5,099
Cost of sales	810	834
Operating expenses – other	78,438	314,205
Total operating expenses	<u>86,018</u>	<u>320,139</u>
Operating loss	(5,360)	(262,791)
Non-operating income		
Interest on refund of corporate taxes and other taxes	49	54
Negative goodwill write-offs		
Others	143	127
Total non-operating income	<u>192</u>	<u>182</u>
Non-operating expenses		
Loss on Investment Association fund management	96	115
Cost of investment securities		
Others	14	83
Total non-operating expenses	<u>110</u>	<u>198</u>
Ordinary loss	(5,278)	(262,808)
Extraordinary income		
Gain on bond redemption	109	54
Others		
Total extraordinary income	<u>109</u>	<u>54</u>
Extraordinary losses		
Losses on disposal of fixed assets	545	4,662
Impairment losses		
Transfer to allowance for business reorganization	867	7,878
Loss on the sales of business		
Others	161	1,390
Total extraordinary losses	<u>1,575</u>	<u>20,073</u>
Net loss before taxes	(6,745)	(282,826)
Corporate tax, local and enterprise taxes	395	205
Refunds on corporate and other taxes	(2,272)	
Adjustment on corporate tax, etc.	6,109	4,837
Total corporate and other taxes	<u>4,232</u>	<u>5,043</u>
Gain (loss) on minority interests	133	(611)
Net loss	<u>(11,111)</u>	<u>(287,259)</u>

3. Consolidated Statements of Cash Flows for the First Half of Fiscal 2009

(In millions of yen)

	First half (Apr. 1 to September 30, 2008)	First half (Apr. 1 to September 30, 2009)
Cash flow from operating activities		
Net income (loss) before taxes	7,261	(277,471)
Depreciation expenses	5,652	4,635
Impairment losses		4,662
Goodwill write-offs	427	(108)
Increase (decrease) in allowance for bad debts	(57,734)	55,200
Increase (decrease) in reserve for losses on interest repayments	3,823	149,202
Increase (decrease) in allowance for investment losses		1,534
Increase (decrease) in allowance for business reorganization		7,565
Losses on disposal of fixed assets	558	484
Interest on loans and cash dividends	(658)	(192)
Loss (gain) on sale of investment securities		(1,114)
Loss (gain) on the sale of business		6,141
Decrease (increase) in loans to customers	102,734	217,267
Decrease (increase) in installment receivables	3,939	(231)
Decrease (increase) in operational investment securities	134	
Decrease (increase) in other operating receivables	(115)	1,379
Decrease (increase) in claims in bankruptcy	4,747	964
Decrease (increase) in other current assets	6,377	(21,504)
Increase (decrease) in other current liabilities	2,298	(11,139)
Others	802	(928)
Subtotal	<hr/> 80,249	<hr/> 136,347
Interest on loans and cash dividends	658	192
Refunds on corporate and other taxes	6,262	568
Payments for corporate and other taxes	(1,656)	(503)
Cash flow from operating activities	<hr/> 85,514	<hr/> 136,605
Cash flow from investing activities		
Funds used for fixed term deposits	(1,000)	
Income from repayment of fixed term deposits	3,010	514
Funds used for purchase of tangible fixed assets	(500)	(451)
Funds used for purchase of intangible fixed assets	(2,049)	(1,585)
Funds used for purchase of investment securities	(359)	
Funds provided by sales of investment securities	135	1,221
Funds used sales of shares of subsidiaries from the change in scope of consolidation		(432)
Funds provided by sales of loan to affiliated companies		2,000
Funds used for long-term loan receivables	(205)	
Others	540	1,101
Cash flow from investing activities	<hr/> (428)	<hr/> 2,367
Cash flow from financing activities		
Proceeds from short-term debts	247,260	181,620
Repayment of short-term debts	(300,880)	(202,802)
Increase (decrease) in commercial paper	11,000	(10,000)
Proceeds from long-term debts	56,282	12,700
Repayments of long-term debts	(167,232)	(99,202)
Redemption of bonds	(28,493)	(16,800)
Payment for acquisition of treasury stock	(0)	(0)
Cash dividends paid	(3,340)	(1,191)
Repayment of finance lease		(30)
Cash flow from financing activities	<hr/> (185,405)	<hr/> (135,706)
Effect of exchange rate changes on cash and cash equivalents	39	(10)
Increase (decrease) in cash and cash equivalents	(100,280)	3,254
Balance of cash and cash equivalents at the beginning of period	257,310	131,597
Balance of cash and cash equivalents at the end of period	<hr/> 157,029	<hr/> 134,852

4. Notes on premise of going concern

The AIFUL Group's fund-raising capacity has weakened in the current market environment due to a variety of reasons such as: (1) increased expenses as the result of rising demands for returns of excess interest payments in accordance with a ruling by Japan's Supreme Court in 2006; (2) AIFUL's business operations being subject to an administrative sanction from the Japanese Financial Services Agency on April 14, 2006; and (3) the dramatic deterioration in the fund-raising environment since fiscal 2008 created by the subprime loan problem and the Lehman shock.

In addition, the Group expects the Japanese consumer finance business market to shrink and the business environment to grow even more difficult once the amended Money Lending Business Control and Regulation Law comes into full force on June 18, 2010, and restrictions on total lending are implemented. These conditions could make it difficult for the Group to raise the new funds it needs to sustain its businesses, and this raises significant concern as to the Group's ability to continue as a going concern.

Accordingly, AIFUL Corporation and its subsidiaries LIFE, MARUTOH, and City's applied to JATP for commencement of Business Revitalization Procedures on September 24, 2009, and JATP formally accepted the application on the same day. The Group believes that this move will help it to build a stronger earning capacity and dramatically improve its financial position, contributing to the goal of revitalizing and continuing its business.

While continuing its business activities as before, under the Business Revitalization Procedure the Group will negotiate a business revitalization plan with its creditors, which will primarily consist of business reorganization, maintenance of the balance of principal on loans over a certain period and modification of subsequent principal repayment schedules, on the premise that AIFUL will remain a listed company, receiving neutral and objective advice from JATP. A meeting with creditors is scheduled for December 24, 2009, to adopt a resolution on the proposed business revitalization plan based on the consensus of all relevant creditors. The proposed business revitalization plan is outlined below.

(1) Basic corporate restructuring policy

In light of the current difficult business environment affecting consumer finance companies, including the challenging financing situation and the impending full implementation of the amended Money Lending Business Control and Regulation Law, the AIFUL Group has decided to adopt a policy of continuing to reduce its asset size to a level commensurate with its current capacity to procure funds and to focus management resources on its consumer finance business under the AIFUL brand and the consumer credit business under the LIFE brand. By taking these steps, the Group expects to enhance its consumer finance business by taking fuller advantage of the AIFUL brand while expanding the consumer credit business through the broad incorporation of the LIFE brand into the business.

The AIFUL Group will adopt the business rationalization policies described below by consolidating sales branches, contact centers and corporate staff divisions throughout the group and reducing the work force by offering voluntary retirement. The intention of these steps is to achieve a cost structure better adapted to the consolidation of business sectors and commensurate with the planned reduction in asset size and business scale.

(i) Consolidation of network of sales branches

The AIFUL Group will consolidate the network of sales branches operated by various Group companies in order to achieve a cost structure commensurate with the overall reduction in asset size and business scale. AIFUL Corporation will reduce the cost of maintaining its branches by scaling back the number of staffed branches to about 30 and the number of unstaffed branches to about 650.

LIFE will also close all of its branch offices and reduce the number of LIFE Card branches to two, thereby reducing branch maintenance costs.

(ii) Consolidation of contact centers and credit management and collection division

As a step toward streamlining AIFUL Corporation's system of contact centers, the inbound functions currently assigned to the West Japan Contact Center (Kusatsu-shi, Shiga) and East Japan Contact Center (Tama-shi, Tokyo) will be integrated into the West Japan Contact Center. LIFE also plans a similar consolidation of its customer centers.

The AIFUL Group intends to reorganize and consolidate the functions and hubs for the credit management and collection divisions, which are currently assigned within each Group company and located throughout operations in the western and eastern regions.

(iii) Consolidation of head office operations and back office divisions

Consolidation of the AIFUL Group's head office operations and back office divisions (cutting back corporate staff divisions) in each of the Group companies will be performed in conjunction with the consolidation of head office operations and back office divisions that are assigned and duplicated among different Group companies. This is expected to achieve significant reductions in personnel among back office divisions and improve the ratio between the AIFUL Group's front and back office operations.

(2) Request for Financial Support

In addition to implementing the basic corporate restructuring policy, outlined above, the Group will request that certain of its financial institution creditors maintain the balance of principal on loans over a certain period and modify subsequent principal repayment schedules. A meeting with creditors is scheduled for December 24, 2009, to adopt a resolution on the proposed business revitalization plan based on the consensus of all relevant creditors.

Nevertheless, the Group is moving forward with the Business Revitalization Procedures with the aim of establishing a business revitalization plan with the consensus of all relevant creditors. This business revitalization plan has not yet been established, so at this point AIFUL must acknowledge significant concern as to its ability to continue as a going concern.

The AIFUL Group's consolidated quarterly financial statements are prepared based on the assumption that the Group will continue as a going concern, and the impact of significant concern about this premise of going concern is not reflected in its financial statements.

5. Notes in event of significant changes in shareholders' equity

None

(Reference)

Non-Consolidated Financial Statements for the First Half of Fiscal 2009

1. Non-Consolidated Balance Sheets for the First Half of Fiscal 2009

	(In millions of yen)	
	End of first half (As of September 30, 2009)	Condensed consolidated balance sheets for previous fiscal year (As of March 31, 2009)
Assets		
Current assets		
Cash and cash equivalents	115,919	106,877
Loans	695,822	842,786
Customers' liabilities for acceptances and guarantees	50,649	54,167
Others	52,462	28,998
Allowance for bad debts	(196,861)	(144,150)
Total current assets	<u>717,993</u>	<u>888,678</u>
Fixed assets		
Tangible fixed assets	18,799	24,001
Intangible fixed assets	9,429	10,744
Investment and other fixed assets	273,557	318,122
Total fixed assets	<u>301,785</u>	<u>352,868</u>
Deferred assets		
Total assets	<u>1,019,957</u>	<u>1,241,766</u>
Liabilities		
Current liabilities		
Acceptances and guarantees	50,649	54,167
Short-term debts	29,537	40,000
Current portion of bonds	173,659	94,849
Current portion of long-term debts	150,179	147,276
Income taxes payable	241	328
Reserves	8,316	1,837
Others	11,273	14,262
Total current liabilities	<u>423,857</u>	<u>352,721</u>
Long-term liabilities		
Bonds	162,600	258,210
Long term debts	78,420	146,738
Reserve for losses on interest repayments	230,881	84,318
Others	1,510	3,545
Total long-term liabilities	<u>473,411</u>	<u>492,812</u>
Total liabilities	<u>897,268</u>	<u>845,533</u>
Net Assets		
Shareholders' equity		
Common stock	143,324	143,324
Capital surplus	150,232	150,232
Retained earnings	(164,670)	108,442
Treasury stock	(3,110)	(3,110)
Total shareholders' equity	<u>125,776</u>	<u>398,889</u>
Evaluation and foreign currency translation adjustments		
Differences in evaluation of other marketable securities	(1,077)	(558)
Gain (loss) on deferred hedge	(2,009)	(2,098)
Total evaluation and foreign currency translation adjustments	<u>(3,087)</u>	<u>(2,657)</u>
Total net assets	<u>122,689</u>	<u>396,232</u>
Total net assets and liabilities	<u>1,019,957</u>	<u>1,241,766</u>

Note: These quarterly statements of income were prepared in accordance with the Regulation for Quarterly Financial Statements but are not reviewed as part of legally mandated disclosure.

2. Non-consolidated Statements of Income for the First Half of Fiscal 2009

(In millions of yen)

	First half (Apr. 1 to September 30, 2008)	First half (Apr. 1 to September 30, 2009)
Operating revenue		
Interest on loans to customers	89,302	62,909
Financial revenue – other	290	42
Operating revenue – other	4,529	6,031
Total operating revenue	<u>94,122</u>	<u>68,983</u>
Operating expenses		
Financial expenses	10,155	8,233
Operating expenses – other	82,387	307,499
Total operating expenses	<u>92,542</u>	<u>315,732</u>
Operating income	1,579	(246,748)
Non-operating income		
Interest on loans	1,971	2,205
Others	1,303	555
Total non-operating income	<u>3,275</u>	<u>2,761</u>
Non-operating expenses		
Loss on investment association fund management	96	115
Cost of investment securities		
Others	18	64
Total non-operating expenses	<u>115</u>	<u>180</u>
Ordinary income	4,739	(244,167)
Extraordinary income		
Allowance for bad debts from previous year	2,100	407
Reversal of Reserve for Bonuses		
Gain on bond redemption	109	141
Others		
Total extraordinary income	<u>2,209</u>	<u>548</u>
Extraordinary losses		
Losses on disposal of fixed assets	496	5,595
Loss on valuation investment securities		
Non-recurrent losses	202	7,451
Transfer to allowance for business reorganization	194	11,899
Others	69	24,946
Total extraordinary losses	<u>963</u>	<u>(268,565)</u>
Net income before taxes	5,985	45
Corporate tax, local and enterprise taxes	49	(7,111)
Refunds on corporate and other taxes		
Adjustment on corporate tax, etc.	5,437	3,310
Total corporate and other taxes	<u>(1,623)</u>	<u>3,356</u>
Net income	7,609	(271,922)

Note: These quarterly statements of income were prepared in accordance with the Regulation for Quarterly Financial Statements but are not reviewed as part of legally mandated disclosure.

Non-consolidated Statements of Income for the Second Quarter of Fiscal 2009

(In millions of yen)

	Second quarter (July 1 to September 30, 2008)	Second quarter (July 1 to September 30, 2009)
Operating revenue		
Interest on loans to customers	43,509	29,585
Financial revenue – other	134	27
Operating revenue – other	2,259	2,974
Total operating revenue	<u>45,902</u>	<u>32,586</u>
Operating expenses		
Financial expenses	4,859	3,935
Operating expenses - other	48,694	276,297
Total operating expenses	<u>53,553</u>	<u>280,232</u>
Operating loss	(7,650)	(247,646)
Non-operating income		
Interest on loans	956	1,066
Others	255	234
Total non-operating income	<u>1,211</u>	<u>1,300</u>
Non-operating expenses		
Loss on Investment Association fund management	96	115
Cost of investment securities	8	57
Others	105	173
Total non-operating expenses	<u>(6,545)</u>	<u>(246,518)</u>
Ordinary loss		
Extraordinary income		
Gain on bond redemption	109	46
Others	109	46
Total extraordinary income	<u>109</u>	<u>46</u>
Extraordinary losses		
Losses on disposal of fixed assets	484	5,593
Loss on valuation investment securities	194	7,451
Transfer to allowance for business reorganization	129	12,573
Others	807	25,618
Total extraordinary losses	<u>(7,243)</u>	<u>(272,090)</u>
Net loss before taxes		
Corporate tax, local and enterprise taxes	24	22
Refunds on corporate and other taxes	(2,267)	(3,310)
Adjustment on corporate tax, etc.	5,437	3,332
Total corporate and other taxes	<u>3,194</u>	<u>(10,438)</u>
Net loss	<u>(275,423)</u>	

Note: These quarterly statements of income were prepared in accordance with the Regulation for Quarterly Financial Statements but are not reviewed as part of legally mandated disclosure.

6. Results of Operations (Consolidated)

Operating Revenue

(In millions of yen, %)

Item	Period	First half, FY2008 (Apr. 1 to Sept. 30, 2008)		First half (Apr. 1 to Sept. 30, 2009)		Reference: FY2008 (Apr. 1, 2008 to Mar. 31, 2009)
		Amount	%	Amount	%	
Interest on loans to customers		141,375	85.3	96,947	79.6	263,797
Unsecured loans		118,227	71.4	78,982	64.8	219,968
Secured loans		13,216	7.9	10,826	8.9	25,327
Small business loans		9,931	6.0	7,138	5.9	18,501
Credit card revenue		8,112	4.9	9,012	7.4	16,880
Per-item credit revenue		2,219	1.3	1,116	0.9	3,630
Credit guarantee revenue		4,087	2.5	3,664	3.0	8,020
Other financial revenue		371	0.2	83	0.1	550
Other operating revenue		9,519	5.8	10,989	9.0	19,361
Revenue from operational investment securities		65	0.0	16	0.0	76
Collection of purchased claims		2,543	1.6	1,709	1.4	5,211
Bad debt write-off recovery		3,447	2.1	6,020	4.9	7,256
Other		3,463	2.1	3,243	2.7	6,816
Total		165,685	100.0	121,813	100.0	312,241
						100.0

Note: 1. "Other" included in other operating revenue includes card membership fees.

Note: 2. The amounts above do not include consumption tax.

Other Operating Indicators

Item	Period	End of first half, FY2008 (As of Sept. 30, 2008)		End of first half (As of Sept. 30, 2009)		Reference: End of FY2008 (As of Mar. 31, 2009)
		Amount	%	Amount	%	
Total amount of loans outstanding (millions of yen)		1,550,815		1,072,843		1,334,196
Unsecured loans		1,190,623		796,671		1,015,647
Secured loans		230,826		179,489		206,941
Small business loans		129,365		96,682		111,607
Number of customer accounts		2,866,622		2,222,168		2,629,257
Unsecured loans		2,722,658		2,105,604		2,498,764
Secured loans		67,275		55,769		62,140
Small business loans		76,689		60,795		68,353
Number of branches		1,129		945		987
Staffed branches		224		126		133
Unstaffed branches		905		819		854
Number of automatic loan-contracting machines		1,019		918		957
Number of loan application processing machines		37				
Number of ATMs		152,409		164,370		163,507
Company-owned		1,089		997		1,040
Partner-owned		151,320		163,373		162,467
Number of employees		5,146		4,300		4,895

Notes: Total amount of loans outstanding and the number of customer accounts do not include loans and customer accounts related to claims in bankruptcy. Furthermore, off-balance sheet operating loans from the securitization of receivables (54,843 million yen at the end of the first half of the previous fiscal year, 31,033 million yen at the end of the first half, and 43,842 million yen at the end of the previous fiscal year) have been included.