



MEMBERSHIP

July 24, 2007

# First Quarter Business Results

For the fiscal year ending March 2008

AIFUL Corporation      Stock Listings: 1st Section of Tokyo and Osaka Stock Exchanges  
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## I. Consolidated Business Results for the First Quarter, FY2007 (April 1, 2007 – June 30, 2007)

### 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 (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
1st quarter, FY2007	109,908	(19.0)%	11,746	(54.3)%	11,974	(53.8)%	7,244	(50.4)%
1st quarter, FY2006	135,697	0.8%	25,687	(27.4)%	25,938	(28.0)%	14,612	(27.7)%
FY2006	499,031	(9.2)%	(163,801)	–	(163,092)	–	(411,250)	–

	Net Income (Loss) per Share (Yen)	Diluted Net Income per Share (Yen)
1st quarter, FY2007	51.16	–
1st quarter, FY2006	103.18	103.18
FY2006	(2,903.85)	–

### 2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
1st quarter, FY2007	2,080,246	260,485	12.3	1,801.34
1st quarter, FY2006	2,699,448	691,857	25.4	4,834.06
FY2006	2,214,559	257,144	11.4	1,777.44

Reference: Shareholders' equity for: 1st quarter, FY2007: 255,032 million yen  
 1st quarter, FY2006: 684,611 million yen  
 FY2006: 251,724 million yen

### 3. Consolidated Cash Flows

(In millions of yen)

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Period
1st quarter, FY2007	80,920	26,863	(106,321)	128,583
1st quarter, FY2006	49,805	46,840	(76,430)	154,582
FY2006	250,558	13,498	(271,390)	127,089

## II. Dividend Information

	Dividend per share (Yen)
(Record date)	End of first quarter
1st quarter, FY2007	–
1st quarter, FY2006	–

### III. Consolidated Results Forecasts for FY2007 (April 1, 2007 – March 31, 2008):

Consolidated results in the first quarter of the fiscal year under review represent steady progress in line with the full-year forecasts previously announced on May 9, 2007 and there is no change to the full-year consolidated forecasts.

\* The above-mentioned forecasts are based on information available as of the day of the announcement and contain uncertain factors. Actual results may vary materially due to various unknown future factors.

### 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. Use of simplified accounting procedures: None
3. Changes in accounting principles in the most recent fiscal year: None

### (Reference) Highlights of Non-Consolidated Business Results

#### A. Non-Consolidated Business Results for the First Quarter, FY2007 (April 1, 2007 – June 30, 2007)

##### 1. Non-Consolidated Operating Results

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

	Operating Revenue		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
1st quarter, FY2007	64,586	(21.9)%	4,559	(77.0)%	5,958	(72.2)%	2,355	(81.4)%
1st quarter, FY2006	82,745	(3.5)%	19,852	(27.3)%	21,410	(26.7)%	12,689	(26.0)%
FY2006	300,755	(12.4)%	(106,937)	–	(101,225)	–	(359,399)	–

	Net Income (Loss) per Share (Yen)
1st quarter, FY2007	16.64
1st quarter, FY2006	89.60
FY2006	(2,537.73)

##### 2. Non-Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
1st quarter, FY2007	1,540,260	253,400	16.5	1,789.81
1st quarter, FY2006	2,087,860	633,768	30.4	4,475.05
FY2006	1,660,826	255,005	15.4	1,800.60

#### B. Non-Consolidated Results Forecasts for FY2007 (April 1, 2007 – March 31, 2008):

Non-consolidated results in the first quarter of the fiscal year under review represent steady progress in line with the full-year forecasts previously announced on May 9, 2007 and there is no change to the full-year non-consolidated forecasts.

\* The above-mentioned forecasts are based on information available as of the day of the announcement and contain uncertain factors. Actual results may vary materially due to various unknown future factors.

## Qualitative Information, Financial Statements and Other Information

### I. Qualitative Information Regarding Consolidated Operating Results

In the first quarter of fiscal 2007, ended June 30, 2007 (“the quarter” below), the AIFUL Group’s loan business was affected by a reduction in the number of branches in connection with the group reorganization launched as part of the cost structure reforms announced on January 20, 2007. In addition, the tightening of credit in response to Japan’s new Money Lending Business Control Law caused a decline in the approval rate of new loans. As a result of these and other factors, the balance of loans outstanding declined 4.7% compared to the same period last year to 1,891,276 million yen on a consolidated basis.

The credit card business expanded, as a range of co-branded cards were issued with partners such as large medical institutions, retailers, and temporary staffing firms. The number of credit card holders increased by 240,000 year-on-year to 14,310,000 at the end of the quarter. Total card purchases for the quarter increased 16.7% year-on-year to 150,986 million yen. In the per-item credit business, improper marketing by some companies in the field has become a social problem. In view of this, measures including tightening of screening standards for affiliated outlets were taken, which resulted in a drop of 79.5% in transaction volume, to 3,442 million yen. As a result, the installment receivables balance at the end of the quarter was down 3.2% to 222,449 million yen. Customers’ liabilities for acceptances and guarantees declined 2.3% to 138,734 million yen. (These amounts included 146,991 million yen in off-balance sheet loans due to securitization comprised of 92,985 million yen in loans outstanding and 54,006 million yen in installment receivables.)

As a result of the foregoing, the AIFUL Group’s operating revenue for the quarter fell 19.0% year-on-year to 109,908 million yen. Operating income fell 54.3% to 11,746 million yen, and ordinary income dropped 53.8% to 11,974 million yen. Net income was down 50.4% to 7,244 million yen.

AIFUL’s non-consolidated operating revenue fell 21.9% to 64,586 million yen, operating income sank 77.0% to 4,559 million yen, ordinary income was down 72.2% to 5,958 million yen, and net income dropped 81.4% to 2,355 million yen, all in comparison to the same quarter of the previous fiscal year.

At present, the business environment surrounding the AIFUL Group is becoming more difficult as the industry restructuring prompted by the revision to the Money Lending Business Control Law gains momentum.

In response to this environment, the AIFUL Group is working to further strengthen its risk-management system. To anticipate and prevent risks, minimize losses in time of crisis, and maintain and improve sound management practices, the Company has established the Risk Management Committee, instituted a new in-house licensing system, and instituted other ongoing measures to further strengthen the emphasis on compliance.

AIFUL is confident that the establishment of a corporate structure that can respond effectively to the new Money Lending Business Control Law will increase its corporate value. Therefore, it has decided that beginning August 1, 2007 the maximum lending interest rate on all new contracts for all products, including unsecured loans home equity loans, and small business loans, will be set at 20%.

In addition, AIFUL is revamping its management philosophy and corporate philosophy in support of its effort to become a firm worthy of the public trust, and is redoubling its efforts to earn the trust of all its stakeholders as a corporate group, and to meet their expectations.

### II. Qualitative Information Regarding Consolidated Financial Position

#### 1. Changes in Financial Position

At the end of the quarter, total assets were 2,080,246 million yen, down 134,312 million yen from the end of the previous fiscal year. The primary reasons for this were a decline in loans outstanding of 114,397 million yen, and a drop in short-term receivables (*gensaki* repurchase agreements on financial instruments) of 29,992 million yen.

Liabilities declined by 137,653 million yen to 1,819,760 million yen from the end of the previous fiscal year, as a result of the redemption of 30,000 million yen in corporate bonds and a 71,931 million yen decline in debts.

After net income of 7,244 million yen and 4,248 million yen in dividends paid, etc., consolidated net assets at the end of the quarter increased by 3,340 million yen to 260,485 million yen.

#### 2. Cash Flows

Cash flow from operating activities rose to 80,920 million yen as a result of a decline in loans outstanding and other operating receivables, in comparison to 49,805 million yen in the same quarter of the previous fiscal year. Cash flow from investing activities was 26,863 million yen, compared to 46,840 million yen in the same quarter of the previous fiscal year, as a result of the contraction of short-term receivables. Finally, cash flow from financing activities came to minus 106,321 million yen, in comparison to 76,430 million yen in the same quarter of the previous fiscal year, as a result of the redemption of corporate bonds and the repayment of debts.

As a result of the above, cash and cash equivalents at the end of the quarter were up by 1,494 million yen in comparison to the end of the previous fiscal year, to 128,583 million yen.

### III. Other

- |   |      |
|---|------|
| 1. Transfers of leading subsidiaries during the fiscal period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): | None |
| 2. Use of simplified accounting procedures:   | None |
| 3. Changes in accounting principles in the most recent fiscal year:   | None |

#### IV. Summary of Consolidated Financial Statements for the First Quarter, FY2007

##### 1. Summary of Consolidated Balance Sheets for the First Quarter, FY2007

(In millions of yen, %)

Category	End of first quarter, FY2006 (As of June 30, 2006)	End of current quarter (As of June 30, 2007)	Change		Reference: End of FY2006 (As of Mar. 31, 2007)
	Amount	Amount	Amount	%	Amount
<b>(Assets)</b>					
<b>I. Current assets</b>					
Cash and cash equivalents	154,659	128,661	(25,998)	(16.8)	127,166
Loans	2,087,687	1,798,291	(289,395)	(13.9)	1,912,689
Installment receivables	206,990	168,442	(38,548)	(18.6)	174,923
Customers' liabilities for acceptances and guarantees	151,736	138,734	(13,001)	(8.6)	141,929
Deferred tax assets	30,769	12,842	(17,927)	(58.3)	13,770
Other	74,469	75,975	1,505	2.0	104,802
Allowance for bad debts	(150,205)	(360,939)	(210,734)	140.3	(379,848)
Total current assets	2,556,107	1,962,007	(594,099)	(23.2)	2,095,434
<b>II. Fixed assets</b>					
Tangible fixed assets	52,709	41,777	(10,932)	(20.7)	42,405
Intangible fixed assets	30,330	25,361	(4,968)	(16.4)	24,868
Good will	8,838	2,930	(5,908)	(66.8)	3,144
Other	21,491	22,431	940	4.4	21,723
Investment and other fixed assets	59,681	50,551	(9,129)	(15.3)	51,219
Claims in bankruptcy	33,052	40,576	7,523	22.8	38,988
Other	51,129	37,922	(13,207)	(25.8)	39,956
Allowance for bad debts	(24,501)	(27,947)	(3,446)	14.1	(27,725)
Total fixed assets	142,720	117,690	(25,030)	(17.5)	118,493
<b>III. Deferred assets</b>	621	548	(72)	(11.6)	631
Total assets	2,699,448	2,080,246	(619,202)	(22.9)	2,214,559
<b>(Liabilities)</b>					
<b>I. Current liabilities</b>					
Acceptances and guarantees	151,736	138,734	(13,001)	(8.6)	141,929
Short-term debts	101,730	97,750	(3,980)	(3.9)	91,370
Current portion of bonds	64,500	57,000	(7,500)	(11.6)	72,000
Current portion of long-term debts	400,176	317,491	(82,685)	(20.7)	332,241
Reserve for losses on interest repayments	21,817	–	(21,817)	(100.0)	–
Other	131,708	87,526	(44,181)	(33.5)	105,848
Total current liabilities	871,668	698,503	(173,165)	(19.9)	743,389
<b>II. Long-term liabilities</b>					
Bonds	398,500	409,100	10,600	2.7	424,100
Long term debts	725,659	546,989	(178,669)	(24.6)	610,551
Reserve for losses on interest repayments	–	154,780	154,780	–	167,153
Other	11,763	10,387	(1,375)	(11.7)	12,220
Total long-term liabilities	1,135,922	1,121,257	(14,664)	(1.3)	1,214,025
Total liabilities	2,007,591	1,819,760	(187,830)	(9.4)	1,957,414
<b>(Net Assets)</b>					
<b>Shareholders' equity</b>					
Common stock	83,317	83,317	–	–	83,317
Capital surplus	104,125	104,125	–	–	104,125
Retained earnings	496,578	69,461	(427,117)	(86.0)	66,465
Treasury stock	(2,966)	(3,110)	(143)	4.8	(2,968)
Total shareholders' equity	681,055	253,794	(427,261)	(62.7)	250,940
<b>II. Valuation and translation adjustments</b>					
Differences in valuation of other marketable securities	8,843	5,754	(3,088)	(34.9)	6,536
Loss on deferred hedge	(5,286)	(4,516)	770	(14.6)	(5,752)
Total valuation and translation adjustments	3,556	1,238	(2,318)	(65.2)	784
<b>III. Minority interests</b>	7,246	5,453	(1,793)	(24.7)	5,419
Total net assets	691,857	260,485	(431,372)	(62.4)	257,144
Total net assets and liabilities	2,699,448	2,080,246	(619,202)	(22.9)	2,214,559

2. Summary of Consolidated Statements of Income for the First Quarter, FY2007

(In millions of yen, %)

Category	First quarter, FY2006 (Apr. 1 to June 30, 2006)	Current quarter (Apr. 1 to June 30, 2007)	Change		Reference: FY2006 (Apr. 1, 2006 to Mar. 31, 2007)
	Amount	Amount	Amount	%	Amount
<b>I. Operating revenue</b>					
Interest on loans to customers	121,407	97,508	(23,899)	(19.7)	448,662
Credit card revenue	3,256	3,540	284	8.7	12,754
Per-item credit revenue	3,963	2,083	(1,879)	(47.4)	12,998
Credit guarantee revenue	2,347	2,202	(144)	(6.2)	9,186
Other	4,723	4,572	(150)	(3.2)	15,429
Total operating revenue	135,697	109,908	(25,789)	(19.0)	499,031
<b>II. Operating expenses</b>					
Financial expenses	9,203	8,573	(629)	(6.8)	36,615
Cost of sales	72	891	818		2,829
Operating expenses - other	100,734	88,695	(12,038)	(12.0)	623,387
Total operating expenses	110,010	98,161	(11,849)	(10.8)	662,832
Operating income (loss)	25,687	11,746	(13,940)	(54.3)	(163,801)
<b>III. Non-operating income</b>	309	249	(59)	(19.3)	1,064
<b>IV. Non-operating expenses</b>	58	22	(35)	(61.1)	354
Ordinary income (loss)	25,938	11,974	(13,964)	(53.8)	(163,092)
<b>V. Extraordinary income</b>	376	107	(268)	(71.3)	3,744
<b>VI. Extraordinary losses</b>					
Transfer to allowance for bad debts	–	–	–	–	107,012
Transfer to reserve for losses on interest repayments	–	–	–	–	69,312
Other	317	292	(24)	(7.8)	36,589
Total extraordinary losses	317	292	(24)	(7.8)	212,914
Net income (loss) for the quarter before taxes	25,997	11,789	(14,207)	(54.7)	(372,262)
Tax expenses	11,109	4,511	(6,598)	(59.4)	40,529
Gain (loss) on minority interests	274	34	(240)	(87.6)	(1,540)
Net income (loss) for the quarter	14,612	7,244	(7,368)	(50.4)	(411,250)

3. Summary of Consolidated Statements of Change in Shareholders' Equity for the First Quarter, FY2007  
(April 1 – June 30, 2007)

(In millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	83,317	104,125	66,465	(2,968)	250,940
Change during current quarter					
Distribution of surplus			(4,248)		(4,248)
Net income for the quarter			7,244		7,244
Acquisition of treasury stock				(141)	(141)
Total change during current quarter	–	–	2,995	(141)	2,853
Balance at June 30, 2007	83,317	104,125	69,461	(3,110)	253,794

	Valuation and translation adjustments			Minority interests	Total net assets
	Differences in valuation of other marketable securities	Deferred hedge gains (losses)	Total valuation and translation adjustments		
Balance at March 31, 2007	6,536	(5,752)	784	5,419	257,144
Change during current quarter					
Distribution of surplus			–		(4,248)
Net income for the quarter			–		7,244
Acquisition of treasury stock			–		(141)
Net change for the quarter in items other than shareholders' equity	(781)	1,236	454	33	487
Total change during current quarter	(781)	1,236	454	33	3,340
Balance at June 30, 2007	5,754	(4,516)	1,238	5,453	260,485

4. Summary of Consolidated Statements of Cash Flows for the First Quarter, FY2007

(In millions of yen)

	First quarter, FY2006 (Apr. 1 to June 30, 2006)	Current quarter (Apr. 1 to June 30, 2007)	Reference: FY2006 (Apr. 1, 2006 to Mar. 31, 2007)
Category	Amount	Amount	Amount
<b>I. Cash flow from operating activities</b>			
Net income (loss) for the quarter before taxes	25,997	11,789	(372,262)
Depreciation expenses	3,235	2,761	13,122
Increase (decrease) in allowance for bad debts	2,991	(18,685)	235,857
Increase (decrease) in reserve for losses on interest repayments	743	(12,372)	146,078
Decrease (increase) in loans to customers	36,330	114,397	211,327
Decrease (increase) in installment receivables	2,590	6,480	34,661
Other	2,730	(12,238)	14,374
Subtotal	74,618	92,132	283,160
Payments for corporate and other taxes	(24,947)	(11,351)	(32,843)
Other	134	138	242
Cash flow from operating activities	49,805	80,920	250,558
<b>II. Cash flow from investing activities</b>			
Decrease (increase) in short-term receivables	49,936	29,992	20,028
Other	(3,096)	(3,129)	(6,529)
Cash flow from investing activities	46,840	26,863	13,498
<b>III. Cash flow from financing activities</b>			
Increase in short-term debts	262,590	114,560	746,500
Repayment of short-term debts	(274,060)	(108,180)	(768,330)
Increase in long-term debts	118,614	52,526	374,710
Repayments of long-term debts	(136,824)	(130,838)	(575,964)
Increase (decrease) in corporate bonds			67,194
Redemption of corporate bonds	(47,500)	(30,000)	(82,000)
Other	749	(4,390)	(33,500)
Cash flow from financing activities	(76,430)	(106,321)	(271,390)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(9)	33	45
<b>V. Increase (decrease) in cash and cash equivalents</b>	20,205	1,494	(7,287)
<b>VI. Balance of cash and cash equivalents at the beginning of period</b>	134,376	127,089	134,376
<b>VII. Balance of cash and cash equivalents at the end of period</b>	154,582	128,583	127,089

## V. Results of Operations (Consolidated) for the First Quarter, FY2007

### 1. Operating Revenue

(In millions of yen)

Item	Period	First quarter, FY2006 (Apr. 1 to June 30, 2006)		Current quarter (Apr. 1 to June 30, 2007)		Reference: FY2006 (Apr. 1, 2006 to Mar. 31, 2007)	
		Amount	%	Amount	%	Amount	%
Interest on loans to customers		121,407	89.5	97,508	88.7	448,662	89.9
Unsecured loans		100,046	73.7	82,341	74.9	374,839	75.1
Secured loans		13,083	9.7	8,884	8.1	43,575	8.7
Small business loans		8,278	6.1	6,281	5.7	30,247	6.1
Credit card revenue		3,256	2.4	3,540	3.2	12,754	2.6
Per-item credit revenue		3,963	2.9	2,083	1.9	12,998	2.6
Credit guarantee revenue		2,347	1.7	2,202	2.0	9,186	1.8
Other financial revenue		10	0.0	72	0.1	229	0.0
Other operating revenue		4,712	3.5	4,499	4.1	15,200	3.1
Collection of purchased claims		1,206	0.9	1,139	1.0	3,725	0.8
Revenue from operational investment securities		298	0.2	260	0.3	527	0.1
Other		3,207	2.4	3,100	2.8	10,947	2.2
<b>Total</b>		<b>135,697</b>	<b>100.0</b>	<b>109,908</b>	<b>100.0</b>	<b>499,031</b>	<b>100.0</b>

Note: "Other" included in other operating revenue includes bad debt write-off recovery and card membership fees.

### 2. Other Operating Indicators

Item	Period	End of first quarter, FY2006 (As of June 30, 2006)	End of current quarter (As of June 30, 2007)	Reference: End of FY2006 (As of Mar. 31, 2007)
		Total amount of loans outstanding (millions of yen)	2,192,339	1,891,276
Unsecured loans	1,683,375	1,464,097	1,537,904	
Secured loans	340,972	276,535	291,716	
Small business loans	167,991	150,642	155,642	
Number of customer accounts	3,842,489	3,412,359	3,547,633	
Unsecured loans	3,642,866	3,238,449	3,366,873	
Secured loans	100,421	83,421	87,384	
Small business loans	99,202	90,489	93,376	
Number of branches	2,717	1,265	2,307	
Staffed branches	838	249	364	
Unstaffed branches	1,879	1,016	1,943	
Number of automatic loan-contracting machines	2,242	1,104	1,872	
Number of loan application processing machines	311	41	304	
Number of ATMs	162,904	168,444	167,238	
Company-owned	2,368	1,256	1,998	
Partner-owned	160,536	167,188	165,240	
Number of employees	7,068	5,458	6,477	

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 (104,652 million yen at the end of the first quarter of the previous fiscal year, 92,985 million yen at the end of the current quarter, and 72,573 million yen at the end of the previous fiscal year) have been included.