

APLUS Co., Ltd. Business Update

APLUS Co., Ltd.
<http://www.aplus.co.jp/>

May 16, 2007

Overview of Fiscal Year 2006 Business Results and Implementation of Reforms by Management

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1. Execution of Reforms by Management

Status of Reforms by Management: Progressing according to plan

Business Transformation: Three Pillars

Fundamental Changes in Cost Structure

*As of March 31, 2007

Largely completed
by March 2007

- Lean and Flat head office organization: 39 → 22 offices (non-consolidated)
Consolidation of sales branches: 70 → 39 branches (non-consolidated)
- Voluntary Early Retirement Program: 667 employees applied → total number of employees 1,517
Non-consolidated basis: 639 applied, total number of employees 1,275
- Credit costs
 - Tighter credit and bad debt reserve standards
 - Increased in reserves for excess interest repayment (balance of reserves 10.3 billion yen)

Transform Businesses Model and Revenue Structure

Structural Reforms of Main
Businesses become a
Key Priority

- Lowering of interest rate ceiling and drastic review of merchants in accordance with the Specified Commercial Transactions Act
- Begin review of contracts with merchants to enhance partnerships
- Shinsei VISA Card Launch

Culture Reforms Continuing Process

”Customer-Centric,” “Equal Partnership” and “Frontline First”

2. Key Financial Data for FY2006

Measures Taken to Accelerate the Business Transformation

Consolidated operating revenues: 111.4 bn yen

(Forecast: 113.4 bn yen*/Previous yr: 101.2 bn yen)

- ✓ 2 billion yen drop compared to the 113.4 bn yen performance forecast* was due to strict observance of credit standards, review of transaction terms and review of merchants under Specified Commercial Transaction Act
- ✓ YoY increase 10.2 bn yen: Repositioning of Zen-Nichi Shinpan Co., Ltd. as subsidiary

Consolidated ordinary profit of -14.9 bn yen

(Forecast: -12.2 bn yen*/Previous yr: 14.6 bn yen)

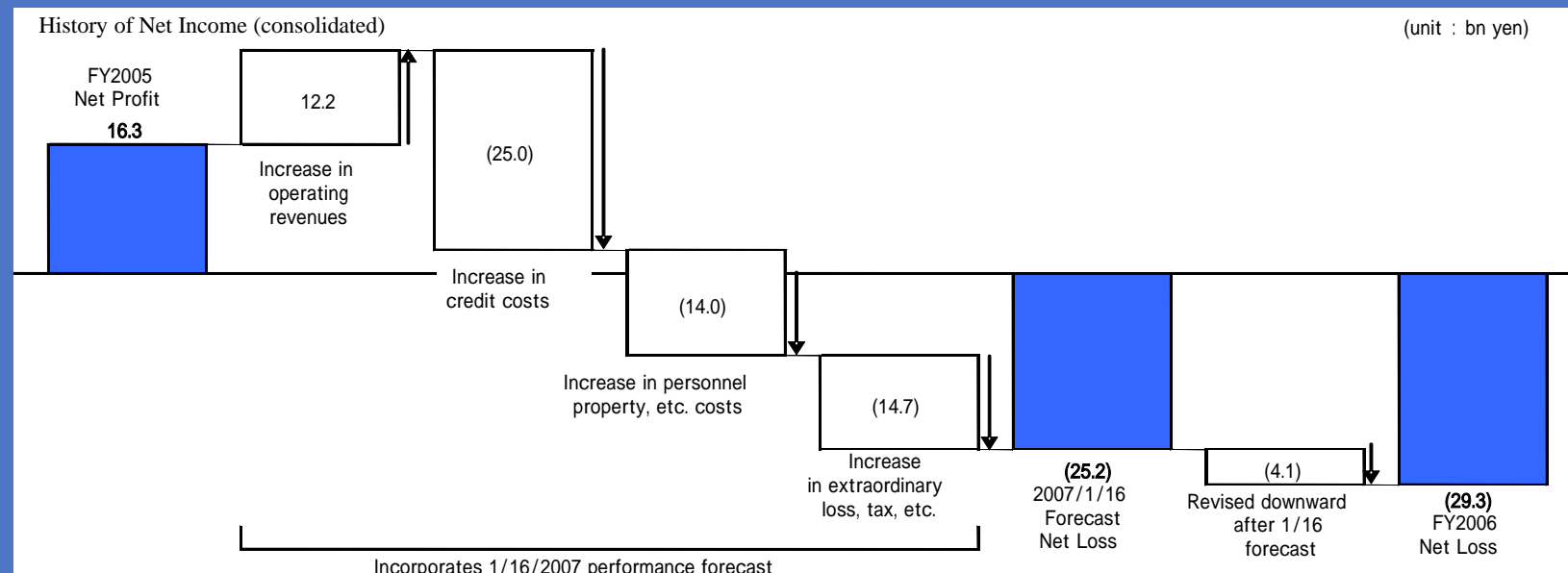
- ✓ 2.7 bn yen drop compared to the -12.2 bn yen performance forecast* was due to reserves related to debt monetization and downward revision of operating revenue
- ✓ 29.5 bn yen drop compared to previous yr: Strict observance of bad loan reserve standards and adding reserves relating to grey zone

Consolidated net profit of -29.3 bn yen

(Forecast: -25.2 bn yen*/Previous yr : 16.3 bn yen)

- ✓ 4.1 bn yen drop compared to the -25.2 bn yen performance forecast* due to incremental deferred tax assets and downward revision of ordinary income
- ✓ YoY decrease 45.6 bn yen: Structural reform costs related to voluntary retirement, final disposal of debt related to bankruptcies of clients and management reforms

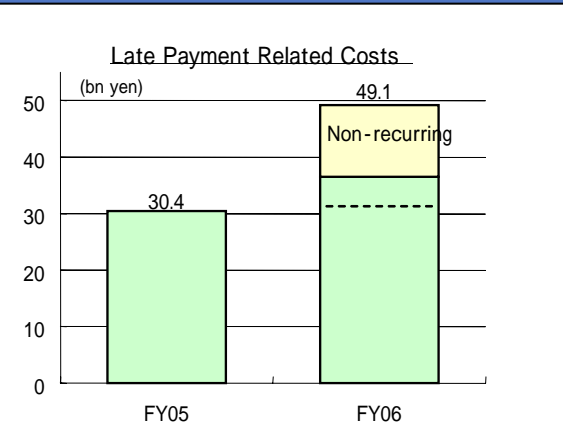
* The performance forecast related to the revised forecast figures announced on January 16, 2007



3. Acceleration of Business Transformation – (1)

Fundamental Changes in Cost Structure

Increase in reserves for bad debt



(Non-recurring factors)

- Stricter reserves standard...7 bn yen
- Reserves for debt monetization...3.1 bn yen
- Loss from debt disposal...1.2 bn yen
- Merchant- related reserves...1.2 bn yen

Increase in Zen-Nichi Shinpan, etc...6 bn yen

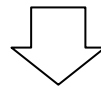
Voluntary early retirement program

March 2007: Solicited 667 people
 Extraordinary retirement expenses, etc. of 5.1 bn yen
 Reduces personnel costs by 5 bn yen annually

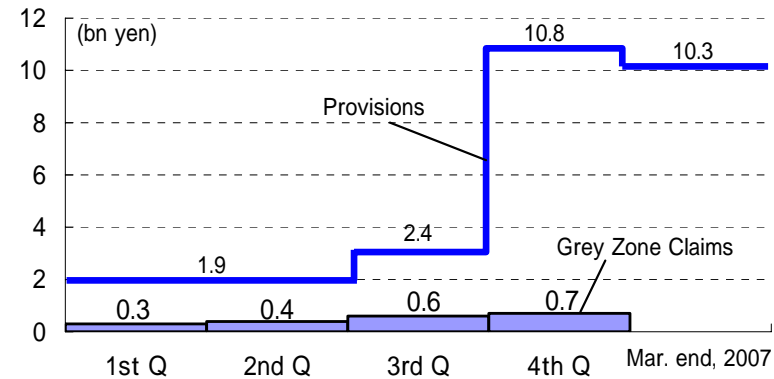
Increase in potential losses from the reimbursement of excess interest repayments

FIRST STEP (Sep. 2006 interim period): Balance of reserves 2.4bn yen
 Used calculation rules announced by JICPA (Oct. 2006)

SECOND STEP (end of March 2007): Balance of reserves 10.3 bn yen
 Stricter rules for estimates



Grey Zone Claims and Provisions



Prudent provisioning for grey zone interest claims

Reasoning: High level of claims for potential grey zone interest through FY2008
 Reserve standard: Approximately 44 months based on run rate at 4Q/FY2006

3. Acceleration of Business Transformation – (2)

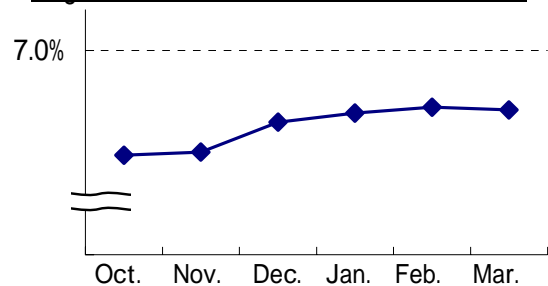
Reforming the Business Model and Revenue Structure

Review of business conditions

Shopping credit business

Began negotiating interest rate increase based on profitability of individual merchants (from Dec. 2006)

Avg. Interest Rate on Automobile Credit



Alliance card business

Revitalize unprofitable business

(Reviewing terms of unprofitable deals)

Cost management for card issuance/renewal costs

Review of incentives

Review of partners/merchants

Review of merchants under the Specified Commercial Transactions Act

Respond to tighter regulations under the Specified Commercial Transaction Act, and review transactions with merchants under the philosophy of "Customer-First."



Evaluate transactions with merchants from a comprehensive viewpoint



Hedge against future risks

Lowering interest ceiling

Reduce interest on loans and cashing

Schedule for reducing interest rates to within white zone

New customers	APLUS card		Reduced from 4/1/2007
	Alliance card	New alliances	
Existing customers		APLUS card	
	Alliance card		

Target: Widely secure high quality customers

) New customers

Strict observance of Dec. 2006 Credit Standards

Carefully select customers

Introduction of white zone interest rates

) Existing customers

Discern credit status and other requirements

Reduce interest depending on credit segment

3. Acceleration of Business Transformation – (3)

Reinforcing Financial Position and Closer Integration with Shinsei Bank via Capital Raising of 20 bn yen (Mar 2007)

Executed in FY2006

March 2007: Third party allotment of 20 bn yen of preferred shares underwritten by Shinsei Bank

First Quarter Fiscal 2007 Forecast

June 2007 (after general meeting of shareholders): Reduce both paid-in capital and capital reserves

Eliminate the negative balance for capital reserves

Paid dividends on Class-D preferred stocks only

History of Shareholders' Capital (Non-consolidated)

(unit : bn yen)

	Mar. end, 2006	FY2006				Mar. end, 2007	1Q FY2007 Forecast			Jun. end, 2007
		Dividend	Capital increase	Net loss	Others		Reduce capital, etc.	Transfer	Dividends (1st half)	
Capital	15.0		10.0			25.0	10.0			15.0
Capital reserves	3.8		10.0			13.8	10.0			3.8
Capital surplus	44.2					44.2	20.0	21.8	2.0	40.4
Retained earnings	12.2	6.1		27.9		21.8		21.8		0.0
Treasury stock	0.0					0.0				0.0
Total	75.0	6.1	20.0	27.9	0.0	61.0	0.0	0.0	2.0	59.0

APLUS will reinforce the profitability of existing businesses in FY2007 and create the infrastructure for implementing new businesses in FY2008-09

Proactively Participate in the Industry's Reorganization

FY2007: Creation of infrastructure in FY2008-09 to implement new businesses

FY 2008: Implement new businesses

FY 2009: "Aim to become a leading retail finance company"

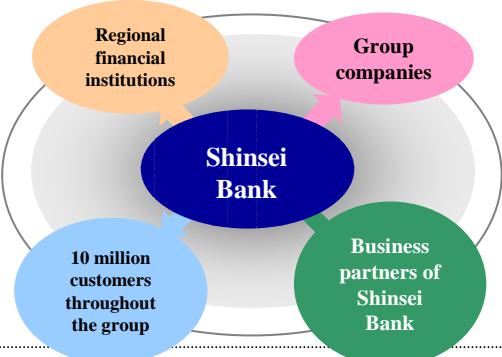
to ordinary
of 12-16 bn yen

•Further expansion of
businesses and partnerships

- CRM (Customer Relationship Management) via APLUS Web
- Extend customized solutions
- Enter new businesses

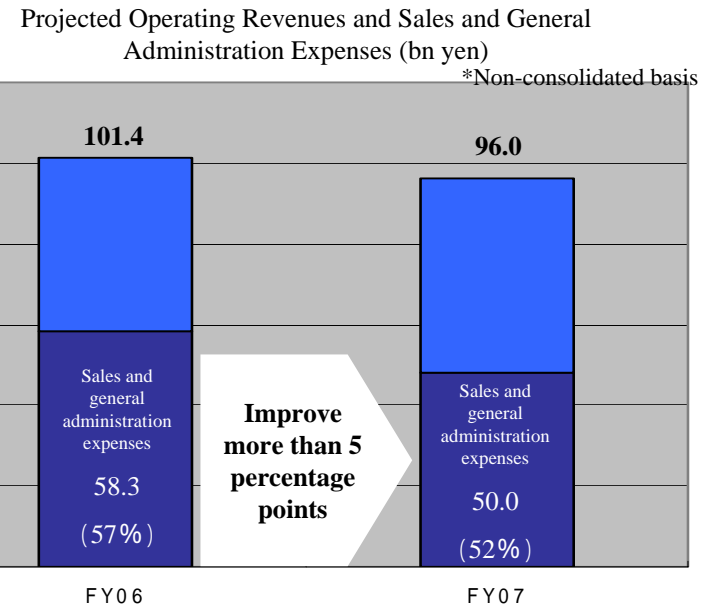
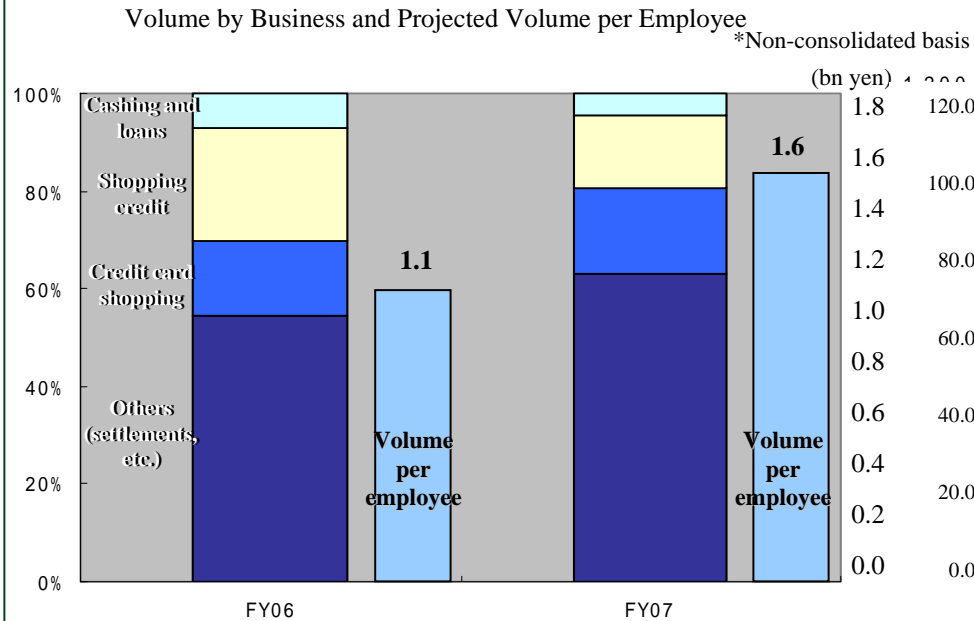
- Improve profitability of existing businesses
- Implementation of CRM for card loan business
- Further joint-development of products and services with Shinsei Bank

2. Overview of FY2007 Activities

Enhance Profitability of Existing Businesses	Introduce new risk models and promote CRM of card loan members	Further tie-up with Shinsei Bank for products and services
<p>Understand present status of profitability in detail and establish policies (i.e., proactive development or contraction) and take specific measures</p> <p>Shopping Credit</p> <ul style="list-style-type: none"> Review traditional business practices Adjust interest rates in accordance to risks Improve efficiency of business operations, i.e. consolidate sales operations <p>Credit Card</p> <ul style="list-style-type: none"> Continue to revitalize unprofitable alliance credit cards (withdrawal of alliance will also be considered) <p>Other</p> <ul style="list-style-type: none"> Consider the introduction of payment schemes for specific customers 	<p>Promote acquisition and retention of quality customers and improve risk quality by introducing new risk models</p> <p>Cashing loan</p> <ul style="list-style-type: none"> Periodically introduce new risk models for credit control – starting in May 2007 Introduce new risk models for initial credit (planned) – Starting in July 2007 Promote by lowering interest rates to target customer segments 	<ul style="list-style-type: none"> Develop and provide products and services for “customers” including “Shinsei Visa Card,” loan on securities and loan guarantee Establish processing schemes to reinforce loan guarantees Examine means for making the shopping credit application system for large customers commonplace <p>Group-wide implementation</p> 

Study Appropriate IT Platform and Strengthen the Collection Process

3. Improvement of Productivity and Expense Management



*Sales and general administration expenses do not include allowances for bad loans, allowances for interest repayment losses and financing-related expenses.

<p>Shopping credit business Volume is projected to decrease due to tighter regulations and legal changes</p> <p>Credit card and loan business Volume of credit card shopping is projected to rise, while cashing and loan volumes will decrease due to focus on quality customers</p>		<p>Though core business lines will remain unchanged, heavy reliance on the shopping credit business will decrease</p> <p>Profit margins for the shopping credit, cashing and loan businesses where decreases in volume decrease are expected, will be improved by reinforcing profitability and improving loan quality</p>
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Maintain and Continue High Productivity and Low-Cost Platform

4. Performance Forecast for FY2007

Return to profit in FY2007

Consolidated

(unit: bn yen)

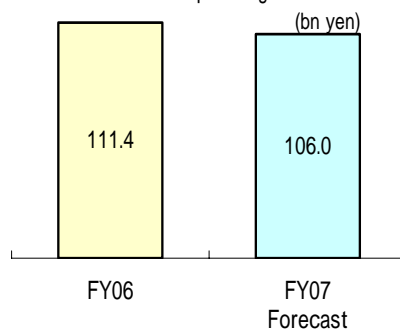
	Operating Revenues	Operating Income	Ordinary Profit	Net Profit
Interim	54.0	2.5	2.5	2.5
Full year	106.0	6.0	6.0	6.0

Non-consolidated

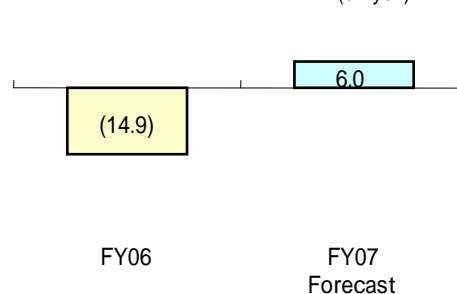
(unit: bn yen)

	Operating Revenues	Operating Income	Ordinary Profit	Net Profit	Dividend Forecast (yen)
Interim	49.0	2.5	2.5	2.5	Undetermined
Full year	96.0	6.0	6.0	6.0	Undetermined

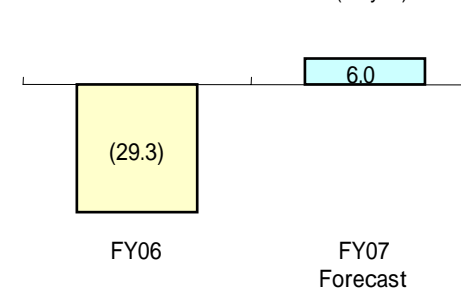
Consolidated Operating Revenue



Consolidated Ordinary Profit/Loss



Consolidated Net Profit/Loss



- ✓ **Fundamental reforms by management based on our Business Transformation Plan are largely completed – Building our financial strength with a more efficient cost structure**
- ✓ **In FY2007, we will focus on development of new business infrastructure for FY2008-2009 while reinforcing the profitability of existing businesses**
- ✓ **We will proactively participate in the industry's reorganization**

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Actual results may differ materially from those in such forward-looking statements as a result of various factors.

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