Profile

Since its inception, Takefuji Corporation has offered loan services tailored to customer needs. These activities are guided by a basic philosophy that is grounded in two core principles: "Customer First" and "Operational Efficiency." Today, this commitment to customers has helped the company to become the pacesetter in Japan's consumer finance industry. After successfully listing on the over-the-counter-market in August 1996, Takefuji Corporation is aspiring to become one of Japan's most respected companies.

TAKEFUJI plans to secure its "NUMBER-ONE" position by...

Contents

FINANCIAL HIGHLIGHTS

TAKEFUJI CORPORATION AND SUBSIDIARIES
YEARS ENDED MARCH 31, 1998 AND 1997

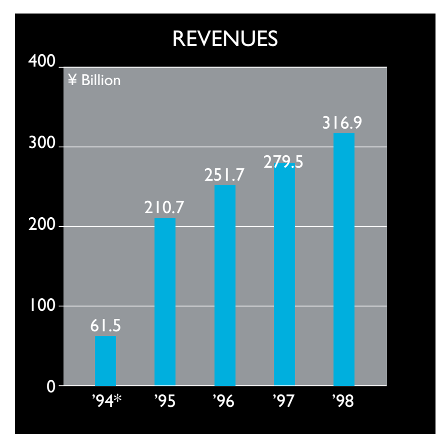
	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Outstanding loans	**¥1,188,668**	¥1,053,651	**$ 9,005,061**
Revenues	**316,861**	279,545	**2,400,462**
Income before income taxes	**163,911**	135,373	**1,241,750**
Net income	**66,545**	52,040	**504,129**
Total stockholders' equity	**427,897**	369,821	**3,241,644**
Total assets	**1,559,857**	1,416,288	**11,817,098**
Per share (yen and U.S. dollars):			
Net income	**¥ 451.8**	¥ 467.8	**$ 3.42**
Cash dividends	**80.0**	35.0	**0.61**
Stockholders' equity	**2,905.0**	3,263.9	**22.01**

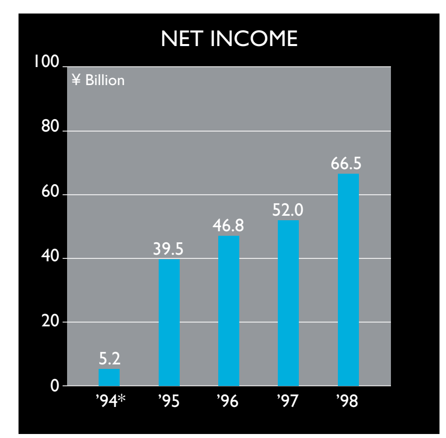
Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥132=U.S.$1, the approximate closing rate of the Tokyo foreign exchange market rate as of March 31, 1998.

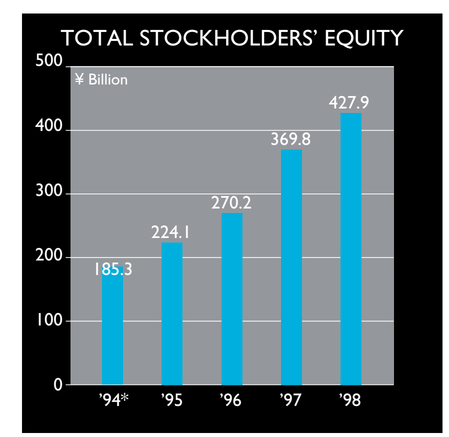
Customer First ...see page 6

Operational Efficiency ...see page 8

Opportunity for Further Growth ...see page 10







**Due to a change in the fiscal year-end, the 1994 term was a four-month period.*

MESSAGE FROM THE CHAIRMAN

YASUO TAKEI
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

OPERATIONAL OVERVIEW

I am pleased to report that we had another record breaking year in fiscal 1998, the year ended March 31, 1998, despite a challenging economic environment. Outstanding loans climbed 12.8% to ¥1,188.7 billion (US$9,005.1 million) and revenues were ¥316.9 billion (US$2,400.5 million), up 13.3% from a year earlier. Net income had a banner year, surging ¥14.5 billion, or 27.9%, to a record ¥66.5 billion (US$504.1 million).

During the year under review, demand for small, unsecured loans to consumers remained strong although the Japanese economy headed for recession, hastened by the failure of several major financial institutions and brokerage firms. There was a sharp decline in stock prices, and cutbacks in lending by banks and other financial institutions, the so-called "credit crunch," hampered corporate earnings. Toward the end of the year, the unemployment rate rose as well.

Against this backdrop, we concentrated on our core business of small, unsecured consumer loans. During fiscal 1998, we divested our portfolio of secured loans to a third party; our loan portfolio now consists exclusively of unsecured loans to individuals of up to ¥1 million per account.

STRICTER CREDIT STANDARDS

From late 1996 through early 1997, there was an increase in personal bankruptcies, and the media directed a lot of attention to potential problems involving debtors with multiple loans. The consumer finance industry responded promptly by announcing measures including more stringent credit policies, initiatives to enhance consumer counseling activities, and the elimination of certain expressions from advertisements.

Takefuji, of course, was front and center. We tightened our credit standards early in 1997. Specifically, we reduced the number of borrowings a new customer may have with other companies in the sector. We also increased the frequency and efficiency of credit monitoring of our existing portfolio; our mainframe computer now retrieves customers' credit data directly from the industry's consumer credit information bureau at least once every quarter. If a customer has taken out more loans than we permit, we cease to extend new loans under their credit facility.

The effectiveness of our credit policies and highly standardized collection activities is reflected in our low loan write-off figures. For fiscal 1998, we wrote off ¥26,014 million, equivalent to only 2.2% of outstanding loans as of the fiscal year-end. During the same period, we recovered ¥8,016 million from accounts previously written off. As a result, the write-off ratio, net of recoveries, was only around 1.5% of loans.

Taking advantage of our expertise in extending credit to individuals and the new system to allow frequent credit monitoring mentioned above, we started offering preferred customers new products. Customers with timely payment histories and a limited number of borrowings from other companies in the sector are eligible for credit limits of up to ¥1 million per individual and preferential, slightly lower interest rates.

NETWORK EXPANSION

In fiscal 1998, we actively worked to enhance convenience for customers and improve operational efficiency. For example, we set up an additional 410 unmanned loan application branches, a new form of access point featuring *¥en-musubi* machines, mainly in suburban areas. As of March 31, 1998, we had 530 conventional, manned branch offices and 533 unmanned branches, which require no on-site personnel and limited floor space. We expect most of these new locations to reach break-even during fiscal 1999. In addition, we continued our efforts to increase the number of CDs and ATMs available to our customers. During fiscal 1998, we reached an agreement with 16 other companies for 3,056 additional machines. The total number of CDs and ATMs rose to 18,857 at fiscal year-end as a result.

DIVIDEND POLICY

Until recently, we had a deliberately conservative dividend policy, reflecting the high priority we placed on preserving a strong balance sheet, at the same time as increasing our loan portfolio. Since we took the company public, however, our dividend policy has become more progressive:

we have begun raising payouts to stockholders through both dividend increases and stock splits. Under this new policy, we conducted a 1:1.3 stock split in May 1997 and paid an interim dividend of ¥30 per share. We also paid a year-end dividend of ¥50 in June 1998, which included a dividend of ¥20 commemorating the first anniversary of our OTC registration. The total dividend for fiscal 1998 was thus ¥80 per share, up from ¥35 a year earlier. Increasing returns to our stockholders is a key corporate objective. At the annual stockholders' meeting held in June 1998, an amendment to the Articles of Association was made, giving the Board of Directors authority to buy back up to 5 million shares.

OUTLOOK

Our operating environment is expected to remain challenging in the coming year. Uncertainty about the direction of the Japanese economy, the ramifications of the Japanese "Big Bang" and the persisting problem of nonperforming loans at Japanese banks are the main reasons for this outlook. In the consumer finance industry, demand will likely remain strong for small, unsecured loans. However, obstacles at Japanese financial institutions such as the "credit crunch" and the increase in debtors with multiple loans will require the whole consumer finance industry to proceed with even more caution.

In this climate, we aim to maintain tight credit standards. In regard to funding, we have established new credit facilities with reliable foreign sources. These alone will be more than sufficient to fund our growth for fiscal 1999. We will pursue opportunities to further diversify our funding sources, and secure long-term loans with fixed interest rates to take advantage of the current low interest rate environment.

Looking ahead, adherence to our "Customer First" and "Operational Efficiency" doctrines will be more important than ever. Strategically, we will remain focused on providing small, unsecured and non-guaranteed consumer loans as we seek to attain steady growth in revenues and profits. With these basic principles in mind, our staff will remain highly motivated and dedicated to customer service. I am therefore confident that fiscal 1999 will be another excellent year for the company.

I would like to thank all our stockholders for their continued support in all our endeavors, and look forward to their encouragement in the future.

July 1998

武井保雄

Yasuo Takei
Chairman and Chief Executive Officer

TAKEFUJI plans to secure its "NUMBER-ONE" position by...

Takefuji's activities have always been guided by the management philosophy of "Customer First" and "Operational Efficiency." Throughout its 32-year history, the company has sought to embody these principles in its operations through employee education and refinements to proprietary operating systems. Takefuji is convinced that strict adherence to firmly rooted policies has helped it to become the leading company in the consumer finance marketplace.

"CUSTOMER FIRST"

What qualities do customers look for when choosing a lending institution? Takefuji knows the answer. The company's leading position in the industry testifies to that. Takefuji is working from a number of angles such as customer reception skills, branch expansion and service to reaffirm its position as the customers' preferred company.

Human Resources are the Backbone of Takefuji

Takefuji has gained the support of customers through its outstanding customer service. To maintain and enhance this high level of service, the company places great importance on training activities. A prime example is the comprehensive training program for new "freshman" employees. Following a two-week freshman introductory training course, new employees are assigned to branches and nurtured through a six-month on-the-job training program that gives them the fundamental skills they will need. Takefuji also has a curriculum tailored to each career path that stresses more than just the financial knowledge necessary for business and customer contact. Emphasis is also placed on acquiring the various skills needed to provide expert and accurate advice to clients in a friendly manner. This comprehensive approach lifts the proficiency of each employee as well as the organization as a whole. With the same goal in mind, four times every month, roughly 50 employees are called upon from throughout the company for training at head office. These meetings provide an opportunity to exchange views with the company's top management and discuss a variety of subjects. This gives impetus to employees and enhances the quality of service across the company.

Training room at head office

A party at Chairman's home after a training program

Service at Manned Branches

Takefuji has always believed that the basis of effective marketing is keeping customers happy. A survey conducted at branches across Japan shows that Takefuji's devotion to excellence in staff training has paid dividends. In response to the question "What are your reasons for choosing Takefuji?" 40% of respondents stated that they had been introduced by a friend—irrefutable evidence that Takefuji's level of service satisfaction generates new customers.

Enhancing Customer Convenience

Takefuji is also implementing various policies with a view to enhancing convenience for customers. The *¥en-musubi* automated loan contracting machines and unmanned branches are representative examples of efforts being made. *¥en-musubi* machines can issue Takefuji ¥en Cards to customers even during holidays or at night. And by aggressively opening unmanned branches, which are predominantly situated alongside main suburban roads, Takefuji is shortening the distances that customers must travel to access the company's services. In the period under review, this branch expansion policy produced 412 new *¥en-musubi* machines, bringing the total number in service to 1,063. Takefuji also increased the number of unmanned branches by 410 to 533, roughly on a par with the number of manned branches. Unmanned branches allow Takefuji to provide services to areas that would otherwise not be covered due to cost considerations. In this way, they contribute to better access for customers.

With the same mindset, enhancing convenience, Takefuji is expanding access points for CD and ATM services. While steadily expanding its own ATM network, Takefuji is forming more agreements with banks and credit companies. Through these efforts, the Takefuji ¥en Card is accepted at some 18,857 CD and ATM machines, including 1,253 Takefuji machines, nationwide. With this card, which is issued at branches or by a *¥en-musubi* machine, if an application is accepted, customers can use the company's own ATMs to withdraw cash and make repayments. Affiliated ATMs are available only for withdrawals.

Always looking for ways to provide better services, Takefuji intends to continue developing its network, particularly in respect of unmanned branches.

An unmanned branch office

►“OPERATIONAL EFFICIENCY”

The pursuit of “Operational Efficiency” is one of Takefuji’s core policies. Takefuji constantly reviews its operating systems, which have been crafted over many years, to make this possible. All of the company’s expenses, including those relating to locations and marketing, are frequently reviewed with considerable attention paid to their impact on operating margins. At the same time, the company is constantly working to improve operating standards and employee productivity.

An Emphasis on Operational Efficiency

Takefuji boasts an operating profit margin unrivaled in the industry. This is the result of the company’s strict adherence to the “Operational Efficiency” doctrine dating back to its founding. The company’s management is strongly committed to controlling the cost-income ratio. Takefuji never ceases looking for ways to improve operational efficiency: all staff training and systems development is aimed at making the working environment more productive. The pursuit of company-wide efficiency has become ingrained in Takefuji’s corporate culture, so that the cost-saving momentum never slackens. One example is personnel costs, which have been falling steadily year after year as a proportion of revenues. This achievement has been made possible by Takefuji’s systematic approach to management. The company’s manuals set clearly specified procedures in each area of business and allow tasks be done in a productive manner by a smaller number of staff or even by less experienced staff.

In the business of consumer finance, which inevitably involves an extremely high level of administrative costs, operational efficiency makes a material difference. Takefuji, as the overall cost leader of the industry, is well positioned for more growth in the years ahead.

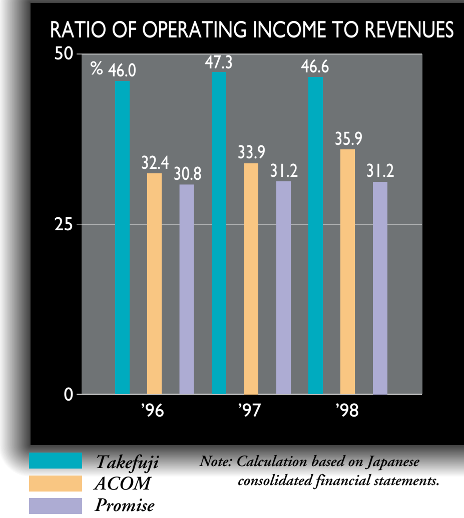
Third-Generation On-Line System

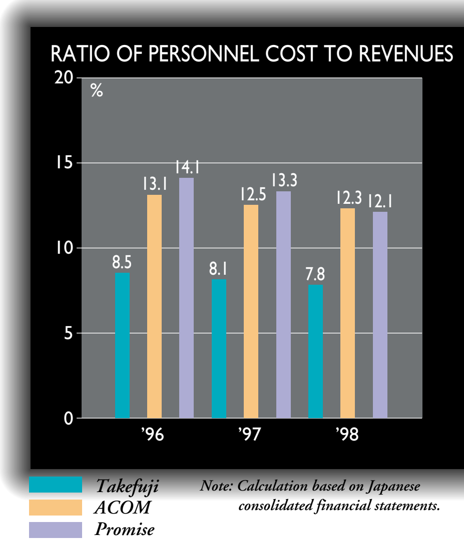
In July 1997, Takefuji started full-scale operations of its third-generation on-line system. Connecting the head office and all branches through local area networks (LANs) and wide area networks (WANs), the sophisticated system has reaped efficiency gains by systematizing and unifying all business operations.

The new system has also added other important features to our operations. For example, all customer accounts are now administered by the mainframe computer at a central location. With this improvement, staff members can access customer data through terminals installed in each branch, monitor the settlement of delinquent accounts, view histories of collection calls, and even make a telephone call to each customer through terminals. Elimination of customers’ paper files and a more efficient collection process, are two of the most valuable benefits. Furthermore, this sophisticated system provides the company’s senior management with more precise, timely information on the loan portfolio.

Connected to the Allied Nationwide Credit Information Center, the industry’s consumer credit database, the system also enables the company to check the credit status of each customer on a regular basis, without the involvement of branch staff. When a customer’s credit has deteriorated beyond a certain level, the system automatically restricts further credit. Thus, the new system has added significant flexibility and efficiency in our management of the loan portfolio. It has also dramatically expanded our data processing capacity. While we process a maximum of two million transactions per day at the present time, the system is designed to handle up to five million transactions daily. Moreover, the system can be upgraded or expanded without major investment.

The Year 2000 Problem is not an issue with this state-of-the-art system—the calendar year is configured in four digits. Takefuji currently expects to complete compliance with the Year 2000 problem by early 1999.





►"OPPORTUNITY FOR FURTHER GROWTH"

Consumer Finance Market

The consumer finance market has grown rapidly over the last decade. Even so, there is still a large pool of latent demand. Takefuji aims to tap this market potential by promoting its "Customer First" and "Operational Efficiency" philosophies. According to a survey conducted in 1996, there were 24 million people with annual incomes between ¥2 million and ¥6 million, the income range of most customers of the consumer finance companies. At the same time, only 6 million people used consumer finance services, leaving 18 million potential new borrowers.

The introduction of unmanned loan application branches has greatly enhanced our ability to reach potential customers. And as both initial and operational costs are significantly low—little space and no personnel are required—there is still ample room for expansion of Takefuji's unmanned network. The regional population required to support a new unmanned branch is about 20,000, compared to over 50,000 for a conventional branch. Through careful site selection and cost-conscious leasing, most of Takefuji's unmanned branches break even within one year from commencement of operations.

Stable Source of Profit

One widely held concern about consumer finance companies is that increased competition may force them to significantly reduce their interest rates, negatively affecting profitability.

However, customers of consumer finance companies are not highly sensitive to interest rate changes due to the small amount of their loans. Most customers regard convenience, customer service and availability of cash as much more important than interest rates. This is evidenced by the fact that when we reduced our maximum interest rate from 29.2% to 27.375% in February 1996, the majority of customers did not take the few minutes required to sign a new contract at the lower rate within a year from the date of the change, despite various advertisements and other forms of promotion.

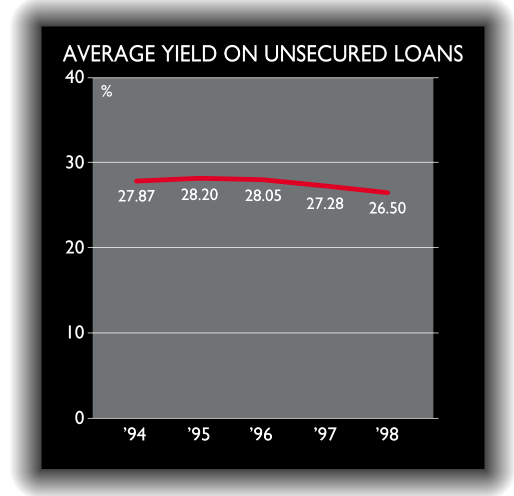
Furthermore, although Takefuji will offer preferential rates to customers with good credit standing who apply for higher credit limits, the company intends to keep the maximum lending rate, which is applied to most customers, at the current level of 27.375%.

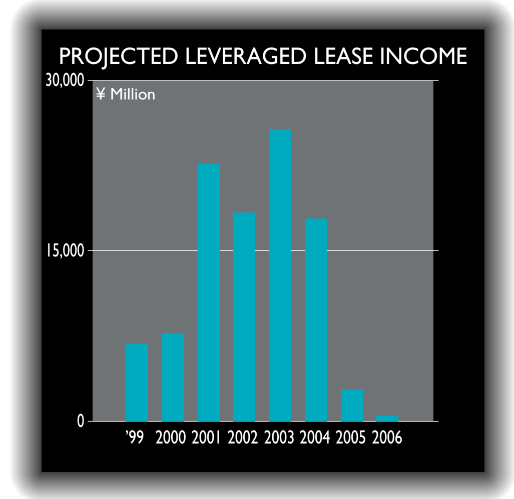
Revenues from investments in leveraged lease partnerships are another source of profit growth. These investments are expected to generate a total of approximately ¥100 billion in pre-tax income earnings from fiscal 1999 through fiscal 2006.

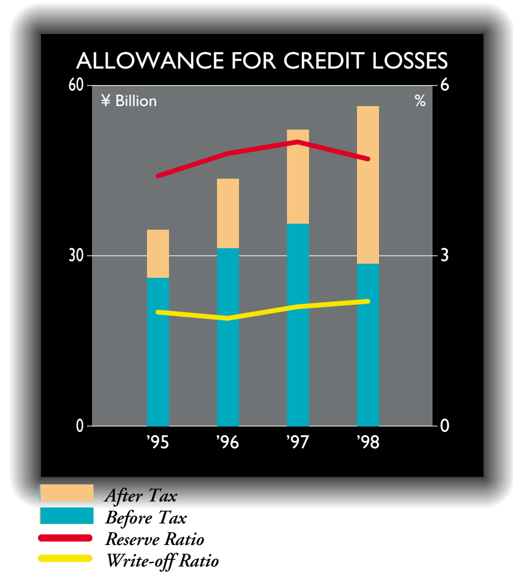
Conservative Approach to Credit and Collection

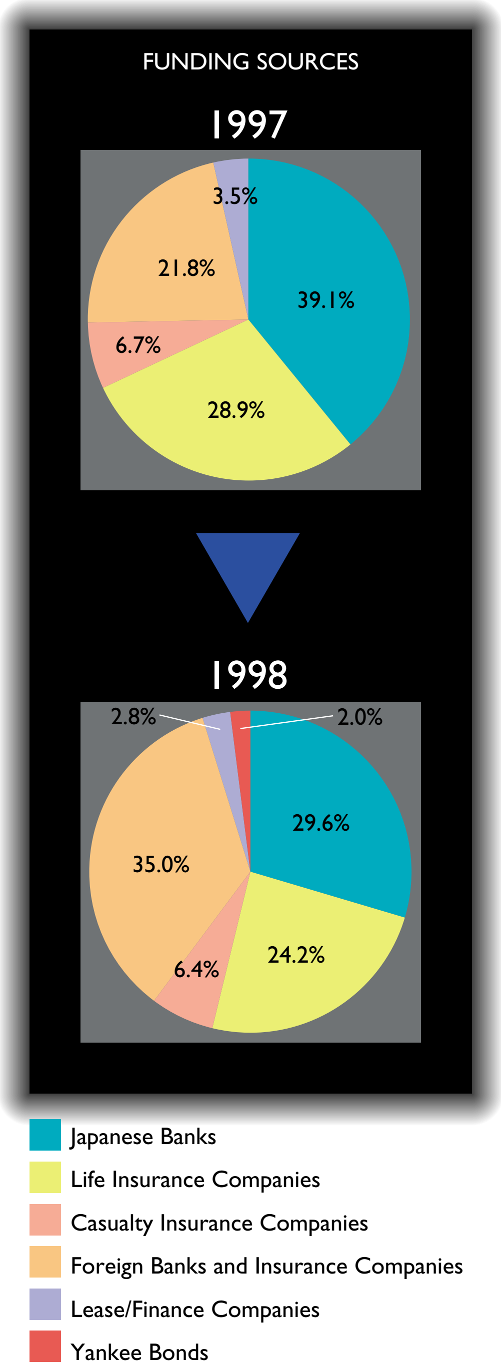
Takefuji spares no effort to ensure the high quality of its loan portfolio. At the end of fiscal 1998, Takefuji had outstanding allowances for credit losses of ¥56,401 million, equivalent to 4.7% of total loans. Of this allowance, ¥27.8 billion was established on an after tax basis: thus if the relevant loans were to be charged off, the Company would have substantial tax benefits.

All loans over 90 days past due are fully reserved against and most other loans, including current loans, are also provided against on the basis of historical default experience. The Company has been maintaining reserve ratio at around 4.5% since fiscal 1995, while write-off ratio has been staying at around 2%.









Expertise in management and recovery of loans is one of Takefuji's core strengths. The company has standardized and systematized the collection process, breaking it down into several stages to maximize collection performance, while maintaining good relationships with customers. In fiscal 1998, Takefuji recovered ¥8,016 million in loans that had previously been written off, lowering the net write-off ratio to only 1.5%.

Takefuji has imposed stricter lending criteria since early 1997—a borrower can, in principle, hold no more than three loans with other companies when applying for a new loan. Furthermore, Takefuji has a credit management system that enables it to closely monitor the credit standing of existing customers. Regular confirmation of data on existing customers is at the heart of this system. Takefuji conducts customer follow-ups every month during a loan's first three months and thereafter at three-month intervals.

We believe that our focus on small, unsecured and non-guaranteed consumer loans will also contribute to keeping our balance sheet healthy. In this regard, Takefuji will continue its policy of diversifying credit risk by limiting the maximum credit per customer. Takefuji does not plan to offer secured loans nor small business loans in the foreseeable future.

Low-Cost, Stable Funding

It is needless to say that obtaining low-cost, stable funds is the lifeblood of a consumer finance company. At the present time, a consumer finance company may not legally use the proceeds of the issuance of bonds or commercial paper for the lending business. Accordingly, Takefuji has always sought to diversify its funding sources both in Japan and internationally within the scope allowed by regulations. As of March 31, 1998, the company had borrowings from 143 domestic institutions, plus numerous foreign sources.

During the fiscal year, the company made remarkable progress, particularly on the international end:

- Issuance of 7-year and 20-year senior unsecured notes in the U.S. market in reliance upon Rule 144(a) under the Securities Act (US$165 million)
- Two tranches of a 3-year unsecured loan facility arranged by London Forfaiting Asia (total proceeds of ¥51.5 billion)
- A 3-year unsecured revolving loan facility arranged by Banque Paribas (¥30 billion)
- 20-year unsecured term loans from foreign insurance companies (¥19.5 billion)

It has been an important policy of management that the company secure adequate sources of liquidity. In this regard, Takefuji, through wholly owned funding subsidiary Takefuji Capital Co., Ltd. ("Takefuji Capital"), maintains a committed standby loan facility of yen equivalent to US$500 million from Bankers Trust Company, Tokyo Branch.

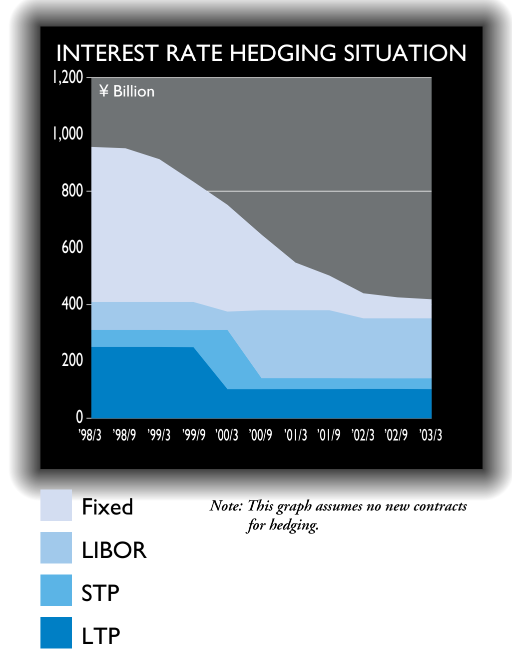
Subsequent to the fiscal year ended March 31, 1998, Takefuji Capital entered into agreements for 10-year term loan facilities from Bankers Trust Company (April 20, 1998) and with ING Bank (June 9, 1998). The total amount of loans available, subject to certain conditions under the facilities, is yen equivalent to US$2 billion.

Despite uncertainty surrounding the stability of Japan's financial system, the company does not foresee any difficulty in obtaining sufficient liquidity to support future growth in assets.

Hedging Against Interest Rate Risk

Takefuji extends credit to customers at fixed interest rates. To maintain margins on its loans, therefore, it is essential that the company take appropriate steps to shield operations from increases in interest rates.

As of March 31, 1998, 53.8% of the company's borrowings were at fixed interest rates, with an average remaining life of approximately 3.3 years. In addition, Takefuji is a party to certain hedging contracts with international counterparties. Such contracts protect the yield on borrowings of ¥349.5 billion until spring of 2003. This raises the effective hedge ratio to 97.8%.



Note: This graph assumes no new contracts for hedging.

Contributing to the Community

Takefuji is reinvesting part of its profits in a broad range of cultural and community activities under the concept of its "corporate citizenship" philosophy.

Sponsorship of the Association for the Promotion of Seeing Eye Dogs in Japan, where Takefuji has been an active contributor since 1984, is a prime example of Takefuji's commitment. The company has also participated in the Well-Be Movement with the goal of assisting the activities of physically challenged members of society. Some other areas in which Takefuji is active include a scholarship system for sick orphans, assistance for areas damaged by natural calamities like the Hanshin Earthquake, and the staging of events for children.

Takefuji is also contributing to environmental protection. The distribution to schools of a storybook written for elementary-age pupils titled *Secrets of the Earth* and sponsorship of the World Children's Environmental Art Exhibition contribute to environmental education that will have substantial benefits further down the line.

International cultural and scientific exchange programs is another area where Takefuji is front and center. In 1984, the company became the first corporation in Japan to set up a charitable trust, the Takefuji Commemorative Japan Trust. The trust helps fund international exchange programs in the fields of science and technology and the provision of scholarships to exchange students as well as for the development of basic technologies. The University of Southern California (USC) has also benefited from Takefuji's philanthropic activities. In 1996, Takefuji donated $2 million to the university for the construction of a new building to house USC's economics school. That facility is slated for completion by the end of 1998. USC has trained more than 50,000 people from around the world inall its cultural activities various fields of learning.

In addition, Takefuji has teamed up with a U.S.-based incorporated foundation, the Noguchi Medical Research Institute, to offer a medical service to customers. Started in February 1998, a new service called "Takefuji Medical

Photo Supplied by J-League Photo

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Photo Supplied by Mainichi Shinbunnsya

FINANCIAL SECTION

FIVE-YEAR SUMMARY

	Millions of yen					Thousands of U.S. dollars*
	1998	1997	1996	1995	1994**	**1998**
Outstanding loans	**¥1,188,668**	1,053,651	915,030	793,424	665,090	**$ 9,005,061**
Revenues	**316,861**	279,545	251,742	210,669	61,519	**2,400,462**
Income before income taxes	**163,911**	135,373	126,047	78,709	16,695	**1,241,750**
Net income	**66,545**	52,040	46,832	39,462	5,182	**504,129**
Total stockholders equity	**427,897**	369,821	270,188	224,105	185,284	**3,241,644**
Total assets	**1,559,857**	1,416,288	1,318,297	1,191,326	1,040,216	**11,817,098**
Number of accounts (thousands)	**2,521**	2,368	2,083	1,828	1,582	
Number of manned branches	**530**	528	500	481	456	
Number of employees	**4,051**	3,921	3,782	3,430	2,561	

* *U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥132=U.S.$1, the approximate closing rate of the Tokyo foreign exchange market as of March 31, 1998, as described in Note 3 of the Notes to the Consolidated Financial Statements.*

** *Due to a change in the fiscal year-end, the 1994 term was a four-month period.*

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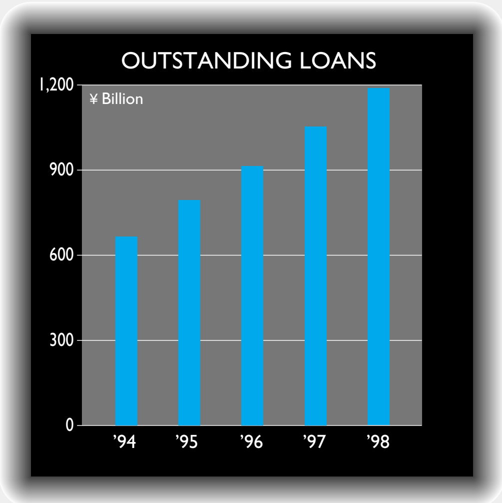
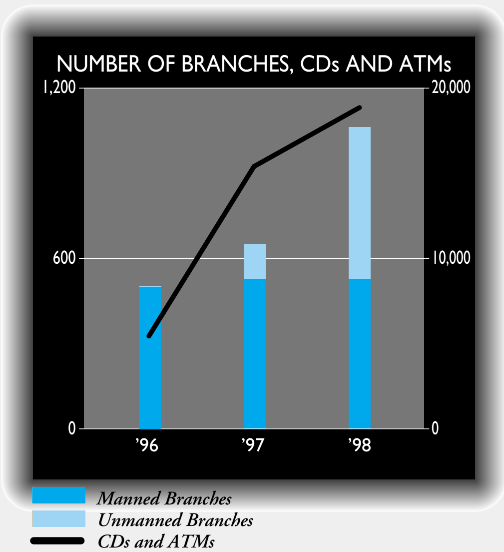
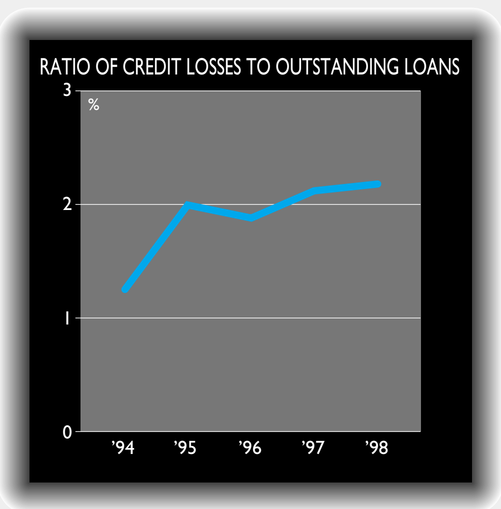






FINANCIAL REVIEW

Revenues

Total revenues increased by 13.3% to ¥316,861 million (US$2,400.5 million) in fiscal 1998, the year ended March 31, 1998, compared to the previous fiscal year. This reflects an 11.0% increase in interest income on direct cash loans to ¥298,456 million (US$2,261.0 million) as well as a substantial increase in the other income. The increase in interest income on direct cash loans resulted from an increase in average loans outstanding, offset to some extent by a reduction in the average yield on loans outstanding. In fiscal 1998, the average balance of direct cash loans totaled ¥1,132,118 million (US$8,576.7 million), an increase of ¥139,729 million, or 14.1%, from fiscal 1997.

The number of customer accounts was up 152,614, or 6.4%, to 2,520,885 at the end of fiscal 1998. The slower growth in customer accounts reflected the tightening of credit standards since the beginning of 1997. On the other hand, the average loan balance per account increased by 6.1% to ¥471,000. The main reason for this increase was the introduction of new products during the year; customers with good credit standing are offered such products, which have larger credit limits of up to ¥1 million, as well as preferential interest rates.

The number of manned branches as of March 31, 1998 stood at 530, up 2 from a year earlier. At the same time, in an effort to enhance convenience for customers and operational efficiency, the number of unmanned loan application branches was significantly increased by 410, from 123 a year earlier, to 533. The number of *Yen-musubi* automated loan contracting machines was 1,063, compared with 651 a year earlier. The number of Takefuji ATMs was increased by 412 to 1,253 during fiscal 1998, and the number of tie-up CDs and ATMs was 17,604, compared with 14,548 at fiscal 1997 year-end. The average yield on loans outstanding decreased from 27.28% to 26.50%. The decline reflected the effect of a reduction in the maximum lending rate in February 1996, from 29.2% to 27.375%, as well as the increase in the balance of new products with preferential interest rates.

Other income rose to ¥18,405 million (US$139.4 million), an increase of ¥7,781 million, or 73.2%, from a year earlier. This includes ¥5,237 million (US$39.7 million) of gains on sale of securities, principally listed equity securities. An increase of ¥1,029 million in recovery of previously written-off debt, from ¥6,987 million in fiscal 1997 to ¥8,016 million in fiscal 1998, also contributed to the higher other income. The remainder of other income consists principally of interest income on deposits and short-term investments, parking lot revenues and other financial income.

Operating Expenses

Among operating expenses, interest expenses amounted to ¥25,723 million (US$194.9 million), a decline of ¥565 million, or 2.1%. This was mainly a result of lower market interest rates. Other expenses associated with financing increased by 19.1% to ¥7,005 million (US$53.1 million) in fiscal 1998, reflecting the increase in upfront fees in connection with the Company's long-term funding from international sources. The Company expenses such fees as incurred regardless of the life of corresponding loans.

Provision for credit losses was ¥37,390 million (US$283.3 million), an increase of ¥6,307 million, or 20.3%. The amount of loan write-offs was ¥26,014 million (US$197.1 million), an increase of ¥3,631 million, or 16.2%. The ratio of write-offs to the total outstanding loans at the end of fiscal 1998 was 2.19%, 7 basis points up from a year earlier.

Advertising expenses amounted to ¥12,388 million (US$93.8 million), ¥2,127 million, or 20.7%, higher than in fiscal 1997. This reflected the openings of 412 new locations, primarily unmanned branches.

General and administrative expenses were up ¥7,952 million, or 14.2%, to ¥63,836 million (US$483.6 million). This increase was in line with the expansion of the business and the branch network during the period.

Operating Income

Operating income rose ¥20,373 million, or 13.6%, to ¥170,519 million (US$1,291.8 million), reflecting the Company's pursuit of operational efficiency. The ratio of operating income to revenue remained virtually the same at 53.8% in fiscal 1998, compared with 53.7% in fiscal 1997.

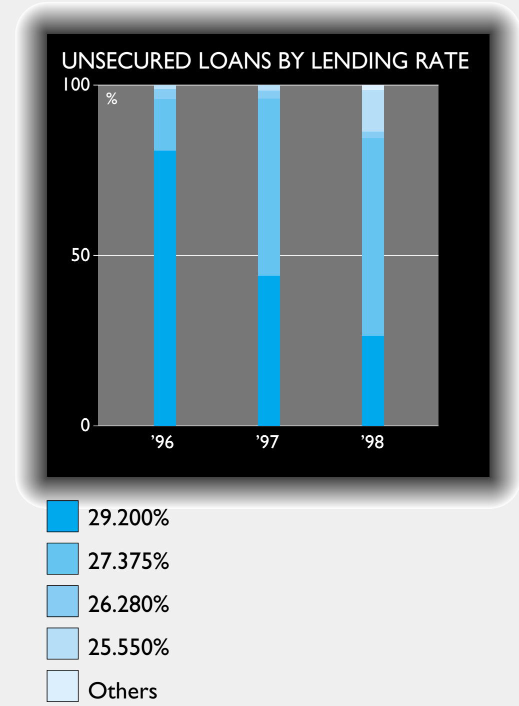
Other Expenses (Income)

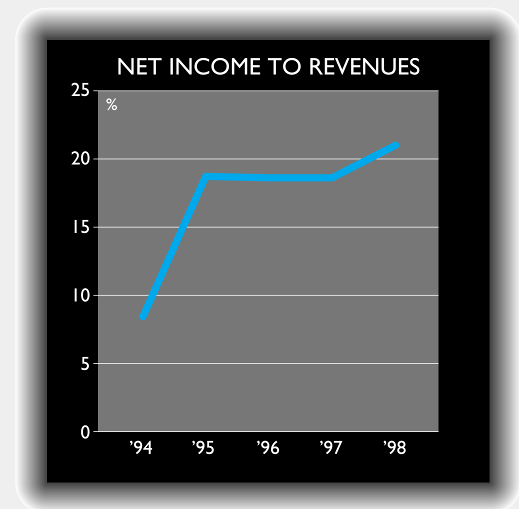
Other expenses decreased by ¥8,165 million, or 55.3%, to ¥6,608 million (US$50.1 million). Among other expenses (income), the principal items included loss on devaluation of marketable securities and others of ¥10,386 million (US$78.7 million), an increase of ¥4,046 million, or 63.8%, from the previous period, and loss on sale of investments in securities of ¥1,531 million (US$11.6 million), relating to the sale of stock of failed financial institutions, which was not incurred in fiscal 1997. Expenses for issuance of new stock and a donation to local government, which amounted to ¥1,911 million and ¥3,336 million, respectively in fiscal 1997, were not incurred in fiscal 1998. The donation to local government in fiscal 1997 was made in connection with a construction permit for a golf course and was a one-time, non-recurring expense.

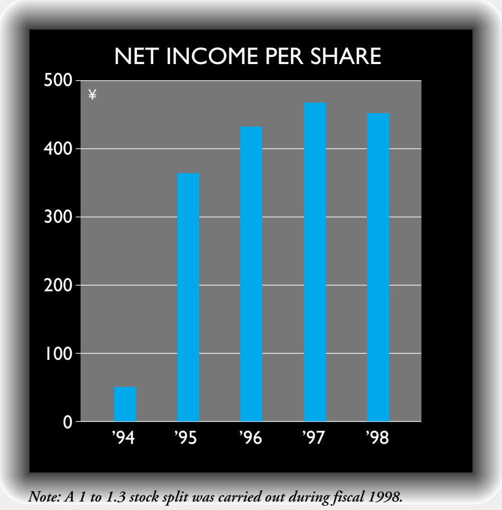
Gains on participation in leveraged lease partnerships were ¥6,144 million (US$46.5 million), compared with a loss of ¥2,695 million in fiscal 1997. Regarding the gain on participation in leveraged lease partnerships, the Company invested in such partnerships for the purpose of leasing aircraft from 1990 through 1993. These partnerships are structured to incur losses well in excess of the cost of investment in the early years, approximately all of which, however, are reversed in subsequent years. The reversal gain started in fiscal 1998, and a total gain of approximately ¥100 billion is expected between 1999 and 2006.

Net Income

Net income amounted to ¥66,545 million (US$504.1 million), an increase of ¥14,505 million, or 27.9%. The ratio of net income to revenues rose to 21.0% from 18.6%. Net income per share decreased to ¥451.8 from ¥467.8 a year earlier. This was the result of a 1:1.3 stock split conducted in May 1997. The Company paid a ¥30.0 interim dividend and a ¥50.0 year-end dividend, including a dividend of ¥20.0 commemorating the first anniversary of the Company's OTC registration. The total dividend for fiscal 1998 was thus ¥80.0 per share, up from ¥35.0 a year earlier.







Note: A 1 to 1.3 stock split was carried out during fiscal 1998. The split was non-dilutive to stockholders.

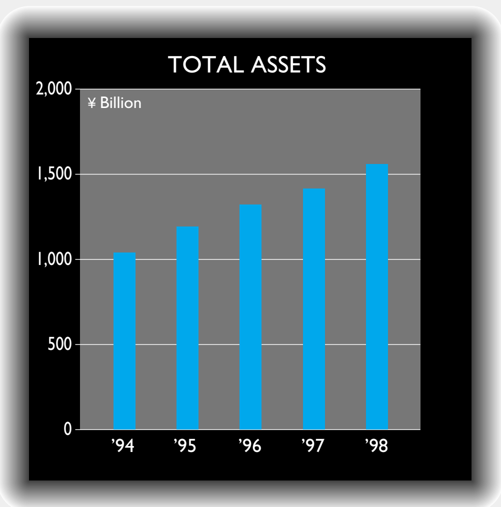
FINANCIAL CONDITION

Total assets as of March 31, 1998 were ¥1,559.9 billion (US$11,817.1 million), an increase of ¥143.6 billion, or 10.1%, from fiscal 1997 year-end. Total current assets rose ¥153.2 billion, or 13.6%, to ¥1,279.8 billion (US$9,695.2 million), mainly because of an increase in the principal of direct cash loans to customers of ¥135.0 billion, or 12.8%, to ¥1,188.7 billion (US$9,005.1 million). Specified money trusts, as a short-term investment of surplus cash, were worth ¥26,367 million (US$199.8 million). Property and equipment, net of accumulated depreciation, was down ¥5,010 million, or 2.1%, to ¥228,210 million (US$1,728.9 million). Construction in progress decreased by ¥8,610 million to ¥1,147 million (US$8.7 million) due to the completion of the third-generation on-line system.

The allowance for credit losses at the end of fiscal 1998 was ¥56,401 million (US$427.3 million), or 4.7% of total loans outstanding, compared with ¥52,200 million, or 5.0%, as of the end of fiscal 1997. The decline in the ratio of allowance to total loans outstanding was caused by the disposal of secured loans receivable during fiscal 1998. In connection with the loss on sale of this portfolio, the specific allowance against the portfolio of ¥7,175 million was reversed to offset a substantial part of the losses realized. Because of the Company's expertise and risk management capabilities in small, unsecured loans, which include procedures for making sound credit judgments, accumulated know-how in collection, and the convenience of repayment systems, the ratio of credit losses to outstanding loans was only 2.19%. The value of loans receivable which were previously written-off but subsequently collected increased to ¥8,016 million (US$60.7 million) in fiscal 1998. Thus, the write-off ratio net of recoveries was even lower than the ratio of credit losses to outstanding loans.

Total current liabilities fell ¥52,187 million, or 16.5%, to ¥263,865 million (US$1,999.0 million). This was because of the Company's efforts to shift borrowings to long-term, fixed interest rate debt at lower interest rates. As a result, short-term borrowings fell ¥4,327 million to ¥27,971 million (US$211.9 million). Similarly, the current portion of long-term debt dropped ¥59,084 million, or 26.3% to ¥165,525 million (US$1,254.0 million). On the other hand, long-term debt increased by ¥137,453 million, or 18.9%, to ¥866,293 million (US$6,562.8 million).

Total stockholders' equity, reflecting increases in reserves and retained earnings, rose to ¥427,897 million (US$3,241.6 million), an increase of ¥58,076 million, or 15.7%, from a year earlier. The stockholders' equity ratio improved 1.3 percentage points, to 27.4%. Stockholders' equity per share declined 11.0% to ¥2,905 (US$22.0) reflecting the 1:1.3 stock split effected in May 1997.



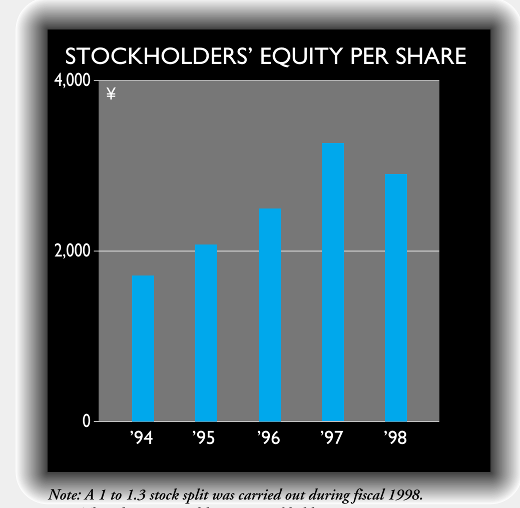
Cash Flow

The principal sources of cash flow from operating activities were ¥66,545 million (US$504.1 million) in net income, ¥37,390 million (US$283.3 million) in provisions for credit losses, and ¥539,613 million (US$4,088.0 million) in principal collected on consumer loans. The principal use of cash in operating activities was ¥707,152 million (US$5,357.2 million) in consumer loans made to customers. As a result of these and other sources and uses, net cash used in operating activities was ¥40,653 million (US$308.0 million).

Net cash used in investing activities was ¥40,116 million (US$303.9 million). This included ¥30,000 million (US$227.3 million) for the purchase of a specified money trust as a short-term investment of surplus cash, and ¥5,160 million (US$39.1 million) invested in property and equipment, mainly new branches. This cash outflow from operating and investment activities was offset, in part, by net cash provided by financing activities of ¥69,493 million (US$526.5 million). The principal items contributing to cash flow from financing activities were a ¥62,171 million (US$471.0 million) net increase in long-term loans and ¥20,032 million (US$151.8 million) relating to proceeds from issuance of bonds.

Thus, cash and cash equivalents at the end of the year decreased ¥11,276 million, from ¥65,412 million at the beginning of the fiscal year, to ¥54,136 million (US$410.1 million).

As of March 31, 1998, the Company had a committed long-term standby loan facility of US$500 million, which will be available until May 2001.



Note: A 1 to 1.3 stock split was carried out during fiscal 1998. The split was non-dilutive to stockholders.

Efficiency

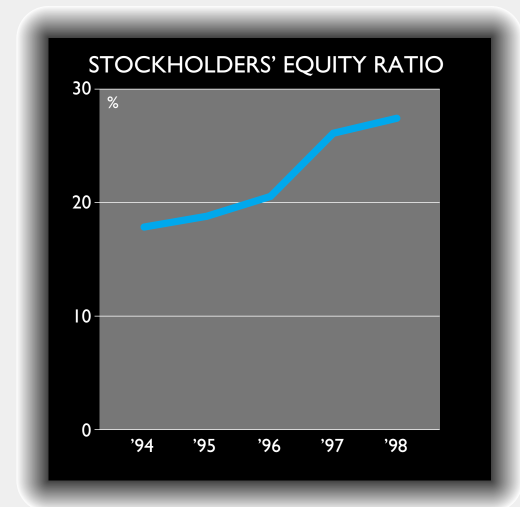
The Company reported further gains in efficiency of its operations for fiscal 1998 as the full-scale operation of the third-generation on-line system started in July 1997. Revenues per employee rose 9.7%, to ¥78.2 million (US$592 thousand). Revenues per manned branch increased by ¥68.4 million, or 12.9%, to ¥597.9 million (US$4.5 million). Outstanding loans per employee increased 8.9%, to 293.4 million (US$2.2 million). Loans per manned branch were up 12.4% to ¥2,243 million (US$17.0 million).

Market Risk

The major market risk Takefuji is exposed to is price volatility in its portfolio of listed equities. A conservative lower-of-cost-or-market principle is applied to the Company's securities portfolio and unrealized gain on securities as of March 31, 1998 amounted to ¥10,067 million. Given the relatively small size of the stock portfolio in relation to total assets and the level of unrealized gain on the securities held, the impact of this market risk on our profits is unlikely to be significant.

Takefuji had US$-denominated debt of about US$1 billion as of the end of fiscal 1998. All this debt is hedged against foreign exchange rate fluctuations either through currency swaps or forward exchange contracts.

As for the interest rate, the effective hedge ratio of the Company is 97.8% of its total interest-bearing debt at March 31, 1998.



Year 2000 Problem

Takefuji's third-generation on-line system uses four digits to indicate calendar year and no major investment to deal with the problem will be required. The year 2000 issue also affects some software used in house as well as ATM/CDs accessed through tie-up arrangements. The Company is reviewing its exposure here: the necessary change is quite minor and should be complete by early 1999.

CONSOLIDATED BALANCE SHEETS

TAKEFUJI CORPORATION AND SUBSIDIARIES
AS OF MARCH 31, 1998 AND 1997

	Millions of yen		Thousands of U.S. dollars (Note 3)
	1998	1997	1998
ASSETS			
Current Assets:			
Cash on hand and in banks	**¥ 14,503**	¥ 14,882	**$ 109,871**
Time deposits (Note 8)	**7,073**	6,168	**53,583**
Specified money trust	**26,367**	–	**199,750**
Marketable securities (Notes 4 and 8)	**41,014**	34,921	**310,712**
Short-term investments			
(CDs purchased under resale agreement)	**39,633**	50,530	**300,250**
Direct cash loans to customers (Note 8):			
Principal	**1,188,668**	1,053,651	**9,005,061**
Accrued interest income	**10,461**	10,426	**79,250**
Less: Allowance for credit losses (Note 5)	**(56,401)**	(52,200)	**(427,280)**
Prepaid expenses	**6,591**	6,815	**49,932**
Other current assets	**1,862**	1,401	**14,106**
Total Current Assets	**1,279,771**	1,126,594	**9,695,235**
Investments:,			
Investments in securities (Notes 4 and 8)	**5,032**	12,342	**38,121**
Investments in partnerships (Note 8)	**26,366**	25,435	**199,742**
Other investments	**1,063**	1,542	**8,053**
	32,461	39,319	**245,916**
Property and Equipment, Net of Accumulated Depreciation (Notes 6 and 8)	**228,210**	233,220	**1,728,864**
Leasehold Deposits and Other Assets (Note 7)	**19,415**	17,155	**147,083**
	¥1,559,857	¥1,416,288	**$11,817,098**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	1998	1997	1998
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-term borrowings (Note 8)	**¥ 27,971**	¥ 32,298	**$ 211,902**
Current portion of long-term debt (Note 8)	**165,525**	224,609	**1,253,977**
Accounts payable	**6,305**	5,474	**47,765**
Income taxes payable (Note 9)	**58,739**	49,136	**444,992**
Accrued expenses	**4,788**	3,596	**36,273**
Other current liabilities	**537**	939	**4,068**
Total Current Liabilities	**263,865**	316,052	**1,998,977**
Long-Term Debt (Note 8)	**866,293**	728,840	**6,562,826**
Allowance for Retirement Benefits (Note 10)	**1,596**	1,506	**12,091**
Foreign Currency Translation Adjustments (Note 2 (9))	**107**	69	**810**
Minority Interest	**99**	–	**750**
Commitments and Contingent Liabilities (Notes 11 and 13)			
Stockholders' Equity:			
Common stock, par value ¥50 per share:			
Authorized: 430,000,000 shares			
Issued: 147,295,200 shares as of March 31, 1998	**30,478**	–	**230,894**
113,304,000 shares as of March 31, 1997	**–**	30,478	**–**
Additional paid-in capital	**52,263**	52,263	**395,932**
Legal reserve	**7,627**	4,089	**57,780**
General reserve	**281,902**	232,902	**2,135,621**
Retained earnings	**55,631**	50,089	**421,447**
Treasury stock	**(4)**	–	**(30)**
Total Stockholders' Equity	**427,897**	369,821	**3,241,644**
	¥1,559,857	¥1,416,288	**$11,817,098**

CONSOLIDATED STATEMENTS OF INCOME

TAKEFUJI CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1998, 1997 AND 1996

	Millions of yen			Thousands of U.S. dollars (Note 3)
	1998	1997	1996	**1998**
Revenues:				
Interest income on direct cash loans	**¥298,456**	¥268,921	¥239,357	**$2,261,030**
Other income	**18,405**	10,624	12,385	**139,432**
	316,861	279,545	251,742	**2,400,462**
Costs and Expenses:				
Interest expenses	**25,723**	26,288	30,041	**194,871**
Other expenses associated with financing	**7,005**	5,883	4,753	**53,068**
Provision for credit losses (Note 5)	**37,390**	31,083	26,064	**283,258**
Advertising expenses	**12,388**	10,261	9,266	**93,848**
General and administrative expenses	**63,836**	55,884	48,222	**483,606**
	146,342	129,399	118,346	**1,108,651**
Operating Income	**170,519**	150,146	133,396	**1,291,811**
Other Expenses (Income):				
Loss on devaluation of marketable securities and others	**10,386**	6,340	17	**78,682**
Loss on sale of investments in securities	**1,531**	–	–	**11,598**
Loss on sale/disposal of property and equipment, net	**452**	179	277	**3,424**
(Gain) loss on participation in leveraged lease partnerships (Note 12)	**(6,144)**	2,695	6,743	**(46,545)**
Expenses for issuance of new stock	**–**	1,911	–	**–**
Expenses for issuance of new bonds	**175**	–	–	**1,326**
Amortization of goodwill	**208**	312	312	**1,576**
Donation to local government	**–**	3,336	–	**–**
	6,608	14,773	7,349	**50,061**
Income before Income Taxes	**163,911**	135,373	126,047	**1,241,750**
Income Taxes (Note 9)	**97,366**	83,333	79,233	**737,621**
Foreign Currency Translation Adjustment (Note 2 (9))	**–**	–	18	**–**
Net Income	**¥ 66,545**	¥ 52,040	¥ 46,832	**$ 504,129**

	Yen			U.S. dollars (Note 3)
Per Share:				
Net income	**¥451.8**	¥467.8	¥432.4	**$3.42**
Cash dividends	**80.0**	35.0	10.0	**0.61**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

TAKEFUJI CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1998, 1997 AND 1996

		Millions of yen					
	Number of common stock (Thousands)	Common stock	Additional paid-in capital	Legal reserve	General reserve	Retained earnings	Treasury stock
Balance at March 31, 1995	108,304	¥16,328	¥17,960	¥4,089	¥145,732	¥39,996	¥(0)
Net income	–	–	–	–	–	46,832	–
Foreign currency translation adjustment	–	–	–	–	–	381	–
Cash dividends paid (¥10 per share)	–	–	–	–	–	(1,083)	–
Bonuses to directors and statutory auditors	–	–	–	–	–	(47)	–
Transfer to general reserve	–	–	–	–	40,670	(40,670)	–
Balance at March 31, 1996	108,304	16,328	17,960	4,089	186,402	45,409	(0)
Net income	–	–	–	–	–	52,040	–
Increase due to exclusion of Japan Hawaii Finance Co., Ltd. from consolidation	–	–	–	–	–	310	–
Cash dividends paid (¥10 per share)	–	–	–	–	–	(1,083)	–
Bonuses to directors and statutory auditors	–	–	–	–	–	(87)	–
Transfer to general reserve	–	–	–	–	46,500	(46,500)	–
Proceeds from issuance of new stock	5,000	14,150	34,303	–	–	–	–
Balance at March 31, 1997	113,304	30,478	52,263	4,089	232,902	50,089	(0)
Net income	–	–	–	–	–	66,545	–
Stock split (1.0 into 1.3)	33,991	–	–	–	–	–	–
Cash dividends paid (¥65 per share)	–	–	–	–	–	(8,384)	–
Bonuses to directors and statutory auditors	–	–	–	–	–	(81)	–
Transfer to legal reserve	–	–	–	3,538	–	(3,538)	–
Transfer to general reserve	–	–	–	–	49,000	(49,000)	–
Purchase of treasury stock, at cost (net)	–	–	–	–	–	–	(4)
Balance at March 31, 1998	147,295	¥30,478	¥52,263	¥7,627	¥281,902	¥55,631	¥(4)

		Thousands of U.S. dollars (Note 3)					
	Number of common stock (Thousands)	Common stock	Additional paid-in capital	Legal reserve	General reserve	Retained earnings	Treasury stock
Balance at March 31, 1997	113,304	$230,894	$395,932	$30,977	$1,764,409	$379,462	$(0)
Net income	–	–	–	–	–	504,129	–
Stock split (1.0 into 1.3)	33,991	–	–	–	–	–	–
Cash dividends paid ($0.49 per share)	–	–	–	–	–	(63,515)	–
Bonuses to directors and statutory auditors	–	–	–	–	–	(614)	–
Transfer to legal reserve	–	–	–	26,803	–	(26,803)	–
Transfer to general reserve		–	–	–	371,212	(371,212)	–
Purchase of treasury stock, at cost (net)	–	–	–	–	–	–	(30)
Balance at March 31, 1998	147,295	$230,894	$395,932	$57,780	$2,135,621	$421,447	$(30)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAKEFUJI CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1998, 1997 AND 1996

	Millions of yen			Thousands of U.S. dollars (Note 3)
	1998	1997	1996	**1998**
Operating Activities:				
Net income	**¥ 66,545**	¥ 52,040	¥ 46,832	**$ 504,129**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**8,676**	7,961	6,184	**65,727**
Provision for credit losses	**37,390**	31,083	26,064	**283,258**
Provisions for retirement benefits	**310**	270	257	**2,348**
(Gain) loss on participation in leveraged lease partnerships	**(3,921)**	2,695	6,743	**(29,705)**
Net loss (gain) on sales or disposal of property and equipment	**452**	3,447	(32)	**3,424**
Loss on revaluation of marketable securities, investments in securities and others	**10,386**	6,340	17	**78,682**
Payment of retirement benefits	**(220)**	(178)	(89)	**(1,667)**
Software costs (Note 2 (7))	**(1,921)**	–	–	**(14,553)**
Gain on specified money trust	**(591)**	–	–	**(4,477)**
Change in operating assets and liabilities:				
Consumer loans made to customers	**(707,152)**	(663,673)	(568,962)	**(5,357,212)**
Principal collected on consumer loans	**539,613**	502,624	430,197	**4,087,977**
Accrued interest income	**(807)**	(1,275)	(1,523)	**(6,114)**
Prepaid expenses	**224**	436	(1,305)	**1,697**
Other current assets	**(461)**	1,999	(2,623)	**(3,492)**
Accounts payable	**831**	(2,121)	3,797	**6,295**
Accrued income taxes	**9,603**	4,229	21,681	**72,750**
Accrued expenses	**1,192**	(303)	1,092	**9,031**
Other current liabilities	**(402)**	307	306	**(3,045)**
Other, net	**(400)**	121	174	**(3,030)**
Net cash used in operating activities	**(40,653)**	(53,998)	(31,190)	**(307,977)**
Investing Activities:				
Decrease (increase) in time deposits and marketable securities	**(4,717)**	9,171	666	**(35,735)**
Increase in specified money trust	**(30,000)**	–	–	**(227,272)**
Purchase of property and equipment	**(5,160)**	(9,702)	(11,025)	**(39,091)**
Proceeds from sales of property and equipment	**–**	–	400	**–**
Increase in telephone rights and other intangible assets	**(135)**	(140)	(141)	**(1,023)**
Additions to investments in securities	**(516)**	(1,690)	(357)	**(3,909)**
Decrease (increase) in fixed leasehold deposits	**(457)**	(432)	150	**(3,462)**
Decrease (increase) in other investments	**869**	(1,901)	(9,737)	**6,583**
Net cash used in investing activities	**(40,116)**	(4,694)	(20,044)	**(303,909)**
Financing Activities:				
Proceeds from long-term loans	**270,532**	301,664	325,027	**2,049,485**
Payments on principal of long-term loans	**(208,361)**	(265,800)	(248,310)	**(1,578,493)**
Decrease in short-term loans	**(4,328)**	(42,556)	(29,570)	**(32,788)**
Increase in other long-term debt	**87**	84	191	**659**
Cash dividends paid	**(8,384)**	(1,083)	(1,083)	**(63,515)**
Bonuses paid to directors and statutory auditors	**(81)**	(87)	(47)	**(614)**
Proceeds from issuance of common stock	**–**	48,454	–	**–**
Proceeds from issuance of bonds	**20,032**	–	–	**151,758**
Treasury stock	**(4)**	–	–	**(30)**
Net cash provided by financing activities	**69,493**	40,676	46,208	**526,462**
Net Increase (Decrease) in Cash and Cash Equivalents	**(11,276)**	(18,016)	(5,026)	**(85,424)**
Cash and Cash Equivalents at Beginning of the Year	**65,412**	83,621	88,647	**495,545**
Decrease of Cash and Cash Equivalents Due to Exclusion of Subsidiary from Consolidation	**–**	(193)	–	**–**
Cash and Cash Equivalents at End of the Year	**¥ 54,136**	¥ 65,412	¥ 83,621	**$ 410,121**
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for:				
Interest	**¥ 24,488**	¥ 25,159	¥ 26,474	**$ 185,515**
Income taxes	**87,762**	79,101	57,552	**664,864**

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TAKEFUJI CORPORATION AND SUBSIDIARIES

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting principles

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Takefuji Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintained their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles in Japan. The accounts and records of ITY Enterprise Co., Ltd., which is an overseas subsidiary, are maintained in conformity with generally accepted accounting principles in the United States of America. Relevant notes have been added, and a certain reclassification of the account balances in the basic financial statements disclosed in Japan has been made for presentation deemed to be appropriate for foreign readers.

(2) Certain owner of the Company

The Chairman of the Board of Directors and the CEO of the Company, Mr. Yasuo Takei, has been the majority shareholder of the Company. Mr. Takei (together with his family and certain companies controlled by members of his family (the "Family Companies")) owned approximately 64% of the outstanding shares of common stock of the Company as of March 31, 1998.

(3) Reclassification

Where appropriate, certain prior years' account balances are reclassified to conform to 1998 presentation.

2. Summary of Significant Accounting Policies

(1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (majority-owned companies) (together referred to as the "Companies"). As of March 31, 1998 and 1997, the subsidiaries are listed below:

		Equity ownership percentage
1.	Tohki Lease Co., Ltd.	100.0%
2.	Kyoritsu Estate Co., Ltd.	100.0 (owned by #1)
3.	Zuikoh Factor Co., Ltd.	100.0 (owned by #1)
4.	ITY Enterprise Co., Ltd.	100.0 (owned by #1)
5.	Takefuji Capital Co., Ltd.	100.0
6.	Take One Country Club, Ltd.	100.0
7.	Yasui Co., Ltd.	100.0
8.	TTS Finance Co., Ltd.	66.7

Note: TTS Finance Co., Ltd. was established in September 1997 in Hong Kong. In the consolidation, the accounts of the subsidiaries which use a fiscal year-end other than March 31 each year were adjusted to reflect the financial position and results of operations as of and for the years ended March 31, 1998. For the purposes of preparing the consolidated financial statements, all intercompany account balances and transactions have been eliminated.

(2) Income recognition

Interest income on direct cash loans is recognized on an accrual basis. Accrued interest is recognized at either the contracted rate applied to individual loans or the maximum rate permitted by the Interest Rate Limitation Law, whichever is lower.

(3) Basis of providing allowance for credit losses

The "allowance for credit losses" account is provided by the Company in an amount to cover possible credit losses based on management's judgment.

(4) Basis for recognizing credit losses

The write-off of direct cash loans is made on the basis of evidence which clearly demonstrates the uncollectibility of the unpaid balances under the circumstances as prescribed by the Japanese tax laws for allowing deductions. When the previously written-off balances of loans are subsequently recovered and collected, the amount is included in "Other income" in the year of recovery.

(5) Marketable securities and investments in securities

Securities with market quotations (including the securities held by specified money trust) are valued at the lower of cost or market, cost being determined by the moving average method. The write-down to lower market value is made individually and is not made between aggregate cost and aggregate market value of securities. Securities without market quotations are valued at cost, which is determined by the moving average method.

(6) Property and equipment and real estate leased and held for lease

Depreciation is computed on the declining-balance method, at rates based on the estimated useful lives of assets which are prescribed by the Japanese income tax laws.

The range of useful lives is principally 45 years for buildings, from 3 to 15 years for leasehold improvements, principally 6 years for vehicles and from 3 to 15 years for equipment, furniture and fixtures.

(7) Software Costs

Effective April 1, 1997, the Company changed its method of accounting for the costs of purchased software capitalizing and amortizing them over a certain period, as prescribed by the Japanese income tax law.

Previously, such costs had been charged to income as incurred. The change was made due to the fact that costs for software developed by outside vendors were expected to become more significant in view of the Company's program relating to new application systems.

This change was made for the purpose of better matching the costs with related revenues and the Company believes that the new method provides a more accurate allocation of costs.

If the Company had applied the same method as applied in the year prior to April 1, 1997 to the financial statements for the year ended March 31, 1998, commission paid (included in general and administrative expenses) would have been higher by ¥6,399 million ($48,477 thousand) and each of operating income and net income would have been lower by ¥6,399 million ($48,477 thousand).

(8) Accounting for leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

(9) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

The translation into Japanese yen of foreign currency financial statements of the overseas consolidated subsidiaries is made by the method prescribed by the statements issued by the Business Accounting Deliberation Council (BADC) of Japan.

Under the BADC method, short-term monetary items are translated at current rates. In contrast, short-term nonmonetary items and long-term assets and liabilities are translated at historical rates.

Under the BADC method, net income for the year and the balance of retained earnings at year-end are required to be translated at current exchange rates while revenue and expense items are translated at the average exchange rate or at the historical rates, as appropriate.

In this connection, in applying the BADC method, certain adjusting accounts must be set up in the balance sheets, statements of income and statements of stockholders' equity to enable balancing of debt and credit totals as well as the reconciliation of the beginning balance with the ending balance of retained earnings. Such adjusting account balances are shown as "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

(10) Income taxes

Income taxes are provided based on amounts required by the tax returns for the period. No tax effect is recorded for timing differences in the recognition of certain expenses between tax and financial reporting.

(11) Cash flows

For the purpose of reporting cash flows, cash and cash equivalents are defined as those amounts included in the consolidated balance sheets under the caption "Cash on hand and in banks" and "Short-term investments."

3. United States Dollar Amounts

The dollar amounts in the consolidated financial statements and the notes thereto are shown solely for convenience of the reader by translating yen to dollars on a basis of **¥132=U.S.$1.**, the exchange rate prevailing on March 31, 1998.

4. Marketable Securities and Investments in Securities

Marketable securities (current assets) and investments in securities (non-current assets) as of March 31, 1998 and 1997 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Marketable securities:			
Corporate shares with market quotations	**¥40,996**	¥34,903	**$310,576**
Bonds and other	**18**	18	**136**
	¥41,014	¥34,921	**$310,712**
Investments in securities:			
Corporate shares with market quotations	**¥ 285**	¥ 6,210	**$ 2,159**
Unquoted corporate securities	**968**	1,268	**7,333**
Certificates of investment trust fund	**3,779**	4,864	**28,629**
	¥ 5,032	¥12,342	**$ 38,121**

Book value and market value information on marketable securities and investments in securities as of March 31, 1998 is summarized as follows:

	Millions of yen		
	Book value	Market value	Unrealized gain (loss)
Marketable securities:			
Corporate shares with market quotations	**¥40,996**	¥51,058	**¥10,062**
Bonds and other	**18**	23	**5**
	¥41,014	¥51,081	**¥10,067**
Investments in securities:			
Corporate shares with market quotations	**¥ 285**	¥ 289	**¥ 4**
Certificates of investment trust fund	**3,779**	3,714	**(65)**
	¥ 4,064	¥ 4,003	**¥ (61)**

	Thousands of U.S. dollars		
	Book value	Market value	Unrealized gain (loss)
Marketable securities:			
Corporate shares with market quotations	**$310,576**	$386,803	**$76,227**
Bonds and other	**136**	174	**38**
	$310,712	$386,977	**$76,265**
Investments in securities:			
Corporate shares with market quotations	**$ 2,159**	$ 2,189	**$ 30**
Certificate of investment trust fund	**28,629**	28,136	**(493)**
	$ 30,788	$ 30,325	**$ (463)**

5. Allowance for Credit Losses

Transactions affecting the "allowance for credit losses" account during the years ended March 31, 1998 and 1997 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Balance at beginning	**¥52,200**	¥43,520	**$395,454**
Credit losses written-off against the allowance	**(26,014)**	(22,383)	**(197,076)**
Other losses written-off against the allowance	**(7,175)**	–	**(54,356)**
Reversal-other	**–**	(20)	**–**
Provision for the allowance	**37,390**	31,083	**283,258**
Balance at end	**¥56,401**	¥52,200	**$427,280**

As described in Note 2 (3) above, the "allowance for credit losses" account is provided by the Company in an amount to cover possible credit losses based on management's judgment.

6. Property and Equipment

Property and equipment as of March 31, 1998 and 1997 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Buildings	**¥ 21,900**	¥ 21,020	**$ 165,909**
Leasehold improvements	**13,220**	11,433	**100,152**
Vehicles	**165**	154	**1,250**
Machinery	**134**	134	**1,015**
Equipment, furniture and fixtures	**15,116**	14,897	**114,515**
	50,535	47,638	**382,841**
Less: Accumulated depreciation	**(18,661)**	(19,418)	**(141,371)**
	31,874	28,220	**241,470**
Land	**189,606**	189,669	**1,436,409**
Golf course	**5,583**	5,574	**42,296**
Construction in progress	**1,147**	9,757	**8,689**
	¥228,210	¥233,220	**$1,728,864**

7. Leasehold Deposits and Other Assets

Leasehold deposits and other assets as of March 31, 1998 and 1997 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Leasehold deposits	**¥ 6,231**	¥ 5,772	**$ 47,205**
Intangibles, principally telephone and land leasehold rights and goodwill	**1,316**	1,395	**9,970**
Deferred charges	**11,056**	9,066	**83,757**
Other	**812**	922	**6,151**
	¥19,415	¥17,155	**$147,083**

In connection with the leases of office space and other, the Japanese lessors require a certain amount of leasehold deposits equivalent to several months' rent. The leasehold deposits shown above usually do not bear interest and are generally returnable only when the lease is terminated.

The lease terms are generally 3 to 5 years with options for renewal subject to renegotiation of rental fees. Expenses for rental and leases pertaining to cancelable long-term lease commitments for employee housing and computer equipment are charged to income as incurred.

8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings of the Companies outstanding as of March 31, 1998 and 1997 were represented by loans from banks and other financial institutions which bore interest at rates ranging from 0.7% to 3.1%, at March 31, 1998 and 1997, respectively.

Additional information concerning short-term borrowings for the years ended March 31, 1998 and 1997 is as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Maximum month-end balance	**¥91,715**	¥84,532	**$694,811**
Average month-end balance	**53,536**	56,285	**405,576**

Long-term debt as of March 31, 1998 and 1997 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans from banks and other financial institutions (secured primarily by direct cash loans to customers, with interest rates ranging from 1.1% to 4.2% for 1998 and from 0.9% to 4.8% for 1997)*	**¥ 957,803**	¥895,632	**$7,256,083**
7.3% Senior Unsecured Notes due November 1, 2004 with currency swap contract (Note 15(6))	**16,368**	–	**124,000**
8.0% Senior Unsecured Notes due November 1, 2017 with currency swap contract (Note 15(6))	**3,664**	–	**27,758**
	977,835	895,632	**7,407,841**
Other long-term debt**	**53,983**	57,817	**408,962**
	1,031,818	953,449	**7,816,803**
Less: portion due within one year:			
Loans from banks and other financial institutions	**(165,525)**	(224,609)	**(1,253,977)**
	¥ 866,293	¥728,840	**$6,562,826**

* *With respect to certain loans from banks and other financial institutions in an aggregate amount of ¥312,747 million, maturity may be accelerated if one or more of the following events occur:*

1) *The amount of net assets falls below ¥250,000 million*
2) *Net assets ratio falls below 20%*
3) *The amount of contingent liabilities exceeds ¥170,000 million*
4) *Annual increase of the amount of contingent liabilities exceeds 75% of annual increase of the retained earnings*
5) *The statement of income shows the loss before income taxes*
6) *The percentage of cash plus loans to customers against total assets falls below 40%*
7) *The write-off ratio exceeds 20%*
8) *The percentage of real estate and investments in securities against total assets exceeds 40%*
9) *The percentage of net assets against total liabilities falls below 9.09%*

** *"Other long-term debt" included negative value of the Company's participation in leveraged lease partnerships. See Note 12 below for further details.*

The Companies' assets are pledged as collateral as of March 31, 1998 and 1997 for short-term borrowings and long-term debt as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Time deposits	**¥ 4,841**	¥ 4,841	**$ 36,674**
Marketable securities	**3,498**	3,381	**26,500**
Direct cash loans to customers under the assignment by way of security	**289,566**	259,311	**2,193,682**
Investments in securities and partnerships	**–**	3,008	**–**
Net book value of property and equipment	**149,785**	169,831	**1,134,735**
Other	**–**	123	**–**
	¥447,690	¥440,495	**$3,391,591**

Besides the assets pledged as collateral shown above, the Company has been committed to furnish, if requested by lending financial institutions, "direct cash loans to customers" in the aggregate principal value of ¥156,072 million ($1,182,364 thousand), for securing the repayments of "long-term loans" of ¥136,604 million ($1,034,879 thousand), under the agreement for reserved collateral with the lenders.

In addition, the shares of the Company's subsidiary, Takefuji Capital Co., Ltd. at a book value of ¥15 million ($114 thousand) are subject to a purchase option which may be exercised by the lending bank under certain agreed-upon conditions including default of the Company. Takefuji Capital Co., Ltd. is a special-purpose company established by the Company from which the Company borrows funds supplied by the foreign banks. As of March 31, 1998, borrowings made by this subsidiary of ¥155,685 million ($1,179,432 thousand) were outstanding.

The aggregate annual maturities of long-term loans with banks and other financial institutions, and bonds as of March 1998 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
1999	¥165,525	$1,253,977
2000	205,438	1,556,349
2001	317,627	2,406,265
2002	190,118	1,440,288
2003 and thereafter	99,127	750,962
	¥977,835	$7,407,841

9. Income Taxes

Income taxes in Japan applicable to the Company for the years ended March 31, 1998, 1997 and 1996 consisted of corporate income tax (national), enterprise tax (local) and resident income taxes (local) at the approximate rates indicated below:

	Rates on taxable income		
	1998	1997	1996
Corporate income tax	**37.5%**	37.5%	37.5%
Enterprise tax	**13.0**	13.0	13.0
Resident income taxes	**7.5**	7.5	7.5
	58.0%	58.0%	58.0%
Statutory tax rate in effect to reflect the deductibility of enterprise tax when paid	**51.3%**	51.3%	51.3%

Although the enterprise tax is presented as "general and administrative expenses" in the basic financial statements disclosed in Japan, the reclassification has been made for the enterprise tax to present income taxes in their entirety in the accompanying consolidated financial statements. The actual rate of income taxes appearing in the consolidated statements of income is not in agreement with the above statutory tax rates. The principal reasons such differences arise are that no tax effects have been recognized on timing differences between financial accounting and tax reporting purposes, major elements of which are the accrued enterprise tax not deductible until paid and the reserve for retirement benefits and allowance for credit losses, both of which were provided in excess of the maximum limit established by the tax laws for allowing deductions for tax purposes.

10. Retirement Plan and Retirement Benefits

Employees with more than two years of service with the Company are generally entitled to lump-sum retirement benefits determined by reference to the current rate of pay, length of service and conditions under which the terminations occur. In order to provide for such retirement benefits to employees, the Company has a funded non-contributory pension plan which covers a portion of the retirement benefits payable to the retiring employees. The benefits which are not covered by the funded pension plan are paid by the Company and the Company has recognized accrued costs for such liability as an allowance for retirement benefits but they are not funded. The allowance for retirement benefits to employees in the accompanying consolidated balance sheets represents the amount of the liability the Company would be required to pay (reduced by the benefits payable under the pension plan) if all eligible employees voluntarily terminated employment at the respective balance sheet dates.

As of December 31, 1997, the most recent valuation date, the accumulated balance of the fund assets aggregated ¥1,408 million ($10,667 thousand).

Charges to income for retirement benefits and the pension plan for the years ended March 31, 1998, 1997 and 1996 were ¥412 million ($3,121 thousand), ¥525 million, ¥505 million, respectively.

The Company also provides for lump-sum retirement benefits to directors and statutory auditors, which are paid on a basis similar to that used for employees. While the Company has no legal obligation, it is a customary practice in Japan to make lump-sum payments to a director or statutory auditor upon retirement with approval of the general meetings of stockholders. Annual provisions are made in the accounts for the estimated costs of this termination plan, which are not funded. The balance of allowance from retirement benefits in the accompanying consolidated balance sheets as of March 31, 1998 and 1997 included such provision relative to directors and statutory auditors in amounts of ¥413 million ($3,129 thousand) and ¥434 million, respectively.

11. Contingent Liabilities

As of March 31, 1998 and 1997, the Companies had no material contingent liabilities.

12. Leveraged Lease Partnerships

In the past fiscal years, the Company invested in leveraged lease partnerships specifically set up for the leasing of aircraft. Such investments were recorded at cost at the time those investments were made. Due to the fact that such partnerships are designed to incur losses in their early years of operation, the Company has recognized a substantial loss on such investments in proportion to its shares in those partnerships.

The Company accounts for such losses (net of any gains from such investments) as non-operating expenses, which are directly charged to investment cost. The amount of cumulative losses exceeding the amount of investment cost is credited to "other long-term debt."

Up to March 31, 1997, net cumulative losses amounted to ¥103,872 million, ¥47,098 million of which had been charged against investment cost and a further ¥56,774 million had been credited to other long-term debt.

Similarly, up to March 31, 1998, net cumulative losses amounted to ¥97,576 million ($739,212 thousand), ¥44,540 million ($337,424 thousand) of which had been charged against investment cost and a further ¥53,036 million ($401,788 thousand) had been credited to other long-term debt.

13. Lease Commitments

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by the method similar to the operating lease method.

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 1998 and 1997 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Lease rental expenses	**¥2,482**	¥1,709	**$18,803**

The amount of outstanding future lease payments due at March 31, 1998, which included the portion of interest thereon, is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	1998	**1998**
Future lease payments		
Within one year	**¥2,847**	**$21,568**
Over one year	**7,092**	**53,727**
Total	**¥9,939**	**$75,295**

Disclosure of the above table has become mandatory for the year ened March 31, 1998 and thereafter, in accordance with The Regulations of Consolidated Fiancial Statements promulgated by the Ministry of Finance.

14. Related Party Transactions

During the year ended March 31, 1995, the Company had borrowings from the Family Companies. However, such borrowing practice was terminated and all the borrowings from the Family Companies were fully repaid by the Company in February 1995. Since then, there have been no material transactions by the Company with the Family Companies.

15. Financial Derivative Transactions

(1) Transactions and the Company's policy

The Company uses financial derivative transactions, which comprise interest rate options, interest swap transactions and currencies swap transactions to reduce its exposure to market risks from fluctuations in interest rate and foreign currency exchange. The Comapny does not hold or issue financial derivative instruments for trading purposes.

(2) Purpose of derivative transactions

a) Interest rate options
  To hedge its exposure of interest rate fluctuations on borrowings.

b) Interest swap transactions
  To hedge its exposure of interest rate fluctuations on borrowings

c) Currencies swap transactions
  To hedge its exposure of exchange rate fluctuations on foreign currency denominated borrowings.

(3) Risk of transactions

The Company considers that there is no significant credit risk arising from a counterparty's default. The Company's counterparties are major domestic and foreign financial institutions.

(4) Risk management

All derivative transactions the Company enters into are approved by the board of directors. The conditions and results of such transactions are reported from time to time to the board of directors.

(5) Supplementary explanation regarding the notional principal amounts

The contract amounts or notional principal amounts of derivative financial instruments stated in the table below represent contractual values or notional principal value of derivative financial instruments outstanding as of March 31, 1998. These amounts do not represent by themselves the market risk and credit risk related to the derivative financial instruments.

(6) Financial derivatives information on a non-consolidated basis is as follows:

The Company had interest-rate swap contracts with banks as of March 31, 1998 as follows:

	Millions of yen	Interest rate				
	Notional principal	Receive	Pay	Maturity Date	Market Value	Unrealized Gain (Loss)
Bankers Trust Company	¥17,000	¥LIBOR (3 month)	3.180%	March 31, 2000		
The Hokuriku Bank, Ltd.	¥18,000	¥LIBOR (3 month)	3.308%	March 31, 2000		
Bankers Trust Company	¥12,653	¥LIBOR (3 month)	1.630%	June 15, 1998		
ING Bank N.V.	¥8,225	¥LIBOR (3 month) +0.5%	2.100%	June 26, 2000		
ING Bank N.V.	¥8,225	¥LIBOR (3 month) +0.5%	2.100%	July 10, 2000		
Banque Paribas	¥20,000	¥LIBOR (3 month) +0.375%	1.380%	December 11, 2000		
Banque Nationale de Paris	¥10,000	¥LIBOR (3 month) +0.375%	1.380%	December 11, 2000		
	¥94,103				¥(2,005)	¥(2,005)

The Company had currency swap contracts with banks as of March 31, 1998 as follows:

	Millions of		Interest rate				
	Receive	Pay	Receive	Pay	Maturity Date	Market Value	Unrealized Gain (Loss)
The Sakura Bank, Ltd. and others	$ 100.00	9,900	$LIBOR (3 month) +1.375%	LIBOR (3 month) +1.434%	August 2, 1999		
The Hokuriku Bank, Ltd. and others	$ 150.00	12,653	$LIBOR (3 month) +1.375%	LIBOR (3 month) +1.378%	June 15, 1998		
Seoul Bank (Tokyo)	$ 300.00	32,400	$LIBOR (6 month) +0.625%	2.60%	July 5, 1999		
ING Bank N.V.	$ 98.50	11,160	$LIBOR (3 month) +0.5%	2.1%	June 26, 2000		
ING Bank N.V.	$ 55.00	6,344	$LIBOR (3 month) +0.5%	2.1%	June 26, 2000		
ING Bank N.V.	$ 153.50	17,556	$LIBOR (3 month) +0.5%	2.1%	July 10, 2000		
Lehman Brothers Bankhaus AG	$ 135.00	16,368	7.3%	2.825%	November 1, 2004		
Morgan Stanley Bank AG	$ 30.00	3,664	8.0%	3.8%	November 1, 2017		
	$1,022.00	110,045				25,803	25,803

The Company had interest-rate cap contracts with banks as of March 31, 1998 as follows:

	Millions of yen		Interest rate					
	Notional principal	Option premium	Base rate	Cap rate	Duration	Maturity Date	Market Value	Unrealized Gain (Loss)
Bankers Trust Company	250,000	4,341	LTPR	4.0%	57 months	May 25, 2000		
Bankers Trust Company	60,000	1,275	STPR	3.0%	57-60 months	May 25, 2000		
Bankers Trust Company	33,000	535	LIBOR (3 month)	2.5%	57 months	March 31, 2000		
Bankers Trust Company	29,400	387	LIBOR (3 month)	5.0%	84 months	November 15, 2001		
Bankers Trust Company	25,290	178	LIBOR (3 month)	4.0%	60 months	July 14, 2000		
The Hokuriku Bank, Ltd.	2,000	32	LIBOR (3 month)	2.5%	59 months	March 31, 2000		
The Hokuriku Bank, Ltd.	200	2	LIBOR (6 month)	2.2%	60 months	March 31, 2000		
Merrill Lynch Capital Market Bank Limited	9,500	240	LIBOR (6 month)	5.0%	240 months	October 30, 2017		
	409,390	6,990					498	(6,491)

16. Subsequent Event

The appropriation of retained earnings of the Company for the year ended March 31, 1998, which was proposed by the Board of Directors and approved at the stockholders meeting held on June 26, 1998 is as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends (50 per share)	7365	$55,795
Officers bonuses	53	402
Transfer to legal reserve		
Transfer to general reserve	50,000	378,788
Total	57,418	$434,985

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Coopers &Lybrand

Chuo Audit Corporation
certified public accountants

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Tokyo 100-6088

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To the Board of Directors of
Takefuji Corporation

We have audited the consolidated balance sheets of Takefuji Corporation and its subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years ended March 1998, 1997 and 1996, 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 the 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 Takefuji Corporation and its subsidiaries as of March 31, 1998 and 1997, and the results of their operations and cash flows for each of the three years ended 1998, 1997 and 1996, in conformity with generally accepted accounting principles in Japan, applied on a consistent basis.

Chuo Audit Corporation

Chuo Audit Corporation

June 26, 1998
Tokyo, Japan

BOARD OF DIRECTORS AND AUDITORS

Yasuo Takei
Chairman and CEO

Takanori Sakamoto
Vice Chairman

Masato Ikeda
President

Kunio Kotaki
Senior Managing Director

Tadashi Miyachi
Managing Director

Katsuyuki Saito
Managing Director

Hikaru Kondo
Managing Director

Hiroshi Hirai
Managing Director

Toshiki Takei
Managing Director

Yasuaki Hashimura
Director

Hironori Yamaoka
Director

Osamu Sasaki
Director

Taketeru Takei
Director

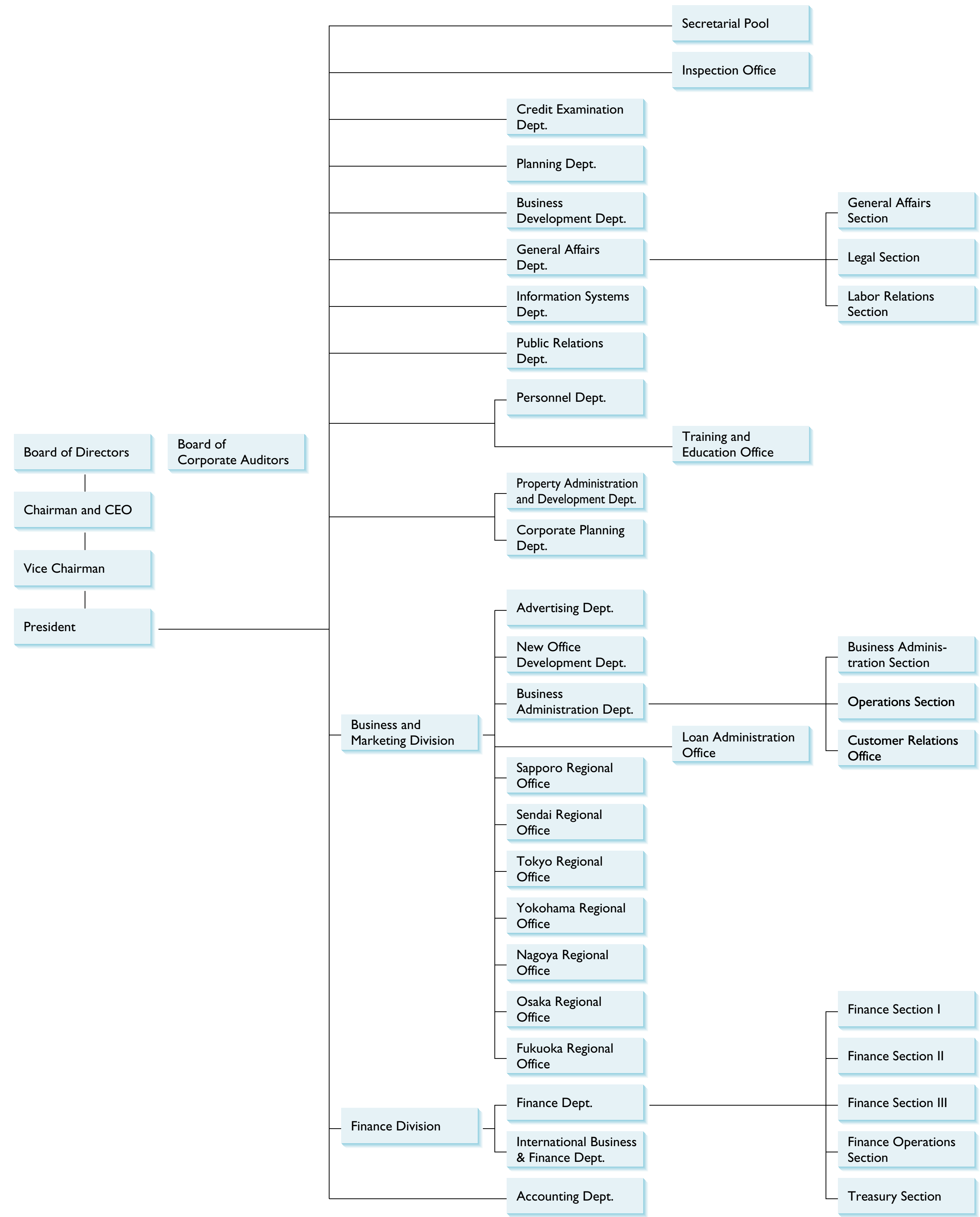
Takeo Saito
Corporate Auditor (Full-time)

Kunio Akiyoshi
Corporate Auditor (Full-time)

Sukehiro Ofuji
Corporate Auditor (Full-time)

Yoshihiro Ogura
Corporate Auditor

ORGANIZATION CHART



HISTORY

1966

JAN. Chairman Yasuo Takei established the private company, Fuji Shoji.

1968

JUNE Company incorporated under the name Takefuji Shoji, Ltd.

1970

JAN. Yutaka Co., Ltd., founded (the present-day Nishiogikubo Branch)

AUG. Yamato Loan Service Co., Ltd., founded (the present day Funabashi Branch)

1971

JULY Toho Loan Service Co., Ltd., founded (the present-day Yokohama Branch)

SEPT. New office headquarters completed in Itabashi, Tokyo

1973

MAY Then President Yasuo Takei made his first tour of the loan industry in the United States.

1974

NOV. Takefuji Shoji, Ltd., reorganized into a joint-stock corporation

DEC. Company name changed to Takefuji Corporation

1977

OCT. Outstanding loans reached ¥10 billion

DEC. Yamato Loan Service Co., Ltd., Toho Loan Service Co., Ltd., and Yutaka Co., Ltd., merged into Takefuji, increasing the total capital to ¥150 million

1978

FEB. ¥en Shop Takefuji adopted as corporate slogan

MAR. Capital increased to ¥300 million

MAY Headquarters moved to Sunshine 60 Building in Ikebukuro, Tokyo. Tokyo and Osaka regional offices established

JULY Subsidiaries Million Finance Co., Ltd., and Tei Kei Ai Co., Ltd., established

1979

MAR. Capital increased to ¥500 million

DEC. Capital increased to ¥800 million

1980

JULY First unsecured convertible bonds issued

DEC. Million Finance Co., Ltd. and Tei Kei Ai Co., Ltd., merged into Takefuji, increasing total capital to ¥895 million

1981

MAR. Large-scale computer introduced, and on-line system connecting all sales offices began operations

JUNE Outstanding loans reached ¥100 billion

1982

MAR. All of the first unsecured convertible bonds converted, raising total capital to ¥917 million

1983

NOV. On-line system connecting all offices completed

DEC. Company registered as lending institution in accordance with finance company law. Registration number: (1)-000020 (renewable every three years)

1984

MAY 133 Loan Administration sections placed throughout the country, bringing the total to 144 sections at the end of the year

JULY Japan Hawaii Finance Co., Ltd., acquired

SEPT. Main Headquarters Building in Yaesu, Tokyo, completed

OCT. Company began making contributions to the Association for the Promotion of Seeing Eye Dogs in Japan

1985

AUG. System of ATMs and CDs began operations (set up in 48 locations)

OCT. Company established the Takefuji Commemorative Japan Trust, a public-interest trust, to contribute to inviting technicians from overseas to Japan

1986

APR. Private placement of SFr20 million in bonds made overseas, the first in the consumer finance industry

1987

JAN. Company took out a syndicated loan of $150 million from 15 foreign banks

AUG. Outstanding loans reached ¥300 billion

1988

OCT. Number of customer accounts reached one million

1991

FEB. Outstanding loans reached ¥500 billion

1992

MAY Completion of and move to New Main Headquarters Building, in Shinjuku, Tokyo

1994

MAR. Fiscal term-end changed to March 31 Capital increased to ¥16.33 billion

1995

FEB. Number of customer accounts reached 2 million

OCT. Company began introduction of automated loan contracting machines, *¥en-musubi*

DEC. Company started CD and ATM tie-up operations with nonbank and regional banks

1996

APR. Long-term counterparty rating (A2) assigned by Moody's Investors Service, Inc.

AUG. Registration of the Company's shares for OTC trading

SEP. Outstanding loans reached ¥1 trillion

1997

MAR. Secondary offering of 3.3 million shares completed in Japan and overseas

JUL. Full scale operation of 3rd generation on-line system started

SEP. A subsidiary TTS Finance Co., Ltd. was established

OCT. Issuance of US$165 million Yankee Bonds

NOV. Number of customer accounts reached 2.5 million

1998

FEB. Introduction of "Takefuji Medical Counseling Hotline24"

MAR. Secondary offering of 14 million shares overseas

CORPORATE DATA

(As of June 26, 1998)

Takefuji Head Office: 15-1, Nishi-Shinjuku 8-chome
Shinjuku-ku, Tokyo 163-8654

Date of Establishment: January 1966

Capital Stock: ¥30,478 million

Business: Consumer Finance

Number of Manned Branches: 530

Number of Employees: 4,051 (As of March 31, 1998)

Consolidated Subsidiaries:
Tohki Lease Co., Ltd.
Kyoritsu Estate Co., Ltd.
Zuikoh Factor Co., Ltd.
ITY Enterprise Co., Ltd.
Takefuji Capital Co., Ltd.
Take One Country Club, Ltd.
Yasui Co., Ltd.
TTS Finance Co., Ltd.

Internet Home Page: http://www.takefuji.co.jp

Transfer Agent of the Shares: The Yasuda Trust and Banking Company, Limited
2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670

Independent Certified Public Accountants:
Chuo Audit Corporation
Kasumigaseki Bldg., 32nd Floor
2-5, Kasumigaseki 3-chome, Chiyoda-ku
Tokyo 100-6088