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Profile

Takefuji is Japan's largest consumer finance company, with direct cash loans totaling ¥1,492 billion at the end of March 2000. Since its establishment in 1966, the Company has specialized in small unsecured and non-guaranteed loans under its mottoes of "Customer First" and "Operational Efficiency," devoting itself to building an increasingly stable operating base. Following its December 1998 listing on the First Section of the Tokyo Stock Exchange, in February 1999 the Company's stock was designated an underlying stock for equity options trading. In March 2000, the Company's stock was listed on the London Stock Exchange. As the consumer finance industry's leading company, Takefuji will continue to devote itself to enhancing the soundness of its corporate strength by ongoing product development, network expansion, and the provision of customer-oriented services, and by further strengthening its financial condition.



Contents

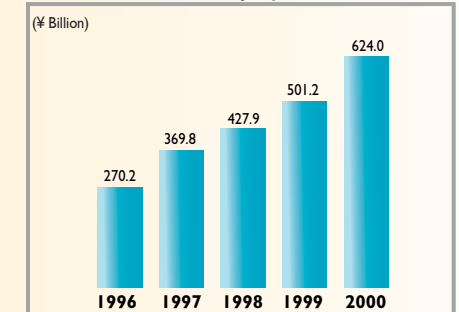
- 1 Financial Highlights
- 2 Chairman's Message
- 5 Topics 2000
- 6 Efficient Fund Raising
- 8 Takefuji—Doing the Basics Better
- 14 Corporate Citizenship
- 15 Financial Section
- 38 Board of Directors and Auditors
- 39 Organization Chart
- 40 History
- 41 Corporate Data

Financial Highlights

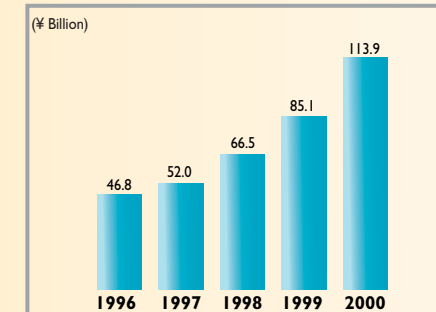
	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Outstanding loans	¥1,492,202	¥1,341,265	\$14,077,377
Revenues	370,710	338,619	3,497,264
Income before income taxes	204,635	174,326	1,930,519
Net income	113,889	85,106	1,074,425
Total stockholders' equity	624,016	501,166	5,886,943
Total assets	1,899,167	1,728,846	17,916,670
Per share (yen and U.S. dollars):			
Net income	¥ 773.2	¥ 577.8	\$ 7.29
Cash dividends	80.0	100.0	0.75
Stockholders' equity	4,236.5	3,402.5	39.97

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106=U.S.\$1, the approximate closing rate of the Tokyo foreign exchange market as of March 31, 2000.

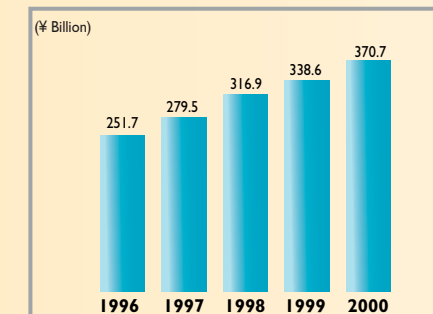
Total Stockholders' Equity



Net Income



Revenues





YASUO TAKEI
Chairman, CEO and President

Since its inception, Takefuji's two guiding principles have been "Customer First" and "Operational Efficiency." These maxims form the core of corporate management and are reflected in all facets of the company, from employee training to network strategy and business promotion. Putting them into practice has enabled Takefuji to become Japan's leading consumer finance company. Its stock was listed on the First Section of the Tokyo Stock Exchange in December 1998 and was designated as an underlying stock for equity options trading in February 1999. I would like to take this opportunity to earnestly thank every one of you. These accomplishments would not have been possible without your support.

Operational Review

During the term under review, some modest signs of recovery began to be evident in the domestic economy. Buoyed by the filtering-through of the effects of government measures to stimulate the economy both in the monetary and fiscal spheres, some changes were seen, such as a gradual recovery in industrial production, growth in exports, and improvement in profitability by some companies, while in the second half there emerged a gradual uptrend in capital investment in the corporate sector, centered on the information technology field.

However, this trend towards an improvement in corporate profits was confined to certain industries only, and its impact was insufficient to bring about a recovery in personal consumption or an improvement in the employment environment. As was substantiated by the perceptions of economic conditions on the part of companies and individuals, the year ended with no indication of any full-scale economic recovery.

This economic sluggishness notwithstanding, in the consumer finance industry the demand for small unsecured, non-guaranteed loans remained strong. As was the case in the previous year, the market underwent steady expansion during the year under review.

Amid this operating environment, Takefuji proceeded to expand its service network, actively establishing more unmanned branches and increasing interlinks with CD and ATM networks, while at the same time paying close attention to the problem of debtors with multiple loans. Measures adopted in this regard included the revision and stiffening of credit management. The Company also expanded and improved its services to Internet users, including by the establishment, on November 11, 1999, of a dedicated Internet outlet: the Internet Yen Shop.

Takefuji continued to expand its unique customer service in ways that set it apart from its rivals. Previously, it had introduced its

"Medical Counseling Hotline 24" free telephone health advisory service and its Personal Loan Insurance service, both of which are now widely used by customers and have gained an excellent reputation. During the term under review, Takefuji sought to enhance customer convenience and prevent dishonest card use by such means as installing Iris ATMs in six major cities (Sapporo, Sendai, Tokyo, Nagoya, Osaka, Fukuoka). The Iris ATM is a new type of machine able to confirm the identity of cardholders by the patterns of their irises.

As a result of these endeavors, Takefuji achieved a robust expansion of its business activities during the term. The balance of direct cash loans to customers as of the end of the fiscal year totaled ¥1,492 billion, up 11.3% from the previous year, and the number of customer accounts rose by 5.0%, to 2,795,491. In consequence, consolidated operating revenues for the year increased 9.5% year-on-year, to ¥370,710 million, and consolidated net income jumped 33.8%, to ¥113,889 million.

The number of manned offices at year-end totaled 530, the same number as at the previous year-end, while the number of unmanned offices totaled 928, up from 758 a year earlier. The number of Takefuji ATMs totaled 1,649, up from 1,479, and the number of interlinked CDs and ATMs totaled 23,909, compared with 21,518 in the previous year.

Outlook for Fiscal 2000

Looking at the future direction of economic trends, modest signs of economic recovery are evident. With regard to private demand, capital investment is increasing in some parts of the corporate sector, particularly in the field of information technology. On the other hand, the pace of the recovery in personal consumption and private residential investment remains leaden, and it is still too early to predict a full-scale economic recovery led by private demand.

Against this backdrop, the operating environment in the consumer finance industry is expected to grow increasingly difficult. Not only is the industry being affected by increasingly fierce competition fueled by full-scale market entry by both major Japanese financial institutions and foreign firms, it is also affected by issues such as the problem of the reduction of the upper limit on loan interest rates resulting from the partial amendment of the Acceptance of Contributions, Money Deposits and Interest Law (known as the Contributions Law) on June 1, 2000, and the problem of multiple indebtedness symbolized by the sharp rise in the number of filings for personal bankruptcy.

In an era such as this, Takefuji's management principles summarized by its mottoes "Customer First" and "Operational Efficiency," which have guided it throughout its history, will prove their true worth. Throughout the Company, we will continue to strive for ongoing improvement in business performance by identifying customer needs accurately through counseling that always considers the standpoint of the customer; by responding swiftly in a way that is fine-tuned to individual needs; and by exhaustive efforts to ensure efficient management, including by eliminating waste in the development of our service network and the allocation of staff.

For the fiscal year 2000, Takefuji is projecting consolidated operating revenues of ¥401.3 billion, up 8.3% year-on-year, and consolidated net income of ¥128,580 million, representing a rise of 12.9%.

July 2000

武井保雄

Yasuo Takei

Chairman, CEO and President

First in the Industry: Listing on the London Stock Exchange

On March 22, 2000, Takefuji received approval for listing on the London Stock Exchange. A listing on the London Stock Exchange is a major undertaking for any Japanese company, let alone those in our industry, and only a few select companies from around the world — totaling only 31 from Japan, including Takefuji — have received listing approval. We are confident that this has given Takefuji the best platform from which to project its image as a company of the highest quality. Not only does the London Stock Exchange boast four centuries of tradition and proud standing, but it is also Europe's largest, with one of the world's highest trading volumes. The listing will further raise Takefuji's profile in Europe and America, encouraging investment in its shares by overseas investors, and increasing the number of high-quality stable shareholders.



Takefuji Establishes TWJ Co., Ltd.

Takefuji established TWJ Co., Ltd. a wholly-owned venture funding subsidiary, on April 7, 2000. TWJ will form a research with university researchers to study venture businesses. Based on feasibility studies on venture capital investment carried out by the consortium, TWJ will actively and effectively foster venture businesses with the aim of an early IPO, while offering a varied and in-depth range of market research and management guidance. Further, TWJ will tie up with major overseas venture funding firms and investment banks and thereby invest in promising startups worldwide.

Establishment of Takefuji New Research Institute

On October 1, 1999, the Company established a new think tank, the Takefuji New Research Institute. The Institute's operations include the conduct of surveys and research not only into matters such as the configuration of the consumer finance industry and its future outlook, but also, at a macro level, into the financial industry as a whole. Through these activities, Takefuji will formulate policy proposals to aid Japan's financial and economic revival, while more specific small-scale proposals aimed at enhancing people's quality of life also fall within its purview. It is committed to being a research institute sincerely dedicated to the good of society.

Issue of Unsecured Straight Bonds

The promulgation of the Law Concerning Issuance of Nonbank Corporate Debentures in May 1999 made it possible to issue bonds to fund lending, and in October of that year Takefuji took advantage of this to float an issue of unsecured straight bonds — the Company's first domestic issue — in the amount of ¥30 billion. In this way, Takefuji has been further diversifying its funding, and by emphasizing the procurement of low-interest-rate, long-term, stable funds, and further strengthening its financial condition, the Company is also seeking to enhance profitability.



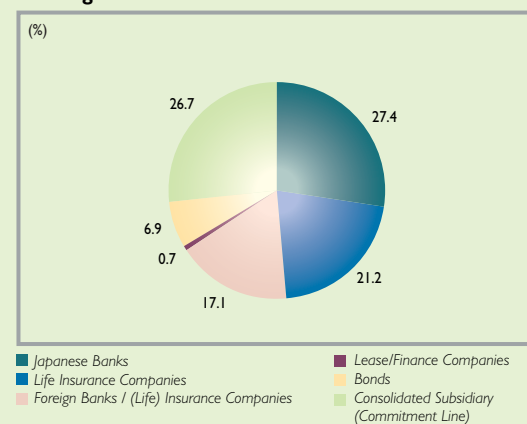
Greater Trust Equates to a Competitive Advantage

The easing of restrictions in May 1999 on corporate bond issues allows non-bank financial institutions to issue corporate bonds to raise funds for lending. This has given the consumer finance industry a new option to further diversify funding sources. Under these circumstances, a company's creditworthiness will be the decisive factor in determining its growth potential, which means that the capital markets will become increasingly selective when lending funds. This has created an environment where Takefuji's superior credit rating can be fully exploited.

Diversified Fund Procurement

Takefuji's funding sources are very diverse, and in this area the company leads the industry. Domestic channels are augmented by overseas funding sources. As of March 31, 2000, the Company borrowings were 55% domestic and 45% international. Sourcing funds is to Takefuji what sourcing merchandise is to a merchandiser. Diverse sources allow the Company to procure funds more reliably and at lower long-term costs. As a result of this longstanding funding strategy, Takefuji has achieved a high-profile presence in various capital markets.

Funding Sources



Proud Track Record and Presence Overseas

Takefuji's fund raising activities are characterized by active participation in international markets. The following funds have been raised internationally in the fiscal year ended March 2000:

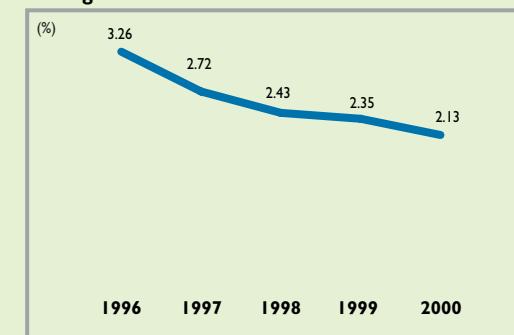
- Twelve-year unsecured syndicated loan facility arranged by Credit Swiss First Boston (US\$125 million)
- Three-year unsecured syndicated loan facility arranged by London Forfaiting Cyprus Limited (US\$66.1 million)

Management places priority on securing adequate sources of liquidity and has set up for this purpose a wholly-owned funding subsidiary, Takefuji Capital Co., Ltd. Takefuji maintains a committed stand-by loan facility equivalent to US\$4 billion, after Takefuji Capital entered into an agreement with Bankers Trust Company* for a US\$3 billion loan facility and with ING Bank for a loan facility equivalent to US\$1 billion. Of the total facilities provided by the two banks, US\$1,250 million is still unused.

These credit lines underscore the international dimension of Takefuji's high credit rating.

*Note: Deutsche Bank AG took over Bankers Trust Company as of the end of June 2000.

Average Procurement Rate



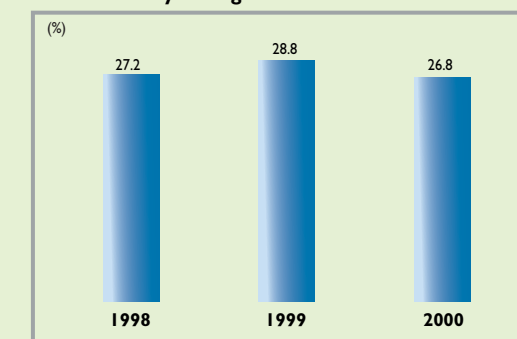
High Marks from Overseas Investors

Takefuji has attracted considerable interest among foreign investors since its OTC registration in 1996. Foreign stockholdings have been relatively high ever since. With Takefuji listed on the First Section of the Tokyo Stock Exchange, nearly 30% of its stock was held by foreign investors as of the end of March 2000.

Takefuji attributes this to its earnings, which are outstanding among Japanese corporations, and to its name, which has become well known internationally through fund raising on foreign capital markets. This suggests that Takefuji can raise funds at advantageous terms in overseas markets.

On March 22, 2000, Takefuji received approval for listing on the London Stock Exchange. This is a further honor for Takefuji, which as the leading company in the consumer finance industry has acted constantly as its driving force. Takefuji thus becomes not only the first in its own industry to have achieved the feat of listing on the London Stock Exchange, but also only the 33rd Japanese company to have done so.

Shares Held by Foreign Investors



For the listing, Takefuji was subjected to special screening criteria through which it was ascertained that it was extremely sound in comparison with international standards, and that it had excellent future prospects. Takefuji had already gained the high regard of international rating agencies, for example being rated A3 by Moody's and A- by Standard & Poor's, but this listing on the London Stock Exchange bears eloquent testimony to the high degree of confidence in which Takefuji has come to be held as one of Japan's foremost companies.

Takefuji's Policy on Funding

Takefuji will continue to diversify funding sources to pursue overall strategic aims, including lowering fund raising costs, hedging liquidity risk, and strengthening our foundations to ensure stable funding. While evaluating the appropriate degree of dependence on corporate bonds, we will determine the overall ratios of the various funding sources.

CUSTOMER FOCUS



Human Resources are the Backbone of Takefuji

Takefuji is convinced that effective personnel development underlies its “Customer First” philosophy. Takefuji believes that the most important reason why customers choose it is the professionalism and friendliness of employees and the soundness of the financial advice they give.

So that employees have the knowledge to advise professionally on a range of services, the company not only offers training programs for newly hired employees, but also courses tailored to specific career paths organized four times a month, in which fifty

employees travel to the head office or regional training centers for skill development. These training sessions provide an opportunity for the employees to exchange views with the company’s top



management and to discuss various issues. This both motivates employees and enhances the quality of service.

The Company employs a merit-based promotion system in which ability rather than age, gender or background determines job level. As of March 2000, 142 Takefuji branch offices throughout Japan, or more than 30%, were managed by female.

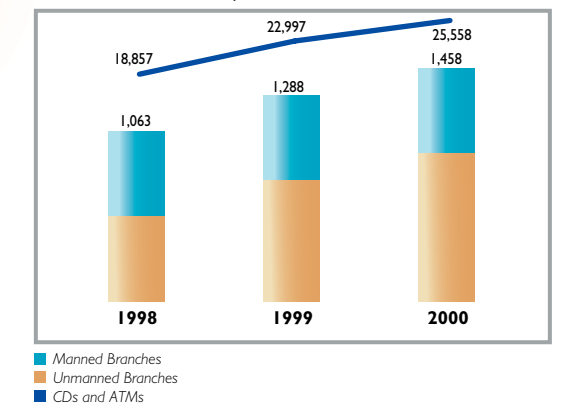
Service at Manned Branches

Takefuji has always believed that customer services at manned branches are the basis of business. As of the end of March 2000, there were 530 manned branches in operation. Although unmanned branches are becoming increasingly widespread, Takefuji has no plans to reduce the number of manned branches. A survey indicates that services performed at manned branches generate customer satisfaction. In response to the question “Why did you choose Takefuji?,” 40% of survey respondents stated that they had been introduced by friends.

Since its founding, Takefuji has followed the “Customer First” principle. Company endeavors which place particular stress on this maxim include personnel development, customer reception, network expansion and product development. Takefuji’s leading position in the consumer finance industry is testimony to its success.



Number of Branches, CDs and ATMs



Enhancing Customer Convenience

Complementing Takefuji’s branch offices located near train station entrances is a growing network of unmanned branches and Yen-musubi automated loan contracting machines. These are situated in locations easily accessible by car. The Yen Card issued by these machines allows repayments and withdrawals at branches and at ATM machines outside regular business hours and on holidays.

Furthermore, Takefuji is expanding the network of its own ATMs and interlinks with regional banks and other financial institutions. As of the end of March 2000, the number of unmanned branches was 928. Customers also had access to 25,558 CDs and ATMs, including Takefuji’s.

Easing the Stress of Unemployment with Financial Assistance

On October 5th, 1998 Takefuji introduced a fixed-period loan-repayment insurance policy. Accounts with repayment histories of more than eight months have repayment liability waived for up to six months if account holders become unemployed, with the insurance provider making the repayments instead. Takefuji is all the more concerned to help customers now that unemployment is rising. Customers can now use Takefuji services with more confidence.



An unmanned branch office



A party at training center after a training program.

OPERATIONAL EFFICIENCY



Takefuji's information system



This ATM identifies users by scanning their irises

A Yen-musubi machine



The pursuit of efficient operations is one of Takefuji's core management policies. Efficient operations are a prerequisite for both high profitability and customer satisfaction. Takefuji operates on the principles of speed, simplicity and confidentiality. Takefuji is also investing heavily in information management systems to minimize operational costs.

An Emphasis on Operational Efficiency

Takefuji has focused on efficient operations ever since its inception, in the belief that finding ways of trimming sales, administrative and other expenses is vital to raising competitiveness. Efficiency is always the foremost consideration when Takefuji opens a new branch or undertakes sales activities. The Company presently has the highest operating profit margin in the industry. This is the result of the efforts described above.

To raise the operating profit margin, Takefuji has created comprehensive procedural

This raises employees' operational efficiency.

Takefuji believes that the most important factors contributing to efficient operations are the establishment of a corporate culture and management foundations that instil cost consciousness in each employee. This corporate culture enables Takefuji to develop efficient systems.

Takefuji installed a comprehensive management control system to make possible instant business and management status reporting well ahead of others in the industry. The system simplifies complex administrative processes and makes customer service faster.

Takefuji's third-generation on-line system is fully operational. The Yen-musubi automated loan contracting machine management center has also been consolidated, lowering personnel costs. These measures strengthen Takefuji's low-cost operations and profitability. This is reflected in lower ratios of sales and administrative costs to revenue than at other companies in the consumer finance industry.

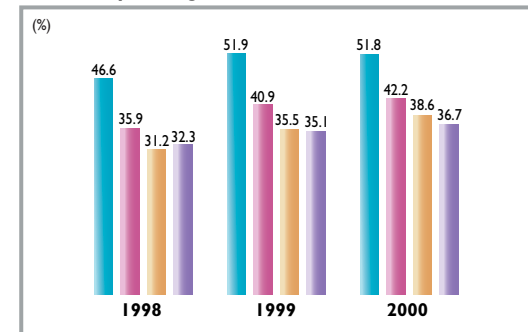
Third-Generation Online System

In July 1997, Takefuji started full-scale operations of its third-generation online system, which connects the head office and all branches through local area and wide area networks (LANs and WANs). All customer accounts are now administered by a centralized mainframe, reducing branch workloads.

Customer information is also managed at the computer center for security reasons. Takefuji's computer system features 24-hour, 365-day fingerprint-based physical access control, uninterrupted premise monitoring, and data encryption to protect customer privacy.

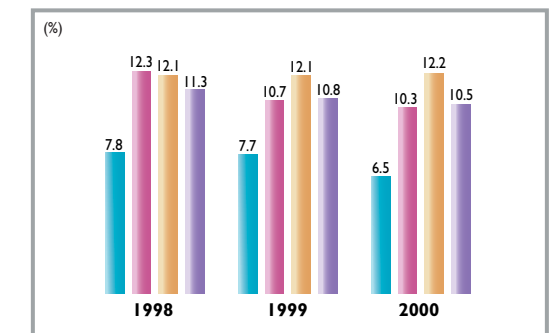
financing service over the Internet using cellular phones. In such ways, Takefuji is accumulating know-how in a range of different means of communicating information, positioning it to deal with electronic money in the future.

Ratio of Operating Income to Revenues



Note: Calculation for fiscal 2000 are based on Japanese non-consolidated financial statement

Ratio of Personnel Costs to Revenues



Note: Calculation for fiscal 2000 are based on Japanese non-consolidated financial statement

Internet Yen Shop

To cater to the rapid spread of electronic networks throughout society, on November 11, 1999, Takefuji established its Internet Yen Shop. This dedicated Internet outlet opened for business in a large-scale virtual shopping mall, where it accepts applications for loans that people send from their homes or offices. The Company has also inaugurated a



HIGH ASSET QUALITY



Conservative, Rational Screening Method

Takefuji has established creditworthiness criteria for the employment sectors, occupations, and ages of loan applicants. Customer credit is checked at the Takefuji Data Center (containing credit data on around 7 million individuals as of March 31, 2000) and the Allied Nationwide Credit Information Center (containing credit data on 14.6 million individuals as of March 31, 2000). This makes it possible to identify applicants with records of default or multiple loans from other consumer finance companies. Access to the banking and credit sales industries' data bases is also available. Thorough investigative procedures are also helping to prevent bad debt.



Takefuji diversifies risk by concentrating on small loans. The average loan to new customers was around ¥251,000. The average loan balance per account was around ¥533,000 for fiscal 2000.

Strengths in Counseling and Loan Recovery

Unlike other consumer finance companies, Takefuji makes the monthly installment payment date fall a few days after a customer's payday. Maximizing loan-repayment convenience and setting monthly installment amounts which the customer can easily repay are practical keys to minimizing loan losses.

A debt-counseling service for customers also sets Takefuji apart from other financial service firms. Customers falling behind on payments are sent reminders in accordance with the procedures defined in operating manuals. Takefuji also provides kind and concrete advice on the best repayment strategies for customers' income fluctuations.

Takefuji has a unified team of specialists directly supervised by headquarters for customers who have fallen at least 365 days behind with repayment. Their experience and skills in delicate telephone calls and letters have resulted in a rate of loan recovery that rival companies cannot match.

With the Japanese economy mired in a protracted recession, concern about mounting debt defaults in the financial industry is widespread. Although Takefuji offers customer-oriented service characterized by small, unsecured, non-guaranteed and instantly-approved loans, the company has achieved a very low loan write-off ratio due to strict credit criteria and unique skills.

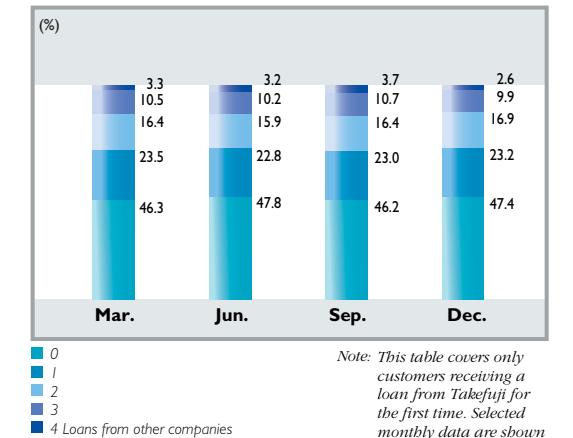


Strong Earnings Capacity, Low Write-off Ratio

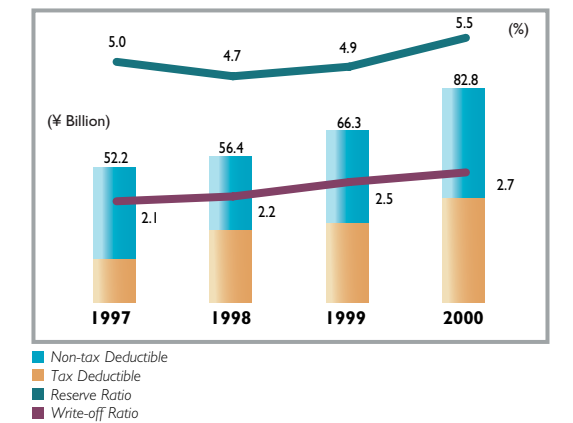
Takefuji has achieved strong profitability by combining the skills described above with its "Customer First" and "Operational Efficiency" philosophies. As a result, Takefuji boasts a 25.1% return on loan assets and a real loan loss ratio of 2.1%*, figures unrivalled in the consumer finance industry anywhere else in the world.

Concerns have been expressed over possible declines in loan interest rates in the consumer finance industry due to increasing competition and easing of corporate bond issue regulations. However, Takefuji does not see this as a major issue. One reason is that customer service and convenience take precedence over interest rates in customers' minds when selecting loan financing. A second reason is that the potential market size more than offsets the decline in interest rates. The potential customer base for the consumer finance industry is estimated at 16-17 million. Takefuji expects the market to continue to expand.

Multiple loans among TAKEFUJI customers in 1999



Allowance for Credit Losses



*Formula for obtaining the ratio:
 (Bad loan written-off amount) - (Amount recovered from bad loans written-off earlier)
 (Loans outstanding at the end of fiscal year)



Photo Supplied by THE MAINICHI NEWS PAPERS



Contributing to the Community

As a corporate citizen and member of society, Takefuji reinvests part of its profits in a broad range of cultural and community activities. Takefuji has been selected as one of eight official J-League Soccer sponsors from 1999 through 2001. Takefuji hopes soccer will contribute to the robust development of regional sports.

Since 1984 Takefuji has also actively contributed to the Japanese Association for Seeing Eye Dogs. The company also participates in a wide range of activities assisting the physically handicapped and victims of natural disaster.

Environmental activities include distribution to schools of a storybook written for elementary school children titled "Secrets of the Earth" and sponsorship of the World Children's Environmental Art Exhibition.

In 1984, Takefuji became the first corporation in Japan to set up a charitable trust, the Takefuji Commemorative Japan Trust. The trust funds international exchanges in science and technology and provides scholarships to foreign students. It also supports development of basic technologies. In 1996, Takefuji donated US\$2 million to the University of

Southern California (USC) for a new building to house USC's School of Economics. In 1996, the company contributed to a project which develops audiovisual educational materials about Japan. This project has been awarded first prize in the National Educational Audiovisual Materials Publishing Contest in China.

And lastly, Takefuji has teamed up with the U.S.-based Noguchi Medical Research Institute to provide medical services to customers. The Takefuji Medical Counseling Hotline 24 was started in February 1998 to provide callers with free advice on health and medical treatment 24 hours a day, 365 days a year. On average Takefuji receives 200 calls per day for this service.



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FIVE-YEAR SUMMARY

	Millions of yen					Thousands of U.S. dollars*
	2000	1999	1998	1997	1996	2000
Outstanding loans	¥1,492,202	¥1,341,265	¥1,188,668	¥1,053,651	¥ 915,030	\$14,077,377
Revenues	370,710	338,619	316,861	279,545	251,742	3,497,264
Income before income taxes	204,635	174,326	163,911	135,373	126,047	1,930,519
Net income	113,889	85,106	66,545	52,040	46,832	1,074,425
Total stockholders' equity	624,016	501,166	427,897	369,821	270,188	5,886,943
Total assets	1,899,167	1,728,846	1,559,857	1,416,288	1,318,297	17,916,670
Number of accounts (thousands)	2,795	2,662	2,521	2,368	2,083	
Number of manned branches	530	530	530	528	500	
Number of employees	3,443	4,118	4,051	3,921	3,782	

* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106=U.S.\$1, the approximate closing rate of the Tokyo foreign exchange market as of March 31, 2000, as described in Note 3 of the Notes to the Consolidated Financial Statements.

Contents

Five-Year Summary 15

Management's Discussion and Analysis of Results of Operations, Financial Condition, and Cash Flows 16

Consolidated Balance Sheets 20

Consolidated Statements of Income 22

Consolidated Statements of Stockholders' Equity 23

Consolidated Statements of Cash Flows 24

Notes to the Consolidated Financial Statements 27

Report of the Independent Certified Public Accountants 37

Management's Discussion and Analysis of Results of Operations, Financial Condition, and Cash Flows

FINANCIAL REVIEW

Revenues

In fiscal 2000 ended March 2000, total revenues increased by ¥32,091 million, or 9.5%, from the previous fiscal year to ¥370,710 million (US\$3,493.3 million). This reflects an increase of ¥32,894 million, or 10.1%, from the year before in interest income on direct cash loans to ¥359,193 million (US\$3,388.6 million). The increase is attributable to Takefuji's success in increasing direct cash loans to customers while maintaining strict credit criteria.

As in the preceding term, direct cash loans to customers in the period under review showed stable growth, increasing by ¥150,937 million, or 11.3%, from the previous fiscal year to ¥1,492,202 million (US\$14,077.4 million).

The number of new customers was 422,669, and the number of accounts increased by 133,690 over the preceding term to 2,795,491. The average loan balance per account increased by 6.0% compared with the previous fiscal year to approximately ¥533,000. This reflects stepped up marketing to existing prime customers.

Chain expansion strategy during the period under review focused on enhancing customer convenience and raising operational efficiency. The number of manned branches was unchanged at 530. On the other hand, the company added 170 unmanned branches, bringing the

total to 928. The number of Yen-musubi automated loan contracting machines was 1,459, an increase of 170 units. Takefuji also added 170 of its own ATMs, bringing the total to 1,649. The number of interlinked CDs and ATMs increased from 21,518 to 23,909 units.

Operating Expenses

Among operating expenses, interest expenses amounted to ¥25,808 million (US\$243.5 million), a decrease of ¥716 million, or 2.7%, from the previous year. Takefuji lowered the hedge ratio to fully benefit from low interest rates as interest expenses increased at a slower pace than borrowings. Provision for credit losses increased by ¥13,082 million, or 29.7%, over the previous fiscal year to ¥57,100 million (US\$538.7 million). The increase reflects a higher level of personal bankruptcies. The amount of loan write-offs increased by ¥6,481 million, or 19.0% to ¥40,600 million (US\$383.0 million). Although the ratio of write-offs to outstanding loans edged up 0.18% to 2.72%, it is still at a relatively low level. Recovery of written-off amounts was ¥ 8,878 million. The recovery rate as a percentage of the outstanding loan balance was 0.6%, decrease of 0.1% from the previous fiscal year. This underscores Takefuji's superior risk management know-how for unsecured small loans. Strict credit criteria, recovery know-how, and a

convenient repayment system are the hallmarks of risk management at Takefuji.

Advertising expenses amounted to ¥15,543 million (US\$146.6 million), ¥1,840 million, or 13.4% higher than in fiscal 1999. This reflected the increase in the number of Yen-musubi machines.

General and administrative expenses increased by ¥6,437 million, or 8.9%, to ¥78,830 million (US\$743.7 million). This increase was in line with the expansion of the branch network.

Operating Income

Operating income rose by ¥15,541 million, or 8.8%, over the previous fiscal year to ¥191,781 million (US\$1,809.3 million). The ratio of operating income to revenue was 51.7%.

Other Expenses (Income)

Other income amounted to ¥12,854 million, compared with the previous year's expenses of ¥1,914 million. This was primarily due to a ¥331 million, or 18.6%, increase in loss on devaluation of marketable securities and others to ¥2,111 million (US\$19.9 million). In the term under review, gain on sale of marketable and investments in securities amounted to ¥5,157 million (US\$48.7 million). Gains on participation in leveraged

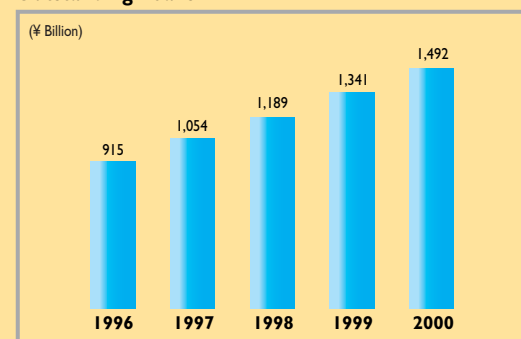
lease partnerships totalled ¥10,310 million (US\$97.3 million).

Leveraged lease gains refer to the profit on Takefuji's share of a joint investment from 1990 through 1993 for the purpose of leasing aircraft. These partnerships are structured to incur losses well in excess of the cost of investments in the early stages. The reversal gain started in fiscal 1998, and will contribute to earnings in the coming years. A total income of approximately ¥82 billion on investment is expected between 2000 and 2006.

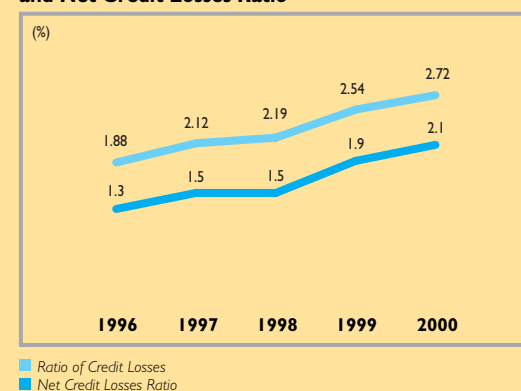
Net Income

Net income amounted to ¥113,889 million (US\$1,074.4 million), an increase of ¥28,783 million, or 33.8% from the previous fiscal year. The ratio of net income to revenues rose from the previous fiscal year's 25.1% to

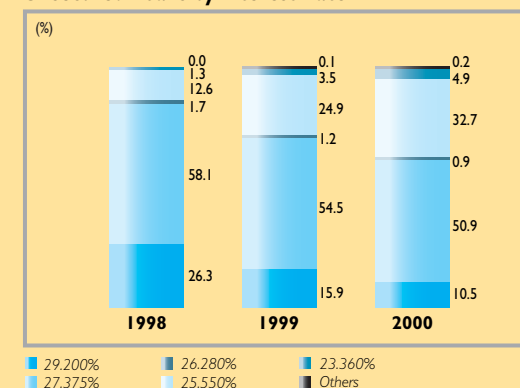
Outstanding Loans



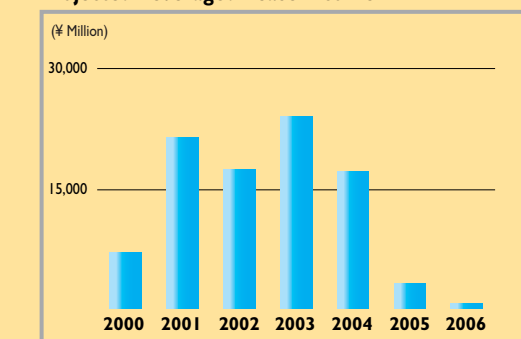
Ratio of Credit Losses to Outstanding Loans and Net Credit Losses Ratio



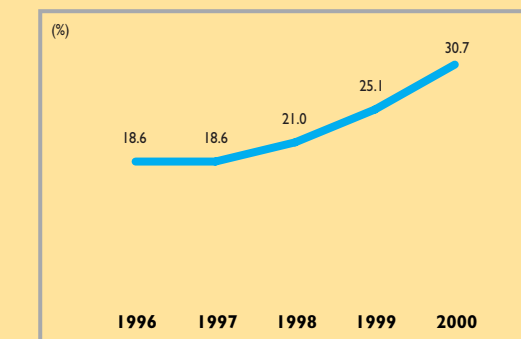
Unsecured Loans by Interest Rate



Projected Leveraged Lease Income



Net Income to Revenues



30.7%. Net income per share increased to ¥773.2 (US\$7.3) from ¥577.8 (US\$5.5) a year earlier. The company paid a ¥30 per share interim dividend and a ¥50 year-end dividend, which included a dividend commemorating the company's listing on the First Section of the Tokyo Stock Exchange. The total dividend for fiscal 2000 was thus ¥80 per share.

Financial Condition

Total assets as of March 31, 2000 were ¥1,899.2 billion (US\$17,916.7 million), an increase of ¥170.3 billion, or 9.9%, from fiscal 1999. Total current assets rose ¥147.5 billion, or 10.2% to ¥1,595.3 billion (US\$15,049.6 million), mainly due to an increase in direct cash loans to customers of ¥150.9 billion, or 11.3%, from the previous fiscal year to ¥1492.2 billion (US\$14,077.4 million).

Property and equipment declined marginally by ¥1,416 million, or 0.6%, over the previous fiscal year to ¥225,858 million (US\$2,130.7 million).

The provision for credit losses at the end of fiscal 2000 was ¥82,800 million (US\$781.1 million), an increase of ¥16,500 million, or 24.9%, from the previous fiscal year.

Total current liabilities increased by ¥192,388 million, or 63.9%, from the previous fiscal year to ¥493,330 million (US\$4,654.1 million). This was mainly because of a ¥163,110 million, or 72.9%,

increase to ¥386,926 million (US\$3,650.2 million) in the current portion of long-term debt. On the other hand, short-term borrowings rose by ¥13,140 million, or 59.1%, from the previous fiscal year to ¥35,380 million (US\$333.8 million).

Long-term debt decreased by ¥144,938 million, or 15.7%, from the previous term to ¥780,023 million (US\$7,358.7 million).

Total stockholders' equity rose by ¥122,850 million, or 24.5%, from the previous fiscal year to ¥624,016 million (US\$5,886.9 million). The stockholders' equity ratio improved from previous fiscal year's 29.0% to 32.9%. Stockholders' equity per share increased by 24.5% from the previous fiscal year to ¥4,236.5 (US\$39.97).

Cash Flows

The principal sources of cash flows from operating activities were ¥204,635 million (US\$1,930.5 million) in income before income tax and minority interest, ¥5,623 million (US\$53.0 million) in depreciation and amortization, ¥16,500 million (US\$155.7 million) in provision for credit losses, and ¥646,626 million (US\$6,100.2 million) in principal collected on consumer loans. The main use of cash in operating activities was ¥838,161 million (US\$7,907.2 million) in consumer loans made to customers. As a result, net cash flow used in

operating activities was ¥25,117 million (US\$237.0 million).

Net cash used in investing activities was ¥24,956 million.

The principal activities contributing to cash flow from financing activities were ¥200,548 million (US\$1,892.0 million) in proceeds from long-term borrowings and ¥234,985 million (US\$2,216.8 million) in repayments of long-term loans. Together with other items, net cash provided by financing activities was ¥23,976 million.

Overall, net cash used in operating, investing and financing activities totaled ¥24,521 million (US\$231.3 million). As a result, cash and cash equivalents at the end of the year decreased to ¥77,201 million (US\$728.3 million) compared to ¥95,191 million in the previous fiscal year.

Efficiency

With the third online system now operating around the year since fiscal 1999, the Company was able to achieve further gains in productivity. Revenues per employee rose 31.0% from the previous fiscal year to ¥107.7 million. Revenues per manned branch, affected in part by the aggressive expansion of unmanned branches, increased 9.4% from the previous fiscal year to ¥699 million. Outstanding loans per employee rose 32.8% from the previous fiscal year to ¥433

million. Outstanding loans per manned branch were up 11.3% to ¥2,815 million.

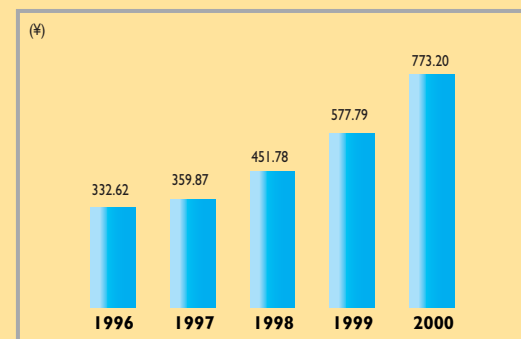
Market Risk

The major market risk Takefuji is exposed to is price volatility in its portfolio of listed securities. The conservative lower of cost or market method is applied to value the company's securities portfolio. Unrealized gains on marketable securities and certificates of investment trust fund as of the end of the fiscal year amounted to ¥84,214 million. Given the relatively small size of the stock portfolio in relation to total assets and the level of unrealized gains, the impact of this market risk on Takefuji's profits is unlikely to be significant.

Takefuji had US\$-denominated debt of US\$1.2 billion as of the end of the fiscal year. All this debt is hedged against foreign exchange rate fluctuations either through swaps or forward exchange contracts.

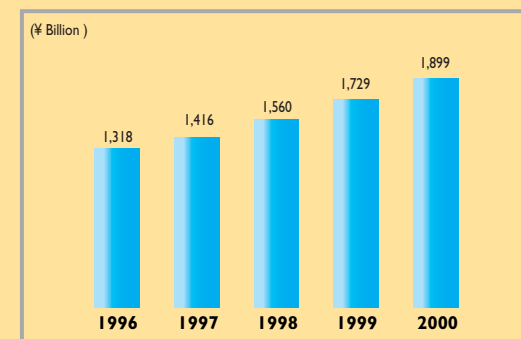
Approximately half of the company's borrowings carry a fluctuating interest rate. Assuming that the probability of interest rates rising is low, Takefuji is taking measures, including the reduction of the hedge ratio, to take full advantage of low interest rates.

Net Income Per Share

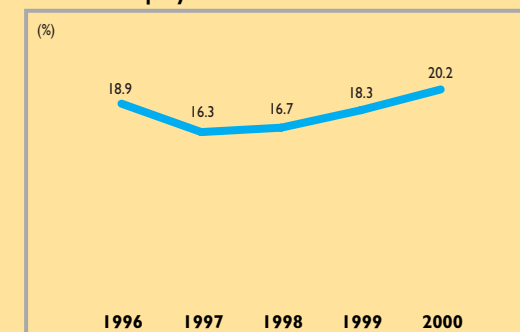


Note: A 1 to 1.3 stock split was carried out during fiscal 1999. The split was non-dilutive to stockholders.

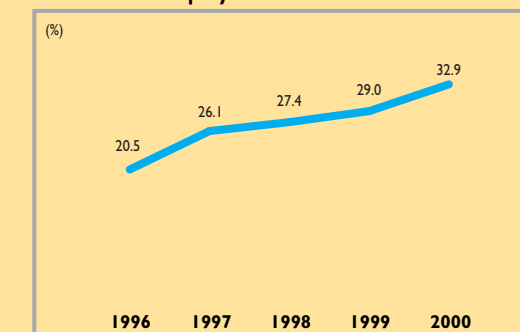
Total Assets



Return on Equity



Stockholders' Equity Ratio



CONSOLIDATED BALANCE SHEETS

TAKEFUJI CORPORATION AND SUBSIDIARIES
AS OF MARCH 31, 2000 AND 1999

	Millions of yen		Thousands of U.S. dollars
	2000	1999	(Note 3) 2000
ASSETS			
Current Assets:			
Cash in hand and at banks	¥ 23,161	¥ 18,638	\$ 218,500
Time deposits (Note 8)	19,880	7,475	187,547
Marketable securities (Notes 4 and 8)	50,297	49,146	474,500
Short-term investments (certificates of deposit purchased under resale agreement)	35,036	76,553	330,528
Direct cash loans to customers (Note 8):			
Principal	1,492,202	1,341,265	14,077,377
Accrued interest income	15,386	12,401	145,151
Less: Allowance for credit losses (Note 5)	(82,800)	(66,300)	(781,132)
Prepaid expenses	2,617	2,873	24,689
Deferred tax assets	26,050	—	245,755
Other current assets	13,433	5,691	126,727
Total Current Assets	¥1,595,262	¥1,447,742	\$15,049,642
Investments:			
Investments in securities (Note 4)	45,388	11,281	428,189
Investments in partnerships	15,011	26,773	141,613
Other investments	1,012	1,046	9,547
	61,411	39,100	579,349
Property and Equipment, Net of			
Accumulated Depreciation (Notes 6 and 8)	225,858	227,274	2,130,736
Deferred Tax Assets	3,429	—	32,349
Leasehold Deposits and Other Assets (Note 7)	12,835	14,730	121,085
Foreign Currency Translation Adjustments (Note 2(9))	372	—	3,509
	¥1,899,167	¥1,728,846	\$17,916,670

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2000	1999	(Note 3) 2000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-term borrowings (Note 8)	¥ 35,380	¥ 22,240	\$ 333,774
Current portion of long-term debt (Note 8)	386,926	223,816	3,650,245
Accounts payable	6,034	5,243	56,925
Income taxes payable (Note 9)	59,146	43,666	557,981
Accrued expenses	5,377	5,530	50,726
Other current liabilities	467	447	4,406
Total Current Liabilities	493,330	300,942	4,654,057
Long-Term Debt (Notes 8 and 12)	780,023	924,961	7,358,708
Allowance for Retirement Benefits (Note 10)	1,705	1,680	16,085
Foreign Currency Translation Adjustments (Note 2 (9))	—	12	—
Minority Interest	93	85	877
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, 2000 and 1999	30,478	30,478	287,528
Additional paid-in capital	52,263	52,263	493,047
Retained earnings including Legal reserve and General reserve (Note 2 (12))	541,276	418,429	5,106,377
Treasury stock	(1)	(4)	(9)
Total Stockholders' Equity	624,016	501,166	5,886,943
	¥1,899,167	¥1,728,846	\$17,916,670

CONSOLIDATED STATEMENTS OF INCOME

TAKEFUJI CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2000, 1999 AND 1998

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2000	1999	1998	2000
Revenues:				
Interest income on direct cash loans	¥359,193	¥326,299	¥298,456	\$3,388,613
Other income	11,517	12,320	18,405	108,651
	<u>370,710</u>	<u>338,619</u>	<u>316,861</u>	<u>3,497,264</u>
Costs and Expenses:				
Interest expenses	25,808	26,524	25,723	243,472
Other expenses associated with financing	1,648	5,741	7,005	15,547
Provision for credit losses (Note 5)	57,100	44,018	37,390	538,679
Advertising expenses	15,543	13,703	12,388	146,632
General and administrative expenses	78,830	72,393	63,836	743,679
	<u>178,929</u>	<u>162,379</u>	<u>146,342</u>	<u>1,688,009</u>
Operating Income	191,781	176,240	170,519	1,809,255
Other Expenses (Income):				
Loss on devaluation of marketable securities and others	2,111	1,780	10,386	19,915
(Gain) loss on sales of marketable securities	(5,157)	851	—	(48,651)
Loss on sales of investment securities	—	37	1,531	—
Loss on sale/disposal of property and equipment, net	169	199	452	1,594
Gain on participation in leveraged lease partnerships (Note 12)	(10,310)	(9,611)	(6,144)	(97,264)
Expenses for issuance of new bonds	333	—	175	3,142
Amortization of goodwill	—	—	208	—
Loss on cancellation of specified money trust	—	2,625	—	—
Loss on cancellation of interest-rate cap contracts	—	6,033	—	—
	<u>(12,854)</u>	<u>1,914</u>	<u>6,608</u>	<u>(121,264)</u>
Income before Income Taxes and Minority Interest	204,635	174,326	163,911	1,930,519
Income Taxes (Note 9)				
Current	96,472	89,235	97,366	910,113
Deferred	5,729	—	—	54,047
	<u>90,743</u>	<u>89,235</u>	<u>97,366</u>	<u>856,066</u>
Income before Minority Interest	113,892	85,091	66,545	1,074,453
Minority Interest	(3)	15	—	(28)
Net Income	¥113,889	¥ 85,106	¥ 66,545	\$1,074,425

	Yen			U.S. dollars (Note 3)
	2000	1999	1998	2000
Amounts Per Share:				
Net income	¥773.2	¥577.8	¥451.8	\$7.29
Cash dividends	80.0	100.0	80.0	0.75

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, 2000, 1999 AND 1998

	Millions of yen				
	Number of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings, including legal reserve and general reserve	Treasury stock
Balance at March 31, 1997	113,304	¥30,478	¥52,263	¥287,080	¥(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)	—
Purchase of treasury stock, at cost (net)	—	—	—	—	(4)
Balance at March 31, 1998	147,295	30,478	52,263	345,160	(4)
Net income	—	—	—	85,106	—
Cash dividends paid (¥80 per share)	—	—	—	(11,784)	—
Bonuses to directors and statutory auditors	—	—	—	(53)	—
Balance at March 31, 1999	147,295	30,478	52,263	418,429	¥(4)
Net income	—	—	—	113,889	—
Cash dividends paid (¥100 per share)	—	—	—	(14,729)	—
Bonuses to directors and statutory auditors	—	—	—	(63)	—
Purchase of treasury stock, at cost (net)	—	—	—	—	3
Cumulative effect of initial application for deferred tax accounting	—	—	—	23,750	—
Balance at March 31, 2000	147,295	¥30,478	¥52,263	¥541,276	¥(1)

	Thousands of U.S. dollars (Note 3)				
	Number of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings, including legal reserve and general reserve	Treasury stock
Balance at March 31, 1999	147,295	\$287,528	\$493,047	\$3,947,443	\$(38)
Net income	—	—	—	1,074,425	—
Cash dividends paid (\$0.94 per share)	—	—	—	(138,953)	—
Bonuses to directors and statutory auditors	—	—	—	(594)	—
Purchase of treasury stock, at cost (net)	—	—	—	—	29
Cumulative effect of initial application for deferred tax accounting	—	—	—	224,056	—
Balance at March 31, 2000	147,295	\$287,528	\$493,047	\$5,106,377	\$ (9)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAKEFUJI CORPORATION AND SUBSIDIARIES
FOR THE YEAR ENDED MARCH 31, 2000

	Thousands of U.S. dollars	
	Millions of yen	(Note 3)
	2000	2000
Operating Activities:		
Income before income taxes and minority interest	¥204,635	\$1,930,519
Adjustment for:		
Depreciation and amortization	5,623	53,047
Net loss on sales or disposal of property and equipment	169	1,594
Decrease in retirement allowance for employees	(22)	(207)
Increase in retirement allowance for officers	46	434
Gain on sales of marketable securities.....	(5,156)	(48,641)
Loss on revaluation of marketable securities	2,111	19,915
Gain on participation in leveraged lease partnerships	(6,556)	(61,849)
Direct cash loans made to customers	(838,161)	(7,907,179)
Direct cash loans collected from customers.....	646,626	6,100,245
Increase in allowance for credit losses	16,500	155,660
Loss on credit losses	40,599	383,009
Interest and dividend receivable	(2,984)	(28,151)
Interest expenses	25,807	243,462
Other, net	(8,857)	(83,556)
Sub Total	(124,255)	(1,172,217)
Dividend income received.....	178	1,679
Interests paid	(25,328)	(238,943)
Income tax paid	(80,347)	(757,991)
Net cash used in operating activities	¥(25,117)	\$ (236,953)

	Thousands of U.S. dollars	
	Millions of yen	(Note 3)
	2000	2000
Investing activities		
Decrease in time deposit (over 3 month-term).....	¥ 67	\$ 632
Purchase of marketable securities	(1,437)	(13,556)
Proceeds from sales of marketable securities	7,919	74,707
Purchase of tangible fixed assets.....	(2,704)	(25,509)
Proceeds from sales of tangible fixed assets.....	59	557
Purchase of investments in securities.....	(39,508)	(372,717)
Proceeds from sales of investments in securities.....	316	2,981
Purchase of investments in partnerships.....	(1,020)	(9,623)
Proceeds from sales of investments in partnerships	12,025	113,443
Other, net.....	(673)	(6,349)
Net cash used in investing activities.....	(24,956)	(235,434)
Financing activities		
Net increase in short-term borrowings	13,139	123,953
Proceeds from long-term borrowings	200,548	1,891,962
Payments on principal of long-term borrowings.....	(234,985)	(2,216,839)
Proceeds from issuance of bonds.....	60,000	566,038
Proceeds from sale of treasury stock	3	28
Cash dividends paid	(14,729)	(138,953)
Net cash provided by financing activities	23,976	226,189
Effect of exchange rate changes on cash and cash equivalents.....	1,576	14,868
Net decrease in cash and cash equivalents.....	(24,521)	(231,330)
Cash and cash equivalents at beginning of the year	101,722	959,642
Cash and cash equivalents at end of the year.....	¥ 77,201	\$ 728,312

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAKEFUJI CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1999 AND 1998

	Millions of yen	
	1999	1998
Operating Activities:		
Net income	¥ 85,106	¥ 66,545
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,858	8,676
Provision for credit losses	44,018	37,390
Provision for retirement benefits	290	310
(Gain) loss on participation in leveraged lease partnerships	(5,776)	(3,921)
Net loss (gain) on sales or disposal of property and equipment	199	452
Loss on revaluation of marketable securities, investments in securities and others	4,405	10,386
Payment of retirement benefits	(206)	(220)
Software costs (Note 2 (7))	(1,047)	(1,921)
Gain on specified money trust	(156)	(591)
Change in operating assets and liabilities:		
Consumer loans made to customers	(771,928)	(707,152)
Principal collected on consumer loans	585,212	539,613
Accrued interest income	(1,946)	(807)
Prepaid expenses	3,718	224
Other current assets	(3,826)	(461)
Accounts payable	(1,062)	831
Accrued income taxes	(15,073)	9,603
Accrued expenses	742	1,192
Other current liabilities	(90)	(402)
Other, net	(110)	(400)
Net cash used in operating activities	(66,672)	(40,653)
Investing Activities:		
Decrease (increase) in time deposits and marketable securities	917	(4,717)
Decrease (increase) in specified money trust	7,083	(30,000)
Purchase of property and equipment	(3,509)	(5,160)
Increase in telephone rights and other intangible assets	(63)	(135)
Additions to investments in securities	(665)	(516)
Decrease (increase) in fixed leasehold deposits	210	(457)
Decrease (increase) in other investments	(1,415)	869
Net cash used in investing activities	2,558	(40,116)
Financing Activities:		
Proceeds from long-term loans	300,214	270,532
Payments on principal of long-term loans	(177,288)	(208,361)
Decrease (increase) in short-term loans	(5,731)	(4,328)
Increase in other long-term debt	(189)	87
Cash dividends paid	(11,784)	(8,384)
Bonuses paid to directors and statutory auditors	(53)	(81)
Proceeds from issuance of bonds	—	20,032
Treasury stock	—	(4)
Net cash provided by financing activities	105,169	69,493
Net Increase (decrease) in Cash and Cash Equivalents	41,055	(11,276)
Cash and Cash Equivalents at the Beginning of the Year	54,136	65,412
Cash and Cash Equivalents at the End of the Year	¥ 95,191	¥ 54,136
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	¥ 25,955	¥ 24,488
Income taxes	104,033	87,762

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 maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. 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. The accounts and records of other overseas subsidiaries, TTS Finance Co., Ltd., TSR Co., Ltd., and G.H Investment Co., Ltd., are maintained in each local currency. Relevant notes have been added, and certain items presented in the consolidated financial statements filed with the Ministry of Finance (the "MOF") in Japan have been reclassified for the convenience of readers outside Japan.

In addition, the consolidated statements of cash flows are required to be prepared from the fiscal year beginning on or after April 1, 1999 in accordance with the new Accounting Standards for Consolidated Statements of Cash Flows issued by the Business Accounting Deliberation Council and filed with the MOF. Although there was no requirement to file them with the MOF, such consolidated statements of cash flows for prior years had been prepared based on practices of preparation for consolidated statements of cash flows in Japan, which are different from the new Standards, and had been included in the accompanying consolidated financial statements. Therefore, the prior year's consolidated statements of cash flows have been presented separately for the year ended March 31, 2000.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(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 stockholder of the Company. Mr. Takei (together with his family and certain companies controlled by members of his family (the "Family Companies")) owned approximately 95 million Shares or 64% of the outstanding Shares of common stock of the Company as of March 31, 2000.

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) including overseas subsidiaries (together referred to as the "Group"). As of March 31, 2000, the subsidiaries are as 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
9. TSR Co., Ltd.	100.0
10. G.H Investment Co., Ltd.	100.0
11. Takefuji New Research Institute	95.0

Note: Takefuji New Research Institute was established in October 2000 in Japan. In the consolidated financial statements, 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, 2000.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits within the Group have been eliminated.

Effective fiscal 2000, assets and liabilities in consolidated subsidiaries are revalued to fair market value when the majority interest in subsidiaries is acquired, in accordance with the amended regulations for the preparation of consolidated financial statements.

Any difference between the cost of investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary, unless specifically identified and reclassified to the applicable accounts from which the value originates, is treated as an asset or a liability, as the case may be, and amortized over a period of five years on a straight line basis, except for immaterial differences which are charged in the period in which they arise.

(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 provided by the Company is 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 income 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 are valued at the lower of cost or market, cost being determined by the moving average method. The write-down to the lower market value is made individually and is not made between the aggregate cost and the 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, typically 6 years for vehicles and from 3 to 15 years for equipment, furniture and fixtures.

Additional Information

(i) Useful lives of buildings

The Company adopted a useful life of buildings (excluding leasehold improvement and auxiliary facilities attached to buildings) which are shorter than those used in previous years, pursuant to the amendments to the corporate income tax laws, which take effect from the year starting on and after April 1, 1998.

(ii) Depreciation method of buildings

The Company has changed the depreciation method of buildings, which were acquired after April 1, 1998, from the declining-balance method to the straight-line method pursuant to the amendments to the corporate income tax laws, which take effect from the year starting on and after April 1, 1998.

(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.

(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, the balance sheet accounts of the overseas subsidiaries are translated into Japanese yen at the current exchange rates as at the balance sheet date except for shareholders equity which is translated at historical rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" in the accompanying consolidated balance sheets. Revenue and expense accounts of the overseas subsidiaries are translated into Japanese yen at the average annual exchange rate.

(10) Income taxes

In fiscal 2000, the Company and its domestic subsidiaries adopted deferred tax accounting for the first time, in accordance with the amended regulations for the preparation of consolidated financial statements. Income taxes are determined using the asset and liability method, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The cumulative effect of adopting deferred tax accounting at the beginning of fiscal 2000 was charged to retained earnings. Prior to fiscal 1999, income taxes of the Company and its domestic subsidiaries were provided for at the amount currently payable based on the tax returns filed with tax authorities.

(11) Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less are considered to be cash equivalents.

Cash and cash equivalents are newly defined in the Accounting Standards for Consolidated Statements of Cash Flows. Accordingly, cash and cash equivalents as of the beginning of fiscal 2000 are reconciled to the previous fiscal year as follows:

	Millions of yen
Cash and cash equivalents at the end of the year	
in the statement of cash flows as of March 31, 1999	¥ 95,191
Plus: Time deposits	7,474
Less: Time deposits over three months	943
Cash and cash equivalents at the beginning of the year	
in the statement of cash flows as of March 31, 2000	<u>¥101,722</u>

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106=U.S.\$1, the rate of exchange on March 31, 2000 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

4. Marketable Securities and Investments in Securities

Marketable securities (current assets) and investments in securities (non-current assets) as of March 31, 2000 and 1999 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Marketable securities:			
Corporate shares with market quotations	¥46,899	¥48,621	\$442,443
Bonds and other	3,398	525	32,057
	<u>¥50,297</u>	<u>¥49,146</u>	<u>\$474,500</u>
Investments in securities:			
Corporate shares with market quotations	¥ 303	¥ —	\$ 2,859
Unquoted corporate securities	2,796	1,849	26,377
Certificates of investment trust funds	42,289	9,432	398,953
	<u>¥45,388</u>	<u>¥11,281</u>	<u>\$428,189</u>

Book value and market value information on marketable securities and investments in securities as of March 31, 2000 is summarized as follows:

	Millions of yen		
	Book value	Market value	Unrealized gain (loss)
Marketable securities:			
Corporate shares with market quotations	¥46,899	¥130,106	¥83,207
Bonds and other	3,398	9,336	5,938
	<u>¥50,297</u>	<u>¥139,442</u>	<u>¥89,145</u>

Investments in securities:			
Corporate shares with quotations	¥ 303	¥ 303	¥ —
Certificates of investment trust funds	11,947	12,016	69
	<u>12,250</u>	<u>¥ 12,319</u>	<u>¥ 69</u>
Market value not available	33,138		
	<u>¥45,388</u>		

	Thousands of U.S. dollars		
	Book value	Market value	Unrealized gain (loss)

Marketable securities:			
Corporate shares with market quotations	\$442,443	\$1,227,415	\$784,972
Bonds and other	32,057	88,075	56,018
	<u>\$474,500</u>	<u>\$1,315,490</u>	<u>\$840,990</u>

Investments in securities:			
Corporate shares with quotations	\$ 2,858	\$ 2,858	\$ —
Certificate of investment trust funds	112,708	113,359	651
	<u>115,566</u>	<u>\$ 116,217</u>	<u>\$ 651</u>
Market value not available	312,623		
	<u>\$428,189</u>		

5. Allowance for Credit Losses

Transactions affecting the "allowance for credit losses" account during the years ended March 31, 2000 and 1999 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Balance at beginning of the period	¥66,300	¥56,401	\$625,472
Credit losses written-off against the allowance	(40,600)	(34,119)	(383,019)
Provision for the allowance	57,100	44,018	538,679
Balance at end of the period	<u>¥82,800</u>	<u>¥66,300</u>	<u>\$781,132</u>

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

6. Property and Equipment

Property and equipment as of March 31, 2000 and 1999 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Buildings	¥ 22,841	¥ 22,506	\$ 215,481
Leasehold improvements	14,798	14,266	139,604
Vehicles	163	162	1,538
Machinery	134	134	1,264
Equipment, furniture and fixtures	17,772	16,203	167,660
	<u>55,708</u>	<u>53,271</u>	<u>525,547</u>
Less: Accumulated depreciation	(26,105)	(22,342)	(246,273)
	<u>29,603</u>	<u>30,929</u>	<u>279,274</u>
Land	189,516	189,606	1,787,886
Golf course	5,592	5,592	52,755
Construction in progress	1,147	1,147	10,821
	<u>¥225,858</u>	<u>¥227,274</u>	<u>\$2,130,736</u>

7. Leasehold Deposits and Other Assets

Leasehold deposits and other assets as of March 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Leasehold deposits	¥ 6,119	¥ 6,020	\$ 57,727
Intangibles, principally telephone and land leasehold rights and goodwill	1,396	1,370	13,170
Software	4,084	—	38,528
Deferred charges	516	6,598	4,868
Other	720	742	6,792
	<u>¥12,835</u>	<u>¥14,730</u>	<u>\$121,085</u>

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 outstanding as of March 31, 2000 and 1999 were represented by loans from banks and other financial institutions which bore interest at rates ranging from 0.8% to 1.9% and from 1.2% to 2.9%, at March 31, 2000 and 1999, respectively.

Additional information concerning short-term borrowings for the years ended March 31, 2000 and 1999 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Maximum month-end balance	¥80,555	¥76,949	\$759,953
Average month-end balance	54,812	44,690	517,094

Long-term debt as of March 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Loans from banks and other financial institutions (secured primarily by direct cash loans to customers, with interest rates ranging from 0.6% to 4.3% for 2000 and from 0.6% to 4.3% for 1999)*	¥1,046,291	¥1,080,728	\$ 9,870,670
7.3% Senior Unsecured Notes due November 1, 2004 with currency swap contract (Note 15(6))	16,368	16,368	154,415
8.0% Senior Unsecured Notes due November 1, 2017 with currency swap contract (Note 15(6))	3,664	3,664	34,566
1.3% Senior Unsecured Notes due October 29, 2003....	3,000	—	283,019
2.06% Senior Unsecured Notes due March 23, 2007	30,000	—	283,019
	1,126,323	1,100,760	10,625,689
Other long-term debt**	40,626	48,017	383,264
	1,166,949	1,148,777	11,008,953
Less: portion due within one year:			
Loans from banks and other financial institutions...	(386,926)	(223,816)	(3,650,245)
	¥ 780,023	¥ 924,961	\$ 7,358,708

* With respect to certain loans from banks and other financial institutions in an aggregate amount of ¥479,014 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 and cash equivalents plus loans to customers against total assets falls below 40%
- 7) The write-off ratio exceeds 20%
- 8) The percentage of real estate and marketable securities against total assets exceeds 40%
- 9) The percentage of secured borrowings other than those loans secured by real estate against total current assets exceeds 80%
- 10) The total borrowings secured by perfected loans to customer exceeds net assets

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

The Group assets were pledged as collateral as of March 31, 2000 and 1999 for short-term borrowings and long-term debt as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Time deposits	¥ 4,657	¥ 4,841	\$ 43,934
Marketable securities.....	1,619	5,213	15,274
Direct cash loans to customers under the assignment by way of security	505,262	450,142	4,766,623
Net book value of property and equipment.....	148,325	149,157	1,399,292
	¥659,863	¥609,353	\$6,225,123

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 ¥99,477 million (\$938,462 thousand), for securing the repayments of "long-term loans" of ¥86,289 million (\$814,047 thousand) and "short-term borrowings" of ¥3,000 million (\$28,302 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 (\$142 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, 2000, borrowings made by this subsidiary of ¥309,820 million (\$2,922,830 thousand) were outstanding.

The aggregate annual maturities of long-term loans with banks and other financial institutions, and bonds as of March 2000 are as follows:

Year ending March 31,	Thousands of	
	Millions of yen	U.S. dollars
2001	¥ 386,926	\$3,650,245
2002	294,742	2,780,585
2003	131,001	1,235,859
2004	46,318	436,962
2005 and thereafter	187,304	1,767,019
	¥1,046,291	\$9,870,670

9. Income Taxes

The statutory tax rates used for calculating deferred tax assets and deferred liabilities in fiscal 2000 and fiscal 1999 were approximately 42% and 47%, respectively.

The reconciliation of the statutory tax rate to the effective income tax rate for fiscal 2000 is as follows:

	2000
Statutory tax rate	41.8%
Increase (decrease) in taxes resulting from:	
Tax on undistributed profit	5.4%
Reversal of previous year's income taxes	(2.9%)
Effective income tax rate	44.3%

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets as of March 31, 2000 are as follows:

Deferred tax assets:	Thousands of	
	Millions of yen	U.S. dollars
Non-deductible portion of provision for doubtful accounts of accrued income interest	¥ 1,957	\$ 18,462
Loss on evaluation of marketable securities	400	3,774
Non-deductible portion of brokerage fees	846	7,981
Non-deductible portion of provision for doubtful accounts of principal	17,829	168,198
Loss on evaluation of investment securities	2,091	19,726
Accrued expenses	231	2,179
Enterprise taxes payable	4,518	42,623
Non-deductible portion of provision for retirement benefit	353	3,330
Others	1,254	11,831
Total deferred tax assets	¥29,479	\$278,104

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 a 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, 1999, the most recent valuation date, the accumulated balance of the fund assets aggregated ¥1,604 million (\$15,132 thousand).

Charges to income for retirement benefits and the pension plan for the years ended March 31, 2000, 1999 and 1998 were ¥427 million (\$4,028 thousand), ¥539 million and ¥412 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 is not funded. The balance of allowance from retirement benefits in the accompanying consolidated balance sheets as of March 31, 2000 and 1999 included such provision, relative to directors and statutory auditors, of ¥440 million (\$4,151 thousand) and ¥394 million, respectively.

11. Contingent Liabilities

As of March 31, 2000 and 1999, the Group had no contingent liabilities.

12. Leveraged Lease Partnerships

In 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, 1999, net cumulative losses amounted to ¥89,166 million, ¥41,906 million of which had been charged against investment cost and a further ¥47,260 million had been credited to other long-term debt.

Similarly, up to March 31, 2000, net cumulative losses amounted to ¥77,737 million (\$733,368 thousand), ¥37,524 million (\$354,000 thousand) of which had been charged against investment cost and a further ¥40,212 million (\$379,358 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, 2000 and 1999 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	2000
Lease rental expenses	¥4,187	¥3,706	¥2,482	\$39,500

The amount of outstanding future lease payments due at March 31, 2000 and 1999, which included the portion of interest thereon, is summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	2000
Future lease payments				
Within one year	¥ 4,182	¥ 3,832	¥2,847	\$39,453
Over one year	5,951	7,703	7,092	56,141
Total	¥10,133	¥11,535	¥9,939	\$95,594

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 Company does not hold or issue financial derivative instruments for trading purposes.

Following a review of all derivative transactions, the Company cancelled certain derivative transactions which were regarded as ineffective for hedging purposes. These cancellations resulted in a loss of ¥6,033 million in the year ended March 31, 1999.

(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) Currency 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 the notional principal value of derivative financial instruments outstanding as of March 31, 2000. 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 Group had interest-rate swap contracts with banks as of March 31, 2000 as follows:

	Millions of yen		Interest rate		Maturity Date	Millions of yen	
	Notional principal	Receive	Pay	Market Value		Unrealized Gain (Loss)	
ING Bank N.V.	¥ 8,225	¥LIBOR (3 month) +0.500%	2.100%	June 26, 2000			
ING Bank N.V.	¥ 8,225	¥LIBOR (3 month) +0.500%	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			
	¥46,450				¥(266)	¥(266)	

The Group had interest-rate swap contracts with banks as at March 31, 1999 as follows:

	Millions of yen		Interest rate		Maturity Date	Millions of yen	
	Notional principal	Receive	Pay	Market Value		Unrealized Gain (Loss)	
The Hokuriku Bank, Ltd.	¥18,000	¥LIBOR (3 month)	3.308%	March 31, 2000			
ING Bank N.V.	¥ 8,225	¥LIBOR (3 month) +0.500%	2.100%	June 26, 2000			
ING Bank N.V.	¥ 8,225	¥LIBOR (3 month) +0.500%	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			
	¥64,450				¥(1,178)	¥(1,178)	

The Group had currency swap contracts with banks as of March 31, 2000 as follows:

	Millions of U.S. dollars		Millions of yen		Interest rate			Maturity Date	Millions of yen	
	Receive	Pay	Receive	Pay	Receive	Pay	Market Value		Unrealized Gain (Loss)	
Deutsche Bank AG	\$ 66.10	¥ 9,353	\$LIBOR (6 month) +1.375%	2.090%	June 11, 2001					
ING Bank N.V.	\$ 98.50	¥11,160	\$LIBOR (3 month) +0.500%	2.100%	June 26, 2000					
ING Bank N.V.	\$ 55.00	¥ 6,344	\$LIBOR (3 month) +0.500%	2.100%	June 26, 2000					
ING Bank N.V.	\$153.50	¥17,556	\$LIBOR (3 month) +0.500%	2.100%	July 10, 2000					
General Re Financial Products	\$125.00	¥17,131	7.500%	2.820%	June 1, 2010					
General Re Financial Products	\$127.50	¥15,300	8.130%	3.150%	May 8, 2006					
Lehman Brothers Bankhaus AG	\$135.00	¥16,367	7.300%	2.825%	November 1, 2004					
Morgan Stanley Bank AG	\$ 30.00	¥ 3,665	8.000%	3.800%	November 1, 2017					
	<u>\$790.60</u>	<u>¥96,876</u>							<u>¥(17,861) ¥(17,861)</u>	

The Group had currency swap contracts with banks as of March 31, 1999 as follows:

	Millions of U.S. dollars		Millions of yen		Interest rate			Maturity Date	Millions of yen	
	Receive	Pay	Receive	Pay	Receive	Pay	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					
Bankers Trust Company.....	\$ 66.10	¥ 9,353	\$LIBOR (6 month) +1.375%	2.090%	June 11, 2001					
Seoul Bank (Tokyo).....	\$300.00	¥32,400	\$LIBOR (6 month) +0.625%	2.600%	July 5, 1999					
ING Bank N.V.	\$ 98.50	¥11,160	\$LIBOR (3 month) +0.500%	2.100%	June 26, 2000					
ING Bank N.V.	\$ 55.00	¥ 6,344	\$LIBOR (3 month) +0.500%	2.100%	June 26, 2000					
ING Bank N.V.	\$153.50	¥17,556	\$LIBOR (3 month) +0.500%	2.100%	July 10, 2000					
General Re Financial Products	\$125.00	¥17,131	7.500%	2.820%	June 1, 2010					
Lehman Brothers Bankhaus AG	\$135.00	¥16,368	7.300%	2.825%	November 1, 2004					
Morgan Stanley Bank AG	\$ 30.00	¥ 3,664	8.000%	3.800%	November 1, 2017					
	<u>\$1,063.10</u>	<u>¥123,876</u>							<u>¥2,718 ¥2,718</u>	

The Group had interest-rate cap contracts with banks as of March 31, 2000 as follows:

	Millions of yen		Interest rate			Maturity Date	Millions of yen	
	Notional principal	Option premium	Base rate	Cap rate	Duration		Market Value	Unrealized Gain (Loss)
Bankers Trust Company.....	¥25,725	¥107	¥LIBOR (3 month)	5.000%	84 months	November 15, 2001		
	<u>¥25,725</u>	<u>¥107</u>					<u>¥1</u>	<u>¥(106)</u>

The Group had interest-rate cap contracts with banks as of March 31, 1999 as follows:

	Millions of yen		Interest rate			Maturity Date	Millions of yen	
	Notional principal	Option premium	Base rate	Cap rate	Duration		Market Value	Unrealized Gain (Loss)
Bankers Trust Company.....	¥29,400	¥246	¥LIBOR (3 month)	5.000%	84 months	November 15, 2001		
The Hokuriku Bank, Ltd.	¥ 2,000	¥ 16	¥LIBOR (3 month)	2.500%	59 months	March 31, 2000		
The Hokuriku Bank, Ltd.	¥ 100	¥ 1	¥LIBOR (3 month)	2.200%	60 months	March 31, 2000		
	<u>¥31,500</u>	<u>¥263</u>					<u>¥3</u>	<u>¥(260)</u>

16. Subsequent Event

The appropriation of retained earnings of the Company for the year ended March 31, 2000, which was proposed by the Board of Directors and approved at the stockholders' meeting held on June 29, 2000 is as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends (¥50 per share).....	¥ 7,365	\$ 69,481
Officers' bonuses	50	472
Transfer to legal reserve	—	—
Transfer to general reserve	122,600	1,156,604
Total	<u>¥130,015</u>	<u>\$1,226,557</u>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors of
Takefuji Corporation

We have audited the consolidated balance sheets of Takefuji Corporation and its consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years ended March 2000, 1999 and 1998, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of the Takefuji Corporation and its consolidated subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years ended 2000, 1999 and 1998, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note2 and Note9 to the Consolidated Financial Statements, Takefuji Corporation and its subsidiaries have adopted new Japanese accounting standards, which became effective from the year ended March 31, 2000, with respect to presentation of consolidated financial statements, accounting for research and development costs and accounting for deferred income taxes.

The amount expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

June 29, 2000
Tokyo, Japan

Board of Directors and Auditors



Yasuo Takei
Chairman, CEO and President



Shigeo Suzuki
Senior Managing Director



Toshiki Takei
Senior Managing Director



Hikaru Kondo
Managing Director



Hiroshi Hirai
Managing Director



Akimichi Kasahara
Managing Director



Taketeru Takei
Managing Director



Hiromi Nakaya
Managing Director



Osamu Sasaki
Director



Teruhiko Kobayashi
Director



Takanori Sakamoto
Director



Takeo Saito
Standing Corporate Auditor



Kunio Akiyoshi
Standing Corporate Auditor

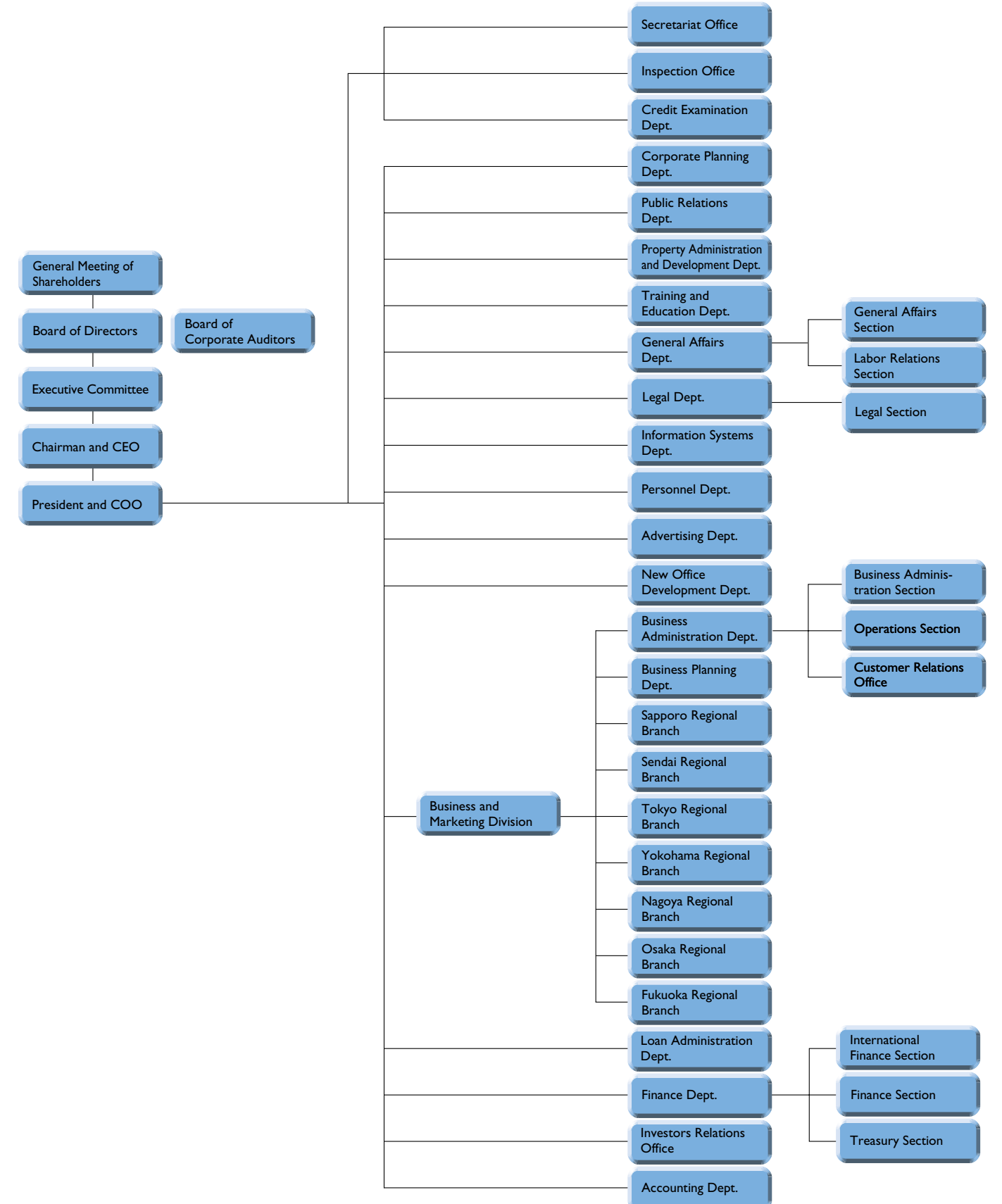


Sukehiro Ofuji
Standing Corporate Auditor



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. Yen 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

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, Yen-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

SEPT. Outstanding loans reached ¥1 trillion

1997

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

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

SEPT. 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

OCT. Began offering Personal Loan Insurance for individual loans

DEC. Takefuji shares listed on the First Section of the Tokyo Stock Exchange

1999

FEB. Takefuji shares approved for options trading

MAR. Trial operations of Iris-identification System for ATMs began at the Kanda Branch

OCT. First ¥30 billion unsecured straight bond issue

Takefuji New Research Institute established

2000

MAR. Takefuji shares listed on the London Stock Exchange

APR. TWJ Co., Ltd. established

Corporate Data

(As of June 29, 2000)

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 (As of March 31, 2000)

Number of Employees: 3,443 (As of March 31, 2000)

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.
TSR Co., Ltd.
G.H Investment Co., Ltd.
Takefuji New Research Institute
TWJ 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 Aoyama Audit Corporation
Kasumigaseki Bldg., 32nd Floor

2-5, Kasumigaseki 3-chome, Chiyoda-ku
Tokyo 100-6088

Forward-Looking Statements

This booklet and other written reports and oral statements made from time to time by the Company may contain "forward-looking statements," all of which are subject to risks and uncertainties. All statements which address operating performance, events or developments that we expect to occur in the future, including statements relating to growth, operating revenue performance or statements expressing general opinions about future operating results, are forward-looking statements.

These forward-looking statements rely on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside the Company's control, that could cause actual results to differ materially from such statements. Such factors include:

- General economic conditions in the consumer loan industry
- Changes in the size of the overall market for consumer loans
- The rate of default by clients
- The level of interest rates paid on Takefuji's debt
- Legal limit on interest rate on Takefuji's debt

Any forward-looking statements are made based on known events and circumstances at the time. The Company assumes no obligation to update or publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of publication of this booklet.

