



## Profile

Takefuji is Japan's largest consumer finance company, with direct cash loans totaling ¥1,645 billion at the end of March 2001. 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.



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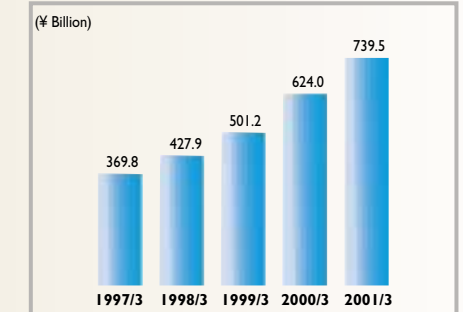
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## FINANCIAL HIGHLIGHTS

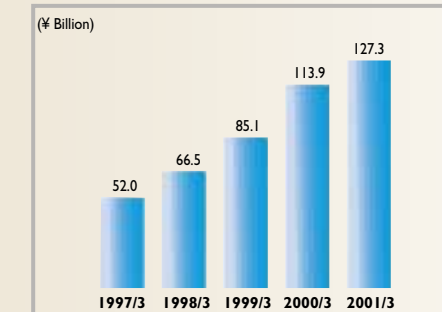
|   | Millions of yen |            | Thousands of U.S. dollars |
|---|-----------------|------------|---------------------------|
|   | 2001            | 2000       | 2001                      |
| Outstanding loans .....                                 | ¥1,645,059      | ¥1,492,202 | \$13,266,605              |
| Revenues .....  | 401,561         | 370,710    | 3,238,395                 |
| Income before income taxes and minority interests ..... | 232,229         | 204,635    | 1,872,815                 |
| Net income .....  | 127,267         | 113,889    | 1,026,348                 |
| Total stockholders' equity .....                        | 739,490         | 624,016    | 5,963,629                 |
| Total assets .....                                      | 2,018,058       | 1,899,167  | 16,274,661                |
| Per share (yen and U.S. dollars):                       |                 |            |                           |
| Net income .....  | ¥864.0          | ¥ 773.2    | \$6.97                    |
| Cash dividends .....                                    | 100.0           | 80.0       | 0.81                      |
| Stockholders' equity .....                              | 5,020.5         | 4,236.5    | 40.49                     |

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥124=U.S.\$1, the approximate closing rate of the Tokyo foreign exchange market as of March 30, 2001.

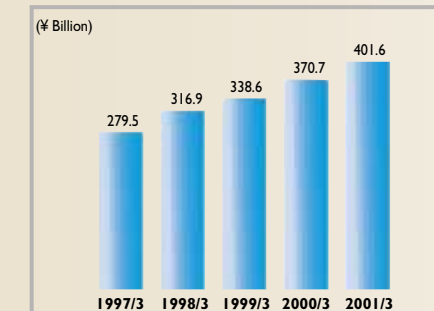
Total Stockholders' Equity



Net Income



Revenues





YASUO TAKEI  
*Chairman, CEO and President*

### The Leading Company in the Industry

Two fundamental principles — “The Customer First” and “Operational Efficiency” — have guided the Company throughout its history and have been adhered to strictly in all its business activity, ranging from staff education and training, to business promotion and the shaping of branch policy. As a result, and with the support of our customers and shareholders, we have achieved the highest corporate standing, reflected in the fact that in April 2001 we issued a global bond — a first in Japan’s financial industry.

### Operational Review

In spite of initial widespread optimism, the Japanese economy during the term under review performed sluggishly overall. A shadow began to be cast over capital investment in the corporate sector toward the end of the term, and recovery in personal consumption and improvement in the employment situation remained elusive, indicating that a full-scale economic recovery is still some way off. In spite of this lackluster performance by the economy as a whole, in the consumer finance industry strong demand for small, unsecured, non-guaranteed loans remained deep-rooted, and the market expanded steadily during the term.

Amid this business environment, Takefuji gave particular attention to the problem of debtors with multiple loans, such as by further tightening its credit management. At the same time it continued to actively establish unmanned branches equipped with *Yen-Musubi* automatic contract issuance machines, increasing interlinks with CD and ATM networks, and inaugurating a facility for making repayments round-the-clock, 365 days a year, at convenience stores. The Company also expanded and improved services such as the Internet Yen Shop, designed to cater to the needs of today’s era of diversifying information technology.

Takefuji continues to expand its unique customer service in ways that have enabled it to stand out from its rivals. Prime examples are the introduction of the Medical Counseling Hotline 24 free telephone health advisory service, and of the Personal Loan Insurance service, both of which are already used extensively by customers.

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 ¥1,645 billion, up 10.2% from the previous year, and the number of customer accounts rose by 4.1%, to 2,909,014. In consequence, consolidated operating revenues for the year increased 8.3% year-on-year, to ¥401,561 million, and consolidated net income jumped 11.7%, to ¥127,267 million.

The number of manned branches at year-end totaled 531, the same number as at the previous year-end, while the number of unmanned branches totaled 1,178, up from 928 a year earlier. The number of Takefuji ATMs totaled 1,900, up from 1,649, and the number of interlinked CDs and ATMs totaled 26,928, compared with 23,909 in the previous year.

Issues to Address

A look at the economy's prospects shows a mixed picture. Whereas on the one hand business performance recoveries are likely in some parts of the corporate sector — partly thanks to progressive restructuring and the cultivation of new markets through the use of information technology — on the other hand personal consumption is expected to remain weak as a result of the high rate of unemployment and uncertainty about the future.

In the consumer finance industry, competition is set to become increasingly fierce due to the full-scale market entry of enterprises from other industries, including major Japanese and overseas financial institutions. These factors, coupled with problems such as the flow of credit information, point to an increasingly harsh business environment in the future.

In times such as these, the value of Takefuji's management principles, to which it has adhered consistently since its inception, will show themselves to the full. Throughout the Company we will continue our efforts to make ongoing improvements in business performance by accurately identifying customer needs through customer-focused counseling; by responding rapidly in ways tailored to individual needs; and by rigorous efforts to ensure efficient management, including elimination of waste in the development of the service network and in staff allocation.

For the fiscal year March 31 2002, Takefuji is projecting consolidated operating revenues of ¥431.1 billion, up 7.2% year-on-year, and consolidated net income of ¥144,140 million, representing a rise of 13.3%.

July 2001



Yasuo Takei  
*Chairman, CEO and President*

## GREATER TRUST EQUATES TO A COMPETITIVE ADVANTAGE

Takefuji's activities have always been guided by the management philosophy of "Customer First" and "Operational Efficiency." Throughout its 35-year history, the company has sought to embody these principles in its operations through employee education and refinements to proprietary operating systems. Takefuji is convinced that strict adherence to firmly rooted policies, under its motto of "Wisdom and Creativity," has helped it to become the leading company in the consumer finance marketplace.

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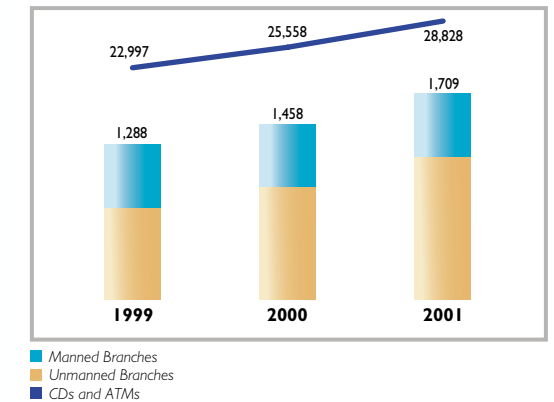


A party at training center after a training program.



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



## 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 2001, 135 Takefuji branch offices throughout Japan, or more than 25%, 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 2001, there were 531 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.

### Enhancing Customer Convenience

Complementing Takefuji’s branch offices located near train station entrances is a growing network of unmanned branches and

¥en-musubi automated loan contracting machines. These are situated in locations easily accessible by car. The ¥en 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 2001, the number of unmanned branches was 1,178. Customers also had access to 28,828 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 manned branch office





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.

## OPERATIONAL EFFICIENCY

### An Emphasis on Operational Efficiency

Takefuji has focused on efficient operations ever since its inception, in the belief that finding ways of trimming selling, general and administrative expenditures 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 manuals for every aspect of its business. This ensures that all employees treat customers in the same respectful and helpful fashion and carry out services promptly. 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 selling, general 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.

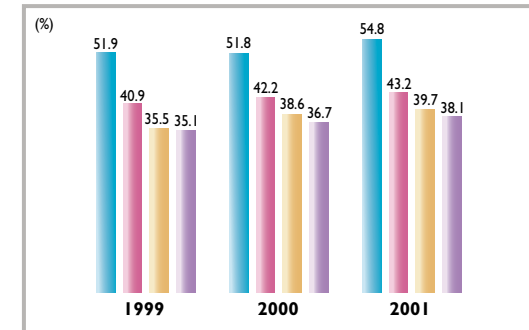
Customer information is also managed at the computer center for security reasons. Takefuji's computer system features 24-hour, 365-day fingerprint-based physical access control, uninterrupted premise monitoring, and data encryption to protect customer privacy.

### 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 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.

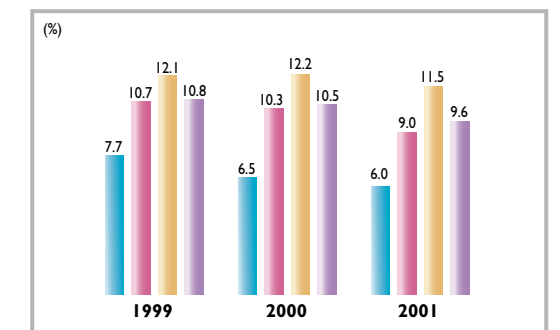
Ratio of Operating Income to Revenues



■ Takefuji  
■ ACOM  
■ Promise  
■ Aiful

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

Ratio of Personnel Costs to Revenues



■ Takefuji  
■ ACOM  
■ Promise  
■ Aiful

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





## 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, 2001) and the Allied Nationwide Credit Information Center (containing credit data on 15.6 million individuals as of March 31, 2001). 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 thousand. The average loan balance per account was around ¥565 thousand for fiscal 2001.

### 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.

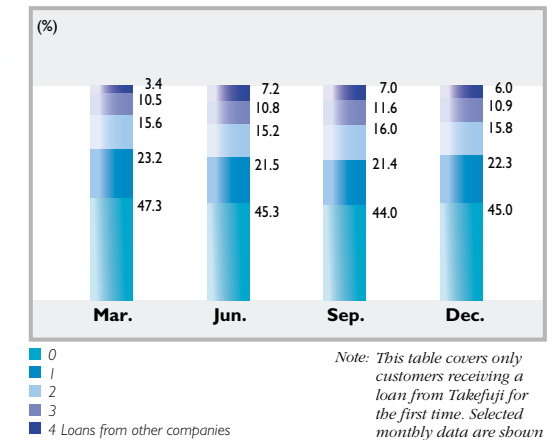


### Strong Earnings Capacity, Low Write-off Ratio

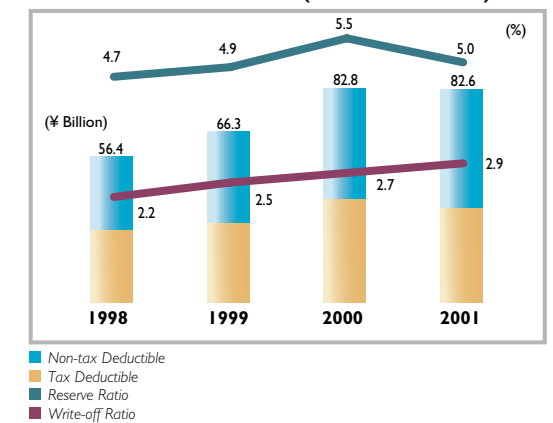
Takefuji has achieved strong profitability by combining the skills described above with its "Customer First" and "Operational Efficiency" philosophies. As a result, Takefuji boasts a 24.5% return on loan assets and a real loan loss ratio of 2.37%\*, figures unrivalled in the consumer finance industry 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 2000

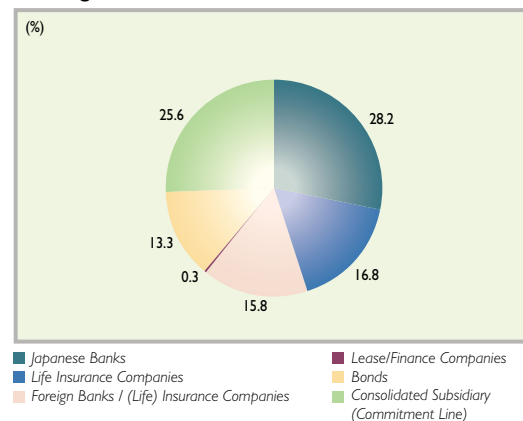


Allowance for Credit Losses (Non-Consolidated)



\*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)

Funding Sources



**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, 2001, the Company borrowings were nearly 60% domestic and 40% 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.

**Proud Track Record and Presence Overseas**

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 stand-by loan facility equivalent to US\$4 billion, after Takefuji Capital entered into an agreement with Deutsche Bank AG for a US\$3 billion loan facility and with ING Bank for a loan facility equivalent to US\$1 billion.

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

**High Marks from Overseas Investors**

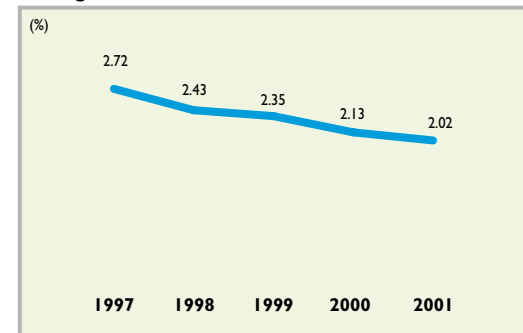
Takefuji has attracted considerable interest among foreign investors since its OTC registration in 1996. Foreign stockholdings have been relatively high ever since. With Takefuji listed on the First Section of the Tokyo Stock Exchange, nearly 30% of its stock was held by foreign investors as of the end of March 2001.

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.

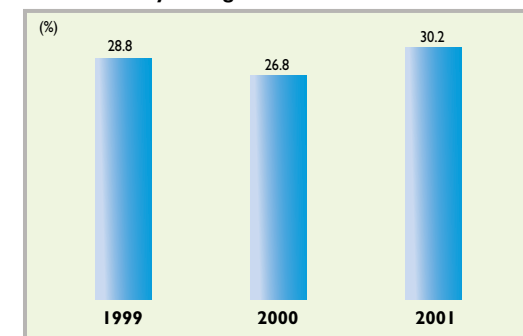
**Takefuji's Policy on Funding**

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.

Average Procurement Rate



Shares Held by Foreign Investors



**Issuance of Global Bond, Active Response to Globalization of World Economy**

In April 2001 Takefuji issued a dollar-denominated unsecured straight bond (global bond), the first of its kind in the Japanese financial industry. The Company's fundamental fund-raising policy is to diversify sources of funds and ensure a stable inflow of long-term funds. The purpose of issuing the prestigious global bond, backed by one of the highest credit ratings awarded to a Japanese financial institution by world-renowned rating agencies, was to raise Takefuji's profile overseas and further expand its investor base. The issuance of the bond has assured investors around the world that there is no cause for anxiety about the Company's business operations over the next ten years (the term of the bond), and they have responded by purchasing it. Takefuji's principal asset is the trust in which it is held worldwide, and for its part the Company will seek to increase transparency still further.

Takefuji does not seek haphazard diversification. Its aim, based on considerable research and consideration, is to further enhance and develop the consumer finance business as its core activity with a focus on unsecured, unguaranteed, small-lot financing, which is the most profitable areas and on that it can operate in with a high degree of efficiency. This issue of the global bond is a form of fund-raising that reflects the Company's confidence in the future, based on its conviction that consumer finance has ample scope for further expansion.



**Developing Venture Capital Business as a Global Corporation**

The wholly-owned subsidiary TWJ Euro Co., Ltd. was established in London in October 2000 for the purpose of initiating the venture-capital business in Europe. The principal objective of conducting this business is to accumulate know-how in venture-capital business by engaging vigorously in investment activity, principally in the IT field. Takefuji will be the first Japanese company to launch full-scale into investment in high-technology venture businesses in Europe. Previously — in April 2000 — Takefuji established TWJ Co., Ltd. to engage in venture-capital business in Japan, and it plans to establish another subsidiary in this field in the United States. In combination with the existing G.H. Investment Co., Ltd. in Hong Kong, this will create a venture-capital structure with global coverage from bases in Japan, the United States, Europe, and Asia.

**Takefuji Issues Unsecured Straight Bond**

– Issue Value of ¥140,000 Million at End of March 2001 –

In May 1999, the Nonbank Debenture Law came into force, allowing nonbank financial institutions to raise funds through the issuance of corporate bonds. In October of the same year, Takefuji issued Japan's first unsecured straight bond (domestic straight bond) in the amount of ¥30,000 million. In March 2000 the Company made a second issue, also worth ¥30,000 million, followed by third and fourth issues of ¥30,000 million each in June. The fifth and sixth issues of this bond were made in October 2000, both at ¥10,000 million, and as of the end of March 2001 the total issued value stood at ¥140,000 million. The issue of debentures has diversified Takefuji's fund procurement sources and has opened the way to the stable, long-term procurement of low-interest funds, thus giving the Company a stronger financial position than ever before and helping to push up profits.







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**Takefuji's Sports Promotion Program**

In line with the concept of corporate citizenship, which stresses the responsibility of a company to make a contribution to the well-being of the society of which it is a member, Takefuji has for many years been sponsoring and otherwise supporting various social activities. The Company's involvement spreads across a wide range of fields, including sports, culture, and other activities of importance to society as a whole. Among these, the U.S. women's pro golf tour, held in Hawaii under the name of the LPGA Takefuji Classic, has grown into an important vehicle for strengthening the friendly ties between Japan and the United States.

Within Japan, Takefuji is an official sponsor of the "J League" — Japan's professional soccer league — and the thanks to its varied activities, the Company has become an established part of the sporting and cultural scene. The name of Takefuji is a well-known part of the daily scene at sports grounds and stadiums across the country.



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**Continued Contributions Make for a Healthier Culture and a Stronger Society**

We believe that our commitment to continue such social contributions is highly significant of itself. Our social contributions have a long history. For instance, we began making grants to an organization that trains guide dogs for the blind in 1984. We provide support for disabled people, for environmental protection, and for international exchange in the field of education relating to science and technology. Moreover, Takefuji was the first Japanese company to establish a public trust fund – the Takefuji Commemorative Japan Trust – which makes grants to Japanese students studying overseas and also provides financial support for international cooperation in the field of science and technology, thereby furthering technological development.

In the cultural sphere, in 1996 Takefuji sponsored the production of audiovisual educational materials aimed at introducing aspects of Japan's society to people in China, and the Takefuji-sponsored entry was awarded first prize by the Chinese government at the All-China Educational Audiovisual Materials Contest.

FIVE-YEAR SUMMARY

|  | Millions of yen |            |            |            |            | Thousands of U.S. dollars* |
|--|-----------------|------------|------------|------------|------------|----------------------------|
|  | 2001            | 2000       | 1999       | 1998       | 1997       | 2001                       |
| Outstanding loans .....                                | ¥1,645,059      | ¥1,492,202 | ¥1,341,265 | ¥1,188,668 | ¥1,053,651 | \$13,266,605               |
| Revenues .....   | 401,561         | 370,710    | 338,619    | 316,861    | 279,545    | 3,238,395                  |
| Income before income taxes and minority interests..... | 232,229         | 204,635    | 174,326    | 163,911    | 135,373    | 1,872,815                  |
| Net income .....                                       | 127,267         | 113,889    | 85,106     | 66,545     | 52,040     | 1,026,348                  |
| Total stockholders' equity .....                       | 739,490         | 624,016    | 501,166    | 427,897    | 369,821    | 5,963,629                  |
| Total assets .....                                     | 2,018,058       | 1,899,167  | 1,728,846  | 1,559,857  | 1,416,288  | 16,274,661                 |
| Number of accounts (thousands) ....                    | 2,909           | 2,795      | 2,662      | 2,521      | 2,368      |                            |
| Number of manned branches .....                        | 531             | 530        | 530        | 530        | 528        |                            |
| Number of employees .....                              | 3,458           | 3,443      | 4,118      | 4,051      | 3,921      |                            |

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥124=U.S.\$1, the approximate closing rate of the Tokyo foreign exchange market as of March 30, 2001, as described in Note 3 of the Notes to the Consolidated Financial Statements.

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

## FINANCIAL REVIEW

### Revenues

In fiscal year ended March 2001, total revenues increased by ¥30,851 million, or 8.3%, from the previous fiscal year to ¥401,561 million (US\$3,238.4 million). This reflects an increase of ¥27,949 million, or 7.8%, from the year before in interest income on direct cash loans to ¥387,142 million (US\$3,122.1 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 year, direct cash loans to customers in the period under review showed stable growth, increasing by ¥152,857 million, or 10.2%, from the previous fiscal year to ¥1,645,059 million (US\$13,266.6 million).

The number of new customers was 457,159, and the number of accounts increased by 113,523 over the preceding year to 2,909,014. The average loan balance per account increased by 6.0% compared with the previous fiscal year to approximately ¥565,000. This reflects enhanced marketing to existing prime customers.

Our branch expansion strategy during the period under review focused on enhancing customer convenience and improving operational efficiency. The number of manned branches was increased by 1 to 531. The Company added 250 further unmanned branches,

bringing the total to 1,178. The number of Yen-musubi automated loan contracting machines was increased by 251 to 1,710. Takefuji also added 251 of its own ATMs, bringing the total to 1,900. The number of interlinked CDs and ATMs increased from 23,909 to 26,928 units.

### Operating Expenses

Interest expenses included in operating expenses amounted to ¥25,708 million (US\$207.3 million), a decrease of ¥100 million, or 0.4%, from the previous year. Takefuji lowered its hedge ratio to benefit fully from low interest rates as interest expenses increased at a slower pace than borrowings. Provision for credit losses increased by ¥164 million, or 0.3%, over the previous fiscal year to ¥57,264 million (US\$461.8 million). The amount of loan write-offs (core business base) increased by ¥7,036 million, or 17.3% to ¥47,635 million (US\$384.1 million). Although the ratio of write-offs to outstanding loans edged up by 0.2% to 2.9%, it is still at a relatively low level. Collections from loans previously written off was ¥8,591 million. The recovery rate as a percentage of the outstanding loan balance was 0.5%, a 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, collection know-how, and a convenient repayment system are the

hallmarks of risk management at Takefuji.

Advertising expenses amounted to ¥16,115 million (US\$130.0 million), ¥572 million, or 3.7% higher than in the fiscal year ended March 2000. This reflected the increase in public media activities.

General and administrative expenses increased by ¥2,416 million, or 3.1%, to ¥81,246 million (US\$655.2 million).

### Operating Income

Operating income rose by ¥27,190 million, or 14.2%, over the previous fiscal year to ¥218,971 million (US\$1,765.9 million). The ratio of operating income to revenue was 54.5%.

### Other Expenses (Income)

Other income amounted to ¥13,258 million, compared to ¥12,854 million for the previous year. In the year under review, gain on sales of marketable and investments in securities amounted to ¥1,424 million (US\$11.5 million). Gain on participation in leveraged lease partnerships amounted to ¥21,057 million (US\$169.8 million).

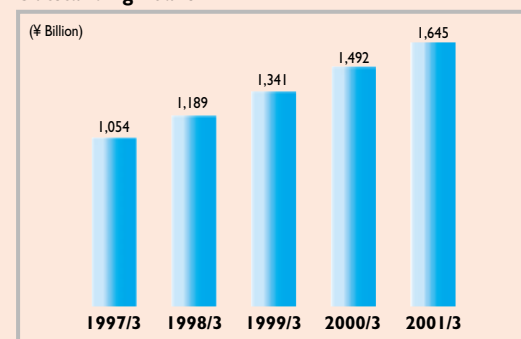
Leveraged lease gains refer to the profit on Takefuji's share of a joint investment made between fiscal year ended November 1990 and fiscal year ended November 1993 for

the purpose of leasing aircraft. These lease partnerships are structured to incur losses well in excess of the cost of investment in the early stages. The gain on investments began in fiscal year ended March 1998, and will contribute to earnings in the coming years. Total income of approximately ¥61 billion is expected between fiscal year ended March 2002 and fiscal year ended March 2006.

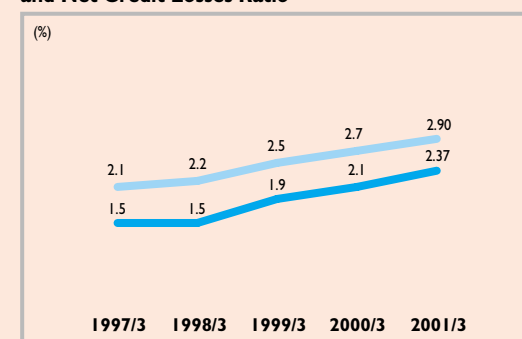
### Net Income

Net income amounted to ¥127,267 million (US\$1,026.3 million), an increase of ¥13,378 million, or 11.7% from the previous fiscal year. The ratio of net income to revenues rose from the previous fiscal year's 30.7% to 31.7%. Net income per share increased to ¥864.0 (US\$7.0) from ¥773.2 (US\$6.2) a year earlier. The company paid a ¥30 per share interim dividend and a ¥70

Outstanding Loans

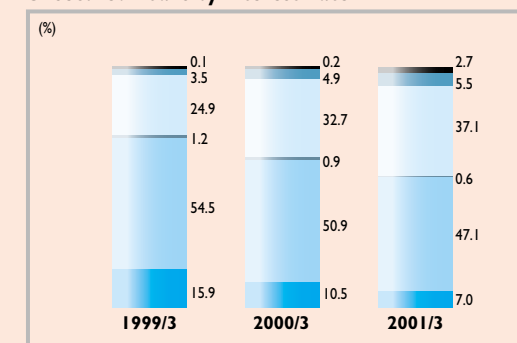


Ratio of Credit Losses to Outstanding Loans and Net Credit Losses Ratio



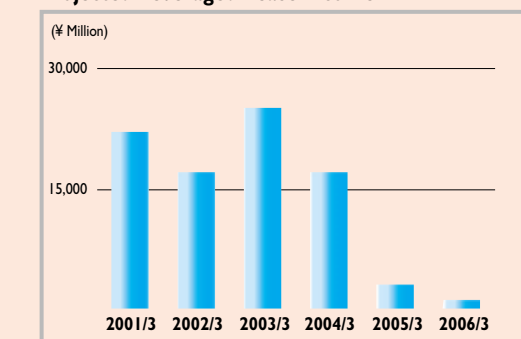
Ratio of Credit Losses  
Net Credit Losses Ratio

Unsecured Loans by Interest Rate

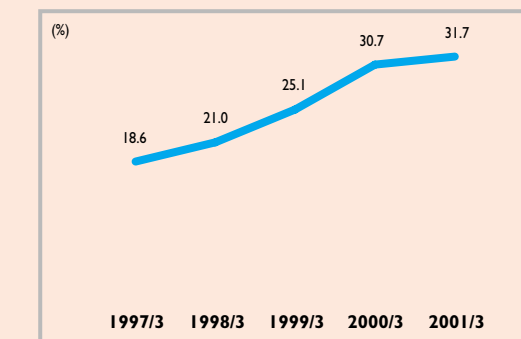


29.200%  
27.375%  
26.280%  
25.550%  
23.360%  
Others

Projected Leveraged Lease Income



Net Income to Revenues





year-end dividend, which included a commemorative dividend of ¥40. The total dividend for the fiscal year ended March 2001 was thus ¥100 per share.

### Financial Condition

Total assets as of March 31, 2001 were ¥2,018.1 billion (US\$16,274.7 million), an increase of ¥118.9 billion, or 6.3%, from the fiscal year ended March 31, 2000. Total current assets rose ¥95.7 billion, or 6.0% to ¥1,690.9 billion (US\$13,636.4 million), mainly due to an increase in direct cash loans to customers of ¥152.9 billion, or 10.2%, from the previous fiscal year to ¥1,645.1 billion (US\$13,266.6 million).

Property and equipment declined marginally by ¥1,111 million, or 0.5%, over the previous fiscal year to ¥224,747 million (US\$1,812.5 million).

The provision for credit losses at the end of the fiscal year ended March 31, 2001 was ¥82,600 million (US\$666.1 million), a decrease of ¥200 million, or 0.2%, from the previous fiscal year.

Total current liabilities decreased by ¥51,543 million, or 10.4%, from the previous fiscal year to ¥441,787 million (US\$3,562.8 million). This was mainly because of a ¥32,896 million, or 8.5%, decrease to ¥354,030 million (US\$2,855.1 million) in the current portion of long-term debt. Short-term borrowings fell by ¥12,430 million, or

35.1%, from the previous fiscal year to ¥22,950 million (US\$185.1 million).

Long-term debt decreased by ¥54,349 million, or 7.0%, from the previous year to ¥834,372 million (US\$6,728.8 million).

Total stockholders' equity rose by ¥115,474 million, or 18.5%, from the previous fiscal year to ¥739,490 million (US\$5,963.6 million). The stockholders' equity ratio improved from 32.9% in the previous fiscal year to 36.6%. Stockholders' equity per share increased by 18.5% from the previous fiscal year to ¥5,020.5 (US\$40.5).

### Cash Flows

The principal sources of cash flows from operating activities were ¥232,229 million (US\$1,872.8 million) in income before income taxes and minority interests, ¥5,365 million (US\$43.3 million) in depreciation and amortization, ¥8,597 million (US\$69.3 million) in loss on revaluation of investment securities, and ¥692,681 million (US\$5,586.1 million) in principal collected on consumer loans. The main use of cash in operating activities was ¥903,003 million (US\$7,282.3 million) in consumer loans made to customers. As a result, net cash flow used in operating activities was ¥30,642 million (US\$247.1 million).

Net cash used in investing activities was ¥1,568 million.

The principal activities contributing to cash flow from financing activities were ¥311,451 million (US\$2,511.7 million) in proceeds from long-term borrowings and ¥358,662 million (US\$2,892.4 million) in repayments of long-term loans. Together with other items, net cash provided by financing activities was ¥8,576 million.

Overall, net cash used in operating, investing and financing activities totaled ¥23,222 million (US\$187.3 million). As a result, cash and cash equivalents at the end of the year decreased to ¥53,979 million (US\$435.3 million) compared to ¥77,201 million in the previous fiscal year.

### Efficiency

With the third-generation online system with a highly advanced mainframe parallel computer now operating around the year since fiscal year ended March 1999, the Company was able to achieve further gains in productivity. Revenues per employee rose 7.8% from the previous fiscal year to ¥116.1 million. Revenues per manned branch, affected in part by the aggressive expansion of unmanned branches, increased 8.1% from the previous fiscal year to ¥756 million. Outstanding loans per employee rose 9.9% from the previous fiscal year to ¥476 million. Outstanding loans per manned branch were up 10.0% to ¥3,098 million.

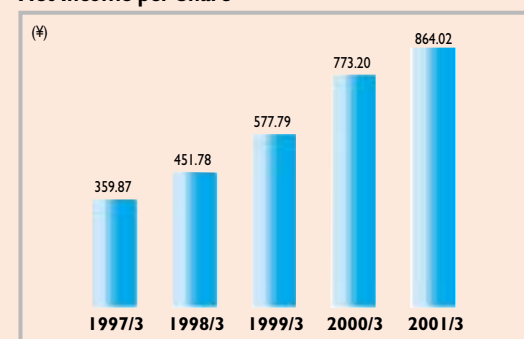
### Market Risk

The major market risk Takefuji is exposed to is price volatility in its portfolio of listed securities. Aggregated unrealized gains on securities as of the end of the fiscal year amounted to ¥28,108 million. Given the relatively small size of the securities portfolio in relation to total assets and the level of aggregated unrealized gains, the impact of market price volatility on Takefuji's profits is unlikely to be significant.

Takefuji had US\$-denominated debt of US\$759 million as of the end of the fiscal year. All this debt is hedged against foreign exchange rate fluctuations either through swaps or forward foreign exchange contracts.

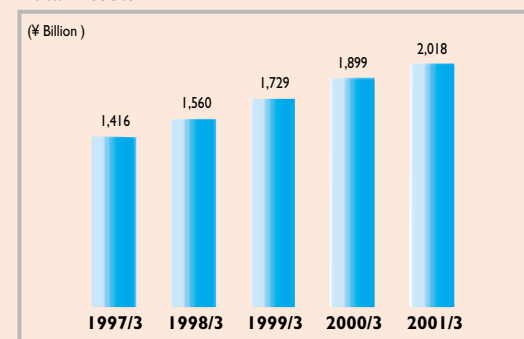
Approximately half of the company's borrowings bear a floating rate of interest. Having assumed that the probability of interest rates rising is low, Takefuji is taking measures, including the reduction of its hedge ratio, to take full advantage of low interest rates.

Net Income per Share

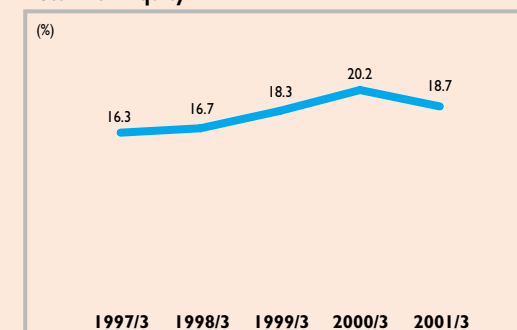


Note: A 1 to 1.3 stock split was carried out during fiscal 1999. The split was non-dilutive to stockholders.

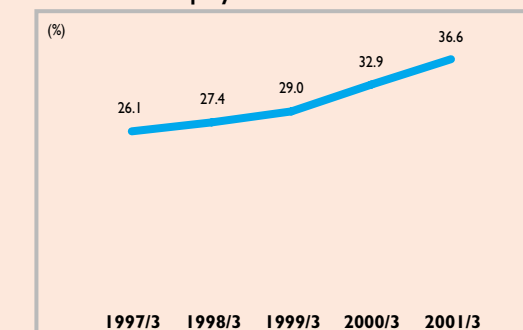
Total Assets



Return on Equity



Stockholders' Equity Ratio



CONSOLIDATED BALANCE SHEETS

TAKEFUJI CORPORATION AND SUBSIDIARIES  
AS OF MARCH 31, 2001 AND 2000

|   | Millions of yen   |                   | Thousands of U.S. dollars |
|---|-------------------|-------------------|---------------------------|
|   | 2001              | 2000              | (Note 3)<br>2001          |
| <b>ASSETS</b>   |                   |                   |                           |
| <b>Current Assets:</b>  |                   |                   |                           |
| Cash in hand and at banks .....   | ¥ 25,368          | ¥ 23,161          | \$ 204,581                |
| Time deposits (Note 8) .....  | 22,286            | 19,880            | 179,726                   |
| Marketable securities (Notes 4 and 8) .....   | —                 | 50,297            | —                         |
| Short-term investments<br>(certificates of deposit purchased under resale agreements) ..... | 25,005            | 35,036            | 201,653                   |
| Direct cash loans to customers (Notes 5 and 8):   |                   |                   |                           |
| Principal .....   | 1,645,059         | 1,492,202         | 13,266,605                |
| Accrued interest income .....   | 18,169            | 15,386            | 146,524                   |
| Less: Allowance for credit losses (Note 5) .....  | (82,600)          | (82,800)          | (666,129)                 |
| Prepaid expenses .....  | 2,297             | 2,617             | 18,524                    |
| Deferred tax assets .....   | 23,044            | 26,050            | 185,839                   |
| Other current assets .....  | 12,289            | 13,433            | 99,104                    |
| <b>Total Current Assets .....</b>   | <b>¥1,690,917</b> | <b>¥1,595,262</b> | <b>\$13,636,427</b>       |
| <b>Investments:</b>   |                   |                   |                           |
| Investments in securities (Note 4) .....  | 77,575            | 45,388            | 625,605                   |
| Investments in partnerships .....   | 9,086             | 15,011            | 73,274                    |
| Other investments .....   | 909               | 1,012             | 7,331                     |
|   | 87,570            | 61,411            | 706,210                   |
| <b>Property and Equipment, Net of</b>   |                   |                   |                           |
| <b>Accumulated Depreciation (Notes 6 and 8) .....</b>                                       | <b>224,747</b>    | <b>225,858</b>    | <b>1,812,476</b>          |
| <b>Deferred Tax Assets .....</b>  | <b>3,225</b>      | <b>3,429</b>      | <b>26,008</b>             |
| <b>Leasehold Deposits and Other Assets (Note 7) .....</b>                                   | <b>11,599</b>     | <b>12,835</b>     | <b>93,540</b>             |
| <b>Foreign Currency Translation Adjustments (Note 2(9)) .....</b>                           | <b>—</b>          | <b>372</b>        | <b>—</b>                  |
|   | ¥2,018,058        | ¥1,899,167        | \$16,274,661              |

The accompanying notes are an integral part of these statements.

|   | Millions of yen |                | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
|   | 2001            | 2000           | (Note 3)<br>2001          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                     |                 |                |                           |
| <b>Current Liabilities:</b>                                     |                 |                |                           |
| Short-term borrowings (Note 8) .....                            | ¥ 22,950        | ¥ 35,380       | \$ 185,081                |
| Current portion of long-term debt (Note 8) .....                | 354,030         | 386,926        | 2,855,081                 |
| Accounts payable .....  | 7,191           | 6,034          | 57,992                    |
| Income taxes payable (Note 9) .....                             | 50,383          | 59,146         | 406,314                   |
| Accrued expenses .....  | 6,673           | 5,377          | 53,814                    |
| Other current liabilities .....                                 | 560             | 467            | 4,516                     |
| <b>Total Current Liabilities .....</b>                          | <b>441,787</b>  | <b>493,330</b> | <b>3,562,798</b>          |
| <b>Long-Term Debt (Notes 8 and 12) .....</b>                    | <b>834,372</b>  | <b>780,023</b> | <b>6,728,807</b>          |
| <b>Allowance for Retirement Benefits (Note 10) .....</b>        | <b>2,312</b>    | <b>1,705</b>   | <b>18,645</b>             |
| <b>Minority Interests .....</b>                                 | <b>97</b>       | <b>93</b>      | <b>782</b>                |
| <b>Commitments and Contingent Liabilities (Notes 11 and 13)</b> |                 |                |                           |
| <b>Stockholders' Equity:</b>                                    |                 |                |                           |
| Common stock, par value ¥50 per share:                          |                 |                |                           |
| Authorized: 430,000,000 shares                                  |                 |                |                           |
| Issued: 147,295,200 shares as of March 31, 2001 and 2000 .....  | 30,478          | 30,478         | 245,790                   |
| Additional paid-in capital .....                                | 52,263          | 52,263         | 421,476                   |
| Retained earnings (Note 14) .....                               | 656,708         | 541,276        | 5,296,032                 |
| Foreign currency translation adjustments (Note 2 (9)) .....     | 41              | —              | 331                       |
| Treasury stock .....  | (0)             | (1)            | (0)                       |
| <b>Total Stockholders' Equity .....</b>                         | <b>739,490</b>  | <b>624,016</b> | <b>5,963,629</b>          |
|   | ¥2,018,058      | ¥1,899,167     | \$16,274,661              |



CONSOLIDATED STATEMENTS OF INCOME

TAKEFUJI CORPORATION AND SUBSIDIARIES  
FOR THE YEARS ENDED MARCH 31, 2001, 2000 AND 1999

|   | Millions of yen |                 |                 | Thousands of U.S. dollars<br>(Note 3) |
|---|-----------------|-----------------|-----------------|---------------------------------------|
|   | 2001            | 2000            | 1999            | 2001                                  |
| <b>Revenues:</b>  |                 |                 |                 |                                       |
| Interest income on direct cash loans .....                                      | ¥387,142        | ¥359,193        | ¥326,299        | \$3,122,113                           |
| Other income .....  | 14,419          | 11,517          | 12,320          | 116,282                               |
|   | <u>401,561</u>  | <u>370,710</u>  | <u>338,619</u>  | <u>3,238,395</u>                      |
| <b>Costs and Expenses:</b>  |                 |                 |                 |                                       |
| Interest expenses .....   | 25,708          | 25,808          | 26,524          | 207,323                               |
| Other expenses associated with financing .....                                  | 2,257           | 1,648           | 5,741           | 18,202                                |
| Provision for credit losses (Note 5) .....                                      | 57,264          | 57,100          | 44,018          | 461,806                               |
| Advertising expenses .....  | 16,115          | 15,543          | 13,703          | 129,960                               |
| Other general and administrative expenses .....                                 | 81,246          | 78,830          | 72,393          | 655,209                               |
|   | <u>182,590</u>  | <u>178,929</u>  | <u>162,379</u>  | <u>1,472,500</u>                      |
| <b>Operating Income</b> .....   | <u>218,971</u>  | <u>191,781</u>  | <u>176,240</u>  | <u>1,765,895</u>                      |
| <b>Other Expenses (Income):</b>   |                 |                 |                 |                                       |
| Loss on revaluation of marketable securities and<br>investment securities ..... | 8,597           | 2,111           | 1,780           | 69,331                                |
| (Gain) loss on sales of marketable securities .....                             | (1,424)         | (5,157)         | 851             | (11,484)                              |
| Loss on sales of investment securities .....                                    | —               | —               | 37              | —                                     |
| Loss on sales/disposal of property and equipment, net .....                     | 191             | 169             | 199             | 1,540                                 |
| Gain on participation in<br>leveraged lease partnerships (Note 12) .....        | (21,057)        | (10,310)        | (9,611)         | (169,815)                             |
| Expenses for issuance of bonds .....  | 435             | 333             | —               | 3,508                                 |
| Loss on cancellation of specified money trust .....                             | —               | —               | 2,625           | —                                     |
| Loss on cancellation of interest-rate cap contracts .....                       | —               | —               | 6,033           | —                                     |
|   | <u>(13,258)</u> | <u>(12,854)</u> | <u>1,914</u>    | <u>(106,920)</u>                      |
| <b>Income before Income Taxes and Minority Interests</b> .....                  | <u>232,229</u>  | <u>204,635</u>  | <u>174,326</u>  | <u>1,872,815</u>                      |
| <b>Income Taxes</b> (Note 9)  |                 |                 |                 |                                       |
| Current .....   | 101,747         | 96,472          | 89,235          | 820,540                               |
| Deferred .....  | (3,211)         | 5,729           | —               | (25,895)                              |
|   | <u>104,958</u>  | <u>90,743</u>   | <u>89,235</u>   | <u>846,435</u>                        |
| <b>Minority Interests</b> .....   | <u>(4)</u>      | <u>(3)</u>      | <u>15</u>       | <u>(32)</u>                           |
| <b>Net Income</b> .....   | <u>¥127,267</u> | <u>¥113,889</u> | <u>¥ 85,106</u> | <u>\$1,026,348</u>                    |

|                                    | Yen    |        |        | U.S. dollars<br>(Note 3) |
|------------------------------------|--------|--------|--------|--------------------------|
|                                    | 2001   | 2000   | 1999   | 2001                     |
| <b>Amounts Per Share:</b>          |        |        |        |                          |
| Net income .....                   | ¥864.0 | ¥773.2 | ¥577.8 | \$6.97                   |
| Cash dividends (Note 2 (13)) ..... | 100.0  | 80.0   | 100.0  | 0.81                     |

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, 2001, 2000 AND 1999

|  | Millions of yen                             |                 |                                  |                      |   |                   |
|--|---|-----------------|----------------------------------|----------------------|---|-------------------|
|  | Number of<br>common<br>stock<br>(Thousands) | Common<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings | Foreign<br>currency<br>translation<br>adjustments | Treasury<br>stock |
| <b>Balance at March 31, 1998</b> .....                                       | 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)                 | —   | —                 |
| <b>Balance at March 31, 1999</b> .....                                       | 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 of<br>deferred tax accounting ..... | —   | —               | —                                | 23,750               | —   | —                 |
| <b>Balance at March 31, 2000</b> .....                                       | 147,295                                     | 30,478          | 52,263                           | 541,276              | —   | (1)               |
| Net income .....   | —   | —               | —                                | 127,267              | —   | —                 |
| Cash dividends paid (¥80 per share) .....                                    | —   | —               | —                                | (11,785)             | —   | —                 |
| Bonuses to directors and statutory auditors .....                            | —   | —               | —                                | (50)                 | —   | —                 |
| Reclassification of foreign currency<br>translation adjustments .....        | —   | —               | —                                | —                    | ¥41   | —                 |
| Purchase of treasury stock, at cost (net) .....                              | —   | —               | —                                | —                    | —   | 1                 |
| <b>Balance at March 31, 2001</b> .....                                       | <u>147,295</u>                              | <u>¥30,478</u>  | <u>¥52,263</u>                   | <u>¥656,708</u>      | <u>¥41</u>  | <u>¥(0)</u>       |

|   | Thousands of U.S. dollars (Note 3)          |                  |                                  |                      |   |                   |
|---|---|------------------|----------------------------------|----------------------|---|-------------------|
|   | Number of<br>common<br>stock<br>(Thousands) | Common<br>stock  | Additional<br>paid-in<br>capital | Retained<br>earnings | Foreign<br>currency<br>translation<br>adjustments | Treasury<br>stock |
| <b>Balance at March 31, 2000</b> .....                                | 147,295                                     | \$245,790        | \$421,476                        | \$4,365,129          | —   | \$(8)             |
| Net income .....  | —   | —                | —                                | 1,026,347            | —   | —                 |
| Cash dividends paid (\$0.65 per share) .....                          | —   | —                | —                                | (95,041)             | —   | —                 |
| Bonuses to directors and statutory auditors .....                     | —   | —                | —                                | (403)                | —   | —                 |
| Reclassification of foreign currency<br>translation adjustments ..... | —   | —                | —                                | —                    | \$331   | —                 |
| Purchase of treasury stock, at cost (net) .....                       | —   | —                | —                                | —                    | —   | 8                 |
| <b>Balance at March 31, 2001</b> .....                                | <u>147,295</u>                              | <u>\$245,790</u> | <u>\$421,476</u>                 | <u>\$5,296,032</u>   | <u>\$331</u>                                      | <u>\$ 0</u>       |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAKEFUJI CORPORATION AND SUBSIDIARIES  
FOR THE YEARS ENDED MARCH 31, 2001 AND 2000

|   | Millions of yen |           | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
|   | 2001            | 2000      | (Note 3)<br>2001          |
| <b>Operating Activities:</b>                                      |                 |           |                           |
| Income before income taxes and minority interests .....           | ¥232,229        | ¥204,635  | \$1,872,815               |
| Depreciation and amortization.....                                | 5,365           | 5,623     | 43,266                    |
| Net loss on sales/disposal of property and equipment.....         | 191             | 169       | 1,540                     |
| Increase in allowance for retirement benefits.....                | 607             | 24        | 4,895                     |
| Gain on sales of marketable securities.....                       | (1,423)         | (5,156)   | (11,476)                  |
| Loss on revaluation of marketable securities.....                 | —               | 2,111     | —                         |
| Gain on participation in leveraged lease partnerships.....        | (11,389)        | (6,556)   | (91,847)                  |
| Loss on revaluation of investment securities.....                 | 8,597           | —         | 69,331                    |
| Direct cash loans made to customers.....                          | (903,003)       | (838,161) | (7,282,281)               |
| Direct cash loans collected from customers.....                   | 692,681         | 646,626   | 5,586,137                 |
| (Decrease) increase in allowance for credit losses.....           | (200)           | 16,500    | (1,613)                   |
| Write-offs.....   | 57,464          | 40,599    | 463,419                   |
| Increase in accrued interest income.....                          | (2,783)         | (2,984)   | (22,444)                  |
| Other, net.....   | 866             | (8,378)   | 6,984                     |
| Sub Total.....  | 79,202          | (55,052)  | 638,726                   |
| Dividend income received.....                                     | 666             | 178       | 5,371                     |
| Income tax paid.....  | (110,510)       | (80,347)  | (891,210)                 |
| Net cash used in operating activities.....                        | ¥(30,642)       | ¥(25,117) | \$ (247,113)              |
| <b>Investing Activities:</b>                                      |                 |           |                           |
| (Increase) decrease in time deposits (over 3 month-term).....     | ¥(15,926)       | ¥ 67      | \$ (128,435)              |
| Purchase of marketable securities.....                            | —               | (1,437)   | —                         |
| Proceeds from sales of marketable securities.....                 | —               | 7,919     | —                         |
| Purchase of property and equipment.....                           | (2,654)         | (2,704)   | (21,403)                  |
| Proceeds from sales of property and equipment.....                | —               | 59        | —                         |
| Purchase of investments in securities.....                        | (1,101)         | (39,508)  | (8,879)                   |
| Proceeds from sales of investments in securities.....             | 14,529          | 316       | 117,169                   |
| Purchase of investments in partnerships.....                      | (1,582)         | (1,020)   | 12,758                    |
| Proceeds from sales of investments in partnerships.....           | 5,507           | 12,025    | 44,411                    |
| Other, net.....   | (341)           | (673)     | (2,750)                   |
| Net cash used in investing activities.....                        | (1,568)         | (24,956)  | (12,645)                  |
| <b>Financing Activities:</b>                                      |                 |           |                           |
| (Decrease) increase in short-term borrowings, net.....            | (12,430)        | 13,139    | (100,242)                 |
| Proceeds from long-term borrowings.....                           | 311,451         | 200,548   | 2,511,702                 |
| Repayments of long-term borrowings.....                           | (358,662)       | (234,985) | (2,892,436)               |
| Proceeds from issuance of bonds.....                              | 80,000          | 60,000    | 645,161                   |
| Proceeds from sale of treasury stock.....                         | 0               | 3         | 0                         |
| Cash dividends paid.....  | (11,783)        | (14,729)  | (95,024)                  |
| Net cash provided by financing activities.....                    | 8,576           | 23,976    | 69,161                    |
| Effect of exchange rate changes on cash and cash equivalents..... | 412             | 1,576     | 3,323                     |
| Net decrease in cash and cash equivalents.....                    | (23,222)        | (24,521)  | (187,274)                 |
| Cash and cash equivalents at beginning of year.....               | 77,201          | 101,722   | 622,589                   |
| Cash and cash equivalents at end of year (Note 2 (12)).....       | ¥ 53,979        | ¥ 77,201  | \$ 435,315                |

CONSOLIDATED STATEMENT OF CASH FLOWS

TAKEFUJI CORPORATION AND SUBSIDIARIES  
FOR THE YEAR ENDED MARCH 31, 1999

|   | Millions of yen<br>1999 |
|---|-------------------------|
| <b>Operating Activities:</b>  |                         |
| Net income .....  | ¥ 85,106                |
| Adjustments to reconcile net income to net cash used in operating activities: |                         |
| Depreciation and amortization .....   | 10,858                  |
| Provision for credit losses .....   | 44,018                  |
| Provision for retirement benefits .....                                       | 290                     |
| Gain on participation in leveraged lease partnerships .....                   | (5,776)                 |
| Net loss on sales/disposal of property and equipment .....                    | 199                     |
| Loss on revaluation of marketable securities and investment securities .....  | 4,405                   |
| Payments of retirement benefits .....   | (206)                   |
| Software costs .....  | (1,047)                 |
| Gain on specified money trust .....   | (156)                   |
| Change in operating assets and liabilities:                                   |                         |
| Direct cash loans made to customers .....                                     | (771,928)               |
| Direct cash loans collected from customers .....                              | 585,212                 |
| Accrued interest income .....   | (1,946)                 |
| Prepaid expenses .....  | 3,718                   |
| Other current assets .....  | (3,826)                 |
| Accounts payable .....  | (1,062)                 |
| Income taxes payables .....   | (15,073)                |
| Accrued expenses .....  | 742                     |
| Other current liabilities .....   | (90)                    |
| Other, net .....  | (110)                   |
| Net cash used in operating activities .....                                   | (66,672)                |
| <b>Investing Activities:</b>  |                         |
| Decrease in time deposits and marketable securities .....                     | 917                     |
| Decrease in specified money trust .....                                       | 7,083                   |
| Purchase of property and equipment .....                                      | (3,509)                 |
| Increase in telephone rights and other intangible assets .....                | (63)                    |
| Purchase of investments in securities .....                                   | (665)                   |
| Decrease in leasehold deposits .....  | 210                     |
| Increase in other investments .....   | (1,415)                 |
| Net cash provided by investing activities .....                               | 2,558                   |
| <b>Financing Activities:</b>  |                         |
| Proceeds from long-term borrowings .....                                      | 300,214                 |
| Repayments of long-term borrowings.....                                       | (177,288)               |
| Decrease in short-term borrowings, net .....                                  | (5,731)                 |
| Decrease in other long-term debt .....  | (189)                   |
| Dividends paid .....  | (11,784)                |
| Other, net .....  | (53)                    |
| Net cash provided by financing activities .....                               | 105,169                 |
| Net Increase in Cash and Cash Equivalents .....                               | 41,055                  |
| Cash and Cash Equivalents at beginning of year .....                          | 54,136                  |
| Cash and Cash Equivalents at end of year .....                                | ¥ 95,191                |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                      |                         |
| Cash paid during the year for:  |                         |
| Interest .....  | ¥ 25,955                |
| Income taxes .....  | 104,033                 |

The accompanying notes are an integral part of these statements.



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., TWJ Euro Co., Ltd., and G.H Investment Co., Ltd., are maintained in accordance with local requirements in their respective country of incorporation. Relevant notes have been added, and certain items presented in the consolidated financial statements filed with the Financial Services Agency 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. Although there was no requirement to file them with the Ministry of Finance, the consolidated statement of cash flows for the year ended March 31, 1999 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 consolidated statement of cash flows for the year ended March 31, 1999 have been presented separately from the statements for the years ended March 31, 2001 and 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) Principal shareholder of the Company

The Chairman of the Board of Directors, the CEO and President of the Company, Mr. Yasuo Takei, is 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, 2001.

2. Summary of Significant Accounting Policies

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries including overseas subsidiaries (together referred to as the "Group"). As of March 31, 2001, the subsidiaries are as listed below:

|  | Equity ownership percentage |
|--|-----------------------------|
| #1. Take One Country Club, 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                       |
| 5. Takefuji Capital Co., Ltd. ....       | 100.0                       |
| 6. Yasui Co., Ltd. ....                  | 100.0                       |
| 7. TTS Finance Co., Ltd. ....            | 66.7                        |
| 8. TSR Co., Ltd. ....                    | 100.0                       |
| 9. G.H Investment Co., Ltd. ....         | 100.0                       |
| 10. Takefuji New Research Institute .... | 97.0                        |
| 11. Fujix-Credit Co., Ltd. ....          | 100.0                       |
| 12. TWJ Co., Ltd. ....                   | 100.0                       |
| 13. TWJ Euro Co., Ltd. ....              | 100.0                       |

Note: TWJ Co., Ltd. was established in April 2000. TWJ Euro Co., Ltd. was established in October 2000. Tobki Lease Co., Ltd. was dissolved as of October 1, 2000, due to a merger with Take One Country Club Ltd. The accounts of the subsidiaries which use a fiscal year-end other than March 31 are included in the consolidated financial statements after making appropriate adjustments for significant transactions during the periods from their respective fiscal year-ends to March 31.

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

The acquisition cost less the fair value of net assets acquired is charged or credited to the consolidated statement of income, as the case may be, in the year of acquisition.

(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 Restriction Law, whichever is lower.

(3) Allowance for credit losses

The "allowance for credit losses" account provided by the Company is an amount to cover possible credit losses based on management's judgment. Prior to April 1, 2000, the allowance for credit losses was provided for as an amount equal to the estimated uncollectible portion of loans, such estimate being based on statistical data regarding past defaults and the probability of collection of defaulted loans.

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments and changed its calculation method of allowance for credit losses. The allowance for credit losses on direct cash loans (including delinquent loans within 30 days) is provided for in an amount deemed necessary to cover possible losses based on the actual percentage of loan write-offs mainly arising as a result of personal bankruptcy of customers. With respect to direct cash loans classified as "doubtful," such as delinquent loans past due for long periods, the allowance for credit losses is based on the individual assessment of each doubtful loan and the probability of collection of loans in default. Due to the above change in the calculation method, "operating income" and "income before income taxes and minority interests" for the year ended March 31, 2001 increased by ¥20,400 million, respectively.

(4) Write-offs of direct cash loans

The write-off of direct cash loans is made on the basis of evidence that clearly demonstrate the uncollectibility of the unpaid balances. Where the balances previously written-off are subsequently recovered and collected, the amount is included in "Other income" in the year of recovery.

(5) Valuation of securities

Prior to April 1, 2000, securities with market quotations were valued at the lower of cost or market, cost being determined by the moving average method. Any write-down to lower market value is made individually for each security, and is not made between the aggregate cost and the aggregate market value of securities. Securities without market quotations are valued at cost, determined by the moving average method. Effective April 1, 2000, the Company adopted the new accounting standard for financial instruments and classified securities into different categories, each having a different accounting method depending on the purposes for which they are held. The Company held no trading securities. Held-to-maturity debt securities are carried at amortized cost, cost being determined by the moving average method. A premium or a discount arising on acquisition is amortized and recognized as an adjustment to interest. Securities not classified as trading securities, held-to-maturity debt securities or securities of subsidiaries and affiliates, are classified as other securities. Other securities are stated at cost, cost being determined by the moving average method. If other securities were valued at market prices, unrealized gains of other securities could have amounted to ¥16,359 million (net of tax) as of March 31, 2001. As a result of adopting the new standard, "income before taxes and minority interests" for the year ended March 31, 2001 increased by ¥756 million. In addition, securities booked in the "marketable securities" account were reclassified to the "investments in securities" account and the latter balance account increased by ¥44,423 million as of March 31, 2001.

**(6) Property and equipment**

Property and equipment are stated at cost. Depreciation is computed based on the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is principally from 10 to 50 years for buildings and leasehold improvements, and from 6 to 15 years for equipment, furniture and fixtures.

**(7) Software costs**

Software costs are depreciated over the estimated useful lives of the software (principally five years).

**(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 operating leases.

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

The balance sheets of overseas subsidiaries are translated into Japanese yen at the exchange rates as at the balance sheet date except for shareholders' equity which is translated at historical rates. Revenues and expenses of overseas subsidiaries are translated into Japanese yen at the average annual exchange rate. Effective April 1, 2000, differences arising from such translation are shown as "Foreign currency translation adjustments" and included in Minority Interests and Stockholders' Equity. Prior to April 1, 2000, such differences were included in Assets or Liabilities.

**(10) Income taxes**

Effective April 1, 1999, the Company and its domestic subsidiaries adopted deferred tax accounting for the first time, in accordance with the amended regulations for 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 April 1, 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 the tax authorities.

**(11) Allowance for retirement benefits**

Effective April 1, 2000, the Company has adopted the new accounting standard for retirement benefits and, "Allowance for retirement benefits," which is provided for future pension obligation to employees, are determined based on the actuarial valuation of the pension obligation and the pension asset amount.

As a result of adopting the new standard, "income before income taxes and minority interests" decreased by ¥715 million.

**(12) 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 consist of the following items on the balance sheet.

|   | Millions of yen |
|---|-----------------|
| Cash in hand and at banks.....                | ¥25,368         |
| Time deposits .....                           | 22,286          |
| Short-term investments.....                   | 25,005          |
| Less: Time deposits over three months .....   | (18,680)        |
| Cash and cash equivalents at end of year..... | <u>¥53,979</u>  |

**(13) Amounts per share**

Cash dividends per share presented in the accompanying consolidated financial statements are dividends applicable to the respective years including dividends to be paid after the end of the year.

**3. United States Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥124=U.S.\$1, the rate of exchange on March 30, 2001 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, 2001 and 2000 are summarized as follows:

|   | Millions of yen |                | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
|   | 2001            | 2000           | 2001                      |
| Marketable securities:                  |                 |                |                           |
| Equities with market quotations .....   | ¥ —             | ¥46,899        | \$ —                      |
| Bonds and others .....                  | —               | 3,398          | —                         |
|   | <u>¥ —</u>      | <u>¥50,297</u> | <u>\$ —</u>               |
| Investments in securities:              |                 |                |                           |
| Equities with market quotations .....   | ¥44,880         | ¥ 303          | \$361,936                 |
| Equities without market quotations..... | 2,308           | 2,796          | 18,613                    |
| Investment trust funds and others.....  | 30,387          | 42,289         | 245,056                   |
|   | <u>¥77,575</u>  | <u>¥45,388</u> | <u>\$625,605</u>          |

Book value and market value information on marketable securities and investments in securities as of March 31, 2001 is summarized as follows:

|   | Millions of yen |                 |                        |
|---|-----------------|-----------------|------------------------|
|   | Book value      | Market value    | Unrealized gain (loss) |
| Marketable securities:                  |                 |                 |                        |
| Equities with market quotations .....   | ¥ —             | ¥ —             | ¥ —                    |
| Bonds and others .....                  | —               | —               | —                      |
|   | <u>¥ —</u>      | <u>¥ —</u>      | <u>¥ —</u>             |
| Investments in securities:              |                 |                 |                        |
| Equities with market quotations .....   | ¥44,880         | ¥ 75,364        | ¥30,484                |
| Investment trust funds and others ..... | 30,148          | 27,772          | (2,376)                |
|   | <u>75,028</u>   | <u>¥103,136</u> | <u>¥28,108</u>         |
| Market value not available .....        | 2,547           |                 |                        |
|   | <u>¥77,575</u>  |                 |                        |

|   | Thousands of U.S. dollars |                  |                        |
|---|---------------------------|------------------|------------------------|
|   | Book value                | Market value     | Unrealized gain (loss) |
| Marketable securities:                  |                           |                  |                        |
| Equities with market quotations .....   | \$ —                      | \$ —             | \$ —                   |
| Bonds and others .....                  | —                         | —                | —                      |
|   | <u>\$ —</u>               | <u>\$ —</u>      | <u>\$ —</u>            |
| Investments in securities:              |                           |                  |                        |
| Equities with market quotations .....   | \$361,936                 | \$607,774        | \$245,838              |
| Investment trust funds and others ..... | 243,129                   | 223,968          | (19,161)               |
|   | <u>605,065</u>            | <u>\$831,742</u> | <u>\$226,677</u>       |
| Market value not available .....        | 20,540                    |                  |                        |
|   | <u>\$625,605</u>          |                  |                        |

**5. Direct Cash Loans to Customers and Allowance for Credit Losses**

**Direct cash loans to customers**  
Problem loans held by the Company as defined under the Law on Issue of Bonds by Moneylenders as of March 31, 2001 and 2000 were as follows:

|   | Millions of yen |        | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
|   | 2001            | 2000   | 2001                      |
| Loans to bankrupt borrowers .....                 | ¥ —             | ¥ —    | \$ —                      |
| Delinquent loans .....                            | —               | —      | —                         |
| Delinquent loans past due three months or more... | 43,924          | 43,781 | 354,226                   |
| Restructured loans <sup>(1)</sup> .....           | 64,451          | 54,871 | 519,766                   |

(1) The loans classified as restructured loans as of March 31, 2001 include ¥59,274 million, respectively, of loan receivables which were current or less than 31 days past due.

**Loans to bankrupt borrowers:**

Loans to bankrupt borrowers are loans under declaration of bankruptcy, reconstruction and similar proceedings and in addition, whose interest is no longer accrued as income since the principal or interest on such loans is unlikely to be repaid in view of the considerable period of delinquencies of the principal and interest, or other circumstances.

**Delinquent loans:**

Delinquent loans are loans whose interest is no longer accrued as income since the principal or interest on such loans is unlikely to be repaid in view of the considerable period of delinquencies of the principal and interest, or other circumstances, and do not include loans to bankrupt borrowers.

**Delinquent loans past due three months or more:**

Delinquent loans past due three months or more are loans which are delinquent for three months or more from the date of interest or principal under the terms of the related loan agreements and do not include loans to bankrupt borrowers and delinquent loans.

**Restructured loans:**

Restructured loans are loans with concessionary interest rates, as well as loans with negotiated terms regarding the timing of interest and principal payment.

**Commitments**

A commitment is normally set up when the Company makes a direct cash loan contract with an individual customer, whereby the Company is obligated to advance funds up to a predetermined amount to an individual customer upon request.

The direct cash loan contract contains provisions that allow the Company to refuse to advance funds to customers or reduce the contract amount of the commitment under certain conditions. As such, the total balance of unused commitment does not necessarily impact the Company's future cash flows.

**Allowance for credit losses**

Changes in the "allowance for credit losses" account during the years ended March 31, 2001 and 2000 are summarized as follows:

|                                    | Millions of yen |          | Thousands of U.S. dollars |
|------------------------------------|-----------------|----------|---------------------------|
|                                    | 2001            | 2000     | 2001                      |
| Balance at beginning of year ..... | ¥82,800         | ¥66,300  | \$667,742                 |
| Write-offs* .....                  | (57,464)        | (40,600) | (463,419)                 |
| Additions to allowance .....       | 57,264          | 57,100   | 461,806                   |
| Balance at end of year .....       | ¥82,600         | ¥82,800  | \$666,129                 |

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.

\* Including past due direct cash loans in the amount of ¥9,829 million which was sold to Fujix-Credit Co., Ltd., a consolidated subsidiary, the amount of the write-offs excluding the above amount, was ¥47,635 million for the year ended March 31, 2001.

**6. Property and Equipment**

Property and equipment as of March 31, 2001 and 2000 are summarized as follows:

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2001            | 2000     | 2001                      |
| Buildings .....                         | ¥ 23,265        | ¥ 22,841 | \$ 187,621                |
| Leasehold improvements .....            | 15,707          | 14,798   | 126,669                   |
| Vehicles .....                          | 158             | 163      | 1,274                     |
| Machinery .....                         | 133             | 134      | 1,073                     |
| Equipment, furniture and fixtures ..... | 18,205          | 17,772   | 146,815                   |
|   | 57,468          | 55,708   | 463,452                   |
| Less: Accumulated depreciation .....    | (28,976)        | (26,105) | (233,678)                 |
|   | 28,492          | 29,603   | 229,774                   |
| Land .....                              | 189,516         | 189,516  | 1,528,355                 |
| Golf course .....                       | 5,592           | 5,592    | 45,097                    |
| Construction in progress .....          | 1,147           | 1,147    | 9,250                     |
|   | ¥224,747        | ¥225,858 | \$1,812,476               |

**7. Leasehold Deposits and Other Assets**

Leasehold deposits and other assets as of March 31, 2001 and 2000 consisted of the following:

|   | Millions of yen |         | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
|   | 2001            | 2000    | 2001                      |
| Leasehold deposits .....  | ¥ 6,287         | ¥ 6,119 | \$50,701                  |
| Intangibles, principally telephone and land leasehold rights and goodwill ..... | 1,438           | 1,396   | 11,597                    |
| Software .....  | 2,724           | 4,084   | 21,968                    |
| Deferred charges .....  | 433             | 516     | 3,492                     |
| Other .....   | 717             | 720     | 5,782                     |
|   | ¥11,599         | ¥12,835 | \$93,540                  |

In connection with the leases of office space and other, 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, 2001 and 2000 comprised loans from banks and other financial institutions which bore interest at rates ranging from 0.691% to 1.500% and from 0.8% to 1.9%, at March 31, 2001 and 2000, respectively.

Additional information concerning short-term borrowings for the years ended March 31, 2001 and 2000 is as follows:

|                                 | Millions of yen |         | Thousands of U.S. dollars |
|---------------------------------|-----------------|---------|---------------------------|
|                                 | 2001            | 2000    | 2001                      |
| Maximum month-end balance ..... | ¥93,700         | ¥80,555 | \$755,645                 |
| Average month-end balance ..... | 45,982          | 54,812  | 370,823                   |



Long-term borrowings as of March 31, 2001 and 2000 consisted of the following:

|   | Millions of yen  |                  | Thousands of<br>U.S. dollars |
|---|------------------|------------------|------------------------------|
|   | 2001             | 2000             | 2001                         |
| Loans from banks and other financial institutions<br>(secured primarily by direct cash loans to customers,<br>with interest rates ranging from 1.28% to 4.3% for<br>2001 and from 0.6% to 4.3% for 2000)* ..... | ¥ 999,080        | ¥1,046,291       | \$8,057,096                  |
| 7.3% Senior Unsecured Notes due November 1,<br>2004 with currency swap contract (Note 15(6)) ....   | 16,368           | 16,368           | 132,000                      |
| 8.0% Senior Unsecured Notes due November 1,<br>2017 with currency swap contract (Note 15(6)) ....   | 3,664            | 3,664            | 29,548                       |
| 1.3% Senior Unsecured Notes due October 29, 2003 ...  | 30,000           | 30,000           | 241,936                      |
| 2.06% Senior Unsecured Notes due March 23, 2007 ...   | 30,000           | 30,000           | 241,936                      |
| 1.52% Senior Unsecured Notes due June 22, 2005 ....   | 30,000           | —                | 241,936                      |
| 2.06% Senior Unsecured Notes due June 22, 2007 ....   | 30,000           | —                | 241,936                      |
| 1.6% Senior Unsecured Notes due October 24, 2004 ...  | 10,000           | —                | 80,645                       |
| 2.15% Senior Unsecured Notes due October 24, 2006 ...   | 10,000           | —                | 80,645                       |
|   | <u>1,159,112</u> | <u>1,126,323</u> | <u>9,347,678</u>             |
| Other long-term debt** .....  | 29,290           | 40,626           | 236,209                      |
|   | <u>1,188,402</u> | <u>1,166,949</u> | <u>9,583,887</u>             |
| Less: portion due within one year:  |                  |                  |                              |
| Loans from banks and other financial institutions ...   | (354,030)        | (386,926)        | (2,855,081)                  |
|   | <u>¥ 834,372</u> | <u>¥ 780,023</u> | <u>\$6,728,806</u>           |

\* With respect to certain loans from banks and other financial institutions in an aggregate amount of ¥456,912 million and Company bonds in aggregate amount of ¥20,031 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) Income before income taxes falls below the amount of interest expenses and other expenses associated with financing
- 6) The percentage of cash and cash equivalents plus loans to customers against total assets falls below 40%
- 7) The write-off ratio exceeds 10%
- 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.

Group assets pledged as collateral as of March 31, 2001 and 2000 for short-term borrowings and long-term debt are as follows:

|   | Millions of yen |                 | Thousands of<br>U.S. dollars |
|---|-----------------|-----------------|------------------------------|
|   | 2001            | 2000            | 2001                         |
| Time deposits .....   | ¥ 3,605         | ¥ 4,657         | \$ 29,073                    |
| Marketable securities .....   | —               | 1,619           | —                            |
| Investment securities .....   | 1,925           | —               | 15,524                       |
| Direct cash loans to customers under the<br>assignment by way of security ..... | 462,573         | 505,262         | 3,730,428                    |
| Net book value of property and equipment .....                                  | 147,844         | 148,325         | 1,192,290                    |
|   | <u>¥615,947</u> | <u>¥659,863</u> | <u>\$4,967,315</u>           |

Besides assets pledged as collateral shown above, the Company has been committed to furnish, if requested by financial institutions, "direct cash loans to customers" in the aggregate principal value of ¥87,000 million (\$701,613 thousand), for securing the repayments of "long-term debt" of ¥76,162 million (\$614,210 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 (\$121 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 provided by the foreign banks. As of March 31, 2001, outstanding borrowings of this subsidiary were ¥290,302 million (\$2,341,145 thousand).

The aggregate annual maturities of long-term loans with banks and other financial institutions, and bonds as of March 2001 are as follows:

| Year ending March 31,     | Millions of yen | Thousands of<br>U.S. dollars |
|---------------------------|-----------------|------------------------------|
| 2002 .....                | ¥354,030        | \$2,855,081                  |
| 2003 .....                | 198,016         | 1,596,903                    |
| 2004 .....                | 182,308         | 1,470,226                    |
| 2005 .....                | 30,794          | 248,339                      |
| 2006 and thereafter ..... | 233,932         | 1,886,548                    |
|                           | <u>¥999,080</u> | <u>\$8,057,097</u>           |

## 9. Income Taxes

The statutory tax rates used for calculating deferred tax assets and deferred liabilities in fiscal 2001 and fiscal 2000 were approximately 42%.

The reconciliation of the statutory tax rate to the effective income tax rate for fiscal 2001 and fiscal 2000 is as follows:

|  | 2001         | 2000         |
|--|--------------|--------------|
| Statutory tax rate .....                     | 41.8%        | 41.8%        |
| Increase (decrease) in taxes resulting from: |              |              |
| Tax on undistributed profit .....            | 4.5%         | 5.4%         |
| Other .....                                  | (1.1%)       | (2.9%)       |
| Effective income tax rate .....              | <u>45.2%</u> | <u>44.3%</u> |

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets as of March 31, 2001 and 2000 are as follows:

|   | Millions of yen |                | Thousands of<br>U.S. dollars |
|---|-----------------|----------------|------------------------------|
|   | 2001            | 2000           | 2001                         |
| Current deferred tax assets:  |                 |                |                              |
| Non-deductible portion of provision<br>for doubtful accounts for accrued<br>income interest ..... | ¥ 2,545         | ¥ 1,957        | \$ 20,524                    |
| Loss on evaluation of marketable securities ...   | —               | 400            | —                            |
| Non-deductible portion of brokerage fees .....  | 835             | 846            | 6,734                        |
| Non-deductible portion of provision for<br>doubtful principal amount .....                        | 14,758          | 17,829         | 119,016                      |
| Accrued expenses .....  | 302             | 231            | 2,436                        |
| Enterprise taxes payable .....  | 3,975           | 4,518          | 32,057                       |
| Other .....   | 629             | 269            | 5,072                        |
| Sub total .....   | <u>¥23,044</u>  | <u>¥26,050</u> | <u>\$185,839</u>             |
| Long-term deferred tax assets:  |                 |                |                              |
| Loss on evaluation of partnerships .....  | ¥ 375           | ¥ —            | \$ 3,024                     |
| Loss on evaluation of investment securities ...   | 1,843           | 2,091          | 14,863                       |
| Non-deductible portion of provision for<br>retirement benefit .....                               | 667             | 353            | 5,379                        |
| Other .....   | 340             | 985            | 2,742                        |
| Sub total .....   | <u>¥ 3,225</u>  | <u>¥ 3,429</u> | <u>\$ 26,008</u>             |
| Total deferred tax assets .....   | <u>¥26,269</u>  | <u>¥29,479</u> | <u>\$211,847</u>             |

## 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 their current rate of pay, length of service and conditions under which the termination 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. Prior to April 1, 2000, the allowance for retirement benefits to employees represented 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 their employment at the respective balance sheet date.

Effective April 1, 2000, the allowance for employee retirement benefits is recorded based on the estimated pension liability and the value of pension assets. Initial transition losses of ¥672 million were charged to "other expenses" for the year ended March 31, 2001. Unrecognized actuarial net gains/losses are charged to the statement of income in the next year when they arise.

The following tables detail the components of pension costs, the funded status of the pension plans and major assumptions used to determine these amounts.

|                                      | Millions of yen<br>2001 |
|--------------------------------------|-------------------------|
| Components of Pension Costs:         |                         |
| Service cost .....                   | ¥ 429                   |
| Interest cost .....                  | 108                     |
| Expected return on plan assets ..... | (38)                    |
| Net amortization .....               | 672                     |
| Net pension costs .....              | <u>¥1,171</u>           |

|   | Millions of yen<br>2001 |
|---|-------------------------|
| Funded Status of Pension Plans:                                 |                         |
| Projected benefit obligation .....                              | ¥(3,486)                |
| Plan assets, at fair value .....                                | 1,571                   |
| Projected benefit obligation in excess of plan assets .....     | (1,915)                 |
| Unrecognized net liability at date of initial application ..... | —                       |
| Unrecognized net losses .....                                   | (13)                    |
| Prepaid pension cost .....                                      | —                       |
| Allowance for retirement benefits .....                         | <u>¥(1,928)</u>         |

### Major Assumption used:

|                                |      |
|--------------------------------|------|
| Discount rate                  | 3.0% |
| Expected return on plan assets | 2.3% |

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 the 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 2001 included such provision, relative to directors and statutory auditors, of ¥440 million and ¥382 million (\$3,081 thousand), respectively.

## 11. Contingent Liabilities

As of March 31, 2001 and 2000, 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 substantial losses 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, 2000, net cumulative losses amounted to ¥77,737 million, ¥37,524 million of which had been charged against investment cost and a further ¥40,212 million had been credited to other long-term debt.

Similarly, up to March 31, 2001, net cumulative losses amounted to ¥62,116 million (\$500,935 thousand), ¥33,281 million (\$268,395 thousand) of which had been charged against investment cost and a further ¥28,834 million (\$232,532 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 as operating leases.

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2001 and 2000 are summarized as follows:

|                             | Millions of yen |        |        | Thousands of<br>U.S. dollars |
|-----------------------------|-----------------|--------|--------|------------------------------|
|                             | 2001            | 2000   | 1999   | 2001                         |
| Lease rental expenses ..... | ¥4,476          | ¥4,187 | ¥3,706 | \$36,097                     |

The amount of outstanding future lease payments due at March 31, 2001 and 2000, which included the portion of interest thereon, is summarized as follows:

|                       | Millions of yen |                |                | Thousands of<br>U.S. dollars |
|-----------------------|-----------------|----------------|----------------|------------------------------|
|                       | 2001            | 2000           | 1999           | 2001                         |
| Future lease payments |                 |                |                |                              |
| Within one year ..... | ¥3,431          | ¥ 4,182        | ¥ 3,832        | \$27,669                     |
| Over one year .....   | 4,859           | 5,951          | 7,703          | 39,186                       |
| Total .....           | <u>¥8,290</u>   | <u>¥10,133</u> | <u>¥11,535</u> | <u>\$66,855</u>              |

## 14. Retained Earnings

"Retained earnings" includes legal reserve. In accordance with the Japanese Commercial Code, the Company is required to appropriate as a legal reserve an amount equivalent to at least 10% of the amount of cash disbursements, such as cash dividends and bonuses paid to directors and statutory auditors until such reserve equals 25% of its common stock. The legal reserve is not available for dividends but may be used to reduce a deficit by approval at the shareholders' meeting or may be transferred to common stock by resolution of the Board of Directors.

The legal reserve included in "retained earnings" is ¥7,626 million as of March 31, 2001 and 2000, respectively.

**15. Financial Derivative Transactions** The Company uses financial derivative transactions, which comprise interest rate swaps, cross currency swaps and interest rate cap 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.

Effective April 1, 2000, the new accounting standard for financial instruments was adopted. With regard to interest rate swap, cross currency swap and interest rate cap transactions, the Company uses the deferral method based on the short-cut method assuming that there is no ineffectiveness in the hedging relationship between hedged items and hedging instruments. For the year ended March 31, 2001, contractual values or notional amounts, fair value and unrealized gains/losses of derivative transactions are not required to be presented.

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.

The Group had derivative financial instruments with banks as of March 31, 2000 as follows:

|                            | Millions of yen           |                    |             |                   |
|----------------------------|---------------------------|--------------------|-------------|-------------------|
|                            | Total                     | Due after one year | Fair value  | Unrealized losses |
| Year ended March 31, 2000  |                           |                    |             |                   |
| Interest rate swaps: ..... | ¥ 46,450                  | ¥ —                | ¥ (266)     | ¥ (266)           |
| Cross currency swaps ..... | 96,876                    | 61,815             | (17,861)    | (17,861)          |
| Interest rate caps:        |                           |                    |             |                   |
| Purchased .....            | ¥ 25,725                  | ¥25,725            | ¥ 1         | ¥ (106)           |
|                            | ¥169,051                  | ¥87,540            | ¥(18,126)   | ¥(18,233)         |
|                            | Thousands of U.S. dollars |                    |             |                   |
|                            | Total                     | Due after one year | Fair value  | Unrealized losses |
| Year ended March 31, 2000  |                           |                    |             |                   |
| Interest rate swaps: ..... | \$ 374,597                | \$ —               | \$ (2,145)  | \$ (2,145)        |
| Cross currency swaps ..... | 781,258                   | 498,508            | (144,040)   | (144,040)         |
| Interest rate caps:        |                           |                    |             |                   |
| Purchased .....            | \$ 207,460                | \$207,460          | \$ 8        | \$ (855)          |
|                            | \$1,363,315               | \$705,968          | \$(146,177) | \$(147,040)       |

**16. Subsequent Events**

(a) The appropriation of retained earnings of the Company for the year ended March 31, 2001, which was proposed by the Board of Directors and approved at the stockholders' meeting held on June 28, 2001 is as follows:

|                                     | Thousands of    |              |
|-------------------------------------|-----------------|--------------|
|                                     | Millions of yen | U.S. dollars |
| Appropriations:                     |                 |              |
| Cash dividends (¥70 per share)..... | ¥ 10,310        | \$ 83,145    |
| Officers' bonuses .....             | 50              | 403          |
| Transfer to legal reserve .....     | —               | —            |
| Transfer to general reserve .....   | 112,000         | 903,226      |
| Total .....                         | ¥122,360        | \$986,774    |

(b) On April 24, 2001, the Company issued \$675 million of 9.2% Senior Unsecured Notes (the "Notes") due April 15, 2011. The Notes will constitute senior unsecured obligations of the Company and will rank pari passu in priority of payment with all other present and future senior unsecured indebtedness of the Company, subject to certain statutory preferences. The net proceeds were fully hedged using an interest and currency swap to fix interest and principal amount payments. The Company will use the net proceeds of the offering of the Notes for working capital.

**ChuoAoyama Audit Corporation**



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, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2001, 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 Takefuji Corporation and its consolidated subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis except for the change, with which we concur, in the accounting for allowance for credit losses as described in Note 2 (3).

As described in Note 2 to the consolidated financial statements, effective from the year ended March 31, 2001, Takefuji Corporation and its subsidiaries have adopted the new Japanese accounting standards for financial instruments, retirement benefits and foreign currency translation.

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 28, 2001  
Tokyo, Japan



## BOARD OF DIRECTORS AND AUDITORS



**Yasuo Takei**  
*Chairman, CEO and President*



**Shigeo Suzuki**  
*Senior Managing Director*



**Hiroshi Hirai**  
*Managing Director*



**Taketeru Takei**  
*Managing Director*



**Osamu Sasaki**  
*Managing Director*



**Teruhiko Kobayashi**  
*Managing Director*



**Yoshihiko Baba**  
*Managing Director*



**Jiro Dotsu**  
*Director*



**Yoshiiku Matsumoto**  
*Director*



**Hirofumi Hosoi**  
*Director*



**Kanji Kobayashi**  
*Director*



**Takanori Sakamoto**  
*Director*



**Takeo Saito**  
*Standing Corporate Auditor*



**Kunio Akiyoshi**  
*Standing Corporate Auditor*

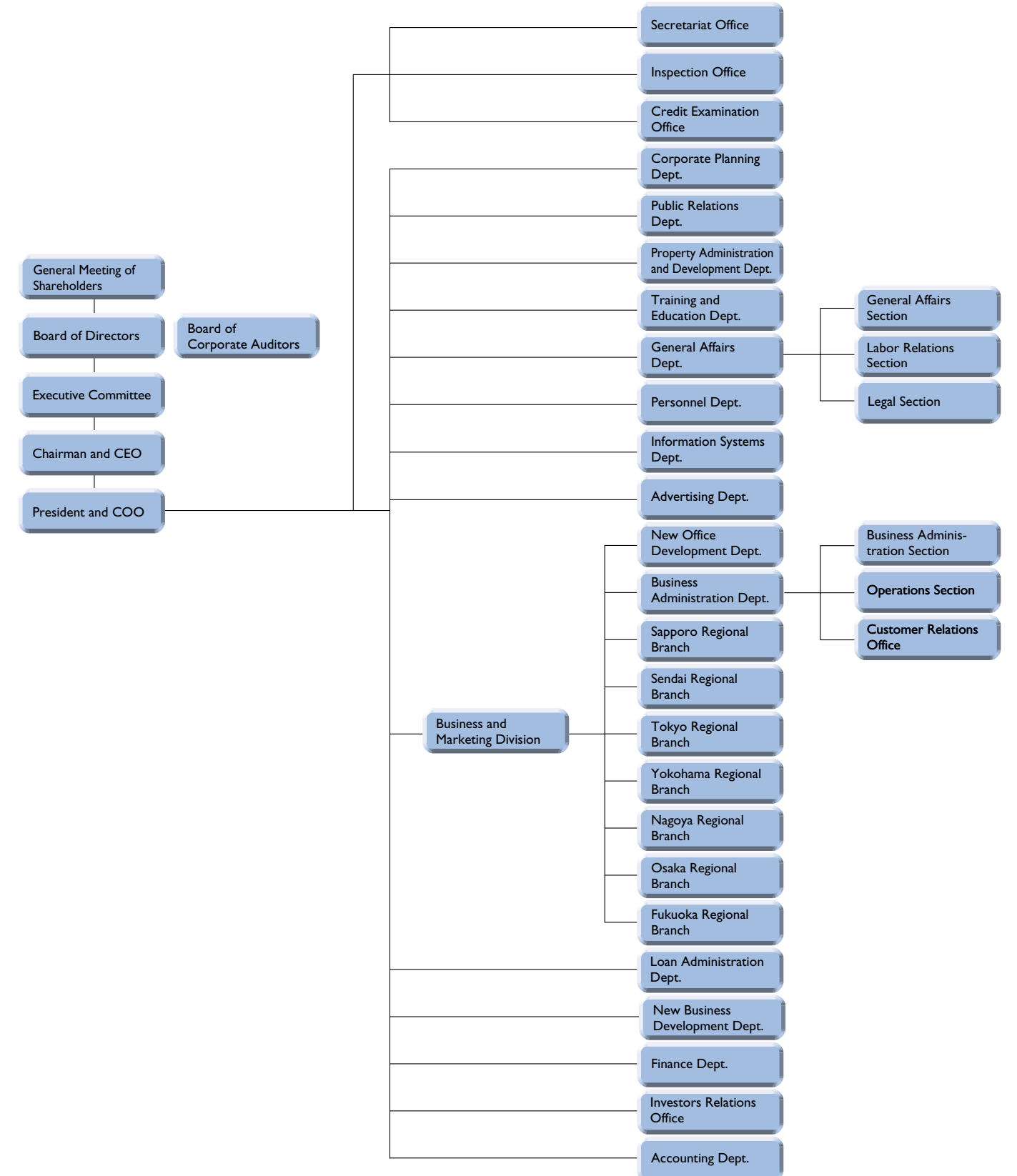


**Masakuni Saito**  
*Standing Corporate Auditor*



**Yoshihiro Ogura**  
*Corporate Auditor*

## ORGANIZATION CHART



## HISTORY

**1 9 6 6**  
JAN. Chairman Yasuo Takei established the private company, Fuji Shoji

**1 9 6 8**  
JUNE Company incorporated under the name Takefuji Shoji, Ltd.

**1 9 7 0**  
JAN. Yutaka Co., Ltd., founded (the present-day Nishiogikubo Branch)  
AUG. Yamato Loan Service Co., Ltd., founded (the present day Funabashi Branch)

**1 9 7 1**  
JULY Toho Loan Service Co., Ltd., founded (the present-day Yokohama Branch)  
SEPT. New office headquarters completed in Itabashi, Tokyo

**1 9 7 3**  
MAY Then President Yasuo Takei made his first tour of the loan industry in the United States

**1 9 7 4**  
NOV. Takefuji Shoji, Ltd., reorganized into a joint-stock corporation  
DEC. Company name changed to Takefuji Corporation

**1 9 7 7**  
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

**1 9 7 8**  
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  
JULY Subsidiaries Million Finance Co., Ltd., and Tei Kei Ai Co., Ltd., established

**1 9 7 9**  
MAR. Capital increased to ¥500 million  
DEC. Capital increased to ¥800 million

**1 9 8 0**  
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

**1 9 8 1**  
MAR. Large-scale computer introduced, and on-line system connecting all sales offices began operations  
JUNE Outstanding loans reached ¥100 billion

**1 9 8 2**  
MAR. All of the first unsecured convertible bonds converted, raising total capital to ¥917 million

**1 9 8 3**  
NOV. On-line system connecting all offices completed  
DEC. Company registered as lending institution in accordance with finance company law. Registration number: (1)-00020 (renewable every three years)

**1 9 8 4**  
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

**1 9 8 5**  
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

**1 9 8 6**  
APR. Private placement of SFr20 million in bonds made overseas, the first in the consumer finance industry

**1 9 8 7**  
JAN. Company took out a syndicated loan of \$150 million from 15 foreign banks  
AUG. Outstanding loans reached ¥300 billion

**1 9 8 8**  
OCT. Number of customer accounts reached one million

**1 9 9 1**  
FEB. Outstanding loans reached ¥500 billion

**1 9 9 2**  
MAY Completion of and move to New Main Headquarters Building, in Shinjuku, Tokyo

**1 9 9 4**  
MAR. Fiscal term-end changed to March 31  
Capital increased to ¥16.33 billion

**1 9 9 5**  
OCT. Company began introduction of automated loan contracting machines, Yen-musubi  
NOV. Number of customer accounts reached 2 million  
DEC. Company started CD and ATM tie-up operations with nonbank and regional banks

**1 9 9 6**  
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

**1 9 9 7**  
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

**1 9 9 8**  
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

**1 9 9 9**  
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

**2 0 0 0**  
MAR. Takefuji shares listed on the London Stock Exchange  
APR. TWJ Co., Ltd. established  
OCT. TWJ Euro Co., Ltd. established in London

**2 0 0 1**  
APR. Takefuji becomes first Japanese financial institution to issue a global dollar-denominated senior unsecured straight bond

## CORPORATE DATA

(As of June 28, 2001)

|  |  |
|--|--|
| <b>Takefuji Head Office:</b>                     | 15-1, Nishi-Shinjuku 8-chome Shinjuku-ku, Tokyo 163-8654   |
| <b>Date of Establishment:</b>                    | January 1966   |
| <b>Capital Stock:</b>                            | ¥30,478 million  |
| <b>Business:</b>                                 | Consumer Finance   |
| <b>Number of Manned Branches:</b>                | 531 (As of March 31, 2001)   |
| <b>Number of Employees:</b>                      | 3,433 (As of March 31, 2001)   |
| <b>Consolidated Subsidiaries:</b>                | Take One Country Club, Ltd.<br>Kyoritsu Estate Co., Ltd.<br>Zuikoh Factor Co., Ltd.<br>ITY Enterprise Co., Ltd.<br>Takefuji Capital Co., Ltd.<br>Yasui Co., Ltd.<br>TTS Finance Co., Ltd.<br>TSR Co., Ltd.<br>G.H Investment Co., Ltd.<br>Takefuji New Research Institute<br>TWJ Co., Ltd.<br>Fujix-Credit Co., Ltd.<br>TWJ Euro Co., Ltd. |
| <b>Internet Home Page:</b>                       | <a href="http://www.takefuji.co.jp">http://www.takefuji.co.jp</a>  |
| <b>Transfer Agent of the Shares:</b>             | Mizuho Trust and Banking Co., Ltd.<br>6-2, Marunouchi 1-chome, chiyoda-ku Tokyo 100-0005   |
| <b>Independent Certified Public Accountants:</b> | ChuoAoyama Audit Corporation<br>Kasumigaseki Bldg., 32nd Floor<br>2-5, Kasumigaseki 3-chome, Chiyoda-ku<br>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 loan asset

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.