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Profile

Takefuji is Japan's largest consumer finance company, ranked 9th in Japan in FY2001 for declared corporate income and possessing direct cash loans to customers totaling ¥1,766.7 billion at the end of March 2002. Following its December 1998 listing on the First Section of the Tokyo Stock Exchange, in March 2000, the Company's stock was listed on the London Stock Exchange. We have a nationwide network of 1,851 branch offices, including the Internet Yen Shop and unmanned branch offices equipped with ATMs and automated loan contracting machines (*Yen-musubi* machines). Our over 2.937 million customers (as of the end of March 2002) can access our services at any one of the 29,533 cash dispensers and ATMs throughout Japan, including those operated by our tie-up partners. These and our other achievements we owe solely to the warm support of our customers and stakeholders. We will continue striving to upgrade and enhance the convenience of our services and do our utmost to build relationships of firm trust with our customers.



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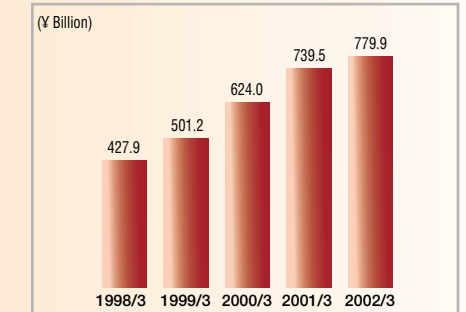
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>>> FINANCIAL HIGHLIGHTS >>>

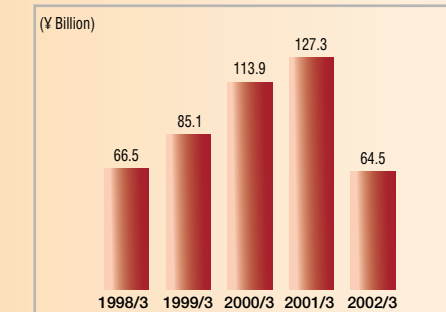
	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Direct cash loans to customers	1,766,656	¥1,645,059	13,283,128
Revenues	428,203	401,561	3,219,569
Income before income taxes and minority interests	123,807	232,229	930,880
Net income	64,486	127,267	484,861
Total stockholders' equity	779,919	739,490	5,864,053
Total assets	2,017,067	2,018,058	15,165,914
Per share (yen and U.S. dollars):			
Net income	437.8	¥864.0	3.29
Cash dividends	100.0	100.0	0.75
Stockholders' equity	5,294.9	5,020.5	39.81

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133=US\$1, a telegraphic transfer mean rate on March 31, 2002 offered by a prime Japanese bank.

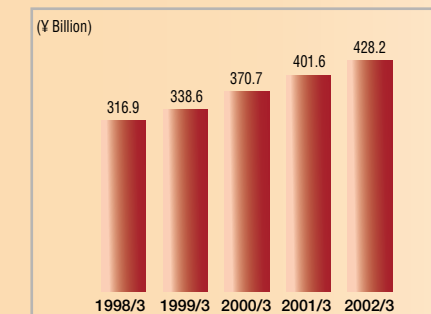
Total Stockholders' Equity



Net Income



Revenues





YASUO TAKEI
Chairman and CEO

Customer Focus and Operational Efficiency

The Japanese economy remains beset by conditions of almost unprecedented harshness, characterized by an increase in corporate bankruptcies resulting from the collapse of conventional business models, as well as rising unemployment. Nevertheless, during the year under review, Takefuji was able to take advantage of its powerful marketing strength to produce results that lived up to its customers' expectations. We believe that our performance was appropriate for the leading company in Japan's consumer finance industry. At the end of the term, the balance of direct cash loans totaled of ¥1,766,656 million, up by 7.4% from the previous year-end; the number of customer accounts stood at 2,937 thousand, up by 1.0%; and the Company posted operating revenues of ¥428,203 million, representing an increase of 6.6%.

During the term Takefuji implemented two radical measures to better position itself for the future. The first was to dispose of all of its holdings of real estate in Kyoto, a step that has enhanced the transparency of corporate accounting and finances. The second measure was to write off an amount of bad debts in excess of the planned level, thereby substantially increasing the soundness of the Company's assets. We believe that the problem of the growth of bad debts will be eliminated when the economy recovers, and so for the time being we will continue to address it by means of stringent credit management.

Factors such as those mentioned above led to a decline in net income in the year under review, but the fact that we have swept away factors that have been causes for concern means that we are looking forward to a V-shaped rebound to former earning levels in the current term.

Takefuji has established a very strong reputation in both the domestic and overseas financial markets by virtue of its powerful marketing strength, stable financial base, and high credit rating, demonstrated by the single A minus class ratings received from leading overseas rating agencies. This is enabling us to increase long-term, stable fund-raising and to diversify our sources of funds. As prime examples of this, in March 2002 a commitment for a US\$1 billion, 10-year credit line was established in collaboration with a U.S. surety company, and in June Takefuji became the first company in the Japanese financial industry to issue 20-year senior unsecured notes in the amount of ¥30 billion. In addition, the Company is well within range for attaining its long-standing target of achieving shareholders' equity of ¥1 trillion in the fiscal year ending March 31, 2004. That level of shareholders' equity will provide an even more solid foundation for the Company's business.

In these rapidly changing times, we remain committed to further reinforcing our corporate strength in order to fulfill our social mission as a consumer finance company to act as a sound institution that provides support for people's daily lives.

In view of this, we will adhere to our existing policy of avoiding facile business expansion and diversification. In contrast, our stance will be to remain constantly prepared to take swift and decisive action when the time is ripe and we have clear goals and prospects. In line with this rationale, in the autumn of 2002 Takefuji will enter the credit card business under the MasterCard brand. As part of our customer service, we plan through this to provide our extensive customer base with opportunities for card use and to expand our network of member merchants, developing unique business operations that are close to the life of the community.

The Japanese consumer credit industry has recently been experiencing a succession of entries from other industries, including from overseas, but we believe that these will serve to enhance the industry's image. If the principle of competition is set in motion, triggering mutually constructive rivalry, this will lead to the healthy development of the industry as a whole.

I am certain that by further enhancing the image of consumer finance by means of sound management and marketing efforts, Takefuji will be well positioned to sustain its powerful competitiveness and growth potential. Also, by adhering constantly to our cornerstone principles of putting the customer first and of ensuring efficient management, the Company's management will be conducted with both seriousness and sincerity.

Your ongoing goodwill and support for our endeavors will be greatly appreciated.

July 2002

Yasuo Takei
Chairman and CEO

武井保雄

**TAKEFUJI, THE NO. 1 COMPANY
IN THE INDUSTRY, IS ALWAYS
MOVING FORWARD, SUPPORTED BY
CUSTOMERS AND MARKET
RELIABILITY.**

Since its founding, Takefuji has been guided by a corporate philosophy based on the ideals of putting the customer first and achieving and maintaining operational efficiency. These ideals form the root and branches of our business, and the practical application of these ideals is our aim in everything we do – from implementing our loan services to training employees and managing our branch offices. As the leading company in the industry, we continue to work hard to gain a better understanding of our customers' needs and respond with more efficient, more thorough customer services.



BUSINESS ENVIRONMENT

A first for the Japanese financial sector Takefuji issues ¥30 billion in senior unsecured notes, with maturity period of 20 years

In the belief that we must establish an even stronger financial base so as to improve still further the Company's reputation for reliability among its actual and potential customers, on June 5, 2002 we implemented our 8th issue of senior unsecured notes, with a maturity period of 20 years, in the amount of ¥30 billion. This is the first bond issuance on this long maturity and scale by a company in the Japanese financial sector.

This successful bond issuance is proof of the high estimation in which market investors hold Takefuji's marketing dominance and healthy finances, and of their faith in the continuance of these factors well into the future.

This bond issuance guarantees a solid business foundation for Takefuji for the next 20 years, and makes a major contribution to the Company's financial planning by enormously stabilizing its fund procurement.

\$1 Billion Credit Line Established Takefuji secures even longer-term stable funding source

Takefuji has for many years been taking advantage of the globalization of money markets by developing overseas sources of funds so as to strengthen its creditworthiness still further.

Following the Company's issuance of global bonds in April 2001, through the intermediary of Merrill Lynch Japan Securities Co., Ltd., in March this year we signed an agreement on the establishment of a 10-year credit line in the yen equivalent of \$1 billion (¥133 billion) in collaboration with a U.S. surety company. With this, coming on top of our fund procurement through the issuance of senior unsecured notes with the very long maturity period of 20 years, in the amount of ¥30 billion, we have assured ourselves of the ability to carry out flexible, large-scale funding activities over the long term.

This represents a major success for Takefuji, which has for many years been devoting great efforts to diversifying its fund procurement



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This represents a major success for Takefuji, which has for many years been devoting great efforts to diversifying its fund procurement sources to secure a more reliable fund inflow, and we are confident that it will be reflected in our revenue performance.

Against the background of uncertain prospects for the financial services industry both in Japan and abroad, the securing by Takefuji of this extremely long-term credit line is a tribute to the high estimation in which our marketing power and creditworthiness are held — in both the domestic and overseas financial markets — and is evidence of the healthy state of the Company's business.

From here on, too, the management of Takefuji will continue to exert their utmost



efforts to ensure that the Company's performance lives up to the expectations of all its stakeholders.

Takefuji has offered friendly and sincere service

Since the establishment of Takefuji, in line with its basic principle of "the customer comes first," the Company has striven to satisfy its users, offering friendly and sincere service. Takefuji's social mission is to play an invaluable supporting role for ordinary wage-earning households, and that is why we specialize exclusively in the provision of small-amount unsecured, non-guaranteed loans.

Thanks to this corporate stance, Takefuji's services are greatly appreciated by a large number of past and present customers, and the Company has become a familiar part of the Japanese business landscape.



PRODUCTS AND SERVICES

Easy-to-Use Products a Top Priority

At Takefuji, our mission is to accurately respond to the diverse needs of our customers by providing them with products of increasingly higher quality and lower interest rates. Interest rates on Takefuji products are calculated on a daily basis, a fact that has become a defining characteristic of the products we offer. For example, if a customer using our services needs a little extra spending money for a leisure weekend and is able to return it at the start of the following week, that customer will find that Takefuji offers an interest rate more favorable than can be found at banks or other financial institutions. Takefuji provides customers with simple procedures for getting the cash they need and flexible repayment and credit options. All this while strictly protecting the privacy of our customers and offering them an extensive ATM network with extended hours, giving customers quick access to cash whenever they need it most. With so many points making Takefuji a superior choice to other financial

institutions, it is clear why such a large and growing number of customers across Japan take their special financial needs to Takefuji. The lineup of quality products we offer have yearly interest rates ranging from 13.5% to 27.375%. In addition to our principal products — small-amount unsecured, non-guaranteed loans at the ceiling rate of 27.375% — we will move ahead with plans to use a sliding interest rates method to offer preferred ones to certain existing customers with favorable transaction records and credit status.



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.

Improving Core Business While Exploring New Avenues

Japan today is still suffering from a prolonged economic recession, with lower availability of disposable income becoming more pronounced in the employment and household earnings environments — a fact that is likely to keep consumer spending at dismally low levels for some time to come. Under these conditions, personal bankruptcies have dramatically increased. We will ensure that the relationship of trust Takefuji has with its customers will remain unbroken by enacting a credit management policy that is more stringent and thorough than ever before. As for new businesses, 2002 marks Takefuji’s official entry into a new business field, credit cards, while sometime near autumn of this year we plan to offer customers a new line of cashing products and services with credit functions built in. Through these services, we aim to make credit opportunities more accessible in rural communities and other areas where credit cards were not widely used in the past. Our ultimate goal in doing this is for people everywhere throughout Japan to have a credit card perfectly suited to their particular needs and lifestyle.

From now, count on Takefuji to remain deeply engaged in our core competency of consumer finance, while actively exploring



the exciting possibilities of the finance industry as we push firmly ahead with the intelligence and creativity that are the hallmarks of a truly great company.

Heartfelt Services Only Takefuji Can Provide

At Takefuji, we will move ahead not only with developing new low-interest products as we have in the past, but also in making every effort to ensure customers are more satisfied than ever with the services we provide. Setting payment dates that coincide with the receipt of salaries and other days that customers find most convenient is just one example of how 36 years in business has helped Takefuji to develop timely responses to the needs of our customers. Being the first company of its kind in Japan has also helped Takefuji distinguish itself with a line of products and services that continue to set it apart from other companies in the industry. And with services like our “Toll-Free Medical Consultation,” receiving over 300 calls a day, and a fixed-period loan-repayment insurance policy for unemployment, designed to ease the borrowing fears of customers in these uncertain economic times, receiving such overwhelming praise, Takefuji’s reputation as a superior choice will only grow greater in the days ahead.



NETWORK SERVICES

Extensive branch network and large number of ATMs

In addition to Takefuji's nationwide network of conventional branch offices located in prime spots close to commuter stations, in shopping malls, and so on, the Company has in recent years been actively expanding further into the suburbs with new branch offices located on major roads to serve customers who commute by car. As of the end of this March, we had outlets at a total of 1,850 locations, consisting of 529 conventional manned branch offices and 1,321 unmanned branch offices, and we also operate an online service. Besides the unmanned branch offices, ATMs and automatic loan contract machines are installed at all our manned branch offices. Customers can use their Yen Cards — issued at all branch offices — to withdraw cash or repay loans outside our normal hours of business, including on business holidays, via ATMs at our unmanned branch offices. This feature has proven enormously popular. Moreover, we are also energetically arranging ATM and cash

dispenser tie-ups with banks and credit companies for the convenience of customers who live far from the nearest Takefuji branch office. As of the end of March, cash dispenser machines and ATMs available to Takefuji's customers numbered 29,533 including the 2,040 operated directly by the Company. Takefuji plans to continue arranging ATM tie-ups to improve the convenience of the Company's service still further.

In this way, the staff of Takefuji — ever since the Company's establishment — have been looking at their work from customers' standpoints, and have been devoting their full efforts to offering convenient service with smiles. Our branch offices are attractively designed, and our staff training pays particular attention to friendly and polite customer care, which has always been the hallmark of Takefuji. These are some of the reasons why many of our customers recommend our services to their friends.



A Yen-musubi machine

Service at Manned Branch offices

Takefuji has always believed that customer services at manned branch offices are the basis of business. As of the end of March 2002, our network of 1,850 branch offices (excluding our Internet branch) was comprised of 529 manned branch offices and 1,321 unmanned branch offices. Although unmanned branch offices are becoming increasingly widespread, Takefuji has no plans to reduce the number of manned branch offices. A survey indicates that services performed at manned branch offices 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 branch offices and Yen-musubi automated loan contracting machines. These are situated in locations easily accessible by car. The Yen Card issued by these machines allows repayments and withdrawals at branch offices 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 2002, the number of unmanned branch offices was 1,321. Customers also had access to 29,533 CDs and ATMs, including Takefuji's.

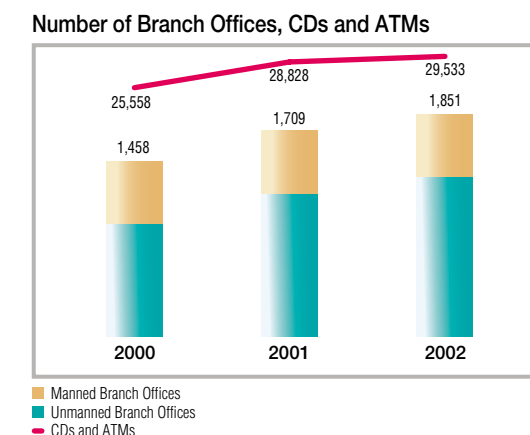


Easing the Stress of Unemployment with Financial Assistance

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.

MasterCard License Paves Way for Takefuji's Entry into Credit Card Business

In March 2002, at a meeting of MasterCard's Board of Directors for the Asia-Pacific Region, held simultaneously in Shanghai with MasterCard's Fiscal 2002 General Meeting for the Asia-Pacific Region, Takefuji was officially named as a licensed Principal Member of MasterCard International. This paves the way for the Company's entry into the credit card business in alliance with MasterCard International.





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

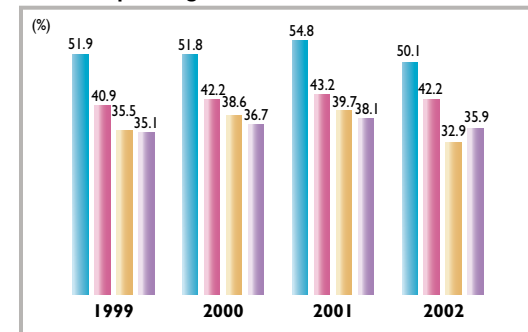
Takefuji has focused on efficient operations ever since its inception, in the belief that finding ways of effective assignment selling, general and administrative expenditures and other expenses is vital to raising competitiveness. Efficiency is always the foremost consideration when Takefuji opens a new branch office 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.

Ratio of Operating Income to Revenues



Note: Calculations are based on the Japanese non-consolidated financial statements

Actively Examining, Researching and Developing IT-Based Business

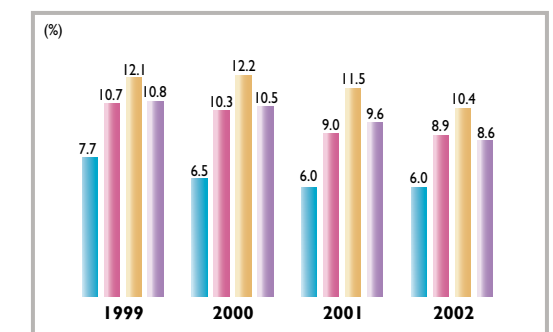
At Takefuji, we are hard at work developing our own original line of automatic teller machines (ATMs). One of the most promising units developed so far scans the irises of users, using the distinct pattern of this part of the eye to confirm user identity. This remarkable system reduces the chance of misidentification to an incredible one in ten billion, and is expected to play a major part in helping Takefuji to enact greater preventive measures to protect its customers against card theft. Also, customers using Takefuji's new ATM will quickly notice that it has been designed with their increased safety and comfort in mind. This new ATM is not only easier to use, but is loaded with additional features that reduce card issuance times and prevent customers from forgetting sensitive personal information at the machine. Takefuji customers will also find it easier to make payments 24 hours a day, 365 days a year, thanks to a large-scale business tie-up with a network of 22,442 convenience stores nationwide.

The rapid pace at which electronic networking has spread throughout Japanese society has also prompted Takefuji to make its presence felt online. In June 2001, we created

the "Internet Yen Shop" at Rakuten Market, the largest virtual shopping mall site in Japan. Taking Takefuji online now allows customers to apply for our services right from the comfort of their own homes or offices. In addition to offering our services to mobile phone users via i-mode, users of Internet Yen Shop will also gain access to a number of Takefuji products and services available only over the Internet.

These are just a few of the ways in which we at Takefuji are putting the power of information technology to work in providing a full range of more convenient, easier-to-use services to our customers while bringing the Company's own unique intelligence and creativity to bear on emerging digital consciousness in Japan.

Ratio of Personnel Costs to Revenues



Note: Calculations are based on the Japanese non-consolidated financial statements



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 8 million records as of March 31, 2002) and the Allied Nationwide Credit Information Center (containing credit data on 32.2 million records as of March 31, 2002). 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 debts.

Takefuji minimizes risk by concentrating on small loans. The average loan to new customers was around ¥250 thousand. The average loan balance per account was around ¥601 thousand for fiscal 2002.

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

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 low loan write-off ratio due to strict credit criteria and unique skills.



skills in delicate telephone calls and letters have resulted in a rate of loan recovery that rival companies cannot match.

Strong Earnings Capacity, Low Write-off Ratio

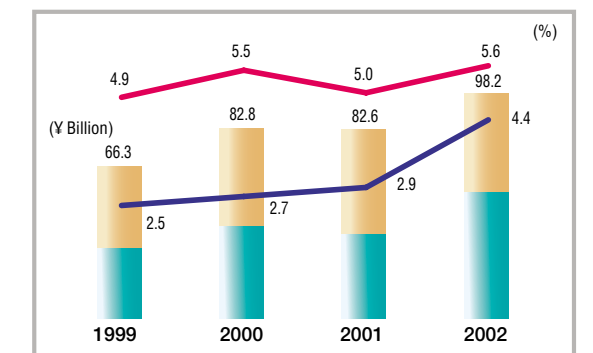
Takefuji has achieved strong profitability by combining the skills described above with its "Customer First" and "Operational Efficiency" philosophies. As a result, Takefuji boasts a 23.98% return on loan assets and a net loan loss ratio of 3.98%*, figures unrivaled in the consumer finance industry in Japan.

Concerns have been expressed over possible declines in loan interest rates in the consumer finance industry due to increasing competition. However, Takefuji does not see this as an impending issue. The major reason is that customer service and convenience take precedence over interest rates in customers' minds when selecting loan financing. The potential



customer base for the consumer finance industry is estimated at 16-17 million. Takefuji expects the market to continue to expand.

Allowance for Credit Losses



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



HUMAN RESOURCES



A party at training center after a training program.

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 usually four times a month, in which typically around 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



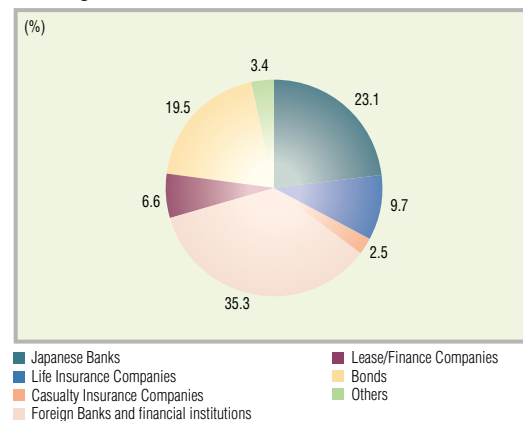
job level. 118 of Takefuji’s 529 manned branch offices in Japan as of the end of this March were headed by women. Women account for 19.7% of our middle-management staff, compared with an average of only 7.8% among Japanese companies in general. This reflects our commitment to equal treatment based on a performance-linked promotion policy. Employees’ pay and promotions are decided by a staff achievement evaluation committee on which members of top management sit.

Training programs follow detailed curricula designed for each staff and management level, and arm employees with wide-ranging knowledge that improves their ability to provide accurate and appropriate advice to all customers. Staff training is conducted throughout the year at Takefuji’s head office as well as at five training centers scattered around the country. In addition, approximately 70 distance learning courses are offered. The educational programs Takefuji offers its employees — covering specialist skills, languages, and general knowledge — reflect feedback from frontline staff, and meet their real needs.

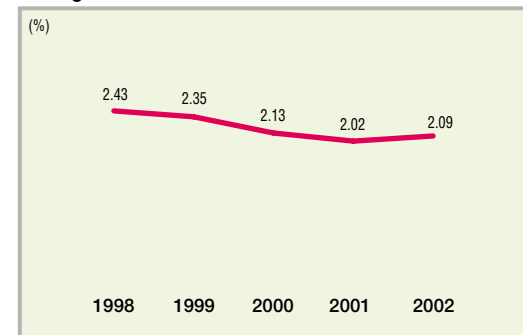


An unmanned branch office

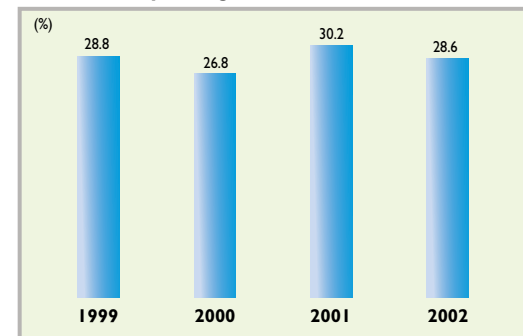
Funding Sources



Average Procurement Rate



Shares Held by Foreign Investors



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, 2002, the Company borrowings were nearly 57% domestic and 43% 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\$4.5 billion, after Takefuji Capital entered into an agreement with Bankers Trust Company for a US\$3.5 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 ratings.

High Marks from Overseas Investors

Takefuji has attracted considerable interest among foreign investors since its Over-The-Counter registration in 1996. Foreign stockholdings have been relatively high ever since. With Takefuji listed on the First Section of the Tokyo Stock Exchange, nearly 28.6% of its stock was held by foreign investors as of the end of March 2002.

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.



Financial Times Publishes Article on Chairman Takei

On August 31, 2001 the Financial Times published an article concerning Yasuo Takei, chairman of Takefuji. The article gave an outline of the Company's management from its establishment, as well as describing how Takefuji is widely known as the leading consumer finance company in Japan.

The article went on to explain how the supply of non-collateral, non-guaranteed loans by Japanese consumer finance companies meets user needs and plays an important part in the life of the public. It also touched on the fact that banks, both domestic and foreign, are vying to enter the consumer finance market, and pointed to Takefuji's tireless efforts to raise the profile of consumer finance companies. Mention was also made of Chairman Takei's passionate commitment to making a contribution to the welfare of society as a whole.

For details, see www.ft.com

Wider Disclosure of Information to Non-Resident Investors

From December 2001, as a vital link in its overseas IR activities, Takefuji has begun taking out full-page advertisements in international newspapers to publish an overview of the Company's operating results every half year. Takefuji's openness in sharing its financial information with the foreign and domestic audience has received an overwhelming response from investors, allowing the Company to acquire the capital backing needed to actively expand its operations globally in a way never before possible. It was in fact this expansion into the global arena that prompted Moody's and Standard & Poor's, two internationally recognized rating agencies, to formulate a rating for Takefuji. The result was a rating high enough to permit Takefuji, among other things, to twice issue foreign currency denominated bonds and global bonds with a combined value of \$840 million, contributing substantially to the diversity and stability of the Company's capital procurement activities. From now, Takefuji will continue to focus strongly on IR activities, making even more of its corporate information available to investors abroad in a move that will simultaneously sustain an environment in which sound capital procurement can take place.

Half Term Results Published in the Following Newspapers:

- Wall Street Journal, Asian Wall Street Journal, Wall Street Journal Europe
 - Financial Times
 - The Nikkei Weekly
- Barron's (U.S.-based finance/securities paper)



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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, 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 of America.

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.



In August 2001, Takefuji became the first company in the consumer finance industry to possess its own professional sports team when it established a women's volleyball team, the Takefuji Bamboo, who became members of the

V-League. Takefuji is determined to play its part in helping Japanese women's volleyball regain the top position in the world.

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 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. We have also contributed to society through philanthropic activity in the form of donations to the victims of calamities such as the terrorist attacks of September 11.

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*
	2002	2001	2000	1999	1998	2002
Direct cash loans to customers	¥1,766,656	¥1,645,059	¥1,492,202	¥1,341,265	¥1,188,668	\$13,283,128
Revenues	428,203	401,561	370,710	338,619	316,861	3,219,569
Income before income taxes and minority interests.....	123,807	232,229	204,635	174,326	163,911	930,880
Net income	64,486	127,267	113,889	85,106	66,545	484,861
Total stockholders' equity	779,919	739,490	624,016	501,166	427,897	5,864,053
Total assets	2,017,067	2,018,058	1,899,167	1,728,846	1,559,857	15,165,914
Number of accounts (thousands)	2,937	2,909	2,795	2,662	2,521	
Number of manned branches	529	531	530	530	530	
Number of employees	3,770	3,458	3,443	4,118	4,051	

* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133=US\$1, a telegraphic transfer mean rate on March 31, 2002 offered by a prime Japanese bank, as described in Note 1 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 2002, total revenues increased by ¥26,642 million, or 6.6%, from the previous fiscal year to ¥428,203 million (US\$3,219.5 million). This reflects an increase of ¥26,011 million, or 6.7%, from the year before in interest income on direct cash loans to ¥413,153 million (US\$3,106.4 million). The increase is attributable to Takefuji's success in increasing the total volume of cash loans while introducing stricter credit criteria.

As in the preceding year, direct cash loans to customers in the period under review showed stable growth, increasing by ¥121,597 million, or 7.4%, from the previous fiscal year to ¥1,766,656 million (US\$13,283.1 million).

The number of new customers was 444,944, and the number of accounts increased by 28,939 over the preceding year to 2,937,953. The average loan balance per account increased by 6.4% compared with the previous fiscal year to approximately ¥601 thousand. 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 branch offices was decreased by 2 to 529. Takefuji added 143 further unmanned branch offices, bringing the total to 1,321. The number of Yen-musubi

automated loan contracting machines was increased by 141 to 1,851. Takefuji also added 140 of its own ATMs, bringing the total to 2,040. The number of interlinked cash dispensers and ATMs at banks and other financial institutions increased from 26,928 to 27,493.

Operating Expenses

Interest expenses included in operating expenses amounted to ¥24,887 million (US\$187.1 million), a decrease of ¥821 million, or 3.2%, from the previous year. This was thanks to Takefuji's widening of its fund procurement sources to include the issuance of bonds, thereby taking advantage of the low interest rates prevailing both in Japan and in the world as a whole. Provision for credit losses increased by ¥15,656 million, or 19.0%, over the previous fiscal year to ¥98,256 million (US\$738.8 million). The increase reflects problems of multiple-debts and personal bankruptcy in connection with deteriorating unemployment circumstances together with prolonged high unemployment. The amount of loan write-offs increased by ¥21,095 million, or 36.7% to ¥78,559 million (US\$590.7 million). The ratio of write-offs to outstanding loans rose by 0.9 percentage points to 4.5%. Collections from loans previously written off was ¥8,261 million. The recovery rate as a percentage of the outstanding loan balance was 0.5%. As a result, net credit loss ratio was 3.98%. Despite the magnitude of this

increase, the level remains low compared with Japanese financial sector as a whole. 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 ¥15,157 million (US\$113.9 million), ¥958 million, or 5.9% lower than in the fiscal year ended March 2001. This reflected the adoption of a more efficient mix of advertising media.

General and administrative expenses decreased by ¥4,155 million, or 5.1%, to ¥77,091 million (US\$579.6 million). This was due to the successful pursuit of greater efficiency in overall operations.

Operating Income

Operating income decreased by ¥2,974 million, or 1.4%, over the previous fiscal year to ¥215,997 million (US\$1,624.0 million). The ratio of operating income to revenue was 50.4%.

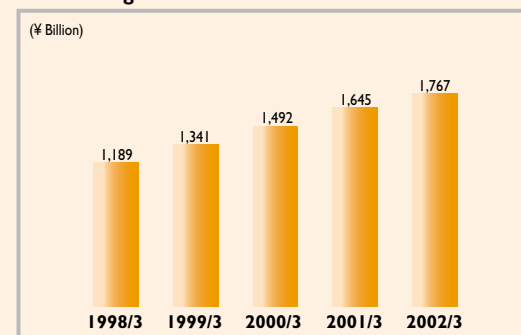
Other Expenses

Net other expenses amounted to ¥92,190 million (US\$693.1 million). Factors in this figure break down into other expenses consisting of loss on revaluation of land in the amount of ¥119,860 million (US\$901.2 million), and other income consisting of gain on sales of investments in securities in the amount of ¥14,990 million (US\$112.7

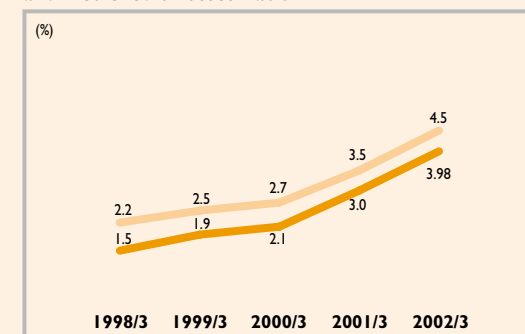
million) and gain on participation in leveraged lease partnerships in the amount of ¥16,824 million (US\$126.4 million). Aggregate income from gain on participation in leveraged lease partnerships over the period from fiscal 2002 to fiscal 2005, inclusive, is estimated at ¥44,116 million.

In the term under review, as part of Takefuji's policy of spinning off certain business operations, land holdings in Kyoto City were transferred to the consolidated subsidiary TDS Co., Ltd. This resulted in the registration of extraordinary loss on the revaluation of land in the consolidated income statements. As a result of this, the Company rid itself of all risky elements involving real estate, thus reinforcing its finances and raising the level of transparency of its accounting.

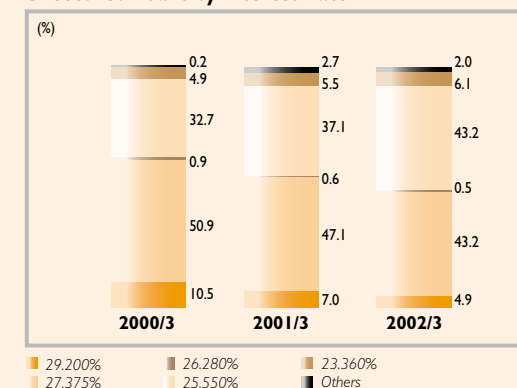
Outstanding Direct Cash Loans to Customers



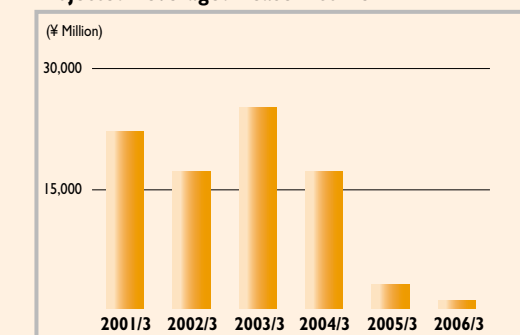
Ratio of Credit Losses to Outstanding Loans and Net Credit Losses Ratio



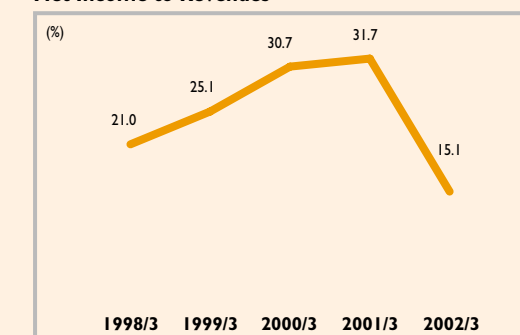
Unsecured Loans by Interest Rate



Projected Leveraged Lease Income



Net Income to Revenues



Net Income

Net income amounted to ¥64,486 million (US\$484.8 million), a decrease of ¥62,781 million, or 49.3% from the previous fiscal year, as a result of the above-stated registration of extraordinary loss on the transfer of land holdings. The ratio of net income to revenues decreased from the previous fiscal year's 31.7% to 15.1%. Net income per share decreased to ¥437.8 (US\$3.29) from ¥864.0 (US\$6.97) a year earlier. The company paid a ¥50 per share interim dividend and a ¥50 year-end dividend, which included a commemorative dividend of ¥20. The total dividend for the fiscal year ended March 2002 was thus ¥100 per share.

Financial Condition

Total assets as of March 31, 2002 were ¥2,017.1 billion (US\$15,165.9 million), a decrease of ¥991 million, or 0.05%, from the fiscal year ended March 31, 2001. Total current assets rose ¥147.3 billion, or 8.7% to ¥1,838.2 billion (US\$13,820.9 million), mainly due to an increase in direct cash loans to customers of ¥121.6 billion, or 7.4%, from the previous fiscal year to ¥1,766.7 billion (US\$13,283.1 million).

As a result of the registration of loss on land revaluation, property and equipment declined by ¥121,114 million, or 53.9%, to ¥103,633 million (US\$779.2 million).

Total current liabilities decreased by ¥112,074 million, or 25.4%, from the previous fiscal year to ¥329,713 million (US\$2,479 million). This was mainly because of a ¥100,041 million, or 28.3%, decrease to ¥253,989 million (US\$1,909.7 million) in the current portion of long-term debt. Short-term borrowings increased by ¥28,250 million, or 123.1%, from the previous fiscal year to ¥51,200 million (US\$385.0 million).

Long-term debt increased by ¥70,623 million, or 8.5%, from the previous year to ¥904,995 million (US\$6,804.5 million). Of this, corporate bonds increased by ¥74,903 million over the previous term-end, to ¥234,934 million (US\$1,766.4 million).

Total stockholders' equity rose by ¥40,429 million, or 5.5%, from the previous fiscal year to ¥779,919 million (US\$5,864.1 million). The stockholders' equity ratio improved from 36.6% in the previous fiscal year to 38.7%. Stockholders' equity per share increased by 5.5% from the previous fiscal year to ¥5,294.9 (US\$39.81).

Cash Flows

The principal sources of cash flows from operating activities were ¥123,807 million (US\$930.9 million) in income before income tax and minority interests, ¥4,972 million (US\$37.4 million) in depreciation and amortization, ¥15,656 million (US\$117.7 million) in provision for credit losses, and ¥719,809 million

(US\$5,412.1 million) in principal collected on consumer loans. The main use of cash in operating activities was ¥919,931 million (US\$6,916.8 million) in consumer loans made to customers. As a result, net cash flow used in operating activities was ¥5,895 million (US\$44.3 million).

Net cash provided investing activities was ¥20,224 million (US\$152.1 million).

The principal activities contributing to cash flow from financing activities were ¥262,326 million (US\$1,972.4 million) in proceeds from long-term borrowings and ¥379,899 million (US\$2,856.4 million) in repayments of long-term loans. Together with other items, net cash used in financing activities was ¥4,529 million.

Overall, net cash provided by operating, investing and financing activities totaled ¥22,658 million (US\$170.4 million). As a result, cash and cash equivalents at the end of the year increased to ¥76,637 million (US\$576.2 million) compared to ¥53,979 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 fell 2.2% from the previous fiscal year to ¥113.6 million. Revenues per manned branch office, affected in part by the aggressive expansion of unmanned branch offices,

increased 7.0% from the previous fiscal year to ¥809 million. Outstanding direct cash loans per employee fell 1.5% from the previous fiscal year to ¥469 million. Outstanding direct cash loans per manned branch office were up 7.8% to ¥3,340 million.

Market Risk

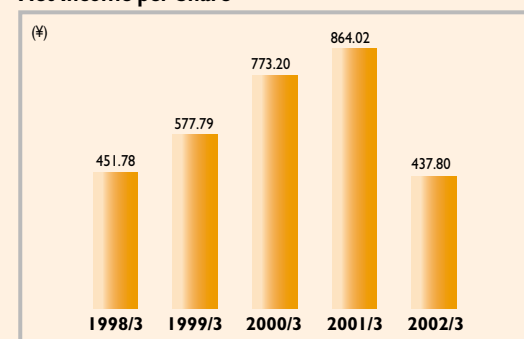
The major market risk Takefuji is exposed to is price volatility in its portfolio of listed securities.

Unrealized loss on investments in securities as of the end of the fiscal year amounted to ¥12,426 million. Given the relatively small size of the securities portfolio in relation to total assets and the level of unrealized loss, the impact of market price volatility on Takefuji's profits is unlikely to be significant.

Takefuji had US\$-denominated debt of US\$1,368 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.

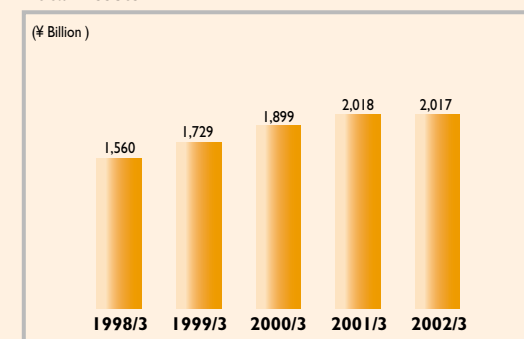
As of the end of March 2002, 31.8% of Takefuji's borrowings are under contracts with a floating rate of interest, as compared with 44.1% as of the end of the previous fiscal year. Although there is little probability of interest rates rising in the short term, Takefuji will keep a close watch on market developments, and if deemed appropriate, will raise funds at fixed interest rates and under longer-term repayment conditions.

Net Income per Share

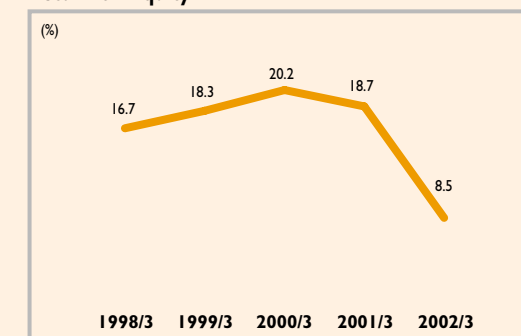


Note: A 1 to 1.3 stock split was carried out during fiscal 1999. The split was non-dilutive to stockholders.

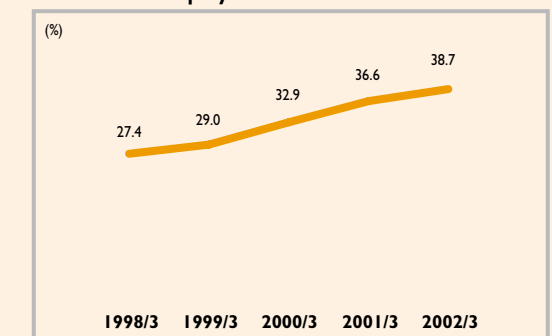
Total Assets



Return on Equity



Stockholders' Equity Ratio



CONSOLIDATED BALANCE SHEETS

TAKEFUJI CORPORATION and Subsidiaries
As of March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	(Note 1) 2002
ASSETS			
Current Assets:			
Cash in hand and at banks	¥ 43,097	¥ 25,368	\$ 324,041
Time deposits (Note 7)	27,835	22,286	209,285
Short-term investments (certificates of deposit purchased under resale agreements)	21,221	25,005	159,554
Direct cash loans to customers (Notes 4 and 7):			
Principal	1,766,656	1,645,059	13,283,128
Accrued interest income	21,715	18,169	163,269
Less: Allowance for credit losses (Note 4)	(98,256)	(82,600)	(738,767)
Prepaid expenses	2,158	2,297	16,226
Deferred tax assets (Note 8).....	26,498	23,044	199,232
Other current assets	27,251	12,289	204,895
Total Current Assets	¥1,838,175	¥1,690,917	\$13,820,863
Investments:			
Investments in securities (Notes 3 and 7)	48,252	77,575	362,797
Investments in partnerships	7,402	9,086	55,653
Other investments	805	909	6,056
	56,459	87,570	424,506
Property and Equipment, Net of			
Accumulated Depreciation (Notes 5 and 7)	103,633	224,747	779,194
Deferred Tax Assets (Note 8)	8,111	3,225	60,983
Leasehold Deposits and Other Assets (Note 6)	10,689	11,599	80,368
	¥2,017,067	¥2,018,058	\$15,165,914

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	(Note 1) 2002
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-term borrowings (Note 7)	¥ 51,200	¥ 22,950	\$ 384,962
Current portion of long-term debt (Note 7)	253,989	354,030	1,909,693
Accounts payable	6,275	7,191	47,180
Income taxes payable (Note 8)	5,534	50,383	41,609
Accrued expenses	9,707	6,673	72,981
Other current liabilities	3,008	560	22,620
Total Current Liabilities	329,713	441,787	2,479,045
Long-Term Debt (Notes 7, 8 and 11)	904,995	834,372	6,804,470
Allowance for Retirement Benefits (Note 9)	2,440	2,312	18,346
Minority Interests	—	97	—
Commitments and Contingent Liabilities (Notes 10 and 12)			
Stockholders' Equity:			
Common stock, 2001 – ¥50 par value, 2002 – no par value:			
Authorized: 430,000,000 shares			
Issued: 147,295,200 shares as of March 31, 2002 and 2001	30,478	30,478	229,157
Additional paid-in capital	52,263	52,263	392,959
Retained earnings (Note 13)	703,466	656,708	5,289,218
Net unrealized losses on other investments in securities, net of taxes	(6,759)	—	(50,820)
Foreign currency translation adjustments	471	41	3,542
Treasury stock	(0)	(0)	(3)
Total Stockholders' Equity	779,919	739,490	5,864,053
	¥2,017,067	¥2,018,058	\$15,165,914

CONSOLIDATED STATEMENTS OF INCOME

 TAKEFUJI CORPORATION and Subsidiaries
 For the years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Revenues:				
Interest income on direct cash loans	¥413,153	¥387,142	¥359,193	\$3,106,414
Other income	15,050	14,419	11,517	113,155
	<u>428,203</u>	<u>401,561</u>	<u>370,710</u>	<u>3,219,569</u>
Costs and Expenses:				
Interest expenses.....	24,887	25,708	25,808	187,120
Other expenses associated with financing	856	2,257	1,648	6,439
Provision for credit losses (Note 4)	94,215	57,264	57,100	708,383
Advertising expenses	15,157	16,115	15,543	113,962
Other general and administrative expenses	77,091	81,246	78,830	579,629
	<u>212,206</u>	<u>182,590</u>	<u>178,929</u>	<u>1,595,533</u>
Operating Income	<u>215,997</u>	<u>218,971</u>	<u>191,781</u>	<u>1,624,036</u>
Other Expenses (Income):				
Loss on devaluation of investments				
in securities and investments in partnerships (Note 3)	2,129	8,597	2,111	16,009
Loss on devaluation of land.....	119,860	—	—	901,206
Gain on sales of marketable securities (Note 3).....	—	(1,424)	(5,157)	—
Gain on sales of investments in securities (Note 3).....	(14,990)	—	—	(112,708)
Loss on sales of investments in partnerships	784	—	—	5,888
Loss on sales/disposal of property and equipment, net	436	191	169	3,276
Gain on participation in				
leveraged lease partnerships (Note 11)	(16,824)	(21,057)	(10,310)	(126,493)
Expenses for issuance of bonds	795	435	333	5,978
	<u>92,190</u>	<u>(13,258)</u>	<u>(12,854)</u>	<u>693,156</u>
Income before Income Taxes and Minority Interests	<u>123,807</u>	<u>232,229</u>	<u>204,635</u>	<u>930,880</u>
Income Taxes (Note 8):				
Current	62,642	101,747	96,472	470,987
Deferred	3,324	(3,211)	5,729	24,989
	<u>59,318</u>	<u>104,958</u>	<u>90,743</u>	<u>445,998</u>
Minority Interests	<u>(3)</u>	<u>(4)</u>	<u>(3)</u>	<u>(21)</u>
Net Income	<u>¥ 64,486</u>	<u>¥127,267</u>	<u>¥113,889</u>	<u>\$ 484,861</u>

	Yen			U.S. dollars (Note 1)
	Amounts Per Share (Note 2 (13)):			
Net income	¥437.8	¥864.0	¥773.2	\$3.29
Cash dividends	100.0	100.0	80.0	0.75

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

 TAKEFUJI CORPORATION and Subsidiaries
 For the years ended March 31, 2002, 2001 and 2000

	Number of common stock (Thousands)	Millions of yen					Treasury stock
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized losses on other investments in securities	Foreign currency translation adjustments	
Balance at March 31, 1999	147,295	¥30,478	¥52,263	¥418,429	—	—	¥(4)
Net income	—	—	—	113,889	—	—	—
Cash dividends paid (¥100 per share)	—	—	—	(14,729)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(63)	—	—	—
Changes in treasury stock, at cost (net)	—	—	—	—	—	—	3
Cumulative effect of initial application of deferred tax accounting	—	—	—	23,750	—	—	—
Balance at March 31, 2000	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 corporate auditors	—	—	—	(50)	—	—	—
Reclassification of foreign currency translation adjustments.....	—	—	—	—	—	¥ 41	—
Changes in treasury stock, at cost (net)	—	—	—	—	—	—	1
Balance at March 31, 2001	147,295	30,478	52,263	656,708	—	41	(0)
Net income	—	—	—	64,486	—	—	—
Cash dividends paid (¥120 per share)	—	—	—	(17,675)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(53)	—	—	—
Reclassification of net unrealized losses on investments in securities	—	—	—	—	¥(6,759)	—	—
Foreign currency translation adjustments	—	—	—	—	—	430	—
Changes in treasury stock, at cost (net)	—	—	—	—	—	—	(0)
Balance at March 31, 2002	<u>147,295</u>	<u>¥30,478</u>	<u>¥52,263</u>	<u>¥703,466</u>	<u>¥(6,759)</u>	<u>¥471</u>	<u>¥(0)</u>

	Number of common stock (Thousands)	Thousands of U.S. dollars (Note 1)					Treasury stock
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized losses on other investments in securities	Foreign currency translation adjustments	
Balance at March 31, 2001	147,295	\$229,157	\$392,959	\$4,937,656	—	\$ 311	\$(2)
Net income	—	—	—	484,861	—	—	—
Cash dividends paid (\$0.90 per share)	—	—	—	(132,898)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(401)	—	—	—
Reclassification of net unrealized losses on investments in securities	—	—	—	—	\$(50,820)	—	—
Foreign currency translation adjustments	—	—	—	—	—	3,231	—
Changes in treasury stock, at cost (net)	—	—	—	—	—	—	(1)
Balance at March 31, 2002	<u>147,295</u>	<u>\$229,157</u>	<u>\$392,959</u>	<u>\$5,289,218</u>	<u>\$(50,820)</u>	<u>\$3,542</u>	<u>\$(3)</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, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Operating Activities:				
Income before income taxes and minority interests	¥ 123,807	¥232,229	¥204,635	\$ 930,880
Depreciation and amortization	4,972	5,365	5,623	37,380
Loss on sales/disposal of property and equipment	436	191	169	3,276
Loss on devaluation of land	119,860	—	—	901,206
Increase in allowance for retirement benefits	129	607	24	972
Gain on sales of marketable securities.....	—	(1,423)	(5,156)	—
Loss on revaluation of marketable securities	—	—	2,111	—
Gain on participation in leveraged lease partnerships	(9,271)	(11,389)	(6,556)	(69,710)
Loss on sales of investments in partnerships.....	784	—	—	5,888
Gain on sales of investments in securities	(14,990)	—	—	(112,708)
Loss on devaluation of investments in securities	2,129	8,597	—	16,009
Direct cash loans made to customers	(919,931)	(903,003)	(838,161)	(6,916,772)
Direct cash loans collected from customers.....	719,809	692,681	646,626	5,412,097
Increase (decrease) in allowance for credit losses.....	15,656	(200)	16,500	117,714
Write-offs	78,559	57,464	40,599	590,669
Increase in accrued interest income	(3,545)	(2,783)	(2,984)	(26,657)
Other, net	(6,002)	866	(8,378)	(45,115)
Sub Total	112,402	79,202	55,052	845,129
Dividend income received.....	983	666	178	7,390
Income tax paid	(107,490)	(110,510)	(80,347)	(808,193)
Net cash provided by (used in) operating activities.....	5,895	(30,642)	(25,117)	44,326
Investing Activities:				
Decrease (increase) in time deposits (over 3 month-term).....	4,205	(15,926)	67	31,618
Purchase of marketable securities	—	—	(1,437)	—
Proceeds from sales of marketable securities	—	—	7,919	—
Purchase of property and equipment	(2,281)	(2,654)	(2,704)	(17,153)
Proceeds from sales of property and equipment	35	—	59	263
Purchase of investments in securities.....	(12,814)	(1,101)	(39,508)	(96,345)
Proceeds from sales of investments in securities.....	30,258	14,529	316	227,506
Purchase of investments in partnerships	(1,084)	(1,582)	(1,020)	(8,154)
Proceeds from sales of investments in partnerships.....	2,190	5,507	12,025	16,464
Other, net	(285)	(341)	(673)	(2,136)
Net cash provided by (used in) investing activities	20,224	(1,568)	(24,956)	152,063
Financing Activities:				
Increase (decrease) in short-term borrowings, net	28,250	(12,430)	13,139	212,406
Proceeds from long-term borrowings	262,326	311,451	200,548	1,972,376
Repayments of long-term borrowings	(379,899)	(358,662)	(234,985)	(2,856,380)
Proceeds from issuance of bonds.....	102,469	80,000	60,000	770,444
Proceeds from sale of treasury stock, net.....	(0)	0	3	(1)
Cash dividends paid.....	(17,675)	(11,783)	(14,729)	(132,898)
Net cash (used in) provided by financing activities.....	(4,529)	8,576	23,976	(34,053)
Effect of exchange rate changes on cash and cash equivalents.....	1,068	412	1,576	8,023
Net increase (decrease) in cash and cash equivalents	22,658	(23,222)	(24,521)	170,359
Cash and cash equivalents at beginning of year	53,979	77,201	101,722	405,860
Cash and cash equivalents at end of year (Note 2 (12)).....	¥ 76,637	¥ 53,979	¥ 77,201	\$ 576,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TAKEFUJI CORPORATION and Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting principles

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Takefuji Corporation (the "Company") and its consolidated 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 from International Accounting Standards. The accounts and records of TWJ VC Co., Ltd., which is an overseas subsidiary and formerly ITY Enterprise Co., Ltd., 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. No adjustments have been made to those overseas subsidiaries' financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan. 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.

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 and the CEO 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 98 million Shares or 67% of the outstanding shares of common stock of the Company as of March 31, 2002.

(3) United states dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The exchange rate of ¥133=US\$1, a telegraphic transfer mean rate on March 31, 2002 offered by a prime Japanese bank, was 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.

2. Summary of Significant Accounting Policies

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and subsidiaries including overseas subsidiaries (together referred to as the "Group"). As of March 31, 2002, 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. TWJ VC Co., Ltd.	100.0
5. Takefuji Capital Co., Ltd.	100.0
6. Yasui Co., Ltd.	100.0
7. TSR Co., Ltd.	100.0
8. G.H Investment Co., Ltd.	100.0
9. Takefuji New Research Institute	100.0
10. Fujix-Credit Co., Ltd.	100.0
11. TWJ Co., Ltd.	100.0
12. TWJ Euro Co., Ltd.	100.0
13. TDS Co., Ltd.	100.0
14. Takefuji Bull Mart Co., Ltd.	100.0

Note: TDS Co., Ltd. and Takefuji Bull Mart Co., Ltd. were newly established to be consolidated in this fiscal year. TTS Finance Co., Ltd. was sold up on December 31, 2001 so that financial statements were consolidated up until December 31, 2001. 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. A premium or a discount arising on acquisition is amortized by the straight-line method and recognized as an adjustment to interest. Securities not classified as trading securities or held-to-maturity debt securities are classified as other investments in securities. Other investments in securities were stated at cost, determined using the moving average method. As a result of adopting the new standard, "income before income 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.

The adoption of the mark-to-market accounting to other investments in securities became effective for the fiscal year beginning after April 1, 2001. Other investments in securities with market quotations are stated at market value; each market value is determined by the quoted price at the end of the fiscal year. Net unrealized gains and losses for these other investments in securities are reported as a separate component of the stockholders' equity, net of tax, and the cost of securities sold is computed using the moving average method. And other investments in securities without market quotations are stated at cost determined by the moving average method. As a result of this adoption, investments in securities decreased by ¥12,426 million (\$93,431 thousand), investments in partnerships increased by ¥818 million (\$6,148 thousand), and the related deferred tax assets and liabilities increased by ¥5,016 million (\$37,717 thousand) and ¥167 million (\$1,254 thousand), respectively. Net unrealized losses on other investments in securities, net of taxes, of ¥6,759 million (\$50,820 thousand) were recorded in a separate component of the stockholders' equity as of March 31, 2002.

(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 amortized on the straight-line method over 5 years which is the estimated useful life.

(8) Accounting for lease transactions

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. Differences arising from such translation are shown as "foreign currency translation adjustments" and included in minority interests and stockholders' equity.

(10) Income taxes

The Company and its consolidated subsidiaries adopt deferred tax accounting 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.

(11) Allowance for retirement benefits

Prior to April 1, 2000, the allowance for retirement benefits to employees was recorded at an amount which would be required to pay (reduced by the benefits payable under the pension plan) if all eligible employees voluntarily terminated their employment at the balance sheet date.

Effective April 1, 2000, the Company and its consolidated subsidiaries provide an allowance for retirement benefits to employees, which is determined based on the projected benefit obligations and the pension fund assets as at the balance sheet date. Actuarial gain or loss is charged or credited to income in the fiscal year next to the year when that was incurred. As a result of adopting the new accounting standard for retirement benefits, "income before income taxes and minority interests" for the year ended March 31, 2001 decreased by ¥715 million.

(12) Cash and cash equivalents

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

Cash and cash equivalents at March 31, 2002 and 2001 consist of the following items on the balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash in hand and at banks.....	¥43,097	¥25,368	\$324,041
Time deposits	27,835	22,286	209,285
Short-term investments.....	21,221	25,005	159,554
Less: Time deposits over three months	(15,516)	(18,680)	(116,661)
Cash and cash equivalents at end of year.....	<u>¥76,637</u>	<u>¥53,979</u>	<u>\$576,219</u>

(13) Amounts per share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal year. The Group had no dilutive potential common shares, such as convertible debt on warrants, outstanding during the relevant fiscal years.

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. Investments in Securities

Investments in securities as of March 31, 2002 and 2001 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Investments in securities:			
Equities with market quotations	¥24,060	¥44,880	\$180,899
Equities without market quotations.....	3,681	2,308	27,677
Investment trust funds and others.....	20,511	30,387	154,221
	<u>¥48,252</u>	<u>¥77,575</u>	<u>\$362,797</u>

Acquisition cost, book value (market value) and unrealized gain (loss) of investments in securities as of March 31, 2002 are summarized as follows:

	Millions of yen		
	2002		
	Acquisition cost	Book value (Market value)	Unrealized gain (loss)*
Investments in securities:			
Equities with market quotations	¥26,780	¥24,060	¥ (2,720)
Investment trust funds and others	30,148	20,223	(9,925)
	<u>56,928</u>	<u>44,283</u>	<u>(12,645)</u>
Market value not available	3,750	3,969	219
	<u>¥60,678</u>	<u>¥48,252</u>	<u>¥(12,426)</u>

* Includes effect of exchange rate changes on investments in securities denominated in foreign currencies.

	Thousands of U.S. dollars		
	2002		
	Acquisition cost	Book value (Market value)	Unrealized gain (loss)
Investments in securities:			
Equities with market quotations	\$201,351	\$180,899	\$(20,452)
Investment trust funds and others	226,676	152,057	(74,619)
	<u>428,027</u>	<u>332,956</u>	<u>(95,071)</u>
Market value not available	28,201	29,841	1,640
	<u>\$456,228</u>	<u>\$362,797</u>	<u>\$(93,431)</u>

Book value, market value and unrealized gain (loss) of investments in securities as of March 31, 2001 are summarized as follows:

	Millions of yen		
	2001		
	Book value	Market value	Unrealized gain (loss)
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>		

Other investments in securities sold during the fiscal years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Proceeds from sales	¥42,332	¥14,529	\$318,289
Gross realized gains	14,990	3,020	112,708
Gross realized losses.....	—	1,597	—

Write down of investments in securities

During the fiscal year ended March 31, 2002, certain equities with market quotations were written down by ¥2,015 million (\$15,151 thousand), and equities without market quotations by ¥114 million (\$859 thousand). The Company writes down the book value of equities when the market value declines by more than 50%, or the market value declines approximately by more than 30% but less than 50%, and the Company's management determines the decline to be other than temporary.

4. 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, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Loans to bankrupt borrowers	¥ —	¥ —	\$ —
Delinquent loans	—	—	—
Delinquent loans past due three months or more...	55,151	43,924	414,673
Restructured loans ⁽¹⁾	76,891	64,451	578,125

(1) The loans classified as restructured loans as of March 31, 2002 and 2001 include ¥70,781 million (\$532,189 thousand) and ¥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.

Committed lines of credit

A commitment line 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 total outstanding balance of unused commitment lines is ¥469,689 million (\$3,531,498 thousand), including ¥287,230 million (\$2,159,621 thousand) in commitment lines to customers with no outstanding loan balance at March 31, 2002.

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, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Balance at beginning of year	¥82,600	¥82,800	\$621,053
Write-offs*	(78,559)	(57,464)	(590,669)
Additions to allowance	94,215	57,264	708,383
Balance at the end of year	<u>¥98,256</u>	<u>¥82,600</u>	<u>\$738,767</u>

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

* 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.

5. Property and Equipment

Property and equipment as of March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Buildings	¥ 23,392	¥ 23,265	\$175,876
Leasehold improvements	16,245	15,707	122,144
Vehicles	220	158	1,657
Machinery	126	133	943
Equipment, furniture and fixtures	18,844	18,205	141,685
	58,827	57,468	442,305
Less: Accumulated depreciation	(31,541)	(28,976)	(237,146)
	27,286	28,492	205,159
Land	69,608	189,516	523,368
Golf course	5,592	5,592	42,043
Construction in progress	1,147	1,147	8,624
	¥103,633	¥224,747	\$779,194

6. Leasehold Deposits and Other Assets

Leasehold deposits and other assets as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Leasehold deposits	¥ 6,428	¥ 6,287	\$48,331
Intangibles, principally telephone and land leasehold rights	1,440	1,438	10,827
Software	1,267	2,724	9,527
Deferred charges	1,092	433	8,210
Other	462	717	3,473
	¥10,689	¥11,599	\$80,368

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.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings outstanding as of March 31, 2002 and 2001 comprised loans from banks and other financial institutions which bore interest at rates ranging from 0.655% to 1.375% and from 0.691% to 1.500%, at March 31, 2002 and 2001, respectively. It is normal business custom in Japan for short-term borrowings to be rolled over each year.

Additional information concerning short-term borrowings for the years ended March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Maximum month-end balance	¥71,500	¥93,700	\$537,594
Average month-end balance	32,981	45,982	247,975

Long-term debt as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Loans from banks and other financial institutions (with interest rates ranging from 0.50% to 4.3% for 2002 and from 1.28% to 4.3% for 2001)*	¥ 881,507	¥ 999,080	\$6,627,875
7.3% Senior Unsecured Notes due November 1, 2004 with currency swap contract (Note 14)	16,367	16,367	123,061
8.0% Senior Unsecured Notes due November 1, 2017 with currency swap contract (Note 14)	3,665	3,665	27,553
1.3% Senior Unsecured Notes due October 29, 2003 ...	30,000	30,000	225,564
2.06% Senior Unsecured Notes due March 23, 2007 ...	30,000	30,000	225,564
1.52% Senior Unsecured Notes due June 22, 2005	30,000	30,000	225,564
2.06% Senior Unsecured Notes due June 22, 2007	30,000	30,000	225,564
1.6% Senior Unsecured Notes due October 24, 2004 ...	10,000	10,000	75,188
2.15% Senior Unsecured Notes due October 24, 2006...	10,000	10,000	75,188
9.2% Senior Unsecured Notes due April 15, 2011 with currency swap contract (Note 14)	54,902	—	412,800
1.3% Senior Unsecured Notes due November 29, 2006	20,000	—	150,375
	1,116,441	1,159,112	8,394,296
Other long-term debt**	42,543	29,290	319,867
	1,158,984	1,188,402	8,714,163
Less: portion due within one year:			
Loans from banks and other financial institutions ...	(253,989)	(354,030)	(1,909,693)
	¥ 904,995	¥ 834,372	\$6,804,470

* With respect to certain loans from banks and other financial institutions in an aggregate amount of ¥405,190 million and Company bonds in aggregate amount of ¥74,934 million as of March 31, 2002, 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 investments in 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 11 below for further details.

The Company borrows funds under a committed line of credit. The Company has an available committed line of credit equal to Yen equivalent of U.S.\$2,500 million. The Company's outstanding balance under the committed line of credit was Yen equivalent of U.S.\$1,110 million, and remaining unused portion was Yen equivalent of U.S.\$1,390 million at March 31, 2002.

Group assets pledged as collateral as of March 31, 2002 and 2001 for long-term debt are as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Time deposits	¥ 1,369	¥ 3,605	\$ 10,294
Investments in securities	9,179	1,925	69,017
Direct cash loans to customers under the assignment by way of security	388,888	462,573	2,923,967
Net book value of property and equipment.....	37,091	147,844	278,880
	<u>¥436,527</u>	<u>¥615,947</u>	<u>\$3,282,158</u>

Long-term debt covered by the collateral as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Current portion of long-term debt.....	¥115,412	¥133,090	\$ 867,759
Long-term debt	251,660	331,047	1,892,178
	<u>¥367,072</u>	<u>¥464,137</u>	<u>\$2,759,937</u>

Besides assets pledged as collateral shown above, at March 31, 2002, the Company has been committed to furnish, if requested by financial institutions, "direct cash loans to customers" in the aggregate principal value of ¥13,215 million (\$99,362 thousand), for securing the repayments of "long-term debt" of ¥7,579 million (\$56,981 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 (\$113 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, 2002, outstanding borrowings of this subsidiary were ¥245,897 million (\$1,848,847 thousand). The shares of Takefuji Bull Mart Co., Ltd. at a book value of ¥0 million (\$1 thousand), which was established as a special-purpose company during this fiscal year for lending funds provided by issuance of discount notes to the Company, are also subject to a purchase option which may be exercised by the financial institution under certain agreed-upon conditions, with which Takefuji Bull Mart Co., Ltd. has financial arrangements. There were no outstanding borrowings of this subsidiary as of March 31, 2002.

The aggregate annual maturities of long-term loans with banks and other financial institutions, and bonds as of March 2002 are as follows:

Year ending March 31,	Millions of yen	Thousands of
		U.S. dollars
2003	¥ 253,989	\$1,909,694
2004	287,367	2,160,652
2005	135,392	1,017,984
2006	71,870	540,376
2007 and thereafter	367,823	2,765,590
	<u>¥1,116,441</u>	<u>\$8,394,296</u>

8. Income Taxes

The statutory tax rates used for calculating deferred tax assets and deferred liabilities in fiscal 2002 and fiscal 2001 are approximately 42%.

The reconciliation of the statutory tax rate to the effective income tax rate for fiscal 2002 and fiscal 2001 is as follows:

	2002	2001
Statutory tax rate	41.8%	41.8%
Increase (decrease) in taxes resulting from:		
Tax on undistributed profit	3.7%	4.5%
Other	2.4%	(1.1%)
Effective income tax rate	<u>47.9%</u>	<u>45.2%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Current deferred tax assets:			
Non-deductible portion of provision for doubtful accounts for accrued income interest	¥ 2,758	¥ 2,545	\$ 20,734
Non-deductible portion of brokerage fees	527	835	3,966
Non-deductible portion of provision for doubtful principal amount	21,368	14,758	160,658
Accounts payable	285	302	2,141
Accrued expenses	708	—	5,321
Enterprise taxes payable	508	3,975	3,821
Other	344	629	2,591
Sub total	<u>¥26,498</u>	<u>¥23,044</u>	<u>\$199,232</u>
Long-term deferred tax assets:			
Loss on devaluation of partnerships	—	¥ 375	—
Loss on devaluation of investments in securities	¥ 6,630	1,843	\$ 49,847
Non-deductible portion of provision for retirement benefit	733	667	5,510
Other	748	340	5,626
Sub total	<u>¥ 8,111</u>	<u>¥ 3,225</u>	<u>\$ 60,983</u>
Total deferred tax assets	<u>¥34,609</u>	<u>¥26,269</u>	<u>\$260,215</u>
Long-term deferred tax liabilities	¥ 167	—	\$ 1,254
Net deferred tax assets.....	<u>¥34,442</u>	<u>—</u>	<u>\$258,961</u>

9. 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 projected benefit obligations 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		Thousands of
	2002	2001	U.S. dollars
Components of pension costs:			
Service cost	¥461	¥ 429	\$3,466
Interest cost	105	108	786
Expected return on plan assets	(36)	(38)	(272)
Net amortization	(14)	672	(102)
Net pension costs	<u>¥516</u>	<u>¥1,171</u>	<u>\$3,878</u>

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Funded status of pension plans:			
Projected benefit obligation	¥(3,333)	¥(3,486)	\$(25,059)
Plan assets, at fair value	1,498	1,571	11,263
Projected benefit obligation in excess of plan assets...	(1,835)	(1,915)	(13,796)
Unrecognized net losses.....	(248)	(13)	(1,865)
Allowance for retirement benefits.....	¥(2,083)	¥(1,928)	\$(15,661)
Major assumption used:			
Discount rate	3.0%	3.0%	
Expected return on plan assets	2.3%	2.3%	

The Company also provides for lump-sum retirement benefits to directors and corporate 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 corporate auditor upon retirement with the approval of the general meetings of shareholders. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not funded. The balance of allowance for retirement benefits in the accompanying consolidated balance sheets as of March 31, 2002 and 2001 included such provision, relative to directors and corporate auditors, of ¥357 million (\$2,685 thousand) and ¥382 million, respectively.

10. Contingent Liabilities

As of March 31, 2002 and 2001, the Group had no contingent liabilities.

11. Leveraged Lease Partnerships

In the past fiscal years, the Company invested in leveraged lease partnerships specifically set up for the leasing of aircrafts. 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, 2001, net cumulative losses amounted to ¥62,116 million, ¥33,281 million of which had been charged against investment cost and a further ¥28,834 million had been credited to other long-term debt.

Similarly, up to March 31, 2002, net cumulative losses amounted to ¥46,503 million (\$349,649 thousand), ¥26,938 million (\$202,544 thousand) of which had been charged against investment cost and a further ¥19,565 million (\$147,106 thousand) had been credited to other long-term debt.

12. 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 three years ended March 31, 2002 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Lease rental expenses	¥3,609	¥4,476	¥4,187	\$27,133

The amount of outstanding future lease payments due at March 31, 2002, 2001 and 2000, which included the portion of interest thereon, is summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Future lease payments				
Due within one year	¥2,861	¥3,431	¥ 4,182	\$21,513
Due over one year	3,329	4,859	5,951	25,026
Total	¥6,190	¥8,290	¥10,133	\$46,539

13. Retained Earnings

Under the Japanese Commercial Code, an amount equivalent to at least 10% of cash dividends and bonuses to directors and corporate auditors must be appropriated as a legal reserve until the reserve balance reaches 25% of common stock. The Company's legal reserve amount included in "retained earnings" was ¥7,619 million (\$57,289 thousand) as of March 31, 2002 and 2001, respectively. In October 2001, the Japanese Commercial Code was amended to allow companies to draw down a portion of the statutory reserve (additional paid-in capital and legal reserve) amount in excess of 25% of common stock. The excess portion may be available for dividends, provided that certain procedures required under the Japanese Commercial Code have been met, and stockholders' approval was obtained at the stockholders' meeting.

14. 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 against bonds and loans. The Company does not hold or issue financial derivative instruments for trading purposes.

The Company considers that there is no significant credit risk arising from default by counter-parties, as they are major financial institutions in the international financial market.

All derivative transactions the Company enters into are approved by the board of directors and under administration of finance department of the Company. The conditions and results of such transactions are reported timely to the board of directors.

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 years ended March 31, 2002 and 2001, contractual values or notional amounts, fair value and unrealized gains/losses of derivative transactions are not required to be presented.

15. Subsequent Events

The appropriation of retained earnings of the Company for the year ended March 31, 2002, which was proposed by the Board of Directors and approved at the General Meeting of Stockholders held on June 27, 2002 is as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends (¥50 per share).....	¥ 7,365	\$ 55,374
Bonuses to directors and corporate auditors....	57	427
Transfer to general reserve	48,000	360,902
Total	¥55,422	\$416,703

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 accompanying consolidated balance sheets of Takefuji Corporation and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2002, 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, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, 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, made as of March 31, 2001 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 consolidated subsidiaries have adopted the new Japanese accounting standards for financial instruments and retirement benefits.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 (3) to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
June 27, 2002

>>> BOARD OF DIRECTORS AND AUDITORS >>>



Yasuo Takei
Chairman and CEO



Teruki Uchida
Vice Chairman



Akira Kiyokawa
President



Taketeru Takei
Senior Managing Director



Osamu Sasaki
Managing Director



Yoshihiko Baba
Managing Director



Yoshiiku Matsumoto
Managing Director



Hirofumi Hosoi
Director



Kanji Kobayashi
Director



Teruhiko Kobayashi
Director



Takeshi Kosakai
Director



Katsunori Aita
Director



Iwao Haruta
Director



Yuji Sawada
Director



Shigeo Kobayashi
Director



Mineko Naito
Director



Yoshiji Fukushima
Director



Kunio Akiyoshi
Standing Corporate Auditor



Masakuni Saito
Standing Corporate Auditor

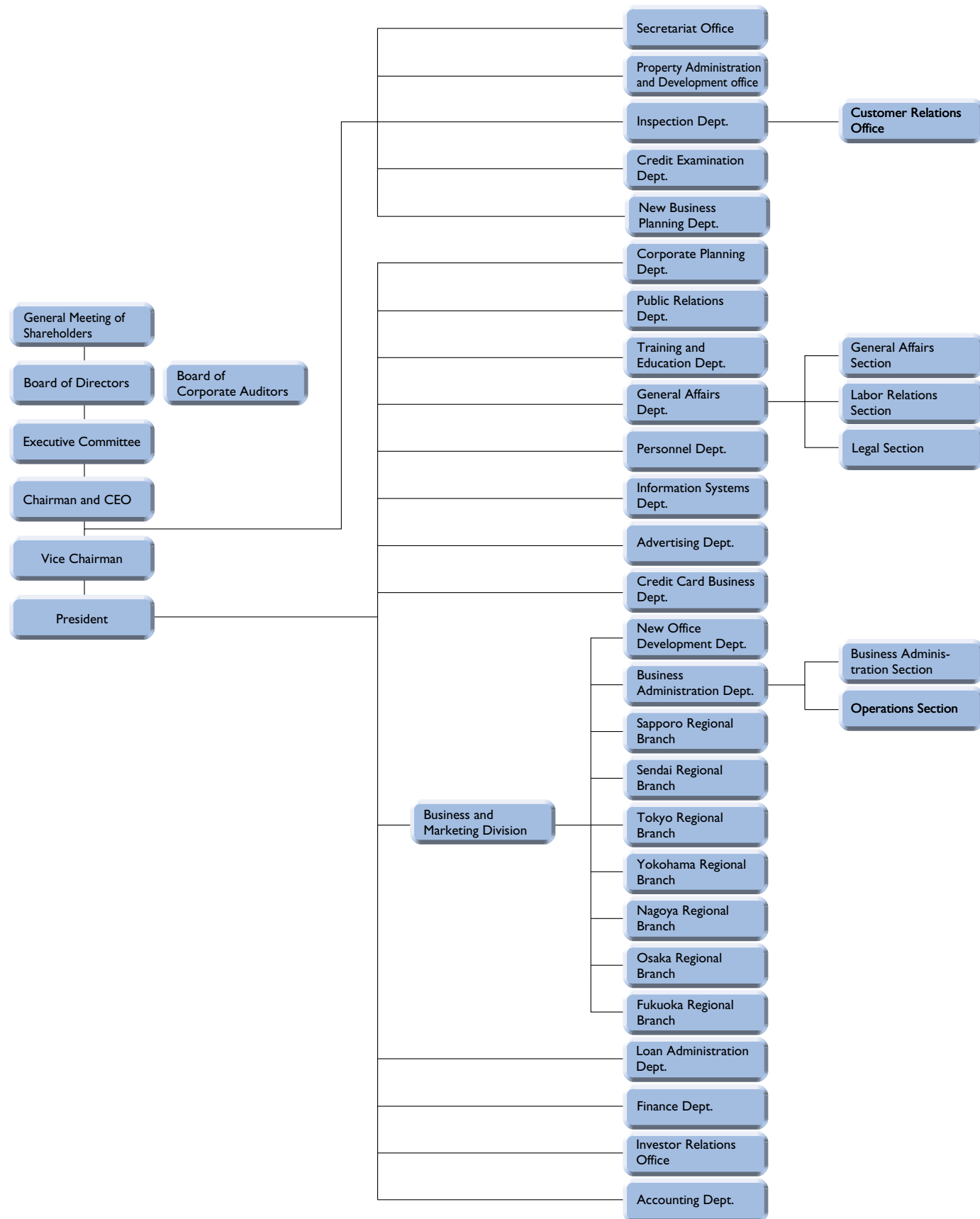


Toshiyuki Tsuchiya
Standing Corporate Auditor



Yoshihiro Ogura
Corporate Auditor

>>> ORGANIZATION CHART >>>



>>> HISTORY >>>

1966
 JAN. Chairman Yasuo Takei established the private company, Fuji Shoji

1968
 JUNE Company incorporated under the name Takefuji Shoji, Ltd.

1970
 JAN. Yutaka Co., Ltd., founded (currently Nishiogi Branch Office)
 AUG. Yamato Loan Service Co., Ltd., founded (currently Funabashi Branch Office)

1971
 JULY Toho Loan Service Co., Ltd., founded (currently Yokohama Branch Office)
 SEPT. New office headquarters completed in Itabashi, Tokyo

1973
 MAY Then President Yasuo Takei made his first tour of the loan industry in the United States

1974
 NOV. Takefuji Shoji, Ltd., reorganized into a joint-stock corporation
 DEC. Company name changed to Takefuji Corporation

1977
 OCT. Outstanding loans reached ¥10 billion
 DEC. Yamato Loan Service Co., Ltd., Toho Loan Service Co., Ltd., and Yutaka Co., Ltd., merged into Takefuji, increasing the total capital to ¥150 million

1978
 FEB. Yen Shop Takefuji adopted as corporate slogan
 MAR. Capital increased to ¥300 million
 MAY Headquarters moved to Sunshine 60 Building in Ikebukuro, Tokyo. Tokyo and Osaka regional branches established
 JULY Subsidiaries Million Finance Co., Ltd., and Tei Kei Ai Co., Ltd., established

1979
 MAR. Capital increased to ¥500 million
 DEC. Capital increased to ¥800 million

1980
 JULY First unsecured convertible bonds issued
 DEC. Million Finance Co., Ltd. and Tei Kei Ai Co., Ltd., merged into Takefuji, increasing total capital to ¥895 million

1981
 MAR. Large-scale computer introduced, and on-line system connecting all sales offices began operations
 JUNE Outstanding loans reached ¥100 billion

1982
 MAR. All of the first unsecured convertible bonds converted, raising total capital to ¥917 million

1983
 NOV. On-line system connecting all offices completed
 DEC. Company registered as lending institution in accordance with finance company law. Registration number: (1)-00020 (renewable every three years)

1984
 MAY 133 Loan Administration sections placed throughout the country, bringing the total to 144 sections at the end of the year
 JULY Japan Hawaii Finance Co., Ltd., acquired
 SEPT. Main Headquarters Building in Yaesu, Tokyo, completed
 OCT. Company began making contributions to the Association for the Promotion of Seeing Eye Dogs in Japan

1985
 AUG. System of ATMs and CDs began operations (set up in 48 locations)
 OCT. Company established the Takefuji Commemorative Japan Trust, a public-interest trust, to contribute to inviting technicians from overseas to Japan

1986
 APR. Private placement of SFr20 million in bonds made overseas, the first in the consumer finance industry

1987
 JAN. Company took out a syndicated loan of \$150 million from 15 foreign banks
 AUG. Outstanding loans reached ¥300 billion

1988
 OCT. Number of customer accounts reached one million

1991
 FEB. Outstanding loans reached ¥500 billion

1992
 MAY Completion of and move to New Main Headquarters Building, in Shinjuku, Tokyo

1994
 MAR. Fiscal term-end changed to March 31
 Capital increased to ¥16.33 billion

1995
 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

1996
 APR. Long-term counterparty rating (A2) assigned by Moody's Investors Service, Inc.
 AUG. Registration of the Company's shares for OTC trading
 SEPT. Outstanding loans reached ¥1 trillion

1997
 MAR. Secondary offering of 3.3 million shares completed in Japan and overseas
 JULY Full scale operation of 3rd generation on-line system started
 SEPT. A subsidiary TTS Finance Co., Ltd. was established
 OCT. Issuance of US\$165 million Yankee Bonds
 NOV. Number of customer accounts reached 2.5 million

1998
 FEB. Introduction of "Takefuji Medical Counseling Hotline24"
 MAR. Secondary offering of 14 million shares overseas
 OCT. Began offering a fixed-period loan-repayment insurance policy for unemployment
 DEC. Takefuji shares listed on the First Section of the Tokyo Stock Exchange

1999
 FEB. Takefuji shares approved for options trading
 MAR. Trial operations of Iris-identification System for ATMs began at the Kanda Branch Office
 OCT. First issuance of ¥30 billion senior unsecured note
 Takefuji New Research Institute established

2000
 MAR. Takefuji shares listed on the London Stock Exchange
 APR. TWJ Co., Ltd. established
 OCT. TWJ Euro Co., Ltd. established in London

2001
 APR. US\$675 million senior unsecured notes globally offered for sale

2002
 MAR. Establishment of US\$1 billion credit line
 JUNE Issuance of 20-year senior unsecured notes of ¥30 billion in the domestic market

Takefuji Head Office:	15-1, Nishi-Shinjuku 8-chome Shinjuku-ku, Tokyo 163-8654
Date of Establishment:	January 1966
Capital Stock:	¥30,478 million
Business:	Consumer Finance
Number of Manned Branch Offices:	529 (As of March 31, 2002)
Number of Employees:	3,770 (As of March 31, 2002)
Consolidated Subsidiaries:	Take One Country Club, Ltd. Kyoritsu Estate Co., Ltd. Zuikoh Factor Co., Ltd. TWJ VC Co., Ltd. Takefuji Capital Co., Ltd. Yasui Co., Ltd. TSR Co., Ltd. G.H Investment Co., Ltd. Takefuji New Research Institute Fujix-Credit Co., Ltd. TWJ Co., Ltd. TWJ Euro Co., Ltd. TDS Co., Ltd. Takefuji Bull Mart Co., Ltd.
Internet Home Page:	http://www.takefuji.co.jp
Transfer Agent for Shares:	Mizuho Trust and Banking Co., Ltd. 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8240
Independent Certified Public Accountants:	ChuoAoyama Audit Corporation Kasumigaseki Bldg., 32nd Floor 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6088

Forward-Looking Statements

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

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

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



Takefuji Head Office