



(Translation)
Brief Statement of Financial Results
for the Fiscal Year Ended March 31, 2006 (Consolidated)

April 26, 2006

Company Name: TAKEFUJI CORPORATION (the "Company")

Stock Listings: Tokyo Stock Exchange, First Section/ London Stock Exchange

Code Number: 8564

URL: <http://www.takefuji.co.jp>

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

Representative Personnel: Hikaru Kondo, President

Administrative Personnel to Contact: Tatsumi Matsunaga, Executive Officer of Public Relation Department

Tel: +81-3-3365-8030

Meeting of Board of Directors for Approval of the Fiscal Year Results: April 26, 2006

Application of the U.S.A.GAAP: No

1. Consolidated Business Results for the Fiscal Year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

(1) Consolidated Operating Results

Notes: Figures are rounded (as to "statistics per share" at three places of decimal)
to the nearest appropriate unit.

	Operating Revenues		Operating Income		Ordinary Income	
	millions of yen	%	millions of yen	%	millions of yen	%
Fiscal Year ended March 2006	351,259	(-2.5)	87,785	(-24.6)	92,248	(-22.6)
Fiscal Year ended March 2005	360,121	(-6.3)	116,437	(-5.5)	119,256	(-14.0)

	Net Income		Net Income per Share	Net Income per Share -Diluted	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Operating Revenues
	millions of yen	%	yen	yen	%	%	%
Fiscal Year ended March 2006	46,924	(-31.7)	333.18	323.99	4.9	5.0	26.3
Fiscal Year ended March 2005	68,726	(-8.1)	487.94	474.49	7.4	6.3	33.1

Notes: a. Equity in net income or loss of the companies under equity method:

Fiscal Year ended March 2006 - millions of yen

Fiscal Year ended March 2005 - millions of yen

b. Average number of shares outstanding during the fiscal year:

Fiscal Year ended March 2006 140,706,045 Shares

Fiscal Year ended March 2005 140,722,997 Shares

c. Accounting change during the current fiscal year: None

d. The percentage figures for operating revenues, operating income, ordinary income and net income represent year-on-year changes.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
Fiscal Year ended March 2006	1,770,909	973,626	55.0	6,919.26
Fiscal Year ended March 2005	1,903,991	960,719	50.5	6,827.41

Note: Number of shares outstanding as of the end of the fiscal year:

Fiscal Year ended March 2006 140,706,025 Shares

Fiscal Year ended March 2005 140,706,055 Shares

(3) Consolidated Cash Flows

	Operating Cash Flows	Investing Cash Flows	Financing Cash Flows	Cash and Cash Equivalents as of the end of the Fiscal Year
	millions of yen	millions of yen	millions of yen	millions of yen
Fiscal Year ended March 2006	90,784	42,376	-183,177	107,022
Fiscal Year ended March 2005	103,083	41,039	-102,440	155,436

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 9 companies
 Non-Consolidated subsidiaries accounted for by the equity method: 0
 Affiliates accounted for by the equity method: 0

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated Subsidiaries New: 0 Affiliates New: 0
 Consolidated Subsidiaries Excluded: 1 Affiliates Excluded: 0

2. Forecasts of Consolidated Operating Results for the Fiscal Year ending March 2007 (From April 1, 2006 to March 31, 2007)

	Operating Revenues	Ordinary Income	Net Income
	millions of yen	millions of yen	millions of yen
Interim	176,300	68,100	40,300
Full Year	350,600	116,100	68,600

Reference data: Forecast net income per share (full year): 487.22 yen

Forecast of Takefuji Corporation (the"Company")

The forecasts and figures in forward-looking statements contained in this Brief Statement of Financial Results for the consolidated fiscal year ended March 31, 2006 in regard to the Company's plans and strategies are based on management's assumptions and beliefs in light of information currently available and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors.

Supplementary Information

1. Takefuji Group

The Takefuji Group consists of Takefuji Corporation and 9 subsidiaries, which are subject to consolidation as of March 31, 2006. Consumer Finance is the core business of the Group while subsidiaries undertake other miscellaneous business operations. The following description explains the positioning and role of each Group company.

Consumer finance:

Direct cash loan business:

Takefuji Corporation, one of the largest scale consumer finance companies in Japan in terms of both the number of accounts and the out standing loan balance, has concentrated since its establishment on making popular, convenient and on-the-spot small-scale consumer loans that require borrowers to provide neither collateral nor guaranties and has developed a nation-wide branch network through local communities in order to meet various customer needs.

Credit card business:

The Company runs credit card business that is deeply rooted into regional communities by offering opportunities of credit card use as “Useful card for life” to such customers who had few chances to hold credit card and by advancing the development of franchise shops.

Other Businesses:

Golf course management:

Take One Co., Ltd. is engaged in management of golf courses and provides loan facilities to Takefuji Corporation.

Real estate rental business:

As part of group strategy for efficient use of real estate in possession, Takefuji Corporation and TDS Co., Ltd. undertake real estate business such as development, administration and rental to tenants.

Venture capital business:

TWJ EURO Co., Ltd. and TWJ VC Co., Ltd. were established in the U.K. and the U.S., respectively, in order to mainly invest in venture businesses in Europe and in the U.S., respectively. TWJ Co., Ltd. was established as a venture capital subsidiary for investments in Japan.

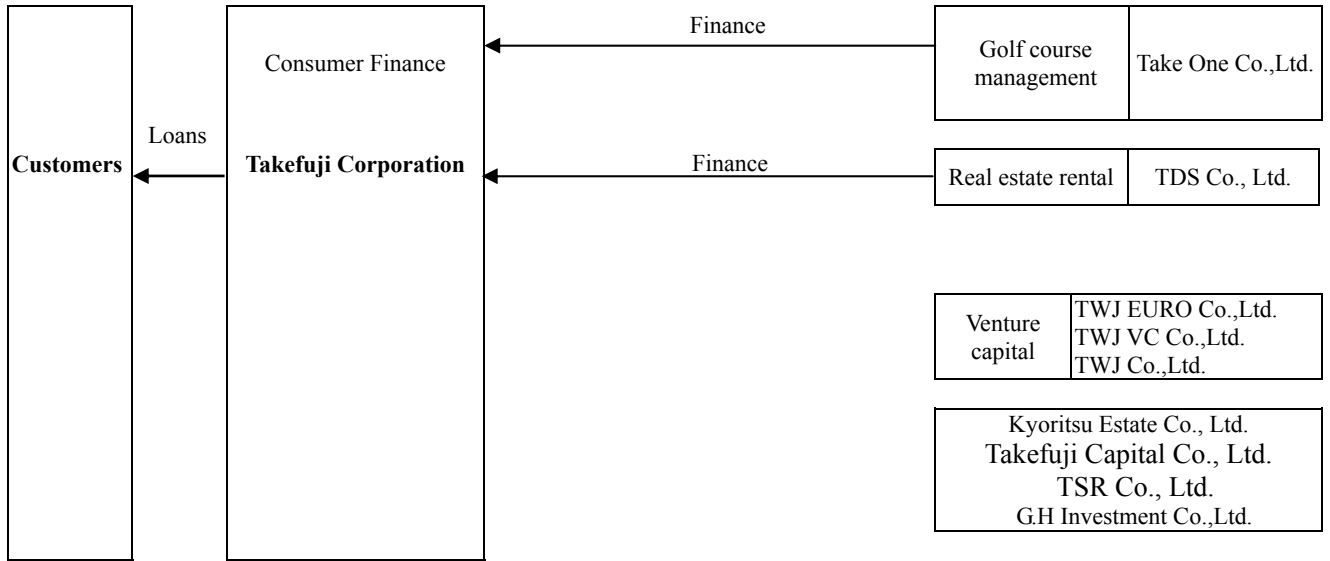
Others:

Kyoritsu Estate Co., Ltd., Takefuji Capital Co., Ltd., TSR Co., Ltd., GH Investment Co., Ltd.

Takefuji Bull Mart Co., Ltd. was deconsolidated since the Company’s investment in Takefuji Bull Mart Co., Ltd. was sold in July 2005.

In addition to the above, three related companies deal with managing and leasing of real estate.

The Chart of Takefuji Group



2. Management Policy

(1) Fundamental corporate management policy

Since the Company's establishment, our basic corporate philosophy has focused on the primary importance of the customer first and on management efficiency. These policies have formed the core of our operations, including the expansion of marketing efforts, staff training and the opening of new offices, in highly practical terms.

As we consider all customers to be of primary importance, we work to put ourselves in their shoes and to respond to every need with complete sincerity and the utmost effort. On this basis, we have developed systems to not only ensure customer satisfaction but also to motivate our staff, enabling us to thrive as a consumer financial institution in providing unsecured small loans. We aim to engender a cheerful and sincere approach from all of our employees that expresses our gratitude to our customers. To this end, we have developed educational programs that cover our management philosophy and strategy, compliance issues and the high level of service that enable our staff to consistently work well with customers at all times and places. These programs are run continually and target all job descriptions and ranks.

Takefuji is a financial institution that has close ties to the communities in which we operate. Since our founding, we have been involved in a number of different social contribution programs and environmental protection activities that convey our appreciation for the support we have received from the community.

These policies will continue to serve us, enabling us to provide detailed and accurate responses to our customers' needs, while continually developing our business in logical and efficient ways. In addition, they further enhance our endeavors to fulfill our corporate social responsibility and our corporate governance and compliance systems. Through these initiatives, we are committed to improve our corporate value to meet the confidence of our shareholders.

(2) Fundamental corporate policy for distributing profits

We view the return of profits to our stockholders as an important part of our capital policy. From this standpoint, we believe that it is our basic responsibility to repay our stockholders by distributing stable profits over a long period.

Based on the above policy, we increased interim dividends for the term under review ended March 2006 from the 50 yen per share we paid as last year's interim dividend, to 115 yen per share (interim dividends were paid in December 2005 and January 2006). The final dividend will be the same as the interim dividends, so that the annual dividend forecast will be 230 yen per share (100 yen per share for the previous year).

We will use our internal reserves for loan provision to bolster our financial position and also to invest in providing high levels of customer service and make strategic investment to enhance our income base. We believe that this approach will contribute to our profitability over the medium and long term, and help provide a greater return to our investors and maximize shareholder value.

(3) Concept and policy of lowering minimum trading unit

We lowered the minimum trading unit to 10 shares from 100 shares in August 2001 to increase the liquidity of our shares in the stock market and develop a better investment environment for individual investors.

Although we plan to maintain the current minimum trading unit for the time being, we will react appropriately after taking stock market conditions and developments in our stock price into consideration.

(4) Target management indices

Our longstanding objective is to increase our shareholders' equity to 1 trillion yen. We also aim to improve our return on assets (ROA) and return on equity (ROE) to establish a firm business foundation and further enhance management efficiency.

(5) Long-term corporate management strategy

We strive to construct a business profile with a high efficient and profitable consumer finance business at its core. To this end, we have taken various measures, such as adhering to the limit of 1 million yen for unsecured loans, expanding the network of automatic teller machines at business partners, enhancing the channels for acquiring new customers, and improving customer convenience through the use of IT and the Internet.

In addition, we aim to increase our corporate value over the medium and long terms by expanding our earnings base through the diversification and the optimum allocation of management resources into such areas as the credit card business including M&A, the secured loan business and venture investment. For this purpose, we will promote an aggressive capital policy and maintain and strengthen IR activities in Japan and overseas.

(6) Matters relating to the parent company

There is no applicable item.

(7) Basic guidelines regarding relationships with related parties

A portion of our branches rent buildings which are owned by related parties. All of the conditions of these dealings are evaluated in the same manner as general transactions by taking into consideration such factors as market supply and demand conditions and market price trends.

(8) Approaches to Business Risk and Other Forms of Risk

This section concerns the major business risks that confront the Takefuji Group and that could potentially have a significant impact on results, the stock price and the Group's financial position. It also includes other risks that are regarded as important to the investment decisions made by investors, for better information disclosure to investors. The Takefuji Group is fully aware of these possible risks and will make its best possible efforts to hedge them or to respond to them if they transpire.

This section contains some future projections, which are based on forecasts as of the date this material was prepared.

1) Legal regulations

1. Registration for the moneylending business

To engage in its principal business, namely consumer finance, Takefuji is registered as a moneylender as provided by the Money-Lending Business Control and Regulation Law, Regulation for Loan Business in Japan ("Moneylending Control Law"). Takefuji is required to comply with the regulations set out in that law encompassing all consumer finance business.

2. Risks associated with the regulation of loan interest rates

The maximum cash loan interest rate under the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits ("Capital Subscription Law") is set at 29.2%. Since February 1, 1996, Takefuji has fixed its maximum interest rate at 27.375%.

However, Article 12-2 of the amended Capital Subscription Law introduced on August 1, 2003 provides that "the maximum interest rate shall, within three years of the date when this Law is put into effect, be amended if necessary based upon a study that takes into consideration the state of funds demand or other economic or financial circumstances and the state of the business of moneylenders, such as the circumstances of the setting of loan interest rates in accordance with the resources or creditworthiness of the parties requiring funds." Ahead of amendments to Moneylending Control Law and the Capital Subscription Law in 2007, Financial Services Agency convened a roundtable conference on the money-lending system on March 30, 2005 to discuss, among other issues, a revision of the maximum interest rate. As of March 2006, a decision regarding whether the maximum interest rate stipulated in the Capital Subscription Law should be maintained at its current level or whether a new maximum interest rate should be established by unifying the rates in the Interest Rate Restriction Law and the Capital Subscription Law had not yet been reached. However, if the Capital Subscription Law were in the future to prescribe the setting of a maximum interest rate lower than the 27.375% interest rate used for Takefuji's principal products, or the deemed-payment provision pursuant to Article 43 of the Moneylending Control Law were to be abolished, Takefuji's business results may be affected.

3. Risk relating to business restrictions under the Moneylending Control Law

Takefuji is subject to the Moneylending Control Law for its direct cash loan business and is therefore subject to a range of business regulations (regarding such matters as the prohibition of excessive lending, the indication of loan terms, the advertising of loan terms, the prohibition of exaggerated advertisements, etc., the delivery of documentation, the delivery of receipts, the provision of books of account, restrictions on acquisition of absolute powers of attorneys, the regulation of debt collection, the return of debt certificates, the display of signs, and transfers of claims). In addition, in the enforcement provisions of the Moneylending Control Law, the company is subject to the application of the Financial Services

Agency's administrative guidelines for the moneylending business (Volume III: For Non-Bank Finance Companies), which lay down guidelines for behavior in the conduct of business.

After the revised Moneylending Control Law came into effect on January 1, 2004, the company is subject to more business regulations than hitherto. For example, in Article 21 of the Moneylending Control Law, which prescribes conduct for collections, whereas violations were previously listed only in the form of guidelines, the status of those guidelines has been raised to that of legal regulations. In consequence, even in instances that were previously judged to be violations of the guidelines, the occurrence of a violation presented as an example in Article 21 of the Moneylending Control Law could now potentially lead to such penalties as an enforced suspension of business.

Takefuji may be subject to more regulations than ever as, depending upon the amendments to be made in 2007 to the Moneylending Control Law, the company may also have to deal with changes to the vouchers, business flow, and systems that it has been using.

In addition, following the Supreme Court decision which showed the judgment January 13, 2006 that judged voluntariness strictly which is prerequisite for the application of deemed-payment and nullify a portion of cabinet ordinance that regulates items written on the paper to ask for payment pursuant to documentation under article 18, the Financial Services Agency announced a draft amendment to the enforcement regulations of the Moneylending Control Law on February 8, 2006. This draft amendment stipulates that if a provision demanding the acceleration of payment is set forth in a documentation under Article 17 of the Moneylending Control Law, a description of "said instruction and the fact that it shall be effective only to the extent to which an interest rate does not exceed that prescribed by Article 1, Paragraph 1 of the Interest Rate Restriction Law" shall be included. Moreover, the provision was eliminated that stipulated that some of the items of documentation under Article 18 or a written demand for payment may be omitted by clearly expressing the contract number of the customer. As a result, all the items demanded by the Moneylending Control Law will have to be listed. It is expected that the number of lawsuits demanding refund of overpayments will increase in the future due to these changes. This may have an impact on the company's business results.

In addition to the above, there is the issue of the delivery of documentation under Article 17 of the Moneylending Control Law. Moneylenders must deliver Article 17 documents to customers at the time they extend loans at their branches, through ATMs, through bank transfers, and through the ATMs operated by alliance partners. In the last two cases, however, we are unable to make immediate delivery of documents that meet the requirements of Article 17 documents. (The Moneylending Control Law provides that "When a moneylender concludes a loan contract it must without delay, as stipulated by Cabinet Office Ordinance, deliver to the other party thereto documentation expressly stating the details of the contract with respect to each of the items set out below.") Accordingly, if the administrative authorities decide to make a strict interpretation of Article 17 of the Moneylending Control Law, restrictions of some sort might be imposed on lending via bank transfers and lending through the use the ATMs operated by alliance partners. Also, in the event that the non-issuance of Article 17 documents with respect to existing loans becomes an issue, it would give rise to the risk of an unavoidable change in business format which could have an impact on business results.

Similarly, there is the issue of the delivery of documentation under Article 18 of the Moneylending Control Law. Receipts from the ATMs of alliance partners do not meet the criteria for documentation under Article 18, and, similar to the case of documentation under Article 17 described above, this gives rise to the risk of an unavoidable change in business format, which could have an impact on business results.

4. Impact of the Law Concerning the Protection of Personal Information

As the Law Concerning the Protection of Personal Information came into full effect on April 1, 2005, Takefuji may see that the occurrence of a leakage of such information will give rise to risks such as problems in maintaining public confidence, with compensation to individuals, and with penalties affecting business. The group keeps important information received from customers, including their personal and transaction data, to provide its services in the consumer finance and credit businesses. To deal with the risks, the group takes various measures. For example, Takefuji formed a project team before the enforcement of the law to prepare regulations and the necessary documentation and provide education to raise awareness. In February 2006, a year after its enactment, Takefuji tested all of its employees at the deputy branch manager level and above to gauge their level of understanding on the Law Concerning the Protection of Personal Information in order to ensure the careful treatment of personal information.

5. Impact of other business-related laws

For its card business, Takefuji is subject to the Installment Sales Law and various regulations pursuant to the law, including the representation of terms of business, the delivery of documentation, the furnishing of account ledgers, and the prevention of purchases exceeding the capacity for payment. If this business is regulated by amendments to this law, the business performance of the Group may be affected.

Other than the above, the business of Takafuji is subject to various laws, including the Civil Rehabilitation Law, the Bankruptcy Law, the Judicial Scrivener Law, laws related to special conciliation and amendments to any relevant law or the enforcement of a new law may affect earnings of the Group.

2) Risks Associated with Claims for Refunds of Overpayments

Takefuji's loan interest rates in part exceed the upper limit for interest rates prescribed by Article 1, Paragraph 1 of the Interest Rate Restriction Law (20% per annum when the principal is less than 100,000 yen, 18% per annum when the principal is 100,000 yen or more but less than 1,000,000 yen, and 15% per annum when the principal is 1,000,000 yen or more).

With respect to the excess interest portion, under Article 43 of the Moneylending Control Law, if a moneylender delivers the documentation prescribed by the Moneylending Control Law and if the excess portion is paid voluntarily by the debtor as interest, then it is deemed to be a valid payment irrespective of the provisions of Article 1, Paragraph 1 of the Interest Rate Restriction Law.

Article 17 and Article 18 of the Moneylending Control Law stipulate the documentation that must be delivered (contracts under Article 17 and receipts under Article 18) if Article 43 of the Moneylending Control Law is to be applied. Despite two major revisions to the law since its enactment, there have been no amendments to Article 17 and Article 18 to bring them into line with the actual conditions of consumer finance transactions, which are evolving continually to improve customer convenience (e.g., revolving contracts and ATMs).

Following the Supreme Court decision of February 20, 2004, the judicial branch of the government has been losing touch with the reality of consumer finance business through its increasingly strict interpretation of the law. As a result, the application of Article 43 of the Moneylending Control Law, which had been difficult, has even become even more so, and we have been seeing that the number of instances in which claims for refunds of overpayments have to be met has been rising in court cases involving attorneys.

In addition, due to the Supreme Court decision mentioned in 1) 3, This has made it extremely difficult to mount a defense in cases where plaintiffs are demanding refunds for overpayments and, as a result, the amount of refunds of overpayments in the year under review reached approximately 18.7 billion yen.

Because of this judgment, the administrative and legislative branches of government are currently working to amend of the law, but at this point it is difficult to anticipate in what way the law will be amended.

Even if the law is revised, it will not come into effect until around April 2007 at the earliest. In the meantime, on the heels of the Supreme Court decisions, the number of cases demanding refunds for overpayments is expected to increase in the next fiscal year. This may have a significant impact on the business performance of Takefuji.

3) Fund procurement and interest rates of funds procured

1. Risk relating to reduction of ratings

Takefuji has a Baa1 rating from Moody's and a BBB rating from Standard and Poor's. A future downgrading of these ratings may have an impact on fund procurement.

2. Restrictive financial covenant on fund procurement

Some of Takefuji's funds procured by means of loans and corporate bond issues are subject to certain limits under the restrictive financial covenant. Failure to comply with this would result in the loss of the

benefit of time and in an acceleration of repayments as a lump sum. As regards 120.0 billion yen of very long-term Euroyen bonds (42.0 billion yen of cash proceeds) issued in March and May 2004, in certain circumstances, holders of the bonds will have the option to demand redemption prior to maturity.

3. Risk relating to rising interest rates on fund procurement

The Capital Subscription Law prohibits any commercial lending rate higher than 29.2% and Takefuji currently sets its maximum interest rate on loans at 27.375% in its consumer finance business. The interest rates on fund procurement may be subject to fluctuations, depending on market circumstances and other factors. Any increase in the cost of fund procurement may act to reduce operating income and impact business results.

4) The problem of people with excessive debts

If there is an increase in incidences of personal bankruptcy, personal civil rehabilitation, special conciliation, debt arrangements by attorneys, uncollectible loans such as cases of petitions for refunds of improper profits, or loans overdue for long periods, and the cost of bad debts rises, Takefuji's business results would be very seriously impacted.

One of the causes of the increase in uncollectible loans is the lending of large sums totaling between two and three million yen to a customer. Takefuji adheres strictly to official guidance (of the Financial Services Agency, formerly the Ministry of Finance), which stipulates a self-imposed limit of one million yen in lending to a customer. However, if the trend within our industry towards a simple increase in the unit value of loans becomes more marked, then excessive indebtedness on the part of customers could increase further, and there could be an increased risk of uncollectible loans mounting and of bad debts arising.

5) Deregulation

The consumer finance market has not yet reached a saturation point, and revisions to laws and regulations have made it more difficult for people to qualify to engage in the moneylending business. In view of this, it is difficult to envisage that competition will begin to intensify soon as a result of the entry of entities from other industries, and that that will have a material impact on our business performance. Nevertheless, in circumstances in which the easing of those regulations would make it easy for entities in other industries to enter our market, our business performance may be impacted.

In addition, if new entrants were to accumulate business know-how specific to the consumer finance industry, or if such entities were to adopt a new method of gaining that know-how by switching to a strategy of using their abundant capital resources to make acquisitions or alliances to secure know-how accumulated by specialist moneylending firms, and that strategy proved to be successful, then the entry of entities from other industries may have an impact on Takefuji's business results.

If mainly internal competition is intensified throughout the consumer finance industry itself, primarily to enhance its own soundness, and financial services for ordinary people are enhanced, then the share of the industry as a whole will increase because the industry will become healthier and will acquire a better image. Given this, if we fail in these efforts and fall behind, then future business performance may be affected.

6) Transition of operating results

To operate efficiently, the company has invested in “¥en Musubi” automatic contract machines and ATMs. To make its services even more convenient, the company has also formed alliances that give its customers access to the ATMs and CDs of other financial institutions. As a result, there was steady growth in operating income, backed by increases in the number of customers and cash loans to customers, through the fiscal year ended in March 2003.

The Japanese economy is now showing some signs of a recovery, including resurgence of employment and an expansion in consumption, as it moves out of the recessionary period following the collapse of the economic bubble. As a result, the company is likely to encounter even more challenging conditions in the consumer finance market due to increasingly intensified competition among established companies and new entrants for the business of creditworthy customers, an increase in refunds of overpayments and bad debt write-off expenses derived from rising personal bankruptcies and growth in the number of multiple debt holders, as an income gaps among households and regions tend to be wider.

Changes in the number of customers, cash loans to customers, credit expenses and other items may have an impact on the group's operating results.

1. Risks associated with economic trends

The Japanese economy is now staging a recovery, thanks to such factors as rising exports, which is consistent with the recovery in the world economy, the improvement in corporate profits brought about by advancing corporate restructuring, and a fall in what had been a persistently high unemployment rate. Still, the circumstances surrounding consumers remain difficult given such factors as the widening income gap among households and regions.

2. Risk of growth in bad debts

According to a study by the Supreme Court, the number of personal bankruptcies had been trending upwards, from 160,000 in 2001, to 215,000 in 2002 and to 242,000 in 2003. This has a great impact on the increase of write-offs in the financial industry. The ratio of personal bankruptcies against write-offs was 28.9% at the end of the March 2006 and this is a relatively large portion of all write-offs. In 2005, there were 184,000 cases of bankruptcy, down 13% from 211,000 cases in 2004 and a decline for the second consecutive year on a year-on-year basis, presumably because of the availability of such arrangement options as civil rehabilitation and claims for refunds of overpayments in voluntary liquidation. The trend in the personal bankruptcy toll will remain a concern as long as factors such as the widening income gap among households and regions remain unchanged, despite the signs of economic recovery. These circumstances could have an impact on the group's operating results.

3. Decline in the number of new customers

Japan's recovering economy may be regarded as a positive factor for members of the consumer finance industry to acquire new customers driven by a more active consumption. However, the widening income gap among households and regions and increasing concerns about the future due to the spread of merit-based salary systems could cause a downturn in consumer demand for loans.

At present, while there are signs of a rebound in corporate earnings and other economic statistics such as employment conditions and personal income, the Japanese economy is struggling with the widening income gap among households and regions. The wider income gap could result in tighter credit standards given reluctance among potential borrowers and growth in bad debts. Because of this situation, the number of new customers could decline.

4. Risk concerning market competition

In the consumer finance industry, factors such as the impact of the lowering of maximum interest rates resulting from the revision of the Capital Subscription Law are causing a succession of small and medium-scale moneylenders to change or terminate their business activities, and are bringing about progressive oligopolization, as the majors acquire medium-scale firms or absorb them into their corporate groups. The industry is also witnessing investment by major banks in consumer finance companies to forge alliances and acquire customers, creating new entrants into the consumer finance industry. The banks are increasing loan balances by establishing a segregated credit extension system, by which banks provide loans to the low-risk customers, the consumer finance companies established by banks extend credit to the middle-risk group, and loans to the high-risk group are provided by consumer finance companies with which banks have forged an alliance. Other entrants are also streaming into the consumer finance industry, including foreign-affiliated companies, which are expanding market share by aggressively acquiring or merging with medium-scale consumer finance firms.

As can be seen from the above, in the consumer finance market the battle for market share between large and established consumer finance companies is creating a fiercer competitive environment with a large number of participants, including bank-affiliated and foreign-affiliated firms.

7) Disruptions and malfunctions in information network systems, Internet service and other technology-based systems

1. Fires and natural disasters

The company has completed work on its computer system to enable all facilities to withstand a level 5 earthquake tremor. In the event of a natural disaster, the company does not have a back-up center that could take over computer operations.

Consequently, even in the event of a major Tokai region earthquake (level 5 tremor in the Tokyo area), the company believes there would be no major disruption to its computer system. However, the computer system may cease to operate if the computer center building sustains major damage in a fire. In this event, the company would conduct operations in a different manner for a period of up to two to three months. This could have a substantial impact on the level of service.

2. Protection of customer data

The company centralizes the administration of customer data in its main computer. Only a very small number of employees are allowed to operate this computer. Moreover, these individuals must obtain prior approval and authorization to operate the computer and are supervised by others on a daily basis to ensure that they conduct their duties properly.

In addition, equipment for the input and output of data on external storage devices has been removed from PCs and other units. Audits are performed for personal information brought in, added, recorded or placed on external storage devices. Moreover, all incoming and outgoing e-mail messages are audited.

Consequently, the company believes there is only a very small risk that customer information could be leaked to an external party. If such a leak did occur for whatever reason, there could be a significant impact on the company's operating results because of the resulting loss in the public's trust in the company.

3. Damage resulting from computer viruses

To limit and prevent damage from computer viruses, the company installs and updates anti-virus software periodically as well as at other times as necessary. An external company conducts periodic tests to determine susceptibility to hackers and responses are made based on the results of these tests. However, anti-virus software is normally distributed only after a new strain of a virus has been detected, and hacker responses are made only after a problem has been discovered. Consequently, there is a possibility that the company's operations could be damaged before the responses are made.

Even in this case, there is no danger of the core information system being infected. However, the possibility exists of a disruption in head office management operations due to infections that impact the PCs used for Internet-based operations and general administrative tasks.

4. Damage caused by forged cards, etc.

There are increasing instances of fraud in which data on credit and cash cards are obtained by skimming or other illegal methods of using forged cards.

Takefuji introduced credit cards embedded with integrated circuits in October 2002 when it launched its credit business. The company also takes measures such as only partially displaying the credit card number on receipts. To combat phishing fraud, the company adds electronic certificates to all e-mail that it sends. On March 14, 2005, Takefuji became the first consumer finance business operator to obtain the British standard BS7799-2:2002 certification on the international standard and the ISMS (Ver. 2.0) certification on Japan's domestic standard for information security management systems. The company has shifted its system to the international standards ISO/IEC27001:2005 on April 5, 2006, which were established in October 2005.

Despite these efforts, there remains a risk of losses caused by unauthorized use in fraudulent transactions that bypass Takefuji's credit control systems by using of illicitly-gathered transaction information and PIN numbers.

8) Asset risk

1. Exchange rate risk

As of March 31, 2006, the domestic companies of the group held US\$119million in time deposits and property denominated in foreign currency. Because of the recent decline in the value of the yen, a foreign exchange gain of 1,602 million yen was recorded. Given the fluctuations in foreign exchange rates, the group may record other significant foreign exchange gain or loss in the future.

2. Risks associated with venture capital investments

The Group has made venture capital investments both directly and indirectly. As of March 31, 2005, venture capital investments in securities amounted to 4,482 million yen. Because of the nature of venture capital investments, significant returns can be expected if a portfolio company conducts an IPO. However, investments may become worthless if a portfolio company encounters serious difficulties.

9) Significant litigation

As of March 31, 2006, there were 19 court cases in which the company was the defendant. There is one case in which plaintiffs are asking the court to invalidate claims of the company because customers allege that the loans they received were due to the fraudulent activities of a third party. There are 13 cases in which former employees are asking for the payment of wages allegedly due when they were employed by the company. There is one case in which a former employee requests a confirmation of status, and another case in which a former employee claims payment of special compensation. And there

are two cases requesting the payment of damages, one case claiming a refund plus damages and one case requesting the evacuation of a building.

Takefuji will be consulting with its attorneys to deal appropriately with this litigation. However, it is possible that the company may encounter similar cases in the future that could force the payment of substantial damages.

In addition, reports about these court cases in the mass media may create concerns among consumers, investors, financial institutions and other stakeholders that could make it more difficult for the company to acquire new customers, sustain its stock price, procure funds and conduct other aspects of its operations.

3. Business performance and financial situation

(1) Business Performance

1) Overview of fiscal 2005

During the year under review, the Japanese economy gained upward momentum, and an end to deflation came into sight. Although some concerns, such as rising oil prices, linger, consumer spending remained thanks to an increase in capital spending in the private sector, a recovery of employment conditions, and the increased activity in the stock market backed by improvements in corporate earnings.

Despite these circumstances, the consumer finance industry still saw a high level of credit costs due to an increase in legal debt-workout, although the number of personal bankruptcies declined. In addition, the amount of claims for refunds of overpayments significantly increased on the heels of Supreme Court decisions on the disclosure of transaction histories and the strict interpretation of the requirements for deemed payment provided in Article 43 of the Moneylending Control Law. Also, new entries into the consumer finance industry from other sectors and business segments continued in the form of the capital and business alliances between leading credit card companies and our competitors and the acquisition of competitors by IT companies. As a result, the environment surrounding the consumer finance industry became increasingly difficult.

In this environment, the Takefuji Group continued placing its management focus on the improvement of credit quality by maintaining stringent credit control and responding to issues such as multiple debt obligations, personal bankruptcies and credit losses. We also worked to expand our customer services through various initiatives. These include the expansion of ATM alliance partners to include convenience stores and East Japan Railway Company, and the commencement of a 24-hour quick repayment service via Internet banking. We also focused on the acquisition of new customers through measures such as a full-scale resumption of television advertisement and the introduction of quick loan application machines. In addition, we strived to enhance the financial services primarily in the consumer finance business by continuously working on the issuance of community-oriented, co-branded cards and the operation of the card business using the MasterCard brand.

As a result of the above initiatives, the balance of direct cash loans at the end of the year was 1,540,046 million yen (down 1.8% from the previous year-end). The number of customer accounts stood at 2,323 thousand (down 4.9%).

Operating revenue on a consolidated basis for the year amounted to 351,259 million yen, declining 2.5% from the previous year. Ordinary income decreased by 22.6% from the previous year, to 92,248 million yen due to some adverse factors such as the posting of allowance for losses for refund of interest received from customers. Although we recorded profit of 28,264 million from the sale of shares in OMC Card, Inc. under extraordinary gains, net income decreased by 31.7%, to 46,924 million yen partly due to an impairment loss of 47,525 million yen.

As of March 31, 2006, the Company operates a network of 523 manned branch offices (528 at the end of the previous year), 1,364 unmanned offices (1,364), one internet shop (1), 10 of quick loan application machines (0), 2,025 owned ATMs (2,029) and 43,425 inter-linked CDs and ATMs (36,191).

2) Forecast for operations and major issues in fiscal 2006

While it is expected that an improvement in corporate earnings and a recovery in consumer spending will strengthen the rebound of the Japanese economy, concerns remain including the slowdown of housing investment and the current account deficit in the United States, high oil prices, movements in interest rates and the impact on the foreign exchange market in Japan after the lifting of the quantitative easing policy by the Bank of Japan.

In the consumer finance industry, it is anticipated that difficult business conditions will continue due to factors such as an increase in claims for refunds of overpayments and intensified competition for market share. As the Moneylending Control Law is to be amended in 2007, activity leading up to the

amendment is accelerating. Issues such as the maximum interest rates and multi-debt obligations are being discussed in the roundtable conference on the money-lending system convened by the Financial Services Agency, and in the Diet members' caucus on promoting economic revitalization through development of financial system.

In this environment, seven leading consumer finance companies are dealing directly with various issues relating to borrowers including multi-debt holders in light of discussions in the Financial Services Agency's roundtable. These companies are working to restore the health of the consumer finance market by supporting such initiatives as healthy household finance management, the transmission of information for the safe utilization of consumer finance, and the construction of a safety net with the aim of preventing trouble and providing protection and relief for borrowers.

Under these circumstances, in the year ended March 31, 2006, the Takefuji Group recorded an allowance for the risk of refunds of overpayments in the future and continues its efforts towards sound management. We strive to further improve credit quality through initiatives such as adherence to the credit limit of 1 million yen, tightening of credit management, and the full enforcement of the customer consultation services and to the promotion of sincere consultation approach in which we put ourselves in customers' shoes.

We are proactively addressing the agreements of the seven leading consumer finance companies, including the reduction in advertisement broadcasting hours, and working concurrently to achieve income in our core consumer finance operations. For this purpose, we are further developing quick loan application machines to meet the needs of healthy borrowers and expand the channels through which new customers can be acquired. We are also working to diversify our sources of income by expanding the card business including M&A, the secured loan business, and venture investment.

In addition, we quickly and rigorously respond to changes in laws, regulations, and systems, including the Moneylending Control Law and the Company Law. We are further reinforcing corporate governance and compliance systems so that we can fully enforce compliance throughout the company and establishing management that has the appropriate corporate ethics and high transparency.

The company is committed to coping with the issues mentioned above and capturing diversified consumer needs and changes in the economic and social environment under difficult business surroundings. We also aim to improve our corporate brand through active involvement in social contribution programs and the environmental protection activities and by providing convenient and high-quality consumer finance services.

The Takefuji Group celebrates its 40th anniversary in 2006, and all our officers and employees continue to their efforts to recapture the company's initial objectives and to maintain a feeling of gratitude towards our customers. We look forward to the continued understanding and support of our shareholders.

The forecasts for the consolidated fiscal year ending March 31, 2007 are as follows. Operating revenue are expected to be 350,600 million yen, decreasing 0.2% from the fiscal year ended March 31, 2006. Recurring profit is expected to reach 116,100million yen, increasing 25.9% year-on-year, and net profit should reach 68,600 million yen, rising 46.2%.

(2) Financial condition

In fund procurement in the fiscal year under review, Takefuji worked to reduce financial expenses and improve the terms of borrowing.

We implemented a substantive defeasance of existing domestic unsecured bonds of 60 billion yen in April 2005 and eliminated the restrictive financial covenant attached in July and September by setting up a new commitment line of 3.5 billion dollar by way of actual transfer, including the refinancing of the existing commitment line of 1.96 billion dollar. As a result, the total amount of interest-bearing debt, including corporate bonds, declined 165 billion yen from the previous year, to 715.9 billion yen (the ratios of bonds and borrowings to the total amount of bonds and borrowings were 41% and 59%, respectively). We will continue to procure funds, taking into account the diversification of financing methods, the promotion of the long-term stability and the balance between direct and indirect financing. Moody's and Standard & Poor's given the company ratings of Baa1 and BBB, respectively.

Consolidated Cash Flows

On a consolidated basis, cash and cash equivalents (hereinafter called “the funds”) at the end of the current consolidated fiscal year decreased by 48,414 million yen to 107,022 million yen (decreased 31.1% compared with the end of the previous consolidated fiscal year). This was mainly due to a mixed result of income before income taxes of 70,472 million yen (decreased by 39.3% compared with the previous year), proceeds from sales of investments in securities, repayments of long-term borrowings and income taxes paid.

The situation and sources of cash flows by each activity for the current consolidated fiscal year are as follows;

Cash flows from operating activities:

The funds provided by operating activities were 90,784 million yen (103,083 million yen for the previous consolidated fiscal year). The principal sources of these cash flows are as follows; Income before income taxes of 70,402 million yen (115,940 million yen), reflecting 47,525 million yen of impairment loss on fixed assets that was caused by the mandatory adoption of impairment accounting on fixed assets, 651,803 million yen (682,434 million yen) of increase in direct cash loans to customers, 572,036 million yen (579,629 million yen) of collection of loans from customers and 40,591 million yen (44,545 million yen) of the income taxes paid.

Cash flows from investing activities:

The funds provided by investing activities were 42,376 million yen (41,039 million yen for the previous consolidated fiscal year) This was mainly due to 42,126 million yen of proceeds from the sales of investments in securities (10,389 million yen for the previous consolidated fiscal year).

Cash flows from financing activities:

The funds used in financing activities were 183,177 million yen (102,440 million yen for the previous consolidated fiscal year). This was primarily due to redemption of 153,490 million yen of bonds (13,673 million yen for the previous consolidated fiscal year).

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Term Item of accounts	Note	Previous Consolidated Fiscal Year as of March 31, 2005		Current Consolidated Fiscal Year as of March 31, 2006	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
Assets:					
I Current assets					
1. Cash in hand and at banks	*1	73,980		67,023	
2. Direct cash loans to customers	*1,2,10	1,568,725		1,540,046	
3. Installment receivables		357		494	
4. Securities		320		5	
5. Inventories		220		376	
6. Accrued interest income on loans to customers		12,113		12,305	
7. Short-term loans receivable		84,988		40,000	
8. Deferred income tax assets		24,582		19,502	
9. Other current assets		15,981		22,936	
Less: Allowance for credit losses		-137,000		-150,430	
Total current assets		1,644,267	86.4	1,552,258	87.7
II Fixed assets					
1. Tangible fixed assets	*5				
(1) Buildings and structures	*1	16,649		9,315	
(2) Machinery and vehicles		82		59	
(3) Equipment, furniture and fixtures		5,329		5,131	
(4) Land	*1	69,523		35,093	
(5) Golf course		5,592		195	
(6) Construction in progress		1,147		-	
Total tangible fixed assets		98,321	5.2	49,794	2.8
2. Intangible fixed assets		5,313	0.3	5,769	0.3

Term Item of accounts	Note	Previous Consolidated Fiscal Year as of March 31, 2005		Current Consolidated Fiscal Year as of March 31, 2006	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
3. Investments and other assets	*9				
(1) Investments in securities		65,219		32,432	
(2) Long-term deposits		-		31,058	
(3) Deferred income tax assets		-		17,139	
(4) Other investments		7,936		9,769	
Total investments and other assets		73,155	3.8	90,398	5.1
Total fixed assets		176,789	9.3	145,960	8.2
III Deferred charges					
1. Discount on bonds		82,935		72,692	
Total deferred charges		82,935	4.3	72,692	4.1
Total assets		1,903,991	100.0	1,770,909	100.0

Term Item of accounts	Note	Previous Consolidated Fiscal Year as of March 31, 2005		Current Consolidated Fiscal Year as of March 31, 2006	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
Liabilities:					
I Current liabilities					
1. Current portion of bonds	*1	31,369		68,000	
2. Current portion of long-term borrowings	*1	97,325		113,986	
3. Accrued income taxes		16,920		27,169	
4. Allowance for bonuses		887		754	
5. Allowance for losses for refund of interest received from customers		-		22,500	
6. Other current liabilities		15,095		14,615	
Total current liabilities		161,596	8.5	247,024	13.9
II Fixed liabilities					
1. Bonds	*1	423,686		228,567	
2. Long-term borrowings	*1	328,433		305,304	
3. Deferred income tax liabilities		12,293		201	
4. Allowance for retirement benefits of employees		2,615		3,060	
5. Allowance for retirement benefits of directors and corporate auditors		74		104	
6. Other fixed liabilities	*9	14,575		13,024	
Total fixed liabilities		781,677	41.0	550,260	31.1
Total liabilities		943,273	49.5	797,283	45.0
Shareholders' Equity:					
I Common stock					
II Capital surplus		52,263	2.7	52,263	2.9
III Retained Earnings		898,141	47.2	921,787	52.1
IV Net unrealized gains on investments in securities		20,858	1.1	9,767	0.6
V Foreign currency translation adjustments		-246	-0.0	107	0.0
VI Treasury stock	*8	-40,776	-2.1	-40,776	-2.3
Total shareholders' equity		960,719	50.5	973,626	55.0
Total liabilities and shareholders' equity		1,903,991	100.0	1,770,909	100.0

(2) Consolidated Statements of Income

Term Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)		Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
I Operating revenues					
1. Interest income on direct cash loans			347,474		341,463
2. Commissions earned			49		65
3. Other financial income			195		736
4. Other operating income			12,404		8,995
Total operating revenues			360,121	100.0	351,259
II Operating expenses					
1. Financial expenses					
(1) Borrowing interest expenses		8,374		8,750	
(2) Bond interest expenses		13,570		10,665	
(3) Other financial expenses		1,192	23,136	1,130	20,546
2. Other operating expenses					
(1) Advertising expenses		6,479		12,298	
(2) Provision of allowance for credit losses		124,907		121,934	
(3) Provision of allowance for losses for refund of interest received from customers		-		22,500	
(4) Losses for refund of interest received from customers		-		18,699	
(5) Wages and bonuses		19,262		16,848	
(6) Provision of allowance for bonuses		887		754	
(7) Provision of allowance for retirement benefits of employees		701		895	
(8) Provision of allowance for retirement benefits of directors and corporate auditors		30		30	
(9) Temporary employment cost		1,439		1,202	
(10) Rent		7,729		7,331	
(11) Depreciation and amortization		3,598		3,401	
(12) Handling charges		10,654		10,615	
(13) Others		44,864	220,548	26,421	242,928
Total operating expenses			243,684	67.7	263,474
Operating income			116,437	32.3	87,785

Term Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)		Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)		
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)	Compo- sition Ratio (%)
III Non-operating income						
1. Dividends income received		258		2,668		
2. Insurance dividends received		17		129		
3. Profit on investments in partnerships		2,782		-		
4. Foreign exchange gain		57		1,602		
5. Other non-operating income		249	3,363	278	4,678	1.3
IV Non-operating expenses						
1. Loss on sales of securities		-		44		
2. Bond issue costs		220		-		
3. Loss on disposal or sales of fixed assets		249		76		
4. Loss on investments in partnerships		-		43		
5. Option fees		-		47		
6. Other non-operating expenses		76	545	6	215	0.0
Ordinary income			119,256		92,248	26.3
V Extraordinary income						
1. Gain on sales of investments in securities		3,804		28,264		
2. Gain on redemption of bonds		-		189		
3. Gain on reversal of allowance for retirement benefits for directors and corporate auditors		212	4,017	-	28,452	8.1
VI Extraordinary losses						
1. Loss on redemption of securities		7,254		-		
2. Loss on devaluation of investments in securities		78	7,332	29		
3. Loss on redemption of bonds		-		2,418		
4. Loss on impairment of fixed assets	*2	-		47,525		
5. Other non-operating expenses		-		327	50,298	14.4
Income before income taxes			115,940		70,402	20.0
Corporate taxes, inhabitants taxes and enterprise taxes		40,604		49,907		
Income taxes refunded		-		-10,043		
Deferred income tax expenses		6,610	47,214	-16,386	23,478	6.6
Net income			68,726		46,924	13.4

(3) Consolidated Statements of Retained Earnings

Term Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)		Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)	
		Amount (millions of yen)		Amount (millions of yen)	
(Capital surplus)					
I Capital surplus at the beginning of the fiscal year			52,263		52,263
II Capital surplus at the end of the fiscal year			52,263		52,263
(Retained earnings)					
I Retained earnings at the beginning of the fiscal year			843,536		898,141
II Increase in retained earnings					
1. Net income		68,726	68,726	46,924	46,924
III Decrease in retained earnings					
1 Dividends		14,076		23,216	
2 Bonuses to directors and corporate auditors		45	14,121	62	23,278
IV Retained earnings at the end of the fiscal year			898,141		921,787

(4) Consolidated Statements of Cash Flows

Term Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
		Amount (millions of yen)	Amount (millions of yen)
Cash flows from operating activities			
Income before income taxes		115,940	70,402
Depreciation and amortization		3,598	3,401
Loss on impairment of fixed assets		-	47,525
Gain on participation in leveraged lease partnerships		-1,707	369
Increase or decrease in allowance for employees' retirement benefits		376	445
Increase or decrease in allowance for retirement benefits of directors and corporate auditors		-286	30
Increase or decrease in allowance for credit losses		714	13,430
Increase or decrease of allowance for losses for refund of interest received from customers		-	22,500
Write-offs		112,858	108,504
Non-operating interest income and dividend income		-258	-2,668
Loss on disposal or sales of tangible fixed assets		249	76
Loss on sales of securities		-	44
Loss on redemption of securities		7,254	-
Gain on sales of investments in securities		-3,804	-28,264
Gain on redemption of bonds		-	-189
Loss on redemption of bonds		-	2,418
Loss on devaluation of investments in securities		78	29
Increase or decrease in accrued interest income on loans to customers		11,619	-192
Direct cash loans made to customers		-682,434	-651,803
Direct cash loans collected from customers		579,629	572,036
Increase or decrease of long-term deposit		-	-31,058
Others		3,543	-7,434
Sub total		147,370	119,600
Non-operating interest income and dividend income received		258	2,668
Income taxes paid		-44,545	-40,591
Refund of income taxes		-	9,107
Net cash provided by operating activities		103,083	90,784

Term Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
		Amount (millions of yen)	Amount (millions of yen)
II Cash flows from investing activities			
Net increase or decrease in time deposits		-	500
Net increase or decrease in pledged bank deposits		12,095	3,032
Payments for purchase of tangible fixed assets		-1,232	-752
Payments for purchase of securities		-1,068	-1,833
Proceeds from redemption of securities		22,746	278
Payments for purchase of investments in securities		-3,256	-655
Proceeds from sales of investments in securities		10,389	42,126
Payments for acquisition of investments in partnerships		-195	-515
Proceeds from collection of investments in partnerships		1,377	103
Others		182	93
Net cash provided by investing activities		41,039	42,376
III Cash flows from financing activities			
Net increase or decrease in short term borrowings		-26,000	-
Proceeds from long-term borrowings		97,500	265,740
Repayments of long-term borrowings		-145,429	-272,209
Proceeds from issuance of bonds		14,080	-
Repayments for redemption of bonds		-27,753	-153,490
Acquisition or sales of treasury stock, net		-762	-0
Cash dividends paid		-14,076	-23,216
Net cash used in financing activities		-102,440	-183,177

Term Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
		Amount (millions of yen)	Amount (millions of yen)
IV Effect of exchange rate changes on cash and cash equivalents		-137	1,603
V Increase or decrease in cash and cash equivalents		41,545	-48,414
VI Cash and cash equivalents at the beginning of the fiscal year		113,892	155,436
VII Cash and cash equivalents at the end of the fiscal year	*	155,436	107,022

Significant Accounting Policies for Consolidated Financial Statements

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)								
<p>1 Scope of consolidation As of March 31, 2005, the number of consolidated subsidiaries were 10 as listed below;</p> <p>Kyoritsu Estate Co., Ltd. TWJ VC Co., Ltd. Takefuji Capital Co., Ltd. Take One Co., Ltd. TSR Co., Ltd. G.H Investment Co., Ltd. TWJ Co., Ltd. TWJ EURO Co., Ltd. TDS Co., Ltd. Takefuji Bull Mart Co., Ltd.</p> <p>2 Application of the equity method No entities are subject to the equity method of accounting.</p> <p>3 The fiscal year of consolidated subsidiaries The fiscal year-end date of each subsidiary listed hereunder is as follows;</p> <table data-bbox="279 929 694 1041"> <tr> <td>TWJ Co., Ltd.</td> <td>February 28</td> </tr> <tr> <td>Take One Co., Ltd.</td> <td>January 31</td> </tr> <tr> <td>TSR Co., Ltd.</td> <td>December 31</td> </tr> <tr> <td>G.H Investment Co., Ltd.</td> <td>December 31</td> </tr> </table> <p>For these consolidated subsidiaries, their financial statements at the above-mentioned fiscal year-end date are used respectively in the preparation of consolidated financial statements of Takefuji Corporation. Adjustments are made in the consolidated accounts for any significant transactions that occur between these dates and the consolidated balance sheet date.</p> <p>4 Significant accounting policies</p> <p>(1) Basis and method of valuation of significant assets</p> <p>A Securities</p> <p>- Trading securities: Market value as determined by the quoted price at the end of the fiscal year. The cost of securities sold is computed using the moving average method.</p> <p>Other securities:</p> <p>Where there is a market quotation; Market value as determined by the quoted price at the end of the fiscal year. The difference between the acquisition cost and the market value, netted of the related income taxes, is included directly in shareholders' equity, and the cost of securities sold is computed using the moving average method.</p> <p>Where there is no market quotation; Cost as determined by the moving average method.</p> <p>B Inventories Cost based on the last purchase price method.</p>	TWJ Co., Ltd.	February 28	Take One Co., Ltd.	January 31	TSR Co., Ltd.	December 31	G.H Investment Co., Ltd.	December 31	<p>1 Scope of consolidation As of March 31, 2006, the number of consolidated subsidiaries were 9 as listed below;</p> <p>Kyoritsu Estate Co., Ltd. TWJ VC Co., Ltd. Takefuji Capital Co., Ltd. Take One Co., Ltd. TSR Co., Ltd. G.H Investment Co., Ltd. TWJ Co., Ltd. TWJ EURO Co., Ltd. TDS Co., Ltd.</p> <p>The Company sold all the stock of Takefuji Bull Mart Co.,Ltd on July 15, 2005. Therefore its financial statements as of July 15, 2005 are used for consolidation.</p> <p>2 Application of the equity method The same as the previous fiscal year.</p> <p>3 The fiscal year of consolidated subsidiaries The same as the previous fiscal year</p> <p>4 Significant accounting policies</p> <p>(1) Basis and method of valuation of significant assets</p> <p>A Securities</p> <p>-</p> <p>Other securities:</p> <p>Where there is a market quotation; The same as the previous fiscal year.</p> <p>Where there is no market quotation; The same as the previous fiscal year.</p> <p>B Inventories The same as the previous fiscal year.</p>
TWJ Co., Ltd.	February 28								
Take One Co., Ltd.	January 31								
TSR Co., Ltd.	December 31								
G.H Investment Co., Ltd.	December 31								

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
<p>(2) Depreciation of the fixed assets</p> <p>A Tangible fixed assets Depreciation is mainly computed on the declining-balance method at rates based on the estimated useful lives of assets, except that the depreciation method for buildings (excluding auxiliary facilities attached to buildings), which were acquired on or after April 1, 1998, is the straight-line method. The range of useful lives is from 10 to 50 years for buildings and structures and from 4 to 15 years for equipment, furniture and fixtures.</p> <p>B Intangible fixed assets Software costs for internal use are amortized on the straight-line method over 5 years which is the estimated useful life. Other intangible fixed assets are amortized on the straight-line method.</p> <p>(3) Accounting for deferred charges Bond issue costs are expensed as incurred. Discount on bonds is amortized over the period until redemption.</p> <p>(4) Basis of calculating allowances</p> <p>A Allowance for credit losses In providing for possible credit losses on direct cash loans, the Company records an allowance for loans (including delinquent loans past due 30 days or less) based on an actual percentage based on all write-offs, including those arising from personal bankruptcy of customers. With respect to specific loans classified as doubtful such as delinquent loans past due for longer periods, the Company records an allowance for credit losses thereon at the estimated uncollectible amounts based on the write-offs of such loans with similar credit risk ratings over a certain period.</p> <p>B Allowance for bonuses In providing for bonuses payable to employees, the Company records an allowance for current fiscal year portion thereof based on the expected payment of bonuses for employees.</p> <p>C -</p>	<p>(2) Depreciation of the fixed assets</p> <p>A Tangible fixed assets The same as the previous fiscal year.</p> <p>B Intangible fixed assets The same as the previous fiscal year.</p> <p>(3) Accounting for deferred charges Discount on bonds is amortized over the period until redemption.</p> <p>(4) Basis of calculating allowances</p> <p>A Allowance for credit losses The same as the previous fiscal year.</p> <p>B Allowance for bonuses The same as the previous fiscal year.</p> <p>C Allowance for losses for refund of interest received from customers In providing for possible losses for refund of interest received from customers exceeding the upper limit of interest rate prescribed under the Interest Rate Restriction Law, the Company records an allowance for losses for refund of interest received from customers based on the anticipated losses for refund reclaim from customers at the end of the current fiscal year.</p> <p>(Additional Information) Allowance for losses for refund of interest received from customers was recorded from the current fiscal year due to the increased significance of those reclaimed losses on the financial statements, which were related to the interests received from customers exceeding the upper limit of interest rate prescribed under the Interest Rate Restriction Law, resulting from the supreme court decisions on January 13 and 19, 2006 about practical application of the voluntary repayments rules prescribed under Article 43 of the Moneylending Control Law.</p> <p>This resulted in an increase of other operating expenses by 22,500 million yen and in decreases of operating income, ordinary income and income before income taxes by the same amount, respectively.</p>

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
<p>D Allowance for retirement benefits of employees The Company records an allowance for retirement benefits based on projected benefit obligations and 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.</p> <p>E Allowance for directors' and corporate auditors' retirement benefits The Company records an allowance for directors' and corporate auditors' retirement benefits at the amount that would be payable if directors and corporate auditors retired at the end of the fiscal year in accordance with the Company's internal rules.</p> <p>(5) Accounting for lease transactions Financial leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by the method similar to that applicable to operating leases.</p> <p>(6) Accounting for hedging activities The Company uses financial derivative transactions to reduce its exposure to market risks from fluctuations in interest rates and foreign currency exchange rates related to borrowings, bonds and interest expenses. Currencies and interest swap transactions were accounted for using the special treatment of hedge accounting for interest swaps allowed under the Japanese GAAP.</p> <p>(7) Other significant accounting policies for the preparation of consolidated financial statements A Basis of recognition of interest income on direct cash loans Interest income on direct cash loans is recognized on an accrual basis. Accrued interest income is recognized at either the contracted rate applied to individual loan or the maximum rate permitted by the Interest Rate Restriction Law in Japan, whichever is lower.</p> <p>B Accounting treatment of consumption tax Transactions subject to consumption tax for the Company and its one domestic subsidiary are stated at the amount which includes the related consumption tax. Those for other four domestic subsidiaries are stated at the amount which is net of the related consumption tax.</p>	<p>D Allowance for retirement benefits of employees The same as the previous fiscal year.</p> <p>E Allowance for directors' and corporate auditors' retirement benefits The same as the previous fiscal year.</p> <p>(5) Accounting for lease transactions The same as the previous fiscal year.</p> <p>(6) Accounting for hedging activities The Company uses financial derivative transactions to reduce its exposure to market risks from fluctuations in interest rates and foreign currency exchange rates related to borrowings, bonds and interest expenses. Interest swap transactions and bond option transaction were accounted for using the deferred hedge method prescribed under the Japanese GAAP. Currencies and interest swap transactions were accounted for using the special treatment of hedge accounting for interest swaps allowed under the Japanese GAAP.</p> <p>The Company evaluates the effectiveness of hedging activities by comparison between accumulated fluctuations in accumulated market quotations and accumulated cash flows of the hedged items and those of the related hedging activities and the resulting ratios in those fluctuations between the hedged items and the related hedging activities. Note that evaluation of the effectiveness about interest swaps accounted for using the special treatment of hedge accounting is omitted due to no requirements under the Japanese GAAP.</p> <p>(7) Other significant accounting policies for the preparation of consolidated financial statements A Basis of recognition of interest income on direct cash loans The same as the previous fiscal year.</p> <p>B Accounting treatment of consumption tax The same as the previous fiscal year.</p>

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
<p>5 Revaluation of assets and liabilities of consolidated subsidiaries The market method is fully applied to revaluation of assets and liabilities of consolidated subsidiaries.</p> <p>6 Amortization of goodwill Goodwill is charged or credited to income when incurred.</p> <p>7 Accounting treatment of appropriation items of retained earnings Retained earnings appropriation items or accumulated loss disposition items of the Company and consolidated subsidiaries applicable to the immediately preceding consolidated fiscal year as approved at their shareholders' meeting and effected in the relevant consolidated fiscal year are reflected in the accompanying consolidated financial statements.</p> <p>8 Cash and cash equivalents as stated in consolidated statements of cash flows Cash and cash equivalents include cash in hand, bank deposits able to be withdrawn on demand and short-term investments with negligible risk of fluctuations in value and original maturity of three months or less.</p>	<p>5 Revaluation of assets and liabilities of consolidated subsidiaries The same as the previous fiscal year.</p> <p>6 Amortization of goodwill The same as the previous fiscal year.</p> <p>7 Accounting treatment of appropriation items of retained earnings The same as the previous fiscal year.</p> <p>8 Cash and cash equivalents as stated in consolidated statements of cash flows The same as the previous fiscal year.</p>

Changes in Significant Accounting Policies for Interim Consolidated Financial Statements

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
-	<p>(Accounting standard for impairment of fixed assets)</p> <p>From current fiscal year, the company has adopted the accounting standard for impairment of fixed assets (“Opinion on establishment of asset-impairment accounting standards”) (by Business Accounting Council on April 9, 2002) and “Implementation guidance for accounting standard for impairment of fixed assets” (Implementation guidance No.6 of corporate accounting standard on October 31, 2003).</p> <p>This adoption resulted in increase of operating revenues and ordinary income by 208 million yen and a decrease of income before income taxes by 47,317 million yen. Accumulated loss on impairment of fixed assets is deducted directly from the book value of each asset in accordance with the revised disclosure rules of consolidated financial statements.</p>

Reclassification

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to September 30, 2006)
<p>(Consolidated Balance Sheets)</p> <p>Investments in limited liability investment partnerships or other similar partnerships (4,782 million yen at the end of the current fiscal year), which had been included in “Other investments” in the previous fiscal year, was included in “Investments in securities” from the current consolidated fiscal year in compliance with “The Law that revises a portion of Securities and Exchange Law” (The Law No.97 dated June 9, 2004) enacted on December 1, 2004.</p> <p style="text-align: center;">-</p>	<p style="text-align: center;">-</p> <p>(Consolidated Statements of Income)</p> <p>Losses for refund of interest received from customers, which had been included in "others " in other operating expenses in the previous fiscal year, was shown separately as " Losses for refund of interest received from customers " from the current fiscal year due to the increased significance of those losses on the financial statements. Losses for refund of interest received from customers, which was included in "others" in other operating expenses in the previous fiscal year, amounted to 10,981 million yen.</p>

Footnotes to Consolidated Balance Sheets

Previous Consolidated Fiscal Year (as of March 31, 2005)	Current Consolidated Fiscal Year (as of March 31, 2006)																																														
<p>*1 The assets pledged as security and the corresponding secured liabilities are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Pledged assets</th> <th style="text-align: right;">(millions of yen)</th> </tr> </thead> <tbody> <tr> <td>Cash in hand and at banks</td> <td style="text-align: right;">3,032</td> </tr> <tr> <td>Direct cash loans</td> <td style="text-align: right;">395,875</td> </tr> <tr> <td>Buildings and structures</td> <td style="text-align: right;">4,983</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">18,904</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">422,794</td> </tr> </tbody> </table> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Secured liabilities</th> <th></th> </tr> </thead> <tbody> <tr> <td>Current portion of bonds</td> <td style="text-align: right;">1,369</td> </tr> <tr> <td>Current portion of long-term borrowings</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">37,043</td> </tr> <tr> <td>Bonds</td> <td style="text-align: right;">67,119</td> </tr> <tr> <td>Long-term borrowings</td> <td style="text-align: right;">162,944</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">268,475</td> </tr> </tbody> </table> <p>In addition to the above, direct cash loans to customers of 20,260 million yen may be pledged as collateral for the long-term borrowings of 16,763 million yen, including the current portion thereof, upon requests from financial institutions under agreements.</p>	Pledged assets	(millions of yen)	Cash in hand and at banks	3,032	Direct cash loans	395,875	Buildings and structures	4,983	Land	18,904	Total	422,794	Secured liabilities		Current portion of bonds	1,369	Current portion of long-term borrowings			37,043	Bonds	67,119	Long-term borrowings	162,944	Total	268,475	<p>*1 The assets pledged as security and the corresponding secured liabilities are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Pledged assets</th> <th style="text-align: right;">(millions of yen)</th> </tr> </thead> <tbody> <tr> <td>Direct cash loans</td> <td style="text-align: right;">299,312</td> </tr> <tr> <td>Buildings and structures</td> <td style="text-align: right;">3,509</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">12,688</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">315,509</td> </tr> </tbody> </table> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Secured liabilities</th> <th></th> </tr> </thead> <tbody> <tr> <td>Current portion of long-term borrowings</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">39,134</td> </tr> <tr> <td>Long-term borrowings</td> <td style="text-align: right;">185,723</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">224,857</td> </tr> </tbody> </table> <p>Amounts stated above include the portion which is related to the financing scheme by way of trusts of direct cash loans to customers (Direct cash loans to customers; 297,132 million yen, long-term borrowings (including current portion thereof); 217,957 million yen).</p> <p>In addition to the above, direct cash loans to customers of 12,320 million yen may be pledged as collateral for the long-term borrowings of 9,000 million yen, including the current portion thereof, upon requests from financial institutions under agreements.</p>	Pledged assets	(millions of yen)	Direct cash loans	299,312	Buildings and structures	3,509	Land	12,688	Total	315,509	Secured liabilities		Current portion of long-term borrowings			39,134	Long-term borrowings	185,723	Total	224,857
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<p>*2 The total outstanding balance 1,568,725 million yen of direct cash loans to customers is only for unsecured loans to individuals.</p>	<p>*2 The total outstanding balance 1,540,046 million yen of direct cash loans to customers is only for unsecured loans to individuals.</p>																																														
<p>3 Regarding direct cash loans, once a credit limit has been established for a customer, the customer may access his or her credit line on a revolving basis. The unused portion of each customer's credit line as of the end of fiscal year was 426,479 million yen which included 259,400 million yen of the unused portion of credit line for customers who did not have any loan balance. The credit line of a customer is either increased or decreased by the Company at its discretion based on the credit capacity of the customer. The Company believes that the total unused balance of each customer's credit line does not significantly affect the Company's cash flows in the future.</p>	<p>3 Regarding Direct cash loans, once a credit limit has been established for a customer, the customer may access his or her credit line on a revolving basis. The unused portion of each customer's credit line as of the end of fiscal year was 404,304 million yen which included 243,407 million yen of the unused portion of credit line for customers who did not have any loan balance. The credit line of a customer is either increased or decreased by the Company at its discretion based on the credit capacity of the customer. The Company believes that the total unused balance of each customer's credit line does not significantly affect the Company's cash flows in the future.</p>																																														
<p>4 The Company borrows long-term funds under committed lines of credit. The Company has available committed lines of credit equal to Yen equivalent of US\$2,500 million. At the end of the current consolidated fiscal year, the Company's outstanding balance under the committed line of credit was Yen equivalent of US\$1,610 million and remaining unused portion was Yen equivalent of US\$890 million.</p>	<p>4 The Company borrows long-term funds under committed lines of credit. The Company has available committed lines of credit equal to Yen equivalent of US\$3,500 million. At the end of the current consolidated fiscal year, the Company's outstanding balance under the committed line of credit was Yen equivalent of US\$1,814 million and remaining unused portion was Yen equivalent of US\$1,686 million.</p>																																														

Previous Consolidated Fiscal Year (as of March 31, 2005)	Current Consolidated Fiscal Year (as of March 31, 2006)
<p>*5 The amount of 34,150 million yen of accumulated depreciation for tangible fixed assets was netted against acquisition cost.</p> <p>6 -</p> <p>*7 The total number of outstanding stocks the Company has issued:</p> <p style="padding-left: 40px;">Common stocks 147,295,200 (shares)</p> <p>*8 The number of the treasury stocks the Company holds:</p> <p style="padding-left: 40px;">Common stocks 6,589,145 (shares)</p> <p>*9 The Company's share in loss of anonymous partnerships amounted to 1,222 million yen, of which 1,030 million yen was deducted directly from the investments in those partnerships. The remaining 192 million yen, the excess of the Company's share in losses over the acquisition costs of such investments, were recorded as long-term account payable ("Other fixed liabilities").</p>	<p>*5 The amount of 35,982 million yen of accumulated depreciation for tangible fixed assets was netted against acquisition cost.</p> <p>6 Contingent liabilities</p> <p style="padding-left: 40px;">Contingent liabilities related to the contracts assuming the obligation of bonds</p> <p style="padding-left: 80px;">The unsecured bond (second issuance) with term of 7 years</p> <p style="padding-left: 120px;">30,000 million yen</p> <p style="padding-left: 80px;">The unsecured bond (fourth issuance) with term of 7 years</p> <p style="padding-left: 120px;">30,000 million yen</p> <p>*7 The total number of outstanding stocks the Company has issued:</p> <p style="padding-left: 40px;">Common stocks 147,295,200 (shares)</p> <p>*8 The number of the treasury stocks the Company holds:</p> <p style="padding-left: 40px;">Common stocks 6,589,175 (shares)</p> <p>*9 -</p>

Previous Consolidated Fiscal Year (as of March 31, 2005)	Current Consolidated Fiscal Year (as of March 31, 2006)
<p>*10 Delinquent loans receivable</p> <p>Loans to bankrupt borrowers; 520 million yen</p> <p>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.</p> <p>Delinquent loans; 55,961 million yen</p> <p>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.</p> <p>From the current consolidated fiscal year, interests on delinquent loans past due 180 days or more, which do not include loans to bankrupt borrowers, were no longer accrued as income and consequently, the principals of those delinquent loans were disclosed as indicated above. Please note that the allowance for credit losses was fully provided against the accrued interest income on those delinquent loans before the current consolidated fiscal year.</p> <p>Delinquent loans past due three months or more; 21,810 million yen</p> <p>Delinquent loans past due three months or more are loans which are delinquent for three months or more from the due date of interest or principal under the term of related loan agreements and do not include loans to bankrupt borrowers and delinquent loans.</p> <p>Restructured loans; 113,287 million yen (106,163 million yen)</p> <p>Restructured loans are loans with concessionary interest rates, as well as loans with negotiated terms regarding the timing of interest and principal payment. Restructured loans do not include loans to bankrupt borrowers, delinquent loans and delinquent loans past due three months or more. The loans classified as restructured loans include loan receivables current or less than 31 days past due, the amount of which is indicated in the parenthesis as above.</p>	<p>*10 Delinquent loans receivable</p> <p>Loans to bankrupt borrowers; 1,115 million yen</p> <p>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.</p> <p>Delinquent loans; 64,072 million yen</p> <p>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.</p> <p>Delinquent loans past due three months or more; 24,890 million yen</p> <p>Delinquent loans past due three months or more are loans which are delinquent for three months or more from the due date of interest or principal under the term of related loan agreements and do not include loans to bankrupt borrowers and delinquent loans.</p> <p>Restructured loans; 105,153 million yen (98,819 million yen)</p> <p>Restructured loans are loans with concessionary interest rates, as well as loans with negotiated terms regarding the timing of interest and principal payment. Restructured loans do not include loans to bankrupt borrowers, delinquent loans and delinquent loans past due three months or more. The loans classified as restructured loans include loan receivables current or less than 31 days past due, the amount of which is indicated in the parenthesis as above.</p>

Previous Consolidated Fiscal Year (as of March 31, 2005)	Current Consolidated Fiscal Year (as of March 31, 2006)
<p>11 Certain covenants</p> <p>Certain covenants were applied to 237,854 million yen of borrowings and 127,055 million yen of bonds. The Company should repay or redeem the outstanding balance in a lump-sum by acceleration to creditors if the Company could not comply with such covenants as mentioned below: (The strictest conditions are listed.)</p> <ol style="list-style-type: none"> (1) in case of the balance of consolidated shareholders' equity being less than 250,000 million yen; (2) in case of the ratio of consolidated shareholders' equity against consolidated total assets being less than 20%; (3) in case of the balance of contingent liabilities being more than 170,000 million yen; (4) in case of the ratio of annual increase amount of contingent liabilities against net income deducting both dividends and bonus to directors being more than 75%. (5) in case of the amount of income before income taxes and extraordinary items being less than the total amount of borrowing interest and bond interest; (6) in case of the total balance of direct cash loans and cash and cash equivalents against the total assets being less than 40%; (7) in case of the ratio of credit losses written off being more than 10%; (8) in case of the total balance of real estate and investments in securities against the total assets being more than 40%; (9) in case of the balance of secured borrowings excluding those secured by real estate against total current assets being more than 80%; (10) in case of the total balance of borrowings with the security of direct cash loans, the security being in perfection of interests against third parties, exceeding the balance of shareholders' equity; 	<p>11 Certain covenants</p> <p>Certain covenants were applied to 52,836 million yen of borrowings and 58,567 million yen of bonds. The Company should repay or redeem the outstanding balance in a lump-sum by acceleration to creditors if the Company could not comply with such covenants as mentioned below: (The strictest conditions are listed.)</p> <ol style="list-style-type: none"> (1) in case of the balance of consolidated shareholders' equity being less than 250,000 million yen; (2) in case of the ratio of consolidated shareholders' equity against consolidated total assets being less than 20%; (3) in case of the balance of contingent liabilities being more than 170,000 million yen; (4) in case of the ratio of annual increase amount of contingent liabilities against net income deducting both dividends and bonus to directors being more than 75%. (5) in case of the amount of income before income taxes and extraordinary items being less than the total amount of borrowing interest and bond interest; (6) in case of the total balance of direct cash loans and cash and cash equivalents against the total assets being less than 40%; (7) in case of the ratio of credit losses written off being more than 10%; (8) in case of the total balance of real estate and investments in securities against the total assets being more than 40%; (9) in case of the balance of secured borrowings excluding those secured by real estate against total current assets being more than 80%; (10) in case of the total balance of borrowings with the security of direct cash loans, the security being in perfection of interests against third parties, exceeding the balance of shareholders' equity;

Footnotes to Consolidated Statements of Income

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)																											
<p>1 Basis for classification of financial income and expenses on the consolidated statements of income</p> <p>(1) Financial income stated as operating revenues; Include all financial income excluding dividends and interest and so forth received on investments in securities.</p> <p>(2) Financial expenses stated as operating expenses; Include all financial expenses excluding interest payable and so forth which has no relationship with operating revenues.</p> <p>*2 -</p>	<p>1 Basis for classification of financial income and expenses on the consolidated statements of income</p> <p>(1) Financial income stated as operating revenues; The same as the previous fiscal year.</p> <p>(2) Financial expenses stated as operating expenses; The same as the previous fiscal year.</p> <p>*2 Loss on impairment of fixed assets For purposes of recognition and measurement of an impairment loss, the assets used for business are grouped based on each business, and the assets for rent and those not in use are grouped based on each property.</p> <p>Due to the consecutive decline of land price and other factors for the assets not in use, and due to the serious deterioration of profitability and the consecutive decline of land price for a part of the assets for rent and golf course, the book values of those assets were written down to the value that is estimated to be collectible, resulting in recognition of loss on impairment of fixed assets amounting to 47,525 million yen as an extraordinary loss item.</p> <p>Impairment losses by account are as follows: (millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Buildings</td><td style="text-align: right;">2,045</td></tr> <tr><td>Structures</td><td style="text-align: right;">4,311</td></tr> <tr><td>Land</td><td style="text-align: right;">34,394</td></tr> <tr><td>Golf course</td><td style="text-align: right;">5,397</td></tr> <tr><td>Construction in progress</td><td style="text-align: right;">1,147</td></tr> <tr><td>Investment in lands</td><td style="text-align: right;">230</td></tr> </table> <p>Impairment losses by classification and location are as follows: Assets not in use (millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Classification</th> <th style="width: 30%;">Location</th> <th style="width: 40%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Land</td> <td>Karuizawa</td> <td style="text-align: right;">243</td> </tr> <tr> <td>Investment in land</td> <td>Aomori rokunohe</td> <td style="text-align: right;">230</td> </tr> <tr> <td>Land and buildings</td> <td>Amamiohshima and other six items</td> <td style="text-align: right;">242</td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">715</td> </tr> </tbody> </table>	Buildings	2,045	Structures	4,311	Land	34,394	Golf course	5,397	Construction in progress	1,147	Investment in lands	230	Classification	Location	Amount	Land	Karuizawa	243	Investment in land	Aomori rokunohe	230	Land and buildings	Amamiohshima and other six items	242	Total		715
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	<p>Assets for rent</p> <p style="text-align: right;">(millions of yen)</p> <table border="1"> <thead> <tr> <th>Classification</th> <th>Location</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Land</td> <td>Kobe sannomiya</td> <td style="text-align: right;">7,002</td> </tr> <tr> <td>Land and Construction in progress</td> <td>Koujimachi</td> <td style="text-align: right;">4,244</td> </tr> <tr> <td>Land</td> <td>Ikebukuro</td> <td style="text-align: right;">2,659</td> </tr> <tr> <td>Land, buildings and structures</td> <td>Komagome</td> <td style="text-align: right;">1,936</td> </tr> <tr> <td>Land, buildings and structures</td> <td>Chiba</td> <td style="text-align: right;">1,331</td> </tr> <tr> <td>Land, buildings and structures</td> <td>Kanda and other five items</td> <td style="text-align: right;">861</td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">18,034</td> </tr> </tbody> </table> <p>Golf course</p> <p style="text-align: right;">(millions of yen)</p> <table border="1"> <thead> <tr> <th>Classification</th> <th>Location</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Land, buildings, structures and course account</td> <td>Yamanashi</td> <td style="text-align: right;">28,775</td> </tr> </tbody> </table> <p>The total impairment losses ;</p> <p style="text-align: right;">47,525 million yen</p> <p>Collectible amount is net market value for assets not in use and golf course and the higher of either net market value or value in use for assets for rent. Net market value is based on the appraisal value by real estate appraiser. Value in use is calculated by discounting future cash flow by 6.1%.</p>	Classification	Location	Amount	Land	Kobe sannomiya	7,002	Land and Construction in progress	Koujimachi	4,244	Land	Ikebukuro	2,659	Land, buildings and structures	Komagome	1,936	Land, buildings and structures	Chiba	1,331	Land, buildings and structures	Kanda and other five items	861	Total		18,034	Classification	Location	Amount	Land, buildings, structures and course account	Yamanashi	28,775
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Footnotes to Consolidated Statements of Cash Flows

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
<p>*Relationship between cash and cash equivalents at the end of the consolidated fiscal year and consolidated balance sheets items as of March 31, 2005;</p> <p style="text-align: right;">(millions of yen)</p> <p>Cash in hand and at banks 73,980</p> <p>Short-term loans receivable (CP under agreements to resell) 84,988</p> <p>Time deposits with maturities of three months or more -500</p> <p><u>Pledged bank deposits</u> -3,032</p> <p>Cash and cash equivalents 155,436</p>	<p>*Relationship between cash and cash equivalents at the end of the consolidated fiscal year and consolidated balance sheets items as of March 31, 2006;</p> <p style="text-align: right;">(millions of yen)</p> <p>Cash in hand and at banks 67,023</p> <p>Short-term loans receivable (CD under agreements to resell) 40,000</p> <p>Time deposits with maturities of three months or more -</p> <p><u>Pledged bank deposits</u> -</p> <p>Cash and cash equivalents 107,022</p>

Footnotes to Lease Transactions

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2004 to March 31, 2006)																																				
<p>Finance lease transactions other than those where ownership of the leased asset is transferred to the lessee.</p> <p>1 Equivalent of acquisition cost, accumulated depreciation and net book value of the leased assets at the end of the fiscal year (millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Equivalent of acquisition cost</th> <th>Equivalent of accumulated depreciation</th> <th>Equivalent of net book value</th> </tr> </thead> <tbody> <tr> <td>Equipment and furniture</td> <td style="text-align: right;">5,088</td> <td style="text-align: right;">3,753</td> <td style="text-align: right;">1,334</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">5,088</td> <td style="text-align: right;">3,753</td> <td style="text-align: right;">1,334</td> </tr> </tbody> </table> <p>Note: Equivalent of acquisition cost included the portion of interest thereon, as the outstanding lease fee payable is insignificant compared to the balances of tangible fixed assets.</p> <p>2 Outstanding lease fee payable at the end of the fiscal year (millions of yen)</p> <table border="1"> <tbody> <tr> <td>Due within one year</td> <td style="text-align: right;">806</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">529</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">1,334</td> </tr> </tbody> </table> <p>Note: As the outstanding lease fee payable at the end of the fiscal year is insignificant compared to the balances of tangible fixed assets at the end of the fiscal year, the outstanding lease fee payable included the portion of interest thereon.</p> <p>3 Lease fee and equivalent of depreciation: 1,319 million yen</p> <p>4 Method of calculation of equivalent of depreciation Calculated by using the straight-line method, assuming that the lease period is the useful life of the asset and a residual value is zero.</p>		Equivalent of acquisition cost	Equivalent of accumulated depreciation	Equivalent of net book value	Equipment and furniture	5,088	3,753	1,334	Total	5,088	3,753	1,334	Due within one year	806	Due over one year	529	Total	1,334	<p>Finance lease transactions other than those where ownership of the leased asset is transferred to the lessee.</p> <p>1 Equivalent of acquisition cost, accumulated depreciation and net book value of the leased assets at the end of the fiscal year (millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Equivalent of acquisition cost</th> <th>Equivalent of accumulated depreciation</th> <th>Equivalent of net book value</th> </tr> </thead> <tbody> <tr> <td>Equipment and furniture</td> <td style="text-align: right;">2,586</td> <td style="text-align: right;">2,057</td> <td style="text-align: right;">528</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">2,586</td> <td style="text-align: right;">2,057</td> <td style="text-align: right;">528</td> </tr> </tbody> </table> <p>Note: The same as the previous fiscal year.</p> <p>2 Outstanding lease fee payable at the end of the fiscal year (millions of yen)</p> <table border="1"> <tbody> <tr> <td>Due within one year</td> <td style="text-align: right;">387</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">141</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">528</td> </tr> </tbody> </table> <p>Note: The same as the previous fiscal year.</p> <p>Lease fee, a reversal of accumulated impairment loss on leased assets account, equivalent of depreciation and impairment loss</p> <p>Lease fee and equivalent of depreciation: 802 million yen</p> <p>4 Method of calculation of equivalent of depreciation The same as the previous fiscal year.</p> <p>(Impairment loss) No impairment loss is recorded for leased assets.</p>		Equivalent of acquisition cost	Equivalent of accumulated depreciation	Equivalent of net book value	Equipment and furniture	2,586	2,057	528	Total	2,586	2,057	528	Due within one year	387	Due over one year	141	Total	528
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Footnotes to Investments in securities
1 Trading securities

(millions of yen)

Previous Consolidated Fiscal Year (as of March 31, 2005)		Current Consolidated Fiscal Year (as of March 31, 2006)	
Book value on consolidated balance sheets	Unrealized gain or loss included in net income during the fiscal year	Book value on consolidated balance sheets	Unrealized gain or loss included in net income during the fiscal year
320	-1	-	-

2 Other securities with market quotations

(millions of yen)

Term Value Securities		Previous Consolidated Fiscal Year (as of March 31, 2005)			Current Consolidated Fiscal Year (as of March 31, 2006)		
		Acquisition Cost	Book value on consolidated balance sheets	Unrealized gain or loss	Acquisition cost	Book value on consolidated balance sheets	Unrealized gain or loss
Book value greater than acquisition cost	(1) Stocks	17,360	53,164	35,804	8,718	25,359	16,641
	(2) Bonds						
	National or local government bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Others	-	-	-	-	-	-
(3) Others	25	48	22	25	77	52	
	Sub total	17,386	53,212	35,826	8,743	25,436	16,693
Book value equal to or smaller than acquisition cost	(1) Stocks	3,501	3,014	-487	894	747	-147
	(2) Bonds						
	National or local government bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Others	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-	
	Sub total	3,501	3,014	-487	894	747	-147
Total		20,886	56,225	35,339	9,637	26,183	16,546

3 Other securities sold during the consolidated fiscal year

(millions of yen)

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)			Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)		
Proceeds	Realized gains on sales	Realized losses on sales	Proceeds	Realized gains on sales	Realized losses on sales
10,389	3,804	-	42,126	28,264	-16

4 Details of principal securities which are not stated at market quotations

(millions of yen)

Term Securities	Previous Consolidated Fiscal Year (as of March 31, 2005)			Current Consolidated Fiscal Year (as of March 31, 2006)		
	Acquisition cost	Book value on consolidated balance sheets	Unrealized gain or loss	Acquisition cost	Book value on consolidated balance sheets	Unrealized gain or loss
Other securities						
Unlisted stocks excluding those traded over-the-counter	4,460	4,147	-312	4,494	4,389	-104
Unlisted foreign mutual funds	58	64	6	5	5	-
Others	4,521	4,782	261	1,797	1,860	62

Notes: A; Difference between acquisition cost and book value is unrealized gain or loss resulting from foreign currency translation on the securities denominated in foreign currencies at the end of the consolidated fiscal year.

B; "Others" of other securities are stocks held through investments in partnerships.

5 Redemption schedule for other debt securities with maturity and held-to-maturity debt securities

(millions of yen)

Term Securities	Previous Consolidated Fiscal Year (as of March 31, 2005)				Current Consolidated Fiscal Year (as of March 31, 2006)			
	Up to 1 year	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years	Up to 1 year	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years
(1) Bonds								
National or local government bonds	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
(2) Others	-	64	-	-	5	-	-	-
Total	-	64	-	-	5	-	-	-

6 Investments in securities subject to impairment

In the previous consolidated fiscal year, 78 million yen for other securities with no market quotations was recognized as impairment losses. In the current consolidated fiscal year, 29 million yen for other securities with market quotations was recognized as impairment losses. Except for other securities where the market quotations declined by greater than 50% or those where the market quotations declined by between 30% to less than 50% and the market quotations are considered to be recoverable, impairment losses were recognized on other securities.

Footnotes to Derivative Transactions

1 The conditions of Derivative Transactions

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
<p>1 Transactions</p> <p>The Company uses financial derivative transactions which comprise currency and interest swap transactions.</p> <p>2 Company's policy</p> <p>The Company uses financial derivative transactions in order to reduce its exposure to market risks from fluctuations in interest rate and foreign currency exchange rate and does not hold or issue financial derivative instruments for speculative or any trading purposes.</p> <p>3 Purposes</p> <p>The Company makes use of interest and currency swap transactions to hedge its exposure of both interest rate and foreign currency exchange rate fluctuations against floating-rate borrowings and bonds and borrowings denominated in foreign currencies for the purpose of stabilizing the Company's income.</p> <p>4 Risk of transactions</p> <p>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.</p> <p>5 Risk management</p> <p>Derivative transactions for fluctuations in interest rate of borrowings and exchange rate the Company enters into are approved by the board of directors and executed and controlled under administration of finance department of the Company. The conditions and results of such transactions are reported timely to the board of directors.</p>	<p>1 Transactions</p> <p>The Company uses financial derivative transactions, which comprise interest swap transactions, currency and interest swap transactions and bond option transaction.</p> <p>2 Company's policy</p> <p>The Company uses financial derivative transactions in order to reduce its exposure to market risks from fluctuations in interest rate, foreign currency exchange rate and price and does not hold or issue financial derivative instruments for speculative or any trading purposes.</p> <p>3 Purposes</p> <p>The Company makes use of interest swap transactions, currency and interest swap transactions and bond option transactions to hedge its exposure of interest rate and foreign currency exchange rate fluctuations against floating-rate borrowings and bonds and borrowings denominated in foreign currencies for the purpose of stabilizing the Company's income.</p> <p>4 Risk of transactions</p> <p>The same as the previous fiscal year.</p> <p>5 Risk management</p> <p>Derivative transactions for fluctuations in interest rate of borrowings, exchange rate and price the Company enters into are approved by the board of directors and executed and controlled under administration of finance department of the Company. The conditions and results of such transactions are reported timely to the board of directors.</p>

2 Fair Value of Financial Derivatives

Contract amount, quotation and gain and loss on evaluation

(1) Currency

Data for all derivative transactions related to foreign currency is not required to be disclosed as hedge accounting is applied.

(2) Interest

Data for all derivative transactions related to interests is not required to be disclosed as hedge accounting is applied.

(3) Bonds

(millions of yen)

Classification	Type of transaction	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)				Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)			
		Contract amount	Contract amount over one year	Quotation	Gain and Loss on evaluation	Contract amount	Contract amount over one year	Quotation	Gain and Loss on evaluation
Transaction other than market	Bond option Buy Call	-	-	-	-	80,800 (47)	80,800 (47)	-	-47
Sub total		-	-	-	-	80,800	80,800	-	-47

Note. Option fees are shown in the parenthesis below the contract amount.

Footnotes to Retirement Plan and Retirement Benefits

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)																																																
<p>1 Outline of retirement benefits plans</p> <p>Employees with more than two years of service for 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, having recognized accrued costs for such a liability as an allowance for retirement benefits.</p>	<p>1 Outline of retirement benefits plans</p> <p>The same as the previous fiscal year.</p>																																																
<p>2 Retirement benefits liabilities as of March 31, 2005</p> <p style="text-align: right;">(millions of yen)</p>	<p>2 Retirement benefits liabilities as of March 31, 2006</p> <p style="text-align: right;">(millions of yen)</p>																																																
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Footnotes to the Deferred Tax Accounting

Previous Consolidated Fiscal Year (as of March 31, 2005)	Current Consolidated Fiscal Year (as of March 31, 2006)
<p>1 The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and liabilities are as follows:</p> <p style="text-align: right;">(millions of yen)</p> <p>Current deferred tax assets;</p> <p>Direct cash loans to customers 7,739</p> <p>Accrued interest income on direct cash loans to customers 4,142</p> <p>Allowance for credit losses 8,867</p> <p>Accrued enterprise tax 3,094</p> <p>Allowance for bonuses 359</p> <p>Others 382</p> <hr/> <p>Sub total 24,582</p> <p>Non-current deferred tax assets;</p> <p>Investments in securities 408</p> <p>Investments in affiliates 415</p> <p>Allowance for retirement benefits 1,036</p> <p>Others 302</p> <hr/> <p>Sub total 2,161</p> <p>Non-current deferred tax liabilities;</p> <p>Net unrealized gains on investments in securities -14,454</p> <hr/> <p>Net deferred tax assets 12,290</p>	<p>1 The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and liabilities are as follows:</p> <p style="text-align: right;">(millions of yen)</p> <p>Current deferred tax assets;</p> <p>Direct cash loans to customers 6,386</p> <p>Accrued interest income on direct cash loans 3,789</p> <p>Allowance for credit losses 5,774</p> <p>Allowance for losses for refund of interest received from customers 864</p> <p>Accrued enterprise tax 2,155</p> <p>Allowance for bonuses 305</p> <p>Others 230</p> <hr/> <p>Sub total 19,502</p> <p>Non-current deferred tax assets;</p> <p>Tangible fixed assets 7,516</p> <p>Investments in securities 363</p> <p>Investments in affiliates 14,323</p> <p>Allowance for retirement benefits 1,238</p> <p>Others 187</p> <hr/> <p>Sub total 23,627</p> <p>Current deferred tax liabilities;</p> <p>Net unrealized gains on investments in securities -6,689</p> <hr/> <p>Net deferred tax assets 36,440</p>
<p>2 A reconciliation between the statutory tax rate and the effective tax rate is not required to be disclosed because the difference between the statutory tax rate and the effective tax rate is 5% of the statutory tax rate or less.</p>	<p>2 A reconciliation between the statutory tax rate and the effective tax rate is as follow;</p> <p>Statutory tax rate 40.5%</p> <p>(Reconciling items)</p> <p>Refunded income taxes -14.3%</p> <p>Reassessment of income taxes in the previous years 9.8%</p> <p>Others -2.7%</p> <hr/> <p>Effective tax rate after adopting deferred tax accounting 33.3%</p>

Segment Information

Segment by operation

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005) and Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)

The Takefuji Corporation Group's principal business is providing consumer finance. As consumer finance business represents more than 90% of the Group's combined operating revenues, operating income and assets, industry segment information is not required to be disclosed.

Segment by geographic areas

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005) and Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)

As operating revenues and assets in Japan represent more than 90% of the Group's combined operating revenues and assets, geographical segment information is not required to be disclosed.

Overseas operating revenues

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005) and Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)

As overseas operating revenues are less than 10% of consolidated operating revenues, those are not required to be disclosed.

Related Party Transactions

Transactions between related parties during the previous consolidated fiscal year from April 1, 2004 to March 31, 2005;
Directors and primary individual shareholders, etc.

Attribution: Companies of which directors and their relatives have the majority of the voting rights, including their subsidiaries										
Name	Address	Capital (millions of yen)	Business	Ratio of voting rights held	Relationship		Transactions	Amount transacted (millions of yen)	Account	Outstanding balance at the end of the fiscal year (millions of yen)
					Directors involved	Business				
Tokutake	Tokyo Shibuya-ku	10	Administra- tion of real estate	None	None	Use of facility	Payment for use of facility	21	-	-
Daio	Tokyo Toshima-ku	10	Real estate rent	Direct 5.4% Indirect 0.0%	None	Use of facility	Payment for use of facility	30	Prepaid expense Account payable	4 0
Toa	Tokyo Taito-ku	10	Real estate rent	Direct 0.1%	None	Rent Guarantee money	Rent Guarantee money	2 -	Account payable Guarantee money deposited	0 2
Kyoei	Tokyo Toshima-ku	10	Real estate rent	Indirect 100%	None	Rent Guarantee money	Rent Guarantee money	4 -	Prepaid expense Guarantee money deposited	0 7

Note: 1. Consumption taxes are included in the transactions.

2. All conditions and methods of the transactions mentioned above are determined by the same way as general transactions in consideration of market supply and demand as well as the trend of market prices and others.

3. Transaction of use of facility with Daio is brought about since Daio succeeded the position as facility manager in August 2004 from Tokutake.

4. Taketeru Takei a director of the Company and his relatives have 100% of voting rights of Tokutake and Toa indirectly through Marutakesangyo.

5. Taketeru Takei a director of the Company and his relatives have 100% of voting rights of Kyoei indirectly through Daio and Marutakesangyo.

6. Taketeru Takei a director of the Company and his relatives have 100% of voting rights of Daio and Marutakesangyo directly or indirectly.

Transactions between related parties during the current consolidated fiscal year from April 1, 2005 to March 31, 2006;
Directors and primary individual shareholders, etc.

Attribution: Companies of which directors and their relatives have the majority of the voting rights, including their subsidiaries										
Name	Address	Capital (millions of yen)	Business	Ratio of voting rights held	Relationship		Transactions	Amount transacted (millions of yen)	Account	Outstanding balance at the end of the fiscal year (millions of yen)
					Directors involved	Business				
Daio	Tokyo Suginami-ku	10	Real estate rent	Direct 5.4% Indirect 0.0%	Additional post 1	Use of facility	Payment for use of facility	51	Prepaid expense Account payable	4 0
Safeman	Tokyo Shinjuku-ku	10	Real estate rent	Direct 0.1%	Additional post 1	Rent Guarantee money	Rent Guarantee money	2 -	Prepaid expense Guarantee money deposited	0 2
Kyoei	Tokyo Suginami-ku	10	Real estate rent	Direct 0.0%	Additional post 1	Rent Guarantee money	Rent Guarantee money	4 -	Prepaid expense Guarantee money deposited	0 7

Note: 1. Consumption taxes are included in the transactions.

2. All conditions and methods of the transactions mentioned above are determined by the same way as general transactions in consideration of market supply and demand as well as the trend of market prices and others.

3. Toa was merged into Safeman and renamed as Safeman April 30, 2005.

4. Taketeru Takei a director of the Company and his relatives have 100% of voting rights of Safeman indirectly through Marutakesangyo.

5. Taketeru Takei a director of the Company and his relatives have 100% of voting rights of Kyoei indirectly through Daio and Marutakesangyo.

6. Taketeru Takei a director of the Company and his relatives have 100% of voting rights of Daio and Marutakesangyo directly or indirectly.

Footnotes to Statistics per Share

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)		Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)	
Net assets per share;	6,827.41 yen	Net assets per share;	6,919.26 yen
Net income per share;	487.94 yen	Net income per share;	333.18 yen
Net income per share –diluted;	474.49 yen	Net income per share –diluted;	323.99 yen

Note: Basis for calculating net income per share and net income per share –diluted is as follows;

(millions of yen)

	Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)	Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)
Net income per share		
Net income for the fiscal year	68,726	46,924
Net income not available to common shareholders	62	45
(Bonuses to directors and corporate auditors included in the above)	(62)	(45)
Net income for common stock	68,665	46,880
Average number of shares outstanding during the current fiscal year (thousand shares)	140,723	140,706
Net income per share -diluted		
Net income effect of dilutive securities	-	-
Incremental shares of common stocks from dilutive securities (thousand shares)	3,989	3,989
(Incremental shares from assumed conversions of convertible bonds included in the above)	(3,989)	(3,989)

Subsequent Events

None

5. Actual Operating Results

(1) Break-down of Operating Revenues

Term Source of revenues		Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)		Current Consolidated Fiscal Year (from April 1, 2005 to March 31, 2006)		Change	
		Amount (millions of yen)	Composition Ratio (%)	Amount (millions of yen)	Composition Ratio (%)	Amount (millions of yen)	Change Ratio (%)
Interest on direct cash loans	Unsecured loans	347,474	96.5	341,463	97.2	-6,011	-1.7
Commissions earned	Credit card	49	0.0	65	0.0	16	32.3
Other financial income	Interest on bank deposits	194	0.1	547	0.2	353	181.4
	Interest on loans other than direct cash loans	0	0.0	5	0.0	5	3,656.9
	Others	-	-	184	0.0	184	-
	Sub-total	195	0.1	736	0.2	541	278.3
Other operating income	Collection of credit losses previously written-off	8,213	2.3	6,559	1.9	-1,654	-20.1
	Real estate rent	857	0.2	848	0.2	-9	-1.0
	Others	3,335	0.9	1,589	0.5	-1,746	-52.4
	Sub-total	12,404	3.4	8,995	2.6	-3,408	-27.5
Total		360,121	100.0	351,259	100.0	-8,862	-2.5

Note: "Others" in other operating income consist mainly of parking lots fees and golf course play fees.

(2) Other Statistics

Items	Term	Previous Consolidated Fiscal Year (as of March 31, 2005)	Current Consolidated Fiscal Year (as of March 31, 2006)	Change	
				Change	Change Ratio(%)
Direct cash loans outstanding (millions of yen)		1,568,725	1,540,046	-28,678	-1.8
Unsecured loans		1,568,725	1,540,046	-28,678	-1.8
Secured loans		-	-	-	-
Installment receivables outstanding (millions of yen)		357	494	137	38.3
Number of loan customer accounts		2,442,560	2,322,917	-119,643	-4.9
Unsecured		2,442,560	2,322,917	-119,643	-4.9
Secured		-	-	-	-
The number of credit card membership		218,957	254,665	35,708	16.3
Number of branches		1,893	1,898	5	0.3
Manned		528	523	-5	-0.9
Unmanned		1,363	1,364	-	-
Internet Yen shop		1	1	-	-
Quick loan application machines		-	10	10	-
Number of unmanned loan contract machines (Yen-musubi machines)		1,893	1,888	-5	-0.3
Number of cash dispensers and ATMs		38,220	45,450	7,230	18.9
Owned		2,029	2,025	-4	-0.2
Inter-linked		36,191	43,425	7,234	20.0
Number of employees		3,491	3,184	-307	-8.8
Write-offs (millions of yen)		112,858	108,504	-4,355	-3.9
Allowance for credit losses (millions of yen)		137,000	150,430	13,430	9.8