

Qualitative Information and Financial Statements

1. Business Performance

(1) Analysis of business performance

1) Business performance of the current fiscal year

During the fiscal year under review, the Japanese economy continued on a gentle path toward recovery, underpinned by production and exports in the private corporate sector, but factors such as the global financial turmoil triggered by the U.S. sub-prime mortgage issue and soaring prices of oil and other resources and raw materials fanned concerns about a slowdown in the economy.

In the consumer finance industry, Article 2 of the Amendment of the Money Lending Business Control and Regulation Law was enforced in December 2007. With the adoption of new infrastructure, the establishment of the Japan Financial Services Association (“JFSA”) as an authorized corporation, and the self-regulatory rules formulated by the JFSA, the industry entered a new era, shifting from legal regulation to self-regulation. Meanwhile, a large number of claims for interest refunds continue to squeeze the profits of every consumer finance company, and business conditions remain severe, with no let-up in the reduction of the loan balance due to stricter lending criteria or the withdrawal of small-to-medium sized lenders from the market, and with the trend towards contraction of the consumer finance market.

In this environment, Takefuji pushed ahead with initiatives aimed at differentiating itself from other consumer finance companies by bolstering its compliance system in the spirit of the amendments of the law, including the establishment of internal rules based on the amended Money Lending Business Law and the self-regulatory rules of the JFSA, the development of its internal control system and internal auditing system accompanied by restructuring to ensure the effectiveness of rules, and the provision of training for all employees aimed at more thoroughgoing compliance. We also took action in anticipation of future stage of the law enforcement, including the tightening lending criteria, the prohibition of offers of loans that in total exceed one third of the borrower's annual income and the lowering of the maximum lending rate for new customers to 18% or less. We also sought to bolster our counseling capabilities through the expansion of Customer Relations Office to provide services which give sense of security. Takefuji also sought to curb credit costs through efforts in areas such as the streamlining of its organization through the integration and closure of branch offices and the integration of Regional Loan Collection Offices and Call Centers, and the improvement of loan quality through the establishment of Regional Branch Examination Section and the inauguration of Regional Loan Collection Centers.

As a result of the above initiatives, the balance of direct cash loans to customers at the end of the year was 1,195,328 million yen (down by 16.5% from the previous year-end) and the number of customer accounts stood at 1,833 thousand (down by 13.8%).

Herewith operating revenues on a consolidated basis for the year amounted to 270,479 million yen, (decreased by 17.8% from the previous year), operating income is 44,781 million yen (operating loss was 165,030 million yen at the previous year), ordinary income is 42,285 million yen (ordinary loss was 163,764 million yen) and net income is 14,105 million yen (net loss was 481,274 million yen) because of recorded loss on liquidation of the structured finance transaction by liquidation of in-substance defeasance of 29,691 million yen in the section of extraordinary losses.

As of March 31, 2008, the Company operates a network of 360 manned branch offices (471 at the end of the previous year), 1,139 unmanned offices (1,257), one internet shop (1), 1,618 owned ATMs (1,856) and 52,320 inter-linked CDs and ATMs (46,216).

2) Forecasts for operations in fiscal 2009

Moving forward, business conditions are expected to remain unpredictable, but Takefuji will continue to place top priority on efforts to bolster its compliance system. We will also seek improvement in our services from a customer perspective through full and thoroughgoing practice of the corporate principle of “Customer First”, and we will work to improve the quality of our assets by bolstering customer service and counseling activities characterized by close links with local communities and by responding meticulously and individually to the specific needs of each and every customer.

The forecasts for the consolidated fiscal year ending March 31, 2009 are as follows;

Operating revenues are expected to be 197.7 billion yen (decreased by 26.9% from the fiscal year ended March 31, 2007), operating income is expected to reach 15.4 billion yen (decreased by 65.6%), ordinary income is forecast to be 13.3 billion yen (decreased by 68.5%) and net income is expected to reach 11.5 billion yen (decreased by 18.5%).

(2) Analysis of financial condition

Regarding funding for the current consolidated fiscal year, we worked to reduce assets by lowering interest bearing debt in the first-half of the fiscal year, and focused on liquidity in the second-half of the fiscal year, due to the increasing anxiety over the liquidity in the financial market, in connection with sub-prime mortgage issues.

We stably raised long-term and short-term funds of 56.5 billion yen from financial institutions. As for the in-substance defeasance implemented in the first-half of the current consolidated fiscal year, the said structured finance transaction was liquidated and 30 billion yen is on balance sheets as Bonds payable for 30 billion yen of unsecured domestic straight bonds, series No. 8 for 20 years. As a result, after adjusting the Bonds issuance difference, the total amount of interest bearing debt is 539,364 million yen, decreased by 58,476 million yen year-on-year comparison and the average current maturity is 6 years and 3 months. We will continue our efforts to diversify fund raising resources and rationalize our fund raising structure, maintain a stable financial position and raise funds in a flexible and efficient manner, mindful of liquidity.

Moody's and Standard & Poor's have 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 increased by 57,375 million yen to 153,471 million yen (increased by 59.7% compared with the end of the previous consolidated fiscal year). This was mainly due to a mixed result of income before income taxes of 10,542 million yen (loss before income taxes was 436,773 million yen previously), proceeds from long-term borrowings, redemption of bonds (in-substance defeasance) and payments of income taxes.

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 187,601 million yen (70,455 million yen for the previous consolidated fiscal year). The principal sources are income before income taxes of 10,542 million yen (436,773 million yen of loss before income taxes) and direct cash loans collected from customers of 398,141 million yen (511,083 million yen), though there were decrease factors of 320,985 million yen (547,751 million yen) and 102,542 million yen of decrease in allowance for losses for refund of interest received from customers (466,298 million yen of increase in allowance for losses for refund of interest received from customers).

Cash flows from investing activities:

The funds used in investing activities were 255 million yen (1,248 million yen for the previous consolidated fiscal year). This was mainly due to 1,336 million yen of acquisition of tangible fixed assets (1,090 million yen) and 2,328 million yen of acquisition of intangible fixed assets (911 million yen), while proceeds from sales of investments in securities was 1,906 million yen (795 million yen) and we received refunds of guarantee money paid with closure of branch offices.

Cash flows from financing activities:

The funds used in financing activities were 127,397 million yen (80,291 million yen for the previous consolidated fiscal year). This was primarily due to redemption of bonds (in-substance defeasance) of 30 billion yen (68 billion yen) and repayments of long-term borrowings of 104,580 million yen (111,429 million yen), however there was increase cause of 43.5 billion yen of proceeds from long-term borrowings (131.5 billion yen).

(3) Fundamental corporate policy for distributing profits and dividends for the current fiscal year and next fiscal year

We consider the stable profit returns to shareholders is most important capital policy and it is our basic understanding to provide stable dividend over a long period to shareholders continuously.

Based on the above policy, we paid interim dividends for the term ended March 2008 for 90 yen per share. The year-end dividend will be also 90 yen per share, so that the annual dividend forecast will be 180 yen per share. This fiscal year, we bought treasury stocks of 3,057 thousand shares (2.1% of outstanding of shares issued) to enable the flexible execution of capital policy and the return of profits to shareholders.

We will use our internal reserves to invest in providing high levels of customer service and bolstering our compliance system, to make strategic investments to enhance our income base, and to buy back shares.

(4) Business Risk and Other Forms of Risk

This section concerns the major business risks that confront 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. 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. The Money Lending Business Law

To engage in its principal business, namely consumer finance, the Company is registered as a moneylender as provided by the Money Lending Business Law, regulation for loan business in Japan. Takefuji is required to comply with the regulations set out in that law encompassing all consumer finance business. These regulations include those covering the prohibition of excessive lending, the indication of loan terms, the advertising of loan terms, the prohibition of exaggerated advertisements, the issuance of document when concluding contracts, the delivery of receipts, the provision of account books, restrictions on designated notarial deeds, the regulation of loan collection, the return of loan contract, the display of signs, transfers of claims and others. In addition, the enforcement provisions of the Money Lending Business Law require Takefuji to conduct business mindful of the Comprehensive Supervisory Guidelines for Loan Providers and the JFSA Self-regulatory Basic Rules Regarding the Conduct of Money Lending Business Operations.

Deeming compliance to be its most important managerial challenge, we are working to build a highly effective compliance framework that will bolster its compliance by changing its organizational structure, offering education to employees, and creating a system with a self-correcting effect. However, in case that a part of Takefuji Group fails to comply with the Money Lending Business Law, it will not merely face administrative sanctions or penalties; its financial position and business results may be undermined by the infringement.

Following promulgation of the Amendment of the Money Lending Business Control and Regulation Law on December 20, 2006, the amendment is being enforced in four phases from the enforcement of Article 1 to the enforcement of Article 4. Article 1, which increases the penalty for unregistered operations (tightening of anti loan-shark measures), was enforced on January 20, 2007, one month after promulgation.

Next, Article 2, which was enforced on December 19, 2007, one year after promulgation, changed the name of the law from the Money Lending Business Control and Regulation Law to the Money Lending Business Law and the main points of the amendment are that it strengthens administrative measures including the establishment of business improvement orders, tightens regulation of solicitation, tightens regulation of collection activities, expands the scope of prohibited activities, provides for the establishment of the new Japan Financial Services Agency and the formulation of self-regulatory rules and makes it obligatory to agree to the browsing of accounts.

On "business improvement orders" the amendment states that in connection with the conduct of business by lenders, if considered necessary to protect the interest of borrowers, etc., the supervisory authorities may, to the extent necessary, order a change in business method or other measures necessary for improvement of business conduct, and there is the possibility that such business improvement orders will be issued with greater flexibility than the business suspension orders which have been available prior to the amendment. Furthermore, the new Japan Financial Services Association (JFSA) is a powerful self-regulatory body that has been granted the authority to investigate and supervise its members and considerable discretionary authority in order to increase the effectiveness of self-regulatory rules.

Article 3 will be enforced within one and a half years of enforcement of the Money Lending Business Law and under the amendment measures such as the establishment of credit information agencies and the establishment of a new money lending business supervisor system will be implemented. Then, within two and a half years of the enforcement of the Money Lending Business Law, Article 4 will be enforced. The main points of this amendment are the lowering of the maximum legal lending rate under the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits ("Capital Subscription Law") and the introduction of aggregate debt control (explained later in 2. Risks associated with the regulation of loan interest rates and the aggregate debt control).

In the light of the amendments outlined above, Takefuji is currently conducting a review of its lending criteria, but there is the possibility that these amendments may seriously affect the number of new loan customer accounts and direct cash loans to customers.

As a result of the phased implementation of the Money Lending Business Law, the Company will be subject to greater business regulation than before and is currently taking action in areas such as its account books, work flow and information systems, but these amendments may affect the Company's performance.

2. Risks associated with the regulation of loan interest rates and the aggregate debt control

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 fixed its maximum loan interest rate at 27.375%. Although the Interest Rate Restriction Law stipulates that a contract on interest on a loan for consumption that exceeds 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 shall be invalid, the repayment of interest by a debtor that exceeds the interest stipulated in the Interest Rate Restriction Law is regarded as valid if the predetermined requirements provided in Article 43 of the Money Lending Business Control and Regulation Law are fulfilled.

However, the Bill for the Amendment of the Money Lending Business Control and Regulation Law passed the 165th extraordinary session of the Diet in 2006. When the Money Lending Business Law comes into full effect within two and a half years after this legislation is put into force, the maximum lending rate under the Capital Subscription Law will be lowered from the current 29.2% per annum to 20%. Also, money lenders will no longer be allowed to enter into any contract on interest that exceeds those stipulated in the Interest Rate Restriction Law. Similarly the amendment on the aggregate debt control which is due to be adopted upon the full enforcement of the Money Lending Business Law, states that if the balance of lending exceeds one third of the borrower's annual income, the borrower shall be considered to have exceeded his or her repayment ability and, as a general rule, the lender may not extend any further loans.

From a compliance perspective, Takefuji has lowered the maximum lending rate and adopted the aggregate debt control as outlined above ahead of schedule, in anticipation of the full enforcement of the Money Lending Business Law and this may have a serious impact on the Company's performance.

3. Impact of the Financial Instruments and Exchange Law (the construction of an internal control, etc.)

The bill for the "Amendment of the Securities and Exchange Law" (the name of the Law was changed to the Financial Instruments and Exchange Law) became law on June 7, 2006 and published on June 14, 2006. This amended Law obliges listed companies to submit an Internal Control Report that evaluates the effectiveness of internal controls in each fiscal year to ensure the credibility of financial reporting, and this Report must receive an audit certificate from a certified public accountant or an audit corporation. This system will apply to the fiscal year that will begin on April 1, 2008. Takefuji Group will also be required to submit this Report from the fiscal year ending March 31, 2009.

Prior to the submission of the Internal Control Report, listed companies will be required to construct an internal control to ensure the credibility of their financial reporting. While Takefuji Group has been carrying out work to construct internal controls across the Company as of the day this document was submitted, higher costs than initially expected could arise from the construction, given the possibility that additional operations such as a review of the work flow and documentation could become necessary due, for example, to the fact that the internal control does not work effectively.

Also, in the event that a qualified opinion, etc. is attached because of a defect, etc. in the internal control of Takefuji Group as a result of an audit of the internal control by a certified public accountant or an audit corporation, the results of the Group could be impacted by a decline in the evaluation or corporate image of the Company in the market, etc.

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

As the Law Concerning the Protection of Personal Information (“Personal Information Protection Law”) came into full effect on April 1, 2005, Takefuji has set out and now implements internal rules in accordance with the Personal Information Protection Law, the Guidelines for Personal Information Protection in the Financial Field, and the Practical Guidance on Safety Control Measures and Suchlike under the Guidelines for Personal Information Protection in the Financial Field. However, should any such information be leaked, the Company would be obliged to notify the affected borrowers as well as the competent authorities and make a public announcement. This may result in a loss of public confidence, compensation payable to individuals, and penalties affecting business.

5. Impact of other business-related laws

For its card business, Takefuji is subject to the Specific Commercial Transactions Law and 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. In the future strengthening of this law is expected regarding the one factor which exasperates multi-debt problem in connection with credit contract which exceeds payment capacity of customers. 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 Takefuji 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 refund of interest received from customers

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.

Although this excess portion was regarded as valid in the past if the application requirements provided in Article 43 of the Money Lending Business Control and Regulation Law were fulfilled, a defense in a case of a claim for refund of interest received from customers has become extremely difficult, since the Supreme Court handed down a decision that rules out the voluntary element, one of the application requirements, on January 13, 2006. The amount of refund of interest received from customers increased rapidly in the previous fiscal year.

In light of the above developments, the Company calculated the allowance for interest refund losses in the fiscal year under review in accordance with the Industry Audit Committee Report No. 37, Auditing Treatment on Recording of Allowance for Losses from Claims for Interest Refunds by Consumer Finance Companies, Etc. published by the Japanese Institute of Certified Public Accountants (JICPA) on October 13, 2006, posting an amount of 386,256 million yen.

Looking ahead to the next fiscal year, although signs of stable trend of claims for refund of interest received from customers is observed, according to court rulings of the Sapporo High Court in April 2007 and the Osaka High Court in July 2007, any claim that stems from the contractual rate is analogous to a claim of fraud on the condition that it is presumed that the money lender was aware that it was very unlikely that the provision for the repayment regarded as being valid would apply and knew that there was no legal grounds for the overpayment when it arose. These rulings have so far had no confirmed impact on business performance. Depending on future judicial decisions, it is possible that they may trigger an increase of overpayment refund claims. If similar court decisions are delivered, it could have a significant impact on the performance of Takefuji Group.

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 & Poor’s. A future downgrading of these ratings may have an impact on fund procurement.

2. Restrictive financial covenant on fund procurement

Some of the Company’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 billion yen of very long-term Euro yen bonds (42 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

Borrowing rates may vary because of the market environment and other factors and the rise in finance expenses is reflected as a factor that is holding down operating income and may affect results. The Capital Subscription Law prohibits any lending rate higher than 29.2% and the Company currently sets its maximum interest rate on loans at 27.375% in its consumer finance business, but since the Company adopted a maximum lending rate for new customers of 18% from January 25, 2008, the effects are gradually becoming apparent ahead of the full enforcement of the Money Lending Business Law. Moreover impact could be more when interest rate of The Capital Subscription Law becomes 20% in accordance with enactment of revised Money Lending Business Law.

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 group's business results may be impacted.

5) Transition of operating results

To operate efficiently, the Company has invested in “Yen 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 31, 2002.

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

In Japanese economy of the current fiscal year, corporate business sentiment was tinged with caution due to the impact of soaring oil prices and uncertainty about the U.S. economy, and the circumstances surrounding consumers remain severe 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 12.3% at the end of the March 2008 and this is a relatively large portion of all write-offs. In 2007, there were 148,000 cases of bankruptcy, down 10.6% from 166,000 cases in 2006, 184,000 cases in 2005, 211,000 cases in 2004 and a decline for the four consecutive years 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. Risk concerning market competition

Pursuant to the amended Money Lending Business Control and Regulation Law enacted in December 2006, the maximum lending rate under the Capital Subscription Law is set to be lowered within two years after the legislation is enforced and what is called the aggregate debt control will be introduced. It is anticipated that this move will drive the industry from a conventional state of coexistence based on a differentiation of lending rate ranges for borrowers into a state of competition with bank-affiliated money lenders, credit card operators, and credit sales companies within the same interest rate range, and that the race for customers will intensify. As a consequence, the results of Takefuji Group could be influenced by this competition, depending on the actions of its competitors, including not only those specializing in consumer finance business but also bank-affiliated money lenders, credit card operators, and credit sales companies.

4. Risks associated with the concentration of businesses

Most of Takefuji Group's operating revenues come from the consumer finance business, and it accounts for approximately 98.1% of consolidated operating revenues. If operating revenues declines significantly in the future with a legislative amendment, change to accounting standards or other factors in the consumer finance industry, the results of the Takafuji Group could be affected.

6) 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 7 earthquake tremor. In the event of a natural disaster, the Company does not own 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 approximately 2 to 3 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 few 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 inspected.

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, Takefuji Group 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 cases of fraud in which data on credit and cash cards are obtained by skimming or other illegal methods of using forged cards.

The Company introduced credit cards embedded with integrated circuits in October 2002 when it launched its credit and 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 15, 2005, The Company 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 was established in October 2005. Following certification, on February 28, 2008 the Company also passed the obligatory certificate renewal inspection, which takes place every three years.

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

7) Asset risk

1. Exchange rate risk

As of March 31, 2008, the domestic companies of the group held US\$135 million in time deposits and property denominated in foreign currency. Because of the recent rise in the value of the yen, a foreign exchange losses of 2,574 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, 2008, venture capital investments in securities amounted to 2,614 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.

8) Significant litigation

As of the end of March 2008, there were a total of 10 court cases in which the Company was the defendant. They include four cases in which former employees are claiming payment of outstanding salaries, etc. for service during their employment. One case is in which a former employee is claiming libel damages, another case of litigation is seeking evacuation of office space, two cases are related to the refund of the interest received from customers by local government, etc. and two cases are related to a claim for damage associated with refund of the interest received from customers.

The Company will be consulting with its litigation attorneys to deal appropriately with these cases. 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 Takefuji Group to acquire new customers, sustain its stock price, procure funds and conduct other aspects of its operations.

2. Takefuji Group

The Takefuji Group consists of Takefuji Corporation and 8 subsidiaries, which are subject to consolidation as of March 31, 2008. 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 outstanding 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 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:

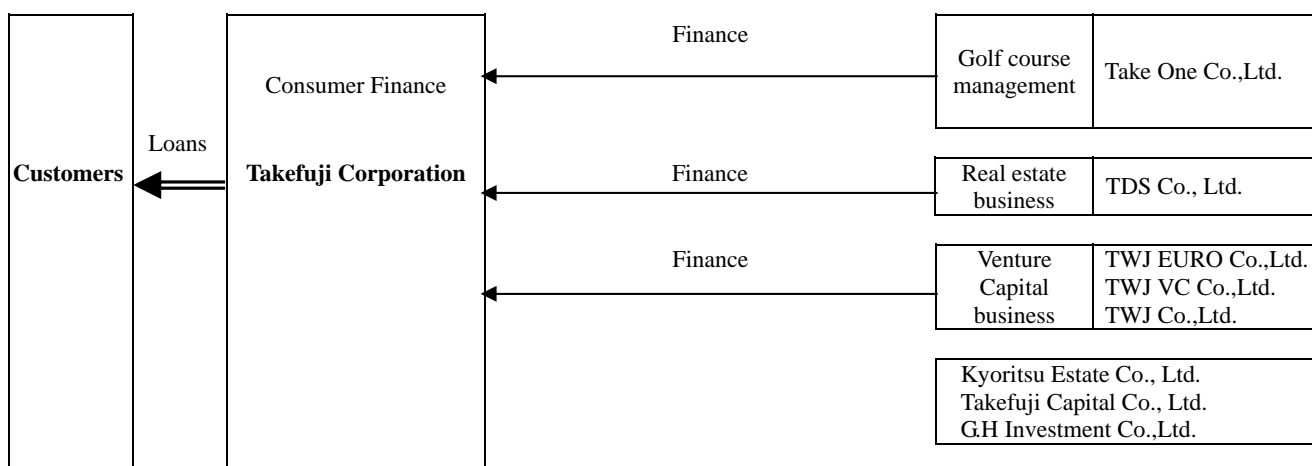
TWJ EURO Co., Ltd. and TWJ VC Co., Ltd. were established in the U.K. and the U.S., respectively, in order to mainly invest in venture businesses in Europe and in the U.S., respectively. TWJ Co., Ltd. was established as a venture capital subsidiary for investments in Japan.

Others:

Kyoritsu Estate Co., Ltd., Takefuji Capital Co., Ltd., G.H Investment Co., Ltd.

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

The Chart of Takefuji Group



3. Management Policy

(1) Fundamental corporate management policy

Takefuji has developed as a customer-friendly financial institution with close links to local communities that provides unsecured, unguaranteed small-lot loans based on its founding principles of “Customer First” and “Management Efficiency.” Recognizing that it is a social commitment of a consumer finance company to appropriately meet the needs of sound borrowers as much as possible, we accurately grasp the needs of our customers and work to provide a wide range of meticulous services. We will also put efforts into areas such as the promotion of business efficiency through the optimum distribution of business resources, the expansion of Corporate Social Responsibility (CSR) activities, and the bolstering of our corporate governance and compliance system to be worthy of the trust of our stakeholders and increase our corporate value.

(2) Target management indices

We consider the shareholders’ equity ratio to be an important business indicator for the establishment of a robust business foundation. To enhance management efficiency and shareholders’ value, we will also seek to maintain and improve other business indicators such as return on assets (ROA), return on equity (ROE) and net income per share.

(3) Medium-to-long term corporate management strategy

Takefuji will reform its core consumer finance business into a “middle-risk, middle-return type” business through a gentle shift in customer groups, in preparation for the introduction of final stage enforcement of the Money Lending Business Law. We will consolidate our position in the retail finance industry by strengthening relations with existing customers and also by working on sales activities and product designs aimed at new customer groups, identifying potential demand in undeveloped markets and offering an extensive product line-up to meet diverse needs.

In addition, as the gap between different lines of finance narrows, we will consider providing new services in areas where we can use our resources effectively and we will also promote strategic business measures such as business alliances with the aim of enhancing our corporate value in the medium-to-long term.

(4) Major issues in fiscal 2008

Give amendments to the Money Lending Business Law, namely Article 3 on the adoption of a designated credit information agency system and Article 4 on the aggregate debt control and the lowering of the maximum legal lending rate, we will accelerate the establishment of systems, organizations and other infrastructure required in response to the phased implementation and ensure comprehensive compliance, and we will also operate in the spirit of amendments as a “financial institution trusted by the Japanese people.”

In addition, as business risks increase, Takefuji will seek organic cooperation between the Board of Directors, the Risk Management Committee and Risk Management Subcommittees, work to bolster its business screening system and ensure thoroughgoing risk management to avoid and reduce risks.

(5) Basic guidelines regarding relationships with related companies

A number of branch offices of the Company have a tenancy agreement for its premises owned by related companies. All the terms and conditions are evaluated in the market price same manner as general transactions in public by taking into consideration such factors as market situations and conditions.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Item of accounts	Note	Previous Consolidated Fiscal Year as of March 31, 2007		Current Consolidated Fiscal Year as of March 31, 2008	
		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		68,110		56,482	
2. Direct cash loans to customers	*1,2,7	1,431,848		1,195,328	
3. Installment receivables		582		557	
4. Securities		-		13,000	
5. Inventories		282		252	
6. Accrued interest income on direct cash loans to customers		12,918		10,862	
7. Short-term loans receivable		27,986		83,989	
8. Corporate taxes, inhabitants taxes and enterprise taxes refundable		11,639		-	
9. Deferred income tax assets		20,604		25,377	
10. Other current assets		24,327		21,939	
Less: Allowance for credit losses		-151,262		-143,998	
Total current assets		1,447,034	91.4	1,263,789	90.7
II Fixed assets					
1. Tangible fixed assets	*5				
(1) Buildings and structures	*1	8,197		7,225	
(2) Machinery and vehicles		45		57	
(3) Equipment, furniture and fixtures		4,721		4,782	
(4) Land	*1	35,084		34,728	
(5) Golf course		195		195	
Total tangible fixed assets		48,242	3.1	46,986	3.4
2. Intangible fixed assets		5,036	0.3	5,234	0.4

Item of accounts	Note	Previous Consolidated Fiscal Year as of March 31, 2007		Current Consolidated Fiscal Year as of March 31, 2008	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
3. Investments and other assets					
(1) Investments in securities		26,577		17,179	
(2) Long-term deposits		46,556		46,556	
(3) Other investments and other assets		9,726		13,155	
Total investments and other assets		82,859	5.2	76,890	5.5
Total fixed assets		136,137	8.6	129,110	9.3
Total assets		1,583,172	100.0	1,392,899	100.0

Item of accounts	Note	Previous Consolidated Fiscal Year as of March 31, 2007		Current Consolidated Fiscal Year as of March 31, 2008	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
Liabilities:					
I Current liabilities					
1. Current portion of long-term borrowings	*1	110,569		94,274	
2. Accrued income taxes		608		335	
3. Allowance for bonuses		749		847	
4. Other current liabilities		20,346		18,548	
Total current liabilities		132,272	8.4	114,003	8.2
II Fixed liabilities					
1. Bonds		158,479		161,083	
2. Long-term borrowings	*1	328,791		284,007	
3. Deferred income tax liabilities		4,937		4,211	
4. Allowance for losses for refund of interest received from customers		488,798		386,256	
5. Allowance for retirement benefits of employees		3,098		3,245	
6. Allowance for retirement benefits of directors and corporate auditors		117		134	
7. Other fixed liabilities		8,964		6,185	
Total fixed liabilities		993,185	62.7	845,121	60.7
Total liabilities		1,125,457	71.1	959,124	68.9

Item of accounts	Note	Previous Consolidated Fiscal Year as of March 31, 2007		Current Consolidated Fiscal Year as of March 31, 2008	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
Net assets:					
I Shareholders' equity					
1. Common stock		30,478	1.9	30,478	2.2
2. Capital surplus		52,263	3.3	52,263	3.8
3. Retained earnings		408,107	25.8	393,367	28.2
4. Treasury stock		-40,776	-2.6	-48,248	-3.5
Total shareholders' equity		450,071	28.4	427,861	30.7
II Valuation and foreign currency translation adjustments					
1. Net unrealized gains on other investments in securities, net of taxes		6,657	0.4	1,619	0.1
2. Deferred hedge gains or losses		861	0.1	4,383	0.3
3. Foreign currency translation adjustments		125	0.0	-128	-0.0
Total valuation and foreign currency translation adjustments		7,643	0.5	5,875	0.4
III Share subscription rights		-	-	41	0.0
Total net assets		457,714	28.9	433,776	31.1
Total liabilities and net assets		1,583,172	100.0	1,392,899	100.0

(2) Consolidated Statements of Income

Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)		Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)
I Operating revenues					
1. Interest income on direct cash loans			318,491		261,981
2. Commissions earned			86		72
3. Other financial income			3,249		3,088
4. Other operating income			7,095		5,339
Total operating revenues			328,920	100.0	270,479
100.0					100.0
II Operating expenses					
1. Financial expenses					
(1) Borrowing interest expenses		9,997		10,279	
(2) Bond interest expenses		9,902		9,019	
(3) Other financial expenses		1,397	21,297	1,632	20,931
2. Other operating expenses					
(1) Advertising expenses		9,826		4,853	
(2) Provisions for credit losses		113,642		90,984	
(3) Provisions for losses for refund of interest received from customers		290,449		57,854	
(4) Salaries and bonuses		15,885		14,995	
(5) Provisions for bonuses		749		847	
(6) Provisions for retirement benefits of employees		422		515	
(7) Provisions for retirement benefits of directors and corporate auditors		29		32	
(8) Temporary employment expenses		1,386		1,324	
(9) Rent		6,996		5,985	
(10) Depreciation and amortization		3,457		3,487	
(11) Handling charges		10,830		11,154	
(12) Other		18,985	472,654	12,737	204,767
Total operating expenses			493,951	150.2	225,698
83.4					83.4
Operating income			-	-	44,781
16.6					16.6
Operating loss			165,030	-50.2	-
-					-

Item of accounts	Note	Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)			Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)		
		Amount (millions of yen)		Compo- sition Ratio (%)	Amount (millions of yen)		Compo- sition Ratio (%)
III Non-operating income							
1. Dividends income received		1,204			1,042		
2. Profit on investments in partnerships		548			315		
3. Foreign exchange gains		158			-		
4. Interest on income taxes refunds		-			328		
5. Other non-operating income		247	2,157	0.7	131	1,817	0.7
IV Non-operating expenses							
1. Loss on disposal or sales of fixed assets		32			62		
2. Foreign exchange losses		-			2,574		
3. Option fees		841			1,661		
4. Other non-operating expenses		17	890	0.3	16	4,314	1.6
Ordinary income			-	-		42,285	15.7
Ordinary loss			163,764	-49.8		-	-
V Extraordinary income							
1. Gain on sales of investments in securities		-			377		
2. Gain on sales of fixed assets	*2	40	40	0.0	8	385	0.1
VI Extraordinary losses							
1. Loss on devaluation of investments in securities		140			385		
2. Loss on impairment of fixed assets	*3	160			873		
3. Provisions for losses for refund of interest received from customers		272,038			-		
4. Loss on integration or closure of branch offices	*3	708			1,168		
5. Loss on liquidation of in-substance defeasance transaction	*4	-			29,691		
6. Other extraordinary losses		4	273,049	83.0	11	32,128	11.9
Income before income taxes			-	-		10,542	3.9
Loss before income taxes			436,773	-132.8		-	-
Corporate taxes, inhabitants taxes and enterprise taxes		22,163			1,093		
Deferred income tax expenses		22,338	44,501	13.5	-4,657	-3,563	-1.3
Net income			-	-		14,105	5.2
Net loss			481,274	-146.3		-	-

(3) Consolidated Statement of Changes in Net Assets

Previous Fiscal Year (from April 1, 2006 to March 31, 2007)

(millions of yen)

	Shareholders' equity					Valuation and foreign currency translation adjustments		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains / losses on other investments in securities, net of taxes	Deferred hedge gains or losses	Foreign currency translation adjustments
Balance as of March 31, 2006	30,478	52,263	921,787	-40,776	963,753	9,767	-	107
Changes of items during previous fiscal year								
Dividends (Note)			-16,181		-16,181			
Bonuses for directors (Note)			-45		-45			
Interim dividends			-16,181		-16,181			
Net loss			-481,274		-481,274			
Acquisition of treasury stock				-0	-0			
Net changes of items other than shareholders' equity						-3,110	861	18
Total changes of items during previous fiscal year	-	-	-513,681	-0	-513,681	-3,110	861	18
Balance as of March 31, 2007	30,478	52,263	408,107	-40,776	450,071	6,657	861	125

Note: Items represent approval of proposed appropriation of the retained earnings at the Annual General Shareholders' Meeting in June 2006.

Current Fiscal Year (from April 1, 2007 to March 31, 2008)

(millions of yen)

	Shareholders' equity					Valuation and foreign currency translation adjustments			Share subscription rights
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains / losses on other investments in securities, net of taxes	Deferred hedge gains or losses	Foreign currency translation adjustments	
Balance as of March 31, 2007	30,478	52,263	408,107	-40,776	450,071	6,657	861	125	-
Changes of items during current fiscal year									
Dividends			-16,181		-16,181				
Interim dividends			-12,664		-12,664				
Net income			14,105		14,105				
Acquisition of treasury stock				-7,471	-7,471				
Net changes of items other than shareholders' equity						-5,038	3,522	-253	41
Total changes of items during current fiscal year	-	-	-14,740	-7,471	-22,211	-5,038	3,522	-253	41
Balance as of March 31, 2008	30,478	52,263	393,367	-48,248	427,861	1,619	4,383	-128	41

(4) Consolidated Statements of Cash Flows

		Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
Item of accounts	Note	Amount (millions of yen)	Amount (millions of yen)
I Cash flows from operating activities			
Income before income taxes		-	10,542
Loss before income taxes		-436,773	-
Depreciation and amortization		3,457	3,487
Loss on impairment of fixed assets		160	873
Gain or loss on investments in partnerships		-226	-121
Increase or decrease in allowance for retirement benefits of employees		38	146
Increase or decrease in allowance for retirement benefits of directors and corporate auditors		12	17
Increase or decrease in allowance for credit losses		832	-7,264
Increase or decrease in allowance for losses for refund of interest received from customers		466,298	-102,542
Write-offs		100,279	98,248
Interest repaid (portion of principal impaired)		44,669	61,242
Non-operating interest income and dividend income		-1,204	-1,042
Loss on integration or closure of branch offices		708	1,168
Loss on disposal or sales of tangible fixed assets		35	62
Gain on sales of investments in securities		-	-377
Loss on devaluation of investments in securities		140	385
Loss on liquidation of in-substance defeasance transaction		-	29,691
Increase or decrease in accrued interest income on direct cash loans to customers		-613	2,056
Direct cash loans made to customers		-547,751	-320,985
Direct cash loans collected from customers		511,083	398,141
Increase or decrease in long-term deposits		-15,499	-
Other		-8,135	6,807
Sub total		117,510	180,536
Non-operating interest income and dividend income received		1,204	1,042
Income taxes paid		-49,163	-5,524
Income taxes refunds		905	11,546
Net cash provided by operating activities		70,455	187,601

		Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
Item of accounts	Note	Amount (millions of yen)	Amount (millions of yen)
II Cash flows from investing activities			
Payments for purchase of tangible fixed assets		-1,090	-1,336
Payments for purchase of intangible fixed assets		-911	-2,328
Proceeds from sales or redemption of securities		4	-
Payments for purchase of investments in securities		-315	-8
Proceeds from sales or redemption of investments in securities		795	1,906
Payments for acquisition of investments in partnerships		-105	-
Proceeds from collection of investments in partnerships		34	24
Other		342	1,487
Net cash provided by investing activities		-1,248	-255
III Cash flows from financing activities			
Proceeds from long-term borrowings		131,500	43,500
Repayments of long-term borrowings		-111,429	-104,580
Repayments for redemption of bonds		-68,000	-30,000
Acquisition or sales of treasury stock, net		-0	-7,471
Cash dividends paid		-32,362	-28,845
Net cash used in financing activities		-80,291	-127,397
IV Effect of exchange rate changes on cash and cash equivalents		157	-2,574
V Net increase or decrease in cash and cash equivalents		-10,926	57,375
VI Cash and cash equivalents at the beginning of the fiscal year		107,022	96,096
VII Cash and cash equivalents at the end of the fiscal year	*	96,096	153,471

Significant Accounting Policies for Consolidated Financial Statements

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)														
<p>1. Scope of consolidation</p> <p>As of March 31, 2007, 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. GH Investment Co., Ltd. TWJ Co., Ltd. TWJ EURO Co., Ltd. TDS Co., Ltd.</p> <p>2. Application of the equity method</p> <p>No entities are subject to the equity method of accounting.</p> <p>3. The fiscal year of consolidated subsidiaries</p> <p>The fiscal year-end date of each subsidiary listed hereunder is as follows;</p> <table data-bbox="279 1310 694 1422"> <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>GH 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 sheets date.</p>	TWJ Co., Ltd.	February 28	Take One Co., Ltd.	January 31	TSR Co., Ltd.	December 31	GH Investment Co., Ltd.	December 31	<p>1. Scope of consolidation</p> <p>As of March 31, 2008, the number of consolidated subsidiaries were 8 as listed below;</p> <p>Kyoritsu Estate Co., Ltd. TWJ VC Co., Ltd. Takefuji Capital Co., Ltd. Take One Co., Ltd. GH Investment Co., Ltd. TWJ Co., Ltd. TWJ EURO Co., Ltd. TDS Co., Ltd.</p> <p>The dissolution of TSR Co., Ltd. had been filed on December 14, 2007. Therefore, items of its financial statements were included in the consolidated financial statements until it was excluded from the scope of consolidation as of the filing date.</p> <p>(Additional Information)</p> <p>Outlines of the special purpose entities with disclosure requirements along with outlines of transactions with these special purpose entities are described in “Footnotes to the special purpose entities with disclosure requirements”.</p> <p>From the current fiscal year, the Company has adopted “Implementation Guidance on Disclosures about Certain Special Purpose Entities” (Accounting Standards Board of Japan Guidance No.15 March 29, 2007).</p> <p>2. Application of the equity method</p> <p>The same as the previous fiscal year.</p> <p>3. The fiscal year of consolidated subsidiaries</p> <p>The fiscal year-end date of each subsidiary listed hereunder is as follows;</p> <table data-bbox="909 1310 1324 1400"> <tr> <td>TWJ Co., Ltd.</td> <td>February 29</td> </tr> <tr> <td>Take One Co., Ltd.</td> <td>January 31</td> </tr> <tr> <td>GH 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 sheets date.</p>	TWJ Co., Ltd.	February 29	Take One Co., Ltd.	January 31	GH Investment Co., Ltd.	December 31
TWJ Co., Ltd.	February 28														
Take One Co., Ltd.	January 31														
TSR Co., Ltd.	December 31														
GH Investment Co., Ltd.	December 31														
TWJ Co., Ltd.	February 29														
Take One Co., Ltd.	January 31														
GH Investment Co., Ltd.	December 31														

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
<p>4. Significant accounting policies</p> <p>(1) Basis and method of valuation of significant assets</p> <p>A Securities</p> <p>Other securities:</p> <p>Where there is a market value;</p> <p>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, excluding the related income taxes, is included directly in net assets, and the cost of securities sold is computed using the moving average method.</p> <p>Where there is no market value;</p> <p>Cost as determined by the moving average method.</p> <p>B Inventories</p> <p>Cost based on the last purchase price method.</p> <p>(2) Depreciation of the fixed assets</p> <p>A Tangible fixed assets</p> <p>Depreciation is mainly computed on the declining-balance method certain, 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</p> <p>Software costs for internal use are amortized on the straight-line method for 5 years, which is the estimated useful life. Other intangible fixed assets are amortized on the straight-line method.</p>	<p>4. Significant accounting policies</p> <p>(1) Basis and method of valuation of significant assets</p> <p>A Securities</p> <p>Other securities:</p> <p>Where there is a market value;</p> <p>The same as the previous fiscal year.</p> <p>Where there is no market value;</p> <p>The same as the previous fiscal year.</p> <p>B Inventories</p> <p>The same as the previous fiscal year.</p> <p>(2) Depreciation of the fixed assets</p> <p>A Tangible fixed assets</p> <p>Depreciation is mainly computed on the declining-balance method certain, 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>(Changes in accounting policy)</p> <p>In accordance with the revision of the corporate tax laws, the Company has changed from the current fiscal year the method of depreciation for fixed tangible assets acquired on or after April 1, 2007.</p> <p>As a result, operating income, ordinary income, income before income taxes and net income decreased by 62 million yen respectively.</p> <p>(Additional Information)</p> <p>In accordance with the revision of the corporate tax laws, the residual value (excluding the memorandum price) for properties acquired before March 31, 2007 is depreciated on the straight-line method for 5 years from the succeeding fiscal year after the book value of these properties reach the residual value of 5% calculated on the method before the revision of the tax laws, and is included in the depreciation costs.</p> <p>As a result, operating income, ordinary income, income before income taxes and net income decreased by 82 million yen respectively.</p> <p>B Intangible fixed assets</p> <p>The same as the previous fiscal year.</p>

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
<p>(3) Basis of calculating allowances</p> <p>A Allowance for credit losses</p> <p>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>(Additional Information)</p> <p>From the current fiscal year, the Company records allowance for losses for refund of interest received from customers for expected portion of loss for refund of interest that should be deducted from direct cash loans to customers in accordance with “Application of auditing for provisions for losses for re-claimed refund of interest in the accounting of consumer finance companies” of the industry audit practice committee report No.37 by the Japanese institute of certified public accountants.</p> <p>With this change, the portion of expected losses for refund of interest of 12,531 million yen that was included in allowance for credit losses at the beginning of the fiscal year is converted to allowance for losses for refund of interest received from customers.</p>	<p>(3) Basis of calculating allowances</p> <p>A Allowance for credit losses</p> <p>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>(Additional Information)</p> <p>In the previous fiscal year, allowance for credit losses was calculated based upon the total amount of direct cash loans including loans which were subject to “allowance for losses for refund of interest received from customers” and the latter portion deducted afterwards.</p> <p>As data were accumulated for losses incurred from the refunds of interest to the total write-offs, it became possible to identify these estimated losses separately from the others. Therefore, from the current fiscal year, allowance for credit losses is calculated excluding the amount of loans subject to “allowance for losses for refund of interest received from customers”.</p> <p>As a result, provisions for credit losses in operating expenses decreased by 13,273 million yen, operating income, ordinary income and income before income taxes increased by 13,273 million yen, and net income increased by 7,897 million yen respectively.</p>

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
<p>B Allowance for losses for refund of interest received from customers</p> <p>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)</p> <p>From the current fiscal year, the Company records allowance for losses for refund of interest received from customers in accordance with “Application of auditing for provisions for losses for re-claimed refund of interest in the accounting of consumer finance companies” of the industry audit practice committee report No.37 by the Japanese institute of certified public accountants.</p> <p>With this change, the Company recorded 290,449 million yen and 272,038 million yen as provisions for losses for refund of interest received from customers in the section of operating expenses and extraordinary losses respectively, which is the difference between 307,069 million yen that is calculated as the allowance for losses for refund of interest received from customers in accordance with the report above stated at the beginning of the fiscal year and 35,031 (including 12,531 million yen converted from allowance for credit losses at the beginning of the fiscal year) million yen that was calculated in accordance with the previous standard.</p> <p>As a result, provisions for credit loss in operating expenses decreased 51,026 million yen, provisions for losses for refund of interest received from customers increased 162,098 million yen, operating loss and ordinary loss increased by 111,072 million yen, loss before income taxes increased 383,110 million yen and net loss increased 390,817 million yen respectively compared with the previous accounting policies.</p> <p>C Allowance for bonuses</p> <p>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>D Allowance for retirement benefits of employees</p> <p>The Company records an allowance for retirement benefits based on projected benefit obligations and pension fund assets as at the balance sheets 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 retirement benefits of directors and corporate auditors</p> <p>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>(4) Accounting for lease transactions</p> <p>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>B Allowance for losses for refund of interest received from customers</p> <p>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>C Allowance for bonuses</p> <p>The same as the previous fiscal year.</p> <p>D Allowance for retirement benefits of employees</p> <p>The same as the previous fiscal year.</p> <p>E Allowance for retirement benefits of directors and corporate auditors</p> <p>The same as the previous fiscal year.</p> <p>(4) Accounting for lease transactions</p> <p>The same as the previous fiscal year.</p>

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
<p>(5) Accounting for hedging activities</p> <p>The Company uses financial derivative transactions to reduce its exposure to market risks of 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, 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>(6) Other significant accounting policies for the preparation of consolidated financial statements</p> <p>A Basis of recognition of interest income on direct cash loans</p> <p>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</p> <p>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>5. Revaluation of assets and liabilities of consolidated subsidiaries</p> <p>The market method is fully applied to revaluation of assets and liabilities of consolidated subsidiaries.</p> <p>6. Amortization of goodwill</p> <p>Goodwill is charged or credited to income when incurred.</p> <p>7. Cash and cash equivalents as stated in consolidated statements of cash flows</p> <p>Cash and cash equivalents include cash in hand, bank deposits that can 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) Accounting for hedging activities</p> <p>The same as the previous fiscal year.</p> <p>(6) Other significant accounting policies for the preparation of consolidated financial statements</p> <p>A Basis of recognition of interest income on direct cash loans</p> <p>The same as the previous fiscal year.</p> <p>B Accounting treatment of consumption tax</p> <p>The same as the previous fiscal year.</p> <p>5. Revaluation of assets and liabilities of consolidated subsidiaries</p> <p>The same as the previous fiscal year.</p> <p>6. Amortization of goodwill</p> <p>None</p> <p>7. Cash and cash equivalents as stated in consolidated statements of cash flows</p> <p>The same as the previous fiscal year.</p>

Changes in Significant Accounting Policies for Consolidated Financial Statements

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
<p>(Accounting standard for financial services)</p> <p>From current fiscal year, the Company has adopted “Accounting standard for financial instruments” (Statement No.10 of Accounting standards board of Japan on August 11, 2006) and “Tentative solution on accounting for deferred assets” (PITF No.19 on August 11, 2006). As a result discount on bonds amounting to 70,088 million yen which were previously recorded as deferred charges is now recorded as deduction from bonds on the balance sheets.</p> <p>(Accounting standard for presentation of net assets in the balance sheets)</p> <p>From current fiscal year, the Company has adopted “Accounting standard for presentation of net assets in the balance sheet” (Statement No.5 on December 9, 2005) and “Guidance on accounting standard for presentation of net assets in the balance sheet” (Guidance No.8 on December 9, 2005) of the Accounting standards board of Japan. Shareholders’ equity under the previous presentation method amounted to 456,854 million yen. Net assets in the balance sheets for the current fiscal year have been presented in accordance with the revised disclosure rules of consolidated financial statements in accordance with the revision of disclosure rules of consolidated financial statements.</p>	<p>-</p> <p>-</p>

Reclassification

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
<p>(Consolidated Balance Sheets)</p> <p>“Corporate taxes, inhabitants taxes and enterprise taxes refundable”, which had been classified in “Other current assets” in current assets in the previous consolidated fiscal year, was recorded separately as “Corporate taxes, inhabitants taxes and enterprise taxes refundable” from current fiscal year due to the increased significance of impact on the financial statement. The amount of “Corporate taxes, inhabitants taxes and enterprise taxes refundable” in “Other current assets” in current assets recorded in the previous consolidated fiscal year was 1,287 million yen.</p> <p style="text-align: center;">-</p>	<p>(Consolidated Balance Sheets)</p> <ol style="list-style-type: none"> “Corporate taxes, inhabitants taxes and enterprise taxes refundable”, which had been recorded separately in the previous fiscal year, was classified in “Other current assets” in current assets from current fiscal year due to the decreased significance of impact on the financial statement. The amount of “Corporate taxes, inhabitants taxes and enterprise taxes refundable” recorded in the current fiscal year was 4,265 million yen. “Certificate of deposit,” which had been classified in “Cash in hand and at banks” in the previous fiscal year, was recorded separately as “Securities,” in accordance with “Practical guidelines on accounting standards for financial instruments” of the accounting practice committee report No.14 by the Japanese institute of certified public accountants (revised on July 4, 2007). The amount of “Certificate of deposit” in the previous fiscal year was 10,000 million yen and the amount in the current fiscal year was 13,000 million yen. <p>(Consolidated Statements of Income)</p> <p>Interest on income taxes refunds included in “Other non-operating income” in the previous fiscal year was disclosed separately from the current consolidated fiscal year because it exceeds more than 10% of the total non-operating income. Interest on income taxes refunds included in “Other non-operating income” in previous fiscal year was 83 million yen.</p>

Footnotes to Consolidated Balance Sheets

Previous Consolidated Fiscal Year (as of March 31, 2007)	Current Consolidated Fiscal Year (as of March 31, 2008)																														
<p>*1. The assets pledged as security and the corresponding secured liabilities are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Pledged assets</td> <td style="text-align: right;">(millions of yen)</td> </tr> <tr> <td> Direct cash loans to customers</td> <td style="text-align: right;">453,172</td> </tr> <tr> <td> Buildings and structures</td> <td style="text-align: right;">3,279</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;">469,138</td> </tr> <tr> <td>Secured liabilities</td> <td style="text-align: right;">(millions of yen)</td> </tr> <tr> <td> Current portion of long-term borrowings</td> <td style="text-align: right;">55,402</td> </tr> <tr> <td> Long-term borrowings</td> <td style="text-align: right;">231,529</td> </tr> <tr> <td style="border-top: 1px solid black;"> Total</td> <td style="text-align: right; border-top: 1px solid black;">286,931</td> </tr> </table> <p>Amounts stated above include the portion related to the financing scheme by way of trusts of direct cash loans to customers (Direct cash loans to customers, 453,172 million yen; long-term borrowings [including current portion thereof] 284,231 million yen). In addition to the above, direct cash loans to customers of 2,531 million yen may be pledged as collateral for the long-term borrowings of 2,300 million yen, including the current portion thereof, upon requests from financial institutions under agreements.</p>	Pledged assets	(millions of yen)	Direct cash loans to customers	453,172	Buildings and structures	3,279	Land	12,688	Total	469,138	Secured liabilities	(millions of yen)	Current portion of long-term borrowings	55,402	Long-term borrowings	231,529	Total	286,931	<p>*1. The assets pledged as security and the corresponding secured liabilities are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Pledged assets</td> <td style="text-align: right;">(millions of yen)</td> </tr> <tr> <td> Direct cash loans to customers</td> <td style="text-align: right;">549,834</td> </tr> <tr> <td>Secured liabilities</td> <td style="text-align: right;">(millions of yen)</td> </tr> <tr> <td> Current portion of long-term borrowings</td> <td style="text-align: right;">55,260</td> </tr> <tr> <td> Long-term borrowings</td> <td style="text-align: right;">174,873</td> </tr> <tr> <td style="border-top: 1px solid black;"> Total</td> <td style="text-align: right; border-top: 1px solid black;">230,133</td> </tr> </table> <p>Amounts stated above include the portion related to the financing scheme by way of trusts of direct cash loans to customers (Direct cash loans to customers, 549,834 million yen; long-term borrowings [including current portion thereof], 230,133 million yen).</p>	Pledged assets	(millions of yen)	Direct cash loans to customers	549,834	Secured liabilities	(millions of yen)	Current portion of long-term borrowings	55,260	Long-term borrowings	174,873	Total	230,133
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<p>*2. The total outstanding balance, 1,431,848 million yen, of direct cash loans to customers only consists of unsecured loans to individuals.</p>	<p>*2. The total outstanding balance, 1,195,328 million yen, of direct cash loans to customers only consists of unsecured loans to individuals.</p>																														
<p>3. Regarding Direct cash loans to customers, 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 411,392 million yen, which included 241,388 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 to customers, 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 382,069 million yen, which included 221,754 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 commitment facilities. The Company has available commitment facilities 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 commitment facilities was yen equivalent of US\$2,414 million and remaining unused portion was yen equivalent of US\$1,086 million.</p>	<p>4. The Company borrows long-term funds under commitment facilities. The Company has available commitment facilities 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 commitment facilities was yen equivalent of US\$1,974 million and remaining unused portion was yen equivalent of US\$1,526 million.</p>																														

Previous Consolidated Fiscal Year (as of March 31, 2007)	Current Consolidated Fiscal Year (as of March 31, 2008)
<p>8. Certain covenants Certain covenants were applied to 47,114 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 10%; (3) in case of the amount of income before income taxes and financial expenses against financial expenses being less than 100%; (4) in case of the total balance of direct cash loans to customers and cash and cash equivalents against the total assets being less than 40%; (5) in case of the ratio of credit losses write-offs being more than 20%; (6) in case of the total balance of real estate and investments in securities against the total assets being more than 40%; (7) in case of the balance of secured borrowings, excluding those secured by real estate, against total current assets being more than 80%; (8) in case of the total balance of borrowings, with the security of direct cash loans to customers, the security being in perfection of interests against third parties, exceeding the balance of shareholders' equity; 	<p>8. Certain covenants Certain covenants were applied to 45,210 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 10%; (3) in case of the amount of income before income taxes and financial expenses against financial expenses being less than 100%; (4) in case of the total balance of direct cash loans to customers and cash and cash equivalents against the total assets being less than 40%; (5) in case of the ratio of credit losses write-offs being more than 20%; (6) in case of the total balance of real estate and investments in securities against the total assets being more than 40%; (7) in case of the balance of secured borrowings, excluding those secured by real estate, against total current assets being more than 80%; (8) in case of the total balance of borrowings, with the security of direct cash loans to customers, the security being in perfection of interests against third parties, exceeding the balance of shareholders' equity;

Footnotes to Consolidated Statements of Income

<p>Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)</p>	<p>Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)</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; 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. Gain on sales of fixed assets Gain on sales of fixed assets of welfare facilities that consists of 33 million yen from sales of land and 7 million yen from sales of buildings.</p> <p>*3. Loss on impairment of fixed assets and integration or closure of branch offices During the current consolidated fiscal year, loss on branch office closure of 708 million yen was recorded due to the cease of 111 unmanned branch offices and 92 manned branch offices. Additionally, loss on impairment of fixed assets for branch office closure in next fiscal year accrued for the amount of 113 million yen.</p> <p style="text-align: center;">-</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. Gain on sales of fixed assets Gain on sales of fixed assets of welfare facilities that consists of 8 million yen from sales of land.</p> <p>*3. Loss on impairment of fixed assets and integration or closure of branch offices During the current consolidated fiscal year, loss on branch office closure of 1,168 million yen was recorded due to the cease of 69 manned branch offices. Loss on impairment of fixed assets was accrued for branch office closure for the amount of 141 million yen as well as the telephone rights for the amount of 392 million yen. In addition, due to the serious deterioration of profitability and the consecutive decline in land prices for a part of the assets for rent and etc., the carrying amount of those assets were written down to the value that is estimated to be recoverable, resulting in a loss on impairment of fixed assets amounting 340 million yen.</p> <p>*4. Loss on liquidation of in-substance defeasance transaction Loss was recognized due to the liquidation of in-substance defeasance transaction of unsecured domestic straight bonds, series No.8 for 20 years.</p>

Footnotes to Consolidated Statement of Changes in Net Assets

Previous Fiscal Year (from April 1, 2006 to March 31, 2007)

1. Type and the total number of issued stocks and treasury stocks

	The number at the end of previous fiscal year (thousand shares)	The number increased during current fiscal year (thousand shares)	The number decreased during current fiscal year(thousand shares)	The number at the end of current fiscal year(thousand shares)
Issued stocks				
Common stocks	147,295	-	-	147,295
Total	147,295	-	-	147,295
Treasury stocks				
Common stocks (Note)	6,589	0	-	6,589
Total	6,589	0	-	6,589

Note: 0 thousand shares of increased common stocks represent purchase of under unit stocks.

2. Items regarding dividends

(1) Dividends paid

Resolution	Type of stocks	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
The Annual General Shareholders' Meeting on June 29, 2006	Common stocks	16,181	115	March 31, 2006	June 30, 2006
Board of directors on November 1, 2006	Common stocks	16,181	115	September 30, 2006	December 4, 2006

(2) Dividends after the end of current fiscal year of which record date belongs to current fiscal year

Resolution	Type of stocks	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
The Annual General Shareholders' Meeting on June 28, 2007	Common stocks	16,181	Retained earnings	115	March 31, 2007	June 29, 2007

Current Fiscal Year (from April 1, 2007 to March 31, 2008)

1. Type and the total number of issued stocks and treasury stocks

	The number at the end of previous fiscal year (thousand shares)	The number increased during current fiscal year (thousand shares)	The number decreased during current fiscal year (thousand shares)	The number at the end of current fiscal year (thousand shares)
Issued stocks				
Common stocks	147,295	-	-	147,295
Total	147,295	-	-	147,295
Treasury stocks				
Common stocks (Note)	6,589	3,057	-	9,647
Total	6,589	3,057	-	9,647

Note: The factors of the number increased by 3,057 thousand shares are acquisition of treasury stock resolved by the board of directors by 3,057 thousand shares and purchase of under unit stocks by 0 thousand shares.

2. Share subscription rights and treasury stocks

Item	Details of share subscription rights	Type of shares for share subscription rights	The number of shares for share subscription rights (shares)				Amount at the end of current fiscal year (millions of yen)
			March 31, 2007	Increase	Decrease	March 31, 2008	
The Company (Parent company)	Share subscription rights as stock options	—	—	—	—	—	41
Total		—	—	—	—	—	41

3. Items regarding dividends

(1) Dividends paid

Resolution	Type of stocks	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
The Annual General Shareholders' Meeting at June 28, 2007	Common stocks	16,181	115	March 31, 2007	June 29, 2007
Board of directors at November 8, 2007	Common stocks	12,664	90	September 30, 2007	December 5, 2007

(2) Dividends after the end of current fiscal year of which record date belongs to current fiscal year

Resolution	Type of stocks	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
The Annual General Shareholders' Meeting at June 27, 2008	Common stocks	12,388	Retained earnings	90	March 31, 2008	June 30, 2008

Footnotes to Consolidated Statements of Cash Flows

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)		Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)	
*Relationship between cash and cash equivalents at the end of the consolidated fiscal year and consolidated balance sheets items as of March 31, 2007; (millions of yen)		*Relationship between cash and cash equivalents at the end of the consolidated fiscal year and consolidated balance sheets items as of March 31, 2008; (millions of yen)	
Cash in hand and at banks	68,110	Cash in hand and at banks	56,482
Short-term loans receivable		Securities (Certificate of deposit)	13,000
<u>(CD on repurchase agreement)</u>	<u>27,986</u>	Short-term loans receivable	
Cash and cash equivalents	96,096	<u>(CD on repurchase agreement)</u>	<u>83,989</u>
		Cash and cash equivalents	153,471

Footnotes to Lease Transactions

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)																																				
<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</p> <p style="text-align: right;">(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;">1,140</td> <td style="text-align: right;">996</td> <td style="text-align: right;">144</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">1,140</td> <td style="text-align: right;">996</td> <td style="text-align: right;">144</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</p> <p style="text-align: right;">(millions of yen)</p> <table> <tbody> <tr> <td>Due within one year</td> <td style="text-align: right;">141</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">3</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">144</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, a reversal of accumulated impairment loss on leased assets account, equivalent of depreciation and impairment loss</p> <p style="text-align: right;">Lease fee and equivalent of depreciation: 386 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> <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	1,140	996	144	Total	1,140	996	144	Due within one year	141	Due over one year	3	Total	144	<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</p> <p style="text-align: right;">(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;">447</td> <td style="text-align: right;">443</td> <td style="text-align: right;">3</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">447</td> <td style="text-align: right;">443</td> <td style="text-align: right;">3</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</p> <p style="text-align: right;">(millions of yen)</p> <table> <tbody> <tr> <td>Due within one year</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">3</td> </tr> </tbody> </table> <p>Note: The same as the previous fiscal year.</p> <p>3. Lease fee, a reversal of accumulated impairment loss on leased assets account, equivalent of depreciation and impairment loss</p> <p style="text-align: right;">Lease fee and equivalent of depreciation: 141 million yen</p> <p>4. Method of calculation of equivalent of depreciation The same as the previous fiscal year.</p> <p>(Impairment loss) The same as the previous fiscal year.</p>		Equivalent of acquisition cost	Equivalent of accumulated depreciation	Equivalent of net book value	Equipment and furniture	447	443	3	Total	447	443	3	Due within one year	3	Due over one year	-	Total	3
	Equivalent of acquisition cost	Equivalent of accumulated depreciation	Equivalent of net book value																																		
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Footnotes to Investments in securities
1. Other securities with market quotations

(millions of yen)

	Securities	Previous Consolidated Fiscal Year (as of March 31, 2007)			Current Consolidated Fiscal Year (as of March 31, 2008)		
		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	7,676	19,137	11,460	6,315	10,209	3,893
	(2) Bonds						
	National or local government bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Other	-	-	-	-	-	-
	(3) Other	25	67	42	25	46	21
	Sub total	7,701	19,203	11,502	6,340	10,255	3,915
Book value equal to or smaller than acquisition cost	(1) Stocks	1,906	1,541	-365	3,161	2,459	-702
	(2) Bonds						
	National or local government bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Other	-	-	-	-	-	-
	(3) Other	-	-	-	-	-	-
	Sub total	1,906	1,541	-365	3,161	2,459	-702
	Total	9,607	20,745	11,138	9,501	12,714	3,213

2. Other securities sold during previous and current consolidated fiscal year

(millions of yen)

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)			Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)		
Proceeds	Realized gains on sales	Realized losses on sales	Proceeds	Realized gains on sales	Realized losses on sales
798	-	-1	1,906	377	-

3. Details of principal securities which are not stated at market quotations

(millions of yen)

Securities	Previous Consolidated Fiscal Year (as of March 31, 2007)			Current Consolidated Fiscal Year (as of March 31, 2008)		
	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	4,617	4,421	-196	3,757	3,442	-315
Certificate of deposit	-	-	-	13,000	13,000	-
Other	1,237	1,411	174	1,020	1,023	3

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

4. Investments in securities subject to impairment

In the previous consolidated fiscal year, 33 million yen for other securities with market quotations and 107 million yen for other securities with no market quotations were recognized as impairment losses.

Impairment losses were recorded on the stocks whose market value declined by 50% or more, or by between 30% to less than 50% except certain securities whose market value is considered to be recoverable.

In the current consolidated fiscal year, 385 million yen for other securities with market value was recognized as impairment losses.

Impairment losses were recorded on the stocks whose market value declined by 50% or more, or by between 30% to less than 50% except certain securities whose market value is considered to be recoverable.

Footnotes to Derivative Transactions

1. The conditions of Derivative Transactions

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
<p>1. Transactions 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 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 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 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 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>	<p>1. Transactions The same as the previous year.</p> <p>2. Company's policy The same as the previous year.</p> <p>3. Purposes The same as the previous year.</p> <p>4. Risk of transactions The same as the previous year.</p> <p>5. Risk management The same as the previous year.</p>

2. Fair Value of Financial Derivatives

Contract amount, quotation and gain or 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 (as of March 31, 2007)				Current Consolidated Fiscal Year (as of March 31, 2008)			
		Contract amount	Contract amount over one year	Market value	Unrealized gain or loss	Contract amount	Contract amount over one year	Market value	Unrealized gain or loss
Transaction other than market	Bond option Buy Call	120,000 (841)	120,000 (841)	-	-841	120,000 (1,661)	120,000 (1,661)	-	-1,661
Sub-total		120,000	120,000	-	-841	120,000	120,000	-	-1,661

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, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)																																																
<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, 2007</p> <p style="text-align: right;">(millions of yen)</p>	<p>2. Retirement benefits liabilities as of March 31, 2008</p> <p style="text-align: right;">(millions of yen)</p>																																																
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(1) Retirement benefits liabilities</td> <td style="text-align: right;">-5,222</td> </tr> <tr> <td>(2) Plan assets</td> <td style="text-align: right;">2,133</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(3) Unfunded retirement benefits liabilities (1)+(2)</td> <td style="text-align: right;">-3,089</td> </tr> <tr> <td>(4) Transition obligations from change in accounting standard</td> <td style="text-align: right;">-</td> </tr> <tr> <td>(5) Unrecognized actuarial losses</td> <td style="text-align: right;">-10</td> </tr> <tr> <td>(6) Unrecognized liability during past employment (decrease from liabilities)</td> <td style="text-align: right;">-</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(7) Net retirement benefits liabilities on the consolidated balance sheets (3)+(4)+(5)+(6)</td> <td style="text-align: right;">-3,098</td> </tr> <tr> <td>(8) Prepaid pension expenses</td> <td style="text-align: right;">-</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(9) Allowance for retirement benefits (7)+(8)</td> <td style="text-align: right;">-3,098</td> </tr> </table>	(1) Retirement benefits liabilities	-5,222	(2) Plan assets	2,133	<hr/>		(3) Unfunded retirement benefits liabilities (1)+(2)	-3,089	(4) Transition obligations from change in accounting standard	-	(5) Unrecognized actuarial losses	-10	(6) Unrecognized liability during past employment (decrease from liabilities)	-	<hr/>		(7) Net retirement benefits liabilities on the consolidated balance sheets (3)+(4)+(5)+(6)	-3,098	(8) Prepaid pension expenses	-	<hr/>		(9) Allowance for retirement benefits (7)+(8)	-3,098	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(1) Retirement benefits liabilities</td> <td style="text-align: right;">-5,507</td> </tr> <tr> <td>(2) Plan assets</td> <td style="text-align: right;">2,073</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(3) Unfunded retirement benefits liabilities (1)+(2)</td> <td style="text-align: right;">-3,434</td> </tr> <tr> <td>(4) Transition obligations from change in accounting standard</td> <td style="text-align: right;">-</td> </tr> <tr> <td>(5) Unrecognized actuarial losses</td> <td style="text-align: right;">190</td> </tr> <tr> <td>(6) Unrecognized liability during past employment (decrease from liabilities)</td> <td style="text-align: right;">-</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(7) Net retirement benefits liabilities on the consolidated balance sheets (3)+(4)+(5)+(6)</td> <td style="text-align: right;">-3,245</td> </tr> <tr> <td>(8) Prepaid pension expenses</td> <td style="text-align: right;">-</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>(9) Allowance for retirement benefits (7)+(8)</td> <td style="text-align: right;">-3,245</td> </tr> </table>	(1) Retirement benefits liabilities	-5,507	(2) Plan assets	2,073	<hr/>		(3) Unfunded retirement benefits liabilities (1)+(2)	-3,434	(4) Transition obligations from change in accounting standard	-	(5) Unrecognized actuarial losses	190	(6) Unrecognized liability during past employment (decrease from liabilities)	-	<hr/>		(7) Net retirement benefits liabilities on the consolidated balance sheets (3)+(4)+(5)+(6)	-3,245	(8) Prepaid pension expenses	-	<hr/>		(9) Allowance for retirement benefits (7)+(8)	-3,245
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<p>3. Retirement benefits expenses from April 1, 2006 to March 31, 2007</p> <p style="text-align: right;">(millions of yen)</p>	<p>3. Retirement benefits expenses from April 1, 2007 to March 31, 2008</p> <p style="text-align: right;">(millions of yen)</p>																																																
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<p>4. Assumptions used in calculation of retirement benefits liabilities</p>	<p>4. Assumptions used in calculation of retirement benefits liabilities</p>																																																
<p>(1) Attribution method of projected retirement benefits liabilities; The straight-line method</p>	<p>(1) Attribution method of projected retirement benefits liabilities; The straight-line method</p>																																																
<p>(2) Discount rate; 1.50%</p>	<p>(2) Discount rate; 1.50%</p>																																																
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Footnotes to Stock Options

Current consolidated fiscal year (from April 1, 2007 to March 31, 2008)

1. Amount and account of stock options expensed in the current fiscal year

Other of other operating expenses 41 million yen

2. Summary and changes of stock options

(1) Outline of stock options

	Stock options granted in fiscal year ended March 31, 2008
Title and number of grantees	Employees of the Company 2,507
Type and number of stock options (Note)	Common stocks 536,750 shares
Grant date	November 29, 2007
Conditions for vesting	Grantees are required to remain directors, corporate auditors or employees of the Company, or in other similar positions until stock options are exercised.
Requisite service period	No requisite service periods have been specified.
Exercise period	From November 9, 2009 to November 8, 2011

Note: The number of stock options is presented as the number equivalent to common stocks.

(2) Stock options granted and changes

The details of stock options existed in the fiscal year ended March 31, 2008 are given below. The number of stock options is presented as the number equivalent to common stocks.

A Number of stock options

	Stock options granted in fiscal year ended March 31, 2008
Before vested (Shares)	
Previous fiscal year end	-
Granted	536,750
Forfeited	15,650
Vested	-
Outstanding	521,100
After vested (Shares)	
Previous fiscal year end	-
Vested	-
Exercised	-
Forfeited	-
Exercisable	-

B Price information

	Stock options granted in fiscal year ended March 31, 2008
Exercise price (yen)	2,825
Average exercise price (yen)	-
Fair assessed value at the grant date (yen)	517

3. Valuation technique used for Method of estimating the fair assessed value of the share subscription rights
 Stock options granted in the fiscal year under review were valued using the following valuation technique.

(1) Valuation technique: Black-Scholes option-pricing model

(2) Principle parameters used in the option-pricing model were as follows

		Stock options granted in fiscal year ended March 31, 2008
Share price volatility	(Note:1)	39.42%
Estimated remaining period until maturity (Note:2)		3 years
Expected dividends	(Note:3)	180 yen per share
Risk-free interest rate	(Note:4)	0.84%

Notes: 1. The expected volatility was calculated based on the actual stock prices during three years from December 2004 to November 2007.

2. The average expected life could not be estimated rationally because of insufficient data. As a result, it was estimated assuming that the options would be exercised at the mid point of the exercise period.

3. Expected dividends were given based on the expected dividends for the fiscal year ended March 2008.

4. The risk-free interest rate used is the rate of Japanese government bond yield corresponding to the average expected life.

4. Method of estimating the number of stock options vested

A method that reflects the average employee turnover rate over the past three years has been adopted to rationally estimate the number of stock options that will be forfeited in the future.

Footnotes to the Deferred Tax Accounting

Previous Consolidated Fiscal Year (as of March 31, 2007)	Current Consolidated Fiscal Year (as of March 31, 2008)
1. The tax effects of temporary differences which give rise to significant portions of the deferred income tax assets and liabilities are as follows:	1. The tax effects of temporary differences which give rise to significant portions of the deferred income tax assets and liabilities are as follows:
(millions of yen)	(millions of yen)
Current deferred income tax assets;	Current deferred income tax assets;
Direct cash loans to customers	Direct cash loans to customers
4,773	2,945
Accrued interest income on direct cash loans to customers	Accrued interest income on direct cash loans to customers
2,428	2,503
Allowance for credit losses	Allowance for credit losses
13,623	23,910
Allowance for bonuses	Allowance for bonuses
303	343
Other	Other
277	292
Total	Sub-Total
21,403	29,993
Current deferred income tax liabilities;	Valuation allowance
Enterprise tax refundable	-4,309
-799	Total
Net deferred income tax assets	25,684
20,604	Current deferred income tax liabilities;
Fixed deferred income tax assets;	Enterprise tax refundable
Tangible fixed assets	-307
7,576	Net deferred income tax assets
Investments in securities	25,377
259	Fixed deferred income tax assets;
Investments in affiliates	Tangible fixed assets
14,323	16,486
Allowance for losses for refund of interest received from customers	Investments in securities
197,963	635
Allowance for retirement benefits of employees	Allowance for losses for refund of interest received from customers
1,253	156,434
Other	Allowance for retirement benefits of employees
257	1,314
Sub total	Accumulated deficit
221,632	29,247
Valuation allowance	Other
-221,444	211
Total	Sub total
187	204,326
Fixed deferred income tax liabilities;	Valuation allowance
Net unrealized gains on other investments in securities, net of taxes	-204,255
-4,539	Total
Deferred hedge gains or losses	71
-586	Fixed deferred income tax liabilities;
Total	Net unrealized gains on other investments in securities, net of taxes
-5,124	-1,299
Net deferred income tax liabilities	Deferred hedge gains or losses
-4,937	-2,983
	Total
	-4,282
	Net deferred income tax liabilities
	-4,211
2. A reconciliation between the statutory tax rate and the effective tax rate is as follow;	2. A reconciliation between the statutory tax rate and the effective tax rate is as follow;
Items have been omitted as they are not required for companies resulting in a loss before income taxes.	(%)
	Statutory tax rate
	40.5
	(Reconciling items)
	Valuation allowance
	-77.1
	Per capita inhabitants taxes
	1.9
	Other
	0.9
	Effective tax rate
	-33.8

Segment Information

Segment by operation

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007) and Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)

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, the disclosure of industry segment information is excluded.

Segment by geographic areas

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007) and Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)

As domestic operating revenues and assets represent more than 90% of the Group's combined operating revenues and assets, the disclosure of geographical segment information is excluded.

Overseas operating revenues

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007) and Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)

As overseas operating revenues are less than 10% of consolidated operating revenues, the disclosure of overseas operation revenues is excluded.

Related Party Transactions

Transactions between related parties during the previous consolidated fiscal year from April 1, 2006 to March 31, 2007; 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 or post	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 Co., Ltd.	Tokyo Suginami-ku	10	Real estate rent	Direct 5.5% Indirect 0.0%	Additional post 1	Use of facility	Payment for use of facility	51	Prepaid expense	4
									Account payable	1
Safeman Ltd.	Tokyo Shinjuku-ku	10	Real estate rent	Direct 0.1%	-	Rent	Rent	2	Prepaid expense	0
						Guarantee money	Guarantee money	-	Guarantee money deposited	2
Kyoei Co., Ltd.	Tokyo Suginami-ku	10	Real estate rent	Direct 0.0%	-	Rent	Rent	4	Prepaid expense	0
						Guarantee money	Guarantee money	-	Guarantee money deposited	7

Notes: 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. Taketeru Takei, a director of the Company, and his relatives have 100% of voting rights of Safeman Ltd. indirectly through Marutake Sangyo Ltd.

4. Taketeru Takei, a director of the Company, and his relatives have 100% of voting rights of Kyoei Co., Ltd. indirectly through Daio Co., Ltd. and Marutake Sangyo Ltd.

5. Taketeru Takei, a director of the Company, and his relatives have 100% of voting rights of Daio Co., Ltd. and Marutake Sangyo Ltd. directly or indirectly.

Transactions between related parties during the current consolidated fiscal year from April 1, 2007 to March 31, 2008;
Directors and primary individual shareholders, etc.

Attribution: Directors and their relatives										
Name	Address	Capital (millions of yen)	Business or post	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				
Taketeru Takei	-	-	Representative director & senior managing director	Direct 5.0% Indirect 5.7%	-	-	Condolence money	40	-	-

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 or post	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				
Marutake Sangyo Ltd.	Tokyo Suginami-ku	6	Real estate rent	Direct 5.4% Indirect 2.3%	-	-	Proceed of sale of land Gain on sale of land	48 13	-	-
Daio Co., Ltd.	Tokyo Suginami-ku	10	Real estate rent	Direct 5.6% Indirect 0.0%	Additional post 1	Use of facility	Payment for use of facility	53	Prepaid expense Account payable	4 1
Safeman Ltd.	Tokyo Shinjuku-ku	10	Real estate rent	Direct 0.1%	-	Rent Guarantee money	Rent Guarantee money	2 -	Prepaid expense Guarantee money deposited	0 2
Kyoei Co., Ltd.	Tokyo Suginami-ku	10	Real estate rent	Direct 0.0%	-	Rent	Rent	2	-	-

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

- 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.
- The rent agreement with Kyoei Co., Ltd. was ended due to the closure of branch office.
- Taketeru Takei, a director of the Company, and his relatives have 100% of voting rights of Safeman Ltd. indirectly through Marutake Sangyo Ltd.
- Taketeru Takei, a director of the Company, and his relatives have 100% of voting rights of Kyoei Co., Ltd. indirectly through Daio Co., Ltd. and Marutake Sangyo Ltd.
- Taketeru Takei, a director of the Company, and his relatives have 100% of voting rights of Daio Co., Ltd. and Marutake Sangyo Ltd. directly or indirectly.

Footnotes to the special purpose entities with disclosure requirements

- Outlines of the special purpose entities with disclosure requirements along with outlines of transactions with these special purpose entities

The Company is funding by utilizing trust beneficiary backed by the direct cash loans to customers originated by the company, aiming to secure access to stable funding. Regarding this securitized funding activity, the Company uses a special purpose entity in the form of a limited company. Firstly the Company transfers the preferred portion of the trust beneficiary to the special purpose entity and then receives the fund from the special purpose entity which raises their funds by the issuance of the corporate bond, backed by the said transferred preferred assets as proceeds of the sale of the assets.

The Company conducts the loan collection service and retains the subordinated portion of the trust beneficiary. As a result of the funding, as of March 31, 2008, there are two special purpose entities with which the Company has transactions and the total assets and liabilities owned by these special purpose entities as of the most recent closing date is 246,686 million yen and 246,665 million yen, respectively. The Company retains no stocks with shareholder voting rights of the both special purpose entities nor dispatches directors or employees.

- Amount of transaction with the special purpose entities in the current consolidated fiscal year

Outline of transaction with the special purpose entities have been omitted as the transfer of these assets to the special purpose entity is treated as financial transactions.

Footnotes to Statistics per Share

Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)		Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)	
Net assets per share;	3,252.98 yen	Net assets per share;	3,151.03 yen
Net loss per share;	3,420.42 yen	Net income per share;	100.63 yen
Net income per share-diluted is not presented since net loss is recorded and there are no potential stocks.		Net income per share-diluted is not presented since there are no potential dilutive stocks.	

Note: Basis for calculating net income or net loss per share is as follows;

(millions of yen)

	Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)	Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)
Net income or net loss per share		
Net income for the fiscal year	-	14,105
Net loss for the fiscal year	481,274	-
Net income not available to common shareholders	-	-
(Bonuses to directors and corporate auditors included above)	(-)	(-)
Net income for common stock	-	14,105
Net loss for common stock	481,274	-
Average number of shares outstanding during the current fiscal year (thousand shares)	140,706	140,172
Outline of potential stocks, which are not dilutive and therefore were excluded from the calculation of net income per share-diluted	-	Share subscription rights as stock options resolved by the board of directors meeting held on November 8, 2007 521,100 shares

Subsequent Events

None

5. Actual Operating Results

(1) Break-down of Operating Revenues

Source of revenues		Previous Consolidated Fiscal Year (from April 1, 2006 to March 31, 2007)		Current Consolidated Fiscal Year (from April 1, 2007 to March 31, 2008)		Change	
		Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Compo- sition Ratio (%)	Amount (millions of yen)	Change Ratio (%)
Interest income on direct cash loans	Unsecured loans	318,491	96.8	261,981	96.9	-56,510	-17.7
Commissions earned	Credit card	86	0.0	72	0.0	-14	-16.5
Other financial income	Interest on bank deposits	889	0.3	983	0.3	94	10.6
	Interest on loans other than direct cash loans	44	0.0	226	0.1	182	418.4
	Other (Note 1)	2,317	0.7	1,880	0.7	-437	18.9
	Sub-total	3,249	1.0	3,088	1.1	-161	-4.9
Other operating income	Collection from bad debts previously written-off	5,284	1.6	3,312	1.2	-1,972	-37.3
	Real estate rent	877	0.3	968	0.4	92	10.4
	Other (Note 2)	935	0.3	1,058	0.4	124	13.2
	Sub-total	7,095	2.2	5,339	2.0	-1,757	-24.8
Total		328,920	100.0	270,479	100.0	-58,442	-17.8

Notes: 1. "Other" in other financial income mainly consist of interest received from interest swap transaction.

2. "Other" in other operating income mainly consist of parking lots fees and golf course play fees.

(2) Other Highlights Data

Items	Previous Consolidated Fiscal Year (as of March 31, 2007)	Current Consolidated Fiscal Year (as of March 31, 2008)	Change	
			Change	Change Ratio (%)
Direct cash loans to customers (millions of yen)	1,431,848	1,195,328	-236,520	-16.5
Unsecured loans	1,431,848	1,195,328	-236,520	-16.5
Secured loans	-	-	-	-
Installment receivables (millions of yen)	582	557	-26	-4.4
Number of loan customer accounts	2,125,599	1,833,316	-292,283	-13.8
Unsecured loans	2,125,599	1,833,316	-292,283	-13.8
Secured loans	-	-	-	-
Number of credit card membership	284,825	294,860	10,035	3.5
Number of branch offices	1,729	1,500	-229	-13.2
Manned	471	360	-111	-23.6
Unmanned (included Quick loan application machine)	1,257	1,139	-118	-9.4
Internet Yen shop	1	1	-	-
Number of unmanned loan contract machines (included Quick loan application machine)	1,729	1,500	-229	-13.2
Number of cash dispensers and ATMs	48,072	53,938	5,866	12.2
Owned	1,856	1,618	-238	-12.8
Inter-linked	46,216	52,320	6,104	13.2
Number of employees	2,938	2,643	-295	-10.0
Write-offs (millions of yen)	100,279	98,248	-2,030	-2.0
Interest repaid (portion of principal impaired) (millions of yen)	44,669	61,242	16,573	37.1
Allowance for credit losses (millions of yen)	151,262	143,998	-7,264	-4.8