

Annual Report 2002

Diamond Lease

Company Limited

Diam Diamond Lease

Profile

Diamond Lease Company Limited has achieved steady growth as a general leasing company since it was incorporated in April 1971. In 1985 we became listed on the Tokyo Stock Exchange and have gradually expanded our areas of business so that at the present time we are achieving substantial growth as a comprehensive financial provider. In October of 1999 we merged with Ryoshin Leasing Corporation, and in August 2000 we acquired 80% of the shares of The Casio Lease Co., Ltd. This was followed by our acquisition of 80% of the shares of Hirogin Lease Co., Ltd. in March 2002. Through these and other efforts we have taken initiative in expanding our base of operations, and have thereby achieved significant growth in our share of the leasing business.



In April 2001 we celebrated our 30th anniversary, and during this anniversary year we accomplished all of the significant targets of our three-year medium-term management plan. We also achieved significant performance results, including substantial growth in our consolidated net income. From April 2002 we have embarked on a new three-year medium-term management plan in order to attain even greater development.

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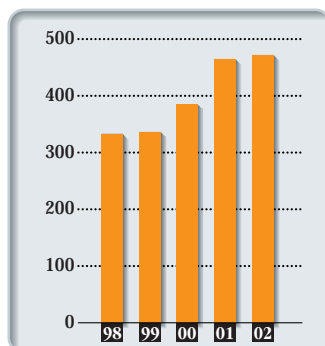
Financial Highlights

Diamond Lease Company Limited and Consolidated Subsidiaries Years Ended March 31

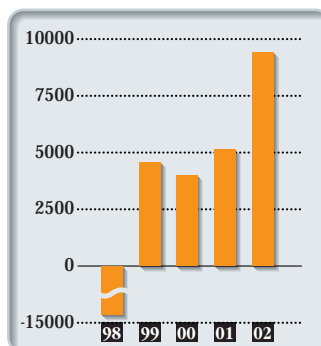
	Millions of Yen					Thousands of U.S. Dollars
	2002	2001	2000	1999	1998	2002
For the year:						
Total revenues	¥ 472,052	¥ 464,980	¥ 385,481	¥ 336,335	¥ 333,077	\$ 3,549,263
Lease	339,137	312,490	271,100	241,261	225,386	2,549,902
Installment sales	115,200	131,212	97,641	74,723	74,527	866,165
Loans	11,300	12,121	8,103	9,829	12,393	85,188
Other	6,385	9,157	8,637	10,522	20,771	48,008
Net income (loss)	9,420	5,121	3,998	4,571	(14,513)	70,827
At year-end:						
Total assets	¥1,542,576	¥1,404,685	¥1,350,289	¥1,142,640	¥1,157,713	\$11,598,316
Shareholders' equity	64,091	55,012	53,119	23,796	20,401	481,887
Number of shares of common stock						
Outstanding (thousands)	56,980	56,980	56,980	38,115	38,115	
				Yen		U.S. Dollars
Per share of common stock:						
Net income (loss)	¥165.32	¥ 89.87	¥ 85.32	¥119.93	¥ (380.77)	\$ 1.24
Cash dividends applicable to the year	15.00	12.00	10.00	8.00	8.00	0.11

Note: The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥133 = U.S.\$1.00 prevailing on March 31, 2002.

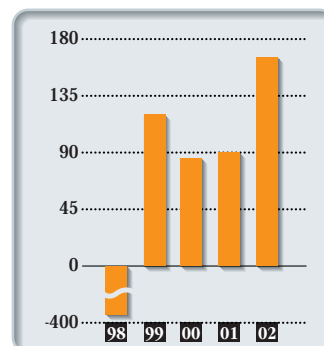
• Total Revenues (Billions of Yen)



• Net Income (Loss) (Millions of Yen)



• Net Income (Loss) per Share (Yen)



To Our Shareholders and Friends



Fiscal 2001 (April 1, 2001 through March 31, 2002) marked the final year of our previous three-year medium-term management plan. This was a year of great change for our company as we began full operation of our ultra-advanced computer system from May 2001. The project team "Speed 21" which uses this system has been able to achieve an improvement of at least 50% in the efficiency of our marketing activities, through steps such as analyzing and processing timely marketing information and delivering the results automatically to those responsible for sales.

In August 2001 we acquired all of the lease receivables of Nisshin Finance Co., Ltd., and in December we incorporated Diamond Medical Finance Company Limited as a joint venture company with equal investment from our company and DVI, Inc., which has the top share among independent corporations in the field of medical equipment financing in the US market. This was followed by our acquisition of 80% of the shares of Hirogin Lease Co., Ltd., in March 2002, making that company a consolidated subsidiary, and in the same month we acquired 14% of the shares of Ryukyu Leasing Co., Ltd. Through these and other efforts we have taken the initiative in expanding our business operations, and although we have achieved steady improvement in our share in the leasing business as a result of our management activities, our goal is to achieve even further growth in order to make our position immune to any challenge.

In January 2002 we changed our minimum trading lot so that investors can now trade in units of 100 shares of stock as opposed to the previous minimum of 1000. We took this step in order to improve the convenience to investors in our company, and thereby facilitate trading our company's shares. Diamond Lease continues to exert its utmost in improving its business results and paying steady dividends without interruption in order to reward all of the shareholders who invest in the company.

Economic Environment

During fiscal 2001 the Japanese economy continued to suffer from an extended recession, while the gap between supply and demand continued to grow in severity. Although private-sector capital investment in plant and equipment accounts for roughly 15% of GDP, this sector did not perform well as is evidenced by the low volume of orders for machinery. There was also a significant falloff in exports which had heretofore supported the economy, influenced by factors such as the slowdown in the global economy that was touched-off by the sudden downturn in the information technology industry in the United States. Even though the Bank of Japan introduced various quantitative expansionist monetary policies, further decline in the economy became apparent, including an increase in the unemployment rate to 5% in July 2001 for the first time since statistics have been kept. Then on September 11 occurred, and the simultaneous attacks on the United States shook the world, creating even further insecurity as to the future of the Japanese economy, as uncertainty and a feeling of recession continued to grow. The fourth quarter of January through March 2002 showed a glimmer of improvement as exports rebounded with the recovery of the US economy, and personal consumption experienced a slight recovery, but over the year the Real GDP showed negative growth of 1.3%.

In the international economy, the US government reacted to the multiple terrorist attacks and quickly cut interest rates in order to prevent further deterioration of the US economy. The government took various steps in 2001 to address the recession, including 11 cuts in the interest rate, which was the most in a single year. As a result the recession began to turn around at the end of fiscal 2001 and in March 2002 America began to show signs of an economic recovery, although it has not yet been possible to shake off uncertainties about the future.

The economies of Europe are now led by the euro bloc, which launched the euro as a unified currency and coin in January 2002. These economies experienced a slowdown that matched the progress of the

recession in the United States, in the same manner as Japan. Nevertheless their subsequent recovery has been comparatively rapid, and the major countries of Europe are now experiencing positive growth. The Asian economies quickly lost steam as a result of the cooling off of the American economy, and the global falloff in demand within the information technology industry, but some of these countries are showing signs of recovering as a result of economic policies and structural reforms implemented by their governments.

Consolidated Results

Fiscal 2001 marked the final year of the three-year medium-term management plan that began in 1999. As part of this plan we took even further initiative in our overall business activities based on our mission statement of “increasing shareholder value while at the same time placing the customer at the center; cultivating trust as an utmost priority, and contributing to society” which formed the centerpiece of this plan. While the state of the economy is quite severe, we and our 23 consolidated subsidiaries pursued a core objective of addressing the widely differing needs of our customers, and increasing our transactions while maintaining a good balance across our entire portfolio from large projects to small transactions in vendor leases. We also continued to put effort into management which emphasized the reduction of costs. Through these efforts we have been able to accomplish all of our major targets under our three-year medium-term management plan, and have also achieved a significant improvement in earnings.

Our volume of new contracts including lease, installment sales and loans (non-consolidated) on a principal base increased by 11.8% year-on-year to ¥462,100 million (US\$3,474 million) and as with the previous year we continued to be able to add well performing sales assets. On an earnings basis, total revenues increased by 1.5% year-on-year to ¥472,052 million (US\$3,549 million). Consequently we achieved operating income of ¥17,013 million (US\$128 million) and a net income of ¥9,420 million (US\$71 million).

New Medium-Term Management Plan (From April 2002 Through March 2005)

Mission Statement

Our new three-year management plan begins in fiscal 2002. Our goal under this program is to become a company which can provide advanced financial solutions on a comprehensive basis to handle corporate leasing equipment and the many diversified financial needs related to projects, based on the following mission statement:

“Achieve sound and diversified financial functions to address the many different needs of customers, and thereby contribute to society, increase the level of trust that we enjoy and endeavor to improve shareholder value”

Management Objectives

The following are our key objectives that we will endeavor to obtain by our settlement of March 2005. The target figures are all on a consolidated basis.

1. Equity Ratio of over 5%

We will improve our net worth and achieve an equity ratio to total assets of over 5%, targeting shareholders equity of ¥100,000 million (US\$752 million).

2. Annual net income of over ¥13,000 million and an ROE of over 14%

We will use numerous methods to improve our earnings capacity. Our target is to improve the earnings of our consolidated subsidiaries in order to achieve a net income of over ¥13,000 million (US\$98 million) and a return on equity (ROE) of over 14%.

3. Overhead Ratio of no more than 40%

We will pursue efficient marketing activities and also devote management resources to cutting costs. These steps will enable us to achieve a ratio of total personnel and other administrative expenses to gross profits (Overhead Ratio, OHR) of no more than 40%.

4. Gross profits of over ¥50 million per employee

By improving operating efficiency with the minimum number of employees we will achieve gross profits of over ¥50 million (US\$376 thousand) per employee.

Five Pillars Supporting Our Management Targets

We have established the following five pillars for the purpose of achieving our medium-term management plan. An action plan will be enacted based on these basic strategies and our top management will study the state of progress in every half a year in order to achieve our goals.

1. Greater Earnings Capability

We will build an asset portfolio in our lease assets with an intention of enhancing our earnings capability, and for this reason we will emphasize operating leases in which growth can be expected, as well as vendor leases, which are small ticket transactions. In addition we will pursue factoring and take initiative in *buy and sell back through installment transactions*, which are a form of factoring in which we purchase assets owned by our customers and then sell the assets back to the customer through installment sales.

In order to diversify our procurement of funds, we will exploit our asset and liability management capabilities in order to achieve stable funding on terms that are to our advantage. We will also make further enhancements to our ultramodern computer system introduced in May 2001 as a part of our supporting infrastructure, and improve our analysis capabilities in order to create marketing strategies. We will also rebuild our operating process in various ways, including thorough cost-cutting by streamlining our administrative support activities.

2. Emphasizing Value of Assets (Focusing on Transactions Related to Assets With a High Projected Resale Value)

We will seek to offer expertise that is fully familiar with the assets involved in order to enhance our capabilities in areas such as auto-leases and operating leases. We will also focus on fostering human resources which have expertise in managing residual risks inherent in assets, and will improve our capability to determine the fair value of assets.

3. Enhancing Our Marketing Channels

We will make full use of sales routes through our main shareholders including the Mitsubishi Tokyo Financial Group and Mitsubishi Corporation, as well as effective channels such as the Diamond Club formed from leasing companies affiliated with regional banks. We will also use mergers and acquisitions as well as business alliances with superior suppliers in order to create a structure that can capture superior transactions.

4. Focus on Consolidated Management

The group as a whole will work in dynamic cooperation to improve profits as a whole, including our overseas subsidiaries, Diamond Auto Lease Co., Ltd. (DAL), Diamond Rental System Co., Ltd. (DRS), The Casio Lease Co., Ltd., and Hirogin Lease Co., Ltd. The group will value the independent initiative of each member company, while working to share the accounting, asset management, human resources development, computer systems and other infrastructure of each unit to achieve thorough streamlining, and strategic group management.

5. Human Resources Development

We believe that fostering human resources is one of the most important challenges in the management of a company. We will work to improve the expertise of our employees through means such as employee training, and will also conduct performance based personnel evaluations.

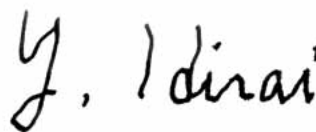
Prospects for the Fiscal Year Ending in March 2003

Although the American economy continues to show signs of uncertainty, it has begun to improve, and consequently there appears to be less pressure to make adjustments in reducing exports and scaling down economic activity, which have been a major cause of Japan's recession. Some industries have shown signs of bottoming out and beginning to recover, but at the same time, Japan continues to experience deflationary pressure, as a result of causes such as the problem of non-performing loans facing financial institutions, and the structural reform of the Japanese economy. Consequently it is likely that any fundamental recovery will be limited. This situation does not allow us to relax, but in compiling our projections for consolidated results for the March 2003 settlement we believe that our strategic deployment of our medium-term management plan will enable us to earn a 10.8% year-on-year increase in total revenues to ¥523,000 million (US\$3,932 million), and a 32.7% increase in net income to ¥12,500 million (US\$94 million).

At Diamond Lease we greatly appreciate the support of our shareholders, customers and suppliers and hope for your continued support in the future.



Yoji Onoe, *Chairman*



Yasuyuki Hirai, *President*

Diamond Lease at a Glance

Equipment Leases

In equipment leases we have traditionally concentrated on finance leases to meet the needs of our corporate clients for investment in plant and equipment, but in recent years we have also made a commitment to operating leases and vendor leases. Diamond Lease handles a wide variety of products in our leasing, from production equipment and office equipment to aircraft, ships, and automobiles.

Installment Sales

For customers wishing to acquire title to an asset instead of leasing it, we offer installment sale arrangements. Most of our installment sales involve construction equipment and machinery, but we are committed to providing installment sales to individual consumers as well.

Structured Finance

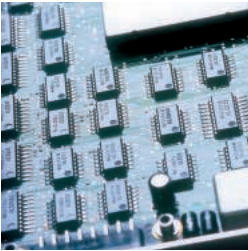
Structured finance is a means of financing which has achieved prominence in recent years. We have achieved considerable results with our product Symphony, which consists of real estate leases using commercial tenancy rights. We are also taking an aggressive position in private finance initiatives (PFIs) which seek to exploit the efficiencies offered by the private sector in public projects.

iDC Finance

The importance of iDC (internet data centers) has increased with the growth of the Internet, and is currently experiencing rapid growth as a part of the infrastructure for network businesses. Diamond Lease offers one-stop shopping for a wide variety of financial services which include regular financial leases, vendor leases, operating leases, installment sales, rental services, payment collection services, and factoring to iDC businesses as well as businesses that use iDC.

Auto Leases

Our auto leasing business continues to grow. Our fleet of leased vehicles increased dramatically by virtue of the merger with Ryoshin Leasing, and our subsidiary Diamond Auto Lease Co., Ltd., has obtained the international quality certification ISO9001 for its Maintenance Lease Division.



We continue to meet the needs of our corporate clients for financing through vehicles other than leasing, which includes loans for investments in plant and equipment, and purchasing their accounts receivable.

Loans

Our asset management products include commodity funds and securitized lease receivables which we offer to investors.

Asset Management Products

Our rental operations are primarily conducted by our subsidiary Diamond Rental System Co., Ltd., (DRS), and consist mainly of the PC Rental unit which rents computers and peripherals, and an office equipment rental business.

Rentals

With the increased awareness of the global environment in recent years, we have made a commitment to remarketing in which we sell equipment for which the lease period has expired. In order to implement this program we have also invested in a second-hand sales business.

Remarketing

We have developed an integrated lease transaction service which we have dubbed **e-Leasing**. This service quickly and reliably handles lease-related administrative tasks via the Internet, and in 2001 we established Net Leasing Corporation as a joint venture with nine other companies, including seven Japanese leasing companies, in order to open the **e-Leasing** system as a business support service that can be used jointly by the leasing industry.

e-Leasing

Diamond Lease is building its business on a global scale, together with its subsidiaries in the US and in Asia. We are committed to promoting our leasing and financing services, targeting the overseas affiliates of Japanese companies, as well as leading companies from the local areas.

International Business



Deploying a Strategic Alliance



As stated in our new three-year management plan, we are taking initiative in building alliances with and acquiring other companies. In recent years we executed transactions such as our merger with Ryoshin Leasing Corporation in October 1999, and our acquisition of 80% of the shares of The Casio Lease Co., Ltd., thereby pursuing an aggressive strategy of business growth and expanding our base of operations.



In December 2001 we incorporated Diamond Medical Finance Company Limited as a joint venture company having ¥100 million (US\$752 thousand) in paid-in capital, through an equal equity stake on the part of Diamond Lease and DVI, Inc., a major medical equipment financing company in the US. This step was taken in order to establish a foothold in the medical equipment sector, for which future growth is expected. Through this venture we will combine our financial capabilities and marketing network with the expertise of DVI, Inc., in medical equipment, thereby enabling us to increase our activity in this field. DVI, Inc., is listed on the New York

Stock Exchange, and is a major company which competes for the top position in the US market for medical equipment financing, while our company has more than 3000 medical institutions as customers in Japan, which will create a synergy that will allow the new company to hit the ground running.

In January 2002 we entered into a formal agreement of business cooperation in the leasing sector with The Hiroshima Bank, Ltd., and in March of this year we acquired 80% of the shares in its subsidiary Hirogin Lease Co., Ltd., thereby making this company one of our consolidated subsidiaries. This alliance will facilitate growth in our market share, particularly in the leasing business, within the Hiroshima Prefecture and its environs, where The Hiroshima Bank, Ltd. has its core base of activity.

We also executed a business alliance with Ryukyu Leasing Co., Ltd., in March 2002, thereby acquiring 14% of the shares of the company. Ryukyu Leasing has built its main base of operations in Okinawa at the southern tip of Japan, and is a reliable company which has at least 50% of the leasing market in that region. Moreover in August 2001 we purchased all of the lease receivables of Nisshin Finance Co., Ltd., which is a subsidiary of the major edible oils company Nisshin Oil Mills, Ltd., thereby increasing our basis of management operations.



Diamond Lease has formed the Diamond Club with 20 leasing companies affiliated with prominent regional banks throughout Japan. We hold a minority stake in most of the member companies, and work closely with these companies through exchanging information on customers of these members as well as trends in the industry. We also engage in frequent exchanges of human resources. Further activities include the support that we provide to member companies in developing leasing related products and for their computer systems. Diamond Lease also makes joint business proposals of high skilled services needed by customers such as operating leases and factoring of accounts receivable. Through these and other activities we use our niche specialties to promote cooperation in business.

Through the Diamond Club we offer a broad array of products and expertise in each of these products to our member companies. Many individual transactions are suggested as part of this process, and in fiscal 2001 alone we executed three cooperative transactions. These contracts amounted to ¥600 million (US\$5 million). The business alliances between our company and Hirogin Lease as well as Ryukyu Leasing have been conducted on the basis of this vehicle, and both of these companies are members of the Diamond Club.

Most member companies in the Diamond Club contract maintenance and repair of their leased vehicles to Diamond Auto Lease Co., Ltd. (DAL), which is a consolidated subsidiary of Diamond Lease. During fiscal 2001, there was an increase of 2,300 vehicles contracted for maintenance from member companies to DAL, and two new companies were added as businesses engaged in this sort of cooperative relationship in auto leasing. Traditionally auto leasing companies have targeted the corporate market, but they have also begun to expand their view to the consumer market in order to generate new demand. Since major leasing companies and automobile manufacturers have also entered the consumer market for auto leasing, it is likely that future growth in this consumer market will be closely monitored. We believe that members of the Diamond Club will be involved in this trend and will increase the total number of vehicles they handle through auto leasing, which in turn will increase their contracting of maintenance to DAL.



The Diamond Club

Building Our International Business



Diamond Lease engages in international business, supported by the information network on overseas regions of The Bank of Tokyo-Mitsubishi, Ltd., Mitsubishi Corporation, and The Mitsubishi Trust and Banking Corporation. Out of 19 overseas subsidiaries, we have seconded human resources from our own company to serve at Diamond Lease (USA), Inc., Diamond Lease (Hong Kong) Limited, and P.T. Diamond Lease Indonesia. These companies are engaged mainly in areas such as fi-

nance leases, vendor leases and operating leases. We have also sent an employee to Diamond Airfinance (Ireland) Limited, which is engaged mainly in aircraft finance. All of these companies maintain a close relationship with our domestic organization, while at the same time taking initiative in marketing activities to acquire superior assets. This has enabled our company to improve our head office capabilities in supporting Japanese companies who are building presences in other countries, as well as foreign companies who are entering the Japanese market, thereby further enhancing our ability to address the financing needs of our customers, both through our overseas subsidiaries and within Japan.

Our US subsidiary Diamond Lease (USA), Inc., has its core presence in New York and has marketing representatives in Boston, Chicago, Orlando, Louisville Kentucky, Houston and Los Angeles enabling the company to cover the entire United States. This company focuses on small ticket transactions which offer strong prospects of resale. Our presences in Indonesia and Hong Kong in the Asian markets function as centers to address the financing needs of customers mainly in Southeast Asia. By increasing our teamwork between our domestic

operations and our overseas activities, these four foreign presences achieved ¥15,000 million (US\$113 million) in new contracts, total revenues of ¥5,900 million (US\$44 million) and had a total assets balance of ¥73,300 million (US\$551 million) as of March 31, 2002.

AMERICAS

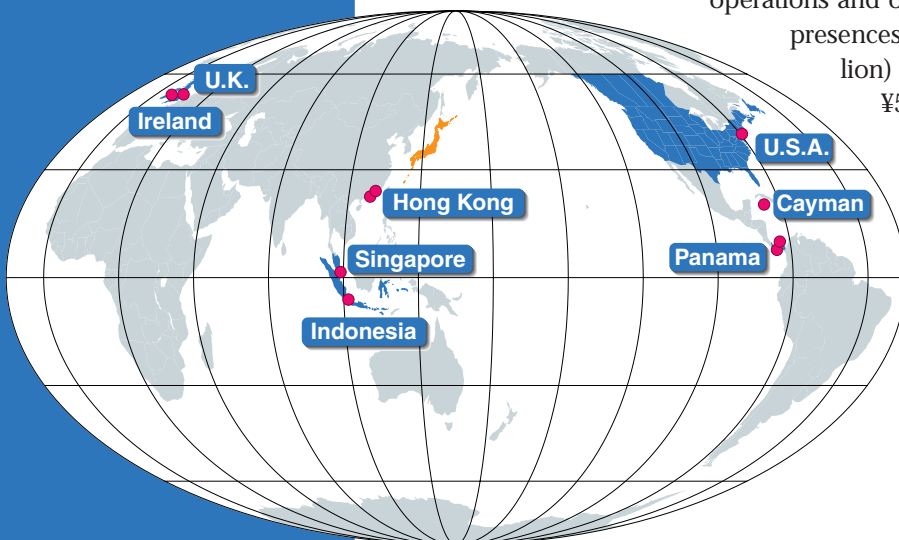
- Diamond Lease (U.S.A.), Inc.
- Dialease Maritime S.A.
- Ryoshin Lease International (Panama) S.A.
- Diamond Lease (Cayman) Limited

EUROPE

- Diamond Lease (U.K.) Limited
- Diamond Airfinance (Ireland) Limited

ASIA

- Diamond Lease (Hong Kong) Limited
- Ryoshin International (Hong Kong) Limited
- P.T. Diamond Lease Indonesia
- Diamond Lease (Singapore) Pte. Ltd.



Activities on the Part of Our Subsidiaries

Diamond Auto Lease Co., Ltd. (DAL)

DAL is a consolidated subsidiary which engages exclusively in the auto-lease business and focuses mainly on maintenance leases. The company enjoys a well-respected reputation, and is the first company in the auto-lease industry to obtain ISO9001 designation. Traditionally the company has built its business mainly in large transactions comprising fleets of 100 to 200 vehicles, but has established a new division for pursuing new contracts on a scale of several dozen vehicles in order to expand the base of operations of the company. In order to improve competitiveness the company has introduced a system which enables various management tasks concerning leased vehicles to be conducted over the web, and began providing this system from July 2001. As of the end of March 2002 DAL had achieved a year-on-year increase of 5,049 vehicles managed under its maintenance leases, to 28,975 vehicles. The company also achieved an increase of 6,477 vehicles in its comprehensive management under auto-leases, to 46,435 vehicles. Total revenues for the company in fiscal 2001 were ¥16,207 million (US\$122 million) and total assets were ¥20,890 million (US\$157 million).

Diamond Rental System Co., Ltd. (DRS)

DRS is a subsidiary which specializes in renting and asset management of personal computers. The company was established in July 1997, and became a consolidated subsidiary in fiscal 2002. Domestic shipments of PCs during the 2001 calendar year fell 12% year-on-year, to ¥2,761,000 million (US\$20,759 million), which was a reflection of the recent downturn in the economy. Under this environment DRS has made differentiation from leases its core marketing pillar, and proposes comprehensive rental plans in connection with PC use. Through these efforts the company has achieved a year-on-year increase of 85% in new contracts within its core business of long-term rentals of PCs, to ¥22,700 million (US\$171 million). During fiscal 2001 the company had ¥10,672 million (US\$80 million) in total revenue and total assets of ¥22,916 million (US\$172 million). In March 2002 the company increased its capitalization to ¥816 million (US\$6 million), with Diamond Lease subscribing to the new shares.



The Casio Lease Co., Ltd.

Casio Lease became a consolidated subsidiary of our company in August 2000, and has focused on vendor leases as its core business, mainly in the retail sector. We plan to consolidate our computer system with that of Casio lease in October 2002, which will reduce labor costs in administrative management, and thereby cut overall costs. During fiscal 2001 the company achieved a year-on-year increase of 11% in contracts handled, to ¥26,300 million (US\$198 million), and an increase of ¥1,610 million (US\$12 million) in sales, to ¥22,420 million (US\$169 million). Nevertheless the company wrote down some of its distressed loans and consequently experienced a year-on-year decline of ¥292 million (US\$2 million) in net income, to ¥130 million (US\$1 million).

Hirogin Lease Co., Ltd.

Hirogin Lease was the leasing company of The Hiroshima Bank, Ltd., which is active in Hiroshima Prefecture in western Japan, supporting the local economy. In March 2002 we acquired 80% of the shares of Hirogin Lease, and it is now a consolidated subsidiary of our company. Hirogin Lease had achieved steady growth in the leasing and installment sales business, backed by the reputation of its parent bank. The company is now a subsidiary of Diamond Lease, and will take initiative in offering attractive proposals to customers within Hiroshima Prefecture.

Web Services



In recent years businesses that exploit information technologies have achieved considerable success, and use of the Worldwide Web is one prominent example of this development. In October 1999 we developed and introduced ***e-Leasing***, as the first in our industry to offer a system to take orders and provide information over the web for major lease transactions. This system enables our customers to obtain online estimates, inquire about lease specifications, and to apply for leases. We have also created a web-based system referred to as *partner lease*, for vendor leases which are small ticket lease transactions, thereby improving the convenience of our cooperating vendors. In November 2000 we introduced ***e-Leasing Direct*** as a system to prepare automated estimates and contracts. Use of this system has grown steadily, and it will accommodate “electronic signatures” as prescribed under the Electronic Signatures Law enacted in April 2001, thereby further facilitating the convenience of transactions. At the present time ***e-Leasing*** can be used for most lease transactions that we offer.

In 2001 we incorporated Net Leasing Corporation as a joint venture operating company. Net Leasing will be deployed as a cooperative use type vehicle, with the ***e-Leasing*** system as its core, and it will function as a portal that enables access to the websites of leasing companies participating in the cooperative use. Existing customers will be able to monitor the content of contracts in progress, while prospective customers will have the advantage of being able to compare estimates and contract terms between leasing companies. Although as of the present our web-based systems have only handled leasing products, we will build a system that will also accommodate rental products over the web, and will also introduce a system that will handle electronic signatures.

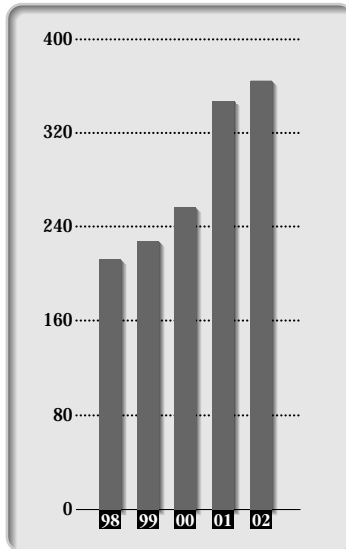
At the present time several leasing companies have approached us concerning possible participation, and our goal is to set the industry standard in this field through steps that include various system improvements.



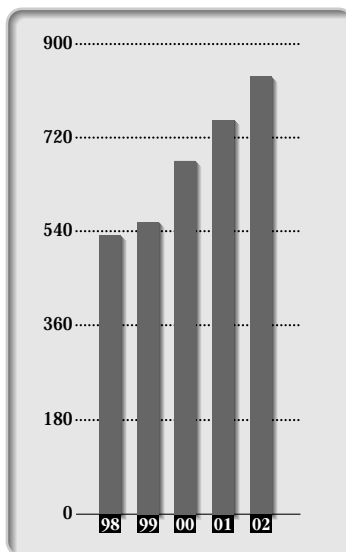
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• **New Lease Contracts**
(Billions of Yen)



• **Total Leased Assets**
(Billions of Yen)



Business Operations and Results

During fiscal 2001 (April 1, 2001 through March 31, 2002) the Japanese economy continued to suffer from a recession even though there had been hopes of a recovery spurred by the change in the Cabinet. The country experienced corporate bankruptcies in many fields, including a major bankruptcy in the distribution industry. Stock prices, a common economic indicator, continued their decline, as average prices on the Nikkei 225 Index of the Tokyo Stock Exchange fell below ¥10,000, presenting a situation close to collapse. The falloff in airline passengers as a result of September 11 in the US caused significant damage to airlines and to tourism as well, contributing to a further decline in the economy. In the leasing business, although performance had been stable in the first half of fiscal 2001, leasing contracts handled by all members of the Japan Leasing Association fell below the previous year's totals from October 2001, resulting in a year-on-year decline by the end of the year. The total lease transactions as announced by the Japan Leasing Association declined by 2.7% year-on-year, to ¥7,733,700 million (US\$58,148 million).

Diamond Lease Company Limited took aggressive action to expand its business in this environment, and achieved increases in its business assets. In August 2001, we acquired all lease assets of Nisshin Finance, and in December 2001 we incorporated Diamond Medical Finance Company Limited as a joint venture company with equal investment from our company and DVI, Inc., which has the top share among independent corporations in the field of medical equipment financing in the US market. This was followed by our acquisition of 80% of the shares of Hirogin Lease Co., Ltd., in March 2002, making that company a consolidated subsidiary, and in the same month we ac-

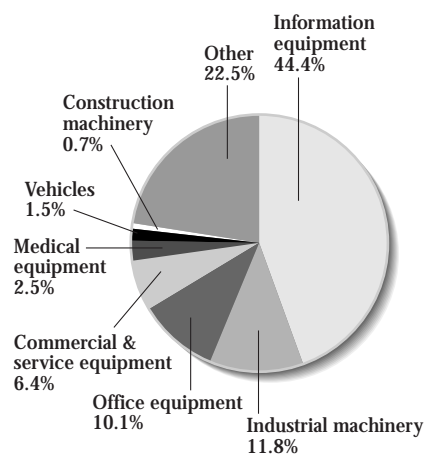
quired 14% of the shares of Ryukyu Leasing Co., Ltd. Through transactions such as these we have engineered several alliances and acquisitions to expand our base of operations. In our marketing activities we achieved significant growth in sales results, as our contracts in leases, installment sales and loans (non-consolidated) on a principal base increased by 11.8% year-on-year to ¥462,100 million (US\$3,474 million), mainly in office equipment and medical equipment.

Revenues and Earnings

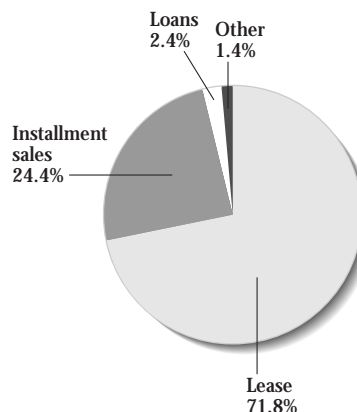
In fiscal 2001 our revenues showed ¥472,052 million (US\$3,549 million) in total revenues, up ¥7,072 million (US\$53 million) or 1.5% from the previous year. The details include ¥339,177 million (US\$2,550 million) in our leasing business, up ¥26,647 million (US\$200 million) or 8.5%; installment sales of ¥115,200 million (US\$866 million), down ¥16,012 million (US\$120 million) or 12.2%; and ¥17,715 million (US\$133 million) in other business, down ¥3,563 million (US\$27 million) or 16.7%.

Total costs amounted to ¥ 436,376 million (US\$3,281 million), up ¥6,229 million (US\$47 million) or 1.4% against the previous year. Gross profit totaled ¥35,676 million (US\$268 million), up ¥843 million (US\$6 million) or 2.4%. Operating income amounted to ¥17,013 million (US\$128 million) up ¥4,842 million (US\$36 million) or 39.8%, as a result of improvement in the provision for doubtful receivables. Net income totaled ¥9,420 million (US\$71 million), representing an increase of ¥4,299 million (US\$32 million) or 83.9%; while earnings per share amounted to ¥165.32 (US\$1.24). We plan to pay a dividend of ¥15 (US\$1.11 cents) per year per share.

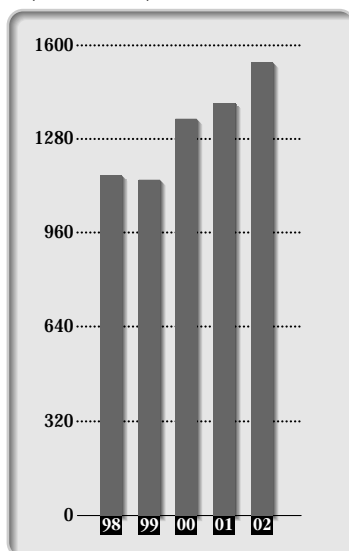
• New Lease Contracts by Product Category (%)
2002 (FY2001) (Parent)



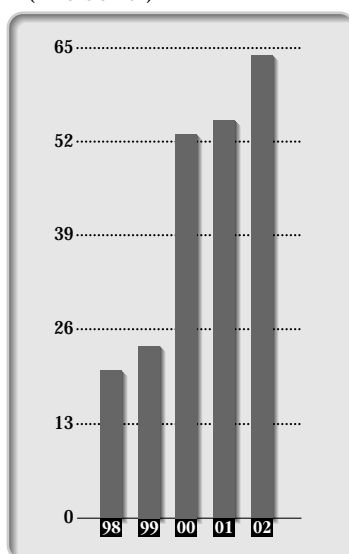
• Total Revenues Composition (%)
2002 (FY2001)



• **Total Assets**
(Billions of Yen)



• **Shareholders' Equity**
(Billions of Yen)



Financial Position

As of the end of March 2002 business assets were as follows. Total leased assets amounted to ¥838,068 million (US\$6,301 million), an increase of ¥81,430 million (US\$612 million) or 10.8% over the previous year. Installment sales receivables (net of deferred installment credit profit) amounted to ¥247,608 million (US\$1,862 million) an increase of ¥20,547 million (US\$154 million), or 9.0%. Outstanding loans amounted to ¥231,687 million (US\$1,742 million) an increase of ¥36,998 million (US\$278 million); while securities holdings classified as operating assets (operating securities) amounted to ¥60,417 million (US\$454 million), down ¥11,381 million (US\$86 million) or 15.8%.

Total assets grew by ¥137,891 million (US\$1,037 million) or 9.8%, to ¥1,542,576 million (US\$11,598 million). The main causes for this increase in assets were the increase in leased assets, installment sales receivables and loan receivables. Shareholders' equity increased by ¥9,079 million (US\$68 million) to ¥64,091 million (US\$482 million) mainly as a result of booking a surplus of ¥8,686 million (US\$65 million). Equity per share amounted to ¥1,124.80 (US\$8.46).

Funding

Most of the required funds associated with the increase in business assets have been acquired through issuing low interest commercial paper (CP) and securitizing our lease receivables. As of the end of March 2002 our balance of commercial paper increased by ¥55,500 million (US\$417 million) over the previous year, to ¥415,300 million (US\$3,123 million). The balance of securitized lease receivables grew ¥61,248 million (US\$461 million), to ¥107,700 million (US\$810 million). As a result our percentage of direct borrowing from the capital markets increased to

49.8% on a consolidated basis, and 56.6% on a non-consolidated basis. At Diamond Lease we are dedicated to comprehensive asset and liability management which includes derivatives, and have put in place an overarching structure that can react flexibly to changing circumstances, including foreseeable increases in future interest rates.

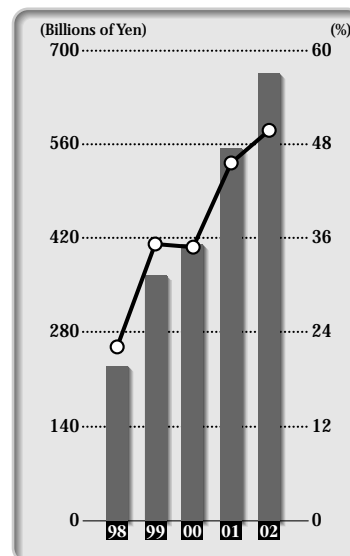
Cash Flow

Operating activities generated a net cash outflow of ¥59,701 million (US\$449 million). This total is the sum of a cash outflow of ¥319,228 million (US\$2,400 million) to purchase lease assets resulting from our solid business performance, as well as ¥62,872 million (US\$473 million) associated with the increase in trade receivables and loan receivables; and cash inflow of ¥16,223 million (US\$122 million) in net income, ¥269,264 million (US\$2,025 million) in depreciation and amortization.

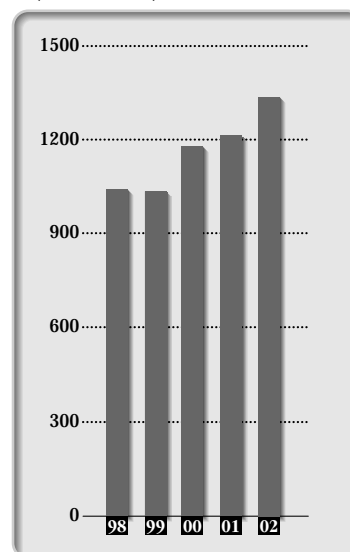
Cash flow from investing activities resulted in a net outflow of ¥12,905 million (US\$97 million) for overall investments, as a result of payments associated with acquiring shares in Hirogin Lease Co., Ltd., and payments associated with acquiring assets for corporate use.

Our overall financial activities generated an overall cash inflow of ¥67,563 million (US\$508 million), consisting of ¥118,002 million (US\$887 million) in cash inflow in the form of net proceeds from short-term borrowings; and ¥106,731 million (US\$802 million) in cash outflow from repayment of long-term debt. As a result of the above, cash and cash equivalents stood at ¥9,049 million (US\$68 million) at fiscal year-end, down some ¥4,540 million (US\$34 million) or 33.4% from the previous year.

• Funding from Capital Markets (Left Scale) and Direct Funding Ratio (Right Scale)



• Interest Bearing Debt (Billions of Yen)



Consolidated Balance Sheets

Diamond Lease Company Limited and Consolidated Subsidiaries March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Assets			
Current assets:			
Cash and cash equivalents	¥ 9,049	¥ 13,589	\$ 68,038
Time deposits with an original maturity over three months (Note 5)	102	206	767
Marketable securities (Note 3)	11,830	7,789	88,947
Receivables — trade :			
Lease	23,670	21,471	177,970
Installment sales (Note 5)	270,317	249,292	2,032,459
Loans	231,687	194,689	1,742,008
Allowance for doubtful receivables	(4,602)	(3,796)	(34,602)
Deferred tax assets (Note 13)	1,270	1,055	9,549
Prepaid expenses and other	22,753	22,753	171,075
Total current assets	<u>566,076</u>	<u>507,048</u>	<u>4,256,211</u>
Leased assets — At cost (Note 4)	2,047,124	1,828,905	15,391,909
Accumulated depreciation	<u>(1,210,821)</u>	<u>(1,075,023)</u>	<u>(9,103,917)</u>
Net leased assets	836,303	753,882	6,287,992
Advances for purchases at leased assets	<u>1,765</u>	<u>2,756</u>	<u>13,271</u>
Total leased assets	<u>838,068</u>	<u>756,638</u>	<u>6,301,263</u>
Investments:			
Investment securities (Note 3)	65,827	83,592	494,940
Investments in unconsolidated subsidiaries and associated companies	12,064	11,035	90,707
Goodwill	5,575	4,125	41,917
Long-term receivables	12,427	16,692	93,436
Deferred tax assets (Note 13)	7,750	3,875	58,271
Other	31,172	19,885	234,376
Allowance for doubtful receivables	<u>(4,802)</u>	<u>(6,887)</u>	<u>(36,106)</u>
Total investments	<u>130,013</u>	<u>132,317</u>	<u>977,541</u>
Property and equipment — At cost	11,102	10,998	83,474
Accumulated depreciation	<u>(2,683)</u>	<u>(2,316)</u>	<u>(20,173)</u>
Net property and equipment	<u>8,419</u>	<u>8,682</u>	<u>63,301</u>
Total	<u>¥1,542,576</u>	<u>¥ 1,404,685</u>	<u>\$ 11,598,316</u>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings (Notes 5 and 6)	¥ 740,859	¥ 669,556	\$ 5,570,369
Current maturities of long-term debt (Note 6)	189,137	121,237	1,422,083
Payables — trade:			
Notes	22,620	24,337	170,075
Accounts	50,585	46,266	380,338
Accrued expenses	5,425	5,865	40,789
Income taxes payable	5,401	5,538	40,609
Deposits from customers	6,365	6,822	47,857
Deferred profit on installment sales	22,709	22,231	170,745
Other	5,553	7,382	41,752
Total current liabilities	<u>1,048,654</u>	<u>909,234</u>	<u>7,884,617</u>
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 6)	406,897	423,256	3,059,376
Liability for retirement benefits (Note 7)	697	687	5,241
Deferred tax liabilities (Note 13)	572	310	4,300
Other	20,341	15,060	152,940
Total long-term liabilities	<u>428,507</u>	<u>439,313</u>	<u>3,221,857</u>
Minority interests	<u>1,324</u>	<u>1,126</u>	<u>9,955</u>
Commitments and contingent liabilities (Note 8)			
Shareholders' equity (Note 9):			
Common stock — authorized, 180,000,000 shares; issued and outstanding, 56,980,000 shares in 2002 and 2001 ...	16,440	16,440	123,609
Additional paid-in capital	17,047	17,047	128,173
Retained earnings	32,752	24,066	246,255
Net unrealized (loss) gain on available-for-sale securities	(368)	391	(2,767)
Foreign currency translation adjustment	(1,766)	(2,932)	(13,278)
Treasury stock, at cost 9,610 shares in 2002	(14)		(105)
Total shareholders' equity	<u>64,091</u>	<u>55,012</u>	<u>481,887</u>
Total	<u>¥1,542,576</u>	<u>¥1,404,685</u>	<u>\$ 11,598,316</u>

Consolidated Statements of Income

Diamond Lease Company Limited and Consolidated Subsidiaries Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Revenues:			
Lease	¥339,137	¥312,490	\$2,549,902
Installment sales	115,200	131,212	866,165
Loans	11,330	12,121	85,188
Other	6,385	9,157	48,008
Total revenues	472,052	464,980	3,549,263
Costs:			
Lease	308,364	282,434	2,318,527
Installment sales	106,986	121,906	804,406
Interest	18,537	22,808	139,376
Other	2,489	2,999	18,714
Total costs	436,376	430,147	3,281,023
Gross profit	35,676	34,833	268,240
Selling, general and administrative expenses	14,713	13,396	110,624
Provision for doubtful receivables	3,950	9,266	29,699
Operating income	17,013	12,171	127,917
Other income (expenses)			
Dividend income	335	470	2,519
Interest expense — Net of interest income of ¥93 million (\$699 thousand) in 2002 and ¥211 million in 2001	(937)	(1,125)	(7,045)
Loss on sales of securities	(1,349)	(1,207)	(10,143)
Other — Net	1,161	177	8,729
Income before income taxes and minority interests	16,223	10,486	121,977
Income taxes (Note 13):			
Current	8,966	6,469	67,413
Deferred	(2,200)	(1,155)	(16,541)
Total	6,766	5,314	50,872
Minority interests in net income	37	51	278
Net income	¥ 9,420	¥ 5,121	\$ 70,827
	Yen		U.S. Dollars
	2002	2001	2002
Amounts per share of common stock (Note 2. k):			
Net income	¥ 165.32	¥ 89.87	\$ 1.24
Cash dividends applicable to the year	15.00	12.00	0.11

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Diamond Lease Company Limited and Consolidated Subsidiaries Years Ended March 31, 2002 and 2001

	Thousands of Shares		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002	2001	2002
Common stock (Note 9):					
Beginning balance	56,980	56,980	¥ 16,440	¥ 16,440	\$ 123,609
Ending balance	<u>56,980</u>	<u>56,980</u>	<u>¥ 16,440</u>	<u>¥ 16,440</u>	<u>\$ 123,609</u>
Additional paid-in capital (Note 9):					
Beginning balance			¥ 17,047	¥ 17,047	\$ 128,173
Ending balance			<u>¥ 17,047</u>	<u>¥ 17,047</u>	<u>\$ 128,173</u>
Retained earnings (Note 9):					
Beginning balance			¥ 24,066	¥ 19,634	\$ 180,947
Net income			9,420	5,121	70,827
Cash dividends paid			(684)	(684)	(5,143)
Bonuses to directors			(50)	(50)	(376)
Adjustment for newly consolidated subsidiary				45	
Ending balance			<u>¥ 32,752</u>	<u>¥ 24,066</u>	<u>\$ 246,255</u>
Net unrealized (loss) gain on available-for-sale securities					
Beginning balance			¥ 391		\$ 2,940
Adjustment for the period			(759)	391	(5,707)
Ending balance			<u>¥ (368)</u>	<u>391</u>	<u>\$ (2,767)</u>
Foreign currency translation adjustment					
Beginning balance			¥ (2,932)		\$ (22,045)
Adjustment for the period			1,166	¥ (2,932)	8,767
Ending balance			<u>¥ (1,766)</u>	<u>¥ (2,932)</u>	<u>\$ (13,278)</u>
Treasury stock:					
Beginning balance				¥ (2)	
Treasury stock acquired, net			¥ (14)	2	\$ (105)
Ending balance			<u>¥ (14)</u>		<u>\$ (105)</u>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Diamond Lease Company Limited and Consolidated Subsidiaries Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Operating activities:			
Income before income taxes and minority interests	¥ 16,223	¥ 10,486	\$ 121,977
Adjustment for:			
Income taxes — paid	(9,104)	(1,192)	(68,451)
Depreciation and amortization	269,264	246,587	2,024,541
Reversal of doubtful receivables	(2,804)	(55,809)	(21,083)
Loss on disposition of leased assets	23,678	22,150	178,030
Loss on devaluation of securities	1,349	642	10,143
Provision for (reversal of) liability for retirement benefits	12	(376)	90
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(62,872)	32,403	(472,722)
Decrease in interest and dividend receivable	5	42	38
(Decrease) increase in trade payables	(1,453)	2,707	(10,925)
Decrease in interest payable	(681)	(834)	(5,120)
Purchases of leased assets	(319,228)	(303,679)	(2,400,210)
Other — net	25,910	94,991	194,812
Total adjustments	(75,924)	37,632	(570,857)
Net cash (used in) provided by operating activities	(59,701)	48,118	(448,880)
Investing activities:			
Purchases of Company use property and equipment	(2,545)	(2,594)	(19,135)
Purchases of investment securities	(1,402)	(803)	(10,542)
Proceeds from sales of investment securities	888	1,921	6,677
Purchases of The Casio Lease Co., Ltd.		(7,294)	
Purchases of Hirogin Lease Co., Ltd.	(1,958)		(14,722)
(Increase) decrease in other assets	(7,888)	1,539	(59,308)
Net cash used in investing activities	(12,905)	(7,231)	(97,030)
Financing activities:			
Repayments of long-term debt	(106,731)	(185,037)	(802,488)
Proceeds from long-term debt	56,988	52,508	428,481
Net proceeds from (repayments of) short-term borrowings	118,002	86,247	887,233
Cash dividends paid	(684)	(684)	(5,143)
Other — net	(12)	1	(90)
Net cash provided by (used in) financing activities	67,563	(46,965)	507,993
Foreign currency translation adjustments on cash and cash equivalents	503	733	3,782
Cash and cash equivalents of newly consolidated subsidiaries		589	
Net Decrease in cash and cash equivalents	(4,540)	(4,756)	(34,135)
Cash and cash equivalents, beginning of year	13,589	18,345	102,173
Cash and cash equivalents, end of year	¥ 9,049	¥ 13,589	\$ 68,038

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Additional information:			
Assets acquired and liabilities assumed in acquisition, as of September 30, 2000 (Note 10):			
Current assets acquired		¥ 9,917	
Leased assets, investments and property acquired		45,931	
Goodwill		4,267	
Current liabilities assumed		(27,989)	
Long-term liabilities assumed		(23,193)	
Minority interests		(933)	
Acquisition cost		8,000	
Cash and cash equivalents held by The Casio Lease Co., Ltd.		(706)	
Payment for purchase of The Casio Lease Co., Ltd.		¥ 7,294	
Assets acquired and liabilities assumed in acquisition, as of March 31, 2002 (Note 11):			
Current assets acquired	¥ 14,396		\$ 108,241
Leased assets, investments and property acquired	54,264		408,000
Goodwill	2,355		17,707
Current liabilities assumed	(53,861)		(404,970)
Long-term liabilities assumed	(14,744)		(110,857)
Minority interests	(11)		(83)
Acquisition cost	2,399		18,038
Cash and cash equivalents held by Hirogin Lease Co., Ltd.	(441)		(3,316)
Payment for purchase of Hirogin Lease Co., Ltd.	¥ 1,958		\$ 14,722

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Diamond Lease Company Limited (the “Company”) and its consolidated subsidiaries (together, the “Companies”) are prepared from those which are filed with the Financial Services Agency of Japan in accordance with the Securities and Exchange Law, and are in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated statement of shareholders’ equity is not required as part of the basic financial statements in Japan but is presented herein as additional information.

Certain reclassifications have been made in the 2001 financial statements to conform to the classifications used in 2002.

The translations of Japanese yen into U.S. dollars are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133=US\$1.00, the exchange rate in effect at March 31, 2002. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation — The accompanying consolidated financial statements as of March 31, 2002 include the accounts of the Company and its 23 (18 in 2001) significant subsidiaries.

Investments in unconsolidated subsidiaries and associated companies are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is shown as “Goodwill” in investments and amortized using the straight-line method over a period of 15 years.

Material intercompany accounts and transactions have been eliminated in consolidation.

b. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are

exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and commercial paper, all of which mature or become due within three months of the date of acquisition.

c. Lease Accounting — The Company and its consolidated domestic subsidiaries account for all leases as operating leases. Under Japanese accounting standards for leases, except for the case in which the ownership of the leased property is transferred to the lessee, finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the consolidated financial statements.

The leased assets are initially recorded at their acquisition costs and depreciated over the term of the lease on a straight-line basis.

d. Installment Sales — The Companies record revenues and profits from installment sales at the due date of each payment.

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥179,259 million (\$1,347,812 thousand) in 2002 and ¥165,044 million in 2001, respectively.

e. Marketable and Investment Securities — All securities are classified as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders’ equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

The Company reviews the fair value of its available-for-sale securities on a regular basis to determine if the fair value of any individual security has declined below its cost and if such decline is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the security is written down to fair value. The resulting realized loss is included in the consolidated statements of income in the period in which the decline was deemed to be other than temporary.

f. Property and Equipment — Property and equipment held for the Company’s own use are stated at cost.

Depreciation is computed based on the estimated useful lives of the assets under the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998 for assets held by the Company and consolidated domestic subsidiaries, and under the

straight-line method for assets held by consolidated foreign subsidiaries.

Estimated useful lives of the assets are principally as follows:

Buildings: 2 to 50 years

Furniture and equipment: 2 to 20 years

g. Retirement and Pension Plans

Employees' Retirement Benefits — The Company, its subsidiary Diamond Auto Lease Co., Ltd. and Hirogin Lease Co., Ltd. have unfunded retirement benefit plans for employees except former Ryoshin Leasing Corporation's employees and non-contributory funded pension plans covering eligible employees.

The liability for retirement benefits of the Company is computed based on projected benefit obligations and plan assets at the balance sheet date, while the liability for retirement benefits of the above mentioned subsidiaries is provided at 100% of the amount which would be required if all employees had retired at the balance sheet date.

Retirement Allowances for Directors and Corporate Auditors — Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

h. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

i. Translation of Foreign Currency Accounts

Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date or, for hedged transactions, the applicable exchange rates. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

Foreign Currency Financial Statements — The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation ad-

justment" in a separate component of shareholders' equity.

j. Derivative and Hedging Activities — The Companies utilize derivative financial instruments, including foreign exchange forward contracts and currency swap contracts, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts and interest rate cap contracts to manage its interest rate risk exposures on certain liabilities. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and currency swap contracts are utilized to hedge foreign exchange risk. Certain assets and liabilities denominated in foreign currencies are translated at the contracted rates if the contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. The other interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liability or asset.

k. Per Share Information — The computation of net income and cash dividends per share of common stock is based on the weighted average number of shares outstanding during each year. The weighted average number of common shares used in the computation was 56,976 thousand shares for 2002 and 56,979 thousand shares for 2001. Diluted net income per share is not disclosed because it is anti-dilutive.

In Japan, dividends which are payable to shareholders of record at the end of a fiscal year are subsequently authorized by shareholders and, accordingly, these dividends are not reflected in the consolidated financial statements at such fiscal year-end. However, dividends per share shown on the consolidated statements of income have been presented on an accrual basis and, accordingly, include dividends authorized by shareholders subsequent to the end of each fiscal year.

3. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Current:			
Debt securities	¥ 11,830	¥ 7,282	\$ 88,947
Trust fund investments		507	
Total	<u>¥ 11,830</u>	<u>¥ 7,789</u>	<u>\$ 88,947</u>
Non-current:			
Equity securities	¥ 15,272	¥ 16,981	\$ 114,827
Debt securities	48,659	64,621	365,857
Trust fund investments	1,896	1,990	14,256
Total	<u>¥ 65,827</u>	<u>¥ 83,592</u>	<u>\$ 494,940</u>

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2002 and 2001 were as follows:

March 31, 2002	Cost	Millions of Yen			Fair Value
		Unrealized Gains	Unrealized Losses		
Securities classified as:					
Available-for-sale:					
Equity securities	¥ 8,267	¥ 3,636	¥ 612	¥ 11,291	
Debt securities	58,158	2,199	2,700	57,657	
Trust fund investments	2,306		410	1,896	

March 31, 2001	Cost	Millions of Yen			Fair Value
		Unrealized Gains	Unrealized Losses		
Securities classified as:					
Available-for-sale:					
Equity securities	¥ 9,497	¥ 4,793	¥ 970	¥ 13,320	
Debt securities	69,922	2,079	2,773	69,228	
Trust fund investments	2,356	2	317	2,041	

March 31, 2002	Cost	Thousands of U.S. Dollars			Fair Value
		Unrealized Gains	Unrealized Losses		
Securities classified as:					
Available-for-sale:					
Equity securities	\$ 62,158	\$ 27,338	\$ 4,601	\$ 84,895	
Debt securities	437,278	16,534	20,301	433,511	
Trust fund investments	17,339		3,083	14,256	

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying amount		
	Millions of Yen	2001	Thousands of U.S. Dollars
Available-for-sale:			
Equity securities	¥ 3,981	¥ 3,661	\$ 29,932
Debt securities	2,832	2,675	21,293
Trust fund investments		456	
Total	<u>¥ 6,813</u>	<u>¥ 6,792</u>	<u>\$ 51,225</u>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥3,759 million (\$28,263 thousand) and ¥8,783 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥177 million (\$1,331 thousand) and ¥32 million (\$241 thousand), respectively, for the year ended March 31, 2002 and ¥75 million and ¥1,207 million, respectively, for the year ended March 31, 2001.

The carrying values of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2002 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 11,830	\$ 88,947
Due after one year through five years	13,061	98,203
Due after five years through ten years	2,223	16,714
Total	<u>¥ 27,114</u>	<u>\$ 203,864</u>

The total carrying values of nonmaturity bonds are not included in the above table.

4. Leased Assets

Leased assets as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Computers and office equipment	¥ 1,063,964	¥ 983,570	\$ 7,999,729
Industrial and Construction machinery	500,448	442,740	3,762,767
Other	482,712	402,595	3,629,413
Leased assets — at cost	2,047,124	1,828,905	15,391,909
Accumulated depreciation	(1,210,821)	(1,075,023)	(9,103,917)
Total	836,303	753,882	6,287,992
Advances for purchases of leased assets	1,765	2,756	13,271
Total leased assets	¥ 838,068	¥ 756,638	\$ 6,301,263

The minimum future rentals on lease contracts as of March 31, 2002 and 2001 were ¥866,826 million (\$6,517,489 thousand) and ¥833,669 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2002 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 274,663	\$ 2,065,136
2004	221,752	1,667,308
2005	161,983	1,217,917
2006	105,641	794,293
2007	51,784	389,354
Thereafter	51,003	383,481
Total	¥ 866,826	\$ 6,517,489

5. Pledged Assets

As of March 31, 2002 the following assets were pledged as collateral for short-term borrowings, long-term debt and contingent liabilities.

	Millions of Yen	Thousands of U.S. Dollars
Time deposit with an original maturity over three months	¥ 122	\$ 917
Minimum future rentals on lease contracts	60,648	456,000
Receivables — trade: Installment sales	7,383	55,511

The liabilities secured by the foregoing assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term borrowings	¥ 8,700	\$ 65,414
Long-term debt including current maturities	39,476	296,812
Contingent liabilities	92	692

6. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Short-term loans from banks and other financial institutions with interest ranging:			
2002 – from 0.35% to 2.40%	¥ 325,559		\$ 2,447,812
2001 – from 0.37% to 6.03%		¥ 309,756	
Commercial paper with interest ranging:			
2002 – from 0.05% to 0.48%	415,300		3,122,557
2001 – from 0.11% to 0.65%		359,800	
Total	¥ 740,859	¥ 669,556	\$ 5,570,369

Substantially all of the Company's short-term bank loans are made under agreements, as is customary in Japan, which provide that, at the request of the bank, the Company provide collateral or guarantors with respect to the loan. As of March 31, 2002, the Company has not received any such request.

Long-term debt as of March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Bonds			
Straight bonds and floating-rate bonds due 2002 with interest ranging from 1.93% to 2.45%		¥ 19,500	
Straight bonds and floating-rate bonds due 2003 with interest ranging from 0.32% to 2.40%	¥ 51,980	38,000	\$ 390,827
Straight bonds and floating-rate bonds due 2004 with interest ranging from 1.16% to 2.13%	26,100	25,500	196,241
Straight bonds and floating-rate bonds due 2005 with interest ranging from 1.46% to 2.00%	31,000	31,000	233,083
Straight bonds and floating-rate bonds due 2006 with interest of 1.52%	30,930	30,930	232,556
Straight bonds and floating-rate bonds due 2007 with interest of 2.03%	3,000	3,000	22,556
Loans from the securitization of the minimum future rentals on lease contracts with interest ranging:			
from 0.22% to 1.91%, due through 2007	49,330		370,900
from 0.65% to 3.08%, due through 2006		30,578	
Floating-rate, due through 2007	58,370	15,874	438,875
Loans from banks and other financial institutions, partially collateralized with interest ranging:			
from 0.09% to 7.46%, due through 2016	345,324		2,596,421
from 0.18% to 8.81%, due through 2016		350,111	
Total	596,034	544,493	4,481,459
Current maturities	(189,137)	(121,237)	(1,422,083)
Long-term debt, less current maturities	¥ 406,897	¥ 423,256	\$ 3,059,376

The aggregate annual maturities of long-term debt following March 31, 2002 were as follows:

Year Ending March 31	Thousands of	
	Millions of Yen	U.S. Dollars
2003	¥ 189,137	\$ 1,422,083
2004	116,053	872,579
2005	126,268	949,383
2006	109,130	820,526
2007	36,760	276,391
Thereafter	18,686	140,497
Total	<u>¥ 596,034</u>	<u>\$ 4,481,459</u>

The Company executed a total of ¥8,000 million (\$60,150 thousand) revolving credit facilities with certain domestic banks for the year ended March 31, 2002.

7. Retirement and Pension Plans

The Company, its subsidiary Diamond Auto Lease Co., Ltd. and Hirogin Lease Co., Ltd. have unfunded retirement benefit plans for employees except former Ryoshin Leasing Corporation's employees and non-contributory funded pension plans covering eligible employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from its subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits for directors and corporate auditors at March 31, 2002 and 2001 were ¥110 million (\$827 thousand) and ¥108 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability (asset) for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Projected benefit obligation	¥ 4,079	¥ 3,325	\$ 30,669
Fair value of plan assets	(2,986)	(2,852)	(22,451)
Unrecognized actuarial loss	(765)	(178)	(5,751)
Prepaid pension costs	259	284	1,947
Net liability	<u>¥ 587</u>	<u>¥ 579</u>	<u>\$ 4,414</u>

The components of net periodic benefit costs for the year ended March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Service cost	¥ 266	¥ 282	\$ 2,000
Interest cost	99	92	744
Expected return on plan assets	(86)	(83)	(647)
Reversal of excess accrual of liability for retirement benefits		(318)	
Recognized actuarial loss	9		68
Additionally paid retirement benefits	36	70	271
Net periodic benefit costs	<u>¥ 324</u>	<u>¥ 43</u>	<u>\$ 2,436</u>

Assumptions used for the years ended March 31, 2002 and 2001 are set forth as follows:

	2002	2001
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	3.0%	3.0%
Recognition period of actuarial gain / loss	18 to 20 years	18 to 20 years
Recognition period of transitional effect		1 year

8. Commitments and Contingent Liabilities

As of March 31, 2002, the Companies have commitments for the purchase of assets for leasing and installment sales, having a cost of approximately ¥66,916 million (\$503,128 thousand).

The Companies are contingently liable as of March 31, 2002 as guarantor or co-guarantor for borrowings of ¥21,224 million (\$159,579 thousand) for its unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swaps in the ordinary course of business (Note 15).

9. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001. Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥638 million (\$4,797 thousand) and ¥598 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amounts of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

10. Acquisition of The Casio Lease Co., Ltd.

On August 28, 2000, the Company acquired 80% of issued shares of The Casio Lease Co., Ltd., for ¥8,000 million (\$64,516 thousand).

11. Acquisition of Hirogin Lease Co., Ltd.

On March 29, 2002, the Company acquired 80% of issued shares of Hirogin Lease Co., Ltd., for ¥2,400 million (\$18,045 thousand).

12. Related Party Transactions

The transactions with affiliates and a principal shareholder during the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Interest expense	¥ 1,064	¥ 1,732	\$ 8,000

Amounts due to affiliates and a principal shareholder as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Short-term borrowings	¥100,350	¥ 101,136	\$ 754,511
Long-term debt	23,336	33,694	175,459

13. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax assets:			
Allowance for doubtful receivables	¥ 3,566	¥ 2,956	\$ 26,811
Property and equipment	2,011		15,117
Tax loss carry forwards	793	548	5,965
Accrued business tax	758	583	5,700
Intangible assets	731	800	5,497
Devaluation loss on available-for-sale securities	697		5,240
Other	1,685	1,452	12,669
Total	¥ 10,241	¥ 6,339	\$ 76,999
Less valuation allowance	(563)	(422)	(4,232)
Less deferred tax liabilities	(658)	(987)	(4,947)
Net deferred tax assets	¥ 9,020	¥ 4,930	\$ 67,820

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax liabilities:			
Property and equipment	¥ 589	¥ 321	\$ 4,425
Net unrealized gain on available-for-sale securities	547	884	4,114
Other	94	92	708
Total	¥ 1,230	¥ 1,297	\$ 9,247
Less deferred tax assets	(658)	(987)	(4,947)
Net deferred tax liabilities	¥ 572	¥ 310	\$ 4,300

The difference between the effective tax rate in the accompanying consolidated statement of income and the normal effective statutory tax rate for the year ended March 31, 2002 was not significant.

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2001 and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2001
Normal effective statutory tax rate	42%
Dividends received eliminated in consolidation	4
Adjustments on gain on sales of investments in affiliated companies	5
Valuation allowance	4
Lower income tax rates applicable to income in certain foreign countries and other	<u>(4)</u>
Actual effective tax rate	<u>51%</u>

14. Leases

The Companies lease certain equipment and other assets under finance leases. Total rental expenses under such lease for the years ended March 31, 2002 and 2001 were ¥93 million (\$699 thousand) and ¥129 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at March 31, 2002 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
(1) Property and equipment		
Acquisition cost	¥ 135	\$ 1,015
Accumulated depreciation	98	737
Net leased property	<u>¥ 37</u>	<u>\$ 278</u>
(2) Obligations under finance leases		
Due within one year	¥ 3,991	\$ 30,008
Due after one year	4,402	33,098
Total	<u>¥ 8,393</u>	<u>\$ 63,106</u>

15. Derivatives

The Companies enter into foreign exchange forward contracts and currency swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts and interest rate cap contracts to manage its interest rate risk exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Companies do not hold or issue derivatives for trading purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The companies had the following derivatives contracts outstanding at March 31, 2002 and 2001:

	Millions of Yen					
	2002			2001		
	Contract Amount	Fair Value	Unrealized Gain / Loss	Contract Amount	Fair Value	Unrealized Gain / Loss
Currency swaps contracts:						
Yen payment, U.S.\$ receipt.....	¥ 997	¥ 116	¥ 116	¥ 997	¥ (24)	¥ (24)
U.S.\$ payment, Yen receipt.....	2,512	(1,018)	(1,018)	2,521	(771)	(771)
Euro payment, Yen receipt	320	45	45	400	81	81
Yen payment, HK \$ receipt	1,500	126	126	2,500	174	174
Interest rate swap contracts:						
Floating rate payment, fixed rate receipt.....	2,285	280	280	2,333	296	296
Fixed rate payment, floating rate receipt.....	9,407	(377)	(377)	3,982	(41)	(41)
Floating rate payment, floating rate receipt	1,000	(7)	(7)	1,000	(20)	(20)
Interest rate cap contracts:						
Selling				3,000		4
Buying	400			3,372		4

	Thousands of U.S. Dollars		
	2002		
	Contract Amount	Fair Value	Unrealized Gain / Loss
Currency swaps contracts:			
Yen payment, U.S.\$ receipt.....	\$ 8,040	\$ 937	\$ 937
U.S.\$ payment, Yen receipt.....	20,256	(8,213)	(8,213)
Euro payment, Yen receipt	2,581	362	362
Yen payment, HK \$ receipt	12,097	1,018	1,018
Interest rate swap contracts:			
Floating rate payment, fixed rate receipt.....	18,428	2,258	2,258
Fixed rate payment, floating rate receipt.....	75,860	(3,044)	(3,044)
Floating rate payment, floating rate receipt	8,065	(58)	(58)
Interest rate cap contracts:			
Buying	3,244		

Foreign currency forward contracts which qualify for hedge accounting, assigned to the associated assets and liabilities and are recorded on the consolidated balance sheets at March 31, 2002 and 2001, are excluded from the disclosure of market value information.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

16. Segment Information

Information about industry segments for the years ended March 31, 2002 and 2001 was as follows:

Industry segments

Year Ended March 31, 2002	Millions of Yen					Consolidated
	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	
(1) Operating income						
Revenue from customers	¥ 339,137	¥ 115,200	¥ 11,330	¥ 6,385		¥ 472,052
Intersegment revenue	40		415	259	¥ (714)	
Total sales	339,177	115,200	11,745	6,644	(714)	472,052
Operating expenses	325,450	111,246	9,806	4,127	4,410	455,039
Operating income	¥ 13,727	¥ 3,954	¥ 1,939	¥ 2,517	¥ (5,124)	¥ 17,013
(2) Assets, depreciation and capital expenditures						
Assets	¥ 878,412	¥ 272,277	¥ 309,687	¥ 68,120	¥ 14,080	¥1,542,576
Depreciation	267,553				1,198	268,751
Capital expenditures	319,228				3,028	322,256
Year Ended March 31, 2002	Thousands of U.S. Dollars					Consolidated
	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	
(1) Operating income						
Revenue from customers	\$2,549,902	\$ 866,165	\$ 85,188	\$ 48,008		\$ 3,549,263
Intersegment revenue	300		3,128	1,947	\$ (5,375)	
Total sales	2,550,202	866,165	88,316	49,955	(5,375)	3,549,263
Operating expenses	2,446,992	836,437	73,729	31,030	33,158	3,421,346
Operating income	\$ 103,210	\$ 29,728	\$ 14,587	\$ 18,925	\$ (38,533)	\$ 127,917
(2) Assets, depreciation and capital expenditures						
Assets	\$6,604,602	\$2,047,195	\$2,328,474	\$ 512,180	\$105,865	\$11,598,316
Depreciation	2,011,677				9,008	2,020,685
Capital expenditures	2,400,211				22,767	2,422,978
Year Ended March 31, 2001	Millions of Yen					Consolidated
	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	
(1) Operating income (loss)						
Revenue from customers	¥ 312,490	¥ 131,212	¥ 12,121	¥ 9,157		¥ 464,980
Intersegment revenue	57		287	18	¥ (362)	—
Total sales	312,547	131,212	12,408	9,175	(362)	464,980
Operating expenses	300,042	128,463	14,096	6,036	4,172	452,809
Operating income (loss)	¥ 12,505	¥ 2,749	¥ (1,688)	¥ 3,139	¥ (4,534)	¥ 12,171
(2) Assets, depreciation and capital expenditures						
Assets	¥ 788,570	¥ 257,952	¥ 238,136	¥ 80,485	¥ 39,542	¥1,404,685
Depreciation	245,466				624	246,090
Capital expenditures	303,656				2,576	306,232

Geographic segments

Sales and total assets of the Company and its domestic subsidiaries for the years ended March 31, 2002 and 2001, represented more than 90% of consolidated sales and total assets of each respective year. Accordingly, geographic segments were not required to be disclosed.

Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2002 and 2001, represented less than 10% of consolidated sales of each respective year. Accordingly, sales to foreign customers were not required to be disclosed.

17. Subsequent Event

On June 27, 2002, the shareholders authorized the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥9 (\$0.07) per share	¥ 513	\$ 3,857
Bonuses to directors	60	451

Independent Auditors' Report

Tohatsu & Co.

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**Deloitte
Touche
Tohatsu**

To the Board of Directors of
Diamond Lease Company Limited:

We have examined the consolidated balance sheets of Diamond Lease Company Limited and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Diamond Lease Company Limited and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohatsu

June 27, 2002

Service Network (Overseas & Domestic)

Diamond Airfinance (Ireland) Limited

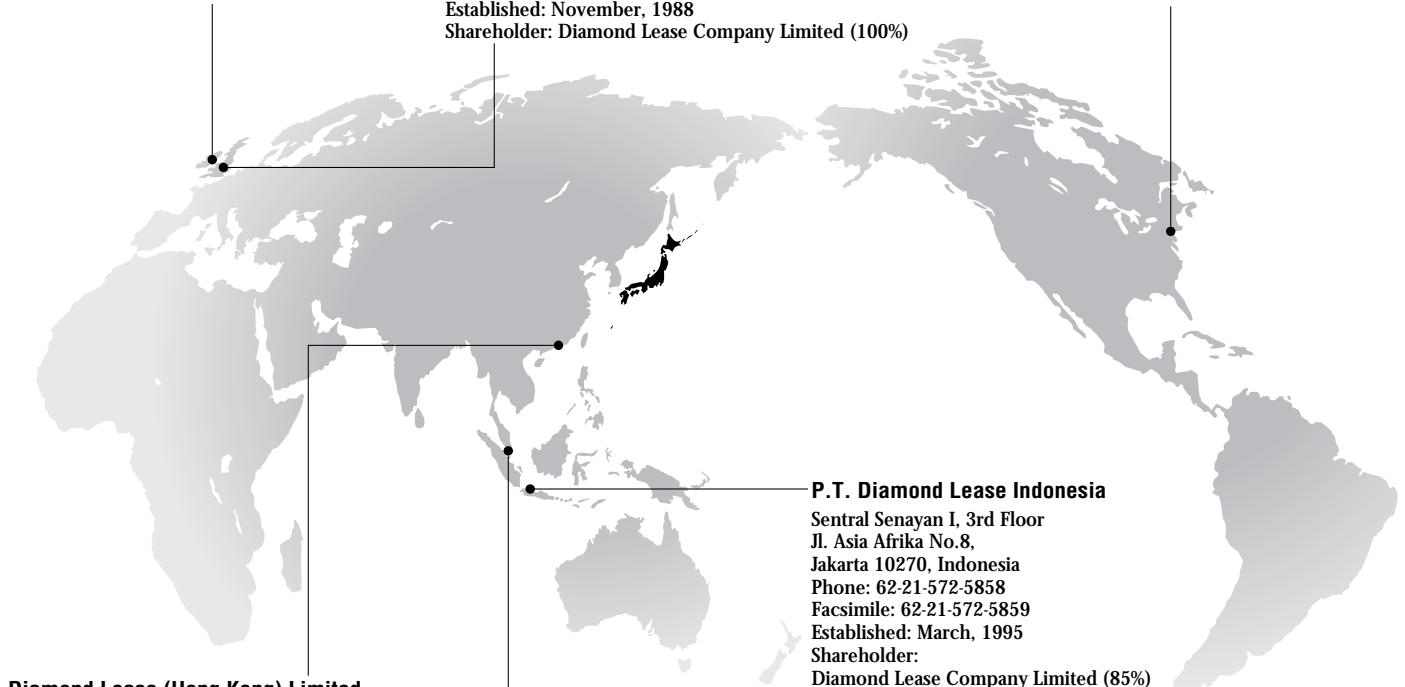
La Touche House
International Financial Service Centre
Custom House Docks, Dublin 1, Ireland
Phone: 353-1-670-1822
Facsimile: 353-1-670-1823
Established: May, 1995
Shareholder:
Diamond Lease Company Limited (100%)

Diamond Lease (U.K.) Limited

Registered Address:
200 Aldersgate Street, London EC1A 4JJ, U.K.
Correspondence Address:
Diamond Lease Company Limited
3-1, Marunouchi 3-chome, Chiyoda-ku,
Tokyo 100-8462, Japan
Phone: 03-3287-6486
Facsimile: 03-3287-6498
Established: November, 1988
Shareholder: Diamond Lease Company Limited (100%)

Diamond Lease (U.S.A.), Inc.

350 Fifth Avenue
Empire State Building, Suite 616
New York, NY 10118, U.S.A.
Phone: 1-917-351-0820
Facsimile: 1-917-351-0840
Established: November, 1985
Shareholder:
Diamond Lease Company Limited (99.375%)



Diamond Lease (Hong Kong) Limited

402 Far East Finance Centre, 16 Harcourt Road,
Hong Kong
Phone: 852-2527-7620
Facsimile: 852-2865-6471
Established: April, 1973
Shareholder:
Diamond Lease Company Limited (100%)

P.T. Diamond Lease Indonesia

Sentral Senayan I, 3rd Floor
Jl. Asia Afrika No.8,
Jakarta 10270, Indonesia
Phone: 62-21-572-5858
Facsimile: 62-21-572-5859
Established: March, 1995
Shareholder:
Diamond Lease Company Limited (85%)

Diamond Lease (Singapore) Pte. Ltd.

80 Raffles Place #30-21
UOB Plaza 2
Singapore 048624
Phone: 65-6220-2515
Facsimile: 65-6220-8780
Established: September, 2000
Shareholder: Diamond Lease (Hong Kong) Limited (100%)

In Japan

Head Office
Shinjuku Business Department
Ueno Branch
Gotanda Branch
Ikebukuro Branch
Tachikawa Branch
Tohoku Branch

Omiya Branch
Yokohama Branch
Chiba Branch
Nagoya Branch
Hokuriku Branch
Kyoto Branch
Osaka Branch

Kobe Branch
Okayama Branch
Hiroshima Branch
Fukuoka Branch
Minami Kyushu Branch



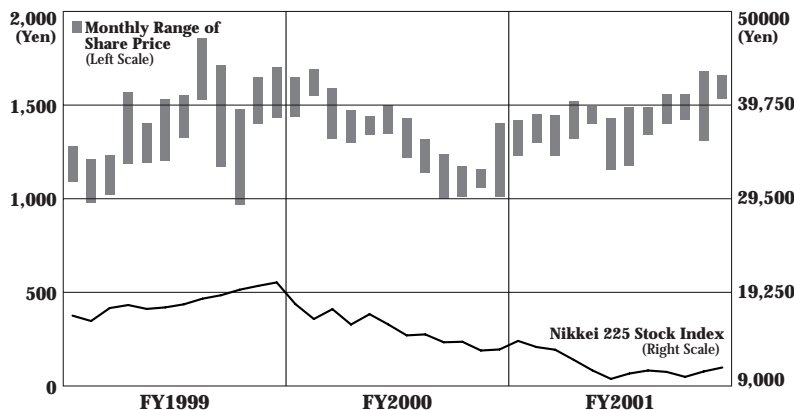
Principal Shareholders

	Number of Shares Held (thousands)	Ownership (%)
Mitsubishi Corporation	8,546	15.00
The Meiji Mutual Life Insurance Company	3,027	5.31
The Bank of Tokyo-Mitsubishi, Ltd.	2,848	5.00
The Mitsubishi Trust and Banking Corporation	2,848	5.00
Marunouchi Yorozu Corporation	2,477	4.35
DC Card Co., Ltd.	2,417	4.24
The Tokio Marine and Fire Insurance Co., Ltd.	2,373	4.17
Tori Co., Ltd.	2,328	4.09
The Norinchukin Bank	2,180	3.83
Ryoshin Fudosan Co., Ltd.	2,159	3.79
Total	31,207	54.77

Common Stock Price Range

(Tokyo Stock Exchange)

	FY1999		FY2000		FY2001	
	High	Low	High	Low	High	Low
First Quarter	¥1,280	¥ 980	¥1,690	¥1,319	¥1,451	¥1,228
Second Quarter	1,570	1,190	1,500	1,297	1,520	1,154
Third Quarter	1,860	1,171	1,430	1,000	1,560	1,178
Fourth Quarter	1,700	970	1,400	1,010	1,680	1,310



Principal Subsidiaries and Affiliates

	Equity (%)
Domestic	
Diamond Auto Lease Co., Ltd.*	100
DIA SPC Co., Ltd.*	100
The Casio Lease Co., Ltd.*	80
Hirogin Lease Co., Ltd.*	80
Diamond Rental System Co., Ltd.	100
Dia Coral Ltd.	100
DL Business Co., Ltd.	100
Aogin Lease Co., Ltd.	20
*Consolidated	
Overseas	
Diamond Lease (Hong Kong) Limited*	100
Diamond Lease (U.S.A.), Inc.*	99.375
Diamond Lease (U.K.) Limited*	100
Diamond Lease (Cayman) Limited*	100
P.T. Diamond Lease Indonesia*	85
Ryoshin International (Hong Kong) Limited*	100
Ryoshin Lease International (Panama) S.A.*	100
Diamond Airfinance (Ireland) Limited*	100
Diamond Lease (Singapore) Pte. Ltd.*	*1)
Dialease Maritime S.A.*	100
DL China International Ltd.	100
Dia Investment Company Ltd.	100
Dia No. 1 Properties, Inc.	100
Trouville Ltd.	33.33
Harvey Maritime S.A.	100
Verde Maritime S.A.*	*2)
Pegasus Maritima Shipholding S.A.*	*3)
Shin Onoe Maritima Shipholding S.A.*	*3)
Vega Maritima Shipholding S.A.*	*3)
Sirius Maritima Shipholding S.A.*	*3)

*Consolidated

*1) Diamond Lease (Hong Kong) Limited owns 100% shares of the equity.

*2) The equity is owned by Dialease Maritime S.A. (67% shares) and Diamond Lease (Hong Kong) Limited (33% shares).

*3) Dialease Maritime S.A. owns 100% shares of the equity.

Board of Directors and Corporate Auditors

Chairman

Yoji Onoe

Tomohisa Yamada

Managing Director General Manager,
Metropolitan Division 1
The Tokio Marine and Fire Insurance Co., Ltd.

Ryoichi Kato

President
Diamond Auto Lease Co., Ltd.

President

Yasuyuki Hirai

Seiji Shiraishi

General Manager
Credit Supervision Department

Masao Fujii

General Manager
Business Department No. 3

Senior Managing Director

Tomoyuki Hanzawa

Hideo Oda

General Manager
Accounting Department

Corporate Auditors

Sadabumi Igarashi

Sadayoshi Sakuma

Managing Directors

Toru Hada

Tadaomi Saito

Osamu Ouchi

Tetsuo Iizumi

Tokutaro Sekine

General Manager
Treasury Department

Katsutoshi Saito

Senior Managing Director
The Dai-ichi Mutual Life Insurance Company

Takeaki Takeuchi

President
Diamond Lease (U.S.A.), Inc.

Yoshihiro Maeda

President
Ryoshin DC Card Company, Ltd.

Directors

Yukichi Ozawa

Senior Managing Director
The Meiji Mutual Life Insurance Company

Nobuyuki Baba

General Manager
Business Department No. 1

Hiromichi Kawai

General Manager
General Affairs Department

Corporate Data

Company Name

Diamond Lease Company Limited

Date of Establishment

April 12, 1971

Fiscal Year

April 1 to March 31

Head Office

3-1, Marunouchi 3-chome,
Chiyoda-ku, Tokyo 100-8462, Japan
Phone: 03-3287-6451
Facsimile: 03-3287-6494
URL: <http://www.dia-lease.co.jp/>

Number of Authorized Shares

180,000,000

Transfer Agent

The Mitsubishi Trust and
Banking Corporation

Number of Issued Shares

56,980,000

Auditor

Deloitte Touche Tohmatsu

International Department

3-1, Marunouchi 3-chome,
Chiyoda-ku, Tokyo 100-8462, Japan
Phone: 03-3287-6467
Facsimile: 03-3287-6497

Paid-in Capital

¥16,440,295,000

Stock Listing

First Section of the Tokyo Stock Exchange

Number of Shareholders

3,177

Number of Employees

780



DIAMOND LEASE COMPANY LIMITED

3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8462, Japan

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