

# DIAMOND LEASE COMPANY LIMITED

Annual Report 2003

## *PROFILE*

Diamond Lease Company Limited celebrated its 30-year anniversary in April 2001, and throughout its existence has achieved strong growth by making an accurate identification of the needs of the time. In April 1971 we were incorporated as the core leasing company of the Mitsubishi Group, with cooperation from The Bank of Tokyo-Mitsubishi, Ltd. and other group companies. In 1985 we became listed on the Tokyo Stock Exchange. Bringing the company public made us further aware of our role as a public institution within society, as we have continued to take initiative in expanding our base of operations while constantly pursuing sound management.

In April 2002 we started our present three-year medium-term business plan. We are confident that we will achieve our main business targets, and are progressing on a program that also takes into consideration management activities with an awareness of the issues of corporate governance and compliance which Japanese companies are currently under pressure to address. Although the Japanese economy has been in a protracted recession, Diamond Lease is aiming to further expand the areas of business that it handles as a leading company within the leasing industry.



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## TO OUR SHAREHOLDERS AND FRIENDS



Chairman Yoji Onoe (left) and President Yasuyuki Hirai

### **Economic Environment**

During fiscal 2002 (April 1, 2002 through March 31, 2003) the Japanese economy continued to be in a condition of emphasizing reductions in corporate inventory and employment costs throughout the year, although in the first half of the year the country experienced an increase in exports particularly to the United States, and there was some hope that the economy had bottomed out. Personal consumption, which accounts for 60 percent of GDP, remained flat and overall the economy continued to be stagnant. Corporate capital expenditure, which has a significant impact on the leasing industry as a whole, continued to show little in the way of positive indications of a recovery. Consequently total leasing contracts on the part of members of the Japan Leasing Association in fiscal 2002 experienced a year-on-year decline of 4.6%, to ¥7,552.1 billion (US\$62,934 million). The Iraq War in the Middle East also broke out in March 2003, which was the end of the fiscal year, and exports to the United States began to decline in

the latter part of fiscal 2002, having a major impact on the domestic economy. Consequently while the real GDP in fiscal 2002 grew by 1.6%, the GDP deflator which indicates overall changes in prices was a minus 2.2% and thus nominal GDP had a negative growth rate of minus 0.7%.

### **Consolidated Performance**

Under these circumstances we took initiative in pursuing business activities on the part of our corporate group as a whole, marking the first year of our new three-year medium-term business plan which began in April 2002. In our main business activity of seeking to increase our operating assets, we acquired all of the shares of the Meiji Life Insurance Company affiliate Meijiseimei Leasing Co., Ltd., in December 2002, making it a subsidiary of our company, and renamed it as DLM Co., Ltd. Moreover in March 2003 we acquired 45% of the shares of Mitsubishi Electric Credit Co., Ltd., which is affiliated with Mitsubishi Electric Corpora-

tion. These acquisitions have strengthened our alliance with the companies in which we acquired shares, as the core leasing company in the Mitsubishi Group, and have enabled us to work to achieve an even greater expansion of our market share and to broaden our customer base. We have also made even more extensive efforts in areas such as marketing activities fully utilizing the marketing channels of our major shareholders within the Mitsubishi Group, and in building marketing alliances with prominent vendors. Further efforts include our developments of the network and infrastructure to provide effective support to our marketing activities. These activities include the deployment of a "credit risk evaluation model" serving to boost our profitability, and a dedicated system for the factoring business which is experiencing rapid growth.

The September 2001 terrorist attacks in the United States and the subsequent war in Iraq forced us to book losses in transactions with airlines in North America which were already under financial pressure. Consequently we allocated ¥6.4 billion (US\$53 million) to our reserve for doubtful receivables, which was in excess of our prior estimate.

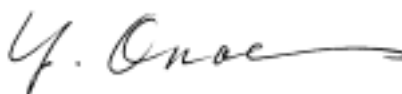
As a result of the above we and our 30 consolidated subsidiaries were able to achieve the operating results set forth below, in spite of the severe business environment in which we operate. Our volume of new contracts on a principal base increased by 8.1% year-on-year to ¥499.4 billion (US\$4,162 million), 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 ¥60.4 billion (US\$504 million) 12.8% year-on-year to ¥532.5 billion (US\$4,437 million), but operating income declined by ¥0.5 billion (US\$4 million) to ¥16.5 billion (US\$138 million), and net income amounted to ¥8.9 billion (US\$74 million).

### **Prospects for the Fiscal Year Ending in March 2004**

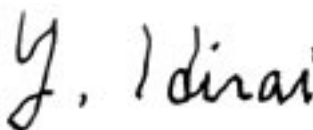
Given the pressure from deflationary adjustments associated with structural reform and the poor performance of stock prices, there are not many signs that give grounds for optimism for demand in the private sector. There is also uncertainty regarding the progress of the global economy beginning with the Iraq War, and time is likely to be required to emerge from deflation and begin a recovery. Within this situation which does not allow us any luxury to rest on our laurels, during fiscal 2003 we are taking initiative in pursuing our strategy which has progressed in accordance with the principles set forth in our medium-term business plan. At the same time we are working to improve our performance while taking particular care in our credit screening in order to improve shareholder value.

For our projected consolidated performance in the March 2004 settlement we expect to earn a 1.4% increase in total revenues to ¥540.0 billion (US\$4,500 million) and a 29.8% increase in net income to ¥11.5 billion (US\$96 million).

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



Yoji Onoe, *Chairman*



Yasuyuki Hirai, *President*

# Interview with the President

**Diamond Lease's medium-term business plan sets forth five pillars for the company's strategy. The current state of progress is discussed below, and steady results have been achieved. We are steadily achieving our targets for new contracts and earnings through thorough marketing activities and by making high quality proposals to the companies with which we do business. The following interview provides a detailed discussion in a question and answer format.**

## ***Greater Earning Capability is the first pillar of the medium-term business plan. How are achievements proceeding within this pillar?***

In our marketing activities we have implemented a policy that emphasizes profitability to a greater extent than in the past. Based on this policy we have accumulated a wide variety of operating assets. We offer proposals to customers that add various types of value, including combinations from the highly diversified product portfolios that are available in our group, that allows us to expand beyond traditional leasing and installment transactions to put effort into financial service transactions and even into various types of structured finance transactions. For this reason we have been able to accumulate business assets with an awareness of our product portfolio mix. We also began full-scale operation of our factoring business from fiscal 2002 and launched the operation of a dedicated system to this sector, in which we have been able to achieve

steady growth in contracts. In our fundraising activities we are making even more thorough use of our asset and liability management capabilities in order to continue to achieve stable funding on advantageous terms, which has enabled us to support our marketing activities. These efforts are supported by our infrastructure, to which our state-of-the-art core information control system, which we have been deploying since May 2001, has made a major contribution.

## ***What steps are you taking to Focus on Assets?***

In order to improve our specialization of having thorough knowledge of financial structures on a company-wide basis based on *lease assets*, we have considered it necessary to implement a centralized analysis and management system with a focus on the risks and returns involving assets under operating leases. For this reason we have

built a suitable computer system to achieve planned progress and improvements. In order to make more accurate present and future residual value analysis of lease assets, we established our Asset Managing Section in October 2002. This section systematically controls and manages lease performance all the way through the time of expiration of the lease, and the lifetime value is now statistically identified for each piece of equipment. The management of risks and returns created by assets is conducted in an organized and overarching fashion, and various steps are taken, including creating new price models. We constantly evaluate equipment that will be used as a core asset in a high growth business. We also identify assets that will generate higher revenues, and use them in our marketing activities while at the same time carrying out portfolio management of leasing assets.

#### **Is the *Enhancement of Marketing Channels* proceeding well, including major shareholders?**

We have achieved sufficient results in our cooperative activities with our three major shareholders, which are The Bank of Tokyo-Mitsubishi, Ltd., Mitsubishi Corporation, and The Mitsubishi Trust and Banking Corporation, as the contract volume owing to these three companies increased year-on-year by 46%. We believe that one of our strengths over our competitors is our ability to efficiently acquire superior new contracts



Yasuyuki Hirai, *President*

through these powerful channels. From a financing perspective as well we have been able at all times to obtain stable financing from various financial institutions and particularly our major shareholder The Bank of Tokyo-Mitsubishi, Ltd. This has made a substantial contribution to our reputation in the leasing industry.

At Diamond Lease we have also taken initiative as we do every year in forming business alliances with quality vendors, with a view towards creating superior business opportunities. We have acquired shares in Meijiseimei Leasing Co., Ltd., and Mitsubishi Electric Credit Co., Ltd., thereby securing a new channel. Moreover, the DIAMOND CLUB formed from 20 leasing companies affiliated with major regional banks nationwide experiences vibrant exchanges of information on its dedicated web, and cooperative activity on individual prospects has become even more extensive, so that our enhancement of channels is proceeding at an even more steady pace than expected.



### **What are the reasons behind the phrase *Emphasize Consolidated Results?***

In November 1997 the Japanese government declared the *big bang* financial reform, and introduced consolidated settlements in corporate accounting. A formal transfer to consolidated settlements was made from the fiscal years beginning during or after March 2000, and from the fiscal settlement ended in March 2001 they introduced mark-to-market accounting under which the valuation of marketable securities held was switched from the cost value to the market value. This marked a major change in course for corporate accounting from the principle of acquisition cost which was the traditional method under Japanese corporate accounting to the principle of the market price, which is the global trend, and included making a clear statement of shortfalls in reserves for retirement bonuses and corporate pensions as liabilities. Based on this change we took initiative in its management with an awareness of consolidated accounting, and at the present time we have adopted policies in a dynamic alliance with all the companies in our group, establishing a project team in our company in order to increase consolidated profit.

We have already centralized management with regard to contract, collection and various portfolios of each of the companies in our group, and are promoting the sharing of core functions including the integration of the computer systems at each group company.

### **From what perspective are you working to *improve Human Resources Development?***

I believe that human resources are the most important pillar supporting management. A company must provide training and otherwise improve expertise, for reasons that include the education of executive employees who can manage the company in the next generation. For this reason we have introduced a knowledge management system referred to as *DL Square* from June 2002, and have worked at sharing various types of expertise and information. This has enabled effective use of the intellectual assets that we have within our company, and allowed the company to achieve central management of the knowledge that each employee acquires in his or her work. It also became a stepping stone that enabled us to introduce personnel evaluations that emphasize performance. We are enhancing our tier tracked training of our employees and are improving our development of human resources having a high level of expertise as we strive to become a comprehensive non-bank financial institution.



### How has your system of corporate governance been put in place?

The board of directors of the company consists of 18 individuals including three outside directors. In addition to our regularly scheduled board meetings, we also convene extraordinary board meetings when necessary, so that we make prompt and accurate decisions. Our company also has an auditors committee consisting of four statutory auditors, of which two have been appointed from outside the company. These steps enable the proper operation of the auditing function by impartial auditors. In addition we have an asset and liability management committee that meets once a month so that we can accurately address the rapid changes in our operating environment, and a risk management committee that meets once every three months. Moreover, in order to provide full disclosure we have been publishing our quarterly settlements since fiscal 2002.

### What is your basic policy in connection with compliance?

The Japanese Commercial Code imposes a duty of compliance on directors and a duty to supervise in order to prevent legal or regulatory violations, and I believe that in this connection compliance and corporate ethics are an extremely important issue for a company. For this reason our

company distributes a compliance manual to all of our employees. This manual contains an outline of the laws, regulations and social norms with which personnel must comply as employees, and constitutes an important guideline for our company in gaining the trust of our customers and contributing to society. We have always had a control system and reporting system in order to achieve thorough compliance, but from June 2003 we separated our compliance committee from the risk management committee, and enhanced the functions of this new independent committee.



# Comprehensive Financial Services

## Leases

In our leasing business we have historically concentrated on finance leases, but in recent years we have also increased our commitment to operating leases and vendor leases based on our enhanced asset and credit risk management system in order to improve profitability. The small ticket transactions handled in vendor leases have in many cases been adopted in Internet transactions, which have achieved rapid growth, and new contracts have increased under the nickname *Partner Lease*. Operating leases have also shown growth in areas such as medical equipment. In addition automobile leases handled by our subsidiary Diamond Auto Lease Co., Ltd. (DAL) have experienced growth in the contracts held for maintenance leases.

## Installment Sales

For customers wishing to acquire title to an asset after paying the installment price, we also offer an installment sale financing. We will continue to devote resources to installment sales as a core sector, mainly in the area of construction equipment and machine tools.

## Loans

We provide loans for capital expenditure and working capital to our corporate clients, and have also made a full-scale entry into the factoring business, which has attracted attention as a means to provide short-term operating capital to businesses. In order to implement our factoring business we have installed a dedicated computer system, and we are emphasizing our *Sale & Installment Back* transactions as a vehicle to factor the assets. Under these transactions we purchase assets owned by the customer and lease the assets back to the customer or sell them back through installment sales.





## Rentals

Our rental operations are primarily conducted by our subsidiary Diamond Rental System Co., Ltd. (DRS), and consist mainly of *PC Rental* which rents computers and peripherals, and rentals of office equipment and machinery. We prepare various rental schemes on request by the customer, and in all of the schemes chosen we include a hard disk erasing service which prevents the disclosure of corporate and personal data.

## Structured Finance

We have taken initiative in private finance initiatives (PFIs) through which local governments seek to exploit the efficiencies offered by the private sector in public projects. Rather than simply providing finance, we create desirable packages that include our own participation by means such as equity investment. Our established real estate leasing system which provides support for capital expenditure in all areas from land to buildings helps companies reduce their financing charges, and to even out their costs and improve their capitalization ratios. We have achieved considerable success in schemes to reduce security deposits and other costs of startup investment on the part of customers, as well as schemes that make use of commercial leasehold rights.

## Investment Finance

In addition to providing financing mainly through leasing, we also offer products such securitization of leasing assets and leveraged leases, to meet the investment needs of our clients. This has expanded our customer base and has created a synergy with our leasing centered business.

## International Business

Diamond Lease is building its business on a global scale, together with its subsidiaries in the US and Asia. We offer leasing and financial services to overseas affiliates of Japanese companies, as well as companies in good-standing from the local areas. In recent years we have staffed our subsidiary in Singapore in order to meet financing needs on the part of affiliates of Japanese corporations in Southeast Asia. We are also in the process of opening a representative office in Shanghai, China, to extend our services to our customers in rapidly growing regions of China.

## REVIEW OF OPERATIONS

### Strategic Acquisitions and Business Alliances

We have established five management strategies in our medium-term business plan, and one of these is enhancing our marketing channels. As part of this goal we implemented various acquisitions and formed business alliances in fiscal 2002. This has been facilitated by the fact that more and more manufacturing companies and regional banks are beginning to spin off their leasing affiliates which have low asset efficiency, which has therefore presented us with numerous opportunities.

In December 2002 we acquired all of the shares of Meijiseimei Leasing Co., Ltd., which is a leasing corporation affiliated with the major life insurer Meiji Life Insurance Company. We changed the name of this corporation to DLM Co., Ltd., and plan to consolidate the company during fiscal 2003. We plan to provide attractive financing services to the clients of this company to the same extent that we are able to offer to our existing client base.

In September 2002 we reached an agreement with Mitsubishi Electric Corporation to acquire 45% of the shares of its leasing affiliate Mitsubishi Electric Credit Co., Ltd., and in March 2003 we completed the procedures for assignment of these shares. We intend to offer marketing capabilities, credit management systems and expertise in obtaining financing to the clients of Mitsubishi Electric Credit Co., Ltd., and thereby increase our market share.

In May 2002 we executed a business alliance for lease transactions with the major book distributor Maruzen Co., Ltd. Based on our execution of this alliance, we purchased the lease receivables of Maruzen's subsidiary Maruzen System Service Co., Ltd. Moreover, we obtained a preferential right to offer financing proposals to their customers at the sale of their information system. In September 2002 we executed a business alliance with VeriSign Japan K.K. which has sophisticated technology in electronic authentication services, and in the same month we estab-

lished a joint venture with i-Hits Corporation, a company that broadcasts cable TV programming. Through these and other steps we have made strategic developments that lead the leasing industry.

### New Opportunities

At the present time companies are diversifying their vehicles for obtaining financing, and we are implementing marketing activities which make proposals that we believe to be more advantageous to our clients. One of these vehicles is the *Sale & Installment Back program* in which we purchase assets that are owned by our clients, and then lease or sell the assets through installment sales back to the same customer. This program can create additional financing opportunities by taking advantage of the unutilized values of assets held by the customer. We have further expanded the scope of





business by introducing the package product *Powers* as a vehicle for our *Sale & Installment Back* program, from April 2002. The *Sale & Installment Back* transactions have been a useful means of finding the new financing needs of companies who are reducing their capital expenditure, and in fiscal 2002 new contracts increased 249% year-on-year to ¥34.0 billion (US\$283 million).

Our factoring business has attracted attention as a vehicle to obtain short-term financing. We entered this market on a full-scale basis in July 2002, and in August 2002 we introduced a dedicated computer system to handle our factoring business. We set a target for new transactions of ¥14.0 billion (US\$117 million) by the end of March 2003, and we achieved this target. Factoring is a promising product as a financing alternative especially for companies in general, medical enterprises including hospitals, and venture companies having highly reputable clients. For this purpose we are marketing this business by purchasing sales receivables from our corporate clients, and taking initiative to meet



the needs of these clients to convert these receivables quickly to cash, and to move their sales receivables off of their balance sheets.

In order to improve our profitability, we are placing an emphasis on the operating lease sector. Operating leases have the advantage of higher transaction profit than standard financial leases, in exchange for which the leasing company bears the residual risk. At the present time the breakdown by type of asset reveals that industrial equipment such as chip mounters, semiconductor equipment, and printing machine constitute the main share of assets held, but in the future we intend to emphasize medical equipment that has a long economic lifespan and is suited to operating leases.

### Launching of New Information Center

We have increased our information oriented investment in computers, which are indispensable in the financial industry. This includes deploying our application service provider (ASP) business which we launched in May 2001 as a comprehensive leasing system. Based on this program, in July 2002 The Daishi Lease Co., Ltd. contracted us with running their core information control system. The Daishi Lease Co., Ltd. is the leasing subsidiary of the prominent regional bank The Daishi Bank, Ltd. This system not only manages lease agreements and operating assets, but also provides various supportive functions for marketing purposes. Since we modify our system if any changes occur in areas such as the accounting system in connection with the leasing business, use of this system removes the burden of operation from the company





that contracts this work to our company. As a comprehensive leasing system that makes use of state-of-the-art information technology, and is on the forefront of the leasing industry, this system allows our company, the member companies in our group and companies that contract for ASP services to use the same infrastructure.

Very superior reliability and stability is required for a high performance mission-critical system, and for this reason after considering the relocation of the equipment to a more secure place in order to protect against crime as well as earthquakes and other major



disasters, in January 2003 we transferred the housing to an appropriate location in the outskirts of Tokyo which offers the highest level of security available in Japan. This housing agreement enhances security of both the computer equipment and operations, and also promotes stable operation of the computer system by specialized engineers. Consequently this transfer reduces risks including those from an earthquake or fire, and also achieves a significant reduction in the cost of system operation.

## International Business

In September 2002 we added staff to Diamond Lease (Singapore) Pte. Ltd., in order to upgrade our business with Japanese affiliated companies in the region of Southeast Asia. Our subsidiary in Singapore is responsible for the overall financing business in Singapore, and is also active as a business center to take initiative in building cross-border transactions with Japanese affiliated companies located in Thailand and the Philippines.



### AMERICAS

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

### EUROPE

- Diamond Airfinance (Ireland) Limited

### ASIA

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

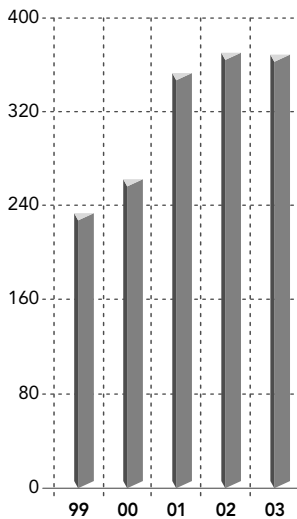
# FINANCIAL INFORMATION

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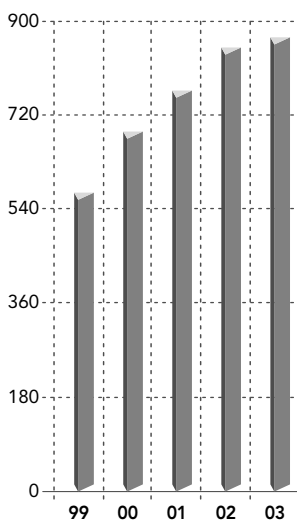
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# FINANCIAL REVIEW

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



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



## Business Operations and Results

In fiscal 2002 (April 1, 2002 through March 31, 2003) the Japanese economy benefited from increased exports to the United States from the start of 2002, and in May 2002 the government announced that the economy had begun to rebound. Nevertheless structural reform of corporations continued to progress even with these hopes of a recovery, the deterioration in the labor market and personal incomes became more apparent, and concerns over a deflationary economy became even more pronounced. The Tokyo Stock Exchange is recognized as a prominent economic indicator, and prices on this exchange continued to be depressed as the Nikkei 225 index fell to a 21 year low of ¥7,972 at the closing of March 31, 2003, which was also the end of our fiscal year.

There was little in the way of grounds for optimism with respect to capital expenditure by the corporate sector either, which has a major impact on our business position. Machinery orders which indicate the amount of orders received by machinery manufacturers continued to show poor performance, and there was a strong tendency particularly in the manufacturing industry to suppress their desire for corporate investment in plant and equipment.

From October 2001 total monthly leasing contract volume on the part of members of the Japan Leasing Association showed successive negative growth when compared to the same month of the previous year, and continued to show a year-on-year decline for 12 months straight through September 2002. There were no signs of a recovery as we entered the second half of fiscal 2002, and although there were some months that showed positive growth in lease contracts, overall there was no major change in the downward trend.

In this environment the Diamond Lease Group achieved the following financial results. Our volume of new contracts on a principal base increased by 8.1% year-on-year to ¥499.4 billion (US\$4,162 million), and as with the previous year we continued to be able to add well performing sales assets.



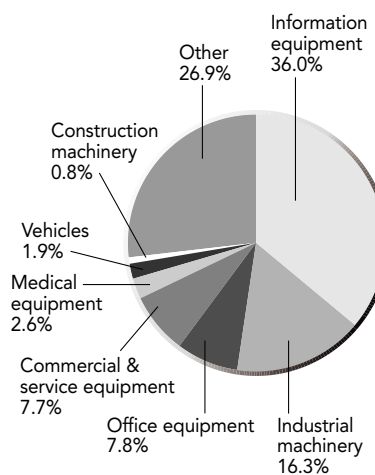
## Revenues and Earnings

In fiscal 2002 our revenues showed ¥532.5 billion (US\$4,437 million) in total revenues, up ¥60.4 billion (US\$504 million) or 12.8% from the previous year, as Diamond Rental System Co., Ltd., was added as a new consolidated subsidiary, and we also benefited from the contribution to earnings made by the consolidated subsidiary Hirogin Lease Co., Ltd., in which we acquired 80% of the shares in March 2002. The details include ¥379.9 billion (US\$3,166 million) in our leasing business, up ¥40.7 billion (US\$339 million) or 12.0%; installment sales of ¥136.6 billion (US\$1,138 million), up ¥21.4 billion (US\$178 million) or 18.5%; loan business of ¥9.6 billion (US\$80 million), down ¥1.7 billion (US\$14 million) or 15.0%; and ¥6.4 billion (US\$54 million) in other business, an increase of ¥0.045 billion (US\$0.375 million) or 0.7%.

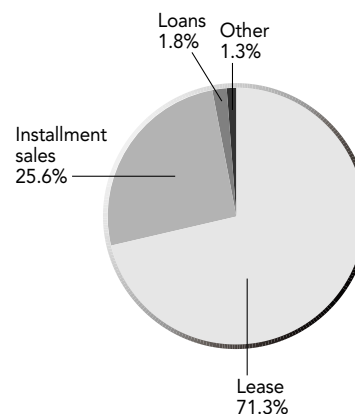
Total costs amounted to ¥490.0 billion (US\$4,084 million) up ¥53.7 billion (US\$447 million) or 12.3%. Gross profit totaled ¥42.4 billion (US\$354 million), up ¥6.8 billion (US\$56 million) or 19.0%. Operating income amounted to ¥16.5 billion (US\$138 million) down ¥0.5 billion (US\$4.2 million) or 2.9% as a result of an increase in selling, general and administrative expenses. This was a result of adding the above two consolidated companies to our consolidated settlement, as well as an increase in human resources costs, and booking a reserve for doubtful accounts of ¥6.4 billion (US\$53 million) in connection with transactions with three airlines in North America that are facing serious financial setbacks.

Moreover, our valuation loss on investment securities increased 43.8% year-on-year to ¥1.9 billion (US\$16 million) as a result of the sharp decline in domestic stock prices in association with the poor performance of the stock market throughout the world. Consequently net income totaled ¥8.9 billion (US\$74 million), representing a decrease of ¥0.6 billion (US\$4.7 million) or 5.9%; while earnings per share amounted to ¥154.52 (US\$1.29). Diamond Lease has decided to pay an interim dividend of ¥7.50 per share, followed by a final dividend of ¥10.50 per share, yielding a total annual dividend of ¥18.00 (15 cent) per share.

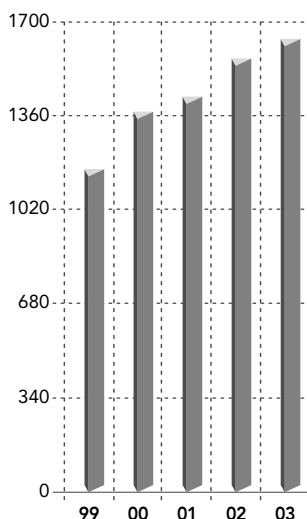
**New Lease Contracts by Product Category (%)**  
2003 (FY2002) (Parent)



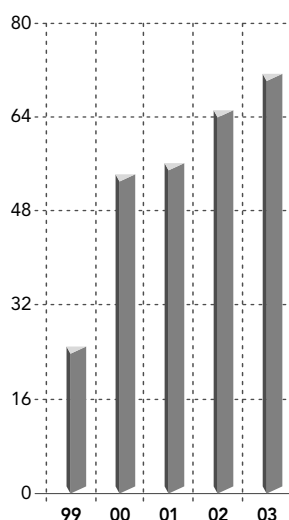
**Total Revenues Composition (%)**  
2003 (FY2002)



**Total Assets**  
(Billions of Yen)



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



**Financial Position**

As of the end of March 2003 operating assets were as follows: Total leased assets amounted to ¥855.8 billion (US\$7,132 million), an increase of ¥19.5 billion (US\$163 million) or 2.3% over the previous year. Installment sales receivables (net of deferred installment credit profit) amounted to ¥264.6 billion (US\$2,205 million), an increase of ¥17.0 billion (US\$141 million) or 9.0%. Outstanding loans amounted to ¥272.8 billion (US\$2,273 million) an increase of ¥41.1 billion (US\$342 million) or 17.7%; while securities holdings classified as operating assets (operating securities) amounted to ¥34.4 billion (US\$287 million), down ¥26.0 billion (US\$217 million) or 43.0%. Consequently total assets amounted to ¥1,427.6 billion (US\$11,896 million), up ¥51.6 billion (US\$430 million) or 3.7%.

Current assets experienced an increase in installment receivables and loan receivables as a result of solid performance in installment sales and the new factoring business. Fixed assets mainly increased because of the increase in leased assets. Consequently total assets grew by ¥70.7 billion (US\$589 million) or 4.6% to ¥1,613.2 billion (US\$13,444 million). Shareholders' equity as of March 31, 2003 increased by ¥6.1 billion (US\$51 million) year-on year to ¥70.2 billion (US\$585 million). The capital adequacy ratio was 4.4% and equity per share amounted to ¥1,231.60 (US\$10.26).

**Funding**

Given the historically low interest rates, we have reduced our financing costs by increasing the percentage of short-term borrowings. In fixed liabilities we have pared down our bond debts and long-term borrowings, and made more extensive efforts to obtain direct financing through issuing commercial paper and securitizing lease receivables thereby reducing our financing costs. As of March 31, 2003 our balance of commercial paper amounted to ¥467.6 billion (US\$3,897 mil-

lion), a year-on-year increase of ¥52.3 billion (US\$436 million).

Our balance of securitized lease receivables grew ¥42.1 billion (US\$351 million) to ¥149.8 billion (US\$1,249 million). As a result our percentage of direct borrowing from the capital markets increased to 54.4% as of March 31, 2003.

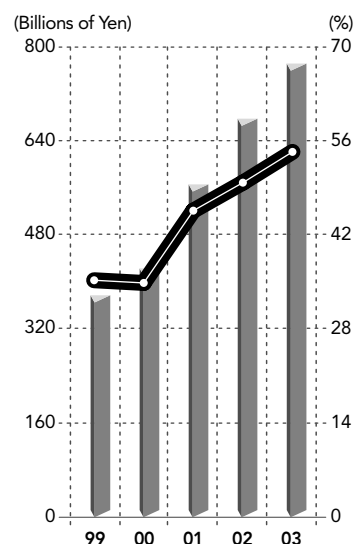
## Cash Flow

Operating activities generated a net cash outflow of ¥53.5 billion (US\$446 million). This total is the sum of a cash outflow of ¥323.1 billion (US\$2,693 million) to purchase lease assets, and ¥102.6 billion (US\$855 million) associated with the increase in trade receivables; and cash inflow of income before income taxes and minority interests of ¥15.6 billion (US\$130 million), depreciation and amortization of ¥297.7 billion (US\$2,481 million).

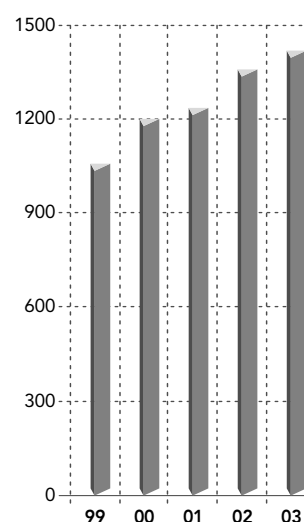
Cash flow from investment activities resulted in a net cash outflow of ¥13.7 billion (US\$114 million) for overall investments, as a result of expenditures that included acquisition of investment securities and assets for corporate use.

Our overall financial activities generated a total cash inflow of ¥64.5 billion (US\$537 million) as consisting of a cash inflow of ¥93.7 billion (US\$781 million) from direct borrowing as a result of our greater emphasis on direct borrowing, and ¥28.3 billion (US\$236 million) in cash outflow from our indirect borrowings. As a result of the above, cash and cash equivalents stood at ¥6.6 billion (US\$55 million) at fiscal year end, down some ¥2.5 billion (US\$21 million) or 27.5% from the previous year.

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



**Interest Bearing Debt** (Billions of Yen)



# CONSOLIDATED BALANCE SHEETS

Diamond Lease Company Limited and Consolidated Subsidiaries

March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 6,556	¥ 9,049	\$ 54,633
Time deposits with an original maturity over three months (Note 5) .....	108	102	900
Marketable securities (Note 3) .....	6,355	11,830	52,958
Receivables — trade (Note 11) :			
Lease .....	26,804	23,670	223,367
Installment sales .....	291,687	270,317	2,430,725
Loans .....	272,770	231,687	2,273,083
Allowance for doubtful receivables .....	(4,123)	(4,602)	(34,358)
Deferred tax assets (Note 12) .....	1,205	1,270	10,042
Prepaid expenses and other .....	18,519	22,753	154,325
Total current assets .....	619,881	566,076	5,165,675
<b>Leased assets — At cost (Note 4) .....</b>	<b>2,095,699</b>	<b>2,047,124</b>	<b>17,464,158</b>
Accumulated depreciation .....	(1,239,893)	(1,210,821)	(10,332,441)
Net leased assets .....	855,806	836,303	7,131,717
Advances for purchases at leased assets .....	2,950	1,765	24,583
Total leased assets .....	858,756	838,068	7,156,300
<b>Investments:</b>			
Investment securities (Note 3) .....	41,232	65,827	343,600
Investments in unconsolidated subsidiaries and associated companies .....	13,315	12,064	110,958
Investments in equity other than capital stock .....	19,794	10,101	164,950
Goodwill .....	5,086	5,575	42,383
Long-term receivables .....	15,652	12,427	130,434
Deferred tax assets (Note 12) .....	11,450	7,750	95,417
Other .....	23,656	21,071	197,134
Allowance for doubtful receivables .....	(4,037)	(4,802)	(33,642)
Total investments .....	126,148	130,013	1,051,234
<b>Property and equipment — At cost .....</b>	<b>11,520</b>	<b>11,102</b>	<b>96,000</b>
Accumulated depreciation .....	(3,071)	(2,683)	(25,592)
Net property and equipment .....	8,449	8,419	70,408
<b>Total .....</b>	<b>¥ 1,613,234</b>	<b>¥ 1,542,576</b>	<b>\$13,443,617</b>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Notes 5, 6 and 11) .....	¥ 805,241	¥ 740,859	\$ 6,710,342
Current maturities of long-term debt (Notes 5, 6 and 11) .....	215,123	189,137	1,792,692
Payables — trade:			
Notes .....	15,014	22,620	125,116
Accounts .....	49,749	50,585	414,575
Accrued expenses .....	4,008	5,425	33,400
Income taxes payable .....	7,989	5,401	66,575
Deposits from customers .....	5,086	6,365	42,383
Deferred profit on installment sales .....	27,105	22,709	225,875
Other (Note 11) .....	10,875	5,553	90,625
Total current liabilities .....	<u>1,140,190</u>	<u>1,048,654</u>	<u>9,501,583</u>
<b>Long-term liabilities:</b>			
Long-term debt, less current maturities (Notes 5, 6 and 11) .....	376,473	406,897	3,137,275
Liability for retirement benefits (Note 7) .....	689	697	5,742
Deferred tax liabilities (Note 12) .....	841	572	7,008
Other .....	23,013	20,341	191,775
Total long-term liabilities .....	<u>401,016</u>	<u>428,507</u>	<u>3,341,800</u>
<b>Minority interests</b> .....	<u>1,814</u>	<u>1,324</u>	<u>15,117</u>
<b>Commitments and contingent liabilities</b> (Note 8)			
<b>Shareholders' equity</b> (Notes 9 and 16):			
Common stock —			
authorized, 180,000,000 shares;			
issued, 56,980,000 shares in 2003 and 2002 .....	16,440	16,440	137,000
Capital surplus .....	17,047	17,047	142,058
Retained earnings .....	39,389	32,752	328,242
Net unrealized loss on available-for-sale securities .....	(1,085)	(368)	(9,042)
Foreign currency translation adjustments .....	(1,543)	(1,766)	(12,858)
Treasury stock, at cost			
18,449 shares in 2003 and 9,610 shares in 2002 .....	(34)	(14)	(283)
Total shareholders' equity .....	<u>70,214</u>	<u>64,091</u>	<u>585,117</u>
<b>Total</b> .....	<u>¥ 1,613,234</u>	<u>¥ 1,542,576</u>	<u>\$13,443,617</u>



# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31, 2003 and 2002

	Thousands of Shares		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003	2002	2003
<b>Common stock</b>					
Beginning balance .....	56,980	56,980	¥ 16,440	¥ 16,440	\$ 137,000
Ending balance .....	56,980	56,980	¥ 16,440	¥ 16,440	\$ 137,000
<b>Capital surplus</b>					
Beginning balance .....			¥ 17,047	¥ 17,047	\$ 142,058
Ending balance .....			¥ 17,047	¥ 17,047	\$ 142,058
<b>Retained earnings</b>					
Beginning balance .....			¥ 32,752	¥ 24,066	\$ 272,933
Net income .....			8,862	9,420	73,850
Cash dividends paid .....			(940)	(684)	(7,833)
Bonuses to directors .....			(60)	(50)	(500)
Adjustment for newly consolidated subsidiary .....			(265)		(2,208)
Adjustment for change in functional currency of a foreign subsidiary .....			(960)		(8,000)
Ending balance .....			¥ 39,389	¥ 32,752	\$ 328,242
<b>Net unrealized (loss) gain on available-for-sale securities</b>					
Beginning balance .....			¥ (368)	¥ 391	\$ (3,067)
Adjustment for the period .....			(717)	(759)	(5,975)
Ending balance .....			¥ (1,085)	¥ (368)	\$ (9,042)
<b>Foreign currency translation adjustments</b>					
Beginning balance .....			¥ (1,766)	¥ (2,932)	\$ (14,716)
Adjustment for the period .....			223	1,166	1,858
Ending balance .....			¥ (1,543)	¥ (1,766)	\$ (12,858)
<b>Treasury stock:</b>					
Beginning balance .....			¥ (14)		\$ (116)
Treasury stock acquired, net .....			(20)	¥ (14)	(167)
Ending balance .....			¥ (34)	¥ (14)	\$ (283)

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
<b>Operating activities:</b>			
Income before income taxes and minority interests .....	¥ 15,564	¥ 16,223	\$ 129,700
Adjustment for:			
Income taxes — paid .....	(10,744)	(9,104)	(89,533)
Depreciation and amortization .....	297,739	269,264	2,481,158
Reversal of doubtful receivables .....	(1,248)	(2,804)	(10,400)
Loss on disposition of leased assets .....	25,833	23,678	215,275
Loss on devaluation of securities .....	1,939	1,349	16,159
Provision for liability for retirement benefits .....	59	12	492
Changes in assets and liabilities:			
Increase in trade receivables .....	(102,593)	(62,872)	(854,942)
Decrease in interest and dividend receivable .....	1	5	8
Decrease in trade payables .....	(10,841)	(1,453)	(90,342)
Increase (decrease) in interest payable .....	1,986	(681)	16,550
Purchases of leased assets .....	(323,113)	(319,228)	(2,692,608)
Other — net .....	51,900	25,910	432,500
Total adjustments .....	(69,082)	(75,924)	(575,683)
Net cash used in operating activities .....	(53,518)	(59,701)	(445,983)
<b>Investing activities:</b>			
Purchases of property and equipment .....	(2,783)	(2,545)	(23,192)
Purchases of investment securities .....	(2,863)	(1,402)	(23,858)
Proceeds from sales of investment securities .....	1,050	888	8,750
Purchases of Hirogin Lease Co., Ltd. ....		(1,958)	
Increase in other assets .....	(9,096)	(7,888)	(75,800)
Net cash used in investing activities .....	(13,692)	(12,905)	(114,100)
<b>Financing activities:</b>			
Repayments of long-term debt .....	(170,309)	(106,731)	(1,419,242)
Proceeds from long-term debt .....	126,147	56,988	1,051,225
Net proceeds from short-term borrowings .....	109,588	118,002	913,233
Cash dividends paid .....	(940)	(684)	(7,833)
Other — net .....	(20)	(12)	(167)
Net cash provided by financing activities .....	64,466	67,563	537,216
Foreign currency translation adjustments on cash and cash equivalents .....	(363)	503	(3,025)
Net decrease in cash and cash equivalents .....	(3,107)	(4,540)	(25,892)
Cash and cash equivalents of newly consolidated subsidiary, beginning of year .....	614		5,117
Cash and cash equivalents, beginning of year .....	9,049	13,589	75,408
Cash and cash equivalents, end of year .....	¥ 6,556	¥ 9,049	\$ 54,633

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
<b>Additional information:</b>			
Assets acquired and liabilities assumed in acquisition, as of March 31, 2002 (Note 10):			
Current assets acquired .....		¥ 14,396	
Leased assets, investments and property acquired .....		54,265	
Goodwill .....		2,355	
Current liabilities assumed .....		(53,861)	
Long-term liabilities assumed .....		(14,744)	
Minority interests .....		(11)	
Acquisition cost .....		2,400	
Cash and cash equivalents held by Hirogin Lease Co., Ltd. ....		(442)	
Payment for purchase of Hirogin Lease Co., Ltd. ....		¥ 1,958	

See notes to consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31, 2003 and 2002

## 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 Financial Reporting 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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2002 financial statements to conform to the classifications used in 2003.

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 ¥120 = US\$1.00, the exchange rate in effect at March 31, 2003. 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, 2003 include the accounts of the Company and its 30 (23 in 2002) significant subsidiaries.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investment in an (0 in 2002) associated company is accounted for by the equity method.

Investments in the remaining 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 receipt.

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥192,643 million (\$1,605,358 thousand) in 2003 and ¥179,259 million in 2002, 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.

The range of 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, and its consolidated domestic subsidiaries have unfunded retirement benefit plans for 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 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 the 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 consolidated statements of income 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 adjustments" 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 consolidated statements of income 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** — Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of common shares used in the computation were 56,966 thousand shares for 2003 and 56,976 thousand shares for 2002.

Basic net income per share for the years ended March 31, 2003 and 2002 are computed in accordance with the new

standard. Diluted net income per share is not disclosed because it is anti-dilutive.

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

### 3. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current:			
Debt securities .....	¥ 6,264	¥11,830	\$ 52,200
Trust fund investments .....	91		758
Total .....	¥ 6,355	¥11,830	\$ 52,958
Non-current:			
Equity securities .....	¥12,364	¥15,272	\$103,033
Debt securities .....	28,228	48,659	235,234
Trust fund investments .....	640	1,896	5,333
Total .....	¥41,232	¥65,827	\$343,600

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2003 and 2002 were as follows:

March 31, 2003	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥ 7,566	¥ 1,892	¥ 669	¥ 8,789
Debt securities.....	32,651	1,421	2,079	31,993
Trust fund investments .....	769		38	731
March 31, 2002				
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, 2003	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities .....	\$ 63,050	\$15,767	\$ 5,575	\$ 73,242
Debt securities .....	272,092	11,841	17,325	266,608
Trust fund investments .....	6,408		317	6,091

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying amount		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale:			
Equity securities .....	¥ 3,575	¥ 3,981	\$29,792
Debt securities .....	2,499	2,832	20,825
Total .....	¥6,074	¥ 6,813	\$50,617

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥1,623 million (\$13,525 thousand) and ¥3,759 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥15 million (\$125 thousand) and ¥21 million (\$175 thousand), respectively, for the year ended March 31, 2003 and ¥177 million and ¥32 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2003 are as follows:

	Thousands of U.S. Dollars	
	Available for sale	Available for sale
Due in one year or less .....	¥ 6,355	\$ 52,958
Due after one year through five years .....	5,650	47,083
Total .....	¥ 12,005	\$ 100,041

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

#### 4. Leased Assets

Leased assets as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Computers and office equipment .....	¥ 1,062,053	¥ 1,063,964	\$ 8,850,442
Industrial and Construction machinery .....	497,537	500,448	4,146,142
Other .....	536,109	482,712	4,467,574
Leased assets — at cost .....	2,095,699	2,047,124	17,464,158
Accumulated depreciation .....	(1,239,893)	(1,210,821)	(10,332,441)
Total .....	855,806	836,303	7,131,717
Advances for purchases of leased assets .....	2,950	1,765	24,583
Total leased assets .....	¥ 858,756	¥ 838,068	\$ 7,156,300

The minimum future rentals on lease contracts as of March 31, 2003 and 2002 were ¥879,563 million (\$7,329,692 thousand) and ¥866,826 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2003 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004 .....	¥ 280,547	\$ 2,337,892
2005 .....	219,750	1,831,250
2006 .....	161,427	1,345,225
2007 .....	100,033	833,608
2008 .....	50,873	423,942
Thereafter .....	66,933	557,775
Total .....	¥ 879,563	\$ 7,329,692

#### 5. Pledged Assets

As of March 31, 2003 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 .....	¥ 108	\$ 900
Minimum future rentals on lease contracts .....	28,788	239,900

The liabilities secured by the foregoing assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term borrowings .....	¥ 6	\$ 50
Long-term debt including current maturities .....	21,600	180,000
Contingent liabilities .....	78	650

## 6. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Short-term loans from banks and other financial institutions with interest ranging:			
2003 — from 0.34% to 1.70% .....	¥ 337,641		\$ 2,813,675
2002 — from 0.35% to 2.40% .....		¥ 325,559	
Commercial paper with interest ranging:			
2003 — from 0.06% to 0.25% .....	467,600		3,896,667
2002 — from 0.05% to 0.48% .....		415,300	
Total .....	¥ 805,241	¥ 740,859	\$ 6,710,342

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 bank, the Company provide additional collateral or guarantors with respect to the loan. As of March 31, 2003, the Company has not received any such request.

Long-term debt as of March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Bonds			
Straight bonds and floating-rate bonds due 2003 with interest ranging from 0.77% to 2.40% .....		¥ 51,980	
Straight bonds and floating-rate bonds due 2004 with interest ranging from 0.12% to 2.13% .....	¥ 76,400	26,100	\$ 636,667
Straight bonds and floating-rate bonds due 2005 with interest ranging from 1.46% to 2.00% .....	31,000	31,000	258,333
Straight bonds and floating-rate bonds due 2006 with interest of 1.52% .....	30,930	30,930	257,750
Straight bonds due 2007 with interest of 2.03% .....	3,000	3,000	25,000
Straight bonds due 2009 with interest of 0.62% .....	1,000		8,333
Loans from the securitization of the minimum future rentals on lease contracts with interest ranging:			
from 0.17% to 1.51%, due through 2007 .....	45,910		382,583
from 0.22% to 1.91%, due through 2007 .....		49,330	
Floating-rate, due through 2007 .....	103,937	58,370	866,142
Loans from the banks and other financial institutions, partially collateralized with interest ranging:			
from 0.07% to 7.46%, due through 2016 .....	299,419		2,495,159
from 0.09% to 7.46%, due through 2016 .....		345,324	
Total .....	591,596	596,034	4,929,967
Current maturities .....	(215,123)	(189,137)	(1,792,692)
Long-term debt, less current maturities .....	¥ 376,473	¥ 406,897	\$ 3,137,275

The aggregate annual maturities of long-term debt at March 31, 2003 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004 .....	¥ 215,123	\$ 1,792,692
2005 .....	146,598	1,221,651
2006 .....	132,616	1,105,133
2007 .....	46,873	390,608
2008 .....	24,316	202,633
Thereafter .....	26,070	217,250
Total .....	<u>¥ 591,596</u>	<u>\$ 4,929,967</u>

The Company executed a total of ¥133,000 million (\$1,108,333 thousand) revolving credit facilities with certain domestic banks for the year ended March 31, 2003.

## 7. Retirement and Pension Plans

The Company and its consolidated domestic subsidiaries have unfunded retirement benefit plans for employees except for 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 domestic 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, 2003 and 2002 were ¥136 million (\$1,134 thousand) and ¥110 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation .....	¥ 4,350	¥ 4,079	\$ 36,250
Fair value of plan assets .....	(3,007)	(2,986)	(25,058)
Unrecognized actuarial loss .....	(981)	(765)	(8,175)
Prepaid pension costs .....	191	259	1,591
Net liability .....	<u>¥ 553</u>	<u>¥ 587</u>	<u>\$ 4,608</u>

The components of net periodic benefit costs for the year ended March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost .....	¥ 305	¥ 266	\$ 2,542
Interest cost .....	100	99	833
Expected return on plan assets .....	(89)	(86)	(742)
Recognized actuarial loss .....	40	9	333
Additionally paid retirement benefits .....	62	36	517
Net periodic benefit costs .....	<u>¥ 418</u>	<u>¥ 324</u>	<u>\$ 3,483</u>

Assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate .....	2.5%	2.5%
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

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## 8. Commitments and Contingent Liabilities

As of March 31, 2003, the Companies have commitments for the purchase of assets for leasing and installment sales, having a cost of approximately ¥55,962 million (\$466,350 thousand).

The Companies are contingently liable as of March 31, 2003 as guarantor or co-guarantor for borrowings of ¥11,792 million (\$98,267 thousand) for its unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swaps in the ordinary course of business (Note 14).

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## 9. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese 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 beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥ 37,910 million (\$315,917 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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.

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## 10. Acquisition of Hirogin Lease Co., Ltd.

On March 29, 2002, the Company acquired 80% of the issued shares of Hirogin Lease Co., Ltd., for ¥2,400 million.

## 11. Related Party Transactions

The transactions with affiliates and a principal shareholder for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Interest expense .....	¥ 931	¥ 1,064	\$ 7,758

Amounts due from and to affiliates and a principal shareholder as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Receivables — trade:			
Lease .....	¥ 275		\$ 2,292
Installment sales .....	2,954		24,617
Loans .....	2,386		19,883
Short-term borrowings .....	100,350	¥ 100,350	836,250
Other current liabilities .....	186		1,550
Long-term debt .....	15,266	23,336	127,217

## 12. 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 42.0% for the years ended March 31, 2003 and 2002.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Allowance for doubtful receivables .....	¥ 7,250	¥ 3,566	\$ 60,417
Leased assets .....	1,819	2,011	15,158
Tax loss carryforwards .....	885	793	7,375
Accrued business taxes .....		758	
Intangible assets .....		731	
Devaluation loss on available-for-sale securities .....		697	
Other .....	3,298	1,685	27,484
Total .....	¥ 13,252	¥ 10,241	\$ 110,434
Less valuation allowance .....	(518)	(563)	(4,317)
Less deferred tax liabilities .....	(79)	(658)	(658)
Net deferred tax assets .....	¥ 12,655	¥ 9,020	\$ 105,459



	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax liabilities:			
Leased assets .....	¥ 863	¥ 589	\$ 7,191
Net unrealized gain on available-for-sale securities .....		547	
Other .....	57	94	475
Total .....	¥ 920	¥ 1,230	\$ 7,666
Less deferred tax assets .....	(79)	(658)	(658)
Net deferred tax liabilities .....	¥ 841	¥ 572	\$ 7,008

The difference between the effective tax rate in the accompanying consolidated statements of income and the normal effective statutory tax rate for the year ended March 31, 2003 and 2002 was not significant.

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 42.0% to 40.5%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets non-current by ¥219 million (\$1,825 thousand), decrease credit amount of income taxes-deferred by ¥220 million (\$1,833 thousand), and increase unrealized gain on available-for-sale securities by ¥1 million (\$8 thousand) in the consolidated financial statements for the year ended March 31, 2003.

### 13. Leases

The Companies lease certain equipment and other assets under finance leases. Total rental expenses under such lease for the years ended March 31, 2003 and 2002 were ¥23 million (\$192 thousand) and ¥93 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease which included obligations under subleases contracts, that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
(1) Property and equipment			
Acquisition cost .....	¥ 66	¥ 135	\$ 550
Accumulated depreciation .....	54	98	450
Net leased property .....	¥ 12	37	\$ 100
(2) Obligations under finance leases			
Due within one year .....	¥2,311	3,991	\$ 19,258
Due after one year .....	2,291	4,402	19,092
Total .....	¥4,602	¥ 8,393	\$ 38,350

Depreciation expense which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method, was ¥23 million (\$192 thousand) and ¥93 million for the years ended March 31, 2003 and 2002, respectively. The amount of obligations under finance leases includes the imputed interest expense portion.

## 14. Derivatives

The Companies enter into foreign currency 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 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, 2003 and 2002:

	Millions of Yen					
	2003			2002		
	Contract Amount	Fair Value	Unrealized Gain / Loss	Contract Amount	Fair Value	Unrealized Gain / Loss
Currency swaps contracts:						
Yen payment, U.S.\$ receipt .....	¥ 997	¥ 7	¥ 7	¥ 997	¥ 116	¥ 116
U.S.\$ payment, Yen receipt .....	2,512	(673)	(673)	2,512	(1,018)	(1,018)
Euro payment, Yen receipt .....	240	(2)	(2)	320	45	45
Yen payment, HK \$ receipt .....				1,500	126	126
Interest rate swap contracts:						
Floating rate payment, fixed rate receipt .....	2,095	240	240	2,285	280	280
Fixed rate payment, floating rate receipt .....	1,090	(34)	(34)	9,407	(377)	(377)
Floating rate payment, floating rate receipt .....				1,000	(7)	(7)
Interest rate cap contracts:						
Buying .....				400		
Foreign currency forward contracts:						
Buying .....	154	(6)	(6)			
	Thousands of U.S. Dollars					
	2003					
	Contract Amount	Fair Value	Unrealized Gain / Loss			
Currency swaps contracts:						
Yen payment, U.S.\$ receipt .....	\$ 8,308	\$ 58	\$ 58			
U.S.\$ payment, Yen receipt .....	20,933	(5,608)	(5,608)			
Euro payment, Yen receipt .....	2,000	(17)	(17)			
Interest rate swap contracts:						
Floating rate payment, fixed rate receipt .....	17,458	2,000	2,000			
Fixed rate payment, floating rate receipt .....	9,083	(283)	(283)			
Foreign currency forward contracts:						
Buying .....	1,283	(50)	(50)			

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, 2003 and 2002, 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.

## 15. Segment Information

Information about industry segments for the years ended March 31, 2003 and 2002 is as follows:

### Industry segments

Year Ended March 31, 2003	Millions of Yen					Consolidated
	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	
(1) Operating income						
Revenue from customers .....	¥ 379,870	¥ 136,557	¥ 9,627	¥ 6,430		¥ 532,484
Intersegment revenue .....	103		927	273	¥ (1,303)	
Total sales .....	379,973	136,557	10,554	6,703	(1,303)	532,484
Operating expenses .....	360,729	132,321	13,377	4,872	4,671	515,970
Operating income (loss) .....	¥ 19,244	¥ 4,236	¥ (2,823)	¥ 1,831	¥ (5,974)	¥ 16,514
(2) Total assets, depreciation and capital expenditures						
Total assets .....	¥ 896,099	¥ 295,642	¥ 424,977	¥ 43,449	¥ (46,933)	¥ 1,613,234
Depreciation .....	295,674				1,588	297,262
Capital expenditures .....	323,113				2,783	325,896

Year Ended March 31, 2003	Thousands of U.S. Dollars					Consolidated
	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	
(1) Operating income						
Revenue from customers .....	\$ 3,165,583	\$ 1,137,975	\$ 80,225	\$ 53,583		\$ 4,437,366
Intersegment revenue .....	858		7,725	2,275	\$ (10,858)	
Total sales .....	3,166,441	1,137,975	87,950	55,858	(10,858)	4,437,366
Operating expenses .....	3,006,075	1,102,675	111,475	40,600	38,924	4,299,749
Operating income (loss) .....	\$ 160,366	\$ 35,300	\$ (23,525)	\$ 15,258	\$ (49,782)	\$ 137,617
(2) Total assets, depreciation and capital expenditures						
Total assets .....	\$ 7,467,492	\$ 2,463,683	\$ 3,541,475	\$ 362,075	\$ (391,108)	\$ 13,443,617
Depreciation .....	2,463,950				13,233	2,477,183
Capital expenditures .....	2,692,608				23,192	2,715,800

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) Total assets, depreciation and capital expenditures						
Total 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

### Geographic segments

Sales and total assets of the Company and its domestic subsidiaries for the years ended March 31, 2003 and 2002, 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, 2003 and 2002, represented less than 10% of consolidated sales of each respective year. Accordingly, sales to foreign customers were not required to be disclosed.

## 16. Subsequent Event

On June 27, 2003, the shareholders authorized the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥10.5 (\$0.09) per share .....	¥ 598	\$ 4,983
Bonuses to directors .....	60	500

## INDEPENDENT AUDITORS' REPORT

**Tohmatsu & Co.**  
MS Shibaura Building  
13-23, Shibaura 4-chome,  
Minato-ku, Tokyo 108-8530, Japan

Tel: +81-3-3457-7321  
Fax: +81-3-3457-1694  
www.tohmatsu.co.jp

**Deloitte  
Touche  
Tohmatsu**

To the Board of Directors of  
Diamond Lease Company Limited:

We have audited the accompanying consolidated balance sheets of Diamond Lease Company Limited and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diamond Lease Company Limited and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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 Tohmatsu*

June 27, 2003

# SERVICE NETWORK (Overseas & Domestic)

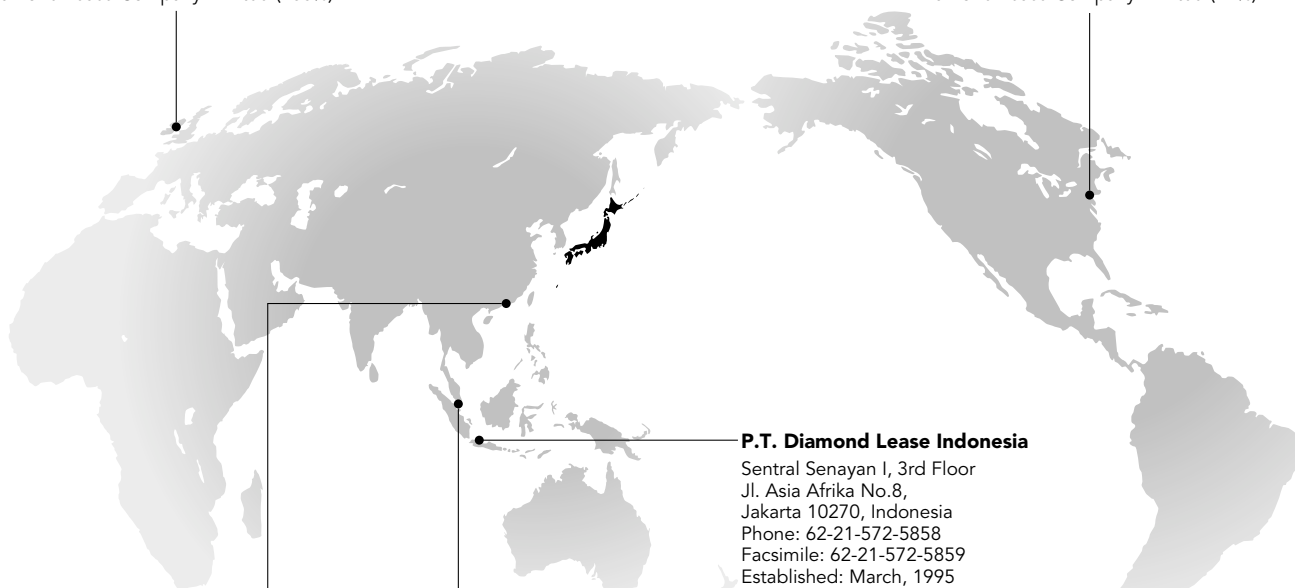
(as of June 30, 2003)

## 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.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%)



## 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 (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%)

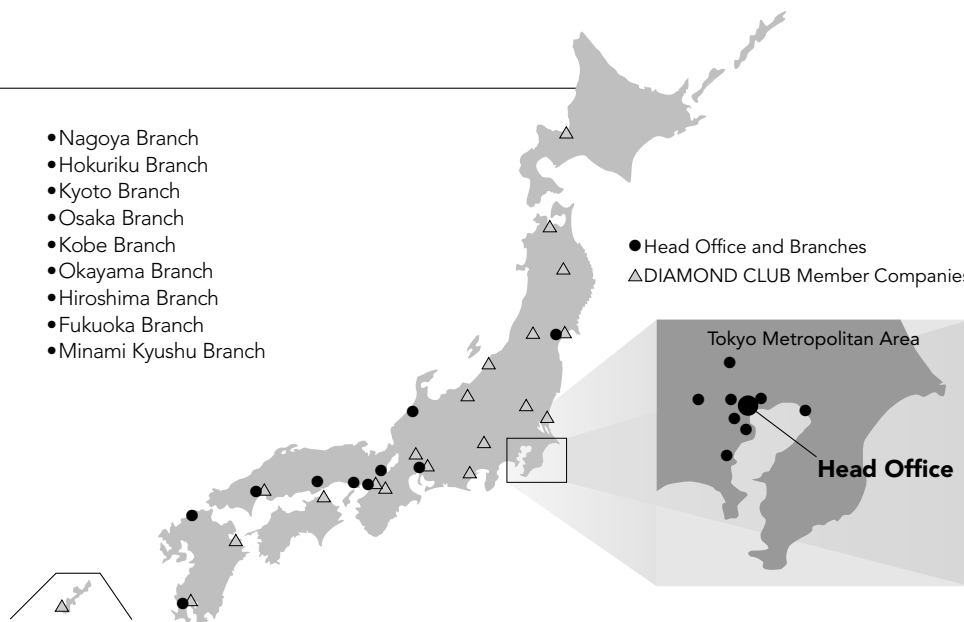
## Diamond Lease (Singapore) Pte. Ltd.

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



● Head Office and Branches  
△ DIAMOND CLUB Member Companies

Tokyo Metropolitan Area  
Head Office

# INVESTOR INFORMATION

(as of March 31, 2003)

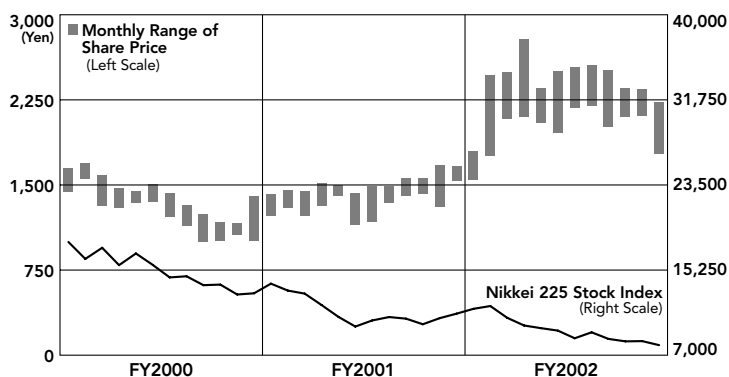
## Principal Shareholders

	Number of Shares Held (thousands)	Ownership (%)
Mitsubishi Corporation	8,546	15.00
Meiji Life Insurance Company	2,943	5.17
The Bank of Tokyo-Mitsubishi, Ltd.	2,843	4.99
The Mitsubishi Trust and Banking Corporation	2,843	4.99
Marunouchi Yorozu Corporation	2,477	4.35
DC Card Co., Ltd.	2,417	4.24
Tori Co., Ltd.	2,328	4.09
Japan Trustee Service Bank, Ltd.	2,283	4.01
The Norinchukin Bank	2,180	3.83
Ryoshin Fudosan Co., Ltd.	2,085	3.66

## Common Stock Price Range

(Tokyo Stock Exchange)

	FY2000		FY2001		FY2002	
	High	Low	High	Low	High	Low
First Quarter .....	¥1,690	¥1,319	¥1,451	¥1,228	¥2,490	¥1,550
Second Quarter.....	1,500	1,297	1,520	1,154	2,785	1,958
Third Quarter.....	1,430	1,000	1,560	1,178	2,555	2,015
Fourth Quarter.....	1,400	1,010	1,680	1,310	2,355	1,775



## Principal Group Companies

Domestic	Ownership (%)
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
DL Business Co., Ltd.	100
Dia Coral Ltd.	100
Mitsubishi Electric Credit Co., Ltd. **	45
Aogin Lease Co., Ltd.	20

\* Consolidated

\*\* A consolidated subsidiary accounted for by equity method

Overseas	Ownership (%)
Diamond Lease (Hong Kong) Limited*	100
Diamond Lease (U.S.A.), Inc.*	99
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
Halcyon Shipping S.A.	100
DL China International Ltd.	100
Dia Investment Company Ltd.	100
Dia No. 1 Properties, Inc.	100
Trouville Ltd.	33
Verde Maritime S.A.*	*2)
Pegasus 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

(as of June 27, 2003)

## Chairman

Yoji Onoe

## President

Yasuyuki Hirai

## Senior Managing Directors

Tomoyuki Hanzawa

Toru Hada

## Managing Directors

Tetsuo Iizumi

Tokutaro Sekine

Nobuyuki Baba

## Directors

Toshio Akimoto

Senior Managing Director Chief Executive, Investment  
Meiji Life Insurance Company

## Hiroshi Kanasugi

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

## Ichiro Mizuno

Member of the Board  
Executive Vice President  
Chief Financial Officer  
Mitsubishi Corporation

## Osamu Ouchi

Representative Director  
Mitsubishi Electric Credit Co., Ltd.

## Ryoichi Kato

President  
Diamond Auto Lease Co., Ltd.

## Hideo Oda

General Manager  
Accounting Department

## Takeaki Takeuchi

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

## Hikomichi Kawai

General Manager  
General Affairs Department

## Masao Fujii

General Manager  
Business Department No. 3

## Yuji Tatano

General Manager  
Business Development Department

## Tamotsu Naito

President  
The Casio Lease Co., Ltd.

## Corporate Auditors

### Tadaomi Saito

### Masaru Higashi

### Katsutoshi Saito

Senior Managing Director  
The Dai-ichi Mutual Life Insurance Company

### Yoshihiro Maeda

President  
Ryoshin DC Card Company, Ltd.

# CORPORATE DATA

(as of March 31, 2003)

## Company Name

Diamond Lease Company Limited

## 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/>

## International Department

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

## Date of Establishment

April 12, 1971

## Number of Authorized Shares

180,000,000

## Number of Issued Shares

56,980,000

## Paid-in Capital

¥16,440,295,000

## Number of Shareholders

3,133

## Number of Employees

874

## Fiscal Year

April 1 to March 31

## Transfer Agent

The Mitsubishi Trust and Banking  
Corporation

## Auditor

Deloitte Touche Tohmatsu

## Stock Listing

First Section of the Tokyo Stock Exchange



**DIAMOND LEASE COMPANY LIMITED**

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/>