

DIAMOND LEASE COMPANY LIMITED

Annual Report 2005

For the Fiscal Year Ended March 31, 2005

PROFILE

Diamond Lease Company Limited was incorporated in 1971 with investment from key companies in the Mitsubishi Group. In 1985 we became listed on the Tokyo Stock Exchange, and we have steadily grown as a general leasing company while pursuing management that is thoroughly consistent with changes in the times. Since 1999 we have pursued various mergers and acquisitions as well as alliances to increase the size of our business, and have at the same time diversified our channels of information—a key management resource for a leasing company. In this manner we are creating synergies in all areas of our corporate activity, from building projects at the management level as well as obtaining financing and developing products, through building our customer base on the front lines of our sales activities.

In April 2002 we began our three-year medium-term business plan, and achieved all of numerical targets in the second year of this plan. In the third year of this plan we were able to work to exceed all of our numerical targets. Building on this momentum we launched our new medium-term business plan with the catchphrase of “*Challenging a New Stage in Development—Progressive and Innovative*” from April 2005, as we focus on the next generation in our management of the company.

Contents

- 01 Financial Highlights
- 02 To Our Shareholders and Friends
- 04 Results of Previous Medium-term Business Plan
- 05 Our New Medium-term Business Plan
“Challenging a New Stage in Development—
Progressive and Innovative”
- 10 Corporate Governance
- 12 Review of Operations
- 13 Financial Information
- 36 Service Network
- 37 Corporate History
- 38 Investor Information
- 39 Board of Directors and Corporate Auditors
- 39 Corporate Data

Forward-Looking Statements

Future forecasts and estimations regarding management and financial information in connection with Diamond Lease Company Limited that are stated in this Annual Report have been made on our own discretion on the basis of information that we were able to obtain at the time of preparing this document. Please be aware that these forecasts and estimations contain risks and uncertainties, and that actual results may differ as a result of economic circumstances or other changes.

FINANCIAL HIGHLIGHTS

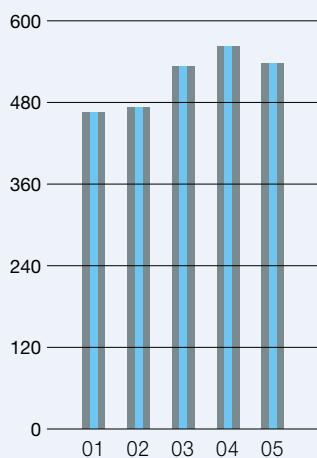
Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31

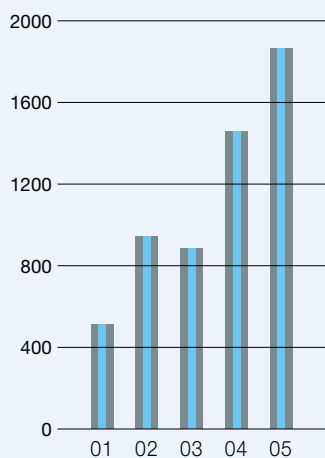
	Millions of Yen					Thousands of U.S. Dollars
	2005	2004	2003	2002	2001	2005
For the year:						
Total revenues	¥ 537,149	¥ 562,805	¥ 532,484	¥ 472,052	¥ 464,980	\$ 5,020,084
Lease	387,409	380,394	379,870	339,137	312,490	3,620,645
Installment sales	129,146	164,436	136,557	115,200	131,212	1,206,972
Loans	10,846	10,151	9,627	11,330	12,121	101,364
Other	9,748	7,824	6,430	6,385	9,157	91,103
Net income	18,642	14,592	8,862	9,420	5,121	174,224
At year-end:						
Total assets	¥1,760,256	¥1,738,263	¥1,613,234	¥1,542,576	¥1,404,685	\$ 16,450,991
Shareholders' equity	105,465	89,070	70,214	64,091	55,012	985,654
Number of shares of common stock outstanding (thousands)	56,957	56,959	56,962	56,971	56,979	
	Yen					U.S. Dollars
Per share of common stock:						
Basic net income	¥ 326.23	¥ 255.12	¥ 154.52	¥ 164.27	¥ 89.87	\$ 3.05
Cash dividends applicable to the year	28.00	22.00	18.00	15.00	12.00	0.26

Note: The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥107 = U.S.\$1.00 prevailing on March 31, 2005.

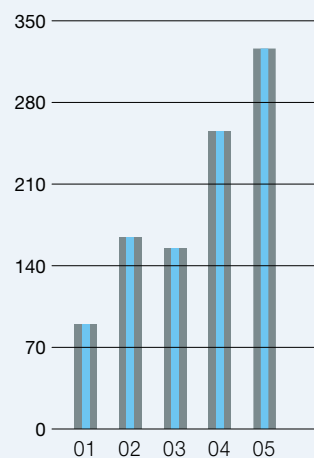
Total Revenues (Billions of Yen)



Net Income (Millions of Yen)



Net Income per Share (Yen)



TO OUR SHAREHOLDERS AND FRIENDS



Yasuyuki Hirai, Chairman (seated) and Naotaka Obata, President & CEO

Economic Environment

During fiscal 2004 (April 1, 2004 through March 31, 2005) the Japanese economy experienced significant price hikes in materials costs, and particularly oil. Nevertheless the country had healthy exports to China and other markets in Asia, as well as to the United States, while private capital expenditures showed a steady performance, supported by a recovery in revenues on the part of many companies. Although personal consumption remained weak, the economy showed signs of a steady recovery, and as a result real GDP increased by 1.9% over the previous fiscal year, marking the third consecutive year of positive growth.

Within the leasing industry, which is the sector in which Diamond Lease is active, increased capital expenditures by

the private sector contributed to a solid performance, which included a 3.4% increase to ¥7,625.2 billion (US\$71,264 million) in total leasing contracts on the part of all member corporations of the Japan Leasing Association.

Consolidated Performance

Fiscal 2004 marked the final year of our three-year medium-term business plan that we began in April 2002. During fiscal 2004 we worked to further exceed our management targets, which we had already achieved one year early in fiscal 2003. From director on down to every employee our company we worked as one unit in making aggressive commitments to the various programs that our business plan prescribed for each operating unit.

In our sales activities we offered many differing products to accommodate the broad variety of financial needs on the part of our customers—financial needs that are diversifying and growing in sophistication. As a result of these efforts our consolidated volume of new contracts increased on a principal base by ¥128.9 billion (US\$1,205 million) or 20.3% to ¥763.6 billion (US\$7,136 million) which once again marked an historic high for our group, including the totals not only of our company but also Diamond Auto Lease Co., Ltd., Diamond Rental System Co., Ltd., The Casio Lease Co., Ltd., Hirogin Lease Co. Ltd., and DFL Lease Co. Ltd., which became a consolidated subsidiary in January 2004.

As a result of the above Diamond Lease Group was able to achieve the results set forth below. With the change in accounting procedures of our company, total revenues declined year-on-year by ¥25.7 billion (US\$240 million), or 4.6%; to ¥537.1 billion (US\$5,020 million); while operating income increased by ¥4.8 billion (US\$45 million), or 19.1%, to ¥29.7 billion (US\$278 million). In net income as well we achieved our highest total ever, in the amount of ¥18.6 billion (US\$174 million). As a result we were able to increase our dividend payments for the sixth fiscal year in a row.

Prospects for the Fiscal Year Ending in March 2006

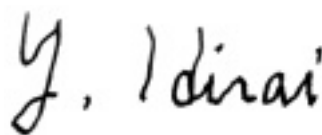
The Japanese economy is showing prospects of an economic recovery supported by increases in private capital expenditures associated with improved corporate performance. Nevertheless a true recovery in personal consumption has yet to occur, and there are certain elements of uncertainty in the progress of the international

economy as well, so that we continue to be in a situation that does not allow us to be overly optimistic.

Within this environment, we have positioned our fiscal year 2005 as being the year in which we put in place *Challenging a New Stage in Development—Progressive and Innovative*, in order to achieve sustainable growth.

In the first year of our new medium-term business plan our entire company will unite to pursue all of the programs that are based on our numerical targets. For consolidated performance in the fiscal year that will end in March 2006 we expect a decline of 1.3% in total revenues to ¥530.0 billion, with ordinary profits increasing by 4.2% to ¥31.5 billion, and net income increasing by 10.0% year-on-year to ¥20.5 billion.

Finally, we would like to request the further support of all of our shareholders, clients and other business partners in the years ahead.



Yasuyuki Hirai
Chairman



Naotaka Obata
President & CEO

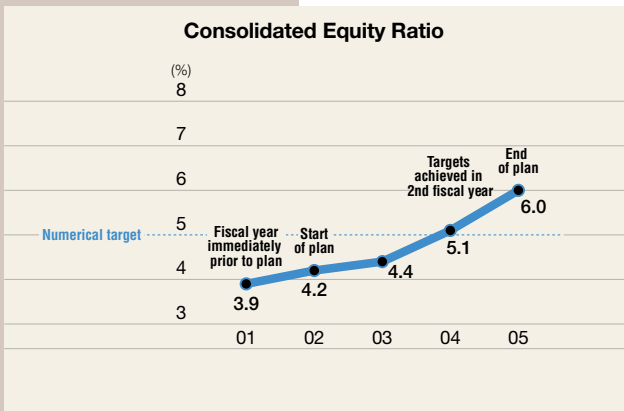
RESULTS OF PREVIOUS MEDIUM-TERM BUSINESS PLAN

The following graphs show the results of achievement of the management objectives in the three-year medium-term business plan from April 2002 through March 2005. We were able to achieve all of our targets a year early, and were therefore able to work to exceed these targets.

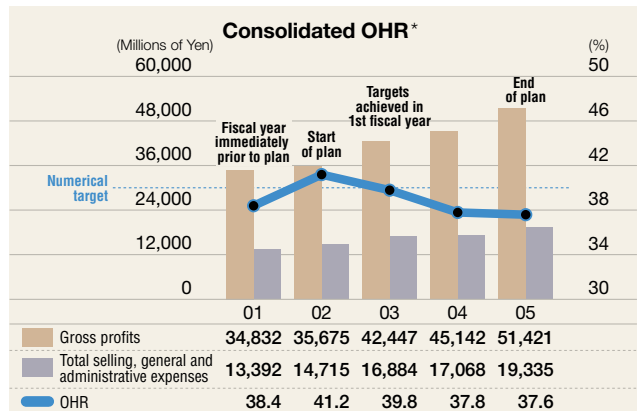
Our sales activities constituted a major factor in achieving the objectives in our business plan, as we focused on executing contracts mainly in transactions that offered high profitability and income potential. We also were able to achieve an increase in our total contract volume by aggressively pursuing consulting marketing, in which a wide variety of products are offered in order to accommodate the wide-ranging needs of our customers. A further significant factor in this success was our ongoing deployment of low cost operations.

Below are four graphs that present our achievement of the numerical targets in our business plan.

Consolidated Equity Ratio of 5% or More

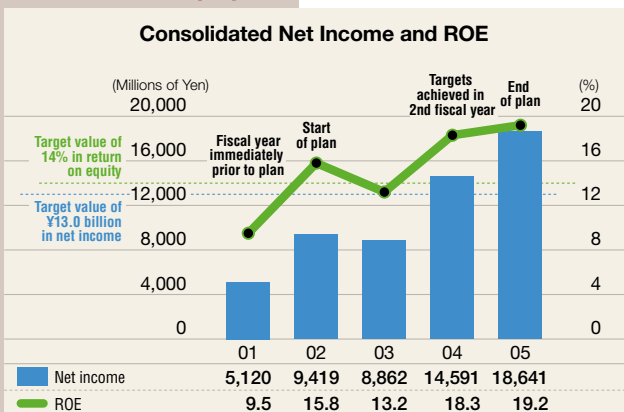


Consolidated Overhead Ratio of 40% or Less

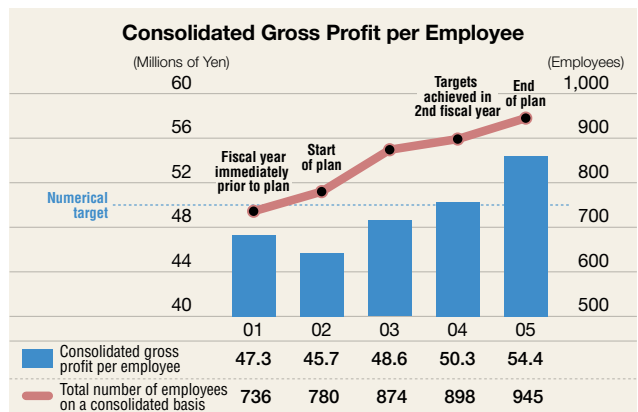


* The overhead ratio is the ratio of total selling, general and administrative expenses to gross profits.

Consolidated Net Income ¥13.0 Billion or More and Return on Equity of 14% or More



Consolidated Gross Profit per Employee of ¥50 Million or More



OUR NEW MEDIUM-TERM BUSINESS PLAN

“CHALLENGING A NEW STAGE IN DEVELOPMENT—PROGRESSIVE AND INNOVATIVE”

In our three-year medium-term business plan that we have launched from fiscal 2005, we have defined the following mission statement as a plan to achieve sustainable growth. Under this plan we will clarify our corporate responsibility to our stakeholders and to society at large, and will continue to implement a wide variety of sound financial services.

Corporate Mission:

- 1 | *To offer the best solutions to our customers and thereby achieve sustainable improvement in our shareholder value;*
- 2 | *To contribute to many different social activities under our corporate responsibility to society, and to achieve particular progress from the prospective of environmental protection; and*
- 3 | *To create a forum for self-realization whereby employees can fully exploit their spirit of self-challenge.*

Numerical Targets in Our Business Plan

In our new medium-term business plan we will exploit the base that we have built through the present, and we are setting even higher targets. The companies in our group and all divisions will without fail implement the measures that they have been assigned, and will work unceasingly to achieve the following business objectives:

- 1 | *Consolidated gross profits of at least ¥60.0 billion or more;*
- 2 | *Consolidated net income of at least ¥22.0 billion or more;*
- 3 | *Consolidated return on equity of at least 14% or more;*
- 4 | *Consolidated equity ratio of at least 8% or more; and*
- 5 | *Consolidated gross profits per employee of at least ¥55 million or more.*



**OUR NEW MEDIUM-TERM BUSINESS PLAN
"CHALLENGING A NEW STAGE IN DEVELOPMENT—PROGRESSIVE AND INNOVATIVE"**

Five Strategic Businesses for the Purpose of Improving Earnings Capabilities

Our medium-term business plan starting in fiscal 2005 has prescribed the following categories as action programs, and has assigned specific and detailed agendas to each division based on this program. We will implement a thorough regime of monitoring on this basis, and will work to achieve the objectives by periodically conducting progress reviews.

In our marketing channels through our major shareholding companies we will build a relationship of mutual synergy. We will also clarify their position as strategic partners and will further utilize the strengths of these channels. We will implement collaborations that enhance our cooperation with these major shareholding companies, while identifying trends in customer needs as well as the leasing industry.

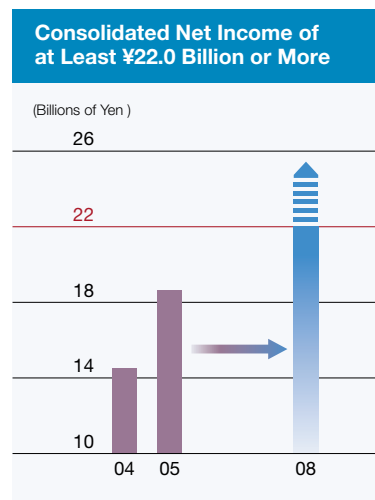
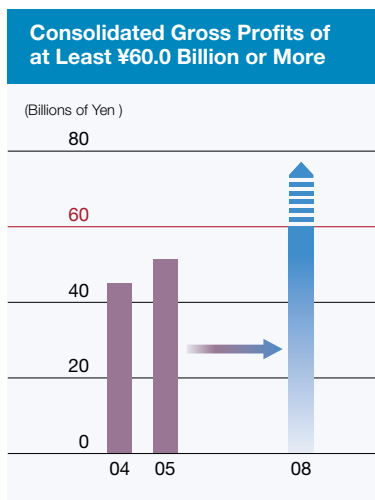
We will also exploit areas such as our alliances with companies outside of our group and will take the risks that are commensurate with that of a non-banking financial services company, after narrowing down our targets. Through these activities we will increase our transactions with substantial corporations as well as small and medium sized enterprises.

1. Activities Towards Affiliated Companies

We will achieve an efficient concentration of information and knowledge that exists both within our company and externally, to build a foundation for marketing. With respect to the corporate groups of our customers, we will without fail identify transaction information within the group, starting from the core company, and will make an organized response focusing on the account managers that are newly installed within the company, and thereby approach the affiliated companies of that group.

2. Real Estate Finance

We will accelerate our activities including in projects to securitize real estate by using asset risks, based on the expertise that we have accumulated concerning the real



estate business. Our goal is to have a cumulative balance of real estate related transactions of ¥100.0 billion or more in the final fiscal year of the medium-term business plan.

3. Asset Backed Finance

We will take initiative in our financing towards secured assets, making the utmost use of the “exclusive focus on property,” which is our expertise as a leasing company. In addition we will also focus our efforts on improving our appraisal capabilities.

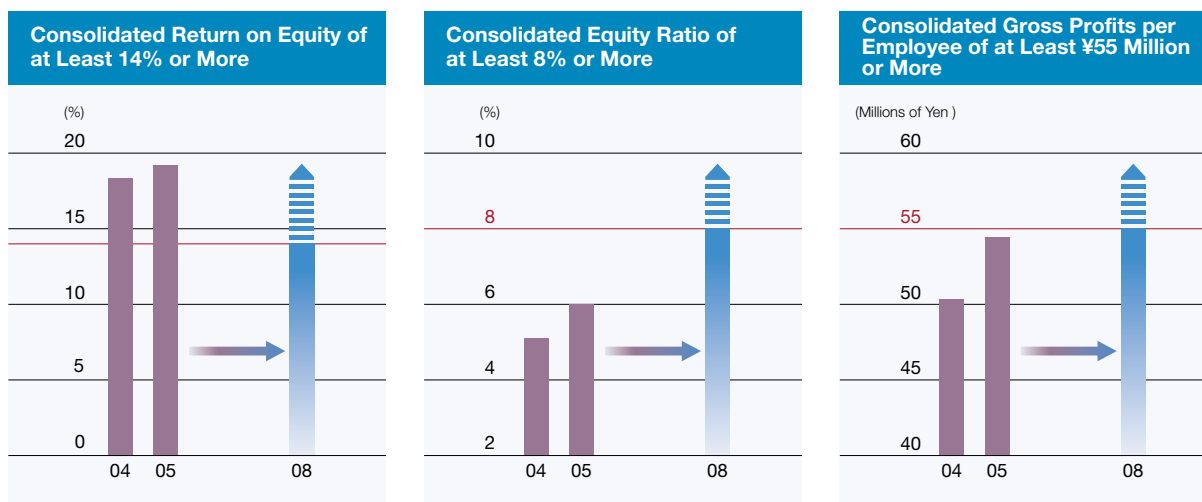
4. Enhancement of Financing Services Towards Businesses in the Environment and Recycling Sectors

We will make a greater contribution to the capabilities of society at large in waste disposal, through extending financing to superior businesses that are involved in sectors such as processing and recycling waste.

5. Financing Towards Medical Institutions

We will further increase our financing towards hospitals of various types and other medical institutions.

For some time our company has deployed its own unique marketing strategy supported by a scoring system that is dedicated to medical institutions as well as a dedicated factoring system for medical fee income. We have also expanded our base of transactions by pursuing alliances with medical equipment manufacturers. We are working to accelerate these initiatives and to build even more extensive networks with the medical industry, with a view towards using resources outside of our group as well.



**OUR NEW MEDIUM-TERM BUSINESS PLAN
“CHALLENGING A NEW STAGE IN DEVELOPMENT—PROGRESSIVE AND INNOVATIVE”**



Innovation in Management Infrastructure

At Diamond Lease we have put in place a monitoring regime over the various programs based on our business plan, which includes our domestic and foreign subsidiaries. We have also revised our system for evaluation. In addition we have created a new internal Management Study Committee from the time that we launched our new business plan.

We have also revamped our internal organization, pursuing the sharing of information between the front lines of sales and our credit supervision divisions, to enhance the evaluation functions of our sales force onsite. In specific this includes more extensive use of our internal trainee program, and improving the skills of all of our employees. We are also working to accelerate procedures for credit administration by thoroughly implementing credit risk management within all companies in our group, including our consolidated subsidiaries.

Moreover, we have also implemented a reform of our human resources system, to build and achieve firm acceptance of professional human resources development, and to enhance our capabilities of execution.

Continued Low Cost Operation

We are continuing to work as an organic team with all members of our corporate group including our domestic and foreign affiliates, as well as to maximize our consolidated income. This includes progress in integrating and sharing platforms in areas such as accounting, management of claims collections, and computer systems divisions in each company within our group. Through these efforts we are implementing low cost operation for the group as a whole, and are further reducing our overhead ratio, which is the percentage of total selling, general and administrative expenses to total revenues.

Three New Divisions

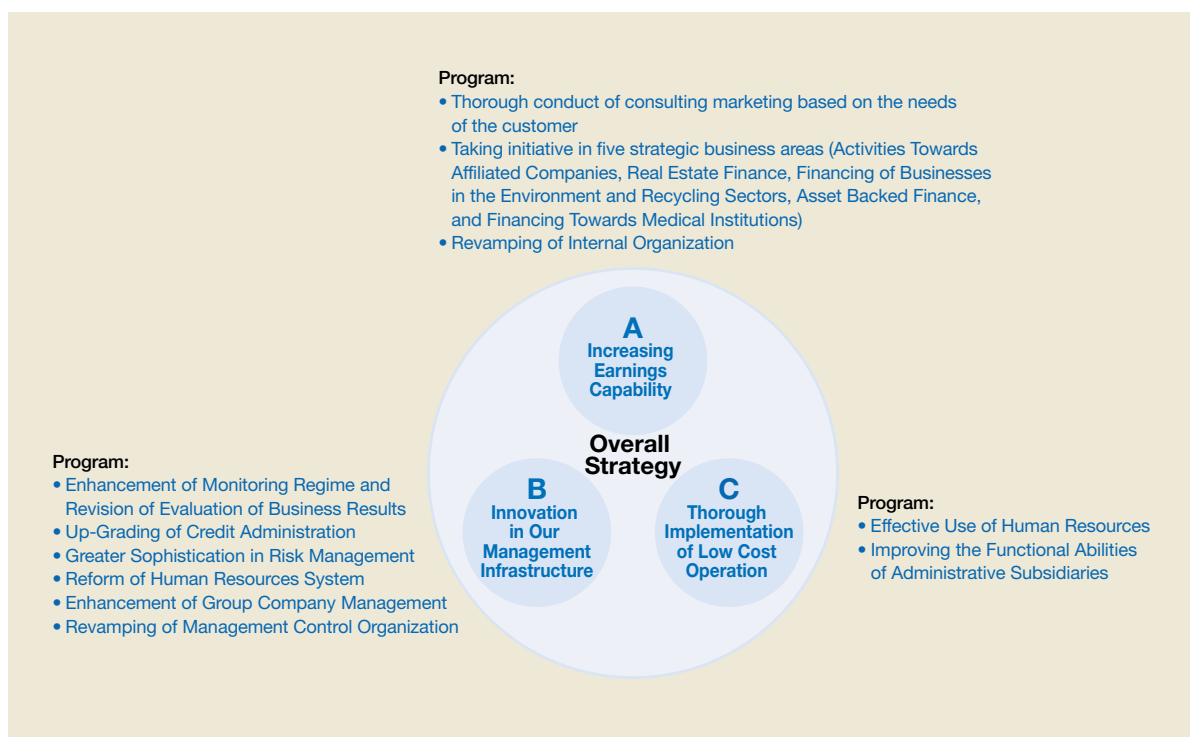
On April 1, 2005 we reorganized our company in association with the launching of our business plan. This will enable more efficient management of operations, beginning with the activities that we have defined as priorities.

The following presents a summary of the three divisions we have created:

The e-Commerce Promotion Department has been created for the purpose of promoting leasing transactions by use of the Internet, a capability that we were the first in our industry to develop and in which we are proud to have a position of superiority. We have created this new department in order to combine **e-Leasing Direct** and **Net Leasing** which are comprehensive services for leasing transactions, and to further progress in creating a business model using e-tools.

The Eco-Finance Department has been created to take aggressive action in building our business of providing financing services towards businesses in the environmental and recycling sectors, which is a priority program within our new medium-term business plan.

The International Business Department has been created to strengthen our support system in order to meet growing customer demand to assist them in building their presences overseas. Formerly our financial services towards overseas Japanese companies have been provided as a team effort by the Business Promotion Section within the International Department. Nevertheless it is expected that there will continue to be a significant need for these services, and consequently we have upgraded the Business Promotion Section and spun it off into a separate department as the International Business Department to enhance close liaison work between our domestic marketing divisions and our overseas subsidiaries. This will enable us to take even greater initiative in accommodating the needs of our customers.



CORPORATE GOVERNANCE

Basic Approach to Governance

At Diamond Lease we respect the rights and interests of all of our stakeholders, as a social responsibility to carry out sound and transparent management. In order to build a smooth relationship with our stakeholders we have taken steps that include making our board of directors more active, enhancing the audit committee and our system of internal audits, making timely and appropriate disclosure of information, and intensifying our investor relations activities, thereby pursuing new initiatives and studies to improve governance on an ongoing basis. We are working to enhance these initiatives in all companies in our group as well.

Implementation of Governance Programs

Corporate Institutions

The board of directors meets periodically and also meets on an extraordinary basis from time to time whenever necessary to make prompt and accurate decisions. Moreover, management decisions and supervision have been separated from execution in order to clarify the respective roles and responsibilities. We have reduced the number of directors, and have introduced an executive officer system in order to enhance and invigorate the functions of the board of directors. Our company has 10 directors including three outside directors, and we have 17 executive officers including 6 executive officers who serve concurrently as directors.

Diamond Lease uses a system of internal auditors, and works to achieve thorough and fair supervision of the execution of business by directors. Two of our four auditors are external auditors.

Improvement of Risk Management Organization and System of Internal Control

Our system of risk management includes the asset and liability management (ALM) committee which meets monthly, and the risk management committee which meets every three months, in order to accurately address sudden changes in the management environment. The risk management committee manages a variety of management related risks in a comprehensive manner and implements timely and appropriate initiatives and review on an ongoing basis.

At Diamond Lease, compliance is a top priority for management, and we carry out management that emphasizes strict legal and regulatory compliance. We have taken initiative in implementing compliance programs in order to earn the trust of our shareholders and society at large. The compliance committee meets every three months as an organization which periodically identifies and confirms that we are

compliant in all areas, and continuously deliberates on improving and enhancing this program. We are also placing emphasis on enhancing our system of internal checks and controls, through steps such as creating a desk for reports and consultation concerning compliance violations.

In addition, we have prepared a pamphlet of corporate ethics and codes of behavior for compliance. This pamphlet states in a single volume the ethical standards that are to be upheld and the necessary categories in order to achieve compliance. This Compliance Manual is distributed to all officers and employees, and we are actively engaged in implementing compliance as well as achieving further enhancements and improvements, while also increasing the effectiveness thereof.

Internal Audits, Monitoring of Auditors, and Accounting Audits

Internal audits are implemented by our audit department. Our auditors periodically receive reports from the audit department concerning matters such as the results of internal audits. They also attend important meetings such as meetings of the board of directors, and conduct inspections of important settlement documents and the like thereby carrying out appropriate audits.

Our accounting audits are conducted with cooperation from our auditors, and under an auditing contract which we have executed with the auditing firm Deloitte Touche Tohmatsu.

External Directors and External Auditors

Our external directors are Masato Komura, Senior Managing Director and Chief Executive of Investment of Meiji Yasuda Life Insurance Company; Ichiro Mizuno, Member of the Board, Executive Vice President and Chief Financial Officer of Mitsubishi Corporation; and Teruyuki Shirakawa, Member of the Board and Senior Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.

Our external directors are Yoshihiro Maeda, President of Ryoshin DC Card Company Ltd.; and Eisaku Maruyama, Managing Executive Officer of The Dai-ichi Mutual Life Insurance Company.

Compensation of Directors and Auditors

During fiscal 2004 compensation to directors and executive officers of our company was ¥137 million (US\$1.3 million) and compensation to auditors was ¥28 million (US\$0.3 million). Moreover, we also paid auditors compensation to the accounting firm Deloitte Touche Tohmatsu in the amount of ¥37 million (US\$0.3 million).

REVIEW OF OPERATIONS

Use of Environmental Rating to Obtain Financing

Diamond Lease is the first company in the leasing industry to obtain the highest environmental rating of Grade A from the Development Bank of Japan, which is a government affiliated financial institution. On the basis of this rating we obtained a total of ¥3.0 billion (US\$28 million) in loans during fiscal 2004 for “businesses promoting environmentally friendly management.”

These loans are for the purpose of supporting business activities that reduce the load on the environment, and are made at a fixed interest rate which is set according to the rating assigned to companies who have superior environmental management, based on a rating system developed independently by the Development Bank of Japan. This financing will enable our company to make even greater progress than at present in environmentally friendly management, and we are promoting leases in assets that take the environment into consideration. We are also promoting reuse and recycling in order to reduce waste, and are increasing our commitment to areas such as proper disposal of assets after the lease expires.

Increasing of Financing to Medical Institutions

At Diamond Lease we have increased our leases to medical institutions. We have successfully launched a leasing evaluation system dedicated to medical institutions, which we developed in 2002. By making rapid and accurate evaluations we achieved a year-on-year increase of 15.7% in fiscal 2004 in our total contract volume of leases and installment sales to medical institutions. In recent years medical institutions have been putting effort into preventive medication and diagnostic medication, so that there has been an increase in the number of persons who come to medical facilities prior to falling ill, rather than waiting to become sick before traveling to the hospital. For this reason more medical institutions are introducing expensive diagnostic equipment than previously had been the case, and we are taking initiative in offering medical institutions the opportunity to use leases to reduce their cost in introducing this equipment. Backed by this development our new medium-term business plan has defined the medical institution sector as a strategic business.

Private Finance Initiatives (PFI)

In the PFI sector in which we have taken initiative for some time, our company won an order in December 2004 for ¥3.0 billion (US\$28 million) in total contract value for a contract to improve the Okayama Prefecture General Education Center. This order marks the sixth order for a PFI project that we have accumulated thus far, and we will continue to take initiative in our commitment to PFI projects in the future.



Simulated Perspective Drawing of Completed Okayama Prefecture General Education Center

FINANCIAL INFORMATION

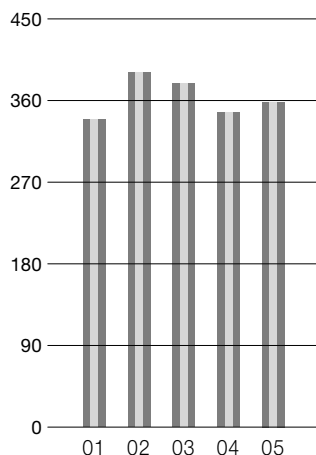
Contents

- 14 Financial Review
- 18 Consolidated Balance Sheets
- 20 Consolidated Statements of Income
- 21 Consolidated Statements of Shareholders' Equity
- 22 Consolidated Statements of Cash Flows
- 23 Notes to Consolidated Financial Statements
- 35 Independent Auditors' Report

FINANCIAL REVIEW

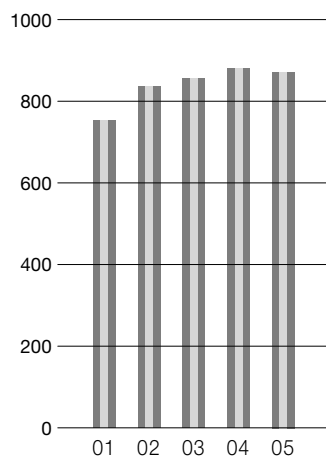
New Lease Contracts

(Billions of Yen)



Net Leased Assets

(Billions of Yen)



Business Operations and Results

During fiscal 2004 (April 1, 2004 through March 31, 2005) total lease contracts as announced by the Japan Leasing Association amounted to ¥7,625.2 billion (US\$71,264 million), representing a year-on-year increase of 3.4%. By product category leases of machine tools and office equipment both increased for the second year in a row, while leases of information technology equipment experienced the first increase in the five years since fiscal 1999. In the same manner leases of civil engineering and construction equipment as well as equipment for the commercial and service sectors recovered to score an increase, as leasing experienced a sound performance together with the recovery in private capital expenditures, which was lead by the manufacturing industry.

Fiscal 2004 marked the final year of our three-year medium-term business plan, and we had already achieved our numerical targets in 2003, one year in advance of the deadline. Consequently 2004 was a year in which we worked to surpass these goals. For this reason we put together an organization to implement the various measures that were assigned to each division under the business plan. As a result we achieved a year-on-year increase of 20.3% in our volume of new contracts on a principal basis, to ¥763.6 billion (US\$7,136 million), thereby enabling us to once again record our highest sales totals in history. By segment, leases increased 3.2% to ¥358.4 billion (US\$3,350 million), while installment sales declined 19.8% to ¥93.7 billion (US\$876 million). Loans and other business increased by 82.6% to ¥311.4 billion (US\$2,910 million), marking an increase for the second year in a row, as factoring and loan transactions experienced a particularly strong performance.

Revenues and Earnings

On a revenue basis, total revenues for our four segments fell by ¥25.7 billion (US\$240 million) or 4.6% year-on-year, to ¥537.1 billion (US\$5,020 million). This was caused by a change in accounting procedures as formerly some of our foreign subsidiaries made offsetting en-

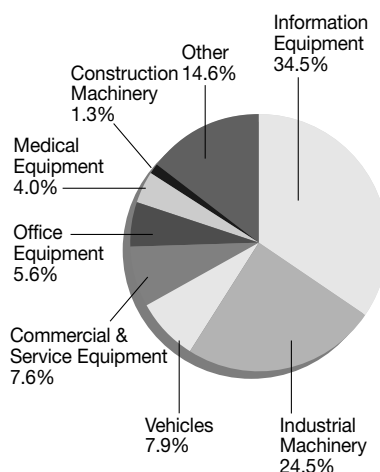
tries of both sales and cost of sales in connection with installment sales transactions that were made for the purpose of acquiring title to ships and would not generate sales income. From fiscal 2004, however, this was changed so that these installment sales transactions are not booked either into sales or cost of sales. As a result of this change, sales and cost of sales for fiscal 2004 respectively declined by ¥36.1 billion (US\$337 million) when compared to the previous method. Since during fiscal 2003 the relevant amount included in both sales and cost of sales was ¥53.0 billion (US\$495 million), when this amount is subtracted from the totals for fiscal 2003, our total sales in fiscal 2004 resulted in a real increase of 5.4%.

The details for total revenues include ¥387.4 billion (US\$3,621 million) in our leasing business, up ¥7.0 billion (US\$65 million), or 1.8%; installment sales of ¥129.1 billion (US\$1,207 million), down ¥35.3 billion (US\$330 million), or 21.5%; loan business of ¥10.8 billion (US\$101 million), up ¥0.7 billion (US\$7 million) or 6.8%; and other business of ¥9.7 billion (US\$91 million), up ¥1.9 billion (US\$18 million), or 24.6%.

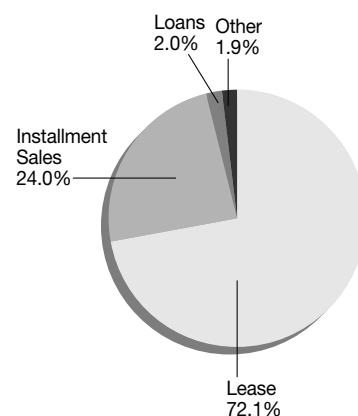
Total costs declined by ¥31.9 billion (US\$298 million) or 6.2% year-on-year, to ¥485.7 billion (US\$4,540 million). Gross profits increased ¥6.3 billion (US\$59 million) or 13.9% to ¥51.4 billion (US\$481 million). Operating income increased ¥4.8 billion (US\$45 million) or 19.1%, to ¥29.7 billion (US\$278 million) despite an increase in selling, general and administrative expenses. As a result net income increased ¥4.0 billion (US\$37 million) or 27.8% year-on-year, to ¥18.6 billion (US\$174 million), which is the largest profit we have ever earned. Our return on equity also amounted to 19.2%, marking the second year in a row in which we achieved the target of our medium-term business plan. Earnings per share increased ¥71.11, to ¥326.23 (US\$3.05).

For dividends in fiscal 2004 we paid an interim dividend of ¥12 and a year-end dividend of ¥16 or ¥4 more than the previous year, thereby achieving an annual dividend of ¥28 (US\$0.26) per share, representing a dividend increase for the sixth year in a row.

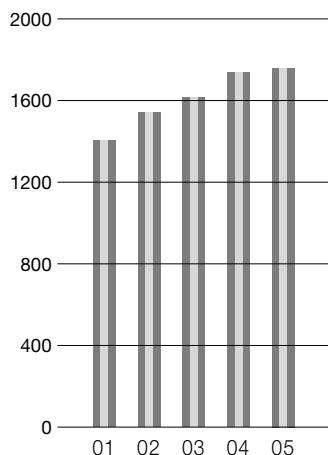
New Lease Contracts by Product Category (%)
2005 (FY2004)



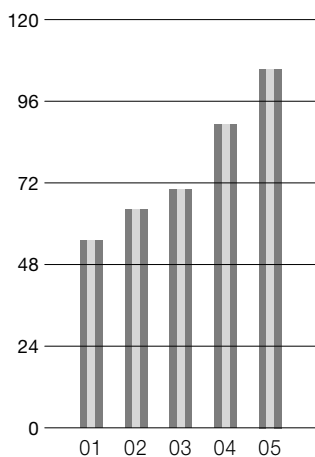
Total Revenues Composition (%)
2005 (FY2004)



Total Assets
(Billions of Yen)



Shareholders' Equity
(Billions of Yen)



Financial Position

As of the end of March 2005 operating assets were as follows: net leased assets amounted to ¥870.1 billion (US\$8,131 million), a decrease of ¥10.0 billion (US\$93 million) or 1.1% over the previous year. Installment sales receivables (net of deferred installment credit profit) amounted to ¥284.6 billion (US\$2,659 million), a decrease of ¥18.4 billion (US\$172 million) or 6.1%. Outstanding loans amounted to ¥367.2 billion (US\$3,432 million) an increase of ¥32.1 billion (US\$300 million) or 9.6%; while other operating assets amounted to ¥73.6 billion (US\$688 million), up ¥15.0 billion (US\$140 million) or 25.5%. With these results total operating assets amounted to ¥1,595.4 billion (US\$14,910 million), up ¥18.7 billion (US\$175 million) or 1.2%.

Current assets increased ¥16.7 billion (US\$156 million), or 2.3% year-on-year, to ¥733.1 billion (US\$6,852 million). This was mainly a result of an increase in loans. Total assets grew by ¥22.0 billion (US\$206 million) or 1.3% to ¥1,760.3 billion (US\$16,451 million). Shareholders' equity as of March 31, 2005 increased by ¥16.4 billion (US\$153 million) year-on year to ¥105.5 billion (US\$986 million), with an increase in retained earnings, marking the first time since our establishment that we have reached the ¥100.0 billion mark. As a consequence our equity ratio was 6.0%, thereby achieving our target value for the medium-term business plan. Equity per share amounted to ¥1,850.60 (US\$17.30).

Funding

Our funding position is closely controlled by our asset and liability management committee which meets every month and makes low interest and stable borrowing thereby achieving continued reductions in funding costs.

Our balance of interest-bearing debt on a consolidated basis amounted to ¥1,497.6 billion (US\$13,996 million), an increase of ¥11.3 billion (US\$106 million) against the previous year. The environment for procuring funds continues to be good, and we have procured required financing with long term loans as well as bonds through which we

were able to procure funds on favorable terms. We borrowed ¥96.5 billion (US\$902 million) in long-term loans, a year-on-year increase of ¥33.7 billion (US\$315 million) to ¥691.8 billion (US\$6,465 million); while in bonds we made a public issue of ¥40.0 billion (US\$374 million) so that our balance including medium-term notes increased ¥19.6 billion (US\$183 million) to ¥198.0 billion (US\$1,851 million). We also worked at improving the terms in other funds procurement as well, and made progress in switching to low interest and high quality funding. As a result our percentage of direct financing from capital markets amounted to 53.8% on a consolidated basis.

Cash Flows

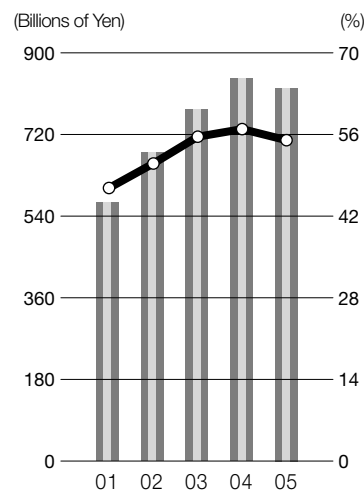
Operating activities included a cash outflow of ¥316.5 billion (US\$2,958 million) to purchase lease assets, and ¥40.6 billion (US\$379 million) associated with an increase in trade receivables; and cash inflow of income before income taxes and minority interests of ¥31.3 billion (US\$293 million), as well as depreciation and amortization of leased assets and scrapping costs of ¥326.1 billion (US\$3,048 million). As a result we experienced a decline of ¥32.4 billion (US\$303 million), or 64.2%, and a net cash outflow of ¥18.0 billion (US\$168 million).

Cash flow from investment activities resulted in an increase of ¥20.0 billion (US\$187 million), mainly from income from sale of investment securities, with a cash inflow of ¥5.0 billion (US\$47 million).

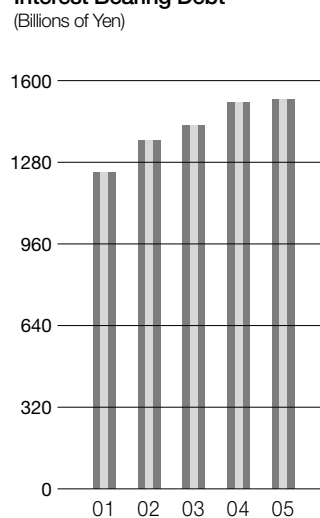
In financial activities we had a cash outflow of ¥22.4 billion (US\$209 million) from direct borrowing, and ¥35.1 billion (US\$328 million) in cash inflow from our indirect borrowings. As a result of the above, funds obtained from financial activities resulted in an inflow of ¥11.4 billion (US\$106 million) representing a decline of ¥52.0 billion (US\$486 million), or 82.1%, against the previous year.

Consequently cash and cash equivalents for this consolidated fiscal year stood at ¥2.7 billion (US\$25 million) at fiscal year end, down ¥1.7 billion (US\$16 million) or 39.3% from the previous consolidated fiscal year.

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



Interest Bearing Debt



CONSOLIDATED BALANCE SHEETS

Diamond Lease Company Limited and Consolidated Subsidiaries

March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Assets			
Current assets:			
Cash and cash equivalents	¥ 2,651	¥ 4,368	\$ 24,776
Time deposits other than cash equivalents (Note 6)	90	104	841
Marketable securities (Note 4)		2,680	
Receivables — trade (Note 13):			
Lease	24,614	26,527	230,037
Installment sales	317,739	336,287	2,969,523
Loans	367,183	335,048	3,431,617
Allowance for doubtful receivables	(4,532)	(4,736)	(42,355)
Deferred tax assets (Note 14)	2,138	1,760	19,981
Prepaid expenses and other	23,244	14,344	217,234
Total current assets	733,127	716,382	6,851,654
Leased assets — At cost (Notes 5 and 6)	2,227,969	2,242,021	20,822,140
Accumulated depreciation	(1,357,900)	(1,361,965)	(12,690,654)
Net leased assets	870,069	880,056	8,131,486
Advances for purchases of leased assets	2,943	653	27,505
Total leased assets	873,012	880,709	8,158,991
Investments:			
Investment securities (Note 4)	44,630	46,665	417,103
Investments in unconsolidated subsidiaries and associated companies	9,966	13,657	93,140
Investment in equity other than capital stock	47,627	31,401	445,112
Goodwill	4,155	4,784	38,832
Long-term receivables	9,005	8,569	84,159
Deferred tax assets (Note 14)	3,489	5,896	32,607
Other	29,334	24,759	274,150
Allowance for doubtful receivables	(2,425)	(3,381)	(22,664)
Total investments	145,781	132,350	1,362,439
Property and equipment — At cost	11,736	12,115	109,682
Accumulated depreciation	(3,400)	(3,293)	(31,775)
Net property and equipment	8,336	8,822	77,907
Total	¥1,760,256	¥1,738,263	\$16,450,991

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings (Notes 7 and 13)	¥ 843,887	¥ 834,535	\$ 7,886,795
Current maturities of long-term debt (Notes 6, 7 and 13)	271,123	278,856	2,533,860
Payables — trade:			
Notes	13,078	14,879	122,224
Accounts	57,980	61,540	541,869
Accrued expenses	8,222	7,792	76,841
Income taxes payable	4,341	5,688	40,570
Deposits from customers	4,367	5,119	40,813
Deferred profit on installment sales	33,174	33,327	310,037
Other (Note 13)	9,377	10,935	87,636
Total current liabilities	<u>1,245,549</u>	<u>1,252,671</u>	<u>11,640,645</u>
Long-term liabilities:			
Long-term debt, less current maturities (Notes 6, 7 and 13)	382,578	372,918	3,575,495
Liability for retirement benefits (Note 8)	754	709	7,047
Deferred tax liabilities (Note 14)	824	825	7,701
Other	22,611	19,896	211,318
Total long-term liabilities	<u>406,767</u>	<u>394,348</u>	<u>3,801,561</u>
Minority interests	<u>2,475</u>	<u>2,174</u>	<u>23,131</u>
Commitments and contingent liabilities (Notes 6, 9, 15 and 16)			
Shareholders' equity (Notes 10 and 18):			
Common stock —			
authorized, 180,000,000 shares;			
issued, 56,980,000 shares in 2005 and 2004	16,440	16,440	153,645
Capital surplus	17,049	17,047	159,336
Retained earnings	69,968	52,753	653,907
Net unrealized gain on available-for-sale securities	5,284	5,831	49,383
Foreign currency translation adjustments	(3,225)	(2,960)	(30,140)
Treasury stock, at cost			
22,793 shares in 2005 and 20,727 shares in 2004	(51)	(41)	(477)
Total shareholders' equity	<u>105,465</u>	<u>89,070</u>	<u>985,654</u>
Total	<u>¥1,760,256</u>	<u>¥1,738,263</u>	<u>\$16,450,991</u>

CONSOLIDATED STATEMENTS OF INCOME

Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Revenues:			
Lease (Note 13)	¥ 387,409	¥ 380,394	\$ 3,620,645
Installment sales (Note 13)	129,146	164,436	1,206,972
Loans	10,846	10,151	101,364
Other	9,748	7,824	91,103
Total revenues	537,149	562,805	5,020,084
Costs:			
Lease	348,131	344,506	3,253,561
Installment sales	121,904	157,164	1,139,290
Interest (Note 13)	9,730	11,170	90,934
Other	5,963	4,823	55,729
Total costs	485,728	517,663	4,539,514
Gross profit	51,421	45,142	480,570
Selling, general and administrative expenses (Note 11)	21,685	20,171	202,663
Operating income	29,736	24,971	277,907
Other income (expenses)			
Dividend income	531	670	4,963
Interest expense — Net of interest income of ¥7 million (\$65 thousand) in 2005 and ¥8 million in 2004 (Note 13)	(573)	(828)	(5,355)
Loss on devaluation of investment securities	(28)	(62)	(262)
Other — Net	1,647	2,408	15,392
Income before income taxes and minority interests	31,313	27,159	292,645
Income taxes (Note 14):			
Current	9,836	10,298	91,925
Deferred	2,536	2,014	23,701
Total	12,372	12,312	115,626
Minority interests	299	255	2,795
Net income	¥ 18,642	¥ 14,592	\$ 174,224
<hr/>			
	Yen		U.S. Dollars
	2005	2004	2005
Amounts per share of common stock (Note 2. m):			
Basic net income	¥ 326.23	¥ 255.12	\$ 3.05
Cash dividends applicable to the year	28.00	22.00	0.26

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31, 2005 and 2004

	Thousands of Shares		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005	2004	2005
Common stock					
Beginning balance	56,980	56,980	¥ 16,440	¥ 16,440	\$ 153,645
Ending balance	56,980	56,980	¥ 16,440	¥ 16,440	\$ 153,645
Capital surplus					
Beginning balance			¥ 17,047	¥ 17,047	\$ 159,318
Surplus from transaction in treasury stock			2		18
Ending balance			¥ 17,049	¥ 17,047	\$ 159,336
Retained earnings					
Beginning balance			¥ 52,753	¥ 39,389	\$ 493,019
Net income			18,642	14,592	174,224
Cash dividends paid			(1,367)	(1,168)	(12,775)
Bonuses to directors			(60)	(60)	(561)
Ending balance			¥ 69,968	¥ 52,753	\$ 653,907
Net unrealized gain (loss) on available-for-sale securities					
Beginning balance			¥ 5,831	¥ (1,085)	\$ 54,495
Adjustment for the period			(547)	6,916	(5,112)
Ending balance			¥ 5,284	¥ 5,831	\$ 49,383
Foreign currency translation adjustments					
Beginning balance			¥ (2,960)	¥ (1,543)	\$ (27,663)
Adjustment for the period			(265)	(1,417)	(2,477)
Ending balance			¥ (3,225)	¥ (2,960)	\$ (30,140)
Treasury stock:					
Beginning balance	(21)	(18)	¥ (41)	¥ (34)	\$ (383)
Treasury stock acquired, net	(2)	(3)	(10)	(7)	(94)
Ending balance	(23)	(21)	¥ (51)	¥ (41)	\$ (477)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Operating activities:			
Income before income taxes and minority interests	¥ 31,313	¥ 27,159	\$ 292,645
Adjustment for:			
Income taxes — paid	(11,481)	(8,623)	(107,299)
Depreciation and amortization	297,807	294,668	2,783,243
Reversal of allowance for doubtful receivables	(1,119)	(812)	(10,458)
Loss on disposal of leased assets	31,216	31,048	291,738
Loss on devaluation of investment securities	28	62	262
(Reversal of) provision for liability for retirement benefits	45	(67)	421
Changes in assets and liabilities:			
Increase in trade receivables	(20,974)	(123,663)	(196,019)
(Decrease) increase in trade payables	(5,361)	9,306	(50,103)
Increase (decrease) in interest payable	239	(33)	2,234
Purchases of leased assets	(316,544)	(299,919)	(2,958,356)
Other — net	(23,193)	20,483	(216,757)
Total adjustments	(49,337)	(77,550)	(461,094)
Net cash used in operating activities	(18,024)	(50,391)	(168,449)
Investing activities:			
Purchases of property and equipment	(1,836)	(3,317)	(17,159)
Purchases of investment securities	(680)	(641)	(6,355)
Proceeds from sales of investment securities	7,191	1,524	67,206
Purchases of DFL Lease Co. Ltd.		(1,770)	
(Increase) decrease in other assets	354	(10,787)	3,308
Net cash provided by (used in) investing activities	5,029	(14,991)	47,000
Financing activities:			
Repayments of long-term debt	(200,952)	(169,108)	(1,878,056)
Proceeds from long-term debt	236,921	195,370	2,214,215
Net (repayments of) proceeds from short-term borrowings	(23,226)	38,305	(217,065)
Cash dividends paid	(1,367)	(1,168)	(12,776)
Other — net	(8)	(36)	(75)
Net cash provided by financing activities	11,368	63,363	106,243
Foreign currency translation adjustments on cash and cash equivalents	(90)	(169)	(841)
Net decrease in cash and cash equivalents	(1,717)	(2,188)	(16,047)
Cash and cash equivalents, beginning of year	4,368	6,556	40,823
Cash and cash equivalents, end of year	¥ 2,651	¥ 4,368	\$ 24,776

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Additional information:			
Assets acquired and liabilities assumed in acquisition, as of March 31, 2004 (Note 12):			
Current assets acquired		¥ 13,491	
Leased assets, investments and property acquired		47,894	
Goodwill		271	
Current liabilities assumed		(41,535)	
Long-term liabilities assumed		(17,858)	
Minority interests		(100)	
Acquisition cost		2,163	
Cash and cash equivalents held by DFL Lease Co. Ltd.		(393)	
Payment for purchases of DFL Lease Co. Ltd.		¥ 1,770	

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Diamond Lease Company Limited and Consolidated Subsidiaries

Years Ended March 31, 2005 and 2004

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") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 2004 financial statements to conform to the classifications used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107 = US\$1.00, the approximate rate of exchange at March 31, 2005.

Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2005 include the accounts of the Company and its 51 (42 in 2004) 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 associated company is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

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 records revenues and profits from installment sales at the due date of each receipt.

The Companies follows the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥219,036 million (\$2,047,065 thousand) in 2005 and ¥203,867 million in 2004, 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 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. Long-lived assets — In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Companies reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may

not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

This accounting change has no impact on the financial position or result of operations in this fiscal year.

h. Retirement and Pension Plans

Employees' Retirement Benefits — The Company has noncontributory funded pension plans for employees. Additionally, certain consolidated domestic subsidiaries have unfunded retirement benefit plans.

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.

i. 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.

j. Appropriations of Retained Earnings — Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

k. 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.

l. Derivative and Hedging Activities — The Companies utilize derivative financial instruments, including foreign exchange forward contracts, currency option 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 to manage its interest rate risk exposures on certain assets and 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, currency option 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. 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.

m. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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. Additional Information

a. Changes of accounting method of sales and cost of sales in installment sales — Prior to April 1, 2004, where an overseas subsidiary sold vessels only for the purpose of obtaining the nationality of vessels, revenues and costs were recorded by the same amount. Effective April 1, 2004, the Companies changed the method of accounting for such installment sales not to recognize sales and cost of sales.

The effect of this change was to decrease revenues and costs by ¥36,077 million (\$337,168 thousand), respectively, for the year ended March 31, 2005.

b. Accounting method of investments for real estate project — Prior to April 1, 2004, investments for real estate project were recorded as non-operating transactions. Effective April 1, 2004, the Companies changed the method of accounting for such investment transactions to recognize them as operating transactions.

The effect of this change for the consolidated statements of cash flows for the year ended March 31, 2005 was to decrease "other-net" in operating activities and to increase "increase in other assets" in investing activities by ¥16,226 million (\$151,645), respectively.

This change had no material impact on the financial position or result of operations for the year ended March 31, 2005.

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current:			
Debt securities		¥ 2,010	
Trust fund investments		670	
Total		¥ 2,680	
Non-current:			
Equity securities	¥ 18,692	¥21,200	\$ 174,692
Debt securities	25,938	25,244	242,411
Trust fund investments		221	
Total	¥ 44,630	¥46,665	\$ 417,103

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2005 and 2004 were as follows:

March 31, 2005	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 7,729	¥8,054	¥100	¥15,683
Debt securities	24,464	100	88	24,476

March 31, 2004	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,714	¥9,819	¥211	¥18,322
Debt securities	27,538	284	569	27,253
Trust fund investments	689	214	12	891

March 31, 2005	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 72,234	\$75,271	\$935	\$146,570
Debt securities	228,636	934	822	228,748

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying amount		
	Millions of Yen	2004	Thousands of U.S. Dollars
	2005		2005
Available-for-sale:			
Equity securities	¥ 3,009	¥ 2,878	\$ 28,122
Debt securities	1,462		13,663
Total	¥ 4,471	¥ 2,878	\$ 41,785

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥2,125 million (\$19,860 thousand) and ¥875 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥575 million (\$5,374 thousand) and ¥32 million (\$299 thousand), respectively, for the year ended March 31, 2005 and ¥711 million and ¥12 million, respectively, for the year ended March 31, 2004. The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2005 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Available for sale	Available for sale
Due after one year		
through five years	¥ 2,364	\$ 22,093
Due after five years		
through ten years	75	701
Total	¥ 2,439	\$ 22,794

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

5. Leased Assets

Leased assets as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Computers and office equipment	¥ 985,797	¥ 1,057,260	\$ 9,213,056
Industrial and Construction machinery	579,219	544,082	5,413,262
Other	662,953	640,679	6,195,822
Leased assets — at cost	2,227,969	2,242,021	20,822,140
Accumulated depreciation	(1,357,900)	(1,361,965)	(12,690,654)
Total	870,069	880,056	8,131,486
Advances for purchases of leased assets	2,943	653	27,505
Total leased assets	¥ 873,012	¥ 880,709	\$ 8,158,991

The minimum future rentals on lease contracts as of March 31, 2005 and 2004 were ¥878,651 million (\$8,211,692 thousand) and ¥895,426 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2005 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 276,751	\$ 2,586,458
2007	210,240	1,964,860
2008	151,424	1,415,178
2009	97,393	910,215
2010	53,035	495,654
Thereafter	89,808	839,327
Total	¥ 878,651	\$ 8,211,692

6. Pledged Assets

As of March 31, 2005 the following assets were pledged as collateral for long-term debt and contingent liabilities.

	Millions of Yen	Thousands of U.S. Dollars
Time deposits other than cash equivalents	¥ 80	\$ 748
Leased assets	981	9,168
Minimum future rentals on lease contracts	8,661	80,944

The liabilities secured by the foregoing assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Long-term debt including current maturities	¥ 6,126	\$ 57,252
Contingent liabilities	50	467

7. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Short-term loans from banks and other financial institutions with interest ranging:			
2005 — from 0.22% to 3.45%	¥ 365,087		\$ 3,412,028
2004 — from 0.29% to 1.56%		¥ 347,235	
Commercial paper with interest ranging:			
2005 — from 0.02% to 0.10%	478,800		4,474,767
2004 — from 0.02% to 0.10%		487,300	
Total	¥ 843,887	¥ 834,535	\$ 7,886,795

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 such banks, the Company provide additional collateral or guarantors with respect to the loan. As of March 31, 2005, the Company has not received any such request.

Long-term debt as of March 31, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Bonds			
Straight bonds and floating-rate bonds due 2005 with interest ranging from 0.14% to 2.00%		¥ 96,900	
Straight bonds and floating-rate bonds due 2006 with interest ranging from 0.14% to 1.52%	¥ 108,030	31,530	\$ 1,009,626
Straight bonds due 2007 with interest ranging from 0.43% to 2.03%	8,000	8,000	74,766
Straight bonds due 2008 with interest ranging from 0.53% to 0.62%	11,000	11,000	102,804
Straight bonds due 2009 with interest ranging from 0.50% to 0.84%	71,000	31,000	663,552
Loans from the securitization of the minimum future rentals on lease contracts with interest ranging:			
from 0.09% to 1.51%, due through 2009	49,438		462,037
from 0.09% to 1.10%, due through 2007		58,165	
Floating-rate, due through 2010	79,546		743,421
Floating-rate, due through 2009		104,303	
Loans from the banks and other financial institutions, partially collateralized with interest ranging:			
from 0.07% to 5.00%, due through 2016	326,687		3,053,149
from 0.07% to 5.80%, due through 2016		310,876	
Total	653,701	651,774	6,109,355
Less current maturities	(271,123)	(278,856)	(2,533,860)
Long-term debt, less current maturities	¥ 382,578	¥ 372,918	\$ 3,575,495

Annual maturities of long-term debt as of March 31, 2005 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 271,123	\$ 2,533,860
2007	74,342	694,785
2008	67,261	628,607
2009	140,750	1,315,421
2010	58,596	547,626
Thereafter	41,629	389,056
Total	<u>¥ 653,701</u>	<u>\$ 6,109,355</u>

The Company executed a total of ¥130,000 million (\$1,214,953 thousand) revolving credit facilities with certain domestic banks for the year ended March 31, 2005.

8. Retirement and Pension Plans

The Company has non-contributory funded pension plans for employees. Certain consolidated domestic subsidiaries have unfunded retirement benefit plans.

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. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to larger payment than in the case of voluntary termination.

The liability for retirement benefits for directors and corporate auditors at March 31, 2005 and 2004 were ¥181 million (\$1,692 thousand) and ¥148 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, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 6,215	¥ 5,461	\$ 58,084
Fair value of plan assets	(3,905)	(3,446)	(36,495)
Unrecognized prior service cost	175	190	1,635
Unrecognized actuarial loss	(1,912)	(1,644)	(17,869)
Net liability	<u>¥ 573</u>	<u>¥ 561</u>	<u>\$ 5,355</u>

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 378	¥ 296	\$ 3,533
Interest cost	90	102	841
Expected return on plan assets	(59)	(51)	(551)
Amortization of prior service cost	(15)	(15)	(140)
Recognized actuarial loss	105	54	981
Additionally paid retirement benefits	33	19	308
Net periodic benefit costs	<u>¥ 532</u>	<u>¥ 405</u>	<u>\$ 4,972</u>

Assumptions used for the years ended March 31, 2005 and 2004 are set forth as follows:

	2005	2004
Discount rate	1.7%	1.7%
Expected rate of return on plan assets	1.7%	1.7%
Amortization period of prior service cost	14 years	14 years
Recognition period of actuarial gain / loss	14 to 20 years	18 to 20 years

9. Commitments and Contingent Liabilities

As of March 31, 2005, the Companies have commitments for the purchase of assets for leasing and installment sales, having a cost of approximately ¥75,997 million (\$710,252 thousand).

The Companies are contingently liable as of March 31, 2005 as guarantor or co-guarantor for borrowings of ¥4,634 million (\$43,308 thousand) for its unconsolidated subsidiaries and others.

The Companies have entered into various currency swaps, interest rate swaps and currency option in the ordinary course of business (Note 16).

10. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. 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 shareholders meeting.

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. The amount of retained earnings available for dividends under the Code was ¥67,105 million (\$627,150 thousand) as of March 31, 2005, based on the amount recorded in the Company's general books of account.

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.

11. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Provision for doubtful receivables	¥ 2,334	¥ 2,717	\$ 21,813
Employees' salaries, bonuses and allowances	6,531	6,058	61,037
Depreciation	2,330	1,940	21,776
Commission expenses	2,667	2,173	24,925
Others	7,823	7,283	73,112
Total	¥ 21,685	¥ 20,171	\$ 202,663

12. Acquisition of DFL Lease Co. Ltd.

On January 15, 2004, the Company acquired 95% of the issued shares of DFL Lease Co. Ltd. for ¥2,163 million.

13. Related Party Transactions

The transactions with affiliates and a principal shareholder for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Interest expense	¥ 975	¥ 1,175	\$ 9,112
Interest income	485	532	4,533
Revenue			
Lease	5,539	5,249	51,766
Installment sales	990	1,965	9,252
Purchase of lease receivables		23,542	

Amounts due from and to affiliates and a principal shareholder as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Receivables — trade:			
Lease	¥ 235	¥ 214	\$ 2,196
Installment sales	2,985	2,970	27,897
Loans	6,545	6,040	61,168
Minimum future rentals on lease contracts	15,678	11,627	146,523
Short-term borrowings	153,350	148,350	1,433,178
Other current liabilities	76	186	710
Long-term debt including current maturities	14,803	20,406	138,346

14. 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 40.7% and 42.0% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for doubtful receivables	¥ 4,450	¥ 5,290	\$ 41,589
Tax loss carry forwards	3,951	4,050	36,925
Property and equipment	947	1,521	8,850
Trade receivables — Lease		729	
Other	3,735	2,913	34,907
Total	¥ 13,083	¥ 14,503	\$ 122,271
Less valuation allowance	3,763	2,643	35,169
Less deferred tax liabilities	3,693	4,204	34,514
Net deferred tax assets	¥ 5,627	¥ 7,656	\$ 52,588

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥ 3,622	¥ 4,145	\$ 33,851
Property and equipment	868	863	8,112
Other	27	21	252
Total	¥ 4,517	¥ 5,029	\$ 42,215
Less deferred tax assets	3,693	4,204	34,514
Net deferred tax liabilities	¥ 824	¥ 825	\$ 7,701

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, 2004 is as follows:

	2004
Normal effective statutory tax rate	42.0%
Valuation allowance	2.7
Amortization of consolidation goodwill	0.6
Actual effective tax rate	<u>45.3%</u>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2005 is not significant.

15. Leases

The Companies lease certain equipment and other assets under finance leases. Total rental expenses under such lease for the years ended March 31, 2005 and 2004 were ¥15 million (\$140 thousand) and ¥7 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations 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, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
(1) Property and equipment			
Acquisition cost	¥ 61	¥ 76	\$ 570
Accumulated depreciation	(56)	(56)	(523)
Net leased property	¥ 5	¥ 20	\$ 47
(2) Obligations under finance leases			
Due within one year	¥ 580	¥ 1,344	\$ 5,420
Due after one year	75	660	701
Total	¥ 655	¥ 2,004	\$ 6,121

Depreciation expense which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method, was ¥15 million (\$140 thousand) and ¥7 million for the years ended March 31, 2005 and 2004, respectively. The amount of obligations under finance leases includes the imputed interest expense portion.

16. Derivatives

The Companies enter into foreign currency forward contracts, currency option 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 to manage its interest rate exposures on certain assets and 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, 2005 and 2004:

	Millions of Yen					
	2005			2004		
	Contract Amount	Fair Value	Unrealized Gain / Loss	Contract Amount	Fair Value	Unrealized Gain / Loss
Currency swaps contracts:						
U.S.\$ payment, Yen receipt				¥ 1,512	¥ (73)	¥ (73)
Euro payment, Yen receipt	¥ 80	¥ (9)	¥ (9)	160	(3)	(3)
Interest rate swap contracts:						
Floating rate payment, fixed rate receipt	2,000	88	88	2,000	160	160
Fixed rate payment, floating rate receipt	1,422	(9)	(9)	1,670	(34)	(34)
Currency option contracts:						
Buying, call U.S.\$	46	1	1	46	1	(1)
	Thousands of U.S. Dollars					
	2005					
	Contract Amount	Fair Value	Unrealized Gain / Loss			
Currency swaps contracts:						
Euro payment, Yen receipt	\$ 748	\$ (84)	\$ (84)			
Interest rate swap contracts:						
Floating rate payment, fixed rate receipt	18,692	822	822			
Fixed rate payment, floating rate receipt	13,290	(84)	(84)			
Currency option contracts:						
Buying, call U.S.\$	430	9	9			

Foreign currency forward contracts which qualify for hedge accounting, are assigned to the associated assets and liabilities and are recorded on the consolidated balance sheets at March 31, 2005 and 2004, 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 amount 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.

17. Segment Information

Information about industry segments, geographic segments for the years ended March 31, 2005 and 2004 is as follows:

Industry segments

		Millions of Yen					
Year Ended March 31, 2005	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated	
(1) Operating income							
Revenue from customers	¥ 387,409	¥ 129,146	¥ 10,846	¥ 9,748		¥ 537,149	
Intersegment revenue	104		1,125	896	¥ (2,125)		
Total revenues	387,513	129,146	11,971	10,644	(2,125)	537,149	
Operating expenses	363,841	124,345	6,585	7,440	5,202	507,413	
Operating income	¥ 23,672	¥ 4,801	¥ 5,386	¥ 3,204	¥ (7,327)	¥ 29,736	
(2) Total assets, depreciation and capital expenditures							
Total assets	¥ 911,126	¥ 317,842	¥ 562,696	¥ 89,398	¥ (120,806)	¥ 1,760,256	
Depreciation	294,846				2,468	297,314	
Capital expenditures	316,545				1,836	318,381	
		Thousands of U.S. Dollars					
Year Ended March 31, 2005	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated	
(1) Operating income							
Revenue from customers	\$3,620,645	\$ 1,206,972	\$ 101,364	\$ 91,103		\$ 5,020,084	
Intersegment revenue	972		10,514	8,374	\$ (19,860)		
Total revenues	3,621,617	1,206,972	111,878	99,477	(19,860)	5,020,084	
Operating expenses	3,400,383	1,162,103	61,542	69,532	48,617	4,742,177	
Operating income	\$ 221,234	\$ 44,869	\$ 50,336	\$ 29,945	\$ (68,477)	\$ 277,907	
(2) Total assets, depreciation and capital expenditures							
Total assets	\$8,515,196	\$ 2,970,486	\$ 5,258,841	\$ 835,496	\$(1,129,028)	\$16,450,991	
Depreciation	2,755,570				23,066	2,778,636	
Capital expenditures	2,958,364				17,159	2,975,523	
		Millions of Yen					
Year Ended March 31, 2004	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated	
(1) Operating income							
Revenue from customers	¥ 380,394	¥ 164,436	¥ 10,151	¥ 7,824		¥ 562,805	
Intersegment revenue	127		928	234	¥ (1,289)		
Total revenues	380,521	164,436	11,079	8,058	(1,289)	562,805	
Operating expenses	359,677	160,864	7,123	5,575	4,595	537,834	
Operating income	¥ 20,844	¥ 3,572	¥ 3,956	¥ 2,483	¥ (5,884)	¥ 24,971	
(2) Total assets, depreciation and capital expenditures							
Total assets	¥ 919,983	¥ 336,646	¥ 510,041	¥ 36,625	¥ (65,032)	¥ 1,738,263	
Depreciation	292,031				1,935	293,966	
Capital expenditures	299,919				3,317	303,236	

1. Accounting method of investments for real estate project

The effect of the change in the accounting for investments described in Note 3 was to increase revenues from customers, operating expenses, operating income and total assets of other industry by ¥911 million (\$8,514 thousand), ¥148 million (\$1,383 million), ¥763 million (\$7,131 thousand), and ¥47,627 million (\$445,112 thousand), respectively, and to decrease total assets in eliminations or corporate by ¥47,627 million (\$445,112 thousand) for the year ended March 31, 2005.

2. Changes of accounting method of revenues and costs in installment sales

The effect of the change in the accounting for installment sales described in Note 3 was to decrease total revenues and operating expenses of installment sales by ¥36,077 million (\$337,168 thousand) for the year ended March 31, 2005.

Geographic segments

Year Ended March 31, 2004	Millions of Yen				
	Japan	Middle America	Other	Eliminations or Corporate	Consolidated
(1) Operating income					
Revenue from customers	¥ 504,965	¥ 53,662	¥ 4,178		¥ 562,805
Intersegment revenue	49			¥ (49)	
Total revenues	505,014	53,662	4,178	(49)	562,805
Operating expenses	474,397	53,326	3,816	6,295	537,834
Operating income	¥ 30,617	¥ 336	¥ 362	¥ (6,344)	¥ 24,971
(2) Total assets	¥1,535,599	¥ 23,510	¥ 80,622	¥ 98,532	¥ 1,738,263

Revenues and total assets of the Company and its domestic subsidiaries for the year ended March 31, 2005, represented more than 90% of consolidated revenues and total assets. Accordingly, geographic segments were not required to be disclosed.

Revenues from foreign customers

Revenues from foreign customers for the years ended March 31, 2005 and 2004, represented less than 10% of consolidated revenues of each respective year. Accordingly, revenues from foreign customers were not required to be disclosed.

18. Subsequent Event

On June 29, 2005, the shareholders authorized the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥16 (\$0.15) per share	¥ 911	\$ 8,514
Bonuses to directors	60	561

INDEPENDENT AUDITORS' REPORT

Deloitte.

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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, 2005 and 2004, 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, generally accepted 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles 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 29, 2005

Member of
Deloitte Touche Tohmatsu

SERVICE NETWORK (Overseas & Domestic)

(as of June 30, 2005)

Diamond Airfinance (Ireland) Limited

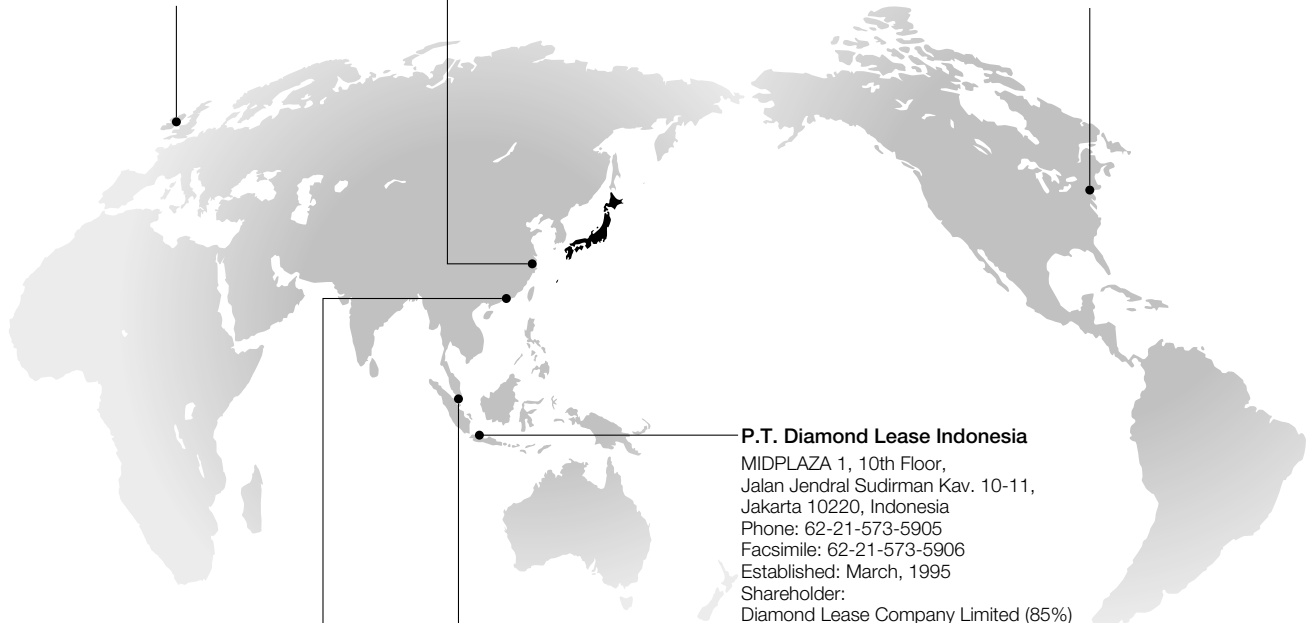
La Touche House
International Financial Service Centre
Custom House Docks, Dublin 1, Ireland
Phone: 353-1-670-1822
Facsimile: 353-1-670-1823
Established: May, 1995
Shareholder:
Diamond Lease Company Limited (100%)

Shanghai Representative Office

China Insurance Building Room 2808
166 Lujiazui East Road, Pudong,
Shanghai, P.R.C.
Phone: 8621-6841-9978
Facsimile: 8621-6841-9987
Established: October, 2003

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

MIDPLAZA 1, 10th Floor,
Jalan Jendral Sudirman Kav. 10-11,
Jakarta 10220, Indonesia
Phone: 62-21-573-5905
Facsimile: 62-21-573-5906
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.

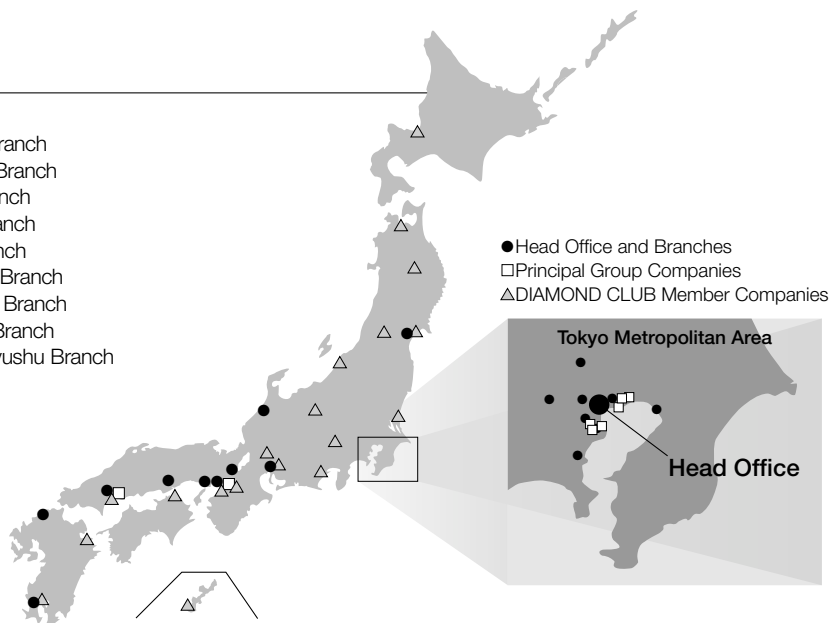
80 Raffles Place #30-21
UOB Plaza 2
Singapore 048624
Phone: 65-6220-2515
Facsimile: 65-6220-8780
Established: September, 2002
Shareholder: Diamond Lease (Hong Kong) Limited (100%)

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

- Diamond Auto Lease Co., Ltd.
- Diamond Rental System Co., Ltd.
- The Casio Lease Co., Ltd.
- Hirogin Lease Co. Ltd.
- DFL Lease Co. Ltd.
- Mitsubishi Electric Credit Co., Ltd.
- DL Business Co., Ltd.
- DL Eco Business Co., Ltd.



CORPORATE HISTORY



Apr. 1971	Established by Mitsubishi Group companies
Apr. 1973	Established Diamond Lease (Hong Kong) Limited in Hong Kong
Mar. 1985	Listed on the Second Section of the Tokyo Stock Exchange
Nov. 1985	Established Diamond Lease (U.S.A.), Inc. in the United States
Sep. 1988	Listed on the First Section of the Tokyo Stock Exchange
Mar. 1990	Established Diamond Auto Lease Co., Ltd.
Mar. 1995	Established P.T. Diamond Lease Indonesia in Indonesia
Jul. 1997	Established Diamond Rental System Co., Ltd.
Dec. 1998	Acquired Minami-Kyushu Diamond Lease Company Limited
Jun. 1999	Established DL Business Co., Ltd.
Oct. 1999	Merged with Ryoshin Leasing Corporation
Aug. 2000	Acquired 80% equity stake in The Casio Lease Co., Ltd.
Jan. 2001	Acquired ISO14001 certification
May 2001	Started-up new leasing computer system
Mar. 2002	Acquired 80% equity stake in Hirogin Lease Co. Ltd.
Sep. 2002	Established Diamond Lease (Singapore) Pte. Ltd. in Singapore
Dec. 2002	Acquired 100% equity stake in Meijiseimei Leasing Co., Ltd.
Mar. 2003	Acquired 45% equity stake in Mitsubishi Electric Credit Co., Ltd.
Oct. 2003	Opened Shanghai Representative Office in Shanghai, China
Jan. 2004	Acquired 95% equity stake in The Daiwa Factor and Leasing Co., Ltd. (Name changed to DFL Lease Co. Ltd.)
Apr. 2005	Launched New Medium-Term Business Plan

INVESTOR INFORMATION

(as of March 31, 2005)

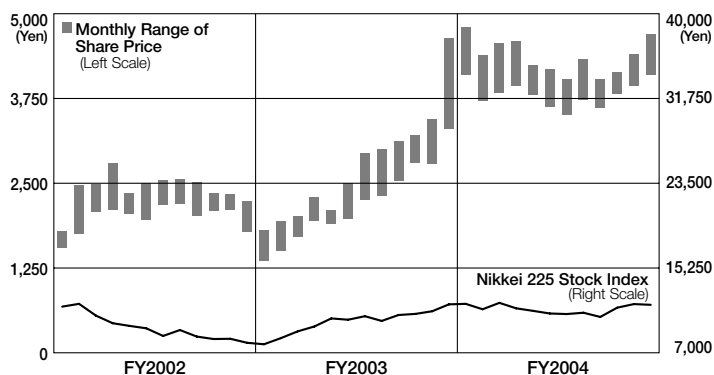
Principal Shareholders

	Number of Shares Held (thousands)	Ownership (%)
Mitsubishi Corporation	8,653	15.19
Meiji Yasuda Life Insurance Company	3,105	5.45
Japan Trustee Service Bank, Ltd.	3,082	5.41
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
The Norinchukin Bank	2,180	3.83
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,758	3.09

Common Stock Price Range

(Tokyo Stock Exchange)

	FY2002		FY2003		FY2004	
	High	Low	High	Low	High	Low
First Quarter	¥2,490	¥1,550	¥2,015	¥1,350	¥4,800	¥3,710
Second Quarter	2,785	1,958	2,495	1,908	4,600	3,620
Third Quarter	2,555	2,015	3,120	2,260	4,320	3,510
Fourth Quarter	2,355	1,775	4,640	2,795	4,700	3,820



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
DFL Lease Co. Ltd.*	95
Mitsubishi Electric Credit Co., Ltd.**	45

* 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
Dialease Maritime S.A.*	100
Diamond Lease (Singapore) Pte. Ltd.*	*1)

* Consolidated

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

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(as of June 29, 2005)

Chairman

Yasuyuki Hirai

President & CEO

Naotaka Obata

Senior Managing Director

Toru Hada

Managing Directors

Tetsuo Iizumi

Tokutaro Sekine

Nobuyuki Baba

Kazuo Momose

Directors

Masato Komura
Senior Managing Director
Chief Executive, Investment
Meiji Yasuda Life Insurance Company

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

Teruyuki Shirakawa
Member of the Board
Senior Managing Director
Tokio Marine & Nichido Fire Insurance Co., Ltd.

Corporate Auditors

Takeaki Takeuchi

Masao Fujii

Yoshihiro Maeda
President
Ryoshin DC Card Company, Ltd.

Eisaku Maruyama
Managing Executive Officer
The Dai-ichi Mutual Life Insurance Company

CORPORATE DATA

(as of March 31, 2005)

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

3,029

Number of Employees

945

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

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