2001

Annual Report

Shinki Co., Ltd.

Shinki's Profile

November, 1995	Listed on over-the-counter market
February, 1999	Listed on Tokyo Stock Exchange Second Section
September, 2000	Listed on Tokyo Stock Exchange First Section

A "venture spirit" that breaks the mold of conven


ntional ideas is the real key to Shinki's success.

Zero/Love

In the game of tennis, a score of zero is called “love”. This term could have its origins in the concept that love is unconditional. Shinki’s core product **“NoLoan”** is based on this concept. While most financial institutions normally charge interest, “NoLoan” is the only product of its kind in the industry where the customer can borrow money with **0%** interest in the first week.

This **epoch-making** product grew out of Shinki’s corporate goal to be the most popular nonbank financial institution in Japan. Subscriptions to “NoLoan” come through multi-channels. We’ve gained legions of loyal customers as well as excellent revenues by establishing business models utilizing **IT** technologies. Our services feature:

- A scoring system with excellent credit accuracy.
- Credit control using the CTI (Computer Telephony Integration) system.
- An adaptive control system for the highest profit.

A **“venture spirit”** that breaks the mold of conventional ideas is the real key to Shinki’s success.

Shinki aims to go a step beyond offering existing financial services to customers. Our desire is to provide customers with the products they need the most. “NoLoan” embodies this desire by utilizing information technologies. This unique market-creating financial product, coupled with smart management, has led to Shinki’s reputation as a solid, **dependable** company. That’s one of the reasons behind our major success. It’s also why the spirit of challenge lives on in the name **“Financial Venture”**.

Shinki’s listing on the Tokyo Stock Exchange First Section motivated us to embrace newer challenges. With a venture spirit, we’re meeting our customer’s **expectations** and entering an exciting new financial business stage. The game is on!

Message from the President

The business term under review was a period of significant achievements for the Company. In September, our shares were listed on the First Section of the Tokyo Stock Exchange. Furthermore, our balance of consumer loans topped ¥100 billion for the first time, exceeding that of business loans. However, it was also a time of significant change as our corporate finance sector required a comprehensive reevaluation, partly due to the aftereffects of the so-called shoko (industrial and commercial) loan problem that arose two years ago.

Results of Operations

Note that we employ non-consolidated figures in this report in all areas other than the financial review. The reason is that the only consolidated subsidiary is involved in personnel services, a sector that has been separated from our core financial services business, taking organizational efficiency into consideration. Furthermore, the subsidiary has no material impact on our total revenues and earnings.

We achieved higher revenues in the term under review, but earnings declined. Revenues increased 15.3% to ¥51,323 million (US$414 million) as the loan balance rose 9.3% to ¥207,137 million (US$1,671 million), including ¥2,322 million in asset-backed securities. Interest expenses, write-offs and other credit expenses, and branch opening expenses all increased. As a result, operating income fell 30.5% to ¥9,331 million (US$75 million) and net income was down 50.8% to ¥2,859 million (US$23 million). By sector, consumer loans surged 31.0% but corporate loans were lower. This raised consumer loans to 51.0% of total outstanding loans. During the term, the Company was successful in procuring funds directly from capital markets, and the weighted average interest rate on borrowed funds declined 26 basis points to 3.29%. On the other hand, asset quality deteriorated against the backdrop of increased bankruptcies as a result of the sluggish economy, as well as higher unemployment rates. Bad loan write-offs increased 59.9% to ¥10,255 million and the reserve for possible loan losses rose 31.6% during the year to ¥10,607 million. Write-offs increased from 3.35% to 4.86% of outstanding loans and the reserve ratio increased from 4.22% to 5.04%.

Measures Taken During the Term

We took a number of steps during the term to address the challenges we face. Principal measures were as follows:

1) rapid branch increase in the consumer finance sector
2) closing down and consolidation of corporate finance branches
3) adoption of stricter credit screening standards
4) the establishment of a compliance office and other moves to reinforce our management systems
5) procuring more funds directly from capital markets.

As we move ahead, we ask for the understanding of investors regarding the following two points.

1. Continued expansion of the consumer finance business

First, our consumer finance business is expanding steadily. The balance of consumer loans rose 45% in the previous term and posted another substantial increase of 31% in the term under review. The rapid growth of the consumer loan balance was attributable to aggressive expansion of our branch network and strengthened advertising and sales promotion. During the term, the number of branches in the consumer loan business increased by 168 from 219 to 387, reflecting our aggressive branch network expansion policy centered on unstaffed branches.

2. Changes in the operating environment for corporate loans, and our response

Whereas the corporate loan balance increased 43% in the previous term, the balance of these loans fell in the term under review, during which corporate bankruptcies steadily increased. We decided to adopt stricter credit screening standards, as a result of which the volume of loans declined.

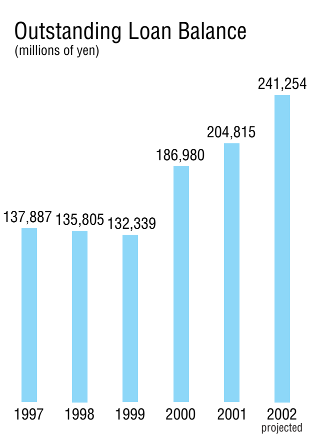
Our interest income from loans increased by only ¥741 million year-on-year from loans on deeds. On the other hand, a ¥5,317 million write-off (¥1,732 million more than in the previous term) of corporate loans was carried out, leading to a deterioration in our business loan portfolio. In response to this situation, we adopted stricter standards for extending additional credit to current customers of loans on deeds, and at the same time reduced the maximum ceiling on initial loan amounts. In addition, we intentionally reduced the extension of new credits on bills, and strove to recover existing loan claims carrying increased risk.

Issues To Be Addressed

We are determined to appropriately respond to changes in the operating environment. Several steps have already been taken. We have stopped discounting commercial bills, and we will quickly withdraw from the market for loans on bills. On the other hand, we will aggressively increase secured loans to other companies in the consumer loan industry. These loans, however, will probably be held to less than 20% of our total commercial loan balance for the time being. Due to these steps, loans on deeds will increase to about 80% of our total corporate loan portfolio. In June 2001, however, we began promoting an epoch-making new card-based loan product called the NoLoan Business as our primary form of credit for businesses. This revolutionary loan is explained in more detail elsewhere in this report. In the consumer finance sector, we will continue the rapid expansion of the service network with the aim of increasing consumer loans.

We intend to maintain our policy of fulfill our mission of developing loans that meet the needs of our customers while building a more solid base to support our future growth.

Naofumi Maeda
President



* The balance at the end of the term ending March 2002 is estimated on the assumption of a ¥2,000 million deduction in the form of asset-backed securities.

Corporate Restructuring

Basic Strategies

■ ***Focus on the card loan business by leveraging our core competence in NoLoan brand products. Transform corporate finance business into one similar to that for consumer finance by strengthening brand recognition of NoLoan, the card loan product that differentiates us from our competitors: that is, concentrate resources on card loan business.***

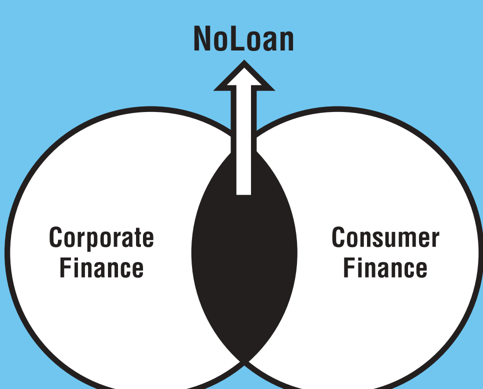
■ ***Correct the high-cost structure of the Corporate Finance Division to slash operating expenses.***

Business Loans

Product Strategy

In June 2001 we launched the NoLoan Business, which we have positioned as the next key product. The NoLoan Business, which utilizes our premium NoLoan brand of loans that differentiate us from the competition, has several advantages. First, it provides interest-free funds for the first seven days. Second, the loan does not need to be secured by collateral or a guarantor. In addition, since it is designed to provide revolving credit that is more convenient to customers, administrative work related to loan contracts and customer management is reduced considerably. The NoLoan Business has a credit ceiling of ¥2 million and carries an annual interest rate of between 18.25% and 27.50%. We will specialize in card loan business by promoting the NoLoan Business, our card loan product.

The know-how built up in our computerized auto-scoring credit-screening system over the past several years combined with extensive infrastructure, including an ATM network that the Consumer Finance Division has aggressively extended nationwide, enabled us to develop and commercialize this innovative product




The NoLoan Card and NoLoan Business Card

Efficient Management

Reducing operating expenses to correct the high-cost structure of our Corporate Finance Division is an urgent management issue. Toward that goal, we are transforming our corporate finance business into one similar to that for consumer finance. From the new fiscal year, we streamlined our corporate organization and brought business and consumer loan operations under a single division. This will also help to enhance communication between the two divisions, which has been limited until now. We will promote the sharing of know-how and expertise separately accumulated in the two divisions. Simultaneously, we will withdraw from loans on bills, which entail heavy clerical workloads at branch offices, and instead focus on the card-loan business, allowing us to reestablish branch networks, closing down under-performing branches. We will also coordinate activities of corporate and consumer finance operations, including branch facilities such as ATMs and automated loan-contract machines, advertising and sales promotion, in order to reduce costs.

Consumer Loans

Promoting NoLoan

The outstanding balance of NoLoan consumer loans increased by a solid 30% over the previous fiscal year. Moreover, the number of new customers taking out this type of loan increased every month in the term under review. Growth has been so remarkable that loans granted in most months were higher than the record high for the previous fiscal year registered in November.

A NoLoan TV commercial featuring a unique character

However, the environment surrounding the consumer finance industry is changing rapidly due to qualitative changes in the nature of the market, changes in laws regulating the industry and the impact of new entrants from other business lines. This means that we cannot be complacent about our favorable business performance. The business model for consumer-finance companies is based on mass marketing to achieve continuous expansion of the customer base, combined with customer account management reflecting risk exposure to maximize profit from each account. Therefore signing up new customers is the most important issue in the consumer finance business. Although the NoLoan brand is steadily winning recognition there is still a large gap with major consumer finance companies. Seeking to close this gap, we launched a series of TV commercials in the Tokyo metropolitan region to show the comparative advantages of our NoLoan card loan product and to draw out potential demand.

Reducing Bad Debt and Reinforcing Earning Power

Personal bankruptcies continue to increase amidst the protracted recession. Some estimates claim that the amount of bad-debt write-offs in the consumer finance industry tops the growth in the outstanding balance of consumer loans. Shinki is no exception. The delinquency ratio, write-off ratio and reserve ratio are all trending upward again after bottoming out in the second half of fiscal 1998. To deal with this difficult situation, Shinki is tightening credit screening standards for both new loans and additional loans to current customers in order to bring down the delinquency, write-off and reserve ratios. We were left behind in expanding our branch network by the leading consumer finance companies. We are still in the midst of an aggressive chain expansion. Advertising and sales promotion expenditure remains quite high. This is because we have judged that only business base expansion will give us the best opportunity to increase profits and improve business efficiency. This means that the cost of opening new branches and the related advertising and sales promotion expenses will hover at high levels for the foreseeable future. We are, however, committed to increasing our outstanding loan balance per employee and to achieving greater efficiency.

TRI Shop: This is a telephone loan service operated by small teams that utilizes a computer system for credit screening and loan management.

NoLoan.com can also be accessed from a mobile phone via NTT DoCoMo's i-mode service.


NoLoan!!

Corporate Finance

■ The number of branches declined to 89 as we closed down 26 branches during the term.

■ The term-end loan balance, including loans on deeds, loans on bills, and secured loans, increased 7.6% from the previous term-end to ¥99,066 million, including ¥2,322 million in asset-backed securities. Of the total, loans on deeds, which account for a large share of loans in the Corporate Finance Division, increased 1.5% from the previous fiscal year to ¥69,372 million including ¥2,322 million in asset-backed securities. Loans on bills declined 49.1% to ¥13,065 million due to adoption of substantially stricter credit screening standards and our emphasis on recovery. Secured loans to other consumer finance companies increased ¥3,459 million, or 26.3%, to ¥16,630 million. Commercial bills discounted increased 35.3% to ¥2,453 million.

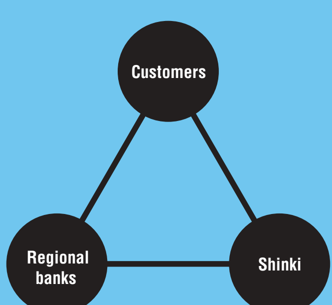
■ The amount of delinquent corporate loans (in arrears for one month or longer) increased ¥683 million to ¥5,416 million. By product, loans on deeds in arrears increased ¥618 million, and loans on bills in arrears were up ¥123 million. On a positive note, the amount of delinquent secured loans declined. The delinquency ratio (in arrears for one month or longer) in this division increased to 5.12% from 4.32% in the previous term. By type of loan, the delinquency ratio on loans on deeds increased from 2.98% to 3.96%. The corresponding figures for loans on bills were 9.83% and 15.43%, respectively, reflecting a substantial decline in the balance.

■ To stem further deterioration in the quality of our loan portfolio, we tightened credit-screening standards for loans on deeds. At the same time, we tightened standards for additional loans to current customers. As a result, the balance of loans on deeds per customer declined 19.3% from ¥1,414 thousand in the previous term to ¥1,141 thousand at term-end.

■ The amount of bad debt write-offs on corporate loans excluding commercial bills discounted increased ¥1,731 million, or 48.3%, to ¥5,313 million. Bad debt write-offs related to loans on deeds increased ¥2,802 million, or 107.2%, while those related to loans on bills rose ¥2,444 million, or 11.2%. Bad debt write-offs on secured loans were up ¥68 million, or 111.1%.

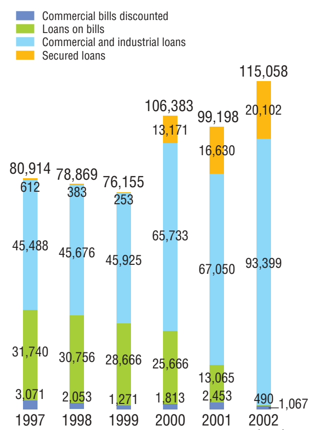
■ The write-off ratio on corporate loans increased by 1.89 percentage points to 5.18%. The write-off ratio on loans on deeds was up 1.99 percentage points, at 3.95%, and that on loans on bills rose 8.21 percentage points to 16.54%. There was a 0.16 percentage point increase in the write-off ratio on secured loans, to 0.40%.

Guarantee Scheme



In November 2000, Shinki established a tie-up with The Chubu Bank, Ltd. to guarantee unsecured loans to businesses. This is a fee business in which the Company will utilize its knowledge of the credit business to provide guarantees, and it is the first tie-up in Japan to guarantee unsecured business loans.

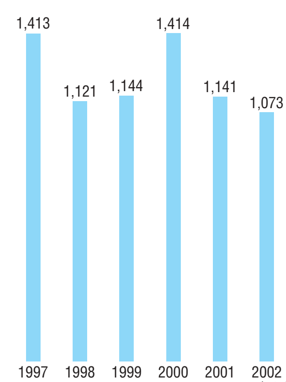
Outstanding Loan Balance by Product
(millions of yen)



* The balance at the end of the term ending March 2002 is estimated on the assumption of a ¥2,000 million deduction in the form of asset-backed securities.

* Asset-backed securities in the amount of ¥2,584 million and ¥2,322 million are deducted from the balances at the end of the terms ended March 2000 and 2001, respectively.

Average Balance per Account of Commercial and Industrial Loans
(thousands of yen)



Consumer Loans

■ The consumer loan balance increased steadily thanks to the expansion of our branch network as well as the strengthening of advertising and sales promotion. The number of new customers taking out NoLoan-type loans in the first half totaled 38,400 and rose to 40,700 in the second half. As a result, the balance of consumer loans at term-end increased ¥25 billion, or 31%, to ¥105,617 million. Unsecured loans, which are our mainstay products, increased 31.5% to ¥104,362 million. Secured loans rose 3.4% to ¥1,255 million.

■ The average loan balance per customer for unsecured consumer loans increased ¥23,000 to ¥392,000.

■ Delinquent (one month or longer) unsecured consumer loans increased ¥340 million to ¥1,948 million at term-end, driving up delinquency ratio 0.22 of a percentage point to 1.87%.

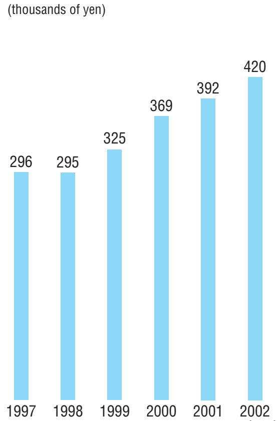
■ Bad debt write-offs on unsecured consumer loans increased ¥2,091 million, or 74.6% from the previous fiscal year, to ¥4,892 million. In secured loans, the bad debt write-off amount increased ¥18 million, or 65.7%, to ¥45 million.

■ The overall write-off ratio on consumer loans increased 1.17 percentage points to 4.67%. The write-off ratio on unsecured loans rose 1.16 percentage points to 4.69% and that on secured loans was up 1.22 percentage points, at 3.19%.

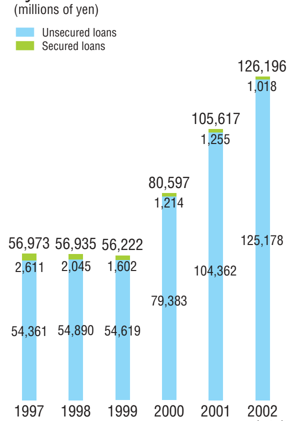
The NoLoan Adaptive Control Center (NACC) : The center, which uses computer telephony integration, acts as a consumer loan marketing and loan repayment management center.

■ The Company opened 11 staffed and 170 unstaffed branches in the term, as a result of an aggressive branch-opening program. Combined with the closure of staffed branches and the conversion of staffed branches into unstaffed branches as a result of our branch network review, the number of staffed branches, as of the end of fiscal year, totaled 73, unchanged from the beginning of the fiscal year. The number of unstaffed branches increased by 168 to 314. In addition to these traditional branches, the Company operates one Try Shop and one Net Shop. Try Shop is designed to offer centralized, efficient management of customers taking out loans through our unstaffed branches. Net Shop allows customers to apply for loans via the Internet. Taken all together, our branch network counted 389 branches as of the end of the fiscal year.

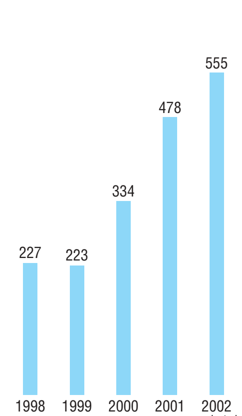
Average Balance per Account of Unsecured Loans
(thousands of yen)



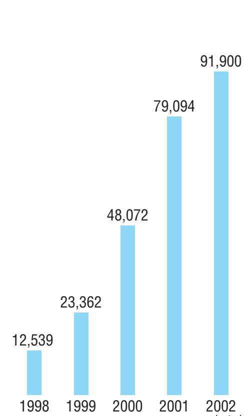
Outstanding Loan Balance by Product
(millions of yen)



Number of Branch Offices



Number of New NoLoan Customers



Shinki Co., Ltd.

Five-Year Summary

Years Ended March 31

Consolidated	Millions of Yen 1997	1998	1999	2000	2001	Thousands of U.S. Dollars 2001
For the fiscal year:						
Total revenues	—	—	—	¥ 45,292	**¥ 52,296**	**$ 421,742**
Net income	—	—	—	5,769	**2,878**	**23,210**
At year-end:						
Total assets	—	—	—	¥248,743	**¥271,374**	**$2,188,500**
Finance receivables, net	—	—	—	180,844	**198,031**	**1,597,024**
Shareholders' equity	—	—	—	41,040	**43,272**	**348,968**
Per share data (yen)**:**						
Net income	—	—	—	¥127.17	**¥63.44**	**$0.51**
Financial ratios:						
Equity ratio	—	—	—	16.5%	**15.9%**	
Return on equity	—	—	—	14.1%	**6.8%**	
Ratio of net income to total revenues	—	—	—	12.8%	**5.5%**	

Non-Consolidated	Millions of Yen 1997	1998	1999	2000	2001	Thousands of U.S. Dollars 2001
For the fiscal year:						
Total revenues	¥ 34,222	¥ 41,248	¥ 38,309	¥ 44,525	**¥ 51,323**	**$ 413,895**
Net income	3,815	4,003	5,770	5,817	**2,859**	**23,057**
At year-end:						
Total assets	¥167,709	¥167,959	¥163,226	¥248,746	**¥271,304**	**$2,187,935**
Finance receivables, net	134,411	131,594	127,690	180,844	**198,031**	**1,597,024**
Shareholders' equity	26,006	29,651	34,875	41,188	**43,401**	**350,008**
Number of shares of common stock outstanding (in millions)	18.9	22.7	22.7	45.4	**45.4**	
Per share data (yen)**:**						
Net income	¥86.31	¥82.23	¥127.20	¥128.23	**¥63.04**	**$0.51**
Cash dividends applicable to the year	17.50	23.00	25.00	12.50	**12.50**	**0.10**
Financial ratios:						
Equity ratio	15.5%	17.7%	21.4%	16.6%	**16.0%**	
Return on equity	17.2%	14.4%	17.9%	15.3%	**6.8%**	
Ratio of net income to total revenues	11.1%	9.7%	15.2%	13.1%	**5.6%**	
Number of branches	205	227	223	334	**478**	
Number of employees	1,219	1,313	1,164	1,292	**1,231**	

Notes

- U.S. dollar amounts represent translations of yen, for convenience only, at the rate of ¥124 to U.S.$1, the approximate exchange rate at March 31, 2001.
- Consolidated data for the years to March 31, 1997 through 1999 are not available.

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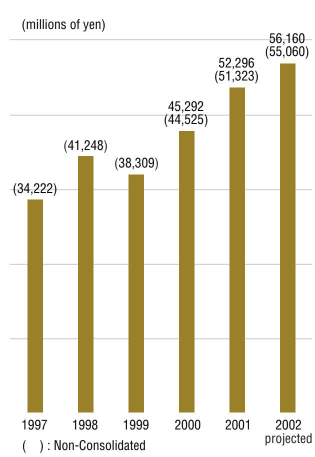
Total Revenues



Financial Review

(on a consolidated basis)

Business Environment

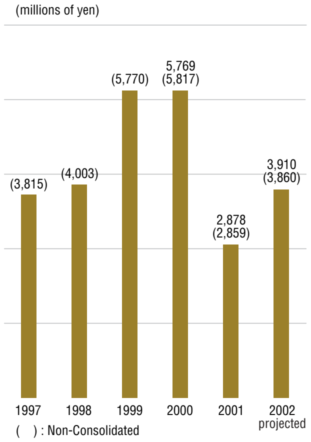
Corporate earnings in Japan increased during the term under review in spite of continued sluggishness in consumer spending. This was mainly thanks to the government's economic stimulus measures and an increase in IT-related capital investment, which helped propel the economy along a gradual recovery path. During the second half, however, a notable deterioration was seen in the environment as the U.S. economy slowed down and share prices fell substantially. Future prospects thus grew increasingly uncertain.

Business conditions in the small-lot business loan industry, in particular, have been becoming increasingly severe. Against the backdrop of a continued decline in the business performance of our customers—small and medium-sized companies and sole proprietors—companies in the business loan industry have been facing many problems, principally deterioration of loan assets. Companies belonging to the consumer finance industry have also been suffered from increasing bad debts.

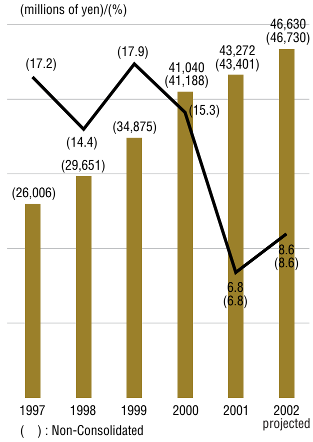
Review of operations

Total revenues increased ¥7,004 million, or 15.5%, to ¥52,296 million (US$421,742 thousand), due to an increase in interest income. Total expenses also increased ¥10,324 million, or 30.1%, to ¥44,648 million (US$360,065 thousand). This was mainly attributable to increases in provision for credit losses (¥2,229 million) and bad debts (¥2,220 million), which represented amounts directly written off, standing at ¥4,497 million (US$36,266 thousand) for the term. In addition to the above, rents increased ¥1,076 million; interest expenses, including discounts, rose ¥820 million; and commission expenses were up ¥572 million, respectively. Income before income taxes decreased ¥3,320 million, or 30.3%, to ¥7,648 million (US$61,677 thousand) and income taxes came to ¥4,770 million (US$38,467 thousand) utilizing tax-effect accounting. As a result, net income decreased ¥2,891 million, or 50.1%, to ¥2,878 million (US$23,210 thousand). Earnings per share declined ¥63.73 to ¥63.44 (US$0.51). Cash dividends applicable to the term remained at ¥12.5 (US$0.10).

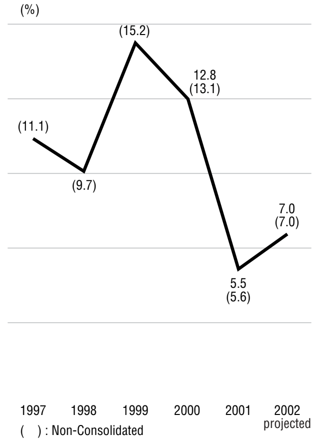
Net Income



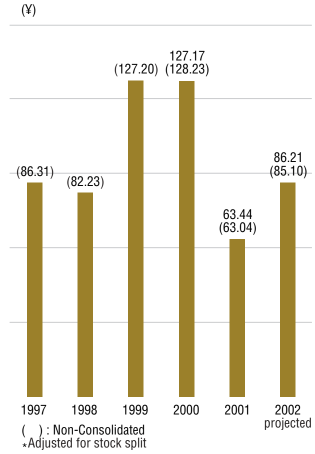
Shareholders' Equity/ Return on Equity



Net Income to Total Revenues



Net Income per Share*



Financial Position

Total assets increased ¥22,631 million, or 9.1% to ¥271,374 million (US$2,188,500 thousand). This rise was mainly attributable to an increase in finance receivables in the amount of ¥17,187 million. In particular, unsecured consumer loans increased ¥24,979 million. In addition, long-term loans under other assets increased ¥2,185 million. Total liabilities also grew ¥20,399 million, or 9.8%, to ¥228,102 million (US$1,839,532 thousand), mainly due to a rise in long-term debt in the amount of ¥23,834 million. During the term, the Company issued corporate debentures worth ¥26 billion and carried out redemption of debentures worth ¥2 billion.

Shareholders' equity increased ¥2,232 million to ¥43,272 million (US$348,968 thousand) due to an increase in retained earnings.

Cash Flows

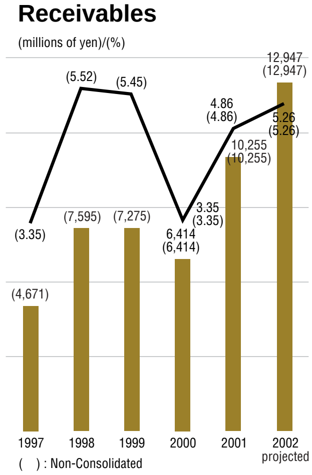
Cash outflow from operating activities decreased ¥29,232 million to ¥19,472 million (US$157,032 thousand). This decline was mainly attributable to a sharp slowdown in the growth of financial loans made to customers. The finance loans in question increased by only ¥29,465 million (US$237,621 thousand) for the term, compared with a growth of ¥62,913 million in the previous term, resulting in decrease in the amount of ¥33,448 million.

Cash outflow from investment also decreased ¥7,510 million to ¥1,814 million (US$14,629 thousand). Time deposits with maturity exceeding three months decreased ¥2,261 million for the term, compared with an increase of ¥2,592 million for the previous term.

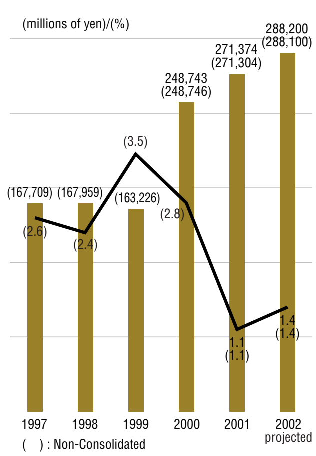
Cash inflow from financing activities decreased ¥49,949 million to ¥23,171 million (US$186,863 thousand). This decline was attributable to changes in short-term borrowings, which decreased ¥16,270 million for the term, as opposed to an increase of ¥23,087 million for the previous term.

As a result, cash and cash equivalents increased ¥1,885 million during the term, to stand at ¥31,691 million (US$255,573 thousand) at the term-end.

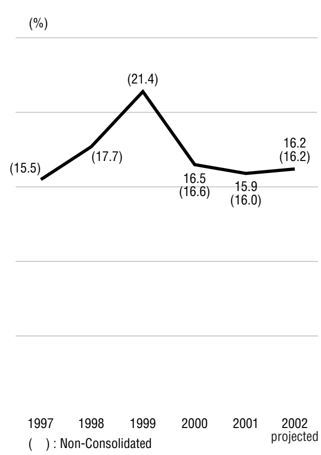
Bad Debt Write-Offs/ Ratio of Bad Debt Write-Offs to Financial Receivables



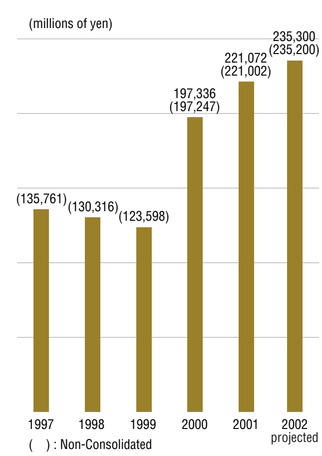
Total Assets/ Return on Assets



Equity Ratio



Interest-Bearing Debt



Shinki Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	**2001**	**2001**
ASSETS			
Assets:			
Finance receivables, net (Notes 4 and 8)	¥180,844	**¥198,031**	**$1,597,024**
Cash and cash equivalents	29,806	**31,691**	**255,573**
Investments in securities (Notes 5 and 8)	4,017	**3,744**	**30,194**
Property and equipment, net (Notes 6 and 8)	9,326	**9,872**	**79,613**
Deferred tax assets (Note 12)	5,143	**6,306**	**50,855**
Other assets (Note 7)	19, 607	**21,730**	**175,241**
Total	¥248,743	**¥271,374**	**$2,188,500**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Short-term debt (Note 8)	¥106,678	**¥106,580**	**$ 859,516**
Long-term debt, less current portion (Note 8)	90,658	**114,492**	**923,323**
Income taxes payable (Note 12)	6,723	**2,869**	**23,137**
Accrued expenses and other liabilities (Note 9)	3,644	**4,161**	**33,556**
Total liabilities	207,703	**228,102**	**1,839,532**
Contingencies (Note 17)			
Shareholders' equity (Notes 11 and 18)**:**			
Common stock, ¥50 par value — authorized, 90,720,000 shares; issued and outstanding, 45,360,000 shares in 2000 and 2001	5,016	**5,016**	**40,451**
Additional paid-in capital	5,483	**5,483**	**44,218**
Retained earnings	30,541	**32,825**	**264,718**
Unrealized loss on available-for-sale securities		**(52)**	**(419)**
Total shareholders' equity	41,040	**43,272**	**348,968**
Total	¥248,743	**¥271,374**	**$2,188,500**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years Ended March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	**2001**	**2001**
Revenues:			
Interest income, including discounts	¥40,832	**¥49,624**	**$400,194**
Other income (Note 13)	4,460	**2,672**	**21,548**
Total revenues	45,292	**52,296**	**421,742**
Expenses:			
Interest expense, including rediscounts	6,871	**7,691**	**62,024**
Provision for credit losses (Note 4)	6,050	**8,279**	**66,766**
Bad debts (Note 4)	2,277	**4,497**	**36,266**
Salaries and fringe benefits	6,847	**8,189**	**66,041**
Other expenses (Note 14)	12,279	**15,992**	**128,968**
Total expenses	34,324	**44,648**	**360,065**
Income before income taxes	10,968	**7,648**	**61,677**
Income taxes (Note 12)**:**			
Current	9,253	**5,895**	**47,540**
Deferred	(4,054)	**(1,125)**	**(9,073)**
Total income taxes	5,199	**4,770**	**38,467**
Net income	¥ 5,769	**¥ 2,878**	**$ 23,210**

	Yen		U.S. Dollars
Per share of common stock (Note 2.r)**:**			
Net income	¥127.17	**¥63.44**	**$0.51**
Cash dividends applicable to the year	12.50	**12.50**	**0.10**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2000 and 2001

	Number of Shares of Common Stock (Thousands)	Millions of Yen			
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Loss on Available-for-Sale Securities
Balance, April 1, 1999	22,680	¥5,016	¥5,483	¥25,365	
Net income				5,769	
Cash dividends, ¥12.50 per share				(567)	
Bonuses to directors				(26)	
Stock split (Note 11)	22,680				
Balance, March 31, 2000	45,360	5,016	5,483	30,541	
Net income				**2,878**	
Cash dividends, ¥12.50 per share				**(567)**	
Bonuses to directors				**(27)**	
Unrealized loss on available-for-sale securities					**¥(52)**
Balance, March 31, 2001 (Note 18)	**45,360**	**¥5,016**	**¥5,483**	**¥32,825**	**¥(52)**

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Loss on Available-for-Sale Securities
Balance, April 1, 2000	$40,451	$44,218	$246,299	
Net income			**23,210**	
Cash dividends, $0.10 per share			**(4,573)**	
Bonuses to directors			**(218)**	
Unrealized loss on available-for-sale securities				**$(419)**
Balance, March 31, 2001 (Note 18)	**$40,451**	**$44,218**	**$264,718**	**$(419)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Operating activities:			
Income before income taxes	¥10,968	**¥ 7,648**	**$ 61,677**
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Income taxes paid	(4,490)	**(9,749)**	**(78,621)**
Depreciation and amortization	499	**1,091**	**8,798**
Credit losses including provision for uncollectible loans	8,701	**12,808**	**103,291**
Increase in financial loans made to customers	(62,913)	**(29,465)**	**(237,621)**
Other — net	(1,469)	**(1,805)**	**(14,556)**
Net cash used in operating activities	(48,704)	**(19,472)**	**(157,032)**
Investment activities:			
Decrease (increase) in time deposits with maturities exceeding three months	(2,592)	**2,261**	**18,234**
Payment for purchase of securities	(1,606)	**(245)**	**(1,976)**
Proceeds from sales of securities	279		
Purchases of property and equipment	(1,085)	**(1,271)**	**(10,250)**
Increase in other investment	(2,807)	**(2,130)**	**(17,177)**
Other — net	(1,513)	**(429)**	**(3,460)**
Net cash used in investing activities	(9,324)	**(1,814)**	**(14,629)**
Financing activities:			
Proceeds from issuance of long-term debt	124,554	**109,315**	**881,573**
Repayments of long-term debt	(73,954)	**(69,307)**	**(558,927)**
Increase (decrease) in short-term borrowings	23,087	**(16,270)**	**(131,210)**
Cash dividends paid	(567)	**(567)**	**(4,573)**
Net cash provided by financing activities	73,120	**23,171**	**186,863**
Net increase in cash and cash equivalents	15,092	**1,885**	**15,202**
Cash and cash equivalents, beginning of year	14,714	**29,806**	**240,371**
Cash and cash equivalents, end of year	¥29,806	**¥31,691**	**$255,573**
Additional cash flows information:			
Interest paid	¥ 6,460	**¥ 7,151**	**$ 57,669**

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Shinki Co., Ltd. (the "Company") is a finance company that principally provides lending and financing services to consumers and business enterprises in Japan.The Company's subsidiary operates a temporary employee deployment business. The accompanying consolidated financial statements 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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

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 ¥124 to $1, the approximate rate of exchange at March 31, 2001. 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 accompanying consolidated financial statements include the accounts of the Company and its subsidiary (collectively the "Group").

All significant intercompany balances and transactions have been eliminated in consolidation.

All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b) *Income Recognition* — Interest income from finance receivables is recognized on an accrual basis, at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Law of Japan or the amount determined using rates on contracts with customers. Accrual of interest income is suspended when a loan is contractually delinquent for approximately one month.

Fees for origination of loans are recognized as income when received.

c) *Credit Losses* — Provision for credit losses is charged to income in amounts sufficient to maintain the allowance for possible credit losses on finance receivables at a level considered adequate based on a past experience ratio basis. In addition, the Company provides for possible losses on specific impaired loans at the estimated amount required based on a loan-by-loan review. The Company's write-off policy is as follows:

Unsecured loans — Automatically written off when 181 days past due.

All other loans — A loan-by-loan review is performed when 181 days past due, and management decides whether to write off each loan based on individual loan circumstances.

d) *Cash and Cash Equivalents* — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of change in value. Cash equivalents include time deposits with original maturities of three months or less.

e) *Investments in Securities* — Prior to April 1, 2000, investments in quoted securities were carried at the lower of moving-average cost or market value, as determined on an individual security basis. Investments in unquoted securities were stated at the moving-average cost. Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments. Under this standard, all securities are classified as available-for-sale securities and 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. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

As a result of adopting the new standard, income before income taxes increased by ¥172 million ($1,387 thousand) for the year ended March 31, 2001 and marketable securities classified as current assets decreased by ¥553 million ($4,460 thousand) and investment securities increased by the same amount as of April 1, 2000.

f) *Property and Equipment* — Property and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally 50 years for buildings and from 3 to 15 years for machinery and equipment.

g) *Investments in Credit and Finance Associations* — Investments in credit and finance associations ("Tokumei Kumiai") are included in "Other assets". The investments are recorded initially at cost, and then increased or decreased to reflect the financial position of the credit and finance associations. Gains or losses arising from such changes are included in "Other income" or "Other expenses".

h) *Other Assets* — Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years for both intangible assets and goodwill.

i) *Leases* — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other 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 lessee's financial statements.

j) *Retirement Benefits* — The Company has a non-contributory funded pension plan covering substantially all of its employees. Prior to April 1, 2000, the amounts contributed to the fund were charged to income when paid. Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥107 million ($863 thousand) at the beginning of the year is being amortized over five years and the annual amortization is presented as other income in the income statement. As a result of adopting this new standard, net periodic benefit costs as compared with the prior method, decreased by ¥24 million ($194 thousand) and income before income taxes increased by the same amount for the year ended March 31, 2001.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if they retired at the balance sheet date. The payment of retirement benefits to directors and corporate auditors is subject to approval of the shareholders in accordance with the Japanese Commercial Code.

k) *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.

l) *Stock and Bond Issue Costs* — Stock and bond issue costs are amortized by the straight-line method over three years (see Note 3).

m) *Bond Discount Cost* — Bond discount cost is amortized by the straight-line method over three years.

n) *Advertising* — Advertising costs are expensed as incurred.

o) *Foreign Currency Translations* — Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Group adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

p) *Derivatives and Hedging Activities* — The Company uses derivative financial instruments to manage its exposures to fluctuations in interest rates and foreign currency exchange rates. The Company does not enter into derivatives for trading or speculative purposes.

Effective April 1, 2000, the Company adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps and interest rate options (caps) are utilized to hedge interest rate exposures of long-term debt. Those swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the related unrealized gains or losses are deferred until maturity as other assets or liabilities.

The interest rate swaps and interest rate options (caps) that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

The adoption of the new accounting standards for derivative financial instruments did not have a material effect on the Companies' consolidated financial statements.

q) *Cash Dividends* — Cash dividends charged to retained earnings are those actually paid during the year, which represent the year-end dividends for the preceding year and the interim dividends for the current year.

r) *Amounts Per Share* — The computation of net income per share is based on the weighted average number of shares of common stock outstanding during the year, retroactively adjusted for stock splits. The average number of common shares used in the computation was 45,360 thousand shares for 2000 and 2001.

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. ACCOUNTING CHANGE

Effective April 1, 2000, the Company began amortizing stock and bond issue costs over three years using the straight-line method. Previously, such costs had been charged to income as incurred. This change was made to provide a more accurate allocation of stock and bond issue costs. The effect of this change was to increase income before income taxes by ¥164 million ($1,323 thousand) for the year ended March 31, 2001.

4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

Finance receivables at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Loans to consumers:			
Unsecured loans	¥ 79,383	**¥104,362**	**$ 841,629**
Secured loans (a)	1,214	**1,255**	**10,121**
Sub-total	80,597	**105,617**	**851,750**
Loans to business enterprises:			
Unsecured loans on bill	25,666	**13,065**	**105,363**
Unsecured loans on deed	65,733	**67,050**	**540,726**
Secured loans (a)	13,171	**16,630**	**134,113**
Sub-total	104,570	**96,745**	**780,202**
Commercial bills discounted	1,813	**2,453**	**19,782**
Past-due and restructured loans—181 days or more past due:			
Past due loans	1,777	**3,073**	**24,782**
Restructured loans	173	**750**	**6,049**
Sub-total	1,950	**3,823**	**30,831**
Total finance receivables	188,930	**208,638**	**1,682,565**
Allowance for credit losses	(8,086)	**(10,607)**	**(85,541)**
Finance receivables, net	¥180,844	**¥198,031**	**$1,597,024**

(a)Secured with real estate, securities, and other assets pledged as collateral.

The primary effective annual interest rates applicable to the finance receivables at March 31, 2000 and 2001 were as follows:

	Years ended March 31	
	2000	**2001**
Loans to consumers:		
Unsecured loans	22.55 — 29.20%	**22.50 — 29.20%**
Loans to business enterprises:		
Unsecured loans on bill	15.00 — 29.00	**15.00 — 26.00**
Unsecured loans on deed	15.00 — 29.00	**15.00 — 29.00**
Secured loans	7.00 — 15.00	**7.00 — 15.00**
Commercial bills discounted	7.50 — 29.00	**7.50 — 29.00**

Changes in the allowance for credit losses for the years ended March 31, 2000 and 2001 are shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Balance at beginning of year	¥5,798	**¥ 8,086**	**$65,210**
Addition — Provision charged to expense	6,050	**8,279**	**66,766**
Deduction:			
Write-offs (a)	4,025	**6,053**	**48,814**
Recoveries	(263)	**(295)**	**(2,379)**
Net write-offs	3,762	**5,758**	**46,435**
Balance at end of year	¥8,086	**¥10,607**	**$85,541**

(a)Excluding write-offs of loans originated during the year which were charged to expense (bad debts).

5. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Current:			
Marketable equity securities	¥ 46		
Government and corporate bonds		**¥ 395**	**$ 3,186**
Trust fund investments and other	507		
Total	¥ 553	**¥ 395**	**$ 3,186**
Non-current:			
Marketable equity securities	¥1,092	**¥1,129**	**$ 9,105**
Government and corporate bonds	2,372	**1,889**	**15,234**
Trust fund investments and other		**331**	**2,669**
Total	¥3,464	**¥3,349**	**$27,008**

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

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 791	¥98	¥ 58	¥ 831
Debt securities	2,238	46		2,284
Trust fund investments and other	507		176	331

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 6,379	$791	$ 468	$ 6,702
Debt securities	18,049	371		18,420
Trust fund investments and other	4,089		1,420	2,669

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

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale:		
Equity securities	¥298	$2,403

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2001 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 395	$ 3,186
Due after one year through five years	1,889	15,234
Total	¥2,284	$18,420

Carrying amounts and aggregate market values of current and non-current marketable equity securities included in investments in securities at March 31, 2000 were as follows:

	Millions of Yen		
	Carrying Amount	Aggregate Market Value	Unrealized Gain (Loss)
Current	¥ 553	¥ 544	¥ (9)
Non-current	3,054	3,164	110
Total	¥3,607	¥3,708	¥101

The difference between the above carrying amounts and the amounts shown in the accompanying consolidated balance sheets principally consists of non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

6. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Land	¥ 5,667	**¥ 5,663**	**$45,670**
Buildings	3,852	**4,440**	**35,807**
Structures	214	**375**	**3,024**
Vehicles	113	**5**	**40**
Furniture and fixtures	1,336	**1,741**	**14,040**
Total	11,182	**12,224**	**98,581**
Less accumulated depreciation	(1,856)	**(2,352)**	**(18,968)**
Property and equipment, net	¥ 9,326	**¥ 9,872**	**$79,613**

7. OTHER ASSETS

Other assets at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Accrued interest income	¥ 1,081	**¥ 1,402**	**$ 11,306**
Prepaid expenses	2,743	**2,570**	**20,726**
Guarantee deposits	1,991	**2,319**	**18,702**
Investments in credit and finance associations	1,222	**1,105**	**8,911**
Time deposits with maturities exceeding three months	5,913	**3,651**	**29,443**
Long-term loans	1,965	**4,150**	**33,468**
Goodwill	240	**636**	**5,129**
Other	4,452	**5,897**	**47,556**
Total	¥19,607	**¥21,730**	**$175,241**

8. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Short-term borrowings from banks and other finance companies, principally from 1.8% to 5.5% in 2000 and 1.8% to 4.6% in 2001:			
Secured	¥ 13,402	**¥ 14,245**	**$114,879**
Unsecured	20,853	**5,039**	**40,637**
Total	34,255	**19,284**	**155,516**
Commercial paper from a finance company, principally from 2.8% to 3.2% in 2000 and 1.9% to 2.0% in 2001: Unsecured	13,400	**12,100**	**97,581**
Current portion of long-term debt	59,023	**75,196**	**606,419**
Total short-term debt	¥106,678	**¥106,580**	**$859,516**

Information on the amount of short-term borrowings outstanding during 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Maximum month-end balance outstanding during the year	¥37,883	**¥33,809**	**$272,653**
Average month-end balance outstanding during the year	30,975	**27,718**	**223,532**
Weighted average interest rate for the year	3.675%	**3.357%**	**3.357%**

Long-term debt at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Bonds:			
3.44% debentures due 2002	¥ 4,000	**¥ 4,000**	**$ 32,258**
2.00% debentures due 2001	2,000		
3.00% debentures due 2001	500	**500**	**4,032**
2.75% debentures due 2001	10,000	**10,000**	**80,645**
3.00% debentures due 2002	20,000	**20,000**	**161,290**
2.93% debentures due 2002	5,000	**5,000**	**40,323**
3.00% debentures due 2006		**10,000**	**80,645**
2.61% debentures due 2005		**5,000**	**40,323**
1.50% debentures due 2001		**1,000**	**8,065**
3.00% debentures due 2007		**10,000**	**80,645**
Long-term borrowings from banks, insurance companies and other finance companies, due serially through 2005 — principally from 2.2% to 5.6% in 2000 and from 1.9% to 5.4% in 2001:			
Secured	101,006	**114,078**	**919,984**
Unsecured	7,175	**10,110**	**81,532**
Total	149,681	**189,688**	**1,529,742**
Less current portion	(59,023)	**(75,196)**	**(606,419)**
Long-term debt, less current portion	¥ 90,658	**¥114,492**	**$ 923,323**

At March 31, 2001, the aggregate annual maturities of long-term debt were as follows:

Year ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 75,196	$ 606,419
2003	58,361	470,653
2004	29,005	233,912
2005	21,760	175,484
2006 and thereafter	5,366	43,274
Total	¥189,688	$1,529,742

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Finance receivables	¥129,648	$1,045,548
Commercial bills	422	3,403
Investments in securities	2,998	24,178
Buildings	1,346	10,855
Land	5,762	46,468
Others	4	32
Total	¥140,180	$1,130,484

As is customary in Japan, substantially all short-term and long-term borrowings from banks are made under agreements which provide that the banks may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the borrowings. The Companies has not received such a request.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Deferred interest income	¥ 902	**¥ 451**	**$ 3,637**
Accrued employees' bonuses	378	**414**	**3,339**
Miscellaneous payables	1,217	**832**	**6,710**
Liability for retirement benefits to directors and corporate auditors (see Note 10)	399	**412**	**3,322**
Guarantee deposits received	143	**151**	**1,218**
Accrued expenses	394	**863**	**6,959**
Other	211	**1,038**	**8,371**
Total	¥3,644	**¥4,161**	**$33,556**

10. RETIREMENT BENEFITS

The Company and its consolidated subsidiary have a non-contributory funded pension plan covering substantially all of its employees. Under this plan, employees terminating their employment are entitled to lump-sum payments or an annuity from the pension fund on the basis of their rates of pay at the time of termination, years of service and certain other factors. If the termination is involuntary or caused by retirement at the mandatory retirement age, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Company also has an unfunded retirement benefit plan covering all of its directors and corporate auditors. The liability for retirement benefits to directors and corporate auditors at March 31, 2000 and 2001 amounted to ¥399 million and ¥412 million ($3,322 thousand), respectively, and was included in "Accrued expenses and other liabilities" (see Note 9).

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits.

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

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥551	$4,444
Fair value of plan assets	(557)	(4,492)
Unrecognized actuarial loss	(103)	(831)
Unrecognized transitional obligation	85	685
Net asset	¥(24)	$ (194)

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

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥86	$693
Interest cost	15	121
Expected return on plan assets	(19)	(153)
Amortization of transitional obligation	(21)	(169)
Net periodic benefit costs	¥61	$492

Assumptions used for the year ended March 31, 2001 are set forth as follows:

Discount rate	3.0%
Expected rate of return on plan assets	3.5%
Recognition period of actuarial loss	5 years
Amortization period of transitional obligation	5 years

The amounts contributed to the fund which were charged to income for the year ended March 31, 2000 were ¥96 million.

11. SHAREHOLDERS' EQUITY

At March 31, 2000 and 2001, a majority of the Company's outstanding common stock was owned by Mr. Naofumi Maeda (Representative Director and President of the Company), members of his family (the "Maeda family"), Think-Data Co., Ltd. (a company owned by the Maeda family and Himejijujikai Foundation), and Himejijujikai Foundation (a foundation controlled by the Maeda family). The Company's stock had been traded over-the-counter by securities companies throughout Japan since October 11, 1995. Since February 10, 1999, the Company's stock has been listed and traded on the Tokyo Stock Exchange Market.

The Japanese Commercial Code (the "Code") requires that at least 50% of the issue price of new shares, with a minimum of the par value, be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all amounts paid by the Company as an appropriation of retained earnings, including dividends and bonuses to directors until the reserve equals 25% of stated capital. The Company's reserve amount, which is included in retained earnings, totaled ¥432 million and ¥492 million ($3,968 thousand) as of March 31, 2000 and 2001, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

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

Under the Code, companies may issue new common shares to existing shareholders, without consideration, as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split cannot be less than ¥50.

On November 19, 1999, the Company made a stock split at the rate of 1.0 share for each outstanding share and 22,680,000 shares were issued to shareholders of record on September 30, 1999. Stated capital was not changed as a result of this stock split.

Dividends are approved by 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.

The Company is authorized to repurchase, at management's discretion, up to 2,000 thousand shares of the Company's stock for the purpose of canceling the shares and charging such amounts to retained earnings. Any such amounts charged to retained earnings would not be available for future distribution to shareholders.

12. INCOME TAXES

The Company and its subsidiary are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42.0% for the years ended March 31, 2000 and 2001.

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000 and 2001 and the actual effective tax rates reflected in the consolidated statements of income was as follows:

	2000	**2001**
Normal effective statutory tax rate	42.0%	**42.0%**
Additional taxes on undistributed profits of family company	5.3	**8.6**
Additional taxes from tax investigation	2.3	
Adjustment of prior year deferred taxes		**10.9**
Other	(2.4)	**0.9**
Actual effective tax rate	47.2%	**62.4%**

The tax effects of significant temporary differences which resulted in deferred tax assets at March 31, 2000 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Bad debts	¥3,293	**¥4,411**	**$35,573**
Enterprise taxes	728	**233**	**1,879**
Allowance for credit losses	703	**1,495**	**12,056**
Other	419	**167**	**1,347**
Total deferred tax assets	¥5,143	**¥6,306**	**$50,855**

13. OTHER INCOME

Other income for the years ended March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Fees received for origination of loans	¥1,113	**¥ 225**	**$ 1,814**
Recoveries of loans previously written off	494	**555**	**4,476**
Income from purchased finance receivables	1,579		
Rental income	107	**114**	**919**
Income from temporary employee deployment business	769	**976**	**7,871**
Dividend income	323	**679**	**5,476**
Other	75	**123**	**992**
Total	¥4,460	**¥2,672**	**$21,548**

14. OTHER EXPENSES

Other expenses for the years ended March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Cost from temporary employee deployment business	¥ 586	**¥ 725**	**$ 5,847**
Advertising	2,492	**3,055**	**24,637**
Rent	2,829	**3,905**	**31,492**
Communication	1,122	**1,497**	**12,073**
Sundry taxes and dues	676	**891**	**7,185**
Depreciation	499	**863**	**6,960**
Commission expense	985	**1,557**	**12,556**
Other	3,090	**3,499**	**28,218**
Total	¥12,279	**¥15,992**	**$128,968**

15. LEASES

The Company leases mainframe computers, telecommunication equipment, automatic teller machines, software and other items under finance lease arrangements. Total lease payments under the finance leases, which were included in the amount of rent presented in Note 14, for the years ended March 31, 2000 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Total lease payments under for finance leases	¥760	**¥1,139**	**$9,185**

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2000 and 2001 was as follows:

	Millions of Yen		
	2000		
	Furniture and Fixtures	Software	Total
Acquisition cost	¥4,117	¥195	¥4,312
Accumulated depreciation	1,982	13	1,995
Net leased property	¥2,135	¥182	¥2,317

	Millions of Yen		
	2001		
	Furniture and Fixtures	Software	Total
Acquisition cost	**¥5,611**	**¥362**	**¥5,973**
Accumulated depreciation	**2,571**	**79**	**2,650**
Net leased property	**¥3,040**	**¥283**	**¥3,323**

	Thousands of U.S. Dollars		
	2001		
	Furniture and Fixtures	Software	Total
Acquisition cost	**$45,250**	**$2,919**	**$48,169**
Accumulated depreciation	**20,734**	**637**	**21,371**
Net leased property	**$24,516**	**$2,282**	**$26,798**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Due within one year	¥ 762	**¥1,070**	**$ 8,629**
Due after one year	1,610	**2,309**	**18,621**
Total	¥2,372	**¥3,379**	**$27,250**

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense for each of the two years in the period ended March 31, 2001, which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method and the interest method, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Depreciation expense	¥701	**¥1,052**	**$8,484**
Interest expense	79	**107**	**863**

16. DERIVATIVES

The Company enters into interest rate options (caps) to limit the unfavorable impact from increases in interest rates on short-term rate sensitive liabilities and interest rate swap agreements as a means of managing its interest rate exposures on certain assets and liabilities.

The Company's policy is to use derivatives only for the purpose of hedging. The Company does not hold derivatives for trading purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk. Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization. The derivatives are controlled and managed by the Finance Department.

The Company had the following derivative contracts outstanding at March 31, 2000 and 2001.

	2000	
	Contract Amount	Fair Value
Interest rate options (caps) — purchased call	¥29,000	¥549

The interest rate swaps and interest rate options (caps) that qualify for hedge accounting for the year ended March 31, 2001 and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheet at March 31, 2001, are excluded from disclosure of market value information.

17. CONTINGENCIES

At March 31, 2001, the Company was involved in certain legal proceedings. In the opinion of the Company's management, the outcome of such legal proceedings will not have, individually or in the aggregate, a material adverse effect on the Company's financial condition or on its results of operations.

As of March 31, 2001, the Company is contingently liable for the guarantee of loans of its customers amounting to ¥562 million ($4,532 thousand).

18. SUBSEQUENT EVENTS

On June 28, 2001, the shareholders authorized the payment of (1) a cash dividend to shareholders of record at March 31, 2001 of ¥12.5 ($0.10) per share or a total of ¥567 million ($4,573 thousand), and (2) bonuses to directors of ¥16 million ($129 thousand).

19. RELATED PARTY TRANSACTIONS

Transactions of the Company with "Naoyoshi Maeda" (Chairman of the Company), "Yugengaisha Sakusesu" and "Kabushikigaisha Ekuseru Jinzaihaken Center" (companies owned by the Maeda family) for the year ended March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Rental expense for land	¥10	$ 81
Rental expense for buildings	17	137
Secondment expense for employees	34	274
Rental income	52	419

The balances due to or from the Company with "Naoyoshi Maeda", "Yugengaisha Sakusesu" and "Kabushikigaisha Ekuseru Jinzaihaken Center" at March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantee deposits	¥20	$161
Accounts payable	2	16

Independent Auditors' Report

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Tohmatsu

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To the Board of Directors and Shareholders of
Shinki Co., Ltd.:

We have examined the consolidated balance sheets of Shinki Co., Ltd. and subsidiary as of March 31, 2000 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended March 31, 2001, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above presents fairly the financial position of Shinki Co., Ltd. and subsidiary as of March 31, 2000 and 2001, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the accounting for stock and bond issue costs, as discussed in Note 3.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

Our examination 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 28, 2001

Shinki Co., Ltd.

Non-Consolidated Balance Sheets

March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	**2001**	**2001**
ASSETS			
Assets:			
Finance receivables, net (Notes 4 and 8)	¥180,844	**¥198,031**	**$1,597,024**
Cash and cash equivalents	29,728	**31,652**	**255,258**
Investments in securities (Notes 5 and 8)	4,165	**3,901**	**31,460**
Property and equipment, net (Notes 6 and 8)	9,300	**9,851**	**79,443**
Deferred tax assets (Note 12)	5,143	**6,306**	**50,855**
Other assets (Note 7)	19,566	**21,563**	**173,895**
Total	¥248,746	**¥271,304**	**$2,187,935**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Short-term debt (Note 8)	¥106,659	**¥106,560**	**$ 859,355**
Long-term debt, less current portion (Note 8)	90,588	**114,442**	**922,919**
Income taxes payable (Note 12)	6,723	**2,869**	**23,137**
Accrued expenses and other liabilities (Note 9)	3,588	**4,032**	**32,516**
Total liabilities	207,558	**227,903**	**1,837,927**
Contingencies (Note 17)			
Shareholders' equity (Notes 11 and 18)**:**			
Common stock, ¥50 par value — authorized, 90,720,000 shares; issued and outstanding, 45,360,000 shares in 2000 and 2001	5,016	**5,016**	**40,451**
Additional paid-in capital	5,483	**5,483**	**44,218**
Legal reserve	432	**492**	**3,968**
Retained earnings	30,257	**32,462**	**261,790**
Unrealized loss on available-for-sale securities		**(52)**	**(419)**
Total shareholders' equity	41,188	**43,401**	**350,008**
Total	¥248,746	**¥271,304**	**$2,187,935**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

Years Ended March 31, 1997, 1998, 1999, 2000 and 2001

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	1997	1998	1999	2000	**2001**	**2001**
Revenues:						
Interest income, including discounts	¥32,462	¥39,492	¥36,165	¥40,856	**¥49,602**	**$400,016**
Other income (Note 13)	1,760	1,756	2,144	3,669	**1,721**	**13,879**
Total revenues	34,222	41,248	38,309	44,525	**51,323**	**413,895**
Expenses:						
Interest expense, including rediscounts	4,663	5,253	4,942	6,449	**7,690**	**62,016**
Provision for credit losses (Note 4)	3,498	4,115	4,020	6,050	**8,279**	**66,766**
Bad debts (Note 4)	2,310	4,369	3,093	2,277	**4,497**	**36,266**
Salaries and fringe benefits	5,784	6,804	6,315	6,339	**7,298**	**58,855**
Other expenses (Note 14)	9,301	9,875	8,794	12,394	**15,930**	**128,468**
Total expenses	25,556	30,416	27,164	33,509	**43,694**	**352,371**
Income before income taxes	8,666	10,832	11,145	11,016	**7,629**	**61,524**
Income taxes (Note 12)**:**						
Current	4,851	6,829	5,375	9,253	**5,895**	**47,540**
Deferred				(4,054)	**(1,125)**	**(9,073)**
Total income taxes	4,851	6,829	5,375	5,199	**4,770**	**38,467**
Net income	¥ 3,815	¥ 4,003	¥ 5,770	¥ 5,817	**¥ 2,859**	**$ 23,057**
	Yen					U.S. Dollars
Amounts per share (Note 2.r)**:**						
Net income	¥86.31	¥82.23	¥127.20	¥128.23	**¥63.04**	**$0.51**
Cash dividends applicable to the year	17.50	23.00	25.00	12.50	**12.50**	**0.10**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Years Ended March 31, 1997, 1998, 1999, 2000 and 2001

	Number of Shares of Common Stock (Thousands)	Millions of Yen				
		Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Unrealized Loss on Available-for-Sale Securities
Balance, April 1, 1996	11,800	¥2,916	¥3,577	¥260	¥11,638	
Net income					3,815	
Transfer to legal reserve				21	(21)	
Cash dividends, ¥15.50 per share					(183)	
Bonuses to directors					(24)	
Stock split (Note 11)	5,900					
New shares issued in connection with public offering (Note 11)	1,200	2,100	1,906			
Balance, March 31, 1997	18,900	5,016	5,483	281	15,225	
Net income					4,003	
Transfer to legal reserve				36	(36)	
Cash dividends, ¥17.50 per share					(331)	
Bonuses to directors					(26)	
Stock split (Note 11)	3,780					
Balance, March 31, 1998	22,680	5,016	5,483	317	18,835	
Net income					5,770	
Transfer to legal reserve				55	(55)	
Cash dividends, ¥23.00 per share					(522)	
Bonuses to directors					(24)	
Balance, March 31, 1999	22,680	5,016	5,483	372	24,004	
Net income					5,817	
Adjustment of retained earnings for the adoption of deferred tax accounting method					1,089	
Transfer to legal reserve				60	(60)	
Cash dividends, ¥12.50 per share					(567)	
Bonuses to directors					(26)	
Stock split (Note 11)	22,680					
Balance, March 31, 2000	45,360	5,016	5,483	432	30,257	
Net income					**2,859**	
Transfer to legal reserve				**60**	**(60)**	
Cash dividends, ¥12.50 per share					**(567)**	
Bonuses to directors					**(27)**	
Unrealized loss on available-for-sale securities						**¥(52)**
Balance, March 31, 2001 (Note 18)	**45,360**	**¥5,016**	**¥5,483**	**¥492**	**¥32,462**	**¥(52)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Unrealized Loss on Available-for-Sale Securities
Balance, April 1, 2000	$40,451	$44,218	$ 3,484	$244,008	
Net income				**23,057**	
Transfer to legal reserve			**484**	**(484)**	
Cash dividends, $0.10 per share				**(4,573)**	
Bonuses to directors				**(218)**	
Unrealized loss on available-for-sale securities					**$(419)**
Balance, March 31, 2001 (Note 18)	**$40,451**	**$44,218**	**$ 3,968**	**$261,790**	**$(419)**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

Shinki Co., Ltd. (the "Company") is a finance company that principally provides lending and financing services to consumers and business enterprises in Japan. The accompanying non-consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting procedures generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

The non-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 ¥124=$1, the approximate rate of exchange at March 31, 2001. 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) *Non-Consolidation* — The non-consolidated financial statements do not include the accounts of a subsidiary, which was established in October, 1996. Investment in this subsidiary is stated at cost.

b) *Income Recognition* — Interest income from finance receivables is recognized on an accrual basis, at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Law of Japan or the amount determined using rates on contracts with customers. Accrual of interest income is suspended when a loan is contractually delinquent for approximately one month.

Fees for origination of loans are recognized as income when received.

c) *Credit Losses* — Provision for credit losses is charged to income in amounts sufficient to maintain the allowance for possible credit losses on finance receivables at a level considered adequate based on a past experience ratio basis. In addition, the Company provides for possible losses on specific impaired loans at the estimated amount required based on a loan-by-loan review. The Company's write-off policy is as follows:

Unsecured loans — Automatically written off when 181 days past due.

All other loans — A loan-by-loan review is performed when 181 days past due, and management decides whether to write off each loan based on individual loan circumstances.

d) *Cash and Cash Equivalents* — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of change in value. Cash equivalents include time deposits with original maturities of three months or less.

e) *Investments in Securities* — Prior to April 1, 2000, investments in quoted securities were carried at the lower of moving-average cost or market value, as determined on an individual security basis. Investments in unquoted securities were stated at the moving-average cost. Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments. Under this standard, all securities are classified as available-for-sale securities and 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. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income. Investments in subsidiary are reported at cost.

As a result of adopting the new standard, income before income taxes increased by ¥172 million ($1,387 thousand) for the year ended March 31, 2001 and marketable securities classified as current assets decreased by ¥553 million ($4,460 thousand) and investment securities increased by the same amount as of April 1, 2000.

f) *Property and Equipment* — Property and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally 50 years for buildings and from 3 to 15 years for machinery and equipment.

g) *Investments in Credit and Finance Associations* — Investments in credit and finance associations ("Tokumei Kumiai") are included in "Other assets". The investments are recorded initially at cost, and then increased or decreased to reflect the financial position of the credit and finance associations. Gains or losses arising from such changes are included in "Other income" or "Other expenses".

h) *Other Assets* — Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years for both intangible assets and goodwill.

i) *Leases* — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other 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 lessee's financial statements.

j) *Retirement Benefits* — The Company has a non-contributory funded pension plan covering substantially all of its employees. Prior to April 1, 2000, the amounts contributed to the fund were charged to income when paid. Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥107 million ($863 thousand) at the beginning of the year is being amortized over five years and the annual amortization is presented as other income in the income statement. As a result of adopting this new standard, net periodic benefit costs as compared with the prior method, decreased by ¥26 million ($210 thousand) and income before income taxes increased by the same amount for the year ended March 31, 2001.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if they retired at the balance sheet date. The payment of retirement benefits to directors and corporate auditors is subject to approval of the shareholders in accordance with the Japanese Commercial Code.

k) *Income Taxes* — The provision for income taxes is computed based on the pretax income included in the non-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.

l) *Stock and Bond Issue Costs* — Stock and bond issue costs are amortized by the straight-line method over three years (see Note 3).

m) *Bond Discount Cost* — Bond discount cost is amortized by the straight-line method over three years.

n) *Advertising* — Advertising costs are expensed as incurred.

o) *Foreign Currency Translations* — Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

p) *Derivatives and Hedging Activities* — The Company uses derivative financial instruments to manage its exposures to fluctuations in interest rates and foreign currency exchange rates. The Company does not enter into derivatives for trading or speculative purposes.

Effective April 1, 2000, the Company adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps and interest rate options (caps) are utilized to hedge interest rate exposures of long-term debt. Those swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the related unrealized gains or losses are deferred until maturity as other assets or liabilities.

The interest rate swaps and interest rate options (caps) that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

The adoption of the new accounting standards for derivative financial instruments did not have a material effect on the Companies' non-consolidated financial statements.

q) *Cash Dividends* — Cash dividends charged to retained earnings are those actually paid during the year, which represent the year-end dividends for the preceding year and the interim dividends for the current year.

r) *Amounts Per Share* — The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The average number of common shares used in the computation was 44,200 thousand shares for 1997 and 45,360 thousand shares for 1998, 1999, 2000 and 2001.

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

s) *Related Party Transactions* — Related party transactions other than with subsidiary are not presented herein, as they are disclosed in the consolidated financial statements of the Company and subsidiary.

3. ACCOUNTING CHANGE

Effective April 1, 2000, the Company began amortizing stock and bond issue costs, over three years using the straight-line method. Previously, such costs had been charged to income as incurred. This change was made to provide a more accurate allocation of stock and bond issue costs. The effect of this change was to increase income before income taxes by ¥164 million ($1,323 thousand) for the year ended March 31, 2001.

4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

Finance receivables at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Loans to consumers:			
Unsecured loans	¥ 79,383	**¥104,362**	**$ 841,629**
Secured loans (a)	1,214	**1,255**	**10,121**
Sub-total	80,597	**105,617**	**851,750**
Loans to business enterprises:			
Unsecured loans on bill	25,666	**13,065**	**105,363**
Unsecured loans on deed	65,733	**67,050**	**540,726**
Secured loans (a)	13,171	**16,630**	**134,113**
Sub-total	104,570	**96,745**	**780,202**
Commercial bills discounted	1,813	**2,453**	**19,782**
Past-due and restructured loans — 181 days or more past due:			
Past due loans	1,777	**3,073**	**24,782**
Restructured loans	173	**750**	**6,049**
Sub-total	1,950	**3,823**	**30,831**
Total finance receivables	188,930	**208,638**	**1,682,565**
Allowance for credit losses	(8,086)	**(10,607)**	**(85,541)**
Finance receivables, net	¥180,844	**¥198,031**	**$1,597,024**

(a)Secured with real estate, securities, and other assets pledged as collateral.

The primary effective annual interest rates applicable to the finance receivables at March 31, 2000 and 2001 were as follows:

	Years Ended March 31	
	2000	**2001**
Loans to consumers:		
Unsecured loans	22.55 — 29.20%	**22.50 — 29.20%**
Loans to business enterprises:		
Unsecured loans on bill	15.00 — 29.00	**15.00 — 26.00**
Unsecured loans on deed	15.00 — 29.00	**15.00 — 29.00**
Secured loans	7.00 — 15.00	**7.00 — 15.00**
Commercial bills discounted	7.50 — 29.00	**7.50 — 29.00**

Changes in the allowance for credit losses for the years ended March 31, 2000 and 2001 are shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Balance at beginning of year	¥5,798	**¥ 8,086**	**$65,210**
Addition — Provision charged to expense	6,050	**8,279**	**66,766**
Deduction:			
Write-offs (a)	4,025	**6,053**	**48,814**
Recoveries	(263)	**(295)**	**(2,379)**
Net write-offs	3,762	**5,758**	**46,435**
Balance at end of year	¥8,086	**¥10,607**	**$85,541**

(a)Excluding write-offs of loans originated during the year which were charged to expense (bad debts).

5. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Current:			
Marketable equity securities	¥ 46		
Government and corporate bonds		**¥ 395**	**$ 3,186**
Trust fund investments and other	507		
Total	¥ 553	**¥ 395**	**$ 3,186**
Non-current:			
Marketable equity securities	¥1,092	**¥1,129**	**$ 9,105**
Government and corporate bonds	2,372	**1,889**	**15,234**
Trust fund investments and other	148	**488**	**3,935**
Total	¥3,612	**¥3,506**	**$28,274**

6. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Land	¥5,667	**¥ 5,663**	**$45,670**
Buildings	3,845	**4,426**	**35,693**
Structures	211	**375**	**3,024**
Vehicles	113	**5**	**40**
Furniture and fixtures	1,318	**1,719**	**13,863**
Total	11,154	**12,188**	**98,290**
Less accumulated depreciation	(1,854)	**(2,337)**	**(18,847)**
Property and equipment, net	¥ 9,300	**¥ 9,851**	**$79,443**

7. OTHER ASSETS

Other assets at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Accrued interest income	¥ 1,084	**¥ 1,402**	**$ 11,306**
Prepaid expenses	2,743	**2,570**	**20,726**
Guarantee deposits	1,955	**2,280**	**18,387**
Investments in credit and finance associations	1,222	**1,105**	**8,911**
Time deposits with maturities exceeding three moths	5,913	**3,651**	**29,443**
Long-term loans	1,965	**4,150**	**33,468**
Goodwill	240	**636**	**5,129**
Other	4,444	**5,769**	**46,525**
Total	¥19,566	**¥21,563**	**$173,895**

8. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Short-term borrowings from banks and other finance companies, principally from 1.8% to 5.5% in 2000 and 1.8% to 4.6% in 2001:			
Secured	¥ 13,402	**¥ 14,245**	**$114,879**
Unsecured	20,853	**5,039**	**40,637**
Total	34,255	**19,284**	**155,516**
Commercial paper from a finance company, principally from 2.8% to 3.2% in 2000 and 1.9% to 2.0% in 2001: Unsecured	13,400	**12,100**	**97,581**
Current portion of long-term debt	59,004	**75,176**	**606,258**
Total short-term debt	¥106,659	**¥106,560**	**$859,355**

Information on the amount of short-term borrowings outstanding during 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Maximum month-end balance outstanding during the year	¥37,883	**¥33,809**	**$272,653**
Average month-end balance outstanding during the year	30,975	**27,718**	**223,532**
Weighted average interest rate for the year	3.675%	**3.357%**	**3.357%**

Long-term debt at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Bonds:			
3.44% debentures due 2002	¥ 4,000	**¥ 4,000**	**$ 32,258**
2.00% debentures due 2001	2,000		
3.00% debentures due 2001	500	**500**	**4,032**
2.75% debentures due 2001	10,000	**10,000**	**80,645**
3.00% debentures due 2002	20,000	**20,000**	**161,290**
2.93% debentures due 2002	5,000	**5,000**	**40,323**
3.00% debentures due 2006		**10,000**	**80,645**
2.61% debentures due 2005		**5,000**	**40,323**
1.50% debentures due 2001		**1,000**	**8,065**
3.00% debentures due 2007		**10,000**	**80,645**
Long-term borrowings from banks, insurance companies and other finance companies, due serially through 2005 — principally from 2.2% to 5.6% in 2000 and from 1.9% to 5.4% in 2001			
Secured	101,006	**114,078**	**919,984**
Unsecured	7,086	**10,040**	**80,967**
Total	149,592	**189,618**	**1,529,177**
Less current portion	(59,004)	**(75,176)**	**(606,258)**
Long-term debt, less current portion	¥ 90,588	**¥114,442**	**$ 922,919**

At March 31, 2001, the aggregate annual maturities of long-term debt were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2002	¥ 75,176	$ 606,258
2003	58,339	470,476
2004	28,985	233,750
2005	21,752	175,419
2006 and thereafter	5,366	43,274
Total	¥189,618	$1,529,177

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Finance receivables	¥129,648	$1,045,548
Commercial bills	422	3,403
Investments in securities	2,998	24,178
Buildings	1,346	10,855
Land	5,762	46,468
Others	4	32
Total	¥140,180	$1,130,484

As is customary in Japan, substantially all short-term and long-term borrowings from banks are made under agreements which provide that the banks may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the borrowings. The Company has not received such a request.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities at March 31, 2000 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Deferred interest income	¥ 902	**¥ 451**	**$ 3,637**
Accrued employees' bonuses	369	**404**	**3,258**
Miscellaneous payables	1,204	**907**	**7,315**
Liability for retirement benefits to directors and corporate auditors (see Note 10)	399	**412**	**3,322**
Guarantee deposits received	142	**151**	**1,218**
Accrued expenses	394	**720**	**5,806**
Other	178	**987**	**7,960**
Total	¥3,588	**¥4,032**	**$32,516**

10. RETIREMENT BENEFITS

The Company has a non-contributory funded pension plan covering substantially all of its employees. Under this plan, employees terminating their employment are entitled to lump-sum payments or an annuity from the pension fund on the basis of their rates of pay at the time of termination, years of service and certain other factors. If the termination is involuntary or caused by retirement at the mandatory retirement age, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Company also has an unfunded retirement benefit plan covering all of its directors and corporate auditors. The liability for retirement benefits to directors and corporate auditors at March 31, 2000 and 2001 amounted to ¥399 million and ¥412 million ($3,322 thousand), respectively, and was included in "Accrued expenses and other liabilities" (see Note 9).

11. SHAREHOLDERS' EQUITY

At March 31, 2000 and 2001, a majority of the Company's outstanding common stock was owned by Mr. Naofumi Maeda (Representative Director and President of the Company), members of his family (the "Maeda family"), Think-Data Co., Ltd. (a company owned by the Maeda family and Himejijujikai Foundation), and Himejijujikai Foundation (a foundation controlled by the Maeda family). The Company's stock had been traded over-the-counter by securities companies throughout Japan since October 11, 1995. Since February 10, 1999, the Company's stock has been listed and traded on the Tokyo Stock Exchange Market.

The Japanese Commercial Code (the "Code") requires that at least 50% of the issue price of new shares, with a minimum of the par value, be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

On August 25, 1996, the Company issued 1,200,000 shares of its common stock through an over-the-counter public offering, resulting in proceeds to the Company of ¥4,007 million, of which ¥2,100 million (50% of the aggregate minimum tender issue price of new shares proposed by the Board of Directors) was designated as stated capital, as permitted under the Code. The remaining proceeds were credited to additional paid-in capital.

The Code also requires the Company to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all amounts paid by the Company as an appropriation of retained earnings, including dividends and bonuses to directors until the reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

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

Under the Code, the Company may issue new common shares to existing shareholders, without consideration, as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split cannot be less than ¥50.

On May 20, 1996, the Company made a stock split at the rate of 0.5 share for each outstanding share and 5,900,000 shares were issued to shareholders of record on March 31, 1996. Also on May 20, 1997, the Company made a stock split at the rate of 0.2 share for each outstanding share and 3,780,000 shares were issued to shareholders of record on March 31, 1997 and also on November 19, 1999, the Company made a stock split at the rate of 1.0 share for each outstanding share and 22,680,000 shares were issued to shareholders of record on September 30, 1999. Stated capital was not changed as a result of these stock splits.

Dividends are approved by 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.

On June 27, 1997, the shareholders authorized amendment of the Company's Articles of Incorporation, increasing the number of shares of common stock authorized from 70,800,000 shares to 90,720,000 shares.

The Company is authorized to repurchase, at management's discretion, up to 2,000 thousand shares of the Company's stock for the purpose of canceling the shares and charging such amounts to retained earnings. Any such amounts charged to retained earnings would not be available for future distribution to shareholders.

12. INCOME TAXES

The Company is subject to Japanese national and local income taxes which in the aggregate, resulted in a normal effective statutory tax rates of approximately 51% for 1997 and 1998, 47% for 1999, 42% for 2000 and 2001.

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2000 and 2001 and the actual effective tax rates reflected in the accompanying non-consolidated statements of income is as follows:

	2000	**2001**
Normal effective statutory tax rate	42.0%	**42.0%**
Additional taxes on undistributed profits of family company	5.3	**8.6**
Additional taxes from tax investigation	2.3	
Adjustment of prior year deferred taxes		**10.9**
Other	(2.4)	**0.9**
Actual effective tax rate	47.2%	**62.4%**

The tax effects of significant temporary differences which resulted in deferred tax assets at March 31, 2000 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Bad debts	¥3,293	**¥4,411**	**$35,573**
Enterprise taxes	728	**233**	**1,879**
Allowance for credit losses	703	**1,495**	**12,056**
Other	419	**167**	**1,347**
Total deferred tax assets	¥5,143	**¥6,306**	**$50,855**

13. OTHER INCOME

Other income for each of the five years in the period ended March 31, 2001 consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars
	1997	1998	1999	2000	**2001**	**2001**
Fees received for origination of loans	¥1,323	¥1,239	¥1,358	¥1,113	**¥ 225**	**$ 1,814**
Recoveries of loans previously written off	255	310	415	494	**555**	**4,476**
Income from purchased finance receivables				1,579		
Gain on sales of investments in securities	6	82	190			
Rental income	31	27	93	107	**114**	**919**
Dividend income	68	57	42	323	**679**	**5,476**
Other	77	41	46	53	**148**	**1,194**
Total	¥1,760	¥1,756	¥2,144	¥3,669	**¥1,721**	**$13,879**

14. OTHER EXPENSES

Other expenses for each of the five years in the period ended March 31, 2001 consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars
	1997	1998	1999	2000	**2001**	**2001**
Advertising	¥2,554	¥2,117	¥1,303	¥ 2,418	**¥2,979**	**$ 24,024**
Rent	1,711	2,265	2,456	2,802	**3,861**	**31,137**
Communication	1,014	1,183	1,097	1,113	**1,484**	**11,968**
Sundry taxes and dues	455	542	588	675	**888**	**7,161**
Stock issue costs	18					
Depreciation	229	396	416	497	**1,031**	**8,315**
Commission expense	481	582	731	1,408	**2,407**	**19,411**
Other	2,839	2,790	2,203	3,481	**3,280**	**26,452**
Total	¥9,301	¥9,875	¥8,794	¥12,394	**¥15,930**	**$128,468**

15. STOCK ISSUE COSTS

Upon issuance of its common stock on August 25, 1996, under an agreement with an underwriter, the proceeds to the Company were ¥241 million less than the aggregate offering prices at which the underwriter sold the common stock to investors. Such difference was deemed as commission fees to the underwriter or stock issue costs to the Company, but was not reflected in the accounts and records of the Company.

16. LEASES

The Company leases mainframe computers, telecommunication equipment, automatic teller machines, software and other items under finance lease arrangements. Total lease payments under the finance leases, which were included in the amount of rent presented in Note 14, for each of the five years in the period ended March 31, 2001 were as follows:

	Millions of Yen					Thousands of U.S. Dollars
	1997	1998	1999	2000	**2001**	**2001**
Total lease payments under for finance leases	¥370	¥518	¥684	¥757	**¥1,136**	**$9,161**

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2000 and 2001 was as follows:

	Millions of Yen					
	2000			**2001**		
	Furniture and Fixtures	Software	Total	Furniture and Fixtures	Software	Total
Acquisition cost	¥4,109	¥188	¥4,297	**¥5,604**	**¥354**	**¥5,958**
Accumulated depreciation	1,979	13	1,992	**2,568**	**76**	**2,644**
Net leased property	¥2,130	¥175	¥2,305	**¥3,036**	**¥278**	**¥3,314**

	Thousands of U.S. Dollars		
	2001		
	Furniture and Fixtures	Software	Total
Acquisition cost	**$45,194**	**$2,855**	**$48,049**
Accumulated depreciation	**20,710**	**613**	**21,323**
Net leased property	**$24,484**	**$2,242**	**$26,726**

Obligations under finance leases:	Millions of Yen		Thousands of U.S. Dollars
	2000	**2001**	**2001**
Due within one year	¥ 760	**¥1,067**	**$ 8,605**
Due after one year	1,600	**2,302**	**18,564**
Total	¥2,360	**¥3,369**	**$27,169**

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense for each of the four years in the period ended March 31, 2001, which are not reflected in the accompanying non-consolidated statements of income, computed by the straight-line method and the interest method, respectively, were as follows:

	Millions of Yen				Thousands of U.S. Dollars
	1998	1999	2000	**2001**	**2001**
Depreciation expense	¥478	¥630	¥699	**¥1,049**	**$8,460**
Interest expense	55	69	79	**106**	**855**

17. CONTINGENCIES

At March 31, 2001, the Company was involved in certain legal proceedings. In the opinion of the Company's management, the outcome of such legal proceedings will not have, individually or in the aggregate, a material adverse effect on the Company's financial condition or on its results of operations.

As of March 31, 2001, the Company is contingently liable for the guarantee of loans of its subsidiary and its customers amounting to ¥631 million ($5,089 thousand).

18. SUBSEQUENT EVENTS

On June 28, 2001, the shareholders authorized the payment of (1) a cash dividend to shareholders of record at March 31, 2001 of ¥12.5 ($0.10) per share or a total of ¥567 million ($4,573 thousand), and (2) bonuses to directors of ¥16 million ($129 thousand).

Independent Auditors' Report

Deloitte
Touche
Tohmatsu

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Chuo-ku, Osaka 541-0052, Japan
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Facsimile: (06)6261-1238

To the Board of Directors and Shareholders of
Shinki Co., Ltd.:

We have examined the non-consolidated balance sheets of Shinki Co., Ltd. as of March 31, 2000 and 2001, and the related non-consolidated statements of income, and shareholders' equity for each of the five years in the period ended March 31, 2001, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above presents fairly the financial position of Shinki Co., Ltd. as of March 31, 2000 and 2001, and the results of its operations for each of the five years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the accounting for stock and bond issue costs, as discussed in Note 3.

As described in Note 2, effective April 1, 1999, the non-consolidated financial statements have been prepared in accordance with new accounting standards for interperiod allocation of income taxes, and effective April 1, 2000, in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

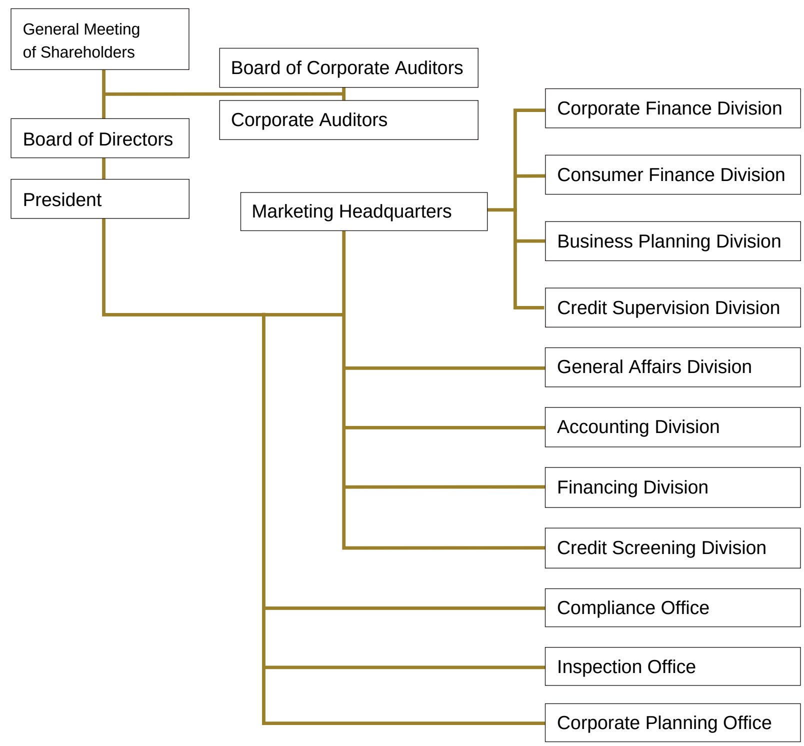
Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2001

Organization Chart

(As of April 1, 2001)



A Brief History of Shinki

1950

DECEMBER 1954
Company Founded

Company founded as Shinki Shoji in Kanzaki-gun in Hyogo Prefecture, commencing business-oriented loan-making operations, which include commercial and industrial loans, real estate-secured financing, and bill-discounting.

1970

OCTOBER 1973
Head Office Moved

Head office moved to Junishomae-cho, Himeji city.

AUGUST 1974
Consumer Finance Operations Started

Research prompted by oil crisis of the previous year indicates that consumer finance is more advantageous than corporate finance in this period of low economic growth. To prepare for change in business environment, Shinki deems it necessary to seek additional sources of revenue. With a view to diversification and greater stability, Shinki enters consumer finance sector.

1980

MAY 1984
Company Becomes Registered Money Lender

Following enactment of law regulating the money-lending business, Company becomes registered money lender.

AUGUST 1984
Company Name Changed to Shinki Co., Ltd.

Corporate identity established with new company symbol, logo, and colors.

MARCH 1989
First Automated Teller Machine Installed

Automated teller machine installed at Okayama Eki-mae Branch (8,379 automated teller machines in operation as of March 2001).

1990

OCTOBER 1995
Company's Shares Registered for OTC Trading

Company's shares registered for OTC trading with the Japan Securities Dealers Association.

APRIL 1996
Automated Loan Application Machines Introduced

Automated loan application machines introduced, with machines installed at Sapporo Branch and seven other branches.

OCTOBER 1996
NoLoan Launched

NoLoan, completely new type of card loan, launched with no interest during the first 7 days.

OCTOBER 1996
Unmanned Branches Introduced

Unmanned branches introduced, with 12 established in the Tokyo area (314 unmanned branches as of March 2001).

NOVEMBER 1996
First Call Center Established

First call center for consumer finance division established in Ikebukuro.

JULY 1997
Head Office Moved

Head office moved to Shinjuku, Tokyo.

OCTOBER 1997
Auto-Scoring Introduced

Introduce industry's first auto-scoring system for the corporate finance division.

NOVEMBER 1998
First Corporate Finance Division Call Center Established

First call center for the corporate finance division established in Hachioji, soon followed by a second in Omiya.

FEBRUARY 1999
Company's stock listed on the Second Section of the Tokyo Stock Exchange

JULY 1999
First Ever Corporate Bond Issuance

Taking advantage of the newly enacted nonbank corporate bond issuance law, ¥30 billion raised through corporate bonds.

SEPTEMBER 1999

First fund procurement through securitization of loans on deeds for small and medium-sized companies.

2000

SEPTEMBER 2000

The Company's shares listed on the First Section of the Tokyo Stock Exchange.

MARCH 2001

As of the term-end, the number of business loan branches amounted to 89 and that of consumer loan branches to 389, with the total number of branches standing at 478.

Corporate Directory

(As of March 31, 2001)

Corporate Data

Name: Shinki Co., Ltd.

Founded: December 1954

Head Office:
28F, Shinjuku L-Tower Bldg., 1-6-1, Nishishinjuku,
Shinjuku-ku, Tokyo 163-1528, Japan
Tel. (03) 3345-9331

Number of Employees: 1,231

Board of Directors and Corporate Auditors

(As of June 28, 2001)

President
Naofumi Maeda

Managing Director
Sakao Ono

Directors
Yasuo Takahara
Yoshio Yoshino
Kazuhito Fukuda
Masahiro Takeda

Standing Corporate Auditor
Osamu Ogino

Corporate Auditors
Fumiaki Yamamoto
Masao Miura

Investor Information

Paid-in Capital: ¥5,016 million
Number of Shareholders: 9,569
Shares Outstanding: 45,360,000
Major Shareholders (in units of 10,000 shares):

Naofumi Maeda President	1,108	(24.4%)
Think Data Co., Ltd. Property Insurance Company owned by Maeda Family	684	(15.1%)
Himejijujikai Foundation Charitable Fund (Chairman: Naoyoshi Maeda)	570	(12.6%)
J.P.Morgan Trust Bank Ltd.	244	(5.3%)
Setsu Maeda	216	(4.7%)
Naoyoshi Maeda	172	(3.8%)
Michiko Maeda	144	(3.2%)
Ryuko Sakamoto	144	(3.2%)
Boston Safe Deposit BSDT (Agent: The Bank of Tokyo-Mitsubishi, Ltd.)	66	(1.5%)
The Sakura Bank, Ltd.	54	(1.2%)
Shinsei Bank, Ltd.	54	(1.2%)

(Note: Sakura Bank and Sumitomo Bank merged to form Sumitomo Mitsui Banking Corporation in April 2001.)

Stock Traded:
First Section of the Tokyo Stock Exchange

Transfer Agent:
Mizuho Trust & Banking Co., Ltd.
1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

Share Price (during the term):
High: ¥2,800
Low: ¥ 750

Change in Issued Share Capital:

Date	Type of Issue
October 12, 1995	New stock allotment by public offering (850,000 shares, ¥2,680)
October 12, 1995	New stock allotment to third party (550,000 shares, ¥3,180)
May 20, 1996	3-for-2 stock split
August 25, 1996	New stock allotment by public offering (1,200,000 shares, ¥3,339)
May 20, 1997	6-for-5 stock split
November 19, 1999	2-for-1 stock split

Forward-Looking Statements

Numerical targets contained in this annual report with regard to plans and strategies and other forward-looking statements about the future business performance of Shinki are based on management's assumptions and projections in light of the information available at the time of writing, which means they are subject to the usual uncertainties and risks associated with such statements. Actual results may therefore differ from those in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic conditions in Shinki's market and changes in the size of the overall consumer loan market, the rate of customer default, the rates of interest paid on Shinki's debt and legal restrictions on interest rates charged by Shinki.

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